



ANNUAL REPORT 2003

TOPSIL
PURE SILICON



Photos: MIC, Søren Wesseltoft, BP Solar, Nokia, Bendix, TeknoGrafik and SunPower.

POWER



WIRELESS



AUTOMOTIVE



DETECTOR



INFRARED



MEMS



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Company details

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 Central Business Registration No. 24932818
 Telephone: +45 4736 5600
 Telefax: +45 4736 5601
 E-mail: topsil@topsil.com
 Web: www.topsil.com

Board of Directors:

Doris Hsu, Non-Executive Director,
 Chairman

Paul Decraemer, Non-Executive Director
 Vice Chairman

Christian Buhl, Non-Executive Director,

Jon Wulff Petersen, Non-Executive Director

Other Directorships and Management Positions held by the Board of Directors and Management:

Vice President of Sino-American Silicon Products Inc., Taiwan
 Topsil International A/S (Vice Chairman)

Managing Director of Sustainable Energy Ventures, Belgium
 Topsil International A/S (Chairman)

Director of:
 GPV Industri A/S
 Rambøll, Hannemann og Højlund A/S

Vice Director of Risø National Laboratory

Staff Representatives:

Trine Schønnemann,
 Key Account Manager

Theis Leth Larsen, Project Manager

Management:

Peder Mohr Jensen, Managing Director
 Topsil International A/S
 (Non-Executive Director & Managing Director)

Jørgen Bødker, Sales & Marketing Director

Company auditors:

Deloitte
 Statsautoriseret Revisionsaktieselskab
 Anders O. Gjelstrup, State Authorised Public Accountant

KPMG C. Jespersen
 Statsautoriseret Revisionsinteressentskab
 Sven Clausen, State Authorised Public Accountant

The Annual General Meeting adopted the annual report on 15 April 2004.

Chairman

Statement by the Management on the annual report

We have today presented the annual report of Topsil Semiconductor Materials A/S for 2003.

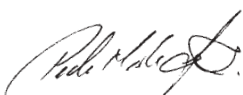
The annual report has been presented in accordance with the Danish Financial Statements Act, Danish Accounting Standards and the financial reporting requirements of the Copenhagen Stock Exchange. We consider the applied accounting policies appropriate for the annual report to provide a true and fair view of the Company's assets, equity and liabilities, financial position, results and cash flows.

We recommend the annual report for adoption at the Annual General Meeting.

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

Frederikssund, 12 February 2004

Management:



Peder Mohr Jensen
Managing Director

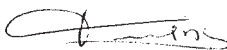


Jørgen Bødker
Sales & Marketing Director

Board of Directors:



Doris Hsu
Chairman



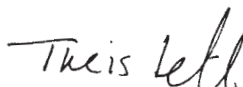
Paul Decraemer
Vice Chairman



Christian Buhl



Jon Wulff Petersen



Theis Leth Larsen

(Staff Representatives)



Trine Schønnemann

Auditors' report

To the shareholders of Topsil Semiconductor Materials A/S

We have audited the annual report of Topsil Semiconductor Materials A/S for the financial year 2003.

The annual report is the responsibility of the Company's Management. Our responsibility is to express an opinion on the annual report based on our audit.

Basis of opinion

We conducted our audit in accordance with Danish Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual report. An audit also includes assessing the accounting policies used and significant estimates made by the Management, as well as evaluating the overall annual report presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

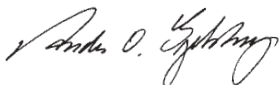
Opinion

In our opinion, the annual report gives a true and fair view of the Company's financial position at 31 December 2003 as well as of the results of its operations and its cash flows for the financial year 2003 in accordance with the Danish Financial Statements Act and Danish Accounting Standards.

