

STOCK EXCHANGE ANNOUNCEMENT No. 21/10

The Board of Directors of Topsil Semiconductor Materials A/S has today considered and adopted the interim report for the three months ended 31 March 2010. The highlights of the interim report, which is unaudited, are shown below.

Interim report for the three months ended 31 March 2010

Summary

- Consolidated revenue increased by 4% from DKK 98.6 million in Q1 2009 to DKK 102.8 million in Q1 2010. This growth was the result of two opposing factors: new long-term FZ customer contracts which offer customers more attractive prices and terms of delivery in 2010 resulting in lower revenues from these customers in Q1 while there was increasing revenue from the CZ activities.
- The favourable market trends characterising the principal markets of the Topsil Group in 2009 have persisted in 2010. The full effect of new customer agreements is expected to be seen during the year, and the order book is at the expected level. As expected, the CZ market has recovered and is now on an upward curve.
- EBITDA was DKK 20.2 million for Q1 2010 relative to DKK 27.8 million for the same period of 2009. The decline was due to a lower earnings contribution from the new FZ customer contracts. EBITDA was in line with expectations.
- The group reported a profit before tax of DKK 18.8 million and a profit after tax of DKK 13.5 million for Q1 2010, compared with a profit before tax of DKK 22.3 million and a profit after tax of DKK 14.1 million for Q1 2009.
- The group generated a positive cash flow of DKK 30.7 million for the first three months of 2010, mainly due to positive cash flows from operations and a reduction of receivables.
- After the end of the period, Topsil has completed an offering of shares with preemptive rights to existing shareholders. The issue was fully subscribed and produced net proceeds of approximately DKK 87.0 million which, together with the expected cash flows from operations, will be used to implement the resolved growth strategy and expand production capacity.

Outlook

- The group maintains its expectations for FY 2010 of revenue in the range of DKK 440-460 million and EBITDA in the range of DKK 100-110 million. As in 2009, a larger proportion of group revenue and earnings is expected to be generated in H2 2010.

Further information

Please direct any questions regarding this announcement to:
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Keld Lindegaard Andersen, CEO, tel. +45 21 70 87 72

INTERIM REPORT – Q1 2010

Management report

Financial highlights and key ratios for the group (unaudited)

DKK'000	2010	2009	2009
	Jan. – Mar.	Jan. – Mar.	Jan. – Dec.
Revenue	102,762	98,597	423,483
Earnings before interest, tax, depreciation and amortisation (EBITDA)	20,151	27,809	99,813
Operating profit (EBIT)	16,332	23,457	84,233
Financial items, net	2,413	(1,190)	(8,474)
Net profit for the period after tax	13,528	14,070	51,782
Invested capital	325,470	230,234	330,751
Net working capital	114,489	44,221	132,161
Equity ex. minority interests	259,228	177,902	236,040
Total assets	604,815	504,256	591,767
Investments in property, plant and equipment	6,196	9,858	22,179
Net interest-bearing debt (asset)	(2,544)	9,756	30,721
Cash earnings	18,507	25,989	70,264
Average number of full-time employees	370	401	377
Current number of shares (thousands)	407,961	403,392	407,961
Diluted number of shares (thousands)	436,658	408,823	436,658
Ratios			
EBITDA margin (%)	19.6	28.2	23.6
Profit margin (%)	15.9	23.8	19.9
Financial gearing	(0.1)	0.0	0.1
Revenue/invested capital	0.3	0.4	1.3

Comments on the financial results for the three months ended 31 March 2010

Developments in operations and financial position

Financial results

Consolidated revenue increased by 4% from DKK 98.6 million in Q1 2009 to DKK 102.8 million in Q1 2010. This growth was the result of two opposing factors. On the one hand, Float Zone (FZ) contract customers have been offered more attractive prices and terms of delivery in 2010 in return for new long-term customer contracts with greater volumes, which has contributed negatively to settlement prices in Q1 2010. On the other hand, the positive revenue trend in the Polish Czochralski (CZ) activities is continuing, which in Q1 2010 contributed DKK 26.2 million to consolidated revenue, against DKK 14.0 million in Q1 2009 and DKK 22.5 million in Q4 2009.

The group's contribution margin for Q1 2010 was down relative to the year-earlier period, but in line with the realised contribution margin for 2009 as a whole. As planned, the contribution margin for Q1 2010 was lower due to the more attractive prices and terms of delivery offered to Topsil's contract customers.

INTERIM REPORT – Q1 2010



Moreover, the contribution margin for the quarter was impacted by the fact that the raw materials for the FZ production were settled at 2009 prices which were higher. At the beginning of 2010, a new long-term FZ raw materials agreement was signed with one of the group's two suppliers, giving Topsil access to more competitive and stable prices.

