

Københavns Fondsbørs  
Nikolaj Plads 6  
1067 København K

10.05.2006

No. 10/06

## STOCK EXCHANGE ANNOUNCEMENT

### Quarterly report - 1<sup>st</sup> quarter 2006

The main figures are given below:

DKK '000	2006	2005
	<u>Jan. - March</u>	<u>Jan. - March</u>
Net turnover	38,705	25,884
Operating profit/loss	6,469	(1,979)
Profit or loss from ordinary activities	5,894	(2,469)
Net profit/loss for the period before tax	5,894	(2,469)
Net profit/loss for the period after tax	4,239	(3,669)
Equity end of period	54,492	57,190
Total assets	99,790	111,272
Number of staff end of period	65	87

### Ratios

DKK '000	2006	2005
	<u>Jan. - March</u>	<u>Jan. - March</u>
Dividends per share	0	0
Equity value per share	0.21	0.21
Quoted price at end of period	0.29	0.39
Price/equity value	1.38	1.86
Return on equity after tax (%)	7.78%	(6.54%)
Equity ratio (%)	54.6%	50.0%

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## **Comments on the results for the 1<sup>st</sup> quarter of 2006**

The net turnover for the 1<sup>st</sup> quarter of 2006 was DKK 38.7m against DKK 25.8m in the same period last year, corresponding to an increase of 50%. This increase can be attributed to a high market demand, which has resulted in better sales prices, and partly to the earlier mentioned strategy to optimise the product and customer mix.

Throughout the quarter the order intake has been at the expected level. At the end of the 1<sup>st</sup> quarter the order book was DKK 47.5m against DKK 50.0m at the end of 2005. The company has seen a positive trend in the number of inquiries received from customers, also from potential new customers. The order intake has been limited by insufficient access to the raw materials required in the market.

The year-to-date operating profit was DKK 6.5m against a loss of DKK 2.0m in the same period in 2005. The year-to-date profit before tax was DKK 5.9m against a loss of DKK 2.5m in the same period in 2005. The positive trend in the earnings of the company is primarily due to the market conditions and the effect of the initiated business improvement plan, including the reduction in the number of employees.

The positive earnings in the period have resulted in a reduction of the company's tax asset by DKK 1.7m.

The result was a profit after tax of DKK 4.2m.

The company had a negative cash flow of DKK 5.8m in the period, primarily due to an extraordinary instalment of debt of DKK 8.0m and investment in tangible assets. However, at the end of the period cash and cash equivalents were considerably higher compared to the same period last year.

## **Expectations**

As notified in previous stock exchange announcements the company has not yet concluded a long-term contract on supplies of raw materials for 2007 and beyond. The company is still working intensively to secure the necessary access to raw materials through negotiations with various suppliers of raw materials. The company emphasizes that there is still a risk that the company will not succeed concluding such a contract, so the long-term situation must still be characterised as highly critical.

Based on the positive results in the first quarter, a high demand in the market, and a decision to supply higher volumes to the most important strategic customers, than assumed in stock exchange announcement No. 03/06 of 14 March 2006, the company adjusts expectations upwards for 2006 as a whole from a break-even result

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before tax to a profit of DKK 6-8m before tax. The expectations to the result are subject to the annual report for 2006 being prepared in accordance with the going-concern principle, cf. earlier mentioned comment on the raw materials situation.

The decision to supply higher volumes to the most important strategic customers has reduced the period, which the present inventories of raw materials can last, by 3-5 months. In case the company does not succeed in concluding a long-term contract on supplies of raw materials it will be difficult for the company to fulfil orders from customers as from the beginning of 2007 based on the present production.

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### Statement by the management

Today the board of directors and the management have reviewed and approved the quarterly report for the period 1<sup>st</sup> January – 31<sup>st</sup> March 2006 for Topsil Semiconductor Materials A/S.

The quarterly report is unaudited and has been presented in accordance with the provisions of recognition and measurement of the International Financial Reporting Standards (IFRS), cf. the section on accounting policies, Danish Statutory Orders, and the financial reporting requirements for companies listed on the Copenhagen Stock Exchange.

We consider the applied accounting policies appropriate for the quarterly report to provide a true and fair view of the Group's and Company's assets, equity and liabilities, financial position as at 31<sup>st</sup> March 2006 and the results and cash flow in the period 1<sup>st</sup> January – 31<sup>st</sup> March 2006.

