

FLSmith Global Fields Services ApS

Vigerslev Allé 77
2500 Valby

Annual Report 2017

(CVR no. 25 73 06 66)

Adopted at the Company's Annual General Meeting on 31 May 2018

Chairman of the meeting

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Company information

FLSmidth Global Fields Services ApS
Vigerslev Allé 77
2500 Valby

Phone: +45 36 18 10 00

Fax: +45 36 30 18 20

Email: GFS-info@FLSmidth.com

Website: www.flsmidth.com

CVR. No. 25 73 06 66

Founded: 15 November 2000

Registered office: Copenhagen

Financial year: 1 January - 31 December

Company information

Board of Directors

Nikolaj Svendsen, Chairman

Bjørn Hilberg

Martin Strouhal

Mette Mellemegaard Jakobsen

Christian Halken

Executive Management

Bjørn Hilberg, CEO

Auditors

ERNST & YOUNG

Godkendt Revisionspartnerselskab

Osvald Helmuths Vej 4

2000 Frederiksberg

Statement by the Board of Directors and the Executive Management

The Board of Directors and the Executive Management have today considered and approved the annual report of FLSmidth Global Fields Services ApS for the financial year 1 January - 31 December 2017.

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

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

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

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

Copenhagen, 31 May 2018

Executive Management

Bjørn Hilberg
CEO

The Board of Directors

Nikolaj Svendsen
Chairman

Bjørn Hilberg

Mette Mellempgaard Jakobsen

Martin Strouhal

Christian Halken

The independent auditor's report

To the shareholders of FLSmith Global Field Services ApS

Opinion

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

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

The independent auditor's report

the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

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

The independent auditor's report

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Frederiksberg, 31 May 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Claus Tanggaard Jacobsen
State Authorised
Public Accountant
MNE no.: mne23314

Kennet Hartmann
State Authorised
Public Accountant
MNE no.: mne40036

Management's commentary

Main activity

FLSmith Global Field Services ApS is an internal manpower company within the FLSmith Group. The company employs over 200 personnel and provides travelling skilled engineers to support the activities of the wider Group. The majority of the personnel work on Cement related projects, however there is a significant and growing number of the company's personnel working on Minerals and Product Company assignments.

Developments in activities and financial performance

2017 was a year of significant transition for the Company. The start of the year saw the successful transfer of the business from FLSmith (Jersey) Ltd into the company. This included over 200 travelling engineers who joined the company as well as all of the ongoing contracts and assignments which previously were undertaken by our sister company.

The company had historically owned shareholdings in other group companies, these subsidiaries were restructured to other parts of the group to leave its core business of being a manpower company.

A new Board of Directors was constituted which comprises senior managers from the FLSmith Group.

Profit/loss for the year

The company's total revenue amounted to DKK 177m in 2017.

The operating loss in 2017 amounted to DKK -2.4m (2016: DKK 3.6m) which is in line with expectations.

The balance sheet total amounted to DKK 79m at the end of 2017 (end of 2016: DKK 95m). Equity at the end of 2017 amounted to DKK 61m (2016: DKK 64m), representing an equity ratio of 77% (2016: 67%). The return on shareholders' equity in 2017 amounted to -6% (2016: 0%).

The loss for the year is amounting to DKK -3.5m (2016: DKK 2.7m).

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.

Accounting policies

General comments

The annual report of FlSmith Global Field Services ApS for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

In accordance with section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

The financial statements have been prepared 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.

Accounting policies

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.

Income statement

Revenue

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

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).

Production costs

Production costs include direct labour costs and production overheads.

Administrative costs

Administrative costs comprise the costs of administrative staff and management 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.

Financial items

Financial items comprise interest income and costs, realised and unrealised exchange gains and losses on securities, liabilities and transactions in foreign currency, impairment of shares in Group enterprises etc.

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.

Accounting policies

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

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

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

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

Balance sheet

Financial assets

Investments in Group companies are measured at cost less impairment. Where the cost exceeds the recoverable amount, an impairment loss is recognised.

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

Trade receivables

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

Other receivables

Receivables comprise revenue that has not been invoiced 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

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.

