FLSMIDTH

1 January - 31 December 2017
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CVR No. 58180912

WE DISCOVER POTENTIAL

ANNUAL REPORT 2017

ROCE	**CFFO** (DKKm)
10.4%	1,065
Up from 8.5%	Down from 1,447
EBITA margin	**Order intake** (DKKm)
8.4%	19,170
Up from 7.1%	Up from 18,303

FLSmidth & Co. A/S
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Denmark

Dirigent: Klaus Søggaard
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FLSMIDTH AT A GLANCE

Cement and minerals are vital for economic, social and technological development. Urbanisation and industrialisation drive the need for infrastructure and improved standards of living. This creates an increasing global demand for cement and for minerals such as copper and gold. However, greater scarcity of resources such as energy, water and raw materials is leading to more complex and costly operations, which challenges the performance of mining and cement companies.

This calls for innovation and high-end technical solutions, which is where FLSmidth has a leading position and a strong competitive edge. Together with our customers, we activate our knowledge and experience to bring better solutions to light. Through enhanced productivity, we contribute to the sustainable development of societies with the lowest possible environmental impact.

While cement and mining are distinct industries, there are considerable commonalities and synergies between the two, and we have the unique advantage of being able to leverage resources, technologies and best practices across our cement and mining businesses.

OUR VALUES

Competence
Co-operation
Responsibility

Based on these values, we earn the trust and respect of our shareholders, customers, business partners, suppliers, employees and the communities in which we live and work.

Who we are
We supply everything from single machinery to complete cement plants and minerals processing facilities including services before, during and after construction.

We are present in more than

50

Countries

Our major engineering locations include Bethlehem, PA (USA), Chennai (India), Copenhagen (Denmark) and Salt Lake City, UT (USA)

We employ more than

11,700

Our in-house resources are primarily engineers who develop, plan, design, install and service equipment, with most of the manufacturing being outsourced.

Our vision
We drive success through sustainable productivity enhancement

Our brand promise
We discover potential

WHAT WE DO

Our unique combination of engineering, products and services enables us to be a leading supplier of productivity enhancing solutions to the global cement and mining industries. We help our customers increase their production output, decrease operating costs and reduce environmental impact.

Our value proposition builds on extensive process know-how, combined with a 'full flow-sheet' of premium, sustainable technologies and a life-cycle service offering. We have a proven track record of quality and reliability.

Global organisation and footprint

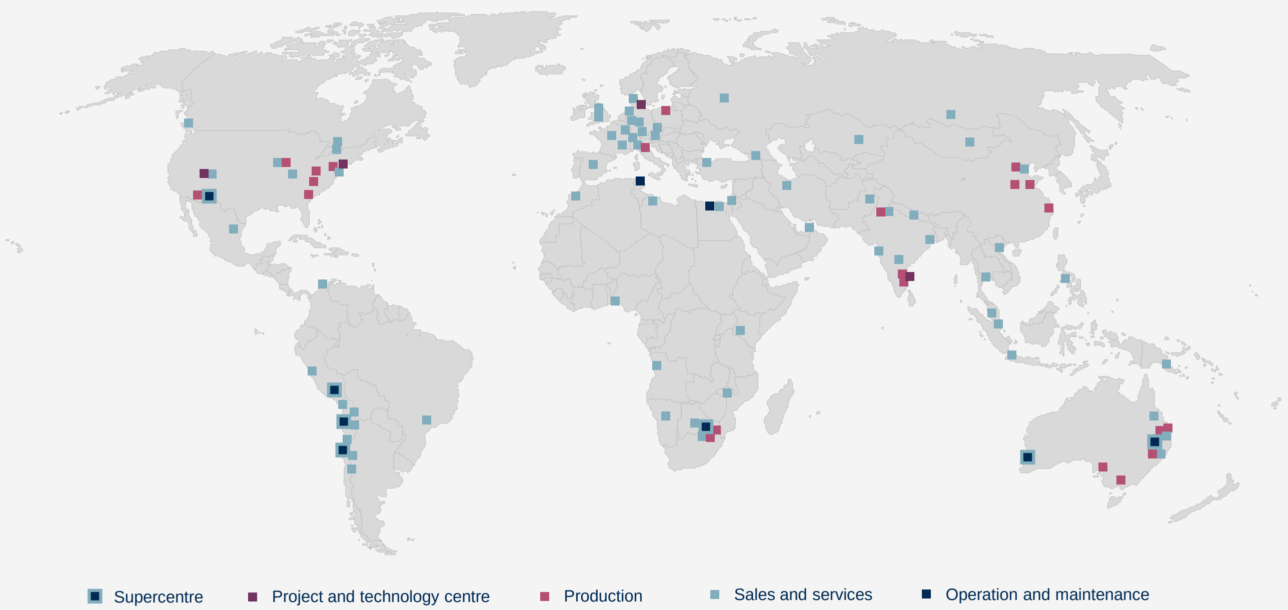
With a local presence in more than 50 countries, FLSmidth is a truly global company. The geographical footprint reflects our diversified customer base, composed primarily of global and regional cement and mining companies that invest in new capacity or in expanding, upgrading, maintaining and servicing existing production capacity.

FLSmidth has vast experience in working with a broad range of customers around the world. Mining customers consist of both major and mid-tier miners, the latter accounting for a relatively large amount of minerals-related project sales, whereas the major miners account for a considerable share of the aftermarket business in mining.

Both global cement majors and local or regional midsized players are typical customers of FLSmidth, though the latter account for most of cement-related project sales, whereas global cement majors account for a considerable share of the aftermarket business in cement.

Being close to the customer is the key to the aftermarket. Combining local presence with global support and expertise makes it possible to deliver premium solutions where our customers need them. FLSmidth's vast number of local sales and service offices ensures frequent customer dialogue and speed of delivery. In parallel with recent years' efforts to optimise and streamline the global footprint, we have continued to open new sales and service offices around the world to cover white spots.

GLOBAL CENTRES OF EXCELLENCE AND SERVICE CENTRES CLOSE TO CUSTOMERS



Global Headquarters & Group Functions	Denmark
Shared Service Center	India
Global Project Technology Centres (Denmark, India, USA)	4
Local sales and service offices	72
Service Super Centres in mining clusters	7
In-house workshops (70-80% outsourced)	22
Formal country organization (appointed country CEO)	25

LETTER FROM THE CHAIRMAN AND THE CEO

For 5 years, we have been managing FLSmidth through a cyclical downturn, while at the same time preparing for the future. We believe we are now finally through the downturn and expect our business to start growing.

Managing the downturn has been the overarching management theme of the past 5 years, where the cyclical downturn has led to a revenue decline of roughly 30%. As a consequence, we have executed several restructuring programs to take out costs and optimise our global footprint. We have invested in value engineering and standardisation and consolidated our supply chain to drive procurement savings. We have closed sites, taken out management layers and moved more work to our shared service centre in India. In 2017, we saw the effects of the corrective actions program launched in late 2016. Revenue dropped, but earnings improved, as the program proved to be faster and less costly to implement than anticipated.

Preparing for the future has been just as important as managing the downturn. The upturn will be driven by productivity. Our target is to be **Productivity Provider #1** - and we have prepared ourselves well for that. Productivity calls for strong **life cycle solutions** across products, processes and customers, and we have therefore re-enforced product line management across our capital and service businesses. At the same time, we are continuously looking for ways to reduce complexity. This includes having **one face to the customer** that can bring our productivity know-how and solutions to light, and take **collaboration** one step further.

Irrespective of market developments, we have untapped **growth potential.** We have very strong **product brands** and opportunities to expand their geographical coverage and move further into adjacent industries. We are also expanding into **wear parts** to make us more relevant to our customers and address more of their pain points through the product life-cycle. Additionally, transformational **innovations** like Rapid Oxidative Leaching (ROL) and Dry Stack Tailings have very interesting economic and sustainability prospects for the mining industry.

Increased customer focus on productivity has led to mounting interest in **digitalization.** We already have a strong digital position through our many years of experience in automating cement plants. However, it is our ambition to take digitalization to the next level including by making our entire product portfolio smart and self-learning. Through unified IT platforms and data analytics, where big data are collected, analysed, and bench-marked, we are able to enhance productivity.

2017 once again proved that our **total service business**, currently accounting for 58% of our total revenue and all operating income, provides a stable, profitable foundation for the entire Group. Thus, the Group revenue and EBITA margin ended 2017 in the middle of the guided range, despite challenging market conditions for the capital business. As we believe 2017 marked the trough year, it has been a deliberate choice to balance investments and costs to be able to leverage our future business potential.

Our target is to be Productivity Provider #1

In 2018, we expect increasing revenue and a higher EBITA margin through operational leverage. We do not expect any significant one-off costs, but we will make investments in digitalization; in building a presence in wear parts; and in leveraging our product portfolio by expanding geographically and into adjacent industries.

On behalf of the Board of Directors and Group Executive Management, we would like to thank our employees for their contribution and our shareholders for their commitment. We are staying the course and are excited about the prospects for productivity-driven growth in the years to come.

Vagn Sørensen, Chairman, and Thomas Schulz, CEO

OUR LONG-TERM FINANCIAL TARGETS

Our primary financial target is to maximise the long-term return on capital employed (ROCE). ROCE depends on how efficiently we manage the balance between growth, profit and capital requirements.

RETURN ON CAPITAL EMPLOYED

Return on capital employed depends on growth, profit and capital efficiency. In practice, and for operational purposes, this means growth in order intake and revenue, expansion of the EBITA margin and optimisation of net working capital.

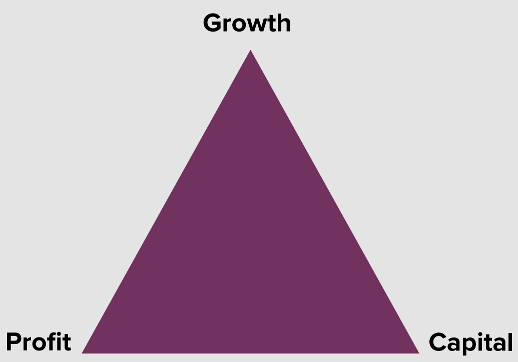
Financial KPIs used in management's short and long-term incentive programs are all directly or indirectly related to ROCE, including: Order intake, EBITA margin and net working capital.

CAPITAL STRUCTURE TARGETS

The three long-term financial targets related to our capital structure are: Net interest bearing debt/EBITDA, equity ratio and pay-out ratio. We are currently well within target with respect to NIBD/EBITDA and equity ratio.

While we are confident, that we can bring our EBITA margin back into the targeted range of 10-13% in the not too distant future, we will need some degree of market recovery to generate sufficient revenue to reach 20% return on capital employed

COMPONENTS OF ROCE



LONG-TERM FINANCIAL TARGETS

Long-term financial targets for FLSmidth subject to normalised market conditions:

Annual growth in revenue	Above market average
EBITA margin	10-13%
ROCE[1]	>20%
Financial gearing (NIBD/EBITDA)	<2
Equity ratio	>30%
Pay-out ratio	30-50% of the profit for the year

1) ROCE: Return on Capital Employed calculated on a before-tax basis as EBITA divided by average Capital Employed including goodwill

DIVISIONAL LONG-TERM FINANCIAL TARGETS

Long term targets (over the cycle)	Growth	EBITA margin
Customer Services	5-10%	>15%
Product Companies	5-10%	12-15%
Minerals	5-6%	3-8%
Cement	3-5%	3-8%

MAIN CONCLUSIONS 2017

Revenue and operating earnings developed as expected, and the solid free cash flow led to a further reduction in net debt. The order intake reached the highest level in four years, as mining gained momentum.

GROWTH

The order intake grew 5% to DKK 19.2bn – in particular driven by stronger demand in the Minerals division in the second half of 2017 as a result of improved sentiment and increasing CAPEX budgets in the mining industry. Total service activities contributed to order intake growth as well.

Revenue decreased 1% to DKK 18.0bn. In general, revenue is lagging order intake by roughly one year.

Book-to-bill (order intake/revenue) was the highest in 5 years.

PROFIT

The EBITA margin increased to 8.4% in 2017 from 7.1% in 2016 due to a slightly higher gross margin and lower administrative costs. Adjusted for one-off impacts, the EBITA margin was 8.9% (2016: 8.0%). Financial items, taxes and discontinued activities had a considerable negative impact on profits in 2017.

CAPITAL

ROCE increased to 10.4% as a result of the higher EBITA and lower capital employed. Due to decreasing net working capital and a positive free cash flow of DKK 952m, net interest bearing debt declined to DKK 1.5bn – the lowest level since 2011.

The financial gearing (NIBD/EBITDA) decreased to 0.9, well within the long-term target.

SHAREHOLDER RETURN

The Board of Directors will propose at the Annual General Meeting that a dividend of DKK 8 per share be distributed for 2017 (2016: DKK 6), corresponding to a dividend yield of 2.2% (2016: 2.0%). Total shareholder return (share price appreciation and dividend paid) amounted to 25% in 2017 (2016: 24%).

Total shareholder return of 25% in 2017.

OPERATIONS

The acquisition of a part of Sandvik Mining Systems was finalised on 1 November 2017. The acquisition had a positive impact on the cash flow from investments of DKK 108m and a positive impact on other operating income of DKK 55m as a result of recognised negative goodwill. The acquisition involved the addition of 187 new employees.

The process to divest Bulk Material Handling (reported as discontinued activities) is ongoing and a conclusion is expected in the first half of 2018.

R&D spend amounted to DKK 212m in 2017 and included investments in transformational innovations like Rapid Oxidative Leaching and Dry Stack Tailings.

The corrective actions programme that was launched in the second half of 2016 has been finalised and implemented. The costs associated with the programme were lower than anticipated, as some initiatives proved faster and less costly to implement. Also, some initiatives were taken off the table due to improved market conditions in the meantime.

KEY PERFORMANCE INDICATORS

All key performance indicators developed favourably in 2017 except for the safety indicator, LTIFR (lost time injury frequency rate). LTIFR deteriorated following consecutive improvements in the preceding five years. Corrective measures have been implemented.

KEY PERFORMANCE INDICATORS 2017
(part of managements incentive programmes)

Financial	2017	2016
Order intake (DKK)	19,170m	18,303m
ROCE	10.4%	8.5%
Net working capital % (end)	10.2%	11.5%
EBITA margin	8.4%	7.1%

Non-financial	2017	2016
Safety (LTIFR)[1]	1.8	1.5
Quality (DIFOT)[2]	88%	84%

1) LTIFR = Lost time injury frequency rate
2) DIFOT = Delivery in full on time

FLSMIDTH 2017
IN NUMBERS

FLSmidth

Revenue DKKm
18,000

EBITA margin
8.4%

Customer Services

Revenue DKKm
6,832

EBITA margin
14.7%

Product Companies

Revenue DKKm
5,564

EBITA margin
11.6%

Minerals

Revenue DKKm
2,586

EBITA margin
-3.0%

Cement

Revenue DKKm
4,077

EBITA margin
-2.0%

Mining industry

Revenue
DKK 9.7bn (54%)

EBITA margin
10.4%

Cement industry

Revenue
DKK 8.3bn (46%)

EBITA margin
5.9%

KEY EVENTS 2017

FLSmidth celebrates its 135th anniversary at offices around the world

NEW OFFICE IN NEPAL Inauguration of our new office in Kathmandu, Nepal to provide increased support and being close to local customers. Nepal is experiencing positive economic developments, a wave of infrastructure projects, and emergence of local cement producers.

BRAZIL GOLD MINING PROJECT
FLSmidth was awarded the first phase of EPC contract for the development of the Volta Grande Gold Project in Brazil

FERROCER® WEAR LINER SOLUTION
Growing into wear parts FerroCer® impact wear liner panels are introduced to the market. FerroCer provides extremely long service life and safe installation

OPERATION AND MAINTENANCE IN MOROCCO
FLSmidth wins its first operation and maintenance contract in Morocco.

CAPITAL MARKET DAY
At the Capital Market Day in Copenhagen in June, examples of growth opportunities related to the productivity were presented, including digitalization, innovation, expanding our life cycle coverage and leveraging our product portfolio.

ECOTAILS™ Announcement of collaboration with Goldcorp to co-develop a new system to dramatically improve tailings and waste rock disposal through co-mingling dewatered tailings with waste rock in a continuous process, designed specifically for large scale mining applications.

NEW OFFICE IN GHANA
FLSmidth opens a new office in Accra, the capital of Ghana. Ghana is West Africa's biggest and fastest growing economy with a diverse and rich resource base. There are positive signs of recovery in the minerals sector in West Africa, especially in the gold mining segment.

HUGE CEMENT PLANT IN NORTH AFRICA FLSmidth received a significant cement order for a 12,000 tonnes per day cement plant in Algeria. The order demonstrates our ability to work with contractors from anywhere in the world based on our experience and competencies from the cement industry, our global presence, and the know-how of our more than 11,700 employees.

STRONGER "PIT TO PLANT" OFFERING.
The acquisition of parts of Sandvik Mining Systems was concluded in November. It involves 187 employees and includes continuous surface mining and minerals handling technologies that will enable us to increase the productivity and digitalize the complete 'Pit to Plant' operation.

GUIDANCE FOR 2018

GUIDANCE FOR 2018

FLSmidth guides for revenue of DKK 18-20bn and an EBITA margin of 8-10% in 2018. The return on capital employed (ROCE) is expected to be 10-12%.

It is expected that revenue will be DKK 18-20bn and the EBITA margin will be 8-10% in 2018.

The guidance for 2018 is based on the following assumptions:

- Prevailing foreign exchange rates.
- Market conditions will improve moderately in the mining industry, resulting in increasing demand for single pieces of equipment as well as for upgrade and brownfield expansion projects.
- Market conditions will remain unchanged in the cement industry, which means that only few large projects will be available for tender and competition will remain intense.
- No one-off costs are planned for 2018.
- Investments in innovation, digitalization, and growth in new businesses such as wear parts and adjacent industries, are expected to lead to increased R&D and sales costs in 2018.
- The cash flow from operating activities related to continuing activities is expected to reflect operating earnings less financial payments and taxes paid.
- Cash flow from investments (excluding mergers, acquisitions and divestments) is expected to be close to the level of depreciations and amortisations (excluding effects of purchase price allocations).

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Management is not aware of any subsequent matters that could be of material importance to the Group's financial position.

KEY PERFORMANCE INDICATORS FOR 2018

The financial key performance indicators that are part of management's incentive programmes for 2018 are identical to those of 2017: Order intake, EBITA margin and net working capital. However, the specific targets are more challenging.

The key performance indicators for 2018:

- **Order intake**
- **EBITA margin**
- **Net working capital**

GUIDANCE 2018

DKK	Realised 2017	Guidance 2018
Revenue	DKK 18.0bn	DKK 18-20bn
EBITA margin	8.4%	8-10%
ROCE	10.4%	10-12%

FINANCIAL CALENDAR 2018

5 Apr 2018	Annual General Meeting
2 May 2018	1st Quarter Interim Report 2018
8 Aug 2018	Half-year Interim Report 2018
7 Nov 2018	1st-3rd Quarter Interim Report 2018

GROUP FINANCIAL HIGHLIGHTS
5-YEAR SUMMARY

DKKm	2013	2014	2015	2016	2017
INCOME STATEMENT					
Revenue	**#**	**#**	**#**	**18,192**	**18,000**
Gross profit	5,060	5,125	4,946	4,581	4,597
EBITDA before special non-recurring items	1,618	2,106	1,878	1,588	1,732
EBITA	1,379	1,823	1,582	1,289	1,515
EBIT	67	1,416	1,141	881	1,115
Financial items, net	(227)	(137)	(256)	(54)	(311)
EBT	(160)	1,279	885	827	796
Profit/loss for the year, continuing activities	**(472)**	**881**	**603**	**590**	**417**
Profit/loss for the year, discontinued activities	**(312)**	(68)	(178)	(68)	(343)
Profit/loss for the year	**(784)**	**813**	**425**	**522**	**74**
ORDERS					
Order intake (gross), continuing activities	19,794	17,267	18,490	18,303	19,170
Order backlog, continuing activities	20,813	17,726	14,858	13,887	13,654
EARNING RATIOS					
Gross margin	20.2%	25.0%	25.1%	25.2%	25.5%
EBITDA margin before special non-recurring items	6.5%	10.3%	9.5%	8.7%	9.6%
EBITA margin	5.5%	8.9%	8.0%	7.1%	8.4%
EBIT margin	0.3%	6.9%	5.8%	4.8%	6.2%
EBT margin	-0.6%	6.2%	4,5%	4.5%	4.4%
CASH FLOW					
CFFO	(157)	1,298	538	1,447	1,065
Acquisitions of tangible assets	(524)	(366)	(139)	(203)	(174)
CFFI	(567)	(598)	750	(194)	(113)
Free cash flow	(724)	700	1,288	1,253	952
Free cash flow adjusted for acquisitions and disposals of enterprises and activities	(751)	884	415	1,253	846

DKKm	2013	2014	2015	2016	2017
BALANCE SHEET					
Net working capital	**2,027**	**2,276**	**2,583**	**2,099**	**1,833**
Net interest-bearing debt (NIBD)	**(4,780)**	**(4,593)**	**(3,674)**	**(2,525)**	**(1,545)**
Total assets	27,328	26,352	24,362	24,112	22,364
Equity	6,922	7,761	7,982	8,462	8,038
Dividend to shareholders, proposed	106	461	205	307	410
FINANCIAL RATIOS					
CFFO / Revenue	-0.6%	6.3%	2.7%	8.0%	5.9%
Cash conversion	n/a	62.4%	36.4%	142.2%	75.9%
Book-to-bill	79.1%	84.2%	93.9%	100.6%	106.5%
Order backlog / Revenue	83.2%	86.5%	75.5%	76.3%	75.9%
Return on equity	-9.6%	11.1%	5.4%	6.3%	0.9%
Equity ratio	25.3%	29.5%	32.8%	35.1%	35.9%
ROCE, average	9.2%	12.1%	10.3%	8.5%	10.4%
Net working capital ratio, end	8.1%	11.1%	13.1%	11.5%	10.2%
NIBD/EBITDA	3.0	2.2	2.0	1.6	0.9
Capital employed, average	15,070	15,040	15,162	15,157	14,533
Number of employees	**15,317**	**14,765**	**12,969**	**12,187**	**11,716**
SHARE RATIOS					
CFPS (cash flow per share), (diluted)	(3.1)	26.3	11.0	29.5	21.4
EPS (earnings per share), (diluted)	(15.3)	16.4	8.6	10.6	1.5
Dividend yield	0.7	3.3	1.7	2.0	2.2
Share price	296.1	272.3	240.0	293.0	361.3
Number of shares (1,000), end	53,200	51,250	51,250	51,250	51,250
Market capitalisation	15,753	13,955	12,300	15,016	18,517

The financial ratios have been computed in accordance with the guidelines of the Danish Finance Society. Please refer to note 8.15 for definitions of terms.

STRATEGY AND BUSINESS MODEL

CLICK ON EACH AREA TO LEARN MORE

MEGA TRENDS	Economic growth | Complexity | Sustainability | Digitalization
INDUSTRIES	Cement | Mining
VISION	We drive success through sustainable productivity enhancement
VALUES	Competence | Co-operation | Responsibility
STRATEGY	Productivity provider #1
BUSINESS MODEL	Life cycle provider | Process know-how | Premium technologies
TARGETS	Growth > market average | ROCE > 20% | EBITA margin 10-13%
FOCUS – Long term	Customers | Innovation & digitalization | People | Sustainability
FOCUS – Short term	Expand wear parts | Grow products | Standardise

STRATEGY

FLSmidth is a leading supplier of productivity enhancing solutions to the global cement and mining industries. We help our customers increase output, lower operating costs and reduce environmental impact. Through a life cycle approach we enable our customers to lower their total cost of ownership over the entire life of their plant.

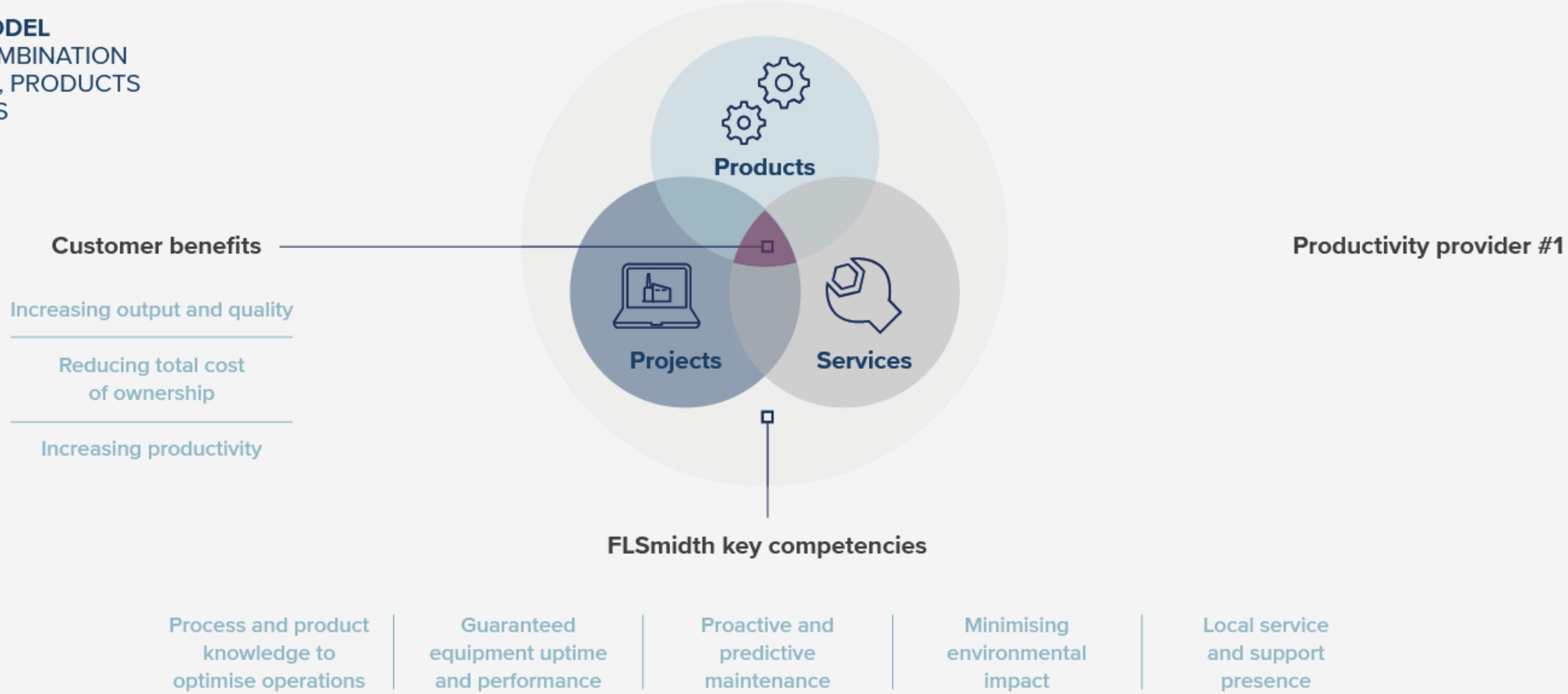
Our key to productivity is a full flow-sheet of premium technologies, embedded in a unique combination of leading products, process know-how and wide-ranging services. All unified by state-of-the-art automation and control systems, which position FLSmidth as a market leader in analysing and understanding performance data. We sell more than just equipment, plants and services – we deliver productivity.

The benefits to the customer are clear: More reliable and optimised operations, proactive and predictive maintenance, and increased uptime.

Our offering extends beyond the typical warranty on a single piece of equipment. We bundle equipment to offer performance guarantees on solutions or even complete plants. To the customer, this equals a guaranteed return on investment, and FLSmidth has an excellent track record of reliability, quality and project follow-through. At the same time, we have the most complete offering in our two core industries.

Our strategy is to be Productivity Provider #1 based on our vision, values, people and know-how.

BUSINESS MODEL
A UNIQUE COMBINATION OF PROJECTS, PRODUCTS AND SERVICES



INDUSTRIES

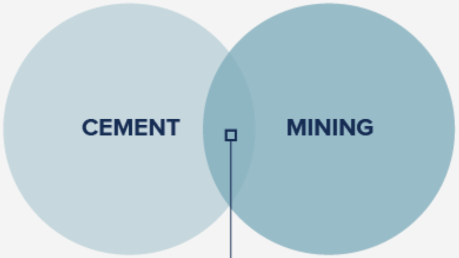
Though cement and mining are distinct industries, there are considerable commonalities and synergies between the two.

SCALE BENEFITS AND SHARED SERVICES

In addition to traditional scale benefits such as shared global infrastructure, supply chain, IT, Finance and HR, FLSmidth has around 1,450 employees in Chennai, India serving the global cement and minerals organisation with project engineering. The main part of a typical project is relatively standardised engineering with resources being shared between cement and minerals projects. India and China host the Group's shared assembly and production facilities.

SHARED KNOW-HOW

A significant advantage of having cement and minerals business under the same roof is the technology overlap. Many of the products used in the two industries are similar, including crushing, grinding, material handling, automation and air pollution control systems. This allows for shared strategic procurement and to some extent co-innovation. Further, the project management skills needed in minerals and cement (process knowhow, risk management, project execution, etc.) are largely the same and best practices are shared between the two businesses.



Scale benefits

- Shared global infrastructure
- Shared global supply chain

Shared services

- Engineering
- Procurement
- IT
- Finance
- HR

Know-how

- Project execution
- Engineering capabilities
- Strategic procurement
- Aftermarket services
- Operation & Maintenance
- Automation & Control
- Brand name/Track-record
- Technology

CYCLICAL INDUSTRIES

Cement and mining are both cyclical industries by nature – particularly with regard to investments in new capacity – although they don't follow exactly the same cycle.

A dynamic business model with outsourced manufacturing and a flexible cost structure, resulting in a high cash conversion, allows FLSmidth to manoeuvre safely through the cycles.

Furthermore, a growing service business (58% of today's business) reduces the cyclicality of the entire Group as the service business is more resilient and stable by nature.

BUSINESS-MODEL

To best serve our customers in the mining and cement industries, FLSmidth's activities are managed in four divisions, which ensures operational efficiency through homogeneous business models within each division and a segmented customer approach.

The **Cement Division** embraces cement projects, large customised cement equipment as well as cement operation and maintenance. The **Minerals Division** comprises mining projects and large engineered mineral processing and material handling equipment. The **Customer Services Division** services the installed base delivered mainly by the Cement and Minerals divisions, and finally, the **Product Companies Division** offers more standardised market-leading products sold directly to end customers, peers and into FLSmidth Cement and Minerals projects. The Product Companies Division provides parts and aftermarket services to its own installed base.

Divisions with homogeneous business models

Customer Services

Revenue in percentage of Group **36%**

EBITA MARGIN **14.7%**

Employees **3,866**

Outlook **POSITIVE**

Industry

Mining	~60%
Cement	~40%

Type of business

Spare and wear parts	~75%
Services	~15%
Maintenance	~10%

Aftermarket for the Cement and Minerals divisions

Business characteristics
Small orders, stable high margins, growth

Our excellence
Inventory
Logistics
Speed
Maintenance

Business model
Local direct sales, warehouse, service & supports centres, mostly outsourced manufacturing

Product Companies

Revenue in percentage of Group **29%**

EBITA MARGIN **11.6%**

Employees **2,725**

Outlook **POSITIVE**

Industry

Mining	~60%
Cement	~40%

Type of business

Direct sales	~80%
Internal sales	~20%
Aftermarket /capital	~60% / 40%

Relatively standardised and market-leading product range

Business characteristics
Stable high margins, original equipment & spare parts

Our excellence
Product leadership
Assembly/Manufacturing
Inventory
Speed

Business model
Mostly local direct sales, integrated value chain, in-house assembly/manufacturing

Minerals

Revenue in percentage of Group **14%**

EBITA MARGIN **-3.0%**

Employees **1,193**

Outlook **POSITIVE**

Industry

Mining	~100%

Cement

Revenue in percentage of Group **21%**

EBITA MARGIN **-2.0%**

Employees **2,393**

Outlook **STABLE**

Industry

Cement	~100%

Minerals and Cement

Type of business
Engineered, customised single products
EP(S) projects
EPC projects
Operation & Maintenance
Provide installed base for Customer Services Division

Business characteristics
Cyclical business, large orders, negative NWC, low margins

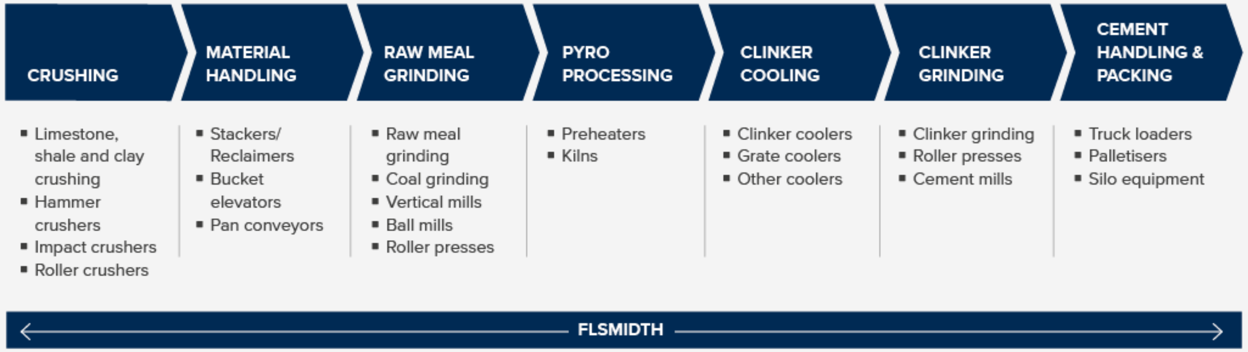
Our excellence
Process expertise and project execution
Procurement
Full flow sheet offering
Engineered products

Business model
Global direct sales
OEM supplier/ technology provider
In-house R&D and engineering
Outsourced manufacturing

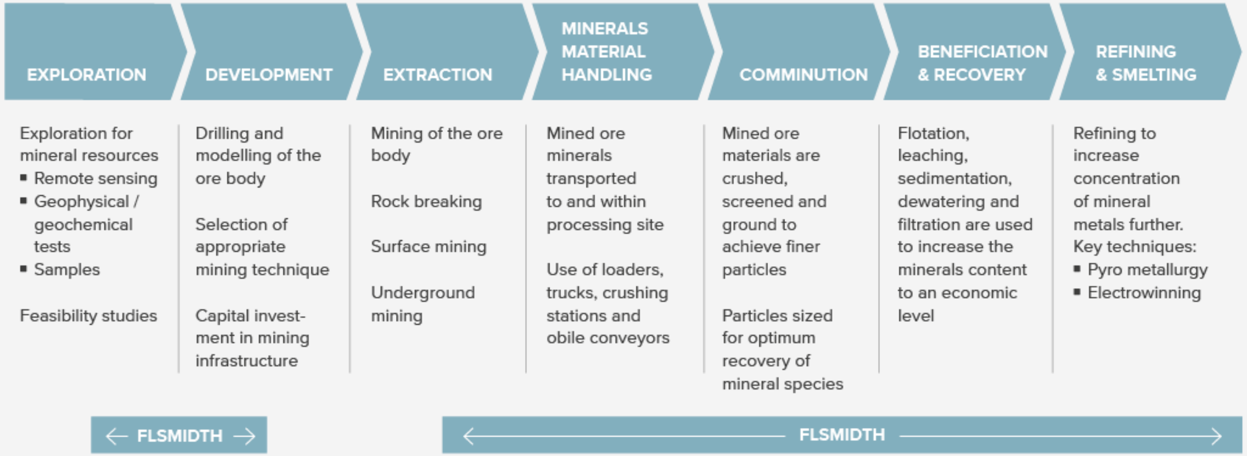
Our 'full flow-sheet' offering to the mining and cement industries is based on 136 years of engineering and technology leadership coupled with strategic acquisitions of key products and innovations.

Cement
FLSmidth is the market leader in the premium segment of the cement industry. We have the most complete offering, the strongest brand, and have delivered more cement plants than any other supplier in the industry. We supply the widest array of products, systems and services, ranging from single engineered and customised equipment, such as vertical mills, kiln systems and clinker coolers, to complete cement plants coupled with an operation and maintenance contract.

FLSMIDTH IN THE CEMENT VALUE CHAIN



FLSMIDTH IN THE MINING VALUE CHAIN



Mining
In mining, FLSmidth likewise supplies a complete array of products, systems and services, ranging from single engineered and customised equipment, such as ball mills, gravity concentrators, thickeners or flotation cells, to bundled equipment solutions, full production plants, and maintenance solutions.

As in cement, FLSmidth is recognised as a supplier of premium technology to the global mining industry. We are amongst the market leaders with one of the strongest brands and broadest offerings.

Within the mining value chain, FLSmidth is primarily active in material handling, comminution (crushing, grinding & sizing) and separation, supplemented by state-of-the-art materials testing capabilities used to analyse ore samples from our customers' mines. This ensures an early dialogue with the customer and not least, an in-depth knowledge of their material, including the material hardness and the minerals concentration, which is used to determine the optimal grinding and separation process for the specific material.

While the premium market segment is the primary focus of FLSmidth, we acknowledge the emerging role of certain mid-market products. Hence, we have entered the mid-market segment through an FLSmidth-controlled joint venture with the Chinese mining equipment supplier, Northern Heavy Industries. Initially, the focus is on design and supply of crushing equipment for the mid-market, which is expected to grow in the coming years.

In November 2017, FLSmidth completed the acquisition of a part of Sandvik Mining Systems. With the acquisition FLSmidth will be able to digitalize and increase the productivity of the complete "pit to plant" operation by integrating upstream mining with downstream processing. A key technology in this matter is the so-called 'in-pit-crushing-and-conveying' (IPCC). 187 employees with strong experience, competencies and customer insights transferred from Sandvik to FLSmidth as part of the acquisition.

FOCUS

To support the overall strategy and long term financial targets, FLSmidth has decided to focus on seven key strategic areas: Customers, Innovation & digitalization, People, Sustainability, Expand wear parts, Grow products, Standardise. People and Sustainability are treated as one in the table on the next page.

Strategic focus areas

Focus area	Description	KPI
Customers	Customer satisfaction is important for any business. At FLSmidth, we build customer relations though local presence and 'one face to the customer'. It must be simple to do business with FLSmidth and we will continue to be a trusted partner. Reliability and project follow-through is essential for earning a customer's trust. Therefore, we measure DIFOT, which is our ability to 'Deliver in Full on Time'. To evaluate the overall customer relationship, we measure and invest in our Net Promoter Score.	**Net promoter score** Mining: 2017: Index 19 (2019 target: Index 28) Cement: 2017: Index 35 (2019 target: Index 40) **Delivery in full on time (DIFOT)** 2017: 88% (2017 target: 87%), 2018 target: 90%
Innovation & Digitalization	We believe that our customers pursuit of productivity and return on investment makes them ever more receptive to innovations and new ways of working. Digitalization is a key enabler of productivity enhancements. FLSmidth is delivering key automation technologies that form the foundation for digitalization and data-driven productivity improvements are already part of our offering. We are fully engaged in the digitalization journey and are working on numerous potential technology applications for the plant of the future.	**Time-to-market** **Number of online support centre contracts**
People and Sustainability	A sustainable business model is critical for our customers, our people, and the societies we are a part of. Safety and a high level of work satisfaction is vital for maintaining our talent base and developing our employees. By developing eco-efficient products and solutions, we assist our customers in lowering their energy costs, water consumption and emissions and help them obtain permits for new plants. At the same time they contribute to reducing the environmental impact and ensuring a more sustainable development locally and globally.	**Lost time injury frequency rate (LTIFR)** 2017: 1.8 (2017 target: 1.3) 2016: 1.5 2015: 1.8 2014: 2.7 2013: 3.9 2012: 4.7
Expand wear parts	We want to be the strongest business partner for life cycle services. Our product line management setup ensures full product life cycle perspective across divisions and business units and helps identify new value adding spare and wear parts. We have identified wear parts as a missing link in our customer relations that offers an untapped growth potential.	**Wear parts in % of Customer Services** Target: 10% by 2019 End of 2017: ~5%
Grow products	We have portfolio of strong products with a significant growth potential. Some products have the potential to expand geographically and/or gain share of wallet, for example FLSmidth's Krebs® pumps. Other products are already market leaders and have the potential to expand into adjacent industries, such as our Ventomatic® packaging systems.	**Growth in Product Companies Division** Target: 5-10% revenue growth over the cycle 2017: 11% revenue growth
Standardise	Through standardisation FLSmidth seeks to reduce cost and complexity without compromising functionality and performance. We apply value engineering in our product development. Early involvement of R&D and sales allows for simplification and alignment of product specifications. The potential in smarter procurement is big, as production costs make up ~75% of Group revenue of which 70-80% is outsourced. Hence, standardisation paves the way for procurement optimisation. It also reduces project risk, enhances product reliability and performance and ease of maintenance, all to the benefit of the customer.	**Reduction in supplier base** Target: 7,500 suppliers (2015: 15.000) End of 2017: 11,000 suppliers

FLSMIDTH

MARKET AND INDUSTRY TRENDS

CEMENT

Cement consumption has historically been closely correlated to global economic growth which the World Bank estimated to have picked up from 2.4 percent in 2016 to 3 percent in 2017 and expects to stay at around 3% over the coming three years. The improving world economy is, however, not yet sufficient to absorb the persistent overcapacity in the global cement market.

A slight improvement in the market for new cement capacity was observed towards the end of 2016 and beginning of 2017 but currently the market appears to be moving more sideways.

Cement is a local or regional business and a few of the countries which have been driving demand for new cement plants in recent years are starting to become saturated. This is a typical pattern for the cement industry, and as the world economy is growing, other countries will eventually make for an overall increasing demand for cement capacity, though this transition is slow at present.