Management:

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Jørgen Frost

Per Jørgensen

Trine Schønnemann  
Staff Representative

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Staff Representative

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### **Releases to the Copenhagen Stock Exchange 1 January 2006 to date**

12.01	Financial calendar 2006
06.03	Raw materials and adjustment of 2005 expectations
14.03	Preliminary announcement of annual accounts 2005
10.04	Reporting of insider transactions
12.04	Warrant and bonus scheme for the CEO
12.04	Annual report 2005
12.04	Notice convening annual general meeting
12.04	Reporting of insider transactions
25.04	Change of management
25.04	Summary of the general meeting

### **Financial calendar 2006**

29.08	Interim report – six months
07.11	Quarterly report, Q3 2006

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 1 January – 31 March 2006

<b>DKK '000</b>	<b>2006 1/1-31/3</b>	<b>Group 2005 1/1 – 31/3</b>	<b>2005 1/1 – 31/12</b>
Net turnover	38,705	25,884	129,592
Direct costs	(24,907)	(19,109)	(79,369)
Other external expenses and staff costs	(6,120)	(7,635)	(44,307)
Depreciation and amortisation	(1,209)	(1,119)	(9,318)
<b>Operating profit/loss</b>	<b>6,469</b>	<b>(1,979)</b>	<b>(3,402)</b>
Financial items, net	(575)	(490)	(1,471)
<b>Loss from ordinary activities</b>	<b>5,894</b>	<b>(2,469)</b>	<b>(4,873)</b>
Tax loss from ordinary activities	(1,655)	(1,200)	(6,231)
<b>Net profit/loss for the period</b>	<b>4,239</b>	<b>(3,669)</b>	<b>(11,104)</b>

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## Balance sheet at 31 March 2006

DKK '000	2006 1/1 – 31/3	Group 2005 1/1 – 31/3	2005 1/1 – 31/12
<b>ASSETS</b>			
<b>Non-current assets</b>			
Completed development projects	17,362	18,255	18,129
Development projects in progress	0	5,347	0
Patents & licenses	31	42	34
<b>Intangible assets</b>	<b>17,393</b>	<b>23,644</b>	<b>18,163</b>
Plant and machinery	19,465	12,782	19,177
Other fixtures and fittings, tools and equipment	698	474	483
Property, plant and equipment in progress	1,370	0	983
<b>Property, plant and equipment</b>	<b>21,533</b>	<b>13,256</b>	<b>20,643</b>
Deposit	0	0	2,000
Deferred tax	6,530	13,222	8,185
<b>Financial assets</b>	<b>6,530</b>	<b>13,222</b>	<b>10,185</b>
<b>Non-current assets</b>	<b>45,456</b>	<b>50,122</b>	<b>48,991</b>
Inventories	19,317	28,867	24,699
Receivables	18,087	14,535	14,264
Prepayments	808	948	453
Cash	16,122	3,700	23,988
<b>Current assets</b>	<b>54,334</b>	<b>48,050</b>	<b>63,404</b>
Assets identified for sale	0	13,100	0
<b>Current assets</b>	<b>54,334</b>	<b>61,150</b>	<b>63,404</b>
<b>ASSETS</b>	<b>99,790</b>	<b>111,272</b>	<b>112,395</b>

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## Balance sheet at 31 March 2006

DKK '000	2006 1/1 – 31/3	Group 2005 1/1 – 31/3	2005 1/1 – 31/12
<b>LIABILITIES AND EQUITY</b>			
<b>Equity</b>			
<b>Equity</b>	<b>54,492</b>	<b>57,190</b>	<b>50,253</b>
<b>Liabilities</b>			
Other credit institutions	0	2,349	8,294
Financial lease commitments	7,917	18,233	6,128
<b>Long-term liabilities</b>	<b>7,917</b>	<b>20,582</b>	<b>14,422</b>
Other credit institutions	0	1,769	9,510
Bank debt	1,508	3,470	2,044
Trade creditors	17,340	16,553	21,900
Other payables	18,533	11,708	14,266
<b>Short-term liabilities</b>	<b>37,381</b>	<b>33,500</b>	<b>47,720</b>
<b>Total liabilities</b>	<b>45,298</b>	<b>54,082</b>	<b>62,142</b>
<b>EQUITY AND LIABILITIES</b>	<b>99,790</b>	<b>111,272</b>	<b>112,395</b>

### Explanation of the composition of the equity capital:

DKK '000	
Equity capital as at 1/1 2006	50,253
Profit first three months	4,239
Equity as at 31/3 2005	<b>54,492</b>



## Cash flow statement for 1 January – 31 March 2006

<b>DKK '000</b>	<b>2006 1 quarter</b>
Operating profit/loss	6,469
Adjustments	2,093
Working capital changes	<u>(3,907)</u>
<b>Operating cash flows</b>	<b><u>4,655</u></b>
Interest income, etc. received	123
Interest expenses, etc. paid	<u>(698)</u>
<b>Cash flows from operating activities</b>	<b><u>4,080</u></b>
Acquisition of plant and equipment and intangible assets	<u>(1,329)</u>
<b>Cash flows from investing activities</b>	<b><u>(1,329)</u></b>
Instalments on liabilities other than provisions	<u>(8,573)</u>
<b>Cash flows from financing activities</b>	<b><u>(8,573)</u></b>
<b>Cash flows for the period</b>	<b><u>(5,822)</u></b>
Cash and cash equivalents at 1 January 2006	<u>21,944</u>
Cash and cash equivalents at 31 March 2006	<b><u>16,122</u></b>

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