

STOCK EXCHANGE ANNOUNCEMENT No. 23/10

The Board of Directors of Topsil Semiconductor Materials A/S has today considered and approved the interim report for Q2 2010. The highlights of the interim report, which is unaudited, are:

Interim report – Q2 2010

Summary

- Consolidated revenue increased from DKK 92.9 million in Q2 2009 to DKK 113.1 million in Q2 2010, bringing accumulated consolidated revenue for H1 2010 to DKK 215.8 million compared with DKK 191.5 million in the same period of 2009. The increase in Q2 totals 21.7% (H1 12.7%) and was generated through increased sales in both Float Zone (FZ) and Czochralski (CZ) products.
- EBITDA was DKK 23.4 million in Q2 2010 corresponding to an EBITDA margin of 20.7% compared with DKK 13.9 million and an EBITDA margin of 14.9% in Q2 2009. Accumulated EBITDA for H1 2010 was DKK 43.5 million corresponding to an EBITDA margin of 20.2% compared with DKK 41.7 million and 21.8% in H1 2009.
- Profit before tax amounted to DKK 26.8 million for H1 2010 compared with DKK 17.6 million for H1 last year.
- The favourable market trends in the demand for both FZ and CZ silicon products continue and Topsil's backlog of orders continues to rise.
- The group completed a share issue in the second quarter of 2010 raising proceeds of DKK 86.1 million. The proceeds will be used together with the expected cash flows from operations to implement the adopted growth strategy, including the construction of a new greenfield plant.
- In August 2010, the company entered into an agreement with a new bank, giving Topsil access over the next three years to committed loan facilities with much greater flexibility and better borrowing terms, supporting the completion of the growth strategy.
- The group generated a cash flow from operating activities of DKK 37.7 million for H1, primarily due to a positive trend in the operating profit for the period.

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 greater proportion of revenue and earnings is expected to be generated in the second half of 2010 with an overweight in the fourth quarter.
- Like last year, a few FZ customers have deferred their orders from the third to the fourth quarter.

Further information

Please direct any questions regarding this announcement to:

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Keld Lindegaard Andersen, CEO, tel. +45 21 70 87 72

Financial highlights and key ratios for the group (unaudited)

DKK'000	2010	2009	2009
	Jan. - Jun.	Jan. - Jun.	Jan. - Dec.
Revenue	215,835	191,533	423,483
Earnings before interest, tax, depreciation and amortisation (EBITDA)	43,541	41,699	99,813
Operating profit (EBIT)	37,223	33,900	84,233
Financial items, net	(1,203)	(4,534)	(8,474)
Net profit for the period after tax	26,794	17,553	51,782
Invested capital	326,781	230,234	330,751
Net working capital	132,223	54,723	132,161
Equity ex. minority interests	356,772	189,339	236,040
Total assets	693,265	547,510	591,767
Investments in property, plant and equipment	18,858	14,441	22,179
Net-interest bearing debt (asset)	(65,982)	26,100	30,721
Cash earnings	35,252	33,579	70,264
Average number of full-time employees	376	390	377
Current number of shares (thousands)	461,447	407,961	407,961
Diluted number of shares (thousands)	482,544	436,658	436,658
Financial ratios			
EBITDA margin (%)	20.2	21.8	23.6
Profit margin (%)	17.2	20.7	19.9
Financial gearing	(0.2)	0.1	0.1
Revenue/invested capital	0.7	0.8	1.3

Accounting policies

The interim report has been presented in accordance with the current recognition and measurement provisions of the International Financial Reporting Standards as adopted by the EU and additional Danish 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 NASDAQ OMX Copenhagen.

The interim 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.

Judgements and estimates

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

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

Management's report

Comments on the financial results for Q2 2010

Developments in operations and financial position

Financial results

Consolidated revenue increased from DKK 92.9 million in Q2 2009 to DKK 113.1 million in Q2 2010. Of the Q2 revenue, DKK 28.7 million was generated by the Polish activities compared with DKK 22.1 million in Q2 2009.

Consolidated revenue for H1 2010 was DKK 215.8 million compared with DKK 191.5 million in H1 2009. The increase of 12.7% was generated in both Float Zone (FZ) and Czochralski (CZ) products.

