ANNUAL REPORT 2017

CVR NO. 15028882

FLSmidth A/S

Vigerslev Allé 77
2500 Valby

ADOPTED AT THE COMPANY'S ANNUAL GENERAL MEETING

Tom Knutzen
5 April 2018

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COMPANY INFORMATION

FLSmidth A/S
Vigerslev Allé 77
2500 Valby

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Email: **info@flsmidth.com**
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Founded March 6, 1991
Registered office in Copenhagen
Financial year: January 1 – December 31

BOARD OF DIRECTORS
Vagn Ove Sørensen, Chairman
Tom Knutzen, Vice Chairman
Marius Jacques Kloppers
Caroline Grégoire Sainte Marie
Richard Robinson Smith
Anne Louise Eberhard
Mette Dobel
Søren Quistgaard Larsen
Claus Østergaard

EXECUTIVE MANAGEMENT
Thomas Schulz, CEO
Lars Vestergaard, CFO

AUDITORS
ERNST & YOUNG
Godkendt Revisionspartnerselskab
Osvald Helmuths Vej 4
2000 Frederiksberg

STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT

The Board of Directors and the Executive Management have today considered and approved the annual report of FLSmidth A/S for the financial year 1 January – 31 December 2017.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2017 and of the results of its operations for the financial year 1 January – 31 December 2017.

In our opinion, the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Valby, 5 April 2018

EXECUTIVE MANAGEMENT

Thomas Schulz
CEO

Lars Vestergaard
CFO

BOARD OF DIRECTORS

Vagn Ove Sørensen
chairman

Tom Knutzen
vice chairman

Marius Jacques Kloppers

Caroline Grégoire Sainte Marie

Richard Robinson Smith

Anne Louise Eberhard

Elected by the employees:

Mette Dobel

Søren Quistgaard Larsen

Claus Østergaard

INDEPENDENT AUDITOR'S REPORT

To the shareholders of FLSmidth A/S

OPINION

We have audited the financial statements of FLSmidth A/S for the financial year 1 January – 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity, notes and accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Statements Act.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of 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 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 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 as to 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 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 the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism 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 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 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

STATEMENT ON THE MANAGEMENT REVIEW

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Frederiksberg, 5 April 2018

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Anders Stig Lauritsen
State Authorised
Public Accountant
MNE no.: mne32800

Kennet Hartmann
State Authorised
Public Accountant
MNE no.: mne40036

FINANCIAL HIGHLIGHTS
5-YEAR SUMMARY

DKKm	2013	2014	2015	2016	2017
INCOME STATEMENT					
Revenue	**4,034**	**3,780**	**3,480**	**3,401**	**3,235**
Production costs	(4,122)	(3,235)	(3,493)	(3,157)	(2,859)
Gross profit	(88)	545	(13)	244	376
Sales, admin. and other operating income and costs	(48)	(328)	(2)	(221)	(59)
Operating profit	**(136)**	**217**	**(15)**	**23**	**317**
Dividend from Group enterprises	142	173	134	128	253
Profit and loss on sale of enterprises and activities	1	(11)	3	(1)	0
Financial items, net	(10)	(32)	(120)	35	(102)
Earnings before tax (EBT)	**(3)**	**347**	**2**	**185**	**(77)**
Tax for the year	0	(40)	7	40	(75)
Profit/(loss) for the year	**(3)**	**307**	**9**	**225**	**(152)**
BALANCE SHEET					
Acquisition of tangible assets	**18**	**12**	**11**	**24**	**0**
Non-current assets	5,951	5,081	6,549	6,339	6,782
Current assets	2,685	3,117	2,769	2,677	3,102
Total assets	**8,636**	**8,198**	**9,318**	**9,016**	**9,884**
Equity	4,527	4,611	4,143	4,366	4,095
Provisions	509	375	438	416	383
Liabilities	3,600	3,212	4,737	4,234	5,406
Total equity and liabilities	**8,636**	**8,198**	**9,318**	**9,016**	**9,884**
FINANCIAL RATIOS					
Gross margin	-2.2%	14.4%	-0.4%	7.2%	11.6%
Operating profit margin	-3.4%	5.7%	-0.4%	0.7%	9.8%
EBT margin	-0.1%	9.2%	0.1%	5.4%	-2.4%
Return on equity	-0.1%	6.7%	0.2%	5.3%	-3.6%
Equity ratio	52.4%	56.2%	44.5%	48.4%	41.4%
Number of employees	**1,518**	**1,238**	**1,192**	**1,085**	**928**

The financial ratios have been computed in accordance with the guidelines of the Danish Finance Society.

MANAGEMENT'S REVIEW

FLSmidth A/S and subsidiaries

MAIN ACTIVITY

FLSmidth A/S is a market-leading supplier of equipment and services to the global cement and minerals industries. The company supplies everything from single machinery to complete cement plants and minerals facilities including services before, during and after the construction.

FLSmidth A/S is also the owner of the entire FLSmidth Group's patents, trademarks and know-how and receives royalties from other Group companies for their use thereof.

DEVELOPMENTS IN ACTIVITIES AND FINANCIAL PERFORMANCE

Profit/loss for the year

The Company's total revenue amounted to DKK 3,235m in 2017, representing a 5% decrease compared to last year (2016: DKK 3,401m).

The operating profit in 2017 amounted to DKK 317m (2016: DKK 23m) which is in line with expectations.

The balance sheet total amounted to DKK 9,884m at the end of 2017 (end of 2016: DKK 9,016m). The equity at the end of 2017 amounted to DKK 4,095m (2016: DKK 4,366m), representing an equity ratio of 41.4% (2016: 48.4%). The return on shareholders' equity in 2017 amounted to -3.6% (2016: 5.3%).

The loss for the year is amounting to DKK -152m (2016: profit DKK 225m). Loss for the year 2017 was impacted by a write-down of subsidiaries and associates of DKK 560m).

Order intake

The total order intake of FLSmidth A/S amounted to DKK 4,409m in 2017, representing a 41% increase compared to the year before (2016: DKK 3,120m).

MARKET TRENDS

Cement

A slight improvement in the market for new cement capacity was observed towards the end of 2016 and beginning of 2017 but currently the market appears to be moving more sideways. The improving world economy is not yet sufficient to absorb the persistent overcapacity in the global cement market.

Cement is a local or regional business and a few of the countries which have been driving demand for new cement plants in recent years are starting to become saturated. This is a typical pattern for the cement industry, and as the world economy is growing, other countries will eventually make for an overall increasing demand for cement capacity, though this transition is slow at present.

Plant utilisation rates remain low from a global perspective, and the pipeline of potential projects is less encouraging than a year ago, although regional opportunities exist.

The Indian cement market remains subdued but is slowly improving, and the countries surrounding India continue to show a good level of activity. There are select opportunities in North and East Africa, parts of Asia and parts of Latin America as well. The US market is active but not yet giving rise to a need for new cement plants.

With few tenders for large cement projects, FLSmidth is increasingly focusing on equipment sales and upgrades.

The cement aftermarket is more steady and spare parts consumption is growing along with production. Larger OPEX spend, such as retrofit work, can however be more lumpy.

Mining

The downturn in mining CAPEX emerged in 2011 as commodity prices across the board embarked on a five-year downward trend. By the end of 2015 and beginning of 2016 most commodity prices bottomed out and have since shown a significant recovery.

