

# FINANCIAL RESULTS Q1 2011

SEB ENSKILDA, MAY 18<sup>th</sup> 2011

**TOPSIL**

The logo for 'AGENDA' features a stylized icon of a cluster of grey and blue dots to the left of the word 'AGENDA' in a bold, black, sans-serif font.

# AGENDA

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**DISCLAIMER:**

*This presentation includes forward-looking statements reflecting management's current expectations for certain future events and financial performance. Forward-looking statements are inherently subject to uncertainties, and results may differ significant from expectations. Factors that may cause the actual results to differ from expectations includes, but are not limited to, developments in the economy and financial markets, changes in the silicon market, market acceptance of new products and the introduction of competing products. Topsil is only obliged to update and adjust the expectations if so required by Danish legislation and the Danish law on securities trading, etc.*



**COMMENTS TO  
Q1 2011  
FINANCIALS**



# REVENUE BELOW EXPECTATIONS FOR Q1

## ACTIONS TO MAINTAIN EBITDA 2011

- **Revenue unsatisfactory due to:**

- Less NTD sales in Q1 + NTD sales executed with lower margin mix than expected
- Delay in introduction of PFZ (6" PFZ) to customers
- Delay in introduction of EPI

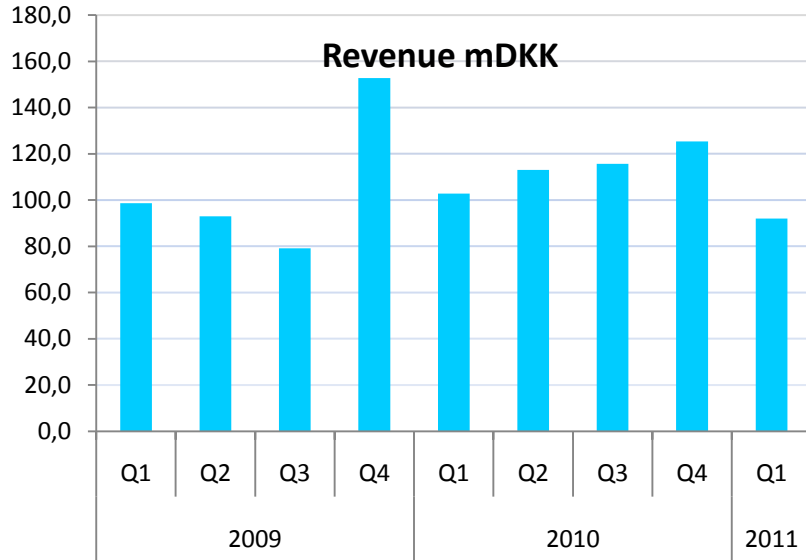
- **Actions:**

- Combination of current order level for Q2-Q4 – pipeline in combination with
- Task Force to strengthen the in-sale, qualification work (sampling) to customers of
  - PFZ (esp. the new 6" PFZ with better radial resistivity)
  - EPI (thick EPI), and
- Reduction of capacity costs and IPO in the level of + 10 MDKK

- **Result:**

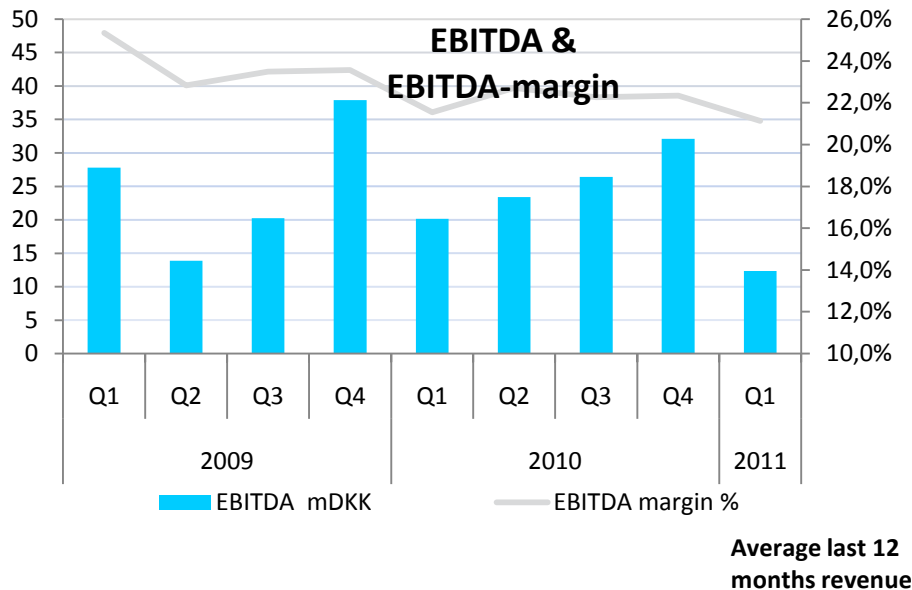
= imply that Topsil can maintain the EBITDA target of 100 MDKK and an organic growth in revenue of 0-5% for 2011

