ANNUAL REPORT 2015

TOPSIL

Topsil Semiconductor Materials A/S
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Annual Report for the year 1 January 2015 – 31 December 2015

SILICON CONTRIBUTES TO THE MANUFACTURE OF ENERGY-EFFICIENT POWER COMPONENTS

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TOPSIL AT A GLANCE

Topsil is a market-leading manufacturer of ultra-pure silicon for the global semiconductor industry.

Topsil supplies silicon wafers, which are fitted in power components that can be used to convert and manage high-voltage currents, for example when connecting and disconnecting wind turbines, for frequency converters in motor control and power management in high-speed trains, electric cars, etc.

Topsil's market is to a great extent driven by political initiatives, as witnessed in Europe with the prioritisation of green energy and public transport. In the longer term, the growing middle classes worldwide (urbanisation) will demand modern convenience, and the budding interest in electric vehicles will also be a growth driver.

Topsil was founded in 1959 by Dr. Haldor Topsøe. The Company is listed on the Nasdaq Copenhagen stock exchange. Topsil is headquartered in Copenhagen Cleantech Park, Frederikssund, Denmark, and has subsidiaries in Warsaw, Poland, and Kyoto, Japan.

Topsil generated revenue of DKK 287.3 million in 2015 and had an average of 342 full-time employees.

Learn more at: **www.topsil.com**

SILICON IS USED IN ALL PARTS OF MODERN SOCIETY

MEGATRENDS

- The world's growing middle classes demand modern convenience, such as access to a stable power supply, well-functioning public transport, cars, domestic appliances, etc.
- The development of green technologies, driven by concerns about increasing pollution, focus on carbon emissions and fossil fuel prices.
- Political decisions: Improvements to the power grid and planning of public transport are subject to political decisions, including the scope of investments and the speed at which they are made.

POWER GRIDS

Silicon contributes to energy-efficient transport of electricity. In the intelligent electricity distribution network of the future, "Smart Grids", different energy sources may be connected or disconnected according to need in order to balance consumption day and night. Silicon helps convert electricity from, for example, alternating current to direct current, to connect to the grid and ensure smooth transport of current, often over long distances.

PRODUCTION MACHINERY

Industry needs electricity to manufacture goods. Production machinery requires turning on and off, and it must be possible to adjust electric energy and speed. Silicon is used in machine control mechanisms and electric motors to control and conduct electricity. Silicon is a highly efficient material contributing to optimum machine control as well as to optimum energy consumption.

WIND TURBINES

A wind turbine must be able to catch the wind and rotate, generate electricity and connect to and disconnect from the power grid depending on the wind force. Intelligent electronics are required for operating wind turbines and transporting energy, and this is where silicon comes in. Silicon is used in the electric components of the wind turbine nacelle. It is also used in the transformer system collecting energy and distributing it to the power grid.

HIGH-SPEED TRAINS

When electric trains are moving, they pick up energy from overhead wires and the rails. An energy-efficient electricity supply is required, and this is where silicon comes in. Silicon also helps regulate train speed and pick up energy. For example, it is used in complex power control systems installed on top of and underneath trains.

ELECTRIC CARS AND HYBRID VEHICLES

Electric cars and hybrid vehicles are expected to become more common on the roads in future. However, they can only run if their batteries are charged beforehand, and it is only possible to shift to a higher or lower gear if the electricity supply is regulated. Silicon has good power control properties and may be used for energy-efficient electricity supply and regulation. Silicon is used, for example, under the bonnet and in the charging stations used to charge the car.

FINANCIAL HIGHLIGHTS AND KEY RATIOS

- **REVENUE WAS UP BY 5% IN 2015 TO DKK 287.3 MILLION.**
- **EBITDA IMPROVED TO A PROFIT OF DKK 17.6 MILLION IN 2015 FROM A LOSS OF DKK 9.4 MILLION IN 2014.**
- **THE COST BASE WAS REDUCED BY DKK 7 MILLION.**
- **CONSOLIDATED GOODWILL AND ASSETS IN POLISH SUBSIDIARY WERE WRITTEN DOWN BY DKK 17 MILLION AND DKK 48 MILLION, RESPECTIVELY.**
- **CASH FLOWS FROM OPERATING ACTIVITIES CAME TO DKK 7.0 MILLION, COMPARED WITH AN OUTFLOW OF DKK 6.3 MILLION IN 2014.**

DKK'000	2015	2014	2013	2012	2011
Revenue	287,302	272,328	312,102	289,567	367,439
Earnings before interest, tax, depreciation and amortisation (EBITDA)	17,632	(9,355)	20,996	12,795	35,106
Operating profit/(loss) (EBIT)	(77,643)	(38,703)	(6,395)	(13,913)	6,027
Net financials	(18,497)	(10,900)	(6,315)	(3,728)	(9,298)
Profit/(loss) for the year	**(90,065)**	**(41,992)**	**(9,790)**	**(24,670)**	**(6,818)**
Of which attributable to parent company shareholders	(90,298)	(42,130)	(9,382)	(24,596)	(5,750)
Cash flows from operating activities	6,967	(6,318)	18,321	(3,827)	4,666
Cash flows from investing activities	(9,392)	(14,182)	(24,065)	(131,706)	(107,752)
Investments in property plant and equipment	3,674	8,822	15,594	122,886	102,945
Share capital	132,029	132,029	132,029	132,029	132,029
Equity attributable to parent company shareholders	243,912	327,759	376,668	387,828	394,010
Equity attributable to non-controlling shareholders	16,782	16,585	17,286	17,978	35,096
Total consolidated equity	260,694	344,344	393,954	405,806	429,106
Total assets	549,410	633,213	656,624	686,223	601,495
Invested capital	440,069	522,564	557,011	575,496	440,663
Net interest-bearing debt/(Net interest asset)	182,462	180,616	158,469	152,318	4,301
Net working capital (NWC)	117,643	118,620	140,106	142,504	125,789
FINANCIAL RATIOS					
EBITDA margin (%)	6.1	(3.4)	6.7	4.4	9.6
EBIT margin/profit margin (%)	(27.0)	(14.2)	(2.0)	(4.8)	1.6
Return on invested capital (%)	(16.1)	(7.2)	(1.1)	(2.7)	1.5
Contribution ratio (%)	47.6	48.1	46.3	47.6	49.0
Equity ratio (%)	47.4	54.4	60.0	59.1	71.0
Return on equity (%)	(29.8)	(11.4)	(2.4)	(5.9)	(1.4)
Current number of shares (thousands)	528,114	528,114	528,114	528,114	528,114
Earnings per share (DKK)	(0.17)	(0.08)	(0.02)	(0.05)	(0.01)
Price per share (DKK)	0.28	0.41	0.71	0.38	0.48
Average number of full-time employees	342	356	344	358	383

The financial highlights and key ratios have been prepared in accordance with "Recommendations and Financial Ratios". See the description in note 1 to the financial statements, Accounting policies.

CHARTING OUR COURSE FOR THE NEXT FIVE YEARS

We performed in line with guidance in 2015, and we have taken stock of the 2013-2015 strategy period. The efficiency measures implemented were important milestones, but we need to further streamline our business to bolster earnings. Therefore, we have decided to restructure our operations, terminate loss-making activities and enter into strategic partnerships to further strengthen the business. These measures gave rise to substantial impairment losses in 2015, and our 2016 results will be adversely affected by non-recurring costs.

We met our revenue and earnings guidance for 2015. Revenue was up 5% in a market that, according to Yole Developpement, the research institute, declined by 9%. EBITDA improved from a loss of DKK 9.4 million in 2014 to a profit of DKK 17.6 million for 2015. The net result for the year was impacted by impairment losses totalling DKK 65 million.

Our final 2015 performance was therefore still not satisfactory. We aim to change this by implementing our new strategy setting out to boost earnings to a level mirroring our strong market position.

REVENUE GROWTH DESPITE REPERCUSSIONS FROM THE COMPLAINT CASE

The complaint case left its trace also on the 2015 performance. However, we managed to resolve the matter in a satisfactory manner with respect to both the customer and the supplier, and deliveries have been successfully resumed.

Concurrently, the intensified sales efforts have paid off, especially in the Chinese market where sales grew by 62%. Chinese demand is focused on FZ products, particularly the new 200 mm product, while the approximately 50% sales growth in the US market was mainly driven by higher sales of FZ-HPS and CZ products. The launch of the new 200 mm FZ wafer also went according to plan, and the product is currently undergoing qualification proceedings at four customers.

The product launches in 2014 and 2015 have had decisive influence on our market position. Qualification processes often span two years and require dedicated and active participation, which, consistent with our wish to build a performance culture revolving around customers, is a top priority for us.

GROWTH POTENTIAL REMAINS INTACT

Although we have faced a number of years with weakening demand and heavy price pressure, longer-term growth trends in sales of ultra-pure silicon continue to confirm our potential. Focus on green energy and efficient power grids and transport solutions is growing - all areas that require high-performance, ultra-pure silicon, Topsil's core product. The latest data from Yole Développement, the research institute, predict value growth of 6% in 2016 and average annual power market growth of 5% p.a. through to 2020.

NEW FOCUSED STRATEGY

In the past strategy period, we reached a number of important efficiency milestones, and in the current strategy period we need to further streamline our business by restructuring loss-making operations and entering into strategic partnerships. Sales growth and significantly improved cost prices will drive the expected earnings recovery.

The target is average revenue growth of 5% p.a. during the strategy period and an increase in the EBITDA margin from 6% in 2015 to 15-20% in 2020.

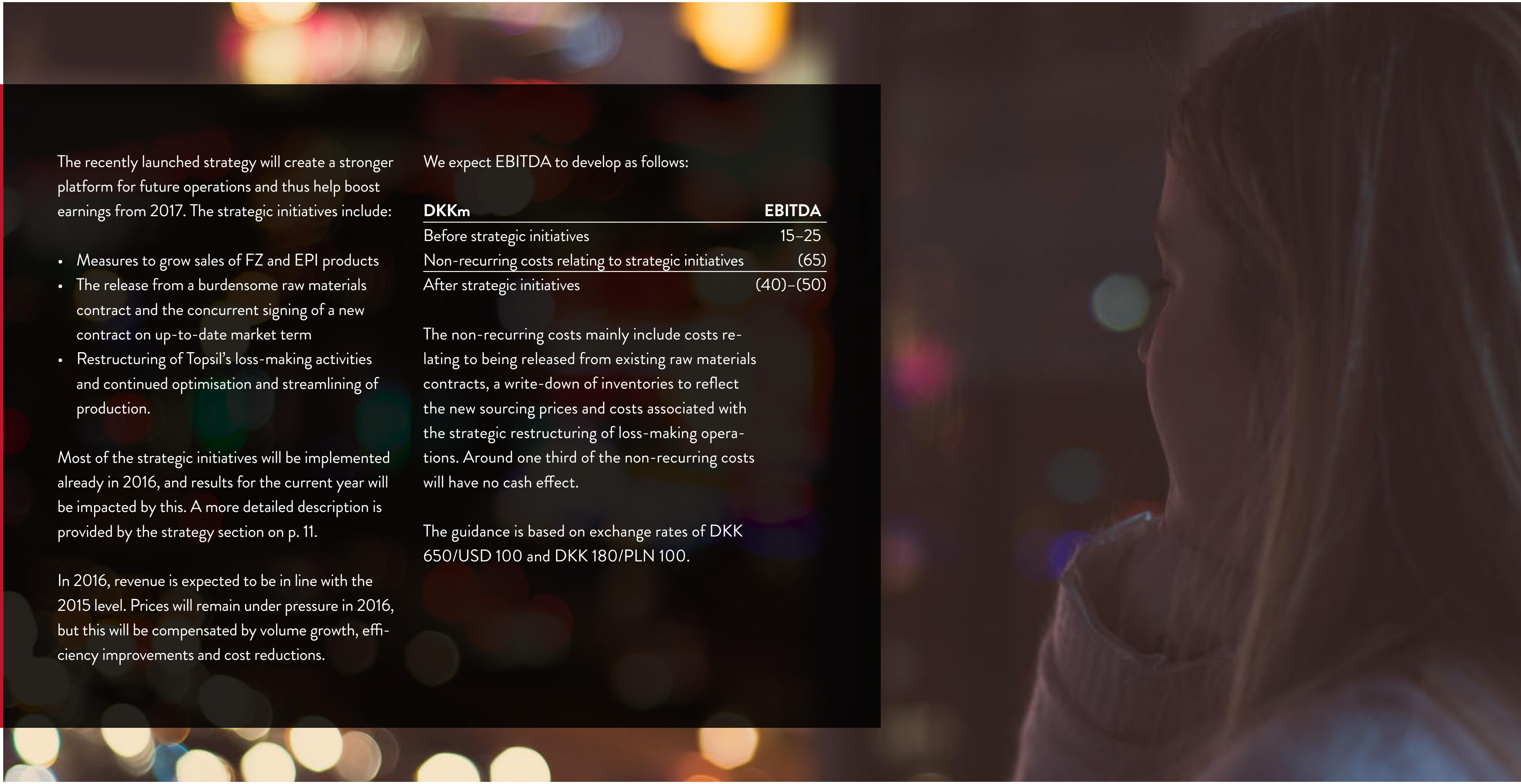
- We will concentrate our sales efforts on FZ and EPI products for the high- and medium-voltage segments
- We will improve our production efficiency, which includes strategic restructuring of loss-making operations
- We will conclude new contracts with raw materials suppliers that offer better prices and increased flexibility

The competitive environment calls for tight cost control. Looking ahead, outsourcing of a number of processes and signing of new raw materials contracts will significantly improve our financial performance, but will put pressure on liquidity in 2016. In the short term, DKK 65 million will be incurred to restructure and renegotiate raw materials contracts.

2016 is bound to bring market challenges but will also reveal the effects of our relentless efforts to deliver state-of-the-art products and adapt to customer requirements. We can only achieve this if we work together and share a commitment to putting our customers first. I would like to thank our employees for their tremendous efforts in 2015.

Kalle Hvidt Nielsen
CEO

OUTLOOK FOR 2016



The recently launched strategy will create a stronger platform for future operations and thus help boost earnings from 2017. The strategic initiatives include:

- Measures to grow sales of FZ and EPI products
- The release from a burdensome raw materials contract and the concurrent signing of a new contract on up-to-date market term
- Restructuring of Topsil's loss-making activities and continued optimisation and streamlining of production.

Most of the strategic initiatives will be implemented already in 2016, and results for the current year will be impacted by this. A more detailed description is provided by the strategy section on p. 11.

In 2016, revenue is expected to be in line with the 2015 level. Prices will remain under pressure in 2016, but this will be compensated by volume growth, efficiency improvements and cost reductions.

We expect EBITDA to develop as follows:

DKKm	EBITDA
Before strategic initiatives	15–25
Non-recurring costs relating to strategic initiatives	(65)
After strategic initiatives	(40)–(50)

The non-recurring costs mainly include costs relating to being released from existing raw materials contracts, a write-down of inventories to reflect the new sourcing prices and costs associated with the strategic restructuring of loss-making operations. Around one third of the non-recurring costs will have no cash effect.

The guidance is based on exchange rates of DKK 650/USD 100 and DKK 180/PLN 100.

TOPSIL – A CUTTING-EDGE TECHNOLOGY COMPANY

Important milestones were reached during the 2013-2015 strategy period, but reduced global demand eroded the potential for growing revenue and lifting cash flows from operations. During the current 2016-2020 strategy period, activities will be further streamlined through restructuring of loss-making operations and the formation of strategic partnerships. The target is to grow revenue by 5% p.a. on average during the strategy period and to increase the EBITDA margin from 6% in 2015 to 15-20% in 2020.

Topsil aims to be the leading supplier of ultra-pure silicon for the global semiconductor industry, and its more than 50 years' experience places the Company in a unique position to pursue its mission:

To supply silicon solutions that enable our customers to manufacture sophisticated, energy–efficient power components.

Silicon offers unique properties in relation to managing and controlling voltage in electric components. The market is characterised by few but very large suppliers. Topsil has a unique profile based on the following features:

- A broad range of silicon products for the power market
- Core competencies within ultra-pure silicon (Float Zone)
- A state-of-the-art production platform
- A global presence and strong positions in the EU and China
- Strong customer relations

Topsil's future success depends on its ability to continually adapt to customer requirements. To that end, we invest substantial resources in developing new products and optimising production processes.

The long-term growth potential for silicon is supported by an increasing global focus on climate solutions and energy efficiency. However, the economic downturn in large parts of the world has raised concerns about the short-term pace of growth. The latest forecasts from Yole Développement, the research institute, predict average annual power market growth of 5% through to 2020.

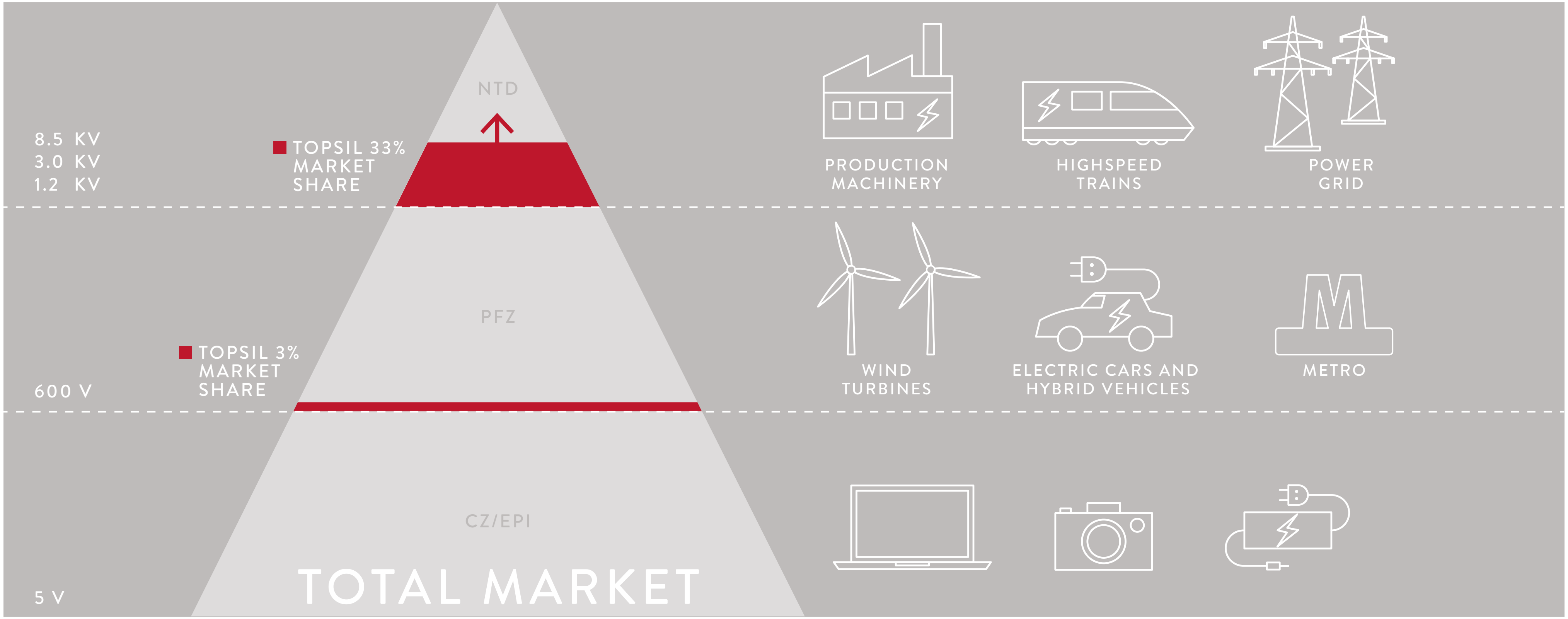
TOPSIL'S PRODUCT PORTFOLIO

Topsil's ultra-pure silicon is produced in two different ways; Float Zone (FZ) and Czochralski (CZ). FZ can handle the highest voltage levels, while CZ covers the lower voltage levels – with a possibility of overlapping in selected areas of application.

Topsil's five product types are available in different diameters in order to meet individual customer supply chain needs and requirements. Three of the products are Float Zone-based, and the other two are Czochralski.

