

Adopted at the Company's Annual General
Meeting on / 2018.

Chairman of the meeting

FLSmidth Rusland Holding A/S
Vigerslev Allé 77, 2500 Valby

ANNUAL REPORT 2017
(CVR-nr. 31 05 15 41)

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Company information

Company

FLSmidth Rusland Holding A/S
Vigerslev Allé 77
2500 Valby
CVR nr. 31 05 15 41
Municipality: København
Date of incorporation: 29.10.2007
Financial year: 01.01 - 31.12

Board of directors

Gregers Schmidt, Chairman
Anders Christian Bech
Mette Mellemegaard Jakobsen

Executive Management

Anders Christian Bech

Auditors

Ernst & Young P/S
Godkendt Revisionspartnerselskab
Osvold Helmuths Vej 4,
DK-2000 Fredericksberg
CVR nr. DK 30 70 02 28

Statement by the Board of Directors

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

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

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

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

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

Valby, 31 May 2018

Executive Management

Anders Christian Bech

Board of Directors

Gregers Schmidt, Chairman

Anders Christian Bech

Mette Mellemggaard Jakobsen

The independent auditor's report

To the shareholders of FLSmith Rusland Holding A/S.

Opinion

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

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

Basis for opinion

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

Independence

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

The independent auditor's report continued

6.

Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we

- conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures,

- and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

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 Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 31 May 2018

Ernst & Young P/S

Godkendt Revisionspartnerselskab
CVR nr. 30 70 02 28

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

Kennet Hartmann
State Authorised
Public Accountant
MNE no.: mne40036

Management's commentary

Main activity

FLSmidth Rusland Holding A/S is the parent company of a foreign subsidiary, being the only activity of the company.

Developments in activities and financial performance

The result after tax in 2017 amounted to DKKt -41 (2016: DKKt -45).

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 2017 Annual Report for FLSmith Rusland Holding A/S is presented in accordance with the provisions of the Danish Financial Statements Act for Reporting Class B companies, with options from Reporting Class C companies. FLSmith Rusland Holding 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 Rusland Holding 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.

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

Administrative costs

Administrative costs comprise audit fees and indirect administrative costs.

Dividend from Group enterprises

Dividend from investments in subsidiaries 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.

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, 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 equity with the share attributable to items entered directly in equity.

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

Deferred tax is calculated using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except differences relating to initial recognition of goodwill not deductible for tax purposes. Deferred tax is calculated based on the applicable tax rates for the individual financial years. The effect of changes in the tax rates is stated in the income statement unless they are items previously entered directly in the equity. The tax value of losses that are expected with adequate certainty to be available for utilisation against future taxable income in the same legal tax unit and jurisdiction is included in the measurement of deferred tax.

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

The Company and its Danish Group enterprises are jointly taxed with the other Danish members of the 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).

Accounting policies

BALANCE SHEET

Receivables

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

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.

Dividends from subsidiaries and associates are 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.

Dividends

Dividends are 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 audit accruals, taxes and duties and interest payable. Other liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income statement for 2017

(Amounts in 1,000 DKK)

Note:	<u>2017</u>	<u>2016</u>
Administration costs	(8)	(16)
Earnings before interest and tax (EBIT)	(8)	(16)
1 Financial income	11	36
1 Financial costs	(55)	(69)
Earnings before tax (EBT)	(52)	(49)
2 Tax for the year	11	4
Loss for the year	(41)	(45)
To be distributed as follows:		
Proposed dividend	0	10,000
Transfer to retained earnings	(41)	(10,045)
	(41)	(45)

Balance sheet at 31 December 2017

(Amounts in 1,000 DKK)

Note:	<u>2017</u>	<u>2016</u>
Assets		
3		
Investments in subsidiaries	9,339	9,339
Financial assets	<u>9,339</u>	<u>9,339</u>
Total non-current assets	<u>9,339</u>	<u>9,339</u>
Receivables from affiliated companies	3,310	13,361
Tax receivables	11	11
Receivables	<u>3,321</u>	<u>13,372</u>
Cash and cash equivalents	<u>128</u>	<u>127</u>
Total current assets	<u>3,449</u>	<u>13,499</u>
Total assets	<u>12,788</u>	<u>22,838</u>
Equity and liabilities		
Share capital	500	500
Retained earnings	12,282	12,323
Proposed dividend	0	10,000
4 Total equity	<u>12,782</u>	<u>22,823</u>
Other liabilities	6	15
Total short-term liabilities	<u>6</u>	<u>15</u>
Total equity and liabilities	<u>12,788</u>	<u>22,838</u>
Other notes		
5		
Staff costs		
6		
Contingent assets and liabilities		
7		
Related parties and ownership		

NOTES

(Amounts in 1,000 DKK)

	<u>2017</u>	<u>2016</u>
Note 1, Financial income and costs		
Financial income		
Interest income	11	10
Foreign exchange gains	0	26
	<u>11</u>	<u>36</u>
Financial costs		
Interest costs to Group enterprises	45	67
Foreign exchange losses	10	2
	<u>55</u>	<u>69</u>
Note 2, Tax for the year		
Current tax on the profit/loss for the year	(11)	(11)
Adjustment for previous years, current taxes	0	7
	<u>(11)</u>	<u>(4)</u>
Note 3, Investments in subsidiaries		
Cost at 1 January 2017	<u>9,339</u>	
Cost at 31 December 2017	<u>9,339</u>	
Adjustments at 1 January 2017	0	
Write-downs	0	
Adjustments at 31 December 2017	<u>0</u>	
Carrying amount at 31 December 2017	<u>9,339</u>	
Carrying amount at 31 December 2016	<u>9,339</u>	
	<u>Annual</u>	<u>Equity</u>
	<u>result</u>	<u>Value</u>
FLSmidth Rus OOO, Rusland, 100% owned	4,500	39,910
	<u>4,500</u>	<u>39,910</u>

NOTES

(Amounts in 1,000 DKK)

Note 4, Total equity

	Share capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2016	500	22,368		22,868
Profit/loss for the year		(10,045)	10,000	(45)
Equity at 31 December 2016	500	12,323	10,000	22,823
Equity at 1 January 2017	500	12,323	10,000	22,823
Profit/loss for the year		(41)		(41)
Paid dividend			(10,000)	(10,000)
Equity at 31 December 2017	500	12,282	0	12,782

5 year development of share capital

	2017	2016	2015	2014	2013
Start of year	500	500	500	500	500
End of year	500	500	500	500	500

Note 5, Staff costs

In 2017 the company had no employees.

Note 6, Contingent assets and liabilities

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.

Note 7, Related parties and ownership

FLSmidth Rusland Holding A/S is a fully consolidated subsidiary in the FLSmidth & Co. A/S Group, FLSmidth A/S is the sole shareholder and the parent company. Regarding FLSmidth Rusland Holding A/S'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