While cement consumption is growing steadily, the market for capacity additions is much more cyclical and a continued subdued market prompts a sustained pricing pressure in the industry.

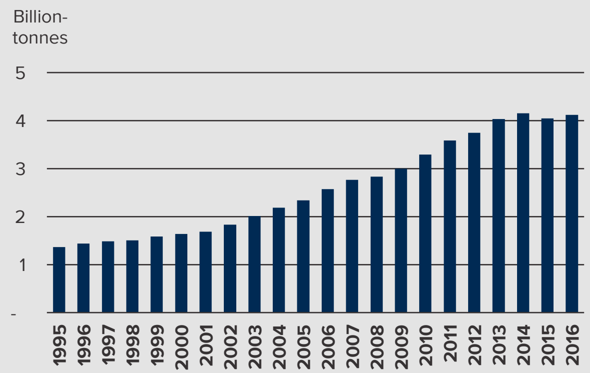
The cement aftermarket is more steady and spare parts consumption is growing along with production. Larger OPEX spend, such as retrofit work, can however be more lumpy.

CEMENT

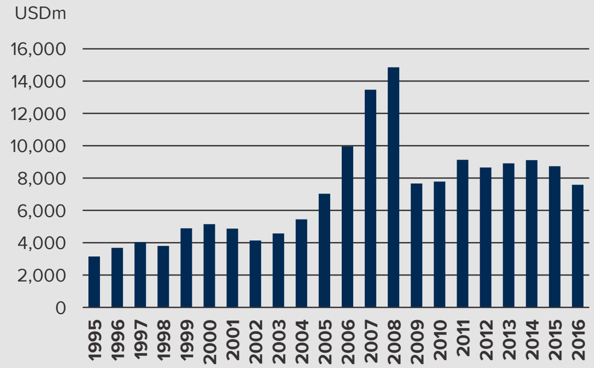
DEMAND DRIVERS (LOCAL)
Economic growth
Population growth
Urbanisation and infrastructure

SUPPLY CONSTRAINTS
Access to financing and energy
Regulatory and social license to operate
Access to educated workforce

GLOBAL CEMENT CONSUMPTION



CAPEX TREND IN CEMENT
(BASED ON 14 CEMENT COMPANIES)



MINING

The downturn in mining CAPEX emerged in 2011 as commodity prices across the board embarked on a five-year downward trend. By the end of 2015 and beginning of 2016 most commodity prices bottomed out and have since shown a significant recovery.

The IMF Metals Price Index ended 2017 52% up from the trough and rose 14% in 2017. Copper, which is FLSmidth's second largest industry after cement, has seen a price increase of 53% from the trough in January 2016 and rose 21% in 2017. The price of gold rose 9% in 2017 and is up 18% from the trough. Thermal coal prices have more than doubled from the bottom and have reached the highest level since 2012. Likewise, aluminium is back to the 2012 price level. Owing to plentiful supply, iron ore prices dropped 10% in 2017 but remain 78% above the low point of two years ago.

Mine production levels, and the consumption of spare parts, have remained at a high, stable level throughout the downturn.

Mining CAPEX and more discretionary OPEX spend saw huge reductions during the downturn. Rising commodity prices and ongoing strong demand for most minerals are now spurring more optimism in the mining industry. In the second half of 2016, miners started increasing their discretionary OPEX spend to chase productivity improvements, a trend which continued into 2017 and has strengthened FLSmidth's service business.

Early cyclical suppliers with a strong exposure to pit activities are already experiencing increasing equipment orders.

FLSmidth - being more late cyclical and mostly present in the minerals processing plant - will likely see slow growth and stable prices for equipment orders in 2018, and an accelerating order growth the following years.

The World Bank is expecting growth to pick up in emerging markets the next few years, mainly driven by a pickup in growth among commodity exporting countries (Source: World Bank, Global Economic Prospects, January 2018). Process intensive commodities, copper in particular, will be the key drivers for growth in FLSmidth's minerals business. The supply and demand trends for copper are encouraging and the commodity is expected to go into supply deficit in the next few years.

FLSMIDTH'S COMMODITY EXPOSURE

FLSmidth's technology and know-how can be applied to many different metals and minerals. While copper and gold are the most important segments, FLSmidth has equally strong presence in: coal, iron ore, fertiliser minerals, alumina, bauxite, zink, nickel, lead, tin, molybdenum, lithium, rare earth minerals, platinum group of metals, silver, etc.

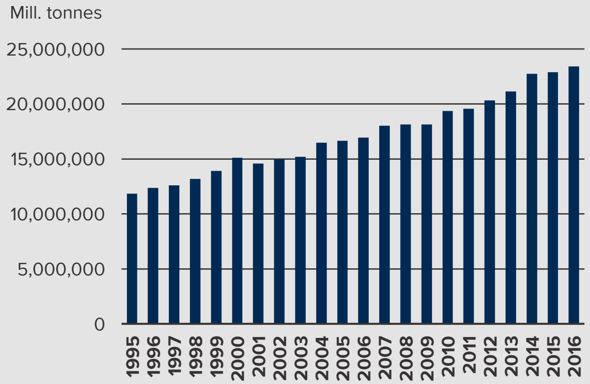
Cu

COPPER

DEMAND DRIVERS (GLOBAL)
Renewable energy
Transportation (electric cars, high-speed trains)
Urbanisation, infrastructure, industrial machinery

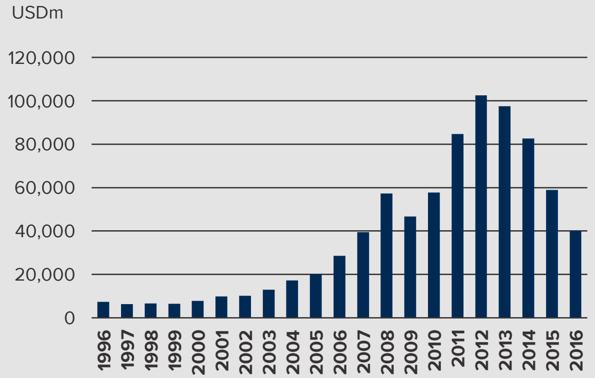
SUPPLY CONSTRAINTS
Declining ore grades => increased complexity
Lack of new exploration success
Water scarcity and social license to operate

GLOBAL COPPER CONSUMPTION



CAPEX TREND IN MINING

(BASED ON 31 MINING COMPANIES)



FINANCIAL DEVELOPMENTS

GROUP FINANCIAL DEVELOPMENTS
Q4 2017

GROWTH

The order intake grew 11% organically, driven by stronger demand in Minerals and the receipt of a large order in Cement. Revenue decreased 9% organically, primarily due to an exceptionally strong comparison quarter.

GROUP (continuing activities)

(DKKm)	Q4 2017	Q4 2016	Change (%)	2017	2016	Change (%)
Order intake (gross)	**4,836**	**4,544**	**6%**	**19,170**	**18,303**	**5%**
- Hereof service order intake	2,693	2,616	3%	10,710	10,020	7%
Order backlog	**13,654**	**13,887**	**-2%**	**13,654**	**13,887**	**-2%**
Total revenue	**4,943**	**5,525**	**-11%**	**18,000**	**18,192**	**-1%**
- Hereof service revenue	2,583	2,870	-10%	10,473	10,238	2%
Gross profit	**1,234**	**1,301**	**-5%**	**4,597**	**4,581**	**0%**
Gross profit margin	25.0%	23.5%		25.5%	25.2%	
SG&A cost	**(741)**	**(786)**	**-6%**	**(2,865)**	**(2,993)**	**-4%**
SG&A ratio	15.0%	14.2%		15.9%	16.5%	
SG&A ratio adjusted for one-off cost	14.5%	12.9%		15.6%	15.9%	
EBITDA before special non-recurring items	**493**	**515**	**-4%**	**1,732**	**1,588**	**9%**
EBITDA margin before special non-recurring items	10.0%	9.3%		9.6%	8.7%	
EBITA	**465**	**426**	**9%**	**1,515**	**1,289**	**18%**
EBITA margin	9.4%	7.7%		8.4%	7.1%	
EBITA margin adjusted for one-off cost	9.3%	9.7%		8.9%	8.0%	
EBIT	**372**	**308**	**21%**	**1,115**	**881**	**27%**
EBIT margin	7.5%	5.6%		6.2%	4.8%	
Number of employees	11,579	12,032	-4%	11,579	12,032	-4%

Developments in total service and capital business

The total service activities in FLSmidth encompass the entire Customer Services Division, Operation & Maintenance (part of the Cement Division), and the whole aftermarket part of the Product Companies Division. Service activities are by nature more stable and profitable than the capital business, which was also true in Q4 2017.

Order intake related to total service activities increased 3% to DKK 2,693m in Q4 (Q4 2016: DKK 2,616m), equivalent to 56% of the total order intake (Q4 2016: 57%). Service revenue, however, decreased 10% to DKK 2,583m in Q4 (Q4 2016: DKK 2,870m), equivalent to 52% of the total revenue (Q4 2016: 52%). The decline in revenue was primarily related to large refurbishment and service jobs last year that did not repeat this year. Thus, the performance is not a reflection of changed aftermarket conditions.

Developments in total cement and mining business

FLSmidth's two primary industries are cement and mining, which are served across the four divisions. Supply and demand characteristics differ between the two industries and so do revenue and earnings developments.

Revenue related to the cement business decreased 12% to DKK 2.3bn (Q4 2016: DKK 2.6bn), and the EBITA-margin increased to 9.3% (Q4 2016: 4.5%).

Revenue related to the mining business decreased 9% to DKK 2.7bn (Q4 2016: DKK 2.9bn), and the EBITA-margin decreased to 9.1% (Q4 2016: 10.0%).

Order intake and order backlog

The order intake in Q4 included a large announced cement order as well as a larger mining order, and increased 6% to DKK 4,836m (Q4 2016: DKK 4,544m). Foreign exchange translation effects had a negative impact of 5%. Organic growth was 11%, due to increasing order intake in all divisions but Product Companies.

Order intake developments in Q4 2017

Order intake (vs.Q4 2016)	Customer Services	Product Companies	Minerals	Cement	FLSmidth Group
Organic	15%	-8%	29%	25%	11%
Currency	-6%	-5%	-4%	-6%	-5%
Acquisition	0%	0%	0%	0%	0%
Total growth	**9%**	**-13%**	**25%**	**19%**	**6%**

The order backlog for the Group decreased to DKK 13,654 (end of Q3 2017: DKK 13,799m), due to currency developments in the quarter.

Revenue

Revenue decreased 11% to DKK 4,943m in Q4 2017 (Q4 2016: DKK 5,525m). Foreign exchange translation effects had a 3% negative impact on revenue in Q4. Organic growth was -9% due to lower revenue in the two capital divisions, Cement and Minerals, where revenue in the comparison quarter last year was very strong. Product Companies ended the year on a strong note at nearly record-high quarterly revenue.

Revenue developments in Q4 2017

Revenue (vs.Q4 2016)	Customer Services	Product Companies	Minerals	Cement	FLSmidth Group
Organic	5%	20%	-26%	-20%	-9%
Currency	-5%	-5%	-2%	-1%	-3%
Acquisition	0%	0%	3%	0%	1%
Total growth	**0%**	**15%**	**-25%**	**-21%**	**-11%**

PROFIT

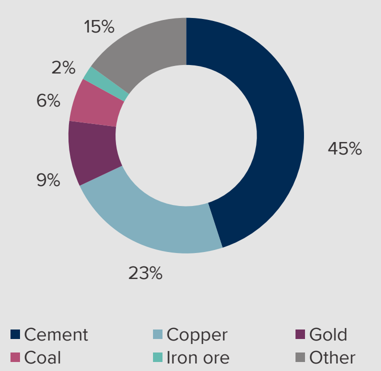
The EBITA margin increased to 9.4% in Q4 due to a higher gross margin and a slight positive impact from one-off costs (net), including recognition of negative goodwill related to the acquisition of a part of Sandvik Mining Systems. Financial items, taxes and discontinued activities had a considerable negative impact on profits in Q4 2017.

The gross profit in Q4 decreased 5% to DKK 1,234m (Q4 2016: DKK 1,301m) due to lower revenue, whereas the gross margin increased to 25.0% (Q4 2016: 23.5%). Production costs were adversely impacted by DKK -38m one-off costs in the comparison quarter.

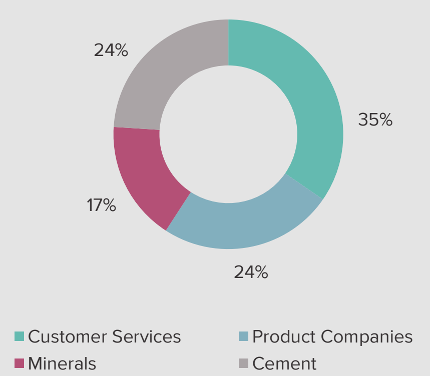
The gross margin increased in all divisions but Product Companies, where business mix had an adverse impact on the margin.

Sales, general and administrative costs and other operating items amounted to DKK 741m in Q4 2017 (Q4 2016: DKK 786m), which represents a cost percentage of 15.0% of revenue (Q4 2016: 14.2%). SG&A included one-off costs of DKK -23m (Q4 2016: DKK -72m).

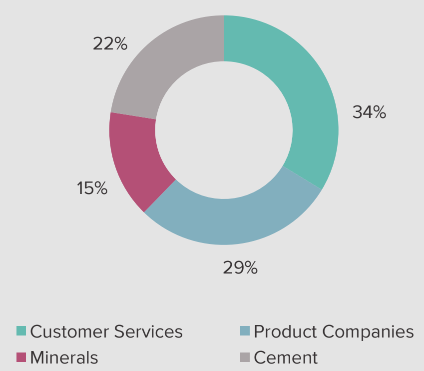
ORDER INTAKE BY INDUSTRY (Q4)



ORDER INTAKE BY DIVISION (Q4)



REVENUE BY DIVISION (Q4)



Depreciation of tangible assets increased to DKK -83m (Q4 2016: DKK -68m) as a result of a DKK -21m write-down related to an office building in the quarter.

Special non-recurring items includes gains and losses related to disposals and acquisitions. The acquisition of part of Sandvik Mining Systems resulted in recognition of negative goodwill of DKK 55m in the fourth quarter.

EBITA increased 9% in Q4 to DKK 465m (Q4 2016: DKK 426m), despite lower revenue. As a result of a higher gross margin and positive impact from special non-recurring items and one-off costs (net), the EBITA margin increased to 9.4% (Q4 2016: 7.7%).

Amortisation of intangible assets amounted to DKK -93m (Q4 2016: DKK -118m). The effect of purchase price allocations amounted to DKK -55m (Q4 2016: DKK -60m) and other amortisations to DKK -38m (Q4 2016: DKK -58m). Consequently, earnings before interest and tax (EBIT) increased to DKK 372m (Q4 2016: 308m).

IMPACT FROM ONE-OFF COSTS IN Q4 2017

DKKm	Q4 2017	Q4 2016
One-off costs impacting production costs	-6	-38
One-off costs impacting SG&A costs	-23	-72
Other special non-recurring items	33	0
Total one-off costs	**4**	-110
Corrective actions (net)	-29	-110
Other special non-recurring items	33	0
Total one-off costs	4	-110
One-off costs by division		
Customer Services	-31	-59
Product Companies	-5	-22
Minerals	50	-24
Cement	-10	-5
Gross margin reported	**25.0%**	23.5%
Gross margin adjusted for one-off costs	25.1%	24.2%
SG&A ratio	**15.0%**	14.2%
SG&A ratio adjusted for one-off costs	14.5%	12.9%
EBITA margin reported	**9.4%**	7.7%
EBITA margin adjusted for one-off costs	9.3%	9.7%

Net financial items amounted to DKK -82m (Q4 2016: DKK 2m), of which foreign exchange adjustments amounted to DKK -46m (Q4 2016: DKK -31m) and net interest amounted to DKK -17m (Q4 2016: DKK -24m). The residual of DKK -19m (Q4 2016: DKK 57m) was related to fair value adjustments of financial assets (shares in listed cement companies).

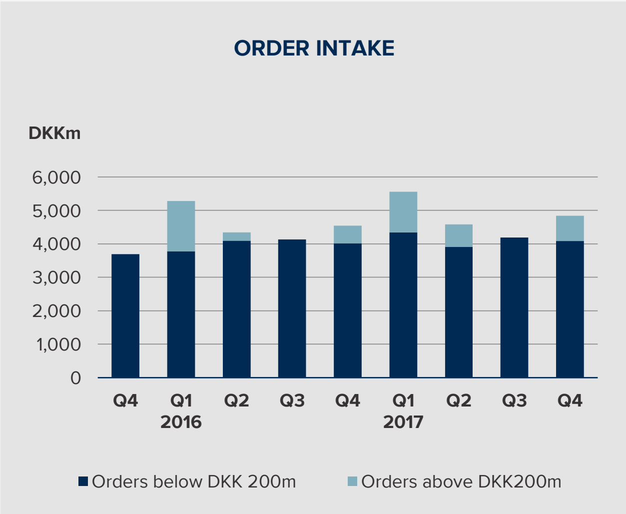
Tax for the period amounted to DKK -230m (Q4 2016: DKK -86m), and included differences to the Group's tax assets valued at nil of DKK –74m and a US tax rate reduction of DKK -105m. The USA passed a new tax legislation effective 1 January 2018. The full impact is still being analysed, but it is expected that the overall consequences for the Group's effective tax rate and tax payments in 2018 will be negative based on the current business model due to the new Base Erosion Anti-Abuse Tax (BEAT).

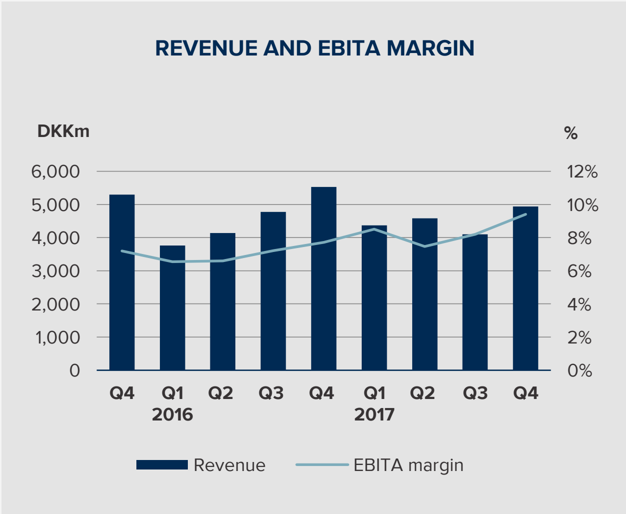
Profit from continuing activities decreased to DKK 52m (Q4 2016: DKK 224m), primarily explained by an adverse impact from financial items and tax in the quarter.

Profit/loss from discontinued activities amounted to DKK -237m (Q4 2016: DKK -42m) and were negatively impacted by provisions related to settlement of a dispute with a customer on a legacy project (as mentioned in the Q3 interim report). Discontinued activities are predominantly related to the bulk material handling activities that were announced for sale in connection with the third quarter interim report in 2015. The sales process and dialogue with potential acquirers is still ongoing, and a conclusion is expected in the first half of 2018.

Profit for the period decreased to DKK -185m (Q4 2016: DKK 182m), equivalent to DKK -3.7 per share (diluted) as a result of the tax rate reduction in the USA, tax assets valued at nil and loss related to discontinued activities.

The full effect of the new tax legislation in the US is still being analysed. It is expected that the overall consequences for the Group's effective tax rate and tax payments in 2018 will be negative.





CAPITAL

Net working capital and net interest debt both saw positive developments in the fourth quarter as a result of positive cash flow from operating activities as well as cash inflow related to the acquisition of part of Sandvik Mining Systems.

Cash flow and working capital

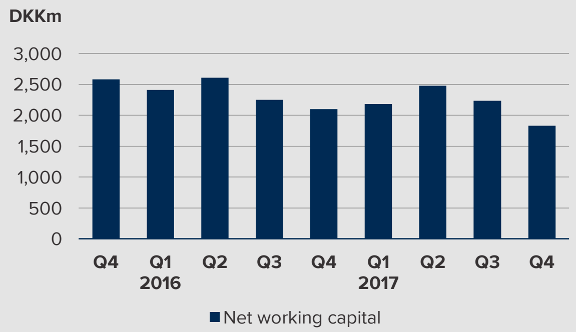
Cash flow from operating activities was DKK 546m in Q4 2017 (Q4 2016: DKK 608m). The reduction compared to last year was related to negative operating earnings in discontinued activities and a less positive development in net working capital.

Net working capital decreased to DKK 1,833m at the end of Q4 2017 (end of Q3 2017: DKK 2,232m), representing 10.2% of 12-months trailing revenue (Q3 2017: 12.0% of revenue). The reduction in net working capital was predominantly explained by an increase in prepayments and a reduction in inventories. Both trade receivables and trade payables increased by DKK 0.5bn as a result of high level of activity and execution in the quarter, thus netting each other out.

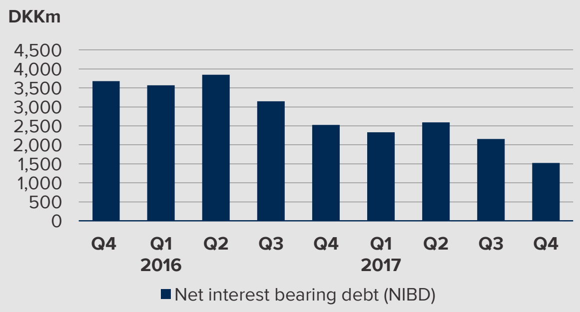
Cash flow from investing activities amounted to DKK 56m (Q4 2016: DKK -44m), positively impacted by a cash inflow of DKK 108m related to the acquisition of a part of Sandvik Mining Systems.

The free cash flow (cash flow from operating and investing activities) in Q4 amounted to DKK 602m (Q4 2016: DKK 564m).

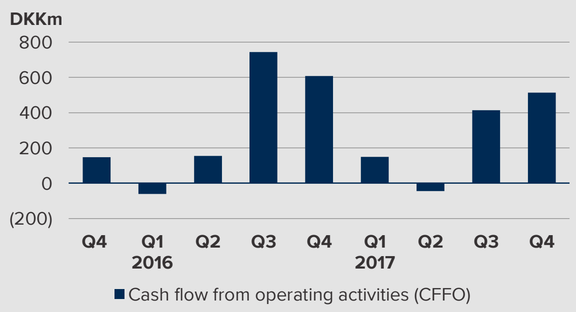
NET WORKING CAPITAL



NET INTEREST-BEARING DEBT



CASH FLOW FROM OPERATING ACTIVITIES



GROUP FINANCIAL DEVELOPMENTS 2017

GROWTH

The order intake grew 5% to DKK 19.2bn – in particular driven by stronger demand in the Minerals division in the second half of 2017 as a result of improved sentiment and increasing CAPEX budgets in the mining industry.

Revenue decreased 1% to DKK 18.0bn, primarily related to the Cement and Minerals divisions as a consequence of low order intake in the second half of 2016. In general, revenue is lagging order intake by roughly one year.

Developments in total service and capital business

Order intake related to total service activities increased 7% to DKK 10.7bn in 2017 (2016: DKK 10.0bn), equivalent to 56% of the total order intake (2016: 55%).

Revenue related to total service activities increased 2% to DKK 10.5bn in 2017 (2016: DKK 10.2bn), equivalent to 58% of the total revenue (2016: 56%). The increase in total service activities compared to the same period last year is primarily a result of increased production volumes and maintenance activities in the mining industry, supported by our strategic initiatives.

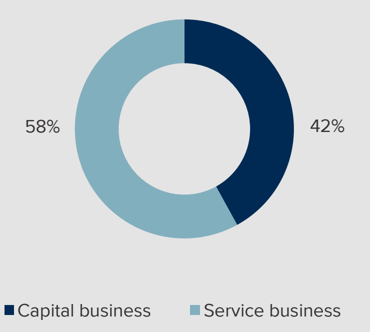
Developments in total cement and mining business

FLSmidth's two primary industries are cement and mining, which are served across the divisions. As supply and demand characteristics differ between the two industries, so do revenue and earnings developments.

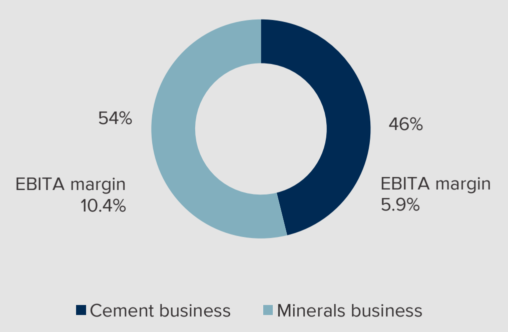
Revenue related to cement business was unchanged at DKK 8.4bn (2016: DKK 8.4bn), while the EBITA-margin increased to 5.9% (2016: 4.8%). The stable developments in revenue reflects industry trends, while the margin increase was attributable to internal cost improvements and business mix.

Revenue related to the mining business decreased 2% to DKK 9.8bn (2016: DKK 9.9bn), while the EBITA-margin increased to 10.4% (2016: 8.7%). The decline in revenue reflects the low level of mining CAPEX in previous years, which has been partly offset by increasing service activities. The margin improvement is attributable to internal cost improvements and business mix.

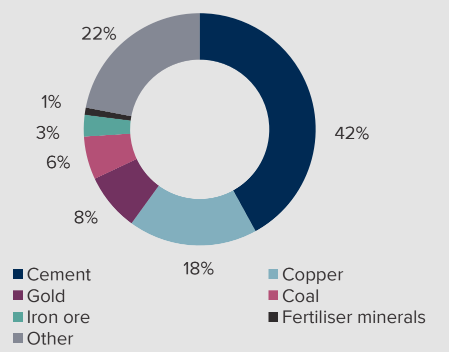
REVENUE BY SERVICE/CAPITAL BUSINESS



REVENUE BY CEMENT/MINING BUSINESS



ORDER INTAKE BY INDUSTRY



Order backlog

The order backlog for the Group decreased 2% in 2017 to DKK 13,654m (end of 2016: DKK 13,887m). The decrease is primarily explained by currency translation effects as well as adjustments to the backlog related to demobilisation of an O&M contract in the second quarter. Book-to-bill (order intake/revenue) was 106.5% - the highest level in 5 years.

Based on the anticipated maturity profile of the order backlog, 75% of the backlog is expected to convert to revenue in 2018, 15% in 2019, and 10% in 2020 and beyond. The conversion time from order intake to revenue is roughly one year on average – ranging from over-the-counter sales of wear parts to capital projects with 2-3 years' execution time. As an increasing share of orders come from service and single equipment business, the conversion time from order intake to revenue has become shorter.

Order intake

In 2017, order intake increased 5% to DKK 19,170m (2016: DKK 18,303m). The increase was related to all divisions but Cement, and in particular to the Minerals division, which ended the year on a strong note, reflecting growing sentiment and CAPEX budgets in the mining industry.

Order intake developments in 2017

Order intake (vs.2016)	Customer Services	Product Companies	Minerals	Cement	FLSmidth Group
Organic	6%	6%	17%	3%	6%
Currency	0%	0%	0%	-4%	-1%
Acquisition	0%	0%	0%	0%	0%
Total growth	**6%**	**6%**	**17%**	**-1%**	**5%**

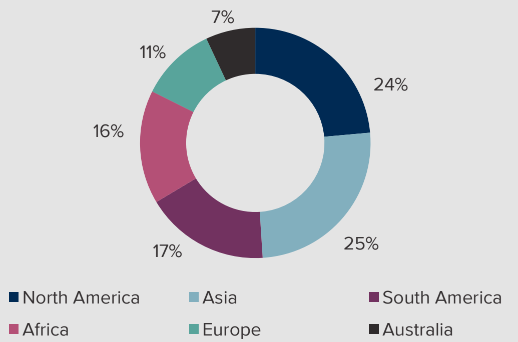
Revenue

Revenue decreased 1% to DKK 18,000m (2016: DKK 18,192m). The revenue decline was attributable to the two capital divisions and in particular to the Minerals division as a result of dented capital investments during the cyclical downturn. On the other hand, 2017 saw a stronger growth in total service activities compared to last year.

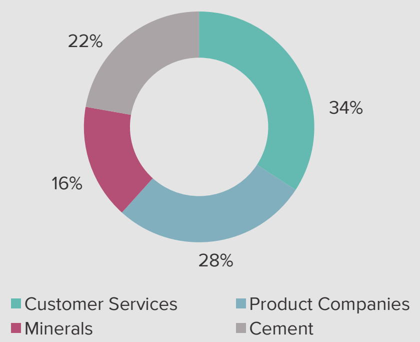
Revenue developments in 2017

Revenue (vs. 2016)	Customer Services	Product Companies	Minerals	Cement	FLSmidth Group
Organic	4%	11%	-20%	1%	0%
Currency	0%	0%	0%	-6%	-1%
Acquisition	0%	0%	1%	0%	0%
Total growth	**4%**	**11%**	**-19%**	**-5%**	**-1%**

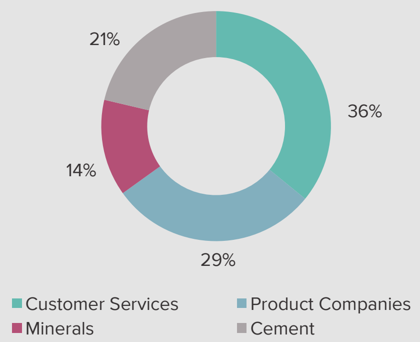
REVENUE BY GEOGRAPHY



ORDER INTAKE BY DIVISION



REVENUE BY DIVISION



PROFIT

The EBITA margin increased to 8.4% in 2017 from 7.1% in 2016 due to a slightly higher gross margin and lower administrative costs. Adjusted for one-off impacts, the EBITA margin was 8.9% (2016: 8.0%). Financial items, taxes and discontinued activities had a considerable negative impact on profits in 2017.

The gross profit in 2017 was unchanged at DKK 4,597m (2016: DKK 4,581m), corresponding to a gross margin of 25.5% (2016: 25.2%). Production costs were adversely impacted by DKK -64m one-off costs in 2017 (2016: DKK -73m). The gross margin increased in Customer Services and Minerals, while it decreased in Cement and Product Companies, the latter being adversely impacted by business mix.

2017 saw total research and development expenses of DKK 212m (2016: DKK 202m), representing 1.2% of revenue (2016: 1.1%), of which DKK 54m was capitalised (2016: DKK 20m) and the balance reported as production costs. In addition, project-financed developments are taking place in cooperation with customers.

Sales, general and administrative costs and other operating items amounted to DKK 2,865m in 2017 (2016: DKK 2,993m), which represents a cost percentage of 15.9% of revenue (2016: 16.5%). SG&A included one-off costs of DKK -62m (2016: DKK -99m).

Special non-recurring items amounted to DKK 51m and included gains and losses related to disposals and acquisitions. The acquisition of a part of Sandvik Mining Systems resulted in recognition of negative goodwill of DKK 55m.

EBITA increased 18% to DKK 1,515m (2016: DKK 1,289m), driven by higher revenue and earnings in Customer Services and Product Companies, partly offset by volume pressure in Minerals and low gross margin in Cement. EBITA was negatively impacted by one-off costs of DKK -93m (net) in 2017 (2016: DKK -172m). The EBITA margin was 8.4% (2016: 7.1%).

Net financial items amounted to DKK -311m (2016: DKK -54m), of which foreign exchange adjustments amounted to DKK -197m (2016: DKK -36m) and net interest amounted to DKK -45m (2016: DKK -66m). The residual of DKK -69m (2016: DKK 48m) was related to fair value adjustments of financial assets (shares in listed cement companies).

Tax for the year amounted to DKK -379m (2016: DKK -237m), including differences in tax assets valued at nil of DKK -74m as well as DKK -105m related to the reduced tax rate in the USA.

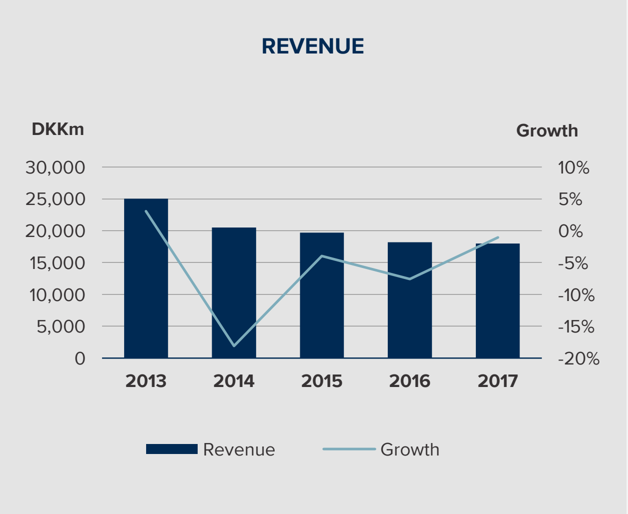
Profit from continuing activities decreased to DKK 417m (2016: DKK 590m), primarily explained by adverse impact from financial items and taxes.

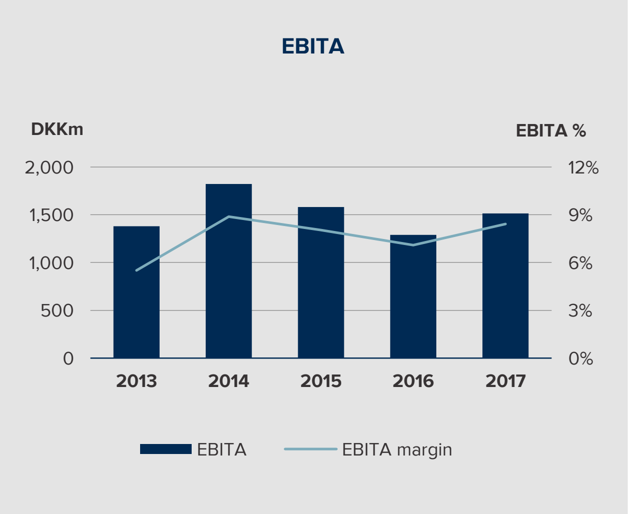
Profit/loss from discontinued activities amounted to DKK -343m (2016: DKK -68m) and was negatively impacted by provisions in 2017 related to the settlement of a dispute with a customer on a legacy project. Discontinued activities are predominantly related to the bulk material handling activities that were announced for sale in connection with the third quarter interim report in 2015. The sales process and dialogue with potential acquirers is still ongoing, and a conclusion is expected in the first half of 2018.

Profit for the year decreased to DKK 74m (2016: DKK 522m), equivalent to DKK 1.5 per share (diluted) (2016: DKK 10.6).

IMPACT FROM ONE OFF COSTS IN 2017

DKKm	2017	2016
One-off costs impacting production costs	-64	-73
One-off costs impacting SG&A costs	-62	-99
Other special non-recurring items	33	0
Total one-off costs	**-93**	-172
Corrective actions (net)	-80	-172
Demobilisation of O&M contract	-46	0
Other special non-recurring items	33	0
Total one-off costs	-93	-172
One-off costs by division		
Customer Services	-24	-75
Product Companies	-33	-37
Minerals	48	-38
Cement	-84	-22
Gross margin reported	**25.5%**	25.2%
Gross margin adjusted for one-off costs	25.9%	26.6%
SG&A ratio	**15.9%**	16.5%
SG&A ratio adjusted for one-off costs	15.6%	15.9%
EBITA margin reported	**8.4%**	7.1%
EBITA margin adjusted for one-off costs	8.9%	8.0%





CAPITAL

ROCE increased to 10.4% as a result of higher EBITA over the past 12 months and lower capital employed. Due to decreasing net working capital and a positive free cash flow of DKK 952m, net interest bearing debt declined to DKK 1.5bn – the lowest level since 2011. The financial gearing (NIBD/EBITDA) decreased to 0.9, well within the long-term target.

Capital employed and ROCE

Average capital employed decreased to DKK 14.5bn at the end of 2017 (end 2016: DKK 15.2bn), and 12-months trailing EBITA increased to DKK 1,515m (2016: DKK 1,289m). As a consequence, ROCE increased to 10.4% (2016: 8.5%).

Capital employed amounted to DKK 14.0bn at the end of 2017 and consists primarily of intangible assets amounting to DKK 10.2bn, which is mostly historical goodwill as well as patents and rights, and customer relations. Tangible assets amounted to DKK 2.2bn and net working capital to DKK 1.8bn at the end of 2017.

Cash flow and working capital

Despite solid cash generation in 2017, cash flow from operating activities decreased to DKK 1,065m in 2017 (2016: DKK 1,447m), due to negative impact from discontinued activities and currency adjusted changes in net working capital.

Net working capital decreased to DKK 1,833m at the end of 2017 (end of 2016: DKK 2,099m), representing 10.2% of 12-months trailing revenue (2016: 11.5% of revenue) – the lowest level since 2013. The reduction in net working capital was predominantly explained by higher prepayments (net). The amount of long overdue receivables decreased significantly over the course of 2017.

Cash flow from investing activities amounted to DKK -113m (2016: DKK -194m) and included a cash inflow of DKK 108m related to the acquisition of part of Sandvik Mining System.

The free cash flow (cash flow from operating and investing activities) in 2017 amounted to DKK 952m (2016: DKK 1,253m).

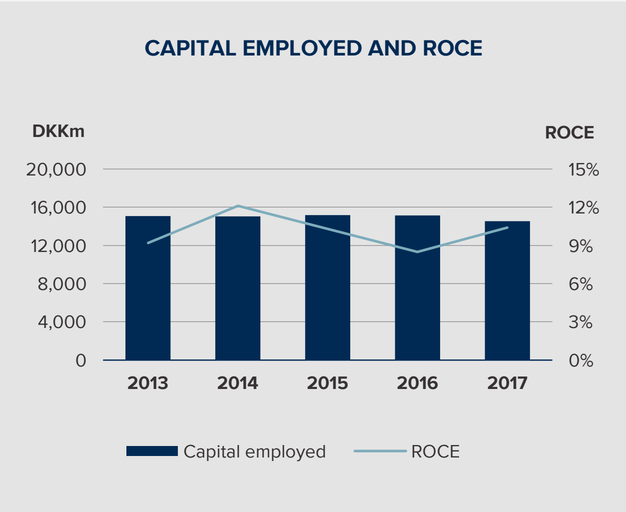
Balance sheet and capital structure

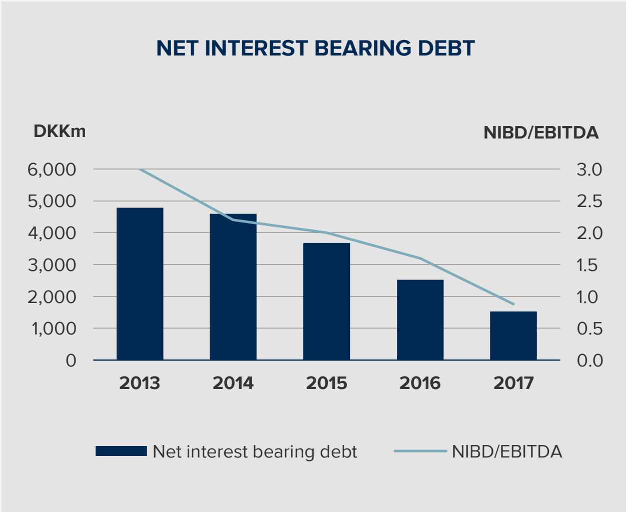
The balance sheet total contracted to DKK 22,364m at the end of 2017 (end 2016: DKK 24,112m), mainly due to currency translation effects.

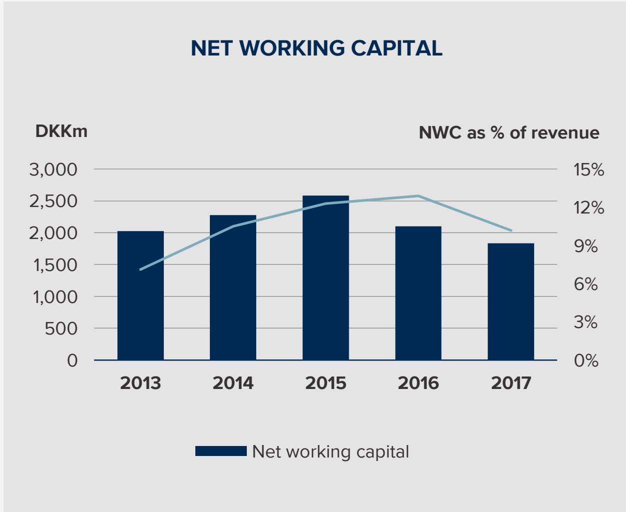
Equity at the end of 2017 decreased to DKK 8,038m (end of 2016: DKK 8,462m) as a result of negative comprehensive income related to foreign exchange adjustments regarding enterprises abroad. The equity ratio amounted to 35.9% (end of 2016: 35.1%), which is within the long-term target of minimum 30%.

Net interest-bearing debt by the end of 2017 decreased to DKK 1,545m (end of 2016: DKK 2,525m). As a result, the Group's financial gearing was 0.9 (end of 2016: 1.6), well within the NIBD long term target of maximum 2x EBITDA. At the end of 2017, the Group's capital resources consisted of committed credit facilities of DKK 7.5bn (including mortgage) with a weighted average time to maturity of 3.4 years.

The Board of Directors will propose at the Annual General Meeting that a dividend of DKK 8 per share (2016: DKK 6) corresponding to a dividend yield of 2.2% (2016: 2.0%) and a pay-out ratio of 554% (2016: 59%) be distributed for 2017, which implies a deviation from the targeted pay-out ratio of 30-50% as the result was impacted by a number of non-recurring items, including financial items, taxes and discontinued activities.







BUSINESS SEGMENTS

CUSTOMER SERVICES

AFTERMARKET FOR THE CEMENT AND MINERALS DIVISIONS. INCLUDES SPARE PARTS, WEAR PARTS, RETROFITS & MAINTENANCE.

