

Copenhagen Stock Exchange
Nikolaj Plads 6
DK-1067 Copenhagen K

No. 03/02

LIQUIDITY SITUATION

On 27 March the company had extended its credit facilities which cover the company's short-term needs.

ANNOUNCEMENT OF FINANCIAL RESULTS 2001

In a meeting today, the Board of Directors of Topsil Semiconductor Materials A/S has approved the annual accounts for 2001.

Highlights:

- Accounting practices have been changed for the inclusion of deliveries and repurchases from outsourcing partners with effect from 2001 (cf. Stock Exchange Notification 02/02 of 25 March 2002). Figures for comparison from 2000 have similarly been compiled in line with the new accounting practices.
- The company's net turnover totalled DKK 132 million, as compared with DKK 97 million in 2000, representing an increase of 36% in a depressed market.
- The results from primary operations yielded an operating surplus of DKK 1.3 million, as opposed to a loss of DKK 14.6 million in 2000.
- The year's after-tax results were a loss of DKK 4.8 million, as opposed to a loss of DKK 37.8 million in 2000.
- The results for the year are unsatisfactory, due to the negative developments in the fourth quarter.
- The company has received orders and has delivered test material to leading solar cell manufacturers.
- No dividends will be declared for the 2001 financial year.
- The order book at the beginning of March 2002 comprised approx. DKK 33 million as compared to DKK 71 million in 2001.
- The market for FZ and CZ is expected to increase in 2002 compared to 2001, with the effect being felt by the company in the second half of the year. In combination with the deliveries of solar cell materials beginning in the second quarter of 2002, a negative result is expected in the first quarter of 2002 of DKK 5 million. However, a positive result for the year as a whole in the range of DKK 5-7 million.
- The accounting-related valuation of wafers for which processing has been completed has been changed, affecting the results negatively by approx. DKK 2 million in 2001.
- The incentive pay which was introduced for the senior management and leading employees in 2001 has been continued in 2002.

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The main figures, etc. from the annual accounts are given below:

DKK thousands 2001 2000 1999 1998 1997

Main figures

Net turnover	132,102	97,576	64,114	98,642	109,550
Depreciation on fixed assets	8,047	10,629	12,530	11,948	12,040
Results of primary operations	1,294	(14,556)	(25,782)	(18,803)	7,262
Results from ordinary operations	(6,754)	(20,225)	(35,493)	(27,784)	1,588
Extraordinary items, net	1,985	(17,540)	(2,128)	(1,000)	0
After-tax result for the year	(4,769)	(37,765)	(37,621)	(28,784)	1,588

Investments	10,710	1,820	9,396	13,413	24,780
Total assets	137,560	152,201	151,327	158,911	175,867
Equity capital	19,250	22,897	11,584	40,762	70,019
Interest-bearing debt	75,851	78,957	110,952	88,555	78,996

Number of employees, average	92	128	128	167	158
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Key figures

Net profit ratio	0.1	(14.9)	(40.2)	(19.1)	6.6
Current ratio	81	127	86	105	163
Equity ratio	14.0	15.0	7.7	25.7	39.8
Return on equity	(32.1)	(117.3)	(135.6)	(50.2)	2.5
Earnings Per Share (EPS), DKK	(0.12)	(0.35)	(117.6)	(107.0)	6.11
Net asset value, ending	0.33	0.40	34	157	270
Stock market price, ending	1.63	*3.24	92.54	135	680
Dividend per share, DKK	0	0	0	0	0
Stock market price/Net asset value	4.94	8.10	2.72	0.86	2.52

During the year 2000 the subsidiary Riotech Inc. was sold, which has the effect that all the key figures are for Topsil Semiconductor Materials A/S, the parent company.

* At the extraordinary general meeting on 10 August 2000, the company changed the face value of the company's shares from a nominal DKK 100 to a nominal DKK 1.00.

In accordance with the principles behind the new accounting act, accounting practices have changed for the inclusion of deliveries and repurchases from outsourcing partners with effect from 2001. The result of the change is that the net turnover for 2001 was reduced by DKK 40 million. (2000: DKK 20 million) The year's result was unchanged, whereas the equity capital was reduced by approx. DKK 5 million.

The accounting practices are otherwise unchanged.