Copenhagen, 12 February 2004

DELOITTE

Statsautoriseret Revisionsaktieselskab



Anders O. Gjelstrup

State Authorised Public Accountant

KPMG C. Jespersen

Statsautoriseret Revisionsinteressentskab



Sven Carlsen

State Authorised Public Accountant

Financial highlights

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)
Cash-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	0.24	0.30	0.43	0.50	53.23
Quoted price	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 comprises 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

** At the Extraordinary General Meeting on 10 August 2000, 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.

Calculation of ratios

Profit margin	$\frac{\text{Net profit/loss before interest, etc.} \times 100}{\text{Revenue}}$
Cash-to-current-liabilities ratio	$\frac{\text{Current assets} \times 100}{\text{Short-term liabilities other than liabilities}}$
Equity ratio	$\frac{\text{Equity at year-end} \times 100}{\text{Total liabilities and equity at year-end}}$
Profit/loss for analytical purposes	Profit/loss from ordinary activities less tax on profit or loss from ordinary activities
Return on equity	$\frac{\text{Profit/loss for analytical purposes} \times 100}{\text{Average equity}}$
Earnings Per Share (EPS)	$\frac{\text{Profit/loss for analytical purposes}}{\text{Average number of shares}}$
Equity value at year-end	$\frac{\text{Equity at year-end}}{\text{Number of shares at year-end}}$
Quoted price at year-end	Price of quoted shares at year-end
Dividends per share	$\frac{\text{Dividend rate} \times \text{nominal value of the share}}{100}$
Price/Equity value	$\frac{\text{Quoted price}}{\text{Equity value at year-end}}$

The ratios have been compiled in accordance with the guidelines on calculation of ratios issued by the Danish Society of Financial Analysts.

Financial review 2003

The Company produces and sells monocrystalline float zone silicon. Production takes place by transforming raw poly silicon into monocrystalline silicon 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 15.5m 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 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.

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 after the initiation of the business improvement plan, 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.

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 world-wide results in a development of the markets which differs significantly from what the analysts predict at the moment.

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
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
12.02	Announcement of financial results 2003

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.

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

Accounting policies

The annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class D enterprises, Danish accounting standards and the financial reporting requirements of the Copenhagen Stock Exchange.

At 31 December 2003, Topsil Semiconductor Materials A/S owns the subsidiaries Topsil Inc. and Topsil International A/S which are both inactive and do not have material assets or liabilities. Consequently, no consolidated financial statements have been prepared for 2003.

The accounting policies are applied consistently with those of last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Company has a legal and constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year. Value adjustments of financial assets and liabilities are recorded in the income statement as financial income or financial expenses.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the average exchange rates that do not vary materially from the rates at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date, are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Fixed assets purchased in foreign currencies are translated using historical rates.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging of the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly on equity. When the hedged transactions are realised, the changes are recognised in the relevant items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Changes in the fair value of derivative financial instruments applied for hedging net investments in independent foreign subsidiaries or associates are classified directly as equity.

Income statement

Revenue

Revenue is recognised in the income statement when delivery is made, and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts.

Other operating income and expenses

Other operating income and expenses comprise income and expenses of a secondary nature to the Company's primary activities.

Other external expenses

Other external expenses comprise expenses for distribution, sale, marketing, administration, premises, bad debts, etc.

Staff costs

Staff costs comprise salaries and wages as well as social security costs, pension contributions etc. for the Company's staff.

Costs of raw materials and consumables

Cost of raw materials and consumables comprises direct costs incurred to earn revenue. Cost of raw materials and consumables also includes costs of development projects that do not meet the criteria for recognition in the balance sheet.

Financial income and expenses

These items comprise interest income and expenses, the interest portion of finance lease payments, realised and unrealised capital gains and losses on securities, payables and transactions in foreign currencies as well as mortgage amortisation premium.

Extraordinary items

Extraordinary items comprise income and expenses which stem from events outside the Company's ordinary activities, and which are therefore expected to be non-recurring.

Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit/loss for the year and recognised directly on equity by the portion attributable to entries directly on equity. The portion of the tax taken to the income statement, which relates to extraordinary profit/loss for the year, is allocated to this entry whereas the remaining portion is taken to the year's profit/loss from ordinary activities.

The current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Deferred tax is recognised and measured applying the liability method on all temporary differences between the carrying amount and tax-based value of assets and liabilities. The tax-based value of the assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforward, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Balance sheet

Development projects

Development projects consist of development of products and production processes. Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred.

Development costs comprise costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

On completion of the development project, the development costs are amortised straight-line over its estimated useful life. The amortisation period is usually 5 years, but it may be up to 20 years if the longer amortisation period is considered to better reflect the Company's benefit from the developed product, etc. For development projects, protected by intangible rights, the maximum period of amortisation amounts to the remaining duration of the relevant rights, however, maximum 20 years.

Development projects, including projects in progress, patents and licences, are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition, and preparation costs of the asset until the time when it is ready to be put into operation. For company-manufactured assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

Interest expenses on loans for financing the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other financing costs are recognised in the income statement.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	20 years
Installations	6 years
Plant and machinery	10-20 years
Other fixtures and fittings, tools and equipment	3-6 years

Assets costing below the tax base limit of immediate write-off per unit are recognised as costs in the income statement at the time of acquisition.

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Profits and losses from the sale of property, plant and equipment are calculated as the difference between selling price less selling costs and carrying amount at the time of sale. Profits or losses are recognised in the income statement together with depreciation and impairment losses or under other operating income if the selling price exceeds original cost.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method. This means that the balance sheet investments are measured at the pro rata share of the enterprises' equity.

Net revaluation of investments in subsidiaries and associates is taken to reserve for net revaluation under the equity method if the carrying amount exceeds cost.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost of raw materials and consumables consists of purchase price plus transportation costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables and direct labour costs as well as indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of and depreciation and impairment losses on machinery, factory buildings and equipment applied for the manufacturing process as well as costs of factory administration and management. Financing costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Machinery and buildings for sale are revaluated at market price with deduction of the expected sales costs. The machinery and buildings in question are recognised as current assets at 31.12.2003.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less provisions for bad debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at amortised cost which usually corresponds to the nominal value.

Equity

Dividends are recognised as a liability at the time of adoption at the general meeting. The proposed dividends for the financial year are disclosed as a separate item under equity.

Acquisition and selling prices as well as dividends on treasury shares are classified directly as equity under retained earnings.

Other provisions

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date.

Mortgage debt

At the time of borrowing, mortgage debt is measured at cost which corresponds to the proceeds received less transaction costs incurred. It is subsequently measured at amortised cost which corresponds to the capitalised value applying the effective interest method.

Lease commitments

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions and are measured at amortised cost after initial recognition. The interest portion of lease payments is recognised over the term of the contracts as financial costs in the income statement.

Other financial liabilities

Other financial liabilities are recognised at amortised cost which usually corresponds to nominal value.

Deferred income

Deferred income comprises received income for recognition in subsequent financial years. Deferred income is measured at amortised cost which usually corresponds to the nominal value.

Cash flow statement

The cash flow statement of the Company is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as the Company's cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with the purchase and sale of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related costs as well as the raising of loans, instalments on interest-bearing debt, and payment of dividends.

Cash and cash equivalents comprise cash and short-term securities with insignificant price risk less short-term bank debt.

Segment information

Disclosures are provided on business segments (primary segment) pursuant to section 5 in Departmental Order No 841 of 11 October 2002 on exemptions from the Danish Financial Statements Act. The segmental disclosures comply with the Company's accounting policies and internal financial management.

Fixed assets in the segments include assets used directly in the operation of each segment, including intangible assets, property, plant and equipment, and investments in subsidiaries and associates.

Segment liabilities include liabilities and provisions deriving from the operation of each segment, including trade payables and other payables. Deferred tax is not included in segment liabilities.