- FZ-NTD – Neutron Transmutation Doped Silicon is a high-voltage product that is primarily used in sophisticated power components in large-scale energy and infrastructure projects.
- FZ-PFZ – Preferred Float Zone Silicon is a medium-voltage product used, among other things, for wind turbines and passenger transportation in the consumer segment.
- FZ-HPS – Hyper Pure Silicon is a specialty product that is used in optoelectronics (X-ray equipment and detectors). FZ-HPS differs from the other products in that it is related to optoelectronics and not to power electronics in the classical sense.
- CZ – Czochralski silicon is used for less technically sophisticated products, including consumer electronics.
- CZ-EPI – is a special variant of the CZ products, in which a special crystalline coating is applied to the CZ wafer, thus improving its conducting properties, which makes the wafer suitable for rather more complex products, for example for wind technology.

Topsil has a sizeable share of the important FZ-NTD market, and we are determined to grow our share of the PFZ market. The introduction of next generation 200 mm and 150 mm wafers has helped the Company achieve this.



POSITIVE GROWTH EXPECTATIONS FOR THE SILICON MARKET

After several years of market decline, Yole Développement expects growth in 2016. Until 2020, growth in sales of medium-voltage (FZ-PFZ) and high-voltage (FZ-NTD) products is expected to be driven by 150 mm and 200 mm wafers, with the 200 mm wafer showing the highest growth rates. In accordance with its strategy, Topsil has developed a number of new products to meet demand going forward, including new generations of its 200 mm and 150 mm FZ silicon wafers.

CORE COMPETENCIES WITHIN ULTRA-PURE SILICON

A silicon wafer goes through more than 100 processing steps from raw material (polysilicon) before it becomes a finished silicon wafer. Each step requires a high level of purity and accuracy to ensure that the wafer obtains the specified electrical properties.

This is a long and complex production process that requires close and competent monitoring to achieve the required extreme purity. Topsil invests substantial resources in staff competencies and has also implemented an extensive quality assurance system. Topsil was re-certified to the TS 16949 quality assurance system in 2015.

The raw material, which has different technical characteristics, is received in solid form and is then prepared for processing. When the raw material is melted at induction heat in specially designed production equipment, a uniform crystal is formed to which dopants can be added. The doping process adds the required electrical properties to the material. The silicon crystal is subsequently cut into wafers, which again are post-processed according to product type and given the right surface treatment according to customer specifications.

Topsil maintains close contact with its key raw materials suppliers and uses only qualified suppliers in the production process as it is of critical importance to have insights into all of a supplier's procedures and processes.

Topsil's silicon wafers are primarily used in the production of power components and are used individually or in large series or modules to convert and manage high-voltage currents, for example when connecting and disconnecting wind turbines, for frequency converters in motor controls and power supplies in high-speed trains. The 2015 power market represented a value of just under USD 1 billion.

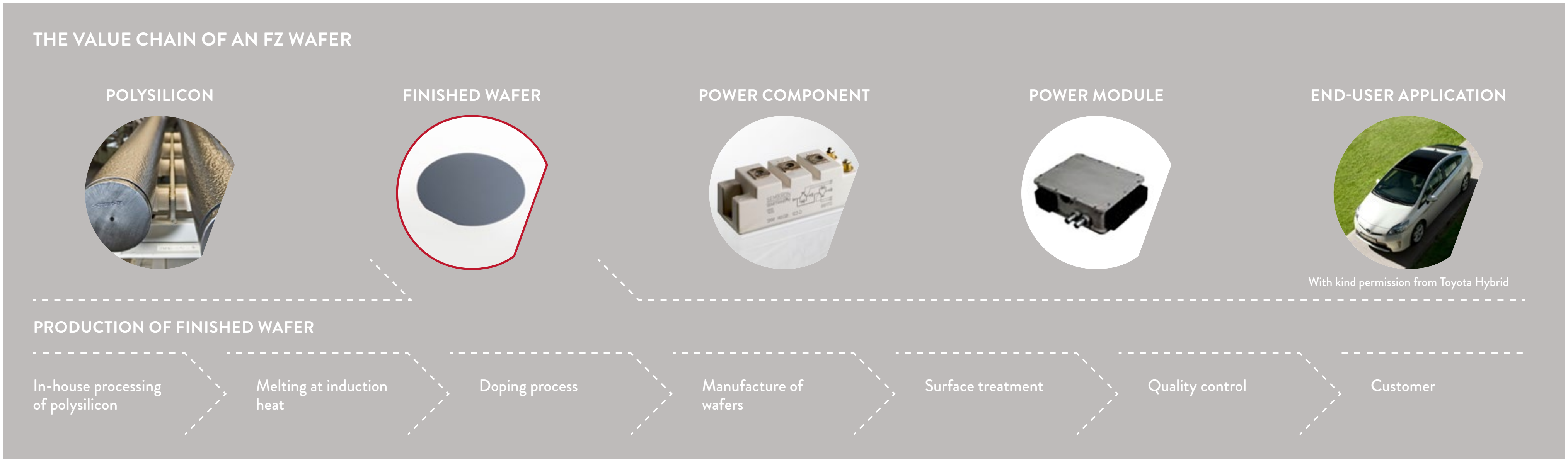
STATE-OF-THE-ART PRODUCTION PLATFORM

The running-in of Topsil's new state-of-the-art production facility in Denmark was completed in 2015, and the new factory now manufactures our entire output of FZ crystals. The new production facility has been designed for FZ production with a streamlined flow, and the specially designed production equipment has made it possible to professionalise the production process in Denmark.

This reorganisation has generated substantial efficiency gains that will be intensified and reaped during the coming strategy period.

GLOBAL PRESENCE AND STRONG CUSTOMER RELATIONS

Topsil has a global presence and enjoys a solid position in Europe and strong growth rates in both China and the US. Europe remains Topsil's largest market, and Topsil has long-standing customer relations in that region that have played a key role in relation to our ongoing product development. Topsil enjoys high customer satisfaction rates and, it follows, a strong degree of customer loyalty.



THE 2013-2015 STRATEGY: "EXECUTING ON OPPORTUNITIES"

The past strategy period 2013-15, "Executing on opportunities", was impacted by declining global demand and lower prices. Moreover, the Company was adversely affected by a major complaint case in 2014, which made it impossible to grow revenue.

Important milestones were reached in relation to efficiency gains and the introduction of a number of new products that will help strengthen the Company's position in the high-voltage and medium-voltage segments. Adjusted for the customer complaint case, Management believes that growth during the strategy period would have been in the 10-20% range.

The strategy comprised four key focus areas:

- Strengthening the position within high-voltage and medium-voltage products (FZ-NTD and FZ-PFZ).
- Reinforcing the position in Japan and China, both strategically important markets.
- Reducing working capital and increasing cash flows from operations.
- Improving production efficiency and increasing the utilisation of raw materials.

PRODUCTS

Topsil introduced new generations of the 200 mm FZ silicon wafer and the 150 mm FZ silicon wafer in 2013 and 2014, respectively. The 150 mm FZ silicon wafer is based on the 200 mm platform and supports a substantially more efficient production process at our customers as well as in-house. These products have been qualified by a number of key customers and now form part of their current production. It takes 12-24 months for customers to redirect production to new formats, and the next few years will see further qualification by existing and potential new customers, while at the same time the full effect of the market entry will feed through to our financial results. In 2015, sales of 200 mm FZ products soared by more than 500% to account for just over 10% of our silicon revenue.

MARKETS

Topsil set up an own office in the strategically important Japanese market in 2013, and at the beginning of 2014, we signed a cooperation agreement with a Japanese partner on the sale and market development of ultra-pure silicon products. 2014 also saw the conclusion of framework agreements with two major Chinese customers. These agreements cover the supply of silicon for energy infrastructure projects and transport purposes during the period 2014-2017, and Topsil generated substantial growth in this important market in 2015.

CASH FLOWS

Through a number of initiatives such as earlier collection of receivables, longer credit periods, renegotiation of raw materials contracts and price reductions, working capital was reduced by DKK 24.9 million (17%) during the strategy period. Between 2011 and 2015, the cost base was reduced by DKK 26 million (18%) through, among other things, a headcount reduction from 383 to 342. At the beginning of 2015, the salaried staff was reduced by 15 full-time employees.

EFFICIENCY IMPROVEMENTS

Production at the old production facility was discontinued in 2014, and all Danish production has been transferred to the new state-of-the-art silicon factory. Topsil's target of reducing the average variable cost per wafer by a minimum of 15% during the strategy period was achieved already in 2014 and by end-2015, costs had been reduced by a total of 21% through, among other things, a higher rate of utilisation of raw materials, more favourable purchase terms with third-party contractors and increased use of waste products from the production of silicon.

NEW STRATEGY FOR 2016-2020 FOCUSED ON THE FZ BUSINESS

Topsil's new strategy for 2016 - 2020 focuses on the FZ and EPI market and includes a number of strategic initiatives aiming to boost sales, lower production costs to much more competitive levels and significantly reduce funds tied up in inventories. Financially, the strategy sets out to return EBITDA margins to the 15-20% interval and to generate solid cash flows during the strategy period.

Yole Développement, the research institute, estimates that demand from the power market decreased by around 9% in value terms in 2015 (+3% in 2014). The decline was most pronounced in the second half of the year, but demand is expected to pick up in the coming strategy period.

Yole Développement anticipates average annual growth of around 5% in value terms in the period to 2020. Prices remain under pressure due to overcapacity and a weak yen, and Yole Développement is not expecting a recovery within the strategy period. 200 mm products are expected to suffer the biggest price erosion as volumes grow substantially. By 2020, 200 mm products are expected to account for around half of the market in value terms. The strongest growth rates are predicted for medium-voltage (FZ-PFZ) and high-voltage (FZ-NTD) products.

The main elements of the new strategy are as follows:

- Strengthening of the sales efforts with respect to FZ and EPI products for the high- and medium-voltage segments
- Measures to improve production efficiency, including strategic restructuring of loss-making operations
- New contracts with raw materials suppliers that offer higher prices and increased flexibility

STRENGTHENING OF SALES EFFORTS

In accordance with its strategy, Topsil has developed a number of new products to meet demand going forward, including new generations of its 200 mm and 150 mm FZ silicon wafers. In addition, Topsil is developing a new FZ product that will significantly improve the technical properties and performance of FZ silicon wafers. Topsil has applied for a patent for the FZ product with a view to strengthening its competitive edge. These product innovations will be instrumental in fuelling growth during the strategy period.

EUROPE

The European market has long been characterised by a political focus on climate solutions and enhancing energy efficiency. Topsil has successfully built a solid position in Europe. Topsil's strategy is to maintain and consolidate this position by continually developing customer relations and product portfolios.

CHINA

China is also a strategically important market. This market is developing at a high speed, both economically and technologically, and politically it is expected that the public sector will invest substantially in infrastructure projects (International Energy Agency 2014).

Boosting sales, the efforts made in China over the past few years have paid off. Efforts will be further stepped up during the next few years.

JAPAN

Around one third of the total global output of FZ silicon is sold in Japan. Topsil has set up its own sales office in Japan and signed a cooperation agreement with a Japanese partner concerning sales to and development of the Japanese market. These measures have translated into new customer relations and ongoing qualifications of Topsil products by a number of new and existing customers, including of next-generation 200 mm FZ silicon wafers by three potential Japanese customers.

Thanks to the stepping up of efforts in Japan over the past few years, a substantial sales pipeline has been built and a significant number of qualifications commenced. These efforts will be maintained during the coming period with a view to translating the stronger pipeline into higher sales.

USA

The lion's share of mass production has been relocated from the US to the Far East and the US market has become a specialty products market. In 2015, we successfully boosted growth in the US market, and efforts to develop this market will continue unabated during the current strategy period.

STRATEGIC PARTNERSHIPS

Negotiations are currently being conducted with an industrial partner concerning a strategic sales and production partnership in respect of, to begin with, a limited number of major customers in respect of which the industrial partner has a strong position but lacks access to the FZ products that Topsil can deliver.

MEASURES TO IMPROVE PRODUCTION EFFICIENCY AND STRATEGIC RESTRUCTURING OF LOSS-MAKING OPERATIONS

Topsil has significantly enhanced production efficiency through automation, process improvements and simplifications. These efforts will continue unabated to bring down operating expenses.

In addition, Topsil will further streamline its business by restructuring loss-making operations. As part of these measures, a number of loss-making products will be discontinued and a number of processes outsourced to third-party contractors. In this connection, Topsil has signed an agreement with a major industrial partner to strengthen the supply chain within relevant areas.

When fully implemented, the restructuring of loss-making activities is expected to reduce operating expenses by DKK 10 million annually.

NEW CONTRACTS WITH RAW MATERIALS SUPPLIERS THAT OFFER HIGHER PRICES AND INCREASED FLEXIBILITY

During the past few years, Topsil has been adversely affected by two long-term raw materials contracts concluded in 2010. Since these contracts were signed, market prices for both raw materials and Topsil's finished products have fallen steeply and Topsil's volume commitments have significantly exceeded its requirements.

While Topsil's selling prices have to a wide extent paralleled the sagging market, raw materials prices have been more resilient. This has put heavy downward pressure on earnings while at the same time the substantial volume commitments have resulted in much heavier stockpiling than necessary.

In 2016, Topsil has signed an agreement with one of the two suppliers and is conducting negotiations with the other. These agreements are expected to result in substantially lower raw materials prices relative to 2015 as well as adjustments of purchasing commitments.

FINANCIAL TARGETS FOR 2016-2020

- Average annual revenue growth of 5% until 2020
- An EBITDA margin in the range of 15-20%, increasing over the strategy period, driven by sales growth, production cost cuts and restructuring of loss-making operations
- By 2017, a reduction of funds tied up in inventories to a maximum of DKK 120 million from DKK 163.4 million at year-end 2015. The goal is to reduce inventories to less than DKK 100 million by the end of the strategy period.

FINANCIAL REVIEW

Revenue was up 5% in 2015, and EBITDA improved from a loss of DKK 9.4 million in 2014 to a profit of DKK 17.6 million for 2015. The efficiency measures implemented in 2014 and 2015 have successfully reduced the cost base. The loss for the year was impacted by impairment charges totalling DKK 65 million. The impairment loss has no cash effect.

THE LEVEL OF ACTIVITY INCREASED IN LINE WITH EXPECTATIONS

In spite of tougher competition, we managed to generate revenue of DKK 68.5 million in the final quarter of 2015, compared with DKK 67.8 million in the same period of 2014. Full-year revenue was up by 5% to DKK 287.3 million, slightly exceeding the adjusted guidance expressed in the interim report for Q3 2015.

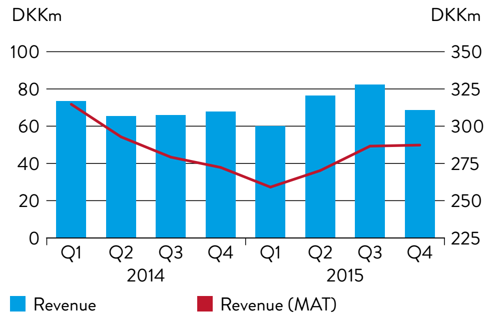
CONTINUED STRONG POSITION IN EUROPE AND GROWTH IN THE US AND CHINA

For several years, the European market has accounted for the lion's share of Topsil's silicon revenue and, at 61%, 2015 was no exception. The US accounted for 12% and Asia for 27% of total silicon revenue.

Sales to the European market totalled DKK 165.7 million in 2015, down 3% from DKK 171.6 million in 2014. The decline was partly due to the resumption of supplies at a lower level to the customer who filed a complaint in 2014, coupled with price pressure. The European market is still characterised by political focus on climate solutions and improving energy efficiency, areas in which Topsil has built a strong position.

Sales to the Asian market totalled DKK 74.7 million in 2015, up 14% from DKK 65.3 million in 2014. Underlying the increase were strong sales growth in the Chinese market at a rate of 62% and moderate CZ-EPI sales in Japan. Growth in the Chinese market was driven by 200 mm FZ sales and a number of infrastructure project wins.

REVENUE



Sales to the US market soared from DKK 21.7 million in 2014 to DKK 32.5 million in 2015. Around half of Topsil's FZ-HPS products are sold in this market.

TARGET ATTAINMENT 2015

DKKm	Full-year guidance expressed in Q3 2015	2015	2014
Revenue	Revenue growth of 2-5%, equalling DKK 278-286 million.	287.3	272.3
EBITDA	EBITDA at the lower end of the DKK 14-24 million range.	17.6	(9.4)

SALES OF SILICON PRODUCTS BY GEOGRAPHICAL REGIONS

	FZ		CZ/EPI		Total	
	2015	2014	2015	2014	2015	2014
EU	52%	58%	9%	8%	61%	66%
US	5%	5%	7%	3%	12%	8%
Asia	19%	14%	8%	12%	27%	26%
Total	**76%**	**77%**	**24%**	**23%**	**100%**	**100%**

HIGHER FLOAT ZONE SALES FOR THE HIGH-VOLTAGE SEGMENT

In 2015, FZ-NTD sales grew by 8% to DKK 145.9 million, thanks mainly to strong sales growth in China driven primarily by sales of the new 200 mm FZ products. FZ-HPS sales were up 16% to DKK 19.9 million, among other things driven by higher sales in the US. Sales of FZ-PFZ products came to DKK 40.0 million, in line with the 2014 level, masking intensified price competition that was offset by volume growth and a stronger USD.

Revenue from CZ and CZ-EPI sales was up by 7% in 2015. Underlying this increase were a 20% surge in CZ sales, partly driven by increasing US sales and a stronger USD, and a moderate 1% increase in CZ-EPI sales. The subdued growth in EPI demand mirrors reduced demand from a major Japanese customer and the addition of a new major customer after a successful qualification in 2015.

NON-CORE ACTIVITIES: PROPERTY MANAGEMENT

Revenue from property management was DKK 14.5 million in 2015. Topsil Poland is the property company's main tenant. Topsil aims to divest the property company through a sale of either the entire shareholding or separate lots.

CONTRIBUTION RATIO

The contribution ratio was 47.6% in 2015, a year-on-year decline of 0.5 of a percentage point. The lower contribution ratio was partly due to the sale of a large volume of remelt at close to cost, totalling DKK 3.3 million, and the running-in and scale-up costs related to the 200 mm production. Adjusted for these factors, the contribution ratio improved relative to 2014.

COSTS WERE REDUCED IN 2015

Other external expenses and staff costs amounted to DKK 119.0 million in 2015, down from DKK 140.3 million in 2014, which period was adversely affected by the extraordinary situation relating to the complaint case. Adjusted for this, the cost base was reduced by around DKK 7 million in 2015.

Staff costs were reduced by DKK 4.0 million to DKK 73.4 million, mainly reflecting the headcount reductions.

The average number of employees in 2015 was 342, compared with 356 in 2014. The fall reflects the staff cuts made at the beginning of the year and restraint in filling positions vacated in connection with natural wastage. At year-end 2015, the Topsil Group had 329 employees.

EBITDA

EBITDA for Q4 2015 was a loss of DKK 0.5 million, against a loss of DKK 3.8 million for Q4 2014. The fourth quarter of 2014 was impacted by a DKK 5 million impairment loss on compensation receivable from a third-party contractor in connection with the complaint case.

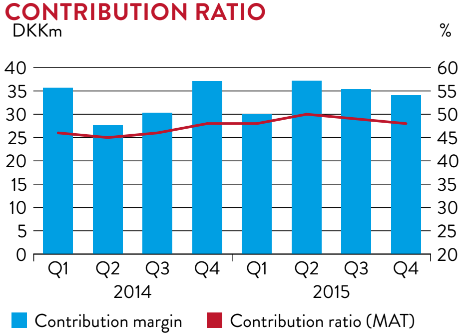
For full-year 2015, EBITDA came to DKK 17.6 million, equivalent to an EBITDA margin of 6.1%, compared with a loss of DKK 9.4 million and (3.4)% in 2014.

STRATEGIC INITIATIVES LEAD TO HIGHER AMORTISATION, DEPRECIATION AND IMPAIRMENT

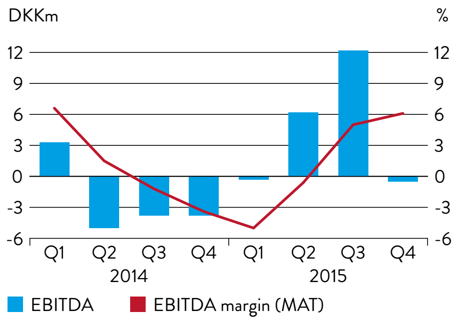
Amortisation, depreciation and impairment charges for 2015 were DKK 95.3 million, up from DKK 29.3 million last year. In connection with the strategy process and the performance of impairment tests, the value of the assets in the Polish subsidiary has been reduced by DKK 47.6 million and consolidated goodwill by DKK 17.4 million, a total impairment loss of about DKK 65 million. The impairment loss has no cash effect and will reduce future annual amortisation and depreciation by around DKK 8 million (2016).