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Report from the Management 2001

The net turnover of the company in 2001 was DKK 132 million, which was approx. 36% higher than for 2000, where the turnover was DKK 97 million. The increase, which was obtained despite a general recession in the silicon industry, was due to the positive trend in the silicon market at the beginning of 2001 in combination with the company having gained market share.

Sales of CZ products, which are agency products, have shown a positive trend in relation to 2000, however they have fallen significantly short of the expectations. In addition, the customer portfolio has grown as a consequence of a continued focus on service and quality.

The year's results from primary operations yielded a profit of DKK 1.3 million, in comparison with a loss in 2000 of DKK 14.6 million.

The year's after-tax results amounted to a loss of DKK 4.8 million, in comparison with a loss of DKK 37.8 million in 2000, which is in line with the expectations for the year that were released in the Stock Exchange Notification of 9 November 2001.

The Board and the senior management find the year's results to be unsatisfactory, due to the negative developments during the fourth quarter of 2001.

The company's results have been affected by a positive trend in turnover despite a declining market, by general productivity-improving projects and the full-year effect of the efficiency improvements which were carried out in connection with the financial and organisational restructuring of the company in the middle of the year 2000.

In 2001, the company has focused on the development and maturation of products consisting of solar cell materials, resulting in an order from a leading manufacturer of solar cells in the US. In addition, testing of solar cell materials has been carried out in conjunction with a larger European manufacturer of solar cells. As a member of a consortium, the company has been granted EU funds for research and development concerning materials for solar cells. The purpose of the project is to develop a monocrystalline solar cell utilising a minimum of 20 % of the solar energy and which has a production price that is 30 % lower than present costs. FZ silicon is a competitive material here.

In 2001, incentive wages were introduced for the senior management and leading employees. The incentive wage plan is based upon a bonus arrangement in which the pre-tax results are the computational basis. The arrangement will be continued in 2002.

In 2002, employee interviews were begun with all the employees, covering competencies, working relationships and training needs in relation to the company's goals. In addition, training has been carried out in the areas of team building, communications and first aid.

Stock-in-trade

The total stock-in-trade comprised DKK 56.1 million at the end of 2001, which is approx. DKK 6 million higher than for 2000. As a consequence of the increase, the company has

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changed its accounting-related estimate for the write-down of the stock of wafers which have been fully processed, involving the wafers which sell at a slower pace being written down over a five-year period at 0 – 25 – 50 – 75 and 100 % respectively. The consequence of the altered estimate affects the results negatively by approx. DKK 2 million in 2001.

THE FUTURE

The market

The global market for the core area of FZ silicon has been, together with CZ silicon, affected by the economic downturn during most of 2001. The beginning of 2002 has been positive in the US market and in the Far East, whereas the rise has not been evident yet in Europe. The overall market for FZ and CZ silicon is expected to increase in 2002 in relation to 2001. According to SEMI, an industry organisation, the market for silicon is expected to increase by approx. 10%.

The results of development and product maturation for solar cell materials are expected to have a positive effect on both the turnover as well as the results beginning in the second quarter of 2002. The solar cell market, which represented a value of DKK 2.0 billion in 2001, is expected to experience an annual growth rate of 20–30%.

Liquidity

The company's liquidity has been tight during the second half-year of 2001, which can be attributed to the general economic downturn and a lower turnover than had originally been expected, combined with an increased level of investment primarily to be able meet an increasing demand for materials for solar cells.

On 27 March the company had credit facilities placed at its disposal which cover the company's short-term needs. During the next few months, the attainment of a more permanent solution will be sought for the liquidity situation via negotiations with credit institutions and potential investors, as well as anticipated increases in sales.

Re-establishment of the company's share capital

The board expects that the share capital will be able to be re-established via positive earnings during the 2002–2004 period in relation to the action plans and budgets set forth for the company. This assessment is predicated on the assumption that the current liquidity-related resources will be expanded (cf. the above).

Expectations

The market for FZ and CZ silicon is expected to increase in relation to 2001, where the effect for Topsil is expected to appear in the second half-year of 2002. Taking into account that deliveries of materials for solar cells are expected to have begun during the second quarter of 2002, a turnover for the entire year at the DKK 135 million level is expected, which is unchanged in comparison with 2001.

