

TOPSIL SEMICONDUCTOR MATERIALS A/S
Interim report, Q1 2015
Three months ended 31 March 2015

PERFORMANCE IN Q1 2015 AS EXPECTED

"As expected, performance in Q1 2015 showed a decline in revenue and weaker operating results than last year as we did not resume deliveries to the customer involved in the complaint case until in Q2 2015. In continuation of the complaint case from 2014, our priority is a cautious start-up, and consequently we only began delivering to the customer in Q2 2015. All production equipment from the old plant has now been installed at the new silicon plant in Denmark."

Kalle Hvidt Nielsen, CEO

HIGHLIGHTS OF THE QUARTER

- Topsil's revenue was DKK 60.1 million in Q1 2015 against DKK 73.4 million in the year-earlier period (down 18%). Q1 revenue was affected by the fact that no deliveries were made to the customer involved in the complaint case.
- EBITDA was a loss of DKK 0.3 million in Q1 2015 against a profit of DKK 3.3 million in Q1 2014. The contribution ratio was 49.9% in Q1, representing a year-on-year increase of 1.2 percentage point.
- Cash flows from operating activities were an inflow of DKK 10.3 million in Q1 2015 against an outflow of DKK 10.4 million in the year-earlier period. Working capital stood at DKK 123.4 million at 31 March 2014, representing a reduction of DKK 24.0 million compared to 31 March 2014. Cash flows for investing activities were DKK 2.5 million.
- In early January 2015, an existing long-term contract with one of Topsil's biggest FZ customers was extended by two years to and including 2017.
- In January 2015, the staff was reduced by 15 non-production employees in line with the announced cost saving programme.
- In early February, the customer complaint case was settled with the customer and an agreement was made to resume deliveries beginning in Q2 2015. Negotiations about compensation from the third-party contractor are still ongoing.
- In March 2015, Topsil renewed the agreement with its principal bankers. Under the agreement, the existing facilities were extended until 1 March 2016.
- The remaining production equipment from the old production plant was installed at the new plant in the course of Q1 2015 and is now used in day-to-day production.

OUTLOOK FOR 2015

The Group retains its guidance for the full year. Topsil expects revenue growth in 2015 of around 0-5% and EBITDA in the range of DKK 10-20 million.

Market volume is expected to grow, but prices are expected to remain squeezed as a result of surplus capacity. The lower selling prices are expected to be offset by efficiency improvements and cost reductions.



FINANCIAL HIGHLIGHTS FOR THE GROUP (UNAUDITED)

DKK'000	Q1 2015	Q1 2014	FY 2014
Income statement:			
Revenue	60,119	73,352	272,328
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(281)	3,253	(9,355)
Operating profit/(loss) (EBIT)	(7,684)	(4,095)	(38,703)
Net financials	(6,035)	(1,284)	(10,900)
Profit/(loss) for the period after tax	(13,748)	(5,239)	(41,992)
Of which attributable to parent company shareholders	(13,755)	(5,325)	(42,130)
Cash flow statement:			
Cash flows from operating activities	10,275	(10,405)	(6,318)
Cash flows from investing activities	(2,516)	(4,785)	(14,182)
Investments in property, plant and equipment	(1,789)	(3,115)	(8,822)
Balance sheet:			
Share capital	132,029	132,029	132,029
Equity attributable to parent company shareholders	325,422	371,403	327,759
Equity attributable to non-controlling shareholders	16,983	17,135	16,585
Total consolidated equity	342,405	388,538	344,344
Total assets	646,650	659,008	633,213
Invested capital	511,438	566,299	522,564
Net interest-bearing debt	170,865	173,647	180,616
Net working capital (NWC)	123,412	147,351	118,620
Financial ratios:			
EBITDA margin (%)	(0.5)	4.4	(3.4)
EBIT margin/profit margin (%)	(12.8)	(5.6)	(14.2)
Return on invested capital (%)	(1.5)	(0.7)	(7.2)
Contribution ratio (%)	49.9	48.7	48.1
Equity ratio	53.0	59.0	54.4
Return on equity (%)	(4.0)	(1.3)	(12.0)
Current number of shares (thousands)	528,114	528,114	528,114
Earnings per share (DKK)	(0.03)	(0.01)	(0.08)
Price per share (DKK)	0.46	0.68	0.41
Average number of employees (FTE)	354	357	356



FINANCIAL PERFORMANCE

MARKET DEVELOPMENTS

Yole Développement, which focuses specifically on the power market, still forecasts volume growth in the power market and a strong but declining pressure on prices. Yole expects that the areas with the highest growth rates will be the medium-voltage segment (FZ-PFZ) and the high-voltage segment (FZ-NTD).

