

FLSmidth A/S

Annual Report 2015

(CVR no. 15 02 88 82)

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Company information

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CVR. No.

15 02 88 82

Founded

6 March 1991

Registered office:

Copenhagen

Financial year:

1 January - 31 December

Company information

Board of Directors

Vagn Ove Sørensen, Chairman

Torkil Bentzen, Vice Chairman

Martin Ivert

Sten Jakobsson

Tom Knutzen

Caroline Grégoire Sainte Marie

Mette Dobel

Søren Quistgaard Larsen

Jens Peter Koch

Executive Management

Thomas Schulz, CEO

Lars Vestergaard, CFO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

Adopted at the Company's Annual General Meeting on 5 April 2016



Chairman of the meeting

Statement by the Board and Management

The Board of Directors and the Executive Board have today considered and approved the annual report of FLSmith A/S for the financial year 1 January - 31 December 2015.

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 2015 and of the results of its operations for the financial year 1 January - 31 December 2015.

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.

Copenhagen, 5 April

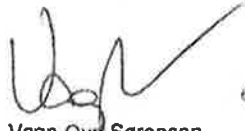
Executive Management


Thomas Schulz
CEO


Lars Vestergaard
CFO

Statement by the Board and Management

The Board of Directors



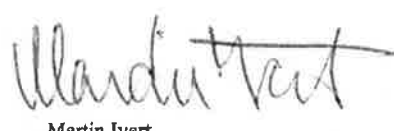
Vagn Ove Sørensen

Chairman



Torkil Bentzen

Vice Chairman



Martin Ivert



Sten Jakobsson



Tom Knutzen

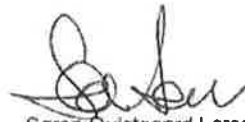


Caroline Grégoire Sainte Marie



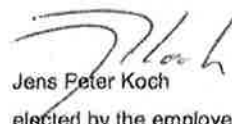
Mette Døbel

elected by the employees



Søren Quistgaard Larsen

elected by the employees



Jens Peter Koch

elected by the employees

Management's review

To the shareholder of FLSmith A/S

Report on the financial statements

We have audited the financial statements of FLSmith A/S for the financial year 1 January – 31 December 2015, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility 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.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

Statement by the Board and Management

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31 December 2015 and of the results of its operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

Copenhagen, 5 April 2016

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No 33963556



Anders Dons
State Authorised

Public Accountant



Lars Siggaard Hansen
State Authorised

Public Accountant

Statement by the Board and Management

Financial highlights

(5 year summary)

Financial highlights (5 year summary)

	2011	2012	2013	2014	2015
DKKm					
Income statement					
Revenue	4.131	4.012	4.034	3.780	3.480
Production costs	(3.377)	(3.299)	(4.122)	(3.235)	(3.493)
Gross profit	754	713	(88)	545	(13)
Sales, admin. and other operating income and costs	(292)	(295)	(48)	(328)	(2)
Earnings before Interest and tax (EBIT)	462	418	(136)	217	(15)
Dividend from Group enterprises	53	1.300	142	173	134
Profit and loss on sale of enterprises and activities	2	4	1	(11)	3
Financial items, net	(10)	34	(10)	(32)	(120)
Earnings before tax (EBT)	507	1.756	(3)	347	2
Tax for the year	(133)	(97)	0	(40)	7
Profit/loss for the year	374	1.659	(3)	307	9
Balance sheet					
Non-current assets	5.698	5.816	5.951	5.081	6.549
Current assets	3.375	3.890	2.685	3.117	2.769
Total assets	9.073	9.706	8.636	8.198	9.318
Equity	4.362	5.531	4.527	4.611	4.143
Provisions	784	653	509	375	438
Liabilities	3.927	3.522	3.600	3.212	4.737
Total equity and liabilities	9.073	9.706	8.636	8.198	9.318
Investments in tangible assets	19	30	18	12	11
Financial ratios					
Gross margin	18,3%	17,8%	-2,2%	14,4%	-0,4%
EBIT margin	11,2%	10,4%	(3,4%)	5,7%	-0,4%
EBT margin	12,3%	43,8%	(0,1%)	9,2%	0,1%
Return on equity	8,4%	33,5%	-0,1%	6,7%	0,2%
Equity ratio	48,1%	57,0%	52,4%	56,2%	44,5%
Number of employees at 31 December	1.606	1.705	1.518	1.238	1.192

The financial ratios have been computed in accordance with the 2015 Guidelines of the Danish Society of Financial Analysts.