The results for the first quarter are expected to yield a negative pre-tax result of around DKK 5 million. For the entire year of 2002, a positive pre-tax result in the range of DKK 5-7 million is being projected. The company's order book at the beginning of March 2002 amounted to approx. DKK 33 million, as compared to DKK 71 million at the start of March in 2001.

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The company's auditors have the following auditors' opinion for the annual accounts for 2001:

Auditors' opinion

We have audited the annual accounts for 2001 submitted by the management of Topsil Semiconductor Materials A/S.

The audit performed

We have in accordance with generally recognised Danish accounting principles organised and carried out the audit for purposes of obtaining the justifiable conviction that the annual accounts are without significant errors or omissions. During the audit, we have, based upon an assessment of the significance and risks, tested the basis and documentation for the amounts stated in the annual accounts as well as other information. We have in this regard also assessed the accounting practices selected by the management and the accounting-related estimates performed, plus we assessed whether the information in the annual accounts as a whole is adequate.

Reservations

The accounts have been submitted under the presumption of continued operation. As the annual report shows, the company's liquidity is particularly tight and there exists no promise from the company's current sources of financing to continue and renew the commitments during the coming year. Moreover, the annual report shows that positive earnings in the next year are predicated upon an expansion of the liquid financial resources. It is uncertain whether the negotiations presently being conducted with the financial creditors and potential investors will result in the requisite injection of additional liquidity and capital to ensure the survival and continued operation of the company. There is in consequence a significant amount of uncertainty concerning the extent to which the company will have the requisite financial resources with which to carry out the budgeted activities for year 2002.

On this basis, we make the reservation that the annual accounts have been submitted under the presumption of continued operation, and we must highlight in particular in this regard the uncertainty that is associated with the tax asset of DKK 14 million.

Conclusion

It is our perception that the annual accounts in consequence of the reservation on continued operation have not been submitted in accordance with the requirements of the Danish statutes for the submission of annual accounts and that they, due to the reservation on continued operation, do not give a true picture of the company's assets and liabilities, financial position and results.

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Overview of Stock Exchange Notifications in 2001

No.	Date	Subject
01/01	21.02.01	Advisement concerning the date for the release of the annual accounts
02/01	21.03.01	Announcement of the annual accounts for 2000
03/01	16.05.01	Announcement of financial results for the first quarter of 2001
04/01	16.05.01	Summary of ordinary annual general meeting on 16 May 2001
05/01	21.08.01	Announcement of financial results for the first half-year of 2001
06/01	11.10.01	Downwards adjustment of expectations for the year 2001
07/01	09.11.01	Announcement of financial results for the third quarter of 2001

Financial calendar 2002

15.05.02	Quarterly announcement of results, first quarter 2002
15.05.02	Annual general meeting
20.08.02	Announcement of first half-year results for 2002
13.11.02	Quarterly announcement of results, third quarter 2002

Holdings of the Board of Directors and senior management of Topsil shares and warrants

Christian Buhl	qty. 11,500 shares at a face value of DKK 1.00 each qty. 25,000 convertible obligations at a face value of DKK 1.00 each
Erik Hansen	qty. 25,000 warrants at a face value of DKK 1.00 each Erik Hansen has stated that Hansen & Meyer ApS, in which Erik Hansen has a controlling influence, owns qty. 150,000 shares at a face value of DKK 1.00 each
Jon Wulff Petersen	qty. 37,200 convertible obligations at a face value of DKK 1.00 each
David Packness Meyer	qty. 37,200 warrants at a face value of DKK 1.00 each qty. 12,190 shares at a face value of DKK 1.00 each qty. 13,000 convertible obligations at a face value of DKK 1.00 each qty. 13,000 warrants at a face value of DKK 1.00 each

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Annual general meeting

The annual general meeting will be held on Wednesday, 15 May, at 11.00 am at the company's address.

