

Nasdaq Copenhagen
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ANNOUNCEMENT NO 28/16

INFORMATION TO THE SHAREHOLDERS OF CEMAT A/S (FORMERLY TOPSIL SEMI-CONDUCTOR MATERIALS A/S) BEFORE THE EXTRAORDINARY GENERAL MEETING TO BE HELD ON 5 AUGUST 2016

On 5 August, an extraordinary general meeting will be held in Cemat A/S.

Prior to the general meeting, the Board of Directors wishes to inform the shareholders of the following:

1. The business to be transacted at the general meeting, including the recommendations of the Board of Directors and a description of the "road map" for distribution of available cash and cash equivalents to the shareholders.
2. A description of the continued principal activity, the property company Cemat '70 S.A. in Warsaw, Poland.
3. A presentation of Ms. Joanna Iwanowska Nielsen, who is proposed as a new member of the Board of Directors in connection with a reduction of the number of members and two existing members stepping down from the Board as well as a change of the Management Board.
4. In light of the press coverage in connection with the sale of the silicon business, this announcement also contains a description of the actual process in the period until the completion of the sale.

1. Agenda items for the extraordinary general meeting, including a road plan for distribution of available cash and cash equivalents to the shareholders

- 1.1 A group of shareholders representing 8.54% of the share capital has requested a vote to be taken to revoke the decision of 17 June 2016 to sell the silicon business of Topsil (now Cemat A/S). However, the sale has been completed, the proceeds of the sale have been received, and the old Management Board of Topsil, which was not a party to the transaction, has been terminated and will soon leave the company. Consequently, it is not possible to reverse the decision, and the Board of Directors recommends that the resolution is not adopted. (See also the description below of the actual process of the sale.)

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1.2 With respect to the return of free cash and cash equivalents to the shareholders, the Board of Directors proposes a share buyback programme at a price of DKK 0.305 per share (average of the last five business days). A share buyback programme requires that several extraordinary general meetings be held, and the full process is described below.

First, the share capital and concurrently the denomination of the shares will be reduced to make reserves available for distribution. This is, moreover, in line with the fact that the share capital has until now been set to match the company's industrial operations. Now that they have been discontinued, and the company will be a holding company for the Polish property business going forward, the capital requirements are different. The reduction of the denomination is solely of a technical nature.

At the extraordinary general meeting to be held on 5 August, a resolution will therefore be proposed to reduce the share capital and concurrently the denomination of the shares. The Board of Directors recommends that the resolution be adopted.

After the expected adoption and a subsequent four-week advertisement period for creditors (as set out in the Danish Companies Act), the reduction of the share capital and denomination will have been completed. The company also expects that the tax and company law consequences of a share buyback programme can be determined during that period.

The share buyback programme must then be formally adopted at a second general meeting, which is expected to be held shortly after the end of the advertisement period for creditors. The buyback period is expected to be three weeks.

Finally, a third extraordinary general meeting will be held to cancel the shares sold back to the company, after which a four-week advertisement period for creditors is also required. When that period has expired, the shares can be cancelled and the money disbursed to the shareholders who have elected to participate in the share buyback programme.

An overall timetable for the process is as follows:

- 5 August: Adoption of a resolution by the shareholders in general meeting to reduce the denomination of the shares and the share capital
- Early September: Adoption of a resolution on a share buyback programme immediately followed by a three-week period during which the shareholders may choose whether or not to sell their shares
- Mid October: Adoption of a resolution by the shareholders in general meeting to cancel shares that have been sold back to the company
- End November: Disbursement to shareholders who have sold back shares to the company.

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The company expects that there will be free cash and cash equivalents at the level of DKK 120-125 million available for return to the shareholders via the share buyback programme. A final determination of the amount will be available within a short period of time.

The Chairman and the Deputy Chairman have indicated to the company that they do not intend to sell shares in connection with the share buyback programme.

