

# COMPANY PRESENTATION

SEB 15 April 2011

The logo features a cluster of seven dots in shades of blue and grey to the left of the word "AGENDA" in a bold, black, sans-serif font.

# AGENDA

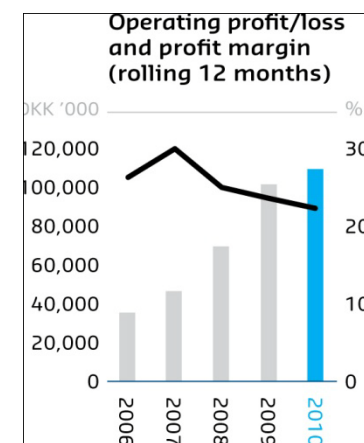
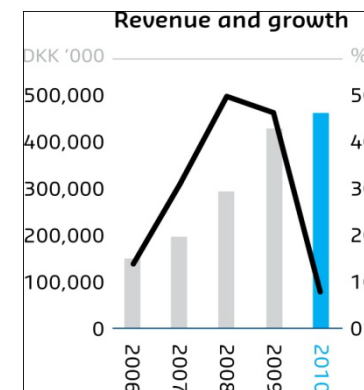
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**BUSINESS  
OVERVIEW**

# TOPSIL IN BRIEF

- **+50 years' experience in the processing of silicon to the semiconductor industry**
- Strong position within the production of float zone (FZ) and since 2008 czochralski (CZ) silicon
- Sells mainly to semiconductor markets, the Power market, MEMS, Optoelectronics & detectors as well as RF electronics / IPD, a market totalling USD 1.1bn or around 10% of the total silicon market for the semiconductor industry (2010)
- Favourable position among the four largest suppliers of silicon with a global market share of 7% of the Power market
- Professionalism and technological weight as core competencies
- **Strong customer and supplier relations**
- Niche plus strategy focusing on high/medium power products for selected customers
- Long-term contracts running until the end of 2015 and 2017 with the only two producers of the FZ raw material (polysilicon)
- Long-term contracts running until the end of 2015 with the largest and most important customers, ensuring a significant part of revenue



