

Excerpts from the Haldor Topsoe
Annual Report 2015, available at
www.topsoe.com/annual-report-2015

Accomplishments and **results**

Five-year summary

Profit

<i>DKK million</i>	2015	2014	2013	2012	2011
Revenue	5,785	5,685	5,348	5,244	4,421
Gross profit	2,483	2,542	2,408	2,142	1,924
EBITDA	795	929	876	793	668
Depreciation and amortization	-293	-366	-175	-200	-201
EBIT	502	563	701	593	467
Financial income/(expenses) etc.	-40	14	-21	-28	63
Net profit	322	440	553	415	402

Balance sheet

<i>DKK million</i>	2015	2014	2013	2012	2011
Balance sheet total	7,194	6,455	6,132	5,503	5,158
Equity	2,003	1,831	1,644	1,422	1,307
Net working capital	451	540	462	280	177
Net interest bearing debt	1,152	1,016	994	228	386

Cash flow

<i>DKK million</i>	2015	2014	2013	2012	2011
Cash flows from operating activities	750	754	483	786	796
Cash flows from investing activities	-638	-585	-721	-342	-238
- Of which investments in property, plant and equipment	-589	-600	-664	-307	-209
Cash flows from financing activities	-99	-222	163	-247	-389
Change in cash and cash equivalents for the year	32	-14	-75	197	169

Employees

<i>Number</i>	2015	2014	2013	2012	2011
Average number of employees	2,688	2,694	2,430	2,195	2,091

Ratios

%	2015	2014	2013	2012	2011
Gross margin	42.9%	44.7%	45.0%	40.8%	43.5%
EBITDA margin	13.7%	16.3%	16.4%	15.1%	15.1%
EBIT margin	8.7%	9.9%	13.1%	11.3%	10.6%
Return on invested capital (ROIC)	16.0%	20.1%	31.0%	33.0%	26.5%
Equity ratio	27.8%	28.4%	26.8%	25.8%	25.3%
Return on equity	16.8%	25.3%	36.1%	30.4%	33.1%

2015 was a challenging year for Haldor Topsoe A/S.

The challenging market conditions affected our entire industry, but Topsoe maintained its market shares in 2015. The results do not meet our growth ambitions. During the year, a number of initiatives were implemented in order to reduce our cost base, the effect of which we saw already in the second half of 2015.

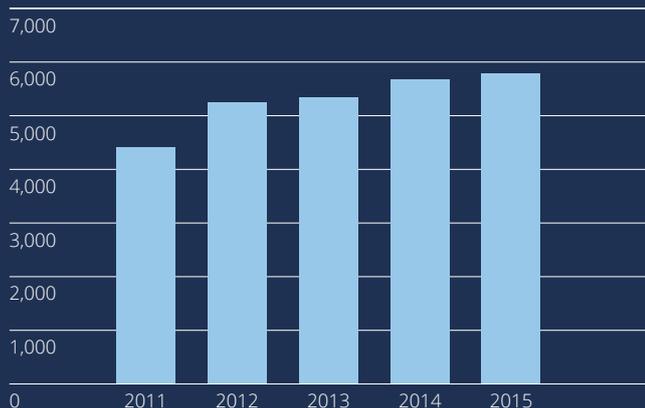
Despite the negative market conditions affecting our entire industry, it is positive that Topsoe maintained a strong operating cash flow (DKK 750 million).

EBIT decreased by 11% to DKK 502 million corresponding to an EBIT margin of 8.7% (2014: 9.9%).

R&D expense level was maintained at a high level with a R&D-to-revenue-ratio of 9.6% (2014: 10.6%).