As from 2010, FZ contract customers have been given more attractive sales and terms of delivery in return for new long-term volume contracts, which reduced selling prices in the first half of 2010 compared with last year. Together with a general increase in demand, this has contributed to an increase in the total amount of FZ silicon sold – especially in Q2 2010.

The Polish operations contributed DKK 54.9 million to the consolidated revenue in H1 2010 compared with DKK 36.1 million in H1 2009. The positive trend reflects continuously improved market conditions which are also reflected by a continued increase in our order backlog.

The group's contribution margin for H1 2010 was in line with the year-earlier figure despite the changed sales conditions. In the second half of 2010, the sourcing of raw materials will increasingly be made at more attractive prices, which is expected to improve the contribution margin. Going forward, we furthermore expect the contribution margin to be positively affected by significantly higher capacity utilisation in CZ production.

EBITDA for Q2 2010 was DKK 23.4 million corresponding to an EBITDA margin of 20.7% compared with an EBITDA of DKK 13.9 million and an EBITDA margin of 14.9% in Q2 2009. The Polish activities reported an EBITDA profit for Q2 2010, but an overall H1 loss of DKK 0.5 million.

Consolidated EBITDA for H1 2010 was DKK 43.5 million corresponding to an EBITDA margin of 20.2% compared with an EBITDA of DKK 41.7 million and an EBITDA margin of 21.8% in H1 2009. The consolidated EBITDA margin for H1 2010 was impacted by higher external repair and maintenance costs and higher staff costs as a result of a higher activity level.

EBIT for Q2 2010 was DKK 20.9 million compared with DKK 10.4 million last year. EBIT for H1 2010 was DKK 37.2 million, which was DKK 3.3 million more than in H1 2009. The Polish operations contributed a H1 EBIT loss of DKK 2.9 million compared with a loss of DKK 16.1 million in H1 2009.

The favourable market trends in the demand for both FZ and CZ silicon continued in Q2 2010. Topsil's order backlog is thus satisfactory going into H2 2010.

Like last year, a few FZ customers have deferred their orders from the third to the fourth quarter of 2010 and consequently the fourth quarter is expected to produce the highest activity level of the year. Sales of CZ silicon continue to rise, thus confirming the positive trends witnessed over the past nine months. As expected, the CZ market has recovered and the backlog of orders is now on an upward curve.

The group's operating profit was in line with expectations and a further improvement is expected for H2 2010 as a consequence of increasing sales volumes and the effect of the new FZ polysilicon supplier contract.

Net financials amounted to an expense of DKK 1.2 million in H1 2010, comprising net interest expenses of DKK 3.7 million and income of DKK 2.5 million from realised and unrealised capital gains on foreign exchange reserves and USD deposits.

The group reported a satisfactory profit before tax of DKK 36.0 million and a profit after tax of DKK 26.8 million for H1 2010, compared with a profit before tax of DKK 29.4 million and a profit after tax of DKK 17.6 million for H1 2009.

Balance sheet

At 30 June 2010, the group's total assets amounted to DKK 693.3 million (31 December 2009: DKK 591.8 million). The increase was mainly attributable to the contribution of net proceeds of DKK 86.1 million from the share issue the parent company completed in May 2010 and a positive performance in H1 2010.

Net working capital amounted to DKK 132.2 million and was at the nominal level recorded at the beginning of the financial year. Receivables were reduced marginally compared with the beginning of 2010, but increased in Q2 2010 as a consequence of a rising level of business activity. The value of inventories increased moderately over the levels prevailing at the beginning of the year, but was unchanged compared to the end of the first quarter of 2010.

Net interest-bearing debt at 30 June 2010 amounted to an asset of DKK 66.0 million compared with a liability of DKK 30.7 million at 1 January 2010. The change primarily reflected an increase in cash after the contribution of the proceeds of DKK 87 million from the rights issue. As stated in the prospectus, the proceeds have been used to reduce credit facilities until financing the new plant.