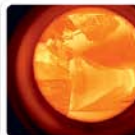
# VALUE CHAIN

## 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

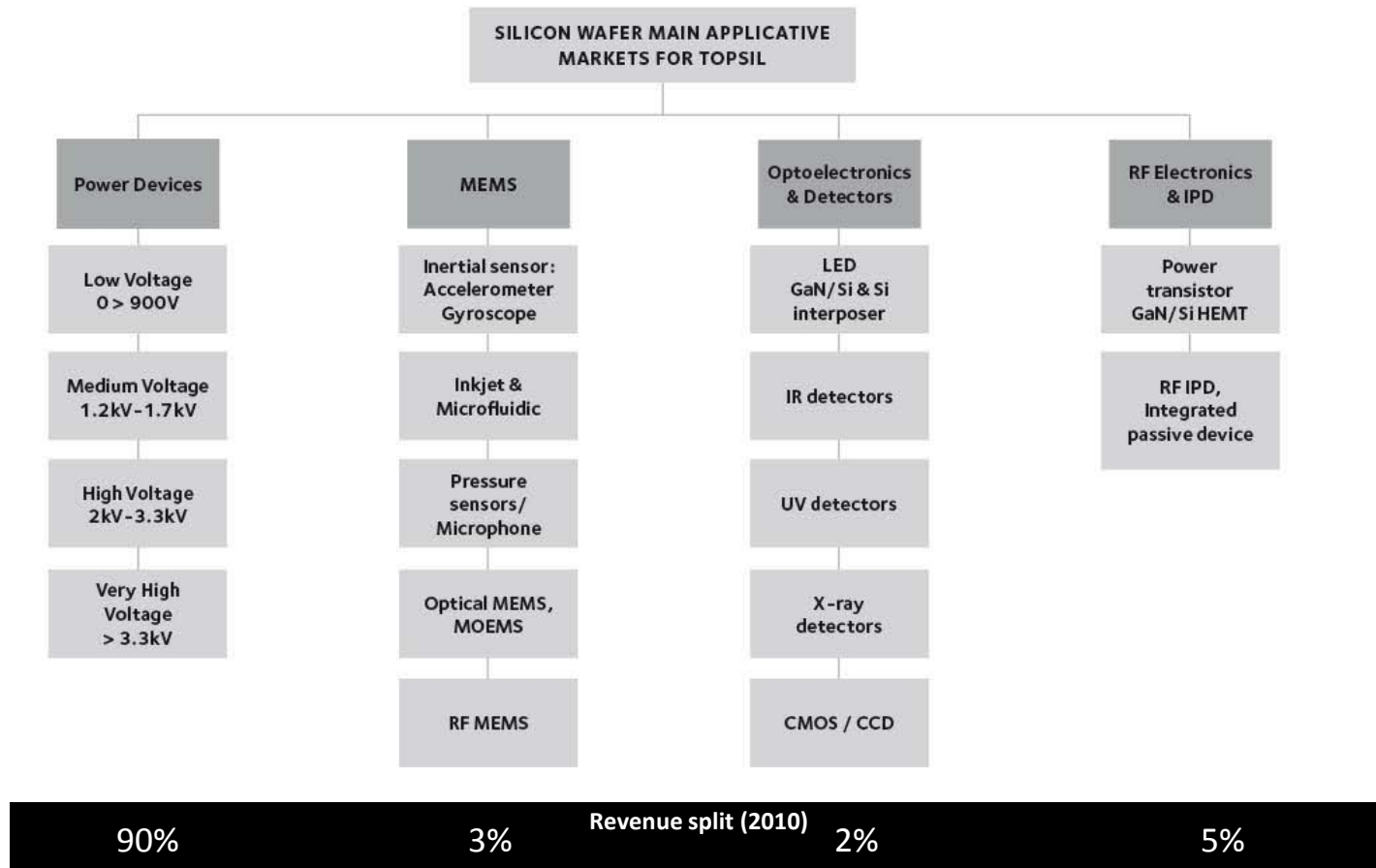


ELECTRONIC  
CONTROL