EBIT for 2015 was a loss of DKK 77.6 million against a loss of DKK 38.7 million for 2014.

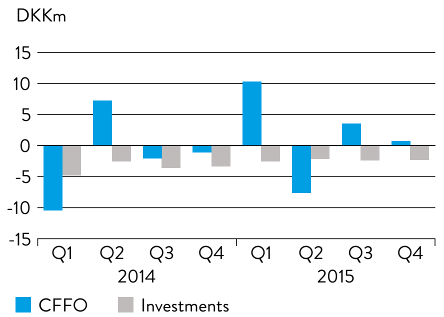
CONTRIBUTION MARGIN AND CONTRIBUTION RATIO



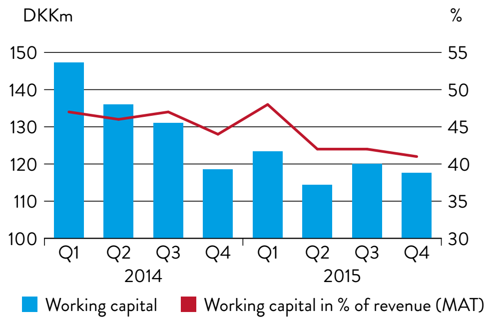
EBITDA AND EBITDA MARGIN



CFFO AND INVESTMENTS



WORKING CAPITAL



Financial items were a net expense of DKK 18.5 million in 2015 against a net expense of DKK 10.9 million in 2014. The increase in financial expenses was partly due to higher interest rates on existing bank debts and fees in connection with the extension of collateral provided to Topsil's principal bankers. Interest on debts totalled DKK 10.3 million in 2015 against DKK 8.8 million in 2014, and fees amounted to DKK 2.8 million in 2015. Foreign exchange adjustments had a negative impact of DKK 5.3 million, among other things attributable to the stronger USD.

PROFIT/(LOSS) FOR THE YEAR

Topsil incurred a loss before tax of DKK 96.1 million in 2015, compared with a loss of DKK 49.6 million in 2014. Tax on the loss for the year was income of DKK 6.1 million. The loss for the year was DKK 90.1 million, compared with a loss of DKK 42.0 million for 2014.

TOTAL ASSETS REDUCED IN 2015

Total assets amounted to DKK 549.4 million at 31 December 2015, down DKK 83.8 million, or 13%, on 2014.

Non-current assets were reduced by DKK 86.6 million, primarily as a result of the DKK 47.6 million write-down of the Polish assets and the DKK 17.4 million write-down of consolidated goodwill.

NET WORKING CAPITAL

Topsil's net working capital was DKK 117.6 million at 31 December 2015, compared with DKK 118.6 million at year-end 2014.

Inventories stood at DKK 163.4 million at 31 December 2015, up DKK 7.3 million over 31 December 2014. The increase reflects contractual raw materials commitments previously entered into.

Other receivables were reduced by DKK 8.1 million to DKK 8.9 million at 31 December 2015, and other payables were reduced by DKK 16.8 million to DKK 15.5 million. Both reductions were mainly related to closing and settlement of the complaint case with the customer and the third-party contractor, respectively.

Prepayments received came to DKK 25.3 million at 31 December 2015, up DKK 17.2 million on 31 December 2014. The increase reflects the extension of the contract with one of Topsil's largest customers at the beginning of 2015.

CASH FLOWS BOOSTED BY IMPROVED RESULTS OF OPERATIONS

Topsil generated a cash flow from operating activities of DKK 7.0 million in 2015, compared with an outflow of DKK 6.3 million in 2014. The cash flow from operating activities was boosted by higher earnings and prepayments from a customer.

Investments totalled DKK 9.6 million in 2015, composed of DKK 3.7 million in production facilities and DKK 5.9 million in development projects. Overall, investments represented approximately 3% of revenue.

Consolidated net interest-bearing debt was DKK 182.5 million at 31 December 2015, a year-on-year increase of DKK 1.8 million.

In March 2016, Topsil made an agreement with the Group's principal bankers to extend credit facilities to 1 March 2017. The agreement was set up as a committed corporate loan with operating facilities of DKK 233 million. By comparison, the previous facility totalled DKK 250 million, comprising bank loans and guarantees.

Based on the 2016 guidance, Management believes that the existing capital resources and the expected future cash flows will be sufficient to maintain operations and to finance the Company's planned measures. Liquidity is expected to be tight, and the liquidity forecast only includes a moderate buffer to absorb any negative variances.

As at the balance sheet date, the Group had cash and cash equivalents of DKK 8.8 million and unutilised credit facilities of DKK 14.7 million.

EQUITY

The Group's equity at 31 December 2015 amounted to DKK 260.7 million, of which DKK 243.9 million was attributable to shareholders in Topsil Semiconductor Materials A/S and DKK 16.8 million to non-controlling interests in Cemat'70 S.A. The decline in equity before non-controlling interests reflects the amortisation, depreciation and impairment charges recognised.

The equity ratio at 31 December 2015 was 47.4% against 54.4% at year-end 2014.

EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred since the end of the financial year.

RISKS AND RISK MANAGEMENT

Risk management is a priority focus area at Topsil and an integral part of our day-to-day operations. This enables us to respond quickly if conditions change.

The overall responsibility for risk management lies with the Board of Directors in close collaboration with the Management Board, and in order to identify the risk factors impacting the Group, Topsil has established in-house control and risk management systems. Key risk factors are described below. The risk factors are not listed in any order of priority.

MARKET AND BUSINESS RISKS

Most of Topsil's silicon is used in end products within energy infrastructure, transport and renewable energy. These are all areas subject to significant political influence. Shifting political tides resulting in changing investment focus, deferments or cancellations will thus have an impact on the Group's activity level and growth potential. Likewise, it may constitute a risk if other demand does not reach expected levels. Topsil seeks to mitigate its risks by being present in a number of geographical markets.

SHIFTS IN TECHNOLOGY AND PRODUCTS

If new or substitute technologies or production methods are developed that are of the same quality and have the same or better properties as and a lower price than ultra-pure silicon, this would adversely impact Topsil's sales potential. Topsil believes that substitute technologies replacing silicon do not currently pose a threat.

COMPETITION

Although Topsil is one of the world's largest suppliers of ultra-pure silicon for the highest voltage levels to the power market, the Group is a niche player among very large competitors. This may imply a business risk as a result of Topsil's weaker capital base. Increased competition in the niche markets could lead to increased price pressure.

The low-voltage market is characterised by a considerable number of competitors and by being very cyclical. Increased competition in the market would entail increased price pressure.

Topsil focuses on efficiency improvements in order to improve its competitive strength.

INTELLECTUAL PROPERTY RIGHTS

Topsil has complex technology at its disposal and seeks to protect its intellectual property rights in the best possible way. Any infringement of Topsil's rights may result in costly and resource-demanding legal proceedings that Topsil would have no guarantee of winning. This also applies to the risk that Topsil infringes its competitors' intellectual property rights. Reference is made to note 2, "Significant accounting estimates and uncertainties", p. 38.

CUSTOMERS

Sales to the Group's three largest customers account for about 38% of revenue, and all three account for more than 10% of consolidated revenue. The loss of one or more of the Group's largest customers would therefore have an adverse impact on consolidated revenue. Topsil works to expand its customer base so as to mitigate its dependence on a few individual customers.

If customer qualifications of the new products fail to materialise or are significantly delayed, this would have a negative impact on Topsil.

SUPPLIERS

Topsil's use of third-party contractors constitutes a risk to product quality, and the Company seeks to mitigate this risk through tight management of the supply chain.

There are currently only two suppliers worldwide that are capable of producing the most important raw material for the production of ultra-pure silicon in the right quality. Topsil has signed long-term agreements with both suppliers. If the Group loses one or both raw materials suppliers, if they do not deliver the agreed amount of raw materials, or if they fail to meet the agreed quality requirements, this would have an impact on the Group's production capacity.

If customers demand smaller quantities of silicon than the quantities Topsil has an obligation to buy as raw materials, this may result in higher raw materials inventories. If the market price of raw materials drops to a level below the contractually agreed prices, the Group may be under an obligation to buy raw materials at a premium to the market price. For this reason, Topsil regularly negotiates with its suppliers of raw materials.

Topsil has signed contracts with third-party contractors, including within radiation and manufacturing of wafers. If this collaboration stops or material disputes arise, this may affect the Group's ability to supply some of its products. In addition, the long qualification process has the effect that it is not possible to switch from one supplier to another within a short period of time. Topsil seeks to reduce that risk by having several qualified suppliers of the Group's products to the extent possible and commercially justifiable. However, this is difficult as only a few suppliers are able to meet Topsil's tough quality standards.

DISTRIBUTORS

The Group has distributors in a number of geographical markets. If one or more distributors wish to make significant changes to distribution terms or wish to terminate their contract, this would potentially impact Topsil's revenue in selected geographical areas or from specific customers. Topsil set up a subsidiary in Japan in 2013 in order to be closer to the Japanese market and is planning to strengthen its presence in China.

QUALITY

Ultra-pure silicon must have a high, uniform quality. If the Group's products do not meet the agreed quality requirements, this would impact customer relations. If quality problems, delays or disruptions occur in the production process or logistics at Topsil or a third-party contractor, this may entail significant extra costs and delays in delivery to the customer, which may result in claims for compensation and/or rebates, and could cause customer relations to suffer.

PRODUCTION

The production process of ultra-pure silicon is highly sensitive. There may be situations in which unknown circumstances may cause production to run at lower than normal output and capacity during certain periods.

RESOURCES

Topsil will always depend on being able to attract qualified labour and, given its size, will depend on a number of key employees. If one or more key employees were to leave the Group, there is a risk that significant know-how would be lost.

Therefore, it is Management's responsibility to ensure that the Company always has the right employee skills, and a number of HR tools have been implemented for this purpose, including regular performance interviews to align job and skills requirements. In addition, employee satisfaction surveys are conducted regularly across the organisation in order to gauge the general level of job satisfaction and job motivation.

Topsil's staff possess significant knowledge resources and specialist skills in the field of silicon production.

INSURANCE

Topsil is exposed to a number of risks relating to the operation of its business. In order to mitigate its risks, the Group has taken out insurance cover within a number of general areas, including all risks insurance, transport insurance, professional and product liability insurance and directors & officers liability insurance. In addition, the Group has taken out workers' compensation insurance based on local conditions. Moreover, there is a risk of insufficient insurance coverage of claims.

FINANCIAL RISKS

As a result of the Group's activities, the equity and financial results are impacted by a number of different risk factors, mainly relating to changes in exchange rates and interest rate levels. For further information, see note 32 on pages 56-58, "Financial risks and financial instruments".

CAPITAL RESOURCES

The Group's capital resources are reviewed regularly and consist of binding loan commitments, operating credits and cash reserves in the parent company and the subsidiaries.

In March 2016, Topsil made an agreement with the Group's principal bankers to extend credit facilities to 1 March 2017. The agreement was set up as a committed corporate loan with operating facilities of DKK 233 million. By comparison, the previous facility totalled DKK 250 million, comprising bank loans and guarantees.

Based on the 2016 guidance, Management believes that the existing capital resources and the expected future cash flows will be sufficient to maintain operations and to finance the Company's planned measures. Liquidity is expected to be tight, and the liquidity forecast only includes a moderate buffer to absorb any negative variances.

The Group's budgets and, by extension, its future capital resources are inherently subject to risk since the extent as well as the timing of cash flow fluctuations will have an impact on the level of capital resources required. Management believes that any negative deviations in its operations in respect of budgeted cash flows can be countered on a timely basis through cash flow-enhancing activities.

Further reference is made to note 32 to the financial statements on page 58 for a description of cash flows and capital resources.

STATUTORY REPORTS

Topsil's statutory report on corporate governance, cf. section 107b of the Danish Financial Statements Act, covers the period 1 January – 31 December 2015.

The report consists of three elements:

- Corporate governance report
- Description of Topsil's management bodies
- An account of the main components of the Group's internal controls and risk management in relation to the financial reporting process.

Topsil's Board of Directors and Management Board continually work with corporate governance principles to ensure that the management structure and control systems are appropriate and satisfactory. The Board of Directors believes that clear management and communication guidelines help convey an accurate picture of Topsil.

Pursuant to section 107b of the Danish Financial Statements Act and clause 4.3 of the "Rules for issuers of Shares – Nasdaq Copenhagen", Topsil must report on how the Group addresses the recommendations published by the Committee on Corporate Governance in Denmark on 6 May 2013 and most recently updated in November 2014. The recommendations are available on the website of The Committee on Corporate Governance at **www.corporategovernance.dk**.
In preparing the report, Topsil has adopted the "comply-or-explain" principle in relation to each individual recommendation. The Board of Directors believes that Topsil complies with the majority of the recommendations. Topsil complies with 46 of the 47 corporate governance recommendations. The remaining recommendation is complied with in part.

The statutory report on corporate governance 2015, cf. section 107b of the Danish Financial Statements Act, is available on Topsil's website at **http://www.topsil.com/media/168267/corporate_governance_2015_uk.pdf**.

STATUTORY REPORT ON CORPORATE SOCIAL RESPONSIBILITY, CF. SECTIONS 99A AND 99B OF THE DANISH FINANCIAL STATEMENTS ACT

Topsil considers corporate social responsibility important. Based on and as a signatory to the UN Global Compact, which contains ten generally recognised principles for good conduct in the fields of human rights, labour standards, the environment and anti-corruption, the Company sets and monitors new targets for improvement from year to year. Topsil publishes its progress annually in a Communication on Progress (COP) report, which is available at **www.unglobalcompact.org**.

In 2015, Topsil especially focused on minimising its consumption of cooling water and on recycling surplus heat. As a result, costs were reduced in a number of areas and the environmental impact was also reduced.

The full report for the year is available at **http://www.topsil.com/media/167583/topsil_csr_2015.pdf**. The report also contains a report on the gender distribution in managerial positions, cf. the disclosure obligations under section 99b of the Danish Financial Statements Act.

As a result of its endorsement of the UN Global Compact, separate reporting on corporate social responsibility is not included in this annual report.

SHAREHOLDER INFORMATION

Topsil strives to maintain an open and continual dialogue with its shareholders, prospective investors and the general public.

TOPSIL'S SHARES

In 2015, the shares in the OMXC20 CAP index gained 29%, while the shares in the OMXC Small-Cap index gained 28%. The price of Topsil's shares was DKK 0.283 per share at the end of 2015, equivalent to a 31% decline (from DKK 0.41).

Market capitalisation at 31 December 2015 was just under DKK 150 million.

Total turnover in the share in 2015 was 205 million shares, which was 2% fewer than in 2014, when 209 million shares were traded.

MASTER DATA

Stock exchange:	Nasdaq Copenhagen
Index:	OMXC SmallCap
Industry:	Technology
ISIN:	DK0010271584
Symbol:	TPSL
Share capital:	DKK 132,028,539.25
Denomination:	DKK 0.25
No. of shares:	528,114,157
Negotiable instruments:	Yes
Voting restrictions:	No

SHARE CAPITAL

The share capital of Topsil Semiconductor Materials A/S amounts to DKK 132,028,539.25 nominal value and is divided into 528,114,157 shares of DKK 0.25 each. There is only one share class, and the share of the capital held corresponds to the share of votes.

The Board of Directors and the Management Board regularly assess whether the Group's capital and share structures are consistent with the interests of the shareholders and the Company. The Company's share capital remained unchanged in 2015.

SHAREHOLDER STRUCTURE

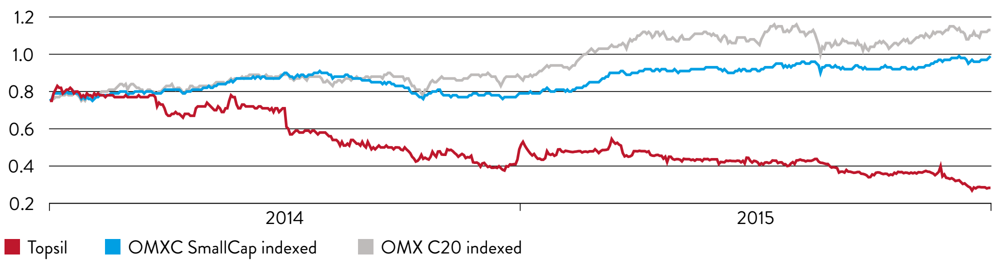
Topsil has 6,100 registered shareholders, who hold just under 85% of the share capital. Between them, the three largest shareholders hold 27.2% of the registered share capital. A list of shareholders who have notified the Company that they hold 5% or more of the share capital and votes under section 29 of the Danish Securities Act is shown below.

MANAGEMENT'S HOLDINGS OF TOPSIL SHARES

As at 31 December 2015, members of the Board of Directors and their related parties held 77,359,150 shares (nominal value DKK 19,339,788), corresponding to 14.6% of the share capital and a market value of DKK 21.7 million, and members of the Management Board held 420,000 shares (nominal value DKK 105,000), corresponding to 0.3% of the share capital and a market value of DKK 118,000.

The shareholdings of the individual members of the Board of Directors and the Management Board and changes thereto during 2015 are specified in this annual report under "Board of Directors and Management Board".

SHARE PRICE PERFORMANCE 2014 AND 2015



COMPOSITION OF SHAREHOLDERS

Composition of shareholders at 31 March 2016	Number of shares	Capital DKK	Capital %
EDJ Gruppen, Esbjerg*	76,000,000	19,000,000.00	14.39
SmallCap Denmark, Copenhagen	39,736,681	9,934,170.25	7.52
Advice Invest, Copenhagen	28,081,342	7,020,335.50	5.32

* EDJ-Gruppen consists of Eivind Dam Jensen and related parties together with companies controlled by Eivind Dam Jensen.

In addition, members of the Management Board held a total of 36,620,725 warrants. Exercise periods, terms and subscription prises are set out in the Articles of Association.

TREASURY SHARES

Pursuant to section 198 of the Danish Companies Act, the Board of Directors is authorised to acquire treasury shares for a period of 18 months from the date of an annual general meeting. Topsil did not hold any treasury shares at year-end 2015.

AUTHORISATIONS

Pursuant to the Articles of Association, the Board of Directors has been authorised by the general meeting of shareholders to issue up to 200 million new shares with pre-emptive rights to existing shareholders and up to 200 million new shares without pre-emptive rights to existing shareholders during the period until 22 April 2018. The aggregate nominal increase of the share capital may not exceed DKK 50 million, which means that a maximum of 200 million new shares of DKK 0.25 each may be subscribed under the two authorisations.

In addition, the general meeting of shareholders has authorised the Board of Directors to issue up to 27,179,363 warrants (nominal value DKK 6,794,840.75) to executive officers of the Group by 28 April 2019.

The Articles of Association were most recently updated on 27 April 2015.

Topsil's register of shareholders is managed by:

Computershare A/S
Kongevejen 418
DK-2840 Holte, Denmark

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 25 April 2016 at 10:00 am at Topsil, Siliciumvej 1, DK-3600 Frederikssund, Denmark.

Notices convening shareholders to annual and extraordinary general meetings and agendas for the meetings are sent via e-mail to shareholders who have so requested. Shareholders may register for general meetings and find relevant documents on the shareholder portal on the Company website. In addition, Topsil inserts notices of annual and extraordinary general meetings in the Danish newspaper Berlingske Tidende.

At the next annual general meeting, the Board of Directors will propose re-election of the incumbent Board members elected by the shareholders and of the Company's auditors, Deloitte.

DIVIDEND AND ALLOCATION OF PROFIT

The Board of Directors recommends to the Annual General Meeting that no dividend be declared in respect of the 2015 financial year. The Board of Directors recommends to the Annual General Meeting that the consolidated loss for the year of DKK 90.1 million be transferred to retained earnings.

