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21.02.2007

## STOCK EXCHANGE ANNOUNCEMENT No. 01/07

## PRELIMINARY ANNOUNCEMENT OF ANNUAL REPORT 2006

### Comments on the results for 2006

- The company's net turnover increased by 14% to DKK 147.5m in 2006 from DKK 129.6m in 2005.
- The operating profit was DKK 33.6m against a loss of DKK 7.1m in 2005.
- The company made a profit after tax of DKK 28.1m in 2006 against a loss after tax of DKK 14.0m in 2005.
- The result for 2006 is the company's best result so far and is deemed satisfactory by the board of directors and the management.
- The turnover and the result for the period are affected by the high prices on the world market for polysilicon and silicon. The price increases worked through at the end of 2005 and continued throughout 2006. The silicon market in 2006 was characterised by an increased demand driven by the solar cell industry, which has affected the price level of the company's products positively.
- In the financial year 2006, the company has continued the focused approach, which was initiated in the middle of 2005, with the objective of optimising the product and customer mix to achieve the highest possible income and the best use of the raw materials.
- The result was positively affected by the fact that in 2006, the company succeeded in selling the remelt silicon (scrap product), which cannot be utilised in the production of Float Zone silicon ingots and silicon wafers, at considerably higher prices than earlier as a result of a general shortage of polysilicon in the global market and, especially, in the solar cell industry. The scrap product was sold at about six times the average price for the period 2003-2005. Approximately 30% of the company's profit before tax in 2006 comes from the sale of remelt silicon.

### Solar cell material

- In the financial year 2006, less than 1% of Topsil's turnover was delivered to the solar cell industry. Topsil's present production is better geared for niche production to the semiconductor industry than for volume production to the solar cell industry. If, at some later point, the prices on the raw material for Float Zone should become competitive compared to the existing production methods for solar cell material (multicrystal growing and Czochralski), it would still take an enormous effort in terms of development and cost optimisation for Topsil to gear the Float Zone production to volume production if the necessary competitive power is to be obtained.

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- At present, Topsil has no development activities in the solar cell area and does not receive neither public nor private funds for development activities. The company has no current plans to include this market area in its development activities.

### **Capital increase and further subscription options**

- The equity capital of the company has been positively affected with a net sum of DKK 32.5m as a result of the capital increase, which was implemented in the fall of 2006 to ensure the capital required to conclude the raw material contract.
- As a result of the issue, the subscription options programme of the management has been extended on the same terms as for the other shareholders, i.e. at a ratio of 2:1 and at a price of 0.2625.

### **Expected future development**

- As of 1 January 2007, the confirmed order volume of the company for delivery in 2007 made up DKK 117.4m against approximately DKK 50m in the beginning of 2006 and approximately DKK 29m in the beginning of 2005.
- The company wishes to secure further supplies of raw materials, but at present it has no definite results of its efforts to conclude further contracts.
- The company maintains its expectations to 2007 for a turnover of DKK 180-200m and a profit before tax of DKK 35-40m.

### **Corporate governance**

- The company has decided to follow the "Recommendations on Corporate Governance" according to the "Comply or Explain" principle. The complete company policy on corporate governance is described in the annual report of the company and will be published on the company website.

## **PRELIMINARY ANNOUNCEMENT OF ANNUAL REPORT 2006**

## The key figures and ratios of the company

| <b>5 years' key figures, DKK '000</b> | <b>2006</b> | <b>2005</b> | <b>2004</b> | <b>2003</b> | <b>2002</b> |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Net Turnover                          | 147,503     | 129,592     | 115,657     | 117,651     | 111,883     |
| Operating profit/loss (EBIT)          | 33,593      | (7,080)     | 3,899       | (15,479)    | 2,866       |
| Result after financial items          | (4,359)     | (1,033)     | (2,810)     | (1,152)     | 2,457       |
| Profit/loss for the year              | 28,143      | (13,969)    | 1,089       | (16,625)    | 5,350       |
| Capital employed                      | 30,717      | 30,262      | 45,711      | 45,510      | 37,465      |
| Net working capital (NWC)             | 5,872       | 18,510      | 35,429      | 38,271      | 24,109      |
| Equity capital (*)                    | 111,079     | 50,253      | 62,974      | 62,953      | 77,164      |
| Balance sheet total                   | 179,827     | 112,284     | 115,672     | 132,216     | 162,162     |
| Expenditure on fixed assets           | 4,534       | 8,603       | 375         | 8,331       | 2,461       |
| Net interest-bearing debt             | (70,734)    | 17,149      | 24,025      | 33,592      | 17,387      |
| Cash earnings                         | 44,075      | (2,598)     | 14,444      | (9,244)     | 27,337      |
| Average number of full-time employees | 64          | 76          | 84          | 93          | 88          |
| Number of shares, current ('000)      | 393,150     | 262,100     | 262,100     | 259,349     | 259,311     |
| Number of shares, diluted ('000)      | 408,150     | 266,032     | 262,100     | 259,349     | 259,311     |
| <b>Ratios</b>                         |             |             |             |             |             |
| Profit margin (%)                     | 22.8        | (5.5)       | 3.4         | (13.2)      | 2.6         |
| Return on capital employed (%)        | 110.2       | (18.6)      | 8.5         | (37.3)      | 12.0        |
| Return on equity (%)                  | 34.9        | (24.7)      | 1.7         | (23.7)      | 10.5        |
| Gearing                               | (63.7)      | 34.1        | 38.2        | 53.4        | 22.5        |
| Net turnover/capital employed         | 4.8         | 4.3         | 2.5         | 2.6         | 3.0         |
| Net working capital/net turnover      | 0.04        | 0.14        | 0.31        | 0.33        | 0.22        |

\* At the annual general meeting on 15 May 2002, the company changed the denomination from a nominal value of DKK 1.00 to a nominal value of DKK 0.25.

The key figures and ratios for 2004-2006 have been prepared according to IFRS, cf. the description in the annual report, note 1 to the accounting policies. The comparative figures for 2003 and 2002 have not been adjusted to the changed accounting policies on the transition to accounting in accordance with IFRS. Instead, they are presented in accordance with the accounting policies so far, which are based on the provisions of the Danish Company Accounts Act and the Danish accounting standards. If the comparative figures for 2003 and 2002 were to be stated according to IFRS, the most significant regulations would concern the recognition of market value adjustment of participating interest in subsidiaries. The monetary changes would only signify minor corrections of the key figures and ratios for the years 2002-2003.

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## Report of the board of management

### Mission and objective

#### Mission

The activities of the company are the production and sale of monocrystalline Float Zone silicon to the semiconductor industry. The production takes place by transforming polycrystalline silicon into monocrystalline silicon through melting and recrystallisation.