MARKET DEVELOPMENTS

The overall market for Customer Services was unchanged in Q4. Following a slight, unanticipated softening in order activity in the third quarter, market activity picked up again in Q4 to the same level as seen in the first half of 2017.

The mining aftermarket is predominantly related to copper and gold, and customers are mostly requesting parts and services that can help increase production or reduce energy consumption. Sentiment in South America improved modestly in Q4, whereas other mining regions saw a stable level of activity.

The cement aftermarket saw a steady development in Q4 with a slight softening in North America offset by a slight improvement in parts of Asia and Western Europe.

FINANCIAL PERFORMANCE IN 2017

The order intake in Q4 2017 went up 9% to DKK 1,759m (Q4 2016: DKK 1,616m) as a result of growth in both cement and mining orders, and growth across spare parts, retrofits and maintenance work. Order intake for the full year 2017 increased 6% on 2016, driven by the minerals business.

Revenue in Q4 2017 was basically unchanged at DKK 1,785m (Q4 2016: DKK 1,786m) but increased 5% adjusted for currency effects. Full-year revenue increased 4% against 2016, supported by the higher order intake.

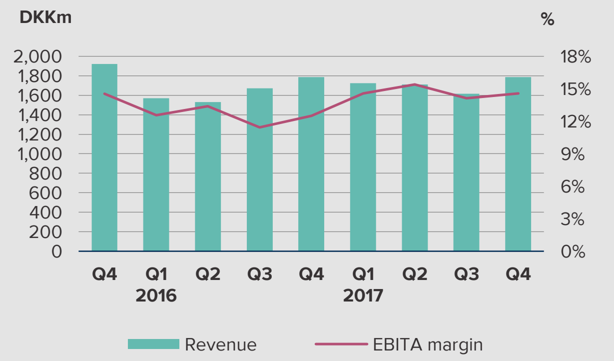
Gross profit increased 4% in Q4 to DKK 577m (Q4 2016: DKK 557m), and the corresponding gross margin went up to 32.3% (Q4 2016: 31.2%). The gross margin for the full year 2017 improved 0.5%-percentage points.

EBITA increased 17% to DKK 260m (Q4 2016: DKK 223m) and the EBITA margin increased to 14.6% (Q4 2016: 12.5%), mainly due to the higher gross margin. EBITA for the full year 2017 went up 23% and the EBITA margin improved markedly to 14.7% (2016: 12.5%), owing to a combination of higher revenue, a slightly higher gross margin and significantly lower SG&A.

CUSTOMER SERVICES

(DKKm)	Q4 2017	Q4 2016	Change (%)	2017	2016	Change (%)
Order intake (Gross)	1,759	1,616	9%	6,967	6,599	6%
Order backlog	2,260	2,388	-5%	2,260	2,388	-5%
Revenue	**1,785**	**1,786**	**0%**	**6,832**	**6,555**	**4%**
Gross profit before allocation of shared cost	577	557	4%	2,199	2,070	6%
Gross profit margin before allocation of shared cost	32.3%	31.2%		32.1%	31.6%	
EBITA before allocation of shared cost	**426**	**354**	**20%**	**1,567**	**1,375**	**14%**
EBITA margin before allocation of shared cost	23.9%	19.8%		22.9%	21.0%	
EBITA	**260**	**223**	**17%**	**1,003**	**816**	**23%**
EBITA margin	14.6%	12.5%		14.7%	12.5%	
EBIT	**222**	**167**	**33%**	**830**	**647**	**28%**
EBIT margin	12.4%	9.4%		12.1%	9.9%	
Number of employees	3,866	4,002	-3%	3,866	4,002	-3%

REVENUE AND EBITA MARGIN



PRODUCT COMPANIES

STANDARDISED MARKET-LEADING PRODUCTS AND SERVICES SOLD TO END CUSTOMERS AND INTO FLSMIDTH PROJECTS.

MARKET DEVELOPMENTS

The market for Product Companies was unchanged in Q4. The lower level of order activity in the second half of 2017 was a result of fewer large orders, which are lumpy by nature, and not due to changes in the underlying market. The aftermarket and the market for smaller capital orders have shown a steady development throughout the year.

The minerals business is still driven mainly by parts and services, with some incremental capital orders on the horizon.

The cement related business is driven both by the aftermarket and new products, with an overall stable market.

FINANCIAL PERFORMANCE IN 2017

Following a strong first half-year, the order intake decreased in the second half of 2017 and amounted to DKK 1,248m in Q4 2017 (Q4 2016: DKK 1,438m). The 13% decline was mainly a result of fewer sizable orders for air pollution control systems as well as currency effects of -5%. The order intake for the full year 2017 increased 6% on 2016, driven by stronger aftermarket demand and sizeable orders booked in the first half of the year.

Revenue increased 15% to DKK 1,515m in Q4 (Q4 2016: DKK 1,315m), and increased 11% for the full-year 2017, as a result of the strong order intake in the first half of the year.

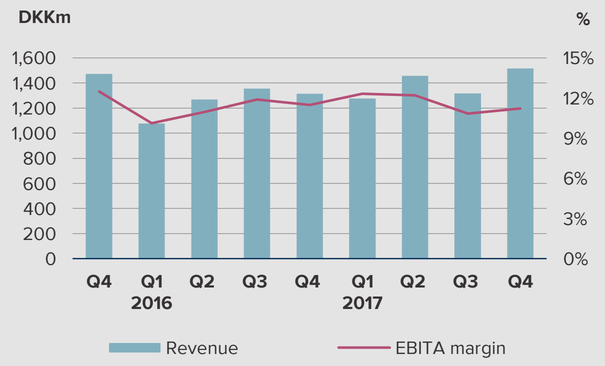
Gross profit in Q4 was unchanged at DKK 440m (Q4 2016: DKK 440m) whereas the corresponding gross margin decreased to 29.0% (Q4 2016: 33.4%), reflecting business mix and a higher share of capital business in the quarter.

EBITA in Q4 2017 increased 13% to DKK 170m (Q4 2016: DKK 151m), whereas the EBITA margin fell slightly to 11.2% (Q4 2016: 11.5%) as a consequence of the lower gross margin. An increasing share of engineering/capital business put the gross margin somewhat under pressure in 2017. Nevertheless, EBITA went up 16% to DKK 648m (2016: 560m) and the EBITA margin improved slightly to 11.6% (2016: 11.2%), owing to higher revenue and lower SG&A.

PRODUCT COMPANIES

(DKKm)	Q4 2017	Q4 2016	Change (%)	2017	2016	Change (%)
Order intake (Gross)	1,248	1,438	-13%	5,623	5,326	6%
Order backlog	2,687	2,807	-4%	2,687	2,807	-4%
Revenue	**1,515**	**1,315**	**15%**	**5,564**	**5,015**	**11%**
Gross profit before allocation of shared cost	440	440	0%	1,672	1,608	4%
Gross profit margin before allocation of shared cost	29.0%	33.4%		30.0%	32.1%	
EBITA before allocation of shared cost	**315**	**286**	**10%**	**1,135**	**1,027**	**11%**
EBITA margin before allocation of shared cost	20.8%	21.8%		20.4%	20.5%	
EBITA	**170**	**151**	**13%**	**648**	**560**	**16%**
EBITA margin	11.2%	11.5%		11.6%	11.2%	
EBIT	**139**	**125**	**11%**	**538**	**460**	**17%**
EBIT margin	9.2%	9.5%		9.7%	9.2%	
Number of employees	2,725	2,774	-2%	2,725	2,774	-2%

REVENUE AND EBITA MARGIN



MINERALS

MINING PROJECTS, LARGE ENGINEERED MINERAL PROCESSING AND MATERIAL HANDLING EQUIPMENT.

MARKET DEVELOPMENTS

Market activity for minerals equipment picked up in the third quarter of 2017 and the stronger sentiment continued into Q4. The order pipeline is a mix of smaller equipment and brownfield expansion opportunities, and there are some early signs of customers looking into greenfield projects. Recent inquiries relate to gold, copper and bauxite (aluminium) projects. The most mature opportunities are in North and South America, Australia, Asia and India.

The market for mining CAPEX is expected to continue the stronger momentum in 2018, even though an increasing number of projects are stalled due to lack of permissions.

FINANCIAL PERFORMANCE IN 2017

The order intake in Q4 2017 went up 25% to DKK 857m (Q4 2016: DKK 685m) and included a large equipment order of more than DKK 250m to improve productivity and increase capacity of a copper mine in South America. The stronger order intake in the second half of the year led to a 17% increase in the full-year 2017 order intake.

Revenue declined 25% to DKK 806m compared to a strong Q4 last year (Q4 2016: DKK 1,080m). A low order backlog at the start of the year, combined with soft order intake in the first half of 2017, caused the full-year revenue to fall 19% from 2016. About one fourth (Q3 2017: one third) of the Minerals Division's backlog remains slow moving based on customer requests, and there are indications that some of this backlog could start moving in 2018.

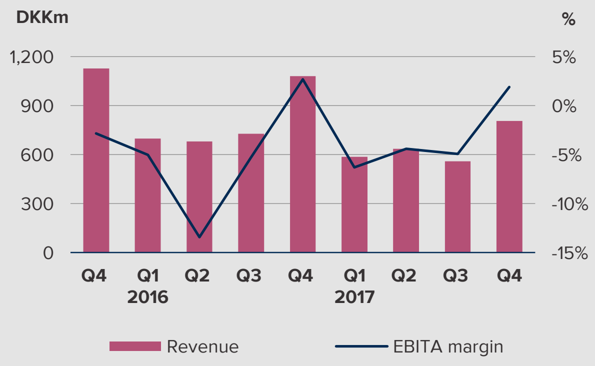
The gross profit in Q4 declined to DKK 146m (Q4 2016: DKK 179m) due to lower revenue in the quarter, whereas the gross margin improved to 18.1% (Q4 2016: 16.6%). The gross margin for the Minerals Division has been fairly stable for the past three years and improved to 18.0% in 2017 (2016: 16.6%).

EBITA in Q4 amounted to DKK 16m (Q4 2016: DKK 29m) and was impacted by one-off income of DKK 55m related to the acquisition of a part of Sandvik Mining Systems. Adjusting for this acquisition effect, EBITA for the full year 2017 was largely unchanged from the previous year.

MINERALS

(DKKm)	Q4 2017	Q4 2016	Change (%)	2017	2016	Change (%)
Order intake (Gross)	857	685	25%	3,134	2,679	17%
Order backlog	4,160	3,988	4%	4,160	3,988	4%
Revenue	**806**	**1,080**	**-25%**	**2,586**	**3,185**	**-19%**
Gross profit before allocation of shared cost	146	179	-18%	464	530	-12%
Gross profit margin before allocation of shared cost	18.1%	16.6%		18.0%	16.6%	
EBITA before allocation of shared cost	**93**	**114**	**-18%**	**194**	**195**	**-1%**
EBITA margin before allocation of shared cost	11.5%	10.5%		7.5%	6.1%	
EBITA	**16**	**29**	**N/A**	**(76)**	**(135)**	**N/A**
EBITA margin	1.9%	2.7%		-3.0%	-4.3%	
EBIT	**(1)**	**2**	**N/A**	**(163)**	**(243)**	**N/A**
EBIT margin	-0.1%	0.2%		-6.3%	-7.6%	
Number of employees	1,193	1,081	10%	1,193	1,081	10%

REVENUE AND EBITA MARGIN



CEMENT

CEMENT PROJECTS, LARGE CUSTOMISED CEMENT EQUIPMENT AND OPERATION & MAINTENANCE.

MARKET DEVELOPMENTS

Following a relatively active start to the year with several larger orders and what appeared to be a slow recovery in the cement industry, the market for new cement capacity lost some momentum in Q3 and was unchanged in Q4. Plant utilisation rates remain low from a global perspective, and the pipeline of potential projects is less encouraging than a year ago, although regional opportunities exist.

The Indian cement market remains subdued but is slowly improving, and the countries surrounding India continue to show a good level of activity. There are select opportunities in North and East Africa, parts of Asia and parts of Latin America as well. The US market is active but not yet giving rise to a need for new cement plants.

With few tenders for large cement projects, FLSmidth is increasingly focusing on equipment sales and upgrades, both of which saw good inquiry activity in Q4.

FINANCIAL PERFORMANCE IN 2017

The order intake in Q4 2017 increased 19% to DKK 1,219m (Q4 2016: DKK 1,026m) and included a large order of more than DKK 745m in North Africa. The full-year order intake for 2017 was on a par with 2016.

Revenue amounted to DKK 1,209m which was a sequential improvement but still a 21% decline on an exceptionally strong quarter last year (Q4 2016: DKK 1,539m). Revenue for the full year 2017 decreased 5% on 2016, mainly due to phasing of projects.

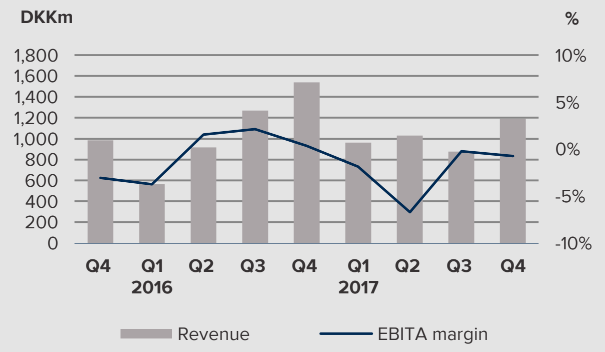
The gross profit in Q4 declined to DKK 155m (Q4 2016: DKK 175m) due to lower revenue, whereas the gross margin increased to 12.8% (Q4 2016: 11.4%).

EBITA in Q4 amounted to DKK 8m which was in line with last year (Q4 2016: DKK 7m), despite lower revenue. The corresponding EBITA margin was 0.7% (Q4 2016: 0.4%). The EBITA margin for the full year 2017 declined to -2.0% (2016: 0.6%), due to an adverse impact from challenging O&M contracts and a 2.5%-percentage points decline in gross margin.

CEMENT

(DKKm)	Q4 2017	Q4 2016	Change (%)	2017	2016	Change (%)
Order intake (Gross)	1,219	1,026	19%	4,546	4,576	-1%
Order backlog	5,193	5,349	-3%	5,193	5,349	-3%
Revenue	**1,209**	**1,539**	**-21%**	**4,077**	**4,286**	**-5%**
Gross profit before allocation of shared cost	155	175	-11%	460	590	-22%
Gross profit margin before allocation of shared cost	12.8%	11.4%		11.3%	13.8%	
EBITA before allocation of shared cost	**91**	**77**	**18%**	**199**	**296**	**-33%**
EBITA margin before allocation of shared cost	7.5%	5.0%		4.8%	6.9%	
EBITA	**8**	**7**	**14%**	**(81)**	**28**	**-389%**
EBITA margin	0.7%	0.4%		-2.0%	0.6%	
EBIT	**1**	**(2)**	**-150%**	**(111)**	**(3)**	**N/A**
EBIT margin	0.1%	-0.2%		-2.7%	-0.1%	
Number of employees	2,393	2,642	-9%	2,393	2,642	-9%

REVENUE AND EBITA MARGIN



QUARTERLY KEY FIGURES

DKKm	2015				2016				2017			
INCOME STATEMENT	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Revenue	4,683	5,093	4,609	5,297	3,758	4,135	4,774	5,525	4,371	4,585	4,101	4,943
Gross profit	**1,190**	**1,327**	**1,174**	**1,255**	**1,038**	**1,078**	**1,164**	**1,301**	**1,134**	**1,164**	**1,065**	1,234
Sales, general and admin.costs and other operating items	(718)	(815)	(743)	(792)	(726)	(738)	(743)	(786)	(698)	(759)	(667)	(741)
EBITDA before special non-recurring items	**472**	**512**	**431**	**463**	**312**	**340**	**421**	**515**	**436**	**405**	**398**	493
Special non-recurring items	0	2	(1)	(6)	0	0	(9)	(21)	0	0	(4)	55
Depreciation of tangible assets	(72)	(74)	(72)	(73)	(66)	(67)	(68)	(68)	(64)	(63)	(58)	(83)
EBITA	**400**	**440**	**358**	**384**	**246**	**273**	**344**	**426**	**372**	**342**	**336**	465
Amortisation of intangible assets	(104)	(119)	(113)	(105)	(93)	(96)	(101)	(118)	(100)	(105)	(102)	(93)
EBIT	**296**	**321**	**245**	**279**	**153**	**177**	**243**	**308**	**272**	**237**	**234**	372
Financial income/costs, net	(18)	30	(93)	(175)	(38)	(32)	14	2	(34)	(94)	(101)	(82)
EBT	**278**	**351**	**152**	**104**	**115**	**145**	**257**	**310**	**238**	**143**	**133**	282
Tax for the period	(82)	(113)	(47)	(40)	(36)	(45)	(70)	(86)	(60)	(51)	(38)	(230)
Profit/loss on continuing activities for the period	**196**	**238**	**105**	**64**	**79**	**100**	**187**	**224**	**178**	**92**	**95**	**52**
Profit/loss on discontinued activities for the period	76	(24)	(189)	(41)	(6)	(3)	(17)	(42)	(17)	(17)	(72)	(237)
Profit/loss for the period	**272**	**214**	**(84)**	**23**	**73**	**97**	**170**	**182**	**161**	**75**	**23**	**(185)**
Effect of purchase price allocation	(71)	(71)	(71)	(71)	(60)	(60)	(60)	(60)	(55)	(55)	(55)	(55)
Gross margin	*25.4%*	*26.1%*	*25.5%*	*23.7%*	*27.6%*	*26.1%*	*24.4%*	*23.5%*	*25.9%*	*25.4%*	*26.0%*	*25.0%*
EBITDA margin before special non-recurring items	*10.1%*	*10.1%*	*9.4%*	*8.7%*	*8.3%*	*8.2%*	*8.8%*	*9.3%*	*10.0%*	*8.8%*	*9.7%*	*10.0%*
EBITA margin	*8.5%*	*8.6%*	*7.8%*	*7.2%*	*6.5%*	*6.6%*	*7.2%*	*7.7%*	*8.5%*	*7.5%*	*8.2%*	*9.4%*
EBIT margin	*6.3%*	*6.3%*	*5.3%*	*5.3%*	*4.1%*	*4.3%*	*5.1%*	*5.6%*	*6.2%*	*5.2%*	*5.7%*	*7.5%*
Cash flow from operating activities	(45)	(61)	496	148	(60)	155	744	608	149	(44)	414	546
Cash flow from investing activities	760	(44)	14	20	(12)	(95)	(43)	(44)	(35)	(65)	(69)	56
Order intake, continuing activities	4,440	5,208	5,151	3,691	5,281	4,345	4,133	4,544	5,561	4,580	4,193	4,836
Order backlog, continuing activities	17,562	16,932	16,666	14,858	15,792	15,914	15,174	13,887	14,998	14,115	13,799	13,654

DKKm	2015				2016				2017			
SEGMENT REPORTING	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Customer Services												
Revenue	1,768	1,813	1,793	1,920	1,568	1,531	1,670	1,786	1,724	1,709	1,614	1,785
Gross profit before allocation of shared costs	472	582	539	611	507	506	500	557	554	554	514	577
EBITA before allocation of shared costs	310	407	356	445	343	343	335	354	391	394	356	426
EBITA	173	266	233	279	197	205	191	223	251	264	228	260
EBIT	135	223	192	240	161	169	150	167	209	216	183	222
Gross margin before allocation of shared costs	*26.7%*	*32.1%*	*30.1%*	*31.8%*	*32.3%*	*33.1%*	*29.9%*	*31.2%*	*32.1%*	*32.5%*	*31.8%*	*32.3%*
EBITA margin before allocation of shared costs	*17.5%*	*22.4%*	*19.9%*	*23.1%*	*21.9%*	*22.4%*	*20.1%*	*19.8%*	*22.7%*	*23.1%*	*22.0%*	*23.9%*
EBITA margin	*9.8%*	*14.7%*	*13.0%*	*14.5%*	*12.6%*	*13.4%*	*11.4%*	*12.5%*	*14.6%*	*15.4%*	*14.1%*	*14.6%*
EBIT margin	*7.6%*	*12.3%*	*10.7%*	*12.5%*	*10.3%*	*11.0%*	*9.0%*	*9.4%*	*12.1%*	*12.6%*	*11.3%*	*12.4%*
Order intake (gross)	1,796	1,733	1,526	1,655	1,566	1,597	1,820	1,616	1,861	1,750	1,597	1,759
Order backlog	2,783	3,003	2,725	2,469	2,399	2,405	2,483	2,388	2,506	2,421	2,320	2,260
Product Companies												
Revenue	1,371	1,531	1,336	1,473	1,078	1,268	1,354	1,315	1,275	1,457	1,317	1,515
Gross profit before allocation of shared costs	440	461	407	451	356	395	417	440	406	431	395	440
EBITA before allocation of shared costs	313	331	278	322	228	252	261	286	272	283	265	315
EBITA	200	211	161	184	109	139	161	151	157	178	143	170
EBIT	182	198	143	166	86	103	146	125	132	150	117	139
Gross margin before allocation of shared costs	*32.1%*	*30.1%*	*30.5%*	*30.6%*	*33.0%*	*31.1%*	*30.8%*	*33.4%*	*31.8%*	*29.6%*	*30.0%*	*29.0%*
EBITA margin before allocation of shared costs	*22.8%*	*21.6%*	*20.8%*	*21.9%*	*21.2%*	*19.9%*	*19.3%*	*21.8%*	*21.3%*	*19.4%*	*20.1%*	*20.8%*
EBITA margin	*14.6%*	*13.8%*	*12.0%*	*12.5%*	*10.1%*	*11.0%*	*11.9%*	*11.5%*	*12.3%*	*12.2%*	*10.8%*	*11.2%*
EBIT margin	*13.3%*	*12.9%*	*10.7%*	*11.3%*	*7.9%*	*8.1%*	*10.7%*	*9.5%*	*10.4%*	*10.3%*	*8.9%*	*9.2%*
Order intake (gross)	1,580	1,431	1,479	1,252	1,406	1,165	1,317	1,438	1,597	1,554	1,224	1,248
Order backlog	3,291	2,887	2,864	2,536	2,823	2,729	2,681	2,807	3,124	3,128	2,968	2,687

DKKm	2015				2016				2017			
SEGMENT REPORTING (CONTINUED)	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Minerals												
Revenue	822	812	816	1,126	698	680	727	1,080	586	635	559	806
Gross profit before allocation of shared costs	151	144	148	184	132	91	128	179	101	115	102	146
EBITA before allocation of shared costs	62	(19)	44	59	48	(9)	42	114	27	39	35	93
EBITA	(39)	(127)	(60)	(32)	(35)	(92)	(37)	29	(37)	(28)	(27)	16
EBIT	(78)	(174)	(102)	(70)	(62)	(108)	(75)	2	(62)	(50)	(50)	(1)
Gross margin before allocation of shared costs	*18.4%*	*17.7%*	*18.2%*	*16.4%*	*18.9%*	*13.5%*	*17.6%*	*16.6%*	*17.3%*	*18.0%*	*18.3%*	*18.1%*
EBITA margin before allocation of shared costs	*7.5%*	*-2.3%*	*5.4%*	*5.2%*	*6.9%*	*-1.3%*	*5.8%*	*10.5%*	*4.7%*	*6.1%*	*6.2%*	*11.5%*
EBITA margin	*-4.7%*	*-15.6%*	*-7.4%*	*-2.8%*	*-5.0%*	*-13.4%*	*-5.3%*	*2.7%*	*-6.3%*	*-4.4%*	*-4.9%*	*1.9%*
EBIT margin	*-9.5%*	*-21.4%*	*-12.5%*	*-6.3%*	*-8.8%*	*-15.8%*	*-10.4%*	*0.2%*	*-10.5%*	*-7.9%*	*-9.0%*	*-0.1%*
Order intake (gross)	851	1,057	1,574	630	443	972	579	685	744	525	1,008	857
Order backlog	4,746	4,806	5,138	4,614	4,229	4,478	4,244	3,988	4,108	3,728	4,013	4,160
Cement												
Revenue	951	1,183	792	985	562	916	1,269	1,539	961	1,030	877	1,209
Gross profit before allocation of shared costs	181	209	135	106	104	142	169	175	103	99	103	155
EBITA before allocation of shared costs	132	165	83	29	45	81	93	77	50	2	56	91
EBITA	47	79	2	(29)	(21)	15	27	7	(18)	(68)	(3)	8
EBIT	38	63	(10)	(39)	(28)	7	20	(2)	(26)	(75)	(11)	1
Gross margin before allocation of shared costs	*19.0%*	*17.7%*	*17.1%*	*10.7%*	*18.5%*	*15.5%*	*13.3%*	*11.4%*	*10.7%*	*9.6%*	*11.8%*	*12.8%*
EBITA margin before allocation of shared costs	*13.9%*	*13.9%*	*10.5%*	*2.8%*	*7.9%*	*8.8%*	*7.2%*	*5.0%*	*5.2%*	*0.2%*	*6.5%*	*7.5%*
EBITA margin	*4.9%*	*6.7%*	*0.3%*	*-3.0%*	*-3.7%*	*1.5%*	*2.1%*	*0.4%*	*-1.9%*	*-6.7%*	*-0.2%*	*0.7%*
EBIT margin	*4.0%*	*5.3%*	*-1.3%*	*-3.9%*	*-5.0%*	*0.7%*	*1.6%*	*-0.2%*	*-2.7%*	*-7.4%*	*-1.1%*	*0.1%*
Order intake (gross)	438	1,289	680	396	2,082	805	663	1,026	1,719	1,023	585	1,219
Order backlog	7,331	6,883	6,529	5,852	7,016	6,962	6,382	5,349	6,085	5,672	5,274	5,193

CORPORATE MATTERS

INNOVATION

FLSmidth's future financial results rely on existing core technologies and a continuous stream of new developments to enhance the current strong offering. In 2017, FLSmidth spent DKK 212m on R&D to ensure productivity enhancing solutions that turn our customers' everyday challenges into opportunities. In addition, project-financed developments are undertaken in cooperation with customers.

Innovation takes place in-house in our technology centres, on-site with customers, and through partnerships with third parties:

IN-HOUSE INNOVATION

FLSmidth's global technology centres are the backbone of in-house R&D, although product development takes place locally in the product companies too. Sophisticated laboratories and testing facilities in the USA, India and Denmark allows for in-house pilot projects before new solutions are rolled out to customers in full scale. Fast commercialisation of new products, and services, such as the Ferrocer® wear liner, is top priority but FLSmidth is also pursuing more transformational innovations that can unleash the next wave of productivity.

ON-SITE INNOVATION

When specific customer requirements and the need for real-live testing go hand in hand, product development takes place directly at customer sites. Examples of such developments include new cyclones for cement preheater towers, systems for tailings management in mining, and new solutions for the use of alternative fuels in cement plants.

INNOVATION THROUGH PARTNERSHIPS

FLSmidth has a strategy to focus on its core business, but sometimes, the development of core products require innovation within non-core technologies. In such cases, we will look to partner up with technology experts rather than attempt to 'reinvent the wheel'. Partners for recent product development include Microsoft, Haldor Topsoe, BASF, GE, Hempel and the Technical University of Denmark (DTU). The partnership with Hempel and DTU resulted in important contributions to the development of FLSmidth's JETFLEX® burner which is gaining acceptance in the market with more than 20 burners sold in 2017.

We believe even a small discovery can lead to a great deal more

TIME FOR CHANGE

The cement industry, and especially the mining industry, have historically been rather conservative industries when it comes to adopting innovation. This may be about to change. As plant owners fight depressed returns and are faced with ever-stricter environmental regulations they are increasingly seeking ways to improve productivity and utilisation of their assets. Greater scarcity of raw materials, water, energy, and increasing cost of labour is leading to more complex and costly operations. Transformational innovations and digitalization offer a solution to these challenges and FLSmidth is well-positioned to help drive sustainable productivity improvements.

DIGITALIZATION – A KEY ENABLER FOR PRODUCTIVITY

- Embedding digitalization in future innovation is a top priority for FLSmidth
- Our existing automation offering provides a strong foundation
- New technology applications will ensure data-driven productivity improvements

EXAMPLES OF RECENT INNOVATIONS

COUNTER CURRENT CYCLONE

Revolutionary cyclone design lowering CAPEX and OPEX

DRY STACK TAILINGS

Future minerals processing with no tailings dams and recycled water

RAPID OXIDATIVE LEACHING (ROL)

Game-changer for copper and precious metal processing

THE OK™ RAW/GRINDING MILL

Increased reliability, lower power consumption and consistent maintenance procedures

LEARN MORE ABOUT EACH INNOVATION ON THE FOLLOWING PAGES

COUNTER CURRENT CYCLONE

Our Solution

The new revolutionary cyclone concept features an innovative design that combines heat exchange and separation in a single process, which allows for a reduction in both CAPEX and OPEX of a cement preheater tower. Further, it is possible to reduce the number of stages, and thereby the height, of the tower.

INDUSTRY CHALLENGE

Energy often makes up the highest cost of operating a cement plant. The high energy consumption weigh on both the environment and the plant owners' profitability.

Financing new equipment can be a significant hurdle and high initial investments are depressing plant owners' returns.

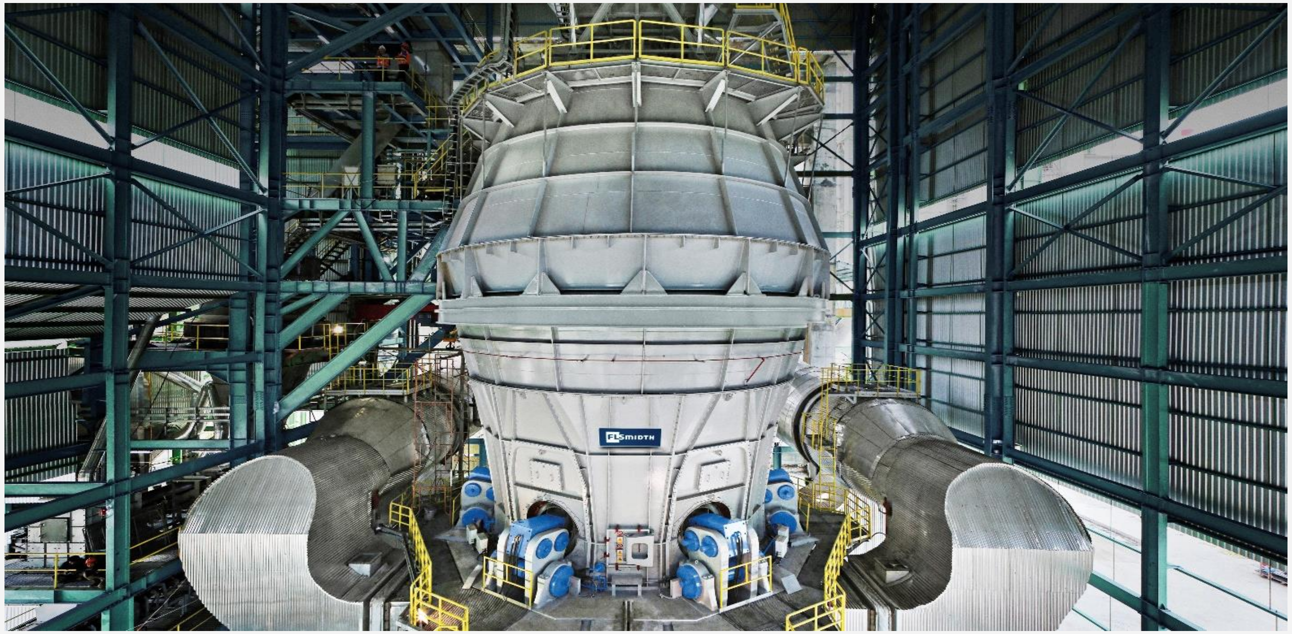
FACTS

- Cyclones are a key element in a cement plants preheater tower
- The new Counter Current Cyclone has been installed with a customer in Europe and is operating successfully
- Significant customer benefits have been proven
- An upgrade of an existing plant can result in:
  - 10% increased production and,
  - Lowers fossil fuel consumption by 2% and fan power consumption by 5%
- A customer building a new plant can achieve substantially lower CAPEX

THE OK™ RAW/GRINDING MILL

Our Solution

Adding the newly developed OK™ raw mill to the existing OK™ cement grinding mill provides several advantages. Owners can benefit from both parts commonality as well as consistent maintenance procedures. Further, the standardisation of mill design and production, due to common design platform for the raw mill and the cement grinding mill, translates into increased reliability and lower risk of lost production due to unplanned stoppages. Moreover, the OK™ mill consistently uses 10% less power than other cement vertical roller mills.



INDUSTRY CHALLENGE

Complexity in cement plant operations increases the risk of unplanned downtime. For a plant running at full capacity, every day of shutdown for an average sized cement plant can result in up to DKK 1.2 million in lost profit.

Energy often makes up the highest cost of operating a cement plant, and grinding systems in cement production make up approximately 85-90% of total plant electrical energy consumption.

FACTS

- Over 150 installations of FLSmidth's OK™ mill for cement grinding
- The OK™ mill is characterised by low power consumption, high availability, high product quality, and flexibility to grind diverse materials
- The first OK™ raw mill recently began operation in Indonesia
- Vertical mills are 30-50% more efficient than other grinding solutions

RAPID OXIDATIVE LEACHING (ROL)

Our Solution

ROL is a transformational solution to overcome the challenges of declining grades and impurities in ore bodies. It can process low grade concentrates, it operates at atmospheric pressure, and integrates with existing equipment, giving miners the benefit of low CAPEX and lower OPEX. ROL also treats arsenic whereby roasting or smelting can be avoided, resulting in a lower environmental impact.

INDUSTRY CHALLENGE

Declining ore grades, in particular for copper mines, are diluting miners' revenue and the economic value of their reserves. An **increasing level of impurities** in concentrates means that smelters' ability to take materials with high arsenic levels is nearly at maximum. In addition, miners are faced with **economic stress in the transition from oxide to sulphide ore** where declining utilisation of assets (Sx/Ew plant) is challenging cash generation which is critical for raising funding for a concentrator to process the lower level of sulphide ore.

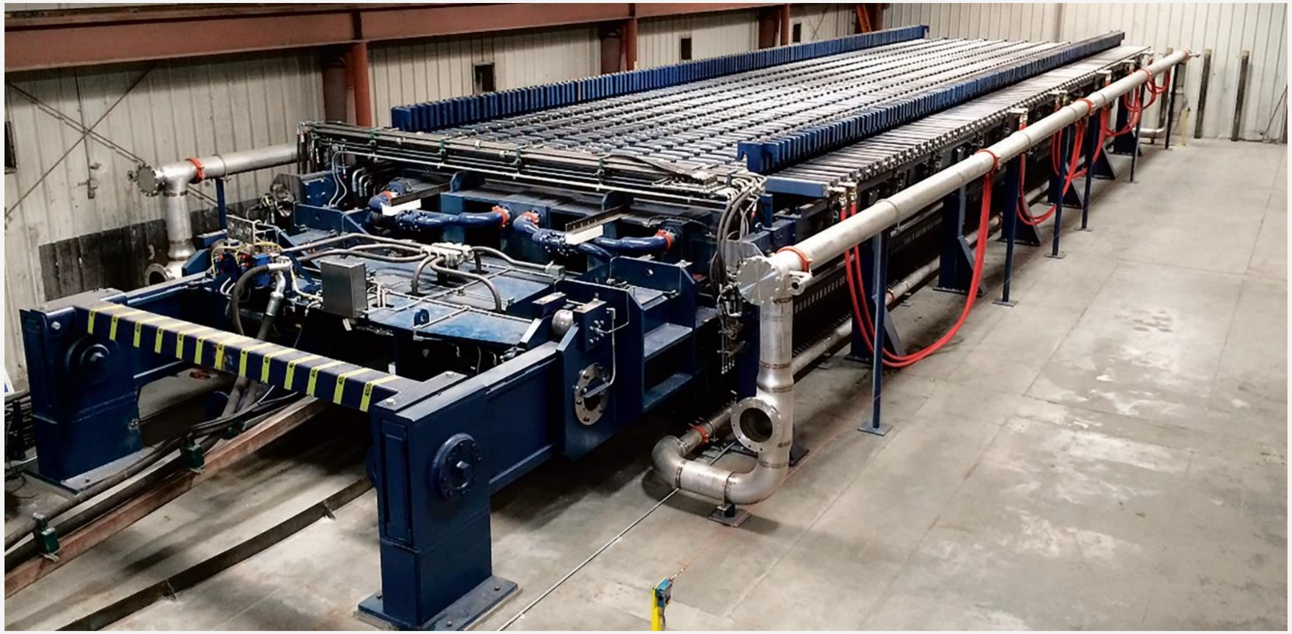
FACTS

- ROL has passed the research and laboratory pilot plant stage. The next stage is building a demo plant on site in collaboration with a customer
- ROL was a winner in the global top 100 R&D awards
- ROL technology is patented within copper and patent-pending within gold
- Addressable market for ROL is about 20% of the global copper market
- Estimated long-term potential for ROL (including associated equipment) in excess of USD 1bn per year
- Additional information about ROL can be found **here**

DRY STACK TAILINGS

Our Solution

Dry Stack Tailings can recirculate up to 90% of the process water, and it eliminates the risks of catastrophic tailings flow when a dam fails. It ensures safe stacking of tailings cakes, even in areas of high seismic activity, which means avoiding of risk of groundwater contamination through seepage. Further, it reduces storage footprint by around 50% and enables fast rehabilitation when approaching mine closure.



INDUSTRY CHALLENGE

Water scarcity and the cost of water is a daily concern for many mine operators. An average sized concentrator (used in the mining of for example copper) with a capacity of 100,000 tpd and a water ratio of 0.5-0.7 requires 50,000-70,000 m3 (50–70 million litres) of water per day.

Risk of tailings dam failures is another concern for miners as well as for local societies. Tailing ponds are some of the biggest manmade structures on earth and there have been two tailings dam failures per year on average over the past 30 years.

Waste rock disposal areas are a challenge to obtaining a social license to operate.

FACTS

- The development of Dry Stack Tailings is in the pilot plant testing phase and ongoing research to further improve filer solutions is taking place
- The medium to long-term addressable market for Dry Stack Tailings is estimated at USD 200-300m per year
- FLSmidth and Goldcorp are the joint winners of the Mining Magazine Editor's Award 2017 for developing EcoTails™
- Additional information about Dry Stack Tailings can be found **here**

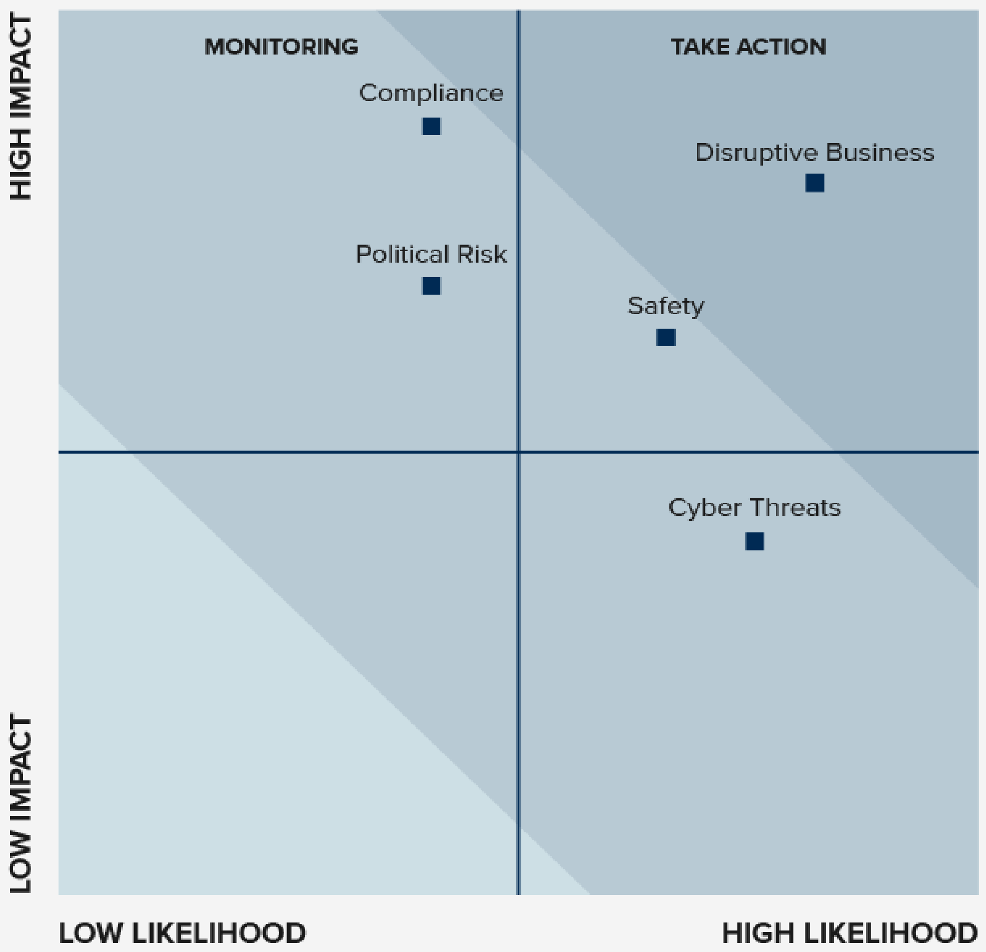
RISK MANAGEMENT

Risk is an inherent part of our business, and managing risks has a very high priority within FLSmidth. Through a simple, standardised Enterprise Risk Management Practice, we strive to minimise the impact of our key risks and protect our reputation, values and integrity.

Risk Management Framework and Process
The Group's Risk Management Framework consists of an annual top-down/bottom-up risk mapping approach that run parallel to each other, allowing for the identification of key risks at Group level as well as the major risks the Divisions, Countries, Business Units and Group Functions are facing. Each area of the organisation has total ownership of their risks as well as the responsibility for ensuring that they are adequately managed.