ANNOUNCEMENTS IN 2015

2015	Announcement
05.01	Topsil extends long-term contract with customer
03.02	Customer complaint: Topsil signs agreement with customer to resume supplies
24.03	Annual Report 2014
27.03	Notice to convene Annual General Meeting
09.04	Election of employee representatives
24.04	Minutes of Annual General Meeting
27.04	Warrant programme for Management Board and executive officers
06.05	Warrant programme and updated Articles of Association
26.05	Interim report – Q1 2015
25.08	Interim report – Q2 2015
25.08	Customer complaint: Topsil signs agreement with third-party contractor about compensation
24.11	Interim report – Q3 2015
11.12	Financial calendar 2016

FINANCIAL CALENDAR 2016/2017

Date	Announcement	Silent period
31.03	Annual Report 2015	03.03.16 – 31.03.16
25.04	Annual General Meeting	
20.05	Interim report – Q1 2016	22.04.16 – 20.05.16
25.08	Interim report – Q2 2016	28.07.16 – 25.08.16
28.11	Interim report – Q3 2016	31.10.16 – 28.11.16

2017	Announcement	Silent period
27.03	Annual Report 2016	27.02.17 – 27.03.17
27.04	Annual General Meeting	

INVESTOR QUERIES

Any questions and comments from shareholders, analysts and other stakeholders should be addressed to Kalle Hvidt Nielsen, CEO, or Jesper Bodeholt, CFO, via the Investor Secretariat at e-mail: investor@topsil.com or tel.: +45 4736 5600.

BOARD OF DIRECTORS AND MANAGEMENT BOARD

BOARD OF DIRECTORS

Jens Borelli-Kjær (born 1960)
Chairman
CEO
MSc (Physics), MBA (INSEAD),
B.Com. International Trade
Elected 2006, Chairman 2006
Chairman of the Nomination Committee and the Remuneration Committee 2012
Current term expires in 2016

No. of shares held in Topsil (own and related parties): 693,750 (2014: 693,750)

Remuneration in 2015: DKK 450,000

Directorships and other managerial positions: Chairman of the board of directors of Vitral A/S.
Chairman of the board of directors of UAB Vitral, Lithuania.
CEO of CCMA APS

Special qualifications: Management experience from international industrial companies (electronics, building materials and medical equipment). Special focus on production, product development and commercialisation.

Eivind Dam Jensen (born 1951)
Deputy Chairman
CEO
State-authorised estate agent
Member of the Danish Association of Chartered Estate Agents, Diploma Administrator
Elected 2005, Deputy Chairman 2005
Member of the Nomination Committee 2012
Current term expires in 2016

No. of shares held in Topsil (own and related parties): 76,000,000 (2014: 76,000,000)

Remuneration in 2015: DKK 315,000

Directorships and other managerial positions: Owner of Statsaut. Ejendomsmæglerfirma E. Dam Jensen

Special qualifications: Purchase, sale, valuation and letting of commercial and investment properties and property management.

Michael Hedegaard Lyng (born 1969)
Group Executive Director, CFO
MSc (Economics and Auditing), MBA (IMD)
Elected 2010, Chairman of the Audit Committee 2010
Member of the Remuneration Committee 2012
Current term expires in 2016

No. of shares held in Topsil: 490,000 (2014: 490,000)

Remuneration in 2015: DKK 180,000
Audit Committee: DKK 90,000

Directorships and other managerial positions: Group Executive Director and CFO and member of the executive board of NKT Holding A/S, member of the boards of directors of several companies of the NKT Group,
CEO, NKT Cables Group
Member of the board of directors of Burmeister & Wain Scandinavian Contractor A/S
Member of the board of directors of Investeringsselskabet Luxor A/S
Special qualifications: Traditional CFO disciplines in global listed industrial companies.

Jørgen Frost (born 1954)
CEO
MSc (Engineering)
B.Com. (Marketing)
Elected 2006, member of the Audit Committee 2010
Current term expires in 2016

No. of shares held in Topsil: 165,000 (2014: 165,000)

Remuneration in 2015: DKK 180,000
Audit Committee: DKK 45,000

Directorships and other managerial positions: CEO of M.J. Grønbech & Sønner Holding A/S and chairman of its subsidiaries. Founder, CEO and member of the board of directors of Frost Invest A/S. Member of the board of directors of Fischer Holding A/S and chairman of its subsidiary Blendex A/S. Member of the board of directors of Vestergaard Holding A/S and its subsidiaries. Member of the board of directors of the Rich. Müller Foundation and RM Rich. Müller A/S. Member of the board of directors of Focus Lighting A/S

Special qualifications: Industrial management experience from listed industrial companies.

Sune Bro Duun (born 1977)
Elected by the employees
Research & Development Project Manager
MSc Engineering (Technical Physics), PhD
Employed in 2010
Elected in 2015
Current term expires in 2019

No. of shares held in Topsil: 10,400 (2014: N/A)

Remuneration in 2015: DKK 0

Directorships and other managerial positions: None

Special qualifications: Experience in float-zone silicon development

Jesper Leed Thomsen (born 1966)
Elected by the employees
Controller, employed in 2004
Diploma in accounting, B.Com. Management Accounting and Process Management
Elected in 2011
Current term expires in 2019

No. of shares held in Topsil: 0 (2014: 0)

Remuneration in 2015: DKK 180,000

Directorships and other managerial positions: None

Special qualifications: Experience in traditional controller disciplines in listed global industrial companies

MANAGEMENT BOARD

Karl Kristian Hvidt Nielsen (born 1964)
CEO, employed in 2012
MSc Engineering, B.Com. Marketing

No. of shares held in Topsil: 420,000 (2014: 420,000)

No. of warrants in Topsil: 27,675,539

Directorships and other managerial positions: Chairman of the board of directors of Mita-Teknik A/S
Chairman of the board of directors of SSBV-Rovsing A/S
Member of boards of directors of entities of the Topsil Group

Michael Lisby Jensen (born 1972)
CSO, employed in 2014
MBA, BA in Business Administration, Diploma in Engineering
Employed in 2014

No. of shares held in Topsil: 0 (2014: 0)

No. of warrants in Topsil: 2,993,625

Directorships and other managerial positions: Member of board of directors of entity of the Topsil Group

Jesper Bodeholt (born 1970)
CFO, employed in 2013
MSc. Business Administration and Auditing, B.Com. Accounting and Management Accounting

No. of shares held in Topsil: 0 (2014: 0)

No. of warrants in Topsil: 4,823,561

Directorships and other managerial positions: Member of boards of directors of entities of the Topsil Group

MANAGEMENT STATEMENT

We have today presented the annual report of Topsil Semiconductor Materials A/S for the financial year 1 January – 31 December 2015.

The annual report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

In our opinion, the consolidated and parent company financial statements give a true and fair view of the Group's and the parent company's assets, liabilities, equity and financial position at 31 December 2015 and of the results of the Group's and the parent company's operations and cash flows for the financial year ended 31 December 2015.

Furthermore, in our opinion, the Management's review gives a true and fair view of the developments in the activities and financial position of the Group and the parent company, the results for the year and of the Group's and the parent company's financial position in general and describes the significant risk and uncertainty factors that may affect the Group and the parent company.

We recommend that the annual report be approved by the shareholders in general meeting.

Frederikssund, 31 March 2016

MANAGEMENT BOARD

Kalle Hvidt Nielsen
CEO

Michael Lisby Jensen
CSO

Jesper Bodeholt
CFO

BOARD OF DIRECTORS

Jens Borelli-Kjær
Chairman

Eivind Dam Jensen
Deputy Chairman

Michael Hedegaard Lyng
Board member

Jørgen Frost
Board member

Jesper Leed Thomsen
Employee representative

Sune Bro Duun
Employee representative

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Topsil Semiconductor Materials A/S

Report on the consolidated financial statements and parent financial statements
We have audited the consolidated financial statements and parent financial statements of Topsil Semiconductor Materials A/S for the financial year 1 January – 31 December 2015, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including the accounting policies, for the Group as well as for the Parent. The consolidated financial statements and parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Management's responsibility for the consolidated financial statements and parent financial statements
Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies and for such internal control as Management determines is necessary to enable the preparation and fair presentation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on the consolidated financial statements and parent financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and parent financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and parent financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the consolidated financial statements and parent financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements and parent financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the consolidated financial statements and parent financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion
In our opinion, the consolidated financial statements and parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2015 and of the results of their operations and cash flows for the financial year 1 January – 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Statement on the Management's review
Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and parent financial statements.

On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and parent financial statements.

Frederikssund, 31 March 2016

Deloitte
Statsautoriseret Revisionspartnerselskab

Bill Haudal Pedersen	**Anders Oldau Gjelstrup**
State Authorised	State Authorised
Public Accountant	Public Accountant

FINANCIAL STATEMENTS
1 JANUARY - 31 DECEMBER 2015

INCOME STATEMENT

1 JANUARY – 31 DECEMBER

Parent company				Group	
2014	**2015**	**DKK'000**	**Note**	**2015**	**2014**
197,815	212,920	Revenue	3	287,302	272,328
6,628	(8,058)	Change in finished goods and work in progress		3.885	8,244
2,637	3,097	Work carried out for own account recognised as assets		3,338	5,501
50	0	Other operating income		243	132
(109,957)	(116,599)	Costs of raw materials and consumables		(158,126)	(155,304)
(56,005)	(36,579)	Other external expenses		(45,613)	(62,905)
(61,098)	(56,973)	Staff costs	4, 5, 6	(73,397)	(77,351)
(14,436)	(15,734)	Depreciation, amortisation and impairment	7	(95,275)	(29,348)
34,366	**(17,926)**	**Operating profit/(loss) (EBIT)**		**(77,643)**	**(38,703)**
(100,000)	0	Impairment of investments and receivables in subsidiaries	15	0	0
10,800	5,808	Financial income	8	28	1,342
(11,161)	(13,365)	Financial expenses	9	(18,525)	(12,242)
(134,727)	**(25,483)**	**Profit/(loss) before tax**		**(96,140)**	**(49,603)**
7,709	5,453	Tax on profit/(loss) for the year	10	6,075	7,611
(127,018)	**(20,030)**	**Profit/(loss) for the year**		**(90,065)**	**(41,992)**
		Appropriation of profit/(loss) for the year:			
		Parent company shareholders		(90,298)	(42,130)
		Non-controlling interests		233	138
				(90,065)	**(41,992)**
(0.24)	(0.04)	Earnings per share (DKK)	11	(0.17)	(0.08)
(0.22)	(0.03)	Diluted earnings per share (DKK)	11	(0.16)	(0.07)

STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY – 31 DECEMBER

Parent company				Group	
2014	**2015**	**DKK'000**	**Note**	**2015**	**2014**
(127,018)	(20,030)	Profit/(loss) for the year		(90,065)	(41,992)
		Items that may be reclassified to profit or loss:			
0	0	Foreign exchange adjustment, foreign companies		4,904	(9,030)
(127,018)	**(20,030)**	**Comprehensive income for the year**		**(85,161)**	**(51,022)**
		Distribution of comprehensive income for the year:			
127,018	(20,030)	Parent company shareholders		(85,358)	(50,321)
0	0	Non-controlling interests		197	(701)
(127,018)	**(20,030)**			**(85,161)**	**(51,022)**

CASH FLOW STATEMENT

FOR 2015

Parent company				Group	
2014	2015	DKK'000	Note	2015	2014
(34,366)	**(17,926)**	**Operating profit/(loss) (EBIT)**		**(77,643)**	**(38,703)**
14,436	15,734	Depreciation, amortisation and impairment	7	95,275	29,348
1,258	1,363	Share-based payment recognised in the income statement		1,511	1,412
12,510	17,653	Change in net working capital	27	2,079	9,567
1,250	2,207	Tax paid/received		1,506	869
0	0	Financial income received		28	49
(7,488)	(15,921)	Financial expenses paid		(15,789)	(8,860)
(12,400)	**3,110**	**Cash flows from operating activities**		**6,967**	**(6,318)**
(5,492)	(5,657)	Acquisition of intangible assets	12	(5,961)	(5,492)
(5,272)	(359)	Acquisition of property, plant and equipment	14	(3,674)	(8,822)
50	0	Sale of property, plant and equipment		243	132
(10,714)	**(6,016)**	**Cash flows from investing activities**		**(9,392)**	**(14,182)**
18,420	3,604	Loans and credits raised		3,772	14,452
18,420	**3,604**	**Cash flows from financing activities**		**3,772**	**14,452**
(4,694)	**698**	**Cash flows for the year**		**1,347**	**(6,048)**
5,317	623	Cash and cash equivalents at beginning of year		6,903	12,349
0	0	Market value adjustment of cash and cash equivalents		580	602
623	**1,321**	**Cash and cash equivalents at end of year**	19	**8,830**	**6,903**

BALANCE SHEET

AS AT 31 DECEMBER 2015

ASSETS

Parent company				Group	
2014	**2015**	**DKK'000**	**Note**	**2015**	**2014**
0	0	Goodwill		0	17,067
27,120	24,986	Completed development projects		25,019	27,760
5,055	10,712	Development projects in progress		10,712	5,055
0	0	Rights of use		13,877	13,801
0	0	Other intangible assets		0	416
32,175	**35,698**	**Intangible assets**	12, 13	**49,608**	**64,099**
123,702	121,466	Land and buildings		161,955	167,333
97,541	92,630	Plant and machinery		105,900	163,710
1,760	895	Other fixtures and fittings, tools and equipment		916	1,781
4,355	0	Property, plant and equipment under construction		4,049	8,460
227,358	**214,991**	**Property, plant and equipment**	14	**272,820**	**341,284**
55,503	55,616	Investments in subsidiaries	15	0	0
9,075	4,545	Other non-current receivables	16	4,545	9,075
64,578	**60,161**	**Financial assets**		**4,545**	**9,075**
0	**852**	**Deferred tax asset**	10	**871**	**23**
324,111	**311,702**	**Non-current assets**	3	**327,844**	**414,481**
83,771	**86,801**	**Inventories**	17	**163,384**	**156,105**
23,699	29,677	Trade receivables	18	36,558	33,896
11,063	10,939	Receivables from subsidiaries		0	0
14,213	5,712	Other receivables		8,902	17,046
2,163	1,970	Income tax receivable		2,014	2,215
1,527	1,072	Prepayments		1,878	2,567
52,665	**49,370**	**Receivables**		**49,352**	**55,724**
623	**1,321**	**Cash and cash equivalents**	19	**8,830**	**6,903**
137,059	**137,492**	**Current assets**		**221,566**	**218,732**
461,170	**449,194**	**Assets**		**549,410**	**633,213**

BALANCE SHEET

AS AT 31 DECEMBER 2015

EQUITY AND LIABILITIES

Parent company				Group	
2014	**2015**	**DKK'000**	**Note**	**2015**	**2014**
132,029	132,029	Share capital	20	132,029	132,029
0	0	Translation reserve	21	(19,499)	(24,439)
2,932	4,443	Reserve for share-based payment	21	4,443	2,932
69,148	49,118	Retained earnings		126,939	217,237
204,109	**185,590**	**Equity attributable to parent company shareholders**		**243,912**	**327,759**
0	**0**	**Equity attributable to non-controlling interests**		**16,782**	**16,585**
204,109	**185,590**	**Equity**		**260,694**	**344,344**
0	0	Due to credit institutions	22	6,812	0
0	0	Finance lease liabilities	23	419	674
1,440	0	Prepayments received from customers		0	1,440
0	0	Other non-current liabilities		2,579	2,307
2,587	0	Deferred tax liabilities	10	1,113	5,693
4,027	**0**	**Non-current liabilities**		**10,923**	**10,114**
180,876	184,480	Due to credit institutions	22	184,480	187,519
0	0	Finance lease liabilities	23	232	207
27,024	31,343	Trade creditors	24	50,160	48,740
9,850	10,560	Debt to subsidiaries		0	0
6,707	25,331	Prepayments received from customers		25,331	6,707
0	0	Provisions	25	0	0
0	0	Income tax payable		0	36
27,355	11,686	Other payables	26	15,454	32,220
1,222	204	Deferred income		2,136	3,326
253,034	**263,604**	**Current liabilities**		**277,793**	**278,755**
257,061	**263,604**	**Total liabilities**		**288,716**	**288,869**
461,170	**449,194**	**Equity and liabilities**		**549,410**	**633,213**
		Operating lease liabilities	28		
		Charges, guarantees and contingent liabilities, contractual liabilities	29-31		
		Other notes without reference	32-39		

STATEMENT OF CHANGES IN EQUITY

FOR 2015 (GROUP)

	Share capital	Translation reserve	Reserve for share-based payment	Retained earnings	Equity attributable to parent company shareholders	Equity attributable to non-controlling interests	Total equity DKK'000
Equity at 01.01.2014	**132,029**	**(16,248)**	**1,520**	**259,367**	**376,668**	**17,286**	**393,954**
Profit/(loss) for the year	0	0	0	(42,130)	(42,130)	138	(41,992)
Other comprehensive income	0	(8,191)	0	0	(8,191)	(839)	(9,030)
Comprehensive income	0	(8,191)	0	(42,130)	(50,321)	(701)	(51,022)
Share-based payment, see note 6	0	0	1,412	0	1,412	0	1,412
Share-based payment, forfeited warrants, see note 6	0	0	0	0	0	0	0
Equity at 31.12.2014	**132,029**	**(24,439)**	**2,932**	**217,237**	**327,759**	**16,585**	**344,344**
Equity at 01.01.2015	**132,029**	**(24,439)**	**2,932**	**217,237**	**327,759**	**16,585**	**344,344**
Profit/(loss) for the year	0	0	0	(90,298)	(90,298)	233	(90,065)
Other comprehensive income	0	4,940	0	0	4,940	(36)	4,904
Comprehensive income	0	4,940	0	(90,298)	(85,358)	197	(85,161)
Share-based payment, see note 6	0	0	1,511	0	1,511	0	1,511
Share-based payment, forfeited warrants, see note 6	0	0	0	0	0	0	0
Equity at 31.12.2015	**132,029**	**(19,499)**	**4,443**	**126,939**	**243,912**	**16,782**	**260,694**

STATEMENT OF CHANGES IN EQUITY

FOR 2015 (PARENT COMPANY)

	Share capital	Reserve for share-based payment	Retained earnings	Total equity DKK'000
Equity at 01.01.2014	**132,029**	**1,520**	**196,166**	**329,715**
Comprehensive income for the year	0	0	(127,018)	(127,018)
Share-based payment, see note 6	0	1,412	0	1,412
Share-based payment, forfeited warrants, see note 6	0	0	0	0
Equity at 31.12.2014	**132,029**	**2,932**	**69,148**	**204,109**
Equity at 01.01.2015	**132,029**	**2,932**	**69,148**	**204,109**
Comprehensive income for the year	0	0	(20,030)	(20,030)
Share-based payment, see note 6	0	1,511	0	1,511
Share-based payment, forfeited warrants, see note 6	0	0	0	0
Equity at 31.12.2015	**132,029**	**4,443**	**49,118**	**185,590**

NOTES TO THE FINANCIAL STATEMENTS

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NOTES

1. ACCOUNTING POLICIES

The consolidated and the parent company financial statements of Topsil Semiconductor Materials A/S for 2015 are presented in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of reporting class D entities (listed), pursuant to the Danish Executive Order on Adoption of IFRSs issued in accordance with the Danish Financial Statements Act and the rules and regulations of Nasdaq Copenhagen.

The consolidated financial statements and the parent company financial statements are presented in Danish kroner (DKK), which is the Group's presentation currency and the functional currency of the parent company.

The consolidated financial statements and parent company financial statements are prepared on the basis of the historical cost convention.

Implementation of new and revised standards and interpretations
New and revised standards and interpretations applying for financial years beginning on 1 January 2015 have been implemented in the annual report for 2015.

Standards and interpretations affecting the profit/(loss) for the year or the financial position
The implementation of new and revised standards and interpretations in the annual report for 2015 has not resulted in changes to the accounting policies.

Standards and interpretations impacting presentation and disclosure
The implementation of new and revised standards and interpretations in the annual report for 2015 has not resulted in changes to presentation or disclosure.

Standards and interpretations not yet in force
In Management's opinion, the application of new standards, revised standards and interpretations will not have a material impact on the annual reports for the coming financial years. Otherwise, the accounting policies are consistent with last year's, as described in the following.

Consolidated financial statements
The consolidated financial statements consolidate the financial statements of the parent company, Topsil Semiconductor Materials A/S, and subsidiaries in which the parent company directly or indirectly holds more than 50% of the shares.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the parent company and those of the subsidiaries, which are all prepared in accordance with the Group's accounting policies.

On consolidation, items of the same nature are aggregated and intra-group income and expenses, intra-group balances and shareholdings are eliminated. Unrealised gains and losses on transactions between consolidated companies are also eliminated.

Financial statement items of subsidiaries are fully consolidated. The non-controlling interests' proportionate share of the profit/loss is included in the consolidated profit/loss and comprehensive income for the year and as a separate item under consolidated equity.