If all other shareholders than the Chairman and the Deputy Chairman decide to tender their shares to the company, the free cash and cash equivalents will only allow the company to buy approximately 75% of each shareholder's shares, and the share buyback programme will allow for such a situation. The remaining shares may be traded on NASDAQ Copenhagen as usual.

2. Presentation of the continued business, mainly consisting of the property company in Poland

Cemat A/S' business operations comprise a listed holding company in Denmark with a property business in Poland, operated through the 77.66% owned subsidiary Cemat '70 S.A. There are no other business operations in the Danish listed company.

The ongoing efforts to divest the assets of the Polish property business will continue unabated.

Cemat '70 owns 133 thousand sqm of land and 41 thousand sqm of buildings on Wólczyńska 133 in the Bielany district, which is approximately 10 kilometres NW from the centre of Warsaw. Bielany has undergone significant development over the past years with a large number of housing units and new retail businesses being established. The land held by Cemat '70 is currently classified for industrial purposes, but the company is working to re-classify the land to residential and services usage to include it in the ongoing development of the district.



Cemat '70 engages in the letting of premises and land and the provision of utilities, including power, water and technical gases, and facility services etc. to its tenants. Cemat '70 has approximately 90 tenants and operates with an occupancy rate of approximately 75%. Topsil GlobalWafers is the largest tenant and major changes in Topsil GlobalWafers' business activities will impact Cemat '70 accordingly.

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2.1 Operations

The financial performance of the real estate business in 2015 split into silicon business (Topsil GlobalWafers) and other tenants is shown in the table.

	Silicon business	Other tenants	Total
2015 actual (MDKK)			
Rent	2,8	8,5	11,3
Sales of utilities	18,9	6,0	24,9
Total sales	21,7	14,5	36,2
EBITDA			5,8

During the last couple of years the real estate business has increased both revenue and earnings and 2015 was the best year in many years. For 2016 increases in both revenue and earnings are expected. Cemate '70 S.A.'s balance sheet is quite strong, without interest bearing debt and with cash in the bank.

The real estate business' earnings, costs and capital structure are currently being analysed and assessed in depth to ensure the most efficient setup at the lowest possible cost.

The Danish holding company's administrative organisation and cost structure will be significantly trimmed to reflect the limited activity in the holding company. Hence, Cemate A/S in early July entered into a severance agreement with the 3 directors of the management board of the "old Topsil". The annual costs of the holding company activities after full implementation of a new trimmed setup are expected to be around DKK 2.1 million per year, covering primarily external costs (accounting, legal, NASDAQ listing, annual reporting), insurances etc., a part time secretary and the elected board of directors (reduced to the minimum allowed three members).

2.2 Divestment of the property business

Efforts to divest the assets (i.e. primarily land) of the property business continue unabated. These efforts have been intensified over the past two years and a number of parallel activities are ongoing to prepare the land for sale.

The key issues and risks connected to divesting the real estate assets are:

- Resolving of the remaining claims regarding title to the land.
- Re-classification of the land for residential and services purposes.
- Entering into one or more sales/purchase contracts with buyers/developers.
- Resolving the co-ownership of one major plot and its buildings with the Institute of Electronic Materials Technology (ITME).
- Changes in the financial attractiveness of the Warsaw real estate market.

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2.2.1 Claims for title

The claims relate to disputes between former landowners (or their heirs) and the Polish state, which expropriated the land back in the 1970s. In order for Cemat '70 to sell land, the company must have title to the land either in the form of actual ownership or of a perpetual usufruct right (PUR).

The 133 thousand sqm of land is split into different plots of land and strips of road of varying sizes. Cemat '70 today holds title to a number of plots/roads, in total 45% of the area, the remaining 55% is being claimed. Cemat '70 cannot apply for title to a plot of land or a strip of road, as long as there are ongoing claims to the plot.