Mine production levels, and the consumption of spare parts, have remained at a high, stable level throughout the downturn.

Recent inquiries in Mining relate to gold, copper and bauxite (aluminium) projects.

The most mature opportunities are in North and South America, Australia, Asia and India.

The mining aftermarket is predominantly related to copper and gold, and customers are mostly requesting parts and services that can help increase production or reduce energy consumption.

Product Companies

The aftermarket and the market for smaller capital orders in Product Companies have shown a steady development throughout the year.

The minerals business is still driven mainly by parts and services, with some incremental capital orders on the horizon.

The cement related business is driven both by the aftermarket and new products, with an overall stable market.

RISK MANAGEMENT

Risk reporting

FLSmidth's Global Risk Management Department is responsible for preparing a report for the Board of Directors and Group Executive Management. This report includes action plans for managing the relevant risks.

Mitigating the financial impact of certain types of risk allows FLSmidth to transfer some of the financial loss to an insurance partner, if an insured risk materialises.

The Group´s Insurance Department is an integrated part of the Risk Management Department, and is responsible for the Group´s asset risk management, which consists of a combination of global and local insurance policies.

The retention level of risk the Group chooses to take is evaluated on an annual basis, taking into consideration the Group´s financial strength, the magnitude of the insured risk and the cost of the benefits that are based on the current insurance market conditions.

2017 Key risks

FLSmidth is exposed to a vast array of strategic, operational, financial and hazardous risks that must be identified, evaluated and managed on an ongoing basis. These risks include, but are not limited to: country, political, manufacturing, peers group, supply chain, logistical, shortage of skilled labour, raw material price fluctuations, currency, counterpart, design, technology/product, theft of intellectual property rights, business integration, IT, legal, compliance, tax, natural disasters and environmental.

While FLSmidth has a low risk appetite for certain types of risk such as: safety, currency, theft of intellectual property rights, business integration, IT, legal, compliance and tax, it is prepared to accept considerable project-related risks within the areas where the company has the competencies to manage such risks.

During the risk assessment process in 2017, the following key risks were identified in random order of priority:

- Safety
- Projects
- Compliance
- Regulatory changes
- Cyber Threats

The most significant risks have been identified through a risk mapping of probability and consequence, as illustrated below:

Risk assessment and mitigating actions:

Risk	Context	Mitigation
Safety	In general, the mining industry has high safety standards whereas the standards in the cement industry may vary.	Safety is the Company´s first priority with continuous focus on improving LTIFR, safety audits by top management and continuous training and awareness programmes.
Projects	A large part of the FLSmidth´s business consists of supplying equipment and supervisory services for large, complex processing plants. FLSmidth's projects are often located in remote locations with poor infrastructure, and in countries with challenging political, administrative and judicial structures in place.	The Group focuses on projects that lie within its core competence and match its strategic goals. Rigorous contract and project management play important roles in managing project-related risks. Both Project Divisions have formal sign-off processes in order to support the sales phase. Large EPC projects must be reviewed and pre-approved by the Group´s EPCI Board, which consists of members from the divisions, Business Units, Legal and individuals with core EPC competences. FLSmidth conducts monthly project reviews of all large projects which include risk assessment. The Group has also established project task forces with participants from selected areas of expertise, including Divisional CEOs/CFOs and relevant specialists to create a uniform platform for sparring on projects that are complex due to size, scope and/or geographical location.
Compliance	Compliance takes top-priority at FLSmidth with a robust tone from the top and Compliance Chairman at Board level.	The Group´s compliance Department is responsible for ensuring that the Company lives up to ethical standards and employs a range of policies including the global Code of Business Conduct, Anti-bribery policy, Whistle-blower Hotline and screening of third parties.
Regulatory changes	Regulatory requirements are becoming increasingly complex.	The Group has a dedicated Export Control Department with clear procedures and sign-off protocols.
Cyber threats	The continuously evolving threat of cyber security, data leakage and data security is becoming a key area of focus.	The Group is focused on IT security and awareness; conducting regular audits and ongoing analysis of current controls.

Currency risk

The Company's currency risks derive from the impact of exchange rates on future commercial payments and financial payments.

Liquidity and refinancing risks

The purpose of the cash management is to ensure that the Company at all times has sufficient and flexible financial resources at its disposal and is able to honor its obligations when due. The parent company FLSmidth & Co. A/S manages its short-term liquidity risks through cash pool systems in various currencies and by having short-term overdraft facilities in place with a number of financial institutions and manages its long-term liquidity risk through committed financial facility agreements.

Financial counterpart risk

The use of financial instruments entails the risk that the counterparty may not be able to honor its obligations. The Company minimizes this risk by limiting its use of financial institution to those with an acceptable credit rating.

Financial credit risk

The Company's financial assets are mainly managed or approved by the Treasury department.

Commercial credit risk

The credit risk incurred from trade receivables is generally managed by continuous credit evaluation of major customers and trading partners.

Credit risks on counterparties other than banks are minimized through the use of export letters of credit and guarantees and evaluation of customer relationships as and when necessary.

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No events have occurred after the balance sheet date that have a material effect on the amounts in the financial statements.

OUTLOOK FOR 2018

In 2018, FLSmidth A/S expects revenue in the range of DKK 3.3-3.7bn (2017: DKK 2.3bn) and an operating profit margin of around 13%. The increase in revenue is primarily attributable to an expected increase in the cement and product companies division.

DIVERSITY IN BOARD AND MANAGEMENT

The Board of Directors of FLSmidth continuously evaluates the diversity of the Board and the Executive Management as well as among managers and employees. In connection with recommendations and appointments, diversity is deliberately taken into account when considering the profiles and qualifications of potential candidates.

At the end of 2017, women accounted for 33% (end 2016: 14%) of the members of the Board of Directors elected at the Annual General Meeting, fulfilling the target that minimum 25% of the members elected at the annual general meeting should be female.

Due to FLSmidth's global presence in over 50 countries, the total workforce naturally reflects a multitude of cultures and nationalities. The Board of Directors has set a long-term goal according to which global managers (top 70) should to a greater extent reflect the representation of nationalities among all employees and the geographical location of FLSmidth's technology centres in Denmark and the USA. Today, non-Danes account for 66% (end 2016: 61%) of the total number of global managers (top 70), but 90% of the total number of employees (end 2016: 91%). At the end of 2017, non-Danes accounted for 67% (end 2016: 57%) of the members of Group Executive Management.

STATUTORY ACCOUNT OF CORPORATE SOCIAL RESPONSIBILITY SECTION 99A & 99B OF THE DANISH FINANCIAL STATEMENTS ACT

FLSmidth submitted a progress report to the UN Global Compact on 7 February 2018. The report replaces a statutory statement of corporate social responsibility pursuant to the exemption given in the Danish Financial Statements Act Section 99a.

The report for 2017 is available on:
http://www.flsmidth.com/governance_statement

Concurrently with the Group Annual Report, FLSmidth has published its annual Sustainability Report, covering non-financial performance related to the environmental and social impacts. The 2017 Sustainability Report is in full compliance with Section 99a and 99b (for the executive management) of the Danish Financial Statements Act, and also serves as the Communication on Progress to the United Nations Global Compact.

The report for 2017 is available on:
http://www.flsmidth.com/SustainabilityReport2017

ACCOUNTING POLICIES

GENERAL COMMENTS

The 2017 Annual Report for FLSmidth A/S is presented in accordance with the provisions of the Danish Financial Statements Act for Reporting Class C companies (large).

