

Accomplishments and **results**

“Making **optimal** performance possible for our customers is **our way** of making a positive impact on the world.”

Excerpts from the Haldor Topsoe Annual Report 2014, available at www.topsoe.com/annual-report-2014



Financial highlights

Seen over a five-year period, the development of Topsoe is described by the following financial highlights.

Profit

<i>DKK million</i>	2014	2013	2012	2011	2010
Revenue	5,685	5,348	5,244	4,421	4,201
Gross profit	2,542	2,408	2,142	1,924	1,884
EBITDA	929	876	793	668	677
Depreciation and amortization	-366	-175	-200	-201	-207
EBIT	563	701	593	467	470
Financial income/expenses	14	-21	-28	63	-36
Net profit	440	553	415	402	301

Balance sheet

<i>DKK million</i>	2014	2013	2012	2011	2010
Balance sheet total	6,455	6,132	5,503	5,158	4,640
Equity	1,831	1,644	1,422	1,307	1,124
Net working capital	540	462	280	177	355
Net indebtedness	1,016	994	228	386	763

Cash flow

<i>DKK million</i>	2014	2013	2012	2011	2010
Cash flows from operating activities	808	483	786	796	418
Cash flows from investing activities	-639	-721	-342	-238	-211
Hereof investments in property, plant and equipment	-600	-664	-307	-209	-210
Cash flows from financing activities	-222	163	-247	-389	-437
Change in cash and cash equivalents for the year	-14	-75	197	169	-230

Employees

<i>Number</i>	2014	2013	2012	2011	2010
Total number of employees (average)	2,694	2,430	2,195	2,091	2,015
Hereof in Denmark (average)	1,945	1,886	1,733	1,689	1,656

Ratios

<i>%</i>	2014	2013	2012	2011	2010
Gross margin	44.7	45.0	40.8	43.5	44.8
EBITDA margin	16.3	16.4	15.1	15.1	16.1
EBIT margin	9.9	13.1	11.3	10.6	11.2
Return on invested capital (ROIC)	20.1	31.0	33.0	26.5	27.1
Equity ratio	28.4	26.8	25.8	25.3	24.2
Return on equity	25.3	36.1	30.4	33.1	27.5

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts.

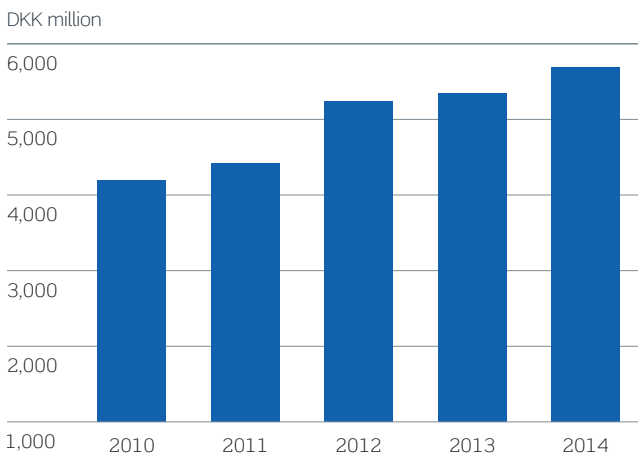
2014 was another satisfactory year for Haldor Topsoe A/S.

Our catalysts enjoyed significantly higher demand and volume increases in most segments, resulting in a 13% growth in catalyst revenue, whereas the technology part of our business was faced with certain delays in order inflow, resulting in a 10% reduction in revenue. In total, revenue increased by 6% (or 8% if adjusting for 2013 special item).

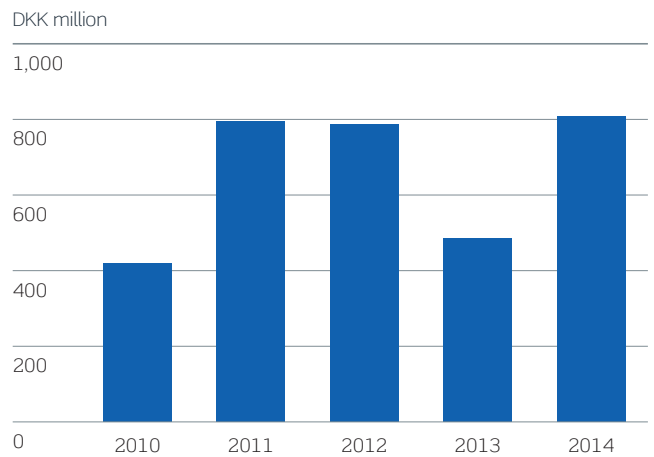
EBIT decreased 20% to DKK 563 million corresponding to an EBIT margin of 9.9% (2013: 13.1%). The decrease is due to impairment and other costs related to closure of Topsoe Fuel Cell A/S for the amount of DKK 151 million.