Claims are generally being handled in the legal system and there are several appeal possibilities, which means that the individual claims cases typically stay in the court system for a number of years. All finalised court cases involving Cemat '70 land have so far been won by the Polish State (and hence by Cemat '70).

According to Polish law, there is no deadline for when former landowners or their heirs can submit a claim to the Polish State to a specific plot of land or strip of road. However, once a plot of land or a strip of road is free of claims, Cemat '70 can apply for perpetual usufruct rights, and when that title is obtained, future claims have no impact on Cemat '70's possibilities to sell the land.

Up until approximately 2 years ago, the complexity and importance of these claims had been underestimated, but since October 2014 local legal advisers specialising in claims handling have been engaged as a strong locomotive to assist us in solving ongoing claims as soon as possible.

Through its entire period of ownership, Topsil has been involved in a total of 10 claims cases. By end 2014 we had 8 ongoing cases with ownership being claimed by former owners or their families. Currently, only 3 claims cases have not yet been closed by a court decision or a negotiated settlement. The target is to solve all the claims by end 2016, however it is uncertain if this is possible.

2.2.2 Re-classification of land for residential and services purposes

Land can be used for many purposes, the main segments being industry, logistics, retail, services, office and residential. The area around Wólczynska 133 has formerly hosted a lot of industry, but in recent years more and more land has been converted into retail, services and residential. There are thousands of people living in low and high rise apartment blocks in the vicinity of Cemat '70 and more apartments are currently under construction, largely driven by the net inflow of Poles from the countryside to the larger metropolitan areas, in particular to Warsaw.

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From a sales price point of view, the currently most attractive option is to sell land for residential purposes. However, on an area of land this size there will normally be a requirement from the authorities for a certain ratio of services (shops, child care, etc), which is why Cemat '70 is in the process of preparing an application for mixed residential and services purposes for the entire area.

Before submitting an application for re-classification, the land must have a so called "environmental decision" which describes not only any pollution on the land, but also how a planned number of new residents in an area will affect the surroundings in terms of supply of water, electricity, sewage, traffic, etc.

A number of investigative drillings have been carried out across the property and so far, despite some 40 years of industrial activities, no significant pollution has been identified.

2.2.3 Sale of land to developers

We are currently talking to a number of potential buyers who are interested in buying all or part of the land. With a few of those buyers we have advanced negotiations and the target is to finalise agreement(s) with one or more of them in 2016.

The potential buyers are typically local or international developers wishing to construct and sell residential units and who have the experience of doing so already in Poland. Once a developer has purchased land he must obtain a building permit from the local authorities, before actual construction can start. Often, a final sale of land to a developer is subject to that building permit being obtained.

2.2.4 Resolving the co-ownership with ITME

Originally, Cemat '70 S.A. was established alongside a "sister company", a state owned research facility named the *Institute of Electronic Materials Technology* (ITME). Cemat '70 was later privatised, whereas ITME remained state owned.

Due to their common start, Cemat '70 and ITME today jointly own one particular plot and the large production/office building located on it. Cemat '70 owns 78%. Also usage of the building is shared with a similar percentage split, but unfortunately in a not very coherent way, making separation quite complicated.

Before the plot and the building can be sold, a solution for separation must be found with ITME.

2.2.5 Changes to the financial climate for the Warsaw real estate market

The current financial climate for construction and sale of residential units in Warsaw is reasonably attractive. However, there is a risk that the market will change, also for the worse, and

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the longer it takes to realise the plans described above, the larger the risk that the financial climate will take a turn to the worse.

Currently, it is estimated to take 5-10 years before all land can be sold.

In February 2015, Topsil received an independent valuation report (from Cushman & Wakefield). The report supports that the land in its current form had a value of PLN 63.5 million (DKK 108 million). With all claims solved, title to the land and zoning for residential and services purposes in place, it is expected that this value, in the current real estate industry climate, will be significantly higher.

