

## STOCK EXCHANGE ANNOUNCEMENT No. 08/08

### Quarterly report, 1st quarter 2008

#### Comments on the results for the first three months of 2008

- The company's net turnover increased in 2008 to DKK 66m from DKK 40.9m in 2007.
- The operating profit was DKK 17m against DKK 12.6m in 2007.
- In the first three months of 2008 the company made a profit before tax of DKK 13.6m and DKK 9.9m after tax against a profit before tax of DKK 12.3m and DKK 8.9m after tax in the same period of 2007.
- The results for the quarter is deemed satisfactory by the company.
- The improvement in turnover is primarily due to increased volumes and higher sales prices per unit. The growth is mainly due to increased sales to present customers.
- The most important currency of the company is USD, and the company has recognised an unrealised exchange rate loss of DKK 2.7m concerning the deposit made as collateral security for the raw material contract, running until the end of 2012.

#### Expected future development

- The company maintains its expectations for a turnover in 2008 of DKK 220-240m and a profit before tax of DKK 50-60m. These expectations are on the assumption that the US dollar rate will not decrease further compared to Danish kroner, made up at 31 March 2008.
- The company is still receiving many enquiries from potential and present customers. The potential order intake is exceeding the volume of raw materials, that the company estimates to be available in 2008.
- The company is expecting a continued higher level of activities in 2008 compared to last year.
- The growth in the float zone market is primarily driven by new energy technologies.
- The company is currently working at strengthening the company's position and competitiveness and increase growth.

## QUARTERLY REPORT – 1 QUARTER 2008

## Management Report

The (unaudited) main figures are given below

DKK '000	2008	2007	2007
	Jan.-March	Jan.- March	Jan.- Dec.
Net turnover	65,992	40,931	193,231
Operating profit/loss (EBIT)	17,007	12,640	52,093
Result of financial items	(3,448)	(328)	(4,016)
Net profit/loss for the period after tax	9,898	8,866	34,867
Capital employed	66,975	36,130	73,702
Net working capital	52,054	14,893	32,489
Equity capital	160,629	122,714	149,327
Balance sheet total	211,973	200,066	216,847
Expenditure on fixed assets	1,698	4,150	7,372
Net interest-bearing debt	(80,406)	(75,039)	(89,976)
Cash earnings	11,480	12,087	56,941
Average number of full-time employees	81	66	73
Basic number of shares ('000)	403,392	398,823	398,823
Deluted number of shares ('000)	409,254	408,823	409,972
<b>Ratios</b>			
Profit margin (%)	25.8	30.9	27.0
Return on capital employed	25.4	35.0	99.8
Return on equity (%)	7.0	10.5	26.7
Gearing	(50.1)	(61.1)	(60.3)
Net turnover/capital employed	0.7	1.0	2.6

## Comments on the results for the first quarter of 2008

### Development of activities and financial matters

The company's net turnover was DKK 66m in the first three months of 2008 against DKK 40.9m in the same period 2007. The growth is primarily due to increased volume, but higher sales prices per unit are also contributing positively to the increase. The growth is mainly due to increased sales to present customers, of which several are relatively large purchasers of float zone material.

As expected, the contribution margin is lower than the 1 quarter of 2007, mainly due to increasing raw material prices.

The operating profit was DKK 17m against DKK 12.6m in 2007.

In the first quarter of 2008 the company made a profit before tax of DKK 13.6m and DKK 9.9m after tax against a profit before tax of DKK 12.3m and DKK 8.9m after tax in the same period of 2007.

The results for the quarter is deemed satisfactory by the company.

In the first quarter the company has continued focusing on optimisation of operations by means of Lean Six Sigma tools. These efforts will continue in the remaining part of the year in order to raise the utilization rate of the polysilicon. In the first quarter an improved technique has been introduced to one of the

## QUARTERLY REPORT – 1 QUARTER 2008

polysilicon processing methods in order to increase stability and securing a more uniform processing of the polysilicon received.

The balance sheet total amounted to DKK 212m, which is an increase of DKK 11.9m compared to the same period in 2007. The primary causes for the increase are higher receivables from customers, payment of tax on account, and an improved cash position. Part of the increase in the net working capital is due to the above-mentioned higher receivables from customers, and some is due to larger inventories, which at the same time are recognised at a higher price, since cost prices have increased. Another reason is a reduction of accounts payable compared to the first three months last year.

The equity capital at 31 March 2008 totaled DKK 160.6m, which is an increase of DKK 37.9m compared to the same period last year. The equity capital constituted 75.8% of the balance sheet total against 61.3% last year.

## **Material financial risks**

### **Currency risks**

A large part of the company's sales and purchases are in EUR and USD. The company does not use derivatives to hedge currency risks. Instead, commercial hedging is used by balancing the currency inflow and outflow. The company's most important currency flow is in USD, which makes up about 50% 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 would mean a currency risk to the company of about +/- DKK 4.7m as of the balance sheet date. The movements will affect the company's result before tax by a corresponding amount.

