NASDAQ OMX Copenhagen Nikolaj Plads 6 DK-1067 Copenhagen K	24 March 2009 No. 01/09

FULL YEAR PROFIT ANNOUNCEMENT 2008

Comments on the financial results for 2008

- **TOPSIL'S CONSOLIDATED REVENUE** for 2008 grew by 49.8% against 2007 to DKK 289.4m, of which just under DKK 30m derived from the Polish company Cemat Silicon S.A. This was marginally higher than the most recent guidance. Operating profit for 2008 was DKK 64.2m (2007: DKK 52.1m), corresponding to a profit margin of 22.2% (2007:27.0%).

- **PROFIT BEFORE TAX FOR 2008** was DKK 62.1m, in line with the most recent forecast, and an increase of DKK 14.0m on 2007. Profit for the year after tax was DKK 45.9m (2007: DKK 34.9m).

- This was the **BEST PROFIT** reported in group history, and the Board of Directors and Management consider it to be very satisfactory.

- **THE STRONG MARKET GROWTH** within float zone silicon continued in 2008, and at the beginning of 2009, Topsil's intake of orders for delivery within the following 12 months was the highest ever.

- **IN 2008, TOPSIL COMPLETED** the acquisition of 95.92% of Cemat Silicon S.A., Poland, at a purchase price of DKK 153.7m. As a result of the acquisition, Topsil established a position within Czochralski silicon and acquired its own wafering and wafer polishing facilities.

- **IN LATE 2008, TOPSIL SIGNED A NEW LONG-TERM AGREEMENT** for delivery of polysilicon with a view to expanding its float zone production. The agreement runs from 2010 to 2017 and supplements the existing long-term agreement which runs up until 2012. Over time, the agreement will add 30% to Topsil's float zone silicon capacity.

- **IN ORDER TO MEET GROWING DEMAND**, Topsil initiated a process to expand production capacity at Frederikssund, Denmark. The first phase of the expansion will be implemented in 2010.

Outlook for 2009

- Overall, consolidated **REVENUE** for 2009 is expected to grow by about 50% to approximately DKK 430-450m.

- The group is expected to report a **PROFIT MARGIN** of approximately 18% for 2009 and **PROFIT BEFORE TAX** in the region of DKK 65-75m.

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Extract of Management Report 2008

Financial highlights and ratios for the group

Five-year financial highlights (DKK'000)	2008	2007	2006	2005	2004
Revenue	289,402	193,231	147,503	129,592	115,657
Operating profit (EBIT)	64,154	52,093	33,593	(7,080)	3,899
Net financial income and expenses	(2,085)	(4,016)	(4,359)	(1,033)	(2,810)
Profit for the year	45,865	34,867	28,143	(13,969)	1,089
Invested capital	260,454	73,702	30,717	30,262	45,711
Net working capital (NWC)	62,509	32,489	5,872	18,510	35,429
Equity	249,246	149,327	111,079	50,253	62,974
Balance sheet total	503,875	216,847	179,827	112,284	115,672
Investments in property, plant and equipment	8,058	7,372	4,534	8,603	375
Net interest-bearing debt	35,922	(89,976)	(70,734)	17,149	24,025
Cash earnings	54,063	56,941	44,075	(2,598)	14,444
Average number of full-time employees	140	73	64	76	84
No. of shares, current (thousands)	403,392	398,823	393,150	262,100	262,100
No. of shares, diluted (thousands)	408,823	409,972	408,150	266,032	262,100
Financial ratios					
Profit margin (%)	22.2	27.0	22.8	(5.5)	3.4
Return on invested capital (%)	38.4	99.8	110.2	(18.6)	8.5
Return on equity (%)	23.0	26.7	34.9	(24.7)	1.7
Financial gearing	0.1	(0.60)	(0.64)	0.34	0.38
Revenue/invested capital	1.1	2.6	4.8	4.3	2.5

The financial highlights and key ratios for 2004–2008 have been prepared in accordance with IFRS.

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Extract of Management Report 2008

In recent years, Topsil has made dedicated efforts to meet a number of strategic challenges identified by the group as part of a number of strategy sessions in 2006 and 2007. Back then, the Group defined four main challenges to be addressed from 2006 to 2009:

1. Topsil needed to secure **access to the raw material**, polysilicon, for float zone (FZ) production in sufficient volumes and at acceptable terms in order to ensure that customer demand and requirements for reliability of supply would be met, despite the distinct and increasing global shortage of polysilicon.

2. It was necessary to ensure **efficient and competitive production** with a high level of raw materials utilisation, a higher level of automation and a high and uniform quality of production output.

3. **Access to wafering** (wafer slicing and wafer processing) had to be secured to a sufficient degree and on acceptable terms.

4. Topsil needed to be capable of **addressing competition from various FZ substituting products** in the discrete market[1].

Access to raw materials

Since mid-2005, the silicon industry has been affected by a shortage of raw silicon due to growing demand from the solar cell industry, which now buys approximately 70% of global production. As production of monocrystalline silicon is dependent on the access to raw materials, it has become essential for Topsil and the rest of the industry in recent years to secure raw materials supplies. This especially applies to raw materials for the production of FZ silicon, which represents a niche market with a 3–5% share of the total silicon market for the semiconductor industry, where raw silicon is only offered under long-term agreements by two producers globally.

