

ANNUAL REPORT 2010

LD MARKETS 23 MARCH 2011



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2010 IN SUMMARY

- Revenue of DKK 457m (+8%) and EBITDA of DKK 102m (+2%) in line with expectations
- MARCH 2010: Renewal of raw materials contract with one of the two raw materials suppliers of FZ-poly. Topsil now has long-term contracts (through to 2015 and 2017) with both the world's suppliers of raw material for FZ-production
- **MARCH 2010:** Long-tem contracts signed with largest customers three of which accounted for more than 50% of revenue in 2010
- MAY 2010: Completion of share issue with proceeds of DKK 86m
- **AUGUST 2010:** Topsil entered into an agreement with a new bank, obtaining access to committed loan facilities with much greater flexibility and better terms

• THROUGHOUT 2010:

- Installation of new FZ pullers to increase capacity, closer integration between Topsil/Cemat, optimisation of supply chain to reduce lead time and more resources allocated to R&D
- Project planning of new plant completed during 2010. In early 2011, Topsil has acquired land for the construction of the plant in Frederikssund, Denmark
- For 2011 revenue growth of 5% and an EBITDA of around DKK 100m is
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 expected



MARKET DEVELOPMENT



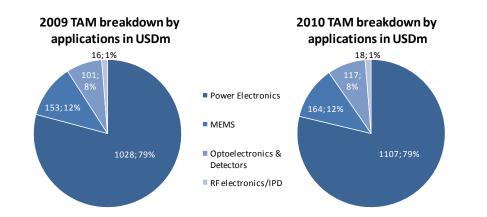
STRONG DEMAND IN UNDERLYING MARKETS

- Solid development in underlying markets continues in 2010 aggregated market growth on Topsil's markets of around +8% to approx. USD 1.4bn*
 - Main growth driver remains increased investments in smart power and energy efficient solution, e.g. in transportation, infrastructure and industry
 - Growth on high and very high voltage levels on par with last year
 - 20% increase in wafer volume
 - Sharp increase in demand for CZ as consumer electronics market rebounded
- Stable growth in FZ market several customers will increase production capacity in 2011 to accommodate higher demand going forward

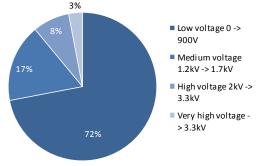
* Source: Yole Developpement, March 2011



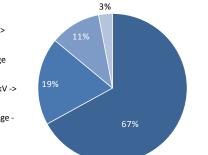
GROWTH IN POWER MARKET DRIVEN BY INCREASED DEMAND IN MEDIUM AND HIGH VOLTAGE



2009 wafer market in Power Electronics, spilt by voltage range in USDm



2010 wafer market in Power Electronics, spilt by voltage range in USDm



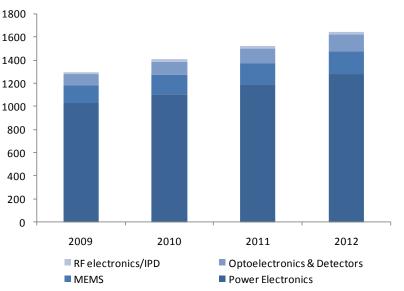
- Power market grew ~8% in 2010 (10% expected at beginning of FY2010) – other three markets grew 7-16%*
 - Low voltage products constitute largest share of power market, but growth is mainly materialising in medium and high voltage
 - Topsil's market share constant during 2010



* Source: Yole Developpement, March 2011

STRONG GROWTH IN ALL SEGMENTS

- From 2010-2012 Topsil's four markets are expected to grow 8% p.a. (CAGR)
 - Individual market growth rates in period between 7% and 13% p.a. (CAGR)
- Power market expected to grow 7.5% p.a. (CAGR) in period 2010-2012
 - FZ-NTD-based components expected CAGR of around 9%
 - FZ-PFZ, expected CAGR of around 11%
 - CZ-based components, expected CAGR of around 6%