CUSTOMER COMPLAINT

The customer complaint case was settled with the customer in early February 2015 and an agreement was made to resume deliveries. The existing long-term contract will be distributed over 2015 and 2016, which supports a cautious start-up phase. The first deliveries will be made in Q2 2015.

Negotiations about compensation from the third-party contractor are still ongoing.

REVENUE

Revenue for Q1 2015 was down by 18.0% to DKK 60.1 million (Q1 2014: DKK 73,4 million). The decline during the period was primarily affected by the lack of sales to the customer involved in the complaint case.

In early January 2015, an existing long-term contract with one of Topsil's biggest FZ customers was extended by two years to run until the end of 2017. As part of the agreement, the customer contributes to covering the liquidity effect of the postponement involved.

COSTS

Direct production costs were DKK 30.1 million in Q1 2015 (Q1 2014: DKK 37.6 million). The contribution margin was 49.9% against 48.7% in the year-earlier period.

Other external costs and staff costs were DKK 30.3 million in Q1 2015 against DKK 32.5 million in Q1 2014. The DKK 2.3 million reduction was partly the result of the consolidation of production in Denmark and cost savings initiated at the end of 2014. Costs during the period included DKK 1.2 million for completion of the installation of production equipment at the new plant.

The average number of full-time employees was 354, representing a year-on-year reduction by three. As part of the announced cost saving

programme, 15 non-production employees were terminated in January.

EBITDA

EBITDA was a loss of DKK 0.3 million in Q1 2015 (Q1 2014: a profit of DKK 3.3 million), equivalent to an EBITDA margin of (0.5)%.

Depreciation for Q1 2015 was DKK 7.4 million, which was unchanged from the year-earlier period.

Net financials amounted to an expense of DKK 6.0 million in Q1 2015, compared with an expense of DKK 1.3 million in Q1 2014. Q1 2015 performance was affected by negative foreign exchange adjustments of around DKK 2.8 million. In the same period of 2014, the foreign exchange adjustment was positive in the amount of DKK 0.9 million.

LOSS AFTER TAX

Topsil posted a loss after tax of DKK 13.7 million in Q1 2015 (Q1 2014: a loss of DKK 5.2 million).

BALANCE SHEET

Consolidated non-current assets were DKK 416.1 million at 31 March 2015, representing a reduction of DKK 21.7 million from 31 March 2014. The decline was due to depreciation charges exceeding capital expenditure, and contractual reductions of deposits underlying performance bonds to suppliers.

Topsil's net working capital stood at DKK 123.4 million at 31 March 2015 (31 March 2014: DKK 147.4 million).

Inventories increased by DKK 10.7 million as compared with the level at 31 March 2014. The increase was a consequence of the raw material procurement obligations assumed and the low level of sales in Q1 2015.

Trade creditors increased by DKK 17.2 million year on year, partly as a consequence of the raw material obligations.

Prepayments from customers stood at DKK 26.8 million at 31 March 2015, which was DKK 16.9 million higher than at 31 March 2014. The increase was due to the extension of a long-term contract with one of Topsil's biggest customers.



CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities totalled an inflow of DKK 10.3 million in Q1 2015 due to the impact of the previously mentioned pre-payments from customers.

Cash flows for investing activities were an outflow of DKK 2.5 million in Q1 2015 and primarily related to DKK 1.8 million invested in production plant and DKK 0.7 million invested in development projects. The cash flows for investing activities in Q1 2014 were an outflow of DKK 4.8 million.