Topsil therefore reached a very important milestone in 2006 when the group signed a raw materials agreement with one of the two global suppliers, securing supplies of fixed volumes of polysilicon from 2007 to 2012. Topsil's raw materials position was further strengthened when the group signed a long-term agreement in 2008 with the other supplier of polysilicon for FZ production, covering the years from 2010 to 2017. Topsil now has agreements with both suppliers of traditional FZ material and is therefore now able to produce a full range of FZ-based products going forward and expects to be able to scale production in line with growing demand.

Efficient and competitive production

FZ production is a processing industry which has developed from manual, mechanical control to increasingly automated production, where factors such as the quality and the processing of raw materials, the processing technologies applied, machine configurations, purity, heat and other thermal conditions have a significant effect on production volumes, quality and, by extension, efficiency.

Since 2006, Topsil has devoted its efforts to implementing measures to improve production efficiency and minimise costs, facilitating the production of as many finished goods as possible while at the same time minimising consumption of raw materials and the number of process stages. In 2007–2008, the group

[1] The discrete market, which represents approximately 16% of the total market for silicon for the semiconductor industry, forms part of the semiconductor components market that is primarily aimed at industrial solutions with single-function components. An entire silicon wafer is often used for one single component, e.g. for thyristors, as opposed to integrated circuits with multiple functions. 'Discrete components' are often applied for controlling and distributing high-voltage currents that require the highest levels of purity and uniformity of electrical properties.

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invested heavily in an upgrade of the preparatory processes, including in the development of grinding and etching processes, new cleanroom and ventilation systems and development of work processes, procedures and product flow. Lean and Six Sigma tools are extensively applied in these optimisation efforts, and the initiatives have made production significantly more consistent and the utilization ratio of the raw materials higher; not least as a result of the significant quality improvement of the preparatory processes.

Access to wafering

As a result of the acquisition Topsil gained market opportunities within the large CZ market, but the group had one more convincing argument for acquiring Cemat Silicon S.A.: Since 2000, Topsil has been outsourcing wafering to two business partners, one in Taiwan and one in China. However, the shortage of raw materials, the massive growth of the solar cell industry and increased demand from the semiconductor industry posed a risk that it would be difficult in future to secure sufficient capacity and capability from wafering sub-suppliers. It therefore became increasingly attractive to have an alternative sourcing model, and by acquiring Cemat Silicon S.A., Topsil gained access to in-house wafering and wafer polishing as an alternative to outsourcing, and the group is now able to place wafer production where it is deemed most favourable taking into account costs, volumes, production time and production flow.

Addressing competition from FZ substituting products

FZ silicon is characterised by being purer, more uniform and more costly than the silicon predominantly used in the semiconductor industry, CZ silicon. However, the availability of the raw material is significantly more limited, and several producers are therefore attempting to replace the FZ raw material by substituting raw materials or by developing products to replace conventional FZ products.

Despite the fact that FZ-based silicon continues to be the preferred material for high and medium power components in the semiconductor industry, Topsil therefore assesses that it would be strategically important to have access to CZ technology and CZ production in order to achieve the optimum platform for ensuring the development of the group's position in the discrete market.

In the autumn of 2008, Topsil therefore took a very significant, strategic step by acquiring the Polish company Cemat Silicon S.A. Cemat Silicon produces and sells traditional CZ silicon as well as the more specialised CZ-EPI product, which is to some extent used as a substitute for FZ silicon. The acquisition of Cemat Silicon S.A. has placed Topsil in a much better position than previously, as the group now has the opportunity to offer a broader range of different silicon variants used in the discrete market of the semiconductor industry.

AGGRESSIVE STRATEGY AND NEW OBJECTIVES

Despite the global recession, there is still strong, underlying demand for Topsil's products. The relatively limited number of producers of high-power components for the semiconductor industry is witnessing massive growth, which is expected to continue in the years ahead.

Having addressed the four key challenges identified in 2006, Topsil has created a new and strengthened business platform and is ready to exploit the potential resulting from the group's strong market position in a growing market with expected annual growth rates of 10–20%.

Based on an aggressive, growth-oriented and targeted strategy, Topsil will continually seek to expand its competitive position. The group plans to expand production capacity to be scalable to revenue of DKK 1bn in line with growing demand, and hence create a basis for continuing growth. In terms of earnings, the group's goal will be to achieve a long-term profit margin about 20% at EBIT level.

Topsil's ambitious growth plan is rooted in focused use of three business and strategic strengths:

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- **Access to raw materials**

  Two supplier agreements, one of which runs up until 2017, have placed Topsil in the most favourable raw materials position in the group's history. As a result of the agreements, Topsil is able to continue to expand production and provide customers with fully guaranteed supplies through long-term agreements, which is a major competitive parameter. In addition, the Board of Directors and Management believe that the group's opportunities for expanding and establishing new long-term agreements with both suppliers of raw materials are good. If deemed favourable, Topsil may also exploit the opportunity to use CZ materials produced by Cemat Silicon S.A. as a third alternative raw material for FZ solutions that allow for lower levels of purity. This will enable Topsil to allocate the limited volume of FZ material to high-margin products and thereby ensure improved profitability.