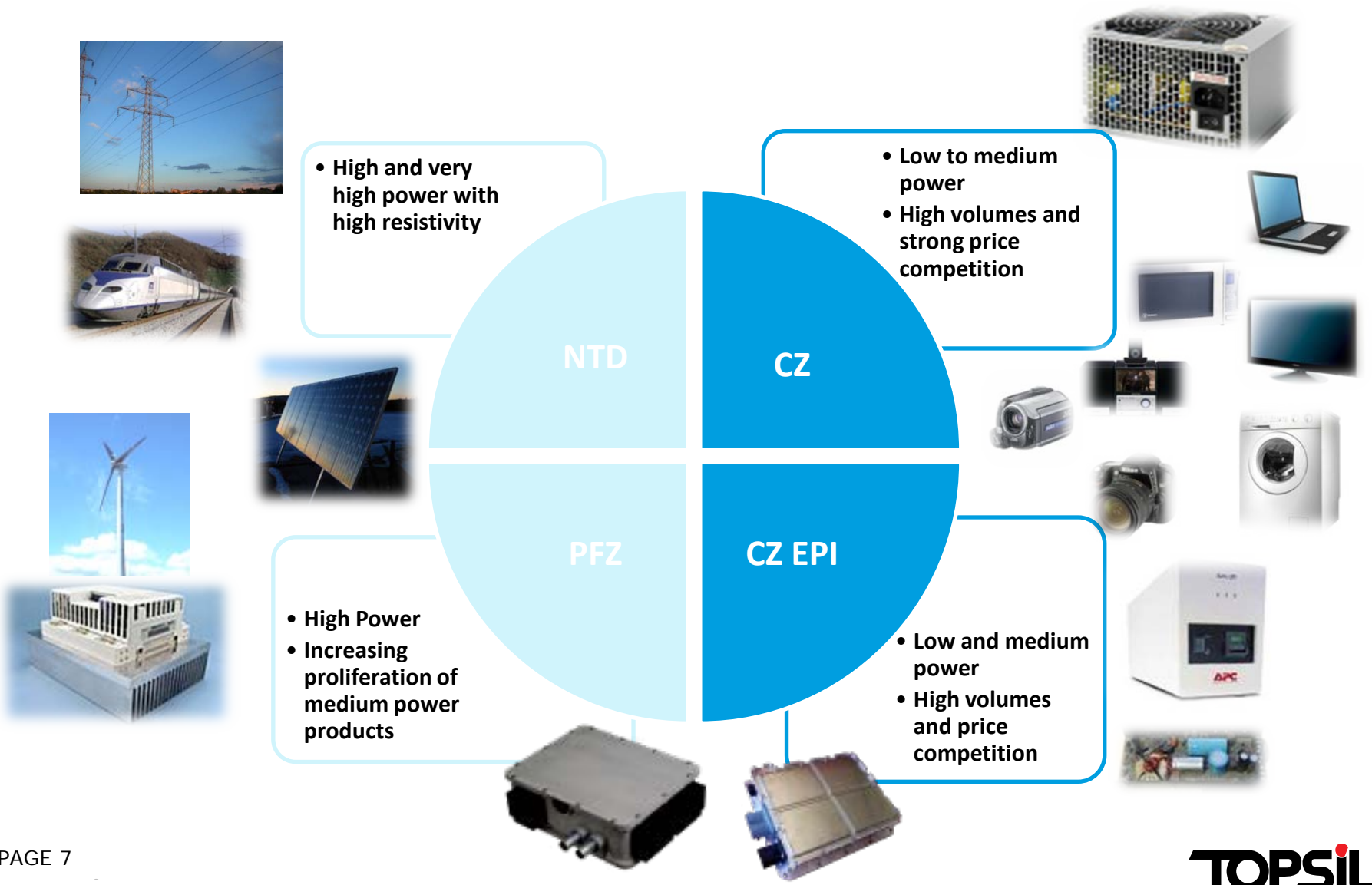


END-USE

# TOPSIL ADDRESSES FOUR MARKETS, POWER MARKET IS BY FAR LARGEST



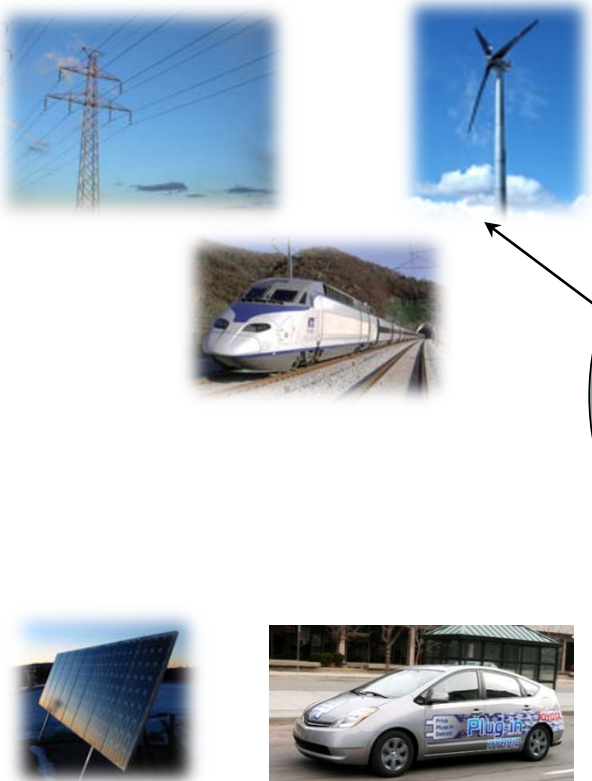
# TOPSIL IS DEDICATED TO HIGH PERFORMANCE DEVICES