Ingots are produced with the Float Zone method on machines and in processes developed by the company itself at Frederikssund, Denmark. This is followed by a significantly value-adding wafering process, which has been outsourced to 2 partners in Taiwan.

Topsil has more than 40 years of experience with Float Zone silicon. The company was founded by Haldor Topsøe in 1958. Topsil is one of the world's 6 manufacturers of Float Zone silicon and the only manufacturer in the world that has been specialising solely in Float Zone silicon since 1958.

From the very start the mission has been to manufacture the purest form of silicon in the world market. This is obtained through Float Zone manufacturing. The buyers are relevant niche customers in the electronics industry.

The company mission remains intact to this day. However, since electronics manufacturers have primarily been using Czochralski silicon in their product development due to cost benefits, today the Float Zone market only makes up about 3.5% of the world market for silicon, which is equivalent to approximately DKK 2bn. The Float Zone market today is largely a niche market in which the largest product group, PFZ, to a wide extent must be considered a commodity product. Topsil has chosen to enhance its profile in this market.

In 2006 Topsil implemented a strategic plan and will focus on the following in the next 3-year period:

- Topsil will solely operate in the niche market for Float Zone silicon (DKK 2bn); Topsil will mainly target small and medium-sized customers in the semiconductor industry with a Float Zone consumption of DKK 0-50m. Geographically, Topsil will be a global player that primarily operates through direct sales, but also through distributors and agents in remote markets.
- Topsil will operate within 3 product groups in the Float Zone markets. The main product groups will be NTD and HPS. The secondary product group will be PFZ (see the chapter on *products and production* for further details).
- Topsil will follow a focused strategy of differentiation, in which the focus is on the above-mentioned customer and product groups and the most important differentiation parameters are flexibility and customer guidance.
- Topsil has a market share of approximately 8% and has 2 major competitors, which are large providers with market shares of about 40% each. These 2 large competitors focus on large-scale operations and large consumers of Float Zone. This is why Topsil has chosen to focus on the role as a preferred supplier to small and medium-sized consumers.

#### Financial objective

Consistent with the composition of the market, Topsil's differentiation strategy and the currently favourable market for selling silicon products, the priority is on earnings before growth, and in the short term (1-3 years) only controlled growth is expected in the niche.

The future financial objectives can be summarised as follows:

- Achieving a profit margin of >20% for the years 2007 and 2008.
- Achieving a profit margin of at least 10% in financial years with less favourable market conditions.

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## Main activity

### Products

Topsil sells products to the semiconductor market and defines its three product groups as:

- NTD: Neutron Transmutation Doping: FZ silicon used in high and medium voltage components. These products are essential to the construction of infrastructure, electricity production and distribution, wind mill plants, electrical trains, hybrid cars and energy-saving motor controls. The market is fairly stable with moderate growth rates.
- PFZ: Gas-doped Float Zone silicon: FZ silicon used mainly for medium voltage components for industrial plants and consumer electronics. The product is used for components with less stringent requirements to electrical properties than NTD. The components form part of energy-saving motor controls, controls in solar cell plants, controls in various electrical consumer appliances, large household appliances, etc. This market is one of the growth areas for FZ silicon due to the high energy prices and the need for energy-savings.
- HPS: High Purity Silicon: FZ silicon that is mainly used for special components such as sensors and detectors. This is a relatively small niche market.

### PV FZ® silicon for solar cells

Topsil has been interested in developing solar cell material based on Float Zone technology since 2000. Topsil has developed a product called PV FZ®. PV is an abbreviation for Photo Voltaic, which means solar cells, and FZ is an abbreviation for Topsil's production method, i.e. the Float Zone method. In the period 2002-2004, the PV FZ® product has been qualified by several big solar cell manufacturers. The advantage of the PV FZ® product is that it is slightly more effective than conventional solar cell material, but unfortunately it is also more expensive to produce.

In recent years, Topsil has delivered solar cell material to a number of the world's largest solar cell manufacturers. In the majority of these collaborations, it has been difficult to obtain satisfactory profitability.

The combined factors of the high price level for the raw material used in Float Zone production and a production plant, which is not geared for volume production to the solar cell industry, make it even less attractive for Topsil to produce solar cell material at present. In the financial year 2006, less than 1% of Topsil's turnover was delivered to the solar cell industry.

Topsil is still the only company to deliver solar cell silicon to the mass market, manufactured with the Float Zone method. At present, Topsil has no development activities in the solar cell area and does not receive neither public nor private funds for development activities. The company has no current plans to include this market area in its development activities.

If, at some later point, the prices on the raw material for Float Zone should become competitive compared to the existing production methods for solar cell material (multicrystal growing and Czochralski), it would still take an enormous effort in terms of development and cost optimisation for Topsil to gear the Float Zone production to volume production if the necessary competitive power is to be obtained.

Topsil will continue to be a member of EPIA (European Photovoltaic Industry Association) and will maintain its relations to several private and public players in the solar cell industry.

### The production process

The FZ production process takes place in a hermetically closed chamber. A multicrystalline silicon rod is placed in an oven over an electromagnetic coil, and the silicon rod is melted down through the coil at very high temperatures. A monocrystalline rod forms under the electrical coil.

Topsil's products are sold both as whole silicon crystals/ingots and as various types of wafers: sawed, lapped (grinded), etched and polished wafers. The crystals make up about 10-15% of Topsil's turnover to the end customer, while the wafers make up about 85-90%.

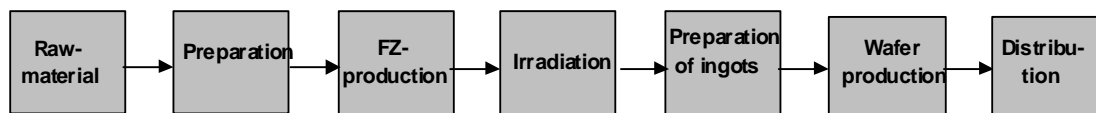
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The process from raw material to finished product is illustrated in the following figure:

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## Production process

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## Development in activities and financial matters

The net turnover of the company amounted to DKK 147.5m in 2006 compared to DKK 129.6m in 2005 corresponding to an increase of 14%.

The operating profit for the year was DKK 33.6m against a loss of DKK 7.1m in 2005.

The company made a profit after tax of DKK 28.1m in 2006 against a loss after tax of DKK 14.0m in 2005.

The result for 2006 is the company's best result so far and is deemed satisfactory by the board of directors and the management.