The Annual Report is presented in accordance with the same accounting policies as last year.

FLSmidth A/S is included in the FLSmidth & Co. A/S consolidated financial statements. Referring to Section 112 subsection 1 and Section 86 subsection 4 of the Danish Financial Statements Act, the Annual Report of FLSmidth A/S does not contain consolidated financial statements nor a cash flow statement. With the same reference, disclosure of audit fee is excluded in accordance with section 96 subsection 3.

GENERAL PRINCIPLES FOR RECOGNITION AND MEASUREMENT

Assets are recognised in the balance sheet when it is likely that future economic benefits will accrue to the Company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is likely that future economic benefits will depart from the Company and the value of the liability can be measured reliably.

In case of initial recognition, assets and liabilities are measured at cost. Subsequent measurements are based on value adjustments as described below.
Income is recognised in the income statement in step with it being earned, while costs are recognised at the amounts related to the financial year.

TRANSLATION OF FOREIGN CURRENCY

Transactions in foreign currency are translated at the exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities in foreign currency are translated at the exchange rates prevailing at the balance sheet date. Any foreign exchange differences between the rates prevailing at the date of the transaction and the payment date or the balance sheet date, as the case may be, are recognised in the income statement as financial items.

Non-monetary assets and liabilities in foreign currency are recognised at the rate of exchange prevailing at the date of the transaction. Non-monetary items that are measured at fair value (shares) are translated at the exchange rate prevailing at the date of the latest fair value adjustment.

The foreign exchange adjustment of receivables from subsidiaries which are considered to be part of the parent company's total investment in the said subsidiary is recognised in the parent company income statement.

DERIVATIVES

The Company uses derivative financial instruments to control financial risks deriving from operating, financing and investing activities. Hedging of the Company’s commercial currency and interest risks takes place primarily via the FLSmidth & Co. A/S Group’s in-house bank.

Derivatives are initially recognised in the balance sheet at cost and subsequently measured according to fair value at the balance sheet date. The fair value of derivatives is included in other receivables (positive fair value) or other liabilities (negative fair value) as the case may be. Positive fair values are only set off against negative fair values if the company is entitled to and intends to make a net settlement of several financial instruments (cash settlement). The fair values of derivatives are stated on the basis of market data and recognised valuation methods.

Changes in the fair value of derivatives that are classified as and fulfil the criteria for hedging the fair value of already recognised assets or liabilities or binding agreements (fair value hedge) are recognised in the income statement together with changes in the value of the assets and liabilities hedged as far as the hedged portion is concerned. Hedging of future cash flow in accordance with an agreement signed, including exchange rate hedging of sales or purchase contracts in connection with orders, is treated as hedging of the fair value of a recognised asset or a recognised liability. Changes in the fair value of derivatives that are classified as and fulfil the criteria for hedging of future cash flow (cash flow hedge) are recognised directly in the equity until the hedged item is realised. When the item is realised the changes in value are recognised in the same accounting entry as the hedged item.

Derivatives that do not fulfil the criteria for hedge accounting are regarded as trading portfolio and recognised in the balance sheet at fair value on the balance sheet date. Value adjustments are recognised in the income statement as financial items. Changes in the fair value of loans and derivatives that are held to hedge foreign Group companies or parts of them are recognised directly in equity until the net investment is sold.

INCOME STATEMENT

Revenue

Revenue from supply of goods and services is recognised in the income statement on delivery and passing of the risk to the buyer and when the income can be measured reliably.

Work-in-progress for third parties is recognised in revenue based on the value of the work completed at the balance sheet date, whereby revenue corresponds to the sales value of the year's completed work (production method).

Income from the supply of services is recognised as revenue concurrently with the services agreed being supplied, so that the revenue corresponds to the sales value of the work completed in the financial year (production method). The general rule is to base percentage of completion on the costs incurred. The value of work-in-progress for third parties and delivery of services are based on the costs incurred in percentage of the total budgeted costs.

Production costs

Production costs include raw materials, consumables, direct labour costs and production overheads such as maintenance and operation of production plant, depreciation and administration and factory management. Production costs regarding work-in-progress are recognised in step with the completion of the individual contract.

Research and development costs are charged to production costs in the income statement for the financial year in which they are incurred. Development costs related to certain products or processes are recognised as assets to the extent that such costs are likely to generate future earnings.

Sales and distribution costs

Sales and distribution costs comprise direct distribution and marketing costs, salaries for the sales and marketing functions and depreciation, etc. as well as other indirect costs.

Administrative costs

Administrative costs comprise the costs of administrative staff and management plus depreciation and other indirect administrative costs.

Other operating income and costs

Other operating income and costs comprise income and costs of a secondary nature in relation to the activities of the Company, including certain grants, rentals and royalties, fees, etc.

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognized on a straight-line basis over the period of the agreement.

Gain and loss from the disposal of individual fixed assets which cannot be considered part of the disposal of a complete activity is included in other operating income and costs.

Dividend from Group enterprises

Dividend from investments in subsidiaries and associates is recognised as income in the income statement in the financial year in which the dividend is declared. This will typically be at the time of the approval by the Annual General Meeting of the distribution from the company concerned.

Impairment

Impairment and reversals of impairment of investments in subsidiaries and associates are shown separately in the income statement.

Gain and loss on sale of enterprises and activities

Gain and loss on sale of enterprises and activities is shown separately in the income statement. Costs attributable to the disposal are included in the statement of profit and loss.

Financial items

Financial items comprise interest income and costs, the interest portion of finance leases, realised and unrealised exchange gains and losses on securities, liabilities and transactions in foreign currency, impairment of shares in Group enterprises, associates and joint ventures, addition or deduction of amortisation related to mortgage debt, etc.

Interest income and costs are accrued on the basis of the principal amount and the effective interest rate. The effective interest rate is the rate used to discount the anticipated future payments which are related to the financial asset or the financial liability so that the present value of the payments corresponds to the carrying amount of the asset and the liability, respectively.

Tax

Tax for the year which comprises current tax and the change in deferred tax is recognised in the income statement with the share attributable to the profit/loss of the year, and directly in the equity with the share attributable to items entered directly in the equity.

Current tax comprises tax calculated on the basis of the expected taxable income for the year, using the applicable tax rates for the financial year, and any adjustments of taxes for previous years.

Deferred tax is calculated using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except differences relating to initial recognition of goodwill not deductible for tax purposes. Deferred tax is calculated based on the applicable tax rates for the individual financial years. The effect of changes in the tax rates is stated in the income statement unless they are items previously entered directly in the equity.

The tax value of losses that are expected with adequate certainty to be available for utilisation against future taxable income in the same legal tax unit and jurisdiction is included in the measurement of deferred tax.

Deferred tax assets are annually assessed and are only recognised to the extent that it is probable that they will be used.

The Company and its Danish Group enterprises are jointly taxed with the other Danish members of the FLSmidth & Co. A/S Group. The current Danish corporation tax is shared between the jointly taxed companies in proportion to their taxable incomes (full distribution with refund of tax losses).

BALANCE SHEET

Intangible assets

Intangible assets are measured at cost less accumulated amortisation and impairment.

Development costs consist of salaries, amortisation and other costs that are directly and indirectly attributable to development activities.