# TOPSIL'S SILICON IS A PART OF NUMEROUS SMART POWER SOLUTIONS

## FZ market

- Market for high / very high power and high resistivity

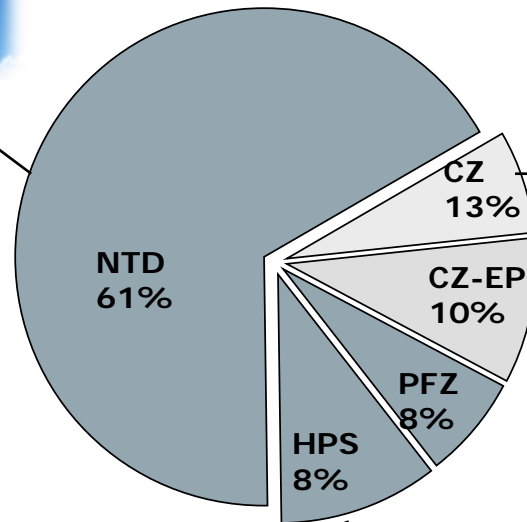


## CZ market

- Low and medium power markets
- High-volume, low-cost market



Topsil Group revenue by product, 2010

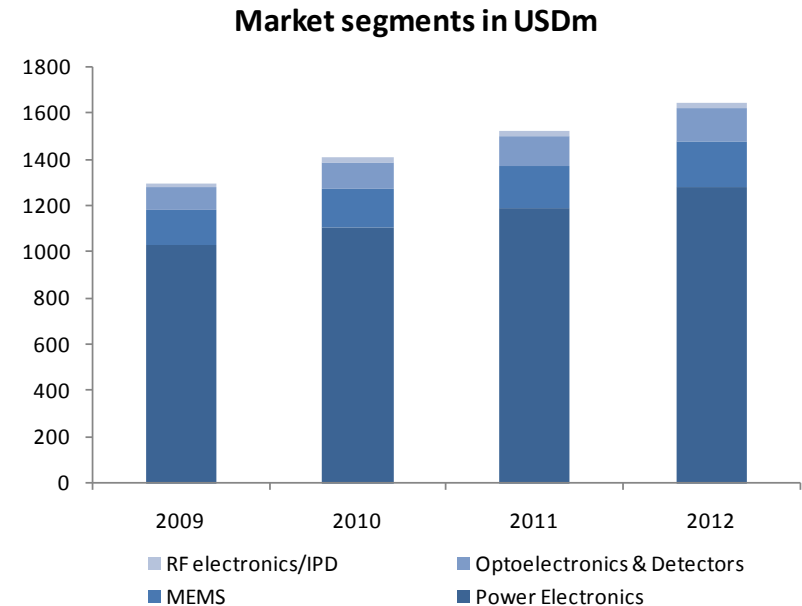




**MARKET  
DEVELOPMENT**

# STRONG GROWTH IN ALL SEGMENTS TO CONTINUE

- 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%



Source: Yole Developement, March 2011

# GROWTH TOWARDS 2012 CUSTOMERS

- Contract customers developing in line with expectations
- Customers are scaling up production capacities in some production lines, short term, implying lower overall production in 2011
- Introduction of new 6" PFZ for medium power market will have positive effect from 2011 with sales from new customers
- Development of 8" product represents a significant growth opportunity. Global shortage of supply to continue.

# 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



**2010 IN  
SUMMARY,  
EXPECTATIONS  
FOR 2011**

# 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-term 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 expected**