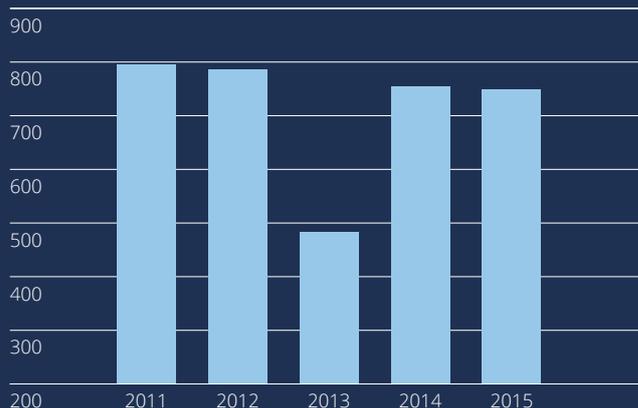
Revenue

DKK million



Cash flow from operating activities

DKK million



EBITDA

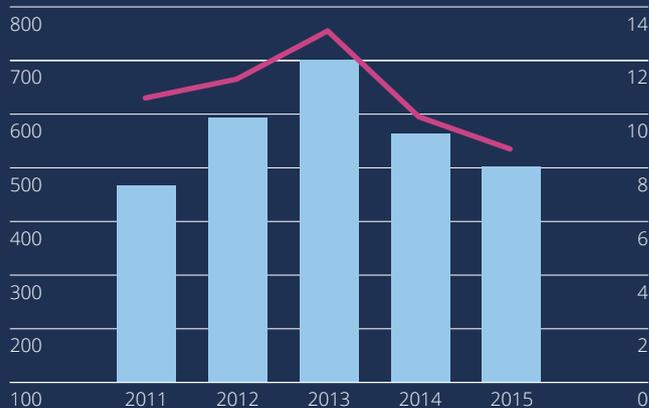
DKK million



■ EBITDA (left)
— EBITDA margin (right)

EBIT

DKK million



■ EBIT (left)
— EBIT margin (right)

Financial report

Income statement

Revenue

Revenue increased 2% to DKK 5,785 million (2014: DKK 5,685 million). The strengthened USD/DKK exchange rate impacted revenue positively by 6%. Revenue decreased by 4% in local currencies. The revenue development was negatively impacted by difficult market conditions as a result of reduced global growth and geopolitical events. Catalyst revenue increased by 2%, and technology revenue increased by 1%. Market shares were generally maintained in 2015.

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

EBITDA decreased by 14% to DKK 795 million, corresponding to an EBITDA margin of 13.7% (2014: 16.3%).

Staff expenses increased by 5% to DKK 1,688 million. In August 2015, a general staff reduction was effectuated and approx. 160 jobs were made redundant. Related redundancy costs of DKK 44 million have been accounted for in 2015. Also, a number of other cost saving activities were initiated. Raw materials (incl. changes in inventories) were at the same level as in 2014. Purchased equipment for contract work increased by 15% to DKK 400 million due to increased equipment content in our technology offerings. Other external expenses increased by 7% to DKK 1,198 million.

Earnings before interest and tax (EBIT)

EBIT decreased 11% to DKK 502 million corresponding to an EBIT margin of 8.7% (2014: DKK 563 million and an EBIT margin of 9.9%). Adjusting for the DKK 151 million loss incurred in 2014 in relation to the closure of Topsoe Fuel Cell A/S (TOFC) and the cost of DKK 44 million in connection with the lay-offs made in 2015, EBIT decreased by DKK 167 million, or 24%, compared to 2014. Depreciation decreased by

20% to DKK 293 million, mainly due to asset impairment of DKK 123 million in 2014 related to the closure of Topsoe Fuel Cell, whereas ordinary depreciation increased due to completion of new production lines in Denmark and China.

Net profit

Net profit decreased 27% to DKK 322 million (2014: DKK 440 million).

The reduction in net profit is explained by:

The reduction in EBIT to DKK 502 million in 2015 (2014: DKK 563 million). Dividend from KAFCO decreased by 50% to DKK 26 million. There were negative net exchange adjustments of DKK 17 million (2014: DKK 11 million).

Net interest decreased by DKK 10 million as a result of lower market interest rates and margins.

Tax increased by DKK 3 million to DKK 140 million.

Cash flow and balance sheet

Cash flows from operating activities

Cash flows from operating activities were maintained at a high level and amounted to DKK 750 million (2014: DKK 754 million). Working capital was reduced by DKK 146 million and net working capital amounted to 7.8% of revenue (2014: 9.5%).

CAPEX

CAPEX increased by 9% and amounted to DKK 702 million (2014: DKK 644 million). Two new production lines in Tianjin, China, and Joinville, Brazil, were being constructed in 2015.

Net indebtedness

Net indebtedness increased by 13% and amounted to DKK 1,152 million (2014: DKK 1,016 million).

The interest bearing debt at the end of 2015 was DKK 2,104 million (2014: DKK 1,936 million).

Surplus funds for an amount of DKK 375 million were placed with the holding company, Haldor Topsøe Holding A/S, as part of a cash pool arrangement (2014: DKK 467 million).

Return on invested capital (ROIC)

ROIC amounted to 16% (2014: 20%).