Income statement for 2003

Note	DKK '000	2003	2002
1,2	Revenue	117,651	111,883
	Change in inventory	(16,361)	(12,695)
	Work performed for own account	3,533	2,888
3	Other operating income	3	206
	Costs of raw materials and consumables	(61,368)	(52,354)
	Other external expenses	(14,462)	(11,647)
4	Staff costs	(32,875)	(27,323)
5	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
6	Financial income	3,423	8,420
7	Financial expenses, group enterprises	(11)	(17)
8	Other financial expenses	(4,564)	(5,946)
	Profit/loss from ordinary activities	(16,623)	5,338
9	Tax on profit or loss from ordinary activities	(2)	12
	Profit/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

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 machinery 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

Liabilities

		Balance sheet at 31 December 2003	
Note	DKK '000	2003	2002
15	Share capital	64,837	64,828
16	Revaluation reserve	9,500	7,500
17	Reserve for net revaluation according to the equity method	31	24
18	Retained earnings	(11,415)	4,812
	Equity	62,953	77,164
	Mortgage debt	4,545	6,229
	Other credit institutions	23,960	19,201
	Convertible and profit-sharing debt instruments	0	905
19	Long-term liabilities other than provisions	28,505	26,335
19	Mortgage debt	1,652	1,533
19	Other credit institutions	6,923	12,187
	Trade creditors	18,250	20,115
20	Payables to group enterprises	533	526
21	Convertible and profit yielding bonds	905	0
	Other payables	12,495	22,239
	Lease commitments	0	2,063
	Short-term liabilities other than provisions	40,758	58,663
	Liabilities other than provision	69,263	84,998
	Equity and liabilities	132,216	162,162
25-27	Recourse guarantee commitments and contingent liabilities		
28-29	Other notes		

Statement of changes in equity for 2003

DKK '000	Share capital	Revalua- tion reserve	Reserve for net revalua- tion 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

Cash flow statement for 2003

Note	DKK '000	2003	2002
	Operating profit/loss	(16,623)	5,350
22	Adjustments	18,976	(2,163)
23	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)
	Instalments on liabilities other than provisions	6,282	(11,598)
	Capital increase, less expenses	0	46,460
	Instalments on lease commitment	(2,063)	(2,297)
	Acquisition 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
	Cash and cash equivalents at 1 January 2003	13,817	(20,872)
	Value adjustments of cash equivalents at the beginning of the year	0	0
24	Cash and cash equivalents at 31 December 2003	927	13,817

Notes

1. Revenue

The Company's entire revenue stems from exports. The primary sales areas are Europe, USA and the Far East. By far the majority of the transactions in the Company are performed in foreign currencies: EURO, USD and JPY. The Company's currency policy is to gain flexibility in the individual settlement currencies in order to obtain continuous balance on payments. 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.

2. Segment information

Net profit/loss for the year concerns the activity electronics (FZ). The balance sheet contains assets attributable to the solar cell production of a total of DKK 23,564k which is allocated by DKK 14,596k to intangible assets and DKK 8,968 to property, plant and equipment.

3. Other operating income

Other operating income primarily concerns gain from sale of fixed assets.

4. Staff costs

DKK '000

	<u>2003</u>	<u>2002</u>
Salaries and wages	31,195	26,051
Pension contributions	1,466	1,105
Other social security costs	214	167
	<u>32,875</u>	<u>27,323</u>
Of this total remuneration for:		
Management	<u>1,739</u>	<u>1,744</u>
Board of Directors	<u>450</u>	<u>375</u>
Average number of employees	<u>93</u>	<u>88</u>

An agreement on bonus based on performance has been entered into with the management team. The bonus is recognised in the financial statement by DKK 0 for 2003 (for 2002: DKK 500k)

