

Københavns Fondsbørs  
Nikolaj Plads 6  
1067 København K

23.08.2007

## **STOCK EXCHANGE ANNOUNCEMENT No. 19/07**

### **Interim report 2007**

#### **Comments on the results for the first half of 2007**

- The company's net turnover increased in the first half of 2007 by 8% to DKK 84.0m from DKK 77.5m in the first half of 2006.
- Operating profit was DKK 26.2m against DKK 17.4m in 2006. The interim result is deemed satisfactory by the company.
- In the first half of 2007 the company made a profit before tax of DKK 25.4m and after tax of DKK 18.3m against a profit before tax of DKK 16.4m and after tax of DKK 18.9m in the same period of 2006.
- The turnover of the period was somewhat lower than originally expected, mainly due to problems with the introduction of necessary new production equipment and new processes in connection with the deliveries under the new raw materials agreement. Despite these difficulties it was possible to maintain 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 1.7m in the period.

#### **Expected future development**

- The company had an inflow of customers and orders in the second quarter corresponding to the raw materials purchased and the production capacity in 2007 (cf. stock exchange announcement No. 14/07).
- The lean-activities launched in the first quarter will now be focused in order to achieve the highest possible production output.
- Cf. stock exchange announcement No. 14/07 the company maintains its expectations for a turnover in 2007 of DKK 180-200m and a profit before tax of DKK 40-50m.

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The (unaudited) main figures are given below

DKK '000	2007	2006	2006
	Jan.-June	Jan.- June	Jan.- Dec
Net turnover	84,049	77,509	147,503
Operating profit/loss (EBIT)	26,205	17,437	33,593
Result after financial items	(812)	(1,076)	(4,359)
Net profit/loss for the period after tax	18,268	18,939	28,143
Capital employed	68,103	38,929	30,717
Net working capital	23,129	16,231	5,872
Equity capital	132,223	69,192	111,079
Balance sheet total	183,488	117,478	179,827
Expenditure on fixed assets	5,516	2,171	4,534
Net interest-bearing debt	(69,625)	(2,194)	(70,734)
Cash earnings	35,572	32,701	44,075
Average number of full-time employees	65	64	64
Basic number of shares ('000)	398,823	262,100	393,150
Diluted number of shares ('000)	408,823	266,014	408,150
<b>Ratios</b>			
Profit margin (%)	31.2	22.5	22.8
Return on capital employed	58.6	57.6	110.2
Return on equity (%)	15.0	31.7	34.9
Gearing	(52.7)	(3.2)	(63.7)
Net turnover/capital employed	1.2	2.0	4.8

## Comments on the results for the first half of 2007

### Development in activities and financial matters

The company's net turnover was DKK 84.0m in the first half of 2007 against DKK 77.5m in the same period of 2006, corresponding to an increase of 8%.

Operating profit was DKK 26.2m against DKK 17.4m in the same period of 2006. The interim result is deemed satisfactory by the company.

In the first half of 2007 the company made a profit before tax of DKK 25.4m and after tax of DKK 18.3m against a profit before tax of DKK 16.4m and after tax of DKK 18.9m in the same period of 2006. In the first half of 2007 there was a tax expense of DKK 7.1m against a tax income of DKK 2.6m in the same period last year. The tax income in the first half of 2006 related to a reversal of a written off tax asset.

The turnover of the period was somewhat lower than originally expected, mainly due to problems with the introduction of necessary new production equipment and new processes in connection with the deliveries under the new raw materials contract. Despite these difficulties it was possible to maintain earnings at a satisfactory level.

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The price level on the world market of the purchased raw materials, polysilicon for float zone production, as well as Topsil's end products, monocrystalline float zone silicon, is still at a very high level. This is also the fact for the residual product "remelt", which can still be sold at attractive prices, mainly for remelting to the solar cell industry.

The balance sheet total amounted to DKK 183.5m, which is an increase of DKK 66m 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 132.2m at 30.06.2007, which is an increase of DKK 63.0m compared to the same period last year. The equity capital constituted 72.1% of the balance sheet total against 58.9% 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 first half of 2007 the company recognised an unrealised exchange rate loss of DKK 1.7m in the profit and loss account.