Market segments in USDm

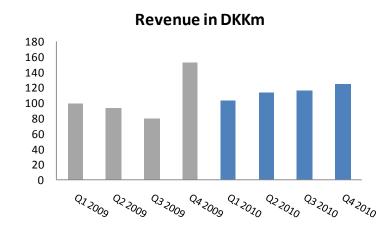
Source: Yole Developpement, March 2011

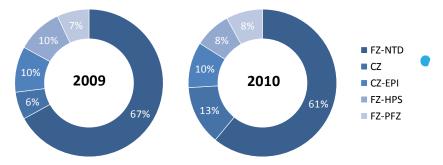


FINANCIAL PERFORMANCE



REVENUE GROWTH ON PAR WITH MARKET GROWTH





Revenue growth in line with expectations

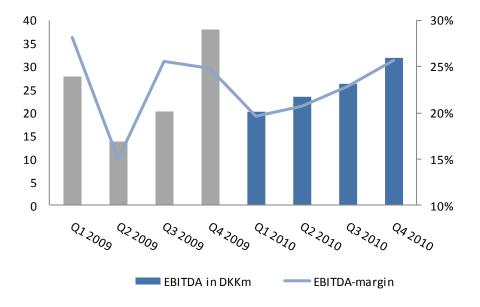
- Q4 2010: DKK 125.3
- FY2010: DKK 456.7m (+8%)

Growth in all product categories

- General demand for FZ and new long term contracts produces growth of 8% in revenue, mainly driven by FZ-PFZ and CZ
- Total volume increases of 20% (YoY) driven by FZ-PFZ wafers
- FZ-NTD the dominant product in portfolio, but revenue from medium and low voltage with lower margins are increasing



MARGINS REDUCED MARGINALLY AS NEW RAW MATERIAL AND CUSTOMER CONTRACTS ARE IMPLEMENTED



EBITDA & EBITDA-margin

Contribution margin reduced slightly in FY2010

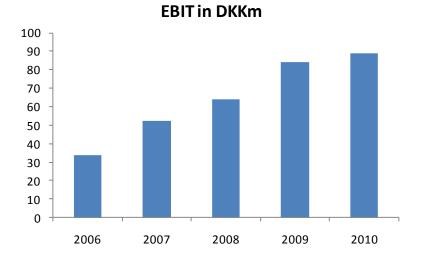
- Increased volumes of FZ sold in contract with more attractive pricing conditions for customers
- Increased share of CZ with lower margins

Consolidated EBITDA of DKK 102.0m (DKK 99.8m) within guidance range

- FY2010 EBITDA-margin of 22.3% (23.6%) affected by change in product mix, lower FZ prices under new long term contracts and increased CAPEX according to strategy
- Consolidated FY2010 EBITDA contribution from Cemat was DKK -2.0m
- Q4 2010 EBITDA-margin at 25.6% (22.9% in Q3 2010)



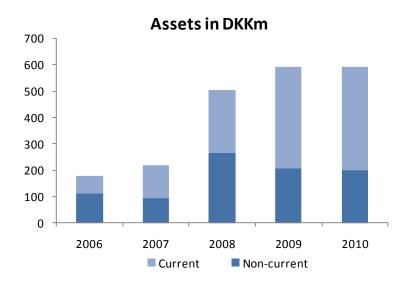
SATISFACTORY INCREASE IN EARNINGS



- EBIT for FY2010 at DKK 89.0m (DKK 84.2m) corresponding to EBIT-margin of 19.5% (19.9%)
- Net financials reduced to DKK 7.2m (DKK 8.5m)
 - Impacted by lower USD rates and reduced net interest bearing debt (NIBD)
- PBT at DKK 82m (DKK 76m) and net profit increased to DKK 63m (DKK 52m)



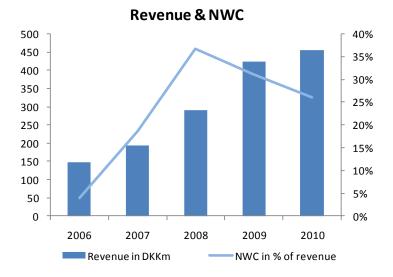
BALANCE SHEET INFLUENCED BY INCREASED INVESTMENTS IN R&D AND NEW FZ-PULLERS



- Total assets at par with last year
- Increased investments in product development and production equipment
- Financial assets (cash deposits for raw materials) converted to cash, approx. DKK 48m
- Assets held for sale reduced from DKK 147.4m to DKK 100.0m mainly due to dividend payment of (PLN 31.0m) from Cemat70
- ROIC of 26.3% vs. 27.0% last year