INTEREST-BEARING DEBT

The Group's net interest-bearing debt stood at DKK 170.9 million at 31 March 2015, representing a year-on-year decline of DKK 2.8 million and an increase of DKK 9.8 million from the end of 2014.

In March 2015, Topsil extended the agreement with its principal bankers until 1 March 2016.

EQUITY

The Group's equity at 31 March 2015 was DKK 342.4 million, of which DKK 325.4 million was attributable to shareholders of Topsil Semiconductor Materials A/S, and DKK 17.0 million was attributable to non-controlling interests in Cemat'70 S.A. The change in equity before non-controlling interests was mainly attributable to the net loss for the period.

The equity ratio was 53% at 31 March 2014.

OUTLOOK FOR 2015

Topsil expects revenue growth in 2015 of around 0-5% and EBITDA in the range of DKK 10-20 million.

Revenue is expected to grow in 2015, which is based on the strategic growth initiatives, the positive trend in the market and a gradual resumption of deliveries to the customer involved in the complaint in 2014. The highest growth rates are expected in Asia, especially in the market for silicon products for the medium-voltage segment (FZ-PFZ).

The underlying volume growth will be somewhat higher, but prices are expected to remain squeezed as the surplus capacity in the market continues. However, the lower selling prices are expected to be offset by efficiency improvements and cost reductions.

The guidance is based on exchange rates of DKK 650/USD 100 and DKK 180/PLN 100.

The forward-looking statements in this interim report reflect Management's current expectations for certain future events and financial results. Forward-looking statements are inherently subject to uncertainty, and actual results may therefore differ materially from expectations.

Factors that may cause actual results to deviate materially from expectations include, but are not limited to, general economic developments and developments in the financial markets, changes in the silicon market, market acceptance of new products as well as the launch of competing products.

Topsil is under an obligation to update and adjust the expectations provided only to the extent required by Danish law, including the Danish Securities Trading Act and similar legislation.



INVESTOR RELATIONS COMMUNICATION

CEO Kalle Hvidt Nielsen and CFO Jesper Bodeholt will present the financial statements at a meeting with investors on Wednesday, 27 May at 12:00 noon Copenhagen time (CET) at Jyske Bank, Business Centre Copenhagen.

Please direct any questions regarding this announcement to the Company's CEO and CFO through Susanne Hesselkjær, Executive Secretary, tel.: +45 2926 6752, sh@topsil.com.

SHAREHOLDER PORTAL

At Topsil's shareholder portal at www.topsil.com, shareholders can access information such as the number of shares held and other information relevant to investors.

E-MAIL SERVICE

Under "Contacts" on Topsil's website, it is possible to subscribe to and unsubscribe from Topsil's electronic email service to receive annual reports, quarterly reports and other company announcements.

ANNOUNCEMENTS 2015

8	06.05	Warrant programme – updated Articles of Association
7	27.04	Warrant programme for management board and managerial employees
6	24.04	Decisions of the Annual General Meeting
5	09.04	Election of staff representatives
4	27.03	Notice to convene Annual General Meeting
3	24.03	Annual Report 2014
2	03.02	Customer complaint: Topsil to reach agreement with customer to release Topsil's products for manufacture
1	05.01	Extension of long term float zone wafer agreement

FINANCIAL CALENDAR

25.08	Interim Report, Q2 2015
24.11	Interim Report, Q3 2015

Prior to the publication of an interim report, Topsil observes a four-week silent period.

This announcement has been prepared in a Danish-language and an English-language version. In the event of any discrepancies, the Danish version shall prevail.

ANNUAL GENERAL MEETING 2015

At Topsil's Annual General Meeting held on 24 April 2015, Jens Borelli-Kjær, Eivind Dam Jensen, Michael Hedegaard Lyng and Jørgen Frost were re-elected to the Board of Directors. The Company's website provides a description of the background and qualifications of the members of the Board of Directors.

The Annual General Meeting approved the Annual Report 2014 and the Board of Directors' proposal that no dividend be distributed for the year.

After the Annual General Meeting, the Board of Directors elected Jens Borelli-Kjær chairman and Eivind Dam Jensen vice-chairman.