Non-controlling interests
On initial recognition, non-controlling interests are either recognised at their fair value or at their pro-rata share of the fair value of the acquired company's identifiable assets, liabilities and contingent liabilities. The choice of method is made individually for each transaction. The non-controlling interests are subsequently adjusted for their proportionate share of changes to the equity of the subsidiary. The comprehensive income is allocated to the non-controlling interests irrespective of the non-controlling interest consequently becoming negative.

Acquisition or sale of non-controlling interests in a subsidiary not resulting in loss of controlling influence is accounted for in the consolidated financial statements as an equity transaction, and the difference between the remuneration and the carrying amount is allocated to the parent company's share of equity.

Foreign currency translation
On initial recognition, transactions denominated in currencies other than the individual company's functional currency are translated at the exchange rate ruling at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Exchange differences between the exchange rate at the transaction date and the exchange rate at the date of payment or the balance sheet date, respectively, are recognised in the income statement under financial items.

Property, plant and equipment and intangible assets, inventories and other non-monetary assets acquired in foreign currency and measured based on historical cost are translated at the exchange rates at the transaction date.

On recognition in the consolidated financial statements of entities whose financial statements are presented in a functional currency other than Danish kroner (DKK), the income statements are translated at average exchange rates for the respective months, unless these deviate materially from the actual exchange rates at the transaction dates. In that case, the actual exchange rates are used. Balance sheet items are translated at the exchange rates at the balance sheet date. Goodwill is considered to be attributable to the acquired company in question and is translated at the exchange rate at the balance sheet date.

Exchange differences arising on the translation of foreign subsidiaries' opening balance sheet items to the exchange rates at the balance sheet date and on the translation of the income statements from average exchange rates to exchange rates at the balance sheet date are recognised in other comprehensive income.

Foreign exchange adjustments of receivables from or payables to subsidiaries which are considered part of the parent company's overall investment in the subsidiary in question are recognised in other comprehensive income in the consolidated financial statements, while they are recognised in the income statement of the parent company.

Share-based incentive schemes
Share-based incentive schemes in which employees can only opt to buy shares in the parent company (equity-settled schemes) are measured at the equity instruments' fair value at the grant date and recognised in the income statement under staff costs over the vesting period. The balancing item is recognised directly in equity.

The fair value of the equity instruments is determined using the Black-Scholes model based on the parameters indicated in note 6.

Employee shares are recognised at an amount calculated as the difference between the market price and the exercise price at the grant date.

Tax
Tax for the year, which consists of current tax and changes in deferred tax for the year, is recognised in the income statement with respect to the portion attributable to the profit/loss for the year and directly in equity with respect to the portion attributable to entries directly in equity.

Current tax payable and receivable is recognised in the balance sheet as the tax calculated on the taxable income for the year, adjusted for tax paid on account.

The calculation of the year's current tax is based on the tax rates and tax rules applicable at the balance sheet date.

Deferred tax is measured using the tax rates and tax rules that, based on legislation in force or in reality in force at the balance sheet date, are expected to apply in the respective countries when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changed tax rates or rules are recognised in the income statement, unless the deferred tax can be attributed to items previously recognised directly in equity. In the latter case, the change is also recognised directly in equity.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the

NOTES

1. ACCOUNTING POLICIES (continued)

carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to the initial recognition of goodwill or the initial recognition of a transaction, apart from business combinations, and where the temporary difference existing at the date of initial recognition affects neither profit/loss for the year nor taxable income.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, unless the parent company is able to control when the deferred tax is to be realised and it is likely that the deferred tax will not crystallise as current tax within the foreseeable future.

Deferred tax is calculated based on the planned use of the individual asset and the settlement of the individual liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised in the balance sheet at the value at which the asset is expected to be realised, either through a set-off against deferred tax liabilities or as net tax assets to be offset against future positive taxable income. At each balance sheet date, it is assessed whether it is likely that there will be sufficient future taxable income for the deferred tax asset to be utilised.

INCOME STATEMENT

Revenue
Revenue, comprising sales of silicon ingots and wafers and property management, is recognised in the income statement once delivery and transfer of risk to the buyer have taken place.

Revenue is measured as the fair value of the consideration received or receivable. If interest-free credit has been granted for payment of the outstanding consideration extending beyond the usual credit period, the fair value of the payment is calculated by discounting future payments. The difference between the fair value and the nominal value of the consideration is recognised as financial income in the income statement over the extended credit period by using the effective interest method.

Revenue is stated exclusive of VAT, duties, discounts, etc. levied on behalf of a third party.

Costs of raw materials and consumables
Costs of raw materials and consumables comprise direct costs incurred in generating the revenue. Costs concerning development projects in the production environment that do not qualify for recognition in the balance sheet are also recognised in costs of raw materials and consumables.

Other operating income and operating costs
Other operating income and costs comprise items of a secondary nature relative to the main activity of the Group, including gains and losses on sales of intangible assets and property, plant and equipment, if the selling price of the assets exceeds the original cost.

Other external expenses
Other external expenses include distribution, selling and advertising costs, administrative expenses, expenses for office premises, bad debts, etc. Other external expenses also comprise costs of development projects that do not qualify for recognition in the balance sheet.

Government grants
Government grants are recognised when there is reasonable certainty that the conditions for the grant have been met and that the grant will be received.

Grants to cover expenses incurred are recognised in the income statement proportionally over the periods in which the associated expenses are recognised. The grants are set off against the expenses incurred. Government grants associated with an asset are recognised in prepayments and recognised as income over the useful life of the asset.

Staff costs
Staff costs comprise wages and salaries and social security costs, pensions, share-based payment, etc. to the employees of the Group. Staff costs also comprise costs for development projects that do not qualify for recognition in the balance sheet.

Financial items
Financial items comprise interest income and expenses, the interest element of finance lease payments, realised and unrealised foreign exchange gains and losses as well as surcharges and allowances under the Danish tax prepayment scheme.

BALANCE SHEET

Intangible assets
Goodwill
On initial recognition, goodwill is measured and recognised as the excess of the cost of the acquired company over the fair value of the acquired assets, liabilities and contingent liabilities, as described under the consolidated financial statements.

On recognition of goodwill, the goodwill amount is allocated to those of the Group's activities that generate separate cash flows (cash-generating units). Goodwill is not amortised, but is tested for impairment at least once a year, as described below.

Other intangible assets
Development projects concerning products and processes which are clearly defined and identifiable are recognised as intangible assets if it is probable that the product or the process will generate future economic benefits for the Group and the development costs of the individual asset can be measured reliably.

Other development costs are recognised as costs in the income statement as incurred.

On initial recognition, development projects are measured at cost. The cost of development projects comprises costs such as salaries and amortisation that are directly attributable to the development projects and are necessary to complete the project, calculated from the date when the development project first qualifies for recognition as an asset.

The Group recognises borrowing costs in the cost of qualifying assets with long manufacturing periods.

The amortisation base is cost. The cost of a total asset is split into smaller parts that are amortised separately if such components have different useful lives.

Completed development projects are amortised on a straight-line basis over their expected useful lives. The amortisation period is usually five years, but may in certain cases be as long as 20 years if this longer amortisation period is deemed to be more representative of the Group's use of the developed product etc. Amortisation for the year is recognised in the income statement under "Depreciation and amortisation".

Development projects are written down to their recoverable amount where this is lower than the carrying amount, as described below. Development projects in progress are tested for impairment at least once a year.

Other intellectual property rights in the form of rights of use, patents and customer lists are measured at cost less accumulated amortisation and impairment losses. Other intellectual property rights are amortised on a straight-line basis over the remaining life of the asset. If the actual life of the asset is shorter than either the remaining term or the contract period, amortisation is provided over the shorter life of the asset.

Other intellectual property rights are written down to their recoverable amount where this is lower than the carrying amount, as described below.

Property, plant and equipment
Land and buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured

NOTES

1. ACCOUNTING POLICIES (continued)

at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition and any preparation costs incurred until the date when the asset is available for use. In the case of assets produced by the Group itself, cost comprises costs that are directly attributable to the production of the asset, including materials, components, sub-suppliers and wages. For assets held under finance leases, the cost is the lower of the fair value of the asset and the present value of the future lease payments.

The Group recognises borrowing costs in the cost of qualifying assets with long manufacturing periods.

The depreciation base is cost less any residual value. The residual value is the amount expected to be obtainable in a sale of the asset, less costs to sell, if the asset already had the age and were in such condition as the asset is expected to be at the end of its useful life. The residual values used constitute 20-30% of cost. The cost of a total asset is split into smaller parts that are depreciated separately if such components have different useful lives.

Straight-line depreciation is provided based on the estimated useful lives of the assets as follows:

Buildings	20-50 years
Plant and machinery	10-20 years
Other fixtures and fittings, tools and equipment	3-6 years

Land is not depreciated. Depreciation methods, useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to their recoverable amount if this is lower than the carrying amount, see below.

Impairment of property, plant and equipment, intangible assets and investments in subsidiaries
The carrying amounts of property, plant and equipment, intangible assets with determinable useful lives and investments in subsidiaries are reviewed for impairment at the balance sheet date. If indications of impairment are identified, the recoverable amount of the asset is determined to establish if the asset is impaired and the extent of any impairment loss. The recoverable amount of development projects in progress and goodwill is determined annually regardless of whether any indication of impairment has been identified.

If the asset does not generate any cash flows independently of other assets, the recoverable amount is calculated for the smallest cash-generating unit of which the asset forms part.

The recoverable amount is calculated as the higher of the fair value less costs to sell and the value in use of the asset or the cash-generating unit, respectively. In determining the value in use, the estimated future cash flows are discounted to their present value, using a discount rate reflecting current market assessments of the time value of money as well as risks that are specific to the asset or the cash-generating unit and which have not been taken into account in the estimated future cash flows.

If the recoverable amount of the asset or the cash-generating unit is lower than the carrying amount, the carrying amount is written down to the recoverable amount. For cash-generating units, the impairment loss is allocated in such a way that goodwill amounts are written down first, and any remaining impairment loss is allocated to other assets in the unit, although no individual assets are written down to a value lower than their fair value less expected costs to sell.

Impairment losses are recognised in the income statement. If impairment losses are subsequently reversed as a result of changes in the assumptions on which the calculation of recoverable amount is based, the carrying amount of the asset or the cash-generating unit is increased to the adjusted recoverable amount, not exceeding the carrying amount that the asset or cash-generating unit would have had, had the impairment loss not been recognised. Impairment losses relating to goodwill are not reversed.

Investments in subsidiaries
On initial recognition, investments in subsidiaries are measured at cost plus transaction costs. Where the recoverable amount of the investments is lower than cost, the investments are written down to this lower value.

Inventories
Inventories are measured at the lower of cost according to the FIFO method and net realisable value.

The cost of raw materials and consumables comprises the purchase price plus delivery costs. The cost of manufactured goods and work in progress comprises the cost of raw materials, consumables and direct labour as well as allocated fixed and variable indirect production costs.

Variable indirect production costs comprise indirect materials and wages and are allocated based on preliminary calculations of the goods actually produced. Fixed indirect production costs comprise maintenance costs and depreciation and impairment of the machinery and equipment used in the production process as well as general factory administration and management expenses. Fixed production costs are allocated on the basis of the normal capacity of the production plant.

The net realisable value of inventories is calculated as the expected selling price less completion costs and costs incurred in making the sale.

Receivables
Receivables comprise non-current deposits in connection with the purchase and sale of goods and receivables from the sale of goods and services. Receivables are classified as loans and receivables, which are financial assets with fixed or determinable payments that are not quoted in an active market and are not derivative financial instruments.

On initial recognition, receivables are measured at fair value and subsequently at amortised cost, which usually corresponds to the nominal value less write-downs for bad debts. Write-downs are assessed individually.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Pension obligations etc.
The Group has entered into defined contribution plans and similar plans with a substantial part of the Group's employees. For defined contribution plans, fixed contributions are paid regularly to independent pension companies and the like. The contributions are recognised in the income statement over the vesting period. Payments due are recognised as a liability in the balance sheet. Other pension liabilities are defined contribution plans and statutory plans in foreign subsidiaries.

Provisions
Provisions are recognised when the Group has a legal or constructive obligation as a consequence of past events during the financial year or prior years, and when it is likely that settlement of the obligation will require an outflow of the Group's financial resources. Warranty commitments cover commitments to repair faulty or defective products sold within the warranty period.

Provisions are measured as the best estimate of the costs required to settle the liabilities at the balance sheet date. Provisions with an expected term of more than a year after the balance sheet date are measured at present value.

Lease liabilities
Lease liabilities concerning assets held under finance leases are recognised in the balance sheet as liabilities and measured at the inception of the lease at the lower of the fair value of the leased asset and the present value of future lease payments.

On subsequent recognition, lease liabilities are measured at amortised cost. The difference between the present

NOTES

1. ACCOUNTING POLICIES (continued)

value and the nominal value of the lease payments is recognised in the income statement over the term of the lease as a financial expense.

Operating lease payments are recognised in the income statement on a straight-line basis over the lease term.

Other financial liabilities
Other financial liabilities comprise bank debt, trade payables and other payables to public authorities. On initial recognition, other financial liabilities are measured at fair value less transaction costs. In subsequent periods, financial liabilities are measured at amortised cost, applying the effective interest method, to the effect that the difference between the proceeds and the nominal value is recognised in the income statement as a financial expense over the term of the loan.

CASH FLOW STATEMENT

The consolidated cash flow statement is presented according to the indirect method and shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the year.

The cash effect of acquisitions and divestments of entities is shown separately under cash flows from investing activities. Cash flows from the acquisition of enterprises are recognised in the cash flow statement from the date of acquisition. Cash flows from the disposal of enterprises are recognised up to the date of disposal.

Cash flows from operating activities are presented according to the indirect method and stated as operating profit, adjusted for non-cash operating items and changes in working capital and financial income and expenses, less the income tax paid during the financial year attributable to operating activities.

Cash flows from investing activities comprise payments related to the purchase and sale of financial assets, including non-current prepayments for goods, subsidiaries as well as the purchase, development, improvement, sale, etc. of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or the composition of the parent company's share capital and related costs as well as the raising and repayment of loans, cash deposits, instalments on interest-bearing debt, acquisition of treasury shares and payment of dividends. Furthermore, cash flows relating to assets held under finance leases in the form of lease payments made are recognised.

Cash and cash equivalents comprise cash deposits.

Segment information
The Group's segments are the "production and sale of silicon ingots and wafers" and "property management".

Key figures and financial ratios
Key figures and financial ratios have been defined and calculated in accordance with "Recommendations and Financial Ratios 2015" issued by the Danish Finance Society.

Financial ratios	Formula
EBITDA margin (%)	$\frac{\text{EBITDA*100}}{\text{Revenue}}$
EBIT margin (%) (Profit margin)	$\frac{\text{EBIT*100}}{\text{Revenue}}$
Return on invested capital (%) incl. goodwill	$\frac{\text{EBIT*100}}{\text{Average invested capital}}$
Contribution ratio (%)	$\frac{\text{Contribution margin*100}}{\text{Revenue}}$
Equity ratio (%)	$\frac{\text{Equity*100}}{\text{Total assets}}$
Return on equity (%)	$\frac{\text{Profit/loss for the year after tax*100}}{\text{Average equity}}$

Calculations of earnings per share and diluted earnings per share are specified in note 11.

Net working capital (NWC) is defined as the value of inventories, receivables and other operating assets less trade payables and other current operating liabilities. Cash and cash equivalents and deferred tax assets are not included in the net working capital.

Net interest-bearing debt is defined as interest-bearing liabilities less interest-bearing assets, such as cash and cash equivalents.

Invested capital is defined as net working capital plus the carrying amount of property, plant and equipment and non-current intangible assets, less other provisions and non-current operating liabilities.

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) is defined as EBIT plus depreciation, amortisation and goodwill impairment of the year.

Contribution margin is defined as revenue less or plus changes in inventories of finished goods and work in progress, work performed for own account and recognised under assets and other operating income and expenses for raw materials and consumables.

NOTES

2. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND UNCERTAINTIES

In applying the Group's accounting policies, as outlined in note 1, Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities which cannot be immediately inferred from other sources.

The estimates and assumptions applied are based on historical experience and other factors that Management considers reasonable under the circumstances, but which are inherently uncertain and unpredictable. Such assumptions may be incomplete or inaccurate, and unexpected events or circumstances may occur. In addition, the Group is subject to risks and uncertainties that may cause actual outcomes to deviate from such estimates. Topsil's risks are described in "Risks and risk management" on pages 16-17 and in note 32 "Financial risks and financial instruments".

Estimates and underlying assumptions are reviewed in an ongoing process. Changes to accounting estimates are recognised in the reference period in which the change occurs and in future reference periods if the change affects the period in which it is made as well as subsequent reference periods.

Development projects
For completed development projects with carrying amounts of DKK 25.0 million (Group) as at 31 December 2015, Management has not identified any indications of impairment in addition to the amortisation made.

In 2014, a foreign competitor obtained a patent in Denmark for the sale and manufacture of FZ wafers with a diameter of 200 mm or more. Topsil has lodged a complaint about the patent. Topsil has obtained assessments from two independent patent attorneys, who both believe the patent will be invalidated in full or in part. Accordingly, any implications arising as a result of the patent not being invalidated, contrary to expectations, have not been taken into account in connection with the measurement of the Group's assets and any related liabilities.

For development projects in progress with carrying amounts of DKK 10.7 million (Group) as at 31 December 2015, Management has not identified any indications of impairment.

Recoverable amount of non-current assets
Identification of an indication of impairment of intangible assets and property, plant and equipment requires a calculation of the value in use of the cash-generating units to which the assets have been allocated. Calculating the value in use assumes that an estimate of future expected cash flows has been made and that a reasonable discount rate has been determined. The carrying amount of the Group's intangible assets was DKK 49.6 million as at 31 December 2015, and the carrying amount of property, plant and equipment was DKK 272.8 million. For a detailed description of discount rates etc., see note 12.

In connection with the strategy process and the impairment test performed, an impairment loss of DKK 65.0 million has been recognised on non-current assets. Based on the subsidiary's expected earnings performance, Management has identified an indication of impairment of Topsil Semiconductor Materials S.A. of DKK 47.6 million and an indication of impairment of consolidated goodwill relating to this part of the business of DKK 17.4 million, to the effect that consolidated goodwill has been written off.

Investments in and receivables from subsidiaries
Investments in subsidiaries are recognised in the parent company's financial statements at cost less any write-downs to the recoverable amount.

Management performed an impairment test of investments, including in Topsil Poland, as at 31 December 2015, which showed that the investments are not impaired.

Inventories
The carrying amount of inventories is determined based on a number of assumptions that are partly based on Management's estimates. Material estimates concerning inventories include an assessment of the net realisable value, including write-downs for obsolescence and slow-moving goods. Moreover, Management estimates the utilisation of capacity in connection with the recognition of indirect production costs.

Forward-looking statements
All forward-looking statements in this annual report reflect Management's current expectations for certain future events and financial results. Forward-looking statements are inherently subject to uncertainty, and actual results may therefore differ materially from expectations.

Factors that may cause actual results to deviate materially from expectations include, but are not limited to, general economic developments and developments in the financial markets, changes in the silicon market, market acceptance of new products as well as the launch of competing products.

Tax asset utilisation
Deferred tax assets are recognised for all unutilised tax losses and differences to the extent it is considered likely that they can be utilised through taxable income within a foreseeable number of years.

The annual report is published Danish and English. In the event of any discrepancy between the two versions, the Danish version shall prevail.

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3. SEGMENT INFORMATION

Based on IFRS 8, Operating segments, the Topsil Group is assessed to have two segments: "sales of silicon ingots and wafers" and "property management".

