

Annual Report for 2020

Haldor Topsøe Holding A/S
CVR no. 30 82 67 52

The Annual Report has been presented and adopted at the Annual General Meeting on
March 24, 2021

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Chair of the meeting,
Lene Ramm

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Letter from the Chairman

In spite of the many challenges due to the Covid-19 pandemic, 2020 proved to be a good year for Haldor Topsøe Holding A/S and its operations.

Haldor Topsoe A/S

With a push from the owners during some time, Haldor Topsoe launched a new strategic direction for the company with much more focus on sustainability. This has been in complete alignment with the board and management. We are impressed by the speed and dedication that this new focus has received from management and the entire organization. The redefined purpose "Perfecting Chemistry for a Better World" encapsulates the essence of Topsoe's long-standing and dedicated work to develop excellent technologies that make a positive difference in the world. In addition, a vision was created to express and guide the ambitions for Haldor Topsoe's growth and contribution to a better world in the coming years. The vision "To be recognized as the global leader in carbon emission reduction technologies by 2024" sets the strategic direction for the company.

While both the company purpose and vision are new, they reflect decades of dedication to making a positive difference in the world. Haldor Topsoe has always been committed to developing technologies that solve urgent global challenges.

Roeland Baan took over as new CEO of Topsoe in June. Roeland has global experience and a proven track record of driving growth, developing businesses, and building cohesive organizations. In the transformation process and when defining our new purpose, vision and strategic direction, he has made a remarkable effort with a very positive impact. Roeland took over from Bjerne S. Clausen, who retired after an impressive 40-year career with the company and to whom we owe our gratitude.

Despite the immense challenges from the Covid-19 pandemic, Haldor Topsoe achieved an impressive year-on-year improvement in 2020 as revenue grew by 5% to DKK 6,179 million and EBIT before special items increased by 6% to DKK 853 million compared to 2019.

A profound thank you to the board, management and all employees for the remarkable results and dedication in what has been one of the most challenging years ever.

IGM Biosciences, Inc.

IGM Biosciences continued its exciting journey towards developing IgM based treatments for patients – primarily within oncology. Two antibodies entered into the clinic in 2020, IGM-2323 designed to treat patients with B-cell Non-Hodgkin's lymphoma (NHL) and other B-cell malignancies and IGM-8444 targeting Death Receptor 5 (DR5) for the treatment of patients with solid and hematologic malignancies. It will be exciting to see the data that are expected to be published in 2021 and to follow the work on expanding the pipeline.

Frydenlund Ejendomsselskab ApS

The renovation projects at Frydenlund are proceeding according to plan. The operation of the orchard has been challenged by a poor harvest which reflects the general situation for this year's fruit growing in Denmark. Furthermore, Covid-19 has had a negative impact on sales. Making the orchard profitable and preserving the historic apple varieties will continue in the coming years.

I want to thank the family and my fellow board members for their support and constructive co-operation. I especially want to thank the employees in our companies. They have performed exceptionally well in unprecedented times facing personal as well as corporate challenges

Topsoe's response to COVID-19

The COVID-19 pandemic has demanded our constant attention throughout most of 2020. It has influenced Topsoe's business, changed our usual business routines, and put a strain on our employees.

During the pandemic, we have focused on safeguarding the health, safety, and well-being of Topsoe employees, while keeping our production running and delivering upon our promises to customers across the globe.

With our employees' safety in mind, we have taken numerous actions to prevent and limit the spreading of COVID-19 in the workplace and to support employees' physical and emotional well-being. For our customers, we have developed new, innovative solutions for remote assistance to support them in upholding operations. In the communities where we do business around the world, we have made donations to support children and families impacted by the pandemic.

So far, we have been successful in limiting the spread of COVID-19 in the workplace. In total, 88 employees have been diagnosed with COVID-19 globally, and only four cases are assessed to relate to the workplace.

While COVID-19 has naturally challenged our supply chain at times, we have not experienced major disruptions such as supply failures, and we

have been able to continue our production more or less as usual. Having a business model that comprises both catalysts and technology has proven to be an advantage for Topsoe. While order intake was high in the first half of 2020, it slowed down as we approached year-end, and we received significantly fewer technology orders compared to catalyst orders, which remained at a more normal level, yet below target.

While the COVID-19 pandemic is not over yet, it has shown that our crisis management and emergency response system is functioning well and is suited for tackling a major crisis and the disturbances that follow; that Topsoe has a strong business model; and that Topsoe employees have been going the extra mile to develop innovative solutions that have allowed us to continue business operations.

COVID-19 response teams

In February 2020, we established a task force with a two-tiered structure to ensure alignment across all levels of the organization. The first tier comprised senior management representatives focused on globally applicable aspects, including harmonized response. The second tier was an operational team of employee representatives from Safety, IT, Facility, Communication, Travel, and HR. Throughout the year, the task force has met weekly, and sometimes daily, to closely monitor the situation and its impact on our operations, to define mitigating actions, and to ensure clear communication and guidance to employees. This approach has ensured proactive mitigation of risks.

Five-year summary*DKK million*

Income statement	2020	2019	2018 ¹⁾	2017 ¹⁾	2016 ¹⁾
Revenue	6.179	5.897	5.619	5.013	5.150
Gross profit	2.784	2.638	2.503	2.338	2.565
EBITDA	1.166	921	808	772	1.006
Depreciation and amortization	-325	-343	-258	-259	-262
EBIT before special items	841	578	550	513	744
Special items ²⁾	-275	54	-72	0	122
EBIT after special items	566	632	478	513	866
Net financial items etc.	201	859	-29	-74	-56
Profit from continuing operations	646	1.287	339	314	462
Loss from discontinuing operations	45	0	-16	-422	-53
Net profit	691	1.287	323	-108	409

Balance sheet

Balance sheet total	13.416	13.239	9.178	9.331	10.136
Equity (excl. minority)	8.048	7.663	4.932	4.782	5.218
Net working capital	428	600	243	658	574
Net indebtedness	172	543	576	975	1.429

Cash flow

Cash flow from operating activities	1.106	524	830	29	663
- Of which continuing operations	1.106	540	846	313	700
Cash flow from investing activities	-754	-1.768	-242	681	-404
- Of which invest. in property, plant and equip.	-329	-216	-268	-221	-410
Cash flow from financing activities	-253	1.370	-519	-351	-295
Change in cash and cash equivalents	82	134	71	319	-30

Employees

Average number of employees	2.278	2.263	2.283	2.555	2.565
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Ratios in %

Gross margin ²⁾	45,1	45,8	44,5	46,6	49,8
EBITDA margin ²⁾	18,9	16,9	14,4	15,4	19,5
EBIT before special items margin ²⁾	13,6	9,8	9,8	10,2	14,4
EBIT after special items margin ²⁾	9,2	10,7	8,5	10,2	16,8
Return on invested capital (ROIC) ²⁾	8,8	10,2	7,9	7,7	12,5
Equity ratio	60,0	57,9	53,7	51,2	51,5
Return on equity	8,8	20,4	-6,7	-2,2	7,8

The ratios have been prepared in accordance with the Recommendations & Financial Ratios produced by the Danish Finance Society and CFA Society Denmark.

The accounting policy for land and buildings has been changed from measurement in accordance with the revaluation model to measurement at cost less accumulated depreciation and impairment losses. Comparative figures have been restated.

1) IFRS 16 was implemented in 2019 using the modified retrospective approach, and comparative figures for 2016- 2018 have not been restated.

2) Significant income and costs which cannot be attributed directly to the Group's ordinary operating activities have been reclassified to Special items. Comparative figures have been restated. Special items for 2019-2020 are specified in note 7. Special items in 2018 are redundancy cost and special items in 2016 are restarted contracts that had been suspended..

Financial report 2020

Profit before tax amounted to DKK 767 million in 2020 (2019: DKK 1,491 million). The decrease in profit was due to special items, and due to decrease in profit from investment in joint ventures and associated companies – compared to last year. Result of investments in associated companies amounted to DKK 174 compared to DKK 860 in 2019, mainly due to the company IGM Biosciences Inc.

For the core business, total revenue increased by 5% to DKK 6,179 million in 2020 (2019: DKK 5,897 million). The revenue development is explained by an increase in catalyst revenue of 4%, mainly driven by refinery catalysts including deliveries for renewable fuel solutions as well as an increase in technology revenue of 8%, mainly driven by renewable refinery technology and methanol technology.

2020 was also impacted by the completed capital increase in the associated company IGM Biosciences Inc. in December 2020. The total capital increase was DKK 1,226 million (USD 203 million), and Haldor Topsøe Holding A/S signed up with DKK 61 million (USD 10 million). Haldor Topsøe Holding A/S has in 2020 reduced the ownership in IGM Biosciences Inc. from 41.12% to 39.6% as at 31 December 2020 due to dilution. The gain from the dilution amounts to DKK 423 million.

In 2020 IGM Biosciences Inc. has impacted the income statement with a total of DKK 174 million, including the expected loss for the year of DKK 249 million.

EBIT before special items for 2020 increased by 45% to DKK 841 million (2019: DKK 578 million), while the EBIT margin before special items for 2020 was 13.6% (2019: 9.8%).

Total special items of DKK -275 million for 2020 consist of restructuring cost (DKK -162 million),

legal costs regarding two special cases (DKK -71 million), and adjustments of scrap values on buildings (DKK -42 million). Total special items of DKK 54 million for 2019 consist of gain from selling surplus land (DKK 46 million), revenue relating to suspended Topsoe license (DKK 34 million), offset by goodwill impairment loss regarding restructuring (DKK -26 million).

Consequently, EBIT after special items decreased by 10% to DKK 566 million in 2020 (2019: DKK 632 million).

R&D expenses were maintained at a high level with a R&D-to-revenue-ratio of 8.3% (2019: 8.0%)

Income statement

Revenue and gross margin

Revenue increased by 5% to DKK 6,179 million (2019: DKK 5,897 million). Exchange rate development from 2019 to 2020 had a negative impact of -0.7% on revenue. Catalyst revenue increased by 4% and technology revenue increased by 8%.

Gross margin decreased to 45.1% in 2020 compared to 47.2% in 2019. This was mainly due to the effect of inventory price adjustments, increase in warranty provisions as well as extra costs for operational excellence activities in 2020.

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

EBITDA increased by 27% to DKK 1,166 million, corresponding to an EBITDA margin of 18.9% (2019: 15.6%).

Staff expenses amounted to DKK 1,618 million, which is a decrease of 6% compared with 2019. Staff expenses in 2020 were impacted by employee bonus payments of DKK 92 million (2019: DKK 124 million).

Earnings before interest and tax (EBIT), before special items

EBIT before special items increased by 46% to DKK 841 million (2019: DKK 578 million) and EBIT before special items margin was 13.6% (2019: 9.8%). Depreciation amounted to DKK 325 million, which is a decrease of 5% compared to 2019 (2019: DKK 343 million).

Net profit

Net profit decreased by 46% to DKK 691 million (2019: DKK 1,287 million).

The decrease in the net profit is mainly explained by:

- Negative impact of special items (se note 5) on net profit in 2020 of DKK 275 million (pre-tax)
- Positive impact of special items (se note 5) on net profit in 2019 of DKK 54 million (pre-tax)
- Result of investments in associated companies amounted to DKK 174 compared to DKK 860 in 2019, mainly due to the company IGM Biosciences Inc.
- Finalization of the divestment of the emissions control business areas impacted 2020 with a profit of DKK 45 million (after tax).

Cash flow and balance sheet

Cash flows from operating activities

Cash flows from operating activities amounted to DKK 1,106 million (2019: DKK 524 million). This increase was mainly due to improved net working capital. Net working capital decreased by DKK 172 million in 2020 (compared to an increase of DKK 58 million in 2019) and made up 6.9% of revenue (2019: 10.2%). The lower net working capital was mainly due to payments received from customers and postponed payments of salary-related taxes.

CAPEX

CAPEX increased by 21% to DKK 502 million (2019: DKK 634 million). This includes equity investments in Ramagundam Fertilizers and Chemicals Ltd., India (DKK 15 million) and investments in intangible assets (patents), property (laboratory), and plants and equipment of DKK 391 million in 2020.

Haldor Topsøe Holding A/S has in 2020 made an equity investment in the Danich water-tech company Aquaporin A/S (DKK 30 million).

Net indebtedness

Net indebtedness decreased by DKK 371 million to DKK 172 million (2019: DKK 543 million). The leverage ratio (Net interest-bearing debt/EBITDA) amounted to 0.2 by the end of 2020 (2019: 0.6).

The interest-bearing debt at the end of 2020 was DKK 1,360 million (2019: DKK 1,649 million). The decrease was due to repayment of remaining tranche of corporate bonds of DKK 500 million, offset by increase credit institution loans of DKK 261 million and installments of DKK 96 million.

Return on invested capital (ROIC)

ROIC amounted to 8.8% (2019: 10.2%) driven by the 45.5% increase in EBIT before special items partly offset by a decrease in average invested capital as a consequence of reduced net working capital.

Financial covenants

Financial covenants as of December 31, 2020, were all met.

Order backlog

The order backlog amounted to DKK 4,262 million at the end of 2020 (a decrease of DKK 681 million, or 14%, compared to the end of 2019). The reduction in backlog is both within technology (9% and catalyst (16%). The order backlog by the end of 2020 is considered satisfactory.

Outlook for 2021

Haldor Topsøe Holding A/S, Group

Forward-looking statements

Haldor Topsøe Holding A/S' financial reports, whether in the form of annual reports or interim reports, 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 Topsøe Holding 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 Topsøe Holding A/S' influence, and which could materially affect such forward-looking statements.

Haldor Topsøe Holding 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.

Financial outlook

We expect that the COVID-19 pandemic will continue to drive uncertainty in 2021.

We expect to deliver solid financial results for 2021, roughly in line with 2020 on revenue level.

Funding

Topsoe's current funding position is strong, based on access to the corporate bond market, institutional banks as well as commercial banks. Committed revolving credit facilities are also available.

Topsoe intends to maintain a credit profile that will ensure compliance with all bank covenants at any time. When market terms are attractive and these

is a need. Topsoe will consider issuing additional corporate bonds and obtaining other credit facilities.