A complete overview of the resolutions adopted is available at www.topsil.com in company announcement no. 6/15.



MANAGEMENT STATEMENT

The Board of Directors and the Management have today considered and adopted the interim report of Topsil Semiconductor Materials A/S for the three months ended 31 March 2015.

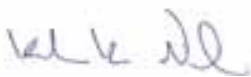
The interim report is presented in accordance with IAS 34 "Interim financial reporting" as adopted by the EU and Danish disclosure requirements for interim reports of listed companies.

In our opinion, the interim financial statements give a true and fair view of the Group's assets, liabilities and financial position at 31 March 2015 and of the results of the Group's operations and cash flows for the first quarter of 2015.

In our opinion, the management report includes a fair review of the development and performance of the business and financial position of the Group, the financial results for the period as well as the financial position in general of the consolidated companies, together with a description of the principal risks and uncertainties that the Group faces.

Frederikssund, 26 May 2015

MANAGEMENT BOARD



Kalle Hvidt Nielsen
CEO



Jesper Bodeholt
CFO



Michael Lisby Jensen
CSO

BOARD OF DIRECTORS:



Jens Borelli-Kjær
Chairman



Eivind Dam Jensen
Deputy Chairman



Jørgen Frost
Board member



Michael Hedegaard Lyng
Board member



Sune Bro Duun
Elected by the employees



Jesper Leed Thomsen
Elected by the employees



INCOME STATEMENT

DKK'000	Q1 2015	Q1 2014	FY 2014
Revenue	60,119	73,352	272,328
Direct production costs	(30,147)	(37,596)	(141,427)
Other external expenses and staff costs	(30,253)	(32,503)	(140,256)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(281)	3,253	(9,355)
Depreciation, amortisation and impairment	(7,403)	(7,348)	(29,348)
Operating profit/(loss) (EBIT)	(7,684)	(4,095)	(38,703)
Net financials	(6,035)	(1,284)	(10,900)
Profit/(loss) before tax	(13,719)	(5,379)	(49,603)
Tax on profit/(loss) for the period	(29)	140	7,611
Profit/(loss) for the period	(13,748)	(5,239)	(41,992)
Appropriation of profit/(loss) for the period:			
Parent company shareholders	(13,755)	(5,325)	(42,130)
Non-controlling interests	7	86	138
	(13,748)	(5,239)	(41,992)
Earnings per share:			
Earnings per share (DKK)	(0.03)	(0.01)	(0.08)
Diluted earnings per share (DKK)	(0.02)	(0.01)	(0.07)

STATEMENT OF COMPREHENSIVE INCOME

DKK'000	Q1 2015	Q1 2014	FY 2014
Profit/(loss) for the period	(13,748)	(5,239)	(41,992)
Foreign exchange adjustment re foreign companies	11,407	(472)	(9,030)
Comprehensive income for the period	(2,341)	(5,711)	(51,022)
Parent company shareholders	(2,739)	(5,560)	(50,321)
Non-controlling interests	398	(151)	(701)
	(2,341)	(5,711)	(51,022)



CASH FLOW STATEMENT

DKK'000	Q1 2015	Q1 2014	FY 2014
Operating profit/(loss) (EBIT)	(7,684)	(4,095)	(38,703)
Depreciation, amortisation and impairment	7,403	7,348	29,348
Share-based payment recognised in the income statement	402	295	1,412
Change in net working capital	16,456	(11,784)	9,567
Tax paid/received	(97)	(32)	869
Financial income received	7	33	49
Financial expenses paid	(6,212)	(2,170)	(8,860)
Cash flows from operating activities	10,275	(10,405)	(6,318)
Acquisition etc. of intangible assets	(727)	(1,759)	(5,492)
Acquisition etc. of property, plant and equipment	(1,789)	(3,115)	(8,822)
Sale of property, plant and equipment	0	89	132
Cash flows from investing activities	(2,516)	(4,785)	(14,182)
Loans and credits raised	(9,678)	10,036	14,452
Cash flows from financing activities	(9,678)	10,036	14,452
Change in cash and cash equivalents	(1,919)	(5,154)	(6,048)
Cash and cash equivalents at beginning of period	6,903	12,349	12,349
Market value adjustment of cash and cash equivalents	1,992	11	602
Cash and cash equivalents at end of period	6,976	7,206	6,903