EBITDA for Q1 2010 was DKK 20.2 million, corresponding to an EBITDA margin of 19.6% compared with an EBITDA of DKK 27.8 million and an EBITDA margin of 28.2% in Q1 2009. The Polish operations affected EBITDA with a loss of DKK 1.3 million. The group's EBIT for Q1 2010 was DKK 16.3 million, down DKK 7.2 million from the year-earlier level as a result of the decline in EBITDA.

The group's operating profit was in line with expectations and a further improvement is anticipated for the remainder of 2010 as a consequence of increasing sales volumes and the new FZ polysilicon supplier contract.

Financial income and expenses for the three months ended 31 March 2010 amounted to a net income of DKK 2.4 million, primarily related to unrealised rate gains of USD funds as well as supplier debts in USD. In Q1 2009, net working capital amounted to an expense of DKK 1.2 million.

The group reported a profit before tax of DKK 18.8 million and a profit after tax of DKK 13.5 million for Q1 2010, compared with a profit before tax of DKK 22.3 million and a profit after tax of DKK 14.1 million for Q1 2009.

Balance sheet

At 31 March 2010, the group's total assets amounted to DKK 604.8 million (31 December 2009: DKK 591.8 million). The increase was explained in part by the positive performance development in Q1 2010 and in part by increased investment in production capacity. In the consolidated financial statements, the assets and liabilities in Cemat 70 S.A., in which Topsil has an equity interest of 53% through its subsidiary Cemat Silicon S.A., are recognised under "Assets held for sale" and "Liabilities relating to assets held for sale".

Since the beginning of the financial year, net working capital has been reduced by a total of DKK 18.3 million to DKK 113.9 million, mainly due to a reduction of receivables after the very high level of activity seen in Q4 2009 and lower revenue in Q1 2010. Net interest-bearing debt at 31 March 2009 amounted to an asset of DKK 2.5 million compared with liabilities of DKK 30.7 million at 1 January 2010. The reduction in net interest-bearing debt was due to improvement of the net working capital during Q1 2010.

Equity (excluding minority interests) stood at DKK 259.2 million at 31 March 2010 compared with DKK 236.0 million at 31 December 2009. The increase in equity is due to the result of the period and the Polish subsidiaries being recognised at a higher value (DKK 11.7 million) than at the beginning of the year due to the appreciation of the Polish currency (PLN) relative to Danish kroner. Equity (excluding minority interests) represented 42.9% of the balance sheet total at 31 March 2010 compared with 39.9% at 1 January 2010.

Cash flows and liquidity

The group generated a positive cash flow of DKK 30.7 million for the first three months of 2010, mainly due to positive cash flows from operations and a reduction of receivables. Cash and cash equivalents at 31 March 2010 stood at DKK 92.8 million, of which DKK 63.4 million derived from Cemat 70 S.A., in which Topsil Semiconductor Materials A/S has a controlling influence through its 53% equity interest.

INTERIM REPORT – Q1 2010

Topsil's market for FZ-based and CZ-based products

The favourable market trends characterising the principal markets of the Topsil Group in 2009 have persisted in 2010. The full effect of the new customer agreements is not expected to be seen until later in the year, however. The order book is still at the expected level, which confirms that demand for externally irradiated FZ-NTD products remains strong. As expected, the CZ market has recovered and in this area the order book is now showing an upward curve.

New raw materials agreement and new long-term customer contracts ensure long-term growth potential

In Q1 2010, Topsil signed a new long-term raw materials agreement for polysilicon for FZ products with one of the group's two suppliers. The agreement will expire in 2015 and replaces the existing agreement for the period 2007 until and including 2012. Overall, the commercial terms of the new agreement are more attractive than previously, facilitating additional volumes at more competitive price terms and the development of a new raw materials product for use in the medium power area. The agreement is of great strategic value to Topsil as it substantially strengthens the group's competitiveness and relations with its largest customers while also ensuring Topsil's ability to continue its capacity expansion to meet the increasing demand from customers.

Furthermore, Topsil has entered into five new long-term customer agreements with the largest customers of FZ silicon: Three of these were concluded with customers who had not previously signed long-term agreements with Topsil, whereas the two other agreements were renewals of existing agreements. The contracts cover deliveries of increasing FZ volumes up to and including 2015, and Topsil expects the volumes covered by the contracts to be significantly supplemented by additional sales to the contract customers.