5. Depreciation and impairment losses

Completed development projects	2,644	2,209
Buildings	1,647	1,645
Plant and machinery	1,927	3,490
Other fixtures and fittings, tools and equipment	314	748
Impairment loss on projects and other plant under construction	5,068	0
	<u>11,600</u>	<u>8,092</u>

6. Financial income

Remission of debt	3,100	7,700
Interest on bank deposit	112	49
Other interest	211	25
Exchange adjustments	0	646
	<u>3,423</u>	<u>8,420</u>

7. Financial expenses for group enterprises

Interest to Topsil International A/S	11	17
	<u>11</u>	<u>17</u>

8. Financial expenses

DKK '000	2003	2002
Interest on bank debt	1,817	3,792
Interest portion of financial lease payments	68	285
Interest on mortgage debt	429	317
Other interests and fees	1,519	1,552
Exchange adjustments	731	0
	4,564	5,946

9. Tax on profit or loss from ordinary activities

Current tax	0	0
This year's change in recognised deferred tax asset	0	17
Tax in group enterprises	(2)	(5)
	(2)	12

Income tax for the year can be explained as follows:

Calculated 30% tax on profit or loss from ordinary activities	4,986	(1,601)
Tax effect of:		
- equity items	(1,000)	410
- non-tax deductible costs and expenses	(9)	(6)
- tax base value of not previously recognised portion of tax asset	0	1,209
- tax base value of tax deficit to be carried forward	(3,979)	0
Total income tax for the year (income)	(2)	12

Deferred tax asset can be specified as follows:

Recognised tax asset at 1 January 2003	14,422	14,000
Additions during the year concerning equity entries	(1,000)	410
Additions during the year recognised in the income statement	0	12
Recognised tax asset at 31 December 2003	13,422	14,422

The tax asset is primarily attributed to tax loss carryforward.

10. Intangible assets

DKK '000	Completed development projects	Development projects in progress
Cost at 1 January 2003	26,810	6,576
Additions	463	8,849
Disposals	(8,732)	(391)
Cost at 31 December 2003	18,541	15,034
Amortisation 1 January 2003	(11,713)	0
Amortisation	(2,644)	0
Amortisation concerning disposals of the year	6,167	0
Amortisation at 31 December 2003	(8,190)	0
Carrying amount at 31 December 2003	10,351	15,034
Carrying amount at 31 December 2002	15,097	6,576

11. Property, plant and equipment

DKK '000	Land and buildings	Plant and machinery	Other fixtures etc.	Other plant under construction
Cost at 1 January 2003	27,943	55,556	5,009	12,511
Additions	0	0	339	7,992
Disposals	(17,131)	(83)	(20)	(10,376)
Cost at 31 December 2003	10,812	55,473	5,328	10,127
Revaluation at 1 January 2003	7,500	0	0	0
Disposals concerning sale of building at 31 December 2003	(4,554)	0	0	0
Revaluation at 31 December 2003	2,946	0	0	0
Depreciation at 1 January 2003	(20,835)	(49,680)	(4,204)	0
Depreciation	(1,647)	(1,957)	(314)	0
Depreciation regarding disposals of the year	12,770	55	3	0
Depreciation at 31 December 2003	(9,712)	(51,582)	(4,515)	0
Carrying amount at 31 December 2003	4,046	3,891	813	10,127
Carrying amount at 31 December 2002	14,608	5,876	805	12,511
Disclosure on value according to the public land assessment of real property:				
Carrying amount of properties	12,961			
Value according to public assessment of real property at 1 January 2003	27,500			

On measurement of land and buildings at cost, the carrying amount at 31 December 2003 would amount to DKK 3,042k, as the non-depreciated part of the revaluation amounts to DKK 1,004k (DKK 1,155k at 31 December 2002). It has been decided to dispose of parts of the buildings, and consequently these buildings have been transferred to current assets. Otherwise the carrying amount at 31 December 2003 had amounted to DKK 10,374k, as the non-depreciated portion of the revaluation amounted to DKK 2,587k. (DKK 2,962k at 31 December 2002)