# 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

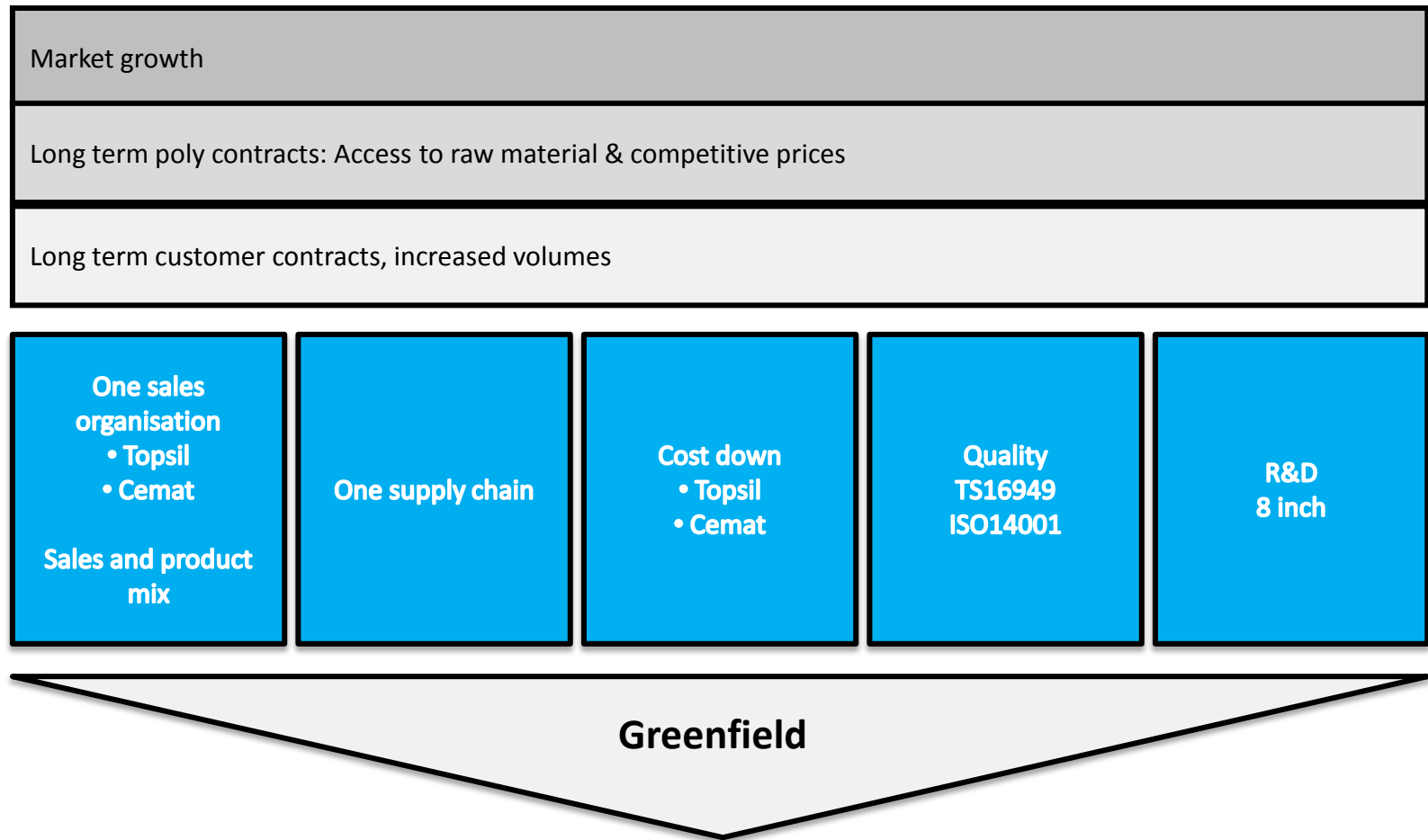


**STRATEGY**  
**"SEIZING THE**  
**OPPORTUNITY**  
**"**

# 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



# NEW PLANT, CONSTRUCTION 2011-2012



- Construction commencing 4 April 2011
- Construction phase 2011-2012
- 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

# MAIN FOCUS : GROWTH

## STRATEGY SEIZING THE OPPORTUNITY

- **Increasing market share (revenue and earnings) in power market**
  - Current possibilities to expand in the NTD market (high voltage) limited due to current large market share and the Japanese market
  - Possibilities to expand in the medium voltage power market with PFZ/EPI are large due to expected market growth and Topsil's current limited size in this market
  
- **Topsil MUST expand**
  - Customers demand more capacity
  - Customers demand efficient (cost down) production at state-of-the-art cost positions
  - Customers demand 8"
  - Customers demand to be able to choose the best substrate for a component (NTD, PFZ, EPI)
    - Movements from NTD to PFZ for some components
    - Movements from EPI to PFZ for some components
    - Movements from CZ to EPI for some components

# RISK MANAGEMENT

## Challenge

## Response

### New Production facility

- Time to operation /qualification
- Cost improvements to be reached for PFZ & NTD

### Cost focus

- Cost improvements reached through yield improvements for Topsil and Cemat
- Cost improvement program scaling to reach target
- Cemat to be run as a production site