Ownership

The following have reported that they are in possession of more than 5% of the share capital or voting rights for Topsil Semiconductor Materials A/S:

EHP-Toftlund A/S, Toftlund
The Employees' Capital Pension Fund, Copenhagen
Spar Nord Bankaktieselskab A/S, Aalborg
Nordea Companies Denmark A/S, Copenhagen

Frederikssund, 27 March 2002

Christian Buhl
Chairman of the Board
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David P. Meyer
Managing Director
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Profit and Loss Account for the year 2001

DKK 1,000	2001	2000
Net turnover	132,102	97,576
Change in stocks of finished goods and work in progress	7,139	350
Work performed for own account and capitalised	2,587	1,635
Other operating income	1,415	291
	143,243	99,852
Raw materials and consumables	(89,014)	(46,696)
Production costs, distribution costs and administrative costs	(16,741)	(20,829)
Staff costs	(28,147)	(36,254)
Depreciation	(8,047)	(10,629)
Results of primary operations	1,294	(14,556)
Profit/loss before tax in subsidiary	13	(412)
Financial income	800	4,404
Financial expenses	(8,861)	(9,661)
Results from ordinary operations	(6,754)	(20,225)
Extraordinary items	1,985	(17,540)
Profit/loss before tax	(4,769)	(37,765)
Tax on ordinary profit/loss	0	0
After-tax result for the year	<u>(4,769)</u>	<u>(37,765)</u>

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Assets

Balance sheet as at 31 December 2001

DKK 1,000

Assets

Fixed assets

Intangible fixed assets

Development costs

	2001	2000
	1,367	2,911
	1,367	2,911

Tangible fixed assets

Land and buildings

Plant and machinery

Tools and equipment, fixtures and fittings

Tangible fixed assets in course of construction

	15,900	17,608
	21,075	25,030
	691	1,522
	10,999	0
	48,665	44,160

Financial fixed assets

Holdings in subsidiary

Other securities

	513	0
	23	23
	536	23

Total fixed assets

	50,568	47,094
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Current assets

Stocks

	56,112	50,328
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Debtors

Trade debtors

Other debtors

Prepayments and accrued income

	8,939	29,633
	19,352	23,838
	167	75
	28,458	53,546

Cash funds

	2,422	1,233
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Total current assets

	86,992	105,107
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Total assets

	137,560	152,201
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Liabilities

Balance sheet as at 31 December 2001

DKK 1,000

Liabilities

Equity capital

	2001	2000
Share capital	58,115	56,993
Share premium account	0	0
Revaluation reserve	7,500	7,500
Retained earnings/loss	(46,365)	(41,596)
Total equity capital	19,250	22,897

Reserves

Reserves	1,313	5,758
Total reserves	1,313	5,758

Debts

Long-term debts

Amount owed to credit institutions	9,244	22,593
Bond loan	925	4,277
Amount owed to affiliated undertaking	0	14,000
	10,169	40,870

Short-term debts

Short-term proportion of long-term debts	20,349	8,403
Bank loans	23,294	29,683
Trade creditors	26,163	30,851
Short-term bond loan	2,520	0
Amount owed to affiliated undertaking	19,519	0
Other creditors	14,983	13,098
Accruals and deferred income	0	641
	106,828	82,676
Total debts and reserves	118,310	129,304
Total liabilities	137,560	152,201

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Cash flow statement

DKK thousands	2001	2000
Year's result	(4,769)	(37,765)
Adjustments	17,441	41,797
Change in working capital, net	9,463	(33,850)
Cash flow from primary operations	22,135	(29,818)
Financial items, net	(7,750)	(5,257)
Cash flow from operations	14,385	(35,075)
Purchase of tangible fixed assets	(10,710)	(1,820)
Sale of tangible and financial fixed assets	0	20,117
Inflow from subsidiary	(500)	0
Cash flow for investment	(11,210)	18,297
The shareholders:		
Capital expansion	289	0
External financing:		
Loan proceeds	5,519	14,000
Debt payments	(1,404)	20,354
Cash flow from financing	4,404	34,354
The year's cash flow from operations, investments and financing	7,579	17,576
Liquid assets, beginning of period	(28,451)	(46,027)
Liquid assets, end of period	(20,872)	(28,451)

(Liquid assets encompass short-term bank debt less cash and deposits)

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Explanation of the composition of the equity capital

DKK 1,000

Share capital as at 1/1 2001	22,897
+ Capital increase	1,122
÷ Loss for the year	<u>(4,769)</u>
Share capital as at 31/12 2001	<u>19,250</u>

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