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Topsil submits bid to buy the Polish company Cemat-Silicon S.A.

Today, Topsil signed an agreement to acquire 19.28% of the shares in the company Cemat-Silicon S.A. in Warsaw, Poland, and submitted a binding bid to buy the remaining 80.72% of the share capital. The last-mentioned holding is owned by present and former employees, the company Cemat 70, and ITME (Government Research institute). The acquisition implicates that Topsil will strengthen its business platform and market position considerably.

Reasons for the acquisition

- The acquisition of Cemat-Silicon will give Topsil access to the other silicon growth technology; the Czochralski technology, thereby enhancing Topsil's future product range to cover the entire semiconductor market.
- In addition to an extension of the technology platform the acquisition implies that the company strengthens its position in relation to customers and suppliers.
- It is expected that the merged companies can obtain substantial synergies, including sales, production, and sourcing synergies.

Financing and conditions

The purchase sum for 100% of the capital in Cemat-Silicon S.A. amounts to 171.7m DKK. Topsil expects to fund the acquisition partly from own resources and partly through borrowing from financial institutions.

The acquisition is subject to a takeover of at least 90% of the share capital in Cemat-Silicon S.A. Furthermore, the acquisition is subject to a satisfactory due diligence and granting of adequate financing. In the company's opinion a satisfactory financing package can be obtained. Topsil expects to take over Cemat-Silicon S.A. on 30 September 2008.

Management

Provided that the acquisition process is successful, Martin Overgaard Hansen will be appointed CEO in Cemat-Silicon S.A. Martin Overgaard Hansen has worked for Topsil for approx. 4 years as the company's CFO, and most recently as Business Development Director. The managing board of the parent company will be unchanged with Keld Lindegaard Andersen as CEO, and Jørgen Bødker VP, Sales and Marketing.

The merger

Topsil has 50 years experience with R.& D. and production of silicon, produced according to the Float Zone method, and has always had its primary focus on this technology. However, the rapid growth in the silicon business during recent years has urged Topsil to make a strategic decision to enter the Czochralski area as well. For a long period Topsil therefore investigated the possibilities of

STOCK EXCHANGE ANNOUNCEMENT

Page 1 of 3



establishing a Czochralski production, either through acquisition or by starting up production from "green field" level.

Like the FZ technology, the Czochralski technology requires extensive know-how, which it will take years to build up, so it has been logical for Topsil to focus its strategic work on acquisition of a company with a wide existing knowledge of this technology.

Through the acquisition of Cemat-Silicon S.A. Topsil is implementing its acquisition strategy, and in the opinion of the management Topsil will take over a company with the highest potentials, as Topsil will have direct access to the Czochralski technology, and thereby a full product portfolio of silicon for the semiconductor industry. Both Topsil and Cemat have specialized in products to the discrete semiconductor market, which is the market for single electronic devices (transistors, diodes, etc.) - unlike integrated circuits, where an electronic circuit is built on the surface of the silicon wafer.

Through Cemat's set-up Topsil will also get access to production and product development in an area with a lower cost structure than in Denmark.

Topsil's CEO, Keld Lindegaard Andersen, says: *"By the acquisition of Cemat Silicon, Topsil has just taken the step that we have been working on for a long period. Cemat is the perfect match for us."*

Cemat has long experience in wafering; a process that Topsil outsourced to subsuppliers in Taiwan and China in year 2000. Through the acquisition Topsil will be better positioned regarding wafering and will be able to benchmark the present subsuppliers against own production facilities in Warsaw. The company expects that such a benchmark will affect the company's productions costs positively. The company expects to make substantial investments in Cemat in the coming 3-year period.

As Topsil's and Cemat's products are complementing each other, it is expected that it will be possible to obtain synergies in relation to the customers, since Topsil will now be able to offer Czochralski silicon to its customers at competitive prices and vice versa.

Through the acquisition Topsil will be able to develop combined Czochalski/Float Zone products. First, such development will give access to new customers, and secondly Topsil will be more independent of individual raw material suppliers.

In order to secure integration between the two companies in the best possible way, it has been decided to appoint Martin Overgaard Hansen CEO of Cemat-Silicon S.A.

Topsil's chairman, Jens Borelli-Kjær, says about the future company: *"Topsil's board and management are convinced that we have made a strategically good buy. The combined business platform is much stronger, and constitutes a good basis for future growth and value adding in favour of the shareholders and the employees of both companies. Also, we are convinced that Topsil's and Cemat's customers will profit from our combined technology platform and product range."*

Facts on Cemat-Silicon S.A.

Cemat-Silicon has existed as an independent company since 1992, but operated in the market for Czochralski silicon as far back as the beginning of the 1960'ies. Cemat-Silicon therefore has a very extensive knowledge of silicon production, and Czochralski production in particular.

The Czochralski process is in fact developed by, and named after, one of Cemat-Silicon's former employees, Jan Czochralski.

The company, that has an annual turnover around 150m DKK and employs approx. 260 employees, has invested heavily in the past few years in the back end of the value chain by introducing EPI growth on silicon. EPI growth is a technology, where a crystalline layer of silicon is deposited on a polished Czochralski wafer. This is an alternative method for producing silicon wafers for the high power market, where Topsil is already operating with FZ products.

STOCK EXCHANGE ANNOUNCEMENT



The company has modern and well-maintained machinery for production of Czochralski silicon ingots and subsequent wafering at their disposal. Furthermore, the company owns "state-of-the-art" equipment for EPI growth on silicon and clean rooms.

Furthermore, Cemat-Silicon owns about 53% of the share capital of the real estate company Cemat 70, which among other things own the buildings, in which Cemat runs its operations.

Apart from Cemat-Silicon Cemat 70 has approximately 60 leases, and has a major rental business. The property of the company is situated in the centre of Warsaw. Topsil will decide about the future plans for this rental business within the coming year.

The silicon market

The silicon market has developed very positively for Topsil during the past few years, due to short supplies of poly silicon. This shortage caused a substantial price increase of poly silicon (Topsil's and Cemat's principal raw material). However, Topsil has been able to charge this price increase to the customers and thereby strengthen earnings considerably.

As thoroughly described in previous announcements Topsil secured supplies of raw materials on a long-term contract, for the time being up to 2012. Topsil is working at closing further high volume raw material contracts on long-term basis, and it is estimated that through the acquisition of Cemat the likelihood of closing further contracts has increased significantly. This is due to the fact that the merged companies will need a higher gross volume, and demand raw materials for both Float Zone and Czochralski production. Furthermore, the acquisition will give Topsil direct access to Cemat-Silicon's three present raw material suppliers.

The company expects the present market situation to continue more or less unchanged in the coming years.

Future expectations

It is expected that the acquisition of Cemat-Silicon will not affect the company's results for 2008, and the company therefore maintains its expectations for a profit before tax in 2008 of 50-60m DKK.

Looking ahead the acquisition of Cemat-Silicon is expected to affect the earnings of the companies positively, primarily due to synergies within sales, purchases and production.

Topsil Semiconductor Materials A/S

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

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