

STOCK EXCHANGE ANNOUNCEMENT No. 23/07

Quarterly report, 3rd quarter 2007

Comments on the results for the first nine months of 2007

- The company's net turnover increased by 22% in 2007 to DKK 133.1m from DKK 108.9m in 2006.
- The operating profit was DKK 38.8m against DKK 23.7m in 2006.
- In the first nine months of 2007 the company made a profit before tax of DKK 35.6m and DKK 25.9m after tax against a profit before tax of DKK 22.3m and DKK 23.2m after tax in the same period of 2006.
- The results for the quarter is deemed satisfactory by the company.
- During the 3rd quarter the company stabilized its production output at a higher level than in the first half.
- The turnover in the 3rd quarter is marginally lower than expected, as part of the irradiation equipment at external sub-suppliers has been out of operation. The company expects to catch up with the delays in the 4th quarter. Despite the delays the company succeeded maintaining the earnings at a satisfactory level.
- The most important currency of the company is USD, and the company has recognised an unrealised exchange rate loss of DKK 4.9m, concerning the deposit made as collateral security for the raw material contract, running until the end of 2012.

Expected future development

- Despite the above mentioned problems with external irradiations of the company's products made by sub-suppliers, the company maintains its expectations for a turnover in 2007 of DKK 180-200m and a profit before tax of DKK 40-50m.
- In the 3rd quarter the company had the largest inflow ever of inquiries and orders for delivery in a subsequent year, and the activity level for 2008 is expected to be higher than for the current year. The potential order intake is exceeding the volume of raw materials, that the company estimates to be available for production in 2008.
- The growth in the float-zone market is primarily driven by new energy technologies.
- Despite the continued limitations in supplies of raw materials Topsil expects growth in turnover as well as profit in 2008, mainly driven by an improved product mix and price increases.

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The (unaudited) main figures are given below

DKK '000	2007	2006	2006
	Jan.-Sept.	Jan.- Sept.	Jan.- Dec
Net turnover	133,085	108,946	147,503
Operating profit/loss (EBIT)	38,843	23,691	33,593
Result after financial items	(3,262)	(1,413)	(4,359)
Net profit/loss for the period after tax	25,909	23,199	28,143
Capital employed	50,728	41,089	30,717
Net working capital	15,640	18,924	5,872
Equity capital	140,100	73,641	111,079
Balance sheet total	190,486	118,422	179,827
Expenditure on fixed assets	6,239	2,565	4,534
Net interest-bearing debt	(84,909)	(6,443)	(70,734)
Cash earnings	44,952	38,942	44,075
Average number of full-time employees	70	63	64
Basic number of shares ('000)	398,823	262,100	393,150
Deluted number of shares ('000)	408,823	266,014	408,150
Ratios			
Profit margin (%)	29.2	21.7	22.8
Return on capital employed	76.6	57.7	110.2
Return on equity (%)	24.2	35.9	34.9
Gearing	(60.6)	(8.7)	(63.7)
Net turnover/capital employed	2.2	2.6	4.8

Management report

Comments on the results for the first nine months of 2007

Development in activities and financial matters

The company's net turnover was DKK 133.1m in the first nine months of 2007 against DKK 108.9m in 2006, corresponding to an increase of 22%.

The operating profit was DKK 38.8m against DKK 23.7m in the same period of 2006.

In the first nine months of 2007 the company made a profit before tax of DKK 35.6m and DKK 25.9m after tax against a profit before tax of DKK 22.3m and DKK 23.2m after tax in the same period of 2006. In 2007 there was a tax expense of DKK 9.7m against a tax income of DKK 0.9m in the same period last year. The tax income in 2006 related to a reversal of a written off tax asset.

The results for the quarter are deemed satisfactory by the company.

During the 3rd quarter the company stabilized its production output at a higher level than in the first half of 2007, cf. stock exchange announcement No. 19/07 regarding problems with the introduction of necessary new production equipment and new processes. The turnover in the 3rd quarter is marginally lower than

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expected, as part of the irradiation equipment at external suppliers has been out of operation. This means that delivery of production orders has been postponed to the 4th quarter, and at the same time this is a significant reason for the increasing inventories in the period. The company expects to catch up with the delays in the 4th quarter. Despite the delays the company succeeded maintaining earnings at a satisfactory level.

The company is still working at implementing improved production processes by means of lean and six sigma tools, and is now achieving the first results of this work

The balance sheet total amounted to DKK 190.5m, which is an increase of DKK 72.1m compared to the same period in 2006. The primary causes for the increase are a deposit made as collateral security for the raw material contract and prepayments from customers in the form of escrow accounts.