However, it should be remembered, that Cemmat A/S only owns 77.66% of the shares in Cemmat '70, and that there will be taxes and fees to be paid on proceeds from the sales of land of an estimated 30% in total.

Besides the land on Wólczyńska 133, Cemmat '70 also owns a smaller plot of land in the village of Blichówo, approximately 75 km NW of Warsaw. This plot is not expected to represent any significant value.

Further to this, Cemmat '70 and ITME are in dispute about the ownership of a 5 thousand sqm plot of land near Warsaw's international airport. This land has been under ITME administration for more than 20 years. Both Cemmat '70 and ITME applied more than 20 years ago for perpetual usufruct rights; neither of them were granted such rights. Cemmat '70 and its legal advisers concluded last year, after re-examining the old files, that Cemmat '70 should be given title to the land and re-applied. The first administrative instance eventually also decided in favour of Cemmat '70, but the decision was objected to by ITME and the case is now progressing in the court system. This plot of land is assumed to have a value of DKK 15-20 million, but it is very uncertain who will eventually be given title to the land.

2.3 Outlook for 2016

The revenue and EBITDA guidance for 2016 for Cemmat A/S will be published in connection with the half-year result which is due for publication on 25th August 2016.

3. Adjustment of the Board of Directors and management of Cemmat A/S

Jørgen Frost and Michael Hedegaard Lyng will step down at the extraordinary general meeting to be held on 5 August. The Board of Directors proposes that Joanna Iwanowska Nielsen be elected new member of the Board. With her competencies, she will strengthen the Board of Directors in its work to mature the Polish property business for sale. The key competencies of Joanna Iwanowska are listed below, and she will be present on 5 August, when she will have the opportunity to make a brief introduction of herself (in English).

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- Educational background: Warsaw Business School: Foreign Trade Organisation and Management.
- Employment history: Eko-Park S.A., UBM Polska, Polanowscy Real Estate Consultants, REAS Residential Advisors and others.
- Organisational work/Lecturing: European Property Institute, Warsaw Women in Real Estate & Development, London School of PR – Warsaw, European Real Estate Academy.
- Languages: Polish (mother tongue), fluent in English and limited knowledge of Russian and Danish.

For the second general meeting, a resolution will also be proposed to reduce the fee to the remaining three members of the Board of Directors.

As already mentioned, the three-member Management Board that headed Topsil Semiconductor Materials A/S will step down in the near future. The structure of the day-to-day management of Cemat A/S and Cemat '70 S.A. thereafter is still being considered.

In order to ensure that the Management Board remained intact throughout a potential negotiation process that might lead to the executives actually losing their jobs and to motivate them for the extraordinary workload (as the ordinary business was to be continued in parallel with the process), the following supplementary agreements were made in 2015 with each of the three members of the Management Board:

- The notice of termination of each member of the Management Board was extended by 12 months, and each member was ensured that he would be put on garden leave not later than three months after the completion of a potential sale or material change of the company's business.
- Prospects were held out to each member of the Management Board that the Board of Directors could resolve to pay out an extraordinary bonus of between six and twelve months' salary if the company entered into an actual negotiating process.
- The Board of Directors expressed its intention that, if the company was sold or material changes were made to the business of the company, the Board of Directors would amend the terms of the warrants granted to each of the members of the Management Board to the effect that, no later than three months after a sale, they would have the opportunity to exercise the warrants granted, also if they had not yet vested.

The Board of Directors has subsequently allocated 12 months' bonus to each of the CEO and the CFO, and 6 months' bonus to the CSO, and all three members of the Management Board have been terminated at the extended notices of termination of 24, 24 and 21 months, respectively. The aggregate cost to the company for the the Management Board in connection with the sale and the subsequent termination of the members of the Management Board is therefore approximately DKK 16 million.

