FLSmidth A/S

Vigerslev Allé 77
2500 Valby

Annual Report 2016

(CVR no. 15 02 88 82)

Adopted at the Company's Annual General Meeting on 30 March 2017

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Chairman of the meeting

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

Sten Erik Jakobsson

Tom Knutzen

Caroline Grégoire Sainte Marie

Marius Jacques Kloppers

Richard Robinson Smith

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

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 2016.

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 2016 and of the results of its operations for the financial year 1 January - 31 December 2016.

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, 30 March 2017

Executive Management

Thomas Schulz	Lars Vestergaard
CEO	CFO

Statement by the Board of Directors and the Executive Management

The Board of Directors

Vagn Ove Sørensen Chairman	Torkil Bentzen Vice Chairman	Sten Erik Jakobsson
Tom Knutzen	Caroline Grégoire Sainte Marie	Marius Jacques Kloppers
Richard Robinson Smith	Mette Dobel elected by the employees	Søren Quistgaard Larsen elected by the employees
Jens Peter Koch elected by the employees		

The independent auditor’s report

To the shareholder of FLSmidth A/S

Opinion

We have audited the financial statements of FLSmidth A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant 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 Entity’s financial position at 31-12-2016 and of the results of its operations and cash flows for the financial year 01.01.2016 - 31.12.2016 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 this auditor’s report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit

The independent auditor´s report

conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

The independent auditor´s report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

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

Copenhagen, 30 March 2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Lars Siggaard Hansen
State-Authorised
Public Accountant

Management´s commentary

Financial highlights
(5 year summary)

DKKm	2012	2013	2014	2015	2016
Income statement					
Revenue	4.012	4.034	3.780	3.480	3.401
Production costs	(3.299)	(4.122)	(3.235)	(3.493)	(3.157)
Gross profit	**713**	**(88)**	**545**	**(13)**	**244**
Sales, admin. and other operating income and costs	(295)	(48)	(328)	(2)	(221)
Earnings before interest and tax (EBIT)	**418**	**(136)**	**217**	**(15)**	**23**
Dividend from Group enterprises	1.300	142	173	134	128
Profit and loss on sale of enterprises and activities	4	1	(11)	3	(1)
Financial items, net	34	(10)	(32)	(120)	35
Earnings before tax (EBT)	**1.756**	**(3)**	**347**	**2**	**185**
Tax for the year	(97)	0	(40)	7	40
Profit/loss for the year	**1.659**	**(3)**	**307**	**9**	**225**
Balance sheet					
Non-current assets	5.816	5.951	5.081	6.549	6.339
Current assets	3.890	2.685	3.117	2.769	2.677
Total assets	**9.706**	**8.636**	**8.198**	**9.318**	**9.016**
Equity	5.531	4.527	4.611	4.143	4.366
Provisions	653	509	375	438	416
Liabilities	3.522	3.600	3.212	4.737	4.234
Total equity and liabilities	**9.706**	**8.636**	**8.198**	**9.318**	**9.016**
Investments in tangible assets	**30**	**18**	**12**	**11**	**24**
Financial ratios					
Gross margin	*17,8%*	*-2,2%*	*14,4%*	*-0,4%*	*7,2%*
EBIT margin	*10,4%*	*-3,4%*	*5,7%*	*-0,4%*	*0,7%*
EBT margin	*43,8%*	*-0,1%*	*9,2%*	*0,1%*	*5,4%*
Return on equity	*33,5%*	*-0,1%*	*6,7%*	*0,2%*	*5,3%*
Equity ratio	*57,0%*	*52,4%*	*56,2%*	*44,5%*	*48,4%*
Number of employees at 31 December	**1.705**	**1.518**	**1.238**	**1.192**	**1.085**

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

Management´s commentary

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 3.401m in 2016, representing a 2% decrease compared to last year (2015: DKK 3,480m).

The EBIT result in 2016 amounted to DKK 23m (2015: DKK -15m) which is in line with expectations.

The balance sheet total amounted to DKK 9.016m at the end of 2016 (end of 2015: DKK 9,318m). The equity at the end of 2016 amounted to DKK 4.366m (2015: DKK 4,143m), representing an equity ratio of 48% (2015: 44%). The return on shareholders’ equity in 2016 amounted to 5% (2015: 0%).

The profit for the year is amounting to DKK 225m (2015: DKK 9m., 2015 was impacted by a write-down of Patents and rights of DKK 115m).