Risk management

Enterprise risk management

Haldor Topsoe Group (The Group) operates an enterprise risk management program with quarterly reporting, followed up by reviews and mitigating activities. Executive Management and the Board of Directors receive an outline of the most significant risks on a quarterly basis, including an assessment of likelihood and potential impact. The mapping of risks is based on dialogue with management teams across the organization, and includes those risks that could cause significant disruption to the business within a timeframe of five years. The program seek to identify risks early, assess them, and implement mitigating actions where feasible.

The Topsoe Code of Conduct is embedded throughout the organization, including policies covering anti-corruption, anti-money laundering, competition law, and other compliance issues. Our Code of Conduct is an example of a global mitigating action that is intended to prevent a series of potential risks related to business ethics and legal issues. The Group has a global compliance hotline (whistleblower solution), which is available at www.topsoe.com/Compliance-Hotline.

The Group's key risks and the associated mitigating actions are outlined below.

Strategic and operational risks

Customer demand

Catalysts are involved in the vast majority of industrial chemical processes today. We see no indication of disruption in our core markets in the short or medium term which will reduce demand or create substitute products, but we obviously cannot rule out such disruption in the long term. We mainly compete on our products quality, therefore significant resources are allocated to R&D to be able to continue producing high-performing products as requested by our customers. While a

very significant part of our technical and catalytic solutions are based on fossil fuel feedstock

(notably natural gas), we also work with a wide range of non-fossil based products and research projects guided by our strategic focus on Power-to-X, Bio-to-X, clean air, and carbon utilization.

If cost-competitive alternative energy sources emerge, this could have a significant impact on our current business, and the level of market growth is, for some markets, impacted by the shift towards alternative energy sources. The demand for our products and services is driven by global macro trends, such as world population growth, the ongoing energy transition towards renewable fuels, and increasingly tight regulations regarding energy efficiency and environmental protection. Our R&D department continuously seeks to develop new carbon emission reduction technologies that can cater for the future demand for new products, processes and services.

Intellectual property (IP) protection

Being a highly innovative company, the Group pursues IP protection through patents, trade secrets, trademarks, design, and copyright law. However, our IP could be challenged, invalidated, circumvented, or rendered unenforceable. Defending and prosecuting our IP rights are therefore of paramount importance and significant resources are allocated to this.

Cyber security

Being a knowledge-based and increasingly digitalized Group, the Group is exposed to information security risks. The threat of cyber attacks is increasing, and a major computer virus or malware attack could lead to severe business disruption. To mitigate the risk, the Group has developed and is consistently following an Information Security Roadmap, which enables the Group to identify risks, protect valuable information and adequately respond to an attack. The Group is continuously measuring the efforts within this area

to ensure stable and secure digital environments. It is a key priority to stay on top of the threat landscape and continuously improve our digital safety.

Raw material prices and availability

Raw materials are a significant cost component in our products, and prices can fluctuate considerably. For products with a high raw material value, we seek to mitigate this risk through escalation clauses in customer contracts where delivery is more than 120 days into the future. The escalation clauses are linked to market indices of the most costly raw materials. In addition, we use financial hedging to a certain extent. We also seek to have multiple suppliers for each raw material. We are exposed to single-source risk on some raw material supplies, which makes us vulnerable to cost increases and which can potentially influence the supply chain. The single-source raw materials and suppliers are continuously assessed, and we work actively to mitigate and limit our single-source exposure.

Operations and Environment, Health & Safety
People, safety and environmental protection are of highest priority in the Group. A dedicated global Health, Safety and Environment organization coordinates and continuously develop our global efforts to protect our people and the environment in which we operate.

Topsoe's production of catalysts takes place in Frederikssund (Denmark) and Houston (United States). If production is closed down for an extended period in one of our plants, e.g. due to damage to the production facilities, equipment failure or cyber attacks – or if commissioning of a new production line is substantially delayed, this could have a material impact on the Group's earnings. We seek to mitigate this risk by operating multiple production lines for key products and by enforcing a safety stock policy. We have also taken out business interruption insurance and property insurance.

Topsoe uses and produces chemicals. In our portfolio, we have hazardous chemicals that could potentially pose a risk if not handled with care. It is of highest priority that all our chemical operations are fully compliant with all chemical and environmental regulations in all jurisdictions where we operate or sell our products. We have processes in place for continuous monitoring of global chemical regulations in order to identify any relevant regulatory changes that might affect our products or operations.

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

The COVID-19 pandemic and other potential future pandemics may negatively impact business, e.g. due to continued severe travel restrictions and/or potential production interruptions..

Insurance

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

Geopolitical risks

The Group's global presence means that the company's earnings are exposed to geopolitical events. Political actions, such as embargoes, sanctions, trade barriers, new taxes, currency restrictions, and changes in environmental legislation, etc., may impact results and cash flows. To a certain degree, this risk is mitigated by monitoring regulatory initiatives, geographical diversification, and by ensuring to the extent possible that cash flows for our individual technology contracts remain positive at all times. Our regulatory monitoring and business integrated compliance measures ensure that the Group is at all times compliant with applicable international sanctions. New political sanctions or cancellation of

existing political sanctions could potentially have a significant impact on our business.

Financial risks

Currencies

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

Part of this risk is mitigated through natural hedges arising from activities where the Group has both income and expenses in the same currency. However, the risk is not fully covered by natural hedges, and consequently the Group hedges certain future cash flows. A 5% change in the DKK/USD exchange rate is assessed to have an EBIT effect of DKK 15-20 million.

Interest rates

The Group's general interest rate policy is to maintain a loan portfolio where the fixed interest rate portion is kept within a range of 50-75%, while the floating interest rate portion is kept within a range of 25-50%. By the end of 2020, the fixed rate portion stood at 69%, while the floating rate portion stood at 31%. Topsoe repaid DKK 500 million corporate bonds in mid-April 2020 and is thereby back into the policy range (around 69% fixed and around 31% floating). For the floating rate portion of our interest-bearing debt at end of 2020, an increase in the interest rate level of 1 percentage point will increase interest expenses by DKK 1.1 million p.a.

Securities

The interest rate risk involved in placing cash funds and securities is managed on the basis of duration. Nykredit Bank, SEB Bank and Goldman Sachs are monitoring and controlling the risk related to public listed securities on a daily basis.

Credit

The credit risk of the Group is primarily related to trade receivables from state, public and privately-

owned corporations. Where feasible, 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. On a quarterly basis, we assess whether the company should make accruals for bad debt which is considered unlikely to be collected.

Trade finance

Issuance of bonds in support of contractual liabilities is an inherent and necessary part of the Group's business model, for instance in the form of bid bonds, advance payment bonds, and performance bonds issued by banks on behalf of the Group. Risk mitigation includes thorough structuring of contracts and related bonds.

Counterparties

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, the Group only deals with financial counterparties who, in the opinion of Management, have satisfactory financial strength (based on credit rating from a recognized international credit rating agency where feasible).

Liquidity

The Group must maintain sufficient liquidity to fund daily operations, debt service, and expansion. The Group's access to liquidity consists of cash and cash equivalents, including access to committed revolving credit facilities. The target is to maintain a minimum of DKK 500 million in unused committed revolving credit facilities at any time.

Restrictive covenants

Some of the financing arrangements of the Group are subject to financial covenants, and if violated, this could limit the ability to finance the Group's operations and capital needs for acquisitions and other business activities. Covenants include equity ratio (min. 20%), interest coverage (min. 5), and

leverage (net debt/EBITDA) requirements (max. 3.5).

Tax

The Group conducts business in several countries globally and is thus subject to multiple tax regimes. The combination of complexity in our business and our business structure requires dedicated focus on tax management; a focus that always respects international tax principles and local tax law, while managing the tax cost and tax risk of the Group. As a member of the global community, the Group has a responsible, transparent and consistent approach to all tax matters and is obligated and committed to comply with the tax legislation of the countries in which the company operates. In cases where legislation is unclear and/or inconsistencies exist between case law and legislation, we seek to clarify this by either obtaining an external opinion or in dialog with the relevant authorities. Group tax governance is documented in our global tax policy, available at our website.

http://info.topsoe.com/hubfs/Legal/haldor_topsoe_tax_policy_august_2019.pdf?hsLang=en

Sustainable performance

Haldor Topsøe Holding A/S has three subsidiaries, out of which two are Danish. One of these, Haldor Topsøe A/S, is required to report on sustainability according to section 99 a of the Danish Financial Statements Act. Most of Haldor Topsøe Holding's activities take place in Haldor Topsøe A/S, which is where the risks but also opportunities within sustainability resides. Consequently, the following description of Haldor Topsøe Holding's contribution to sustainability is based on activities and results occurred in Haldor Topsøe A/S (Topsoe) during 2020.

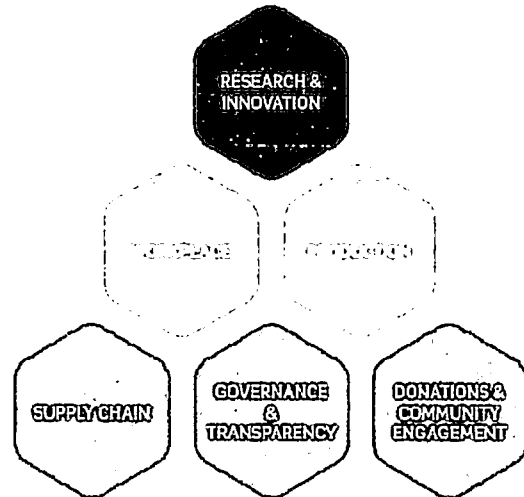
As stated in Topsoe's Code of Conduct and in our Sustainability Policy, it is vital for us to conduct every aspect of our business with honesty, integrity, and openness, respecting human rights and the environment, as well as the interest of our employees, customers, and other business partners. In May 2020, Topsoe became a signatory to the UN Global Compact and is committed to align the company's activities to its Ten Principles. This is a summary of Topsoe's sustainability performance and progress in 2020. Topsoe's primary activity is investments in shares. Risk management are described on pages 9, respectively. Our response to COVID-19 is described on page 2. See Topsoe's Sustainability Report 2020 for more details - www.topsoe.com/SR20.

Topsoe's sustainability activities are mainly driven by line of business, coordinated by the Sustainability team anchored in Global Strategy & Innovation, and overseen by Topsoe's Compliance & Sustainability Committee.

Code of Conduct

Topsoe's Code of Conduct and underlying policies put our company values into action and set standards for our behavior by outlining the requirements and regulations that employees must comply with in their daily work. An update of

Topsoe's Code of Conduct was initiated during 2020 and will be launched to all employees in the first quarter of 2021.



Health & Safety

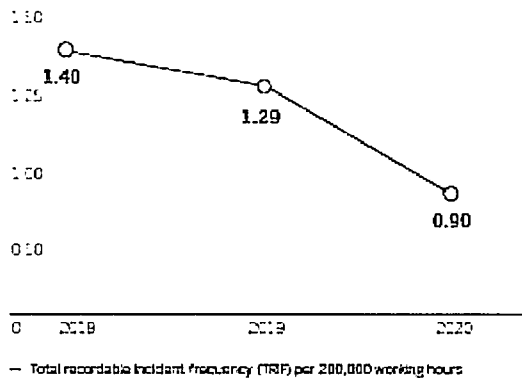
In Topsoe, we will not compromise on safety, and we aspire towards 'Zero Harm'. Safety is our license to operate, and our employees must come home as safe and sound, as when they left for work. Our health, safety and environmental management system is based on international standards, such as ISO and Responsible Care®, which include regular risk assessments, internal spot checks, monitoring, and reporting. In November 2020, the global Health, Safety & Environment department was reinforced with new leadership reporting to the CEO.

By the end of 2020, the total recordable incident frequency (TRIF) per 200,000 working hours was 0.90, which is an improvement compared to 1.29 in 2019 and 1.40 in 2018. Our goal is to achieve a TRIF of 0.7 in 2021. Based on 2020 data, the main incident hazards related to the use of chemicals and the main injuries were head injuries.

Over the last years, we have seen a significant improvement in the number of incidents. However, to be in the top quartile of our industry, we still have

some way to go. In 2021, we will be taking significant steps to renew and step up our approach to safety.

TOTAL RECORDABLE INCIDENT FREQUENCY



Engagement & well-being

Global employee engagement and well-being surveys, called Topsoe Voices, are established feedback tools, which we use to actively involve employees in shaping the workplace at Topsoe. Between May 2019 and August 2020, we have seen clear improvement on employee engagement and well-being, despite the impact of COVID-19 in the first half of 2020. The well-being score increased by 7 percentage points from 70% in August 2019 to 77% in May 2020. The annual employee engagement score increased by 10 percentage points from 63% in May 2019 to 73% in August 2020, which is on par with the median benchmark of industry peers.

The second half of 2020 turned out to be somewhat turbulent for Topsoe employees due to profound transformation of the company and since COVID-19 once again reinforced the need for working from home. These factors combined clearly affected employee well-being, as evidenced by a 9 percentage point drop in the well-being score in December 2020 (68%) compared to May 2020 (77%). More than 2,200 comments and suggestions from employees on how to improve well-being serve as important input for initiatives and decisions in the time to come.

Human & labor rights

Topsoe respects and strives to avoid causing any adverse impacts on international human and labor rights in relation to our employees, customers, or other stakeholders. Our commitment is anchored in Topsoe's Code of Conduct, Sustainability Policy, and other global policies covering diversity, fair and equal treatment, non-discrimination, health & safety, freedom of association, acceptable working hours, and remuneration. Topsoe's Supplier Code of Conduct outlines requirements regarding labor standards and health & safety toward suppliers, and Topsoe's Conflict Minerals Policy addresses human rights concerns in conflict areas. The Compliance & Business Assurance team conducts annual compliance assessments related to human rights.

In 2020, we aligned our human rights impact assessment to the UN Guiding Principles on Business and Human Rights, and we updated Topsoe's Code of Conduct with a clearer reference to our human rights commitments, particularly within key areas such as labor rights and conflict minerals.