# REVENUE BELOW EXPECTATIONS IN Q1



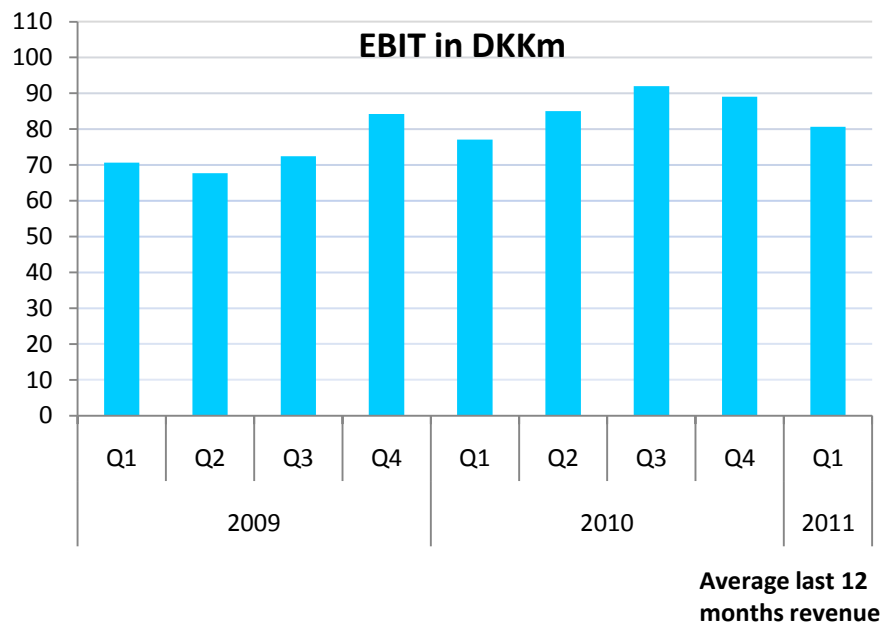
- **Q1 2011 revenues of DKK 92m (DKK 102.8m) – decrease of 10.5% driven by both reduced FZ and CZ sales**
  - NTD: Lower than expected sale in Q1
  - PFZ: Delays in in-sale, qualification of new PFZ customers
  - CZ-EPI: Delays in in-sale, qualification of new EPI customers
- **CZ revenues of DKK 16.6m in Q1 (DKK 26.2m)**

# REDUCED EBITDA MARGINS TRIGGER INCREASED FOCUS ON COST



- **Contribution margin down due to**
  - **Less NTD sales in Q1**
  - **NTD mix towards specs. with low margin for major customers**
  - **Lower capacity utilisation (NTD, PFZ and CZ-EPI)**
- **Consolidated EBITDA of DKK 12.3m (DKK 20.2m) – below expectations**
  - **EBITDA-margin of 13.4% (19.6%) affected by low level of activity**