Risk Reporting
Group Risk Management is responsible for the facilitation of the annual assessments and biannual reporting to the Audit Committee and the Board of Directors/Group Executive Management.

GROUP RISK MAP



2017 Top Group Risks
The top-down Group assessment resulted in the identification of the strategic, operational, financial and political risks that pose a potential threat or opportunity (in random order of priority):

- Safety
- Political Risk
- Compliance
- Disruptive Business
- Cyber Threats

These risks have assigned owners and all areas of the organisation are responsible for actively managing their potential impact – this is a fundamental principle in the Group's risk management philosophy that is executed at the following levels:

- **Group Executive Management:** covering all group level risks, including major external risks that may impact the Group's ability to achieve its strategic objectives on a sustainable basis;
- **Divisional:** covering general risks related to their respective focus industries, as well as risks related to the interaction between the business units and group functions;
- **Country:** with the overall responsibility and ownership for mitigating identified risks in their country; and
- **Group Functions:** covering all global risk areas that function across the Divisions and sharing knowledge about shared risks across the organisation.

Where necessary, the establishment of individual risk committees and ad hoc business continuity plans also play an important role in managing the Group's top risks.

RISK MITIGATION

RISK	CONTEXT	MITIGATION
Safety	In general, the mining industry has high safety standards whereas the standards in the cement industry may vary.	Safety is a high priority for everyone, both at FLSmidth owned sites and at third party sites, with continuous focus on improving LTIFR, Safety Audits by top management and continuous training.
Political Risk	FLSmidth's projects are often located in remote locations with poor infrastructure, and/or in countries with challenging political, administrative and judicial structures in place.	The Group conducts monthly project reviews of all large projects which include risk assessments. The Group has also established project task forces with participants from selected areas of expertise, including Divisional CEO's/CFO's 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 has top-priority in 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, Whistleblower Hotline, screening of third parties and sign-off protocols.
Disruptive Business	The rapid speed of disruptive innovations/technology presents both opportunities and threats for the organization.	In addition to the Group's focus on growth through Productivity, it has established partnerships with third parties as well as internal cross-functional digitalization project teams.
Cyber threats	The continuously evolving threat of cyber security, data leakage and data security is a key area of focus.	The Group is focused on IT Security and awareness; conducting regular audits and continuous analysis of current controls. An IT Security Committee has been established as well as ad hoc business continuity plans for specific areas.

SUSTAINABILITY

In 2017, we have made great progress on mapping our sustainability risks and opportunities. Internal environmental management has improved significantly and human rights are being addressed.

Concurrently with the Annual Report, FLSmidth has published its annual Sustainability Report, covering non-financial performance related to the environmental and social impacts. The 2017 Sustainability Report is in full compliance with Section 99a of the Danish Financial Statements Act, and also serves as the Communication on Progress to the United Nations Global Compact. The report is available at: http://www.flsmidth.com/SustainabilityReport2017

SUSTAINABILITY HIGHLIGHTS

Material Topic	2017	2016
SAFETY		
Lost Time Injury Frequency Rate	1.8	1.5
Total Training (in '000s of hours)	258	187
PEOPLE		
Number of employees having undergone corporate development programs	541	376
Percent women managers	10.5%	10.7%
COMPLIANCE		
Total number of whistle-blower cases	51	25
Numbers of in-depth due diligence screenings conducted	398	226
ENVIRONMENT		
Absolute carbon emissions, scope 1 & scope 2 (in tons)	64,267	44,195
Freshwater withdrawal (m3)	241,651	N/A
SUPPLY CHAIN		
Number of suppliers screened for social and environmental performance	113	161
% suppliers screened for social and environmental performance from total spend	6%	N/A

SUSTAINABILITY IN FLSMIDTH

Sustainable development is a key driver in the industries we serve and our focus on productivity enhancement increases our customers' performance, as well as our own. By focusing on our suppliers, our business and the entire life-cycle of our customers' operations, we can identify where the largest sustainability impacts and cost savings opportunities lie.

Controlling and systematically improving sustainability performance requires a strong corporate commitment, and more importantly, an encompassing governance structure. The governance structure at FLSmidth is centred around a Sustainability Board whose members include the CEO and CFO. The Sustainability Board reports to the Board of Directors. Non-financial key performance indicators are presented to business owners and the Sustainability Board on a quarterly basis and to the board of directors on an annual basis. This governance structure ensures that sustainability is anchored in top management and the Board of Directors.

PROGRESS IN 2017

In 2017, we carried out a thorough internal materiality assessment of the organisation, which showed how non-financial risks can impact the bottom line, the share price, reputation and morale. This information provided a basis for Group Risk to support internal stakeholders in mitigating risks.

The most significant advancement in 2017 has been the way we manage internal environmental impacts. With the progress made on the Group level certification for the ISO 14001 Environmental Management System, we can now measure carbon, water and energy on a much more granular level. This is why the carbon emissions appear to increase this year, and it is not because of any significant change to the business.

Furthermore, human rights have been identified as an area requiring a centralised approach and Group Compliance has therefore dedicated resources to address them. Initial scoping has been concluded and a baseline compliance assessment of global human rights risks has been initiated. This provides the foundation for identifying and remediating human rights impacts going forward.

EMPLOYEES

FLSmidth is a learning organisation, and our people are our most valuable resource. In 2017, we continued to invest extensively in people development and leadership training with a strong emphasis on selecting, attracting, developing and retaining the right people to support value creation in the Group.

The global organisation has been significantly impacted by the cyclical downturn and the changes in market conditions over the past five years. As a consequence of corrective actions implemented in late 2016, the number of employees was further reduced in 2017. However, on 1 November 2017, the acquisition of parts of Sandvik Mining Systems added 187 employees to the global organisation.

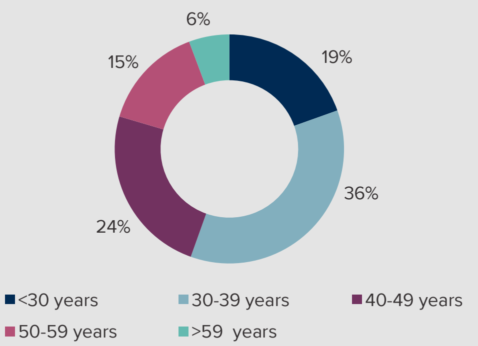
The number of employees amounted to 11,716 at the end of 2017, representing a decrease of 4% compared to last year (end 2016: 12,187). The decline is primarily explained by business right-sizing and corrective actions, as mentioned above. The composition of the global workforce was more or less unchanged at the end of 2017.

53% of FLSmidth's employees were below the age of 40 at the end of 2017 (end of 2016: 55%).

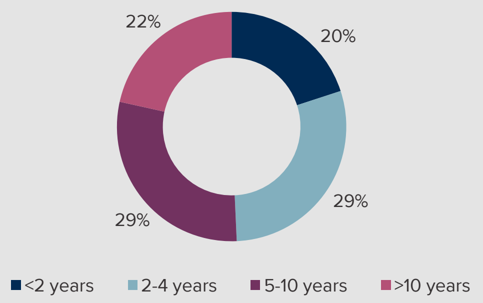
79% of the employees have more than 2 years' seniority (end of 2016: 80%). 39% of all employees have less than 5 years' experience (end of 2016: 49%), which is an indication of the transition FLSmidth has been going through over the past 5 years to become a productivity-driven company.

13% of FLSmidth's permanently employed staff is female (end of 2016: 14%). The relatively low proportion of female employees is explained by the fact that males continue to be over-represented in the engineering profession and among engineering students.

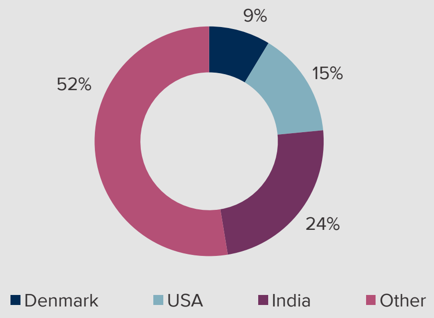
AGE DISTRIBUTION



LENGTH OF SERVICE



GEOGRAPHICAL DISTRIBUTION



CORPORATE GOVERNANCE

In the Board's opinion, FLSmidth complies with all recommendations on corporate governance applicable to Danish listed companies.

The following statutory statement (including the Corporate Governance section, the Remuneration Report, as well as the overview of the Board of Directors and Group Executive Management) is provided pursuant to the Danish Financial Statements Act Sections 107a and 107b.

CAPITAL AND SHARE STRUCTURE

FLSmidth & Co. A/S is listed on NASDAQ Copenhagen. At the end of 2017, FLSmidth had about 38,000 registered shareholders and a free-float of around 85%. Two shareholders had flagged major shareholdings in FLSmidth & Co. A/S at the end of 2017. Lundbeckfond Invest A/S' investment exceeded 10% and Novo Holding A/S' investment exceeded 5%. FLSmidth's holding of Treasury shares at the end of 2017 accounted for 3.4% of the share capital.

The Board of Directors is authorised until the next Annual General Meeting to let the Company acquire treasury shares up to a total nominal value of 10% of the Company's share capital in accordance with Section 12 of the Danish Companies Act.

CORPORATE GOVERNANCE HIGHLIGHTS	2017	2016
Number of registered shareholders (1,000)	38	39
Treasury shares (1,000)	1,729 (3.4%)	2,276 (4.4%)
Number of shares held by Board and Group Executive Management (1,000)	30	36
Total Board remuneration	DKK 6.6m	DKK 5.9m
Total Executive Management remuneration	DKK 20.7m	DKK 15.2m
Number of Board members (elected at the AGM)	6	7
Female representation on Board of Directors (elected at the AGM)	33%	14%
Independent directors	100%	89%
Number of board committees	4	4
Number of board meetings held (overall meeting attendance%)	7 (100%)	9

The adoption of a resolution to amend the Company's Articles of Association or to wind up the Company requires that the resolution is passed by not less than two thirds of the votes cast as well as of the share capital represented at the General Meeting.

MANAGEMENT STRUCTURE

According to general practice in Denmark, FLSmidth maintains a clear division of responsibility and separation between the Board of Directors and the Group Executive Management. Tasks and responsibilities are defined at an overall level via rules of procedure for the Board of Directors and rules of procedure for the Group Executive Management. In addition, terms of reference apply to the Board committees.

The Group Executive Management is responsible for the day-to-day business of the company, and the Board of Directors oversees the Group Executive Management and handles overall managerial issues of a strategic nature. The Chairman is the Board of Directors' primary liaison with the Group Executive Management.

THE BOARD OF DIRECTORS

Composition of the Board of Directors

The Board of Directors is elected at the Annual General Meeting apart from those Board members who are elected pursuant to the provisions of the Danish Companies Act on employee representation.

Board members elected at the Annual General Meeting constitute not less than five and not more than eight members, currently six members, in order to maintain a small, competent and quorate Board. The members of the Board elected at the Annual General Meeting retire at each Annual General Meeting. Re-election may take place. The Nomination Committee identifies and recommends candidates to the Board of Directors.

Pursuant to the provisions of the Danish Companies Act regarding employee representation, FLSmidth's employees are represented on the Board by currently three members, who are elected for terms of four years. The most recent election took place in 2017, and the next one will take place in January 2021.

Immediately after the Annual General Meeting, the Board of Directors elects, from among its own members, a Chairman and a Vice Chairman. A job and task description has been created and outlines the duties and responsibilities of the Chairman and the Vice Chairman.

Board meetings are called and held in accordance with the Board rules of procedure and its annual plan. In general, between six and eight ordinary Board meetings are held every year. However, when deemed necessary, additional meetings may be held. To enhance Board meeting efficiency, the Chairman conducts a planning meeting with the CEO and CFO prior to each Board meeting.

In 2017, seven Board meetings were held. Apart from contemporary business issues, the most important issues dealt with in 2017 were: digitalization, productivity, procurement, 'one face to customer' and wear parts strategy. All members of the Board of Directors participated, physically or virtually, in all relevant board and committee meetings in 2017.

To achieve a highly informed debate with the Group Executive Management, the Company strives for a Board membership profile reflecting substantial managerial experience from internationally operating industrial companies.

At least one member of the Board must have CFO experience from a major listed company, and all other members must preferably have CEO experience from a major internationally operating and preferably listed company. To the extent possible, all members elected at the Annual General Meeting hold competencies in acquisition and sale of companies, financing and stock market issues, international contracts and accounting. In addition, a majority of the Board members will preferably possess technical expertise on process plants and process technology, including from the cement and/or minerals industries.

All members of the Board elected at the Annual General Meeting are independent as defined by the Committee on Corporate Governance, which is an independent Danish body promoting corporate governance best practice in Danish companies.

As part of its annual plan, the Board of Directors performs an annual self-evaluation to evaluate the contribution, engagement and competencies of its individual members. The Chairman is responsible for the evaluation which is conducted by an external provider.

MEETING ATTENDANCE IN 2017

Board of directors	Board meetings attended	Audit Committee meetings attended	Compens-ation Committee meetings attended	Nomination Committee meetings attended	Technology Committee meetings attended
Vagn Ove Sørensen (Chairman)	•••••••	•	••••	••	
Tom Knutzen	•••••••	••••••	•••	•	
Caroline Grégoire Sainte Marie	•••••••	••••••			•••
Marius Jacques Kloppers	•••••••		••••	••	
Richard Robinson Smith	•••••••				•••
Anne Louise Eberhard*	•••••	•••••			
Mette Dobel (employee-elected)	•••••••				
Søren Qvistgaard Larsen (employee-elected)	•••••••				••
Claus Østergaard (employee-elected)*	•••••				

*Joined on 30 March 2017

The Nomination Committee
The nomination committee consists of Mr. Vagn Sørensen, Mr. Tom Knutzen and Mr. Marius Kloppers. In 2017, the committee met two times. Its main activities in 2017 have been related to assessing the composition of the Board of Directors and the nomination of a new director.

The Compensation Committee
The compensation committee consists of Mr. Vagn Sørensen, Mr. Tom Knutzen and Mr. Marius Kloppers. The compensation committee met four times in 2017, and the committee's main activities in 2017 were related to the approval of incentive plans and overall remuneration schemes for Group Executive Management and the management layer reporting to the Group Executive Management.

The Audit Committee
The audit committee consists of Mr. Tom Knutzen (Chairman), Ms. Caroline Grégoire Sainte-Marie and Ms. Anne Louise

Eberhard who are all independent and have considerable insight and experience in financial matters, accounting and auditing in listed companies.

In 2017, the Audit Committee met six times and the committee's main activities in 2017 were to look into specific financial, accounting and auditing matters, as well as paying special attention to cyber security, mergers & acquisitions & divestments, as well as financial management, including systems, costs, risks, internal controls and compliance.

The Technology Committee
The Technology Committee consists of three Board members, Mr. Rob Smith (Chairman), Mrs. Caroline Grégoire Sainte Marie and Mr. Søren Quistgaard Larsen. The Technology Committee met three times in 2017. The main tasks in 2017 were to monitor the major development projects across the divisions and to approve the strategic focus areas for the coming years.

THE GROUP EXECUTIVE MANAGEMENT

Composition of the Management
The officially registered Executive Management of FLSmidth consists of the Group CEO and the Group CFO.

Group Executive Management holds overall responsibility for the day-to-day operations of the Group and consists of five Group Executive Vice Presidents, including the CEO and the CFO. The members of the Group Executive Management are all experienced business executives, each possessing insights and hands-on experience that match the practical issues and challenges currently facing FLSmidth.

In 2017, Bjarne Moltke Hansen, Group Executive Vice President, Product Companies Division decided to resign after 33 years' of dedicated service to FLSmidth. Jan Kjaersgaard, aged 51 and a Danish citizen, will take up the position as Head of Product Companies Division on 1 March 2018.

On 1 February 2018, Virve Elisabeth Meesak, Group Executive Vice President, Group HR resigned for personal reasons.

DIVERSITY IN BOARD AND MANAGEMENT

The Board of Directors of FLSmidth continuously evaluates the diversity of the Board and the Group Executive Management as well as among managers and employees. In connection with recommendations and appointments, diversity is deliberately taken into account when considering the profiles and qualifications of potential candidates.

At the end of 2017, women accounted for 33% (end 2016: 14%) of the members of the Board of Directors elected at the Annual General Meeting, fulfilling the target that minimum 25% of the members elected at the annual general meeting should be female.

At the end of 2017, women accounted for 13% (end 2016: 14%) of the total workforce, while 10.5% of all managers were female (end 2016: 10.7%). The share of women decreased in 2017 as a consequence of the corrective actions, which in particular impacted administrative functions, where the share of women is highest. The Group target is that a minimum of 14.5% of the total workforce should be female and that 11.5% of all managers should be female by 2018 (revised from previously 15%). When filling management vacancies externally, at least one female candidate must be in the run-up.

Due to FLSmidth's global presence in over 50 countries, the total workforce naturally reflects a multitude of cultures and nationalities. The Board of Directors has set a long-term goal according to which global managers (top 70) should to a greater extent reflect the representation of nationalities among all employees and the geographical location of FLSmidth's technology centres in Denmark and the USA. Today, non-Danes account for 66% (end 2016: 61%) of the total number of global managers (top 70), but 90% of the total number of employees (end 2016: 91%). At the end of 2017, non-Danes accounted for 67% (end 2016: 57%) of the members of Group Executive Management.

PRESENTATION OF FINANCIAL STATEMENTS AND INTERNAL CONTROLS

To ensure a high quality of the Group's financial reporting, the Board of Directors and the Group Executive Management have adopted a number of policies, procedures and guidelines for presentation of the financial statements and internal controls which the subsidiaries and reporting entities must adhere to, including:

- Continuous monitoring of goals and results achieved measured against approved budgets
- Continuous monitoring of projects including accounting for and handling of risks
- Policies for use of IT, insurance, cash management, procurement, etc.
- Reporting instructions and reporting manual
- Finance manual
- Closing procedure manual

Responsibility for maintaining sufficient and effective internal controls and risk management in connection with financial reporting lies with the Group Executive Management.
The Audit Committee continuously monitors the process of financial reporting and the adequacy and effectiveness of the internal control systems established, including new accounting standards, accounting policies and accounting estimates. The Audit Committee monitors and checks the independence of the external auditor and monitors the planning, execution and conclusions of the external audit.

COMPLIANCE WITH THE RECOMMENDATIONS FOR CORPORATE GOVERNANCE

Pursuant to Section 4.3 of the rules for issuers of shares listed on Nasdaq Copenhagen, Danish companies must provide a statement on how they address the recommendations on Corporate Governance issued by the Committee on Corporate Governance in May 2013 based on the 'comply or explain' principle (www.corporategovernance.dk).
FLSmidth's position on each specific recommendation is summarised in the corporate governance statement available at: http://www.flsmidth.com/governance_statement.

In the Board's opinion, FLSmidth complies with all recommendations on corporate governance applicable to Danish listed companies.

REMUNERATION REPORT 2017

As a supplier to the global cement and minerals industries, FLSmidth has been exposed to a global cyclical downturn over the past 4-5 years, which has had a negative impact on growth and earnings, and consequently, on management's remuneration in the same period.

REMUNERATION OF EXECUTIVE MANAGEMENT

The Board has adopted overall guidelines for incentive pay for the Group Executive Management establishing a framework for variable salary components in order to support the company's short- and long-term goals. The purpose is to ensure that the pay system does not lead to imprudence, short-term behaviour or unreasonable risk acceptance on the part of the Group Executive Management. The Board's compensation committee considers from time to time the Group Executive Management's remuneration. Updated guidelines for incentive pay were approved by the Annual General Meeting on 30 March 2017, where the maximum limits for both short-term and long-term incentive pay were increased to conform better with general market practices.

The total remuneration of the Group Executive Management consists of the following components:

- Base salary (including employer's pension contributions)
- Short-term incentives in the form of a cash bonus (up to 75% of base salary)
- Long-term incentives in the form of performance shares (up to 50% of base salary)
- Severance payment, if any, corresponding to the relevant member's base salary for a maximum period of 24 months
- Customary benefits such as company car, telephone, newspaper, etc.
- Other incentives (supplementary bonus schemes or incentive-based remuneration for special purposes in individual cases and subject to applicable law)

Remuneration agreements for the Executive Management include a right for the company to demand full or partial repayment of variable pay components which have been paid out based on information that subsequently proves to be incorrect.

In the event of dismissal, the Group Executive Management has 18 months' notice and shall receive up to six months' salary on the actual termination of their employment.

Short term incentive Programme (STIP)

As a consequence of improved target fulfilling despite continued difficult market conditions, as well as updated guidelines for incentive pay, the variable part of Management's salary increased in 2017 relative to 2016. Payments in 2017 related to the performance in 2016.

In 2017, the allocation of cash bonus was tied to the following key performance indicators:

- ROCE
- Order intake
- EBITA
- Net working capital
- Personal Key Performance Indicators

In 2018, the allocation of cash bonus will be tied to the same key performance indicators as in 2017.

In the current bonus program, the payment of bonus is contingent upon the Company realising a positive cash flow (CFFO) at group level for the financial year in question.

Tough market conditions have taken its toll on FLSmidth's financial performance and management's compensation over the last couple of years.

Management has done a great job adjusting the company to changed market conditions – both in terms of managing a prolonged cyclical downturn and in terms of preparing the company for a productivity-driven market recovery", says Mr. Vagn Sørensen, Chairman of the Compensation Committee.

FLSMIDTH

Long term incentive programs (LTIP)
In accordance with the guidelines for incentive pay adopted by the Annual General Meeting in 2015, the historical share option program is being phased out, while a new long-term incentive scheme based on conditional shares (performance shares) was introduced in 2016. Both programs are expensed over three years.

Share option plans (being phased out)
At the end of 2017, a total of 194 key employees and managers are part of the share option plan which currently includes share options issued from 2012 to 2015. Please see note 7.4 for more information.

At the end of 2017, there were a total of 1,535.024 unexercised share options under the incentive plan and their fair value was DKK 150m. The fair value is calculated by means of a Black & Scholes model based on a current share price of 361.3, a volatility of 27.76% and future annual dividend of DKK 6 per share. The effect of the plan on the income statement in 2017 was DKK -21m (2016: DKK -31m).

The Group's share option plan includes a 'change of control'-clause giving the holders the right to immediately exercise their options in connection with an acquisition.

Performance shares (introduced in 2016)
At the end of 2017, FLSmidth had granted a maximum of 291,438 performance share units to 191 key employees. Full vesting after three years will depend on achievement of stretched financial targets related to the EBITA margin and the net working capital ratio. The programme includes a threshold for EBITA. If actual results are lower than the threshold, the entire programme lapses. The effect of the plan on the income statement for 2017 was DKK -21m (2016: DKK -8m).

Key Performance Indicators in both 2017 and 2018
Full vesting of performance shares after three years will depend upon continued employment and on the achievement of stretched financial targets related to:
- EBITA margin
- Net working capital ratio

REMUNERATION OF THE BOARD OF DIRECTORS
The Board of Directors' total remuneration consists of an annual cash payment for the current financial year, which is submitted for approval at the Annual General Meeting. The Board of Directors' fees are normally pre-approved by the General Meeting for the year in question and then finally approved by the General Meeting in the following year. The final fees can take unexpected workload into consideration and increase the preliminarily approved fees for all or some members of the Board of Directors. The Board of Directors' fees do not include incentive-based remuneration.

The cash payment currently consists of a base fee of DKK 450,000 to each Board member, graded in line with additional tasks and responsibilities as follows:
- Ordinary Board members 100% of the base fee
- Board Vice Chairman 200% of the base fee
- Board Chairman 300% of the base fee
- Committee Chairman fee DKK 225,000
- Committee members fee DKK 125,000

The Chairman and the Vice Chairman do not receive payment for committee work.

The fee structure was last adjusted in 2017.

REMUNERATION FACTS
- Total remuneration of the Board of Directors in 2017 DKK 6.6m (2016: DKK 5.9m)
- Total remuneration of Executive Management in 2017 DKK 20.7 (2016: DKK 15.2m)

A detailed description of the remuneration of individual members of the board of directors and executive management is disclosed in note 7.1.

GROUP EXECUTIVE MANAGEMENT





	Thomas Schulz	Lars Vestergaard	Per Mejnert Kristensen	Brian Day	Manfred Schaffer
Title	Group Chief Executive Officer. Employed by FLSmidth since 2013.*)	Group Executive Vice President and CFO. Employed by FLSmidth since 2014*)	Group Executive Vice President, Cement Division. Employed by FLSmidth since 1992.	Group Executive Vice President, Customer Services Division and Product Companies Division. Employed by FLSmidth since 1980.	Group Executive Vice President, Minerals Division. Employed by FLSmidth since 2015.
Age	52	43	50	61	59
Nationality	German	Danish	Danish	American	Austrian
Gender	Male	Male	Male	Male	Male
Education	MSc (Engineering), PhD (Mining Engineering with dissertation in Mineral Mining and Quarrying)	MSc (Economics and Management)	MSc (Mechanical Engineering), BSc (Commerce & International Trade), Graduate Diploma (Bus. Admin.), International Trade and General Management Programme CEDEP (INSEAD)	BSc, Sales recruiting and training, Leadership and Business Management	Mechanical engineering degree, IFL Executive Education, People Development and Business Strategy (IMD)
Number of shares in FLSmidth	4,510	1,698	1,705	-	-
Past experience	Various managerial positions in Sandvik: Member of Group Executive Management (2011-2013), Chairman of SJL Shan Bao (2011-2012), President of the Business Area Construction (2011-2012), President, Construction, and SVP, Mining and Construction (2005-2011), Regional President Mining and Construction Central Europe (2001-2002). With Svedala, Germany (1998-2001).	Various managerial positions in Carlsberg: Vice President and Chief Information Officer (2013-2014), Chief Financial Officer Carlsberg UK (2009-2013), Vice President, Treasury (2005-2009) and Director, Treasury (2004-2005). Various positions in ISS: Vice President, Treasury (2004) and Assistant Treasurer (2000- 2003). Fixed Income Analyst, Jyske Bank (1997-2000).	Various managerial positions in FLSmidth: Vice President, Head of Project Division EMEA/APAC, FLSmidth (2009-2012), Vice President, Head of Project Division 1, FLSmidth (2005-2008), General Manager, FLSmidth China (2000-2005), Chief Representative, Thailand, FLSmidth (1996-1999).	Various managerial positions in FLSmidth: Senior Vice President, Global Customer Services, Minerals (2012-2015), Vice President, Global Customer Services, Minerals (2007-2012). GL&V-Dorr Oliver Eimco, Vice President Aftermarket (2002-2007). Baker Hughes Inc., Aftermarket Manager (1991-2002). EIMCO Process Equipment Company, Product Engineer / Process Engineer (1980-1991).	Group Executive Vice President, Mineral Processing Division, FLSmidth (2014-2015). Various managerial positions in Sandvik: President, Mining Systems (2012-2013) and President, Surface Mining (2006-2012). Voest-Alpine, various managerial positions (1979-2003).
Executive positions	Member of the Board of Directors of Norsk Hydro ASA (Norway)	None	None	None	None

*) Registered with Erhvervsstyrelsen (The Danish Business Authority)

BOARD OF DIRECTORS

From left to right

Mette Dobel
Claus Østergaard
Tom Knutzen
Richard Robinson Smith
Caroline Gregoire Sainte Marie
Vagn Ove Sørensen
Anne Louise Eberhard
Marius Jacques Kloppers
Søren Quistgaard Larsen





Name	**Vagn Ove Sørensen** Chairman	**Tom Knutzen** Vice Chairman	**Caroline Gregoire Sainte Marie**	**Marius Jacques Kloppers**	**Richard Robinson Smith**
Age	58	55	60	55	52
Nationality	Danish	Danish	French	Australian/South African	German/American
Gender	Male	Male	Female	Male	Male
Member of the Board since	2009, Chairman since 2011 (elected at the AGM). Member of the Nomination and Compensation Committees.	2012 (elected at the AGM). Chairman of the Audit Committee, member of the Nomination and Compensation Committees	2012 (elected at the AGM). Member of the Audit and the Technology Committees.	2016 (elected at the AGM). Member of the Nomination and Compensation Committees.	2016 (elected at the AGM). Chairman of the Technology Committee
Number of shares in FLSmidth	7,501	12,500	500	-	1,000
Executive and non-executive positions in Denmark	Chairman of the Boards of Directors of TIA Technology A/S, Zebra A/S and Thor Denmark Holding ApS. Vice Chairman of the Board of Directors of Nordic Aviation Capital A/S. Member of the Board of Directors of CP Dyvig & Co. A/S and JP/Politikens Hus A/S. Senior Advisor to EQT Partners. CEO of E-FORCE ApS.	Member of the Board of Directors of Chr. Augustinus Fabrikker A/S and Tivoli A/S.	None	None	None
Executive and non-executive positions outside Denmark	Chairman of the Boards of Directors of Scandic Hotels AB (Sweden), Select Service Partner Plc (UK) and Air Canada (Canada). Member of the Boards of Directors of Braganza AS (Norway), Unilode Aviation Solutions (Switzerland), Royal Caribbean Cruises Ltd. (USA), and VFS Global (Switzerland). Senior Advisor to Morgan Stanley.	CEO of Jungbunzlauer Suisse AG (Switzerland).	Member of the Boards of Directors of Groupama SA (France), Wienerberger AG (Austria), and CALYOS (Belgium). Founding President of DefInnov (France). Senior advisor HIG European Capital Partners.	None	Senior Vice President & General Manager at AGCO Corporation (USA)
Experience	CEO, M&A, Financing & stock markets, International contracts, Accounting	CEO, M&A, Financing & stock markets, International contracts, Accounting, Technology management	CEO, M&A, Financing & stock markets, International contracts, Accounting, Cement industry	CEO, M&A, Financing & stock markets, International contracts, Technology management, Minerals and process industry	M&A, International contracts, Technology management




Name	**Anne Louise Eberhard**	**Mette Dobel**	**Søren Quistgaard Larsen**	**Claus Østergaard**
Age	54	50	39	51
Nationality	Danish	Danish	Danish	Danish
Gender	Female	Female	Male	Male
Member of the Board since	2017 (elected at the AGM). Member of the Audit Committee.	2009 (Elected by the employees)	2013 (Elected by the employees)	2017 (Elected by the employees)
Number of shares in FLSmidth	-	864	65	179
Executive and non-executive positions in Denmark	Chief Commercial Officer and member of the General Management Team of Intrum Justitia. Member of the Boards of Directors of Finansiel Stabilitet SOV. Faculty memeber at CBS (CBS Executive, Board Education).	None	None	None
Executive and non-executive positions outside Denmark	None	None	None	None
Experience	M&A, Financing & stock markets International contracts, Accounting			

SHAREHOLDER INFORMATION

Total shareholder return amounted to 25% in 2017 as a result of the improved outlook for the mining industry and growth prospects for FLSmidth.

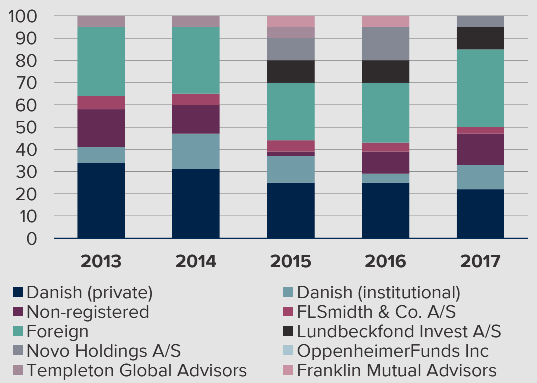
Capital and share structure
FLSmidth & Co. A/S is listed on Nasdaq Copenhagen. The share capital is DKK 1,025,000,000 (end of 2016: DKK 1,025,000,000) and the total number of issued shares is 51,250,000 (end of 2016: 51,250,000). Each share entitles the holder to 20 votes. The FLSmidth & Co. A/S share is included in some 157 Danish, Nordic, European and global share indices, including the leading Danish stock index C25.

The company had approximately 38,000 shareholders at the end of 2017 (end of 2016: approximately 39,000). In addition, some 2,000 present and former employees hold shares in the company (end of 2016: some 2,000). The FLSmidth & Co. A/S share has a free-float of around 85%. At the end of 2017, two shareholders had flagged major shareholdings in FLSmidth & Co. A/S. Novo Holdings A/S' investment exceeded 5% and Lundbeckfond Invest A/S' investment exceeded 10%.

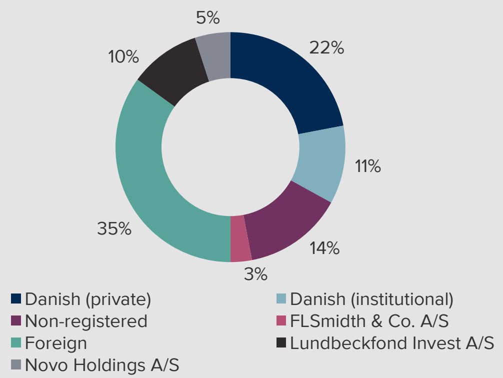
2017 saw an increase in the share of foreign investors to approximately 35% (2016: 32%), off-set by a decrease in the share of Danish private investors to 22% (2016: 25%). The share of Danish institutional investors, including Lundbeckfond Invest A/S and Novo Holdings A/S decreased to 26% (2016: 29%), due to a reduction in Novo Holdings A/S' share from over 15% to over 5%. In 2017, FLSmidth's holding of treasury shares declined to 3.4% (2016: 4.4%).

Return on the FLSmidth share in 2017
The total return on the FLSmidth & Co. A/S share in 2017 was 25% (2016: 24%), calculated as share price appreciation and dividend paid. By comparison, the leading Danish stock index C25 gained 15% and "Dow Jones STOXX 600 Basic Resource" index increased 11% in 2017. The share price started the year at 293 and ended at 361, having ranged between 293 and 438 during the year.

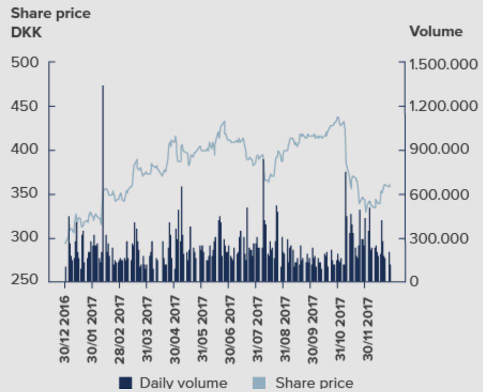
DEVELOPMENT IN SHAREHOLDER STRUCTURE



SHAREHOLDER STRUCTURE 2017



SHARE PRICE DEVELOPMENTS IN 2017



Capital structure and dividend for 2017
FLSmidth takes a conservative approach to capital structure, with an emphasis on relatively low debt, gearing and financial risk.

The Board of Directors' priority for capital structure and capital allocation is the following:
- Well-capitalised (NIBD/EBITDA < 2)
- Stable dividends (30-50% of net profit)
- Invest in organic growth
- Value adding M&As
- Share buyback or special dividend

The Board of Directors will propose at the Annual General Meeting that a dividend of DKK 8 per share (2016: DKK 6) corresponding to a dividend yield of 2.2% (2016: 2.0%) and a pay-out ratio of 539% (2016: 59%) be distributed for 2017.

FLSmidth Investor Relations
Through the Investor Relations function, the Board of Directors maintains an ongoing dialogue between the company and the stock market and ensures that the positions and views of the shareholders are reported back to the Board.

The purpose of the FLSmidth & Co. A/S Investor Relations function is to contribute to ensuring and facilitating that:
- All shareholders have equal and sufficient access to timely, relevant and price-sensitive information
- The share price reflects FLSmidth's underlying financial results and a fair market value
- The liquidity and the day-to-day trading turnover of the FLSmidth share is sufficiently attractive for both short-term and long-term investors
- The shareholder structure is appropriately diversified in terms of geography, investment profile and time horizon.

To achieve these goals, an open and active dialogue is maintained with the stock market both through FLSmidth's website and electronic communication services and via investor presentations, investor meetings, webcasts, teleconferences, roadshows, the Annual General Meeting and Capital Market Days.

Management and Investor Relations attended 300 investor meetings and presentations in 2017 (2016: ~300) held in cities including Amsterdam, Boston, Brussels, Chicago, Copenhagen, Frankfurt, Geneva, The Hague, Hong Kong, London, Milan, New York, Oslo, Paris, Singapore, Stockholm, Tokyo, Toronto and Zurich.
FLSmidth & Co. A/S is generally categorised as a capital goods, engineering or industrial company and is currently being covered by 15 stockbrokers including seven international. For further details regarding analyst coverage, please see the company website (http://www.FLSmidth.com/analysts).

All investor relations material is available to investors at the company website (http://www.FLSmidth.com/investor).

To contact the company's Investor Relations department, please see the company website: http://www.FLSmidth.com/IR_contacts.

Financial calendar 2018

5 Apr	Annual General Meeting
2 May	Q1 interim Report
8 Aug	Half-year Report
7 Nov	Q3 interim Report

The Annual General Meeting will take place on 5 April 2017 at 16.00 hours at FLSmidth's headquarters, Vigerslev Alle 77, 2500 Valby, Denmark

SHARE AND DIVIDEND KEY FIGURES

Share and dividend figures	2013	2014	2015	2016	2017
CFPS (cash flow per share), DKK (diluted)	(3.1)	26.3	11.0	29.5	21.4
EPS (earnings per share), DKK (diluted)	(15.3)	16.4	8.6	10.6	1.5
BVPS (Book value per share), DKK	139	158	162	172	162
DPS (Dividend per share), DKK	2	9	4	6	8
Pay-out ratio (%)	n/a	57	49	59	539
Dividend yield (dividend as percent of share price end of year)	0.7	3.3	1.7	2.0	2.2
FLSmidth & Co. A/S share price, end of year, DKK	296	272	240	293	361
Listed number of shares (1,000), end of year	53,200	51,250	51,250	51,250	51,250
Number of shares excl. own shares (1,000), end of year	49,460	49,443	48,922	48,931	49,242
Average number of shares (1,000) (diluted)	50,707	49,518	48,996	48,985	49,690
Market capitalisation, DKKm	15,753	13,955	12,300	15,016	18,517

COMPANY ANNOUNCEMENTS IN 2017

Date	Description	No.
27/01/2017	**Large shareholder announcement - Novo Holdings A/S** Holding of FLSmidth & Co. A/S shares reduced to 14.9%	1/2017
09/02/2017	**Annual Report 2016** Annual Report 2016	2/2017
22/02/2017	**Large shareholder announcement - Franklin Mutual Advisers, LLC** Holding of FLSmidth & Co. A/S shares reduced to 4.93%	3/2017
23/02/2017	**Notice to convene Annual General Meeting** Notice to convene Annual General Meeting on 30 March 2017	4/2017
01/03/2017	**Long-term incentive programme 2017** Allocation of performance shares to management and key staff	5/2017
30/03/2017	**Summary of Annual General Meeting** Summary of Annual General Meeting 2017	6/2017
09/05/2017	**Interim Report for the period 1 January - 31 March 2017** Q1 2017 Interim Report	7/2017
17/05/2017	**Large cement plant contract in North Africa signed** Contract worth more than EUR 100m subject to receipt of down payment	8/2017
21/06/2017	**Capital Market Day 2017** Theme: Growth through productivity	9/2017
09/08/2017	**Interim Report for the period 1 January - 30 June 2017** Half-year Interim Report	10/2017
05/09/2017	**Large shareholder announcement - Novo Holdings A/S** Holding of FLSmidth & Co. A/S shares reduced to 9.95%	11/2017
01/11/2017	**Large cement plant order in North Africa is now effective** Cement plant order in North Africa worth more than EUR 100m	12/2017
09/11/2017	**Interim Report for the period 1 January - 30 September 2017** Q3 2017 Interim Report	13/2017
09/11/2017	**Financial Calendar 2018** Financial calendar 2018	14/2017

FORWARD LOOKING STATEMENTS

FORWARD-LOOKING STATEMENTS

FLSmidth & Co. A/S' financial reports, whether in the form of annual reports or interim reports, filed with the Danish Business Authority and/or announced via the company's website and/or NASDAQ Copenhagen, as well as any presentations based on such financial reports, and any other written information released, or oral statements made, to the public based on this report or in the future on behalf of FLSmidth & Co. A/S, may contain forward looking statements.

Words such as 'believe', 'expect', 'may', 'will', 'plan', 'strategy', 'prospect', 'foresee', 'estimate', 'project', 'anticipate', 'can', 'intend', 'target' and other words and terms of similar meaning in connection with any discussion of future operating or financial performance identify forward-looking statements. Examples of such forward-looking statements include, but are not limited to:

- Statements of plans, objectives or goals for future operations, including those related to FLSmidth & Co. A/S' markets, products, product research and product development.
- Statements containing projections of or targets for revenues, profit (or loss), CAPEX, dividends, capital structure or other net financial items.
- Statements regarding future economic performance, future actions and outcome of contingencies such as legal proceedings and statements regarding the underlying assumptions or relating to such statements.
- Statements regarding potential merger & acquisition activities.

These forward-looking statements are based on current plans, estimates and projections. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, which may be outside FLSmidth & Co. A/S' influence, and which could materially affect such forward-looking statements.

FLSmidth & Co. A/S cautions that a number of important factors, including those described in this report, could cause actual results to differ materially from those contemplated in any forward-looking statements.