Management's review

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 majority 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 3,480m in 2015, representing an 8% decrease compared to last year (2014: DKK 3,780m).

The EBIT result in 2015 amounted to DKK -15m (2014: DKK 217m) and was negatively impacted primarily relating to a write-down of Patents and rights amounting to DKK 115m. and a loss related to the bulk material handling activities which were announced for sale in Q3 2015.

The balance sheet total amounted to DKK 9,318m at the end of 2015 (end of 2014: DKK 8,198m). The equity at the end of 2015 amounted to DKK 4,143m (2014: DKK 4,611m), representing an equity ratio of 44% (2014: 56%). The return on shareholders' equity in 2015 amounted to 0% (2014: 7%).

Order intake

The total order intake of FLSmidth A/S amounted to DKK 2,929m in 2015, representing a 2% decrease on the year before (2014: DKK 2,982m).

Management's review

Market trends

Global growth was lower than expected in 2015, and likewise, FLSmith's core markets developed more negatively than anticipated. The expected emerging recovery of the cement industry was postponed, and the minerals industry deteriorated more rapidly and more vigorously than foreseen at the beginning of the year.

Going into the year 2015, it looked like a slow recovery would finally emerge in the global cement industry excluding china. Global capacity utilisation rates were on a slight positive trend and increasing consumption underpinned positive development in many regions. Most of the underlying prerequisites for a recovery in the industry are still present but, from a global perspective, the recovery has been delayed as a result of the strong decline in the oil price. Demand for new cement capacity in oil exporting countries has contracted. The oil importing countries, on the other hand, are benefitting from the lower oil price, however this advantage does not immediately translate into new demand for cement capacity and thus, 2015 saw relatively few orders available in the market. Although FLSmith was awarded a fair share of the available orders, inevitably, the low tendering activity had an adverse spill-over effect on the terms and conditions attainable in the market.

Overall, the pipeline for potential cement projects is similar to one year ago, but now with a higher proportion of projects in oil-importing countries. Although the global cement industry remains quite subdued, global cement consumption continues to rise and good regional opportunities persist.

Entering 2015, FLSmith expected that the market for mining capex would trough in 2015 and show slow growth in 2016. Based on an increased order intake in the Minerals Division in 2015 versus 2014, 2015 could still turn out to be the trough year for FLSmith's mining capex related activities. That said, the underlying market undoubtedly deteriorated during the year which in August led to the changed expectations that the trough in addressable mining investments for FLSmith would be extended and that growth would not resume until the end of 2017. Currently visibility is low as a result of a sustained downward pressure on the commodity price, numerous announcements of reduction in customers' capital expenditures and plans to curtail or shut down mining operations, along with uncertainty around the Chinese economy and a high level of geopolitical unrest. The short-term outlook for the minerals industry will depend on a stabilisation of commodity prices, and China's gradual transition towards a more consumption-driven growth model.

Mining-related service activities will also depend on the development in commodity prices. The downward pressure on commodity prices is to a large extent caused by the industry itself as a number of mines continue to increase outputs and thereby maintain the current supply surplus for most commodities. This poses a risk to miners at the high end of the cost curve, especially if the prices move rapidly downwards. For some mines, the current price level is below their cash cost of production, but at the same time many of them have a substantial potential to improve productivity, and as long as commodity prices move slowly, most operators have an oppor-

Management's review

tunity to reduce cash cost of production, which represents a business potential for FLSmith. Although we have witnessed mothballed mines and curtailed production, mining closures have been limited, and production volumes remain at a high level. As long as the amount of mine closures is confined, the minerals related aftermarket business is expected to remain relatively resilient, although with some quarterly volatility. Thus, both the second and the fourth quarters saw deferral of spare parts purchase and maintenance into the subsequent quarter.

Overall, the market for cement services is stable. Several regions continue to show good activity, particularly in North America, Eastern Africa and Europe, while customers in most oil-exporting countries remain under pressure. In India, activity is cautiously picking up.

Risk management

Risk reporting

FLSmith'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.

Insurance

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

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.