Order backlog

The order backlog at the end of 2015 was at a satisfactory level covering a major part of our engineering and catalyst production capacity for 2016. The lifting of sanctions on Iran is expected to have a significant positive impact on the order backlog due to re-start of projects previously impacted by sanctions as well as new orders.

Outlook for 2016

Revenue

Revenue in 2016 is expected to be in line with or slightly above 2015 revenue.

EBIT

EBIT margin is expected to increase in 2016 compared to 2015. EBIT is expected to be positively impacted from re-started Iranian contracts due to the lifting of sanctions on Iran in 2016.

We expect to maintain a high level of R&D and business development activities in 2016 of 9-10% of revenue.

Start-up of new production lines in China and Brazil may have a negative short-term impact on EBIT.

In the second half of 2015, actions were taken to reduce our cost base. This will have a positive influence on the 2016 result.

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. In addition to refinancing initiatives taken in 2015, Topsoe will actively pursue attractive refinancing options in 2016.

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 and 2015.

Topsoe intends to maintain a credit profile that matches that of an investment grade company during a business cycle. When market terms are attractive and there is a need, Topsoe will consider issuing additional corporate bonds as well as obtaining 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 A/S 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, 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 and other compliance issues. During 2015, a Corporate Social Responsibility (CSR) & Sustainability policy has been implemented.

The policy for the gender composition of management can be found on <http://www.topsoe.com/about/corporate-social-responsibility-sustainability>

The general risk factors and the associated mitigating actions are outlined below.

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 the vast majority 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.

Intellectual Property (IP) protection

As a highly innovative company, Topsoe pursues IP protection through

for instance patents, trade secrets, trademarks, design and copyright law. Our IP could, however, be challenged, invalidated, circumvented or rendered unenforceable. Defending and prosecuting our IP rights are 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.

We seek to mitigate this risk through escalation clauses in customer contracts. The escalation clauses are linked to market indices. In addition, we use financial hedging to a certain extent. Moreover, we seek to have multiple suppliers for each raw material. We are exposed to single source risk on some raw material supplies, which makes us volatile to cost increases. We work actively to limit the single source exposure.

Operational risks

Topsoe's production of catalysts takes place in Frederikssund, Denmark, Houston, US, Tianjin, China, and from 2016 also Joinville, Brazil. If, for some reason, production 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 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 business interruption insurance and property insurance, etc.

Topsoe is exposed to project execution risk on technology projects. Systematic project management is performed in order to limit risk of delayed deliveries, re-engineering, and cost overrun.

Issuance of bonds in support of contractual liabilities is an inherent and

necessary part of Topsoe's business model, for instance in the form of bid bonds, advance payment bonds and performance bonds issued by banks on behalf of Topsoe. Risk mitigation is obtained via thorough structuring of contracts and related bonds. Such bond issuance will also be a part of the Ferrostaal Topsoe Projects business model when projects materialize.

Insurance

Besides property insurance and business interruption insurance, a number of other operational risks are insured, including general liability and product liability as well as professional indemnity and transportation.

Geopolitical risks

Topsoe's global presence exposes earnings to geopolitical events. Political actions, such as trade barriers, embargoes, new taxes, currency restrictions, the passing of environmental legislation, etc., may impact results and cash flows. This risk is to a certain degree mitigated through the monitoring of regulatory initiatives, geographical diversification, and by ensuring – to the extent possible – that cash flows are maintained positive for our individual contracts.

Financial risks

Currency risks

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

Part of the risk is mitigated through natural hedges arising from activities where Topsoe has both income and expenses in the same currency. However, the risk is not fully covered by natural hedges, and consequently 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 Topsoe's interest bearing debt, a change in the interest rate level of 1 percentage point will increase interest expenses by DKK 12 million.

Credit risk

The credit risk of Topsoe is primarily related to trade receivables relating to state-owned as well as privately owned corporations. We seek to mitigate credit risk by applying instruments such as letters of credit and bank guarantees as well as 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, 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

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

Restrictive covenants

Some of the financing arrangements of 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. Covenants include equity ratio, interest coverage and leverage (net debt/EBITDA) requirements.

Dividend policy

Since 2007, the Haldor Topsoe Group has financed the operations of Haldor Topsøe Holding A/S through dividend payments. The liquidity effect of the expected future dividend payments has been incorporated in the cash flow forecasts of Topsoe.

Tax

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, Topsoe consults external advisors.