Environment

Our efforts to mitigate the environmental impacts of our production are guided by our global environmental policy which establishes precautionary management actions to mitigate and remedy potential adverse implications. Our environmental management system is based on international standards, such as ISO and Responsible Care®, which include regular risk assessments, internal spot checks, monitoring, and reporting.

In November 2020, the Global Health, Safety & Environment department was reinforced with new leadership reporting to the CEO.

We take preventative measures to protect our operations from extreme weather conditions and natural disaster. In 2020, we e.g. finalized the

construction of a dike to protect production facilities in Denmark against flooding.

In 2020, we have for the first time reported on Topsoe's full scope 1 and 2 greenhouse gas (GHG) emissions for assets where we have operational control, in accordance with the Greenhouse Gas Protocol. Topsoe's GHG emissions (scope 1 and 2, market-based) were 148,225 metric tons of CO₂ equivalents compared to 164,437 tons in 2019. With our recent commitment to the Science Based Targets initiative, we are determined to significantly reduce greenhouse gas emissions across our value chain during the coming decade, in support of the Paris Agreement. Until our long-term reduction targets are confirmed, our short-term target is 15% reduction in 2021 against baseline year 2019.

Key achievements in 2020 include overall reduction of GHG emissions by almost 10% and water consumption by 13% and energy savings of 7,211 MWh in our production in Denmark. These results should be seen in the light of the fact that we produced additional 2,500 tons of finished products in 2020, compared to 2019.

Anti-corruption & bribery

We have policies in place for giving and receiving hospitality, gifts, and entertainment, and we have third-party assurance and due diligence processes in place to support the continuing lawful conduct of our business and operations. 88% of our global workforce have completed Topsoe's mandatory e-learning course, which provides training within the areas of anti-corruption and anti-bribery (our year-end target is 90%).

With the implementation of Topsoe's Supplier Code of Conduct in 2020, we have further emphasized our standpoint on zero corruption and other business-critical requirements towards 46% of our key suppliers so far. Implementation of the Supplier Code of Conduct continues in 2021.

Compliance hotline

Topsoe's global compliance hotline provides employees and external stakeholders with a channel for reporting concerns of unethical or unlawful behavior. The compliance hotline is publicly available at

www.topsoe.com/Compliance-Hotline

We received no substantiated reports through the Hotline in 2020.

Policies and certifications

Company policies and ISO certifications are available at

www.topsoe.com/about/sustainability/production

Gender in management

With reference to section 99 b of the Danish Financial Statements Act, Haldor Topsøe Holding A/S has achieved equal gender distribution in its board of directors. For other management levels, no further actions have been taken as the company employs less than 50 people and thus is not obligated to report further.

Statement by the Executive Management and Board of Directors on the Annual Report

The Executive Management and Board of Directors have today considered and approved the Annual Report 2020 of Haldor Topsøe Holding A/S.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS), and the financial statements of the parent company have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the parent company financial statements and the consolidated financial statements give a true and fair view of the financial position at December 31, 2020 of the Group and the parent company and of the results of the Group and parent company operations and of the Group's

cash flows for 2020 in accordance with the applied accounting policies.

In our opinion, the Management's review includes a true and fair account of the development in the operations and financial circumstances, of the results for the year and of the financial position of the Group and the parent company as well as a description of the most significant risks and elements of uncertainty facing the Group and the parent company.

We recommend that the Annual Report be adopted at the annual general meeting.

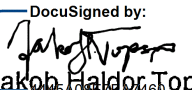
Lyngby, March 1, 2021

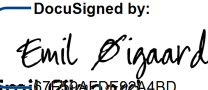
Executive Management

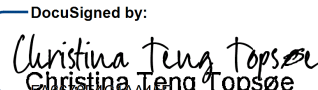
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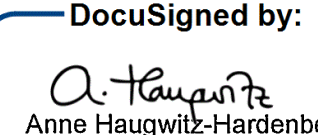
 Henrik Gaarn Bak
 CEO
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Board of Directors

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 Jakob Haldor Topsøe
 (Chairman)
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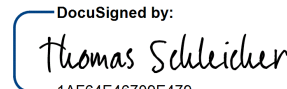
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 Emil Øigaard
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 Christina Teng Topsøe
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 Anne Haugwitz-Hardenberg-Reventlow
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 Birgitte Nielsen
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 Thomas Schleicher
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Independent Auditor's report

To the shareholders of Haldor Topsøe Holding A/S

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at December 31, 2020 and of the results of the Group's operations as well as the consolidated cash flows for the financial year January 1 to December 31, 2020 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at December 31, 2020 and of the results of the Parent Company's operations and cash flows for the financial year January 1 to December 31, 2020 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Haldor Topsøe Holding A/S for the financial year January 1 - December 31, 2020, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as statement of comprehensive income for the Group ("financial statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial

Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's review

Management is responsible for Management's review.

Our opinion on the financial statements does not cover Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's review and, in doing so, consider whether Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or

conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

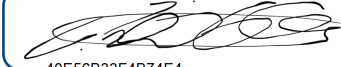
Hellerup, March 1, 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR nr. 33 77 12 31

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Michael Groth Hansen

State Authorized Public Accountant

mne33228

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Rikke Lund-Kühl

State Authorized Public Accountant

mne33507

Accounting policies and key estimates and judgements of the Haldor Topsøe Holding A/S - Group

Basis of preparation

The consolidated financial statements of Haldor Topsøe Holding A/S - Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, as well as additional Danish disclosure requirements applying to large enterprises of reporting class C.

The accounting policies are unchanged from last year, except from what is mentioned below:

Land and buildings

The accounting policy for Land and buildings has been changed from measurement in accordance with the revaluation model to measurement at cost less accumulated depreciation and impairment losses.

The effect of this change is reflected below:

The effect of change in accounting policy of Land and buildings

	December 31, 2020			December 31, 2019		
	Cost principle, new	Fair value principle, previous	Increase / -decrease	Cost principle, new	Fair value principle, previous	Increase / -decrease
<i>DKK million</i>						
Income statement						
Gross profit	2,784	2,784	0	2,638	2,638	0
EBITDA	1,166	1,166	0	921	921	0
EBIT after special items	566	566	0	632	632	0
Profit from continuing operations	646	646	0	1,287	1,287	0
Net profit	691	691	0	1,287	1,287	0
Balance sheet						
Assets						
Land and buildings	1,137	1,167	-30	1,255	1,285	-30
Non-current assets	7,633	7,663	-30	7,528	7,558	-30
Assets	13,416	13,446	-30	13,239	13,269	-30
Equity						
Revaluation reserve	0	30	30	0	30	30
Equity	8,759	8,782	-23	8,245	8,275	-23
Liabilities						
Deferred tax	454	461	-7	448	455	-7
Non-current liabilities	1,932	1,939	-7	1,700	1,707	-7
Equity and liabilities	13,416	13,446	-30	13,239	13,269	-30

Special items

Special items are used in connection with the presentation of profit or loss for the year to distinguish consolidated profit from exceptional items, which by their nature are not related to the Group's ordinary operations or investment in future activities.

Special items comprise:

- Restructuring costs, impairment costs, etc. relating to fundamental structural, procedural and managerial reorganizations as well as any related gains or losses on disposals.
- Transaction and restructuring costs relating to acquisition and divestment of enterprises.

In the classification of special items, judgement is applied in ensuring that only exceptional items not associated with the ordinary operations of the Group are included.

<i>DKK million</i>	2020	2019
Restructuring cost	-162	0
Legal costs regarding two special cases	-71	0
Adjustment of scrap values on buildings	-42	0
Gain from selling surplus land	0	46
Revenue related to suspended Topsoe license	0	34
Goodwill impairment loss regarding restructuring	0	-26
Total special items	-275	54

If special items had been recognised in 'EBIT before special items', they would have been included in the following line items:

Revenue	0	34
Other operating income	0	46
Other external expenses	-113	0
Staff expenses	-162	0
Depreciation, amortization and impairment losses	0	-26
Total special items	-275	54

New standards, amendments and interpretations adopted by Haldor Topsøe Holding A/S

Haldor Topsøe Holding A/S has implemented amendment to IFRS 3, Business Combinations, and IFRS 9, Financial Instruments, for the financial year 2020. Haldor Topsøe Holding has assessed the effect of the new standards, amendments and interpretations and concluded that all standards, amendments and interpretations effective for financial years beginning on or after January 1, 2020 are either not relevant to Haldor Topsøe Holding or have no significant effect on the consolidated financial statements of Haldor Topsøe Holding.

New standards, amendments and interpretations not yet effective

The following new standards, amendments and interpretations have been adopted by the IASB and by the EU. The standards are not yet effective and will therefore not be implemented in the consolidated financial statements of Haldor Topsøe Holding until they take effect.

- Currently there are no new standards, amendments and interpretations which have been adopted by the IASB or by the EU that are relevant to Haldor Topsøe Holding.

The IASB has issued the following new standards, amendments and new interpretations that are relevant to Haldor Topsøe Holding, but which have not yet been adopted by the EU:

- IFRS 3, Business Combinations: Three minor amendments will be made to IFRS 3, comprising e.g. an update of the reference to the framework. An exemption from the framework will be incorporated with respect to provisions and a clarification will be made in relation to contingent assets.

The amendment will be effective for financial years beginning on or after January 1, 2022.

- IFRS 16, Leases: The amendment clarifies that modifications resulting from COVID-19 should not be treated as modifications for accounting purposes even though they meet the definition of a modification of a lease according to the standard.

The amendment will be effective for financial years beginning on or after June 1, 2020.

- IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: IBOR reform, phase 2. A number of amendments which may help enterprises resolve the accounting issues arising from changes in contractual cash flows or hedging conditions during implementation of the IBOR reform. The amendments pertain to modifications, hedge accounting and disclosure requirements.

The amendment will be effective for financial years beginning on or after January 1, 2021.

- IAS 1, Presentation of Financial Statements: Clarification of the definition of current liabilities to be based on the rights existing at the balance sheet date. The requirement for an unconditional right to postpone payment for 12 months from the balance sheet date is accordingly changed to a right to defer payment for 12 months from the balance sheet date.

The amendment will be effective for financial years beginning on or after January 1, 2022. The amendment becomes effective one year later as a result of COVID-19, i.e. for financial years beginning on or after January 1, 2023.

- IAS 16, Property, plant and equipment: The amendment clarifies that proceeds from an item of property, plant and equipment

under construction before the asset is ready for use cannot be offset against the cost of the asset, but is instead to be recognized as income.

The amendment will be effective for financial years beginning on or after January 1, 2022.

- o IAS 37, Provisions, Contingent Liabilities and Contingent Assets: The amendment specifies that all 'directly related' costs should be considered when determining whether a contract is onerous. The amendment also provides examples of costs which are considered directly related to a contract and costs which are not.

The amendment will be effective for financial years beginning on or after January 1, 2022.

- o Annual improvements 2018-2020: IFRS 9 Financial Instruments concerning fees included in the test to determine whether a financial liability is modified or repaid. Amendment of examples provided in IFRS 16.

The amendment will be effective for financial years beginning on or after January 1, 2022.

Haldor Topsøe Holding expects to implement these new standards, amendments and interpretations when they take effect. None of these are expected to have a significant impact on the consolidated financial statements of Haldor Topsøe Holding.

General

The consolidated financial statements have been prepared in accordance with the historical cost

convention, except for the following items that are stated at fair value:

- o Financial assets measured at fair value through other comprehensive income
- o Derivative financial instruments

Part of the information required by IFRS appears from Management's Review. The remaining information appears from the following sections.

Consolidation

The consolidated financial statements comprise the parent company, Haldor Topsøe Holding A/S, and enterprises in which the parent company directly or indirectly holds the majority of the voting rights or in which the parent company through share ownership or otherwise exercises control.

Consolidation is performed by summarizing the financial statements of the parent company and group enterprises, which have been prepared in accordance with the Group's accounting policies.

On consolidation, elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realized and unrealized profits and losses on transactions between the consolidated enterprises.

The parent company's investments in consolidated group enterprises are set off against the parent company's share of the net asset value of group enterprises at the time of consolidation.

The non-controlling interest's share of profit for the year and of equity in subsidiaries which are not wholly owned is included as part of the Group's profit and equity, respectively, but shown as separate items.

Business combinations

On acquisition of new enterprises, the purchase method is applied. Cost is measured at fair value of the consideration. Identifiable assets and liabilities and contingent liabilities acquired in connection with the business combination are initially

measured at fair value at the date of acquisition. Any positive differences between cost and fair value of the acquired identifiable net assets are recognized as goodwill. Goodwill is adjusted until 12 months after the date of acquisition if it turns out that the identifiable assets, liabilities and contingent liabilities have another fair value than determined at the date of acquisition.

Newly acquired enterprises are recognized from the date of acquisition and comparatives are not restated.

In stepwise acquisitions, value adjustments of previously recognized investments are recognized in the income statement. The effect of the purchase of non-controlling interests without change of control is included directly in equity.

Functional and presentation currency

Items in the financial statements of each of the Group's enterprises are presented in the currency used in the primary economic environment in which the enterprise operates. The consolidated financial statements are presented in Danish kroner (DKK), which is the functional and presentation currency of the parent company.

Translation policies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transaction on initial recognition. Foreign currency monetary items are translated into the functional currency at the exchange rates prevailing at the balance sheet date.

Financial statements of group enterprises with another functional currency than Danish kroner are translated into Danish kroner using the exchange rates prevailing at the balance sheet date for balance sheet items and average exchange rates for income statement items.

Realized and unrealized foreign exchange gains and losses are recognized in financial income and financial expenses, except for unrealized losses and gains arising from hedging of future cash flows, which are recognized through comprehensive income under reserve for value adjustment of hedging instruments. In addition, the following currency translation differences are recognized through comprehensive income under the foreign currency translation reserve, using the exchange rates prevailing at the balance sheet date:

- Translation of group enterprises' net assets at the beginning of the financial year.
- Translation of group enterprises' income statements from average exchange rates to the exchange rates prevailing at the balance sheet date.
- Translation of non-current intercompany balances that are considered an addition to the net investment in group enterprises.

Derivative financial instruments

Derivative financial instruments are initially recognized in the balance sheet at fair value and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are recognized in "Other receivables" and "Other payables".