- **Expansion of capacity and improved production flow**

  The group will intensify its focus on efficient production flows in terms of cost and raw materials throughout the value chain, which will pave the way for optimum exploitation of market developments, renewed access to raw materials, a broader product range and the group's high intake of orders. Topsil will continue its efforts to implement efficiency optimisation measures, e.g. by exploiting the in-house wafering facilities at Cemat Silicon S.A. and the synergies associated with the acquisition of the Polish business.

  As mentioned above, in order to meet demand for FZ silicon, Topsil has decided to expand production capacity at Frederikssund. A new production facility with cleanroom facilities for FZ production is therefore being projected. The facility will be constructed so as to be scalable by a number of new FZ machines to be added in line with demand. The first machines are expected to be put into operation in the first half of 2010.

- **Sales strategy**

  The group plans to exploit its core competences within silicon production for the semiconductors that will be crucial to the expansion of the energy sector in the years ahead. In the high power area, Topsil will primarily allocate capacity and raw materials to growth in sales of the technically demanding and expensive NTD products that are based on the FZ technology. Topsil assesses the market share of its three largest customers to be about 50% for these components, and the group aims to continue to grow with these customers and to add 1–2 new customers to its portfolio. In the medium and low power area, Cemat Silicon S.A.'s expertise will further add to the group's growth by accelerating sales of both traditional CZ-based products and CZ-EPI products.

Activities in 2008

Developments in the silicon market

The FZ market was characterised by strong growth in 2008, driven by expansion of infrastructure and improvement of energy efficiency, which were unaffected by the economic crisis and financial turmoil.

Sales in the CZ market for low and medium power products were stable up until the fourth quarter of 2008, when the markets were hit hard as a consequence of the economic downturn in the electronics and semiconductor industries. This will put pressure on CZ producers until the macroeconomic situation returns to normal.

Supplier status

In 2008, the global market for polysilicon was also affected by a shortage of raw materials in line with growing demand from the solar cell industry.

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Since only two suppliers offer the polysilicon used in Topsil's FZ production globally, Topsil's announcement in December 2008 that it had signed a long-term raw materials agreement with Wacker Chemie AG therefore had great strategic and commercial value. The agreement complements Topsil's existing long-term agreement with the other supplier, which terminates in 2012.

The agreement with Wacker will secure further supplies of polysilicon in 2010–2017, and already on a continuing basis in 2009, Topsil will receive deliveries from Wacker in order to be able to scale production to increased volumes. With the conclusion of the agreement Topsil expects to be able to increase production of FZ silicon by approximately 10–15% in 2009, 20–25% in 2010 and about 30% in the subsequent years compared to the 2008-level. The agreement with Wacker thus provides a strong platform for the future implementation of Topsil's growth strategy.

Acquisition of Cemat Silicon S.A.

It was a strategic key event for Topsil when, in July 2008, it announced that it had signed an agreement for the purchase of 19.28% of the shares in the Polish company Cemat Silicon S.A. In late October 2008, Topsil announced the acquisition of 95.92% of the shares in Cemat Silicon S.A. at a price of DKK 153.7m, DKK 145m of which was financed by debt. Topsil expects to acquire the remaining 4.08% of the shares on similar terms in 2009.

At the time of acquisition, Cemat Silicon S.A. employed 260 staff. In 2008, the company's revenue was approximately DKK 113m and its operating loss approximately DKK 2m after purchase price allocation. Cemat Silicon S.A. holds approximately 53% of the shares in the property company Cemat70 S.A., which engages in leasing operations.

The acquisition of Cemat Silicon S.A. not only meant that Topsil gained access to the other silicon production technology, the Czochralski technology, which is the most widely used silicon technology in the semiconductor industry, e.g. for low and medium power product components; the group also gained access to yet another production facility, making it easier to scale future production. The acquisition also provided Topsil with its own facilities for wafering and wafer polishing.

As a result of the acquisition of Cemat Silicon S.A., Topsil now offers a full product portfolio of silicon for the semiconductor industry, and the acquisition has therefore significantly strengthened the group's business platform and market position. After the acquisition, Topsil appointed a new management at Cemat Silicon S.A., which has begun the process of integrating and implementing the synergy and restructuring plan expected to lead to a major restructuring of Cemat Silicon S.A. and savings on purchases and production corresponding to DKK 25m on EBIT level as from 2012.

Expansion of production capacity

The strong growth in demand for Topsil's FZ silicon products in recent years has resulted in full utilisation of the group's production capacity.

In 2008, in order to meet growing demand, Topsil therefore commenced a process to build a platform for growing production output. This process will be implemented throughout 2009 and 2010. The efforts are aimed at three areas: Firstly, the group will invest in optimisation of the existing FZ production plant. Secondly, Topsil will expand FZ production with new production lines at Frederikssund. The first phase of the expansion will be completed in the first half of 2010. Subsequently, it will be possible to scale production with additional FZ machines, as and when the need arises. Thirdly, more operators will be hired, making it possible to switch to 24/7/365 production operations from mid-2009.

Overall, these measures to expand FZ production capacity are expected to enable Topsil to meet anticipated growth in the next few years.

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Financial performance in 2008

Cemat Silicon S.A. and its partly owned subsidiary, Cemat70 S.A., were acquired in late October 2008 and were consolidated as from that time and fully recognised at the balance sheet date.