12. Fixed asset investments

DKK '000	Investments in group enterprises	Other investments
Cost at 1 January 2003	500	23
Cost at 31 December 2003	500	23
Net revaluation at 1 January 2003	24	0
Net share of profit/loss for the year	7	0
Net revaluation at 31 December 2003	31	0
Disposals of the year	0	(20)
Carrying amount at 31 December 2003	531	3
Carrying amount at 31 December 2002	524	23

Investments in group enterprises comprise:
Topsil International A/S, Frederikssund, wholly owned
Topsil Inc., Arizona, USA, wholly owned

The group enterprises are dormant. Net profit/loss for the year in group enterprises solely comprises interest income less tax.

13. Buildings and machinery for sale

DKK '000	2003	2002
Carrying amount, building	9,453	0
Carrying amount, machinery	3,079	0
	12,532	0

In the accounting year 2003 machinery has been revaluated with DKK 3m.

14. Trade receivables

To a certain extent trade receivables are provided as security pursuant to factoring agreement. Trade receivables at 31 December 2003 include deposits in cover-for-liabilities account of a total of DKK 6,407k (at 31 December 2002: DKK 6,399k) in the factoring company applied. Receivables are geared by 90%. The agreement is to be renegotiated in 2004.

15. Share capital

Share capital consists of 259,348,880 shares at DKK 0.25. The shares have not been divided into classes.

DKK '000	2003	2002
Share capital at 1 January 2003	64,828	58,115
Capital increase by cash payment	0	50,000
Bond conversion	9	300
Disposal at capital decrease	0	(43,587)
Share capital at 31 December 2003	64,837	64,828
Treasury shares:		
Holding at 1 January 2003	200	0
Acquisition in 2002	0	0
Disposals in 2003	(200)	200
Holding at 31 December 2003	0	200

	DKK '000
Change in share capital from 1999 to 2003	
Share capital at 31.12.1999	34,415
Reduction of share capital in 2000	(26,500)
Capital increase in 2000	49,078
Capital increase in 2001	1,122
Capital decrease in 2002	(43,587)
Capital increase in 2002	50,300
Capital increase in 2003	9
Share capital at 31.12.2003	64.837

16. Revaluation reserve

Balance at 1 January 2003	7,500	7,500
Revaluation of machinery	3,000	0
Deferred tax on sale of machinery	(1,000)	0
Balance at 31 December 2003	9,500	7,500
Revaluation reserves concern:		
Land and buildings	7,500	7,500
Machinery	2,000	0
	9,500	7,500

17. Reserve for net revaluation according to the equity method

Balance at 1 January 2003	24	13
Profit for the year allocated to reserve	7	11
Balance at 31 December 2003	31	24

18. Retained earnings

Balance at 1 January 2003	4,812	(40,783)
Capital reduction	0	43,587
Costs of capital increase after tax	0	(3,131)
Purchase of treasury shares	0	(200)
Sale of treasury shares	398	0
Amount allocated from loss for the year	(16,625)	5,339
Balance at 31 December 2003	(11,415)	4,812

19. Long-term liabilities other than provisions

DKK '000	Maturity within 1 year	Maturity after 1 year	Total amortised debt	Total nomi- nal debt
Mortgage debt	1,652	4,545	6,197	6,364
Credit institutions etc.	6,923	23,960	30,883	30,883
Long-term liabilities other than provisions at 31 December 2003	8,575	28,505	37,080	37,247
Long-term liabilities other than provisions at 31 December 2002	2,806	26,335	29,141	29,404
Due after more than five years: Mortgage debt etc.		7,626		
		<u>7,626</u>		

20. Payables to group enterprises

DKK '000	2003	2002
Topsil International A/S	533	526
	<u>533</u>	<u>526</u>

21. Convertible and profit yielding bonds

There is an outstanding balance of DKK 905k convertible bonds. Bondholders are entitled to convert the bonds into shares at par value in a period of six weeks in connection with the publishing of the Company's announcement of financial results 2003 at 12 February 2004, so that on conversion a new share of nominal DKK 0.25 is obtained for each nominal bond amount of DKK 1.00. Any bonds for which conversion into shares has not been requested during this period shall fall due for cash redemption at par value on 1 July 2004.