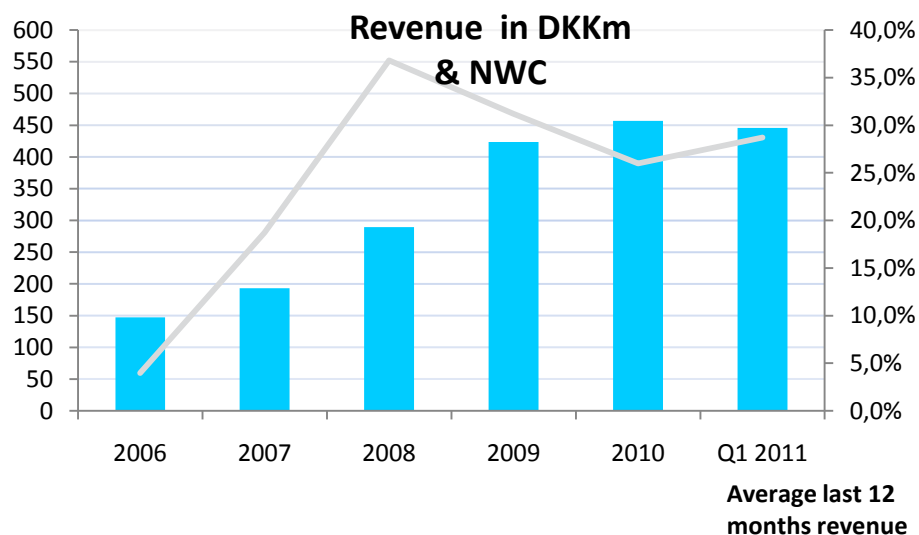
# EARNINGS BELOW EXPECTATIONS, BUT WILL BE STRENGTHENED DURING 2011



- **Q1 2011 EBIT at DKK 7.9m (DKK 16.3m) corresponding to EBIT-margin of 8.6% (15.9%)**
- **Net financial costs of DKK 2.2m compared to a profit of DKK 2.4m last year (currency effects from USD)**
- **PBT at DKK 7.5m (DKK 18.3m) and net profit decreased to DKK 2.7m (DKK 13.5m)**

# INVESTMENTS IN SEIZING THE OPPORTUNITY

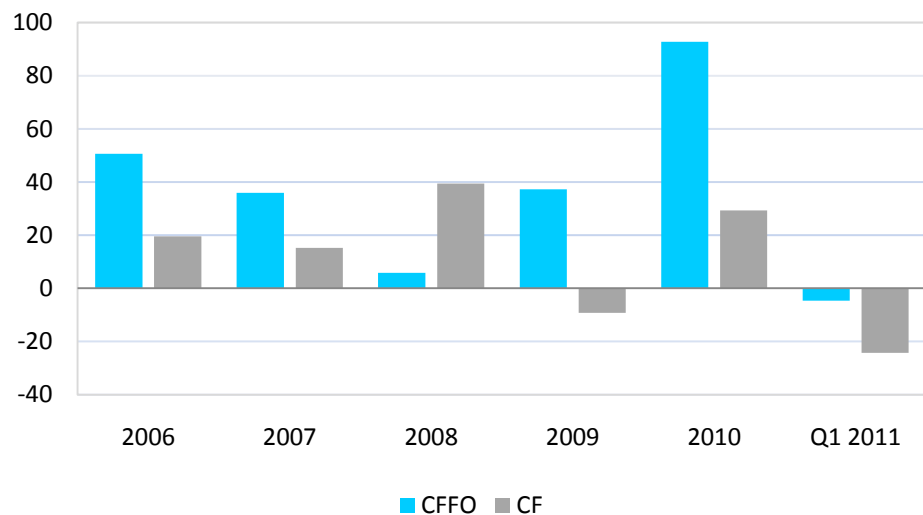
## NWC UP DUE TO HIGHER INVENTORIES



- **Investments in Greenfield site and new FZ-pullers increase property, plant and equipment by approx. DKK 15m since beginning of year**
- **Net working capital (NWC) up DKK 10m to DKK 128m due to increase in inventories**
  - Receivables and supplier debt on par with ultimo 2010
- **Net interest bearing debt (NIBD) an asset of DKK 60.6m (DKK 92.6m primo 2011)**

# **CFFO INFLUENCED BY** **HIGHER NWC AND LOWER EARNINGS**

Cash Flow in DKKm



- Cash flow from operations (CFFO) at DKK 0.9m (DKK 37.8m)**
  - EBIT down from DKK 16.3m to DKK 7.9m
  - NWC change from DKK +16.1m to DKK -9.2m
- Net investment of DKK 25.1m in Q1 2011 (DKK 6.7m)**



**ACTIONS AND  
KEY FOCUS  
2011**

# ACTIONS AND KEY FOCUS 2011

- **Revenue & EBITDA Actions:**

- Sales:

- Task force for PFZ and EPI (2 new KAMs);
- Task Force for internal sales back up: documentations, handling of wafer manufacturing, pricing etc. (3 qualification lots over 8-14 mt. is standard) upon that final pricing and ramp up
- All sales is from March 1<sup>st</sup> referring to EVP, Topsil

- Cost reductions:

- General cost savings
- Reduction of employees app. 20 white collar (over 2 sites, TPSL & CEM)
- Level of +10 mDKK

