

# ANNUAL REPORT 2012

Carnegie Bank 21 March 2013

## AGENDA

- **2012 in summary**
- Market update
- Financial Performance 2012
- Strategy update
- Expectations for 2013

# ON THE RIGHT TRACK IN A YEAR OF CHALLENGING MARKETS

## THE MARKET

- Negative market development on power market compared to 2011, particularly second half of year and within the high and very high voltage segments.
- Customers and independent sources agree that a subdued global economy currently entails fewer public infrastructure investments and lower investments in industry.
- Long term expectations remain positive.

# ON THE RIGHT TRACK IN A YEAR OF CHALLENGING MARKETS (CONTINUED)

## FINANCIAL RESULTS

- Revenue DKK 289.6 million (Expectation: DKK 260-280 million).
- EBITDA DKK 12.8 million (Expectation: DKK 5-15 million).
- Full effect of cost reduction programme, resulting in overall cost reductions of DKK 20 million compared to 2011.

## NEW STRATEGY

In essence builds on investments already made, 2010-2012. Topsil intends to considerably strengthen its position on the power market. The strategy has four key themes:

- Increase focus on PFZ
- Expand position, Japan and China
- Enhance wafer production efficiency
- Secure an improved cash flow

# ON THE RIGHT TRACK IN A YEAR OF CHALLENGING MARKETS (CONTINUED)

## EXECUTION IN 2012, PLATFORM FOR 2013

- Intensified sales efforts 2012, announcement of improved sales platform in Japan expected 2013. Japan is considered to be the world's largest float zone market.
- First samples of next generation larger-diameter wafers (200mm) submitted for customer qualification end of year, according to plan. New products not expected to significantly improve performance in 2013, due to length of qualification process.
- New plant completed. A number of new machines installed at the new plant, a pre-condition for producing the first test material for customer qualification at the turn of the year. Topsil expects production of silicon to take place at its two facilities in Frederikssund throughout 2013 and for production at its old facilities to cease in 2014.
- Quality management system significantly upgraded in 2012. TS16949 certification in Denmark obtained, facilitating access to the strategically important automotive market.
- An additional 25% of the shares in the property company Cemat'70 S.A. acquired in order to obtain a controlling interest in the property company concerning all matters, and the total ownership interest now constitutes 78%. The aim of the acquisition is to freely be able to sell the entire shareholding.
- Renewal of agreement with bankers at the end of year, involving extension of existing facilities and a DKK 55 million temporary credit facility commitment.

## AGENDA

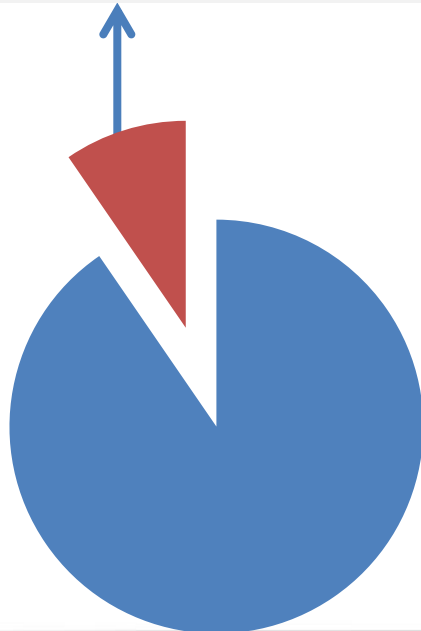
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# POWER MARKET, MARKET SIZE 2012 AND STRATEGY PERIOD

