



Copenhagen Stock Exchange
Nikolaj Plads 6
DK-1067 Copenhagen K

No. 04/04

ANNOUNCEMENT OF FINANCIAL RESULTS 2003

In a meeting today, the Board of Directors of Topsil Semiconductor Materials A/S has approved the annual accounts for 2003.

Highlights:

- The Company's revenue for 2003 reached DKK 118m, an increase of 5.2% compared to 2002.
- The net loss for the year was DKK 16.6m against a profit of DKK 5.3m in 2002.
- The results were negatively affected by the strong depreciation of the US dollar during the year, and by the extraordinary costs linked with the business improvement plan. The results were positively affected by DKK 3.1m in financial income from write-down of debt in connection with redemption of a debt of DKK 9.6m in January 2003.
- The Board of Directors and Management consider the result for the year unsatisfactory.
- The Company appointed a new Managing Director in October, extended the board of management by appointing a Sales and Marketing Director, and strengthened the financial department.
- In the third quarter the Company closed its first major contract on the PV market with SunPower Inc., including sales of equipment and technology. Approx. 10% of the turnover of 2003 can be allocated to part of this contract.
- In the fourth quarter the board of the Company approved a business improvement plan in order to make the Company more flexible and profitable in the future, and in that connection unused buildings, land and machinery have been identified for sale.
- Throughout the year the total amount of the balance sheet has decreased considerably, resulting in a more satisfactory balance between short-term liabilities and short-term receivables. The total liquidity situation of the year is more satisfactory, and will be further improved in 2004.
- The Board of Directors recommends the Annual General Meeting not to pay dividend for the financial year 2003, and to carry forward the loss to equity.
- The Company expects a small positive result in 2004.

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

5 years' key figures, DKK '000	2003	2002	2001	2000	1999
Revenue	117,651	111,883	132,102	116,787	64,114
Operating profit/loss	(15,479)	2,866	2,085	(34,313)	(25,258)
Net financials	(1,144)	2,472	(6,584)	(13,526)	(12,418)
Profit or loss from ordinary activities after tax	(16,625)	5,350	(4,499)	(33,839)	(37,676)
Net profit/loss for the year	(16,625)	5,350	(4,499)	(33,839)	(37,676)
Fixed assets	44,852	56,020	53,343	66,778	90,314
Inventories	*48,831	48,584	63,294	58,395	66,559
Trade receivables	18,172	13,086	8,939	29,283	10,542
Equity	62,953	77,164	24,845	28,221	18,318
Provisions	0	0	1,313	5,758	1,500
Long-term liabilities other than provisions	28,505	26,335	10,750	16,764	40,987
Short-term liabilities other than liabilities	40,758	58,663	110,609	114,859	110,136
Balance sheet total	132,216	162,162	147,517	165,602	170,941
Ratios					
Profit margin (%)	(13.2)	2.6	1.6	(29.4)	(39.4)
Current assets-to-current-liabilities ratio	214	181	85	86	73
Return on equity (%)	(23.7)	10.5	(17.0)	(145.4)	(114.4)
Equity ratio (%)	47.6	47.6	16.8	17.0	10.7
Earnings Per Share (EPS)	(0.06)	0.02	(0.08)	(0.59)	(109.48)
Equity value, per share	0.24	0.30	0.43	0.50	53.23
Quoted price, year end	0.62	**0.35	1.63	**3.24	92.54
Dividends per share	0	0	0	0	0
Price/equity value	2.58	1.17	3.79	6.48	1.74
Average number of staff	92	88	92	128	128

1999 comprise the consolidated figures for Topsil Inc. and Riotech Inc.

In 2000 the subsidiary Riotech Inc. was sold, which means that all key figures are for Topsil Semiconductor Materials A/S/the parent.

* Inventories comprise buildings and machinery identified for sale, corresponding to approx. DKK 12.5m.

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**At the Extraordinary General Meeting on 10 August 2002, the Company changed the denomination of its shares from DKK 100 nominal to DKK 1.00 nominal, and at the Annual General Meeting on 15 May 2002 the denomination was changed from DKK 1.00 nominal to DKK 0.25 nominal.

Accounting policies have been unchanged compared to last year. The Company is working at a transition to the IFRS accounting standards.

Financial review 2003

The Company produces and sells monocrystalline float zone silicon. Production takes place by transforming raw poly silicon into monocrystalline material through melting and re-crystallisation.

The Company's revenue for 2003 reached DKK 118m, an increase of 5.2% compared to 2002.

The operating loss for the year was DKK 15.5m against an operating profit of DKK 2.9m in 2002.

The net loss for the year was DKK 16.6m against a net profit of DKK 5.3m in 2002.

Compared to previous forecasts of overall results for the year, adjustments have been made because of the impact of the US dollar rate, and costs for the implementation of the business improvement plan have been a little higher than estimated at the initiation of the plan.