# ACTIONS AND KEY FOCUS 2011

- **Key Focus Areas 2011:**

- (1) Growth & Customer Satisfaction

- Growth of PFZ and EPI sales acc. to plan
- Maintain and improve the greatly improved customer satisfaction level from 2010

- (2) Cost Down

- Cost Down program is running with key customers
- Cost Down effort is further necessary to obtain best possible margins for future volume production (PFZ and EPI)
- New CEO in Cemat Silicon from July 1<sup>st</sup> with production & cost background from automotive industry

- (3) 8" Development (ingot, wafer, fine-tuning of spec., sampling/qualification)

- Development of ingot in 2011
- Market introduction 2012
- FZ market expected to double with the 8" FZ for medium voltage range products towards 2015\*

\* Source: Yole Developpement, March 2011

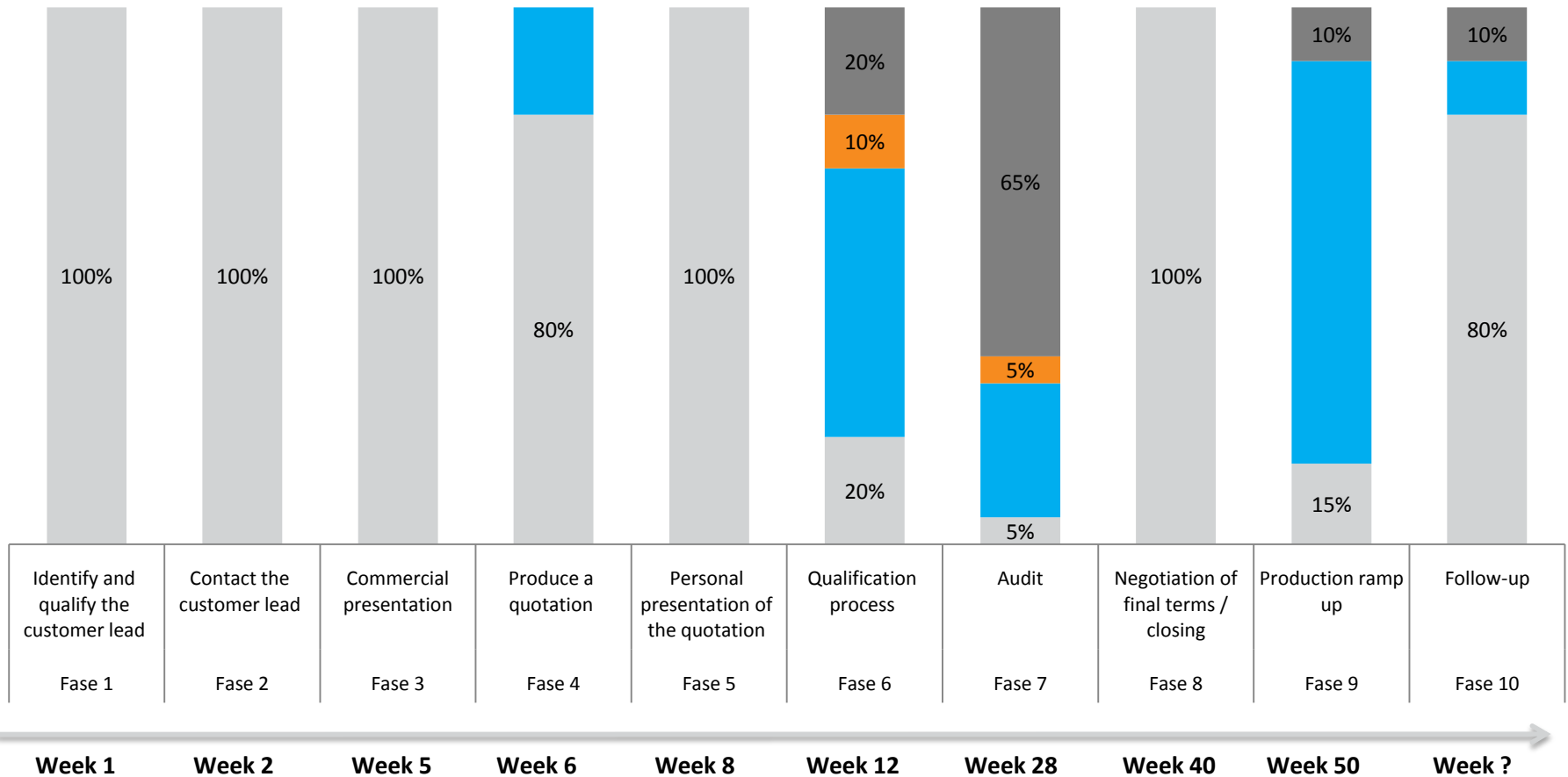


**Q1, STATUS,  
MARKET  
OUTLOOK FOR  
NTD  
PFZ  
EPI**

# SALES PROCESS

## (APP. 3 ITERATIONS OF PHASE 6)

■ Sales ■ Operations ■ R&D ■ QA



# Q1, STATUS, MARKET OUTLOOK

## NTD

	NTD	
Q1 2011	<ul style="list-style-type: none"> <li>Less NTD sales in Q1 + NTD sales executed with lower margin mix than expected</li> </ul>	
Status 2011	<ul style="list-style-type: none"> <li>Contract customers' capacity build-up causes temporary changes to order and product mix</li> <li>Unchanged or slight decrease in NTD sales expected</li> <li>Sales level in no. of wafers (4" EQ units) 2009, 2010, 2011 – roughly same volume, prices in 2011 slightly lower than 2010</li> <li>Market size &amp; Topsil market share unchanged</li> </ul>	
Near Future	<ul style="list-style-type: none"> <li>Growth is expected from late 2011 and forward (based on customer expectations)</li> </ul>	
	NTD 2011	NTD 2012
Market outlook	➔	↗

# Q1, STATUS, MARKET OUTLOOK

## PFZ

	PFZ	
Q1 2011	<ul style="list-style-type: none"> <li>▪ The introduction of the new 6" PFZ product (with better than before technical parameters) is running well. Delay from R&amp;D, introduction process, sampling is self-inflicted</li> <li>▪ Delay in introduction, but sampling is now running in China (mainly new customers) and Europe (exist. customers)</li> </ul>	
Status 2011	<ul style="list-style-type: none"> <li>▪ Sales up with expected 30-40% in 2011 from 2010 – but from a low level</li> </ul>	