Factors that may affect future results include, but are not limited to, global as well as local political and economic conditions, including interest rate and exchange rate fluctuations, delays or faults in project execution, fluctuations in raw material prices, delays in research and/or development of new products or service concepts, interruptions of supplies and production, unexpected breach or termination of contracts, market-driven price reductions for FLSmidth & Co. A/S' products and/or services, introduction of competing products, reliance on information technology, FLSmidth & Co. A/S' ability to successfully market current and new products, exposure to product liability and legal proceedings and investigations, changes in legislation or regulation and interpretation thereof, intellectual property protection, perceived or actual failure to adhere to ethical marketing practices, investments in and divestitures of domestic and foreign enterprises, unexpected growth in costs and expenses, failure to recruit and retain the right employees and failure to maintain a culture of compliance. Unless required by law FLSmidth & Co. A/S is under no duty and undertakes no obligation to update or revise any forward-looking statement after the distribution of this report.

STATEMENT BY MANAGEMENT

The Board of Directors and the Executive Board have today considered and approved the annual report for the financial year 1 January – 31 December 2017.

The consolidated financial statements are presented in accordance with International Financial Reporting Standards as adopted by the EU. The parent financial statements are presented in accordance with the Danish Financial Statements Act. Further, the annual report is prepared in accordance with Danish disclosure requirements for listed companies.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2017 as well as of the results of their operations and the consolidated cash flows for the financial year 1 January – 31 December 2017.

In our opinion, the management's review contains a fair review of the development of the Group's and the Parent's business and financial matters, the results for the year and of the Parent's financial position and the financial position as a whole of the entities included in the consolidated financial statements, together with a description of the principal risks and uncertainties that the Group and the Parent face.

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

Valby, 7 February 2018

EXECUTIVE MANAGEMENT

Thomas Schulz
Group CEO

Lars Vestergaard
Group Executive Vice President and CFO

BOARD OF DIRECTORS

Vagn Sørensen
Chairman

Tom Knutzen
Vice Chairman

Marius Jacques Kloppers

Caroline Grégoire Sainte Marie

Richard Robinson Smith

Anne Louise Eberhard

Mette Dobel

Søren Quistgaard Larsen

Claus Østergaard

INDEPENDENT AUDITOR'S REPORT

To the shareholders of FLSmidth & Co. A/S

OPINION

We have audited the consolidated financial statements and the parent company financial statements of FLSmidth & Co. A/S for the financial year 1 January – 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated statement of comprehensive income and a consolidated cash flow statement. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at 31 December 2017 and of the results of the Group's operations and cash flows for the financial year 1 January – 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

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

Our opinion is consistent with our long-form audit report to the Audit Committee and the Board of Directors.

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 consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "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 conclusion.

INDEPENDENCE

We are independent of the Group 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.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

APPOINTMENT OF AUDITOR

We were initially appointed as auditor of FLSmidth & Co. A/S on 30 March 2017 for the financial year 2017

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2017. These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section, including in relation to the key audit matters below. Our audit included the design and performance of procedures to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Accounting for projects

The accounting principles and disclosures about revenue recognition related to projects are included in chapter 1 and notes 2.4, 5.2 and 5.8 to the consolidated financial statements.

FLSmidth’s Cement and Minerals divisions delivers long term projects as well as performs Operation & Maintenance for its customers, which typically extends over more than one financial year. Due to the nature of these projects and in accordance with the accounting principles, FLSmidth applies the percentage-of-completion method based on cost-to-cost for recognising and measuring revenue from such long-term projects.

Accounting for projects involve significant management judgments in respect of estimating the cost to complete the projects, including risk contingencies, warranties, and claims for liquidated damages and the expected time to completion as well as the impact from executing projects in parts of the world where macro-economic and political factors could materially impact these estimates. Changes in these estimates during the execution of projects can significantly impact the revenue, cost and contribution recognised. Accordingly, we considered the accounting for projects to be a key audit matter for the consolidated financial statements.

As part of our procedures, we obtained an understanding of the process for how project cost are estimated and risk evaluated. We further evaluated the design and tested the operating effectiveness of selected controls in this area. We evaluated the judgments made by management regarding the estimated costs to complete and the assumptions made in assessment of warranty provisions versus underlying historical data. We evaluated the changes in estimated project cost, and contingencies, and discussed these with project accounting, project management and group management. We evaluated management's assessments regarding exposures related to liquidated damages for projects and provisions to mitigate contract-specific financial risks. For those balances subject to claims, we made inquiries of external and internal legal counsel. We also assessed whether policies and processes for making these estimates have been applied consistently to all contracts of a similar nature.

Valuation of inventory

The accounting principles and disclosures about inventory are included in chapter 1 and note 5.3 to the consolidated financial statements.

FLSmidth carries inventory in the balance sheet at the lower of cost and net realisable value. The inventory includes strategic items which are held in inventory, even if slow moving, because they are considered key equipment for the customers that FLSmidth needs to be able to deliver with very short notice.

The valuation of inventory involves significant management judgements following the economic downturn in the market to determine whether inventory is still technical relevant when the demand for the inventory items are expected. Accordingly, we considered this to be a key audit matter for the consolidated financial statements.
As part of our procedures, we obtained an understanding of FLSmidth's process for monitoring inventory and recording write-down for obsolete items. We analysed the inventory recorded in the balance sheet and obtained evidence regarding valuation of slow moving items. Further, we evaluated management's assessment of the expected market demand and expected sales price for significant aged items.

Valuation of trade receivables

The accounting principles and disclosures about trade receivables are included in chapter 1 and note 5.4 to the consolidated financial statements.

FLSmidth carries trade receivables in the balance sheet at the anticipated realisable value, which is the original invoice amount less an estimated valuation allowance for impairment. FLSmidth has significant trade receivables from a wide range of customers across the world. Trade receivables include inherent risk of credit losses influenced by specific characteristics and circumstances of the customer, e.g. the customers' ability to pay, access to securities and payment guarantees, as well as the aging of the receivable. The current market conditions and any country specific matters are also considered. Accordingly, we considered this to be a key audit matter for the consolidated financial statements.

As part of our procedures, we obtained an understanding of FLSmidth's process for monitoring receivables and recording impairment relating to receivables with risk of non-recoverability as well as credit risk in respect of customers. We analysed the trade receivables recorded in the balance sheet and obtained evidence regarding the appropriate valuation of items with particular risk characteristics. We evaluated management's assessment of recoverability particularly for significant aged items by corroborating them against internal and external evidence regarding the likelihood of payment and assessed FLSmidth's ability to make reliable estimates by performing retrospective analysis of past estimates.

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

MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act.
Moreover, Management is responsible 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 Group's and the Parent

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 Group or the Parent 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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 7 February 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Henrik Kronborg Iversen
State Authorised
Public Accountant
MNE no. 24687

Anders Stig Lauritsen
State Authorised
Public Accountant
MNE no. 32800

CONSOLIDATED FINANCIAL STATEMENTS

PRIMARY STATEMENTS

LIST OF NOTES

CONSOLIDATED INCOME STATEMENT

Notes	DKKm	2017	2016
2.1+2.4	Revenue	18,000	18,192
	Production costs	(13,403)	(13,611)
	Gross profit	**4,597**	**4,581**
	Sales costs	(1,462)	(1,463)
	Administrative costs	(1,465)	(1,560)
	Other operating income	62	30
	EBITDA before special non-recurring items	**1,732**	**1,588**
8.2	Special non-recurring items	51	(30)
5.6	Depreciations and write-downs of tangible assets	(268)	(269)
	EBITA	**1,515**	**1,289**
5.5	Amortisations of intangible assets	(400)	(408)
	EBIT	**1,115**	**881**
	Impairment of investments in associates	(8)	0
6.2	Financial income	1,345	1,203
6.2	Financial costs	(1,656)	(1,257)
	EBT	**796**	**827**
3.1	Tax for the year	(379)	(237)
	Profit for the year, continuing activities	**417**	**590**
8.6	Loss for the year, discontinued activities	(343)	(68)
	Profit for the year	**74**	**522**
	To be distributed as follows:		
	FLSmidth & Co. A/S shareholders' share of profit for the year	76	518
	Minority shareholders' share of profit/loss for the year	(2)	4
		74	**522**
8.1	Earnings per share (EPS):		
	Continuing and discontinued activities per share	1.5	10.6
	Continuing and discontinued activities per share, diluted	1.5	10.6
	Continuing activities per share	8.5	12.0
	Continuing activities per share, diluted	8.4	12.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Notes	DKKm	2017	2016
	Profit for the year	74	522
	Other comprehensive income for the year		
	Items that will not be reclassified to profit or loss:		
	Actuarial gains/losses on defined benefit plans	21	(28)
3.1	Tax hereof	(13)	(15)
	Items that are or may be reclassified subsequently to profit or loss:		
	Foreign exchange adjustments regarding enterprises abroad	(436)	166
	Value adjustments of hedging instruments:		
	Value adjustments for the year	78	84
	Value adjustments transferred to work-in-progress	0	(89)
	Value adjustments transferred to financial income and costs	1	(1)
3.1	Tax hereof	(11)	(14)
	Other comprehensive income for the year after tax	**(360)**	**103**
	Comprehensive income for the year	**(286)**	**625**
	Comprehensive income for the year attributable to:		
	FLSmidth & Co. A/S shareholders' share of comprehensive income for the year	(282)	617
	Minority shareholders' share of comprehensive income for the year	(4)	8
		(286)	**625**

CONSOLIDATED CASH FLOW STATEMENT

Notes	DKKm	2017	2016
	EBITDA, continuing activities	1,732	1,588
	EBITDA, discontinued activities	(325)	(63)
	EBITDA	**1,407**	**1,525**
	Adjustment for gain/(losses) on sale of tangible and intangible assets and special non-recurring items etc.	16	16
	Adjusted EBITDA	**1,423**	**1,541**
4.2	Change in provisions	156	(109)
4.1	Change in net working capital	(140)	526
	Cash flow from operating activities before financial items and tax	**1,439**	**1,958**
4.3	Financial items received and paid	(45)	(70)
3.1	Taxes paid	(329)	(441)
	CFFO	**1,065**	**1,447**
8.5	Acquisitions of enterprises and activities	108	0
5.5	Acquisitions of intangible assets	(91)	(59)
5.6	Acquisitions of tangible assets	(174)	(203)
	Acquisitions of financial assets	0	(1)
	Disposal of enterprises and activities	(2)	0
	Disposal of tangible assets	46	60
	Disposal of financial assets	0	9
	CFFI	**(113)**	**(194)**
	Dividend paid	(296)	(197)
	Addition of minority shares	5	0
	Acquisition of treasury shares	(186)	(1)
	Exercise of share options	300	14
4.4	Change in net interest-bearing debt	(764)	(689)
	CFFF	**(941)**	**(873)**
	Change in cash and cash equivalents	**11**	**380**
	Cash and cash equivalents at 1 January	1,513	1,157
	Foreign exchange adjustment, cash and cash equivalents	(99)	(24)
4.5	**Cash and cash equivalents at 31 December**	**1,425**	**1,513**
8.7	Cash and cash equivalents included in assets held for sale	43	65
6.4	Cash and cash equivalents	1,382	1,448
	Cash and cash equivalents at 31 December	**1,425**	**1,513**

The cash flow statement cannot be inferred from the published financial information only.

CONSOLIDATED BALANCE SHEET

Notes	DKKm	2017	2016
	ASSETS		
	Goodwill	4,218	4,493
	Patents and rights	1,121	1,226
	Customer relations	806	1,007
	Other intangible assets	53	63
	Completed development projects	266	201
	Intangible assets under development	169	325
5.5	**Intangible assets**	**6,633**	**7,315**
	Land and buildings	1,597	1,823
	Plant and machinery	487	566
	Operating equipment, fixtures and fittings	100	133
	Tangible assets in course of construction	64	29
5.6	**Tangible assets**	**2,248**	**2,551**
	Other securities and investments	79	170
3.1	Deferred tax assets	1,094	1,117
	Financial assets	**1,173**	**1,287**
	Total non-current assets	**10,054**	**11,153**
5.3	**Inventories**	**2,332**	**2,355**
5.4	Trade receivables	4,324	4,533
5.2	Work-in-progress for third parties	2,297	2,426
	Prepayments to subcontractors	196	544
5.4	Other receivables	1,356	1,191
	Receivables	**8,173**	**8,694**
4.5	**Cash and cash equivalents**	**1,382**	**1,448**
8.7	**Assets classified as held for sale**	**423**	**462**
	Total current assets	**12,310**	**12,959**
	Total assets	**22,364**	**24,112**

Notes	DKKm	2017	2016
	EQUITY AND LIABILITIES		
	Share capital	1,025	1,025
	Foreign exchange adjustments	(322)	112
	Value adjustments of hedging transactions	(33)	(112)
	Retained earnings	6,920	7,089
	Proposed dividend	410	307
	FLSmidth & Co. A/S shareholders' share of equity	**8,000**	**8,421**
	Minority shareholders' share of equity	38	41
	Total equity	**8,038**	**8,462**
3.1+6.1	Deferred tax liabilities	371	379
6.1+8.4	Pension liabilities	271	296
5.8+6.1	Provisions	306	349
6.1	Bank loans and mortgage debt	1,830	3,930
6.1	Prepayments from customers	215	90
6.1	Other liabilities	90	140
	Total non-current liabilities	**3,083**	**5,184**
8.4	Pension liabilities	9	9
5.8	Provisions	1,124	1,101
	Bank loans and mortgage debt	1,120	20
	Prepayments from customers	1,571	1,424
5.2	Work-in progress for third parties	1,730	2,093
	Trade payables	2,916	3,037
	Current tax liabilities	520	351
	Other liabilities	1,623	1,828
	Total current liabilities	**10,613**	**9,863**
8.7	**Liabilities directly associated with assets classified as held for sale**	**630**	**603**
	Total liabilities	**14,326**	**15,650**
	Total equity and liabilities	**22,364**	**24,112**

CONSOLIDATED EQUITY

DKKm	Share capital	Foreign exchange adjustments	Value adjustment of hedging transactions	Retained earnings	Proposed dividend	FLSmidth & Co A/S shareholders' share	Minority interests' share	Total
Equity at 1 January 2017	**1,025**	**112**	**(112)**	**7,089**	**307**	**8,421**	**41**	**8,462**
Comprehensive income for the year								
Profit/loss for the year				76		76	(2)	74
Other comprehensive income								
Actuarial gains on defined benefit plans				21		21		21
Foreign exchange adjustment regarding enterprises abroad		(434)				(434)	(2)	(436)
Value adjustments of hedging instruments:								
Value adjustments for the year			78			78		78
Value adjustments transferred to financial income and costs			1			1		1
Tax on other comprehensive income				(24)		(24)		(24)
Other comprehensive income total	**0**	**(434)**	**79**	**(3)**	**0**	**(358)**	**(2)**	**(360)**
Comprehensive income for the year	**0**	**(434)**	**79**	**73**	**0**	**(282)**	**(4)**	**(286)**
Dividend distributed				12	(307)	(295)	(1)	(296)
Proposed dividend				(410)	410	0		0
Share-based payment				42		42		42
Exercise of share options				300		300		300
Acquisition of treasury shares				(186)		(186)		(186)
Addition of minority interests							5	5
Disposal of minority interests							(3)	(3)
Equity at 31 December 2017	**1,025**	**(322)**	**(33)**	**6,920**	**410**	**8,000**	**38**	**8,038**

Dividend distributed in 2017 equalled to DKK 6 per share (2016: DKK 6).

Proposed dividend for 2017 amounts to DKK 8 per share (2016: DKK 6).

CONSOLIDATED EQUITY - continued

DKKm	Share capital	Foreign exchange adjustments	Value adjustment of hedging transactions	Retained earnings	Proposed dividend	FLSmidth & Co A/S shareholders' share	Minority interests' share	Total
Equity at 1 January 2016	**1,025**	**(50)**	**(106)**	**6,873**	**205**	**7,947**	**35**	**7,982**
Comprehensive income for the year								
Profit for the year				518		518	4	522
Other comprehensive income								
Actuarial losses on defined benefit plans				(28)		(28)		(28)
Foreign exchange adjustment regarding enterprises abroad		162				162	4	166
Value adjustments of hedging instruments:								
Value adjustments for the year			84			84		84
Value adjustments transferred to work-in-progress			(89)			(89)		(89)
Value adjustments transferred to financial income and cost			(1)			(1)		(1)
Tax on other comprehensive income				(29)		(29)		(29)
Other comprehensive income total	**0**	**162**	**(6)**	**(57)**	**0**	**99**	**4**	**103**
Comprehensive income for the year	**0**	**162**	**(6)**	**461**	**0**	**617**	**8**	**625**
Dividend distributed				10	(205)	(195)	(2)	(197)
Proposed dividend				(307)	307	0		0
Share-based payment				39		39		39
Exercise of share options				14		14		14
Acquisition of treasury shares				(1)		(1)		(1)
Equity at 31 December 2016	**1,025**	**112**	**(112)**	**7,089**	**307**	**8,421**	**41**	**8,462**

CHAPTER 1. SIGNIFICANT ACCOUNTING ESTIMATES

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSESSMENTS BY MANAGEMENT

The preparation of the Annual Report requires that Management makes accounting estimates, assumptions and judgments to complex areas of accounting that can have a significant effect on the amounts recognized in the consolidated financial statements when applying the Group´s accounting policies.

		Impact from Manage-ment's assumptions and judgements
Revenue from work-in-progress for third parties	Estimates regarding revenue when applying the percentage of completion method are associated with a high degree of uncertainty due to the complex nature of the project and the parameters that are part of the assessment. Total expected costs related to work-in-progress for third parties are partly based on estimates, as they include contingencies for unforeseen cost deviation. Furthermore, major projects are executed in parts of the world where macro-economic and political factors could materially impact the estimates and subsequently the recognition of revenue. **Mitigation:** Management and highly skilled key personnel are performing continues evaluation of estimates based on direct supervision of each project. The evaluation is done taking all contractual obligations into account combined with cross-functional support from the entire group.	
Trade receivables	Estimates are applied when management determines the level of receivables recoverability. **Mitigation:** Management analyses trade receivables individually on an ongoing basis including: ■ Evaluation of the customer´s ability to pay ■ Ageing of the receivable ■ Possibility to offset assets against accounts receivables ■ Access to other securities	

As a consequence of the complex nature and the significant effect to the report, these areas have high attention of the Management through-out the year. The level of impact represents a combination of impact from accounting estimates, assumptions and judgements as well as the potential impact to the consolidated financial statements.

		Impact from Manage-ment's assumptions and judgements
Project related provisions	Estimates are applied determining the need of provisions including assessment of project related risks, warranty claims and legal cases. **Mitigation:** Provisions for warranty claims are estimated on a project-by-project basis based on historical realised cost related to claims in the past. The provision covers estimated own costs of completion, subsequent warranty supplies and unsettled claims from customers or subcontractors. Provisions regarding disputes and lawsuits are based on Management's assessment of the likely outcome settling the cases based on the information at hand at the balance sheet date. The cost of loss-making projects covering projects expected to result in a loss, are assessed by Management and highly skilled key personnel.	
Inventories	Estimates are applied in assessing net realisable values of inventories. **Mitigation:** Management assessment of net reliable value of inventories is performed item by item including: ■ Test for slow moving inventory ■ Test for aging of inventory ■ Assessment of expected market (pricing and market potential) ■ Assessment of strategic inventory items	
Deferred tax assets and liabilities	Estimates are applied in valuation of deferred tax assets and liabilities. Management evaluates the tax treatment of transactions and balances. **Mitigation**: Management assess whether it is likely that there will be taxable income in the future against which timing differences or tax losses carry forwards may be used. For this purpose, management estimates the coming 5 year´s earnings based on budgets.	

		Impact from Management's assumptions and judgements
Intangible assets/ impairment test	Estimates are applied in assessing the value in use and expected useful life of intangible assets. **Mitigation:** Intangible assets with an indefinite useful life and intangible assets not yet available for use are not subject to amortisation but are tested annually for impairment, irrespective of whether there is any indication that they may be impaired. Development projects are also tested for impairment at least once a year. Assets that are subject to amortisation, such as intangible assets in use or with definite useful life, and other non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Factors considered material that could trigger an impairment test include the following: ■ Changes of R&D project expectations ■ Lower-than-predicted sales related to particular technologies ■ Changes in the economic lives of similar assets ■ Relationship with other intangible assets or property, plant and equipment	

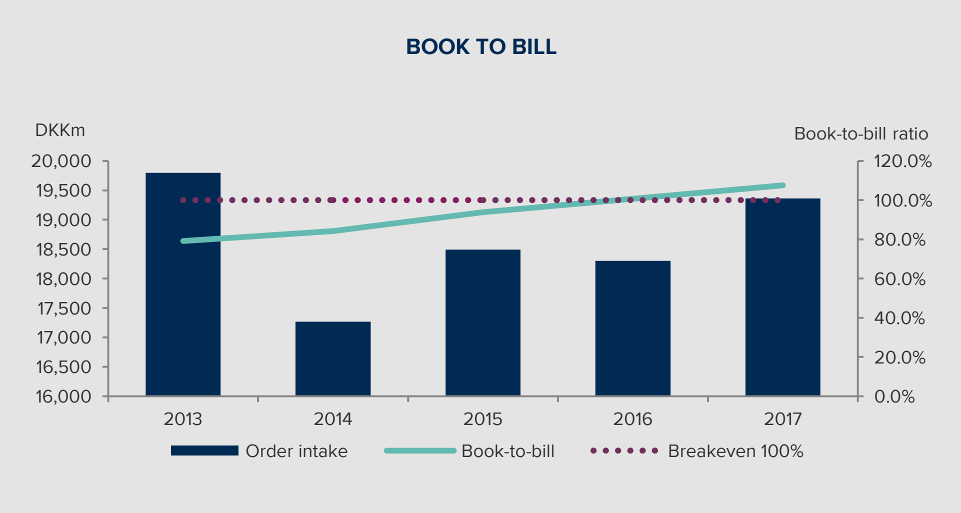
For further description regarding mitigation of descripted risks, please refer to notes regarding the individual items. The above items are deemed significantly affected by Management's estimates.

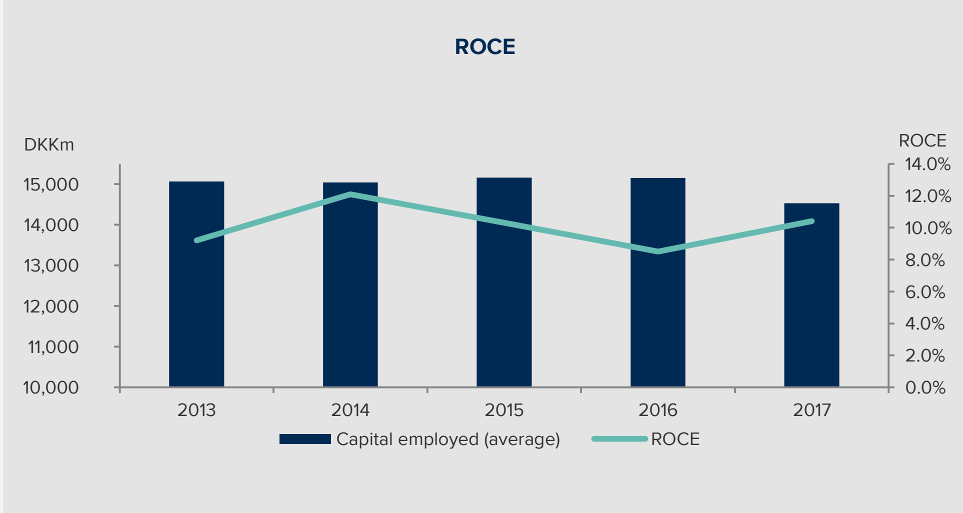
Limited impact from Management's assumptions and judgements

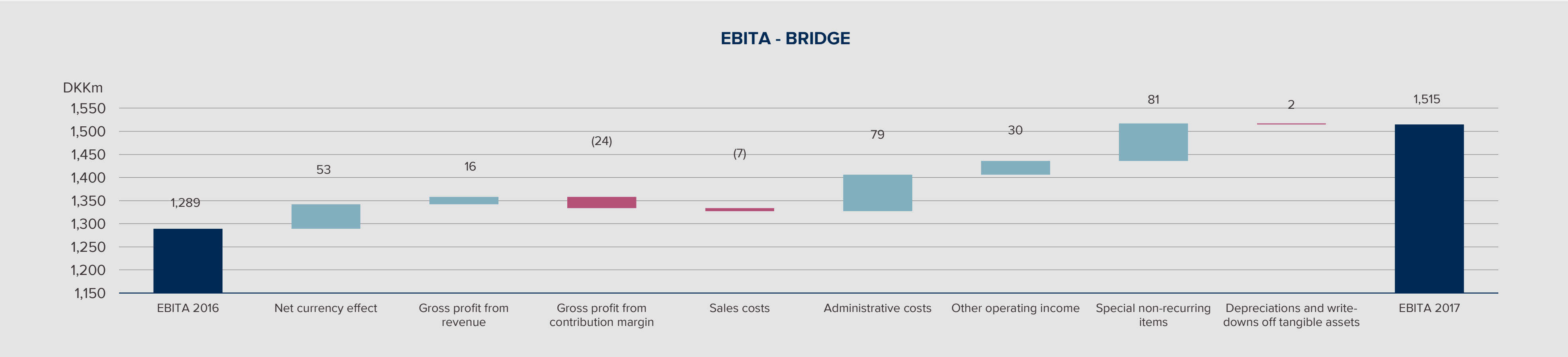
Impact from Management's assumptions and judgements

High impact from Management's assumptions and judgements

CHAPTER 2. SEGMENT INFORMATION







CHAPTER 2. SEGMENT INFORMATION - continued

2.1 SEGMENT INFORMATION

ACCOUNTING POLICY

FLSmidth operates in the following divisions: Customer Services, Product Companies, Minerals and Cement which forms the basis for Management's day-to-day control of the business.

Customer Services include service, spare and wear part sales, as well as upgrades carried out before, during and after FLSmidth has installed a plant and commissioned it.

Product Companies include nine diverse product companies. Some offer primarily systems while the majority offers products with in-house manufacturing or assembly. All product companies are characterised by a high service content.

Minerals encompasses all the technologies, products, processes and systems used to separate commercially viable minerals from their ores. The Minerals division delivers engineered and customised single products, EPS projects and EPC projects to the global mining industry.

Cement includes design/engineering and building of complete cement plants, production lines, single machinery, knowhow, services and maintenance to the global cement industry. Operation and maintenance (O&M contracts) are included in the Cement division.

ACCOUNTING POLICY - CONTINUED

Administrative functions such as Finance, HR, IT and Legal are shared by the divisions. Additionally, the divisions are supported by Group Functions related to Procurement, Logistics and Marketing. Research and development not originating from work performed for customers are part of a Group Function.

Shared costs are allocated to business segments based on assessment of usage.

Other companies, etc. consist of eliminations, companies with no activities, real estate and the parent company, while discontinued activities consist of bulk material handling activities and run-off on activities sold in previous years.

Revenue, assets, non-current assets and employees are presented by geographical region. The geographical breakdown of revenue is based on the location of the activity or the location where the equipment is delivered. Segment income and costs include transactions between divisions. Such transactions are determined on market terms. The transactions are eliminated in the consolidation.

2.1 SEGMENT INFORMATION - continued

BREAKDOWN OF THE GROUP BY SEGMENTS FOR 2017

DKKm	Customer Services	Product Companies	Minerals	Cement	Shared costs[1]	Other companies etc.[2]	Continuing activities	Discontinued activities[3]	FLSmidth Group
External revenue	6,727	4,637	2,567	4,069			18,000	880	18,880
Internal revenue	105	927	19	8		(1,059)	0	0	0
Total revenue	**6,832**	**5,564**	**2,586**	**4,077**		**(1,059)**	**18,000**	**880**	**18,880**
Production costs	(4,633)	(3,892)	(2,122)	(3,617)	(207)	1,068	(13,403)	(1,136)	(14,539)
Gross profit	**2,199**	**1,672**	**464**	**460**	**(207)**	**9**	**4,597**	**(256)**	**4,341**
SG&A costs	(555)	(467)	(309)	(255)	(1,276)	(3)	(2,865)	(69)	(2,934)
EBITDA before special non-recurring items	**1,644**	**1,205**	**155**	**205**	**(1,483)**	**6**	**1,732**	**(325)**	**1,407**
Special non-recurring items	(2)	(1)	54	0			51	0	51
Depreciations and write-downs of tangible assets	(75)	(69)	(15)	(6)	(100)	(3)	(268)	(2)	(270)
EBITA before allocation of shared costs	**1,567**	**1,135**	**194**	**199**	**(1,583)**	**3**	**1,515**	**(327)**	**1,188**
Allocation of shared costs	(564)	(487)	(270)	(280)	1,583	18			
EBITA	**1,003**	**648**	**(76)**	**(81)**		**21**	**1,515**	**(327)**	**1,188**
Amortisations of intangible assets	(173)	(110)	(87)	(30)		0	(400)	(1)	(401)
EBIT	**830**	**538**	**(163)**	**(111)**		**21**	**1,115**	**(328)**	**787**
Order intake (gross)	6,967	5,623	3,134	4,546		(1,100)	19,170	78	19,248
Order backlog	2,260	2,687	4,160	5,193		(646)	13,654	714	14,368
Gross margin	*32.1%*	*30.0%*	*18.0%*	*11.3%*		*N/A*	*25.5%*	*N/A*	*23.0%*
EBITDA margin before special non-recurring items	*24.1%*	*21.7%*	*6.0%*	*5.0%*		*N/A*	*9.6%*	*N/A*	*7.5%*
EBITA margin before allocation of shared costs	*22.9%*	*20.4%*	*7.5%*	*4.8%*		*N/A*		*N/A*	
EBITA margin	*14.7%*	*11.6%*	*-3.0%*	*-2.0%*		*N/A*	*8.4%*	*N/A*	*6.3%*
EBIT margin	*12.1%*	*9.7%*	*-6.3%*	*-2.7%*		*N/A*	*6.2%*	*N/A*	*4.2%*
Number of employees	**3,866**	**2,725**	**1,193**	**2,393**	**1,402**	**0**	**11,579**	**137**	**11,716**

Reconciliation of profit/(loss) for the year	Continuing activities	Discontinued activities	FLSmidth Group
EBIT	1,115	(328)	787
Impairment of investments in associates	(8)	0	(8)
Financial income	1,345	1	1,346
Financial costs	(1,656)	(34)	(1,690)
EBT	**796**	**(361)**	435
Tax for the year	(379)	18	(361)
Profit/(loss) for the year	**417**	**(343)**	74

1) Shared costs consists of costs that are managed on country or Group level and subsequently allocated to the divisions. 2) Other companies etc. consist of companies with no activity, real estate companies, eliminations and the parent company. 3) Discontinued activity mainly consist of bulk material handling.

2.1 SEGMENT INFORMATION - continued

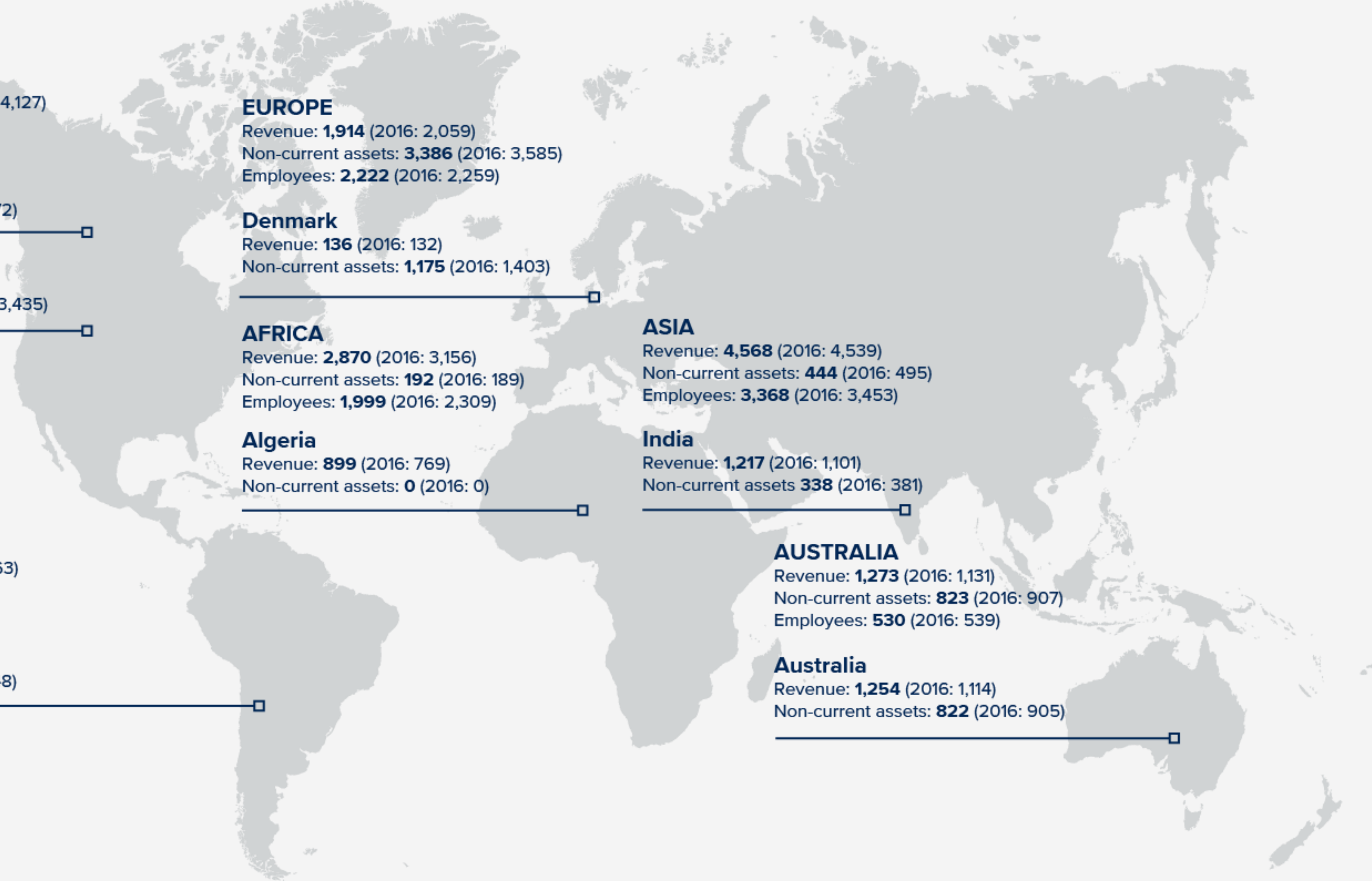
BREAKDOWN OF THE GROUP BY SEGMENTS FOR 2016

DKKm	Customer Services	Product Companies	Minerals	Cement	Shared costs[1]	Other companies etc.[2]	Continuing activities	Discontinued activities[3]	FLSmidth Group
External revenue	6,461	4,281	3,172	4,278		-	18,192	719	18,911
Internal revenue	94	734	13	8		(849)	0	0	0
Total revenue	**6,555**	**5,015**	**3,185**	**4,286**	**0**	**(849)**	**18,192**	**719**	**18,911**
Production costs	(4,485)	(3,407)	(2,655)	(3,696)	(228)	860	(13,611)	(732)	(14,343)
Gross profit	**2,070**	**1,608**	**530**	**590**	**(228)**	**11**	**4,581**	**(13)**	**4,568**
SG&A costs	(591)	(506)	(311)	(288)	(1,304)	7	(2,993)	(50)	(3,043)
EBITDA before special non-recurring items	**1,479**	**1,102**	**219**	**302**	**(1,532)**	**18**	**1,588**	**(63)**	**1,525**
Special non-recurring items	(15)	(7)	(8)	0		0	(30)	6	(24)
Depreciations and write-downs of tangible assets	(89)	(68)	(16)	(6)	(87)	(3)	(269)	0	(269)
EBITA before allocation of shared costs	**1,375**	**1,027**	**195**	**296**	**(1,619)**	**15**	**1,289**	**(57)**	**1,232**
Allocation of shared costs	(559)	(467)	(330)	(268)	1,619	5			
EBITA	**816**	**560**	**(135)**	**28**	**0**	**20**	**1,289**	**(57)**	**1,232**
Amortisations of intangible assets	(169)	(100)	(108)	(31)		0	(408)	0	(408)
EBIT	**647**	**460**	**(243)**	**(3)**	**0**	**20**	**881**	**(57)**	**824**
Order intake (gross)	6,599	5,326	2,679	4,576		(877)	18,303	1,322	19,625
Order backlog	2,388	2,807	3,988	5,349		(645)	13,887	1,490	15,377
Gross margin	*31.6%*	*32.1%*	*16.6%*	*13.8%*		*N/A*	*25.2%*	*N/A*	*24.2%*
EBITDA margin before special non-recurring items	*22.6%*	*22.0%*	*6.9%*	*7.0%*		*N/A*	*8.7%*	*N/A*	*8.1%*
EBITA margin before allocation of shared costs	*21.0%*	*20.5%*	*6.1%*	*6.9%*		*N/A*	*7.1%*	*N/A*	*6.5%*
EBITA margin	*12.5%*	*11.2%*	*-4.3%*	*0.6%*		*N/A*	*7.1%*	*N/A*	*6.5%*
EBIT margin	*9.9%*	*9.2%*	*-7.6%*	*-0.1%*		*N/A*	*4.8%*	*N/A*	*4.4%*
Number of employees	**4,002**	**2,774**	**1,081**	**2,642**	**1,533**	**0**	**12,032**	**155**	**12,187**

Reconciliation of profit/(loss) for the year	Continuing activities	Discontinued activities	FLSmidth Group
EBIT	881	(57)	824
Financial income	1,203	2	1,205
Financial costs	(1,257)	(9)	(1,266)
EBT	**827**	**(64)**	763
Tax for the year	(237)	(4)	(241)
Profit/(loss) for the year	**590**	**(68)**	522

1) Shared costs consists of costs that are managed on country or Group level and subsequently allocated to the divisions. 2) Other companies etc. consist of companies with no activity, real estate companies, eliminations and the parent company. 3) Discontinued activity mainly consist of bulk material handling.

2.2 GEOGRAPHICAL INFORMATION



NORTH AMERICA
Revenue: **4,239** (2016: 3,907)
Non-current assets: **3,535** (2016: 4,127)
Employees: **1,936** (2016: 1,935)

Canada
Revenue: **726** (2016: 883)
Non-current assets: **621** (2016: 672)

USA
Revenue: **2,723** (2016: 2,492)
Non-current assets: **2,891** (2016: 3,435)

SOUTH AMERICA
Revenue: **3,136** (2016: 3,400)
Non-current assets: **501** (2016: 563)
Employees: **1,524** (2016: 1,537)

Chile
Revenue: **1,492** (2016: 1,766)
Non-current assets: **321** (2016: 348)

EUROPE
Revenue: **1,914** (2016: 2,059)
Non-current assets: **3,386** (2016: 3,585)
Employees: **2,222** (2016: 2,259)

Denmark
Revenue: **136** (2016: 132)
Non-current assets: **1,175** (2016: 1,403)

AFRICA
Revenue: **2,870** (2016: 3,156)
Non-current assets: **192** (2016: 189)
Employees: **1,999** (2016: 2,309)

Algeria
Revenue: **899** (2016: 769)
Non-current assets: **0** (2016: 0)

ASIA
Revenue: **4,568** (2016: 4,539)
Non-current assets: **444** (2016: 495)
Employees: **3,368** (2016: 3,453)

India
Revenue: **1,217** (2016: 1,101)
Non-current assets **338** (2016: 381)

AUSTRALIA
Revenue: **1,273** (2016: 1,131)
Non-current assets: **823** (2016: 907)
Employees: **530** (2016: 539)

Australia
Revenue: **1,254** (2016: 1,114)
Non-current assets: **822** (2016: 905)

■ All amounts DKKm. Non-current assets comprise intangible assets and property, plant and equipment. Non-current assets shown for assets not held-for-sale. The geographical breakdown of revenue is based on the location of the activity or the location where the equipment is delivered. Revenue shown for continued business.

2.3 INCOME STATEMENT CLASSIFIED BY FUNCTION

It is the Group's policy to prepare the income statement based on an adjusted classification of the cost by function in order to show the earnings before special non-recurring items, depreciations, amortisations and write-downs (EBITDA). Depreciation, amortisation, and write-downs of tangible assets are therefore separated from the individual functions and presented in separated lines. The income statement classified by function include allocation of depreciation, amortisation and write-downs appearing as follows:

DKKm	2017	2016
Revenue	18,000	18,192
Production costs, including depreciations and amortisations	(13,695)	(13,900)
Gross profit	**4,305**	**4,292**
Sales- and distribution costs, including depreciations and amortisations	(1,542)	(1,519)
Administrative costs, including depreciations and amortisations	(1,761)	(1,892)
Special non-recurring items	51	(30)
Other operating income	62	30
EBIT	**1,115**	**881**
Depreciation, amortisation and impairment consist of:		
Amortisations of intangible assets	(400)	(408)
Depreciations and write-downs of tangible assets	(268)	(269)
	(668)	**(677)**
Depreciation, amortisation and impairment are divided into:		
Production costs	(292)	(289)
Sales costs	(80)	(56)
Administrative costs	(296)	(332)
	(668)	**(677)**

2.4 REVENUE

ACCOUNTING POLICY

Revenue comprises the sale of service and non-service activities within the Cement and Minerals activities.

Revenue from non-service activities is recognised as the plants are constructed based on the percentage of completion principle, using a cost-to-cost method or an output method as a basis, depending on the project characteristics. Revenue from product sales (service/non-service) is recognised in the income statement when the risks have been transferred to the buyer, the amount of revenue can be measured reliably, and collection is probable.

Service sales are recognised as revenue over the term of the agreement as the services are provided, either at a point-in-time or over time depending on the contract scope. In case of significant uncertainties with measuring the revenue reliably the revenue is recognised upon cash receipt. Revenue is recognised less rebates, cash discounts, VAT and duties and gross of foreign paid withholding taxes.