2015 key risks

FLSmith 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 FLSmith has a low risk appetite for certain types of risk such as: safety, currency, theft of intellectual

Management's review

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 2015, the following key risks were identified in random order of priority:

- Safety
- Projects
- Legal, Compliance & Tax
- Quality
- Market
- Litigation

Management's review

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.
Projects	<p>A large part of -FLSmith's business consists of supplying equipment to customer-built plants, or managing the entire construction on an EPC basis for very large, complex processing plants.</p> <p>FLSmith's projects are often located in remote locations with poor infrastructure, and in countries with challenging political, administrative and judicial structures in place. This can pose significant logistical challenges as well as country-specific and political risks.</p>	<p>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.</p> <p>Both Project Divisions have formal sign-off processes in order to support the sales phase.</p> <p>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 EPC.</p> <p>FLSmith conducts monthly project reviews of all large projects including a risk analysis of the relevant scenarios and the opportunities/possibilities for the mitigation of these risks. Where relevant, the Group has established project task forces with participants from selected areas of expertise across -FLSmith including divisional COOs/CFOs and relevant specialists to create a uniform platform for sparring on projects that are complex due to size and/or geographical location.</p>
Legal, Compliance & Tax	Compliance with local regulatory & Tax requirements has top-priority in FLSmith.	FLSmith's Legal Department is actively involved in the organisation and Group Compliance is responsible for ensuring that the Company lives up to basic ethical standards and employs a range of policies including the global Code of Business Conduct, Anti-bribery policy and Whistleblower Hotline.
Business integration	In 2015, -FLSmith continued the integration process of the businesses acquired in 2012.	<p>-FLSmith is conscious of the fact that growth through acquisitions is a faster and riskier way of growing our business.</p> <p>-FLSmith continues to focus on harvesting sales and cost synergies through clear dedication of responsibilities for every part of the integration process – a thorough integration plan</p>

Management's review

		concept that covers all areas of the acquired businesses.
Quality	Quality is the determining factor for the Group's customers who often expect a Company-wide management philosophy geared towards delivering quality products and services every time.	The Company has rolled out a "One Global Quality Policy" and has focus on creating a Quality mind set, continuously measuring and improving upon quality performance the role of leadership and the importance of each individual making a personal commitment to quality throughout the organisation.
Market	Market conditions for both the Cement and Mining industries continue to experience headwinds, with declining commodity prices, increased risk of mine closures and continued announcements of CAPEX cuts.	The Company's strategy for managing headwinds is focused on improving and enhancing Customer productivity, new capacity and environment while the Service and Products businesses provide a stable base during the tough market conditions
Litigation	FLSmidth is a defendant in a large number of pending lawsuits in the United States that seek to recover damages for personal injury allegedly caused by exposure to asbestos-containing products manufactured and/or distributed by FLSmidth in the past.	Part of the Company's insurance for asbestos-related claims expired in 2014. The strategy for managing the ongoing exposure includes a potential pool-sharing agreement which FLSmidth expects to enter into this year. Management's present belief is that the risk caused by the pending asbestos litigation cases in the United States is not material in the context of FLSmidth's total business operations.

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.

Management's review

Credit risk

Financial counterpart risk

The use of financial instruments entails the risk that the counterparty may not be able to honour its obligations. The Company minimises 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 minimised 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 2016

In 2016, FLSmidth A/S expects revenue of DKK 3,4bn (2015: DKK 4.0bn) and a positive development in EBIT.

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 11 February 2016. The report replaces a statutory statement of corporate social responsibility pursuant to the exemption given in the Danish Financial Statements Act Section 99a and 99b. The report is available on www.flsmidth.com/CSRreport2015. Reporting on gender composition of management is available on <http://hugin.info/2106/R/1985493/728177.pdf>

Accounting policies

General comments

The 2015 Annual Report for FLSmith A/S is presented in accordance with the provisions of the Danish Financial Statements Act for Reporting Class C companies (large). FLSmith A/S is included in the FLSmith & 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 FLSmith A/S does not contain consolidated financial statements nor a cash flow statement.

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

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.

Accounting policies

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 FLSmith & 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.

Accounting policies

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). The general rule is to base percentage of completion on the costs incurred. The value of work-in-progress for third parties is based on the costs incurred in percentage of the total budgeted costs.

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), see above.

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 recognized 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.