Future	<ul style="list-style-type: none"> <li>▪ Growth is expected from late 2011 and forward</li> <li>▪ Real volume growth from end 2012 and forward</li> <li>▪ PFZ will reach same size as NTD sales in Topsil's new production facility</li> </ul>	
	PFZ 2011	PFZ Future
Market outlook	↗	↗

# Q1, STATUS, MARKET OUTLOOK

## CZ-EPI

	EPI	
<b>Q1 2011</b>	<ul style="list-style-type: none"> <li>▪ Delay in introduction, R&amp;D documentation, but sampling is now running in China (mainly new customers) and Europe (exist. customers)</li> <li>▪ Topsil has had to re-develop the Cemat EPI product to a so-called 'thick' EPI - product to obtain a product with necessary differentiation parameters (to reach margin niche)</li> <li>▪ 60% of CZ sales in Q1 is EPI – sales</li> <li>▪ Volume lower than Q1, 2010, but sales prices up</li> </ul>	
<b>Status 2011</b>	<ul style="list-style-type: none"> <li>▪ EPI Sales expected to double in 2011 compared to 2009.</li> <li>▪ Expected mix in 2011: CZ: 20-30% and CZ-EPI: 60-70%</li> <li>▪ By and large we expect to implement the strategy of reducing CZ to a specialty product and EPI as the main (high margin CZ-substrate) product in 2011. Q1 first proof hereof.</li> </ul>	
<b>Future</b>	<ul style="list-style-type: none"> <li>▪ Growth is expected from Q4 and forward</li> <li>▪ Real volume growth from 2013 and forward</li> <li>▪ Prospects: EPI will reach same size as NTD sales (small/medium sized investments needed from 2012 onwards)</li> </ul>	
	EPI 2011	EPI Future
<b>Market outlook</b>	↗	↗

# SUMMARY

## LONG TERM MARKET DRIVERS

- **Industry:** Continued focus on energy-efficient solutions in industry, e.g. industrial motors (“Smart power”)
- **Transportation:** Continued movement towards more efficient and more climate-friendly transport of people and goods
- **Automotive:** Development of market for Hybrid and electrical vehicles : 2010: 1m units 2014: 3m units, 2018: 12m units
- **Renewable energy sources**
  - Solar generation: 2010: 30GW, 2014: 120GW 2018 310 GW
  - Wind generation (# units): 2010: 80K, 2014:130K, 2018: 230K
- **New investments in infrastructure and integration of new energy sources in existing grids (smart Grids etc.)**
- **Main risks:** Financing, manufacturing and supply chain bottle necks, availability of rare metals, change of political focus
- **More than 2 of top 5 main customers have communicated that they expect strong growth over the coming 3 years**



