

Topsoe Annual Report 2016: Significantly improved profitability in challenging markets

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- Revenue and EBIT reached an all-time high, revenue grew by 1%, and operating profit (EBIT) increased by 48%.
- Revenue and EBIT were positively impacted by restarted contracts, reduced cost base, and increased revenue from technology sales. On the other hand, revenue was negatively affected by low raw material prices.
- Despite difficult market conditions, market shares were maintained in 2016, and overall the financial result was very satisfying.



<i>DKK million</i>	2016	2015	Growth %
Revenue	5,824	5,785	1
EBITDA	1,050	795	32
EBIT	743	502	48
Net profit	492	322	53

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revenue from technology sales and reducing the Group's cost base. Technology revenue increased, whereas catalyst revenue decreased; the latter impacted by lower raw material prices that was reflected in lower prices on catalysts.

"Our customers have experienced a challenging year. Important markets such as China, Russia and Brazil have experienced slower economic growth or even recession. Low oil prices have had a significant negative impact on some of our customers, and political turmoil has impacted certain geographies. Despite the difficult market conditions, we managed to maintain our market shares and continue our growth in 2016, so our board is very satisfied with the results," says Bjerne S. Clausen, CEO, Topsoe.

Strategic change

All Topsoe customers must adapt to changing conditions at an ever-increasing pace, and continual change is also required from Topsoe in order to stay competitive.

Topsoe's increased focus on customers' need to get more value from existing plants, proved its value in 2016. Even though many markets continued to exhibit a downward trend in the number of new plants built, Topsoe was able to increase technology sales to customers who chose to revamp or optimize their plants. This is expected to lead to considerable related catalyst sales in the coming years.

Topsoe brought value-adding new products and services to the market in 2016. During the year Topsoe made the first sales of innovative new technologies such as TopFraxTM catalytic filters, eCOs modular CO production units, and Topsoe Furnace Manager.

Another highlight was the formation of the business unit Sustainables that will increase Topsoe's focus on developing sustainable technologies for the future. Topsoe also opened new automotive catalysts production facilities in Brazil and China.

Topsoe's focus on safety reduced the number of lost time accidents in 2016 significantly.

Topsoe's strategic change process will continue in 2017 with the customers' needs at the center of attention.

The coming year

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adding solutions, for instance to improve energy efficiency and throughput of production facilities.

Topsoe expects 2017 revenue to be in line with or slightly above 2016 revenue and that 2017 profitability (EBIT margin) will be lower compared to 2016, mainly because of the onetime impact of restarted contracts in 2016.

The half-yearly report will be published on August 15, 2017.

Read the full annual report on www.topsoe.com/annual-report-2016

Profit

<i>DKK million</i>	2016	2015	2014	2013	2012
Revenue	5,824	5,785	5,685	5,348	5,244
Gross profit	2,762	2,483	2,542	2,408	2,142
EBITDA	1,050	795	929	876	793
Deprecation and amortization	-307	-293	-366	-175	-200
EBIT	743	502	563	701	593
Financial income/expenses	-40	-40	14	-21	-28
Net profit	492	322	440	553	415

Balance sheet

<i>DKK million</i>	2016	2015	2014	2013	2012
Balance sheet total	7,161	7,194	6,455	6,132	5,503

Net working capital	610	451	540	462	280
Net indebtedness	1,191	1,152	1,016	994	228

Cash flow

<i>DKK million</i>	2016	2015	2014	2013	2012
Cash flows from operating activities	748	750	754	483	786
Cash flows from investing activities	-386	-638	-585	-721	-342
Hereof investments in property, plant and equipment	-393	-589	-600	-664	-307
Cash flows from financing activities	-530	-99	-222	163	-247
Change in cash and cash equivalents for the year	-162	-32	-14	-75	197

Employees

<i>Number</i>	2016	2015	2014	2013	2012
Total number of employees (average)	2,543	2,688	2,694	2,430	2,195

Ratios

<i>%</i>	2016	2015	2014	2013	2012
Gross margin	47.4	42.9	44.7	45.0	40.8
EBITDA margin	18.0	13.7	16.3	16.4	15.1
EBIT margin	12.8	8.7	9.9	13.1	11.3
Return on invested capital (ROIC)	21.4	16.0	20.1	31.0	33.0

Return on equity	23.2	16.8	25.3	36.1	30.4
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The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts.

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