In the period 1 January to 31 March 2008 the company recognised an unrealised exchange rate loss of DKK 2.7m in the profit and loss account concerning the deposit made as collateral security for the raw material contract, running until the end of 2012.

### **Cash flow**

In the period the company had a negative cash flow of DKK 5.1m, primarily due to payment of tax on account of DKK 11m.

## **Expected future development**

The company maintains its expectations for a turnover in 2008 of DKK 220-240m and a profit before tax of DKK 50-60m. These expectations are on the assumption that the US dollar rate will not decrease further compared to Danish kroner, made up at 31 March 2008.

The company is still receiving many enquiries from potential and present customers, implying that the potential order intake is exceeding the volume of raw materials, that the company estimates to be available in 2008. Consequently, the company is expecting a continued higher level of activities in 2008 compared to last year.

There is still a big demand in the silicon market for Topsil's float zone products, that are used in existing and new energy technologies. Silicon material for high efficiency energy solutions is Topsil's core business. The growth is still driven by the new energy technologies and the traditional energy sector, where float zone silicon is a base component in many electrical control systems.

The company is currently working at strengthening the company's position and competitiveness and increase growth.

## **Accounting policies**

The quarterly report has been presented in accordance with the provisions of recognition and measurement of the International Financial Reporting Standards as adopted by the European Union as well as Danish disclosure requirements for reporting of listed companies, cf. IFRS 34 "Presentation of quarterly

## **QUARTERLY REPORT – 1 QUARTER 2008**

reports", issued in compliance with the Annual Accounts Act and the guidelines of the OMX Nordic Exchange Copenhagen.

There has been no audit or review of the quarterly report. The accounting policies are unchanged compared to the annual report for 2007, and reference is made to the annual report for more specific information on the applied accounting policies. The full description of the accounting policies is included in the annual report for 2007.

## Accounting estimates

On preparing quarterly reports it is required that the management is making accounting estimates, that are influencing the accounting policies and assets, liabilities, earnings and costs in that context. The actual results may deviate from these estimates.

On the preparation of aggregated quarterly reports, the material estimates made by the management, and the material estimated uncertainty combined, are identical to the estimates made for the annual report of 31 December 2007.

## Statement by the management

Today the board of directors and the management have reviewed and approved the quarterly report for the period 1 January – 31 March 2008 for Topsil Semiconductor Materials A/S.

The unaudited quarterly report has been presented in accordance with the provisions of recognition and measurement of the International Financial Reporting Standards as adopted by the European Union as well as Danish disclosure requirements for reporting of listed companies.

We consider the accounting policies applied expedient for the interim report to provide a true and fair view of the company's assets, liabilities and financial position as at 31 March 2008 and of the results of its activities and cash flows for the period 1 January – 31 March 2008.

We consider the management report to provide a true and fair view of the development of the company's activities and financial standing, the results of the period, and the company's financial position as a whole, and a true and fair description of material risks and uncertainties, that the company are facing.

Frederikssund, 7 May 2008  
Management:

Keld Lindegaard Andersen  
CEO

Jørgen Bødker  
VP Sales and Marketing

Board of Directors:

Jens Borelli-Kjær  
Chairman

Eivind Dam Jensen  
Vice-Chairman

Jørgen Frost  
Member of the Board

Ole C. Andersen  
Member of the Board

Trine Schønnemann  
Staff Representative

Ole Sinkjær Andersen  
Staff Representative

## QUARTERLY REPORT – 1 QUARTER 2008

## Income statement at 1 January – 31 March

'000	1. quarter 2008	1. quarter 2007	2007 Jan.-Dec.
Net turnover	65,992	40,931	193,231
Direct costs	(30,080)	(12,639)	(70,122)
Other external expenses and staff costs	(17,470)	(14,319)	(65,189)
Depreciation and amortisation	(1,435)	(1,333)	(5,827)
<b>Operating profit/loss (EBIT)</b>	<b>17,007</b>	<b>12,640</b>	<b>52,093</b>
Financial items, net	(3,448)	(328)	(4,016)
<b>Profit/loss before tax</b>	<b>13,559</b>	<b>12,312</b>	<b>48,077</b>
Tax on the profit for the period	(3,661)	(3,446)	(13,210)
<b>Net profit/loss for the period</b>	<b>9,898</b>	<b>8,866</b>	<b>34,867</b>