R&D expense level was maintained at a high level with a R&D-to-revenue-ratio of 10.6% (2013: 11.4%).

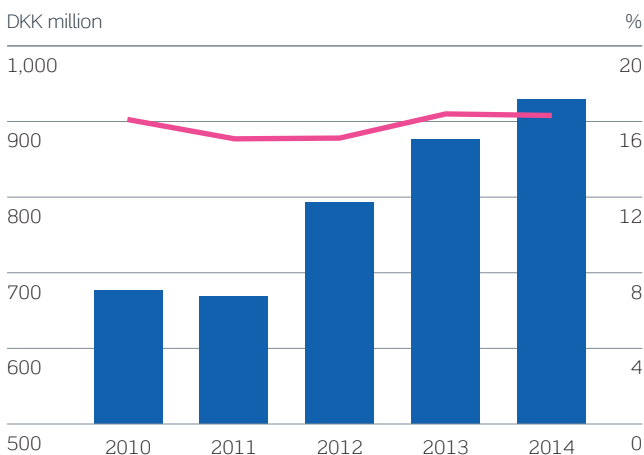
Revenue



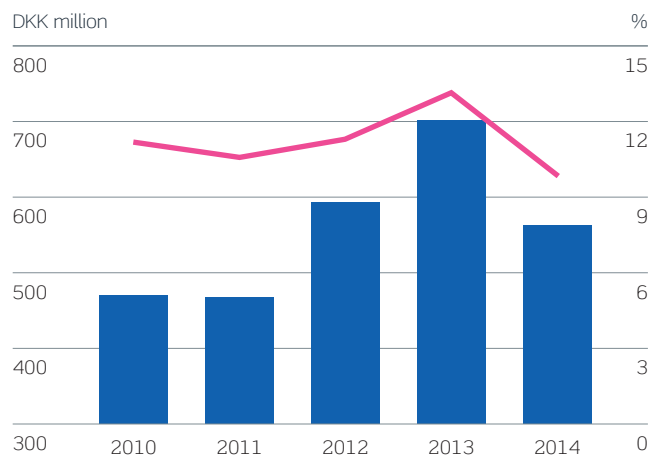
Cash flows from operating activities



EBITDA



EBIT



■ EBITDA (left)
 ■ EBITDA margin (right)

■ EBIT (left)
 ■ EBIT margin (right)

Financial report

Statement of profit and loss

Revenue

Revenue increased 6% to DKK 5,685 million (2013: DKK 5,348 million).

Catalyst revenue increased by 13% due to growth in most business areas. Topsoe still enjoys a balanced portfolio of profitable business areas with growth potential.

A change of estimate of warranty provisions related to technology projects had a positive impact on revenue, EBITDA and EBIT (DKK 105 million) and net profit (DKK 79 million) in 2013. No special items have impacted 2014 revenue. Adjusting for the 2013-special item, the total revenue growth was 8% from 2013 to 2014.

Earnings before interest, tax, depreciation, and amortization (EBITDA)

EBITDA increased by 6% to DKK 929 million, corresponding to an EBITDA margin of 16.3% (2013: 16.4%).

The increase in staff, abroad and in Denmark, has resulted in an increase in staff expenses by 5% to DKK 1,613 million. Raw materials (incl. changes in inventories) increased by 16% to DKK 1,741 million, driven by the larger catalyst sales volume. Purchased equipment for contract work decreased by 33% to DKK 348 million due to the reduction in technology activities. Other external expenses increased by 10% to DKK 1,117 million.

Earnings before interest and tax (EBIT)

EBIT decreased 20% to DKK 563 million corresponding to an EBIT margin of 9.9% (2013: DKK 701 million and an EBIT margin of 13.1%). Adjusting for the warranty provision change in 2013 and the loss of DKK 151 million incurred in 2014 in relation to the closure of Topsoe Fuel Cell A/S (TOFC), the EBIT increased by DKK 118 million or 20% compared to 2013. Depreciation increased by 109% to DKK 366 million as a result of the completion of two new production lines in Houston and Frederikssund and the asset impairment related to the closure of TOFC.

