



Københavns Fondsbørs
Nikolaj Plads 6
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19.07.2000

No. 14/00

Notification to the Stock Exchange

(to be read in conjunction with today's Stock Exchange Notification No.15/00)

Financial reconstruction of Topsil

In response to Topsil's financial situation, as reported in previous Stock Exchange notifications, a financial reconstruction of the company has now been put in place.

This is the result of a conditional agreement between EHP Toftlund A/S, the two institutional investors Kommunernes Pensionsforsikring and Lønmodtagernes Dyr-tidsfond and the banks SparNord Bank A/S and Unibank A/S, whereby EHP Toftlund A/S acquires a substantial stake in the company from the above shareholders.

EHP Toftlund A/S is a company which already runs or owns – alone or in partnership – a number of industrial companies in Denmark and a couple of companies abroad.

The agreement is far-reaching and is based on Topsil's results for the first half of 2000, namely a loss of DKK 25.2 m, and negative equity capital of DKK 13.7 m. The unaudited half-yearly results are presented in today's Stock Exchange Notification no. 15/00 (Appendix 1).

The agreement comprises the following:

1. Extraordinary adjustments and provisions totalling minus DKK 13 m.
2. Writing down of share capital.
3. Conversion of debt items.

The purpose of the agreement is to provide Topsil with a new capital base allowing the company to develop profitably under the favourable conditions currently prevailing on the silicon market. The agreement includes the newly announced decision (Stock Exchange Notification no. 13/00 of 17 July 2000) to sell off production equipment and to outsource part of production (mechanical processing) to the company Sino-American Silicon Products Inc. (SAS) of Taiwan. This move will necessitate a substantial cut in the workforce at Topsil's factory in Frederikssund.

The agreement on new ownership and a new capital base will have the following results, providing that shareholders approve and adopt the recommendation of the Board at the company's forthcoming Extraordinary General Meeting:

- Topsil's new total share capital will be DKK 56 m.
- Topsil's equity capital will be DKK 34.4 m.
- Topsil will reduce its interest-bearing debt by DKK 48 m.

To achieve this result the following measures will be implemented, all based on the company's half-yearly results as given in today's Stock Exchange Notification no. 15/00.

1. Extraordinary adjustments and provisions amounting to minus DKK 13 m.

- Stocks of semi-processed wafers to be written down by DKK 16.9. The reason for this is that it will be difficult to make use of these wafers once wafer processing has been outsourced.
- Provision of DKK 2 m in total for the Russian receivable.
- The subsidiary Riotech has been sold at a loss of DKK 1.8 m, against provisions for loss of DKK 1.5 m. A further provision of DKK 300,000 is to be made.
- A provision of DKK 8 m is to be made to implement the agreement for outsourcing. The provision will cover transport, technical consultancy and severance schemes.
- DKK 14 m of Topsil's accumulated tax loss of DKK 23.8 is to be capitalised. Future earnings are now expected to be sufficient to utilise the tax loss.

The effect of the total provisions and adjustments will be to give Topsil a negative equity capital of DKK 13.7 m.

2. Writing down of share capital

In view of the negative equity figure, the Board proposes that share capital be written down in the ratio 100:23. Share capital will thus be written down from DKK 34,415,000 to DKK 7,915,000, thus partly offsetting the deficit.



3. Conversion of debt items

Topsil is indebted to Kommunernes Pensionsforsikring and Lønmodtagernes Dyr-tidsfond in the form of convertible bonds in the sums of DKK 4.8 m and DKK 13.2 m respectively. Topsil also owes considerable sums to SparNord Bank and Unibank. These debt items are to be wholly or partially converted into share capital. This is to be done under the current rules and conditions for the convertible bonds. In the case of the bank debt, a prospectus will be prepared for approval by Copenhagen Stock Exchange.

The end result of these transactions will be a share capital of DKK 56 m and an equity capital of plus DKK 34.4 m, compared to the minus DKK 13.7 m obtaining at the close of the half-yearly accounts. The company's interest-bearing debt is reduced by DKK 48 m to DKK 69.2 m.

Recommendation to shareholders

The Board is now convening an Extraordinary General Meeting for Thursday 10 August 2000 at 2.00 p.m., at which all matters will be presented for examination and debate. The Board recommends shareholders to accept the capital changes.

In connection with the newly announced agreement to outsource part of production to Taiwan, Topsil will be selling equipment valued at approx. DKK 21 m. The company's overheads are expected to fall by DKK 4 m and the contribution margin to improve by 5-10%.

Following the change in Topsil's capital basis and on the basis of the assurance of EHP Toftlund A/S and the banks as to operating capital, the company will have the financial power necessary for its development.

After ownership and capital restructuring, EHP Toftlund A/S will own 33.2% of the share capital. EHP Toftlund A/S has informed the Company's Board that it has secured an option to acquire a controlling stake from the institutional investors and banks. How far it will make use of this right will depend on Topsil's future development.

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