The equity capital totaled DKK 140.1m at 30.09.2007, which is an increase of DKK 66.5m compared to the same period last year. The equity capital constituted 73.6% of the balance sheet total against 62.2% in the same period last year.

Material financial risks

Currency exposures

The company does not use derivatives to hedge currency exposures. Instead the company uses commercial hedging by balancing the currency inflow and outflow. The most important currency of the company is USD, which makes up about 65% of the total cash flow. Moreover, the company has provided substantial cash security in USD to uphold the raw material contract (2007-2012). A currency fluctuation in USD/DKK of DKK +/- 0.50 will mean a currency exposure of about DKK +/- 5.7m.

In the period 1 January to 30 September, 2007 the company recognised an unrealised exchange rate loss of DKK 4.9m in the profit and loss account, concerning the deposit made as collateral security for the raw material contract, running until the end of 2012.

Cash flow

In 2007 the company has had a positive cash flow of DKK 5.4m. In the period a debt of DKK 14.4m has been redeemed. The company still has a strong financial position.

Expected future development

Despite the above mentioned problems with external irradiations of the company's products made by suppliers, the company maintains its expectations for a turnover in 2007 of DKK 180-200m and a profit before tax of DKK 40-50m.

In the 3rd quarter the company had the largest inflow ever of inquiries and orders for delivery in a subsequent year, and the activity level for 2008 is expected to be higher than for the current year. The potential order intake is exceeding the volume of raw materials, that the company estimates to be available for production in 2008.

The large number of inquiries is partly due to the fact that the silicon market, including Topsil's float-zone market, is growing rapidly, driven by the new greener energy technologies, and there has become fewer suppliers of float-zone silicon based on the traditional float-zone polysilicon, which can be used for high power energy applications dedicated to current and new energy technologies. Silicon material for high power energy applications is Topsil's core business.

It is primarily the new energy technologies that are driving growth in the float-zone market. In the alternative energy sector there is an increasing demand for power distribution networks, where Topsil's float-zone silicon is the substrate in many control units. The same growth rate is seen in the Japanese car industry, where float zone silicon is the substrate in power devices in hybrid cars. Furthermore, Topsil's

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materials are used in key devices, which are driving windmill parks and hydroelectric power plants like f.inst. the gigantic hydroelectric power plant at Yangtze in China, that is close to being finished.

Despite the continued limitations in supplies of raw materials Topsil expects growth in turnover as well as profit in 2008, mainly driven by an improved product mix and price increases.

Accounting policies

The quarterly report has been presented in accordance with the provisions of recognition and measurement of the International Financial Reporting Standards as adopted by the European Union as well as Danish disclosure requirements for reporting of listed companies. There has been no audit or review of the quarterly report. The accounting policies are unchanged compared to the annual report for 2006, and reference is made to the annual report for more specific information on the applied accounting policies.

Statement by the management

Today the board of directors and the management have reviewed and approved the quarterly report for the period 1 January – 30 September 2007 for Topsil Semiconductor Materials A/S.

The quarterly report has been presented in accordance with the provisions of recognition and measurement of the International Financial Reporting Standards as adopted by the European Union as well as Danish disclosure requirements for reporting of listed companies.

We consider the accounting policies applied expedient for the interim report to provide a true and fair view of the company's assets, liabilities and financial position as at 30 September 2007 and of the results of its activities and cash flows for the period 1 January – 30 September 2007.

Frederikssund, 25 October 2007

Management:

Keld Lindegaard Andersen
CEO

Jørgen Bødker
VP Sales and Marketing

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
Staff Representative

Ole Sinkjær Andersen
Staff Representative

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Income statement at 1 January – 30 September

'000	3rd quarter 2007	3rd quarter 2006	2007 Jan.-Sept.	2006 Jan.-Sept.
Net turnover	49,036	31,437	133,085	108,946
Direct costs	(21,168)	(14,194)	(46,430)	(47,648)
Other external expenses and staff costs	(13,727)	(9,683)	(43,536)	(33,824)
Depreciation and amortisation	(1,503)	(1,306)	(4,276)	(3,783)
Operating profit/loss (EBIT)	12,638	6,254	38,843	23,691
Financial items, net	(2,450)	(337)	(3,262)	(1,413)
Profit/loss before tax	10,188	5,917	35,581	22,278
Tax on the profit for the period	(2,547)	(1,657)	(9,672)	921
Net profit/loss for the period	7,641	4,260	25,909	23,199

