

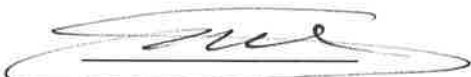
FLSmith Real Estate A/S

Vigerslev Allé 77
2500 Valby

Annual Report 2017

(CVR no. 60 97 89 13)

Adopted at the Company's Annual General Meeting on 31/5 2018



Chairman of the meeting

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Company information

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CVR. No.

60 97 89 13

Founded

12 May 1981

Registered office:

Copenhagen

Financial year:

1 January - 31 December

Company information

Board of Directors

Per Henrik Jensen, Chairman

Jakob Grünfeld

Sander Fynboe

Executive Management

Lars Nielsen, CEO

Auditors

None

Statement by the Board of Directors and the Executive Management

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

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

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

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

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

Copenhagen, 2018

Executive Management



Lars Nielsen

CEO

The Board of Directors



Per Henrik Jensen
Chairman



Jakob Grünfeld



Sander Fynboe

Management's commentary

Main activity

FLSmith Real Estate A/S is the owner of premises consisting of an undeveloped piece of land. The purpose with the ownership is to develop the premises in order to be sold.

Profit/loss for the year

The company's total revenue amounted to TDKK 0 in 2017.

The operating profit in 2017 amounted to TDKK -130 (2016: TDKK -165) which is not acceptable but in line with expectations.

The balance sheet total amounted to TDKK 19.842 at the end of 2017 (end of 2016: TDKK 32.583). Equity at the end of 2017 amounted to TDKK 11.058 (2016: TDKK 23.757), representing an equity ratio of 56% (2016: 73%).

The profit for the year is amounting to TDKK -2.699 (2016: TDKK 7.438).

The Board of Directors recommend a dividend to be paid out of TDKK 0 (2016: 10.000)

The result for 2018 is expected to be a minor loss and the company is expected to be liquidated when all obligations regarding previous sale of properties have been terminated.

Events occurring after the balance sheet date

No events have occurred after the balance sheet date that have a material effect on the amounts in the financial statements.

Accounting policies

General comments

The annual report of FLSmith Real Estate A/S for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

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

The financial statements have been prepared in accordance with the same accounting policies as last year.

General principles for recognition and measurement

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

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

In case of initial recognition, assets and liabilities are measured at cost. Subsequent measurements are based on value adjustments as described below.

Income is recognised in the income statement in step with it being earned, while costs are recognised at the amounts related to the financial year.

Translation of foreign currency

Transactions in foreign currency are translated at the exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities in foreign currency are translated at the exchange rates prevailing at the balance sheet date. Any foreign exchange differences between the rates prevailing at the date of the transaction and the payment date or the balance sheet date, as the case may be, are recognised in the income statement as financial items.

Non-monetary assets and liabilities in foreign currency are recognised at the rate of exchange prevailing at the date of the transaction. Non-monetary items that are measured at fair value (shares) are translated at the exchange rate prevailing at the date of the latest fair value adjustment.

Accounting policies

The foreign exchange adjustment of receivables from subsidiaries which are considered to be part of the parent company's total investment in the said subsidiary is recognised in the parent company income statement.

Income statement

Revenue

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

Income from the supply of services is recognised as revenue concurrently with the services agreed being supplied, so that the revenue corresponds to the sales value of the work completed in the financial year (production method).

Production costs

Production costs include direct labour costs and production overheads.

Administrative costs

Administrative costs comprise the costs of administrative staff and management and other indirect administrative costs.

Other operating income and costs

Other operating income and costs comprise income and costs of a secondary nature in relation to the activities of the Company, including certain grants, rentals and royalties, fees, etc.

Financial items

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

Tax

Tax for the year which comprises current tax and the change in deferred tax is recognised in the income statement with the share attributable to the profit/loss of the year, and directly in the equity with the share attributable to items entered directly in the equity.

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

Accounting policies

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

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

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

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

Balance sheet

Financial assets

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

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

Trade receivables

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

Other receivables

Receivables comprise revenue that has not been invoiced and other receivables.