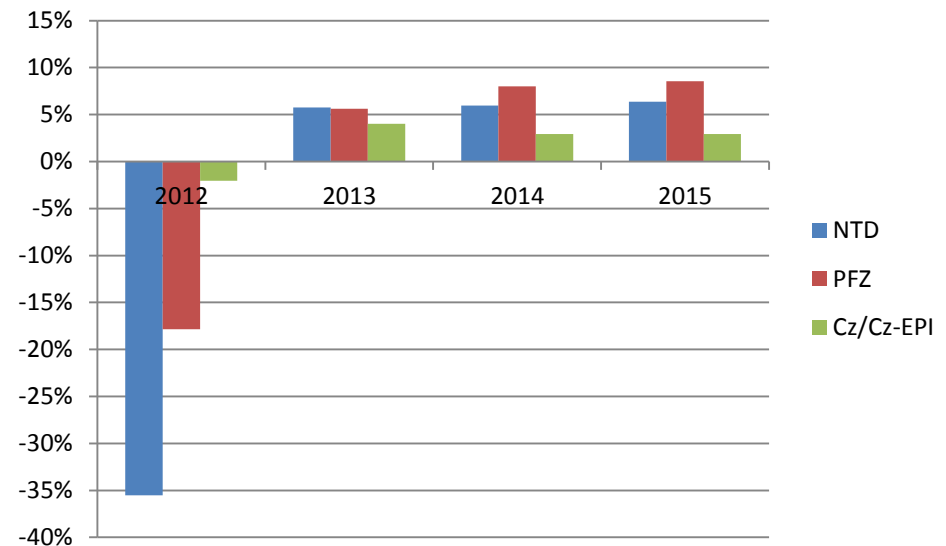
The aggregated silicon market worth around DKK 50 billion in 2012.

The power market accounted for about 10% of this market. Main substrates are NTD, PFZ and CZ/CZ-EPI.

Sources: SEMI, Yole Developpement, Feb. 2013



## Expected market growth, YoY, 2012-2015



Source: Yole Developpement, February 2013

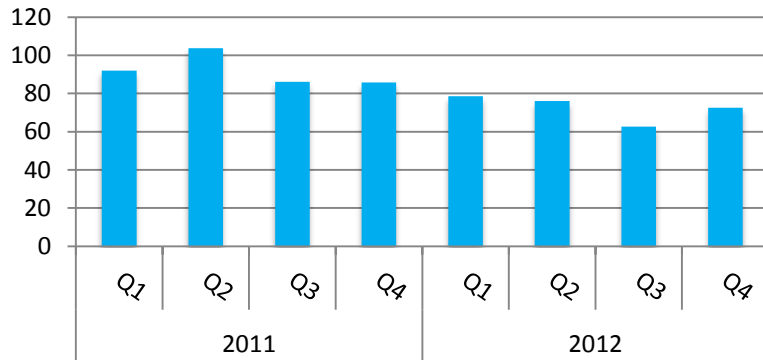
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# REVENUE DEVELOPMENT

## Revenue in DKKm:



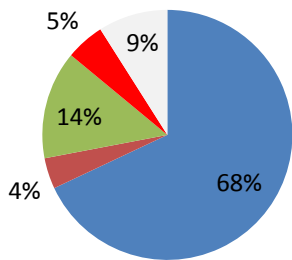
– **Revenue in line with expectations**

- Q4 2012: DKK 72.5m
- FY2012: DKK 289.6m (-21%)

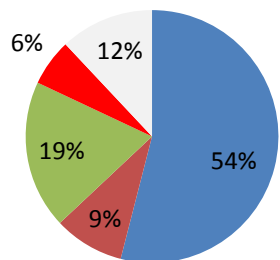
– **Revenue, breakdown by products**

- NTD decline driven by market
- Moderate growth of PFZ in a declining market
- CZ deal with new customer to utilise capacity