Clearly defined and identifiable development projects, for which the technical rate of utilisation, sufficient resources and a potential future market or application in the Company can be demonstrated and which are intended to be manufactured, marketed or used, are recognised as intangible assets if the cost can be determined reliably, and if it is sufficiently certain that the future earnings or the net selling price will cover production, selling and administrative costs plus the development costs. Other development costs are recognised in the income statement as the costs are incurred.

Amortisation of completed development projects except from software is charged on a straight line basis during their estimated useful life. Development projects are written down for impairment to recoverable amount if lower. Development projects in progress are tested for impairment at least once a year.

Amortisation of patents, rights, customer relations and other intangible assets is charged over the remaining patent or agreement period or useful life if shorter. The amortisation profile is systematically based on the expected distribution of the assets' future economic benefits. The basis of amortisation is reduced by impairment losses if any.

Amortisation takes place systematically over the estimated useful life of the assets which is as follows:

- Development costs, up to 8 years
- Software applications, up to 5 years
- Patents, rights and other intangible assets, up to 20 years
- Customer relations, up to 20 years

A few intangible assets have an economic life of up to 20 years, in which case the amortisation period exceeds five years.

If under rare circumstances useful life can not be estimated reliably, useful life is set at 10 years.

Gain and loss on the disposal of intangible assets is stated as the difference between the selling price less selling costs and the carrying amount at the time of selling. Gain or loss is recognised in the income statement as an adjustment of amortisation and impairment or included in other operating income in cases where the selling price exceeds original cost.

Tangible assets

Land and buildings, production facilities and machinery and other facilities, operating equipment and tools and equipment are measured at cost less accumulated depreciation and impairment.

The costs of assets of own construction includes the cost of materials, direct labour costs and a proportion of production overheads.

Depreciation takes place on a straight line basis over the estimated useful life of the assets until they reach the estimated residual value.

Estimated useful life and estimated residual value are determined at the time of acquisition and are reassessed each year.

Estimated useful life is as follows:

- Buildings, 20 – 40 years
- Other plant and machinery, tools and equipment, 3 – 10 years
- Fitting up rented premises, up to 5 years.

Assets of low acquisition value or short life are recognised in the income statement in the year of acquisition.

Newly acquired assets and assets of own construction is depreciated from the time they are available for use. Land is not depreciated. Costs of repair and maintenance of property, plant and equipment are recognised in the income statement. Where acquisition or use of the asset places the Company under an obligation to incur the costs of pulling down or re-establishing the asset, the estimated costs for this purpose are recognised as a provision or part of the cost of the asset concerned, respectively, and are depreciated during the asset's useful life.

Assets held under a finance lease are measured in the balance sheet at fair value or the present value of future lease payments at the time of acquisition, if lower. In calculating the present value, the internal interest rate of the lease agreement is used as a discounting factor or as the Company's alternative borrowing rate. Assets held under a finance lease are depreciated like other tangible assets of the Company.

The capitalised residual lease commitment is recognised in the balance sheet as a liability whilst the interest component of the lease payment is recognised in the income statement.

For operating leases, the lease payments are recognised in the income statement on a straight line basis over the lease term.

Financial assets

Investments in subsidiaries and associates are measured at cost less impairment. Where the cost exceeds the recoverable amount, an impairment loss is recognised.

Dividend from subsidiaries and associates is recognised in full as income in profit and loss for the year, not considering if distributed dividends exceed the accumulated earnings after the acquisition date.

Other securities and investments, including listed shares are measured at fair value via the income statement.

In particular circumstances where the value quoted on the stock exchange is considered not to represent the actual fair value, the shares concerned are carried at an estimated fair value. Value adjustments are recognised in the income statement as financial items.

Other securities and investments includes shares in cement plants acquired in connection with orders received are measured at fair value. If the fair value is not immediately ascertainable, the shares are measured at a prudently assessed value.

Inventories

Inventories are measured at cost according to the FIFO principle or at net realisable value, if it is lower. The net realisable value of inventories is measured as the sales price less costs of completion and costs incurred to implement the sale and are fixed on the basis of the expected sales price.

Work-in-progress and finished goods are recognised at manufacturing cost including materials consumed and labour costs with the addition of production overheads. Production overheads consist of operating costs, maintenance and depreciation of production plant plus administration and factory management.

In cases where the cost or the production price exceeds the estimated sales price less completion and selling costs, it is written down to such lower net realisable value.

Work-in-progress for third parties

Work-in-progress for third parties is measured according to the percentage of completion method at the sales value of the portion of the contract completed less partial invoicing and invoicing on account. The sales value is measured on the basis of the stage of completion at the balance sheet date and the total expected earnings from the individual contract.

The stage of completion for the individual project is normally calculated as the ratio between the costs incurred and the total budgeted costs. In some projects, where costs cannot be used as a basis, the ratio between completed sub activities and the total project is used instead.

Work-in-progress for third parties where invoicing on account exceeds the value of the work completed is recognised as Work-in-progress for third parties under Current liabilities.

Contractual prepayments are recognised as prepayments received from customers among long-term and current liabilities.

Prepayments to subcontractors consist of prepayments to subcontractors in connection with work-in-progress for third parties and are measured at amortised cost.

Provision is made for loss making contracts on work-in-progress. This is based on individual assessment of the estimated loss until the work is completed.

Costs deriving from sales work and winning of contracts are recognised in the income statement in the financial year during which they are incurred.

Receivables

Receivables comprise trade receivables, receivables from construction contracts and other receivables.

Receivables are measured at amortised cost. An impairment loss is recognised when there is an objective indication that a receivable has been impaired.

Impairment of non-current assets

Intangible assets are tested annually for impairment if indicator exists, the first time being before the end of the year of acquisition. Ongoing development projects are also tested for impairment at least once a year. The carrying amounts of other long-term assets are reviewed each year to determine whether there is any indication of impairment. If any such indication exists, the recoverable value of the asset is calculated. The recoverable amount is the higher of the fair value of the asset less expected disposal costs and value in use.

Loss on impairment is recognised if the carrying amount of an asset or a cash generating unit exceeds the recoverable amount of the asset or the cash generating unit. Impairment losses are recognised in the income statement under the same heading as the related amortisation and depreciation. Impairment on assets is reversed to the extent that changes have taken place in the assumptions and estimates that led to the impairment.

Impairment losses are only reversed where the new carrying amount of the asset does not exceed the carrying amount the asset would have had after depreciation or amortisation if the asset had not been written down.

Dividend

Dividend is provided for in the financial statements at the time when it is decided at the Annual General Meeting, the company thereby having incurred a liability. The dividend proposed for distribution is stated as a separate item in equity.

Pension liabilities

The Company has entered into pension agreements and similar agreements with most of its employees. These are defined contribution plans under which the Company is obliged to pay in a certain contribution (for example a fixed sum or a fixed percentage of the salary). Under a defined contribution plan, the employees usually bear the risk with regard to future developments in the rates of interest, inflation, mortality and disability. Payments by the enterprise into defined contribution plans are recognised in the income statement for the period to which they apply and any outstanding payments are recognised in the balance sheet under other payables.

Provisions

Provisions are recognised when the Company due to an event occurring before or at the balance sheet date has a legal or constructive obligation and it is probable that financial benefits must be waived to settle the obligation.

Provisions are measured according to Management's best estimate of the amount whereby the obligation is expected to be settled.