INCOME STATEMENT

Topsil's **revenue** for 2008 was DKK 289.4m (2007: DKK 193.2m), corresponding to revenue growth of 49.8%. Revenue improved marginally compared with the most recent forecast of revenue of DKK 260-280m for the financial year 2008.

Of the 2008 revenue, just under DKK 30m derived from Cemat Silicon S.A., whereas the remaining part of revenue growth was organic, driven by higher volumes and higher selling prices in the FZ market as a result of the group's focus on optimising its product and customer mix and passing on price increases on raw materials to selling prices.

Sales of the residual product remelt represented approximately 20% of Topsil's profit before tax in 2008.

In **change in finished products and work in progress**, the value of inventories at 31 December 2008 was recognised at DKK 85.3m in 2008 (2007: DKK 47.0m). The increase was due to the recognition of Cemat Silicon S.A., which contributed DKK 26.5m, a larger stock of raw materials and the recognition of raw materials at a higher price due to rising cost prices throughout 2008. Finally, the volume of work in progress had grown due to higher activity levels.

Costs of raw materials and consumables grew to DKK 138.2m in 2008 (2007: DKK 95.4m). As in previous years, this increase was a reflection of higher raw materials prices, which characterised the silicon market throughout most of the period. Total direct production costs increased by 45%, or DKK 42.8m, relative to 2007, DKK 13.0m of which related to costs in subsidiaries.

Other external expenses grew by DKK 14.1m to DKK 42.0m in 2008 (2007: DKK 27.9m). DKK 7.8m of the increase related to other external expenses incurred in Cemat Silicon S.A. and its subsidiary. The increase of DKK 6.3m in the parent company was due to a higher level of activity in the parent company aimed at stabilising and sustaining volume growth. The higher costs were attributable to measures such as an increased focus on repairs and maintenance and increased energy costs. In addition, costs were incurred in relation to the negotiations for the acquisition of Cemat Silicon S.A., which were not attributable to the purchase price.

Staff costs grew to DKK 51.1m in 2008 (2007: DKK 37.3m), reflecting a substantial increase in the number of employees in the group, from 73 to 402 at 31 December 2008 (140 employees on average), due to the acquisition of Cemat Silicon S.A.

Depreciation, amortisation and impairment totalled DKK 8.1m in 2008 (2007: DKK 5.8m).

Topsil's **operating profit (EBIT)** for 2008 came to DKK 64.2m (2007: DKK 52.1m), corresponding to a profit margin of 22.2% (2007:27.0%). In addition to the factors referred to above, operating profit was also affected by increased costs relating to expansion of production capacity.

Financial items were a net expense of DKK 2.1m in 2008 (2007: a net expense of DKK 4.0m). This reflected increased financial income due to an improved cash position ahead of the acquisition of Cemat Silicon S.A., and increased financial expenses due to realised and unrealised foreign exchange losses in USD, interest expenses in relation to the acquisition loan and operating credits in Cemat Silicon S.A. and initial expenses relating to the acquisition loan. The unrealised foreign exchange losses in USD primarily related to security expiring in 2012, which Topsil chose not to hedge.

Profit before tax for 2008 was DKK 62.1m, in line with the most recent guidance, and an increase of DKK 14.0m on 2007.

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Tax on the profit for the year was DKK 16.2m, corresponding to an effective tax rate for the year of 26.2% (2007: 27.5%). The reduction was a result of the effects of a changed rate of taxation in 2006 on the comparative figure for 2007.

Profit for the year grew by DKK 11.0m, or 32%, to DKK 45.9m (2007: DKK 34.9m), primarily due to increased sales.

BALANCE SHEET

The group's assets at 31 December 2008 stood at DKK 503.9m, an increase of DKK 287.1m on 2007, DKK 264.8m of which was attributable to the acquisition of Cemat Silicon S.A. and its subsidiary.

The most important assets acquired in connection with the acquisition of Cemat Silicon S.A. were production plant and buildings, rights of use of land, trade receivables, inventories and cash and cash equivalents, recognised at fair value at the date of acquisition.

ASSETS

Intangible assets grew to DKK 47.0m in 2008 (31 December 2007: DKK 13.7m), primarily relating to goodwill (DKK 17.8m) and a fixed-term right of use of land in Poland (DKK 15.5m).

Property, plant and equipment grew to DKK 151.0m at 31 December 2008 (31 December 2007: DKK 27.5m). This was attributable to the buildings and production plant acquired together with Cemat Silicon S.A., of which the net assets of the real estate company Cemat70 S.A. amount to DKK 133m. Topsil's share is DKK 70m.

Financial assets increased to DKK 66.7m at 31 December 2008 (31 December 2007: DKK 52.2m), mainly reflecting a prepayment to a supplier of raw materials.

Inventories stood at DKK 85.3m at 31 December 2008 (31 December 2007: DKK 47.0m), due to an increase in the value of stocks in the parent company and the inventories acquired in Cemat Silicon S.A.

Receivables grew to DKK 85.8m at 31 December 2008 (31 December 2007: DKK 38.7m). This was attributable to an increase in receivables in the parent company due to improved sales in the fourth quarter of 2008 compared with the year-earlier level. DKK 20.0m of the total increase of DKK 47.1m related to receivables in the acquired company.