Other segment information:
Sales of products are specified below:

Parent company			Group	
2014	**2015**	**DKK'000**	**2015**	**2014**
197,815	212,920	Sales of silicon ingots and wafers	272,846	258,544
0	0	Property management	14,456	13,784
197,815	**212,920**	**Total**	**287,302**	**272,328**

3. SEGMENT INFORMATION (continued)

Distribution of revenue, assets and liabilities on activities at Group level:

GROUP 2015

DKK'000	Silicon	Property management	Total
Revenue, external	272,846	14,456	287,302
Revenue, other segment	0	21,747	-
EBITDA	12,610	5,022	17,632
Depreciation, amortisation and impairment	(90,538)	(4,737)	(95,275)
Operating profit	(77,928)	285	(77,643)
Financial income	0	28	28
Financial expenses	(18,452)	(73)	(18,525)
Profit/(loss) before tax	(96,380)	240	(96,140)
Tax on profit/(loss) for the year	6,582	(507)	6,075
Assets	478,282	71,128	549,410
Addition of property, plant and equipment during the year	2,235	1,439	3,674
Total liabilities	278,156	10,560	288,716

GROUP 2014

DKK'000	Silicon	Property management	Total
Revenue, external	258,544	13,784	272,328
Revenue, other segment	0	22,012	-
EBITDA	(14,149)	4,794	(9,355)
Depreciation, amortisation and impairment	(24,636)	(4,712)	(29,348)
Operating profit	(38,785)	82	(38,703)
Financial income	986	356	1,342
Financial expenses	(12,165)	(77)	(12,242)
Profit/(loss) before tax	(49,964)	361	(49,603)
Tax on profit/(loss) for the year	8,117	(506)	7,611
Assets	563,001	70,212	633,213
Addition of property, plant and equipment during the year	7,491	1,331	8,822
Total liabilities	277,339	11,530	288,869

NOTES

3. SEGMENT INFORMATION (continued)

The distribution of sales of silicon ingots and wafers at Group level is shown below:

Percentage distribution of revenue for the year	2015	2014
FZ-NTD	145,913	134,684
FZ-PFZ	40,026	40,395
FZ-HPS	19,910	17,172
CZ/EPI	61,515	57,711
Other	5,482	8,582
Total	**272,846**	**258,544**

Revenue by geographical market:

Parent company			Group	
2014	2015	DKK'000	2015	2014
153,024	150,128	Europe	180,141	185,375
13,004	15,332	USA	35,500	21,660
31,787	47,460	Asia	74,661	65,293
197,815	**212,920**	**Total**	**287,302**	**272,328**

Information on significant customers:

Of the total consolidated revenue, DKK 110.1 million (2014: DKK 116.7 million) constitutes sales to three customers within the segment for silicon ingots and wafers. These three customers (2014: three) each account for more than 10% of consolidated revenue. The Group has long-term contracts with these customers for the delivery of silicon wafers.

3. SEGMENT INFORMATION (continued)

Non-current assets distributed on physical locations:

Parent company			Group	
2014	2015	DKK'000	2015	2014
268,608	256,086	Denmark	256,086	268,608
54,965	55,078	Poland	71,739	145,850
538	538	Japan	19	23
324,111	**311,702**	**Total**	**327,844**	**414,481**

Transactions between segments were made on an arm's length basis.

The accounting policies used in computing the segment information are the same as those used by the Group, see note 1.

NOTES

4. STAFF COSTS

Parent company			Group	
2014	**2015**	**DKK'000**	**2015**	**2014**
1,620	1,620	Directors' fees	1,620	1,620
52,273	46,886	Wages and salaries	55,615	60,134
239	359	Bonuses for executive officers	625	512
102	1,699	Bonuses for Management Board	1,699	102
1,258	1,363	Share-based payment	1,511	1,412
4,405	4,050	Pension contributions, defined contribution plans	5,374	5,313
1,201	996	Other social security costs	6,953	8,258
61,098	**56,973**	**Total**	**73,397**	**77,351**
96	**89**	**Average number of full-time employees**	**342**	**356**

The calculation of the average number of full-time employees (FTE) is based on pension contributions for employees in the parent company (the ATP method (ATP: Danish Labour Market Supplementary Pension)), while the calculation of the average for subsidiaries is based on the number of employees at the end of each month.

At the end of 2015, the parent company had 88 (2014: 98) full-time employees, while the Group had 329 (2014: 343) full-time employees.

4. STAFF COSTS

Group and parent company

Remuneration of Board of Directors, Management Board and executive officers:

	Board of Directors		Management Board		Other executive officers	
DKK'000	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Directors' fees	1,620	1,620	0	0	0	0
Salaries	0	0	5,506	7,453	7,919	8,286
Bonuses	0	0	1,699	102	625	512
Pension contributions	0	0	282	417	654	764
Share-based payment	0	0	1,084	974	427	438
Total	**1,620**	**1,620**	**8,571**	**8,946**	**9,625**	**10,000**

The fee to the Chairman of the Board of Directors for the current term amounts to DKK 450 thousand. (2014: DKK 450 thousand), Deputy Chairman DKK 315 thousand (2014: DKK 315 thousand) and ordinary members DKK 180 thousand each (2014: DKK 180 thousand). Furthermore, the Chairman of the Audit Committee receives DKK 90 thousand (2014: DKK 90 thousand) and the other members of the Audit Committee each receive half this amount.

The Management Board and other executive officers have special bonus schemes, see below:

For the 2015 financial year, the CEO is entitled to a bonus at the rate of 1.0% of the pre-tax profit according to the consolidated financial statements for the year and at the rate of 4.0% of the consolidated pre-tax profit growth relative to the pre-tax profit according to the consolidated financial statements for the prior financial year. Bonuses for 2015 reflect the extraordinary impairment loss recognised for Topsil Semiconductor Materials S.A.

For the 2015 financial year, the CFO and the CSO are each entitled to a bonus at the rate of 0.7% of the pre-tax profit according to the consolidated financial statements for the year and at the rate of 2.8% of the consolidated pre-tax profit growth relative to the pre-tax profit according to the consolidated financial statements for the prior financial year. For other executive officers, bonuses are based on individual targets. Bonuses for 2015 reflect the extraordinary impairment loss recognised for Topsil Semiconductor Materials S.A.

For 2015, the CSO and the CFO are members of the same scheme. In 2014, the CSO's bonus was based on individual targets. Other plans are unchanged relative to 2014.

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5. PENSION PLANS

Parent company 2014	Parent company 2015	DKK'000	Group 2015	Group 2014
4,405	4,050	Pension contributions, defined contribution plans	5,374	5,313
4,405	**4,050**	**Total**	**5,374**	**5,313**

The Group has entered into defined contribution plans only. Under defined contribution plans, the employer pays regular contributions to an independent pension company, pension fund or the like, but bears no risk in relation to the future development of interest rates, inflation, mortality, disability, etc. as regards the amount that will eventually be paid to the employee.

6. SHARE-BASED PAYMENT

In 2012, 2013, 2014 and 2015, the Management Board and a number of executive officers were granted warrants to subscribe for shares in the parent company at a fixed strike price. The warrants were granted under an equity-settled share-based remuneration scheme. The value of the warrants is recognised in the income statement under staff costs on a straight-line basis from the grant date until the vesting date, which means that at the exercise date no further recognition is made in the income statement.

	Number of warrants ('000)	Weighted average strike price (DKK)
Warrants granted at 01.01.2014	28,717	0.54
Granted during the year	12,176	0.84
Forfeited due to termination of employment	(3,627)	0.66
Exercised during the year	0	0
Lapsed during the year	0	0
Warrants granted at 31.12.2014	**37,266**	**0.63**
Warrants granted at 01.01.2015	37,266	0.63
Granted during the year	13,552	0.62
Forfeited due to termination of employment	0	0
Exercised during the year	0	0
Lapsed during the year	0	0
Warrants granted at 31.12.2015	**50,818**	**0.62**

The weighted average term to maturity is 1,120 days (2014: 993 days).

6. SHARE-BASED PAYMENT (continued)

	2015	2014
Number of exercisable warrants at year end ('000)	10,591	0
Number of exercisable warrants at the release of the full-year profit announcement ('000)	26,460	10,591
Total fair value at 31 December of outstanding warrants (DKK'000)	**5,918**	**4,403**
Weighted average fair value per warrant	0.12	0.12
Weighted average strike price per warrant	0.62	0.63

In 2015, the fair value of warrants was recognised at DKK 1,511 thousand (2014: DKK 1,412 thousand).

The grant year, strike price and exercise period for the individual grants are as follows:

Year of grant	Strike price	Exercise period	Granted	Adjusted number	Forfeited	Lapsed	Exercised	Not exercised
2012	0.56	2015-2017	10,590,560	0	0	0	0	10,590,560
2013	0.53	2016-2018	18,126,806	0	(2,257,600)	0	0	15,869,206
2014	0.84	2017-2019	12,176,200	0	(1,369,702)	0	0	10,806,498
2015	0.62	2018-2020	13,552,071	0	0	0	0	13,552,071
Total			**54,445,637**	**0**	**(3,627,302)**	**0**	**0**	**50,818,335**

The fair values calculated at the grant date are based on the Black-Scholes model for valuation of warrants including dilution. Six separate grants have been made, two in each of the years 2012 and 2014 and one in each of the years 2013 and 2015.

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6. SHARE-BASED PAYMENT (continued)

The assumptions applied in determining the fair value at the grant date of warrants granted during the year are as follows:

	Granted in 2015	Granted in 2014	Granted in 2013	Granted in 2012
Weighted average share price at grant	0.49	0.70	0.42	0.44
Weighted average strike price	0.62	0.84	0.53	0.56
Volatility, first grant	45.4%	42.7%	43.0%	55.9%
Volatility, second grant	-	38.9%	-	62.7%
Expected duration	3	3	3	3
Expected dividend per share	0	0	0	0
Risk-free interest rate	0.0%	0.0%	0.1%	0.4%
Warrants granted ('000)	13,552	10,806	15,869	10,591
Weighted average fair value per warrant	0.11	0.14	0.09	0.14
Total fair value (DKK'000)	**1,515**	**1,492**	**1,428**	**1,483**

The expected volatility is based on the historical volatility (calculated over the past year) adjusted for expected changes as a result of publicly available information. The fair value is based on exercise of the warrants at the earliest opportunity.

Warrants that have not been exercised are forfeited if the owner terminates his/her employment. Any warrants not exercised by expiry will lapse.

For the grant in 2012, each warrant held by the CEO entitles him to subscribe for one share with a nominal value of DKK 0.25 at a subscription price of DKK 0.40 per share plus an annual hurdle rate of 8%; for the other participants in the programme, the strike price is DKK 0.51 plus the same hurdle rate.

For the grant in 2013, each warrant entitles the holder to subscribe for one share with a nominal value of DKK 0.25 at a subscription price of DKK 0.42 per share plus an annual hurdle rate of 8%.

6. SHARE-BASED PAYMENT (continued)

For the grant in 2014, each warrant entitles the holder to subscribe for one share with a nominal value of DKK 0.25 at a subscription price of DKK 0.70 per share plus an annual hurdle rate of 8%. For the grant to the CSO, each warrant entitles the holder to subscribe for one share with a nominal value of DKK 0.25 at a subscription price of DKK 0.45 per share plus the same hurdle rate.

For the grant in 2015, each warrant entitles the holder to subscribe for one share with a nominal value of DKK 0.25 at a subscription price of DKK 0.49 per share plus an annual hurdle rate of 8%.

For members of the Management Board, the warrants are forfeited on termination of the employment relationship, whether by resignation by the employee or termination by the Company. No member of the Management Board may exercise warrants equivalent to a total gain of more than 300% of his or her annual compensation (before tax) at the date of grant. For other executive officers, an upper limit of 100% applies.

In 2015, the following changes occurred in Management's holding of warrants:

Number of warrants	Holding 01.01.2015	Granted in the year	Forfeited in the year	Exercised in the year	Lapsed in the year	Holding 31.12.2015
Management Board	26,557,306	10,063,419	0	0	0	36,620,725
Other executive officers	10,708,958	3,488,652	0	0	0	14,197,610
Total	**37,266,264**	**13,552,071**	**0**	**0**	**0**	**50,818,335**

Warrants granted in 2012 may be exercised in the period from 26 April 2015 until 26 April 2017 twice a year within a four-week exercise window starting on the date of the announcement of either the financial statements or the half-year interim financial statements. Warrants granted in 2013 may be exercised in the period from 23 April 2016 until 23 April 2018 twice a year within a four-week exercise window starting on the date of the announcement of either the financial statements or the half-year interim financial statements. Warrants granted in 2014 may be exercised in the period from 29 April 2017 until 29 April 2019 twice a year within a four-week exercise window starting on the date of the announcement of either the financial statements or the half-year interim financial statements. Warrants granted to the CSO may be exercised in the period from 25 November 2017 until 25 November 2019 twice a year within a four-week exercise window starting on the date of the announcement of either the financial statements or the half-year interim financial statements. Warrants granted in 2015 may be exercised in the period from 27 April 2018 until 27 April 2020 twice a year within a four-week exercise window starting on the date of the announcement of either the financial statements or the half-year interim financial statements.

NOTES

7. DEPRECIATION, AMORTISATION AND IMPAIRMENT

Parent company			Group	
2014	**2015**	**DKK'000**	**2015**	**2014**
2,041	2,134	Amortisation, intangible assets	2,800	2,905
0	0	Impairment, intangible assets	18,286	0
12,395	12,72	Depreciation, property, plant and equipment	26,862	26,899
0	874	Impairment, property, plant and equipment	47,555	0
0	0	Amortisation, grants, property, plant and equipment	(228)	(456)
14,436	**15,734**	**Total**	**95,275**	**29,348**

8. FINANCIAL INCOME

Parent company			Group	
2014	**2015**	**DKK'000**	**2015**	**2014**
527	744	Interest from Group entities	0	0
0	0	Interest on bank deposits etc.	23	49
0	0	Miscellaneous interest	5	0
527	**744**	**Interest income**	**28**	**49**
10,273	5,064	Foreign exchange adjustments	0	1,293
10,800	**5,808**	**Total**	**28**	**1,342**

9. FINANCIAL EXPENSES

Parent company			Group	
2014	**2015**	**DKK'000**	**2015**	**2014**
310	540	Interest to Group entities	0	0
8,359	10,071	Interest on bank loans	10,335	8,886
97	0	Interest relating to finance lease liabilities	50	168
4	22	Miscellaneous interest	47	11
8,770	**10,633**	**Interest expenses**	**10,432**	**9,065**
2,391	2,732	Fees, guarantees, etc.	2,795	3,177
0	0	Foreign exchange adjustments	5,298	0
11,161	**13,365**	**Total**	**18,525**	**12,242**

10. TAX ON THE PROFIT/LOSS FOR THE YEAR AND DEFERRED TAX

GROUP

The current tax for the financial year was calculated at a tax rate of 23.5% for 2015 and 24.5% for 2014.

DKK'000	**2015**		**2014**	
Current tax	992		1,568	
Change in deferred tax including change in value	5,511		6,043	
Adjustment of current tax relating to prior years	44		0	
Adjustment of deferred tax relating to prior years	(472)		0	
Total	**6,075**		**7,611**	
Tax on the profit/loss for the year can be specified as follows:				
Profit/(loss) before tax	**(96,140)**		**(49,603)**	
Tax at a rate of 23.5% (2014: 24.5%)	22,593	(23.5%)	12,153	(24.5%)
Effect of different tax rate in foreign undertakings	(3,361)	3.5%	(956)	1.9%
Tax base of non-deductible expenses and non-taxable income	(8,464)	8.8%	(976)	2.0%
Adjustment of current tax relating to prior years	44	0.0%	0	-
Adjustment of deferred tax relating to prior years	(472)	0.5%	0	-
Value adjustment of deferred tax	(4,031)	4.2%	(2,033)	4.1%
Effect on deferred tax of change in tax rate	(234)	0.2%	(577)	1.2%
Effective tax/tax rate for the year	**6,075**	**(6.3%)**	**7,611**	**(15.3%)**

GROUP

Breakdown of deferred tax for the Group stated in the balance sheet:	**2015**	**2014**
Temporary differences in tax assets and liabilities		
Deferred tax asset cf. balance sheet	871	23
Deferred tax liabilities cf. balance sheet	(1,113)	(5,693)
Deferred tax, net	**(242)**	**(5,670)**

NOTES

10. TAX ON THE PROFIT/LOSS FOR THE YEAR AND DEFERRED TAX (continued)

DKK'000	Deferred tax 01.01.2015	Recognised in income statement 2015	Foreign exchange adjustment 2015	Deferred tax 31.12.2015
Intangible assets	(8,900)	1,106	(60)	(7,854)
Property, plant and equipment	(13,055)	4,835	(158)	(8,378)
Inventories	(1,623)	(86)	28	(1,681)
Trade receivables	(1,015)	(152)	(17)	(1,184)
Other payables etc.	3,686	2,472	34	6,192
Temporary differences	**(20,907)**	**8,175**	**(173)**	**(12,905)**
Tax loss carry-forwards	25,823	1,367	239	27,429
Unutilised tax losses	**25,823**	**1,367**	**239**	**26,184**
Value adjustment	(10,586)	(4,031)	(149)	(14,766)
Total	**(5,670)**	**5,511**	**(83)**	**(242)**

The Group does not expect to be able to utilise the portion of tax losses related to the subsidiary in Poland within 3-5 years, and the value of this portion has therefore been adjusted.

DKK'000	Deferred tax 01.01.2014	Recognised in income statement 2014	Foreign exchange adjustment 2014	Deferred tax 31.12.2014
Intangible assets	(8,215)	(760)	75	(8,900)
Property, plant and equipment	(17,139)	3,780	304	(13,055)
Inventories	(692)	(854)	(77)	(1,623)
Trade receivables	594	(1,635)	26	(1,015)
Other payables etc.	(143)	3,928	(99)	3,686
Temporary differences	**(25,595)**	**4,459**	**229**	**(20,907)**
Tax loss carry-forwards	22,751	3,617	(545)	25,823
Unutilised tax losses	**22,751**	**3,617**	**(545)**	**25,823**
Value adjustment	(8,971)	(2,033)	418	(10,586)
Total	**(11,815)**	**6,043**	**102**	**(5,670)**

In 2014, The Group did not expect to be able to utilise the portion of tax losses related to the subsidiary in Poland within 3-5 years, and the value of this portion were therefore adjusted. The Group still expected to be able to utilise the remaining value of the capitalised tax losses in Poland of DKK 2,191 thousand.

10. TAX ON THE PROFIT/LOSS FOR THE YEAR AND DEFERRED TAX

PARENT COMPANY

The current tax for the financial year was calculated at a tax rate of 23.5% for 2015 and 24.5% for 2014.

DKK'000	2015		2014	
Current tax	1,970		2,163	
Change in deferred tax	3,439		5,546	
Adjustment of current tax relating to prior years	44		0	
Adjustment of deferred tax relating to prior years	0		0	
Total	**5,453**		**7,709**	
Tax on the profit/loss for the year can be specified as follows:				
Profit/(loss) before tax	**(25,483)**		**(134,727)**	
Tax at a rate of 23.5% (2014: 24.5%)	5,989	(23.5%)	33,008	(24.5%)
Tax base of non-deductible expenses and non-taxable income	(346)	1.4%	(24,722)	18.4%
Adjustment of current tax relating to prior years	44	(0.2%)	0	-
Adjustment of deferred tax relating to prior years	0	-	0	-
Effect of change in tax rate	(234)	0.9%	(577)	0.4%
Effective tax/tax rate for the year	**5,453**	**(21.4%)**	**7,709**	**(5.7%)**

NOTES

10. TAX ON THE PROFIT/LOSS FOR THE YEAR AND DEFERRED TAX (continued)

DKK'000	Deferred tax 01.01.2015	Recognised in income statement 2015	Deferred tax 31.12.2015
Intangible assets	(7,079)	(775)	(7,854)
Property, plant and equipment	(6,182)	2,799	(3,383)
Inventories	(2,777)	136	(2,641)
Other payables etc.	405	359	764
Temporary differences	**(15,633)**	**2,519**	**(13,114)**
Tax loss carry-forwards	13,046	920	13,966
Unutilised tax losses	**13,046**	**920**	**13,966**
Value adjustment	0	0	0
Total	**(2,587)**	**3,439**	**852**

DKK'000	Deferred tax 01.01.2014	Recognised in income statement 2014	Deferred tax 31.12.2014
Intangible assets	(6,319)	(760)	(7,079)
Property, plant and equipment	(7,809)	1,627	(6,182)
Inventories	(1,767)	(1,010)	(2,777)
Other payables etc.	110	295	405
Temporary differences	**(15,785)**	**152**	**(15,633)**
Tax loss carry-forwards	7,652	5,394	13,046
Unutilised tax losses	**7,652**	**5,394**	**13,046**
Value adjustments	0	0	0
Total	**(8,133)**	**5,546**	**(2,587)**

11. EARNINGS PER SHARE

The calculation of earnings per share is based on the following:

Parent company			Group	
2014	**2015**	**DKK'000**	**2015**	**2014**
(0.24)	(0.04)	Earnings per share (DKK)	(0.17)	(0.08)
(127,018)	(20,030)	Earnings used in the calculation of earnings per share (DKK'000)	(90,065)	(42,130)
528,114	528,114	Average number of shares used to calculate earnings per share ('000)	528,114	528,114
(0.22)	(0.03)	Diluted earnings per share (DKK)	(0.16)	(0.07)
(127,018)	(20,030)	Earnings used in the calculation of diluted earnings per share (DKK'000)	(90,065)	(42,130)
37,266	50,818	Average dilutive effect of outstanding warrants ('000)	50,818	37,266
565,380	578,932	Average number of shares used to calculate diluted earnings per share ('000)	578,932	565,380

Average number of shares issued calculated as:
Number of days prior to a capital increase multiplied by the number of shares in circulation. If several capital increases are made, the number of days between the capital increases multiplied by the number of shares in circulation during the relevant period is added together. The sum is divided by 365.