### Research & Development

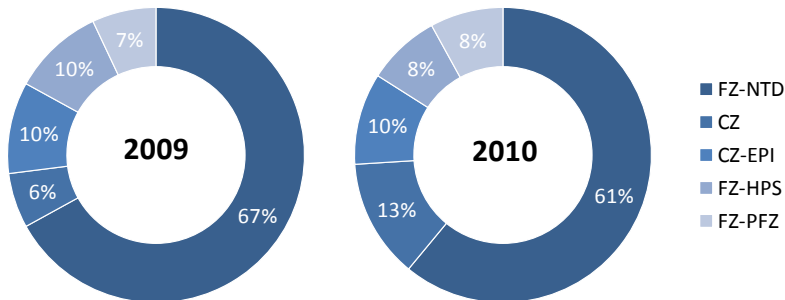
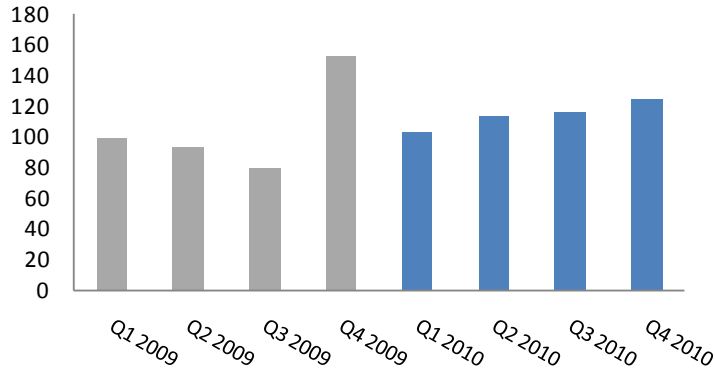
- Time to market 8" NTD and PFZ + cost
- 8" Integrated Product Development is scaled to reach target (ingot, wafering etc.)



**APPENDIX**

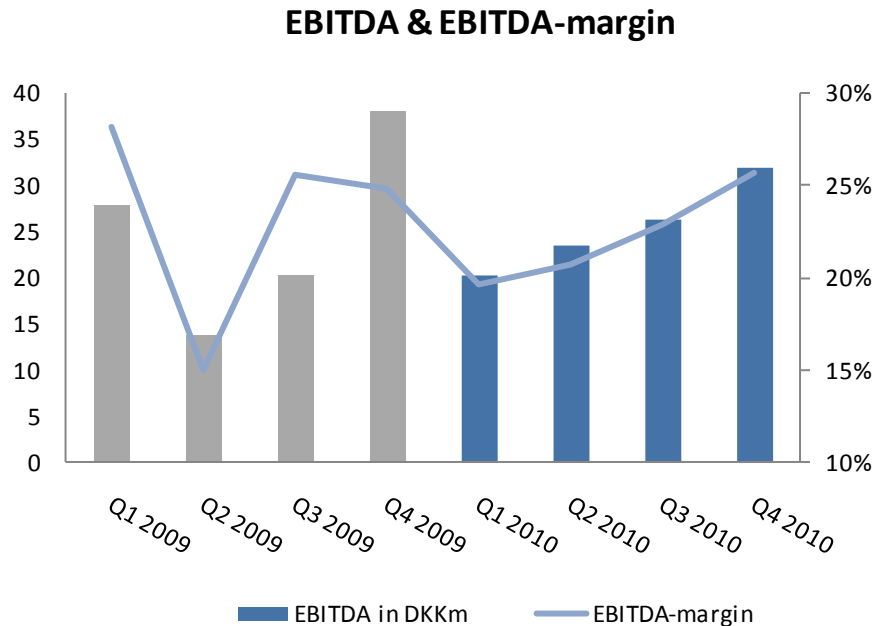
# REVENUE GROWTH ON PAR WITH MARKET GROWTH