Accounting policies

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, associates and joint ventures 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. However, where the dividend distributed exceeds the accumulated earnings after the date of acquisition, the dividend is not recognised in the income statement but is stated as impairment loss on the cost of the investment.

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

Accounting policies

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 FLSmith & 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.

Accounting policies

Amortisation of software is based on consumption (units of production methods) of users over the estimated useful life of the assets, and the timing of implementation.

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

- Development costs, up to 5 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. As of 31 December 2015, the carrying value of the intangible assets with an estimated economic life time of 20 years amounts to DKK 576m.

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 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.

Accounting policies

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 Group enterprises, associates and joint ventures are measured at cost less impairment. Where the cost exceeds the recoverable amount, an impairment loss is recognised.

To the extent that the distributed dividend exceeds the accumulated earnings after the date of acquisition, that dividend is recognised as an impairment loss on the investment's cost.

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.

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. Value adjustments are recognised in the gross profit in the income statement over a period not exceeding the duration of processing the order and subsequently under financial items.

Accounting policies

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 impairment losses 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.

Accounting policies

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, 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.

Accounting policies

Other 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 FLSmith, 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.

Accounting policies

Financial ratios

The financial ratios have been computed in accordance with the 2015 Guidelines of the Danish Society of Financial Analysts.

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

Gross margin	=	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
EBIT margin	=	$\frac{\text{Earnings before interest and tax (EBIT)} \times 100}{\text{Revenue}}$
EBT margin	=	$\frac{\text{Earnings before tax (EBT)} \times 100}{\text{Revenue}}$
Return on equity	=	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$
Equity ratio	=	$\frac{\text{Equity, 31 Dec.} \times 100}{\text{Total equity and liabilities, 31 Dec.}}$

Income statement for 2015

Note	2015 DKKm	2014 DKKm
1 Revenue	3.480	3.780
2+3 Production costs	<u>(3.493)</u>	<u>(3.235)</u>
Gross profit	(13)	545
2 Sales and distribution costs	(109)	(258)
2+3+4 Administrative costs	(1.002)	(1.105)
5 Other operating income	1.110	1.053
5 Other operating costs	<u>(1)</u>	<u>(18)</u>
Earnings before interest and tax (EBIT)	(15)	217
6 Dividend from Group enterprises	134	173
Profit/loss on sale of enterprises and activities	3	(11)
7 Financial income	165	132
7 Financial costs	<u>(285)</u>	<u>(164)</u>
Earnings before tax (EBT)	2	347
8 Tax for the year	<u>7</u>	<u>(40)</u>
Profit/loss for the year	9	307
To be distributed as follows:		
Proposed dividend	0	500
Retained earnings	<u>9</u>	<u>(193)</u>
	9	307

Balance sheet at 31 December 2015

Note	Assets	2015 DKKm	2014 DKKm
	Patents and rights	1.711	2.071
	Other intangible assets	32	73
	Completed development projects	291	334
	Intangible assets under development	363	378
9	Intangible assets	2.397	2.856
	Land and buildings	39	33
	Other plant, operating equipment, fixtures and fittings	53	77
10	Tangible assets	92	110
11+22	Investments in Group enterprises	3.821	2.046
11+22	Associates and joint ventures	11	11
11	Other securities and investments	72	44
16	Deferred tax assets	156	14
	Financial assets	4.060	2.115
	Non-current assets	6.549	5.081
	Finished goods and goods for resale	36	42
	Inventories	36	42
12	Trade receivables	278	346
13	Work-in-progress for third parties	266	751
	Prepayments to subcontractors	20	38
	Receivables from Group enterprises	2.001	1.841
	Other receivables	110	83
	Receivables	2.675	3.059
14	Cash and cash equivalents	58	16
	Current assets	2.769	3.117
	Assets	9.318	8.198

Balance sheet at 31 December 2015

Note	Equity and liabilities	2015 DKK ^m	2014 DKK ^m
15	Share capital	500	500
	Retained earnings	3.643	3.611
	Proposed dividend	0	500
	Equity	4.143	4.611
16	Deferred tax liabilities	0	0
17	Other provisions	438	375
	Provisions	438	375
	Prepayments received from customers	95	203
18	Other liabilities	5	33
	Long-term liabilities	100	236
	Prepayments received from customers	223	542
13	Work-in-progress for third parties	942	1.193
	Trade payables	467	565
	Debt to Group enterprises	2.625	314
18	Other liabilities	309	351
	Corporation tax payable	71	11
	Short-term liabilities	4.637	2.976
	Liabilities	4.737	3.212
	Liabilities and provisions	5.175	3.587
	Equity and liabilities	9.318	8.198
	Other notes		
19	Contingent assets and liabilities		
20	Derivatives		
21	Related parties and ownership		
22	List of Group companies		