DKKm	2017	2016
Cement industry	8,303	8,276
Mining industry	9,697	9,916
Total revenue	**18,000**	**18,192**
Service business	10,473	10,238
Capital business	7,527	7,954
Total revenue	**18,000**	**18,192**
Income recognition criteria:		
Income recognised in accordance with the point-in-time principle	9,014	8,351
Income recognised in accordance with the percentage-of-completion method	8,986	9,841
Total revenue	**18,000**	**18,192**

Service activities includes sale of products (spare parts) of DKK 7,361m (2016: DKK 6,840m).

CHAPTER 3. TAX
3.1 TAX

ACCOUNTING POLICY

Income tax

Tax for the year comprises current tax and changes in deferred tax including valuation of deferred tax asset, adjustments to previous years, foreign paid withholding taxes including available credit relief and changes in provisions for uncertain tax positions. Tax is recognised in the Consolidated Income Statement with the share attributable to the profit/(loss) of the year, and in other comprehensive income with the share attributable to items recognised in other comprehensive income. Exchange rate adjustments of deferred tax are included as part of the year's adjustments to deferred tax.

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.

Uncertain tax positions

Ongoing and potential future tax disputes are measured at the amount estimated to be required to settle such obligation. The liability is recognised under current tax.

Tax receivables and tax liabilities

Tax receivables and tax liabilities comprises tax on expected taxable income less tax paid on account in the year and previous years taxes. Current tax is recognised in the balance sheet as either a receivable or a liability.

Deferred tax

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. Deferred tax is calculated based on the applicable tax rates for the individual financial years. The effect of changes in the tax rates are stated in the income statement unless they are items previously entered in the statement of other comprehensive income.

ACCOUNTING POLICY - CONTINUED

The tax value of losses that are more likely than not 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.

If companies in the Group have deferred tax liabilities, they are valued independently of the time when the tax, if any, becomes payable.

A deferred tax liability is recognised to cover re-taxation of losses in foreign enterprises if shares in the enterprises concerned are likely to be sold and to cover expected additional future tax liabilities related to the financial year or previous years. No deferred tax liabilities regarding investments in subsidiaries are recognised if the shares are unlikely to be sold in the short term.

FLSmidth & Co. A/S is jointly taxed with all Danish subsidiaries, FLSmidth & Co. A/S being the administrator of the Danish joint taxation.

All the Danish subsidiaries provide for the Danish tax based on the current rules with full distribution. Recognition of deferred tax assets and tax liabilities is made in the individual Danish enterprises based on the principles described above. The jointly taxed Danish enterprises are included in the Danish tax payable on account scheme.

3.1 TAX - continued

INCOME TAX

DKKm	2017	Effective tax rate	2016	Effective tax rate
Current tax on the profit/(loss) for the year	(313)		(304)	
Withholding tax	(29)		(12)	
Change in deferred tax	90		35	
Change in tax rate on deferred tax	(101)		14	
Adjustments regarding previous years, deferred taxes	34		(14)	
Adjustments regarding previous years, current taxes	(34)		(3)	
Uncertain tax positions	(26)		47	
Tax for the year, continuing activities	**(379)**	**47.6%**	**(237)**	**28.7%**
Earnings before tax on continuing activities	796		827	
Earnings before tax on discontinued activities	(361)		(64)	
	435		**763**	
Reconciliation of tax				
Tax according to Danish tax rate	(175)	22.0%	(182)	22.0%
Differences in the tax rates in foreign subsidiaries relative to 22%	5	-0.6%	(16)	2.0%
Non-taxable income and non-deductible costs	(29)	3.6%	(25)	3.0%
Income utilised against previous years capital loss not recognised	50	-6.3%	54	-6.5%
Differences in tax assets valued at nil	(74)	9.3%	(100)	12.1%
Differences due to adjustment of tax rate	(101)	12.7%	14	-1.7%
Adjustments regarding previous years, deferred taxes	34	-4.3%	(14)	1.7%
Adjustments regarding previous years, current taxes	(34)	4.3%	(3)	0.4%
Withholding taxes	(29)	3.6%	(12)	1.4%
Uncertain tax positions	(26)	3.3%	47	-5.7%
Effective tax rate	**(379)**	**47.6%**	**(237)**	**28.7%**

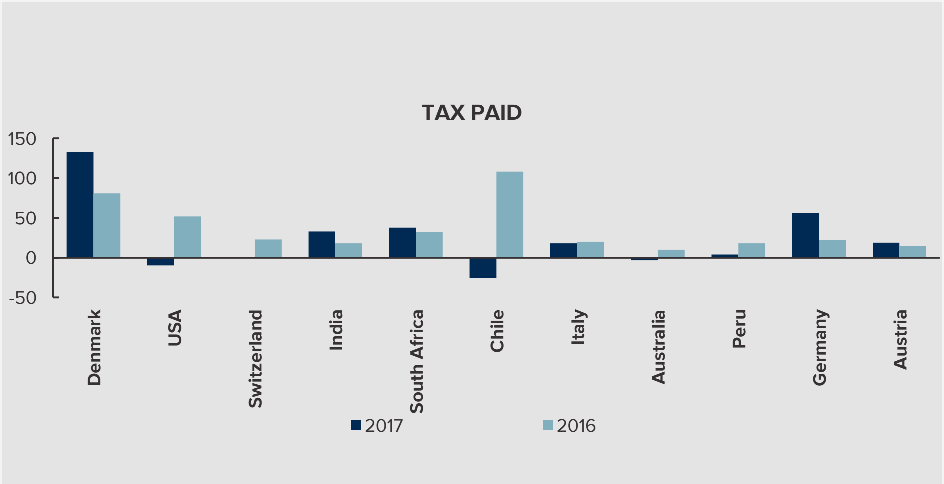
Differences in tax assets valued at nil is primarily affected by a revaluation of the German, USA and Angolan tax assets based on Management estimates.

Differences due to change in tax rate on deferred tax is primarily affected by the reduced federal corporate tax rate in the USA from 35% to 21% effective 1 January 2018.

Uncertain tax positions relates to tax disputes which could materialise based on the outcome of ongoing and future tax audits.

TAX PAID

Income tax paid in 2017 amounts to DKK 329m (2016: DKK 441m) of which the main part is attributable to Group enterprises in the following countries:



Besides income tax, the activities of the Group generate sales taxes, custom duties, personal income taxes paid by the employees, etc.

3.1 TAX – continued

DEFERRED TAX

DKKm 2017	Balance sheet 1 January	Assets held for sale	Foreign exchange translation	Adjustment to previous years, etc.	Changed tax rate	Included in other comprehensive income	Included in profit/(loss)	Balance sheet 31 December
Deferred tax consists of								
Intangible assets	(189)	0	33	(10)	19	0	(65)	(212)
Tangible assets	200	0	7	(15)	19	0	(33)	178
Current assets	319	0	(18)	(35)	(40)	0	148	374
Liabilities	370	0	(51)	86	(62)	(21)	(88)	234
Tax loss carry-forwards, etc.	255	0	(15)	0	(81)	0	261	420
Share of tax assets valued at nil	(217)	0	20	8	44	0	(126)	(271)
Net deferred tax assets/(liabilities)	**738**	**0**	**(24)**	**34**	**(101)**	**(21)**	**97**	**723**

Net deferred tax assets/(liabilities) includes discontinued assets not held for sale.

DKKm	2017
Deferred tax assets	1,094
Deferred tax liabilities	(371)
	723

DKKm 2016	Balance sheet 1 January	Assets held for sale	Foreign exchange translation	Adjustment to previous years, etc.	Changed tax rate	Included in other comprehensive income	Included in profit/(loss)	Balance sheet 31 December
Deferred Tax consists of								
Intangible assets	(107)	0	(19)	(51)	0	0	(12)	(189)
Tangible assets	199	0	(16)	15	0	0	2	200
Current assets	307	0	19	0	(3)	0	(4)	319
Liabilities	182	0	28	2	17	6	135	370
Tax loss carry-forwards, etc.	204	0	(5)	45	0	0	11	255
Share of tax assets valued at nil	(69)	0	(6)	(25)	0	(20)	(97)	(217)
Net deferred tax assets/(liabilities)	**716**	**0**	**1**	**(14)**	**14**	**(14)**	**35**	**738**

DKKm	2016
Deferred tax assets	1,117
Deferred tax liabilities	(379)
	738

3.1 TAX - continued

SIGNIFICANT ESTIMATES AND ASSESSMENTS BY MANAGEMENT

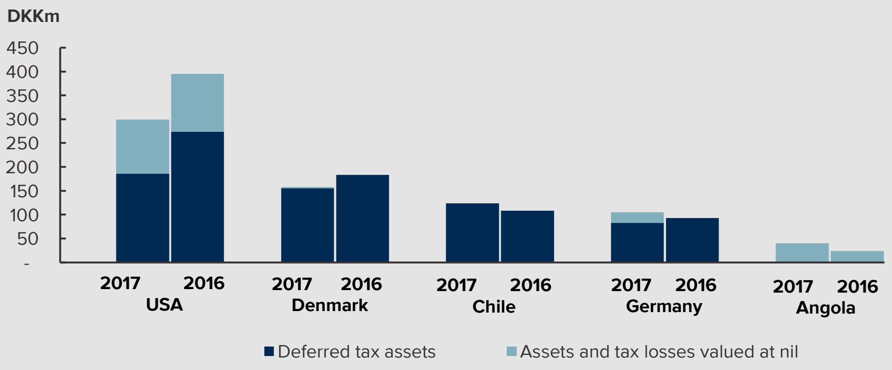
Deferred tax assets are recognised if it is likely that there will be taxable income in the future against which timing differences or tax losses carried forward may be used. For this purpose, Management estimates the coming 5 year's earnings based on budgets.

The deferred tax assets in USA, Germany and Angola are not fully recognised as the deferred tax assets is not likely to be utilised within the next 5 years based on size of the deferred tax asset and the current market situation in each of those countries. The budgets have considered cost savings and the recovery of the market in USA and Germany.

Deferred tax assets valued at nil with an amount of DKK 93m (2016: DKK 96m) relate to tax losses and tax assets mainly in discontinued and dormant entities.

DKK 40m (2016: DKK 0m) of foreign paid withholding taxes in the USA is not recognised as a future benefit due to the uncertainties relating to the effect of the new Base Erosion Anti-Abuse Tax (BEAT) in the USA.

SIGNIFICANT DEFFERRED TAX ASSETS



DKKm	2017	2016
Maturity profile of tax assets valued at nil:		
Within one year	113	76
Between one and five years	50	130
After five years	901	505
	1,064	**711**
Tax value	**271**	**217**
Deferred tax assets not recognised in the balance sheet consist of:		
Temporary differences	667	382
Tax losses	397	329
	1,064	**711**

Temporary differences regarding investments in Group enterprises are estimated as a tax liability of DKK 300-350m in 2017 (2016: DKK 350-400m). The liability is not recognised because the Group is able to control whether the liability is released and it is considered likely that the liability will not be released in the foreseeable future.

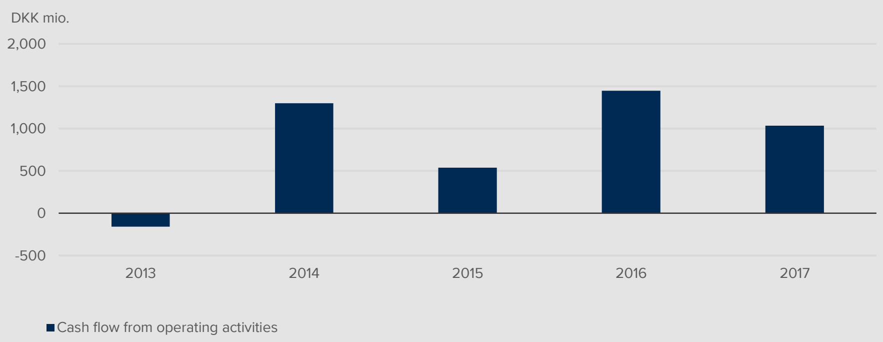
DKKm	2017		
Tax on other comprehensive income	**Deferred tax**	**Current tax**	**Tax income/ cost**
Value adjustments of hedging instruments	(19)	8	(11)
Actuarial gains/losses on defined benefit plans	4	0	4
Tax assets valued at nil - actuarial gains/losses	0	0	0
Reduced tax rate - actuarial gains/losses	(17)	0	(17)
	(32)	**8**	**(24)**

DKKm	2016		
Tax on other comprehensive income	**Deferred tax**	**Current tax**	**Tax income/ cost**
Value adjustments of hedging instruments	(5)	(9)	(14)
Actuarial gains/losses on defined benefit plans	5	0	5
Tax assets valued at nil - actuarial gains/losses	(20)	0	(20)
Reduced tax rate - actuarial gains/losses	0	0	0
	(20)	**(9)**	**(29)**

Deferred tax DKK -32m (2016: DKK -20m) includes assets held for sale of DKK -11m (2016:DKK -6m).

CHAPTER 4. CASH FLOW STATEMENT

CFFO



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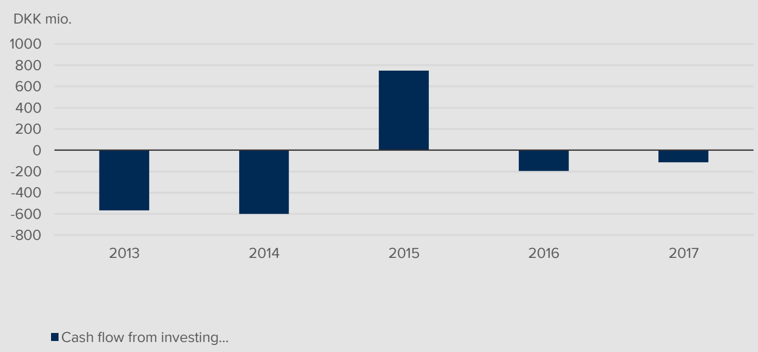
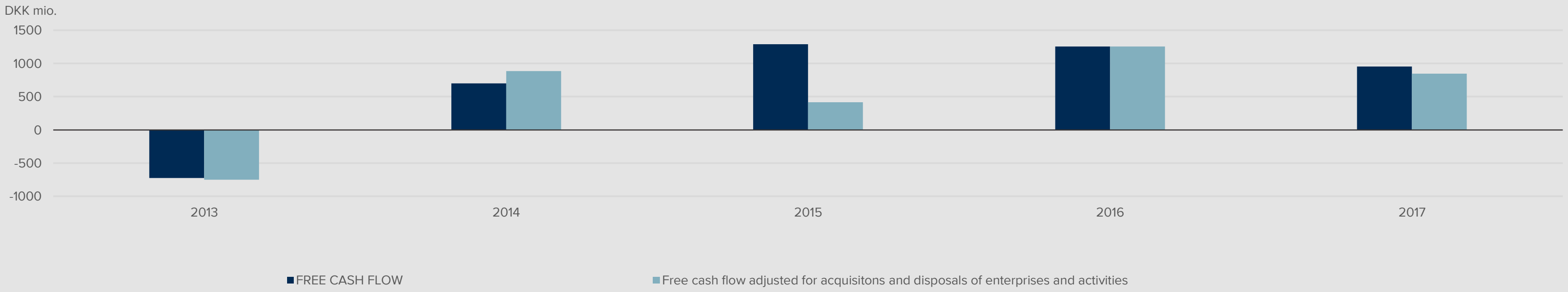


FREE CASH FLOW



CHAPTER 4. CASH FLOW STATEMENT - continued

ACCOUNTING POLICY

The consolidated cash flow statement is presented in accordance with the indirect method and shows the composition of cash flow divided into operating, investing and financing activities for both continued and discontinued activities respectively, and the changes in cash and cash equivalents during the year.

Cash flow from operating activities consists of earnings before special non-recurring items, depreciation, amortisation and impairment (EBITDA) adjusted for non-cash operating items, changes in net working capital and provisions, taxes paid and financial items.

Cash flow from investing activities comprises payments made in connection with the acquisition and disposal of enterprises and activities and the acquisition and disposal of assets.

Cash flow from financing activities comprises changes in the size of the share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, acquisitions and disposal of non-controlling interests, treasury shares and payment of dividends to shareholders.

The Group's cash and cash equivalents mainly consist of cash deposited with banks.

4.1 CHANGE IN NET WORKING CAPITAL

DKKm	2017	2016
Inventories	(196)	112
Trade receivables	(56)	289
Trade payables	(115)	443
Work-in-progress for third parties	(387)	(13)
Prepayments from customers	297	230
Prepayments to subcontractors	347	(185)
Other receivables and other liabilities	(3)	(273)
Foreign exchange gain/(loss)	(27)	(77)
	(140)	**526**

The change in net working capital is mainly explained by work-in-progress for third parties as a result of several large prepaid projects being closed, primarily in the Minerals and Cement Divisions, however partly offset by the decrease in prepayments to subcontractors.

4.2 CHANGE IN PROVISIONS

DKKm	2017	2016
Pensions and similar obligations	3	17
Other provisions	153	(126)
	156	**(109)**

4.3 FINANCIAL ITEMS RECEIVED AND PAID

DKKm	2017	2016
Interest received	38	39
Interest paid	(83)	(109)
	(45)	**(70)**

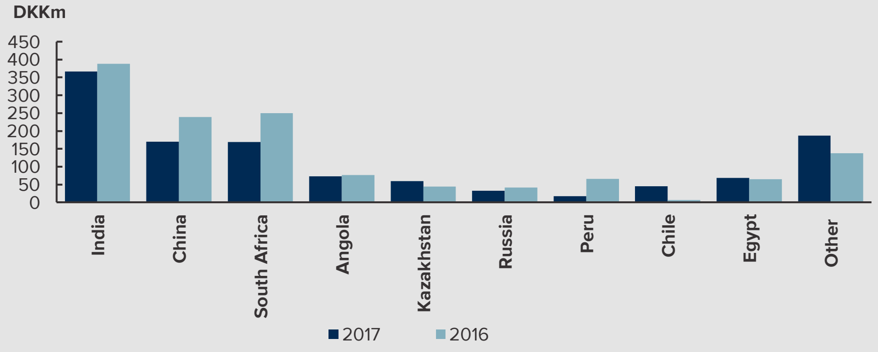
4.4 CHANGE IN NET INTEREST-BEARING DEBT

DKKm	2017	2016
Bank loans, gross	(1,000)	(766)
Other liabilities	(29)	203
Foreign exchange adjustments	265	(126)
	(764)	**(689)**

4.5 RESTRICTED CASH

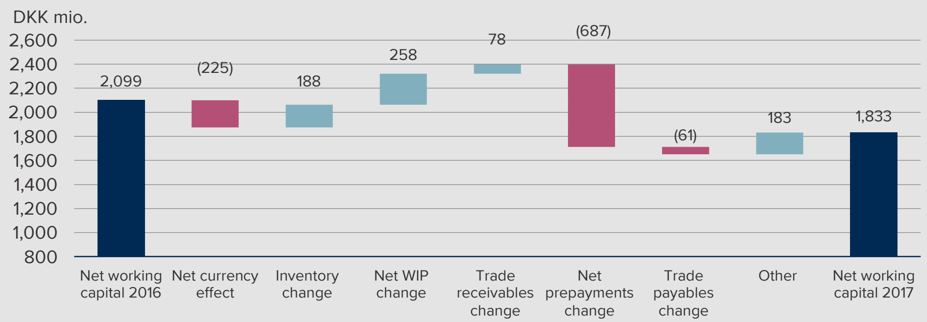
Included in cash and cash equivalents are cash and cash equivalents with currency restrictions, DKK 1,189m (2016: DKK 1,314m). The cash and cash equivalents with currency restrictions are primarily related to bank deposits placed in countries with currency restrictions. The deposits are included in the local daily cash management.

RESTRICTED CASH

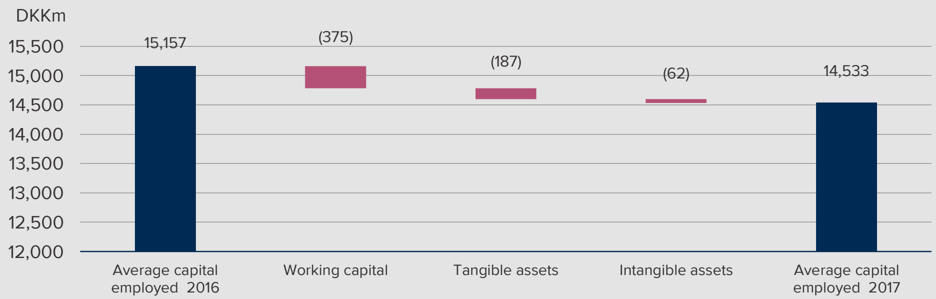


CHAPTER 5. CAPITAL EMPLOYED AND PROVISIONS

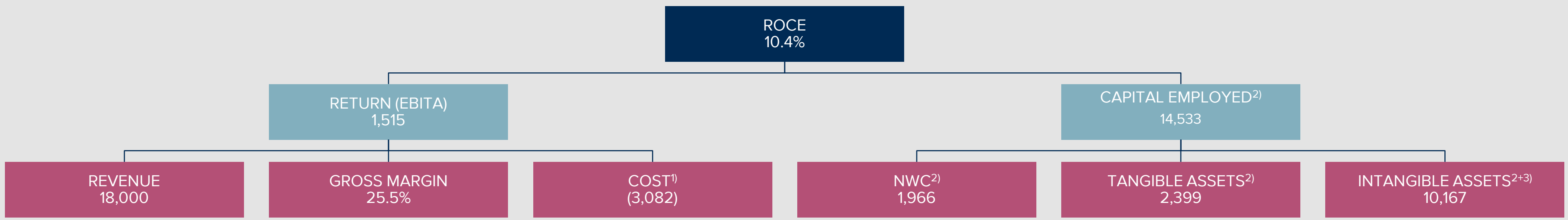
NET WORKING CAPITAL - BRIDGE
Development from 2016 to 2017



CAPITAL EMPLOYED - BRIDGE
Development from 2016 to 2017



ROCE BREAKDOWN



1) Cost consist of SG&A, depreciations and special non-recurring items
2) Average values
3) Measured at cost value

CHAPTER 5. CAPITAL EMPLOYED AND PROVISIONS - continued

5.1 SPECIFICATION OF NET WORKING CAPITAL

Notes 5.2, 5.3 and 5.4 show additional specification of selected net working capital items. The Group's net working capital is specified as follows:

DKKm	2017	2016
Inventories	2,332	2,355
Trade receivables	4,324	4,533
Work-in-progress for third parties, asset	2,297	2,426
Prepayments to subcontractors	196	544
Other receivables	722	521
Derivative financial instruments	51	103
	9,922	**10,482**
Prepayments from customers	1,786	1,514
Trade payables	2,916	3,037
Work-in-progress for third parties, liability	1,730	2,093
Other liabilities	1,589	1,604
Derivative financial instruments	68	135
	8,089	**8,383**
Net working capital	**1,833**	**2,099**
Net assets held for sale	(73)	(135)
Net working capital of the Group	**1,760**	**1,964**

Other liabilities consist mainly of accruals related to projects and accrued employee items.

Other receivables mainly consist of indirect tax receivables and receivables from employees.

5.2 WORK-IN-PROGRESS FOR THIRD PARTIES

ACCOUNTING POLICY

Work-in-progress for third parties comprise project sales, including cement plants, mining and cement equipment as well as operations and maintenance contracts, and is recognised according to the percentage of completion principle. The percentage of completion is calculated as either:

- the ratio between the cost incurred and the total estimated cost at the balance sheet date (cost-to-cost), or
- the ratio between completed sub-activities and the total sub-activities (output)

Work-in-progress for third parties is measured at the selling price of the work performed, less progress billings and expected losses.

When the selling price of the work performed exceeds progress billings and expected losses, work-in-progress for third parties is recognised as an asset. When progress billings exceeds the value of the work completed, work-in-progress for third parties is presented as a liability.

If a project is probable of becoming loss-making, the expected loss is recognised immediately as a cost and a provision.

Prepayments from customers are recognised as a liability.

SIGNIFICANT ESTIMATES AND ASSESSMENTS BY MANAGEMENT

Total expected costs related to work-in-progress for third parties are partly based on estimates, as they include contingencies for unforeseen cost deviations in future supplies of raw materials, subcontractor products and services plus construction and handing over. Estimates on total expected costs are based on Management estimates for each project, while taking underlying contracts as well as collected historical provision and warranty data into account.

The contract value of services in the form of operation & maintenance contracts is in some cases dependent upon the productivity of the plant serviced. In such cases, revenue recognition of the contracts includes Management's estimates of the productivity of the plant.

Major projects are often sold to companies located in politically unstable countries and therefore entail enhanced risks and uncertainties related to project execution.

DKKm	2017	2016
Total costs incurred	24,787	34,116
Profit recognised as income, net	3,341	5,447
Work-in-progress for third parties	**28,128**	**39,563**
Invoicing on account to customers	(27,561)	(39,230)
Net work-in-progress for third parties	**567**	**333**
Of which is recognised as work in progress for third parties:		
Under assets	2,297	2,426
Under liabilities	(1,730)	(2,093)
Net work-in-progress for third parties	**567**	**333**

Total cost incurred, Profit recognised as income, and Invoicing on account have all decreased significantly in 2017. This is due to the finalisation of the last stage of a number of large projects during 2017. A project is removed from the Work-in-progress for third parties specification once the project is finalised.

5.3 INVENTORIES

ACCOUNTING POLICY
Inventories are measured at cost based on weighted average cost prices.

In the event that cost of inventories exceeds the expected selling price less cost of completion and selling costs, the inventories are written down to the lower net realisable value. The net realisable value of inventories is measured as the expected sales price less costs of completion and costs to finalise the sale.

Write down assessment of the inventory is performed item by item including:
- Test for slow moving inventory
- Test for aging of inventory
- Assessment of expected market (pricing and market potential)
- Assessment of strategic inventory items

Obsolete items are written down to zero. Management considers part of the inventories as strategic. Strategic items are held in inventory, even if slow moving, because they are considered key equipment to the customers, that FLSmidth needs to be able to deliver with very short notice.

Raw materials and consumables include purchase costs of materials and consumables, duties and transportation costs.

Work-in-progress, finished goods and goods for resale include cost of manufacturing including materials consumed and labour costs plus an allowance for production overheads. Production overheads include operating costs, maintenance of production facilities and as well as administration and factory management directly related to manufacturing.

SIGNIFICANT ESTIMATES AND ASSESSMENTS BY MANAGEMENT
Assessing net realisable value of inventories requires Management estimates taking marketability, obsolescence and development in expected selling prices into account. Following the economic downturn in the market, special attention from Management has been paid to inventory turnover, when determining net realisable value.

DKKm	2017	2016
Raw materials and consumables	318	306
Work-in-progress	323	307
Finished goods and goods for resale	1,691	1,742
Inventories net of write downs at 31 December	**2,332**	**2,355**
Write down of inventories:		
Write down at 1 January	(266)	(339)
Foreign exchange adjustments	19	(4)
Additions	(68)	(94)
Disposal	18	60
Reversals	11	17
Other adjustments	0	94
Write down at 31 December	**(286)**	**(266)**

5.4 TRADE AND OTHER RECEIVABLES

ACCOUNTING POLICY

Receivables comprise trade receivables, receivables from construction contracts and other receivables.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost. A write down cost is recognised when there is an indication that an individual receivable cannot be collected.

The write down is deducted from the carrying amount of trade receivables and the cost is recognised in the income statement as administrative costs.

SIGNIFICANT ESTIMATES AND ASSESSMENTS BY MANAGEMENT

Estimates are used in determining the level of receivables that cannot, in the opinion of Management, be collected. When evaluating the adequacy of the allowance for doubtful receivables, assessment of bad debt is carried out for individual receivables and includes:

- Evaluation of the customer´s ability to pay
- Ageing of the receivable
- Possibility to offset assets against claims
- Access to other securities
- Evaluation of macro-economic and political factors that could impact the possibility to collect the outstandings

TRADE RECEIVABLES

Trade receivables net of write downs are specified according to ageing as follows:

DKKm	2017	2016
Ageing:		
Not due for payment	2,799	2,966
Overdue up to one month	613	511
Overdue between one and two months	289	136
Overdue between two and three months	145	197
Overdue between three and six months	188	165
Overdue more than six months	290	558
Trade receivables at 31 December	**4,324**	**4,533**
Trade receivables not due for payment with retentions on contractual terms	349	412
Write down of trade receivables:		
Write down at 1 January	(541)	(337)
Foreign exchange adjustments	35	(21)
Additions	(120)	(316)
Reversals	115	98
Realised	120	35
Write down, at 31 December	**(391)**	**(541)**

OTHER RECEIVABLES

In 2017, other receivables amounted to DKK 1,356m (2016: DKK 1,191m), including fair value of derivatives of DKK 51m (2016: DKK 103m), current tax receivables of DKK 492m (2016: DKK 485m) and VAT of DKK 286m (2016: DKK 194m).

5.5 INTANGIBLE ASSETS

ACCOUNTING POLICY

Goodwill

Goodwill is measured in the balance sheet at cost in connection with initial recognition. Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to the cash-generating units as defined by the Management. The determination of cash-generating units complies with the managerial structure and the internal financial reporting in the Group. Goodwill is not amortised but is tested for impairment at least once a year.

Other intangible assets

Intangible assets other than goodwill with indefinite useful life are not amortised, but are tested for impairment at least once a year. These are measured at cost less accumulated impairment losses.

Other intangible assets with a finite useful life are measured at cost less accumulated amortisation and impairment losses.

Development projects, for which the technical rate of utilisation, sufficient resources and a potential future market or application in the Group can be demonstrated and which are intended to be manufactured, marketed or used, are recognised as completed development projects. This requires that the cost can be determined and it is sufficiently certain that the future earnings or the net selling price will cover production, sales and administrative costs plus the development costs. Other development costs are recognised in the income statement when the costs are incurred. Development costs consist of salaries and other costs that are directly attributable to development activities.

ACCOUNTING POLICY - CONTINUED

Amortisation of completed development projects 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 not amortised but are tested for impairment at least once a year.

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 30 years

5.5 INTANGIBLE ASSETS - continued

DKKm	Goodwil	Patent and rights	Customer relations	Other intangible assets	Completed development projects	Intangible assets under development	Total
Cost at 1 January 2017	4,493	2,099	2,063	651	741	325	10,372
Foreign exchange adjustments	(272)	(31)	(159)	(27)	0	1	(488)
Disposal of group enterprises	(3)	0	0	0	0	0	(3)
Additions	0	0	0	2	0	89	91
Disposals	0	0	(9)	(1)	0	0	(10)
Transferred between categories	0	0	0	31	215	(246)	0
Cost at 31 December 2017	**4,218**	**2,068**	**1,895**	**656**	**956**	**169**	**9,962**
Amortisation and impairment at 1 January 2017		(873)	(1,056)	(588)	(540)		(3,057)
Foreign exchange adjustment		15	86	16	1		118
Disposals		0	9	1	0		10
Amortisations		(89)	(128)	(32)	(151)		(400)
Amortisation and impairment at 31 December 2017		**(947)**	**(1,089)**	**(603)**	**(690)**		**(3,329)**
Carrying amount at 31 December 2017	**4,218**	**1,121**	**806**	**53**	**266**	**169**	**6,633**

Intangible assets under development consist of R&D projects and software. The transfer from intangible assets under development to completed development projects primarily relates to one R&D project finalised in April 2017.

DKKm	Goodwil	Patent and rights	Customer relations	Other intangible assets	Completed development projects	Intangible assets under development	Total
Cost at 1 January 2016	4,362	2,088	1,986	610	696	345	10,087
Foreign exchange adjustments	131	10	77	11	1	0	230
Additions	0	5	0	1	0	49	55
Disposals	0	(4)	0	(11)	0	0	(15)
Transferred between categories	0	0	0	40	44	(84)	0
Transferred from tangible assets	0	0	0	0	0	15	15
Cost at 31 December 2016	**4,493**	**2,099**	**2,063**	**651**	**741**	**325**	**10,372**
Amortisation and impairment at 1 January 2016		(753)	(884)	(557)	(415)		(2,609)
Foreign exchange adjustment		(6)	(39)	(10)	0		(55)
Disposals		4	0	11	0		15
Amortisations		(118)	(133)	(32)	(125)		(408)
Amortisation and impairment at 31 December 2016		**(873)**	**(1,056)**	**(588)**	**(540)**		**(3,057)**
Carrying amount at 31 December 2016	**4,493**	**1,226**	**1,007**	**63**	**201**	**325**	**7,315**

5.5 INTANGIBLE ASSETS - continued

Much of the knowledge generated in the Group originates from work performed for customers. In 2017, the Group´s research and development costs totalled DKK 212m (2016: DKK 202m). The total addition of intangible assets includes internal capitalisation of DKK 89m (2016: DKK49m), where capitalised development cost accounts for DKK 54m (2016: DKK 20m). Research and development costs not capitalised are included in production costs.

For 25% of patents and rights acquired, the estimated useful life is between 10-20 years and for 75% of customers´ relations, the estimated useful life is between 0-10 years.

Goodwill and certain trademarks acquired through acquisitions are considered to have indefinite useful life. The carrying amount of goodwill and trademarks are shown below, divided into segments.

Intangible assets considered to have an indefinite useful life:

DKKm	Customer Services	Product Companies	Minerals	Cement	2017
Goodwill	2,095	1,722	401	0	4,218
Trademarks	147	231	518	16	912
Carrying amount at 31 December 2017	**2,242**	**1,953**	**919**	**16**	**5,130**

DKKm	Customer Services	Product Companies	Minerals	Cement	2016
Goodwill	2,229	1,807	457	0	4,493
Trademarks	147	231	518	16	912
Carrying amount at 31 December 2016	**2,376**	**2,038**	**975**	**16**	**5,405**

5.6 TANGIBLE ASSETS

ACCOUNTING POLICY

Land and buildings, plant and machinery, operating equipment and tools and fixtures and fittings are measured at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials and direct labour costs.

Depreciation is charged 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
- Plant and machinery, 3 – 15 years
- Operating equipment and fixtures and fittings, 3 – 15 years
- Leasehold improvements, up to 5 years
- Land is not depreciated

Newly acquired assets and assets of own construction are depreciated from the time they are available for use.

Where acquisition or use of the asset places the Group under an obligation to incur the costs of re-establishing the asset, the estimated costs for this purpose are recognised as part of the cost of the asset, and are depreciated during the asset’s useful life.

5.6 TANGIBLE ASSETS - continued

SIGNIFICANT ESTIMATES AND ASSESSMENTS BY MANAGEMENT

Management makes an estimate of the useful life and residual values. The asset is then depreciated and amortised systematically over the expected future useful life.

In connection with restructuring, Management reassesses the useful life and residual values for recognised non-current assets used after the restructuring.

Carrying values of tangible assets 2017:

DKKm	Land and buildings	Plant and machinery	Operating equipment, fixtures and fittings	Tangible assets in course of construction	Total
Cost at 1 January 2017	2,556	1,710	823	29	5,118
Foreign exchange adjustments	(175)	(125)	(45)	(3)	(348)
Acquisitions of enterprises	0	0	2	0	2
Disposals of enterprises	0	0	(2)	0	(2)
Additions	14	89	12	59	174
Disposals	(25)	(44)	(24)	0	(93)
Transferred between categories	5	(164)	180	(21)	0
Cost at 31 December 2017	**2,375**	**1,466**	**946**	**64**	**4,851**
Depreciation and impairment at 1 January 2017	(733)	(1,144)	(690)	0	(2,567)
Foreign exchange adjustment	38	88	42	0	168
Disposals of enterprises	0	0	1	0	1
Disposals	5	38	20	0	63
Depreciations	(67)	(125)	(55)	0	(247)
Write-downs	(21)	0	0	0	(21)
Transferred between categories	0	164	(164)	0	0
Depreciation and impairment at 31 December 2017	**(778)**	**(979)**	**(846)**	**0**	**(2,603)**
Carrying amount at 31 December 2017	**1,597**	**487**	**100**	**64**	**2,248**

Write-down of land and buildings related to office building in the USA.

Carrying values of tangible assets 2016:

DKKm	Land and buildings	Plant and machinery	Operating equipment, fixtures and fittings	Tangible assets in course of construction	Total
Cost at 1 January 2016	2,391	1,745	844	60	5,040
Foreign exchange adjustments	60	35	9	0	104
Additions	118	26	24	46	214
Disposals	(34)	(114)	(69)	(8)	(225)
Transferred between categories	21	18	15	(54)	0
Transferred from intangible assets	0	0	0	(15)	(15)
Cost at 31 December 2016	**2,556**	**1,710**	**823**	**29**	**5,118**
Depreciation and impairment at 1 January 2016	(669)	(1,067)	(675)	(8)	(2,419)
Foreign exchange adjustment	(11)	(31)	(13)	1	(54)
Disposals	15	90	63	7	175
Depreciations	(62)	(137)	(70)	0	(269)
Transferred between categories	(6)	1	5	0	0
Depreciation and impairment at 31 December 2016	**(733)**	**(1,144)**	**(690)**	**0**	**(2,567)**
Carrying amount at 31 December 2016	**1,823**	**566**	**133**	**29**	**2,551**

5.7 IMPAIRMENT TEST

ACCOUNTING POLICY

Goodwill and other intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at least once a year, irrespective of whether there is any indication that they may be impaired.

Assets that are subject to amortisation, such as intangible assets in use with definite useful life, and other non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Factors that could trigger an impairment test include the following:

- Changes of R&D project expectations
- Lower-than-predicted sales related to particular technologies
- Changes in the economic lives of similar assets
- Relationship with other intangible assets or property, plant and equipment

For impairment testing, assets are grouped into the smallest group of assets that generates largely independent cash inflows (cash-generating unit) as determined based on the management structure and the internal financial reporting.

If the carrying amount of intangible assets exceeds the recoverable amount based on the existence of one or more of the above indicators of impairment, any impairment is measured based on discounted projected cash flows. Impairments are reviewed at each reporting date for possible reversal.

Impairment of goodwill is not reversed. Recognition of impairment of other assets is reversed to the extent that changes have taken place in the assumptions and estimates that led to the recognition of impairment.

SIGNIFICANT ESTIMATES AND ASSESSMENTS BY MANAGEMENT

Intangible assets are primarily related to acquisition of enterprises and activities, software and research and development projects.

In performing the annual impairment test of assets, an assessment is made as to whether the individual units of the Group (cash-generating units) to which assets are allocated will be able to generate sufficient positive net cash flow in the future to support the value of the unit concerned.

Management defines the cash-generating units based on the smallest group of identifiable assets which together generate incoming cash flow from continued use of the assets and which are independent of cash flow from other assets or groups of assets. The definition of the cash-generating units is reconsidered once a year.

An estimate is made of the present value of the future free net cash flow based on budgets and strategy for the coming five years as well as projections for the subsequent years (the terminal value). From 2023 and onwards Management expects the growth rate to remain in line with the expected long term growth rate for the industries. Significant parameters in this estimate are discount rate, revenue growth, EBITA margin, expected investments and growth expectations for the terminal period.

The recoverable amount of a cash-generating unit is based on value in use calculations and is calculated by discounting the expected future cash flow.

RESULT OF ANNUAL IMPAIRMENT TEST

As at 31 December 2017, the carrying amount of goodwill and other intangible assets of indefinite useful life were tested for impairment. The impairment test showed no impairment for 2017 (2016: DKK 0). Management is of the belief that no changes in the key assumptions are likely to reduce the headroom in any of the cash-generating units to zero or less.

The annual impairment test of goodwill and other intangible assets of indefinite useful life, was based on the reporting segments: Customer Services, Product Companies, Minerals and Cement, these being the lowest level of cash-generating units as defined by Management. The definition of cash-generating units is based on the certainty by which the carrying amount of the intangible assets can reasonably be allocated and monitored. The level of allocating and monitoring the Group's intangible assets among cash-generating units should also be seen in conjunction with the Group´s strategy. The impairment test is based on the divisional structure implemented in 2015 which are the cash generating units that are expected to benefit from the intangible assets going forward. Carrying amounts of goodwill and other intangible assets included in the cash-generating units for impairment test of those assets are specified on the following page:

5.7 IMPAIRMENT TEST - continued

CARRYING AMOUNT 2017

DKKm	Goodwill	Patents and rights acquired	Customer relations	Development projects and software	Other intangible assets	Total
Customer Services	2,095	342	489	108	17	3,051
Product Companies	1,722	394	261	109	12	2,498
Minerals	401	385	56	109	12	963
Cement	0	0	0	109	12	121

KEY ASSUMPTIONS

The key assumptions in assessing the recoverable amount are annual growth rate in the budget period, discount rate, long-term growth in the terminal period and investments.

The Group expects an EBITA margin of 8-10% in 2018 and in the long-term an EBITA margin of 10-13%.

The discount rate has been revised for each cash-generating unit to reflect the latest market assumptions for the risk free rate based on a 10-year Danish government bond, the equity risk premium and the cost of debt.

The long-term growth rate for the terminal period is based on the expected growth in the world economy as well as input from current long term swaps. Due to the current low interest rate environment, a conservative approach regarding the long-term growth rate for the terminal period has been applied. This methodology has been applied to ensure consistency with the level of the risk free rate applied as a basis for the estimation of discount rate (WACC) and the long-term growth rate. Based on these factors, a long term annual growth rate for the terminal period of 1.5% has been applied.

Investments reflect both maintenance and expectations of organic growth.

Management determines the expected annual growth rate in the budget period and the expected margins based on historical experience and the following assumptions about expected market developments:

KEY ASSUMPTIONS

Cash-generating unit	Investments	Annually average growth rate in forecast period	Growth rate in the terminal period	Discount rate after tax	Discount rate before tax	EBITA margin*
Customer Services	2.0%	4.0%	1.5%	8.0%	9.6%	15.0%
Product Companies	2.0%	9.0%	1.5%	8.0%	9.6%	14.0%
Minerals	1.0%	10.0%	1.5%	8.0%	9.6%	3.0%
Cement	0.5%	1.0%	1.5%	8.0%	9.6%	1.0%

* Average

CUSTOMER SERVICES

Growth is based on servicing the existing installed base as well as the additional installed base generated from new Cement and Minerals project business. The ongoing recovery in the mining industry should lead to an increasing number of minerals projects, and thus increasing spare parts consumption, in the years ahead. Some additional growth is expected in the short to medium term from further expansion into wear parts business as well as aftermarket activities related to the acquisition of part of Sandvik Mining Systems.