Order intake

The total order intake of FLSmidth A/S amounted to DKK 3,120m in 2016, representing a 7% increase on the year before (2015: DKK 2,929m).

Management´s commentary

Market trends

Following a slow start to the year, market activity resumed over the summer. Capital orders remained subdued throughout 2016, whereas service orders showed good momentum in the second half, supported by increasing commodity prices.

2016 was another belt-tightening year for the mining industry. Demand for equipment, especially for larger projects, remained weak, as miners continued to strength-en their balance sheets through reduced investments and targeted procurement savings. Mining capital expenditures are down more than 60% from the peak level in 2012 and now appear to be stabilising. As miners have already fixed their budgets at stable to slightly declining levels for 2017 it is, however, unlikely that any significant increase in market activity will take place until the end of 2017 at the earliest when the 2018 budgets are fixed.

Since 2012, miners have taken steps to reduce their cash cost of production and in combination with increasing commodity prices, operating cash flows are improving. As an example, more than 90% of global copper production is running at cash costs below the current copper price. Industry productivity is, however, still far below the level of the 1990's, and provided current commodity prices and cash generation can be sustained, customers are likely to turn their focus from cost cutting to asset management, especially in copper and gold which continue to lead FLSmidth's minerals activities. Whereas miners spent the highest proportion of expansion capex on iron ore in the past, they will, according to a study by Wood Mackenzie, allocate the highest share of expansion capex to copper and gold projects in the coming years.

The market for minerals-related services saw a weakening at the beginning of the year, as customers deferred maintenance and larger purchases, reducing demand for upgrade projects and parts for inventory. Sentiment improved in the second half of the year as commodity prices continued to increase. Copper and gold prices were up by 22% and 8% respectively in 2016. Thermal coal (used for power and heat generation) increased even further, and iron ore and coking coal (used for steel production) more than doubled in price over the year. Although coal and iron ore account for a relatively low proportion of FLSmidth's minerals related sales, the price increase of these commodities is still very important for the industry's overall cash generation and its ability to make investments in other commodities, such as copper and gold.

The global market for new cement capacity was largely unchanged in 2016, although tendering activity picked up slightly in the second half of the year, owing to good local or regional opportunities. Cement demand continued to grow, although not by enough to outweigh supply additions, and after several years of overcapacity and relatively few orders available in the market, competition is strong and pricing is under pressure.

Management´s commentary

Overall, the market for cement related services was stable throughout the year, although, with some changing regional dynamics as a result of economic developments and politics. North America and parts of Asia saw stronger activity, whereas South America saw a weakening. Consequently, customers in South America are primarily focused on cost savings, whereas customers in North America and Asia are more focused on debottlenecking and maximising production which is an advantage to FLSmidth as a premium provider of productivity.

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.

Insurance

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 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.

2016 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.

Management´s commentary

During the risk assessment process in 2016, the following key risks were identified in random order of priority:

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

Management´s commentary

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

Management´s commentary

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.

Credit risk

Financial counterpart risk

The use of financial instruments entails the risk that the counterparty may not be able to honor 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.

Management´s commentary

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 2017

In 2017, FLSmidth A/S expects revenue of DKK 2.3bn (2016: DKK 3.4bn) and an EBIT margin of 10%-11%. The decrease in revenue is primarily attributable to an expected decrease in the cement division.

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 9 February 2017. 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 for 2016 is available on www.flsmidth.com/en-US/Investor+Relations/Governance/Corporate+Governance. Reporting on gender composition of management is available on:

http://www.flsmidth.com/~/media/PDF%20Files/CorpCom/AGM2016/FLS_GOVERNANCE_2016_FINAL.as

Accounting policies

General comments

The 2016 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). 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.

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 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.

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).

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 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.

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.

Accounting policies

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 FLS-midth & 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 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.

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.

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.

Accounting policies

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.

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. 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.

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.

Accounting policies

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.

Accounting policies

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.

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.

Accounting policies

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.