CASH AND CASH EQUIVALENTS

During the financial year, the group had cash inflows from operating activities. The acquisition of Cemat Silicon S.A. was made with the parent company's own free funds and by raising an acquisition loan. At 31 December 2008, the parent company had a free cash flow of DKK 9.4m; the group's free cash flow was DKK 68.2m. DKK 58m of the group's free cash flow derived from the company Cemat70 S.A., in which Topsil Semiconductor Materials A/S has a controlling influence through an ownership interest of about 52.92%.

EQUITY AND LIABILITIES

The group's **equity** at 31 December 2008 stood at DKK 249.2m, DKK 70.2m of which was attributable to minority interests and DKK 179.0m to shareholders of Topsil Semiconductor Materials A/S. The change in equity before minority interests was primarily due to growth in the profit for the year, whereas foreign exchange adjustments adversely affected equity.

The group's **non-current liabilities** at 31 December 2008 amounted to DKK 146.1m. The increase mainly related to debt to credit institutions of DKK 116.1m, DKK 104.1m of which related to the parent company. The non-current debt in the parent company related to the acquisition loan. Furthermore,

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deferred tax liabilities grew, mainly due to the purchase price allocation on property, plant and equipment in Cemat Silicon S.A. and Cemat70 S.A.

Current liabilities amounted to DKK 108.6m at 31 December 2008 (31 December 2007: DKK 53.2m). The increase was primarily a result of increased debt to credit institutions, the major part of which concerned the parent company's share of the acquisition loan, which falls due in 2009.

Invested capital at 31 December 2008 was DKK 260.5m (1 January 2008: DKK 73.7m), mainly attributable to the acquisition of Cemat Silicon S.A.

Return on invested capital therefore came to 38.4% in 2008 (2007: 99.8%) and was affected by the acquisition of Cemat Silicon S.A.

CASH FLOWS AND INTEREST-BEARING DEBT

Topsil's **cash flows from operating activities** were a cash inflow of DKK 5.8m (2007: a cash inflow of DKK 35.9m). The change in working capital was minus DKK 49.3m in 2008 (2007: minus DKK 26.6m), primarily due to an increase in trade receivables in the fourth quarter of 2008.

Cash flows from investing activities were an outflow of DKK 85.6m (2007: an outflow of DKK 7.8m). The substantial increase mainly related to the acquisition of Cemat Silicon S.A. and operational investments of DKK 9.1m, mainly attributable to expansion and improvement of production capacity.

Cash flows from financing activities were an inflow of DKK 119.2m (2007: an outflow of DKK 12.8m), mainly relating to the raising of the acquisition loan.

Cash flows for the year thus came to an inflow of DKK 39.4m (2007: an inflow of DKK 15.3m).

Interest-bearing debt amounted to DKK 35.9m at 31 December 2008 (31 December 2007: a deposit of DKK 90.0m). This was primarily a reflection of increased borrowing relating to the Cemat Silicon S.A. acquisition.

At 31 December 2008, interest-bearing debt amounted to DKK 155.9m. The difference of DKK 120.0m relative to net interest-bearing debt represented interest-bearing assets, including cash and cash equivalents of DKK 68.1m, a substantial part of which was placed in Cemat70 S.A. DKK 116.1m, or 74%, of the interest-bearing debt of DKK 155.9m, was non-current debt, i.e. debt falling due later than one year from 31 December 2008, and primarily consisted of facilities in DKK and JPY.

FINANCING

Interest-bearing debt amounted to DKK 155.9m at 31 December 2008, DKK 116.1m of which was non-current debt falling due after 31 December 2009. The remaining DKK 39.8m will fall due in 2009. The group has not defaulted on any loan agreements.

Proposed dividend for 2008

The Board of Directors proposes to the Annual General Meeting that the profit for the year be applied to optimise capital resources and that no dividend be paid in respect of the financial year 2008.

Annual General Meeting

The Annual General Meeting will be held on Wednesday, 29 April 2009 at 10:00 am, at PLESNER law firm, Amerika Plads 37, DK-2100 Copenhagen Ø, Denmark.

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Special risks

Business risks

Topsil is the world's fourth-largest supplier of FZ silicon with a market share of about 8%. The group is therefore a small player in a market with very large competitors, which may entail a business risk.

Sales to Topsil's ten largest customers account for 90% of revenue, and two customers each account for more than 10% of consolidated revenue.

In the long term, a number of risk factors exist. The current large raw materials producers may cease production of raw material for FZ production, which may force the semiconductor and the electronics industries to find substituting silicon products. Over time, the FZ market may therefore shrink or disappear altogether.

New technology may lead to a surplus of raw materials, or the current investments in new capacity may lead to renewed surplus production of raw materials. If this happens, the semiconductor industry will again squeeze silicon producers, and prices may return to a level creating a more competitive market and putting profitability under pressure. However, this seems less likely at present as investments in reactor plants and the construction of reactor plants only relate to new raw material output already sold under long-term agreements.

Topsil has now signed agreements with the two primary raw materials suppliers and is therefore not as vulnerable to risks associated with raw materials as previously.

The group is still dependent on access to irradiation capacity. Topsil is well positioned in relation to the irradiation suppliers.

Financial risks

The activities of the group, including the acquisition of the Polish company Cemat Silicon S.A., implies that the group's equity and profit are exposed to several financial risks, primarily relating to fluctuations in exchange rates and interest rates.