Net profit

Net profit decreased 20% to DKK 440 million (2013: DKK 553 million).

The reduction in net profit is mainly explained by the loss after tax of DKK 114 million related to the closure of TOFC. Dividend from KAFCO decreased by 10% to DKK 54 million. Net interest decreased by DKK 7 million as a result of continuing lower market interest rates and favorable re-financing. There were positive net exchange adjustments of DKK 11 million (2013: DKK -24 million). Tax increased by DKK 10 million to DKK 137 million.

Cash flow and balance sheet

Cash flows from operating activities

Cash flows from operating activities increased by 67% and amounted to DKK 808 million (2013: DKK 483 million). Working capital increased by DKK 6 million and amounted to 9.5% of revenue (2013: 8.6%).

CAPEX

CAPEX decreased by 11% and amounted to DKK 639 million (2013: DKK 721 million). Two new production lines in Frederikssund, Denmark and Houston, Texas – Topsoe's two primary production sites – were completed within the first half of 2014. In 2014 additional CAPEX has been spent on establishment of two new production sites in China and Brazil, both of which will be completed in 2015.

Net indebtedness

Net indebtedness increased by 2% and amounted to DKK 1,016 million (2013: DKK 994 million).

The interest bearing debt at the end of 2014 was DKK 1,936 million (2013: DKK 1,928 million).

Surplus funds for an amount of DKK 467 million were placed with the holding company, Haldor Topsøe Holding A/S, as part of a cash pool arrangement (2013: DKK 550 million).

Return on invested capital (ROIC)

ROIC amounted to 20% (2013: 31%).

Order backlog

The order backlog was at the end of 2014 at a satisfactory level covering a major part of our engineering and catalyst production capacity for 2015.



Outlook for 2015

Revenue

Revenue is expected to increase in 2015.

EBIT

EBIT is expected to remain at a high level, and EBIT margin is expected to increase compared to 2014. In 2015, we expect to maintain our high level of R&D and business development activities, except for the Topsoe Fuel Cell activities which were closed down in 2014. We will also start to depreciate the two new production plants in China and Brazil, which will commence production during 2015. This may have a negative short term EBIT margin impact.

Cash flow and funding

Operating cash flows are expected to continue to be strong. Topsoe's current funding position is strong, based on access to the corporate bond market, institutional banks as well as commercial banks.

As part of the corporate bond issuance in 2013, Topsoe was credit rated as an investment grade company in shadow ratings performed by two major Nordic banks. These shadow ratings have been maintained throughout 2014.

Topsoe intends to maintain a credit profile that matches that of an investment grade company during a business cycle. Topsoe will consider, when market terms are attractive and there is a need, to issue further corporate bonds as well as to obtain other credit facilities.

Forward-looking statements

Haldor Topsoe A/S' financial reports, whether in the form of annual reports or interim reports, filed with the Danish Business Authority and/or announced via the company's website, as well as any presentations based on such financial reports, and any other written information released, or oral statements made, to the public based on this annual report or in the future on behalf of Haldor Topsoe A/S, may contain forward-looking statements.

These forward-looking statements are based on current plans, estimates and projections. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, which may be outside Haldor Topsoe A/S influence, and which could materially affect such forward-looking statements.

Haldor Topsoe A/S cautions that a number of factors, including those described in the risk management part of this report, could cause actual results to differ materially from those contemplated in any forward-looking statements.



Risk management

Enterprise risk management

Since 2013 Haldor Topsoe has operated an enterprise risk management program, with quarterly reporting from business and resource units to Executive Management, followed up by reviews and mitigating activities. In 2013 Haldor Topsoe prepared a description of the various risks as part of the company's corporate bond issuance. This risk factor description can be found as part of the company description on www.topsoe.com.

During 2014 the Topsoe Code of Conduct was implemented throughout the entire organization, including policies covering anti-corruption, competition law as well as other compliance issues.

Below are mentioned the general risk factors and the associated mitigating actions.

Strategic operational risks

Customer demand

Based on our continued development of current as well as new products and processes, we expect demand to be strong. Catalysts are involved in 90% of the world's chemical processes today, and we see no indication of reduced demand or substitutes. For new products, processes and services being developed, we are depending on market demand picking up in order to increase our sales of these.

Intellectual Property (IP) protection

As a highly innovative company, Haldor Topsoe pursues IP protection through e.g. patents, trade secrets, trademarks, design and copyright law. Our IP could, however, be challenged, invalidated, circumvented or rendered unenforceable. Defending and prosecuting our IP is therefore of paramount importance.