Changes in the fair values of derivative financial instruments that qualify as hedges of expected future cash flow are recognized through comprehensive income. Amounts recognized through comprehensive income are transferred to the income statement in the period when the hedged item affects the income statement.

Changes in the fair values of derivative financial instruments that do not qualify as hedges are recognized in the income statement. The fair values of derivative financial instruments are determined based on prices obtained from stock exchanges or other reliable data sources.

Non-current assets (or disposal groups) held for sale and discontinuing operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits and financial assets that are carried at fair value, which are specifically exempt from this requirement.

An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset (or disposal group) is recognized at the date of sale or disposal.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinuing operation is a component of an entity that has been disposed of or is classified as held for sale and which represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to

dispose of such a line of business or area of operations. The results of discontinuing operations are presented separately in the income statement.

Income statement

Revenue

Revenue from the sale of finished goods is recognized in the income statement when control has been transferred to the customer, i.e. when goods are delivered. Revenue is recognized exclusive of VAT and net of discounts relating to sales.

Contract work in progress is recognized based on the stage of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenue and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that economic benefits, including payments, will flow to the Group.

Other operating income

Other operating income comprises income of a secondary nature to the Group's core activities, including government grants provided for research projects.

Purchased equipment for contract work

Purchased equipment for contract work comprises hardware etc. related to engineering projects.

Raw materials and consumables used

Raw materials and consumables used comprise raw materials and consumables consumed to achieve revenue for the year.

Research and development costs

Research costs are expensed when incurred. Development costs which do not meet the requirements of capitalization are expensed when incurred.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Employee Share Program

The Employee Share Program is considered an equity-settled program. When the employees of the Group are offered to purchase shares in Haldor Topsøe A/S Group at a price below market value, the discount element is expensed as a cost in 'Staff expenses' during the duration of the program. The contra entry is included directly in the equity reserve for the Employee Share Program as a transaction with owners. The discount element is calculated as the difference between the market price and the purchase price.

The Phantom Program is considered a cash-settled program. The invested amount is considered as a non-current liability. The annual fair value adjustment is expensed as cost in 'Staff expenses'.

Government grants

Government grants received for research and development projects are recognized in "Other operating income" as the projects progress. Grants received for investments in property, plant and equipment are set off against the related property, plant and equipment, if directly related. Otherwise grants are recognized as deferred income and systematically recognized in "Other external expenses" over the useful life of the asset.

Leases

Haldor Topsøe Holding Group as lessee recognizes all leases as a lease asset and a lease liability in the balance sheet with two exceptions: short-term leases (less than 12 months) and leases relating to low-value assets.

It must furthermore be considered whether the agreement is a lease or a service arrangement. The Group applies a single discount rate to portfolios of leases with similar characteristics.

Leases in the income statement are recognized as a depreciation of the asset and an interest expense for the financial liability.

When Haldor Topsøe Holding Group is lessor in a lease agreement classified as operational lease, the lease asset is recognized as property, plant and equipment and depreciated over the useful life. Lease income is recognized in 'Revenue'.

Special items

Special items include significant income and costs which cannot be attributed directly to the Group's ordinary operating activities. These are irregular and non-recurring in nature. This includes cost and income related to significant organizational restructuring or M&A activities (including transaction and integration cost).

Financial items

Financial income and expenses comprise interest, realised, unrealised exchange adjustments and dividend from other investments.

Tax

Tax consists of current tax for the year, deferred tax as well as any adjustments to prior years. Tax attributable to the profit for the year is recognized in the income statement, whereas tax attributable to other comprehensive income transactions is recognized through other comprehensive income.

Haldor Topsøe Holding A/S and Danish group enterprises are jointly taxed. Tax for the individual companies is allocated fully on the basis of expected taxable income.

Balance sheet**Intangible assets***Goodwill*

Goodwill consists of the positive difference between cost and fair value of identifiable net assets in the acquired enterprise. Goodwill is measured at historical cost less accumulated

impairment losses. Goodwill is tested for impairment once a year and when there is an indication of impairment. Goodwill is written down to the recoverable amount. The recoverable amount is determined as the higher of net selling price and present value of expected cash flows of the cash-generating unit to which goodwill has been allocated. Impairment indicators comprise e.g.:

- Reduced earnings compared to expected future results
- Material negative development trends in the sector or the economy in the markets of the enterprise.

Impairment loss relating to goodwill is not reversed.

Development projects

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognized as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover the cost of sales and distribution involved as well as the development costs.

Development projects that do not meet the Group's criteria for recognition in the balance sheet and research expenses are recognized as expenses in the income statement as incurred.

Other intangible assets

Rights and patents are measured at cost less accumulated amortization and impairment losses. Both rights and patents are amortized on a straight-line basis over the remaining patent term, but not exceeding 10 years, due to the notoriously fast development in applied technologies and related uncertainty about longer amortization period.

Internally developed software for major projects is measured at cost less accumulated amortization and impairment losses. Software is amortized on a straight-line basis over 4 years.

Other intangible assets are tested for impairment when there is an indication of impairment. Material impairment indicators which may lead to an impairment test are similar to those stated in the section on goodwill.

Impairment losses relating to other intangible assets are reversed if the recoverable amount subsequently increases.

Gains or losses from divestment of intangible assets are recognized in the income statement under "Other income" and "Other external expenses" respectively.

Property, plant and equipment

Plant and machinery and other fixtures and equipment are measured at cost less accumulated depreciation and impairment losses. Property, plant and equipment under construction are measured at cost.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use as well as costs of restoration to the extent that a provision is recognized at the same time.

In the case of assets of own construction, cost comprises direct and indirect expenses for labor, materials, components and sub-suppliers. Borrowing costs related to construction of major property, plant and equipment are recognized in cost over the period of construction.

Property, plant and equipment are divided into sub-assets if the future useful life of the individual assets is different.

Depreciation based on cost and revaluations reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Buildings	13–40 years
Plant and machinery	5–10 years
Other fixtures and equipment	4–20 years
Land is not depreciated.	

The residual value and useful lives of the assets are assessed annually and adjusted if necessary at the balance sheet date.

Property, plant and equipment are tested for impairment when there is an indication of impairment. Impairment indicators are similar to those stated in the section on goodwill. Additionally, indicators comprise damage to the asset or changed use of the asset.

Impairment losses relating to property, plant and equipment are reversed if the recoverable amount subsequently increases.

Gains and losses from sale of property, plant and equipment are recognized in the income statement under "Other income" and "Other external expenses" respectively.

Investments in joint ventures and associated companies

Investments in joint ventures and associated companies are recognized and measured under the equity method.

The item "Result of investments in joint ventures and associated companies" in the income statement includes the proportionate share of the result after tax.

Other securities and investments

Investments are measured at fair value at the balance sheet date.

Fair value adjustments are recognized through other comprehensive income under the "Reserve for financial assets measured at fair value".

Securities in the form of loans are measured in the balance sheet at amortized cost less expected credit loss.

Inventories

Inventories are measured at cost under the FIFO method. Cost is determined using a standard cost method that includes direct and indirect production costs. Direct production costs comprise raw materials, consumables and direct labor costs, whereas indirect production costs comprise indirect materials and labor costs, maintenance and depreciation of machinery, production buildings and equipment used in the production process as well as the cost of plant administration and management.

Please refer to "Key accounting estimates and judgements" for information about write-downs.

Receivables

Receivables are measured in the balance sheet at amortized cost less expected credit loss.

Contract work in progress

Contract work in progress is measured at the selling price of the work completed calculated on the basis of the stage of completion. The stage of completion is determined on the basis of the share of contract costs incurred compared to the total expected contract costs. This method is found to be the best and most prudent method to reflect the progress. Where it is probable that total contract expenses will exceed the total revenue from a contract, the expected loss is recognized as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realizable value.

Prepayments are set off against contract work in progress. Received payments on account exceeding the performed share of contracts are determined separately for each contract and recognized in "Contract work in progress" under current liabilities.

Expenses relating to sales work and the winning of contracts are recognized in the income statement as incurred.

Current assets investments and securities

Current assets investments are measured at market value or estimated fair value. Unrealized value adjustments are included in the income statement in "Financial income" or "Financial expenses".

Share premium

The share premium consists of the difference between the par value of the shares issued and the issue price.

Reserves

The foreign currency translation reserve comprises all translation adjustments arising from the translation of financial statements of group enterprises using another functional currency than Danish kroner as well as translation adjustments concerning non-current intercompany balances that are considered an addition to the net investment in such enterprises.

Reserve for value adjustment of hedging instruments comprises the accumulated net change in the fair value of hedging transactions which meet the criteria of future cash flow hedges and where the hedged transaction has not yet been completed.

Reserve for financial assets measured at fair value comprises the accumulated net change in the fair value of financial assets classified as financial assets measured at fair value through other comprehensive income.

Dividend

Proposed dividend for the financial year is recognized in 'Retained earnings'.

According to Danish corporate law, reserves available for distribution as dividends are based on the financial statements of the parent company, Haldor Topsøe Holding A/S.

Dividends are paid from distributable reserves. Share premium is a distributable reserve.

Pension obligations and similar obligations

The costs of defined contribution plans are recognized in the income statement in the financial year to which they relate.

The costs and liabilities of defined benefit plans are determined in accordance with the projected unit credit method. The liability is calculated annually by an actuary. Actuarial gains and losses are recognized in full in "Other comprehensive income". Plan assets are only recognized to the extent that the Group is able to derive future economic benefits such as refunds from the plan or reductions of future contributions.

Costs related to other non-current staff benefits are accrued over the employees' expected average working life.

Deferred tax

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities. Deferred tax is not recognized in respect of goodwill, unless it is deductible for tax purposes. The tax base of tax loss carryforwards is deducted from deferred tax when it is probable that the losses may be utilized. Deferred tax is measured on the basis of the tax rules and tax rates expected to be in force on elimination of temporary differences. Any changes in deferred tax due to changes in tax rates are recognized in the income statement with the share attributable to the results for the year, unless they relate to items

recognized either in other comprehensive income or directly in shareholders' equity.

Provisions

Provisions are recognized when – in consequence of a previous event – the Group has a legal or constructive obligation and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at Management's estimate of the discounted amount expected to be required to repay the obligation.

Financial liabilities

Loans such as bonds, mortgage loans and loans from credit institutions are recognized initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortized cost, corresponding to capitalized value, using the effective interest rate; the difference between the proceeds and the nominal value is recognized in the income statement over the loan period. Other debts are measured at amortized cost, mainly corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years and is primarily related to government grants.

Other areas

Cash flow statement

The Group's cash flow statement, which is prepared according to the indirect method, shows the Group's cash flows for the year broken down by operating, investing and financing activities as well as the Group's cash and cash equivalents at the beginning and end of the year.

The Group's cash comprises the Group's cash at hand and deposits with financial institutions.

Financial highlights

The key figures and financial ratios have been calculated as follows:

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
EBITDA margin	$\frac{\text{EBITDA} \times 100}{\text{Revenue}}$
EBIT before special items margin	$\frac{\text{EBIT before special items} \times 100}{\text{Revenue}}$
EBIT after special items margin	$\frac{\text{EBIT after special items} \times 100}{\text{Revenue}}$
Return on invested capital	$\frac{\text{EBIT after special items} \times 100}{\text{Average invested capital}}$
Equity ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets}}$
Return on equity	$\frac{\text{Net profit} \times 100}{\text{Average equity}}$

Key accounting estimates and judgements

In accordance with general accounting policies, determination of the carrying amount of certain assets and liabilities requires assessments and estimates of future events. Assessments and estimates are performed based on historical experience and other factors which Management considers reasonable under the circumstances. These assumptions may be incomplete or inaccurate and unexpected issues may arise, which implies that the assessments and estimates made are subject to some uncertainty. Special risks for the Group appear from the Risk management section.

Goodwill

Goodwill is tested for impairment once a year and if there is an indication of impairment. The impairment test requires that Management estimates various significant factors, including expected future cash flows, discount rates and growth rates for the period. The sensitivity of estimates made can, combined or individually, be significant. Please refer to note 10 for further information.

Other investments

Other investments are measured at fair value at the balance sheet date. To the extent that fair value cannot be derived from an active market, it is required that Management assesses and selects an appropriate method for determination of the fair value. In this case, the fair value is measured at the discounted value of expected future cash flows. Material assumptions comprise expected future cash flows, discount rates and growth rates for the period. Please refer to note 12 for further information.

Inventory

The standard cost calculations are reviewed on a regular basis to ensure that all relevant assumptions such as prices, output and capacity

utilization are incorporated correctly. Changes in the calculation method used to calculate indirect production costs may impact the gross margin and the overall measurement of inventories.

Inventories are written down to net realizable value if this is lower than cost. The need to write down inventories is primarily assessed based on negotiability and production quality. The net realizable value is calculated as the total of future revenue expected to be generated in the process of normal operations and determined by allowing for marketability, obsolescence and development in expected selling price less selling expenses. Please refer to note 13 for further information.

Revenue from engineering projects

In Management's opinion, the Group's sale of engineering projects is to a high degree individually adjusted, and contract work in progress is consequently measured at the selling price of the work completed based on the stage of completion. The stage of completion is determined on the basis of the share of contract costs incurred compared to the total expected contract costs. These costs are partly based on an estimate which to a high degree is based on historical experience. Expected income and costs of engineering projects may be adjusted along with the finalization of the projects and clarifications of uncertainties. Parallel changes to the engineering contract may occur and certain assumptions in the contract may not be met.

Warranty provision for engineering projects

The evaluation of the warranty provision for engineering projects is based on historical levels. Furthermore, the warranty provision also reflects the risks associated with bringing new technologies to the market as well as executing projects in countries with higher geopolitical risks. Please refer to note 23 for further information.

Contingent liabilities and lawsuits

As part of the Group's business, Haldor Topsøe Holding A/S may become party to a lawsuit and/or dispute. In such cases, the potential liabilities and

their likelihood are evaluated. The evaluation is based on available information and legal assessment from advisors. Assessing the final outcome of lawsuits/disputes is difficult and the outcome may thus deviate from the evaluation made by Haldor Topsøe Holding A/S.