As a result of the proceeds from the share issue and the retained profit for the period, equity (excluding minority interests) amounted to a total of DKK 356.8 million at 30 June 2010 compared with DKK 236.0 million at the 1 January 2010. Equity (excluding minority interests) represented 51.5% of the balance sheet total at 30 June 2010 compared with 39.9% at 1 January 2010.

Cash flows

The company reported a net cash inflow from operating activities of DKK 37.7 million in H1 2010 compared with DKK 40 million in the year-earlier period. Cash flows from operating activities reflected a positive impact of the operating profit.

Following net investments totalling DKK 22 million in H1 2010 and the injection of proceeds from the rights issue, the group's total cash flow stood at DKK 81.6 million. Cash and cash equivalents at 30 June 2010 stood at DKK 140.6 million, of which DKK 5.8 million derived from Cemmat 70 S.A. The share of the cash holdings derived from Cemmat 70 S.A. was reduced significantly as dividends of DKK 56 million were distributed to the shareholders in Q2 2010, of which DKK 30 million was attributable to Cemmat Silicon S.A.

During H1 2010, Topsil began establishing a new ERP platform for the whole group, which means that the AXAPTA system already being used by the parent company will be installed in Cemmat Silicon S.A. during 2010 and 2011. The new ERP platform will support the introduction of other production processes for Cemmat Silicon and help to further optimise the supply chain, production and flow of supply.

In order to increase production efficiency and capacity, Topsil ordered two new FZ machines in 2009. They were delivered in June 2010 and are expected to be commissioned during Q3 2010 with a view to commencing production from Q4 2010. The delivery of the FZ machines was delayed from the supplier, but we believe that the current capacity and the delayed commissioning of the new FZ machines will be sufficient to handle production in 2010.

The project planning of the new Greenfield plant, which will ensure continued FZ expansion in Denmark is progressing according to plan. The planning phase runs through 2010 and the construction phase through 2011. Commissioning is planned to take place in 2012.

Significant financial risks

Currency risks comprise the risk of loss (or the possibility of a gain) when exchange rates change. Currency risks arise 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 substantial part of the group's sales takes 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 same currency debt items, which generally reduces the 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 group to a currency risk of about \pm DKK 2.4 million based on the balance sheet items in USD at the balance sheet date. A currency fluctuation in PLN/DKK of \pm DKK 0.20 would subject the group to a currency risk of about \pm DKK 0.6 million based on the balance sheet items in PLN at the balance sheet date. The group's currency risk in connection with fluctuations in EUR/DKK is considered immaterial.

Events after 30 June 2010

New bank agreement

In August, the company entered into an agreement with a new bank. The change of banks means that over the next three years the company will have access to committed loan facilities and moreover, it provides much greater flexibility and better borrowing terms than the existing bank facilities. Combined with the group's cash flow and the proceeds from the share issue, the new loan facilities will support the company's ability to implement its strategy plan (Seizing the Opportunity) over the next three years, including the construction of a new plant.

Outlook

Based on the actual results for H1 2010, Topsil maintains its full-year forecast for 2010. The group maintains its guidance of revenue in the range of DKK 440-460 million and EBITDA in the range of DKK 100-110 million. As mentioned, a greater proportion of revenue and earnings will also in 2010 be generated in the second half of the year, but with an overweight in the fourth quarter.



Statement by the Board of Directors and Management

The Board of Directors and Management have today considered and approved the interim report for the six months ended 30 June 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 30 June 2010 and of the results of the group's operations and cash flows for the six months ended 30 June 2010.

In our opinion, the Management's report gives a true and fair view of the development and the performance of the business, the financial 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, 26 August 2010

Management:

Keld Lindegaard Andersen
CEO

Jørgen Bødker
VP, Sales, Logistics and Marketing

Board of Directors:

Jens Borelli-Kjær
Chairman

Eivind Dam Jensen
Deputy Chairman

Jørgen Frost
Member of the Board

Michael Hedegaard Lyng
Member of the Board

Trine Schønnemann
Employee Representative

Leif Jensen
Employee Representative

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

Forward-looking statements

The forward-looking statements in this interim report reflect management's current expectations for certain future events and financial results. Forward-looking statements are inherently subject to uncertainty, and actual results may therefore differ materially from expectations. Factors that may cause actual results to deviate materially from expectations include, but are not limited to, general economic developments and developments in the financial markets, changes in the silicon market, market acceptance of new products as well as the launch of competing products. Topsil is only under an obligation to update and adjust the expectations provided to the extent required by Danish law, including the Danish Securities Trading Act and similar legislation.

