

STOCK EXCHANGE ANNOUNCEMENT No. 16/08

Interim report for the nine months ended 30 September 2008

Interim report for the nine months ended 30 September 2008

The Board of Directors of Topsil Semiconductor Materials A/S (Topsil) has today considered and adopted the interim report for the nine months ended 30 September 2008. Highlights of the interim report:

Year to date

- The company generated a revenue of DKK 185.6m in the nine months ended 30 September 2008, a 39.5% increase from the DKK 133.1m in the year-earlier period.
- Operating profit was DKK 41.7m against DKK 38.8m last year.
- Profit before tax for the period was DKK 45.9m against a profit of DKK 35.6m in the year-earlier period.
- At 30 September 2008, the company's total assets amounted to DKK 238.3m. The equity ratio was 77%.
- The cash flow for the period was DKK 22.3m due to a positive cash flow from operations.

3rd quarter 2008

- In the 3rd quarter of 2008, the company generated a revenue of DKK 57.8m and EBIT of DKK 11.3m against DKK 49.0m and DKK 12.6m, respectively, in the year-earlier period.
- Topsil has received the largest number of orders in the company's history from its primary customers for delivery in 2009.
- In July 2008, Topsil submitted a bid for the entire share capital of the Polish company Cemat Silicon S.A. The acquisition was completed in October 2008, with Topsil having signed agreements to buy 95.92% of the shares.

Outlook

- As a result of the acquisition of Cemat Silicon, Topsil has revised its revenue forecast for 2008 to DKK 260-280m and a pre-tax profit forecast at a level of DKK 50-60m.

Further information

Please direct any questions regarding this announcement to:

Jens Borelli-Kjær, Chairman, tel. +45 40 16 14 82

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

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Management Report

The (unaudited) main figures are given below:

| DKK '000 | 9M 2008 | 9M 2007 | 2007 Jan. - Dec. |
|---------------------------------------|-----------|----------|---------------------|
| Revenue | 185,601 | 133,085 | 193,231 |
| Operating profit (EBIT) | 41,711 | 38,843 | 52,093 |
| Financial items, net | 4,178 | (3,262) | (4,016) |
| Net profit for the period after tax | 33,499 | 25,909 | 34,867 |
| | | | |
| Capital employed | 72,044 | 50,728 | 73,702 |
| Net working capital | 39,512 | 15,640 | 32,489 |
| Equity | 184,109 | 140,100 | 149,327 |
| Total assets | 238,349 | 190,486 | 216,847 |
| Expenditure on fixed assets | 6,388 | 6,239 | 7,372 |
| Net interest-bearing debt | (111,654) | (84,909) | (89,976) |
| Cash earnings | 38,031 | 44,952 | 56,941 |
| Average number of full-time employees | 86 | 70 | 73 |
| Basic number of shares ('000) | 403,392 | 398,823 | 398,823 |
| Diluted number of shares ('000) | 407,992 | 408,823 | 409,972 |
| | | | |
| Ratios | | | |
| Profit margin (%) | 22.5 | 29.2 | 27.0 |
| Return on capital employed (%) | 57.9 | 76.6 | 99.8 |
| Return on equity (%) | 20.7 | 24.2 | 26.7 |
| Gearing | (60.7) | (60.6) | (60.3) |
| Revenue/capital employed | 2.2 | 2.2 | 2.6 |

Comments on the financial results for the nine months ended 30 September 2008

Developments in operations and financial position

Financial results

The company's revenue was DKK 185.6m for the nine months ended 30 September 2008 against DKK 133.1m in the same period of 2007, corresponding to an increase of 39.5%. The increase is due to higher volumes combined with higher selling prices per unit. Growth is still ascribed to increased sales to large existing customers in the float zone (FZ) market. The Q3 revenue amounted to DKK 57.8m against DKK 49.0m in the same period of 2007, corresponding to an increase of approximately 18%.

As expected, the contribution margin is lower in 2008 than last year, mainly due to higher prices of the raw material polysilicon. The contribution margin has remained stable during 2008, however, with a modest upward trend in the 3rd quarter of the year. The company continues its proactive efforts to increase production capacity and flexibility to be able to process more polysilicon. The company is still working at increasing the efficiency, the utilisation rate of the polysilicon, and the output from production, as the objectives set in this area have not yet been achieved.