Statement of changes in equity for 2015

DKKm	Share capital	Retained earnings	Proposed dividend for financial year	Total
Equity at 1 January 2014	500	3.827	200	4.527
Profit/loss for the year		307		307
Value adjustment of hedging transactions		(29)		(29)
Tax on hedging transactions		6		6
Proposed dividend		(500)	500	0
Paid dividend			(200)	(200)
Equity at 31 December 2014	500	3.611	500	4.611
Profit/loss for the year		9		9
Value adjustment of hedging transactions		29		29
Tax on hedging transactions		(6)		(6)
Proposed dividend		0		0
Paid dividend			(500)	(500)
Equity at 31 December 2015	500	3.643	0	4.143

Notes

	2015 DKKkm	2014 DKKkm
1 Net revenue and segment reporting		
Income recognition criteria		
Income recognised when delivered	860	843
Income recognised in accordance with percentage-of-completion method	2.620	2.937
	<u>3.480</u>	<u>3.780</u>
Geographical breakdown		
Denmark	48	48
Rest of Scandinavia	23	40
Rest of Europe	527	826
North America	180	35
South America	82	143
Africa	1.503	1.038
Australia	5	11
Asia	1.112	1.639
	<u>3.480</u>	<u>3.780</u>
Segment reporting		
Cement	2.025	2.205
Customer Services	726	873
Product	720	689
Mineral Processing	9	13
	<u>3.480</u>	<u>3.780</u>
2 Staff costs		
Wages, salaries and fees	790	788
Pension contributions	48	48
Other staff costs	24	27
	<u>862</u>	<u>863</u>
Include total remuneration of:		
Executive Management	28	18
Board of Directors	4	4
	<u>32</u>	<u>22</u>
The staff costs are included in the items: Production costs, sales and distribution costs and administrative costs.		
The remuneration includes eight Group Executive Management members, of which four are registered with Erhvervsstyrelsen (The Danish Business Authority)		
Average number of full-time employees at 31 December	<u>1.192</u>	<u>1.238</u>
3 Depreciation and amortisation		
Depreciation and amortisation of assets consist of:		
Amortisation of intangible assets	507	317
Depreciation of tangible assets	28	17
	<u>535</u>	<u>334</u>
and are allocated as follows:		
Production costs	169	59
Administrative costs	366	275
	<u>535</u>	<u>334</u>

Notes

	2015 DKKkm	2014 DKKkm
4 Fee to auditors appointed at the Annual General Meeting		
Statutory audit	2	2
Tax and VAT consultancy	1	1
Other services	3	5
	<u>6</u>	<u>8</u>
5 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.		
6 Dividend from Group enterprises		
Dividend from Group enterprises	134	960
Dividend received from Group enterprises set off against cost	0	(787)
	<u>134</u>	<u>173</u>
7 Financial income and costs		
Financial income:		
Reversal of impairment of investments in Group enterprises	10	0
Derivatives	58	25
Capital gains on shares	32	19
Foreign exchange gains, etc.	65	88
	<u>165</u>	<u>132</u>
Financial costs		
Impairment of investments in Group enterprises	10	0
Interest and other financial costs	0	1
Interest costs to Group enterprises	11	1
Derivatives	180	84
Foreign exchange losses, etc.	84	78
	<u>285</u>	<u>164</u>
8 Tax for the year		
Tax for the year		
Current tax on the profit/loss for the year	51	46
Withholding tax	20	25
Adjustment for previous years, current taxes	64	(59)
Adjustment of deferred tax	(73)	21
Adjustment for previous years, deferred tax	(69)	7
	<u>(7)</u>	<u>40</u>

The company is part of a Danish joint taxation scheme for which FLSmith & Co. A/S is the administrator. The company is therefore jointly liable under the provisions of the Danish company taxation act for all tax obligations in the jointly taxed companies