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

Income statement for 2016

Note		2016 DKKm	2015 DKKm
1	Revenue	3.401	3.480
2+3	Production costs	(3.157)	(3.493)
	Gross profit	**244**	**(13)**
2	Sales and distribution costs	(139)	(109)
2+3+4	Administrative costs	(615)	(677)
5	Other operating income	534	785
5	Other operating costs	(1)	(1)
	Earnings before interest and tax (EBIT)	**23**	**(15)**
6	Dividend from Group enterprises	128	134
	Profit/loss on sale of enterprises and activities	(1)	3
7	Financial income	169	165
7	Financial costs	(134)	(285)
	Earnings before tax (EBT)	**185**	**2**
8	Tax for the year	40	7
	Profit/loss for the year	**225**	**9**

Balance sheet at 31 December 2016

Note	Assets	2016 DKKm	2015 DKKm
	Patents and rigths	1.481	1.711
	Other intangible assets	49	32
	Completed development projects	209	291
	Intangible assets under development	346	363
9	**Intangible assets**	**2.085**	**2.397**
	Land and buildings	35	39
	Other plant, operating equipment, fixtures and fittings	40	53
10	**Tangible assets**	**75**	**92**
11+22	Investments in Group enterprises	3.823	3.821
11+22	Associates and joint ventures	8	11
11	Other securities and investments	125	72
16	Deferred tax assets	223	156
	Financial assets	**4.179**	**4.060**
	Non-current assets	**6.339**	**6.549**
	Finished goods and goods for resale	27	36
	Inventories	**27**	**36**
12	Trade receivables	650	278
13	Work-in-progress for third parties	271	266
	Prepayments to subcontractors	11	20
	Receivables from Group enterprises	1.637	2.001
	Other receivables	41	110
	Receivables	**2.610**	**2.675**
14	**Cash and cash equivalents**	**40**	**58**
	Current assets	**2.677**	**2.769**
	Assets	**9.016**	**9.318**

Balance sheet at 31 December 2016

Note	Equity and liabilities	2016 DKKm	2015 DKKm
15	Share capital	500	500
	Reserve for development projects	40	0
	Retained earnings	3.701	3.643
	Proposed dividend	125	0
	Equity	**4.366**	**4.143**
17	Other provisions	416	438
	Provisions	**416**	**438**
	Prepayments received from customers	76	95
18	Other liabilities	14	5
	Long-term liabilities	**90**	**100**
	Prepayments received from customers	205	223
13	Work-in-progress for third parties	819	942
	Trade payables	865	467
	Debt to Group enterprises	1.945	2.625
18	Other liabilities	283	309
	Corporation tax payable	27	71
	Short-term liabilities	**4.144**	**4.637**
	Liabilities	**4.234**	**4.737**
	Liabilities and provisions	**4.650**	**5.175**
	Equity and liabilities	**9.016**	**9.318**

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 2016

DKKm	Share capital	Reserve for development projects	Retained earnings	Proposed dividend for financial year	Total
Equity at 1 January 2015	**500**	**0**	**3.611**	**500**	**4.111**
Profit/loss for the year	0	0	9	0	**9**
Value adjustment of hedging transactions	0	0	29	0	**29**
Tax on hedging transactions	0	0	(6)	0	**(6)**
Paid dividend	0	0	0	(500)	**(500)**
Equity at 31 December 2015	**500**	**0**	**3.643**	**0**	**4.143**
Profit/loss for the year	0	0	225	0	**225**
Value adjustment of hedging transactions	0	0	(3)	0	**(3)**
Tax on hedging transactions	0	0	1	0	**1**
Transferred to reserve for development-					**0**
projects	0	40	(40)	0	**0**
Proposed dividend	0	0	(125)	125	**0**
Equity at 31 December 2016	**500**	**40**	**3.701**	**125**	**4.366**

Notes

	2016 DKKm	2015 DKKm
1 Net revenue and segment reporting		
Income recognition criteria		
Income recognised when delivered	806	860
Income recognised in accordance with percentage-of-completion method	2.595	2.620
	3.401	**3.480**
Geographical breakdown		
Denmark	67	48
Rest of Scandinavia	26	23
Rest of Europe	828	527
North America	64	180
South America	25	82
Africa	565	1.503
Australia	4	5
Asia	1.822	1.112
	3.401	**3.480**
Segment reporting		
Cement	2.298	2.025
Customer Services	581	726
Product	522	720
Mineral Processing	0	9
	3.401	**3.480**

2 Staff costs

	2016	2015
Wages, salaries and fees	789	790
Pension contributions	34	48
Other staff costs	60	24
	883	**862**
Average number of full-time employees at 31 December	1.085	1.192

The staff costs are included in the items: Production costs, sales and distribution costs and administrative costs.