### 2011



### 2012

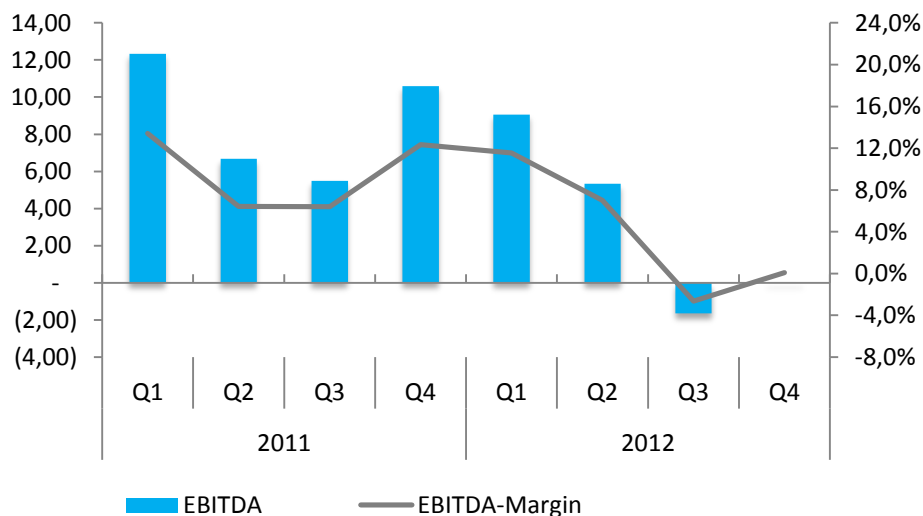


- FZ-NTD
- CZ
- CZ-epi
- FZ-HPS
- FZ-PFZ

Division of revenue, substrates

# MARGINS REDUCED FOLLOWING DECREASED REVENUES

## EBITDA & EBITDA-margin



### – Contribution margin reduced

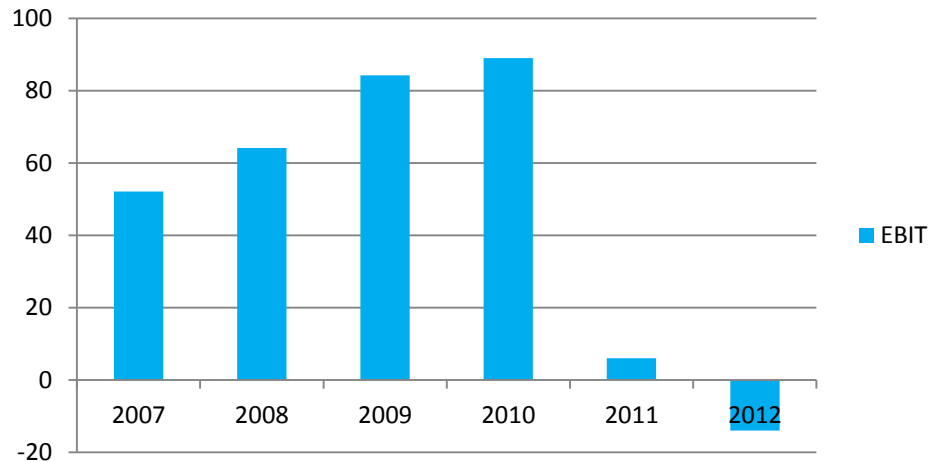
- Changes in product mix
- Lower capacity utilisation
- Partly offset by productivity improvements

### – Consolidated EBITDA of DKK 12,8m (DKK 35,1m) in line with expectations

- FY2012 EBITDA-margin of 4.4% (9.6%) mainly affected by lower revenues
- Cost reduction programmes and strict cost control resulting in decrease in fixed cost DKK 20m
- Average FTE 358 in 2012 (2011: 383)