### **Cash flow**

In the first half of 2007 the company has had a negative cash flow of DKK 13m, which was mainly due to redemption of debt of DKK 14.4m. The company still has a strong financial position.

### **Expected future development**

The company had an inflow of customers and orders in the second quarter corresponding to the raw materials purchased and the production capacity in 2007 (cf. stock exchange announcement No. 14/07).

In connection with the conclusion of the new raw materials agreement the company received less processed polysilicon ingots from the subsupplier as from 1 January 2007. In that connection Topsil introduced new production equipment and new processes for preparation of the raw materials, as mentioned above, at the end of 2006. These new production processes did not work optimally in the first half, which led to delays in the production of finished goods.

At the moment the company is implementing the LEAN activities launched in the first quarter in order to achieve the highest possible production output.

Cf. stock exchange announcement No. 14/07 the company maintains its expectations for a turnover in 2007 of DKK 180-200m and a profit before tax of DKK 40-50m.

The market trend for the company's products is still very positive, and there is every indication that the price level of the company's products will remain at a high level in 2007 and 2008.

As described in the stock exchange announcement for the first quarter of 2007 (14/07) the float zone market is changing, as the two largest manufacturers of float zone silicon, Shin-Etsu and Siltronic, shifted part of their float zone production to a number of substituting products, mainly based on various forms of modified czochralski-products. In that way it is possible to produce substituting products without using a raw material specialised for float zone silicon.

However, there is still a strong demand for traditional float zone material among Topsil's existing and potential new customers.

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The niche, which is Topsil's primary market in the float zone industry, seems to be strengthened, partly because there are only few suppliers of raw materials for float zone production, leading to the high price level, and recently due to the other players' more or less voluntary dropping of a number of traditional float zone products based on specific float zone raw materials.

On 2 July 2007 Topsil was listed in the segment SmallCap+ on OMX, The Nordic Exchange, Copenhagen, as Topsil is fulfilling all admission criteria regarding communication to the stock exchange, IR-policy, market value, share trading volume, and the trading frequency and spread of the share.

Topsil will comment the first half of 2007 and the expectations for the future in a webcast at [www.topsil.com](http://www.topsil.com) and the website of OMX, The Nordic Exchange [www.omxgroup.com](http://www.omxgroup.com) on 24 August 2007 at 10 am.

### **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. 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 interim report for the period 1 January – 30 June 2007 for Topsil Semiconductor Materials A/S.

The interim 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 June 2007 and of the results of its activities and cash flows for the period 1 January – 30 June 2007.

Frederikssund, 23 August 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 June

'000	2nd quarter 2007	2nd quarter 2006	2007 Jan.-June	2006 Jan.-June
Net turnover	43,118	38,804	84,049	77,509
Direct costs	(12,623)	(15,143)	(25,262)	(33,454)
Other external expenses and staff costs	(15,490)	(11,425)	(29,809)	(24,141)
Depreciation and amortisation	(1,440)	(1,268)	(2,773)	(2,477)
<b>Operating profit/loss(EBIT)</b>	<b>13,565</b>	<b>10,968</b>	<b>26,205</b>	<b>17,437</b>
Financial items, net	(484)	(501)	(812)	(1,076)
<b>Profit/loss before tax</b>	<b>13,081</b>	<b>10,467</b>	<b>25,393</b>	<b>16,361</b>
Tax on the profit for the period	(3,679)	4,233	(7,125)	2,578
<b>Net profit/loss for the period</b>	<b>9,402</b>	<b>14,700</b>	<b>18,268</b>	<b>18,939</b>

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## Balance sheet as at 30 June