Research and development costs

Research costs are expensed when incurred. Development costs which do not meet the requirements of capitalization are expensed when incurred. Management assesses whether the capitalization requirements are met based on expectations of the technical possibility of completing the development project, expectations of the existence of a market for the product, etc.

Consolidated income statement

	Note	2020 DKK mio.	2019 DKK mio.
Continuing operations			
Revenue	1	6.179	5.897
Change in inventories of finished goods and intermediate products		62	268
Other operating income	2	81	73
Purchased equipment for contract work		-570	-539
Raw materials and consumables used		-1.904	-2.031
Other external expenses		-1.064	-1.030
Gross profit		2.784	2.638
Staff expenses	3	-1.618	-1.717
EBITDA		1.166	921
Depreciation, amortization and impairment losses	4	-325	-343
EBIT before special items		841	578
Special items	5	-275	54
EBIT after special items		566	632
Result of investments in joint ventures and associated companies	6	174	860
Financial income	7	164	109
Financial expenses	8	-137	-110
Profit before tax		767	1.491
Tax	9	-121	-204
Profit from continuing operations		646	1.287
Profit from discontinuing operations	38	45	0
Net profit		691	1.287
Profit attributable to:			
Owners of the parent		545	1.243
Non-controlling interests		146	44
Net profit		691	1.287

Consolidated statement of comprehensive income

	Note	2020 DKK mio.	2019 DKK mio.
Net profit		691	1.287
Foreign currency translation adjustment		-212	54
Derivative financial instruments used for hedging of future cash flows	18	0	2
Fair value adjustment of financial assets	18	-38	-65
Other		1	3
Revaluation of land and buildings	18		23
Tax on this	18	0	-1
Items that may be reclassified to the income statement		-249	16
Actuarial adjustments on pension obligations		-2	5
Tax on this		1	-1
Items that will not be reclassified to the income statement		-1	4
Other comprehensive income		-250	20
Total comprehensive income		441	1.307
Attributable to:			
Owners of the parent company		295	1.263
Non-controlling interests		146	44
Total comprehensive income		441	1.307
Continuing operations		396	1.307
Discontinuing operations		45	0
Total comprehensive income attributed to the owners of the parent company		441	1.307

Consolidated balance sheet at December 31**Assets**

	Note	2020 DKK mio.	2019 DKK mio.
Goodwill		3.285	3.285
Rights		22	26
Patents		64	49
Software		32	33
Intangible assets under construction		44	19
Intangible assets	10	3.447	3.412
Land and buildings		1.137	1.255
Plant and machinery		612	710
Other fixtures and equipment		232	213
Property, plant and equipment under construction		466	336
Property, plant and equipment	11	2.447	2.514
Investment in associated companies	12	1.444	1.313
Finance lease receivables	12	5	7
Other securities and investments	12	262	255
Other receivables	12	26	27
Investments		1.737	1.602
Non-current assets		7.631	7.528
Inventories	13	1.494	1.492
Trade receivables	14	1.079	1.232
Contract work in progress	15	188	284
Finance lease receivables	12	2	1
Tax receivables		58	34
Other receivables	16	62	181
Prepayments		17	23
Receivables		1.406	1.755
Securities	17	1.697	1.358
Cash		1.188	1.106
Current assets		5.785	5.711
Assets		13.416	13.239

Consolidated balance sheet at December 31

Equity and liabilities

	Note	2020 DKK mio.	2019 DKK mio.
Share capital	18	2.200	2.200
Revaluation reserve	19	0	0
Foreign currency translation reserve	19	-37	119
Reserve for value adjustment of hedging instruments	19	0	0
Reserve for financial assets measured at fair value	19	0	-235
Retained earnings		5.886	5.579
Equity attributable to the owners of the parent		8.049	7.663
Non-controlling interests		710	582
Total equity		8.759	8.245
Pension obligations and similar obligations	21	42	38
Deferred tax	22	454	448
Provisions	23	290	211
Credit institutions		560	438
Lease obligations		485	529
Other payables	24	101	36
Non-current liabilities		1.932	1.700
Bonds		0	499
Mortgage debt		14	15
Credit institutions		224	94
Leasing obligations		77	74
Prepayments from customers	1	475	495
Contract work in progress	15	903	961
Trade payables		419	514
Other payables	24	567	597
Deferred income	21	46	45
Current liabilities		2.725	3.294
Liabilities		4.657	4.994
Equity and liabilities		13.416	13.239

Consolidated statement of changes in equity

	Share capital	Share premium	Reserves	Retained earnings	Equity attributable to the owners of the parent	Non- controlling interest	Total equity
	DKK mio.	DKK mio.	DKK mio.	DKK mio.	DKK mio.	DKK mio.	DKK mio.
Equity at January 1, 2020	2.200	0	-116	5.579	7.663	582	8.245
Net profit	0	0	0	545	545	146	691
Transfer during the year	0	0	273	-273	0	0	0
Other comprehensive income	0	0	-194	-1	-195	-55	-250
Comprehensive income	0	0	79	271	350	91	441
Increase in non- controlling interest	0	0	0	0	0	71	71
Reatribution	0	0	0	34	34	-34	0
Other adjustments	0	0	0	2	2	0	2
Transactions with owners	0	0	0	36	36	37	73
Equity at December 31, 2020	2.200	0	-37	5.886	8.049	710	8.759

Consolidated statement of changes in equity

	Share capital	Share premium	Reserves	Retained earnings	Equity attributable to the owners of the parent	Non-controlling interest	Total equity
	DKK mio.	DKK mio.	DKK mio.	DKK mio.	DKK mio.	DKK mio.	DKK mio.
Equity at January 1, 2019	2.200	335	-47	2.444	4.932	19	4.951
Net profit	0	0	0	1.243	1.243	44	1.287
Reversal revaluation reserve due to change in accounting policies	0	0	-23	0	-23	0	-23
Transfer during the year	0	-335	0	335	0	0	0
Other comprehensive income	0	0	-46	66	20	0	20
Comprehensive income	0	-335	-69	1.644	1.240	44	1.284
Increase in non-controlling interest	0	0	0	1.278	1.278	2.076	3.354
Dilution gain	0	0	0	501	501	-248	253
Loss of control	0	0	0	968	968	-1.258	-290
Other adjustments	0	0	0	-56	-56	-51	-107
Dividend	0	0	0	-1.200	-1.200	0	-1.200
Transactions with owners	0	0	0	1.491	1.491	519	2.010
Equity at December 31, 2019	2.200	0	-116	5.579	7.663	582	8.245

Consolidated cash flow statement

	Note	2020 DKK mio.	2019 DKK mio.
Net profit		691	1.287
Adjustments for non-cash items	33	352	-360
Change in working capital	34	234	-329
Cash flows from operating activities before financial items and tax		1.277	598
Interest received, etc.		68	46
Interest paid, etc.		-114	-89
Cash flows from ordinary activities		1.231	555
Corporation tax paid		-127	-31
Cash flows from operating activities		1.104	524
- Of which continuing operations		1.104	540
Purchase of intangible assets		-66	-77
Sale of intangible assets		0	0
Purchase of property, plant and equipment		-329	-216
Sale of property, plant and equipment		1	151
Purchase of non-current financial assets		-107	-351
Purchase of current financial assets		-295	-1.344
Sale of fixed asset investments		2	16
Dividend received		40	43
Business combination, net cash		0	10
Cash flows from investing activities		-754	-1.768
Raising of non-current loans		362	0
Repayment of non-current loans		-611	-373
Principal elements of lease payments		-75	-78
Non-controlling interest's payment of share capital		0	3.021
Dividend paid		0	-1.200
Received share capital		71	0
Cash flows from financing activities		-253	1.370
Change in cash and cash equivalents		97	126
Cash and cash equivalents at January 1		1.106	972
Foreign currency translation adjustment		-15	8
Cash and cash equivalents at December 31		1.188	1.106
Cash		1.188	1.106
Cash and cash equivalents at December 31		1.188	1.106

Notes to the consolidated statements

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1 Revenue

The Group's revenue can be divided into two main categories, catalyst sales and technology sales. Catalyst sales comprise the sale of catalysts. Technology sales comprise basic engineering design, license fee and hardware.

Revenue from catalyst sales is recognized when control has been transferred, which typically takes place based on Incoterms. The majority of catalyst sales are paid after delivery with typically 30-60 days of credit, but in certain situations the Group receives prepayments.

Revenue from technology sales is recognized over time according to the percentage-of-completion method based on actual versus forecasted cost. Technology sales are paid in installments during the contract's lifetime. The Group strives to be cash flow positive on all technology contracts at any time during project execution.

The transaction price of a contract is allocated to performance obligations, e.g. delivered catalyst and delivered technology. Technology is considered to be one performance obligation, since the deliveries must be treated as a whole and not as distinct elements.

	2020 DKK mio.	2019 DKK mio.
Catalyst	4.523	4.361
Technology	1.656	1.536
Total disaggregation of revenue from contract with customers	6.179	5.897
Future revenue regarding unsatisfied or partially unsatisfied performance obligations except performance obligations due within a year. The majority will be realized in 2020.	4.262	4.943
Revenue recognized that was included in contract liability balance at the beginning of the year	848	618
Contract work in progress	188	284
Contract assets at December 31	188	284
Prepayments from customers	475	495
Contract work in progress	903	961
Contract liabilities at December 31	1.378	1.456

Notes to the Annual Report of the Haldor Topsøe Holding Group

	2020 DKK mio.	2019 DKK mio.
2 Other operating income		
Government grants	32	15
Other services	40	56
Other operating income	9	2
Total other operating income	81	73
	2020 DKK mio.	2019 DKK mio.
3 Staff expenses		
Wages and salaries	1.352	1.436
Pension – defined contribution plan	145	139
Pension – defined benefit plan	5	6
Other social security contribution	129	151
Total	1.631	1.732
Capitalisation of work performed on property, plant and equipment	-13	-15
Total staff expenses	1.618	1.717
Executive Management salary	1	1
Fee to Board of directors	2	2
Total remuneration to Executive Management and Board members	3	3
Average number of employees	2.278	2.263
Of which in Denmark	1.572	1.558

Employee Share Program

The group company Haldor Topsøe A/S has launched an Employee Share Program (ESP) with enrollment in February 2020. Employees at all levels have been offered the opportunity to acquire shares in Haldor Topsøe A/S at market value by investing an amount equal to ½, 1 or 2 months' salary. For every four shares purchased at market value, employees purchased a fifth share at a price of DKK 1. An annual investment window will be open to new employees. The program will expire either in case of an IPO or by December 31, 2024, at the latest. If the program expires without an IPO, the shares will be purchased by a purchaser designated by the Group at market price. The shares cannot be sold or pledged.

837 employees have enrolled in the program and 3,174,902 new shares have been issued. The shares were issued at an average price of DKK 22.3 per share resulting in a discount element of DKK 5.3. Staff expenses have been impacted by DKK 3 million in 2020 due to the accrued part of the discount element.

Good leavers (mainly employees who retire or are dismissed) can choose to keep the shares until the program expires or sell the shares to a purchaser designated by the Group in the next annual window at the fair market price. Resigning participants must sell the shares to a purchaser designated by the Group in the next annual window at the lower of the invested amount plus an amount for the fifth share that increases to the price paid for the four shares during the period or the fair market price.

In some countries, participation in the ESP is not possible due to local legislation. Instead, employees in these countries have been offered to participate in a Phantom program. The participating employees have invested an amount equal to ½, 1 or 2 months' salary and are granted phantom shares in Haldor Topsøe A/S at principles equal to the ESP. At the time of expiry of the program, employees will be refunded based on the fair value of the phantom shares.

60 employees have enrolled in the Phantom program. Staff expenses have not been impacted in 2020.

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	2020	2019
	DKK mio.	DKK mio.
4 Depreciation, amortization and impairment losses		
Rights	4	4
Patents	10	7
Software	14	9
Land and buildings	83	106
Plant and machinery	143	140
Other fixtures and equipment	71	77
Total depreciation, amortization and impairment losses	325	343

	2020	2019
	DKK mio.	DKK mio.
5 Special items		
Restructuring cost	-162	0
Legal costs regarding two special cases	-71	0
Adjustment of scrap values on buildings	-42	0
Gain from selling surplus land	0	46
Revenue related to suspended Topsoe license	0	34
Goodwill impairment loss regarding restructuring	0	-26
Total special items	-275	54

If special items had been recognized in 'EBIT before special items', they would have been included in the following line items:

Revenue	0	34
Other operating income	0	46
Other external expenses	-113	0
Staff expenses	-162	0
Depreciation, amortization and impairment losses	0	-26
Total special items	-275	54

6 Result of investments in joint ventures and associated companies

Share of result in associated companies	-249	-47
Write-down of investment due to liquidation	0	-29
Gain in connection to dilution	423	253
Fair value adjustment of investment in associated companies	0	667
Fair value adjustment of investment in joint venture	0	13
Dissolvement of previous year's purchase price allocation	0	3
Total result of investments in joint venture and associated companies	174	860

	2020	2019
	DKK mio.	DKK mio.
7 Financial income		
Dividend from other investments	40	43
Interest income	8	12
Gains on derivative financial instruments (currency)	0	0
Foreign currency translation adjustment	114	35
Other financial income	2	19
Total financial income	164	109

	2020	2019
	DKK mio.	DKK mio.
8 Financial expenses		
Interest expense	42	73
Foreign currency translation adjustment	95	32
Value adjustment of other investments	0	2
Other financial expenses	0	3
Total financial expenses	137	110

Notes to the Annual Report of the Haldor Topsøe Holding Group

	2020	2019
	DKK mio.	DKK mio.
9 Tax		
Current tax for the year	73	116
Change in deferred tax for the year	36	96
Adjustments to prior years	6	-8
Total tax	115	204
Tax on continuing operations	121	204
Tax on discontinuing operations	-6	0
Total tax	115	204
	2020	2019
	%	%
Danish corporate tax rate	22,0	22,0
Non-deductible expenses	-5,8	0,6
Income not subject to tax	-0,2	-13,5
Differences in foreign tax rates	2,5	5,6
Adjustments relating to prior years	0,9	0,1
Other adjustments	-3,6	0,0
Effective tax rate	15,8	14,8