# **GUIDANCE 2011**

# **MODERATE GROWTH IN 2011**

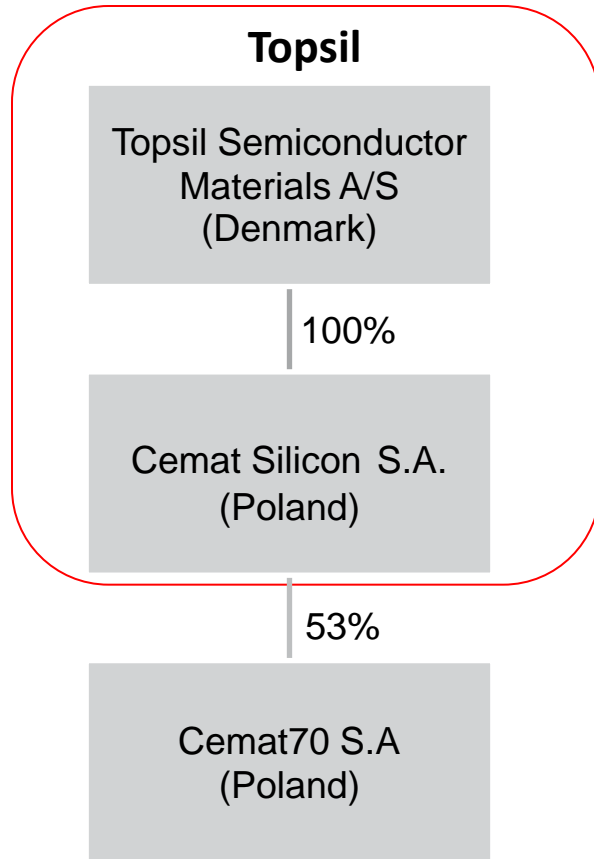
## **TOP LINE GUIDANCE ADJUSTED**

- **Market growth expected to continue at unchanged pace**
- **Low activity in Q1 potentially effects Topsils full year growth target**
  - Qualification with new PFZ and CZ-EPI clients have caused delays and uncertainty of production start. Slow take off from Q2 with growth in the following quarters
  - No changes to NTD volumes – impact from capacity build-up within expectations
  - Revenue guidance for 2011 adjusted to organic growth of 0-5% vs. approx. 5% before – 40/60 split of revenues between first/second half of 2011 maintained
- **EBITDA guidance maintained as focus on costs increase**
  - Head count reductions, postponement of new hires and increased focus on minimising cost and increasing efficiency to reduce cost by approx. DKK +10m in 2011
  - EBITDA guidance maintained at approx. DKK 100m for 2011
- **Investments in FY2011 expected at DKK 200m (new FZ factory)**
- **Guidance based on DKK550/USD100 and DKK190/PLN100**



 **APPENDIX**

# 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

STEP  
**1**



QUARTZ SAND



REDUCTION



DISTILLATION



SIEMENS PROCESS



POLYSILICON

## THE FLOAT ZONE PROCESS - FROM POLYSILICON TO WAFER

FZ



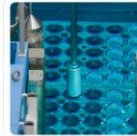
STEP  
**2**



POLYSILICON



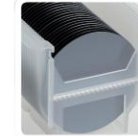
FZ PROCESS



IRRADIATION  
(NTD)



WAFERING



FINISHED WAFER

## CZHOCHRALSKI PROCESS - FROM CRUSHED POLYSILICON TO WAFER

CZ



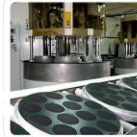
STEP  
**2**



POLYSILICON



CZ PROCESS



WAFERING



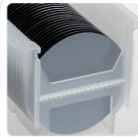
EPITAXY PROCESS



FINISHED WAFER

## FROM TOPSIL TO CUSTOMER

STEP  
**3 AND 4**



FINISHED WAFER



DIFFUSION



COMPONENT



ELECTRONIC  
CONTROL



END-USE

# TOPSIL IS DEDICATED TO HIGH PERFORMANCE DEVICES