Income statement for the period 1 January – 30 June

	Q2	Q2	H1	H1	2009
DKK'000	2010	2009	2010	2009	Jan. – Dec.
Revenue	113,073	92,936	215,835	191,533	423,483
Direct production costs	(52,560)	(47,314)	(102,013)	(90,081)	(198,809)
Other external expenses and staff costs	(37,123)	(31,732)	(70,281)	(59,753)	(124,861)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	23,390	13,890	43,541	41,699	99,813
Depreciation, amortisation and impairment	(2,499)	(3,447)	(6,318)	(7,799)	(15,580)
Operating profit (EBIT)	20,891	10,443	37,223	33,900	84,233
Net financials	(3,615)	(3,344)	(1,203)	(4,534)	(8,474)
Profit before tax	17,276	7,099	36,020	29,366	75,759
Tax on profit/loss for the period	(4,010)	(3,617)	(9,226)	(11,814)	(23,977)
Net profit for the period	13,266	3,482	26,794	17,552	51,782

Distribution of profit for the period:					
Parent company shareholders	13,393	3,600	26,543	17,737	50,520
Minority interests	(127)	(118)	251	(185)	1,262
	13,266	3,482	26,794	17,552	51,782

Earnings per share:

	H1	H1	2009
	2010	2009	Jan.-Dec.
Return for the group's shareholders (thousands)	26,543	17,737	50,520
Average number of shares (thousands)	461,447	407,961	407,961
Average number of shares, diluted (thousands)	482,544	436,658	435,515
Earnings per share (DKK)	0.06	0.04	0.12
Diluted earnings per share (DKK)	0.06	0.04	0.12

Statement of comprehensive income Group

	Q2	Q2	H1	H1	2009
DKK'000	2010	2009	2010	2009	Jan. – Dec.
Net profit for the period	13,266	3,482	26,794	17,552	51,782
Foreign exchange relating to foreign companies	(13,549)	9,167	(706)	(14,237)	257
Comprehensive income for the period	(283)	12,649	26,088	3,315	52,039
Parent company shareholders	4,474	10,452	26,124	9,230	50,472
Minority interests	(4,757)	2,197	(36)	(5,915)	1,567
	(283)	12,649	26,088	3,315	52,039

Balance sheet at 30 June

Assets

DKK'000	2010	2009	31.12.2009
Completed development projects	9,929	11,286	10,279
Goodwill	17,752	16,532	17,830
Right of use	0	14,350	0
Other intangible assets	941	981	1,001
Development projects in progress	4,186	1,591	2,413
Intangible assets	32,808	44,740	31,523
Buildings	0	53,559	0
Plant and machinery	67,838	73,634	69,800
Other fixtures and fittings, tools and equipment	6,818	2,917	8,245
Property, plant and equipment under construction	32,197	20,034	16,013
Property, plant and equipment	106,853	150,144	94,058
Other non-current receivables*	105,618	61,912	80,099
Financial assets	105,618	61,912	80,099
Non-current assets	245,279	256,796	205,680
Inventories	113,635	125,468	107,971
Receivables	85,527	64,515	94,023
Other receivables	20,606	14,836	24,462
Prepaid tax	0	0	0
Prepayments	722	464	389
Receivables	106,855	79,815	118,874
Cash and cash equivalents	134,861	85,431	11,840
Assets held for sale	92,635	0	147,402
Current assets	447,986	290,714	386,087
Assets	693,265	547,510	591,767