The Board of Directors and Management consider the net loss for the year unsatisfactory.

The results were negatively affected by the strong depreciation of the US dollar during the year, and by the extraordinary costs linked with the business improvement plan. The results were positively affected by DKK 3.1m in financial income from write-down of debt in connection with redemption of a debt of DKK 9.6m in January 2003.

The Company appointed a new Managing Director in October, extended the board of management by appointing a Sales and Marketing Director, and strengthened the financial department.

In the third quarter the Company entered into its first major contract on the PV market with SunPower Inc., including sales of equipment and technology. Approx. 10% of the turnover of 2003 can be allocated to part of this contract.

In the fourth quarter the board of the Company approved a business improvement plan in order to make the Company more flexible and profitable in the future, and in that connection unused buildings, land and machinery have been identified for sale.

The Board of Directors recommends the Annual General Meeting not to pay dividend for the financial year 2003, and to carry forward the loss to equity.

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Share Capital and cash flow

As a consequence of the executed business improvement plan equity decreased from DKK 77m to DKK 63m.

Throughout the year the total amount of the balance sheet has decreased considerably, resulting in a more satisfactory balance between short-term liabilities and short-term receivables. The total liquidity situation of the year is more satisfactory, and will be further improved in 2004.

Inventories

Inventories of DKK 49m comprise DKK 12.5m concerning buildings and machinery for sale, which have been included in inventories this year as a consequence of the business improvement plan.

Inventories, excl. buildings and machinery for sale, have been reduced from DKK 49m to DKK 36m during the accounting year due to an active management for the purpose of releasing tied-up cash, as a part of the business improvement plan.

Research and development activities

The Company continues to focus on optimising the production processes and developing new products to meet the demand of the high purity silicon market.

The Company has also continued to further develop high resistivity products, and has a unique position in the communication market.

In May the Company was granted PSO-funds (Public Service Obligation) of DKK 7.9m under Eltra's 2003 program. This 3-year project's objective is to reduce the production price of FZ-silicon for high efficiency solar cells.

The Company is a member of a consortium financially supported by the EU which carries out research and development of materials for solar cells. The Company's contribution to this project is to develop monocrystalline silicon for solar cells with an efficiency of at least 20%.

The Company has developed new sophisticated production equipment in order to manufacture cost efficient material. The Company has applied for a patent on the equipment.

Intellectual capital resources

The Company focuses on further development of its employees, and annual appraisal interviews are held with all the employees. These interviews show competences, cooperation relations and training needs in relation to the Company's objectives.

Furthermore, the incentive program introduced in 2001 for the management team was continued in 2003 up to the change in the board of management. The incentive program is under revision and is expected to be reintroduced in 2004. The Company holds a stock of 2,066,298 own warrants. This stock will be distributed to the management team in the first quarter of 2004 as part of their remuneration.

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Environmental performance

To further increase the focus, the Company started a project about environmental management in February 2003, and the objective is an ISO 14001 approval.

Outlook

The Company has been through an eventful year 2003 as a result of the difficult economic context, the change of management, the implementation of the business improvement program, and the contract with SunPower.

In 2004 the Company should reap the first fruits of the initiatives started last year.

Throughout 2004 management focus will be placed on further improving operational cash flow and the balance sheet. This will be realised thanks to the positive effects of the cost reduction measures and the sale of non-core assets. The Company is confident for achieving a positive pre-tax profit taken into account constant currencies. However, the full impact of the business improvement program will only be felt as from 2005.

The Company expects a small positive result for 2004.

In the beginning of 2004 the orders on the books totalled about DKK 49m against DKK 40m at the beginning of 2003.

Particular risks

Operating risks

A significant part of the Company's sales has been made to less than 25 customers of which only Sino-American Silicon Inc. takes more than 20% of the Company's total sales. The sales to the Company's 10 largest customers account for about DKK 95m.

Access to raw silicon is crucial to the Company's production. There are only eight producers of raw silicon worldwide for which reason stable supply requires a strong bargaining position. However, new capacity is anticipated to emerge in the market if security of supply cannot be guaranteed. Today, the Company uses different suppliers who are able to supply raw silicon of a quality that has been approved by the Company, and negotiations are in progress with other suppliers.

Today, the Company uses three or four different subsuppliers for cutting and re-processing of silicon ingots. The largest subsupplier is Sino-American Silicon Inc., who is one of the Company's principal shareholders. All contracts with Sino-American Silicon Inc. are concluded on an arm's length basis.

The Company is a small player among large competitors and the fourth largest supplier of float zone silicon. If the competitors target the Company very focused, this could be a risk in medium term.

The capital base may turn out to be insufficient if the political uncertainty prevailing worldwide results in a development of the markets which differs significantly from what the analysts predict at the moment.