Remuneration of the Executive Management:	Gross salary	Cash Bonus	Long-term incentive program	2016 DKK (1.000)
Thomas Schulz	7.282	848	1.468	9.598
Lars Vestergaard	3.939	427	533	4.899
Total	**11.221**	**1.275**	**2.001**	**14.497**

Remuneration of the Executive Management:	Gross salary	Cash Bonus	Long-term incentive program	2015 DKK (1.000)
Thomas Schulz	6.974	1.056	1.159	9.189
Lars Vestergaard	3.595	420	258	4.273
Total	**10.569**	**1.476**	**1.417**	**13.462**

Remuneration of the Board of Directors:	2016 DKKm	2015 DKKm
Board of Directors fees	**4**	**4**

3 Depreciation and amortisation

	2016	2015
Depreciation and amortisation of assets consist of:		
Amortisation of intangible assets	384	507
Depreciation of tangible assets	25	28
	409	**535**
and are allocated as follows:		
Production costs	128	169
Administrative costs	281	366
	409	**535**

Notes

4 Fee to auditors appointed at the Annual General Meeting

	2016 DKKm	2015 DKKm
Statutory audit	1	2
Tax and VAT consultancy	1	1
Other services	2	3
	4	**6**

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

	2016 DKKm	2015 DKKm
Dividend from Group enterprises	128	134
	128	**134**

7 Financial income and costs

	2016 DKKm	2015 DKKm
Financial income:		
Reversal of impairment of investments in Group enterprises	0	10
Interest and other financial income	3	0
Derivatives	45	58
Capital gains on shares	53	32
Foreign exchange gains, etc.	68	65
	169	**165**
Financial costs		
Impairment of investments in Group enterprises	0	10
Interest and other financial costs	1	0
Interest costs to Group enterprises	16	11
Derivatives	51	180
Foreign exchange losses, etc.	66	84
	134	**285**

8 Tax for the year

	2016 DKKm	2015 DKKm
Tax for the year		
Current tax on the profit/loss for the year	100	51
Withholding tax	9	20
Adjustment for previous years, current taxes	(42)	64
Adjustment of deferred tax	(84)	(73)
Adjustment for previous years, deferred tax	17	(69)
Other adjustments	(40)	0
	(40)	**(7)**

The company is part of a Danish joint taxation scheme for which FLSmidth & 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 rigths DKKm	Other intang-ible assets DKKm	Completed development projects DKKm	Intangible assets under development DKKm	Total DKKm
Cost at 1 January 2016	**2.961**	**260**	**712**	**363**	**4.296**
Additions	5	0	0	52	57
Disposals	0	(6)	0	0	(6)
Transferred between categories	0	40	47	(69)	18
Cost at 31 December 2016	**2.966**	**294**	**759**	**346**	**4.365**
Amortisation and impairment at 1 January 2016	(1.250)	(228)	(421)	0	(1.899)
Annual amortisation	(235)	(22)	(129)	0	(386)
Disposal	0	5	0	0	5
Amortisation and impairment at 31 December 2016	**(1.485)**	**(245)**	**(550)**	**0**	**(2.280)**
Carrying amount at 31 December 2016	**1.481**	**49**	**209**	**346**	**2.085**
Carrying amount at 31 December 2015	**1.711**	**32**	**291**	**363**	**2.397**

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 2016, the carrying value of the intangible assets with an estimated economic life time of 20 years amounts to DKK 449m.

Intangible assets under development consist of R&D projects and software. The majority of the carrying amount at 31 December relates to one single R&D project which will be finalised and ready for use from June 2017.

10 Tangible assets

	Land and buildings DKKm	Other plant, operating equipment, fixtures and fittings DKKm	Total DKKm
Cost at 1 January 2016	**76**	**163**	**239**
Additions	0	24	24
Disposals	0	(19)	(19)
Transferred between categories	0	6	6
Cost at 31 December 2016	**76**	**174**	**250**
Depreciation at 1 January 2016	(37)	(110)	(147)
Disposals	0	17	17
Annual depreciation	(4)	(21)	(25)
Transferred between categories	0	(20)	(20)
Depreciation at 31 December 2016	**(41)**	**(134)**	**(175)**
Carrying amount at 31 December 2016	**35**	**40**	**75**
Carrying amount at 31 December 2015	39	53	92