Notes

9 Intangible assets

	Patents and rights DKKm	Other intang-ible assets DKKm	Completed development projects DKKm	Intangible assets under development DKKm	Total DKKm
Cost at 1 January 2015	2.980	410	504	525	4.419
Additions		1	2	77	80
Disposals	(19)	(26)	(11)	(147)	(203)
Transferred between categories		(125)	217	(92)	0
Other adjustments				0	0
Cost at 31 December 2015	2.961	260	712	363	4.296
Amortisation and impairment at 1 January 2015	(909)	(337)	(170)	(147)	(1.563)
Annual amortisation, incl. writedown	(341)	(16)	(150)		(507)
Disposal		26	(2)	147	171
Transferred between categories		99	(99)		0
Other adjustments					0
Amortisation and impairment at 31 December 2015	(1.250)	(228)	(421)	0	(1.899)
Carrying amount at 31 December 2015	1.711	32	291	363	2.397
Carrying amount at 31 December 2014	2.071	73	334	378	2.856

Writedown of Patents and rights amounts to DKK 115m in 2015

10 Tangible assets

	Land and buildings DKKm	Other plant, operating equipment, fixtures and fittings DKKm	Total DKKm
Cost at 1 January 2015	66	182	248
Additions		11	11
Disposals		(20)	(20)
Transferred between categories	10	(10)	0
Cost at 31 December 2015	76	163	239
Depreciation at 1 January 2014	(33)	(105)	(138)
Disposals		19	19
Annual depreciation	(4)	(24)	(28)
Depreciation at 31 December 2015	(37)	(110)	(147)
Carrying amount at 31 December 2015	39	53	92
Carrying amount at 31 December 2014	33	77	110

Notes

11 Financial assets

	Invest- ments in Group enter- prises DKKkm	Associates and joint ventures DKKkm	Other securities and invest-ments DKKkm	Total DKKkm
Cost at 1 January 2015	2.361	11	49	2.421
Additions	1.775			1.775
Disposals			(4)	(4)
Adjustments regarding dividend				0
Cost at 31 December 2015	4.136	11	45	4.192
Adjustments at 1 January 2015	(315)	0	(5)	(320)
Write-downs	(10)		0	(10)
Reversal of write-downs	10			10
Value and other adjustments			32	32
Adjustments at 31 December 2015	(315)	0	27	(288)
Carrying amount at 31 December 2015	3.821	11	72	3.904
Carrying amount at 31 December 2014	2.046	11	44	2.101

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 (currently 12% before tax (2014: 12%)). The calculations of value in use consist of discounted expected cash flow for the next seven 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 (1.5%) for each of the cash generating units.

Investments in Group enterprises, associates and joint ventures appear from the list of companies in note 22.

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.

	2015 DKKkm	2014 DKKkm
12 Trade receivables		
Trade receivables	278	346
The maturity profile of trade receivables that are written down may be specified as follows:		
Not due for payment	157	199
0-60 days	63	75
60-180 days	18	27
180-360 days	40	45
	278	346
Write down of trade receivable		
Write down at 1 January	16	3
Additions	2	17
Reversals	(6)	(4)
Realised	0	0
Write down at 31 December	12	16

Notes

13 Work-in-progress for third parties	2015 DKKm	2014 DKKm
Total costs incurred	9.241	9.875
Profit recognised as income, net	1.699	1.846
Work-in-progress for third parties	<u>10.940</u>	<u>11.721</u>
Invoicing on account to customers	<u>(11.616)</u>	<u>(12.163)</u>
	<u>(676)</u>	<u>(442)</u>
 of which work-in-progress for third parties is stated under assets and under liabilities	 266 <u>(942)</u>	 751 <u>(1.193)</u>
	<u>(676)</u>	<u>(442)</u>

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

14 Cash and cash equivalents

The portion of the Company's cash and cash equivalents that is placed with the FLSmidth & Co. A/S in-house bank is included in the item receivables from Group companies at the amount of DKK 506m (2014: DKK 1,145m).