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Operating profit (EBIT) in the nine months ended 30 September 2008 was DKK 41.7m, up 2.9m from the year-earlier period. In the 3rd quarter of 2008, EBIT was DKK 11.3m against DKK 12,6m in 2007, reflecting increased costs from expanding production capacity.

The Q3 financial items amounted to a net income of DKK 4.2m against a loss of DKK 3.2m in the year-earlier period. In the 3rd quarter of 2008, the financial items amounted to a net income of DKK 6.6m, DKK 5.4m of which related to unrealised capital gains on currency holdings and collateral security for the raw materials contract running until 2012.

Despite slightly higher cost and investment levels in 2008 compared with last year, the profit before tax for the first nine months of the year was DKK 45.6m against a profit before tax of DKK 35.6m in the year-earlier period. Profit after tax was DKK 33.5m compared with DKK 25.9m in the same period of 2007. Performance was satisfactory and deemed to be in line with expectations.

Balance sheet

The total assets at 30 September 2008 amounted to DKK 238.3m, which was an improvement of DKK 47.8m compared with the year-earlier period. Property, plant and equipment increased by DKK 4m compared with last year, primarily due to investments in new facilities to ensure a more consistent indoor air and working environment.

The net working capital increased compared with the same period last year. This was primarily due to an increase in the value of inventories and receivables as a consequence of higher unit prices.

Equity at 30 September 2008 stood at DKK 184.1m, representing an increase of DKK 44.0m compared with last year. Equity represented 77% of the total assets at 30 September 2008 compared with 74% last year.

Cash flows

The company generated a positive cash flow of DKK 22.3m for the first nine months of the year due to positive cash flows from operations. The company's cash at 30 September 2008 amounted to DKK 60.1m.

Volume of orders

Topsil has received the largest number of orders in the company's history from its primary customers for delivery in 2009. The current financial unrest has thus had no effect on the demand for deliveries for 2008 and 2009.

The float zone product market for medium and high-voltage components continues to show strong growth rates. Infrastructure projects, such as power distribution networks, energy-saving motor controls, including controls for high-speed trains, are not as sensitive to economic cycles as consumer electronics and car products.

Expansion of production capacity

Topsil is currently laying the groundwork for growing its production output beginning in 2009. This will require investments in existing and new production equipment, which is expected to be implemented in mid-2009. In addition, the company is using resources on hiring and training operators, with the aim of introducing 24/7/365 production operations from mid-2009 as compared with the current five-day production operations.

Events after 30 September 2008

Completion of the Cemat Silicon S.A. acquisition

On 14 July 2008, in announcement no. 13/08, Topsil revealed that the company had signed an agreement to acquire 19.28% of the shares in the Polish company Cemat Silicon S.A., and that it had submitted a binding bid to acquire the remaining shares. On 1 October 2008, in announcement no. 15/08, Topsil further announced that the company had signed an agreement to acquire a total of 95.92% of the

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shares in Cemat Silicon S.A. at a total acquisition price of PLN 74.8m. Subsequently, the acquisition has been settled at DKK 152m. DKK 145m of the total acquisition price was funded by credit finance and the remaining part was financed by Topsil's own funds.

With its acquisition of Cemat Silicon, Topsil, which has developed and produced silicon using the float zone method for the past 50 years, will now have access to the other silicon production technology: the Czochralski technology. The completion of the acquisition of Cemat thus marks a significant strengthening of Topsil's business base and market position, as the company will now have a full silicon product portfolio for the semiconductor industry. The acquisition and the integration of Cemat Silicon will also make it possible to realise synergies in sales, production and purchasing corresponding to DKK 25m at EBIT level as from 2012.

The acquisition of Cemat Silicon was completed on 30 October 2008, and Cemat Silicon is expected to contribute a revenue of some DKK 30m in the 4th quarter of 2008 and break-even at EBIT level after restructuring and non-recurring expenses in connection with the acquisition.

A new and stronger Topsil with a full product range

Following the acquisition of Cemat, Topsil has gained a much stronger position as a supplier of silicon wafers for the semiconductor industry. Cemat Silicon S.A. produces silicon based on the Czochralski technology, which is the most widely used silicon technology today. With the acquisition of Cemat Silicon S.A., Topsil will have both technologies at its disposal and has therefore secured a broader production platform.