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

Balance sheet at 30 June

Equity and liabilities

DKK'000	2010	2009	31.12.2009
Share capital*	129,863	101,990	101,990
Translation reserve	(18,172)	(27,087)	(17,753)
Reserve for share-based payments	7,271	1,635	4,880
Retained earnings	237,810	112,801	146,923
Equity attributable to parent company shareholders	356,772	189,339	236,040
Equity attributable to minority interests	38,260	64,467	64,577
Equity	395,032	253,806	300,617
Debt to credit institutions	100,389	117,830	105,295
Finance lease liabilities	317	399	304
Prepayments received on account from customers	27,056	9,209	7,911
Other non-current liabilities	0	0	815
Deferred tax liabilities	4,336	15,706	6,578
Non-current liabilities	132,098	143,144	120,903
Debt to credit institutions	40,438	32,604	47,654
Finance lease liabilities	147	215	141
Trade creditors	49,873	60,413	49,176
Prepayments received on account from customers	692	9,794	45
Income tax payable	22,277	15,456	12,657
Provisions	2,069	4,575	4,175
Other payables	36,417	27,503	43,472
Current liabilities	151,913	150,560	157,320
Liabilities relating to assets held for sale	14,222	0	12,927
Total liabilities	298,233	293,704	291,150
Equity and liabilities	693,265	547,510	591,767

*As at 30 June 2010, the share capital consists of 519,450,755 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	Translation reserve	Reserve for share-based payment	Retained earnings	Equity attributable to parent company shareholders	Equity attributable to minority interests	Total equity
DKK'000							
Equity at 1 January 2009	100,848	(17,706)	844	95,063	179,049	70,197	249,246
Comprehensive income for the period	0	(14,238)	0	17,553	3,315	0	3,315
Share-based payment	0	0	791	0	791	0	791
Cash capital increase	1,142	0	0	0	1,142	0	1,142
Share premium on capital increase	0	0	0	115	115	0	115
Acquisition of minority interests	0	0	0	0	0	(803)	(803)
Equity at 30 June 2009	101,990	(31,944)	1,635	112,731	184,412	69,394	253,806
Equity as at 1 January 2010	101,990	(17,754)	4,880	146,923	236,039	64,577	300,617
Comprehensive income for the period	0	(418)	0	26,543	26,125	(36)	26,088
Share-based payment	0	0	2,391	0	2,391	0	2,391
Rights issue in May 2010	25,973	0	0	67,529	93,502	0	93,502
Costs relating to the rights issue	0	0	0	(7,441)	(7,441)	0	(7,441)
Paid by exercise of share options	1,900	0	0	4,256	6,156	0	6,156
Distribution of dividend	0	0	0	0	0	(26,281)	(26,281)
Equity at 30 June 2010	129,863	(18,172)	7,271	237,810	356,772	38,260	395,032

H1 Cash flow statement

DKK'000	2010	2009
Operating profit (EBIT)	37,223	33,900
Depreciation, amortisation and impairment	6,300	7,799
Foreign exchange adjustment relating to foreign companies	101	(509)
Share-based payment recognised in the income statement	2,391	791
Change in net working capital	(5,600)	2,462
Cash generated from operations (operating activities)	40,415	44,443
Tax paid on account	(1,533)	(291)
Financial income received	1,499	2,218
Financial expenses paid	(2,703)	(6,752)
Cash flows from operating activities	37,678	39,618
Acquisition of intangible assets	(2,720)	(953)
Acquisition of property, plant and equipment	(19,329)	(14,441)
Cash flows from investing activities	(22,049)	(15,394)
Proceeds from share capital increase, rights issue	86,060	1,257
Proceeds from share capital increase, exercise of warrants	6,156	0
Distribution of dividends to minority interest	(26,281)	0
Acquisition of minority interest in subsidiary	0	(803)
Repayment of debts	0	(3,347)
Cash flows from financing activities	65,935	(2,893)
Change in cash and cash equivalents	81,564	21,331
Cash and cash equivalents at 1 January	59,350	68,154
Market value adjustment of cash and cash equivalents	(290)	(4,054)
Cash and cash equivalents at 30 June	140,624	85,431

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

Date	Announcement
24.06.2010	Report on insider transactions
27.05.2010	Interim report for the three months ended 31 March 2010
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	Amendments 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 Extraordinary 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 of 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
18.11	Interim report – Q3 2010	21.10.10 - 18.11.10