NOTES

12. INTANGIBLE ASSETS

GROUP

2015 **DKK'000**	**Goodwill**	**Completed development projects**	**Develop-ment projects**	**Rights of use**	**Other intangible assets**	**Total**
Cost at 1 January 2015	17,067	65,434	5,055	14,908	1,123	103,587
Foreign exchange adjustments	327	313	0	285	20	945
Addition of assets developed in-house	0	304	5,657	0	0	5,961
Transfers	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Cost at 31 December 2015	**17,394**	**66,051**	**10,712**	**15,193**	**1,143**	**110,493**
Amortisation and impairment at 1 January 2015	0	(37,674)	0	(1,107)	(707)	(39,488)
Foreign exchange adjustments	0	(287)	0	(19)	(5)	(311)
Amortisation	0	(2,497)	0	(190)	(113)	(2,800)
Impairment	(17,394)	(574)	0	0	(318)	(18,286)
Disposals	0	0	0	0	0	0
Amortisation and impairment at 31 December 2015	**(17,394)**	**(41,032)**	**0**	**(1,316)**	**(1,143)**	**(60,885)**
Carrying amount at 31 December 2015	**0**	**25,019**	**10,712**	**13,877**	**0**	**49,608**

12. INTANGIBLE ASSETS (continued)

GROUP

2014 **DKK'000**	**Goodwill**	**Completed development projects**	**Develop-ment projects**	**Rights of use**	**Other intangible assets**	**Total**
Cost at 1 January 2014	17,772	43,110	22,191	15,523	1,167	99,763
Foreign exchange adjustments	(705)	(304)	0	(615)	(44)	(1,668)
Addition of assets developed in-house	0	0	5,492	0	0	5,492
Transfers	0	22,628	(22,628)	0	0	0
Disposals	0	0	0	0	0	0
Cost at 31 December 2014	**17,067**	**65,434**	**5,055**	**14,908**	**1,123**	**103,587**
Amortisation and impairment at 1 January 2014	0	(35,343)	0	(961)	(621)	(36,925)
Foreign exchange adjustments	0	272	0	44	26	342
Amortisation	0	(2,603)	0	(190)	(112)	(2,905)
Disposals	0	0	0	0	0	0
Amortisation and impairment at 31 December 2014	**0**	**(37,674)**	**0**	**(1,107)**	**(707)**	**(39,488)**
Carrying amount at 31 December 2014	**17,067**	**27,760**	**5,055**	**13,801**	**416**	**64,099**

Goodwill

As a consequence of the new Strategy described in the Management's review, see "Financial Review", page 13-15, Management is of the opinion that the carrying amount of goodwill is no longer accurate. Goodwill has been written off.

NOTES

12. INTANGIBLE ASSETS (continued)

PARENT COMPANY

2015 DKK'000	Completed development projects	Development projects in progress	Other intangible assets	Total
Cost at 1 January 2015	58,253	5,055	56	63,364
Addition of assets developed in-house	0	5,657	0	5,657
Transfers	0	0	0	0
Disposals	0	0	0	0
Cost at 31 December 2015	**58,253**	**10,712**	**56**	**69,021**
Amortisation and impairment at 1 January 2015	(31,133)	0	(56)	(31,189)
Amortisation	(2,134)	0	0	(2,134)
Disposals	0	0	0	0
Amortisation and impairment at 31 December 2015	**(33,267)**	**0**	**(56)**	**(33,323)**
Carrying amount at 31 December 2015	**24,986**	**10,712**	**0**	**35,698**

12. INTANGIBLE ASSETS (continued)

PARENT COMPANY

2014 DKK'000	Completed development projects	Development projects in progress	Other intangible assets	Total
Cost at 1 January 2014	35,625	22,191	56	57,872
Addition of assets developed in-house	0	5,492	0	5,492
Transfers	22,628	(22,628)	0	0
Disposals	0	0	0	0
Cost at 31 December 2014	**58,253**	**5,055**	**56**	**63,364**
Amortisation and impairment at 1 January 2014	(29,092)	0	(56)	(29,148)
Amortisation	(2,041)	0	0	(2,041)
Disposals	0	0	0	0
Amortisation and impairment at 31 December 2014	**(31,133)**	**0**	**(56)**	**(31,189)**
Carrying amount at 31 December 2014	**27,120**	**5,055**	**0**	**32,175**

Management considers all intangible assets to have limited economic lives. The most significant activities in 2015 relate to in-house development of processes for manufacturing new types of silicon crystals.

13. DEVELOPMENT COSTS

Parent company			Group	
2014	**2015**	**DKK'000**	**2015**	**2014**
8,828	8,383	Development costs incurred	9,645	9,823
(5,492)	(5,657)	Development costs recognised in intangible assets	(5,961)	(5,492)
3,336	**2,726**	**Total**	**3,684**	**4,331**

NOTES

14. PROPERTY, PLANT AND EQUIPMENT

GROUP

2015

DKK'000	**Land and buildings**	**Plant and machinery**	**Other fixtures and fittings, tools and equipment**	**Plant in progress**	**Total**
Cost at 1 January 2015	190,739	261,029	17,398	8,460	477,626
Foreign exchange adjustments	1,151	1,589	51	62	2,853
Additions	134	220	103	3,217	3,674
Transfers	0	7,690	0	(7,690)	0
Disposals	0	(4,988)	(6,852)	0	(11,840)
Cost at 31 December 2015	**192,024**	**265,540**	**10,700**	**4,049**	**472,313**
Depreciation and impairment at 1 January 2015	(23,406)	(97,319)	(15,617)	0	(136,342)
Foreign exchange adjustments	(594)	(214)	5	0	(803)
Depreciation	(6,069)	(19,556)	(1,008)	0	(26,633)
Impairment	0	(47,539)	(16)	0	(47,555)
Disposals	0	4,988	6,852	0	11,840
Depreciation and impairment at 31 December 2015	**(30,069)**	**(159,640)**	**(9,784)**	**0**	**(199,493)**
Carrying amount at 31 December 2015	**161,955**	**105,900**	**916**	**4,049**	**272,820**
Of which assets held under finance leases	0	1,464	0	0	1,464

14. PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP

2015

DKK'000	**Land and buildings**	**Plant and machinery**	**Other fixtures and fittings, tools and equipment**	**Plant in progress**	**Total**
Cost at 1 January 2014	191,419	254,590	17,140	13,988	477,137
Foreign exchange adjustments	(1,710)	(4,244)	(59)	(409)	(6,422)
Additions	1,030	1,133	498	6,161	8,822
Transfers	0	11,280	0	(11,280)	0
Disposals	0	(1,730)	(181)	0	(1,911)
Cost at 31 December 2014	**190,739**	**261,029**	**17,398**	**8,460**	**477,626**
Depreciation and impairment at 1 January 2014	(18,112)	(80,893)	(14,603)	0	(113,608)
Foreign exchange adjustments	767	1,752	0	0	2,519
Depreciation	(6,061)	(19,908)	(1,155)	0	(27,124)
Disposals	0	1,730	141	0	1,871
Depreciation and impairment at 31 December 2014	**(23,406)**	**(97,319)**	**(15,617)**	**0**	**(136,342)**
Carrying amount at 31 December 2014	**167,333**	**163,710**	**1,781**	**8,460**	**341,284**
Of which assets held under finance leases	0	1,628	0	0	1,628

NOTES

14. PROPERTY, PLANT AND EQUIPMENT (continued)

PARENT COMPANY

2015

DKK'000	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Plant in progress	Total
Cost at 1 January 2015	127,641	150,792	17,510	4,355	300,298
Additions	0	220	103	36	359
Transfers	0	4,391	0	(4,391)	0
Disposals	0	(4,988)	(6,852)	0	(11,840)
Cost at 31 December 2015	**127,641**	**150,415**	**10,761**	**0**	**288,817**
Depreciation and impairment at 1 January 2015	(3,939)	(53,251)	(15,750)	0	(72,940)
Depreciation	(2,236)	(9,522)	(968)	0	(12,726)
Disposals	0	4,988	6,852	0	11,840
Depreciation and impairment at 31 December 2015	**(6,175)**	**(57,785)**	**(9,866)**	**0**	**(73,826)**
Carrying amount at 31 December 2015	**121,466**	**92,630**	**895**	**0**	**214,991**
Of which assets held under finance leases	0	0	0	0	0

2014

DKK'000	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Plant in progress	Total
Cost at 1 January 2014	127,641	147,543	17,012	3,676	295,872
Additions	0	1,134	498	3,640	5,272
Transfers	0	2,961	0	(2,961)	0
Disposals	0	(846)	0	0	(846)
Cost at 31 December 2014	**127,641**	**150,792**	**17,510**	**4,355**	**300,298**
Depreciation and impairment at 01 January 2014	(1,704)	(45,031)	(14,656)	0	(61,391)
Depreciation	(2,235)	(9,066)	(1,094)	0	(12,395)
Disposals	0	846	0	0	846
Depreciation and impairment at 31 December 2014	**(3,939)**	**(53,251)**	**(15,750)**	**0**	**(72,940)**
Carrying amount at 31 December 2014	**123,702**	**97,541**	**1,760**	**4,355**	**227,358**
Of which assets held under finance leases	0	0	0	0	0

15. INVESTMENTS IN SUBSIDIARIES

Parent company 2014	Parent company 2015	DKK'000
95,349	55,503	Cost at 1 January
154	113	Addition warrants in subsidiaries
	32,766	Conversion of debt into Equity in Topsil Semiconductor Materials S.A.
	(32,766)	Receivables write down previous years
(40,000)	0	Impairment of investments
55,503	**55,616**	**Cost at 31 December**

December 3rd 2015 a conversion of debt of DKK 32.8 million into Equity were conducted. The converted receivable were written off in 2014. Investments in subsidiaries have been separately reviewed for impairment.

In that connection, an assessment was made of the most significant uncertainties associated with the determination of discount factors and growth rates as well as expected changes in selling prices and production costs during the budget and terminal periods.

The discount factors determined reflect market valuations of the time value of money expressed by a risk-free interest rate and the specific risks associated with the individual cash-generating unit. The discount factors are determined on a pre-tax basis. The calculation of the present value is based on a discount factor of 10.9% (2014: 9.3%). The discount factor is based on a risk-free interest rate of 3.1% (2014: 2.6%), corresponding to the yield on a 10-year Polish government bond, and an expected risk premium relating to the risk profile of the Company and the industry.

The estimated changes in selling prices and production costs are based on historical experience as well as expectations as to future market changes.

The calculation of the value in use is based on the cash flows included in the most recent management-approved budget for the coming financial year and the strategy plan, in which the legal entities have been separated out. The calculation includes a five-year period (2016-2020) and a terminal period. Average annual revenue growth in the period is -1.2% (2014: 1.2%) and 1.5% (2014: 1.5%) in the terminal period.

At the balance sheet date, the carrying amount exceeded the present value of the cash-generating unit, indicating that the investment might be impaired. Based on an assessment of net selling prices, Management concluded that the assets are not impaired as the estimated net selling prices correspond to or exceed the carrying amounts of the investments in and receivables from subsidiaries.

The Group's non-controlling interests concern the subsidiary Cemat'70 S.A. This company makes up the Group's segment for property management (see note 3). Non-controlling interests account for 22.34%, equivalent to DKK 1.1 million, of the Group's EBITDA (2014: DKK 1.1 million), DKK 0.1 million of the profit before tax (2014: DKK 0.1 million), DKK 15.9 million of the Group assets (2014: DKK 15.7 million) and 2.4 million of the Group's liabilities (2014: DKK 2.6 million).

NOTES

15. INVESTMENTS IN SUBSIDIARIES (continued)

	Domicile	Ownership interests (%) 2015	Ownership interests (%) 2014	No. of voting rights (%) 2015	No. of voting rights (%) 2014	Activity
Topsil Semiconductor Materials S.A.	Poland	100.00	100.00	100.00	100.00	Production and sales of silicon wafers to the semiconductor industry
Cemat´70 S.A.	Poland	77.66	77.66	77.66	77.66	Letting of commercial properties
W133 Sp. Z.O.O.	Poland	100.00	100.00	100.00	100.00	Holding of rights
W131 Sp. Z.O.O.	Poland	100.00	100.00	100.00	100.00	Holding of rights
W130 Sp. Z.O.O.	Poland	100.00	100.00	100.00	100.00	Holding of rights
Topsil Semiconductor Materials KK	Japan	100.00	100.00	100.00	100.00	Sales of silicon wafers to the semi-conductor industry

Topsil Semiconductor Materials S.A. holds the ownership interest in Cemat'70 S.A., while Cemat'70 S.A. holds the ownership interests in W133 Sp. Z.O.O., W131 Sp. Z.O.O. and W130 Sp. Z.O.O. Topsil Semiconductor Materials A/S holds the ownership interest in Topsil Semiconductor Materials KK in Japan.

16. OTHER NON-CURRENT RECEIVABLES

Parent company			Group	
2014	2015	DKK'000	2015	2014
9,075	4,545	Prepayment of goods	4,545	9,075
9,075	**4,545**	**Total**	**4,545**	**9,075**

Prepayment of goods is adjusted on a current basis as the Group buys the volumes agreed. The above prepayment covers the period 2017.

17. INVENTORIES

Parent company			Group	
2014	2015	DKK'000	2015	2014
44,867	55,955	Raw materials and consumables	72,228	61,064
37,979	30,780	Work in progress	67,954	72,570
925	66	Manufactured goods and goods for resale	23,202	22,471
83,771	**86,801**	**Total**	**163,384**	**156,105**

Inventory writedowns in the parent company amounted to DKK 0 thousand in 2015 (2014: DKK 112 thousand). Inventory writedowns in the Group totalled DKK 15,867 thousand in 2015 (2014: DKK 13,231 thousand).

NOTES

18. TRADE RECEIVABLES

Parent company			Group	
2014	2015	DKK'000	2015	2014
24,193	29,677	Trade receivables	37,753	35,454
(494)	0	Loss provisions included in the above receivables and recognised in "Other external expenses"	(1,195)	(1,558)
23,699	**29,677**	**Total**	**36,558**	**33,896**

All overdue receivables against which provisions have been made are overdue by more than three months.

Overdue receivables for which provisions have not been made:

Parent company			Group	
2014	2015	DKK'000	2015	2014
2,175	4,872	Overdue by up to 1 month	6,070	3,564
74	398	Overdue by 1 to 3 months	1,132	901
0	0	Overdue by more than 3 months	316	804
2,249	**5,270**	**Total**	**7,518**	**5,269**

Overdue receivables for which provisions have not been made, by geographical area:

Parent company			Group	
2014	2015	DKK'000	2015	2014
2,008	4,306	Europe	5,742	3,877
241	796	USA	842	600
0	168	Asia	934	792
2,249	**5,270**	**Total**	**7,518**	**5,269**

A provision is made to reduce the carrying amount of receivables if the value is found to be impaired based on an individual assessment of each debtor's ability to pay, for example in case of suspension of payment, bankruptcy, etc., should this be deemed necessary. The carrying amount is reduced to net realisable value, corresponding to the sum of expected future net payments received on the receivables.

The carrying amount of receivables equals their fair value.

18. TRADE RECEIVABLES (continued)

Provision account for receivables:

Parent company			Group	
2014	2015	DKK'000	2015	2014
80	494	Provision account at 1. January	1,558	1,482
0	(494)	Losses during the year	(494)	0
0	0	Reversed provisions	(790)	(629)
414	0	Provisions for the year to cover losses	921	705
494	**0**	**Provision account at 31. December**	**1,195**	**1,558**

19. CASH AND CASH EQUIVALENTS, CF. THE CASH FLOW STATEMENT

The Group's cash and cash equivalents primarily consist of deposits with banks. No significant credit risk is deemed to be associated with cash and cash equivalents. Bank deposits carry floating rates of interest. The carrying amount equals the fair value of the assets.

20. SHARE CAPITAL

The share capital consists of 528,114,157 shares of DKK 0.25 each.The shares are not divided into share classes and no shares carry special rights.

('000)	2015	2014
Number of shares at 1. January	528,114	528,114
Number of shares at 31 December	**528,114**	**528,114**

DKK'000		
Denomination, nom. value DKK 0.25	132,029	132,029
Total	**132,029**	**132,029**

NOTES

21. OTHER RESERVES

The translation reserve comprises all foreign exchange adjustments arising on translation of the financial statements of entities with other functional currencies than DKK.

The reserve for share-based payment comprises the accumulated value of vested warrants (equity-settled schemes) measured at the fair value of the equity instruments at the grant date and recognised over the vesting period. The reserve is dissolved as the employees exercise their vested warrants or the warrants lapse without being exercised.

22. OTHER CREDIT INSTITUTIONS AND BANK DEBT

Parent company			Group	
2014	**2015**	**DKK'000**	**2015**	**2014**
180,876	184,480	Debt to credit institutions	191,292	187,519
180,876	**184,480**	**Total**	**191,292**	**187,519**
		The debt falls due as follows:		
180,876	184,480	Within 1 year	184,480	187,519
0	0	Between 1 and 2 years from the balance sheet date	6,812	0
0	0	Between 2 and 3 years from the balance sheet date	0	0
0	0	Between 3 and 4 years from the balance sheet date	0	0
0	0	Between 4 and 5 years from the balance sheet date	0	0
0	0	More than 5 years from the balance sheet date	0	0
180,876	**184,480**	**Total**	**191,292**	**187,519**
		Other debt to credit institutions and bank debt is recognised in the balance sheet as follows:		
180,876	184,480	Current liabilities	184,480	187,519
0	0	Non-current liabilities	6,812	0
180,876	**184,480**	**Total**	**191,292**	**187,519**

An agreement was made with the principal bankers in March 2016 and the debt is consequently classified as a current liability.

22. OTHER CREDIT INSTITUTIONS AND BANK DEBT (continued)

2015

Name	Company	Currency	Expiry	Fixed or floating interest rate	Interest rate % p.a.	Fair value DKK'000
Overdraft facility	Poland	PLN	2017	Floating	Wibor+2.1%	6,812
Money market facility	Parent company	DKK	2016	Floating	Cibor+3.15%	19,480
Corporate loan	Parent company	DKK	2016	Floating	7.25%	15,000
Corporate loan	Parent company	DKK	2016	Floating	7.25%	50,000
Fixed-term loan	Parent company	DKK	2016	Floating	Cibor+3.15%	100,000
Total						**192,292**

2014

Name	Company	Currency	Expiry	Fixed or floating interest rate	Interest rate % p.a.	Fair value DKK'000
Overdraft facility	Poland	PLN	2015	Floating	Wibor+2.1%	6,643
Money market facility	Parent company	DKK	2015	Floating	Cibor+3.15%	10,876
Corporate loan	Parent company	DKK	2015	Floating	9.75%	70,000
Fixed-term loan	Parent company	DKK	2015	Floating	Cibor+3.15%	100,000
Total						**187,519**

NOTES

23. FINANCE LEASE LIABILITIES

GROUP

The Group leases production equipment in the form of machinery and plant on finance leases if the terms are favourable and ensure continued financial flexibility for the Group. The average lease term is 4.5 years. All leases have a fixed payment profile and none of the leases include conditional lease payment clauses. The leases are terminable during the lease period against financial compensation. The Group has guaranteed the assets' residual values at the end of the lease term and must assign a buyer for the assets.

	Minimum lease payments, DKK'000		Present value of minimum lease payments, DKK'000	
	2015	2014	2015	2014
Finance lease liabilities fall due as follows:				
Within 1 year from the balance sheet date	232	207	232	207
Between 1 and 5 years from the balance sheet date	419	674	419	674
More than 5 years from the balance sheet date	0	0	0	0
At 31 December	**651**	**881**	**651**	**881**
Amortisation premium for future recognition	0	0	0	0

The financial lease liabilities comprise machinery. The carrying amount equals the fair value of the liabilities.