# UNSATISFACTORY DECREASE IN EARNINGS

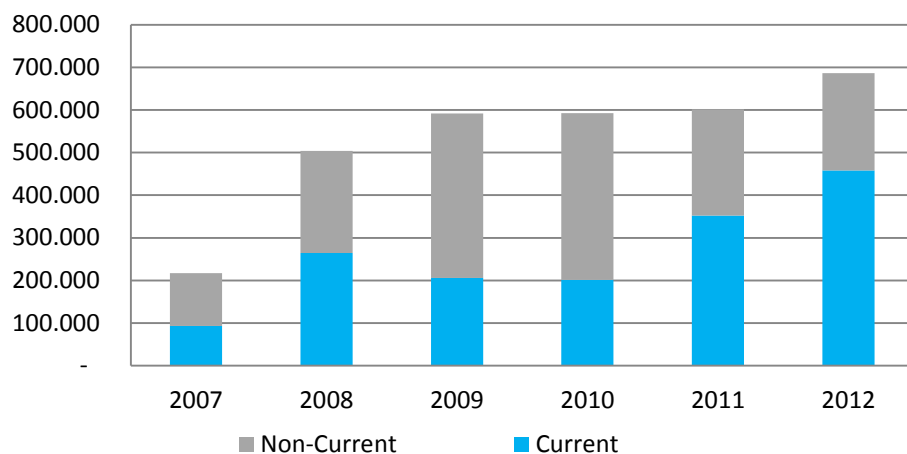
EBIT in DKKm



- Negative development in EBITDA (DKK 22.3) partly offset by lower depreciations (DKK 2.4 m).
- Net financials at DKK -3.7m (DKK -9.3m) impacted by exchange rate cost of DKK 1.1m vs. DKK 6.7m in 2011
- Taxes DKK -7.0m (DKK -3.5m) driven by impairment DKK 8.5m on tax asset in subsidiary in Poland

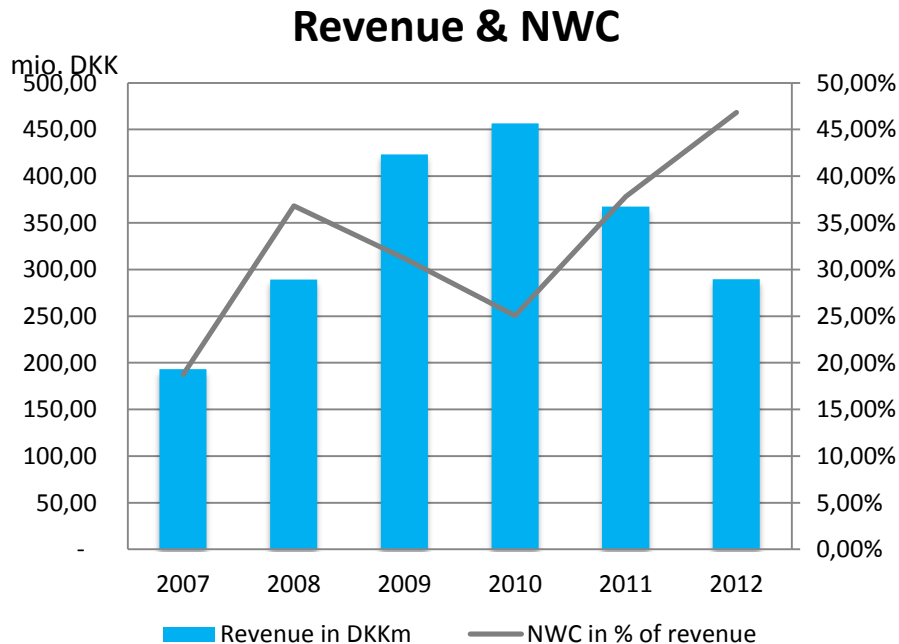
# BALANCE SHEET INFLUENCED BY INVESTMENTS IN NEW PRODUCTION FACILITIES

Assets in DKKm



- Total assets increased DKK 84.7 m compared to 2011.
- Investments in productions facilities totalling DKK 122.9m in 2012.
- Investments in development projects DKK 9.2m.
- Net working capital increased DKK 9.8m.
- NIBD totaling DKK 152.3m end of 2012, increased by MDKK 148.0m mainly driven by investment in new production facilities.
- Invested capital accumulating DKK 568.6m end of 2012 (DKK440.7m), which result in a ROIC of 2.5% vs. 8.8% last year.