Balance sheet as at 30 September

Assets

'000	2007	2006	31.12.2006
Completed development projects	12,787	15,815	15,044
Patents	14	25	22
Development projects in progress	4,364	43	1,240
Intangible assets	17,165	15,883	16,306
Plant and machinery	21,258	20,042	18,995
Other fixtures and fittings, tools and equipment	1,485	641	1,950
Tangible assets under construction	4,446	1,069	2,017
Tangible assets	27,189	21,752	22,962
Participating assets in subsidiaries	1,526	1,526	1,526
Other debtors*	61,561	2,000	62,562
Financial assets	63,087	3,526	64,088
Deferred tax	0	9,113	7,251
Non-current assets	107,441	50,274	110,607
Inventories	33,315	26,284	22,562
Receivables	17,783	21,609	20,869
Prepayments	1,689	714	945
Receivables	19,472	22,323	21,814
Cash	30,258	19,541	24,844
Current assets	83,045	68,148	69,220
Assets	190,486	118,422	179,827

* Other debtors at 30 September 2007 include the deposit made as collateral security for the raw material contract, USD 7.5m.

Balance sheet as at 30 September

Liabilities

'000	2007	2006	31.12.2006
Share capital	99,706	65,525	98,288
Retained profit/loss	38,370	6,404	11,062
Share-based payment reserve	843	686	686
Reserve for market value adjustment	1,026	1,026	1,043
Issue premium	155	0	0
Equity capital	140,100	73,641	111,079
Amounts owed to credit institutions	0	7,163	6,786
Financial lease commitments	0	5,205	4,889
Payments received on accounts from customers	13,239	0	15,822
Long-term liabilities	13,239	12,368	27,497
Amounts owed to credit institutions	0	1,508	1,508
Financial lease commitments	0	1,222	1,239
Trade creditors	16,152	21,552	19,522
Amounts owed to subsidiaries	1,526	1,526	1,526
Other payments	19,469	6,605	17,456
Short-term liabilities	37,147	32,413	41,251
Total liabilities	50,386	44,781	68,748
Liabilities	190,486	118,422	179,827
Explanation of the composition of equity:			
Equity capital 1/1	111,079	50,253	98,288
Profit of the period	25,909	23,199	11,062
Reserve for market value adjustment of financial assets available for sale	0	0	1,026
Share-based payments	1,556	189	686
Reserve for market value adjustment of collateral instruments	(17)	0	17
Capital increases	1,573	0	0
Equity capital 30/9	140,100	73,641	111,079

The share capital consists of 398,822,609 shares of nom. DKK 0.25. The shares are not split into classes.

Cash-flow statement for the first nine months

'000	2007	2006
Operating profit/loss (EBIT)	38,843	23,691
Adjustments	2,524	3,950
Working capital changes	(13,772)	(14,109)
Cash flows from primary operations	27,595	13,532
Financial income received	2,397	554
Financial expenses paid	(793)	(1,967)
Cash flows from operations	29,199	12,119
Acquisition of tangible and intangible assets	(9,363)	(2,565)
Cash flows from investments	(9,363)	(2,565)
Repayment of debts	(14,422)	(11,957)
Cash flows from financing	(14,422)	(11,957)
Change in cash and cash equivalents	5,414	(2,403)
Cash and cash equivalents at 1/1	24,844	21,944
Cash and cash equivalents at 30/9	30,258	19,541

Announcements to the Copenhagen Stock Exchange 1 January 2007 to date:

Date	Announcement
21.02	Preliminary announcement of annual report 2006
22.02	Capital increase due to exercise of warrants
22.02	Reporting on insider transactions
27.02	Reporting on insider transactions
02.03	Employee share scheme
15.03	Election of staff representatives
19.03	Capital increase due to subscription of employee shares
19.03	Reporting on insider transactions
20.03	Notice convening annual general meeting
27.03	Change in board of directors
28.03	Summary of the annual general meeting
04.04	Notice convening extraordinary general meeting
19.04	Summary of the extraordinary general meeting
02.05	Quarterly report – 1 st quarter 2007
14.05	Reporting on insider transactions
15.05	Warrant and bonus schemes to the management
30.05	Reporting on insider transactions
30.05	Correction to insider transaction
23.08	Quarterly report – interim report 2007
23.08	Warrant and bonus schemes to the management
28.08	Reporting on insider transactions
20.09	Reporting on insider transactions

Further information

Questions to the stock exchange announcements may be directed to:
Mr. Jens Borelli-Kjær, Chairman, tel. +45 40 16 14 82
Mr. Keld Lindegaard Andersen, Managing Director, tel. +45 47 36 56 10

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