Cemat Silicon has a strong product range, especially within EPI wafers produced on Czochralski silicon, and this product range is complementing Topsil's existing business areas. The employees of Cemat Silicon contribute extensive knowledge and strong competences within silicon production based on the Czochralski technology. Looking ahead the efforts in product and process development will be carried out by employees from both Cemat Silicon and Topsil, which will strengthen knowledge, competences and innovation at Topsil.

After the acquisition of Cemat Silicon, Topsil will have two production plants at its disposal, making it easier for the company to scale future production, as the company sees potential in being able to expand its existing float zone production as well as the Czochralski production in Poland.

Future raw materials contracts for Topsil and Cemat Silicon

Topsil expects that the acquisition of Cemat Silicon will place Topsil/Cemat in a much better position in its existing efforts to conclude long-term agreements on supplies of polysilicon for float zone and Czochralski production. The company therefore expects to enter into new raw materials contracts in the upcoming period, which will help the group to achieve its growth strategy, both in the short and the long term.

Outlook

Forecast for 2008

As a result of the acquisition of Cemat Silicon, Topsil has, as announced in its stock exchange announcement no. 15/08, revised its revenue forecast for 2008 to DKK 260-280m compared with the previous guidance of DKK 220-240m. The pre-tax profit forecast is maintained at a level of DKK 50-60m. This forecast is maintained.

Topsil does not use derivative financial instruments to hedge currency risks. Instead, the company uses commercial hedging by balancing the currency inflow and outflow. Topsil's most important currency flow is in USD, which makes up about 50% of the total cash flow. Moreover, the company has provided substantial cash security in USD to uphold the raw materials contract (2007-2012). A currency fluctuation in USD/DKK of \pm DKK 0.50 would affect the company's results before tax by about \pm DKK 4.9m.

The company's expectations for the results before tax for 2008 are based on an unchanged dollar exchange rate compared with 30 September 2008 (exchange rate: DKK 521/USD 100).

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Accounting policies

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

The interim report is unaudited and unreviewed. The accounting policies are consistent with those applied to the annual report for 2007, and reference is made to the annual report for more detailed information on the accounting policies applied. A full description of the accounting policies is contained in the annual report for 2007.

Judgments and estimates

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

The most significant estimates made by management when using the company's accounting policies and the most significant judgment uncertainty attached thereto are the same for the preparation of the summarised interim report as for the preparation of the annual report for 2007.

Statement by the Board of Directors and Management

The board of directors and Management have today considered and adopted the interim report for the nine months ended 30 September 2008 of Topsisil Semiconductor Materials A/S.

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

We consider the accounting policies to be appropriate to the effect that the interim report gives a true and fair view of the company's assets, liabilities and financial position at 30 September 2008 and of the results of the company's operations and cash flows for the nine months ended 30 September 2008.

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

Frederikssund, 30 October 2008

Management:

Keld Lindegaard Andersen
Managing Director

Jørgen Bødker
Sales and Marketing Director

Board of Directors:

Jens Borelli-Kjær
Chairman

Eivind Dam Jensen
Vice-Chairman

Jørgen Frost
Member of the Board

Ole C. Andersen
Member of the Board

Trine Schønnemann
Employee Representative

Ole Sinkjær Andersen
Employee Representative

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Income statement at 1 January – 30 September

| '000 | Q3 2008 | Q3 2007 | 9M 2008 | 9M 2007 | 2007 Jan.-Dec. |
|--|---------------|---------------|---------------|---------------|-------------------|
| Revenue | 57,750 | 49,036 | 185,601 | 133,085 | 193,231 |
| Direct costs | (24,784) | (21,168) | (82,761) | (46,430) | (70,122) |
| Other external expenses and staff costs | (20,065) | (13,727) | (56,623) | (43,536) | (65,189) |
| Depreciation and amortisation | (1,574) | (1,503) | (4,506) | (4,276) | (5,827) |
| Operating profit (EBIT) | 11,327 | 12,638 | 41,711 | 38,843 | 52,093 |
| Financial items, net | 6,578 | (2,450) | 4,178 | (3,262) | (4,016) |
| Profit before tax | 17,905 | 10,188 | 45,889 | 35,581 | 48,077 |
| Tax on the profit for the period | (4,834) | (2,547) | (12,390) | (9,672) | (13,210) |
| Net profit for the period | 13,071 | 7,641 | 33,499 | 25,909 | 34,867 |