15 Share capital

The share capital is divided into the following share denominations:

- 3 shares of DKK 100,000
- 1 share of DKK 299,700,000
- 2 shares of DKK 100,000,000

Changes in the share capital over the past 5 years:

Share capital at 1 January 2011	<u>DKKm 500</u>
Share capital at 31 December 2015	<u>DKKm 500</u>

16 Deferred tax	2015 DKKm	2014 DKKm
Intangible assets	160	11
Tangible assets	241	93
Non-current and current liabilities	<u>(245)</u>	<u>(90)</u>
Deferred tax assets and tax liabilities at 31 December	<u>156</u>	<u>14</u>
 The year's movements in deferred tax assets and tax liabilities		
Deferred tax at 1 January	14	28
Movements via the income statement	73	(21)
Changes in relation to previous years	<u>69</u>	<u>7</u>
Deferred tax assets and tax liabilities at 31 December	<u>156</u>	<u>14</u>

Notes

17 Other provisions	2015 DKKm	2014 DKKm
Provisions at 1 January	375	509
Additions during the year	283	169
Disposals/application during the year	(95)	(67)
Reversals during the year	(125)	(221)
Reclassification to/from other liabilities	0	(15)
Provisions at 31 December	438	375

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.

18 Other liabilities

Other payables include due holiday pay, public taxes and interest payable.

19. Contingent assets and liabilities	2015 DKKm	2014 DKKm
Guarantees	4.518	3.499
Minimum rent and operating lease commitments:		
Maturity between one and two years	1	1
Maturity between two and five years	3	3
	4.522	3.503

The company has through its banks provided usual security in the form of performance guarantees, etc. for contracts and supplies. At the end of 2015, the total number of performance and payment guarantees issued amounted to DKK 1.1bn (2014: DKK 2.4bn). In cases where a guarantee is expected to materialise, a provision for this amount is made in the Annual Report under the heading of Other 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.

Notes

20. 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 values of open forward exchange contracts at 31 December 2015, which have been made to hedge currency risks. All fair values are based on officially fixed quotations, if available, alternatively on prices quoted by banks. Principals are translated at balance sheet date rates of exchange. open forward exchange contracts at 31 December 2015 have up to two years' time to maturity.

	2015 DKKm	2014 DKKm
	Principal of contracts, net*	Principal of contracts, net*
Forward exchange contracts		
AUD	168	118
CHF	32	0
USD	789	798
ZAR	223	248
INR	95	123
MXN	46	7
GBP	83	0
Other currencies	74	43
Total	1.510	1.337
Fair value of contracts	15	62

*) 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.

21. Related parties and ownership

FLSmidth A/S is a fully consolidated subsidiary in the FLSmidth & Co. A/S Group, FLSmidth & Co. A/S being the sole shareholder and the parent company. Regarding FLSmidth A/S transactions with related parties, reference is made to the consolidated financial statements for the company's parent, which can be obtained at the following address:

FLSmidth & Co. A/S, Vigerslev Allé 77, 2500 Valby, www.flsmidth.com

Notes

22. List of Group companies

Company	Country	Direct owner-ship interest (pct)
FLSmith A/S	Denmark	100
FLS EurAsia AG **	Switzerland	33
FLS Maroc	Morocco	100
FLSmith A/S Armenia limited liability company (LLC)	Armenia	100
FLSmith A/S (Jordan) Ltd.	Jordan	100
FLSmith AB	Sweden	100
FLSmith Argentina S.A.	Argentina	100
FLSmith Co., Ltd.	Vietnam	100
FLSmith S.A.	Spain	100
FLSmith SAS	Colombia	100
FLSmith (Private) Ltd.	Pakistan	100
FLSmith Solutions ApS	Danmark	100
FLSmith Milano S.R.L.	Italy	100
FLSmith (UK) Limited	United Kingdom	100
FLSmith (Jersey) Limited	Jersey	100
FLSmith Philippines, Inc.	Philippines	100
FLSmith Ireland Limited	Ireland	100
FLSmith Ltd.	United Kingdom	100
FLSmith Ltda.	Brazil	100
FLSmith MAAG Gear AG	Switzerland	100
FLSmith MAAG Gear Sp. z o.o.	Poland	100
Reset Holding AG	Switzerland	100
Teutrine GmbH	Switzerland	100
FLSmith Kenya Limited	Kenya	100
FLSmith Krebs GmbH	Austria	100
FLSmith Mongolia	Mongolia	100
FLSmith Qingdao Ltd.	China	100
FLSmith Rusland Holding A/S	Denmark	100
FLSmith Rus OOO	Russia	100
FLSmith Bel	Belarus	100
FLSmith Sales and Services Limited	Nigeria	100
FLSmith Sales and Services Limited	Turkey	100
FLSmith SAS	France	100
FLSmith Shanghai Ltd.	China	100
FLSmith Spol. s.r.o.	Czech Republic	100
FLSmith Ventomatic SpA	Italy	100
FLSmith MAAG Gear S.p.A	Italy	100
FLSmith Zambia Ltd.	Zambia	100
LFC International Engineering JSC *	Vietnam	40
MAAG Gear Systems AG	Switzerland	100
Phillips Kiln Services International F.Z.E.	UAE	100
Pfister Holding GmbH	Germany	100
PT FLSmith Indonesia	Indonesia	100
FLSmith LLP	Kazakhstan	100
P.T. FLSmith Construction Indonesia	Indonesia	67
The Pennies and Pounds Holding, Inc.*	Philippines	33
FLSmith Tyskland A/S	Denmark	100
FLS Germany Holding GmbH	Germany	100
FLSmith Real Estate GmbH	Germany	100
FLSmith Pfister GmbH	Germany	100
FLSmith Hamburg GmbH	Germany	100
Möller Materials Handling GmbH	Germany	100
FLSmith Wiesbaden GmbH	Germany	100
FLSmith Wadgassen GmbH	Germany	100
FLSmith Wuppertal GmbH	Germany	100
FLSmith Oelde GmbH	Germany	100
Fuller Offshore Finance Corp. B.V.	Netherlands	100
FLSmith Kovako B.V.	Netherlands	100
FLSmith Minerals Holding ApS	Denmark	100
FLSmith Ltd.	Canada	100
9189-6175 Quebec Inc.	Canada	100
4437845 Canada Inc.	Canada	100