22. Adjustments

Depreciation, amortisation and impairment losses	11,600	8,092
Net financials	1,144	(10,172)
(Gain)/loss from sale of fixed assets	0	(71)
Remission of debt	3,100	0
Income taxes	2	(12)
Other adjustments	3,130	0
	<u>18,976</u>	<u>(2,163)</u>

23. Working capital changes

Change in inventories	12,283	14,710
Change in debtors	(2,218)	(3,947)
Change in trade payables, etc.	(11,600)	(3,396)
	<u>(1,535)</u>	<u>7,367</u>

24. Cash and cash equivalents

Cash	3,488	24,731
Short-term liabilities other than provisions owed to credit institutions	(2,561)	(10,914)
	<u>927</u>	<u>13,817</u>

25. Assets charged

Mortgage debt is secured by way of mortgage on properties. The mortgage also comprises the plant and machinery deemed part of the property.
Bank debt is secured by way of a deposited mortgage deed registered to the mortgagor on properties of DKK 75,000k nominal and a deposit mortgage deed registered to the mortgagor on plant of DKK 19,600k nominal.

Carrying amount of mortgaged properties	12,961	14,608
Carrying amount of mortgaged plant	3,919	5,876
Deposit on cover-for-liabilities account in factoring company	6,407	6,399

26. Lease commitments**DKK '000**

For the years 2003-2007, operating lease agreements have been concluded on IT equipment

Annual average expense of operating lease agreements

<u>2003</u>	<u>2002</u>
<u>321</u>	<u>307</u>

27. Recourse guarantee commitments and contingent liabilities

At 31 December 2003 Topsil Semiconductor Materials A/S has unused currency derivatives amounting to DKK 30,000k.

The Company is a party to an agreement on a potential purchase of a machine. Furthermore, the Company is a party to some proceedings. Management does not believe that these matters will constitute a material risk, which has not been considered in the financial statement.

28. Fee to appointed auditors**DKK '000****Deloitte:**

Audit

400 250

Non-audit services

389 462

789 712**KPMG C. Jespersen:**

Audit

85 50

Non-audit services

0 256

85 306**29. Related parties**

Topsil Semiconductor Materials A/S has no related parties with controlling influence.

Other related parties with whom Topsil Semiconductor Materials A/S has had transactions in 2003:

Board of Directors

Management

Sino-American Silicon Products Inc.

Sustainable Energy Ventures

Transactions between related parties and Topsil Semiconductor Materials A/S in 2003:

Sino-American Silicon Products Inc.:

Sale of goods

37,774

Purchase of goods

23,101

Trade payables at 31 December 2003

5,594

Interest to Topsil International A/S

10

Loan from Topsil International A/S

533

Other remuneration etc. paid to the Management and Board of Directors are disclosed in note 4, staff costs.

All related party transactions have been conducted on an arm's length basis.

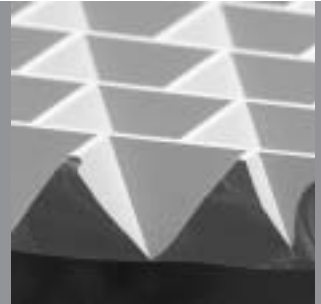


SOLAR



Topsil is dedicated to production of float zone products and is recognised as the flexible supplier to all applications and customers.

It is Topsil's mission to meet the electronics industry's need for FZ silicon. Our customers demand constant improvements in terms of quality, reliability and co-operation. Consequently, our top priorities are R&D, process improvements and education.



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