Raw material prices and availability

The cost of raw materials is a significant cost component in our products, and prices can fluctuate considerably.

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We seek to pass any increased raw material cost on to our customers through escalation clauses in contracts. In addition, we use financial hedging to a certain extent. Moreover, we seek to have multiple suppliers for each raw material.

Operational risks

Haldor Topsoe's production of catalysts takes place in Frederikssund, Denmark, and Houston, USA and from 2015 also in Tianjin, China and Joinville, Brazil. If production for some reason is closed down for an extended period in one of our operational plants or if commissioning of new plants is substantially delayed, it will have a material impact on Haldor Topsoe's earnings. We seek to mitigate this risk by having multiple production lines for certain products as well as a safety stock policy. We have also taken out insurance against loss of contribution and property insurance, etc.

Issuance of bonds in support of contractual liabilities is an inherent and necessary part of Haldor Topsoe's business model, e.g. in the form of bid bonds, advance payment bonds and performance bonds issued by banks on behalf of Haldor Topsoe. Risk mitigation is obtained via thorough structuring of contracts and related bonds.

Product liabilities and compliance

The products and services supplied by Haldor Topsoe have to meet the highest standards in the industry. With complex processes being involved, Haldor Topsoe will always be subject to the risk of product liability. In order to reduce this risk, quality in all areas of the value chain is monitored continuously. In addition, Haldor Topsoe never accepts unlimited liability in our contracts.

Besides property insurance and insurance against loss of contribution, a number of other operational risks are insured. General liability and product liability as well as professional indemnity and transportation for example.

Geopolitical risks

The presence of Haldor Topsoe across the globe, exposes earnings to geopolitical events. Political actions, such as trade barriers, embargoes, new taxes, currency restrictions, the passing of environmental legislation etc., may impact the result and cash flows of Haldor Topsoe. This risk is to a certain degree mitigated through the monitoring of regulatory initiatives, geographical diversification, and - when possible - that cash flows are maintained positive for our individual contracts.

Financial risks

Currency risks

As Haldor Topsoe operates globally, the statement of profit and loss, balance sheet, and cash flows are subject to the risk of currency fluctuations, mainly in relation to Haldor Topsoe's flows of EUR and USD.

Part of the risk is mitigated through natural hedges arising from activities where Haldor Topsoe has both income and expenses in the same currency. However, the risk is not fully covered by natural hedges, and consequently, Haldor Topsoe hedges certain future cash flows. A 5% increase in the USD/DKK exchange rate is assessed to have a positive EBIT effect of DKK 20-25 million.



Interest rate risk

Long-term debt consists of loans and bonds with fixed and floating interest rates. In order to secure a distribution between fixed and floating rate debt that matches the asset distribution, interest rate swaps are applied. For the floating rate portion of Haldor Topsoe's interest bearing debt, a change in the interest rate level of 1 percentage point will influence interest expenses by DKK 9 million .

Credit risk

The credit risk of Topsoe is primarily related to trade receivables which to some extent consist of large, multinational or government-owned corporations. For other types of clients, and for most sales in emerging markets, we seek to mitigate credit risk by application of instruments such as letters of credit and bank guarantees as well as through selective structuring of payment terms etc.

Counterparty risk

In this context counterparty risk is defined as credit risk on financial institutions when dealing with them, either by placing deposits, entering into derivative financial instrument transactions or otherwise. In order to reduce counterparty risk, Haldor Topsoe only deals with financial counterparties, which - based on management's assessment - have a satisfactory credit rating from a recognized international credit rating agency.

Liquidity risks

Haldor Topsoe must maintain sufficient liquidity to fund daily operations, debt service, and for future expansion purposes. Haldor Topsoe's access to liquidity consists of cash and cash equivalents including access to credit facilities.

Restrictive covenants

Some of the financing arrangements of Haldor Topsoe are subject to financial covenants, and if violated this could limit the ability to finance the

company's operations and capital needs for pursuing acquisitions and other business activities.

Dividend policy

The Haldor Topsoe Group has since 2007 financed the operations of Haldor Topsøe Holding A/S through dividend payments in order for this company to operate. The liquidity effect of the expected future dividend payments has been incorporated in the cash flow forecasts of Haldor Topsoe.

Tax

Haldor Topsoe is exposed to a large number of different tax regimes across the countries in which we operate, and there is a risk of unexpected taxation due to uncertainty of the interpretation of local tax regulations. To mitigate this risk, Haldor Topsoe consults external advisors.