The turnover and the result for the period are affected by the high prices on the world market for polysilicon and silicon. The price increases worked through at the end of 2005 and continued throughout 2006. The silicon market in 2006 was characterised by an increased demand driven by the solar cell industry, which has indirectly affected the price level of the products sold by the company positively.

The significantly higher prices meant that in 2006, the company was able to increase both the turnover and the income despite a 25% lower raw material consumption than in 2005.

During the financial year of 2006, the company has continued the focus initiated in the middle of 2005 with the objective of optimising the product and customer mix to achieve a higher income and the best use of the raw materials.

Furthermore, the result was positively affected by the fact that in 2006, the company succeeded in selling the remelt silicon, a scrap product from the production of Float Zone silicon ingots and silicon wafers, at considerably higher prices than earlier as a result of a general shortage of polysilicon in the global market and, especially, in the solar cell industry. The scrap product was sold at about six times the average price for the period 2003-2005. Approximately 30% of the company's profit before tax in 2006 comes from the sale of remelt silicon.

### The raw material market

The world market for polysilicon at present is characterised by demand exceeding supply. This scarcity has existed since the end of 2005. The cause for the shortage is that today the solar cell industry buys about 50% of the world market's production of polysilicon. Until the end of the 1990s, silicon was mainly used in electronics components in the semiconductor industry. It is thus a completely new situation in the industry that in 2006, the solar cell industry was able to buy about half of the production of the world market. The year 2007 is expected to be the year with the biggest shortage, and the year 2008 is expected to be the first year where further – but still not enough – raw material production will reach the market.

The 8-10 manufacturers of polysilicon in the world market have earlier experienced long periods of surplus capacity and poor income due to failing demand from the customers, often as a result of the cyclical fluctuations in the semiconductor and electronics industry. As a consequence of the great demand at present and the shortage of polysilicon, the prices of both the raw material and the finished silicon have surged dramatically in 2005/2006.

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In addition to the large price increases, the raw material producers have taken the opportunity to introduce new commercial conditions for the buyers of polysilicon. The raw material, polysilicon, is thus only available if a long-term contract is concluded with the raw material producers, in which the customers (e.g. Topsil) indirectly finance the large investments in enlarging the reactors in which the production of polysilicon takes place. Most raw material producers have also found that due to the present market conditions, they have been able to conclude more contracts than warranted by their production volume causing a continued pressure on the raw material producers to meet the demand of the customers.

The long-term contracts that are concluded today include requirements for substantial prepayments or bank guarantees (e.g. equivalent to 2 years' purchases) and are furthermore often based on fixed prices and fixed volumes for periods of 5-10 years.

As a main rule, a customer with a raw material producer is thus required to provide capital resources equivalent to the size of the contract (e.g. over 1-3 years), often in combination with other possible material and immaterial incentives, to obtain a contract.

### **The supply situation**

At the end of June 2005, Topsil's main supplier of polysilicon terminated their contract with Topsil to expire on 31 December 2005. The controlling interest of the raw material supplier had been acquired by a company with primary activities in the solar cell industry and they wanted to secure raw materials for their own solar cell production.

Through several months, Topsil negotiated with the new majority shareholder for a new contract and in the first round, the company succeeded in securing 30T at the end of 2005 to service its customers in 2006. The operational starting point for 2006 was thus both smaller than in 2005 as well as smaller than the expected raw material consumption in 2007.

In the period from July 2005 to August 2006, Topsil negotiated with both the majority shareholder and all of the other raw material suppliers and interested parties in the industry with the purpose of securing a long-term contract for the supply of raw materials. At the same time, the company worked to provide the capital required to conclude a long-term contract.

On 11 August 2006, Topsil announced that they had succeeded in securing the required quantity of raw materials to continue the present activities of the company in the period 2007-2012.

The supply of raw materials was secured through a long-term contract with one of the company's approved raw material suppliers up till now with deliveries starting in the beginning of 2007.

The contract did not give rise to any significant development activities in order to use these products, but Topsil established production equipment at the end of 2006 in connection with the conclusion of the contract. As a result, the company is able to use less finished polysilicon ingots.

The contract is a combination agreement of which 50% is a fixed volume at fixed, index-linked prices and 50% is a variable volume at market prices. The variable volume cannot exceed the fixed volume within the same calendar year. The contract thus obligates Topsil to buy a fixed minimum volume for 6 years, and at the same time the agreement is limited as to volume.

In the present market, the company considers the price level for the fixed part of the agreement to be competitive. The company expects the prices of polysilicon for Float Zone production to remain at a high level for the next 2-3 years.

There are no immediate indications that any new manufacturers of polysilicon for Float Zone production are under formation. On the contrary, it seems that Float Zone silicon will be even more of a niche to high voltage, medium voltage and special components in the semiconductor industry. Therefore it seems less likely that the price on raw materials will return to the lower and more stable level from the period 2000-2004.

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## **Rights issue in 2006**

In connection with the conclusion of the supplier contract, Topsil provided a substantial collateral security to uphold the agreement. The company therefore decided to raise the capital required for this through a rights issue with a pre-emptive right for the existing shareholders. The issue was carried out in the period from 27 September to 13 October 2006. A total of 131,050,037 new shares were issued equivalent to proceeds of approximately DKK 33m. The company's existing shareholders subscribed for 99.8% of the subscription rights offered, and the proceeds became part of the collateral of about DKK 50m to the raw material supplier.

## **Customer contracts**

Simultaneously with the conclusion of the raw material agreement, Topsil covered part of the potential long-term risk associated with the price development of polysilicon by concluding sales contracts with its most important strategic customers on corresponding commercial conditions. Thus 6-year contracts have been concluded with the three largest customers of the company guaranteeing more than 30% of the estimated sales in the period from 2007 to 2012.

This will contribute to securing a higher and more stable planning and income than earlier.

## **Other supplier contracts**

Besides the raw material itself, polysilicon, the company has important sub-suppliers in two other areas; one is wafering of the silicon, and the other is irradiation of the silicon used for high voltage and medium voltage components called NTD.

In the wafering field the company has concluded 6-year agreements covering 70-80% of the product range. In several aspects, the agreements are comparable to the customer agreements and thus ensure wafering capacity for Topsil.

The company's third largest sub-supplier area consists of irradiation of undoped silicon ingots, which are used for high voltage and medium voltage components. The production and supply of these are one of Topsil's core competences, and today Topsil uses a large number of irradiation suppliers placed all over the world. During recent years, Topsil has been seriously committed to securing the necessary capacity with the best irradiation providers. Topsil has also concluded long-term contracts in this area and expects to be one of the largest buyers of NTD irradiation in the years to come.

## **Uncertainties associated with recognition and estimates**

At the end of the financial year, no uncertainties associated with recognition and estimates of financial items have been identified.