In Topsil's assessment, the new contracts will provide for more stable future price and earnings trends. With prospects of a substantial growth potential for the years ahead, Topsil wishes to exploit this opportunity to strengthen the relations between the contract customers and the group by offering more attractive prices and terms of delivery in 2010 than was possible based on the cost levels of prior years. While customer contracts will thus result in a significant increase in the produced FZ volumes, they will have limited effect on revenue growth for 2010. On the other hand, the agreements are expected to produce a significantly stronger growth potential for the group's revenue and earnings from 2011 onwards than would otherwise have been possible under previous contracts.

Significant financial risks

Currency risks comprise the risk of loss (or the possibility of a gain) when exchange rates change. Currency risk arises when income and expense items in foreign currency are recognised in the income statement or from value adjustment of balance sheet items denominated in other currencies.

A major part of the company's sales take place in USD and EUR. Raw materials etc. are also typically purchased in USD and EUR, whereas other cost items are typically purchased in DKK or PLN. The group does not use derivative financial instruments to hedge currency risks regarding cash flows or balance sheet items. Instead, the group uses foreign currency to settle debt items in the same currency, which generally reduces currency risk.

In addition to balance sheet items in foreign currency arising from the company's current transactions, the group has provided substantial cash security in USD to uphold the raw materials agreement (2010-2015).

A currency fluctuation in USD/DKK of \pm DKK 0.50 would subject the company to a currency risk of about \pm DKK 2.7 million based on the balance sheet items in USD at the balance sheet date. The group's currency risk in connection with fluctuations in EUR/DKK is considered immaterial.

During the three months ended 31 March 2010, the group expensed an unrealised financial loss of DKK 1.1 million. During the period, the group had an unrealised financial gain of DKK 0.6 million regarding security provided for the raw materials contract expiring in 2015.

Events after 31 March 2010

Annual general meeting

The parent company's annual general meeting was held on 28 April 2010. Resolutions passed at the annual general meetings were announced immediately following the meeting and are available on the parent company's website.

The shareholders re-elected Jens Borelli-Kjær, Eivind Dam Jensen and Jørgen Frost to the Board of Directors. Michael Hedegaard Lyng was elected as a new member of the Board. At a subsequent Board meeting, the Board of Directors elected Jens Borelli-Kjær chairman and Eivind Dam Jensen vice-chairman. The Company's audit committee consists of Michael Hedegaard Lyng as chairman and Jørgen Frost.

Deloitte was unanimously re-appointed as the company's auditors.

Share offering

In May 2010, Topsil Semiconductor Materials A/S has completed an offering of shares with preemptive rights to existing shareholders. The offering, which was fully underwritten by institutional investors and Topsil's bankers, comprised 103,890,151 new shares of DKK 0.25 nominal value each with a subscription price of DKK 0.90 per share. The issue was fully subscribed and produced net proceeds of approximately DKK 87.0 million which, together with the expected cash flows from operations, will be used to implement Topsil's resolved growth strategy, "Seizing the Opportunity", and expand production capacity.

When the new shares have been registered on 20 May 2010, Topsil's total nominal share capital amounts to DKK 129,862,689, corresponding to 519,450,755 shares of DKK 0.25 nominal value each.

Outlook

The group maintains its expectations for FY 2010 of revenue in the range of DKK 440-460 million and EBITDA in the range of DKK 100-110 million. As in 2009, a larger proportion of group revenue and earnings is expected to be generated in H2 2010.

Accounting policies

The quarterly report has been presented in accordance with the current provisions of recognition and measurement of the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure interim financial reporting requirements for listed companies, cf. IFRS 34 "Interim Financial Reporting", issued in compliance with the Danish Financial Statements Act and the guidelines of the OMX Nordic Exchange Copenhagen.

The quarterly report is unaudited and unreviewed. The accounting policies are consistent with those of the annual report for 2009. See the Annual Report 2009 for a comprehensive description of the accounting policies.

Judgments and estimates

The preparation of interim reports requires the Board of Directors and Management to make accounting judgments and estimates that affect the use of accounting policies and recognised assets, liabilities, income and expenses. Actual results may differ from these estimates.

INTERIM REPORT – Q1 2010



The most significant estimates made by the Board of Directors and Management when using the group's accounting policies and the most significant judgment uncertainty attached thereto are the same as for the preparation of the Annual Report 2009.

Statement by the Board of Directors and Management

The Board of Directors and Management have today considered and adopted the interim report for the three months ended 31 March 2010 of Topsil Semiconductor Materials A/S.

The interim report, which is unaudited, is presented in accordance with the current recognition and measurement provisions of the International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish interim financial reporting requirements for listed companies.