Other liabilities

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

Income statement 2017

Income statement for 2017

Note	2017 TDKK	2016 TDKK
Revenue	176,509	0
1 Production costs	<u>(157,406)</u>	<u>0</u>
Gross profit	19,103	0
1 Administrative costs	(19,694)	3,688
2 Other operating costs	<u>(1,779)</u>	<u>0</u>
Operating profit	(2,370)	3,688
Financial income	5	3
3 Financial costs	<u>(1,986)</u>	<u>(244)</u>
Earnings before tax (EBT)	(4,351)	3,447
4 Tax for the year	<u>876</u>	<u>(759)</u>
Profit/loss for the year	(3,475)	2,688
To be distributed as follows:		
Proposed dividend	25,000	0
Retained earnings	<u>(28,475)</u>	<u>2,688</u>
	(3,475)	2,688

Balance sheet at 31 December 2017

Note	Assets	2017 TDKK	2016 TDKK
5	Investments in Group companies	2,836	81,209
	Financial assets	2,836	81,209
	Fixed assets	2,836	81,209
	Trade receivables	1,830	0
	Receivables from affiliated companies	60,523	4,262
	Other receivables	11,506	9,745
	Deferred tax assets	1,772	0
	Receivables	75,631	14,007
	Cash and cash equivalents	100	0
	Current assets	75,731	14,007
	Assets	78,567	95,216

Balance sheet at 31 December 2017

Note	Equity and liabilities	2017 TDKK	2016 TDKK
6	Share capital	10,561	10,561
	Retained earnings	25,064	53,539
	Proposed dividend	25,000	0
	Equity	60,625	64,100
	Trade payables	26	0
	Payables to affiliated companies	4,032	30,378
7	Other liabilities	13,226	23
	Corporation tax payable	658	715
	Short-term liabilities	17,942	31,116
	Liabilities	17,942	31,116
	Equity and liabilities	78,567	95,216
	Other notes		
8	Contingent assets and liabilities		
9	Related parties and ownership		
10	Collateral and pledged assets		

Statement of changes in equity for 2017

TDKK	Share capital	Retained earnings	Proposed dividend for financial year	Total
Equity at 1 January 2016	10,561	50,851	0	61,412
Profit/loss for the year	0	2,688	0	2,688
Equity at 31 December 2016	10,561	53,539	0	64,100
Equity at 1 January 2017	10,561	53,539	0	64,100
Profit/loss for the year	0	(28,475)	25,000	(3,475)
Equity at 31 December 2017	10,561	25,064	25,000	60,625

Notes

	2017 TDKK	2016 TDKK
1 Staff costs		
Wages, salaries and fees	127,108	0
Pension contributions	630	0
Other staff costs	614	0
	<u>128,352</u>	<u>0</u>
Average number of full-time employees at 31 December	<u>233</u>	<u>0</u>
The staff costs are included in the items: Production costs and administrative costs.		
Referring to Section 98b subsection 3 no 2 of the Danish Financial Statements Act, the Annual Report of FLSmith Global Fields Services ApS does not contain disclosure of management remuneration.		
2 Other operating costs		
Other operating costs include IT and management fees from Group Companies.		
3 Financial costs	2017 TDKK	2016 TDKK
Financial costs		
Interest and other financial costs	181	74
Interest costs to Group enterprises	88	170
Foreign exchange losses, etc.	1,717	0
	<u>1,986</u>	<u>244</u>
4 Tax for the year		
Tax for the year		
Current tax on the profit/loss for the year	658	759
Adjustment for previous years, current taxes	42	0
Adjustment of deferred tax	(1,772)	0
Other adjustments	196	0
	<u>(876)</u>	<u>759</u>

Notes

5 Financial assets

	Invest- ments in Group companies TDKK	Total TDKK
Cost at 1 January 2017	81,209	81,209
Additions	0	0
Disposals	(78,373)	(78,373)
Cost at 31 December 2017	2,836	2,836
Adjustments at 1 January 2017	0	0
Disposals	0	0
Adjustments at 31 December 2017	0	0
Carrying amount at 31 December 2017	2,836	2,836
Carrying amount at 31 December 2016	81,209	81,209

Investment in Group companies represent a 6% share in an affiliated company.

6 Share capital

	2017 TDKK	2016 TDKK
Analysis of the Company's share capital, TDKK 10.561		
10.561 class A shares of DKK 1 000 each	10,561	10,561
	10,561	10,561

All shares have the same share class.

7 Other liabilities

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

8 Contingent liabilities

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

9 Related parties and ownership

FLSmidth A/S, Denmark owns 100% of the shares of FLSmidth Global Fields Services ApS.

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

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

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

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

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

Notes

10 Collateral and pledged assets

None of the assets owned by Global Fields Services ApS are pledged and the Company has no collateral agreements.