## **Change in the board of directors**

In the course of the year, changes have been made in the board of directors. Mr. Kent Hansen, Chairman, left the board on the annual general meeting in 2006. He was replaced by Mr. Jens Borelli-Kjær (Managing Director, Vitral A/S) as new Chairman, and Mr. Jørgen Frost (Managing Director, Blendex A/S) was elected member of the board.

## **Special risks**

### **Business exposures**

A substantial portion of the company turnover is distributed on less than 25 customers of which noone, however, takes more than 20% of the total company turnover. The company turnover for the 10 largest customers makes up 80% of the total turnover.

The company is the world's fourth largest supplier of Float Zone silicon with a market share of approximately 8%. This means that the company is a small player among very large competitors, which may entail a business risk.

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In the longer term, there are a number of risk factors. The current large raw material producers may stop producing raw material for FZ production, which may force the semiconductor and the electronics industry to find substituting silicon products. Over time, the Float Zone market may thus shrink or disappear.

New technology may lead to a surplus of raw material or the present investments in new capacity may in turn lead to surplus production of raw material. In this case, the semiconductor industry will once again squeeze the silicon producers, and the prices will return to a level of heightened competition putting the profitability under pressure. However, this seems less likely at present as reactor plants are only invested in and built for new productions, which have already been sold in long-term contracts.

In the short term, there is a risk that Topsil's present raw material supplier within the existing contract will set the prices at a level where sufficient profitability is only obtainable on the fixed part (50%) of the supply agreement. This could result in a considerable cost adjustment.

Apart from the supply of raw materials, the company is dependent on the access to wafering and irradiation capacity.

If the solar cell industry continues to experience large growth rates, there may be a shortage of wafering capacity in the world market. Since Topsil is a small buyer, this may be a threat to the possibility of finding alternative wafering capacity for the full range. Topsil has concluded a long-term contract with its largest sub-supplier in Taiwan that covers 70-80% of the range.

There is no current shortage in the area of irradiation capacity, and Topsil is well positioned in relation to the irradiation suppliers.

## **Financial risks**

### **Currency exposures**

The company does not use derivatives to hedge currency exposures. Instead, the company uses commercial hedging by balancing the currency inflow and outflow. The most important currency flow of the company is USD, which makes up about 65% of the total cash flow. Moreover, the company has provided substantial cash security in USD to uphold the raw material contract (2007-2012). A currency fluctuation in USD/DKK of +/- DKK 0.50 will mean a currency exposure to the company of about +/- DKK 5.7m.

### **Interest rate exposures**

As of the balance sheet date, the company has a positive net cash position and hence the interest rate exposure is only attributable to net deposit interest rates. A movement in the company's effective rate of 1% will affect the company's earnings with about DKK 0.7m per year.

### **Credit risks**

The company's credit risks associated with financial activities correspond to the values recognised in the balance sheet. In the present financial year, the company has bought back its debts from a factoring company. This transaction has increased the company's credit risk as part of the company's debts used to be credit insured. The company evaluates the need for insuring individual debtors on an ongoing basis.

### **Cash flow**

During the financial year, the company has had a significantly positive cash flow and as of the balance sheet date it has a free cash flow of DKK 24.8m. The company considers this cash position to provide sufficient capital resources to meet coming investments etc.

### **Knowledge resources**

The company's knowledge resources fall into three categories: customers, technology and employees.

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## Customers and technology

The company has a fairly strong niche position in the market. Topsil concentrates fully on the special products NTD and HPS as well as the more commodity-like PFZ product group. The products are primarily delivered to small and medium-sized customers in the semiconductor industry with an annual Float Zone consumption of between DKK 0 and 50m.

The customers comprise both large, international, well-known groups and a large number of more local and specialising semiconductor businesses.

Topsil primarily takes the role of:

- either a primary or a secondary supplier of a combination of NTD and PFZ products to large multinational semiconductor companies that manufacture semiconductors for high and medium voltage components; or
- a supplier of the same products to small and more niche-like semiconductor companies; or
- a supplier of HPS products to small and correspondingly more niche-like semiconductor companies.

Topsil has strong long-term customer relations and has collaborated with the main part of the customer base for a period of 20 years or more.

A small player in the industry, Topsil has its own production plant and specialises as a flexible producer as far as capabilities (specs), quantities, product characteristics, logistics (e.g. irradiation) and supplies are concerned.

Topsil defines its product and technology competences as:

1. Float Zone technology including development and production of Float Zone pullers, Float Zone processes and production of Float Zone silicon
2. Irradiation of silicon crystals (NTD)
3. Sales and logistics to the power market world-wide

### 1. FZ technology

Throughout the last 4 years, Topsil has expanded its product programme so that Topsil covers about 98% of the product types in demand on the world market for FZ products. Historically, NTD has been Topsil's primary product. Also in future, NTD is expected to form an important and increasing part of the product programme. Topsil has its own competences in design, development and production of pullers for manufacturing Float Zone silicon. The company has developed its own production processes and Float Zone pullers. In practice this is a protection of the know-how of the company as far as machinery and processes are concerned.

### 2. Irradiation of silicon crystals (NTD)

Topsil produces FZ silicon ingots, many of which are irradiated for the material to obtain the right electrical properties. Topsil has a history of leadership in the field of irradiated FZ silicon (NTD). In 1976 Topsil together with Risø invented the irradiation technology for the production of NTD products. Expertise has been accumulated in the field of irradiation of silicon and subsequent tempering, which is necessary in the production of NTD material. A significant part of Topsil's silicon was irradiated using Risø's irradiation reactor in Denmark, but it was closed down in 2000. Since then the world market for irradiation has been analysed, and today Topsil has access to irradiation capacity all over the world and uses about 10 different sub-suppliers for irradiation on the basis of long-term contracts. At present, there is a shortage in the irradiation market, but due to its long-standing relations to the reactors, Topsil has no limitations on the irradiation capacity.

### 3. Sales and logistics to the power market world-wide

Topsil has established a global distribution network with a focus on handling the complex logistics of irradiated products to the power electronics market (high and medium voltage components). Topsil has formed direct customer relations with most of the large and medium-sized producers of power components.

#### Employees

With only about 65 employees, consisting of production workers on the one side and engineers with silicon and mechanical expertise on the other, it is crucial for Topsil to have the right employees – whose expertise and commitment are essential for efficiency, customer satisfaction and innovation.

Topsil has a low employee turnover, which may partly be due to the fact that the industry of which Topsil is a part (the silicon/semiconductor industry) is not present anywhere else in Denmark, and partly to the unique production plant of the company combined with the local site at Frederikssund, Denmark.