## QUARTERLY REPORT – 1 QUARTER 2008

## Balance sheet as at 31 March

### Assets

'000	2008	2007	31.12.2007
Completed development projects	11,576	14,291	12,168
Patents	8	20	11
Development projects in progress	1,855	3,597	1,504
<b>Intangible assets</b>	<b>13,439</b>	<b>17,908</b>	<b>13,683</b>
Plant and machinery	21,649	19,544	22,023
Other fixtures and fittings, tools and equipment	3,126	773	2,597
Tangible assets under construction	3,263	3,859	2,910
<b>Tangible assets</b>	<b>28,038</b>	<b>24,176</b>	<b>27,530</b>
Participating assets in subsidiaries	0	1,526	0
Other debtors*	47,737	61,873	52,206
<b>Financial assets</b>	<b>47,737</b>	<b>63,399</b>	<b>52,206</b>
<b>Deferred tax</b>	<b>0</b>	<b>3,806</b>	<b>0</b>
<b>Non-current assets</b>	<b>89,214</b>	<b>109,289</b>	<b>93,419</b>
<b>Inventories</b>	<b>40,573</b>	<b>30,098</b>	<b>47,001</b>
Receivables	44,323	31,972	37,563
Prepaid tax	3,641	0	0
Prepayments	1,553	1,799	1,094
<b>Receivables</b>	<b>49,517</b>	<b>33,771</b>	<b>38,657</b>
<b>Cash</b>	<b>32,669</b>	<b>26,908</b>	<b>37,770</b>
<b>Current assets</b>	<b>122,759</b>	<b>90,777</b>	<b>123,428</b>
<b>Assets</b>	<b>211,973</b>	<b>200,066</b>	<b>216,847</b>

\* Other non-current assets include the deposit made as collateral security for the raw material contract, USD 7.5m.

## Balance sheet as at 31 March

### Liabilities

'000	2008	2007	31.12.2007
Share capital	100,848	99,706	99,706
Retained profit/loss	58,523	20,083	48,510
Share-based payment reserve	1,258	1,894	1,111
Reserve for market value adjustment	0	1,031	0
<b>Equity capital</b>	<b>160,629</b>	<b>122,714</b>	<b>149,327</b>
Amounts owed to credit institutions	0	6,409	0
Financial lease commitments	0	4,675	0
Payments received on accounts from customers	11,047	14,634	12,090
Deferred tax liabilities	2,261	0	2,261
<b>Long-term liabilities</b>	<b>13,308</b>	<b>25,718</b>	<b>14,351</b>
Amounts owed to credit institutions	0	1,508	0
Financial lease commitments	0	1,150	0
Trade creditors	15,700	28,455	29,572
Amounts owed to subsidiaries	0	1,526	0
Corporation tax payable	0	0	3,698
Provisions	232	0	232
Other payments	22,104	18,995	19,667
<b>Short-term liabilities</b>	<b>38,036</b>	<b>51,634</b>	<b>53,169</b>
<b>Total liabilities</b>	<b>51,344</b>	<b>77,352</b>	<b>67,520</b>
<b>Liabilities</b>	<b>211,973</b>	<b>200,066</b>	<b>216,847</b>
<b>Explanation of the composition of equity:</b>			
Equity capital 1/1	149,327	111,079	111,079
Profit of the period	9,898	8,866	34,867
Share-based payments	147	1,208	783
Reserve for market value adjustment of collateral instruments	0	(12)	(17)
Capital increases	1,257	1,573	2,615
Equity capital 31/3	<b>160,629</b>	<b>122,714</b>	<b>149,327</b>

The share capital consists of 403,391,670 shares of nom. DKK 0.25. The shares are not split into classes.

## Cash-flow statement for the first quarter

'000	2008	2007
Operating profit/loss (EBIT)	17,007	12,640
Adjustments	(2,615)	3,912
Working capital changes	(8,800)	(10,209)
<b>Cash flows from primary operations</b>	<b>5,592</b>	<b>6,343</b>
Tax on account	(11,000)	0
Financial income received	810	815
Financial expenses paid	(62)	(264)
<b>Cash flows from operations</b>	<b>(4,660)</b>	<b>6,894</b>
Acquisition of tangible and intangible assets	(1,698)	(4,150)
<b>Cash flows from investments</b>	<b>(1,698)</b>	<b>(4,150)</b>
Capital increase	1,257	0
Repayment of debts	(0)	(680)
<b>Cash flows from financing</b>	<b>1,257</b>	<b>(680)</b>
<b>Change in cash and cash equivalents</b>	<b>(5,101)</b>	<b>2,064</b>
Cash and cash equivalents at 1/1	37,770	24,844
<b>Cash and cash equivalents at 31/3</b>	<b>32,669</b>	<b>26,908</b>

## QUARTERLY REPORT – 1 QUARTER 2008



## **Announcements to OMX Nordic Exchange Copenhagen 1 January 2008 to date:**

<b>Date</b>	<b>Announcement</b>
28.02	Preliminary announcement of annual report 2007
29.02	Capital increase due to exercise of warrants
29.02	Exercise of warrants
19.03	Notice convening annual general meeting
02.04	Summary of annual general meeting
03.04	Notice convening extraordinary general meeting
14.04	Summary of extraordinary general meeting

### **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 21 70 87 72

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

## **QUARTERLY REPORT – 1 QUARTER 2008**

Page 9 of 9