The Board of Directors has also announced that the members of the Management Board may exercise all warrants granted. As it is only the warrants granted in the spring of 2016 that are "in the money" at the price of DKK 0.305 per share, only these approximately 16 million warrants are relevant. These warrants were granted at an exercise price of DKK 0.27, and the

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members of the Management Board must therefore pay a total of DKK 4.3 million to the company if they want to exercise the warrants, and they can subsequently sell the shares for a total of DKK 4.9 million.

4. Description of the divestment process for the silicon business

During the period from 17 June, there has been a good deal of press coverage of the sale of the silicon business. The Board of Directors has not always been able to recognise the description of the process and therefore wishes to supplement the information published by the press. We believe that the best way to do this is in a chronological review of the process, which is given below:

- April 2015: Annual general meeting of Topsil, at which the management and shareholders were in agreement about the need to “turn every stone”, including to investigate the potential of entering into a strategic partnership or of actually selling the company or parts thereof. The Board of Directors also made it completely clear that, for business reasons, they did not want “a for sale sign on the door of the company”.
- Over the summer, a strategic analysis was performed of the potential of Topsil as an independent business, and the potential of a sale was also evaluated.
- Autumn 2015: Discussions were held with various industrial partners about possible strategic partnerships which could potentially lead to more integrated partnerships, mergers or the like.
- November 2015: Based on the strategic analysis, the need for increased funding, and special risk elements, including the pending patent case and an expected costly restructuring of the activities in Poland, the Board of Directors decided to assess the potential of a structured sales process.
- November 2015: The Board of Directors engages a team of professional advisers consisting of SEB Corporate Finance, LETT Law Firm and Deloitte.
- December 2015 - January 2016: Intensive preparation of the prospective sales process, including in particular the establishment of a data room and evaluation of potential transaction structures, etc. The assessment was that all the professional buyers were interested only in the silicon business. In parallel with this, 14 possible interested parties were identified, primarily industrial players, but also a number of financial players, including certain well known private equity funds.
- January 2016: Initial contact to the potentially interested parties. Five of these, including GlobalWaters and NSIG, subsequently signed a non-disclosure agreement and received a comprehensive information package.
- March 2016: On the basis of the information available and meetings with management, four of the potentially interested parties submitted indicative bids in the range of DKK 133-225 million. After that, NSIG and GlobalWafers were selected for a further process. These two potentially interested parties were offered additional detailed information, full access to the data room and discussions with management.
- March - April 2016: Continuing dialogue/negotiations with both GlobalWafers and NSIG. The process led to a substantial increase in the price of the silicon business.

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- May 2016: On 20 May, Topsil signed a conditional agreement with GlobalWafers to sell its silicon business for a consideration of DKK 320 million with the potential of a price reduction of theoretically up to DKK 90 million, but in fact limited to a maximum of DKK 35 million, conditional upon the performance of the company. The agreement was subject to approval by the shareholders of Topsil at an extraordinary general meeting to be held not later than in June 2016. Before this agreement was entered into, the company's financial advisers repeatedly approached NSIG and informed them that an agreement would be entered into with another party if they did not raise their bid.
- May 2016: The announcement of the agreement with GlobalWafers created renewed interest at NSIG in buying the silicon business. The company's financial advisers indicated to NSIG that a bid for all of Topsil (i.e. including the Polish property business) without any special conditions might be an option.
- 16/17 June 2016: On 16 June 2016, the evening before the general meeting, NSIG itself announced a bid for the silicon business of DKK 335 million. This was the first time the public learnt more specifically that NSIG was interested. The bid was less attractive financially and included less favourable terms than what NSIG had previously indicated during the negotiation process. The company published the bid from NSIG, and GlobalWafers, who was prepared for the situation, stated that they expected to raise their bid. GlobalWafers had already before then unilaterally decided to remove the opportunity of a price reduction, to the effect that their bid was for DKK 320 million clean. Against that background, Topsil contacted both NSIG and GlobalWafers in the morning (Copenhagen time (CET) of 17 June and asked for their best final bids to be received by 9:30 a.m., so that the Board of Directors had an opportunity to analyse any such new bids before the start of the general meeting at 10:00 a.m. Both companies had indicated in advance that they had mobilised their respective decision-making bodies and thus were legally competent to transact business.
- On 17 June 2016 at 9:29 a.m., the company received a new higher bid of DKK 355 million on a debt-free basis from GlobalWafers for the silicon business. GlobalWafers concurrently emphasised in writing that this bid was conditional on approval being given at the general meeting to be held on the same day, and that they would withdraw completely from the process if such approval was not given. In light of the entire process and the significant development since the start of the process in the price GlobalWafers was prepared to pay, the Board of Directors was of the opinion that this was the ultimately last bid from GlobalWafers.
- On 17 June 2016 at 10:02 a.m., i.e. largely concurrently with the start of the general meeting, NSIG announced that they intended to submit a bid to the shareholders of Topsil to buy their shares in the company at a price of DKK 0.35 per share, which, according to NSIG, corresponded to a price of DKK 335 million for the silicon business. They concurrently stated that their bid would be subject to "usual conditions" and would specifically be conditional on acceptance from a minimum of 90% of the shareholders.
- Against that background, the Board of Directors decided, upon consultation with the chairman of the general meeting, to suspend the general meeting for an hour to allow the Board of Directors to make a more thorough analysis of the new intention from NSIG and the situation in general.