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Financial exposure

Credit risks

Credit risks related to financial assets correspond to the values recognised in the balance sheet. Invoice-discounted claims are insured through a factoring company.

Currency exposure

The Company does not use derivative financial instrument to hedge currency exposure. Instead, a commercial hedge is used by balancing the Company's inflow and outflow of currency. USD account for about 50% of the currency flow, and the maximum currency exposure is estimated to account for +/- DKK 50,000 a month if the USD rate fluctuates by +/- DKK 0.50. A lower dollar rate will gain momentum on the gross margin of the Company. However, an exchange adjustment clause in the PV contract with SunPower is contributing to reducing the exposure from USD of the Company in 2004.

Interest rate exposure

The Company's total debt with floating interest rate accounts for about DKK 28.7m. A change in the interest rate level of 1 percentage point will affect the Company's results by +/- DKK 0.3m p.a.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

Convertible bonds and warrants

As of today there is an outstanding balance of 904,700 convertible bonds and 3,190,170 warrants in the Company, including 2,066,298 warrants held by the Company. The holders of bonds have a right to convert bonds into shares in a period of six weeks after the publishing of this annual report. Any bonds for which conversion into shares has not been requested shall fall due for cash redemption at par value on 1 July 2004.

The holders of warrant are entitled to subscribe for shares in the same period. Warrants for which subscription has not been exercised shall lapse on 30 June 2004.

List of stock market releases in 2003 & 2004

Topsil Semiconductor Materials A/S has issued the following notifications to the Copenhagen Stock Exchange:

2003:

- 14.01 Redemption of debt
- 25.03 Announcement of annual report 2002
- 08.05 Quarterly list of shareholdings
- 09.05 Notice convening the Annual General Meeting
- 12.05 PSO funds
- 22.05 Quarterly report, Q1 2003
- 22.05 Summary of Annual General Meeting 2003

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- 07.07 Quarterly list of shareholdings
- 23.07 Negotiations with solar cell manufacturers continue
- 04.08 The Managing Director has given notice of resignation
- 20.08 Interim report 2003
- 26.08 New Managing Director
- 04.09 Statement of shareholdings held by insiders at 2 September 2003
- 09.09 Statement of shareholdings held by insiders at 9 September 2003
- 22.09 Statement of shareholdings held by insiders at 17 September 2003
- 06.10 Quarterly list of shareholdings
- 08.10 Topsil receives an important contract for photovoltaics
- 29.10 Appointment to the management board
- 13.11 Quarterly report, Q3 2003
- 25.11 Staff reduction
- 17.12 Sales of own shares

2004:

- 05.01 Statement of shareholdings held by insiders at 22 December 2003
- 05.01 Quarterly list of shareholdings
- 12.01 Financial calendar 2004

Financial calendar 2004

- 15.04 Annual General Meeting
- 04.05 Quarterly report, Q1 2004
- 25.08 Interim report – six months
- 04.11 Quarterly report, Q3 2004

Pursuant to the Company's internal rules and Executive Order No 774 (section 6(4)) of the Danish Financial Supervisory Authority, quarterly statements of shareholdings held by insiders will be filed no later than three trading days after expiry of the allowed six-week trading period following the publication of interim reports and notifications of annual reports.

Please direct any questions about notifications to the Copenhagen Stock Exchange to:
Doris Hsu, Chairman – phone +45 47 36 56 31
Peder Mohr Jensen, CEO - phone +45 47 36 56 10

Annual general meeting

The Annual General Meeting will be held at 3 p.m. on Thursday, 15 April at the Company's premises. The annual report will be available on 29 March 2004 in PDF under investor relations at the website of the Company www.topsil.com.

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Ownership

The Company's share capital amounts to DKK 64,837,220 distributed on 259,348,880 shares in denominations of DKK 0.25 nominal.

Shareholders	Number of shares	Capital DKK	Capital %	Votes %
At 31 December 2003				
Sino-American Silicon Products Inc.	91,712,450	22,928,112.50	35.36	35.36
Sustainable Energy Ventures	57,551,250	14,387,812.50	22.19	22.19
EHP-Toftlund A/S	19,673,017	4,918,254.25	7.59	7.59
Other registered shareholders	60,470,955	15,117,738.75	23.32	23.32
Non-registered shareholders	29,941,208	7,485,302.00	11.54	11.54
Total	259,348,880	64,837,220.00	100.00	100.00

Frederikssund, 12 February 2004

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Please note that this translation is provided for convenience only. The Danish version shall prevail in case of discrepancies.