Revenue growth in 2017 was underpinned by rising commodity prices and ongoing strong demand for most minerals which has spurred more optimism in the mining industry. The spare parts business has been stable throughout the downturn. In the second half of 2016, miners started increasing discretionary OPEX spend to drive productivity improvements, a trend which continued into 2017 and has strengthened FLSmidth's service business. The cement aftermarket is more steady and spare parts consumption is growing along with production.

5.7 IMPAIRMENT TEST - continued

PRODUCT COMPANIES

Product Companies showed double digit revenue growth in 2017, driven by stronger aftermarket demand and sizeable projects within air pollution control. The current cement related business is driven by both aftermarket and new products, with the market being stable overall. The minerals related part of the business is still driven mainly by parts and services, with some incremental capital orders in the horizon. Minerals products sales are expected to grow along with growth in miners' capital expenditures in the coming years. Growth is the key focus area for all product companies who share the ambition and potential to grow in their core markets as well as close adjacent industries where existing technologies can be applied. On top of market growth, FLSmidth expects some self-initiated growth related to globalisation of products and more business in adjacent industries.

MINERALS

The double digit decline in revenue in 2017 was owing to a low order backlog at the start of the year, combined with soft order intake in the first half of 2017. However, market activity for minerals equipment picked up in the second half of 2017, along with rising commodity prices, and the market for mining capital expenditures is expected to improve further in the coming years. With an order intake growth of more than twenty percent in 2017 and a higher backlog at year end than year start, revenue is expected to grow in 2018 and beyond. Process intensive commodities, copper in particular, will be the key drivers for growth in FLSmidth's minerals business. The supply and demand trends for copper are encouraging and the commodity is expected to go into supply deficit in the next few years.

CEMENT

The Cement Division saw a stable development in both revenue and order intake in 2017, aside from currency effects. A slight improvement in the market for new cement capacity was observed towards the end of 2016 and beginning of 2017 but currently the market appears to be moving more sideways. With few tenders for large cement projects, FLSmidth is increasingly focusing on growing equipment sales and upgrades. Cement consumption has historically been closely correlated to global economic growth, but the improving world economy is not yet sufficient to absorb the persistent overcapacity in the global cement market. In the medium to long-term, a cyclical rebound in the market for new cement capacity is expected, based on a rising world population, increasing urbanisation, growing wealth and increasing demand for energy and infrastructure.

SENSITIVITY ANALYSIS

A sensitivity analysis has been performed of the main assumptions in the impairment test to identify the lowest and/or the highest discount rate and the lowest growth rate in the budget period for each cash-generating unit without resulting in any impairment losses. A summary of the sensitivity analysis is shown below:

DKKm	Average growth rate in the budget period	Minimum growth rate in the budget period*	Discount rate after tax applied	Maximum discount rate after tax
Customer Services	4.0%	n/a	8.0%	20.0%
Product Companies	9.0%	n/a	8.0%	22.0%
Minerals	10.0%	n/a	8.0%	10.0%
Cement	1.0%	n/a	8.0%	n/a

* With a growth of zero there are no indicators of impairment.

5.8 PROVISIONS

ACCOUNTING POLICY

Provisions are recognised when the Group, due to an event occurring before or at the balance sheet date, has a legal or constructive obligation and outflow of resources is expected to settle the obligation. Provisions are measured according to Management's best estimate of the amount whereby the obligation is expected to be settled.

Provisions for warranty claims are estimated on a project-by-project basis based on historical realised cost related to claims in the past. The provision covers estimated own costs of completion, subsequent warranty supplies and unsettled claims from customers or subcontractors.

The cost of loss-making projects covering projects expected to result in a loss, is recognised immediately in the income statement. Losses not yet incurred are provided for as other provisions. Provisions regarding disputes and lawsuits are based on Management's assessment of the likely outcome settling the cases based on the information at hand at the balance sheet date.

Provisions for restructuring costs are based on Management's best estimate. Provisions are only made for liabilities deriving from restructuring that has been decided at the balance sheet date in accordance with a specific plan, and only provided that the parties involved have been informed about the overall plan.

Provisions consist of:

- Estimated warranty claims in respect of goods or services already delivered
- Provisions for loss-making contracts (included in other provisions)
- Provisions for losses resulting from disputes and lawsuits (included in other provisions)
- Provisions for indirect tax risks (included in other provisions)
- Provisions for cost related to restructuring

When assessing work-in-progress for third parties, a number of project-related risks have been taken into account, including performance guarantees and operation and maintenance contracts for which allowances are made based on Management estimates. A few cases are pending before the court in connection with previously supplied projects. Provisions have been made to counter any losses that are estimated to occur in settling the cases.

SIGNIFICANT ESTIMATES AND ASSESSMENTS BY MANAGEMENT

Management assesses provisions and the likely outcome of pending and probable lawsuits, etc. on an ongoing basis. The outcome depends on future events, which are by nature uncertain. In assessing the likely outcome of lawsuits, and timing hereof, Management bases their assessment on internal and external legal assistance and established precedents.

Warranties and other provisions are measured on the basis of empirically information covering several years as well as legal opinions. Together with estimates by Management of future trends, this forms the basis for warranty provisions and other provisions. Long-term warranties and other provisions, discounting to net present value takes place based on the future cash flow and discount rate expected by Management.

	2017			
DKKm	**Warranties**	**Restructuring**	**Other**	**Total**
Provisions at 1 January	703	41	706	1,450
Foreign exchange adjustments	(32)	(3)	(49)	(84)
Acquisition of Group enterprises	59	0	43	102
Additions	428	51	455	934
Used	(167)	(61)	(165)	(393)
Reversals	(315)	(1)	(147)	(463)
Reclassification to/from other liabilities	(10)	0	(106)	(116)
Transfer between categories	159	0	(159)	0
Provisions at 31 December	**825**	**27**	**578**	**1,430**
The maturity of provisions is specified as follows:				
Current liabilities				1,124
Non-current liabilities				306
				1,430

5.8 PROVISIONS - continued

	2016			
DKKm	**Warranties**	**Restructuring**	**Other**	**Total**
Provisions at 1 January	782	14	760	1,556
Foreign exchange adjustments	2	1	17	20
Disposal of Group enterprises	0	0	(7)	(7)
Additions	433	43	324	800
Used	(175)	(16)	(165)	(356)
Reversals	(303)	(1)	(207)	(511)
Reclassification to/from other liabilities	(36)	0	(16)	(52)
Provisions at 31 December	**703**	**41**	**706**	**1,450**

The maturity of provisions is specified as follows:	
Current liabilities	1,101
Non-current liabilities	349
	1,450

FLSmidth is involved in ongoing legal disputes and provision is made for the estimated cost.

CHAPTER 6. CAPITAL STRUCTURE AND FINANCING

6.1 NON-CURRENT LIABILITIES

The maturity structure of non-current liabilities between one and five years and liabilities where time to maturity is more than five years.

DKKm	2017	2016
Maturity structure of long-term liabilities:		
Deferred tax liability	31	49
Other provisions	289	341
Pension liabilities	12	20
Bank loans and mortgage debt	1,598	1,941
Prepayments from customers	215	90
Other liabilities	56	108
Between one and five years	**2,201**	**2,549**
Deferred tax liabilities	340	330
Other provisions	17	8
Pension liabilities	259	276
Bank loans and mortgage debt	232	1,989
Other liabilities	34	32
After five years	**882**	**2,635**
	3,083	**5,184**

Other non-current liabilities consist of employee bonds and other employee liabilities such as service liabilities and bonuses.

6.2 FINANCIAL INCOME AND COSTS

ACCOUNTING POLICY

Financial income and costs comprise interest income and costs, realised and unrealised exchange gains and losses and fair value adjustments of shares and derivatives where hedge accounting is not applied etc.

DKKm	2017	2016
Financial income:		
Interest income	36	39
Fair value adjustment of derivatives financial instruments	431	186
Foreign exchange gains	873	925
Fair value adjustment of shares	5	53
Total financial income	**1,345**	**1,203**
Financial costs:		
Interest cost	(81)	(105)
Fair value adjustment of derivative financial instruments	(390)	(298)
Foreign exchange losses	(1,111)	(849)
Fair value adjustment of shares	(74)	(5)
Total financial costs	**(1,656)**	**(1,257)**
Net financial costs	**(311)**	**(54)**

The foreign exchange losses, net of hedging effects, amounts to DKK 197m (2016: DKK 36m), relates primarily to the cost of hedging of the loan portfolio to the functional currency of the borrowing entity (forward points) and exposures in non-hedgeable emerging market currencies as well as timing differences between cash flows and hedges. The net interest cost of DKK 45m (2016: DKK 66m) relates to loans and deposits. Fair value adjustments of shares of net DKK -69m (2016: DKK 48m) relates to shareholdings in cement companies.

6.3 MATURITY STRUCTURE OF FINANCIAL LIABILITIES

DKKm	2017	2016
Time to maturity:		
Within one year	5,557	4,680
Between one and five years	1,640	2,002
After five years	266	2,022
Total	**7,463**	**8,704**

Financial liabilities include bank loans and mortgage debt of DKK 2,950m (2016: DKK 3,950m), trade payables of DKK 2,916m (2016: DKK 3,037), and derivative financial instruments of DKK 68m (2016: DKK 135m). Derivative financial instruments of DKK 48m (2016: DKK 68m) mature within one year, DKK 20m mature between one and five years. All other financial liabilities except for bank and mortgage debt, will mature within one year, and the contracted cash flows equal the carrying amount. Note 6.4 includes information on the contractual cash flows of the bank and mortgage debt.

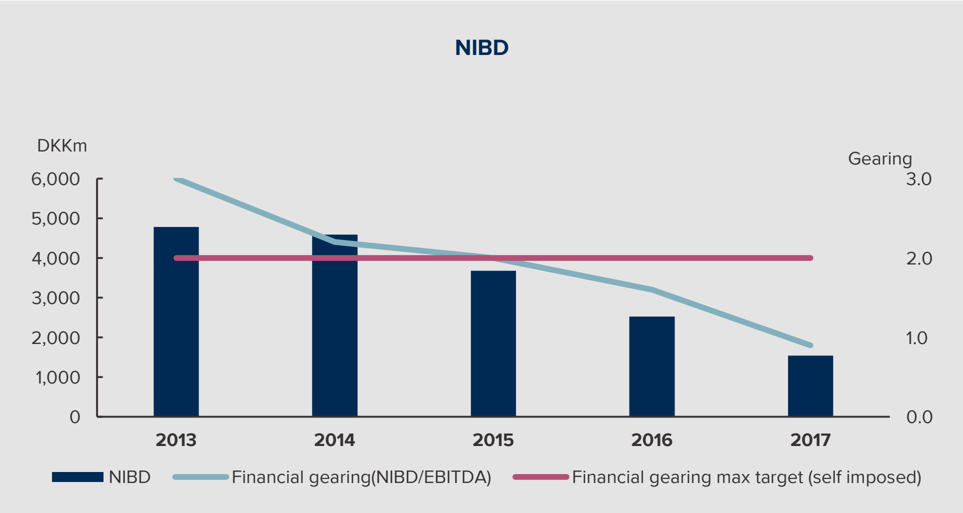
6.4 SPECIFICATION OF NET INTEREST-BEARING DEBT

2017							
DKKm	Currency	Effective interest rate	Maturity profile			Total contractual cash flow DKKm	Carrying amount DKKm
			< 1 year	1-5 years	> 5 year		
Mortgage debt	EUR	0.70%	(17)	(66)	(243)	(326)	(306)
Bank debt	USD	2.05%	(13)	(684)	0	(697)	(620)
Bank debt	EUR	1.22%	(1,212)	(826)	0	(2,038)	(2,024)
Other liabilities			(65)	0	0	(65)	(65)
Total debt			**(1,307)**	**(1,576)**	**(243)**	**(3,126)**	**(3,015)**
Other receivable							88
Total cash and cash equivalents, excluding net assets held for sale							1,382
Net interest-bearing debt							**(1,545)**

2016							
DKKm	Currency	Effective interest rate	Maturity profile			Total contractual cash flow DKKm	Carrying amount DKKm
			< 1 year	1-5 years	> 5 year		
Mortgage debt	EUR	0.80%	0	(66)	(261)	(327)	(307)
Bank debt	USD	1.30%	(8)	(32)	(600)	(640)	(599)
Bank debt	EUR	1.40%	(304)	(2,051)	(823)	(3,178)	(3,044)
Other liabilities			(23)	0	0	(23)	(23)
Total debt			**(335)**	**(2,149)**	**(1,684)**	**(4,168)**	**(3,973)**
Total cash and cash equivalents, excluding net assets held for sale							1,448
Net interest-bearing debt							**(2,525)**

6.4 SPECIFICATION OF NET INTEREST-BEARING DEBT- continued

DKKm	2017	2016
Net interest-bearing debt at 1 January	(2,525)	(3,674)
Cash flow from operating activities	1,065	1,447
Acquisition of enterprises and activities	108	0
Net investments in intangible, tangible and financial assets	(221)	(195)
Paid dividend	(296)	(197)
Acquisition/disposal of treasury shares	115	13
Other items	0	5
Earn-out value adjustment	0	(1)
Addition minority share	5	0
Currency adjustment, etc.	247	142
Interest-bearing debt at 31 December	**(1,502)**	**(2,460)**
Net assets/liabilities held for sale	**(43)**	**(65)**
Interest-bearing debt, excluding assets and liabilities held for sale	**(1,545)**	**(2,525)**



6.5 FINANCIAL RISKS

INTRODUCTION

FLSmidth is exposed to multiple financial risks due to its international operations. The financial risks include currency, credit, interest, and liquidity risks. The overall framework for managing financial risks is contained in the Group's Financial Policy, which is approved by the Board of Directors. Most of the FLSmidth Group's financial transactions are carried out centrally from Group Treasury, located in Denmark.

By centralising, the Group achieve economies of scale and ensures cost effective management of financial facilities, daily loans / deposits, currency and interest exposure, and cash management optimization. Group Treasury identifies, evaluates and hedges financial risks in close coordination with the business. Both global and local credit and guarantee facilities, are negotiated centrally. Additionally, Group Treasury acts as financial advisor to business on financial risks, and wording of export letters of credit, bank and corporate guarantees, and financial packages for customers.

CURRENCY RISK

The Group's currency risks derive from the impact of exchange rates on future commercial and financial payments and from loans and deposits in other currencies than entities' functional currency. A large portion of the Group's revenue is order based with a long time to completion. This creates currency exposures, for instance between the revenue currency of the contract (typically EUR and USD) and the costs associated with the project, which might be in local currencies.

The main purpose of hedging the Group's currency risk is to reduce cash flow and earnings volatility by hedging exposures back to local (functional) currencies. Various financial derivatives are used to hedge these risks.

The main aspects of the currency hedging policy are:

- Hedge FX exposures on large projects and other large transactional exposures
- Hedge debt and cash back to the functional currency of the entity holding the exposures

6.5 FINANCIAL RISKS - continued

In some cases, exposures are left unhedged when it comes to currencies in emerging markets that are very difficult or impossible to hedge. Examples hereof are Angola and Egypt.

Group Treasury´s currency position is managed by means of Value at Risk (VaR) which must not exceed DKK 20m per day. VaR as of December 31 2017 was DKK2m (2016 DKK2m) for the risks known by the Group. The VaR model includes exposures arising from derivatives, loans, deposits and bank accounts. The model is based on historical prices for the last twelve months, a confidence level of 99.6% and is using daily market volatility.

TRANSLATION RISK

FLSmidth has subsidiaries in multiple countries which have local currency as the functional currency. Therefore, FLSmidth is exposed to a translation risk when translating the local entities. A 5% increase in a given exchange rate against the Danish Kroner would have had the following impact on the consolidated profit and loss and equity for 2017:

Impact DKKm	EUR	USD	INR	AUD	ZAR
EBITA	15	6	4	11	10
Equity	143	59	45	70	13

The analysis shows the impact on currency translation of net investments and does not include the impact of hedging and monetary items.

Financial risk	Impact (low, medium, high)	Policy	Mitigation
Currency risk	High	Limit set out in Group Financial Policy and managed by VaR (Value at Risk) at Group level The primary purpose of hedging currency exposures is to reduce cash flow and earnings volatility. The Financial Policy sets out various hedging thresholds	• Use of derivative financial instruments to hedge risk exposures
Credit risk	Medium	Credit risks on customers and partner / suppliers are mainly managed by the divisions The Board of Directors has approved a framework for managing counterparty risks on banks	• Continuous credit assessment of customers and trading partners / suppliers. • Credit risk is reduced by receiving prepayments and export letters of credits • Usage of financial institutions with acceptable credit ratings
Interest risk	Low	The Financial Policy sets out various thresholds to manage interest risk Modified duration of the debt portfolio and exposures threshold per currency are the main parameters	• Usage of derivative financial instruments to hedge risk exposures
Liquidity risk	Low	The Financial Policy sets out various thresholds to manage liquidity risk Diversity in debt sources, debt maturities and liquidity buffers are the key parameters managed in accordance with the Financial Policy	• FLSmidth has various long term committed financial facilities with multilateral banks and core commercial banks • FLSmidth also has various short term facilities with its core commercial banks • Cash management is optimised by operating a cash pool system • Cash is centralised in the cash pool where possible.

6.5 FINANCIAL RISKS - continued

CREDIT RISK

The Group ensures that credit risks are managed in accordance with according Financial Policy. The Group is exposed to credit risks arising from primarily cash and cash equivalents, derivative financial instruments, and trade and other receivables.

The Financial Policy sets forth authority limits for the credit risk exposure based on the counterparty credit rating for financial institution counterparties. For other counterparties the credit risk is managed by continuous risk assessments and credit evaluations of customers and trading partners. To the extent possible the credit risks are mitigated through the use of letters of credit and guarantees, or by securing positive cash flow throughout the project execution.

FLSmidth has entered into netting agreements with all financial institution counterparties used for trading of derivative financial instruments, which mean that the Group's credit risk is limited to the net assets per counterparty.

Other counterparties mainly consists of companies within the construction and mining sector. The credit risk is among other things dependent on the development within these sectors.

At 31 December 2017, the total credit risk is considered to be DKK 9,309m (2016: DKK 9,500m). Out of this the Group considers the maximum credit risk to financial institution counterparties to be DKK 1,382m (2016: DKK 1,453m). All financial assets are expected to be settled within the course of 2018, excluding other securities and investments.

INTEREST RATE RISK

Interest rate risks concern the interest bearing assets and liabilities of the Group. The interest bearing financial assets consist primarily of cash and cash equivalents in financial institutions and the interest bearing liabilities mainly consist of bank and mortgage debt. The main funding currencies of the Group are DKK, EUR, USD and AUD. Hedging of interest rates is governed by a duration range and is managed by using derivatives such as interest rates swaps.

As of December 31 2017, a majority of the Group's interest bearing debt carried a floating rate. Other things being equal, a 1% increase in the interest rate will increase the Group's interest cost by DKK 15m(2016 DKK 25m).

LIQUIDITY RISK

The purpose of the Group's cash management is to ensure that the Group, at all times, has sufficient and flexible financial resources at its disposal to ensure continuous operations and honour obligations when due. The Group manages its short term liquidity risks through a cash pool system in various currencies, and by having short term overdraft facilities in place with various financial institutions. Long term liquidity risk is managed through committed financial facilities.

At the end of 2017, FLSmidth & Co A/S had entered into the following committed financial facilities:

DKKm	0-12 months	12-60 months	>60 months
Multilateral banks:			
Nordic Investment Bank (EUR) (fully drawn)	0	917	
Commercial banks:			
Core relationship banks	1,100	5,225	306

The weighted average maturity is 3.4 years (2016: 3.8 years) which is within the limits of the Group's Financial Policy. The committed facilities contain standard clauses such as pari passu, negative pledge, change of control and a leverage financial covenant. The Group did not default or fail to fulfil any of its financial facilities, in neither 2016 nor 2017.

The Group continuously monitors its liquidity buffer which is targeted not to be lower than DKK 2bn at any point of time, at present and based on 12 months forecasts. Liquidity buffers are monitored on a daily basis. As of 31 December 2017, the liquidity buffer of the Group is well above the threshold.

Please see note 6.3 in the consolidated financial statements for maturity structure of financial liabilities.

6.6 DERIVATIVES

ACCOUNTING POLICY
Derivatives are initially recognised in the balance sheet at fair value and subsequently re-valued at fair value. The fair value of derivatives is included in other receivables or other liabilities respectively.

Fair value changes of derivatives used for cash flow hedging are recognised in Other comprehensive income.

Any ineffective portions of the cash flow hedges are recognised as a financial item. Upon settlement of the cash flow hedges the fair value is transferred from Other comprehensive income into the line item of the hedged item.

Any changes in the fair value of derivatives not used for hedge accounting are recognised in the income statement as financial items.

Certain contracts contain conditions that correspond to derivatives. In case the embedded derivatives deviate significantly from the overall contract, they are recognised and measured as separate instruments at fair value, unless the contract concerned as a whole is recognised and measured at fair value.

FAIR VALUE OF HEDGE INSTRUMENTS NOT QUALIFYING FOR HEDGE ACCOUNTING (ECONOMIC HEDGE)

Fair value adjustments recognised in financial items in the income statement amounted to DKK 41m in 2017 (2016: DKK -112m). At 31 December 2017, the fair value of the Group's hedge agreements that are not recognised as hedge accounting amounted to DKK -23m (2016: DKK 5m).

HEDGING OF FORECAST TRANSACTION (CASH FLOW HEDGE)

The Group uses forward exchange contracts to hedge currency risks regarding expected future cash flows that meet the criteria for cash flow hedging.

The fair value reserve of the derivatives is recognised in other comprehensive income until the hedged items are included in work-in-progress for third parties. Unrealised fair value of derivatives is recognised in other receivables and other liabilities.

DKKm	2017	2016
Change in cash flow hedge reserve	78	84
Reclassified from other comprehensive income to work-in-progress	0	(89)
Reclassified from other comprehensive income to income statement	1	(1)
Hedge ineffectiveness on cash flow hedges	0	(6)

At 31 December 2017, the fair value of the Group's cash flow hedge instruments amounted to DKK 8m (2016: DKK -33m).

FLSmidth

6.7 CATEGORIES OF FINANCIAL INSTRUMENTS AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amount of financial instruments for each category is specified in the table below:

DKKm	2017	2016
Financial assets available for sale	79	163
Receivables measured at amortised cost including cash and cash equivalents	8,576	9,170
Financial assets measured at fair value through the income statement	173	103
Financial liabilities measured at amortised cost	7,377	8,675
Financial liabilities measured at fair value through the income statement	68	135

Financial assets and liabilities measured at fair value through the income statement are measured at quoted prices in an active market for similar assets or liabilities or other valuation methods, where all significant inputs are based on observable market data (level 2), with the exception of deferred payments related to the acquisition of activities from Sandvik Mining Systems (level 3).

Of financial assets available for sale, DKK 60m (2016: DKK 140m) are measured at quoted prices in an active market for the same type of instruments (level 1). The remaining financial assets available for sale are measured using valuation methods, where all significant inputs are based on observable market data (level 2).

There have been no significant transfers between the levels in 2017 or 2016.

CHAPTER 7. GOVERNANCE

7.1 MANAGEMENT REMUNERATION

BOARD OF DIRECTORS

The members of the FLSmidth & Co. A/S´ Board and Executive Management hold shares per 31 December in FLSmidth & Co. A/S and other executive positions in Danish and foreign commercial enterprises as specified below:

	2017				2016			
Board of directors	Board of directors DKK (1,000)	Board committees DKK (1,000)	Total*** DKK (1,000)	Nominal shareholding 31 Dec. Number of shares	Board of directors DKK (1,000)	Board committees DKK (1,000)	Total*** DKK (1,000)	Nominal shareholding 31 Dec. Number of shares
Vagn Ove Sørensen (Chairman)	1,350	0	1,350	7,501	1,200	0	1,200	7,501
Tom Knutzen	788	56	844	12,500	400	200	600	12,500
Torkil Bentzen**)	225	0	225	-	800	0	800	5,000
Caroline Grégoire Sainte Marie	450	250	700	500	400	175	575	500
Martin Ivert	-	-	-	-	100	25	125	0
Sten Jakobson**)	113	31	144	-	400	100	500	2,000
Marius Jacques Kloppers	450	250	700	0	300	150	450	0
Richard Robinson Smith	450	200	650	1,000	300	75	375	1,000
Anne Louise Eberhard*)	338	94	431	-	-	-	-	-
Jens Peter Koch (employee-elected)**	113	31	144	-	400	75	475	240
Mette Dobel (employee-elected)	450	0	450	864	400	0	400	864
Søren Quistgaard Larsen (employee-elected)	450	94	544	65	400	0	400	65
Claus Østergaard (employee-elected)*	338	75	413	179	-	-	-	-
Total	**5,515**	**1,081**	**6,595**	**22,609**	**5,100**	**800**	**5,900**	**29,670**

* Joined on 30 March 2017
** Resigned on 30 March 2017
*** The Directors' remuneration does not include mandatory social security contributions paid by FLSmidth

7.1 MANAGEMENT REMUNERATION - continued

Executive positions in other enterprises*

Vagn Ove Sørensen (Chairman): Chairman of the Boards of Directors of TIA Technology A/S, Zebra A/S and Thor Denmark Holding ApS. Vice Chairman of the Board of Directors of Nordic Aviation Capital A/S. Member of the Board of Directors of CP Dyvig & Co. A/S and JP/Politikens Hus A/S. Senior Advisor to EQT Partners. CEO of E-FORCE ApS. Chairman of the Boards of Directors of Scandic Hotels AB (Sweden), Select Service Partner Plc (UK) and Air Canada (Canada). Member of the Boards of Directors of Braganza AS (Norway), Unilode Aviation Solutions (Switzerland), Royal Caribbean Cruises Ltd. (USA), and VFS Global (Switzerland). Senior Advisor to Morgan Stanley.

Tom Knutzen: CEO of Jungbunzlauer Suisse AG (Switzerland). Member of the Board of Directors of Chr. Augustinus Fabrikker A/S and Tivoli A/S.

Caroline Grégoire Sainte Marie: Member of the Boards of Directors of Groupama SA (France), Wienerberger AG (Austria), and CALYOS (Belgium). Founding President of DefInnov (France). Senior advisor HIG European Capital Partners.

Anne Louise Eberhard: Chief Commercial Officer and member of the General Management Team of Intrum Justitia. Member of the Boards of Directors of Finansiel Stabilitet SOV. Faculty member at CBS (CBS Executive, Board Education).

Richard Robinson Smith: Senior Vice President & General Manager at AGCO Corporation (USA)

* Apart from 100% owned FLSmidth & Co. A/S' subsidiaries.

7.1 MANAGEMENT REMUNERATION - continued

Executive Management - registered with Erhvervsstyrelsen (The Danish Business Authority)

2017	Base salary (incl. pension) DKK (1,000)	Cash bonus (up to 75% of gross salary*) and other incentives DKK (1,000)	Expensed share-based payments (up to 50% of gross salary*) DKK (1,000)	Benefits/ Car DKK (1,000)	Total DKK (1,000)	Nominal shareholding at 31 Dec. Number of shares
Thomas Schulz	7,403	3,590	2,302	216	13,511	4,510
Lars Vestergaard	4,081	1,774	1,106	198	7,159	1,698
Total	**11,484**	**5,364**	**3,408**	**414**	**20,670**	**6,208**
2016						
Thomas Schulz	7,050	848	1,935	216	10,049	4,510
Lars Vestergaard	3,744	427	746	198	5,115	1,341
Total	**10,794**	**1,275**	**2,681**	**414**	**15,164**	**5,851**

* For 2016 cash bonus was up to 50% and expensed share-based payments were up to 35% of gross salary

7.2 STAFF COSTS

ACCOUNTING POLICY
Staff costs consist of direct wages and salaries, remuneration, pension, share-based payments, training, etc. related to the continuing activities.

DKKm	2017	2016
Wages, salaries and other remuneration	3,834	3,961
Contribution plans and other social security costs, etc.	476	463
Defined benefit plans	25	14
Share-based payment	42	39
Other staff costs	218	369
	4,595	**4,846**
The amounts are included in the items:		
Production costs	2,816	2,990
Sales and distribution costs	1,000	974
Administrative costs	779	882
	4,595	**4,846**

The average number of employees in the continuing activities was 11,542 (2016: 12,432).

Decrease in staff costs related to exchange rates amounts to DKK 178m and redundancy costs incurred in 2017 amount to DKK 53m (2016: DKK 121m).

For further details concerning the remuneration of the Group Executive Management and Board of Directors, see note 7.1 in the consolidated financial statements.

7.3 RELATED PARTY TRANSACTIONS

Related parties with significant influence consist of the Group's Board of Directors and Group Executive Management as well as close relatives of these persons. Related parties also include companies on which these persons exert considerable influence.

Transactions between the consolidated Group enterprises are eliminated in the consolidated financial statements. In 2017 and 2016 there were no transactions between related parties that are not part of the Group apart from the below mentioned.

The remuneration includes Group Executive Management members, of which two are registered with Erhvervsstyrelsen (The Danish Business Authority). For further details, please refer to note 7.1 of the consolidated financial statement.

The members of the Group Executive Management have 18 months' notice in the event of dismissal and shall receive up to six months' salary on the actual termination of their employment.

Each member of the Group Executive Management may receive a yearly bonus which may not exceed 75% of the relevant member´s Gross Salary, including pension, for the year in question.

DKKm	2017	2016
Remuneration of Board of Directors:		
Board of Directors fees	7	6
Total remuneration of Board of Directors	**7**	**6**
Remuneration of the Group Executive Management		
Wages and salaries	27	30
Bonus	13	6
Termination benefit	16	1
Share-based payment	8	4
Total remuneration of the Group Executive Management	**64**	**41**

7.4 SHARE-BASED PAYMENT

ACCOUNTING POLICY

The Group has established two different share-based incentive schemes; a share option programme and a performance share programme. Both of the share-incentive schemes are classified as equity based, as the schemes settle in shares.

The value of the services received in exchange for the granting of options and performance share units is measured as the fair value of the option and performance share unit, respectively.

The share options and performance share units (PSUs) are measured at fair value at granting and are recognised in staff cost in the income statement and in equity over the vesting period.

On initial recognition of the share options/PSUs, the number of options/PSUs expected to vest is estimated. Subsequently the estimate is revised so that the total cost recognised is based on the actual number of options/PSUs vested.

The fair value of the share options is estimated using an option pricing model (Black-Scholes). In determining the fair value the terms and conditions related to the share options granted are taken into account. The fair value of the PSUs is determined based on the quoted share price.

SHARE OPTIONS

The Group Executive Management and a number of key employees in the Group have been granted options to purchase 1,535,024 shares in the company at a set price (strike price).

The fair value options allocated is estimated by means of Black Scholes model. The calculation takes into account the terms and conditions under which the share options are allocated.

Specification of outstanding numbers (number of shares)	Group Executive Management	Key employees	Total number
Outstanding options 1 January 2016	315,667	2,639,904	2,955,571
Terminations, member of Executive Management	(14,097)	14,097	0
Exercised 2011 plan	(8,772)	(43,320)	(52,092)
Exercised 2012 plan	0	(2,338)	(2,338)
Lapsed	(12,300)	(305,125)	(317,425)
Outstanding options 31 December 2016	**280,498**	**2,303,218**	**2,583,716**
Exercised 2011 plan	(10,286)	(246,499)	(256,785)
Exercised 2012 plan	(8,788)	(214,829)	(223,617)
Exercised 2013 plan	(33,601)	(274,770)	(308,371)
Exercised 2014 plan	(18,455)	(214,453)	(232,908)
Lapsed	0	(27,011)	(27,011)
Outstanding options 31 December 2017	**209,368**	**1,325,656**	**1,535,024**
Number of options that are exercisable at 31 December 2017	91,716	836,527	928,243
Number of options that are exercisable at 31 December 2016	76,651	1,112,182	1,188,833
Total fair value of outstanding options DKKm			
At 31 December 2017	20	130	150
At 31 December 2016	15	114	129

	2017	2016
Average weighted fair value per option	97.53	49.79
Average weighted strike price per option	271.70	277.81
Average price per share at the time of exercising the option	294.96	288.65

7.4 SHARE-BASED PAYMENT - continued

In 2017, the recognised fair value of share options in the consolidated income statement amounts to DKK 21m (2016: DKK 31m). The calculation of average weighted fair value and strike prices per option is based on a dividend of DKK 6 (2016: DKK 6) in the exercise period.

The calculated fair values in connection with allocation are based on the Black & Scholes model for valuation of options. Year of allocation, strike price and exercise period for the individual allocations are as follows:

Year of allocation	Strike price	Exercise period	Allocated	Lapsed	Exercised	Outstanding
2011 allocated in August	239.01	2016-2017	340,390	(32,894)	(307,496)	0
2011 allocated in November	316.00	2016-2017	80,050	(20,813)	(59,237)	0
2012 allocated in August	332.00 326.00 320.00	2016-2017 2017-2018 2018-2019	311,732	(24,093)	(163,867)	123,772
2012 allocated in November	287.00 281.00 275.00	2016-2017 2017-2018 2018-2019	114,562	(16,366)	(62,088)	36,108
2013 allocated in August	298.00 292.00 286.00	2016-2017 2017-2018 2018-2019	440,448	(31,674)	(244,371)	164,403
2013 allocated in November	264.00 258.00 252.00	2016-2017 2017-2018 2018-2019	135,000	(18,000)	(64,000)	53,000
2014 allocated in August	306.20 300.20 294.20	2017-2018 2018-2019 2019-2020	593,785	(39,494)	(211,552)	342,739
2014 allocated in November	259.00 253.00 247.00	2017-2018 2018-2019 2019-2020	266,950	(37,373)	(21,356)	208,221
2015 allocated in November	263.00 257.00 251.00	2018-2019 2019-2020 2020-2021	621,941	(15,160)	0	606,781

7.4 SHARE-BASED PAYMENT - continued

PERFORMANCE-SHARES

In March 2016 the share-based programmes were revised. The share options programme was replaced by a long term incentive programme.

The long term incentive programme is based on a 3 year performance period and performance measurement based on key financial performance indicators as EBITA and NWC as well as continued employment. The purpose of introducing the performance share programme is to ensure common goals for Group Executive Management, key employees, and shareholders.

The fair value is based on the market price. The market price is not adjusted for dividend as the participants of the programme will be compensated for any dividend pay-outs in the performance period.

For the 2017 plan 27.998 shares (2016: 33.541 shares) pertain Executive Management at the grant date.

In 2017, the recognised fair value of performance shares in the consolidated income statement amounts to DKK 21m (2016: DKK 8m).

	2017	2016
Conditional grant	March-17	March-16
Performance year	Jan 2017 - Dec 2019	Jan 2016 - Dec 2018
Vesting period	Mar 2017 - Feb 2020	Mar 2016 - Feb 2019
Vesting conditions, other than service conditions	EBITA, NWC	EBITA, NWC

Specification of performance shares	Group Executive Management	Key employees	Total number
Outstanding options 1 January 2016	0	0	0
Awards	33,541	145,785	179,326
Cancelled		(652)	(652)
Outstanding performance shares 31 December 2016	**33,541**	**145,133**	**178,674**
Awards	27,998	98,157	126,155
Cancelled	0	(13,391)	(13,391)
Outstanding performance shares 31 December 2017	**61,539**	**229,899**	**291,438**

	2017	2016
Market price per share	354.12	247.20
Total fair value of awarded performance shares at measurement date	103,204	44,168

CHAPTER 8. OTHER DISCLOSURE REQUIREMENTS

8.1 SHAREHOLDERS

ACCOUNTING POLICY

Earnings per share (EPS) and diluted earnings per share (EPS, diluted) are measured according to IAS 33. Non-diluted earnings per share are calculated as the earnings for the year after tax from continuing and discontinued activities allocated to the shareholders of FLSmidth & Co A/S divided by the total average number of shares outstanding during the year.

Diluted earnings per share is calculated as net profit attributable to shareholders divided by the average number of shares in circulation, including the dilutive effect of stock options in-the-money.

Treasury shares

Treasury shares are recognised in the balance sheet at zero value. When buying or selling treasury shares, the purchase or selling amount plus any dividend is recognised directly in equity as retained earnings. Treasury shares are used to hedge incentive programmes.

Shareholders at the end of 2017

One shareholder has reported a participating interest above 10%: Lundbeckfond Invest A/S, Denmark.

One shareholder has reported a participating interest above 5%: Novo Holding A/S, Denmark.

Earnings per share (EPS)

DKKm	2017	2016
Earnings:		
FLSmidth & Co. A/S´ shareholders’ share of profit/(loss) for the year	76	518
FLSmidth & Co. A/S´ profit/(loss) from discontinued activities	(343)	(68)
Number of shares, average (1,000):		
Number of shares issued	51,250	51,250
Adjustment for treasury shares	(2,008)	(2,319)
Share options in-the-money	448	54
Average number of shares	**49,690**	**48,985**
Earnings per share (1,000):		
Continuing and discontinued activities per share	1.5	10.6
Continuing and discontinued activities, diluted, per share	1.5	10.6
Continuing activities per share	8.5	12.0
Continuing activities, diluted, per share	8.4	12.0

Non-diluted earnings per share with respect to discontinued activities amount to DKK -7.0 (2016: DKK -1.4) and diluted earnings per share with respect to discontinued activities amount to DKK-6.9 (2016: DKK -1.4). As of 31 December 2017 number of share options in-the-money amounted to 1,533,836 (2016: 1,707,962).

The year's movements in holding of treasury shares (1,000):	2017	2016
Treasury shares at 1 January	2,276	2,328
Acquisition of treasury shares	471	2
Share options exercised	(1,018)	(54)
Treasury shares at 31 December	**1,729**	**2,276**

The holding of treasury shares represents 3.4% (2016: 4.4%) of the share capital.

8.2 SPECIAL NON-RECURRING ITEMS

ACCOUNTING POLICY
Special non-recurring items consist of costs and income of a special nature in relation to the main activities of the continued activities, including gains and losses from acquisition and disposal of enterprises and activities.

DKKm	2017	2016
Closedown of production facilities	(2)	(30)
Recognised negative goodwill	55	0
Loss on disposal of enterprises and activities	(2)	0
	51	**(30)**

Costs relate to closedown of production facilities in Canada and Australia.

Recognised negative goodwill relates to the acquisition of part of Sandvik Mining Systems. For further information refer to note 8.5 Acquisition of enterprises and activities.

Gain/Loss on disposal of enterprises and acquisition relates to sales of non-core business in UK.

Closedown costs relates to production facilities in Canada and Australia.

8.3 CONTRACTUAL LIABILITIES AND CONTINGENT LIABILITIES

The Group leases properties and operating equipment under operating leases. The lease period is primarily one to five years with an option for extension after the period expires.

DKKm	2017	2016
Minimum rent and operating lease commitments, time to maturity:		
Within one year	47	32
Between one and five years	117	126
After five years	19	2
	183	**160**
Guarantees	19	20
Other contractual obligations	232	266
	251	**286**

Rent commitments are mainly related to commercial leases and equipment.

In connection with the disposal of Group enterprises, guarantees, etc. are issued to the acquiring enterprise. Provisions are made for estimated losses on such items.

When assessing work-in-progress for third parties, a number of project-related risks such as performance, quality and delay of projects are taken into consideration, and estimates and allowances are made based on Management estimates. The financial partners of the Group provide usual security in the form of performance guarantees, etc. for contracts and supplies. At the end of 2017, the total value of performance (primarily) and payment guarantees issued amounted to DKK 5.1bn (2016: DKK 6.2bn). In cases where a guarantee is expected to materialise, a provision for this amount is made under the heading of other provisions. The Group has utilised bank guarantee facilities in financial institutions at the amount of DKK 4.6bn (2016: DKK 4.9bn).

In addition, the Group is from time-to-time involved in disputes that are normal for its business. The outcome of ongoing disputes is not expected to have any significant impact on the Group's financial position.

8.4 PENSION ASSETS AND LIABILITIES

ACCOUNTING POLICY

The Group has signed post-employment benefit plans or similar arrangements with a large part of the Group's employees.

Under defined contribution plans, the employer is required to contribute a certain amount (for example a fixed sum or a fixed percentage of their pay). 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 an 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.

Under defined benefit plans, the employer is required to contribute a certain amount (for example a retirement pension as a fixed sum or a fixed percentage of the final pay). Under a defined benefit plan, the enterprise usually bears the risk with regard to future developments in the rates of interest, inflation, mortality and disability. Changes in the computation basis result in a change in the actuarial net present value of the benefits which the enterprise is to pay in the future under this plan. Fair value is only calculated for benefits to which the employees have become entitled through their employment with the enterprise to date. The actuarial net present value less the fair value of any assets related to the plan is stated in the balance sheet among pension assets and liabilities.

Differences between the expected development of pension assets and liabilities and the realised values are described as actuarial gains or losses. Actuarial gains and losses are recognised in other comprehensive income.

Changes in benefits concerning the employees' former employment in the enterprise result in a change in the actuarial net present value, which is considered a historical cost. Historical costs are charged immediately to the income statement if the employees have already acquired a right to the changed benefit. Otherwise, the historical costs are recognised in other comprehensive income.

SIGNIFICANT ESTIMATES AND ASSESSMENTS BY MANAGEMENT

In stating the value of the Group's defined benefit plans, the statement is based on external actuarial assessments and assumptions such as discount rate, expected return on the plan assets, expected increases in salaries and pension, inflation and mortality.