2015	Expiry	Fixed or floating interest rate	Present value of minimum lease payments DKK'000	Fair value DKK'000
Lease liability	2018	Floating	651	651
Total			**651**	**651**

2014	Expiry	Fixed or floating interest rate	Present value of minimum lease payments DKK'000	Fair value DKK'000
Lease liability	2018	Floating	881	881
Total			**881**	**881**

24. TRADE CREDITORS

Parent company			Group	
2014	2015	DKK'000	2015	2014
27,024	31,343	Amounts owed to suppliers for goods and services delivered	50,160	48,740
27,024	**31,343**	**Total**	**50,160**	**48,740**

The carrying amount equals the fair value of the liabilities. Amounts owed to suppliers fall due within 1 year.

25. PROVISIONS

Parent company			Group	
2014	2015	DKK'000	2015	2014
266	0	Provisions 01.01.	0	266
(266)	0	Used during the year	0	(266)
0	0	Provisions made during the year	0	0
0	**0**	**Provisions 31 December**	**0**	**0**

26. OTHER PAYABLES

Parent company			Group	
2014	2015	DKK'000	2015	2014
431	239	Payroll liabilities, tax liabilities, social security contributions, etc.	865	1,294
7,323	6,145	Holiday pay liabilities etc.	7,555	8,759
1,917	1,257	VAT and other indirect tax liabilities	1,257	1,917
17,684	4,045	Other accrued expenses	5,777	20,250
27,355	**11,686**	**Total**	**15,454**	**32,220**

The carrying amount of payables in respect of payroll, tax deducted at source, social security contributions, holiday pay etc., VAT and other indirect taxes, income tax payable and other accrued expenses corresponds to the fair value of these liabilities. Holiday pay liabilities etc. represent the Group's obligation to pay wages and salaries during holidays in the next financial year, to which the employees have earned entitlement as at the balance sheet date. All items under other payables are expected to be settled within 1 year.

NOTES

27. CHANGE IN NET WORKING CAPITAL

Parent company			Group	
2014	2015	DKK'000	2015	2014
3,875	(3,030)	Change in inventories	(7,279)	(11,689)
(4,971)	5,630	Change in receivables	8,823	2,841
14,801	7,133	Change in trade creditors and other payables	535	18,415
6,555	7,920	Change in balances with subsidiaries before impairment losses	0	0
12,510	**17,653**	**Total**	**2,079**	**9,567**

28. OPERATING LEASE LIABILITIES

It is the parent company's policy to lease cars and certain operating equipment on operating leases. The leases have been entered into for terms of 3-5 years with fixed lease payments that are subject to annual index adjustments.

Parent company			Group	
2014	2015	DKK'000	2015	2014
		Operating lease payments are specified as follows:		
876	694	Within 1 year	1,458	1,279
954	1,007	Between 1 and 5 years	2,828	1,218
0	0	More than 5 years	0	0
1,830	**1,701**	**Total**	**4,286**	**2,497**

For the parent company, an amount of DKK 1,030 thousand has been recognised in respect of operating leases for 2015 (2014: DKK 1,164 thousand).
For the Group, an amount of DKK 1,560 thousand has been recognised in respect of operating leases for 2015 (2014: DKK 1,785 thousand).

29. CHARGES

In security of the account with the Group's principal bankers, an all-moneys mortgage for DKK 100.0 million has been issued, a mortgage has been registered against the Group's real property in Denmark for DKK 100.0 million, the parent company's shares in Topsil Semiconductor Materials S.A. and Topsil Semiconductor Materials S.A.'s shares in Cemat'70 S.A. have been provided as collateral, and a charge of DKK 50.0 million has been granted on the assets of Topsil Semi-conductor Materials S.A.

30. GUARANTEES AND CONTINGENT LIABILITIES

The parent company has issued a payment guarantee of PLN 4 million vis-à-vis Raiffeisen Bank, Warsaw as security for the credit facilities in Topsil Semiconductor Materials S.A.

31. CONTRACTUAL COMMITMENTS

Raw material suppliers
At the balance sheet date, the Group was bound to purchase raw materials worth a minimum of DKK 164.1 million by 31 December 2017 (2014: DKK 247.7 million).

NOTES

32. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

Parent company			Group	
2014	2015	DKK'000	2015	2014
23,699	29,677	Trade receivables	36,558	33,896
11,063	10,939	Intra-group receivables	0	0
14,213	5,712	Other receivables, current	8,902	17,046
9,075	4,545	Other receivables, non-current	4,545	9,075
623	1,321	Cash and cash equivalents	8,830	6,902
58,673	**52,194**	**Loans, advances and receivables**	**58,835**	**66,919**
180,876	184,480	Debt to credit institutions, current	184,480	187,519
0	0	Debt to credit institutions, non-current	6,812	0
9,850	10,560	Debt to subsidiaries	0	0
6,707	25,331	Prepayments received, current	25,331	6,707
1,440	0	Prepayments received, non-current	0	1,440
0	0	Finance lease liabilities, current	232	207
0	0	Finance lease liabilities, non-current	419	674
0	0	Other non-current liabilities	2,579	2,307
27,024	31,343	Trade creditors	50,160	48,740
27,355	11,686	Other payables	15,454	32,220
253,252	**263,400**	**Financial liabilities, measured at amortised cost**	**285,467**	**279,814**

The Group's risk management policy
Risk management is an integral part of the day-to-day business management and is subject to continuous review by Management. Management believes that all material risks, apart from financial risks, concern supplier and customer relations. Due to the nature of its operations and financing, the Group is exposed to fluctuations in exchange rates and interest rates. The Group manages the financial risks centrally and co-ordinates cash management, including capital procurement and investment of surplus cash. The Group has a low-risk profile to ensure that currency, interest rate and credit risks arise only in connection with commercial relations. It is the Group's policy not to actively speculate in financial risks.

The Group manages its financial risks by means of a model for managing its cash budgeting covering a period of one year.

Currency risk
Currency risk constitutes the risk of losses (or the possibility of gains) when exchange rates change. Currency risk arises when income and expense items in foreign currency are recognised in profit or loss or from value adjustment of balance sheet items denominated in other currencies.

A substantial part of the Group's sales are settled in USD and EUR. Raw materials etc. are also typically purchased in USD and EUR, whereas other cost items are typically settled in DKK or PLN. The Group does not use derivative financial instruments to hedge currency risks from cash flows or balance sheet items. Instead, the Group uses foreign currency to settle same-currency debt items, which generally reduces the currency risk.

32. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (continued)

Unhedged net position at balance sheet date:

GROUP

2015 Currency	Cash, deposits and securities DKK'000	Receivables DKK'000	Liabilities DKK'000	Net position DKK'000	Of which hedged DKK'000	Unhedged net position DKK'000
USD	1,719	12,486	(31,529)	(17,324)	0	(17,324)
EUR	8,321	23,349	(30,248)	1,422	0	1,422
JPY	537	227	(78)	686	0	686
PLN	5,441	6,427	(19,942)	(8,074)	0	(8,074)
DKK	9	92	(202,560)	(202,459)	0	(202,459)
Other currencies	0	227	(1,110)	(883)	0	(883)
Total	**16,027**	**42,808**	**(285,467)**	**(226,632)**	**0**	**(226,632)**

2014 Currency	Cash, deposits and securities DKK'000	Receivables DKK'000	Liabilities DKK'000	Net position DKK'000	Of which hedged DKK'000	Unhedged net position DKK'000
USD	4,639	22,200	(29,240)	(2,401)	0	(2,401)
EUR	9,363	18,422	(12,580)	15,205	0	15,205
JPY	56	720	(67)	709	0	709
PLN	1,905	3,700	(20,587)	(14,982)	0	(14,982)
DKK	14	5,623	(216,496)	(210,859)	0	(210,859)
Other currencies	0	277	(844)	(567)	0	(567)
Total	**15,977**	**50,942**	**(279,814)**	**(212,895)**	**0**	**(212,895)**

DKK'000	2015	2014
Equity sensitivity to exchange rate fluctuations		
Impact if the USD exchange rate were DKK 0.50 lower than the actual rate	1,200	100
Impact if the PLN exchange rate were DKK 0.20 lower than the actual rate	900	1,700
Profit sensitivity to exchange rate fluctuations		
Impact if the USD exchange rate were DKK 0.50 lower than the actual rate	1,200	100
Impact if the PLN exchange rate were DKK 0.20 lower than the actual rate	900	1,700

NOTES

32. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (continued)

PARENT COMPANY

2015 Currency	Cash, deposits and securities DKK'000	Receivables DKK'000	Liabilities DKK'000	Net position DKK'000	Of which hedged DKK'000	Unhedged net position DKK'000
USD	71	19,856	(21,018)	(1,091)	0	(1,091)
EUR	8,309	23,488	(28,175)	3,622	0	3,622
JPY	129	13	(3)	139	0	139
PLN	0	0	(10,560)	(10,560)	0	(10,560)
DKK	9	92	(202,560)	(202,459)	0	(202,459)
Other currencies	0	227	(1,084)	(857)	0	(857)
Total	**8,518**	**43,676**	**(263,400)**	**(211,206)**	**0**	**(211,206)**

2014 Currency	Cash, deposits and securities DKK'000	Receivables DKK'000	Liabilities DKK'000	Net position DKK'000	Of which hedged DKK'000	Unhedged net position DKK'000
USD	330	24,275	(14,016)	10,589	0	10,589
EUR	9,344	19,690	(12,046)	16,988	0	16,988
JPY	10	521	0	531	0	531
PLN	0	0	(10,361)	(10,361)	0	(10,361)
DKK	14	4,212	(215,985)	(211,759)	0	(211,759)
Other currencies	0	277	(844)	(567)	0	(567)
Total	**9,698**	**48,975**	**(253,252)**	**(194,579)**	**0**	**(194,579)**

DKK'000	2015	2014
Equity sensitivity to exchange rate fluctuations Impact if the USD exchange rate were DKK 0.50 lower than the actual rate	100	(800)
Profit sensitivity to exchange rate fluctuations Impact if the USD exchange rate were DKK 0.50 lower than the actual rate	100	(800)

Interest rate risk
The Group's interest rate exposure is primarily attributable to interest-bearing debt.

32. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (continued)

Parent company			Group	
2014	2015	DKK'000	2015	2014
+/- 1,800	+/- 1,800	**Equity sensitivity to interest rate fluctuations** Impact if the effective interest rate were +/- 1%	+/- 1,800	+/- 1,800
+/- 1,800	+/- 1,800	**Profit sensitivity to interest rate fluctuations** Impact if the effective interest rate were +/- 1%	+/- 1,800	+/- 1,800

Credit risk
The Group's credit risks associated with financial activities correspond to the amounts recognised in the balance sheet. The Group assesses the need for insurance on individual debtors on an ongoing basis. This assessment is based on the individual debtor's present and expected future commitment to the Group.

The primary credit risk of the Group is associated with trade receivables. No special credit risks are found to exist in this regard.

Capital management
The Group evaluates the need to adapt its capital structure on an ongoing basis. Management believes that the financing of the Group's future operations will be secured with the new bank agreement with the Group's principal bankers and cash flows from operating activities.

The priority of the free cash flow generated by the Group is first to repay interest-bearing debt as it falls due and secondly to spend free cash flows on the Group's continued expansion and shareholder dividends.

For the Group, equity as a percentage of total equity and liabilities at the end of 2015 was 46.1% (2014: 54.4%). The realised return on equity for the Group for 2015 was (34.8%) (2014: 12.0%)).

The Company's gearing at the balance sheet date is calculated as follows:

Parent company			Group	
2014	2015	DKK'000	2015	2014
180,876	184,480	Credit institutions/bank debt	191,292	187,519
(623)	(1,321)	Cash and cash equivalents	(8,830)	(6,902)
180,253	**183,159**	**Net interest-bearing debt**	**182,462**	**180,617**
204,109	**185,590**	**Equity**	**260,694**	**344,344**
0.88	**0.99**	**Financial gearing**	**0.70**	**0.52**

NOTES

32. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (continued)

Liquidity and capital resources
At Group level, free cash and cash equivalents amounted to DKK 8.8 million as at 31 December 2015, of which DKK 5.1 million are attributable to Cemat 70 S.A. As at 31 December 2015, unused operating credits amounted to DKK 14.7 million.

In March 2016, Topsil made an agreement with the Group's principal bankers to extend credit facilities to 1 March 2017. The agreement was set up as a committed corporate loan with operating facilities of DKK 233 million. By comparison, the previous facility totalled DKK 250 million, comprising bank loans and guarantees.

The established bank loans are subject to covenants relating to the Group's future operating budget and balance sheet budget. Based on the 2016 guidance, Management believes that the existing capital resources and the expected future cash flows will be sufficient to maintain operations and to finance the Company's planned measures. Liquidity is expected to be tight, and the liquidity forecast only includes a moderate buffer to absorb any negative variances.

The Group's budgets, and consequently also its future capital resources, are inherently subject to risk since the extent and timing of cash flow fluctuations will have an impact on the Company's capital resources. Management believes that any negative deviations in its operations relative to budgeted cash flows can be mitigated on a timely basis by cash flow-enhancing measures.

As at 31 December 2015, financial liabilities of DKK 18.8 million were due for payment between 6 and 12 months (2014: DKK 6.8 million). Of the long-term liabilities, DKK 9.8 million falls due between 1 and 5 years (2014: DKK 4.4 million). Other liabilities fall due within 6 months.

33. FEE FOR AUDITORS APPOINTED BY THE GENERAL MEETING

Parent company			Group	
2014	**2015**	**DKK'000**	**2015**	**2014**
390	375	Audit of annual report	580	595
15	62	Tax advisory services	138	41
0	0	Assurance engagements other than audits	0	0
151	255	Non-audit services	435	151
556	**692**	**Total**	**1,153**	**787**

34. RELATED PARTIES

The Group has no related parties exercising control.

The Group has the following related parties:
- Ejendomsaktieselskabet Bangs Gård, owned by shareholder and Deputy Chairman
- Frost Invest A/S, owned by a member of the Board of Directors
- CCMA ApS, owned by a member of the Board of Directors

The Group had no transactions with related parties in 2015.

The parent company has the following related parties:
- Topsil Semiconductor Materials S.A., subsidiary in Poland
- Cemat'70 S.A., subsidiary in Poland
- Topsil Semiconductor Materials KK, subsidiary in Japan
- Ejendomsaktieselskabet Bangs Gård, owned by shareholder and Deputy Chairman
- Frost Invest A/S, owned by a member of the Board of Directors
- CCMA ApS, owned by a member of the Board of Directors

The parent company had transactions with the following related parties in 2014 and 2015:
- Topsil Semiconductor Materials S.A., subsidiary in Poland
- Cemat'70 S.A., subsidiary in Poland
- Topsil Semiconductor Materials KK, subsidiary in Japan

NOTES

35. RELATED PARTY TRANSACTIONS

Parent company			Group	
2014	**2015**	**DKK'000**	**2015**	**2014**
70,217	68,223	Subsidiaries, sale of goods	0	0
99,682	125,159	Subsidiaries, purchase of goods	0	0
527	744	Subsidiaries, interest income	0	0
310	540	Subsidiaries, interest expenses	0	0
170,736	**194,666**	**Total transactions**	**0**	**0**

Other management remuneration etc. is stated separately in connection with note 4, staff costs. All related party transactions have been carried out on an arm's length basis.

Parent company			Group	
2014	**2015**	**DKK'000**	**2015**	**2014**
(754)	0	Liability etc. in connection with vacating premises, Ejendomsaktieselskabet Bangs Gård	0	(754)
8,688	16,132	Subsidiaries, debtor receivable	0	0
26,258	29,297	Subsidiaries, loans	0	0
(23,883)	(34,490)	Subsidiaries, creditor payable	0	0
(9,850)	(10,560)	Subsidiaries, loans	0	0
459	**379**	**Total outstanding amounts**	**0**	**(754)**

36. SHAREHOLDER INFORMATION

The parent company has registered the following shareholders holding more than 5% of the voting rights or nominal value of the share capital:

Composition of shareholders	**Number of shares**	**Capital DKK**	**Capital %**
EDJ-Gruppen, Bangs Gård, Kongensgade 34, 4., 6700 Esbjerg, Denmark	76,000,000	19,000,000	14.4
SmallCap Danmark A/S Dronningens Tværgade 41, 1st floor 1302 Copenhagen K, Denmark	39,736,681	9,934,170	7.5
Advice Invest Olfert Fischers Gade 8 1311 Copenhagen K, Denmark	28,081,342	7,020,335	5.3

NOTES

37. BOARD OF DIRECTORS AND MANAGEMENT BOARD

The Board of Directors and Management Board of Topsil Semiconductor Materials A/S hold shares in Topsil Semiconductor Materials.

	Shareholdings, nominal value, DKK'000	
Shares (own and related parties*)	**2015**	**2014**
Jens Borelli-Kjær, Chairman	173	173
Eivind Dam Jensen (EDJ-Gruppen), Deputy Chairman	19,000	19,000
Jørgen Frost, member of the Board of Directors	41	41
Michael Hedegaard Lyng, member of the Board of Directors	123	123
Sune Bro Duun, member of the Board of Directors	3	0
Kalle Hvidt Nielsen, CEO	105	105
Total	**19,445**	**19,442**

* Related parties are Management's close family and companies in which they hold managerial positions or directorships.

38. EVENTS AFTER THE BALANCE SHEET DATE

In March 2016, Topsil extended the agreement with its principal bankers until 1 March 2017.

After the balance sheet date, the existing long-term contracts with suppliers of raw materials have been extended to the end of 2020.

39. ADOPTION OF THE ANNUAL REPORT FOR PUBLICATION

The Board of Directors adopted this annual report for publication at a board meeting held on 31 March 2016. The annual report will be presented to the shareholders of the parent company for approval at the annual general meeting to be held on 25 April 2016.

GLOSSARY

TERM	EXPLANATION
CZ-EPI	CZ-EPI is CZ-based silicon supplied with an extra crystalline layer that significantly improves the product's conducting properties. Depending on the application of the product, the thickness of the EPI layer may vary. EPI silicon is especially used for more complex consumer electronics.
Czochralski (CZ) technology	Czochralski (CZ) is the most commonly used technology for production of silicon, in which crushed raw silicon is remelted in large vessels. CZ silicon is used in, for example, components for consumer electronics and for production of solar panels, which are relatively simple electric components.
Doping	Phosphorus or boron is added to the silicon material to check the electrical properties. Phosphorus or boron is added by means of processes such as diffusion or ion implanting.
Electric component	An electric component is a device usually mounted in a “case” designed to have particular electrical properties. Electric components cover the entire spectrum from state-of-the art components conducting, for example, electricity over long distances without energy loss, to very simple components mounted in, for example, coffee machines.
Float-Zone (FZ) technology	Float Zone (FZ) is a state-of-the art technology used to remelt silicon raw material from ingot to ultra-pure silicon. The remelting process takes place in purpose-built furnaces at very high temperatures. Ultra-pure silicon or FZ silicon is the purest form of silicon there is. It can therefore be used in the most technically complex electric components of the semiconductor industry.
FZ-HPS	FZ-HPS is ultra-pure silicon based on the Float Zone technology. Primarily used for high-voltage products such as sensors and detectors.

TERM	EXPLANATION
FZ-NTD	FZ-NTD silicon is neutron-irradiated FZ silicon. Neutron-irradiation takes place in reactors and is a separate process following the FZ process. Neutron-irradiation subjects FZ silicon to very precise doping and consequently gives it the best semiconductor properties. FZ-NTD silicon can be used in the most state-of-the-art electric components for industrial purposes.
FZ-PFZ	FZ-PFZ silicon is silicon which is gas-doped during the FZ process. Gas-doping enables silicon to control electricity. Gas-doped silicon has good semiconductor properties. Gas-doping renders the material usable in, for example, components for industrial purposes such as electric cars and hybrid vehicles.
The semiconductor industry	The semiconductor industry is a designation of the entire industry producing electric components. The industry primarily consists of major global companies.
Customer qualification	Customer testing of silicon in own production to determine whether the silicon meets the customer's requirements. A qualification process is highly resource intensive and typically takes a year or longer.
MAT	Moving Annual Total. A variable expressing a value over a period of 12 months. The variable may be revenue, production, demand, etc. Every month, the figure for the new month is added, and the figure for the first month of the prior 12 months is deducted.
Power market	The power market constitutes approximately 10% of the entire semiconductor industry. The power market is the part of the semiconductor industry covering the most advanced components. Float zone silicon is primarily used in the power market.
Wafer	A silicon wafer.

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