CONTINUED IMPROVEMENT IN NET WORKING CAPITAL DURING 2010

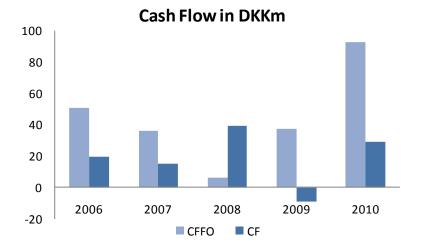


- Net working capital (NWC) reduced by DKK 13.5m despite increased activity
 - Inventories slightly up at DKK 113.0m (DKK 108.0m)
 - Receivables reduced to DKK 77.6m (DKK 118.9m)

 NWC/Sales reduced to 26% from 31%



CASH FLOW MORE THAN DOUBLES DUE TO INCREASED EARNINGS AND REDUCTION IN NWC



- Surge in cash flow from free operations (CFFO)to DKK 92.7m (DKK 37.2m) driven by reduced NWC
 - Decrease in trade receivables
 - Tax for 2010 pre-paid
- CAPEX driven by new FZ pullers, other investments in preparing for Greenfield and items in Cemat Silicon
- Proceeds from share offering and increased cash flows reduces NIBD to DKK -92.6m (DKK 30.7m)
- Committed loan facility to be used for CAPEX in 2011-2012



UPDATE ON STRATEGY



MAIN ELEMENTS OF THE NICHE PLUS STRATEGY SEIZING THE OPPORTUNITY

• To increase volume

- Expansion of the production capacity by construction of new plant for the production of ultra-pure silicon (FZ-silicon)
- Optimisation and reduction of production costs

• To expand and focus product range, mix change 2011

- Expand position in ultra-pure silicon (FZ-PFZ)
- Focus sale of CZ-silicon to the most profitable products (CZ-EPI and special orders for small diameters)
- To increase focus on research and development within the core range of ultra-pure silicon to accommodate customer demands
 - Development of products with larger 8" diameters (FZ-PFZ and FZ-NTD)
 - Development of improved product targeting the medium-voltage segments

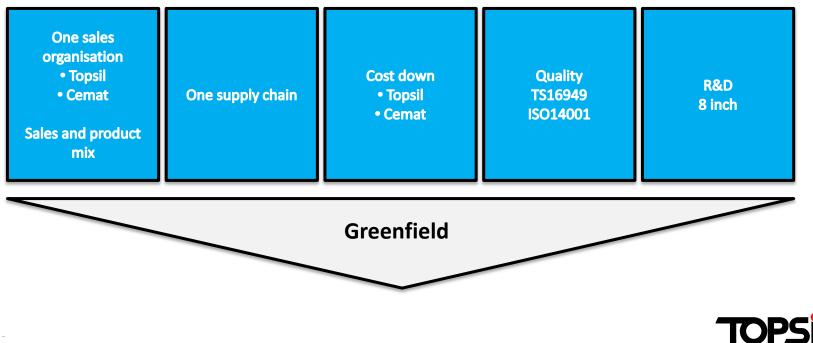


STRATEGY IMPLEMENTATION MAP

Market growth

Long term poly contracts: Access to raw material & competitive prices

Long term customer contracts, increased volumes



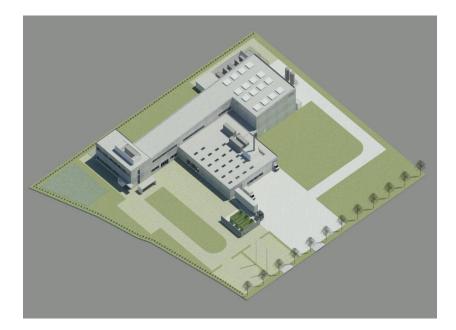
NEW PLANT, CONSTRUCTION 2011-2012



- Construction commencing 4 April 2011
- Construction completed 2012
- Production at two FZ-facilities by 2012