The group's capital resources are regularly reviewed and consist of binding loan commitments and cash reserves in parent company and subsidiaries. The Board of Directors and Management believe that the existing cash reserves and expected future cash flows are sufficient to maintain operations and implement planned measures to expand production when warranted by demand.

Events after the balance sheet date

No significant events have occurred after the balance sheet date.

Outlook for 2009

Despite the global recession, NTD products are expected to continue to be in strong demand in 2009. This is evident from Topsil's FZ product orders to be delivered in 2009; at DKK 156m, this is the highest order volume in group history. In addition to the number of confirmed orders, the group has signed a number of framework agreements and has received a number of enquiries covering the FZ raw materials supplies available to Topsil in 2009, including the supplies from Wacker.

The market for CZ silicon, on the other hand, is strongly affected by the macro-economic situation, which has caused a dramatic slowdown in the propensity to consume and the demand for products such as

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consumer electronics and cars. As a result, Cemat Silicon S.A.'s order volume at the beginning of the year is significantly below last year's level.

As a consequence of the reduced activity level, the Board of Directors and Management initiated a plan for capacity adjustment and restructuring at Cemat Silicon S.A. in early 2009. The plan involves measures such as a reduction of the number of full-time employees at Cemat Silicon S.A. by 60 to about 200, and Topsil utilising wafering facilities at Cemat Silicon S.A. earlier than planned, instead of the current outsourcing to external sub-suppliers. The organisational restructuring at Cemat Silicon S.A. to be implemented in March and April 2009 is expected to lead to annual savings in the region of DKK 4m, and the full financial effects are expected to materialise as from the fourth quarter of 2009. The above adaptations are expected to entail restructuring costs of a non-recurring nature of DKK 1–2m in aggregate, which are included in the outlook for 2009.

Overall, consolidated revenue for 2009 is expected to grow by some 50% to approximately DKK 430–450m. The Polish operations are expected to generate revenue of DKK 100-120m in 2009. Revenue growth within FZ reflects improved access to raw materials and higher prices due to sales of products with a higher technological value.

In 2009, consolidated earnings will be influenced by two opposing factors: On the one hand, the improved access to FZ raw materials and growing demand for the group's technically advanced NTD and PFZ products are expected to contribute to earnings growth; On the other hand, the effects of the global recession in the CZ market will have an adverse impact on the intake of orders and, hence, earnings in Cemat Silicon S.A. Combined with the restructuring activities commenced, this is expected to lead to an operating loss from the Polish operations of DKK 10–15m in 2009. The Board of Directors and Management believe that once the global market for consumer electronics has returned to normal, the Polish operations will again contribute to earnings.

The group is expected to achieve a profit margin of approximately 18% for 2009 and profit before tax in the region of DKK 65-75m.

Due to the production capacity expansion at Frederikssund, the group's investment level will be significantly higher than previously in the coming years. In 2009, the group's investments are expected to amount to approximately DKK 40m.

The group does not use derivative financial instruments to hedge currency risks. Instead, the group uses commercial hedging by balancing currency inflow and outflow. The group's most important currency is USD, which makes up about 30% of total cash flows. Moreover, the group has provided substantial cash security in USD to uphold the raw materials agreement (2007–2012). A currency fluctuation in USD/DKK of +/- DKK 0.50 would affect the group's results before tax by about +/- DKK 5.3m.

The group's expectations for the results before tax for 2009 are based on a USD exchange rate of DKK 600/USD 100.

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Statement by the Board Of Directors And Management

We have today considered the Annual Report for the financial year 1 January – 31 December 2008 of Topsil Semiconductor Materials A/S.

The Annual Report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

We consider the accounting policies to be appropriate. Accordingly, the Annual Report gives a true and fair view of the assets, liabilities and financial position at 31 December 2008 of the group and the parent company and of the results of the group's and the parent company's operations and cash flows for the financial year 1 January – 31 December 2008.

Furthermore, in our opinion the Management Report gives a true and fair view of the developments in the activities and financial position of the group and the parent company, the results for the year and of the group's and the parent company's financial position in general and describes the significant risk and uncertainty factors that may affect the group and the parent company.

The Annual Report is recommended for approval by the Annual General Meeting.

Frederikssund, 24 March 2009

MANAGEMENT

Keld Lindegaard Andersen
Chief Executive Officer

Jørgen Bødker
VP Sales and Marketing

BOARD OF DIRECTORS

Jens Borelli-Kjær
Chairman

Eivind Dam Jensen
Vice-Chairman

Jørgen Frost
Board Member

Ole C. Andersen
Board Member

Leif Jensen

Trine Schønnemann

(Representatives elected by the employees)