# NET WORKING CAPITAL



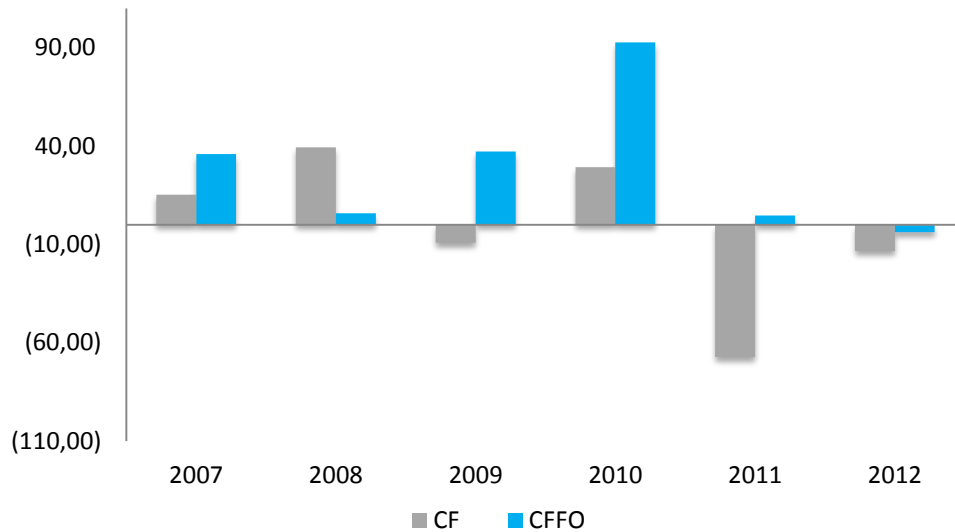
– **Net working capital (NWC) increased by DKK 9.8m due to lower activity and planned build up of inventory.**

- Inventories up at DKK 159.03m (DKK 146.3m)
- Receivables at DKK 50.0 (DKK 70.7m)
- Accounts payable up at DKK 50.0m (DKK 66.0)

– **NWC/Revenue increased to 47% from 38%.**

# NEGATIVE CASH FLOW RESULT OF PLANNED INVESTMENTS IN NEW PLANT AND LESS CASH FROM OPERATIONS

Cash flow in DKKm



- Decrease in cash flow from operations (CFFO) to DKK -3.8m (DKK 4.7m) driven by reduced EBITDA partly offset by lower financing cost and tax.
- CAPEX driven by investments in new production facilities accumulating DKK 122.9m and in development projects of DKK 9.2m.
- Cash flow from financing totalling DKK 122.2 primarily related to loan facilities pertaining to investments in production facilities and purchase of minorities (Cemat'70 S.A.).
- Total cash outflow of DKK 13.3m vs. DKK 67.2m in outflow in 2011.

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# STRATEGY UPDATE, EXECUTING ON OPPORTUNITIES

## EXPAND POSITION JAPAN AND CHINA

- Sales effort in Japan and China intensified significantly in 2012.
- Japan will have first priority due to the size and attractiveness of this market. Next generation silicon wafers (200mm) to facilitate access.
- Expect to announce plan for significant improved sales setup in Japan during 2013.

## INCREASE FOCUS ON PFZ

- Development of 200mm. FZ products on track. First qualification samples submitted end of 2012, as planned.
- TS16949 -certification (DK) to facilitate easier access to the strategically important automotive market.
- PFZ sales increased in declining market in 2012 and a number of new qualifications ongoing.

## ENHANCE WAFER PRODUCTION EFFICIENCY

- Significantly improved cooperation with key poly supplier.
- Yield improvement programmes initiated in Denmark and Poland.
- Manufacturing management strengthened in Denmark.
- Integration of manufacturing and logistics processes.

## SECURE AN IMPROVED CASH FLOW

- Investment programme in new plant finalised on budget.
- Cycle time reduction programme established.
- Investment expected to be below depreciation.

Markets	Division of revenue, substrates 2012	
	FZ	CZ
The EU	49%	11%
The US	4%	3%
Japan	0%	12%
China	13%	0%
Other	1%	0%



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## Expectations for 2013

- Following a relative drop in market value from 2011 to 2012, the silicon industry expects the market to recover slightly in 2013 (Gartner, WSTS, SEMI), due to an increasing number of infrastructure projects which are expected to materialise primarily in the second half of 2013. Topsil's customers confirm this picture.
- Based on the above, Topsil expects to generate revenue for 2013 at least in line with revenue for 2012.
- Topsil expects a more efficient wafer production to help improve the Company's earnings for 2013, but it will be partly offset by the costs relating to temporary parallel production lines in two locations in Frederikssund, Denmark, customer qualification of the new plant and the relocation to the new facilities. Overall, the Company expects that EBITDA in 2013 will at least be in line with EBITDA for 2012.

Expectations based on exchange rates of DKK 600/USD 100 and DKK 180/PLN 100.

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