DESIGN TO PUSH LIMITS OF FACILITY



- Optimised flow
- Climate controlled clean rooms
- New equipment to streamline process steps, supporting large diameter wafers
- Environmental initiatives to cut consumption and improve performance



FINANCIAL TARGETS UPDATE



MODERATE MARKET GROWTH TO CONTINUE IN 2011

• Market growth expected to continue

- NTD volume by and large unchanged for 2011
- Growth in PFZ and CZ-EPI in 2011
- A number of new PFZ and EPI customers will be served from Q2, 2011

Topsil's order backlog for 2011 totals DKK 247m (DKK 215m) – the highest in the company's history

- Topsil is engaging in more business with contract clients than before
- Closing of contract no. 6 in Q4, 2011
- Volumes allocated outside long term contracts are increasing as expected



THE JAPANESE CATASTROPHE – SHORT TERM AND LONG TERM CONSIDERATIONS

General

- 4 Prefectures hit / 7% of GDP / Production though closed down more broadly in Japan than the hit prefectures (electronics parts supply)
- Limited impact on import to Japan as import is already low
- Expects neg. GDP in Q2. Negative impact for 2011 is expected to be higher than positive impact (reconstruction)

Topsil exposure

- Approx. 10% of revenues and 2-5% of EBITDA (2010) is generated in Japan
- Limited, but slightly negative revenue impact is expected for 2011
- Infrastructure build-up and especially changes to competitive landscape in electronics and the semiconductor industry will provide new business opportunities from late 2011



MODERATE GROWTH IN 2011

• FY2011 guidance

- Revenue: Organic growth of approx. 5% corresponding to revenues of DKK 480m (60% of revenues in H2 2011)
- EBITDA: Approx. DKK 100m
 DKK 10m EBITDA contribution from revenue growth off-set by increase in capacity cost related to execution of strategy
- Investments in FY2011 expected at DKK 200m (construction of new FZ factory)

Product mix

- Movement from low margin CZ to medium margin CZ-EPI (from app. 40% to app. 60% in 2011)
- Focus on FZ-PFZ, volume market with more competition
- Unchanged FZ-NTD sales as customers ramp up

• 2012 EBITDA-target downgrade

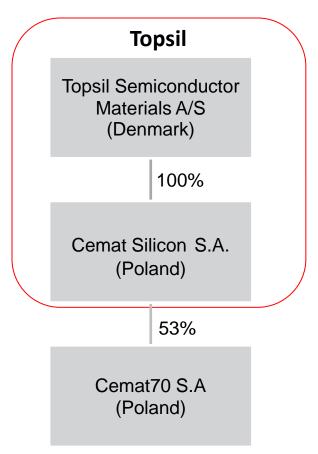
 Faster mix change towards PFZ and CZ-EPI & faster investment in CAPEX due to ramp up for new growth options, reduces 2012 EBITDA-margin forecast from 25% to 22% as growth is delayed while Greenfield related costs are increasing







GROUP OVERVIEW



- Production based on FZ technology
- Head office with administrative functions
- Development of FZ-based production
- about 100 employees
- Production based on CZ technology and in-house production of CZ and FZ wafers
- Development of CZ-based production
- about 220 employees
- Property company non-core activity held for sale
- 47% owned by the Polish state (24.7%), SPEC (9.4%) and other private investors (12.9%)
- 55 employees



VALUE CHAIN

THE FLOAT ZONE PROCESS - FROM POLYSILICON TO WAFER



2

or













REDUCTION

DISTILLATION SIEMENS PROCESS

POLYSILICON









IRRADIATION

(NTD)



WAFERING



FINISHED WAFER





POLYSILICON



CZ PROCESS

FZ PROCESS

CZHOCHRALSKI PROCESS - FROM CRUSHED POLYSILICON TO WAFER









FINISHED WAFER

FROM TOPSIL TO CUSTOMER















DIFFUSION

COMPONENT

ELECTRONIC CONTROL

END-USE





CZ

TOPSIL IS DEDICATED TO HIGH PERFORMANCE DEVICES