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Balance sheet as at 30 September

Assets

| '000 | 2008 | 2007 | 31.12.2007 |
|--|----------------|----------------|----------------|
| Completed development projects | 12,307 | 12,787 | 12,168 |
| Patents | 3 | 14 | 11 |
| Development projects in progress | 421 | 4,364 | 1,504 |
| Intangible assets | 12,731 | 17,165 | 13,683 |
| Plant and machinery | 22,205 | 21,258 | 22,023 |
| Other fixtures and fittings, tools and equipment | 2,826 | 1,485 | 2,597 |
| Tangible assets under construction | 6,200 | 4,446 | 2,910 |
| Tangible assets | 31,231 | 27,189 | 27,530 |
| Participating assets in subsidiaries | 0 | 1,526 | 0 |
| Other long-term debtors* | 51,600 | 61,561 | 52,206 |
| Financial assets | 51,600 | 63,087 | 52,206 |
| Deferred tax | 0 | 0 | 0 |
| Non-current assets | 95,562 | 107,441 | 93,419 |
| Inventories | 49,139 | 33,315 | 47,001 |
| Receivables | 32,817 | 17,783 | 37,563 |
| Prepayments | 749 | 1,689 | 1,094 |
| Receivables | 33,566 | 19,472 | 38,657 |
| Cash | 60,082 | 30,258 | 37,770 |
| Current assets | 142,787 | 83,045 | 123,428 |
| Total assets | 238,349 | 190,486 | 216,847 |

* Other long-term debtors include the deposit made as collateral security for the raw materials contract, USD 7.5m.

Balance sheet as at 30 September

Liabilities and equity

| '000 | 2008 | 2007 | 31.12.2007 |
|---|----------------|----------------|----------------|
| Share capital | 100,848 | 99,706 | 99,706 |
| Retained profit | 82,518 | 38,525 | 48,510 |
| Share-based payment reserve | 743 | 843 | 1,111 |
| Reserve for market value adjustment | 0 | 1,026 | 0 |
| Equity | 184,109 | 140,100 | 149,327 |
| Payments received on account from customers | 11,047 | 13,239 | 12,090 |
| Deferred tax liabilities | 0 | 0 | 2,261 |
| Non-current liabilities | 11,047 | 13,239 | 14,351 |
| Trade creditors | 14,311 | 16,152 | 29,572 |
| Amounts owed to subsidiaries | 0 | 1,526 | 0 |
| Corporation tax payable | 6,789 | 0 | 3,698 |
| Provisions | 232 | 0 | 232 |
| Other payments | 21,861 | 19,469 | 19,667 |
| Current liabilities | 43,193 | 37,147 | 53,169 |
| Total liabilities | 54,240 | 50,386 | 67,520 |
| Liabilities and equity | 238,349 | 190,486 | 216,847 |

The share capital consists of 403,391,670 shares with a nominal value of DKK 0.25 each. The company has one class of shares.