10 Intangible assets

	Goodwill	Rights	Patents	Software	Intangible assets under construction
	DKK mio.	DKK mio.	DKK mio.	DKK mio.	DKK mio.
Cost at January 1, 2020	3.311	39	99	199	19
Foreign currency translation adjustment	-3	0	0	1	0
Additions during the year	0	0	27	4	35
Disposals during the year	0	0	-1	-9	0
Transfers during the year	0	0	0	10	-10
Cost at December 31, 2020	3.308	39	125	205	44
Amortization and impairment losses at January 1, 2020	26	13	50	166	0
Foreign currency translation adjustment	-3	0	1	0	0
Amortization for the year	0	4	10	14	0
Reversal of amortization and impairment losses on assets sold and scrapped	0	0	0	-7	0
Amortization and impairment losses at December 31, 2020	23	17	61	173	0
Carrying amount at December 31, 2020	3.285	22	64	32	44
Research and development costs expensed in 2020					512

Notes to the Annual Report of the Haldor Topsøe Holding Group

10 Intangible assets (continued)

	Goodwill	Rights	Patents	Software	Intangible assets under construction
	DKK mio.	DKK mio.	DKK mio.	DKK mio.	DKK mio.
Cost at January 1, 2019	3.387	25	87	173	4
Foreign currency translation adjustment	5	0	0	0	0
Additions during the year	26	14	18	27	18
Disposals during the year	-107	0	-6	-4	0
Transfers during the year	0	0	0	3	-3
Cost at December 31, 2019	3.311	39	99	199	19
Amortization and impairment losses at January 1, 2019	0	9	45	158	0
Amortization for the year	0	4	7	9	0
Impairment losses for the year	26	0	0	0	0
Reversal of amortization and impairment losses on assets sold and scrapped	0	0	-2	-1	0
Amortization and impairment losses at December 31, 2019	26	13	50	166	0
Carrying amount at December 31, 2019	3.285	26	49	33	19
Research and development costs expensed in 2019					605

The goodwill originates from the acquisition of the shares in Haldor Topsøe A/S in 2007.

An impairment test has been carried out at December 31, 2020 for the goodwill related to Haldor Topsøe A/S. No indication of impairment was identified. During the impairment test, the cash generating unit's discounted cash flow is compared to the unit's book value. The cash generating unit is by Management defined as the total activity in the subsidiary Haldor Topsøe A/S. Cash flow is based on forecasts and business plans for the years 2021-2025.

The calculation is based on material assumptions in terms of growth rate and discount rate. The discount rate is determined based on Management's estimate of general capital market conditions and the specific risk profile and has been determined to 8% before tax. The growth rate in the terminal period has by Management been estimated to 2%.

Notes to the Annual Report of the Haldor Topsøe Holding Group

11 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and equipment	Property, plant and equipment under construction
	DKK mio.	DKK mio.	DKK mio.	DKK mio.
Cost at January 1, 2020	1.634	1.764	846	336
Foreign currency translation adjustment	-25	-41	-8	-20
Additions for the year	25	19	49	243
Disposals for the year	-106	-31	-15	0
Transfers for the year	7	41	45	-93
Cost at December 31, 2020	1.535	1.752	917	466
Depreciation and impairment losses at January 1, 2020	379	1.054	633	0
Foreign currency translation adjustment	-9	-29	-6	0
Depreciation for the year	83	143	71	0
Reversal of depreciation and impairment loss on assets sold and scrapped	-55	-28	-13	0
Depreciation and impairment losses at December 31, 2020	398	1.140	685	0
Carrying amount at December 31, 2020	1.137	612	232	466
Carrying amount at December 31, 2020, under the depreciated cost model	1.137	612	232	466
Borrowing costs capitalised in 2020				0
Carrying amount of right-of-use assets	407	0	9	0
Carrying amount of assets used for operational lease	0	0	0	51

Notes to the Annual Report of the Haldor Topsøe Holding Group

11 Property, plant and equipment (continued)

	Land and buildings	Plant and machinery	Other fixtures and equipment	Property, plant and equipment under construction
	DKK mio.	DKK mio.	DKK mio.	DKK mio.
Cost at January 1, 2019	1.082	1.661	805	345
Lease assets at January 1, 2019 (see note 1 and 28)	522	1	7	0
Restated opening cost	1.604	1.662	812	345
Foreign currency translation adjustment	8	5	1	4
Additions during the year	55	27	30	111
Disposals during the year	-36	-14	-5	0
Disposals during the year on sale of business	-5	0	-24	0
Transfers during the year	8	84	32	-124
Cost at December 31, 2019	1.634	1.764	846	336
Revaluation at January 1, 2019	72	0	0	0
Foreign currency translation adjustment	1	0	0	0
Additions during the year	30	0	0	0
Disposal during the year	-73	0	0	0
Change in accounting policy prior year (see note 1)	-30	0	0	0
Revaluation at December 31, 2019	0	0	0	0
Depreciation and impairment losses at January 1, 2019	294	921	568	0
Foreign currency translation adjustment	-2	1	0	0
Depreciation for the year	88	140	77	0
Impairment losses for the year	18	0	0	0
Reversal of depreciation and impairment loss on assets sold and scrapped on sale of business	-16	0	-7	0
Reversal of depreciation and impairment loss on assets sold and scrapped	-3	-8	-5	0
Depreciation and impairment losses at December 31, 2019	379	1.054	633	0
Carrying amount at December 31, 2019	1.255	710	213	336
Carrying amount at December 31, 2019, under the depreciated cost model	1.255	710	213	336
Borrowing costs capitalised in 2019				0
Carrying amount of finance leases	575	1	7	0

Notes to the Annual Report of the Haldor Topsøe Holding Group

12 Investments

	Investment in associated companies	Finance lease receivables	Other securities and investments	Other receivables	
	DKK mio.	DKK mio.	DKK mio.	DKK mio.	
Cost at January 1, 2020	727	8	505	34	
Additions during the year	61	0	47	3	
Disposals during the year	0	-1	0	-3	
Transfers during the year	0	0	0	0	
Cost at December 31, 2020	788	7	552	34	
Value adjustment at January 1, 2020	586	0	-250	-7	
Net result for the year	-249	0	0	0	
Dilution gain	423	0	0	0	
Fair value adjustments for the year	1	0	-40	-1	
Foreign currency translation adjustment	-105	0	0	0	
Value adjustment at December 31, 2020	656	0	-290	-8	
Carrying amount at December 31, 2020	1.444	7	262	26	
Of this, less than 1 year		2			
	Investment in associated companies	Investment in joint venture	Finance lease receivables	Other securities and investments	Other receivables
	DKK mio.	DKK mio.	DKK mio.	DKK mio.	DKK mio.
Cost at January 1, 2019	0	0	9	516	28
Additions during the year	710	0	0	10	8
Disposals during the year	0	0	-1	-4	-1
Transfers during the year	17	0	0	-17	-1
Cost at December 31, 2019	727	0	8	505	34
Value adjustment at January 1, 2019	0	0	0	-172	-6
Net result for the year	-47	0	0	0	0
Disposals during the year	0	0	0	-15	0
Fair value adjustments for the year	667	-13	0	-63	-1
Foreign currency translation adjustment	-34	0	0	0	0
Transfers to group company during the year	0	13	0	0	0
Value adjustment at December 31, 2019	586	0	0	-250	-7
Carrying amount at December 31, 2019	1.313	0	8	255	27
Of this, less than 1 year			1		

Notes to the Annual Report of the Haldor Topsøe Holding Group

12 Investments (continued)

Investments in associated companies:

Faradion Ltd, Sheffield, United Kingdom

The Group has invested in Faradion Ltd, corresponding to 23% of the share capital. Faradion Ltd. is a leading development company within sodium-ion battery technology, which is more cost-effective than comparable lithium-ion technologies.

Other securities and investments:

Kamaphuli Fertilizer Limited, Dhaka, Bangladesh (KAFCO)

The Group holds shares in KAFCO of nominally BDT 692 million, which equals 15% of the shares in KAFCO. The shares are measured at fair value based on a discounted cash flow calculation using the present budgets and forecasts of KAFCO. The calculation is moreover based on material assumptions in terms of growth rate and discount rate. The discount rate is determined based on Management's estimate of general capital market conditions and the specific risk profile and has been set at 11.0% (2019: 11.4%) after tax. The growth rate in the terminal period has by Management been estimated at 0% (2019: 0%). Based on these criteria, the KAFCO shares have been written down by DKK 39 million (2019: DKK 31 million).

A change in the discount rate of -1% or +1%, respectively, would impact the value by +6% or -6%, respectively. A change in the growth rate in the terminal period of -10% or +10%, respectively, would impact the value by -9% or +9%, respectively.

Ramagundam Fertilizers and Chemicals Limited, New Delhi, India

The Group has increased the investment in Ramagundam Fertilizers and Chemicals Limited, still corresponding to 4% of the share capital. The company is constructing a fertilizer plant in India. The Group is obligated to invest an additional amount of up to INR 27 million (equal to DKK 2 million).

GTLA Holdings LP, Delaware, US

The Group has invested in GTLA Holdings LP, corresponding to 3% of the share capital. The purpose of the company is to develop a project regarding construction of a gas-to-liquid plant. The fair value of the investment is DKK 0 million due to a license having been suspended.

IGM Biosciences Inc., Mountain View, US

In December 2020 IGM Biosciences Inc. completed a capital increase, listed on Nasdaq. The total capital increase was DKK 1,226 million (USD 203 million), and Haldor Topsøe Holding A/S signed up with DKK 61 million (USD 10 million). Haldor Topsøe Holding A/S has in 2020 reduced the ownership in IGM Biosciences Inc. from 41.12% to 39.6% as at 31 December 2020 due to dilution. The gain from the dilution amounts to DKK 423 million.

13 Inventories

	2020	2019
	DKK mio.	DKK mio.
Raw materials and consumables	336	358
Work in progress	199	209
Finished goods	959	925
Inventories at December 31	1.494	1.492
Cost of sales for the year	2.174	2.289
Impairment losses for the year	45	50
Reversed impairment losses for the year	-41	-45

Reversal of impairment losses is attributable to disposal or reuse of impaired goods in the production.

Notes to the Annual Report of the Haldor Topsøe Holding Group

	2020	2019
	DKK mio.	DKK mio.
14 Trade receivables		
Trade receivables, gross	1.101	1.264
Provision for bad debts at January 1	-32	-22
Provision for bad debts for the year	-12	-11
Reversal of bad debts, prior years	22	1
Provision for bad debts at December 31	-22	-32
Trade receivables	1.079	1.232
Of this, due after more than 1 year	14	3
Realized losses for the year	-5	-14

	2020	2019
	%	%
Receivables, gross due at December 31 have the following aging:		
Not due	66	68
1-90 days	24	24
91-180 days	4	4
181+ days	6	4

	Gross trade receivables	Expected loss rate	Loss allowance
	DKK million	%	DKK million
Not due	722	0%	0
1-90 days	261	1%	3
91-180 days	49	10%	5
180-360 days	47	9%	4
360+ days	22	45%	10
Total at December 31, 2020	1.101		22

	Gross trade receivables	Expected loss rate	Loss allowance
	DKK million	%	DKK million
Not due	847	0%	0
1-90 days	309	0%	0
91-180 days	48	0%	0
180-360 days	6	0%	0
360+ days	54	59%	32
Total at December 31, 2019	1.264		32

	2020	2019
	DKK mio.	DKK mio.
15 Contract work in progress		
Selling price of work performed at the balance sheet date	5.291	5.962
Payments received on account	-6.006	-6.639
Contract work in progress at December 31	-715	-677
Contract work in progress recognized in assets	188	284
Contract work in progress recognized in liabilities	-903	-961
Contract work in progress at December 31	-715	-677

Notes to the Annual Report of the Haldor Topsøe Holding Group

	2020	2019
	DKK mio.	DKK mio.
16 Other receivables		
Receivable regarding VAT and tax	47	102
Fair value of derivative financial instruments	3	0
Other receivables	12	79
Other receivables at December 31	62	181
Of this, due after more than 1 year	26	27

	2020	2019
	DKK mio.	DKK mio.
17 Securities		
Equities funds	962	347
Bonds funds	735	1.011
Securities at December 31	1.697	1.358

	A shares	B shares	Total
	Number of shares of DKK 1.000	Number of shares of DKK 1.000	Number of shares of DKK 1.000
Share capital at January 1, 2020	200.000	2.000.000	2.200.000
Share capital at December 31, 2020	200.000	2.000.000	2.200.000
	A shares	B shares	Total
	Number of shares of DKK 1.000	Number of shares of DKK 1.000	Number of shares of DKK 1.000
Share capital at January 1, 2019	200.000	2.000.000	2.200.000
Share capital at December 31, 2019	200.000	2.000.000	2.200.000

The Company's share capital is nominally DKK 2,200 million divided into shares of DKK 1,000 or multiples thereof. The share capital is fully paid. The shares are divided into 2 classes. A shares are entitled to 10 votes per share amount of DKK 1,000. B shares are entitled to one vote for each share of DKK 1,000.

Notes to the Annual Report of the Haldor Topsøe Holding Group

19 Reserves

	Revaluation reserve	Foreign currency translation reserve	Reserve for value adjustment of hedging instruments	Reserve for financial assets measured at fair value	Total
	DKK mio.	DKK mio.	DKK mio.	DKK mio.	DKK mio.
Reserves at January 1, 2020	0	119	0	-235	-116
Foreign currency translation adjustment	0	-212	0	0	-212
Financial assets measured at fair value through other comprehensive income	0	0	0	-38	-38
Transfer during the year	0	0	0	273	273
Other	0	1	0	0	1
Reserves at December 31, 2020	0	-92	0	0	-92
	Revaluation reserve	Foreign currency translation reserve	Reserve for value adjustment of hedging instruments	Reserve for financial assets measured at fair value	Total
	DKK mio.	DKK mio.	DKK mio.	DKK mio.	DKK mio.
Reserves at January 1, 2019	67	62	-6	-170	-47
Foreign currency translation adjustment	0	54	0	0	54
Derivative financial instruments used for hedging of future cash flows	0	0	2	0	2
Transfer during the year	0	0	4	0	4
Fair value adjustment of financial assets	0	0	0	-65	-65
Other	0	3	0	0	3
Realized write up and down on land and buildings trf to retained earnings	-66	0	0	0	-66
Tax	-1	0	0	0	-1
Revaluation of land	23	0	0	0	23
Reversal of revaluation of land due to change in accounting policies	-23	0	0	0	-23
Reserves at December 31, 2019	0	119	0	-235	-116

Notes to the Annual Report of the Haldor Topsøe Holding Group

20 Dividend

Proposed dividend constitutes DKK 102.5 million (2019: DKK 0 million) corresponding to DKK 0.05 (2019: DKK 0.00) per share.