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Income statement for 2003

DKK '000	2003	2002
Revenue	117,651	111,883
Change in inventory	(16,361)	(12,695)
Work performed for own account	3,533	2,888
Other operating income	3	206
Costs of raw materials and consumables	(61,368)	(52,354)
Other external expenses	(14,462)	(11,647)
Staff costs	(32,875)	(27,323)
Depreciation and impairment losses on fixed assets	(11,600)	(8,092)
Operating profit/loss	(15,479)	2,866
Income from investments in group enterprises and associates	8	15
Financial income	3,423	8,420
Financial expenses, group enterprises	(11)	(17)
Other financial expenses	(4,564)	(5,946)
Profit/loss from ordinary activities	(16,623)	5,338
Tax on profit or loss from ordinary activities	(2)	12
Profit or loss from ordinary activities after tax	(16,625)	5,350
Net profit/loss for the year	(16,625)	5,350
Proposed distribution of profit/loss		
The Board of Directors proposed the result for the year distributed as follows		
Transferred to revaluation reserve	0	11
Retained earnings	(16,625)	5,339
	(16,625)	5,350

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Assets

Balance sheet at 31 December 2003

Note	DKK '000	2003	2002
10	Completed development projects	10,351	15,097
10	Development projects in progress	15,034	6,576
	Patents	56	0
	Intangible assets	25,441	21,673
11	Land and buildings	4,046	14,608
11	Plant and machinery	3,891	5,876
11	Other fixtures and fittings, tools and equipment	813	805
11	Property, plant and equipment in progress	10,127	12,511
	Property, plant and equipment	18,877	33,800
12	Investments in group enterprises	531	524
12	Other investments	3	23
	Fixed asset investments	534	547
	Fixed assets	44,852	56,020
	Raw materials and consumables	7,871	3,795
	Work in progress	8,406	8,198
	Manufactured goods and goods for resale	20,022	36,591
13	Buildings and equipment for sale	12,532	0
	Inventories	48,831	48,584
14	Trade receivables	18,172	13,086
	Other receivables	3,061	5,130
	Prepayments	390	189
9	Deferred tax assets	13,422	14,422
	Receivables	35,045	32,827
	Cash	3,488	24,731
	Current assets	87,364	106,142
	Assets	132,216	162,162

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Liabilities

Balance sheet at 31 December 2003

DKK '000	<u>2003</u>	<u>2002</u>
Share capital	64,837	64,828
Revaluation reserve	9,500	7,500
Reserve for net revaluation according to the equity method	31	24
Retained earnings	<u>(11,415)</u>	<u>4,812</u>
Equity	<u>62,953</u>	<u>77,164</u>
Mortgage debt	4,545	6,229
Other credit institutions	23,960	19,201
Convertible and profit-sharing debt instruments	<u>0</u>	<u>905</u>
Long-term liabilities other than provisions	<u>28,505</u>	<u>26,335</u>
Mortgage debt	1,652	1,533
Other credit institutions	6,923	12,187
Trade creditors	18,250	20,115
Payables to group enterprises	533	526
Convertible and profit yielding bonds	905	0
Other payables	12,495	22,239
Lease commitments	<u>0</u>	<u>2,063</u>
Short-term liabilities other than provisions	<u>40,758</u>	<u>58,663</u>
Liabilities other than provision	<u>69,263</u>	<u>84,998</u>
Equity and liabilities	<u>132,216</u>	<u>162,162</u>
Contingent liabilities		
Other notes		

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Cash flow statement for 2003

DKK '000	2003	2002
Operating profit/loss	(16,623)	5,350
Adjustments	18,976	(2,163)
Working capital changes	(1,535)	7,367
	818	10,554
Interest income etc. received	3,431	8,420
Interest expenses etc. paid	(4,575)	(5,963)
Cash flows from operating activities	(326)	13,011
Acquisition of property, plant and equipment and intangible assets	(17,181)	(10,842)
Sale of property, plant and equipment	0	155
Fixed asset investments (subsidiary)	0	0
Cash flows from investing activities	(17,181)	(10,687)
Borrowings/installments	6,282	(11,598)
Capital increase less expenses	0	46,460
Installments on lease commitment	(2,063)	(2,297)
Purchase of treasury shares	0	(200)
Sale of treasury shares	398	0
Cash flows from financing activities	4,617	32,365
Cash flows for the year	(12,890)	34,689
Net cash at 1 January 2003	13,817	(20,872)
Value adjustments of cash equivalents at the beginning of the year	0	0
Net cash at 31 December 2003	927	13,817

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Statement of changes in equity for 2003

DKK '000	Share capital	Revaluation reserve	Reserve for net revaluation of investments	Retained earnings	Total
Equity at 1 January 2003	64,828	7,500	24	4,812	77,164
Bond conversion	9	0	0	0	9
Sales of treasury shares	0	0	0	398	398
Revaluation reserve	0	3,000	0	0	3,000
Deferred tax on revaluation	0	(1,000)	0	0	(1,000)
Net profit/loss for the year	0	0	7	(16,625)	(16,618)
Equity at 31 December 2003	64,837	9,500	31	(11,415)	62,953

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