### Assets

'000	2007	2006	31.12.2006
Completed development projects	13,539	16,586	15,044
Patents	17	28	22
Development projects in progress	4,204	11	1,240
<b>Intangible assets</b>	<b>17,760</b>	<b>16,625</b>	<b>16,306</b>
Plant and machinery	21,434	19,613	18,995
Other fixtures and fittings, tools and equipment	1,659	662	1,950
Tangible assets under construction	4,121	1,568	2,017
<b>Tangible assets</b>	<b>27,214</b>	<b>21,843</b>	<b>22,962</b>
Participating assets in subsidiaries	1,526	1,526	1,526
Other debtors*	64,635	2,000	62,562
<b>Financial assets</b>	<b>66,161</b>	<b>3,526</b>	<b>64,088</b>
<b>Deferred tax</b>	<b>126</b>	<b>10,773</b>	<b>7,251</b>
<b>Non-current assets</b>	<b>111,261</b>	<b>52,767</b>	<b>110,607</b>
<b>Inventories</b>	<b>37,780</b>	<b>29,312</b>	<b>22,562</b>
Receivables	20,781	18,891	20,869
Prepayments	1,892	544	945
<b>Receivables</b>	<b>22,673</b>	<b>19,435</b>	<b>21,814</b>
<b>Cash</b>	<b>11,774</b>	<b>15,964</b>	<b>24,844</b>
<b>Current assets</b>	<b>72,227</b>	<b>64,711</b>	<b>69,220</b>
<b>Assets</b>	<b>183,488</b>	<b>117,478</b>	<b>179,827</b>

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

## Balance sheet as at 30 June

### Liabilities

'000	2007	2006	31.12.2006
Share capital	99,706	65,525	98,288
Retained profit/loss	30,730	2,144	11,062
Share-based payment reserve	606	497	686
Reserve for market value adjustment	1,026	1,026	1,043
Issue premium	155	0	0
<b>Equity capital</b>	<b>132,223</b>	<b>69,192</b>	<b>111,079</b>
Amounts owed to credit institutions	0	7,540	6,786
Financial lease commitments	0	5,517	4,889
Payments received on accounts from customers	13,941	0	15,822
<b>Long-term liabilities</b>	<b>13,941</b>	<b>13,057</b>	<b>27,497</b>
Amounts owed to credit institutions	0	1,508	1,508
Financial lease commitments	0	1,205	1,239
Trade creditors	21,956	18,221	19,522
Amounts owed to subsidiaries	1,526	1,526	1,526
Other payables	13,842	12,769	17,456
<b>Short-term liabilities</b>	<b>37,324</b>	<b>35,229</b>	<b>41,251</b>
<b>Total liabilities</b>	<b>51,265</b>	<b>48,286</b>	<b>68,748</b>
<b>Liabilities</b>	<b>183,488</b>	<b>117,478</b>	<b>179,827</b>
<b>Explanation of the composition of equity:</b>			
Equity 1/1	111,079	50,253	98,288
Profit of the period	18,268	18,939	11,062
Reserve for market value adjustment of financial assets available for sale	0	0	1,026
Share-based payments	1,320	0	686
Reserve for market value adjustment of collateral instruments	(17)	0	17
Capital increases	1,573	0	0
Equity 31/6	<b>132,223</b>	<b>69,192</b>	<b>111,079</b>

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 six months

'000	2007	2006
Operating profit/loss (EBIT)	26,205	17,437
Adjustments	5,650	3,487
Working capital changes	(21,211)	(12,402)
<b>Cash flows from primary operations</b>	<b>10,644</b>	<b>8,522</b>
Financial income received	1,643	259
Financial expenses paid	(2,455)	(1,335)
<b>Cash flows from operations</b>	<b>9,832</b>	<b>7,446</b>
Acquisition of tangible and intangible assets	(8,480)	(2,141)
<b>Cash flows from investments</b>	<b>(8,480)</b>	<b>(2,141)</b>
Repayment of debts	(14,422)	(11,285)
<b>Cash flows from financing</b>	<b>(14,422)</b>	<b>(11,285)</b>
<b>Change in cash and cash equivalents</b>	<b>(13,070)</b>	<b>(5,980)</b>
Cash and cash equivalents at 1/1	24,844	21,944
<b>Cash and cash equivalents at 30/6</b>	<b>11,774</b>	<b>15,964</b>



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

<b>Date</b>	<b>Announcement</b>
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 <sup>st</sup> 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

## Financial calendar 2007

<b>Date</b>	<b>Announcement</b>	<b>Doldrums</b>
25.10	Quarterly report – 3rd quarter 2007	27.09.07 – 25.10.07

## 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.

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