



FLSmidth Finans A/S

Vigerslev Allé 77

2500 Valby

CVR no. 31 61 07 61

Annual report for 2019

**Adopted at the annual general
meeting on 3 July 2020**



Per Henrik Jensen
chairman

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Company details

FLSmidth Finans A/S
Vigerslev Allé 77
2500 Valby

CVR-no. 31 61 07 61

Financial year: 1 January - 31 December 2019

Domicile: Copenhagen

Board of directors

Sander Fynboe, chairman
Naja Barrisø
Per Henrik Jensen

Executive Board

Per Henrik Jensen

Auditors

EY
Godkendt Revisionspartnerselskab
Dirch Passers Allé 36
2000 Frederiksberg

Financial highlights

Seen over a 5-year period, the development of the Company may be described by means of the following financial highlights:

	2019	2018	2017	2016	2015
	MDKK	MDKK	MDKK	MDKK	MDKK
Key figures					
Net financials	4	10	13	17	18
Profit/loss for the year	3	8	10	12	13
Balance sheet total	1,132	841	585	573	592
Total equity	594	590	582	572	559
Financial ratios					
Solvency ratio	52.5%	70.2%	99.5%	99.8%	94.4%
Return on equity	0.5%	1.4%	1.7%	2.1%	2.4%

The financial ratios are calculated in accordance with the definitions included in the accounting policies.

Statement by management on the annual report

The executive management and board of directors have today discussed and approved the annual report of FLSmidth Finans A/S for the financial year 1 January - 31 December 2019.

The annual report is prepared 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 2019 and of the results of the company's operations for the financial year 1 January - 31 December 2019.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved at the annual general meeting.

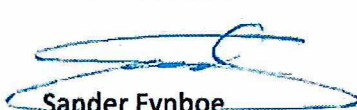
Valby, 3 July 2020

Executive Management



Per Henrik Jensen

Board of directors



Sander Fynboe
chairman



Naja Barrisø



Per Henrik Jensen

Independent auditor's report

To the shareholder of FLSmidt Finans A/S

Opinion

We have audited the financial statements of FLSmidt Finans A/S for the financial year 1 January - 31 December 2019, which comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2019 and of the results of the company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these 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 the 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.

Independent auditor's report

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 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 judgment and maintain professional skepticism 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 disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent auditor's report

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 management's review

Management is responsible for management's review.

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

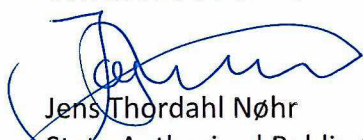
In connection with our audit of the financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially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

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

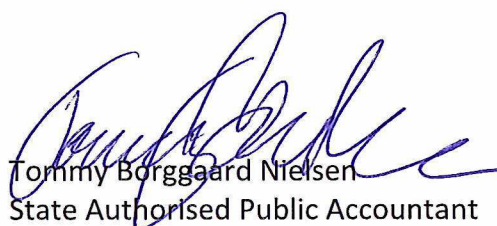
Based on the work we have performed, we conclude that management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of management's review.

Copenhagen, 3 July 2020

EY
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Jens Thordahl Nøhr
State Authorised Public Accountant
mne32212



Tommy Borggaard Nielsen
State Authorised Public Accountant
mne34340

Management's review

Business activities

The company is part of FLSmidth Group and fully owned by FLSmidth & Co. A/S. The purpose of the Company is to provide capital via loans to entities within the FLSmidth Group or entities associated with the FLSmidth Group.

Business review

The income statement for the financial year 2019 shows total profit of TDKK 3,305 (2018: TDKK 8,279). Income and costs are solely related to financial income and costs.

The balance constituted TDKK 1,131,602 at the end of 2019 (2018: TDKK 841,034). Hereof constitutes equity TDKK 593,691 (2018: TDKK 590,386) representing an equity ratio of 52.5 pct. (2018: 70.2 pct.).

The return on shareholders' equity in 2019 amounted to 0.5 pct. (2018: 1.4 pct.).