Dividend policy

There is no formal dividend policy. On a yearly basis, the owners will consider what is the right level of dividend payment, based on profitability, equity ratio and future capital requirements.

21 Pension obligations and similar obligations

The Group has entered into pension plans with a considerable number of its employees. Most of the plans are defined contribution plans and only a small part is defined benefit plans.

Defined contribution plans

The Group finances the plans by currently paying a premium to independent insurance companies that are responsible for the pension obligations. Once the pension contributions to the defined contribution plans have been paid, the Group has no further pension obligations to current or terminated employees.

Defined benefit plans

The Group has made agreements with specific groups of employees regarding payment of certain benefits, including pension. These pensions mainly relate to certain employees in the Group's US subsidiary where the plan partly consists of a basic pension and partly of an additional pension for selected members of management. The pension obligations are partly hedged through an independent fund. Actuarial valuation is performed annually. In addition, employees in India and Germany are covered by defined benefit plans.

	2020 DKK mio.	2019 DKK mio.
Pension costs	4	4
Interest expenses	8	11
Interest income on plan assets	-7	-9
Total pension recognized in staff expenses	5	6

	2020 %	2019 %
Applied actuarial assumptions:		
Discount rate	0,7-6,6	1.00-7.12
Future pay increases	2,5-10,0	2.50-10.00

A change in the discount rate of -0.5% or +0.5%, respectively, would impact the defined benefit obligation by +6% or -5%, respectively. A change in the future pay increase of -0.5% or +0.5, respectively, would impact the defined benefit obligation by -1% or +1%, respectively.

The weighted average duration of the defined benefit obligation is 8.3 - 10.5 years (2019: 8.3 - 10.6 years).

Notes to the Annual Report of the Haldor Topsøe Holding Group

21 Pension obligations and similar obligations (continued)

	2020	2019
	%	%
US	33	38
International	29	29
Global	7	3
Shares	<u>69</u>	<u>70</u>
US investment grade	13	8
High yield	10	10
Other	4	0
Bonds	<u>27</u>	<u>18</u>
Real estate	4	7
Commodities	0	4
Other	0	1
Distribution of plan assets at December 31	<u>100</u>	<u>100</u>
	2020	2019
	DKK mio.	DKK mio.
Present value of pension obligations	306	331
Fair value of pension plan assets	<u>-264</u>	<u>-293</u>
Net obligation at December 31	<u>42</u>	<u>38</u>
Present value of pension obligations at January 1	331	294
Foreign currency translation adjustment	-28	6
Pension costs	4	4
Interest expenses	8	11
Actuarial gains and losses, demographic assumptions	-22	-6
Actuarial gains and losses, financial assumptions	39	43
Pension paid	<u>-26</u>	<u>-21</u>
Present value of pension obligations at December 31	<u>306</u>	<u>331</u>
Fair value of pension plan assets at January 1	293	251
Foreign currency translation adjustment	-27	7
Interest on pension assets	7	9
Return on plan assets excl. interest on pension assets	14	42
Paid by the company	3	5
Pension paid	<u>-26</u>	<u>-21</u>
Fair value of pension plan assets at December 31	<u>264</u>	<u>293</u>

Expected defined benefit pension payments by the Group in 2021 amount to DKK 37 million.

Notes to the Annual Report of the Haldor Topsøe Holding Group

	2020 DKK mio.	2019 DKK mio.
22 Deferred tax		
Deferred tax at January 1	448	381
Change in accounting policy prior year	0	-7
Restated deferred tax at January 1	448	374
Foreign currency translation adjustment	-1	2
Tax on equity items	0	-18
Tax for the year	26	118
Tax previous years	-19	-28
Deferred tax at December 31	454	448
Recognized as deferred tax asset	0	0
Recognized as deferred tax liability	454	448
Deferred tax at December 31	454	448
Intangible assets and property, plant and equipment	126	144
Inventories	19	17
Work in progress	331	345
Provisions	-33	-31
Other	11	-27
Deferred tax at December 31	454	448
Of this, due after more than 1 year	279	317

Notes to the Annual Report of the Haldor Topsøe Holding Group

23 Provisions

	Warranty provision for engineering projects	Warranty provision for catalysts	Other	Total
	DKK mio.	DKK mio.	DKK mio.	DKK mio.
Provisions at January 1, 2020	155	55	1	211
Foreign currency translation adjustment	0	-2	0	-2
Provisions for the year	13	96	0	109
Reversals during the year	0	-13	0	-13
Realized provision during the year	-5	-10	0	-15
Provisions at December 31, 2020	163	126	1	290

The majority of the provisions are potentially to be recognized after more than 1 year.

	Warranty provision for engineering projects	Warranty provision for catalysts	Other	Total
	DKK mio.	DKK mio.	DKK mio.	DKK mio.
Provisions at January 1, 2019	181	48	58	287
Provisions for the year	0	12	8	20
Reversals during the year	-16	-2	0	-18
Transferred to Other payables, current	0	0	-65	-65
Realized provision during the year	-10	-3	0	-13
Provisions at December 31, 2019	155	55	1	211

The majority of the provisions are potentially to be recognized after more than 1 year.

Warranty provision can be impacted by unexpected quality issues on our catalyst or technology solutions.

	2020	2019
	DKK mio.	DKK mio.
24 Other payables		
Employee holiday allowance	61	137
Employee holiday fund, non-current	96	34
Staff-related items	329	155
Fair value of derivative financial instruments	3	1
Tax-related items	2	5
Other payables	177	301
Other payables at December 31	668	633
More than 1 year	101	36
Less than 1 year	567	597
Other payables at December 31	668	633

Notes to the Annual Report of the Haldor Topsøe Holding Group

	2020 DKK mio.	2019 DKK mio.
25 Leases		
Land and buildings	65	73
Plant and machinery	1	1
Other fixtures and equipment	4	4
Total depreciation of right-of-use assets	70	78
Interest expense (included in financial expenses)	21	23
Expense relating to short-term leases (included in other external expenses)	3	4
Revenue from sub-lease	3	1
The total cash outflow for leases	80	86
Additions to the right-of-use assets	8	5

The majority of lease contracts relates to lease of office buildings. Please see note 11 for carrying amount of right-of-use assets at December 31, 2020 and note 32 for information about the lease liability.

The Group has entered into a lease contract under which the Group is obligated to purchase the property at a price of DKK 74 million after termination of the lease contract in 2036. The purchase obligation is included in the lease liability.

The Group has evaluated extension options related to office rentals. In most cases extension options are not included because the group could replace the assets without significant costs or business disruption.

	2020 DKK mio.	2019 DKK mio.
26 Guarantees		
Guarantees given by banks and credit insurance institutions on the Group's behalf for contract work, etc.	725	1.135
Guarantees issued at December 31	725	1.135
Less than 1 year	395	769
Between 1 and 5 years	301	312
After 5 years	29	54
Guarantees issued at December 31	725	1.135
Guarantee given by the Group in relation to Employee Share Program, expires 2024	8	0
	8	0

	2020 DKK mio.	2019 DKK mio.
27 Contractual obligations		
Less than 1 year	16	17
Between 1 and 5 years	10	11
After 5 years	6	0
Contractual obligations regarding leases at December 31	32	28
Payments for the year recognized as operating lease expenses	26	18

Contractual obligations relates to software and maintenance agreements running up to 9 years.

The Group is obligated to invest an additional DKK 7 million (2019: DKK 18 million) in companies included under "Other investments".

The Group has a contractual obligation regarding acquisition of property, plant and equipment and intangible assets amounting to DKK 103 million.

Notes to the Annual Report of the Haldor Topsøe Holding Group

28 Contingent liabilities

The Group's property in Frederikssund, Denmark, has been found to be contaminated. Management assesses that the remediation costs will not be significant.

Through participation in joint taxation scheme with Danish group enterprises, the company is jointly and severally liable for taxes etc. payable in Denmark.

The Group is a part of ongoing litigations. Management assess that the outcome of these lawsuits will not affect the Company's financial position

	2020	2019
	DKK mio.	DKK mio.
29 Fee to auditors appointed at the general meeting		
Statutory audit fee	3	2
Other assurance statements	0	1
Tax assistance	3	5
Other assistance	1	5
Total fee to auditors appointed at the general meeting	7	13

30 Related parties

Remuneration to Executive Committee and Board of Directors, please refer to note 3.

Intercompany transactions have been eliminated in the consolidated financial statements.

Notes to the Annual Report of the Haldor Topsøe Holding Group

31 Derivative financial instruments

	Contract amount 2020	Fair value 2020	Contract amount 2019	Fair value 2019
	DKK mio.	DKK mio.	DKK mio.	DKK mio.
EUR interest rate swap (4.62%), matures on December 31, 2021	8	0	17	-1
Interest swap at December 31	8	0	17	-1

The Group uses interest rate swaps to hedge against changes in interest rate levels and thus reduce the interest rate risk. Interest rate swaps are used on floating rate loans. The fair value of the swaps is recognized in the balance sheet through other comprehensive income. The Group thus applies the rules on hedge accounting.

	Contract amount 2020	Fair value 2020	Contract amount 2019	Fair value 2019
	DKK mio.	DKK mio.	DKK mio.	DKK mio.
Aggregate amount of commodity swaps within metals, matures in 2020	13	3	0	0
Aggregate amount of commodity swaps within metals, matures in 2019	0	0	24	0
Commodity swaps at December 31	13	3	24	0

The Group uses commodity swaps to hedge against price fluctuations in raw materials, primarily base metals (nickel, copper, and zinc) of specific production contracts. Hedging duration depends on the specific underlying contract, but it is typically less than 24 months. The fair value of the swaps is recognized directly in the income statement.

The cost of raw materials is a significant cost component in our products, and costs can fluctuate considerably. The Group seeks to minimize the risk related to commodity price fluctuations through contractual escalation clauses. In addition, the Group uses financial hedging when quoting fixed contract prices.

Notes to the Annual Report of the Haldor Topsøe Holding Group

32 Financial assets and liabilities

	2020	2019
	DKK mio.	DKK mio.
Other securities and investments	262	255
Trade receivables	1.079	1.232
Other financial receivables	88	208
Securities	1.697	1.358
Cash	1.188	1.106
Financial assets at December 31	4.314	4.159
Bonds, mortgage debt and debt to credit institutions	798	1.046
Lease obligations	562	603
Trade payables	419	514
Other financial liabilities	668	633
Financial liabilities at December 31	2.447	2.796
Financial assets measured at fair value through other comprehensive income	262	255
Financial assets measured at amortized cost	4.049	3.904
Derivative financial instruments measured at fair value	3	0
Classification of financial assets at December 31	4.314	4.159
Financial liabilities measured at amortized cost	2.447	2.795
Derivative financial instruments measured at fair value	0	1
Classification of financial liabilities at December 31	2.447	2.796
	2020	2019
	DKK mio.	DKK mio.
Bonds, mortgage debt and debt to credit institutions:		
Payments:		
After 5 years	182	127
Between 1 and 5 years	411	323
Less than 1 year	230	634
Bonds, mortgage debt and debt to credit institutions at nominal value	823	1.084
Future finance charges	-25	-38
Bonds, mortgage debt and debt to credit institutions at present value	798	1.046
Lease liabilities		
Minimum lease payments:		
After 5 years	437	439
Between 1 and 5 years	210	253
Less than 1 year	80	81
Lease liabilities at nominal value	727	773
Future finance charges	-165	-170
Lease liabilities at present value	562	603

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32 Financial assets and liabilities (continued)

	2020	2019	
	DKK mio.	DKK mio.	
Trade payables:			
Less than 1 year	419	514	
Derivative financial instruments:			
Less than 1 year	0	1	
Other financial liabilities:			
After 5 years	91	0	
Between 1 and 5 years	9	34	
Less than 1 year	568	598	
	Bonds, mortgage debt and credit institutions	Lease liability	Total
	DKK mio.	DKK mio.	DKK mio.
Interest bearing debt at January 1, 2020	1.046	603	1.649
Foreign currency translation adjustment	1	10	11
Raising loans	362	8	370
Installments	-611	-59	-670
Interest bearing debt at December 31, 2020	798	562	1.360
	Bonds, mortgage debt and credit institutions	Lease liability	Total
	DKK mio.	DKK mio.	DKK mio.
Interest bearing debt at January 1, 2019	1.419	129	1.548
Lease liability due to implementation of IFRS 16 at January 1, 2019	0	518	518
Foreign currency translation adjustment	0	14	14
Raising loans	0	5	5
Installments	-373	-63	-436
Interest bearing debt at December 31, 2019	1.046	603	1.649
	Level 1	Level 2	Level 3
	DKK mio.	DKK mio.	DKK mio.
Other securities and investments	1.697	0	262
Derivative financial instruments	0	3	0
Distribution of assets stated at fair value at December 31, 2020	1.697	3	262

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32 Financial assets and liabilities (continued)

Level 1: Listed prices in an active market for the same type of instrument.

Level 2: Listed prices in an active market for similar assets or liabilities or other valuation methods according to which all material input is based on observable market data

Level 3: Valuation methods according to which material input is not based on observable market data.

Please refer to note 11 for information on input to valuation of investments in other enterprises stated at fair value in level 3.

There have been no transfers between levels 1, 2 and 3 during the year.