The pension liabilities incumbent on the Danish Group enterprises are funded through insurance plans. The pension liabilities of certain foreign Group enterprises are also funded through insurance plans. Foreign enterprises, primarily in USA, Switzerland and Germany, whose pension liabilities are not - or only partially - funded through insurance plans (defined benefit plans) state the unfunded liabilities on an actuarial basis at the present value at the balance sheet date. These pension plans are partly covered by assets in pension funds. The Group's defined benefit plans were DKK 280m underfunded at 31 December 2017 (2016: DKK 305m) for which a provision has been made as pension liabilities.

In the consolidated income statement, a cost of DKK 476m (2016: DKK 463m) has been recognised as contribution plans funded through insurance (defined contribution plans) and other security costs etc. In the case of plans not funded through insurance (defined benefit plans), DKK -25m is recognised (2016: DKK 7m) in the consolidated income statement.

The actuarial result for the year at DKK 21m (2016: DKK -28m) is recognised in the statement of other comprehensive income.

DKKm	2017	2016	2015	2014	2013
Present value of defined benefit plans	(1,039)	(1,091)	(1,044)	(974)	(786)
Fair value of the plan assets	759	786	761	708	626
Over/(underfunded)	**(280)**	**(305)**	**(283)**	**(266)**	**(160)**
Actuarial gains/losses, liabilities	(47)	(35)	18	(123)	71
Actuarial gains/losses, assets	68	7	(34)	0	43
Actuarial gains/losses, total	**21**	**(28)**	**(16)**	**(123)**	**114**

In 2018, the Group expects to pay a contribution of DKK 0.4m into its defined benefit plans.

8.4 PENSION ASSETS AND LIABILITIES - continued

DKKm	2017	2016
Present value of pension liabilities	(1,039)	(1,091)
Fair value of the plan assets	759	786
Net liability at 31 December	**(280)**	**(305)**
Change in recognised liability:		
Net liability at 1 January	(305)	(283)
Other adjustments including foreign exchange adjustments	14	(2)
Net amount recognised in the income statement	(25)	7
Actuarial gains and losses recognised in other comprehensive income	21	(28)
Contributions	3	(7)
Paid-out benefits	12	8
Net liability at 31 December	**(280)**	**(305)**
Recognised in the income statement:		
Pension costs	(25)	(14)
Calculated interest on liabilities	(25)	(20)
Calculated return on the plan assets	25	41
Recognised in the income statement regarding defined benefit plans	**(25)**	**7**
The amounts are included in production costs, sales and distribution costs and administrative costs.		

DKKm	2017	2016
Adjustment for the year of defined benefit plans based on experience (pension liabilities), gains/losses	(47)	(35)
Return on plan assets:		
Calculated return on plan assets	(25)	(41)
Actual return on the plan assets	93	48
Actuarial gains/losses for the year on the plan assets	**68**	**7**
The expected return is fixed on the basis of the weighted return on the plan assets.		
The assumptions on which the actuarial computations at the balance sheet date are based are as follows on average (weighted):		
Average discounting rate applied	0.2%	1.6%
Expected return on tied-up assets	0.1%	0.2%
Expected future pay increase rate	0.1%	1.2%

8.4 PENSION ASSETS AND LIABILITIES - continued

DKKm	2017	2016
Present value of pension liabilities:		
Present value at 1 January	(1,091)	(1,044)
Foreign exchange adjustments	100	(22)
Pension costs	(25)	(14)
Calculated interest on liabilities	(25)	(20)
Paid-out benefits	53	55
Actuarial gains and losses*	(47)	(35)
Membership contributions	(4)	(11)
Present value of pension liabilities at 31 December	**(1,039)**	**(1,091)**
Fair value of the plan assets:		
Fair value of the plan assets at 1 January	786	761
Foreign exchange adjustment	(86)	19
Calculated return on the plan assets	25	41
Payment	8	4
Paid-out benefits	(49)	(50)
Actuarial gains and losses*	68	7
Membership contributions	7	4
Fair value of the plan assets at 31 December	**759**	**786**
Specification of the fair vaue of the plan assets:		
Equity instruments	335	354
Debt instruments	231	245
Other assets	193	187
Total fair value of the plan assets	**759**	**786**

* Actuarial gains and losses relate primarily to changes in financial assumptions.

DKKm	2017	2016
Defined benefit plan liabilities specified by country:		
USA	55.0%	57.0%
Switzerland	22.0%	21.0%
Germany	15.0%	14.0%
India	4.0%	4.0%
Canada	2.0%	2.0%
Italy	1.0%	1.0%
Mexico	1.0%	1.0%

DKKm	2017	2016
Maturity profile of expected future cash flows:		
Expected benefit payments - within one year	58	71
Expected benefit payments - between one to five years	248	292
Expected benefit payments - between five to ten years	343	361

Years	2017	2016
Weighted average duration of the defined benefit obligation	13	13

Sensitivity analysis defined benefit plans

Below is shown a sensitivity analysis based on possible changes in the assumptions defined at the balance sheet date, all other things being equal.

Change in defined benefit obligation:

DKKm	2017	2016
Discount rate - 1%	(144)	(154)
Discount rate + 1%	124	133

8.5 ACQUISITION OF ENTERPRISES AND ACTIVITIES

ACCOUNTING POLICY

Newly acquired or newly established business are included in the consolidated financial statements from the acquisition date or formation. The acquisition date is the date when control of the business is transferred to the Group.

Upon acquisition of business of which the Group obtains control, the acquisition method is applied, according to which their identified assets, liabilities and contingent liabilities are measured at their fair values.

The acquisition cost/income of an enterprise consists of the fair value of the consideration payable/receivable. This includes the fair value of the consideration already paid/received, the deferred consideration and the contingent consideration.

Any subsequent adjustment of contingent consideration is recognised directly in the income statement, unless the adjustment is the result of new information about conditions prevailing at the acquisition date, and this information becomes available up to 12 months after the acquisition date.

Transaction costs are recognised directly in the income statement when incurred as administrative costs.

When acquisition costs differs from the fair values of the assets, liabilities and contingent liabilities identified on acquisition, any positive differences (goodwill) are recognised in the balance sheet under intangible assets and any negative differences (negative goodwill) are recognised in the income statement as a special non-recurring item.

If, on the acquisition date, there are any uncertainties with respect to identifying or measuring acquired assets, liabilities or contingent liabilities or uncertainty with respect to determining their cost, initial recognition will be made on the basis of estimated values. Such estimated values may be adjusted, or additional assets or liabilities may be recognised up to 12 months after the acquisition date, if new information becomes available about conditions prevailing on the acquisition date, which would have affected the calculation of values on that day, had such information been known.

SIGNIFICANT ESTIMATES AND ASSESSMENTS BY MANAGEMENT

On recognition of assets, liabilities and contingent liabilities from business combinations, Management judgements and estimates may be required for identification of assets, liabilities and contingent liabilities and their fair values.

Where the acquisition cost/income includes contingent consideration Management estimates those fair values based on assumptions to the future events occurring.

ACQUISITION OF ENTERPRISES AND ACTIVITIES

In July, FLSmidth reached an agreement to acquire part of Sandvik Mining Systems, subject to certain conditions. The acquisition closed on 1 November. With the acquisition FLSmidth will be able to increase the productivity of the complete "pit to plant" operation by integrating upstream mining with downstream processing. The acquisition is an asset deal involving several legal FLSmidth entities taking over assets and liabilities from Sandvik. No legal entities was taken over from Sandvik. At the balance sheet date transfer of asset in South Africa is still pending, awaiting final governmental approval.

Name of activity acquired	Primary activity	Date of acquisition / consolidated from	Ownership interest	Voting share
Part of Sandvik Mining Systems	Minerals/ Customer Services	1 November	Asset deal	Asset deal

The majority of the new business will be integrated into FLSmidth's Minerals Division while the remaining will be integrated into FLSmidth's Customer Services Division.

8.5 ACQUISITION OF ENTERPRISES AND ACTIVITIES - continued

The assets and liabilities are measured using the information available at the date for issuing the annual report. The purchase price allocation has not been finalised. If information becomes available this could affect the calculated values.

DKKm	Opening balance
Tangible assets	2
Inventories	3
Accounts receivables	13
Work in progress for third parties, assets	89
Provisions	(102)
Accounts payables	(98)
Work in progress for third parties, liabilities	(44)
Other liabilities	(37)
Carrying amount of net assets acquired	**(174)**
Negative goodwill	(55)
Transaction price	**(229)**
Cash and cash equivalents acquired	0
Deferred payment, receivable	121
Net cash effect, receivable	**(108)**

The acquisition of activities from Sandvik Mining Systems result in negative goodwill of DKK 55m. This relates to expected redundancy costs and operating losses for which a provision cannot be recognised in the acquisition balance sheet. The negative goodwill is recognised in the Group's consolidated income statement as special non-recurring items.

The acquired activities from Sandvik Mining Systems is included in the consolidated financial statement:

DKKm	2017
Revenue	40
Loss for the period	(16)
Headcount	187

Had the acquired activities been included in the consolidated statement for the full year the revenue would have been approximately DKK 300m with profit for the year of DKK 15m.

8.6 DISCONTINUED ACTIVITIES

ACCOUNTING POLICY

Discontinued activities are presented in the Income Statement as follows: Profit/(loss) for the year, discontinued activities. The item consists of operating income after tax from discontinued activities. Disposal of the assets related to the discontinued activities are likewise presented as discontinued activities.

In the consolidated cash flow statement, cash flow from discontinued activities is included in cash flow from operating, investing and financing activities together with cash flow from continuing activities.

The financial highlights and key ratios of discontinued activities are as follows:

DKKm	2017	2016
Revenue	880	719
Costs	(1,241)	(783)
EBT	**(361)**	**(64)**
Tax for the year	18	(4)
Loss for the year, discontinued activities	**(343)**	**(68)**
Cash flow statement:		
Cash flow from operating activities	(24)	116
Cash flow from investing activities	(1)	(2)
Cash flow from financing activities	31	240
Earnings per share:		
Discontinued activities per share	(7.0)	(1.4)
Discontinued activities per share diluted	(6.9)	(1.4)

8.7 SPECIFICATION OF ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

ACCOUNTING POLICY

Non-current assets as well as assets and liabilities expected to be sold as a group (disposal group) in a single transaction are reclassified to assets and liabilities classified as held for sale, if their carrying value is likely to be recovered by sale within 12 months in accordance with a formal plan.

Assets or disposal groups held for sale are measured at the lower of the carrying value and the fair value less costs to sell. Assets are not depreciated from the time they are reclassified as held for sale.

SIGNIFICANT ESTIMATES AND ASSESSMENTS BY MANAGEMENT

Deferred tax assets are recognised if it is likely that there will be taxable income in the future against which timing differences or tax losses carry forwards may be used. For this purpose, Management estimates the coming 5 year´s earnings based on budgets.

No deferred tax assets on the tax loss generate in Germany relating to Asset and Liabilities classified as held for sale has been recognised as it is not likely to be utilised within the next 5 years as this is discontinued activities.

8.7 SPECIFICATION OF ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE - continued

DKKm	2017	2016
Intangible assets	3	5
Tangible assets	1	2
Deferred tax assets	2	27
Inventories	25	10
Trade receivables	143	99
Work-in-progress for third parties	121	192
Cash and cash equivalents	43	65
Other assets	85	62
Carrying amount of net assets disposed	**423**	**462**
Provisions	185	92
Trade payables	80	67
Work-in-progress for third parties	70	350
Deferred tax liability	12	0
Other liabilities	283	94
Liabilities directly associated with assets classified as held for sale	**630**	**603**
Net assets held for sale	**(207)**	**(141)**

In 2015 it was decided to ring-fence and restructure the bulk material handling activities with a view to divest the activities. Consequently, the impacted activities were reclassified as discontinued activities. The sales process is ongoing and expected to be completed in 2018.

8.8 PLEDGED ASSETS

DKKm	2017		2016	
	Carrying amount of pledged assets	Pledge	Carrying amount of pledged assets	Pledge
Land and buildings	50	306	51	307

8.9 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Management is not aware of any subsequent matters that could be of material importance to the Group's financial position.

8.10 AUDIT FEE

In addition to statutory audit, Ernst & Young Godkendt Revisionspartnerselskab, the Group auditors appointed at the Annual General Meeting (2016: Deloitte), provides other assurance engagements and other consultancy services to the Group.

DKKm	2017	2016
Statutory audit	13	17
Other assurance engagement	0	1
Total audit related services	**13**	**18**
Tax and indirect taxes consultancy	1	4
Other services	3	3
Total non-audit services	**4**	**7**
Total fees to independent auditor	**17**	**25**

Other non-audit services in 2017 include fees for advisory services primarily related to acquisitions and to new IFRS standards. All non-audit services have been approved by the Audit Committee.

8.11 APPROVAL OF THE ANNUAL REPORT FOR PUBLICATION

At its meeting on 7 February 2018 the Board of Directors has approved this Annual Report for publication.

The Annual Report will be presented to the shareholders of FLSmidth & Co. A/S for approval at the Annual General Meeting on 5 April 2018.

8.12 LIST OF GROUP COMPANIES

Company name	Country	Group holding (pct.)
FLSmidth & Co. A/S	Denmark	100
DEF 1994 A/S	Denmark	100
FLS Real Estate A/S	Denmark	100
FLSmidth (Beijing) Ltd.	China	100
FLSmidth Finans A/S	Denmark	100
FLSmidth Dorr-Oliver Eimco Venezuela S.R.L.	Venezuela	100
FLSmidth S.A.C.	Peru	100
SLF Romer XV ApS	Denmark	100
SLF Romer GmbH	Germany	100
Matr. nr. 2055 A/S	Denmark	100
Gemena Sp. Z.o.o.	Poland	100
FLSmidth Operation & Maintenance A/S	Denmark	100
NLSupervision Company Angola, LDA.	Angola	100
NL Supervision Company Nigeria LLC	Nigeria	100
NL Supervision Company Tunisia	Tunisia	100
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	Denmark	100
FLSmidth Milano S.R.L.	Italy	100
FLSmidth (UK) Limited	United Kingdom	100

Company name	Country	Group holding (pct.)
FLSmidth (Jersey) Limited	Jersey	100
FLSmidth Philippines, Inc.	Philippines	100
FLSmidth Iranian (PJSCo)	Iran	100
FLSmidth Limited	Ghana	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 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
MAAG Gear Systems AG	Switzerland	100
NHI-Fuller (Shenyang) Mining Co. Ltd.	China	50
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 LLP	Kazakhstan	100

8.12 LIST OF GROUP COMPANIES - continued

Company name	Country	Group holding (pct.)
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
FLSmidth Wiesbaden GmbH	Germany	100
FLSmidth Wadgassen GmbH	Germany	100
FLSmidth Wuppertal 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
FLSmidth Pty. Ltd.	Australia	100
DMI Holdings Pty. Ltd.	Australia	100
DMI Australia Pty. Ltd.	Australia	100
ESSA Australia Limited	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

Company name	Country	Group holding (pct.)
Ludowici Hong Kong Limited	Hong Kong	100
Yantai Ludowici Mineral Processing Equipment Limited	China	100
Rojan Advanced Ceramics Pty. Ltd.	Australia	100
Ludowici Hong Kong Investments Ltd.	Hong Kong	100
Ludowici Packaging Australia Pty. Ltd.	Australia	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	100
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
Ludowici Mineral Processing Equipment Inc.	United States	100
Phillips Kiln Services (India) Pvt. Ltd.	India	50
SLS Corporation	United States	100
FLSmidth Inc.	United States	100
Fuller Company	United States	100

* Associate
All other enterprises are Group enterprises

All material enterprises are subject to audit by internationally recognised audit firms.

8.13 ACCOUNTING POLICIES

This note sets out the accounting policies that relate to the consolidated financial statements as a whole. Where an accounting policy is specific to one financial statement item, the policy is described in the note to which it relates.

The annual report of FLSmidth comprises the consolidated financial statements of FLSmidth & Co. A/S and its subsidiaries and separate financial statements of the parent company, FLSmidth & Co. A/S.

The consolidated financial statements are presented in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The Annual Report is also presented in accordance with Danish disclosure requirements for annual reports published by listed companies as well as the IFRS executive order issued in compliance with the Danish Financial Statements Act.

The Annual Report is presented in Danish kroner (DKK) which is the presentation currency of the activities of the Group and the functional currency of the parent company.

The accounting policies are unchanged from prior year. However, a few adjustments have taken place in the comparative figures for 2016.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the parent company, FLSmidth & Co. A/S and all enterprises in which the Group holds the majority of the voting rights or in which the Group in some other way holds control. Enterprises, in which the Group holds between 20% and 50% of the voting rights or in some other way holds significant influence, but not control, are regarded as associates.

The consolidated financial statements are based on the financial statements of the parent company and the individual subsidiaries which are recognised in accordance with the Group accounting policies. All items of a uniform nature are added together, while intercompany income, costs, balances and shareholdings are eliminated. Unrealised gains and losses on transactions between consolidated enterprises are also eliminated

The items in the financial statements of subsidiaries are fully included in the consolidated financial statements. The proportionate share of the earnings attributable to minority interests is included in the Group's profit/loss for the year and as a separate share of the Group's equity.

MATERIALITY

Transactions and information in the Annual Report are presented in classes of similar items. If a line item is not individually material, it is aggregated with other items of a similar nature in the consolidated financial statements in the Annual Report.

There are specific disclosure requirements to the annual report according to IFRS. Management provides the disclosures required by IFRS unless the information is considered irrelevant or immaterial to the users of the Annual Report.

TRANSLATION OF FOREIGN CURRENCY

The functional currency is determined for each of the reporting enterprises. The functional currency is the currency of primary economic environment in which the enterprise operates.

Transactions in foreign currencies are initially translated into the functional currency at the exchange rates at the dates of transaction. Exchange adjustments arising due to differences between the transaction date rates and the rates at the dates of payment are recognised as financial items in the income statement. Receivables, payables and other monetary items in foreign currencies not settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Exchange adjustments arising due to differences between the rates at the balance sheet date and the transaction date rates are recognised as financial items in the income statement.

The balance sheet is translated into the presentation currency at the DKK rate at the balance sheet date. In the income statement the transaction date rates are based on average rates for the individual months.

If the financial statements of a foreign business unit are presented in a currency in which the accumulated rate of inflation over the past three years exceeds 100 per cent, adjustments for inflation are made. The adjusted financial statements are translated at the exchange rate quoted on the balance sheet date.

8.13 ACCOUNTING POLICIES - continued

EQUITY/DIVIDEND

Dividend is allocated in the financial statements at the time when it is decided at the Annual General Meeting, and the company thereby incurs a liability. The dividend, which is proposed for distribution, is stated separately in the equity.

FOREIGN EXCHANGE ADJUSTMENTS

Reserve for foreign exchange adjustments comprises exchange rate differences arising during the translation of the financial statements for entities with a functional currency other than Danish kroner, foreign exchange adjustments regarding assets and liabilities which account for a portion of the Group's net investment in such entities, and foreign exchange adjustments regarding hedging transactions which hedge the Group's net investment in such entities. On full or partial realisation of the net investment, the foreign exchange adjustments are recognised in the income statement in the same item as the gain/loss.

VALUE ADJUSTMENTS REGARDING HEDGING TRANSACTIONS

Fair value adjustments in other comprehensive income comprise changes in the fair value of hedging transactions that qualify for recognition as cash flow hedges and where the hedged transaction has not yet been realised.

8.14 IMPLEMENTATION OF STANDARDS AND INTERPRETATIONS

IMPACT FROM NEW ACCOUNTING STANDARDS

The FLSmidth Group has implemented all new or amended accounting standards and interpretations as adopted by the EU and applicable for the 2017 financial year, including:

- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (issued 2016, effective date 1 January 2017)
- Amendments to IAS 7: Disclosure Initiative (issued 2016, effective date 1 January 2017)

The implementation has not had a significant impact on recognition, measurement or disclosures in the Annual Report 2017 and is not expected to have significant impact on the financial reporting for future periods.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

IASB has issued a number of new or amended accounting standards. Generally the Group expects to implement all new or amended accounting standards and interpretations when they become mandatory and have been endorsed by the EU.

The following accounting standards are the most relevant for FLSmidth;

- IFRS 15, Revenue from Contracts with Customers, including amendments and clarifications (issued 2014, 2015 and 2016, respectively, effective date 1 January 2018)
- IFRS 9, Financial Instruments (issued 2014, effective date 1 January 2018)
- IFRS 16, Leases (issued 2016, effective date 1 January 2019)

The following accounting standards are all endorsed by the EU and will be implemented as of 1 January 2018:

IFRS 15, Revenue from Contracts with Customers

IFRS 15 will replace IAS 11, Construction Contracts and IAS 18, Revenue and associated interpretations. IFRS 15 provides principles that an entity applies to report useful information about the amount, timing, and uncertainty of revenue and cash flows arising from its contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to in exchange for those goods or services.

Projects within the Cement and Minerals division as well as Operation and Maintenance contracts will continue to recognise revenue over time, as the contract obligations towards the customers are fulfilled over the course of the contract. In case of significant uncertainties with the collectability of contract consideration, the revenue will continue to be recognised upon cash receipt.

Contract completion for projects within Cement and Minerals divisions will continue to be measured on a cost-to-cost basis. Contract completion for Operation and Maintenance contracts will change from produced output to a cost-to-cost basis.

Sales of components, spare parts and on service orders will continue to recognize revenue at a point in time. The point in time will be dependent on the transfer of control to the customer.

Based on the implementation analysis a transition impact of around 1% of equity has been identified. In assessing the impact of implementing IFRS 15, a Group risk analysis has been carried out to identify potential areas of impact. Internal training has been held and group-wide questionnaires have been completed focussing on the key areas identified from the Group risk analysis.

The Group will implement IFRS 15 using the modified retrospective application, with the cumulative effect of initially applying the standard to be adjusted to opening balance of retained earnings 2018. Consequently, 2017 comparative figures will be reported according to IAS 11/IAS 18 and will not be restated to reflect the numbers accordingly to IFRS 15.

IFRS 15 does not impact the cash flows of the Group and the impact on recognition and measurement of revenue and related items is not significant. IFRS 15 will however have an impact on the note disclosures for the financial period 2018 and forward.

IFRS 9, Financial Instruments

IFRS 9 will replace IAS 39, Financial Instruments; Recognition and Measurement. IFRS 9 changes the model for classification and measurement of financial assets and liabilities and introduces a new impairment model based on expected losses. Further IFRS 9 will introduce a hedge accounting model that will be more closely aligned with how the business undertakes risk management activities when hedging financial and non-financial risk exposures.

IFRS 9 does not have a significant impact on recognition and measurement. IFRS 9 will however have an impact on the note disclosures for the financial period 2018 and forward.

8.14 IMPLEMENTATION OF STANDARDS AND INTERPRETATIONS – continued

The following accounting standard is endorsed by the EU and will be implemented as of 1 January 2019:

IFRS 16, Leases
IFRS 16 will replace IAS 17, Leases. IFRS 16 will require the majority of leasing contracts to be recognised as lease assets with a related lease liability. Consequently, this will have an impact on the income statement where the lease cost will be treated as depreciations and interest expenses, rather than as operating expenses.

The Group expects to implement IFRS 16 using a simplified application, with the cumulative effect of initially applying the standard to be adjusted to opening balance of retained earnings 2019. Consequently, 2018 comparative figures will be reported according to IAS 17 and will not be restated to reflect the numbers accordingly to IFRS 16.

IFRS 16 is not expected to have a significant impact on recognition, measurement or disclosures.

8.15 DEFINITION OF TERMS

Book-to-bill
Order intake as a percentage of revenue.

BVPS (Book value per share)
FLSmidth & Co. A/S´ share of equity divided by average of shares outstanding.

Capital employed, average
(Capital employed, end of period + capital employed end of same period last year)/2.

Capital employed, end of period
Intangible assets (cost) + Tangible assets (carrying amount) + Net working capital.

Capital expenditure (CAPEX)
Investment in tangible assets.

Cash conversion
Free cash flow adjusted for acquisitions and disposals as a percentage of EBIT.

CFFF
Cash flow from financing activities.

CFFI
Cash flow from investing activities.

CFFO
Cash flow from operating activities.

CFFO / Revenue
CFFO as a percentage of last 12 months' revenue.

CFPS (cash flow per share), (diluted)
CFFO as a percentage of average number of shares (diluted).

DIFOT
Delivery in full on time.

Dividend yield
Dividend as percent of share price end of year.

EBITDA
Earnings before special non-recurring items, interest, tax, depreciation, amortisation and impairments of investments in associated companies.

EBITDA margin
EBITDA as a percentage of revenue.

EBIT
Earnings before interest and tax and impairments of investments in associated companies.

EBIT margin
EBIT as a percentage of revenue.

EBITA
Earnings before, interest, tax, amortisation and impairments of investments in associated companies.

EBITA margin
EBITA as a percentage of revenue.

EBT
Earnings before tax.

EBT margin
EBT as a percentage of revenue.

Effective tax rate
Income taxes as a percentage of EBT.

EPC projects
Engineering, procurement and construction.

EPS projects
Engineering, procurement and supervision.

EPS (earning per share)
Net profit/(loss) divided by the average number of shares outstanding (adjusted for treasury shares).

EPS (earnings per share), (diluted)
Net profit/(loss) divided by the average number of shares outstanding (adjusted for treasury shares) less share options in-the money.

Equity ratio
Equity as a percentage of total asset.

Financial gearing (NIBD/EBITDA)
Net interest-bearing debt (NIBD) divided by EBITDA.

Free cash flow
CFFO + CFFI.

Free cash flow adjusted for acquisition and disposals of enterprises
CFFO + CFFI ± acquisition and disposals of enterprises.

Gross margin
Gross profit as a percentage of revenue.

LITFR
Lost time injury frequency rate.

Market capitalisation
The share price multiplied by the number of shares issued end of year.

Net interest bearing debt (NIBD)
Interest-bearing debt less interest-bearing assets and bank balances.

8.15. DEFINITION OF TERMS-- continued

Net working capital, average
(Net working capital, end of year + net working capital, end of last year)/2.

Net working capital, end
Inventories + Trade receivables + work-in-progress for third parties, net + prepayments, net + financial instruments, net + other receivables – other liabilities – trade payables.

Net working capital ratio, average
Net working capital , average as a percentage of last 12 months revenue.

Net working capital ratio, end
Net working capital as a percentage of last 12 months´ revenue.

Number of shares outstanding
The total number of shares, excluding FLSmidth's holding of treasury shares.

NIBD/EBITDA
Net interest-bearing debt (NIBD) divided by last 12 months' EBITDA.

One-offs
Costs/income assessed by Management to be non-recurring by nature.

Operational expenditure (OPEX)
External costs, personal cost and other income and costs.

Order backlog
The value of future contracts end of year. On O&M contracts entered into after 2014, the order backlog includes the next 12 months´ expected revenue.

Order backlog / Revenue
Order backlog as a percentage of last 12 months´ revenue.

Order intake
Orders are included as order intake when an order becomes effective, meaning when the contract becomes binding for both parties dependent on the specific conditions of the contract.

Other comprehensive income
All items recognised in equity other than those related to transactions with owners of the company.

Pay-out ratio
The total dividends for the year as a percentage of profit/(loss) excluding minority shareholder's share of profit/(loss) for the year.

Return on equity
Profit/(loss) for the last 12 months´ as a percentage of equity ((Equity, end of year + equity, end of last year)/2).

ROCE (return on capital employed)
EBITA as a percentage of capital employed.

ROCE, average
(ROCE, end of year + ROCE, end of last year)/2.

Sales, General & Administrative costs (SG&A costs)
Sales cost + Administrative cost ± other operating items.

Total service activities
Total service activities in FLSmidth embrace the entire Customer Services Division, Operation & Maintenance contracts (part of the Cement Division), and the whole service and aftermarket part of the Product Companies Division.

Total shareholder return
Share price increase and paid dividend.

Alternative performance measures (APMs)
The Group presents financial measures in the consolidated financial statements that are not defined according to IFRS. The Group believes that these measures provide valuable information to our stakeholders and management.

The financial measures should not be considered as a replacement for performance measures as defined under IFRS, but rather as supplementary information.

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY FINANCIAL STATEMENTS

LIST OF NOTES

INCOME STATEMENT

Notes	DKKm	2017	2016
1	Dividend from Group enterprises	135	40
2	Other operating income	362	24
3	Staff costs	(6)	(6)
	Other operating costs	(18)	(14)
7	Depreciation, amortisation and impairment	(1)	(8)
	EBIT	**472**	**36**
4	Financial income	907	1,812
5	Financial costs	(675)	(1,529)
	EBT	**704**	**319**
6	Tax for the year	(10)	(3)
	Profit for the year	**694**	**316**
	Distribution of profit for the year:		
	Retained earnings	694	316
		694	**316**
	Distribution of dividend:		
	Proposed dividend	410	307
		410	**307**

The Board of Directors recommends that the Annual General Meeting approves a dividend of DKK 8 per share (2016: DKK 6 per share).

MANAGEMENT REVIEW

Dividend from Group enterprises to the parent company, FLSmidth & Co. A/S, was DKK 135m in 2017 (2016: DKK 40m) and the profit for the year was DKK 694m (2016: DKK 316m). Total assets at year-end amounted to DKK 10,058m (2016: DKK 11,882m) and the equity was DKK 3,654m (2016: DKK 3,139m). Management consider the result to be as expected.

BALANCE SHEET

Notes	DKKm	2017	2016
	ASSETS		
	Land and buildings	11	49
7	**Tangible assets**	**11**	**49**
8	Investments in Group enterprises	2,816	2,659
8	Other securities and investments	18	19
9	Deferred tax assets	22	34
	Financial assets	**2,856**	**2,712**
	Total non-current assets	**2,867**	**2,761**
	Receivables from Group enterprises	7,007	8,815
	Other receivables	183	301
10	**Receivables**	**7,190**	**9,116**
	Other securities and investments	**1**	**1**
	Cash and cash equivalents	**0**	**4**
	Total current assets	**7,191**	**9,121**
	Total assets	**10,058**	**11,882**

Notes	DKKm	2017	2016
	EQUITY AND LIABILITIES		
	Share capital	1,025	1,025
	Retained earnings	2,219	1,807
	Proposed dividend	410	307
	Equity	**3,654**	**3,139**
11	Provisions	12	13
	Provisions	**12**	**13**
13	Mortgage debt	0	305
13	Other liabilities	0	67
13	Bank loans	1,537	3,619
	Total non-current liabilities	**1,537**	**3,991**
13	Mortgage debt	0	2
13	Bank loans	1,094	3,620
13	Debt to Group enterprises	3,611	887
12+13	Other liabilities	150	230
	Total current liabilities	**4,855**	**4,739**
	Total liabilities	**6,404**	**8,743**
	Total equity and liabilities	**10,058**	**11,882**

EQUITY

DKKm	Share capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2016	**1,025**	**1,772**	**205**	**3,002**
Profit for the year		316		316
Dividend paid		10	(205)	(195)
Proposed dividend		(307)	307	0
Share-based payment		2		2
Exercise of share options		15		15
Acquisition of treasury shares		(1)		(1)
Equity at 31 December 2016	**1,025**	**1,807**	**307**	**3,139**
Profit for the year		694		694
Dividend paid		13	(307)	(294)
Proposed dividend		(410)	410	0
Acquisition of treasury shares		(186)		(186)
Exercise of share options		301		301
Equity at 31 December 2017	**1,025**	**2,219**	**410**	**3,654**

Number of shares (1,000):	2017	2016	2015	2014	2013
Movement in share capital:					
Share capital at 1 January	51,250	51,250	51,250	53,200	53,200
Cancellation of shares				(1,950)	
Share capital at 31 December	**51,250**	**51,250**	**51,250**	**51,250**	**53,200**

Each share entitles its holder to twenty votes, and there are no special rights attached to the shares.

Retained earnings for the year DKK 694m (2016: DKK 316m) is distributed to equity, of which DKK 410m proposed as dividend.

1. DIVIDEND FROM GROUP ENTERPRISES

DKKm	2017	2016
Dividend from Group enterprises	135	40
	135	**40**

2. OTHER OPERATING INCOME

DKKm	2017	2016
Profit from disposal of land and buildings	346	0
Rent fee, etc.	16	24
	362	**24**

Profit from disposal of land and buildings, see note 17.

3. STAFF COSTS

DKKm	2017	2016
Salaries and other remuneration	(4)	(4)
Share-based payment	(2)	(2)
	(6)	**(6)**
Average number of employees	**7**	**8**

Remuneration of the Board of Directors for 2017 amounts to DKK 7m (2016: DKK 6m), including DKK 1m (2016: DKK 1m), which was incurred by the parent company. The total remuneration of the parent company´s Executive Management amounted to DKK 64m (2016: DKK 41m), of which DKK 5m (2016: DKK 5m) was incurred by the parent company.

4. FINANCIAL INCOME

DKKm	2017	2016
Profit from disposal of enterprises and activities	0	2
Interest income	0	1
Interest income from Group enterprises	261	287
Adjustment to previous years disposal of enterprises	0	7
Foreign exchange gains	646	1,515
	907	**1,812**

5. FINANCIAL COST

DKKm	2017	2016
Write-down of investments in Group enterprises	0	(3)
Interest cost	(61)	(70)
Interest cost to Group companies	(45)	(16)
Foreign exchange losses	(569)	(1,440)
	(675)	**(1,529)**

6. TAX FOR THE YEAR

DKKm	2017	2016
Current tax on the profit/loss for the year	8	2
Withholding tax	(4)	(3)
Adjustments of deferred tax	(8)	(7)
Adjustments of tax rate on deferred tax	0	0
Adjustments regarding previous years, deferred taxes	(4)	12
Adjustments regarding previous years, current taxes	(2)	(7)
Tax for the year	**(10)**	**(3)**

Tax paid in 2017 amounts to DKK 57m (2016: DKK 53m).

7. TANGIBLE ASSETS

DKKm	Land and buildings	Operating equipment, fixtures and fittings	Total
Cost at 1 January 2017	262	2	264
Disposal	(239)	0	(239)
Cost at 31 December 2017	**23**	**2**	**25**
Depreciation and impairment at 1 January 2017	(213)	(2)	(215)
Disposal	202	0	202
Depreciations	(1)	0	(1)
Depreciation and impairment at 31 December 2017	**(12)**	**(2)**	**(14)**
Carrying amount at 31 December 2017	**11**	**0**	**11**

8. FINANCIAL ASSETS

DKKm	Investments in Group enterprises	Other securities and investments	Total
Cost at 1 January 2017	2,782	37	2,819
Additions	222	0	
Share-based payment	(65)	0	(65)
Cost at 31 December 2017	**2,939**	**37**	**2,976**
Impairment at 1 January 2017	(123)	(18)	(141)
Write-downs	0	(1)	(1)
Impairment at 31 December 2017	**(123)**	**(19)**	**(142)**
Carrying amount at 31 December 2017	**2,816**	**18**	**2,834**

For specification of investments in Group enterprises, see note 8.12 in the consolidated financial statements.

RESULT OF ANNUAL IMPAIRMENT TEST

As at 31 December 2017, the cost price of the investments in subsidiaries was tested for impairment. The impairment test showed no impairment for 2017 (2016: DKK 0).

KEY ASSUMPTIONS

Management is of the belief that key assumptions are achievable. The sensitivity analysis shows that in FLSmidth Operation & Maintenance A/S a realistic reduction of the average growth rate or EBIT in the 5-year budget period would result in an impairment.

The applied discount rate after tax is 8% and reflects the latest market assumptions for the risk free rate based on a 10-year Danish government bond, the equity risk premium and the cost of debt.

The long-term growth rate for the terminal period is based on the expected growth in the world economy as well as input from current long-term swaps. Based on these factors, a long-term annual growth rate for the terminal period of 1.5% has been applied.

In FLSmidth Operation & Maintenance A/S a reduction of the average growth rate or EBIT in the 5-year budget period, exceeding respectively 1% or 0.25%, would result in an impairment.

9. DEFERRED TAX ASSETS AND LIABILITES

DKKm	2017	2016
Deferred tax consists of the following items:		
Tangible asset	16	25
Liabilities	6	9
Net value of deferred tax assets/(liability)	**22**	**34**

10. RECEIVABLES

Receivables from Group enterprises falling due after more than one year amount to DKK 1,700m (2016: DKK 5,057m). Other receivables include fair value of financial contracts (positive value) and tax on account for the Danish jointly taxed enterprises.

11. PROVISIONS

DKKm	2017	2016
Provisions at 1 January	13	20
Reversals	(1)	(7)
Provisions at 31 December	**12**	**13**

12. OTHER LIABILITIES

Other liabilities include fair value of financial contracts (negative value).

13. MATURITY STRUCTURE OF LIABILITIES

DKKm	2017	2016
Maturity structure of liabilities:		
Bank loans	1,094	3,620
Debt to Group enterprises	3,611	887
Mortgage debt	0	2
Other liabilities	150	230
Within one year	**4,855**	**4,739**
Bank loans	1,537	1,900
Mortgage debt	0	40
Other liabilities	0	67
Within one to five years	**1,537**	**2,007**
Bank loans	0	1,719
Mortgage debt	0	265
After five years	**0**	**1,984**
Total	**6,392**	**8,730**

14. PLEDGED ASSETS

DKKm	2017		2016	
	Carrying amount of pledged assets	Pledge	Carrying amount of pledged assets	Pledge
Land and buildings	0	0	37	307

15. AUDIT FEE

In addition to statutory audit, Ernst & Young, the Parent company auditors appointed at the Annual General Meeting (2016: Deloitte), provides other assurance engagements and other consultancy services to the Parent company.

DKKm	2017	2016
Statutory audit	2	3
Other assurance engagement	0	0
Total audit related services	**2**	**3**
Tax consultancy	0	0
Other services	1	0
Total non-audit services	**1**	**0**
Total fees to independent auditor	**3**	**3**

Other non-audit services in 2017 include fees for advisory services primarily related to acquisitions and to new IFRS standards. All non-audit services have been approved by the Audit Committee in 2017.

16. CONTRACTUAL LIABILITIES AND CONTINGENT LIABILITIES

The Company has provided guarantees primarily to financial institutions at a total amount of DKK 12,302m of which DKK 4,723m have been utilised in 2017 (2016: DKK 5,788m).

In connection with disposal of enterprises, normal guarantees, etc. are issued to the acquiring enterprise. Provisions are made for estimated losses on such items.

The Company is the administration company of the Danish joint taxation. According to the Danish corporate tax rules, as of 1 July 2012, the Company is obliged to withhold taxes on interest, royalty and dividend for all companies subjected to the Danish joint taxation scheme.

There are no significant contingent assets or liabilities apart from the above.

See also note 8.3 in the consolidated financial statements.

17. RELATED PARTY TRANSACTIONS

Related parties include the parent company's Board of Directors and Group Executive Management and the Group companies and associates that are part of the Group.

In 2017 FLSmidth & Co A/S transferred the property Matr. Nr 2055 located in Vigerslev Allé 77 Valby to the Group internal company Matr. Nr 2055 A/S. There were no further transactions with related parties in 2017 and 2016, apart from Group Executive Management´s remuneration stated in note 3. Nor were there any transactions with associates.

Parent company's sales of services consist of managerial services and insurance services. The parent company´s purchase of services mainly consists of legal and tax assistance provided by FLSmidth A/S.

Financial income and costs are attributable to the FLSmidth & Co. A/S. Group's in-house Treasury function, which is performed by the parent company, FLSmidth & Co. A/S. Receivables and payables are mainly attributable to the activity.

These transactions are carried out on market terms and at market prices.

For guarantees provided by the parent company for related parties, please see note 16 in the parent company financial statements.

18. SHAREHOLDERS

At the end of 2017:
One shareholder has reported a participating interest above 10%: Lundbeckfond Invest A/S, Denmark.

One shareholder has reported a participating interest above 5%: Novo Holding A/S, Denmark.

19. ACCOUNTING POLICIES (PARENT COMPANY)

ACCOUNTING POLICY

The financial statements of the parent company (FLSmidth & Co. A/S) are presented in conformity with the provisions of the Danish Financial Statements Act for reporting class D enterprises.

To ensure uniform presentation, the terminology used in the consolidated financial statements has as far as possible been applied in the parent company's financial statements. The parent company's accounting policies on recognition and measurement are generally consistent with those of the Group. The instances in which the parent company's accounting policies deviate from those of the Group have been described below.

The accounting policies for the parent company are unchanged from 2016

The company's main activity, dividend from Group enterprises, is presented first in the income statement.

DIVIDEND FROM GROUP ENTERPRISES

Dividend from investments in subsidiaries is recognised as income in the parent company´s income statement in the financial year in which the dividend is declared. This will typically be at the time of the approval in Annual General Meeting of distribution from the company concerned. However, where the dividend distributed exceeds the accumulated earnings after the date of acquisition, the dividend is recognised in the income statement. The recognition will indicate the need for impairment test of the investment.

TANGIBLE ASSETS

Depreciation is charged on a straight line basis over the estimated useful life of the assets until they reach the estimated residual value. In the parent company's financial statements, the residual value is determined at the date of the entry into service and is not subsequently adjusted.

FINANCIAL ASSETS

Investments in Group enterprises

Investments in Group enterprises are measured at cost less impairment. Where the cost exceeds the recoverable amount, an impairment loss is recognised to this lower value.

To the extent that the distributed dividend exceeds the accumulated earnings after the date of acquisition, that would indicate the need for impairment test of the investment.

OTHER SECURITIES AND INVESTMENTS

Other securities and investments consist of shares in cement plants that are acquired in connection with the signing of contracts and 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 income statement as financial items.

CASH FLOW STATEMENT

As the consolidated financial statements include a cash flow statement for the whole Group, no individual statement for the parent company has been included, see the exemption provision, section 86 of the Danish Financial Statements Act.

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