Notes

22. List of Group companies

Company	Country	Direct owner-ship interest (pct)
FLSmidth Pty. Ltd.	Australia	100
DMI Holdings Pty. Ltd.	Australia	100
DMI Australia Pty. Ltd.	Australia	100
ESSA Australia Limited	Australia	100
ESSA International Pty. Ltd.	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
Yantal Ludowici Mineral Processing Equipment Limited	China	100
Rojan Advanced Ceramics Pty. Ltd.	Australia	100
Ludowici Hong Kong Investments Ltd.	Hong Kong	100
Qingdao Ludowici Mining Equipment Ltd.	China	100
J.C. Ludowici & Son Pty. Limited	Australia	100
Ludowici Packaging Australia Pty. Ltd.	Australia	100
Ludowici Technologies Pty. Ltd.	Australia	100
Ludowici Plastics Limited	New Zealand	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 Roymac (Pty) Ltd.	South Africa	74
FLSmidth (Pty) Ltd.	Botswana	74
Euroslot KDSS (South Africa) (Pty.) Ltd.**	South Africa	50
FLS US Holdings, Inc.	United States	100
FLSmidth USA, Inc.	United States	100
FLSmidth Dorr-Oliver Elmco SLC Inc.	United States	100
FLSmidth Dorr-Oliver Inc.	United States	100
FLSmidth Dorr-Oliver International Inc.	United States	100
FLSmidth Krebs (Beijing) Ltd.	China	100
Ludowici Mineral Processin Equipment Inc.	USA	100
Phillips Kiln Services (India) Pvt. Ltd.	India	50
Phillips Kiln Services Europe Ltd.	United Kingdom	50
SLS Corporation	United States	100
FLSmidth Inc.	United States	100
Fuller Company	United States	100

* Associate

** Joint Venture

Notes

22. List of Group companies

Company	Country	Profit/loss for	Equity
		the year, DKKm	DKKm
FLSmidth Ltda.	Brazil	18	266
FLSmidth QingdaoLtd.	China	12	196
FLSmidth Ventomatic SpA	Italy	39	209
FLSmidth Tyskland A/S	Denmark	(92)	1.043
FLSmidth Minerals Holding ApS	Denmark	(50)	1.699
FLS US Holdings, Inc.	United States	(126)	1.385
Internal profit		181	(908)
Other companies and goodwill		31	653
		<u>13</u>	<u>4.543</u>

The figures above are stated in accordance with IFRS and are based on significant investments in Group enterprises' internal reporting to FLSmidth & Co. A/S adjusted for amortisation of goodwill.

The disclosures above may therefore differ significantly from the financial statements published by the companies concerned, which are presented in accordance with local accounting standards.