Statement of changes in equity

'000

| | Share capital | Reserve for market value adjustment of financial assets available for sale | Share-based payment reserve | Reserve for market value adjustment of hedging instruments | Retained profit | Total equity |
|--|----------------|--|-----------------------------|--|-----------------|----------------|
| Equity as at 31.12.2006 | 98,288 | 1,026 | 686 | 17 | 11,062 | 111,079 |
| Equity as at 01.01.2007 | 98,288 | 1,026 | 686 | 17 | 11,062 | 111,079 |
| Market value adjustment of financial instruments acquired to hedge future cash flows | 0 | 0 | 0 | (17) | 0 | (17) |
| Net income recognised directly in equity | 0 | 0 | 0 | (17) | 0 | (17) |
| Profit for the period | 0 | 0 | 0 | 0 | 18,268 | 18,268 |
| Total recognised income and expenses | 0 | 0 | 0 | (17) | 18,268 | 18,251 |
| Share-based payment allotted in the period | 0 | 0 | 278 | 0 | 0 | 278 |
| Share-based payment, warrants exercised | 0 | 0 | (358) | 0 | 358 | 0 |
| Employee share plan | 0 | 0 | 0 | 0 | 1,042 | 1,042 |
| Cash capital increase | 1,418 | 0 | 0 | 0 | 0 | 1,418 |
| Premium on increase of capital | 0 | 0 | 0 | 0 | 155 | 155 |
| Equity 30.06.2007 | 99,706 | 1,026 | 606 | 0 | 30,885 | 132,223 |
| Equity 01.07.2007 | 99,706 | 1,026 | 606 | 0 | 30,885 | 132,223 |
| Market value adjustment of participating assets | 0 | (1,026) | 0 | 0 | 1,026 | 0 |
| Net income recognised directly in equity | 0 | (1,026) | 0 | 0 | 1,026 | 0 |
| Profit for the period | 0 | 0 | 0 | 0 | 16,599 | 16,599 |
| Total recognised income and expenses | 0 | (1,026) | 0 | 0 | 17,625 | 16,599 |
| Share-based payment | 0 | 0 | 505 | 0 | 0 | 505 |
| Equity as at 31.12.2007 | 99,706 | 0 | 1,111 | 0 | 48,510 | 149,327 |
| Equity as at 01.01.2008 | 99,706 | 0 | 1,111 | 0 | 48,510 | 149,327 |
| Profit for the period | 0 | 0 | 0 | 0 | 33,499 | 33,499 |
| Total recognised income and expenses | 0 | 0 | 0 | 0 | 33,499 | 33,499 |
| Share-based payment allotted in the period | 0 | 0 | 590 | 0 | 0 | 590 |
| Share-based payment, warrants exercised | 0 | 0 | (394) | 0 | 394 | 0 |
| Lapsed, unexercised warrants | 0 | 0 | (564) | 0 | 0 | (564) |
| Cash capital increase | 1,142 | 0 | 0 | 0 | 0 | 1,142 |
| Premium on increase of capital | 0 | 0 | 0 | 0 | 115 | 115 |
| Equity as at 30.09.2008 | 100,848 | 0 | 743 | 0 | 82,518 | 184,109 |

Cash-flow statement the nine months ended 30 September 2008

| '000 | 2008 | 2007 |
|---|----------------|-----------------|
| Operating profit (EBIT) | 41,711 | 38,843 |
| Adjustments | 5,403 | 2,524 |
| Working capital changes | (10,551) | (13,772) |
| Cash flows from primary operations | 36,563 | 27,595 |
| Tax on account | (11,000) | 0 |
| Financial income received | 2,923 | 2,397 |
| Financial expenses paid | (177) | (793) |
| Cash flows from operating activities | 28,309 | 29,199 |
| Acquisition of tangible and intangible assets | (7,254) | (9,363) |
| Cash flows from investment activities | (7,254) | (9,363) |
| Capital increase | 1,257 | 0 |
| Repayment of debts | 0 | (14,422) |
| Cash flows from financing activities | 1,257 | (14,422) |
| Change in cash and cash equivalents | 22,312 | 5,414 |
| Cash and cash equivalents at 1/1 | 37,770 | 24,844 |
| Cash and cash equivalents at 30/9 | 60,082 | 30,258 |



List of announcements to OMX Nordic Exchange Copenhagen 1 January 2008 to date:

| Date | No. | Announcement |
|------------------|------------|---|
| 01 October 2008 | 15/08 | Topsil is completing acquisition of Cemat in Poland |
| 21 August 2008 | 14/08 | Half Year Financial Report 2008 |
| 14 July 2008 | 13/08 | Topsil submits bid to buy the Polish company Cemat-Silicon S.A. |
| 09 June 2008 | 12/08 | Report on insider transaction |
| 23 May 2008 | 11/08 | Report on insider transaction |
| 22 May 2008 | 10/08 | Report on insider transaction |
| 15 May 2008 | 09/08 | Report on insider transaction |
| 07 May 2008 | 08/08 | Interim report, 1st quarter 2008 |
| 14 April 2008 | 07/08 | Summary of extraordinary general meeting 2008 |
| 03 April 2008 | 06/08 | Notice convening extraordinary general meeting 2008 |
| 02 April 2008 | 05/08 | Summary of annual general meeting 2008 |
| 25 March 2008 | | Annual report 2007 |
| 19 March 2008 | 04/08 | Notice convening annual general meeting |
| 29 February 2008 | 03/08 | Report on insider transaction |
| 29 February 2008 | 02/08 | Capital increase due to exercise of warrants |
| 28 February 2008 | 01/08 | Notification concerning the 2007 financial results |

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

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