	2020 DKK mio.	2019 DKK mio.
Fair value of level 3 assets at January 1	255	325
Addition	47	10
Transfer to associated companies	0	-17
Write-down recognized in other comprehensive income	-40	-63
Transfer	0	0
Fair value of level 3 assets at December 31	262	255

Financial risk

Currencies

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 USD.

Part of this 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% change in the DKK/USD exchange rate is assessed to have an EBIT effect of DKK 15-20 million.

Interest rates

Topsoe's general interest rate policy is to maintain a loan portfolio where the fixed interest rate portion is kept within a range of 50-75%, while the floating interest rate portion is kept within a range of 25-50%. By the end of 2020, the fixed rate portion stood at 69%, while the floating rate portion stood at 31%. Topsoe repaid DKK 500 million corporate bonds in mid-April 2020 and is thereby back into the policy range (~69% fixed and ~31% floating). For the floating rate portion of our interest-bearing debt at end of 2020, an increase in the interest rate level of 1 percentage point will increase interest expenses by DKK 1.1 million p a

Credit

The credit risk of Topsoe is primarily related to trade receivables from state, public and privately-owned corporations. Where feasible, 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. On a quarterly basis, we assess whether the Group should make accruals for bad debt which is considered unlikely to be collected.

Liquidity

Topsoe must maintain sufficient liquidity to fund daily operations, debt service, and expansion. Topsoe's access to liquidity consists of cash and cash equivalents, including access to committed revolving credit facilities. The target is to maintain a minimum of DKK 500 million in unused committed revolving credit facilities at any time.

Notes to the Annual Report of the Haldor Topsøe Holding Group

	2020	2019
	DKK mio.	DKK mio.
33 Adjustments for non-cash items		
Financial income	-164	-109
Financial expenses	137	110
Special items	0	26
Result of investment in joint venture and associated companies	-174	-860
Amortization, depreciation and impairment losses, including gains and losses from sale of assets	325	343
Tax	121	204
Other adjustments	107	-74
Total adjustments for non-cash items	352	-360

	2020	2019
	DKK mio.	DKK mio.
34 Change in working capital		
Increase (-) / decrease in inventories	-2	-354
Increase (-) / decrease in receivables	277	-582
Increase / decrease (-) in contract billing	38	372
Increase / decrease (-) in suppliers, etc.	-79	235
Total change in working capital (+ fall, - increase)	234	-329

35 Subsequent events

No events materially affecting the Group's financial position at December 31, 2020 have occurred after the balance sheet date.

Notes to the Annual Report of the Haldor Topsøe Holding Group

36 List of group companies

Name	Registered office	Voting and ownership share
Haldor Topsøe A/S*	Lyngby, Denmark	69,41%
Haldor Topsøe International A/S	Lyngby, Denmark	100%
Subcontinent Ammonia Investment Company ApS	Lyngby, Denmark	100%
Haldor Topsøe Project Investment A/S	Lyngby, Denmark	100%
HT Ramagundam A/S	Lyngby, Denmark	100%
Haldor Topsøe Sustainables A/S	Lyngby, Denmark	100%
Haldor Topsøe Germany GmbH	Essen, Germany	100%
Haldor Topsøe Australia Pty. Ltd.	Perth, Australia	100%
OOO Haldor Topsøe	Moscow, Russia	100%
Haldor Topsøe, Inc.	Houston, USA	100%
Haldor Topsøe Project Development U.S., Inc.	Houston, USA	100%
Pacific Coast Fertilizer LLC	Seattle, USA	79%
Saturn Ferrostaal Gas Chemicals LLC,	Wilmington, USA	100%
Haldor Topsøe eCOs Inc.	Wilmington, USA	100%
Haldor Topsøe LFG Solutions Inc.	Houston, USA	100%
Haldor Topsøe Canada Limited	Vancouver, Canada	100%
Haldor Topsøe De Mexico, S. A. de C. V.	Mexico City, Mexico	100%
Haldor Topsøe do Brasil Tecnologia e Servicos em Catalisadores Eireli	Rio de Janeiro, Brazil	100%
Haldor Topsøe America Latina S.A.	Buenos Aires, Argentina	100%
Haldor Topsøe (Beijing) Co., Ltd	Beijing, China	100%
Jiangsu JITRI-Topsoe Joint R&D Center Co, Ltd.	Suzhou, China	60%
Haldor Topsøe India Pvt. Ltd.	New Delhi, India	100%
Haldor Topsøe Sdn. Bhd.	Kuala Lumpur, Malaysia	100%
Frydenlund Ejendomsselskab ApS*	Rudersdal, Denmark	100%
HT ESP ApS *	Lyngby, Denmark	70,00%

* Directly held entities by Haldor Topsøe Holding A/S

Notes to the Annual Report of the Haldor Topsøe Holding Group

37 Business combinations

On January 1, 2019 the Group acquired the remaining 50% of the shares in the joint venture Saturn Ferrostaal Gas Chemicals LLC, whose activity is project development. The acquisition is a reorganization linked to the acquisition in 2018 described below.

There have been no business combinations during 2020.

	2020	2019
	DKK mio	DKK mio.
Investment in other companies	0	1
Deferred tax receivables	0	0
Other receivables	0	1
Cash	0	0
Assets	0	2
Pension obligation	0	0
Non-current loan	0	-15
Other payables	0	-11
Liabilities	0	-26
Net identifiable assets acquired	0	-24
Goodwill	0	26
Negative goodwill	0	0
Net assets acquired	0	2
Cash	0	0
Shares in Pacific Coast Fertilizer LLC	0	1
Fair value of previously owned shares in the company	0	1
Total consideration	0	2
Acquired cash	0	0
Cash consideration	0	0

The Group's previous investment in the company was in 2019 adjusted to reflect the fair value of the shares, which led to a fair value adjustment of DKK 13 million, which was included in 'Result of investments in joint ventures and associated companies'.

Goodwill arising from the transaction was in 2019 tested for impairment, which resulted in an impairment loss of DKK 26 million included in note 7 'Special items'.

The acquired business contributed revenue of DKK 0 million and net profit of DKK 0 million to the Group for the period from January 1 to December 31, 2019.

Notes to the Annual Report of the Haldor Topsøe Holding Group

38 Discontinuing operations

On June 20, 2017, Topsoe announced that it had sold its emissions control business areas. The divestment was finalized on November 30, 2017. The divestment comprised the subsidiaries Haldor Topsøe Catalyst (Tianjin) Co., Ltd., Haldor Topsøe Automotive Catalyst Trading (Tianjin) Co., Ltd. and Haldor Topsøe Catalisadores e Tecnologias do Brasil Ltda. as well as business assets and liabilities in Denmark, the US, and China.

Finalization of the divestment of the emissions control business areas impacted 2020 with a net profit of DKK 45 million after reversal of provisions made in previous years. 2019 was not impacted by discontinuing operations.

	2020	2019
	DKK mio.	DKK mio.
Value adjustment of net assets sold	39	0
Profit on sale before income tax	39	0
Income tax	6	0
Profit on sale of discontinuing operations	45	0

Accounting policies of the Haldor Topsøe Holding A/S

Basis of preparation

The financial statements of Haldor Topsøe Holding A/S have been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies are unchanged from last year.

The applied accounting policies are similar to those of the Group except for the following matters:

Dividend from group enterprises

The dividend proposed and declared in the financial year is recognized in the parent company's income statement.

Investments in group enterprises and associated companies

Investments in group enterprises and associated companies are recognized and measured at cost in the parent company's financial statements.

The item "Income / loss from investments in group companies" in the income statement includes the profit from the partial sale of group company during the year.

Cash flow statement

No separate cash flow statement has been prepared for the parent company, as the parent company's cash flow statement is included in the consolidated cash flow statement.

Income statement of Haldor Topsøe Holding A/S

	Note	2020 DKK mio.	2019 DKK mio.
Other external expenses		-4	-4
Staff expenses	1	-4	-5
EBIT		-8	-9
Gain on disposal of investments in group companies	5	0	1.401
Financial income	2	55	15
Financial expenses	3	-9	-7
Profit before tax		38	1.400
Tax		-8	1
Net profit	4	30	1.401

Balance sheet at December 31 of Haldor Topsøe Holding A/S
Assets

	<u>Note</u>	<u>2020</u> DKK mio.	<u>2019</u> DKK mio.
Investments in group companies		3.889	3.889
Investments in associated companies		771	710
Other investments		30	0
Other receivables		0	3
Investments	5	<u>4.690</u>	<u>4.602</u>
Non-current assets		<u>4.690</u>	<u>4.602</u>
Receivables from group enterprises		3	0
Corporate income tax		0	2
Other receivables		1	2
Receivables		<u>4</u>	<u>4</u>
Securities	6	<u>1.697</u>	<u>1.358</u>
Cash		<u>9</u>	<u>305</u>
Current assets		<u>1.710</u>	<u>1.667</u>
Assets		<u>6.400</u>	<u>6.269</u>

Balance sheet at December 31 of Haldor Topsøe Holding A/S

Equity and liabilities

	Note	2020 DKK mio.	2019 DKK mio.
Share capital	7	2.200	2.200
Retained earnings		3.992	4.064
Proposed dividend		102	0
Equity		6.294	6.264
Credit institutions		101	0
Payables to group enterprises		1	1
Corporate income tax		3	0
Other payables		1	4
Current liabilities		106	5
Liabilities		106	5
Equity and liabilities		6.400	6.269
Fee to auditors appointed at the general meeting	8		
Contractual liabilities	9		
Related parties	10		
Subsequent events	11		

Statement of changes in equity of Haldor Topsøe Holding A/S

	Share capital	Retained earnings	Proposed dividend	Total
	DKK mio.	DKK mio.	DKK mio.	DKK mio.
Equity at January 1, 2020	2.200	4.064	0	6.264
Transfer during the year	0	0	0	0
Net profit	0	-72	102	30
Net profit and income and expenses recognized under equity	0	-72	102	30
Dividend paid	0	0	0	0
Transactions with owners	0	0	0	0
Equity at December 31, 2020	2.200	3.992	102	6.294

Notes to the Annual Report of Haldor Topsøe Holding A/S

1	Staff expenses	2020	2019
		DKK mio.	DKK mio.
	Wages and salaries	4	5
	Total staff expenses	4	5
	Total remuneration to Executive Management and Board of Directors	3	3
	Average number of employees	3	3
2	Financial income	2020	2019
		DKK mio.	DKK mio.
	Interest paid by group enterprises	0	2
	Other financial income	55	13
		55	15
3	Financial expenses	2020	2019
		DKK mio.	DKK mio.
	Other financial expenses	9	7
	Total financial expenses	9	7
4	Proposed distribution of profit	2020	2019
		DKK mio.	DKK mio.
	Proposed dividend	102	400
	Extraordinary paid dividend	0	800
	Retained earnings	-72	201
	Total proposed distribution of profit	30	1.401

Notes to the Annual Report of Haldor Topsøe Holding A/S

5	Investments	Investments in associated companies	Other investments	Other receivables
		DKK mio.	DKK mio.	DKK mio.
	Cost at January, 1 2020	710	0	3
	Additions during the year	61	30	0
	Disposals during the year	0	0	-3
	Cost at December, 31 2020	771	30	0
	Carrying amount at December, 31 2020	771	30	0

Investments in group enterprises are specified as follows:

Name	Registered office	Vote and ownership interest
Haldor Topsøe A/S*	Lyngby, Denmark	69,41%
Haldor Topsøe International A/S	Lyngby, Denmark	100%
Subcontinent Ammonia Investment	Lyngby, Denmark	100%
Haldor Topsøe Project Investment A/S	Lyngby, Denmark	100%
HT Ramagundam A/S	Lyngby, Denmark	100%
Haldor Topsøe Sustainables A/S	Lyngby, Denmark	100%
Haldor Topsøe Germany GmbH	Essen, Germany	100%
Haldor Topsøe Australia Pty. Ltd.	Perth, Australia	100%
OOO Haldor Topsøe	Moscow, Russia	100%
Haldor Topsøe, Inc.	Houston, USA	100%
Haldor Topsøe Project Development U.S.,	Houston, USA	100%
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Haldor Topsøe Canada Limited	Vancouver, Canada	100%
Haldor Topsøe De Mexico, S. A. de C. V.	Mexico City, Mexico	100%
Haldor Topsøe do Brasil Tecnologia e Servicos em Catalisadores Eireli	Rio de Janeiro, Brazil	100%
Haldor Topsøe America Latina S.A.	Buenos Aires, Argentina	100%
Haldor Topsøe (Beijing) Co., Ltd Co, Ltd.	Beijing, China Suzhou, China	100% 60%
Haldor Topsøe India Pvt. Ltd.	New Delhi, India	100%
Haldor Topsøe Sdn. Bhd.	Kuala Lumpur, Malaysia	100%
Frydenlund Ejendomsselskab ApS*	Rudersdal, Denmark	100%
HT ESP ApS *	Lyngby, Denmark	70,00%

* Directly held entities by Haldor Topsøe Holding A/S

Notes to the Annual Report of Haldor Topsøe Holding A/S

		<u>2020</u>	<u>2019</u>
		DKK mio.	DKK mio.
6	Securities		
	Equities funds	962	347
	Bonds funds	735	1.011
	Total securities	<u>1.697</u>	<u>1.358</u>
7	Share capital		
		<u>A shares</u>	<u>B shares</u>
		Number of	Number of
		shares of	shares of
		DKK 1.000	DKK 1.000
	Total share capital	<u>200.000</u>	<u>2.000.000</u>
		<u>2.200.000</u>	

The share capital constitutes nominally DKK 2,200,000 distributed on shares of DKK 1,000 or multiple of this.

8 Fee to auditors appointed at the general meeting

Please refer to the note in the consolidated financial statements.

9 Contractual liabilities

Through joint taxation scheme with Danish group enterprises, the company is jointly and severally liable for taxes etc. payable in Denmark.

10 Related parties

No transactions have been carried out with the Board of Directors, Executive Management, key management staff, shareholders, group enterprises or other related parties which have not been under normal market conditions.

Notes to the Annual Report of Haldor Topsøe Holding A/S

11 Subsequent events

No events materially affecting the Company's financial position at December 31, 2020, have occurred after the balance sheet date.