BALANCE SHEET, ASSETS

DKK'000	Q1 2015	Q1 2014	FY 2014
Goodwill	18,071	17,687	17,067
Completed development projects	27,442	6,950	27,760
Development projects in progress	5,783	23,920	5,055
Rights of use	14,562	14,446	13,801
Other intangible assets	412	515	416
Intangible assets	66,270	63,518	64,099
Land and buildings	167,447	172,324	167,333
Plant and machinery	163,807	176,432	163,710
Other fixtures and fittings, tools and equipment	9,138	2,228	1,781
Property, plant and equipment under construction	1,547	8,417	8,460
Property, plant and equipment	341,939	359,401	341,284
Other non-current receivables	7,897	14,875	9,075
Financial assets	7,897	14,875	9,075
Deferred tax asset	26	-	23
Non-current assets	416,132	437,794	414,481
Inventories	159,884	149,209	156,105
Trade receivables	41,381	49,737	33,896
Other receivables	16,759	10,212	17,046
Income tax receivable	2,163	1,300	2,215
Prepayments	3,355	3,550	2,567
Receivables	63,658	64,799	55,724
Cash and cash equivalents	6,976	7,206	6,903
Current assets	230,518	221,214	218,732
Assets	646,650	659,008	633,213



BALANCE SHEET, EQUITY AND LIABILITIES

DKK'000	Q1 2015	Q1 2014	FY 2014
Share capital	132,029	132,029	132,029
Translation reserve	(13,423)	(16,483)	(24,439)
Reserve for share-based payment	3,334	1,815	2,932
Retained earnings	203,482	254,042	217,237
Equity attributable to parent company shareholders	325,422	371,403	327,759
Equity attributable to non-controlling interests	16,983	17,135	16,585
Equity	342,405	388,538	344,344
Due to credit institutions	-	-	-
Finance lease liabilities	713	969	674
Prepayments received from customers	18,742	3,971	1,440
Other non-current liabilities	2,437	1,582	2,307
Deferred tax liabilities	4,907	11,398	5,693
Non-current liabilities	26,799	17,920	10,114
Due to credit institutions	177,841	183,103	187,519
Finance lease liabilities	121	4,095	207
Trade creditors	54,605	37,397	48,740
Prepayments received from customers	8,043	5,888	6,707
Provisions	-	266	-
Income tax payable	77	-	36
Other payables	31,037	19,631	32,220
Deferred income	5,722	2,170	3,326
Current liabilities	277,446	252,550	278,755
Total liabilities	304,245	270,470	288,869
Equity and liabilities	646,650	659,008	633,213



STATEMENT OF CHANGES IN EQUITY

DKK'000	Share capital	Translation reserve	Reserve for share-based payment	Retained earnings	Equity attributable to parent company shareholders	Equity attributable to non-controlling interests	Total equity
Equity at 01.01.2014	132,029	(16,248)	1,520	259,367	376,668	17,286	393,954
Profit/(loss) for the year	0	0	0	(5,325)	(5,325)	86	(5,239)
Other comprehensive income	0	(235)	0	0	(235)	(237)	(472)
Comprehensive income	132,029	(16,483)	1,520	254,042	371,108	17,135	388,243
Share-based payment	0	0	295	0	295	0	295
Equity at 31.03.2014	132,029	(16,483)	1,815	254,042	371,403	17,135	388,538
Equity at 01.01.2015	132,029	(24,439)	2,932	217,237	327,759	16,585	344,344
Profit/(loss) for the year	0	0	0	(13,755)	(13,755)	7	(13,748)
Other comprehensive income	0	11,016	0	0	11,016	391	11,407
Comprehensive income	132,029	(13,423)	2,932	203,482	325,020	16,983	342,003
Share-based payment	0	0	402	0	402	0	402
Equity at 31.03.2015	132,029	(13,423)	3,334	203,482	325,422	16,983	342,405



NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, RISKS, ETC.