Where after closing the accounts of an order, additional minor supplies, etc. remain to be effected to complete the order; provisions are set-up for this purpose. A portion of the provision is transferred to payables covering the part of the outstanding sub supplies whose price and scope is agreed.

The provision covers estimated own costs of completion, subsequent warranty supplies and unsettled claims from customers or subcontractors. Any non-current liabilities are discounted to net present value.
In the event of planned restructuring of FLSmidth, provision is only made for liabilities deriving from restructuring that has been decided at the balance sheet date in accordance with a specific plan and where the parties involved have been informed about the overall plan.

Provisions for redundancies are recognised in the income statement when decided and announced.

Other provisions also include allowances for loss-making contracts and legal disputes, etc.

Deferred revenue
Deferred revenue included in liabilities consists of income received to be recognised in the following financial year. Deferred revenue is measured at cost.

Other liabilities
Other liabilities include holiday pay obligations, taxes and duties and interest payable.

Financial ratios
The financial ratios have been computed in accordance with the Guidelines of the Danish Finance Society.

The financial ratios stated in the financial highlights summary are calculated as follows:

Gross margin	Gross profit as a percentage of revenue
Operating profit margin	Operating profit as a percentage of revenue
EBT margin	Earnings before tax as a percentage of revenue
Return on equity	Profit/loss for the year as a percentage of average equity ((equity, end of year + equity, end of last year)/2)
Equity ratio	Equity 31 December as a percentage of total assets

INCOME STATEMENT

Notes	DKKm	2017	2016
1	Revenue	3,235	3,401
2+3	Production costs	(2,859)	(3,157)
	Gross profit	**376**	**244**
2	Sales and distribution costs	(58)	(139)
2+3	Administrative costs	(472)	(615)
4	Other operating income	472	534
4	Other operating costs	(1)	(1)
	Operating profit	**317**	**23**
5	Dividend from subsidiaries	253	128
10	Impairment of investments in subsidiaries and associates	(560)	0
10	Reversal of impairment of investments in subsidiaries	15	0
	Profit/loss on sale of enterprises and activities	0	(1)
6	Financial income	94	169
6	Financial costs	(196)	(134)
	Earnings before tax (EBT)	**(77)**	**185**
7	Tax for the year	(75)	40
	Profit/(loss) for the year	**(152)**	**225**
	To be distributed as follows:		
	Proposed dividend	0	125
	Reserve for development projects	0	40
	Retained earnings	(152)	60
		(152)	**225**

BALANCE SHEET

Notes	DKKm	2017	2016
	ASSETS		
	Patents and rights	1,277	1,481
	Other intangible assets	47	49
	Completed development projects	277	209
	Intangible assets under development	187	346
8	**Intangible assets**	**1,788**	**2,085**
	Land and buildings	32	35
	Operating equipment, fixtures and fittings	29	40
9	**Tangible assets**	**61**	**75**
10+25	Investments in subsidiaries	4,635	3,823
10+25	Investments in associates	0	8
10	Other securities and investments	45	125
11	Deferred tax assets	253	223
	Financial assets	**4,933**	**4,179**
	Total non-current assets	**6,782**	**6,339**
	Finished goods and goods for resale	36	27
	Inventories	**36**	**27**
12	Work-in-progress for third parties	656	271
13	Trade receivables	575	650
14	Receivables from affiliated companies	1,716	1,637
	Other receivables	69	41
15	Prepayments	29	11
	Receivables	**3,045**	**2,610**
	Cash and cash equivalents	**21**	**40**
	Total current assets	**3,102**	**2,677**
	Total assets	**9,884**	**9,016**

Notes	DKKm	2017	2016
	EQUITY AND LIABILITIES		
16	Share capital	500	500
	Reserve for development projects	114	40
	Hedging reserve	6	0
	Retained earnings	3,475	3,701
17	Proposed dividend	0	125
	Total equity	**4,095**	**4,366**
	Other provisions	383	416
18	**Provisions**	**383**	**416**
	Prepayments received from customers	207	76
	Other liabilities	1	14
19	**Total long-term liabilities**	**208**	**90**
	Prepayments from customers	485	205
12	Work-in progress for third parties	587	819
	Trade payables	667	865
	Payables to affiliated companies	3,215	1,945
19+20	Other liabilities	207	283
	Corporation tax payable	37	27
	Total short-term liabilities	**5,198**	**4,144**
	Total liabilities	**5,406**	**4,234**
	Total liabilities and provisions	**5,789**	**4,650**
	Total equity and liabilities	**9,884**	**9,016**

Other notes

21 Contingent assets and liabilities
22 Derivatives
23 Collateral and pledged assets
24 Related parties and shareholders
25 List of Group companies

EQUITY

DKKm	Share capital	Reserve for develop-ment projects	Hedging reserve	Retained earnings	Proposed dividend	Total
Equity at 1 January 2017	**500**	**40**	**0**	**3,701**	**125**	**4,366**
Profit/loss for the year	0	0	0	(152)	0	(152)
Value adjustments of hedging transactions	0	0	8	0	0	8
Tax on hedging transactions	0	0	(2)	0	0	(2)
Transferred to reserve for development projects		74	0	(74)	0	0
Dividend distributed	0	0	0	0	(125)	(125)
Equity at 31 December 2017	**500**	**114**	**6**	**3,475**	**0**	**4,095**

DKKm	Share capital	Reserve for develop-ment projects	Hedging reserve	Retained earnings	Proposed dividend	Total
Equity at 1 January 2016	**500**	**0**	**0**	**3,643**	**0**	**4,143**
Profit/loss for the year	0	0	0	225	0	225
Value adjustments of hedging transactions	0	0	0	(3)	0	(3)
Tax on hedging transactions	0	0	0	1	0	1
Transferred to reserve for development projects	0	40	0	(40)	0	0
Proposed dividend	0	0	0	(125)	125	0
Equity at 31 December 2016	**500**	**40**	**0**	**3,701**	**125**	**4,366**

1. NET REVENUE AND SEGMENT REPORTING

DKKm	2017	2016
Income recognition criteria:		
Income recognised in accordance with the point-in-time principle	746	806
Income recognised in accordance with the percentage-of-completion method	2,489	2,595
Total revenue	**3,235**	**3,401**
Geographical breakdown:		
Denmark	109	67
Rest of Europe	843	854
North America	70	64
South America	86	25
Africa	425	565
Australia	5	4
Asia	1,697	1,822
Total revenue	**3,235**	**3,401**
Segment reporting:		
Cement	1,841	2,298
Customer Services	595	581
Product	788	522
Mineral processing	11	0
Total revenue	**3,235**	**3,401**

2. STAFF COSTS

DKKm	2017	2016
Wages, salaries and other remuneration	670	789
Pension contributions	34	34
Other staff costs	18	60
Total staff costs	**722**	**883**
Staff cost capitalised as part of development projects	(38)	(5)
Total staff costs included in income statement	**684**	**878**
Average number of full-time employees at 31 December	928	1,085

The staff costs included in the income statement are included in the items: Production costs, sales and distributions costs and administrative costs.