Topsil is both a production company with a specialised production plant and a technology company. It is a challenge to the company to create improvements in both areas and to maintain and challenge the innovative environment.

At the end of 2006, a comprehensive optimisation project was initiated using, among other things, Lean principles and Six Sigma tools in collaboration with a Danish consulting firm. This work involves all employees at Topsil over the next 1-2 years and is expected to result in an upgrading of the organisation in several areas, and also as far as the employees are concerned.

The ability to develop new products and processes and to improve the machine technology is also crucial to the success of the company. Topsil is on the way to intensifying and targeting its development further in the coming years in collaboration with companies and institutions in the industry.

To realise the company objectives, Topsil introduced a share-based incentive programme in 2006 to support the recruitment, motivation and retention of managerial employees.

#### Events after the balance sheet date

No events have occurred from the balance sheet date and to the present day to significantly alter the evaluation of the preliminary announcement of the annual report.

#### Expected future development

As of 1 January 2007, the confirmed order volume of the company made up DKK 117.4m for delivery in 2007 against approximately DKK 50m in the beginning of 2006 and approximately DKK 29m in the beginning of 2005.

The order intake is generally at a high level for 2007, primarily as a result of the concluded customer contracts mentioned earlier, but also as a result of the generally high demand for silicon and FZ products.

The expectations to the net turnover for 2007 are based on a production output, which is about 25% larger than the volume produced in 2006. Moreover, the company has received very large price increases on especially the variable part of the raw material contract. The company expects that the price level for 2007 will also result in the departure of some customers, who will seek alternative solutions.

The company expects a larger turnover and income in the second half of 2007 than in the first half of the year, among other things due to the fact that new raw material supplies have not reached the company until the beginning of 2007.

In its newly completed strategic plan, Topsil has set a number of objectives for 2007/2008.

As mentioned before, a large improvement and optimisation project is under implementation in the operations (product and auxiliary administrative processes) in collaboration with a consulting firm. The objective of this project is to reduce the long lead times, secure a larger production capacity with a view to

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increasing the output, reduce costs, waste and semifinished product stocks and to improve the ability of the company to produce whole Float Zone ingots.

On the development side, Topsil's 6" product range will be completed in the course of 2007.

In the areas of supply and purchasing, we will work actively to improve the supply of raw materials and to secure the necessary wafering capacity.

The company wishes to secure further supplies of raw materials, but at present it has no definite results of its efforts to conclude further contracts.

The company maintains its expectations to 2007 for a turnover of DKK 180-200m and a profit before tax of DKK 35-40m.

## Corporate governance

On 6 October 2005, the Copenhagen Stock Exchange announced the decision to add new "Recommendations on Corporate Governance" in the reporting requirements for stock-listed companies with effect for reported accounting periods starting after 1 January 2006.

The company has decided to follow the recommendations according to the "Comply or Explain" principle so that the company is not obligated to comply with all the recommendations, but must explain matters of deviation.

The full company policy for corporate governance is described in the annual report.

## The shareholdings and subscription options of the management

The shareholdings and subscriptions options of the management as of 31 December 2006 were as follows:

|   | Shareholding by<br>number of shares<br>(own and connected<br>persons*) | Shareholding by<br>nominal value |
|---|--|----------------------------------|
| <b>Shares</b>   |  |                                  |
| Mr. Jens Borelli-Kjær, Chairman                       | 450,000  | 112,500.00                       |
| Mr. Eivind Dam Jensen (EDJ-Gruppen),<br>Vice-Chairman | 61,940,249   | 15,485,062.25                    |
| Mr. Theis Leth Larsen, Member of the Board            | 3,105  | 776.25                           |
| Ms. Trine Schønnemann, Member of the Board            | 94,980   | 23,745.00                        |
| Mr. Jørgen Bødker, Sales and Marketing Director       | 375,000  | 93,750.00                        |
| Mr. Leif Jensen, R&D Manager                          | 275,000  | 68,750.00                        |
| Mr. Hans Peder Mikkelsen, Production Manager          | 70,000   | 17,500.00                        |
| <b>Total</b>  | <b>63,208,334</b>  | <b>15,802,083.50</b>             |

| <b>Warrants/subscription options</b>               | <b>12.04.05</b>  | <b>07.08.06</b>  | <b>27.09.06</b>  | <b>Total</b>      |
|--|------------------|------------------|------------------|-------------------|
| Mr. Keld Lindegaard Andersen, Managing<br>Director | 3,931,500        | 0                | 1,965,750        | 5,897,250         |
| Mr. Jørgen Bødker, Sales and Marketing<br>Director | 0                | 2,621,000        | 1,310,500        | 3,931,500         |
| Mr. Martin Overgaard Hansen, CFO                   | 0                | 861,875          | 430,937          | 1,292,812         |
| Mr. Leif Jensen, R&D Manager                       | 0                | 861,875          | 430,937          | 1,292,812         |
| Mr. Hans Peder Mikkelsen, Production<br>Manager    | 0                | 861,875          | 430,937          | 1,292,812         |
| Mr. Theis Leth Larsen, PTA Manager                 | 0                | 861,875          | 430,937          | 1,292,812         |
| <b>Total</b>                                       | <b>3,931,500</b> | <b>6,068,500</b> | <b>4,999,998</b> | <b>14,999,998</b> |

\* A connected person is the nearest relatives of the management and companies in which management functions are filled

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## Regulation of the option programme as a result of the issue

Referring to the stock exchange announcements of 12 April 2006 (No. 05/06) and 7 August 2006 (No. 13/06), the managing director, the sales and marketing director and 4 managerial employees, respectively, were offered an option programme.

Subsequently, the board of directors has decided to change the managing director's exercise price from 0.2625 to 0.27 to ensure that the contract terms comply with the requirements of Section 7H of the Danish Tax Assessment Act ("ligningsloven").

As a consequence of the clauses to prevent dilution in the option programmes, further subscription options are allotted to the two directors and the other managerial staff as a result of the issue carried out in September/October 2006 on the same terms as for the other shareholders i.e. at a ratio of 2:1 and at a price of 0.2625.

According to this, the following subscription options have been offered:

|                              | Original allotment: | 2:1              | Total:            |
|------------------------------|---------------------|------------------|-------------------|
| Managing Director:           | 3,931,500           | 1,965,750        | 5,897,250         |
| Sales & Marketing Director   | 2,621,000           | 1,310,500        | 3,931,500         |
| Other 4 managerial employees | <u>3,447,500</u>    | <u>1,723,748</u> | <u>5,171,248</u>  |
| Total                        | <u>10,000,000</u>   | <u>4,999,998</u> | <u>14,999,998</u> |

The exercise price is calculated as a weighted average between the original allotment price of 0.27 for the managing director and 0.29 for the other 5 managerial employees, respectively, and the issue price of 0.2625 corresponding to 0.2675 for the managing director and 0.2808 for the other 5 managerial employees.