Revenue in DKKm



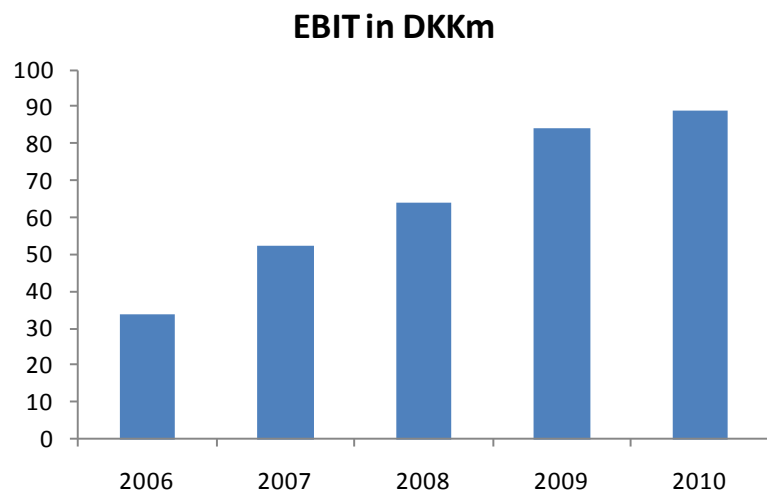
- Revenue growth in line with expectations
  - Q4 2010: DKK 125.3
  - FY2010: DKK 456.7m (+8%)
- Growth in all product categories
  - General demand for FZ and new long term contracts produces growth of 8% in revenue, mainly driven by FZ-PFZ and CZ
  - Total volume increases of 20% (YoY) driven by FZ-PFZ 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



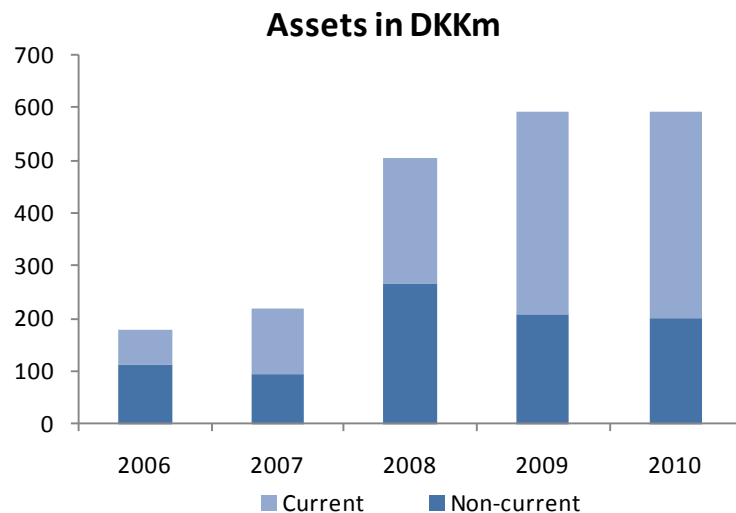
- **Contribution margin reduced slightly in FY2010**
  - Increased volumes of FZ sold in contract with more attractive pricing conditions for customers
  - Increased share of CZ with lower margins
- **Consolidated EBITDA of DKK 102.0m (DKK 99.8m) within guidance range**
  - FY2010 EBITDA-margin of 22.3% (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



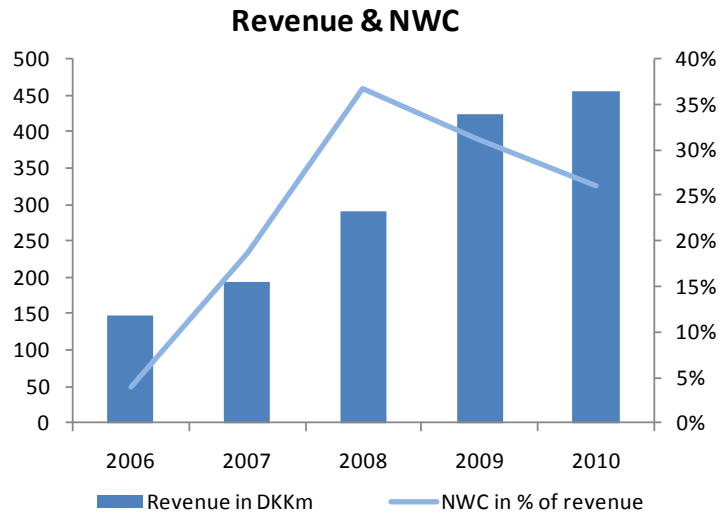
- EBIT for FY2010 at DKK 89.0m (DKK 84.2m) corresponding to EBIT-margin of 19.5% (19.9%)
- Net financials reduced to DKK 7.2m (DKK 8.5m)
  - Impacted by lower USD rates and reduced net interest bearing debt (NIBD)
- PBT at DKK 82m (DKK 76m) and net profit increased to DKK 63m (DKK 52m)