Notes

11 Financial assets

	Invest-ments in Group enter-prises DKKm	Associates and joint ventures DKKm	Other securities and invest-ments DKKm	Total DKKm
Cost at 1 January 2016	**4.136**	**11**	**45**	**4.192**
Additions	2	0	0	2
Disposals	0	(3)	0	(3)
Cost at 31 December 2016	**4.138**	**8**	**45**	**4.191**
Adjustments at 1 January 2016	**(315)**	**0**	**27**	**(288)**
Write-downs	0	0	0	0
Value and other adjustments	0	0	53	53
Adjustments at 31 December 2016	**(315)**	**0**	**80**	**(235)**
Carrying amount at 31 December 2016	**3.823**	**8**	**125**	**3.956**
Carrying amount at 31 December 2015	3.821	11	72	3.904

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 teminal 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.

12 Trade receivables

	2016 DKKm	2015 DKKm
Trade receivables	650	278

The maturity profile of trade receivables that are written down may be specified as follows:

	2016 DKKm	2015 DKKm
Not due for payment	296	157
0-60 days	144	63
60-180 days	183	18
180-360 days	27	40
	650	**278**
Write down of trade receivable		
Write down at 1 January	12	16
Additions	35	2
Reversals	(4)	(6)
Realised	1	0
Write down at 31 December	**44**	**12**

Notes

13 Work-in-progress for third parties

	2016 DKKm	2015 DKKm
Total costs incurred	7.916	9.241
Profit recognised as income, net	1.285	1.699
Work-in-progress for third parties	**9.201**	**10.940**
Invoicing on account to customers	(9.749)	(11.616)
	(548)	**(676)**
of which work-in-progress for third parties is stated under assets	271	266
and under liabilities	(819)	(942)
	(548)	**(676)**

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 365m (2015: DKK 506m).

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	DKKm 500
Share capital at 31 December 2016	DKKm 500

16 Profit distribution

	2016 DKKm	2015 DKKm
Profit to be distributed as follows:		
Proposed dividend	125	0
Reserve for development projects	40	0
Retained earnings	60	9
	225	**9**

17 Deferred tax

	2016 DKKm	2015 DKKm
Intangible assets	129	160
Tangible assets	239	241
Non-current and current liabilities	(145)	(245)
Deferred tax assets and tax liabilities at 31 December	**223**	**156**
The year's movements in deferred tax assets and tax liabilities		
Deferred tax at 1 January	156	14
Movements via the income statement	84	73
Changes in relation to previous years	(17)	69
Deferred tax assets and tax liabilities at 31 December	**223**	**156**

Notes

18	Other provisions	2016 DKKm	2015 DKKm
	Provisions at 1 January	438	375
	Additions during the year	308	283
	Disposals/application during the year	(79)	(95)
	Reversals during the year	(226)	(125)
	Reclassification to/from other liabilities	(25)	0
	Provisions at 31 December	**416**	**438**

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.

19 Other liabilities

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

20	Contingent assets and liabilities	2016 DKKm	2015 DKKm
	Guarantees	5.775	4.518
	Minimum rent and operating lease commitments:		
	Maturity between one and two years	1	1
	Maturity between two and five years	6	3
		5.782	**4.522**

The company has through its banks provided usual security in the form of performance guarantees, etc. for contracts and supplies. At the end of 2016, the total number of performance and payment guarantees issued amounted to DKK 882m (2015: DKK 1.1bn). 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

21 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 pending forward exchange contracts at 31 December 2016, 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. Pending forward exchange contracts at 31 December 2016 have up to two years' time to maturity.

	2016 DKKm	2015 DKKm
Forward exchange contracts	Principal of contracts, net*	Principal of contracts, net*
AUD	56	168
CHF	19	32
USD	551	789
ZAR	105	223
INR	15	95
MXN	22	46
GBP	57	83
Other currencies	57	74
Total	**882**	**1.510**
Fair value of contracts	**1**	**15**

*) 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.

22 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:

www.flsmidth.com

Notes

23 List of Group companies

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

Notes

23 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
Yantai Ludowici Mineral Processing Equipment I	China	100
Rojan Advanced Ceramics Pty. Ltd.	Australia	100
Ludowici Hong Kong Investments Ltd.	Hong Kong	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 Roymec (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 Eimco 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 Processing Equipment Inc.	United States	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