

FLSmidth Finans A/S

Vigerslev Allé 77

2500 Valby

CVR no. 31 61 07 61

Annual report for 2020

Adopted at the annual general
meeting on 9 June 2021

A handwritten signature in black ink, appearing to read 'S. Maclean'.

[Scott Maclean \(9. Jun 2021 15:04 GMT+2\)](#)

Scott Gregory Marshall Maclean
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 2020

Domicile: Copenhagen

Board of directors

Sander Fynboe, chairman
Lisbet Kragelund
Scott Gregory Marshall Maclean

Executive Board

Scott Gregory Marshall Maclean

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:

	2020	2019	2018	2017	2016
	MDKK	MDKK	MDKK	MDKK	MDKK
Key figures					
Net financials	12	4	10	13	17
Profit/loss for the year	9	3	8	10	12
Balance sheet total	603	1.132	841	585	573
Total equity	603	594	590	582	572
Financial ratios					
Solvency ratio	100,0%	52,5%	70,2%	99,5%	99,8%
Return on equity	1,5%	0,5%	1,4%	1,7%	2,1%

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 2020.

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 2020 and of the results of the company's operations for the financial year 1 January - 31 December 2020.

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, 9 June 2021

Executive Management


Scott Maclean (9. Jun 2021 15:04 GMT+2)

Scott Gregory Marshall
Maclean

Board of directors



Sander Fynboe
chairman


Lisbet Kragelund (9. Jun 2021 11:15 GMT+2)

Lisbet Kragelund


Scott Maclean (9. Jun 2021 15:04 GMT+2)

Scott Gregory Marshall
Maclean

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 2020, 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 2020 and of the results of the company's operations for the financial year 1 January - 31 December 2020 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, 9 June 2021

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 2020 shows total profit as expected of TDKK 9,019 (2019: TDKK 3,305). Income and costs are solely related to financial income and costs.

The balance constituted TDKK 603,246 at the end of 2020 (2019: TDKK 1,131,602). Hereof constitutes equity TDKK 602,710 (2019: TDKK 593,691) representing an equity ratio of 100.0 pct. (2019: 52.5 pct.).

The return on shareholders' equity in 2020 amounted to 1.5 pct. (2019: 0.5 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.

Significant events occurring after end of reporting period

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

Management's review

Outlook 2021

At present, our working assumption is that market conditions in the first half of 2021 will be similar to that of the second half of 2020. From the summer of 2021, we expect a gradual improvement in business sentiment and increasing access to customer sites, returning to a more normalized situation by the end of the year. Management expects a positive net result for 2021.

Accounting policies

The annual report of FLSmidth Finans A/S for 2020 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 2020 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, derivative gains/ losses, 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

Debt is measured at amortised cost, which for cash loans corresponds to the outstanding debt. For 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.

Derivative financial instruments that do not qualify for hedge accounting, fair value adjustments are recognised as financial items in the income statement.

Financial highlights

Definitions of financial ratios.

Solvency ratio	$\frac{\text{Equity at year-end} \times 100}{\text{Total assets at year-end}}$
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Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$
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Income statement 1 January - 31 December

	<u>Note</u>	<u>2020</u> TDKK	<u>2019</u> TDKK
Administration costs		<u>-36</u>	<u>-8</u>
Loss before financial items		-36	-8
Financial income	2	133.576	97.757
Financial costs	3	<u>-121.958</u>	<u>-94.014</u>
Profit before tax		11.582	3.735
Tax for the year	4	<u>-2.563</u>	<u>-430</u>
Profit/loss for the year		<u>9.019</u>	<u>3.305</u>
Distribution of profit	5		

Balance sheet 31 December

	<u>Note</u>	<u>2020</u> TDKK	<u>2019</u> TDKK
Assets			
Receivables from Group companies	6	<u>274.509</u>	<u>428.302</u>
Financial assets		<u>274.509</u>	<u>428.302</u>
Total non-current assets		<u>274.509</u>	<u>428.302</u>
Receivables from Group companies		326.198	697.816
Other receivables		1.727	990
Joint taxation contributions receivable		<u>813</u>	<u>4.494</u>
Receivables		<u>328.738</u>	<u>703.300</u>
Total current assets		<u>328.738</u>	<u>703.300</u>
Total assets		<u><u>603.247</u></u>	<u><u>1.131.602</u></u>

Balance sheet 31 December

	<u>Note</u>	<u>2020</u> TDKK	<u>2019</u> TDKK
Equity and liabilities			
Share capital		10.000	10.000
Retained earnings		<u>592.710</u>	<u>583.691</u>
Equity		<u>602.710</u>	<u>593.691</u>
Payables to Group companies		0	518.615
Other payables		<u>537</u>	<u>19.296</u>
Total current liabilities		<u>537</u>	<u>537.911</u>
Total liabilities		<u>537</u>	<u>537.911</u>
Total equity and liabilities		<u><u>603.247</u></u>	<u><u>1.131.602</u></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 2020	10.000	583.691	593.691
Net profit/loss for the year	0	9.019	9.019
Equity at 31 December 2020	10.000	592.710	602.710

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. januar 2019	10.000	580.386	590.386
Net profit/loss for the year	0	3.305	3.305
Equity 31. december 2019	10.000	583.691	593.691

Notes

	<u>2020</u> TDKK	<u>2019</u> 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>2020</u> TDKK	<u>2019</u> TDKK
2 Financial income		
Interest received from Group companies	34.601	44.703
Foreign exchange adjustments	21.916	30.119
Fair value adjustments of financial instruments	<u>77.059</u>	<u>22.935</u>
	<u>133.576</u>	<u>97.757</u>

3 Financial costs		
Financial expenses, Group companies	8.798	10.528
Foreign exchange adjustments	71.300	8.594
Fair value adjustments of financial instruments	<u>41.860</u>	<u>74.892</u>
	<u>121.958</u>	<u>94.014</u>

Foreign exchange contracts amount to a net gain of DKK 35.2 million for 2020 (2019: netloss of DKK 51.9 million). As of 31 December 2020 the fair value amounts to positive DKK 1.2 million (level 2 in the fair value hierarchy). Foreign exchange contracts are used for economic hedging of loans in foreign currency such as AUD and CAD.