Special risks apart from generally occurring risks in industry

Currency risks

The Company's currency risk derives from the impact of exchange rates on future commercial payments and financial payments. Furthermore, the Company hedges loans in foreign currencies provided to entities within the FLSmidth Group in order to reduce fluctuations in FX prices. Funding is done in the Company's own currency.

Interest-rate risks

The Company reduces interest risk by only using floating rates on its funding and financing agreements.

Credit risks

The Company's financial assets are mainly managed or approved by Management and Treasury department. The credit risk is limited to only FLSmidth Group counterparties where there is continuously assessment of operational performance and profitability.

Management's review

Significant events occurring after end of reporting period

In early 2020, the COVID-19 outbreak is escalated globally and impacting communities and business as well as financial markets negatively. The outbreak is considered a subsequent event, which not impacted the financial position of the Company at 31. December 2019.

No other events have occurred after the balance sheet date which could significantly affect the company's financial position.

Outlook for 2020:

As a consequence of the global uncertainty caused by the COVID-19 pandemic, we suspend our financial guidance for 2020 pending further clarification of market developments and the actual financial impact on our business. The underlying mining and cement industries remain sound but given the day-to-day development in markets around the world, we are currently unable to assess the extent of the impact.

Accounting policies

The annual report of FLSmidth Finans A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class C medium sized.

The accounting policies applied are consistent with those of last year.

The annual report for 2019 is presented in TDKK

In accordance with section 86.4 of the Danish Financial Statements Act, no cash flow statement has been prepared. The cash flow statement of FLSmidth Finans A/S is included in the consolidated financial statement of FLSmidth & Co A/S. With the same reference, disclosure of audit fee is excluded in accordance with section 96.3.

Basis of recognition and measurement

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

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

Income statement

Administration costs

Administration costs include expenses to audit fee.

Financial income and costs

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses exchange gains and losses on foreign currency transactions, surcharges and allowances under the advance-payment-of-tax scheme, etc.

Tax for the year

The company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. Subsidiaries participate in the joint taxation arrangement from the time when they are included in the consolidated financial statements and until the time when they withdraw from the consolidation.

Accounting policies

On payment of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use tax losses to reduce their own taxable profits.

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Balance sheet

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write downs for bad and doubtful debts.

Income tax and deferred tax

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax losses allowed for carry forward, are measured at the value to which the asset is expected to be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realisable value.

Liabilities

Mortgage debt is thus measured at amortised cost, which for cash loans corresponds to the outstanding debt. For bond loans, amortised cost corresponds to an outstanding debt calculated as the underlying cash value of the loan at the time of borrowing, adjusted by amortisation of the value adjustment of the loan at the time of borrowing.

Other liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Accounting policies

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If foreign currency transactions are considered cash flow hedges, the value adjustments are taken directly to equity.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Positive and negative fair values of derivative financial instruments are included in 'Other receivables' or 'Other payables', respectively.

Fair value adjustments of derivative financial instruments designated as and qualifying for hedging of future cash flows are recognised in other receivables or other payables and in equity. If the future transaction results in recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or the liability, respectively. If the future transaction results in income or expenses, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged item affects the income statement.

As for derivative financial instruments that do not qualify for hedge accounting, fair value adjustments are recognised as financial items in the income statement on a current basis.

Financial highlights

Definitions of financial ratios.

Solvency ratio	$\frac{\text{Equity at year-end} \times 100}{\text{Total assets at year-end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$

Income statement 1 January - 31 December

	<u>Note</u>	<u>2019</u> TDKK	<u>2018</u> TDKK
Administration costs		-8	-20
Loss before financial items		-8	-20
Financial income	2	97,757	113,280
Financial costs	3	-94,014	-103,572
Profit before tax		3,735	9,688
Tax for the year	4	-430	-1,409
Profit/loss for the year		<u>3,305</u>	<u>8,279</u>
Distribution of profit	5		