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



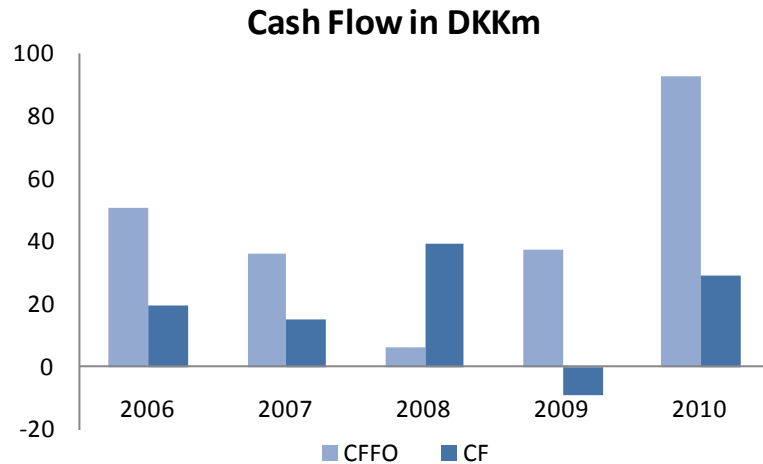
- Total assets at par with last year
- Increased investments in product development and production equipment
- Financial assets (cash deposits for raw materials) converted to cash, approx. DKK 48m
- Assets held for sale reduced from DKK 147.4m to DKK 100.0m mainly due to dividend payment of (PLN 31.0m)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

# CONTINUED IMPROVEMENT IN NET WORKING CAPITAL DURING 2010



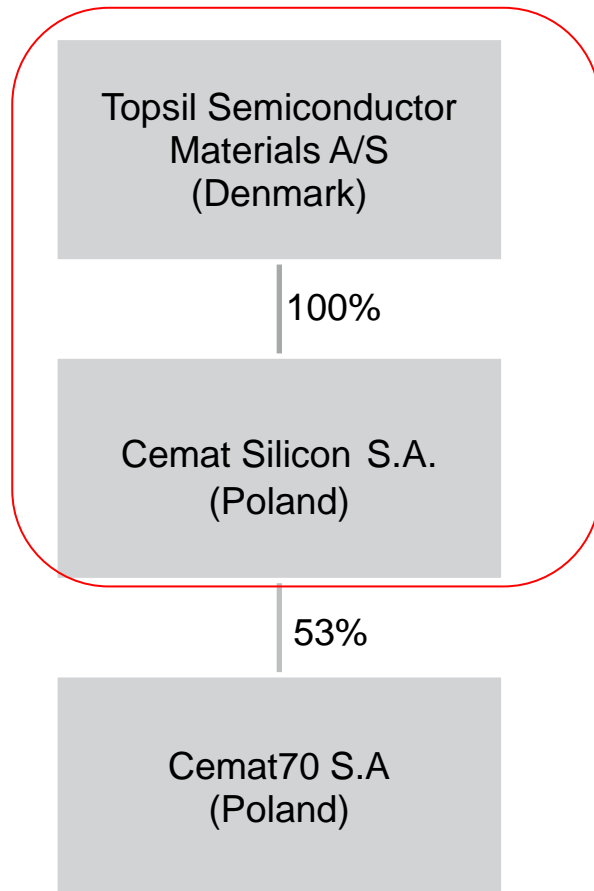
- **Net working capital (NWC) reduced by DKK 13.5m despite increased activity**
  - Inventories slightly up at DKK 113.0m (DKK 108.0m)
  - Receivables reduced to DKK 77.6m (DKK 118.9m)
- **NWC/Sales reduced to 26% from 31%**

# 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 Cemmat 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**

# GROUP OVERVIEW



- Production based on FZ technology
  - Head office with administrative functions
  - Development of FZ-based production
  - about 110 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