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TOPSIL

Income statement for 2008

Parent company			Group	
2007	**2008**	**DKK '000**	**2008**	**2007**
193,231	261,658	Revenue	289,402	193,231
24,438	11,824	Change in finished goods and work in progress	13,063	24,438
796	1,004	Work carried out for own account	1,004	796
28	60	Other operating income	60	28
(95,384)	(125,170)	Costs for raw materials and consumables	(138,224)	(95,384)
(27,850)	(34,235)	Other external expenses	(41,981)	(27,850)
(37,339)	(46,272)	Staff costs	(51,099)	(37,339)
(5,827)	(6,058)	Depreciation, amortisation and impairment	(8,071)	(5,827)
52,093	**62,811**	**Operating profit (EBIT)**	**64,154**	**52,093**
3,566	5,830	Financial income	6,167	3,566
(7,582)	(5,327)	Financial expenses	(8,252)	(7,582)
48,077	**63,314**	**Profit before tax**	**62,069**	**48,077**
(13,210)	(16,382)	Tax on the profit for the year	(16,204)	(13,210)
34,867	**46,932**	**Profit for the year**	**45,865**	**34,867**
		Distribution of profit for the year:		
		Parent company shareholders	**46,044**	**34,867**
		Minority interests	(179)	0
			45,865	**34,867**
0.09	0.12	Earnings per share (DKK)	0.11	0.09
0.09	0.11	Diluted earnings per share (DKK)	0.11	0.09
		Proposed profit appropriation:		
34,867	46,932	Retained earnings		
34,867	**46,932**			

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Balance sheet as at 31 December 2008

Assets

Parent company			Group	
2007	**2008**	**DKK '000**	**2008**	**2007**
12,168	11,720	Completed development projects	11,720	12,168
0	0	Goodwill	17,758	0
0	0	Right of use	15,510	0
11	0	Other intangible assets	1,317	11
1,504	638	Development projects in progress	638	1,504
13,683	**12,358**	**Intangible assets**	**46,943**	**13,683**
0	0	Land and buildings	59,038	0
22,023	22,434	Plant and machinery	81,598	22,023
2,597	2,532	Other fixtures and fittings, tools and equipment	3,597	2,597
2,910	6,569	Property, plant and equipment under construction	6,769	2,910
27,530	**31,535**	**Property, plant and equipment**	**151,002**	**27,530**
0	153,725	Investments in subsidiaries	0	0
52,206	66,694	Other non-current receivables etc.	66,694	52,206
52,206	**220,419**	**Financial assets**	**66,694**	**52,206**
93,419	**264,312**	**Non-current assets**	**264,639**	**93,419**
47,001	**58,825**	**Inventories**	**85,310**	**47,001**
28,911	46,595	Trade receivables	65,262	28,911
8,652	13,297	Other receivables	20,152	8,652
1,094	358	Prepayments	358	1,094
38,657	**60,250**	**Receivables**	**85,772**	**38,657**
37,770	**9,404**	**Cash and cash equivalents**	**68,154**	**37,770**
123,428	**128,479**	**Current assets**	**239,236**	**123,428**
216,847	**392,791**	**Assets**	**503,875**	**216,847**

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Balance sheet as at 31 December 2008

Equity and liabilities

Parent company			Group	
2007	**2008**	**DKK '000**	**2008**	**2007**
99,706	100,848	Share capital	100,848	99,706
0	0	Translation reserve	(17,706)	0
1,111	844	Reserve for share-based payments	844	1,111
48,510	95,951	Retained earnings	95,063	48,510
149,327	**197,643**	**Equity attributable to parent company shareholders**	**179,049**	**149,327**
0	**0**	**Equity attributable to minority interests**	**70,197**	**0**
149,327	**197,643**	**Equity**	**249,246**	**149,327**
0	104,167	Debt to credit institutions	116,076	0
0	0	Finance lease liabilities	614	0
12,090	10,548	Prepayments received on account from customers	10,548	12,090
0	0	Other non-current liabilities	1,845	0
2,261	3,745	Deferred tax liabilities	16,973	2,261
14,351	**118,460**	**Non-current liabilities**	**146,056**	**14,351**
0	23,321	Debt to credit institutions	39,793	0
0	0	Finance lease liabilities	191	0
29,572	23,332	Trade creditors	31,958	29,572
214	0	Prepayments received on account from customers	3,659	214
3,698	4,047	Income tax payable	4,046	3,698
232	962	Provisions	962	232
19,453	25,026	Other payables	27,964	19,453
53,169	**76,688**	**Current liabilities**	**108,573**	**53,169**
67,520	**195,148**	**Total liabilities**	**254,629**	**67,520**
216,847	**392,791**	**Equity and liabilities**	**503,875**	**216,847**

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Statement of changes in equity for 2008
Group