DKK 1,000	Gross salary	Cash bonus and other incentives *	Expensed share-based payments **	Benefits/ car	Total
2017					
Thomas Schulz	7,403	3,590	2,302	216	13,511
Lars Vestergaard	4,081	1,774	1,106	198	7,159
Total	**11,484**	**5,364**	**3,408**	**414**	**20,670**
2016					
Thomas Schulz	7,050	848	1,935	216	10,049
Lars Vestergaard	3,744	427	746	198	5,115
Total	**10,794**	**1,275**	**2,681**	**414**	**15,164**

*For 2017 cash bonus was up to 75% of gross salary (2016: up to 50%)

**For 2017 expensed share-based payments was up to 50% of gross salary (2016: up to 35%)

DKKm	2017	2016
Remuneration of the Board of Directors:		
Board of Directors fee	5	4
Total staff costs	**5**	**4**

3. DEPRECIATION AND AMORTISATION

DKKm	2017	2016
Amortisation of intangible assets	386	384
Depreciation of tangible assets	22	25
Total depreciation and amortisation	**408**	**409**
Depreciations and amortisations are allocated as follows:		
Production costs	155	128
Administrative costs	253	281
Total depreciation and amortisation	**408**	**409**

4. OTHER OPERATING INCOME AND COSTS

Other operating income and costs include IT, royalty and management fees from Group Companies. The item also consists of refund of travel costs, insurance compensation, etc.

5. DIVIDEND FROM GROUP COMPANIES

DKKm	2017	2016
Dividend from subsidiaries	253	128
	253	**128**

6. FINANCIAL INCOME AND COSTS

DKKm	2017	2016
Financial income:		
Interest and other financial income	0	3
Fair value adjustment of shares	3	53
Derivatives	30	45
Foreign exchange losses etc.	61	68
Total financial income	**94**	**169**
Financial costs:		
Interest and other financial costs	1	1
Interest cost to Group enterprises	13	16
Fair value adjustment of shares	71	0
Derivatives	33	51
Foreign exchange losses etc.	78	66
Total financial costs	**196**	**134**
Net financial costs	**(102)**	**35**

7. TAX FOR THE YEAR

DKKm	2017	2016
Current tax on profit/loss for the year	82	100
Withholding tax	22	9
Adjustments regarding previous years, current taxes	3	(42)
Adjustment of deferred tax	(33)	(84)
Adjustments regarding previous years, deferred taxes	1	17
Other adjustments	0	(40)
	75	**(40)**

8. INTANGIBLE ASSETS

DKKm	Patent and rights	Other intangible assets	Comple-ted develop-ment projects	Intangible assets under developm ent	Total
Cost at 1 January 2017	2,966	294	759	346	4,365
Additions	0	0	0	96	96
Disposals	0	0	0	0	0
Transferred between categories	0	23	224	(247)	0
Transfer between tangible and intangible assets	0	0	0	(8)	(8)
Cost at 31 December 2017	**2,966**	**317**	**983**	**187**	**4,453**
Amortisation and impairment at 1 January 2017	(1,485)	(245)	(550)	0	(2,280)
Disposals	0	0	0	0	0
Amortisations	(204)	(25)	(156)	0	(385)
Amortisation and impairment at 31 December 2017	**(1,689)**	**(270)**	**(706)**	**0**	**(2,665)**
Carrying amount at 31 December 2017	**1,277**	**47**	**277**	**187**	**1,788**
Carrying amount at 31 December 2016	1,481	49	209	346	2,085

A few intangible assets have an economic life of up to 20 years in which case the amortisation period exceeds five years. As of 31 December 2017, the carrying value of the intangible assets with an estimated economic life time of 20 years amounts to DKK 397m (2016: DKK 436m).

Intangible assets under development consist of development projects and software. The transfer from intangible assets under development to completed development projects primarily relates to one R&D project finalised in April 2017.

Development projects are measured at full cost value under the assumptions that the projects will bring future economic benefits when continuing the Company's normal operation with the current market shares and market conditions.

9. TANGIBLE ASSETS

DKKm	Land and buildings	Operating equipment, fixtures and fittings	Total
Cost at 1 January 2017	76	174	250
Additions	0	0	0
Disposals	0	(6)	(6)
Transferred between categories	0	0	0
Transfer between tangible and intangible assets	0	8	8
Cost at 31 December 2017	**76**	**176**	**252**
Depreciation and impairment at 1 January 2017	(41)	(134)	(175)
Disposals	0	6	6
Depreciations	(3)	(19)	(22)
Write-downs	0	0	0
Transferred between categories	0	0	0
Depreciation and impairment at 31 December 2017	**(44)**	**(147)**	**(191)**
Carrying amount at 31 December 2017	**32**	**29**	**61**
Carrying amount at 31 December 2016	35	40	75

10. FINANCIAL ASSETS

DKKm	Investments in subsidiaries	Investment in associates	Other securities and investments	Total
Cost at 1 January 2017	4,138	8	45	4,191
Additions	1,349	0	0	1,349
Disposals	0	0	(9)	(9)
Transferred between categories	0	0	0	0
Cost at 31 December 2017	**5,487**	**8**	**36**	**5,531**
Depreciation and impairment at 1 January 2017	(315)	0	80	(235)
Write-downs	0	(8)	0	(8)
Impairment	(552)	0	0	(552)
Reversal of prior years' impairment	15	0	0	15
Value and other adjustments	0	0	(71)	(71)
Depreciation and impairment at 31 December 2017	**(852)**	**(8)**	**9**	**(851)**
Carrying amount at 31 December 2017	**4,635**	**0**	**45**	**4,680**
Carrying amount at 31 December 2016	3,823	8	125	3,956

Investments in Group companies and associates appear from the list of companies in note 25.

Other securities and investments include shares in cement plants acquired in connection with signing of orders. As part of a normal procedure, shareholder agreements have been signed that entail an obligation to make a general offer in connection with resale and, with regard to a few items, limitations in negotiability for short periods.

Prior years' impairment of subsidiary in Zambia at the amount of DKK 15m is reversed.

RESULT OF IMPAIRMENT TEST

As at 31 December 2017, the cost price of the investments in subsidiaries was tested for impairment. The impairment test showed an impairment for 2017 of DKK 552m (2016: DKK 0m).

KEY ASSUMPTIONS

Value in use of Group companies, expressing their recoverable amount, is calculated by discounting expected future cash flow to net present value. Expected future cash flow is based on Management estimates including expected growth rates, etc. The discounting factor is also based on Management estimates which include both general capital market conditions and a specific risk profile. The calculations of value in use consist of discounted expected cash flow for the next six years and a calculated terminal value of cash flow for the subsequent period. The calculation of terminal value is based on Management's conservative growth rate estimate for each of the generating units.

Impairment tests have been performed for the US and German activities. For each test an individual growth rate and earnings before interest and tax has been assessed. The applied discount rate after tax is 8% + a market risk rate.

Management is of the belief that the key assumptions are achievable.

11. DEFERRED TAX

DKKm	2017	2016
Intangible assets	59	129
Tangible assets	205	239
Receivables	35	0
Non-current and current liabilities	(46)	(145)
Deferred tax assets and liabilities	**253**	**223**
The year's movements in deferred tax assets and liabilities:		
Deferred tax at 1 January	223	156
Movements via the income statement	33	84
Movements via equity	(2)	0
Changes in relation to previous years	(1)	(17)
Deferred tax assets and liabilities at 31 December	**253**	**223**

Deferred tax asset is measured at full value as it is considered utilised within 5 years with no particular assumptions other than continued normal operation.