The subscription options can be exercised in up to six weeks after the preliminary announcement of annual reports with one third in 2007, one third in 2008 and one third in 2009.

Pursuant to article 3.6 of the articles of association of the company, the board of directors are only authorised to issue 10m subscription options. At the annual general meeting on 28 March 2007, the board of directors will request an authorisation to issue subscription options to managerial staff for a nominal value of up to DKK 3.75m in shares of DKK 0.25 corresponding to 15m shares, partly to be able to honour the subscription options already offered, and partly to have the possibility in future to allot new subscription options to the present and future managerial staff.

## Shareholder structure as at 31 December 2006

The share capital of the company amounts to a nominal value of DKK 98,287,527.75 and consists of 393,150,111 shares of DKK 0.25 each. The shares are not sub-divided into classes.

### Shareholder composition as at 31 December 2006

|  | <u>Units</u>       | <u>Capital in DKK</u> | <u>Capital in %</u> | <u>Votes in %</u> |
|--|--------------------|-----------------------|---------------------|-------------------|
| EDJ-Gruppen,<br>Bangs Gård, Torvet 21,<br>DK-6701 Esbjerg, Denmark | 61,940,249         | 15,485,062.25         | 15.75               | 15.75             |
| Other registered shareholders                                      | 209,945,658        | 52,486,414.50         | 53.41               | 53.41             |
| Unregistered shareholders  | <u>121,264,204</u> | <u>30,316,051.00</u>  | <u>30.84</u>        | <u>30.84</u>      |
| Total  | <u>393,150,111</u> | <u>98,287,527.75</u>  | <u>100.00</u>       | <u>100.00</u>     |

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## Own shares

The company has no own shares.

The board of directors has adopted some guidelines for transactions with the company's shares, cf. the rules of procedure and the internal rules of the company. They apply to both the company's own transactions as well as the transactions of the board of directors, the management and managerial staff. There are also guidelines that prohibit abuse or disclosure of insider knowledge.

The trading window for the board of directors, the management and other insiders, to whom the guidelines for insiders apply, is set to 4 weeks after the publication of each quarterly report and only when no insider knowledge exists. It is the responsibility of the chairman to inform insiders in case the trading window is closed due to insider knowledge.

## Dividend policy

It is Topsil's policy that shareholders should obtain a yield on their investment in the form of a price increase and/or a dividend. Dividends will be paid considering the necessary consolidation of the equity capital as the basis for the continued growth of the company.

The board of directors proposes to the Annual General Meeting that no dividend be paid for the financial year 2006. The recommendation is based on a desire for strengthening the capital base in order to meet future market fluctuations.

## List of stock exchange announcements in 2006:

| <b>Date</b> | <b>Announcement</b>   |
|-------------|---|
| 12.01       | Financial calendar 2006   |
| 06.03       | Raw material supplies and adjustment of the expectations to the result for 2005 |
| 14.03       | Preliminary announcement of annual report 2005                                  |
| 10.04       | Reporting of insider transactions   |
| 12.04       | Warrant and bonus scheme for the managing director                              |
| 12.04       | Annual report 2005  |
| 12.04       | Notice convening the annual general meeting                                     |
| 12.04       | Reporting of insider transactions   |
| 25.04       | Change of management  |
| 25.04       | Summary of the general meeting 2006   |
| 10.05       | Quarterly report – 1 <sup>st</sup> quarter 2006                                 |
| 10.05       | Updated financial calendar 2006   |
| 17.05       | Reporting of insider transactions   |
| 07.08       | Warrant and bonus scheme to the management                                      |
| 07.08       | Warrant and bonus scheme to the management – correction                         |
| 11.08       | Long-term agreement for polysilicon/issue of shares                             |
| 29.08       | Interim report – 1 <sup>st</sup> half year 2006                                 |
| 15.09       | Announcement of prospectus concerning pre-emption issue                         |
| 18.09       | Prospectus  |
| 19.09       | Webcast presentation  |
| 27.07       | Reporting of insider transactions   |
| 03.10       | Reporting of insider transactions   |
| 05.10       | Reporting of insider transactions   |
| 06.10       | Announcement on behalf of EDJ-gruppen   |
| 06.10       | Reporting of insider transactions   |
| 10.10       | Reporting of insider transactions   |
| 10.10       | Reporting of insider transactions   |
| 10.10       | Announcement to major shareholders  |
| 16.10       | Reporting of insider transactions   |
| 20.10       | Result of the pre-emption issue   |
| 20.10       | Reporting of insider transactions   |
| 07.11       | Quarterly report – 3 <sup>rd</sup> quarter 2006                                 |
| 17.11       | Reporting of insider transactions   |
| 20.11       | Financial calendar 2007   |

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## Financial calendar 2007

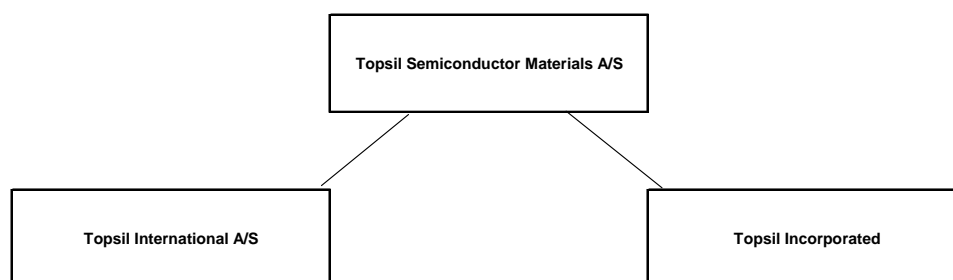
| Date  | Announcement                                    | Doldrums            |
|-------|---|---------------------|
| 21.02 | Preliminary announcement of annual report 2006  | 24.01.07 – 21.02.07 |
| 19.03 | Annual report                                   |                     |
| 28.03 | Annual general meeting                          |                     |
| 02.05 | Quarterly report – 1 <sup>st</sup> quarter 2007 | 04.04.07 – 02.05.07 |
| 23.08 | Interim report – 1 <sup>st</sup> half year 2007 | 26.07.07 – 23.08.07 |
| 25.10 | Quarterly report – 3 <sup>rd</sup> quarter 2007 | 27.09.07 – 25.10.07 |

## Further information

Questions to the stock exchange announcements may be directed to:  
Mr. Jens Borelli-Kjær, Chairman, tel. +45 40 16 14 82  
Mr. Keld Lindegaard Andersen, Managing Director, tel. +45 47 36 56 10

## Group chart:

Both of the subsidiaries listed in the group chart are fully owned.