The interim report is presented in accordance with IAS 34 "Interim financial reporting" as adopted by the EU and additional Danish disclosure requirements for the interim reports of listed companies.

The interim report has been neither audited nor reviewed. The accounting policies are consistent with those of the Annual Report 2014. See the Annual Report 2014 for a full description of the accounting policies.

For accounting estimates and judgments, see note 2, page 42 of the Annual Report 2014. For information on risks, see note 32, pages 66-70, and the section on risk management on pages 18-19 of the Annual Report 2014.

According to the accounting regulations, Management must consider whether the quarterly report can be prepared on a going concern basis. Based on the Company's estimated outlook, including the most recent order forecast, expectations for the Company's future cash flow, etc., Management believes that the existing cash reserves and expected future cash flows will be sufficient to maintain operations and fund any measures planned.

2 SEGMENT INFORMATION

Topsil's segments are "Sales of silicon ingots and wafers" and "Property management". See below:

DKK '000 revenue	Q1 2015	Q1 2014	FY 2014
Sales of silicon ingots and wafers	56,260	69,770	258,544
Property management	3,859	3,582	13,784
Total	60,119	73,352	272,328

DKK'000 Sales of silicon ingots and wafers	Q1 2015	Q1 2014	FY 2014
Revenue	56,260	69,770	258,544
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(1,523)	1,693	(14,622)
Depreciation, amortisation and impairment	(6,220)	(6,152)	(24,636)
Operating profit/(loss) (EBIT)	(7,743)	(4,459)	(39,258)
Net financials	(6,028)	(1,274)	(11,179)
Profit/(loss) before tax	(13,771)	(5,733)	(50,437)
Assets	553,588	567,507	545,422
Addition of property, plant and equipment	1,339	3,022	7,491
Total liabilities	291,661	256,529	275,856



2 SEGMENT INFORMATION - CONTINUED

DKK'000	Property management	Q1 2015	Q1 2014	FY 2014
Revenue		3,859	3,582	13,784
Earnings before interest, tax, depreciation and amortisation (EBITDA)		1,243	1,560	5,267
Depreciation, amortisation and impairment		(1,183)	(1,196)	(4,712)
Operating profit/(loss) (EBIT)		60	364	555
Net financials		(7)	(10)	279
Profit/(loss) before tax		53	354	834
Assets		93,062	91,501	87,791
Addition of property, plant and equipment		450	94	1,331
Total liabilities		12,584	13,941	13,013

Topsil still wishes to divest Cemat'70 S.A.

3 EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred after the balance sheet date.

4 FINANCIAL HIGHLIGHTS AND KEY RATIOS

The financial ratios have been calculated in accordance with "Recommendations and Financial Ratios 2015" issued by the Danish Finance Society. The individual calculation formulas are provided in note 1, page 41 of the Annual Report 2014.

Topsil at a glance

Topsil is a market-leading manufacturer of ultra-pure silicon for the global semiconductor industry.

Topsil supplies silicon in wafers which are fitted in power components that can be used to convert and manage high-voltage currents, for example when connecting and disconnecting wind turbines, for frequency converters in motor control and power supply in high-speed trains.

Topsil's market is to a great extent driven by political initiatives, as witnessed in Europe with the prioritisation of green energy and public transport. In the longer term, the growing middle classes worldwide (urbanisation) will demand modern convenience, and the budding interest in electric vehicles will also be a growth driver.

Topsil was founded in 1959 by Dr. Haldor Topsøe. The Company is listed on the Nasdaq Copenhagen stock exchange. Topsil is headquartered in Copenhagen Cleantech Park, Frederikssund, Denmark, and has subsidiaries in Warsaw, Poland and Kyoto, Japan.

Topsil generated revenue of DKK 272.3 million in 2014 and had an average of 356 employees.

For more information, go to: www.topsil.com

Topsil Semiconductor Materials A/S

Siliciumvej 1
3600 Frederikssund, Denmark
Denmark
Tel.: +45 47 36 56 00
E-mail: topsil@topsil.com

Website: www.topsil.com
CVR no.: 24 93 28 18