12. WORK-IN-PROGRESS FOR THIRD PARTIES

DKKm	2017	2016
Total costs incurred	**5,781**	**7,916**
Profit recognised as income, net	779	1,285
Work-in-progress for third parties	**6,560**	**9,201**
Invoicing on account to customers	(6,491)	(9,749)
Net work-in-progress for third parties	**69**	**(548)**
Of which is recognised as work in progress for third parties:		
Under assets	656	271
Under liabilities	(587)	(819)
Net work-in-progress for third parties	**69**	**(548)**

Gains/losses included in the profit/loss for the year are recognised in the gross profit in the income statement.

13. TRADE RECEIVABLES

DKKm	2017	2016
Ageing:		
Not due for payment	422	296
Overdue up to 60 days	113	144
Overdue between 60-180 days	21	183
Overdue between 180-360 days	12	27
Overdue more than 1 year	7	0
Trade receivables at 31 December	**575**	**650**
Trade receivables not due for payment with retentions on contractual terms	0	0
Write-down of trade receivables:		
Write-down at 1 January	44	12
Additions	12	35
Reversals	(37)	(4)
Realised	0	1
Write-down at 31 December	**19**	**44**

14. RECEIVABLES FROM AFFILIATED COMPANIES

Receivables from affiliated companies include receivable dividend from prior years at the amount of DKK 73m (2016: DKK 0m).

The receivables include cash pool accounts, group trade receivables and a non interest bearing balance of DKK 22m with affiliated companies.

15. PREPAYMENTS

Prepayments include prepayments to subcontractors and is used in connection to work-in-progress for third parties.

16. SHARE CAPITAL

The share capital is divided into the following share denominations:

3 Shares of DKK 100,000
2 Shares of DKK 100,000,000
1 Share of DKK 299,700,000

DKKm	2017	2016
Share capital at 1 January 2011	500	500
Share capital at 31 December	**500**	**500**

17. PROFIT DISTRIBUTION

DKKm	2017	2016
Proposed dividend	0	125
Reserve for development projects	0	40
Retained earnings	(152)	60
Profit distributed	**(152)**	**225**

18. PROVISIONS

DKKm	2017	2016
Provisions at 1 January	416	438
Additions during the year	229	308
Disposals/application during the year	(88)	(79)
Reversals during the year	(174)	(226)
Reclassification to/from other liabilities	0	(25)
Provisions at 31 December	**383**	**416**

When assessing work-in-progress and completed projects, various project related risks including performance guarantees have been taken into account for which allowances have been made on the basis of Management's estimates.

A few issues are pending in respect of previously supplied goods. In this context, provisions have been made to counter any losses.

Provisions mainly consist of provisions for the usual warranties and provisions for loss-making contracts.

DKKm	Maturity within 1 year	Maturity between 1-5 years	Maturity after 5 years
2017			
Other provisions	333	50	0
	333	**50**	**0**
2016			
Other provisions	410	6	0
	410	**6**	**0**

19. LIABILITIES

DKKm	Maturity within 1 year	Maturity between 1-5 years	Maturity after 5 years
2017			
Prepayments from customers	485	207	0
Other liabilities	207	1	0
	692	**208**	**0**
2016			
Prepayments from customers	205	76	0
Other liabilities	283	14	0
	488	**90**	**0**

20. OTHER LIABILITIES

Other liabilities include due holiday pay, other employee accruals and public taxes.

Financial instruments is included at fair value DKK 8m (2016: DKK 8m).

21. CONTINGENT ASSETS AND LIABILITIES

DKKm	2017	2016
Guarantees	5,616	5,767
Rental agreements	19	3
Operational lease	1	1
Contingent assets and liabilities	**5,636**	**5,771**

The Company has through its banks provided usual security in the form of performance guarantees etc. for contracts and supplies. At the end of 2017 the total number of performance and payment guarantees issued amounted to DKK 1,107m (2016: 882m). In cases where a guarantee is expected to materialise, a provision for this amount is made in the Annual Report under the heading of Provisions.

In addition, the Company is from time to time involved in disputes that are normal for its business. This is not expected to impose significant liabilities upon the Company, and the outcome is not expected to have significant impact on the Company's financial position.

The company is part of a Danish joint taxation scheme for which FLSmidth & Co. A/S is the administrator. As part of the joint taxation, FLSmidth A/S is liable with other companies in the joint taxation scheme for Danish corporate taxes on dividend, interest and royalties within the joint taxation group.

22. DERIVATIVES

CURRENCY HEDGING

The Company uses forward exchange contracts in order to hedge currency risks on underlying contractual and budgeted payments and currency risks on loans and investments.

The figures below show the principals and the fair value if pending forward exchange contracts at 31 December 2017, which have been made to hedge currency risks. All fair values are based on officially fixed quotations, if available, alternatively in prices quoted by banks. Principals are translated at balance sheet date rates of exchange. Pending forward exchange contracts at 31 December 2017 have up to two years' time to maturity.

Principal of contracts, net*:

DKKm	2017	2016
Forward exchange contracts:		
AUD	(101)	(56)
CHF	(17)	(19)
USD	(375)	(551)
ZAR	(88)	(105)
INR	(51)	(15)
MXN	(22)	(22)
GBP	(30)	(57)
CAD	(94)	(19)
Other currencies	(67)	(38)
Total	**(845)**	**(882)**

DKKm	2017	2016
Fair value of contracts	0	1
	0	**1**

*) In the case of forward exchange contracts, negative principals indicate net sale of the currency concerned and positive principals indicate net purchase of the currency concerned.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE

The book value of receivables and payables at 31 December largely corresponds to the fair value.

23. COLLATERAL AND PLEDGED ASSETS

None of the assets owned by FLSmidth A/S are pledged and the Company has no collateral agreements.

24. RELATED PARTIES AND SHAREHOLDERS

FLSmidth & Co. A/S, Denmark owns 100% of the shares of FLSmidth A/S.

FLSmidth A/S is a fully consolidated subsidiary in the Parent's (largest group) consolidated financial statements, FLSmidth & Co. A/S, Valby Copenhagen, CVR no. 58180912.

The Group Annual Report 2017 is available on www.flsmidth.com:
http://www.flsmidth.com/en-US/Investor+Relations/Download+Center/Financial+Reports

Related parties include the parent company's Board of Directors and Group Executive Management and the subsidiaries and associates that are part of the Group.

Transactions with affiliated companies are carried out on market terms following the arms-length principle.

Cash pool accounts are legally owned by FLSmidth & Co. A/S. The accounts are therefore considered balances with related parties. In the balance sheet the cash pool accounts are recognised under receivables and payables to affiliated companies as part of assets and liabilities, respectively.

Other matters of interest in relation to related parties are disclosed in the notes to the financial statements.