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- It quickly became clear that the potential bid from NSIG could not be carried through as the Board of Directors knew that it would not be possible for NSIG to get acceptances from 90% of the shareholders (as the company's largest shareholder, who holds close to 15% of the shares, did not want to sell his shares at a price of DKK 0.35 per share). Moreover, the Board of Directors assessed that the bid corresponded to DKK 335 million for the silicon business, i.e. approximately DKK 20 million lower than the higher bid just received from GlobalWafers. Moreover, the concept "usual conditions" was so imprecise that there was an absolute risk that a sale to NSIG would never be completed.
- When the general meeting was resumed, the Board of Directors consequently recommended to the shareholders to accept the agreement with GlobalWafers. This was done, and the last condition in the agreement with GlobalWafers was thus met.

In the press, doubt has subsequently been raised as to whether the Board of Directors and the chairman of the general meeting were correct in maintaining the postal votes in light of the developments immediately before the general meeting. The company has subsequently commissioned a detailed analysis of the legal aspects involved. The analysis shows clearly that the postal votes were handled correctly.

NSIG's lawyer also objected to the process to the Danish Business Authority, among others. As stated in company announcement of 30 June 2016, no. 22/16, NSIG was not successful in its objections.

- On 1 July 2016, Topsil then closed the sale of the silicon business to GlobalWafers on 1 July and received the full consideration to the company's account on the same date.

NSIG subsequently requested permission from the Danish Financial Supervisory Authority for not having to submit a takeover offer, which the Authority accepted. See company announcement of 8 July 2016, no. 26/16.

If NSIG and its advisers had succeeded in making the shareholders reject the deal with GlobalWafers on 17 June and GlobalWafers had then pulled out of the process, the Board of Directors clearly believes that the shareholders would have ended up entering in to a rather less favourable final agreement with NSIG.

The Board of Directors therefore believes that a successful sale of the silicon business has been completed and that the structured process and the decision of 17 June not just ensured the best achievable price, but also the lowest possible risk to the shareholders.

Going forward, the task is to make the assets in Cemat '70 ready for sale and complete such a sale either in a single transaction or in a phased process at the best possible price, at the lowest possible risk and as quickly as makes sense seen in relation to price and risk.

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Cemat A/S

On behalf of the Board of Directors

Jens Borelli-Kjær
Chairman

This announcement has been prepared in Danish-language and an English-language version.
In case of doubt, the Danish version will prevail.

Any queries regarding this announcement may be addressed to the chairman Jens Borelli-Kjær, tel +45 40 16 14 82.

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