Notes

	<u>2020</u>	<u>2019</u>
	TDKK	TDKK
4 Tax for the year		
Current tax for the year	2.548	822
Adjustment of tax concerning previous years	<u>15</u>	<u>-392</u>
	<u>2.563</u>	<u>430</u>

5 Distribution of profit		
Retained earnings	<u>9.019</u>	<u>3.305</u>
	<u>9.019</u>	<u>3.305</u>

6 Financial assets

	<u>Receivables from Group companies</u>
	TDKK
Cost at 1 January 2020	428.302
Disposals for the year	<u>-153.793</u>
Cost at 31 December 2020	<u>274.509</u>
Carrying amount at 31 December 2020	<u>274.509</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 2020 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.

	2020	2019
Financial income from Group companies	134mDKK	(98mDKK)
Financial expenses to Group companies	-122mDKK	(-94mDKK)
Receivable from Group companies	601mDKK	(1.126mDKK)
Payables to Group companies	0mDKK	(-519mDKK)
Derivatives	2mDKK	(1mDKK)
Derivatives	-1mDKK	(-19mDKK)









971 FLS_Finans_2020RG 09062021

Endelig revisionsrapport

2021-06-09


Oprettet:	2021-06-09
Af:	Pernille Alnor Alnor (paln@flsmidth.com)
Status:	Underskrevet
Transaktions-id:	CBJCHBCAABAA1uOzkO1T_49jVyjsGJgE6rlcZUMGFAAb

Oversigt over "971 FLS_Finans_2020RG 09062021"

-  Dokument oprettet af Pernille Alnor Alnor (paln@flsmidth.com)
2021-06-09 - 09:10:24 GMT- IP-adresse: 91.220.7.24
-  Dokumentet blev sendt til Jens Thordahl Nøhr (jens.noehr@dk.ey.com) til underskrivelse
2021-06-09 - 09:13:28 GMT
-  Dokumentet blev sendt til Tommy Borggaard Nielsen (tommy.b.nielsen@dk.ey.com) til underskrivelse
2021-06-09 - 09:13:28 GMT
-  Dokumentet blev sendt til Sander Fynboe (safy@flsmidth.com) til underskrivelse
2021-06-09 - 09:13:28 GMT
-  Dokumentet blev sendt til Lisbet Kragelund (likr@flsmidth.com) til underskrivelse
2021-06-09 - 09:13:29 GMT
-  Dokumentet blev sendt til Scott Maclean (scott.maclean@flsmidth.com) til underskrivelse
2021-06-09 - 09:13:29 GMT
-  E-mail blev vist af Sander Fynboe (safy@flsmidth.com)
2021-06-09 - 09:13:40 GMT- IP-adresse: 104.47.6.254
-  Sander Fynboe (safy@flsmidth.com) angav gyldig adgangskode.
2021-06-09 - 09:13:56 GMT
-  Dokumentet blev e-underskrevet af Sander Fynboe (safy@flsmidth.com)
Dato for signatur: 2021-06-09 - 09:14:25 GMT - tidskilde: server- IP-adresse: 91.220.7.24
-  E-mail blev vist af Lisbet Kragelund (likr@flsmidth.com)
2021-06-09 - 09:14:49 GMT- IP-adresse: 104.47.5.254
-  E-mail blev vist af Scott Maclean (scott.maclean@flsmidth.com)
2021-06-09 - 09:15:16 GMT- IP-adresse: 104.47.6.254

 Lisbet Kragelund (likr@flsmidth.com) angav gyldig adgangskode.

2021-06-09 - 09:14:57 GMT

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 E-mail blev vist af Jens Thordahl Nøhr (jens.noehr@dk.ey.com)

2021-06-09 - 09:35:55 GMT- IP-adresse: 145.62.64.97

 E-mail blev vist af Tommy Borggaard Nielsen (tommy.b.nielsen@dk.ey.com)

2021-06-09 - 10:42:31 GMT- IP-adresse: 80.62.4.134

 Jens Thordahl Nøhr (jens.noehr@dk.ey.com) angav gyldig adgangskode.

2021-06-09 - 11:19:05 GMT

 Dokumentet blev e-underskrevet af Jens Thordahl Nøhr (jens.noehr@dk.ey.com)

Dato for signatur: 2021-06-09 - 11:22:17 GMT - tidskilde: server- IP-adresse: 145.62.64.97

 Tommy Borggaard Nielsen (tommy.b.nielsen@dk.ey.com) angav gyldig adgangskode.

2021-06-09 - 11:28:40 GMT

 Dokumentet blev e-underskrevet af Tommy Borggaard Nielsen (tommy.b.nielsen@dk.ey.com)

Dato for signatur: 2021-06-09 - 11:32:42 GMT - tidskilde: server- IP-adresse: 80.62.4.134

 Scott Maclean (scott.maclean@flsmidth.com) angav gyldig adgangskode.

2021-06-09 - 13:03:14 GMT

 Dokumentet blev e-underskrevet af Scott Maclean (scott.maclean@flsmidth.com)

Dato for signatur: 2021-06-09 - 13:04:33 GMT - tidskilde: server- IP-adresse: 91.220.7.9

 Aftale fuldført.

2021-06-09 - 13:04:33 GMT