## Information on subsidiaries:

Topsil International A/S (the company is expected to be voluntarily wound up in 2007)  
Linderupvej 4  
DK-3600 Frederikssund  
Telephone: 47 36 56 00  
Telefax: 47 36 56 01  
Central Company Register (CVR) No. 25 86 35 50

Topsil Incorporated (the company is expected to be voluntarily wound up in 2007)  
c/o CT Corporation System  
3225 N. Central Ave.  
Phoenix, AZ 85012  
USA  
File-number: -0798972-8

Topsil Semiconductor Materials A/S has not prepared any group accounts for the financial year 2006.

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The reason for this is the fact that Topsil International A/S and Topsil Inc. have been inactive companies in 2006. Topsil International A/S' balance sheet total in the beginning of the year consisted of an escrow account in connection with the sale of real property in the financial year 2005. This escrow account was made available in February 2006, and the money has been used to discharge an intragroup balance due to the parent company. After this, the company has been inactive. Topsil Semiconductor Materials A/S has taken steps to dissolve Topsil International A/S and Topsil Inc. Both companies are expected to be voluntarily wound up in 2007.

Topsil International A/S' balance sheet total at the end of 2006 consists of a balance due to Topsil Semiconductor Materials A/S, and the balance sheet total as at 31.12.2006 makes up 0% of the total balance sheet amount for the group.

Topsil Inc. has had no assets and liabilities in the financial year. The balance sheet total of the company makes up 0% of the balance sheet total for the group.

Based on materiality considerations and an assessment of the actual financial matters in the subsidiaries, it was decided not to prepare any group accounts.

### **Topsil Semiconductor Materials A/S**

Jens Borelli-Kjær  
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Keld Lindegaard Andersen  
CEO  
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## Profit and loss account for 2006

| DKK '000   | 2006          | 2005            |
|--|---------------|-----------------|
| Net Turnover   | 147,503       | 129,592         |
| Adjustments of finished goods and goods under production | (2,137)       | (7,444)         |
| Work carried out for own account                         | 1,392         | 3,394           |
| Other operating income                                   | 159           | 74              |
| Costs for raw materials and ancillary materials          | (60,213)      | (74,703)        |
| Other external costs                                     | (20,836)      | (17,072)        |
| Employment costs   | (27,121)      | (30,986)        |
| Depreciation and amortisation                            | (5,154)       | (9,318)         |
| Other operating costs                                    | (0)           | (617)           |
| <b>Operating profit/loss (EBIT)</b>                      | <b>33,593</b> | <b>(7,080)</b>  |
| Other financial receipts                                 | 1,223         | 1,084           |
| Financial costs  | (5,582)       | (2,117)         |
| <b>Profit before tax</b>                                 | <b>29,234</b> | <b>(8,113)</b>  |
| Tax on the profit for the year                           | (1,091)       | (5,856)         |
| <b>Profit/loss for the year</b>                          | <b>28,143</b> | <b>(13,969)</b> |
| Earnings per share (DKK)                                 | 0.10          | (0.05)          |
| Earnings per share, diluted (DKK)                        | 0.09          | (0.05)          |
| <b>Proposed distribution of the profit:</b>              |               |                 |
| Carried forward  | 28,143        | (13,969)        |
|  | <b>28,143</b> | <b>(13,969)</b> |

## PRELIMINARY ANNOUNCEMENT OF ANNUAL REPORT 2006

## Balance sheet as at 31 December 2006

### Assets

| DKK '000   | 2006           | 2005           |
|--|----------------|----------------|
| Completed development projects                   | 15,044         | 18,129         |
| Patents and licenses                             | 22             | 34             |
| Development projects in progress                 | 1,240          | 0              |
| <b>Intangible assets</b>                         | <b>16,306</b>  | <b>18,163</b>  |
| Plant and machinery                              | 18,995         | 19,177         |
| Other fixtures and fittings, tools and equipment | 1,950          | 483            |
| Tangible assets under construction               | 2,017          | 983            |
| <b>Tangible assets</b>                           | <b>22,962</b>  | <b>20,643</b>  |
| Participating interest in subsidiaries           | 1,526          | 1,526          |
| Other debtors*                                   | 62,562         | 2,000          |
| <b>Financial assets</b>                          | <b>64,088</b>  | <b>3,526</b>   |
| <b>Deferred tax</b>                              | <b>7,251</b>   | <b>8,185</b>   |
| <b>Long-term assets</b>                          | <b>110,607</b> | <b>50,517</b>  |
| <b>Stocks</b>                                    | <b>22,562</b>  | <b>24,699</b>  |
| Receivables from sales and services              | 14,859         | 8,768          |
| Receivables from subsidiaries                    | 0              | 14,070         |
| Other receivables                                | 6,010          | 5,496          |
| Receivables for joint taxation refund            | 0              | 375            |
| Accrued income and deferred expenses             | 945            | 453            |
| <b>Receivables</b>                               | <b>21,814</b>  | <b>29,162</b>  |
| <b>Cash</b>                                      | <b>24,844</b>  | <b>7,906</b>   |
| <b>Current assets</b>                            | <b>69,220</b>  | <b>61,767</b>  |
| <b>Assets</b>                                    | <b>179,827</b> | <b>112,284</b> |

\* Other debtors include the deposit made as collateral security for the raw material contract, USD 7.5m.

## Balance sheet as at 31 December 2006

### Liabilities

| DKK '000   | 2006           | 2005           |
|--|----------------|----------------|
| Share capital                                      | 98,288         | 65,525         |
| Reserve for market value of subsidiaries           | 1,026          | 1,026          |
| Reserve for market value of collateral instruments | 17             | 0              |
| Share-based payment reserve                        | 686            | 497            |
| Retained profit                                    | 11,062         | (16,795)       |
| <b>Equity capital</b>                              | <b>111,079</b> | <b>50,253</b>  |
| Amounts owed to credit institutions                | 6,786          | 8,294          |
| Financial lease commitments                        | 4,889          | 6,128          |
| Payments received on account from customers        | 15,822         | 0              |
| <b>Long-term liabilities</b>                       | <b>27,497</b>  | <b>14,422</b>  |
| Amounts owed to credit institutions                | 1,508          | 9,510          |
| Debt to banks                                      | 0              | 2,044          |
| Financial lease commitments                        | 1,239          | 1,079          |
| Trade creditors                                    | 19,522         | 21,900         |
| Amounts owed to subsidiaries                       | 1,526          | 0              |
| Payments received on account from customers        | 5,011          | 0              |
| Other payables                                     | 12,445         | 13,076         |
| <b>Short-term liabilities</b>                      | <b>41,251</b>  | <b>47,609</b>  |
| <b>Total liabilities</b>                           | <b>68,748</b>  | <b>62,031</b>  |
| <b>Liabilities</b>                                 | <b>179,827</b> | <b>112,284</b> |