We consider the accounting policies applied to be appropriate to the effect that the interim report gives a true and fair view of the group's assets, liabilities and financial position at 31 March 2010 and of the results of the group's operations and cash flows for the three months ended 31 March 2010.

In our opinion, the management's report gives a true and fair view of developments in the activities and financial position of the group, the results for the period and of the group's financial position in general and gives a fair description of significant risk and uncertainty factors that may affect the group.

Frederikssund, 27 May 2010

Management:

Keld Lindegaard Andersen
CEO

Jørgen Bødker
VP, Sales, Logistics and Marketing

Board of Directors:

Jens Borelli-Kjær
Chairman

Eivind Dam Jensen
Vice Chairman

Jørgen Frost
Member of the Board

Michael Hedegaard Lyng
Member of the Board

Trine Schønnemann
Employee Representative

Leif Jensen
Employee Representative

INTERIM REPORT – Q1 2010

Page 6 of 13

Income statement 1 January – 31 March 2010

Group

	2010	2009	2009
DKK'000	Jan.–Mar.	Jan.–Mar.	Jan.-Dec
Revenue	102,762	98,597	423,483
Direct production costs	(49,453)	(42,767)	(198,809)
Other external expenses and staff costs	(33,158)	(28,021)	(124,861)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	20,151	27,809	99,813
Depreciation, amortisation and impairment	(3,819)	(4,352)	(15,580)
Operating profit (EBIT)	16,332	23,457	84,233
Financial items, net	2,412	(1,190)	(8,474)
Profit before tax	18,774	22,267	75,759
Tax on profit for the period	(5,216)	(8,197)	(23,977)
Profit for the period	13,528	14,070	51,782
Distribution of profit for the period:			
Parent company shareholders	13,150	14,137	50,520
Minority interests	378	(67)	1,262
	13,528	14,070	51,782

INTERIM REPORT – Q1 2010

Statement of comprehensive income Group

DKK'000	2010 Jan. – Mar.	2009 Jan. – Mar.	2009 31.12.2009
Profit for the period	13,528	14,070	51,782
Foreign exchange adjustment relating to foreign companies	12,843	(23,404)	257
Comprehensive income for the period	26,371	(9,334)	52,039

Distribution of comprehensive income:

Parent company shareholders	21,650	(1,222)	50,472
Minority interests	4,721	(8,112)	1,567
	26,371	(9,334)	52,039

Earnings per share:

	2010 Jan. – Mar.	2009 Jan. – Mar.	2009 31.12.2009
Return for the group's shareholders (DKK'000)	13,150	14,137	50,520
Average number of shares (thousands)	407,961	403,392	406,818
Average number of shares, diluted (thousands)	435,515	408,823	435,515
Earnings per share (DKK)	0.03	0.04	0.12
Diluted earnings per share (DKK)	0.03	0.03	0.12

INTERIM REPORT – Q1 2010

Balance sheet at 31 March 2010

Assets

DKK'000	2010	2009	31.12.2009
Completed development projects	10,585	11,161	10,279
Goodwill	19,026	15,701	17,830
Right of use	0	14,695	0
Other intangible assets	1,039	0	1,001
Development projects in progress	2,601	1,139	2,413
Intangible assets	33,251	42,696	31,523
Buildings	0	51,252	0
Plant and machinery	71,825	73,518	69,800
Other fixtures and fittings, tools and equipment	7,471	2,524	8,245
Property, plant and equipment under construction	20,830	16,023	16,013
Property, plant and equipment	100,126	143,317	94,058
Other non-current receivables*	82,493	68,937	80,099
Financial assets	82,493	68,937	80,099
Non-current assets	215,870	254,950	205,680
Inventories	115,814	94,489	107,971
Receivables	67,951	54,364	94,023
Other receivables	18,151	16,615	24,462
Prepaid tax	0	0	0
Prepayments	1,421	825	389
Receivables	87,523	71,804	118,874
Cash and cash equivalents	29,476	83,013	11,840
Assets held for sale	156,132	0	147,402
Current assets	388,945	249,306	386,087
Assets	604,815	504,256	591,767

* Other non-current receivables include the deposit made as collateral security for raw materials contracts.

