



PRESS RELEASE

EHP Toftlund A/S takes stake in Topsil as largest individual shareholder

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 Dyrtidsfond 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 Dyrtidsfond 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.

"The new agreements provide a way forward for Topsil. They are very complicated agreements which is partly why they took so long to put in place", says Chairman of the Board Christian Buhl.

Erik Hansen, Chairman of the Board and one of the owners of EHP Toftlund A/S, says of the company's investment in Topsil, "There are two reasons why we got involved in investing in Topsil: we have the capital which Topsil badly needs; and we have the confidence that Topsil can develop into a good business. This second reason is by far the most important. We have an engineering background and considerable experience of the electronics industry."

Hansen is putting himself forward as a Topsil Board Member at the General Meeting.

He continues:

"Part of Topsil's production was unprofitable. That part will now be outsourced to a partner in Taiwan. In addition, the company had accumulated a burden of debt which had become a straitjacket, severely restricting the company's freedom of manoeuvre.

We are now reducing part of the debt in cooperation with the large investors and banks, and part of it is to be converted to share capital. This means that all current shareholders in partnership with us as new investors will now have to make their contribution to re-establishing Topsil as a viable business. A share of par value DKK 100 will now be reduced to a nominal DKK 23.

On the other hand, and in cooperation with the company's day-to-day management, in whom we have full confidence, we should like to guarantee a positive trend in future share prices.

Topsil is now able to earn money on its core area of FZ silicon, a niche within the large CZ silicon market. There will also be a planned surplus for developing new projects," Hansen says.

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.

"We are in full agreement with the new shareholders over the rescue model. If the new basis is adopted, in the long term losses are unlikely, compared with a situation where the company was on a direct course for closure, because debt levels were going up and up however favourable the market for Topsil," says Niels Hougaard of Kommunernes Pensionsforsikring. Niels Hougaard will also be standing for election to the Board at the forthcoming Extraordinary General Meeting.



Erik Hansen says that EHP Toftlund A/S is content to own between a third and a half of the company. His company is already doing just that with several unlisted companies. And the ownership of EHP Toftlund A/S reflects the same philosophy.

“Our task will be to inspire and generate new ideas for profitable trading,” Hansen says.

Christian Buhl
Chairman of the Board
20 14 90 88

David P. Meyer
Managing Director
47 36 56 12

Appendix 1:

Semi-annual report 2000

At a meeting on Wednesday 19 July 2000, the Board of Topsil Semiconductor Materials A/S approved the unaudited accounts for the first six months of 2000.

The accounts were drawn up for the parent company, as subsidiary Riotech Inc. was sold off in mid-April 2000. The main figures for the parent company, Topsil, are given below:

DKK 1,000	First half 00	First half 99
Net sales	48,392	26,427
Profit/loss on primary operations	-8,887	-14,884
Profit/loss on ordinary operations	-12,246	-18,794
Profit/loss for the period	-25,246	-20,155
Equity capital at end of period	-13,662	20,607
Total assets	152,064	148,091
Average number of full-time employees	136	129
Depreciation on fixed assets	6,224	5,662

Key figures

DKK 1,000	First half 00	First half 99
Dividend per DKK 100 share	0	0
Net asset value	-40	79
Share price at end of period	65.72	105
Net asset value of share	-1.64	1.33
Return on shareholders' funds after tax (%)	-	-65.7
Solvency margin (%)	-9.0	13.5

Composition of equity capital:

Equity capital 1 Jan 2000	11,584
Profit/loss first half 2000	-25,246
Equity capital at end of first half 2000	-13,662

Accounting principles are unchanged from previous year.

Comments on the interim results for the first half of 2000

The substantial loss for this half-year has been affected by the structural changes mentioned in today's Stock Exchange Notification no. 14/00. The structural changes, which are part of the conditions for capital injection, involve Topsil winding up and selling off the Mechanical Department and halting the in-house production of wafers, retaining only the manufacture of crystals, the company's core activity.

As a result of these structural changes, the management has had to reassess the activities and obligations especially associated with this activity.

In consequence the six-monthly figures include extraordinary costs totalling DKK 13 m, as follows:

- Discontinuation of wafer production means that monitor wafer stocks must be written off in full at a cost of DKK 16.9 m.
- It has been decided to write off in full the company's Russian receivable of DKK 2 m, in view of the fact that no explanation as to its settlement has been forthcoming.
- The subsidiary Riotech has been sold at a loss of DKK 1.8 m. Since a provision of only DKK 1.5 m was made for this, a further DKK 300,000 is to be set aside.
- Provisions for winding up the mechanical processing activity amount to DKK 8 m and relate to the sale and winding up of machinery and activities, as detailed in Stock Exchange Notification no. 13/00 of 17 July 2000.
- At the same time, management has decided to capitalise part of the tax-loss carry-forward. A tax loss of DKK 14 m has cautiously been included, and it is expected that this will be utilised over the next five years, as management is convinced that future profits will be sufficiently large to utilise the tax asset. The total tax asset is higher than the capitalised amount and it can therefore be expected that a more detailed assessment will be made at a later date as to whether further sums can be capitalised.

Prospects

As a result of the continuing positive trends in the silicon market, reflected in an order book currently worth DKK 42 m, sales for the year as a whole are anticipated to be in the region of DKK 110 m. Providing that refinancing of the company is effected as described in today's Stock Exchange Notification no. 14/00, a profit for the second half of 2000 of the order of DKK 5 m is expected, giving a total annual result of around minus DKK 20 m.

Appendix 2:

Details of EHP Toftlund A/S

Management

The Board consists of Erik Hansen (Chairman), Mogens Johansen and Henry L. Pedersen.

Ownership

The companies Hansen & Meyer Holding ApS and MJ and HLP Holding A/S both own more than 5% of share capital.

The company's offices are at Brundtland Center Denmark.

Activities

EHP Toftlund A/S's primary activities are investment in other companies, rental activities and trading.

The year 1999 was marked by much buying and selling of ownership shares in businesses and in new-build activity at the company's head office.

On 1 January 1999, the company acquired a further 50% of shares in Trekanten ApS, after which this company became a 100% owned subsidiary within the holding company. Trekanten ApS has now been renamed PlastAS ApS, and as such is a plastics moulding company which started production in March 2000. The company produces plastic cabinets and other components for both Partner Electric and PentaCom. Establishment of the plastics moulding factory required considerable investments in buildings and machinery in 2000.

In 1999 ownership of PentaCom Holding A/S increased from 31.25% to 50%. The company is owned in partnership with the Finnish-listed company Uponor. Among PentaCom's activities are the development and manufacture of heating and air conditioning control systems.

In 1999 ownership of Partner Electric, Vojens, was reduced and now amounts to around 40% of shares in Partner Electric Holding ApS. Among Partner Electric's activities are the development and manufacture of digital diallers and switchboards for the telephone market.

In the second half of 1999, a start was made on establishing two new companies in Thailand.

Profit for the year

In 1999 EHP Toftlund A/S earned a profit of DKK 307 m. After allocation of dividend for the accounting year, equity capital amounted to DKK 276 m, and financial strength was 79%.



Further information:

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