25. LIST OF GROUP COMPANIES

Company name	Country	Ownership (pct.)	Profit/(loss) for the year 2017** DKKm	Equity at 31 December 2017** DKKm
FLSmidth A/S				
FLS Maroc	Morocco	100	10	9
FLSmidth A/S (Jordan) Ltd.	Jordan	100	0	1
FLSmidth AB	Sweden	100	(7)	2
FLSmidth Argentina S.A.	Argentina	100	0	0
FLSmidth Caucasus Limited Liability Company (LLC)	Armenia	100	0	0
FLSmidth Co. Ltd.	Vietnam	100	0	13
FLSmidth S.A.	Spain	100	7	38
- FLSmidth SAS	Colombia	100	-	-
FLSmidth (Private) Ltd.	Pakistan	100	0	3
FLSmidth Global Field Services ApS	Denmark	100	4	65
FLSmidth Milano S.R.L.	Italy	100	9	78
FLSmidth (UK) Limited	United Kingdom	100	11	326
FLSmidth (Jersey) Limited	Jersey	100	(8)	0
FLSmidth LLP	Kazakhstan	100	35	39
FLSmidth Philippines, Inc.	Philippines	100	0	3
FLSmidth Iranian (PJSCo)	Iran	100	(4)	(6)
FLSmidth Limited	Ghana	100	0	3
FLSmidth Ltd.	United Kingdom	100	0	20
FLSmidth Ltda.	Brazil	100	7	161
FLSmidth MAAG Gear AG	Switzerland	100	(18)	25
- FLSmidth MAAG Gear Sp. z o.o.	Poland	100	-	-
- Reset Holding AG	Switzerland	100	-	-
-- Teutrine GmbH	Switzerland	100	-	-
FLSmidth Kenya Limited	Kenya	100	0	2
FLSmidth Krebs GmbH	Austria	100	15	155
FLSmidth Mongolia	Mongolia	100	27	30
FLSmidth Qingdao Ltd.	China	100	21	157
FLSmidth Rusland Holding A/S	Denmark	100	0	13
- FLSmidth Rus OOO	Russia	100	-	-
FLSmidth Sales and Services Limited	Nigeria	100	(3)	0
FLSmidth Mekanik Sistemler Satis Bakim Ltd. Sti	Turkey	100	1	1
FLSmidth SAS	France	100	1	26
FLSmidth Shanghai Ltd.	China	100	4	41
FLSmidth Spol. s.r.o.	Czech Republic	100	(5)	38
FLSmidth (Thailand) Co. Ltd.	Thailand	100	2	4
FLSmidth Ventomatic SpA	Italy	100	48	376
- FLSmidth MAAG Gear S.p.A	Italy	100	-	-
FLSmidth Zambia Ltd.	Zambia	100	16	0
MAAG Gear Systems AG	Switzerland	100	1	51
NHI-Fuller (Shenyang) Mining Co. Ltd.	China	50	(4)	5
Pfister Holding GmbH	Germany	100	0	10
PT FLSmidth Indonesia	Indonesia	100	10	17
P.T. FLSmidth Construction Indonesia	Indonesia	67	0	7
The Pennies and Pounds Holding, Inc.*	Philippines	33	-	-
FLSmidth Tyskland A/S	Denmark	100	(1)	94
- FLS Germany Holding GmbH	Germany	100	-	-
-- FLSmidth Real Estate GmbH	Germany	100	-	-
-- FLSmidth Pfister GmbH	Germany	100	-	-
-- FLSmidth Hamburg GmbH	Germany	100	-	-
-- FLSmidth Wiesbaden GmbH	Germany	100	-	-
-- FLSmidth Wadgassen GmbH	Germany	100	-	-
-- FLSmidth Wuppertal GmbH	Germany	100	-	-
- Fuller Offshore Finance Corp. B.V.	Netherlands	100	-	-
-- FLSmidth Kovako B.V.	Netherlands	100	-	-
FLS US Holdings, Inc.	United States	100	(247)	1,908
- FLSmidth USA, Inc.	United States	100	-	-
-- FLSmidth Dorr-Oliver Eimco SLC Inc.	United States	100	-	-
-- FLSmidth Dorr-Oliver Inc.	United States	100	-	-
--- FLSmidth Dorr-Oliver International Inc.	United States	100	-	-

25. LIST OF GROUP COMPANIES - continued

Company name	Country	Ownership (pct.)	Profit/(loss) for the year 2017** DKKm	Equity at 31 December 2017** DKKm
-- Ludowici Mineral Processing Equipment Inc.	United States	100	-	-
-- Phillips Kiln Services (India) Pvt. Ltd.	India	50	-	-
-- SLS Corporation	United States	100	-	-
- FLSmidth Inc.	United States	100	-	-
-- Fuller Company	United States	100	-	-
FLSmidth Minerals Holding ApS	Denmark	100	145	1,209
- FLSmidth Ltd.	Canada	100	-	-
-- 9189-6175 Quebec Inc.	Canada	100	-	-
-- 4437845 Canada Inc.	Canada	100	-	-
- FLSmidth Pty. Ltd.	Australia	100	-	-
-- DMI Holdings Pty. Ltd.	Australia	100	-	-
-- DMI Australia Pty. Ltd.	Australia	100	-	-
-- ESSA Australia Limited	Australia	100	-	-
-- Fleet Rebuild Pty. Ltd.	Australia	100	-	-
--- Mayer Bulk Group Pty. Ltd.	Australia	100	-	-
---- FLSmidth Mayer Pty. Ltd.	Australia	100	-	-
---- Mayer International Machines South Africa Pty. Ltd.	South Africa	100	-	-
-- FLSmidth ABON Pty. Ltd.	Australia	100	-	-
-- FLSmidth Krebs Australia Pty. Ltd.	Australia	100	-	-
-- FLSmidth M.I.E. Enterprises Pty. Ltd.	Australia	100	-	-
-- Ludowici Pty. Limited	Australia	100	-	-
--- Hicom Technologies Pty. Ltd.	Australia	100	-	-
--- Ludowici Australia Pty. Ltd.	Australia	100	-	-
---- Ludowici China Pty Limited	Australia	100	-	-
----- Ludowici Beijing Ltd.	China	100	-	-
----- Ludowici Hong Kong Limited	Hong Kong	100	-	-
------ Yantai Ludowici Mineral Processing Equipment Limited	China	100	-	-
---- Rojan Advanced Ceramics Pty. Ltd.	Australia	100	-	-
--- Ludowici Hong Kong Investments Ltd.	Hong Kong	100	-	-
--- Ludowici Packaging Australia Pty. Ltd.	South Africa	100	-	-
--- Ludowici Packaging Limited	New Zealand	100	-	-
- FLSmidth S.A.	Chile	100	-	-
- FLSmidth S.A. de C.V.	Mexico	100	-	-
- FLSmidth Private Limited	India	100	-	-
- FLSmidth (Pty.) Ltd.	South Africa	100	-	-
-- FLSmidth Buffalo (Pty.) Ltd.	South Africa	100	-	-
-- FLSmidth Mozambique Limitada	Mozambique	100	-	-
-- FLSmidth South Africa (Pty.) Ltd.	South Africa	75	-	-
-- FLSmidth Roymec (Pty) Ltd.	South Africa	74	-	-
--- FLSmidth (Pty) Ltd.	Botswana	74	-	-
-- Euroslot KDSS (South Africa) (Pty.) Ltd.	South Africa	100	-	-
NL Supervision Company Angola LDA***	Angola	10	(12)	(17)
NL Supervision Company Nigeria LLC***	Nigeria	25	0	0

* Associate. No available disclosable information of profit/(loss) and equity value. Value is written down at 31 December 2017.

** Profit/(loss) for the year 2017 and Equity value at 31 December 2017 represent the latest IFRS reporting received by Group. The information is only disclosed for the companies where FLSmidth A/S has direct ownership.

*** The remaining shares are owned within the FLSmidth Group.

All material enterprises are subject to audit by internationally recognised audit firms.

FLSmidth