## PRELIMINARY ANNOUNCEMENT OF ANNUAL REPORT 2006

## Explanation of the composition of the equity capital for 2006

| DKK '000   | Share capital | Reserve for revaluation | Reserve for market value of participating interest | Share-based payment reserve | Reserve for value adjustment of collateral instruments | Retained profit/loss | Capital and reserves |
|--|---------------|-------------------------|--|-----------------------------|--|----------------------|----------------------|
| Equity capital as at 01.01.2005  | 65,525        | 214                     | 61   | 0                           | 0  | (2,826)              | 62,974               |
| <b>Adjusted equity capital as at 01.01.2005</b>                              | <b>65,525</b> | <b>214</b>              | <b>61</b>  | <b>0</b>                    | <b>0</b>   | <b>(2,826)</b>       | <b>62,974</b>        |
| Market value adjustment of participating interest                            | 0             | 0                       | 965  | 0                           | 0  | 0                    | 965                  |
| Revaluation reserve  | 0             | (214)                   | 0  | 0                           | 0  | 0                    | (214)                |
| <b>Net income recognised directly in equity</b>                              | <b>0</b>      | <b>(214)</b>            | <b>965</b>   | <b>0</b>                    | <b>0</b>   | <b>0</b>             | <b>751</b>           |
| Profit/loss for the year   | 0             | 0                       | 0  | 0                           | 0  | (13,969)             | (13,969)             |
| <b>Total recognised income and expenses</b>                                  | <b>0</b>      | <b>(214)</b>            | <b>965</b>   | <b>0</b>                    | <b>0</b>   | <b>(13,969)</b>      | <b>(13,218)</b>      |
| Share-based payment, cf. note 8  | 0             | 0                       | 0  | 497                         | 0  | 0                    | 497                  |
| <b>Equity capital as at 31.12.2005</b>                                       | <b>65,525</b> | <b>0</b>                | <b>1,026</b>                                       | <b>497</b>                  | <b>0</b>   | <b>(16,795)</b>      | <b>50,253</b>        |
| Equity capital as at 01.01.2006  | 65,525        | 0                       | 1,026  | 497                         | 0  | (16,795)             | 50,253               |
| Effect of changed accounting policies  | 0             | 0                       | 0  | 0                           | 0  | 0                    | 0                    |
| <b>Adjusted equity capital as at 01.01.2006</b>                              | <b>65,525</b> | <b>0</b>                | <b>1,026</b>                                       | <b>497</b>                  | <b>0</b>   | <b>(16,795)</b>      | <b>50,253</b>        |
| Market value adjustment of financial instruments to secure future cash flows | 0             | 0                       | 0  | 0                           | 17   | 0                    | 17                   |
| <b>Net income recognised directly in equity</b>                              | <b>0</b>      | <b>0</b>                | <b>0</b>   | <b>0</b>                    | <b>17</b>  | <b>0</b>             | <b>17</b>            |
| Profit/loss for the year   | 0             | 0                       | 0  | 0                           | 0  | 28,143               | 28,143               |
| <b>Total recognised income and expenses</b>                                  | <b>0</b>      | <b>0</b>                | <b>0</b>   | <b>0</b>                    | <b>17</b>  | <b>28,143</b>        | <b>28,160</b>        |
| Share-based payment, cf. note 8  | 0             | 0                       | 0  | 189                         | 0  | 0                    | 189                  |
| Cash increase of capital   | 32,763        | 0                       | 0  | 0                           | 0  | 0                    | 32,763               |
| Premium on issue   | 0             | 0                       | 0  | 0                           | 0  | 1,638                | 1,638                |
| Issue expenses   | 0             | 0                       | 0  | 0                           | 0  | (2,075)              | (2,075)              |
| Tax on expenses relating to capital increase                                 | 0             | 0                       | 0  | 0                           | 0  | 151                  | 151                  |
| <b>Equity capital as at 31.12.2006</b>                                       | <b>98,288</b> | <b>0</b>                | <b>1,026</b>                                       | <b>686</b>                  | <b>17</b>  | <b>11,062</b>        | <b>111,079</b>       |

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## Cash flow statement for 2006

| DKK '000  | 2006            | 2005            |
|---|-----------------|-----------------|
| Operating profit/loss (EBIT)  | 33,593          | (7,080)         |
| Depreciation and amortisation   | 5,154           | 9,318           |
| Loss/profit on the sale of assets   | (76)            | 1,079           |
| Share-based payment recognised in the profit and loss account                                   | 189             | 497             |
| Adjustment for market value of collateral instruments recognised in the profit and loss account | 17              | 0               |
| Other adjustments   | 0               | 404             |
| Change in net working capital   | 12,638          | 13,404          |
| <b>Cash flows from primary operations</b>   | <b>51,515</b>   | <b>17,622</b>   |
| Financial income received   | 1,223           | 1,084           |
| Financial expenses paid   | (2,535)         | (2,117)         |
| Joint taxation refund received  | 369             | 0               |
| <b>Cash flows from operations</b>   | <b>50,572</b>   | <b>16,589</b>   |
| Acquisition etc. of intangible assets   | (1,240)         | (3,049)         |
| Acquisition etc. of tangible assets   | (4,534)         | (8,772)         |
| Sale of tangible assets   | 234             | 35              |
| Sale of financial assets  | 0               | 73              |
| <b>Cash flows from investments</b>  | <b>(5,540)</b>  | <b>(11,713)</b> |
| Other repayments to credit institutions   | (9,510)         | (8,763)         |
| Proceeds from issue of shares, net  | 32,326          | 0               |
| Repayment of lease commitment   | (1,079)         | (93)            |
| Paid-in deposit   | (47,250)        | 0               |
| Proceeds on raising of financial loans  | 0               | 7,300           |
| <b>Cash flows from financing</b>  | <b>(25,513)</b> | <b>(1,556)</b>  |
| <b>Cash flow for the year</b>   | <b>19,519</b>   | <b>3,320</b>    |
| Cash and cash equivalents at 01.01  | 5,862           | 2,542           |
| Value adjustment of liquid assets   | (537)           | 0               |
| <b>Cash and cash equivalents at 31.12</b>   | <b>24,844</b>   | <b>5,862</b>    |

## PRELIMINARY ANNOUNCEMENT OF ANNUAL REPORT 2006