INTERIM REPORT – Q1 2010

Balance sheet at 31 March 2010

Equity and liabilities

DKK'000	2010	2009	31.12.2009
Share capital*	101,990	100,848	101,990
Translation reserve	(9,253)	(32,998)	(17,753)
Reserve for share-based payments	6,418	975	4,880
Retained earnings	160,073	109,133	146,923
Equity attributable to parent company shareholders	259,228	177,958	236,040
Equity attributable to minority interests	69,298	61,282	64,577
Equity	328,526	239,240	300,617
Debt to credit institutions	105,695	115,734	105,295
Finance lease liabilities	246	379	304
Prepayments received on account from customers	7,911	10,681	7,911
Other non-current liabilities	907	1,334	815
Deferred tax liabilities	6,433	14,934	6,578
Non-current liabilities	121,192	143,062	120,903
Debt to credit institutions	32,550	30,448	47,654
Finance lease liabilities	156	248	141
Trade creditors	48,912	32,380	49,176
Prepayments received on account from customers	121	3,810	45
Income tax payable	16,417	12,280	12,657
Provisions	8,048	962	4,175
Other payables	34,273	41,944	43,472
Current liabilities	140,477	122,072	157,320
Liabilities relating to assets held for sale	14,620	0	12,927
Total liabilities	276,289	265,016	291,150
Equity and liabilities	604,815	504,256	591,767

*The share capital consists of 407,960,731 shares with a nominal value of DKK 0.25 each. The company has one class of shares.

Statement of changes in equity Group

	Share capital	Trans- lation reserve	Reserve for share- based payment	Retained earnings	Equity attributable to parent company shareholders	Equity attributable to minority interests	Total equity
DKK'000							
Equity 01.01.2009	100,848	(17,706)	844	95,063	179,049	70,197	249,246
Comprehensive income for the period	0	(15,292)	0	14,070	(1,222)	(8,112)	(9,334)
Acquisition of outstanding minority shares	0	0	0	0	0	(803)	(803)
Share-based payment	0	0	131	0	131	0	131
Equity 31.03.2009	100,848	(32,998)	975	109,133	177,958	61,282	239,240
Equity 01.01.2010	101,990	(17,754)	4,880	146,923	236,039	64,577	300,617
Comprehensive income for the period	0	8,501	0	13,150	21,650	4,721	26,371
Share-based payment	0	0	1,538	0	1,538	0	1,538
Equity 31.03.2010	101,990	(9,253)	6,418	160,073	259,228	69,298	328,526

Cash flow statement for the three months ended 31 March 2010

DKK'000	2010 Jan.-Mar.	2009 Jan.-Mar.
Operating profit (EBIT)	16,332	23,457
Depreciation, amortisation and impairment	3,850	4,375
Foreign exchange adjustment relating to foreign companies	(31)	350
Share-based payment recognised in the income statement	1,538	131
Change in net working capital	16,140	12,258
Cash generated from operations (operating activities)	37,829	40,571
Tax paid on account	(1,533)	(518)
Financial income received	1,029	1,319
Financial expenses paid	1,383	(2,509)
Cash flows from operating activities	38,708	38,863
Acquisition of intangible assets	(1,092)	(501)
Acquisition of property, plant and equipment	(5,637)	(9,857)
Cash flows from investing activities	(6,729)	(10,358)
Acquisition of minority interest in subsidiary	0	(803)
Repayment of debts	(1,243)	(6,185)
Cash flows from financing activities	(1,243)	(6,988)
Change in cash and cash equivalents	30,736	21,518
Cash and cash equivalents at 1 January	59,350	68,154
Market value adjustment of cash and cash equivalents	2,752	(6,659)
Cash and cash equivalents at 31 March	92,838	83,013

INTERIM REPORT – Q1 2010



List of announcements to NASDAC OMX Copenhagen 1 January 2010 to date:

Date	Announcement
20.05.2010	Major Shareholder Announcement
20.05.2010	Amendments of Articles of Association
19.05.2010	Prospectus announcement – offering completed
12.05.2010	Report on insider transactions
11.05.2010	Amendment of Articles of Association
10.05.2010	Decisions of Extraordinary General Meeting
10.05.2010	Report on insider transactions
07.05.2010	Report on insider transactions
06.05.2010	Report on insider transactions
05.05.2010	Report on insider transactions
04.05.2010	Report on insider transactions
03.05.2010	Report on insider transactions
28.04.2010	Decisions of Annual General Meeting
20.04.2010	Prospectus announcement
15.04.2010	Notice of Annual General Meeting
07.04.2010	Report on insider transactions
31.03.2010	Report on insider transactions
31.03.2010	Amendments to the Articles of Association due to capital increase
30.03.2010	Capital increase due to exercise of warrants
11.03.2010	Topsil establishes strong growth platform and resolves to expand production capacity

Financial calendar 2010

Date	Announcement	Silent period
26.08	Interim report – H1 2010	29.07.10 - 26.08.10
18.11	Interim report – Q3 2010	21.10.10 - 18.11.10

INTERIM REPORT – Q1 2010

Page 13 of 13