DKK '000	Share capital	Other reser-ves	Reserve for fair value adjust-ment of available-for-sale financial assets	Reserve for share-based pay-ments	Reserve for market value adjust-ment of hedging instru-ments	Retained earnings	Total equity
Equity as at 01.01.07	98,288	0	1,026	686	17	11,062	111,079
Change in accounting policy for fair value adjustment of subsidiary	0	0	(1,026)	0	0	1,026	**0**
Adjusted equity as at 01.01.07	**98,288**	**0**	**0**	**686**	**17**	**12,088**	**111,079**
Fair value adjustment of financial instruments used to hedge future cash flows	0	0	0	0	(17)	**0**	(17)
Net income recognised directly in equity	**0**	**0**	**0**	**0**	**(17)**	**0**	**(17)**
Profit for the year	0	0	0	0	0	34,867	34,867
Total recognised income and expenses	**0**	**0**	**0**	**0**	**(17)**	**35,867**	**34,850**
Share-based payment	0	0	0	783	0	0	783
Share-based payment, exercised share warrants	0	0	0	(358)	0	358	0
Employee share plan	0	0	0	0	0	1,042	1,042
Cash capital increase	1,418	0	0	0	0	0	1,418
Share premium on capital increase	0	0	0	0	0	155	155
Equity as at 31.12.07	**99,706**	**0**	**0**	**1,111**	**0**	**48,510**	**149,327**
Equity as at 01.01.08	99,706	0	0	1,111	0	48,510	149,327
Foreign exchange adjustment relating to foreign companies	0	(17,706)	0	0	0	0	(17,706)
Net income recognised directly in equity	**0**	**(17,706)**	**0**	**0**	**0**	**0**	**(17,706)**
Profit for the year	0	0	0	0	0	46,044	46,044
Total recognised income and expenses	**0**	**(17,706)**	**0**	**0**	**0**	**46.044**	**28,338**
Share-based payment	0	0	0	691	0	0	691
Share-based payment, exercised share warrants	0	0	0	(394)	0	394	0
Share-based payment, lapsed share warrants	0	0	0	(564)	0	0	(564)
Cash capital increase	1,142	0	0	0	0	0	1,142
Share premium on capital increase	0	0	0	0	0	115	115
Equity attributable to parent company shareholders as at 31.12.08	**100,848**	**(17,706)**	**0**	**844**	**0**	**95,063**	**179,049**
Addition from acquisitions	**0**	**0**	**0**	**0**	**0**	79,556	**79,556**
Foreign exchange adjustments, acquisitions	0	0	0	0	0	(9,180)	(9,180)
Profit for the year	0	0	0	0	0	(179)	(179)
Equity as at 31.12.08 attributable to minority interests	**0**	**0**	**0**	**0**	**0**	**70,197**	**70,197**
Equity as at 31.12.08	**100,848**	**(17,706)**	**0**	**844**	**0**	**165,260**	**249,246**

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Cash flow statement for 2008

Parent company			Group	
2007	**2008**	**DKK '000**	**2008**	**2007**
52,093	**62,811**	**Operating profit (EBIT)**	**64,154**	**52,093**
5,827	6,058	Depreciation, amortisation and impairment	8,071	5,827
0	0	Foreign exchange adjustment of results of subsidiary	84	0
783	127	Share-based payment recognised in the income statement	127	783
1,042	0	Employee share plan recognised in the income statement	0	1,042
(17)	0	Fair value adjustment of hedging instruments recognised in the income statement	0	(17)
(26,561)	(34,697)	Change in net working capital	(49,347)	(26,561)
33,167	**34,299**	**Cash generated from operations (operating activities)**	**23,089**	**33,167**
0	(14,698)	Income tax paid	(15,356)	0
3,566	5,830	Financial income received	6,167	3,566
(851)	(5,178)	Financial expenses paid	(8,105)	(851)
35,882	**20,253**	**Cash flows from operating activities**	**5,795**	**35,882**
(401)	(1,082)	Acquisition etc. of intangible assets	(1,082)	(401)
(7,372)	(7,656)	Acquisition etc. of property, plant and equipment	(8,058)	(7,372)
0	(153,725)	Company acquisition	(76,461)	0
(7,773)	**(162,463)**	**Cash flows from investing activities**	**(85,601)**	**(7,773)**
0	127,488	New loan raised	132,848	0
(8,294)	0	Other repayments to credit institutions	0	(8,294)
1,573	1,257	Proceeds from the issue of shares, net	1,257	1,573
(6,128)	0	Repayment of lease liability	0	(6,128)
0	(14,901)	Paid-up deposit	(14,901)	0
(12,849)	**113,844**	**Cash flows from financing activities**	**119,204**	**(12,849)**
15,260	**(28,366)**	**Cash flows for the year**	**39,398**	**15,260**
24,844	37,770	Cash and cash equivalents at 1 January	37,770	24,844
(2,334)	0	Market value adjustment of cash and cash equivalents	(9,014)	(2,334)
37,770	**9,404**	**Cash and cash equivalents at 31 December**	**68,154**	**37,770**

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List of stock exchange announcements in 2008

Date	Announcement
28.02	Full year profit announcement 2007
29.02	Capital increase due to exercise of warrants
29.02	Insider transaction
19.03	Notice convening Annual General Meeting
25.03	Annual Report 2007
02.04	Minutes of Annual General Meeting 2008
03.04	Notice convening Extraordinary Annual General Meeting
14.04	Minutes of Extraordinary Annual General Meeting 2008
07.05	Interim report – Q1 2008
15.05	Insider transaction
22.05	Insider transaction
23.05	Insider transaction
09.06	Insider transaction
14.07	Topsil submits bid to buy the Polish company Cemat-Silicon S.A.
21.08	Interim report – H1 2008
01.10	Topsil is completing acquisition of Cemat in Poland
30.10	Interim report – Q3 2008
03.11	Change in Board of Directors
06.11	Insider transaction
19.12	Financial calendar 2009

Financial calendar 2009

Date	Announcement	Silent periods
24.03	Full year profit announcement 2008	24.02.09 – 24.03.09
20.04	Annual Report	
29.04	Annual General Meeting	
25.05	Interim report – Q1 2009	28.04.09 – 25.05.09
20.08	Interim report – H1 2009	23.07.09 – 20.08.09
12.11	Interim report – Q3 2009	15.10.09 – 12.11.09

Further information

Please direct any questions regarding announcements to:

Jens Borelli-Kjær, Chairman, tel. +45 40 16 14 82
Keld Lindegaard Andersen, CEO, tel. +45 21 70 87 72

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