Balance sheet 31 December

	<u>Note</u>	<u>2019</u> TDKK	<u>2018</u> TDKK
Assets			
Receivables from Group companies	6	<u>428,302</u>	<u>150,538</u>
Financial assets		<u>428,302</u>	<u>150,538</u>
Total non-current assets		<u>428,302</u>	<u>150,538</u>
Receivables from Group companies		697,816	661,464
Other receivables		990	28,196
Joint taxation contributions receivable		<u>4,494</u>	<u>836</u>
Receivables		<u>703,300</u>	<u>690,496</u>
Total current assets		<u>703,300</u>	<u>690,496</u>
Total assets		<u><u>1,131,602</u></u>	<u><u>841,034</u></u>

Balance sheet 31 December

	<u>Note</u>	<u>2019</u> TDKK	<u>2018</u> TDKK
Equity and liabilities			
Share capital		10,000	10,000
Retained earnings		<u>583,691</u>	<u>580,386</u>
Equity		<u>593,691</u>	<u>590,386</u>
Payables to Group companies		518,615	249,273
Other payables		<u>19,296</u>	<u>1,375</u>
Total current liabilities		<u>537,911</u>	<u>250,648</u>
Total liabilities		<u>537,911</u>	<u>250,648</u>
Total equity and liabilities		<u>1,131,602</u>	<u>841,034</u>
Contingent assets and liabilities	7		
Related parties and ownership structure	8		

Statement of changes in equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January 2019	10,000	580,386	590,386
Net profit/loss for the year	0	3,305	3,305
Equity at 31 December 2019	10,000	583,691	593,691

The share capital consists of 1 share of a nominal value of TDKK 10,000. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity 1. January 2018	10,000	572,107	582,107
Net profit/loss for the year	0	8,279	8,279
Equity 31. December 2018	10,000	580,386	590,386

Notes

	<u>2019</u>	<u>2018</u>
	TDKK	TDKK
1 Staff costs		
Average number of employees	<u>0</u>	<u>0</u>

No remuneration is paid to the company's management and board of directors.

	<u>2019</u>	<u>2018</u>
	TDKK	TDKK
2 Financial income		
Interest received from Group companies	44,703	38,529
Foreign exchange adjustments	30,119	31,187
Fair value adjustments of financial instruments	<u>22,935</u>	<u>43,564</u>
	<u>97,757</u>	<u>113,280</u>

3 Financial costs		
Financial expenses, Group companies	10,528	7,175
Other financial costs	0	436
Foreign exchange adjustments	8,594	68,885
Fair value adjustments of financial instruments	<u>74,892</u>	<u>27,076</u>
	<u>94,014</u>	<u>103,572</u>

Foreign exchange contracts amount to net expense of DKK 51,9 million for 2019 (2018: net gain of DKK 16,4 million. At 31 December 2019 the fair value amounts to negative DKK 18,3 million and related to economic hedging of a number of loans in foreign currency such as PLN, AUD, CAD and USD. The notional in DKK amounts to DKK 1,1 billion.

Notes

	<u>2019</u>	<u>2018</u>
	TDKK	TDKK
4 Tax for the year		
Current tax for the year	822	2,132
Adjustment of tax concerning previous years	<u>-392</u>	<u>-723</u>
	<u>430</u>	<u>1,409</u>

5 Distribution of profit		
Retained earnings	<u>3,305</u>	<u>8,279</u>
	<u>3,305</u>	<u>8,279</u>

6 Financial assets		<u>Receivables from Group companies</u>
		TDKK
Cost at 1 January 2019		150,538
Additions for the year		<u>277,764</u>
Cost at 31 December 2019		<u>428,302</u>
Carrying amount at 31 December 2019		<u>428,302</u>

7 Contingent assets and liabilities

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

Notes

8 Related parties and ownership structure

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

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

The Group Annual Report 2019 is available on www.flsmidth.com:
<https://www.flsmidth.com/en-gb/company/investors/downloads/reports-and-presentations>

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

Financial income from Group companies	98mDKK
Financial expenses to Group companies	-94mDKK
Receivable from Group companies	1.126mDKK
Payables to Group companies	-519mDKK
Other receivable, including derivatives	1mDKK
Other payables, including derivatives	-19mDKK