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

Accounting policies

Dividend

Dividend is provided for in the financial statements at the time when it is decided at the Annual General Meeting, the company thereby having incurred a liability. The dividend proposed for distribution is stated as a separate item in equity.

Other liabilities

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

Income statement 2017

| Note | 2017 TDKK | 2016 TDKK |
|------------------------------------|----------------|--------------|
| Revenue | | 0 |
| Production costs | | 0 |
| Gross profit | 0 | 0 |
| Administrative costs | | |
| ¹ Other operating costs | (130) | (165) |
| Operating profit | (130) | (165) |
| 2 Financial income | 1 | 15 |
| Financial costs | 0 | 0 |
| Earnings before tax (EBT) | (129) | (150) |
| 3 Tax for the year | (2.570) | 7.588 |
| Profit/loss for the year | (2.699) | 7.438 |
| To be distributed as follows: | | |
| Proposed dividend | 0 | 10.000 |
| Retained earnings | (2.699) | (2.562) |
| | (2.699) | 7.438 |

Balance sheet at 31 December 2017

| Note | Assets | <u>2017</u> TDKK | <u>2016</u> TDKK |
|-------------|---------------------------------------|---------------------|---------------------|
| | Land and buildings | 0 | 0 |
| | Tangible assets | 0 | 0 |
| | Fixed assets | 0 | 0 |
| | Trade receivables | | 0 |
| | Receivables from affiliated companies | 19.803 | 29.949 |
| | Other receivables | 39 | 2.634 |
| | Receivables | 19.842 | 32.583 |
| | Cash and cash equivalents | 0 | 0 |
| | Current assets | 19.842 | 32.583 |
| | Assets | 19.842 | 32.583 |

Balance sheet at 31 December 2017

| Note | Equity and liabilities | 2017 TDKK | 2016 TDKK |
|--------------------|-----------------------------------|---------------|---------------|
| 4 | Share capital | 3.100 | 3.100 |
| | Retained earnings | 7.958 | 10.657 |
| | Proposed dividend | 0 | 10.000 |
| | Equity | 11.058 | 23.757 |
| 5 | Provisions | 8.293 | 8.292 |
| 6 | Other liabilities | 491 | 534 |
| | Corporation tax payable | 0 | 0 |
| | Short-term liabilities | 8.784 | 8.826 |
| | Liabilities | 8.784 | 8.826 |
| | Equity and liabilities | 19.842 | 32.583 |
| Other notes | | | |
| 7 | Contingent assets and liabilities | | |
| 8 | Related parties and ownership | | |
| 9 | Collateral and pledged assets | | |

Statement of changes in equity for 2017

| TDKK | Share capital | Retained earnings | Proposed dividend for | Total |
|-----------------------------------|---------------|-------------------|-----------------------|---------------|
| Equity at 1 January 2016 | 3.100 | 13.219 | 10.000 | 26.319 |
| Profit/loss for the year | 0 | (2.562) | 0 | (2.562) |
| Equity at 31 December 2016 | 3.100 | 10.657 | 10.000 | 23.757 |
| Equity at 1 January 2017 | 3.100 | 10.657 | 10.000 | 23.757 |
| Paid dividend | | | (10.000) | (10.000) |
| Profit/loss for the year | | (2.699) | 0 | (2.699) |
| Equity at 31 December 2017 | 3.100 | 7.958 | (10.000) | 11.058 |

Notes

| | 2017 TDKK | 2016 TDKK |
|--|----------------|----------------|
| 1 Other operating costs | | |
| Other operating costs include maintenance costs | | |
| 2 Financial income | 2017 TDKK | 2016 TDKK |
| Financial income | | |
| Interest income from Group enterprises | 1 | 15 |
| | <u>1</u> | <u>15</u> |
| 3 Tax for the year | | |
| Tax for the year | | |
| Current tax on the profit/loss for the year | | (33) |
| Adjustment for previous years, current taxes | (2.570) | (7.555) |
| Other adjustments | | 0 |
| | <u>(2.570)</u> | <u>(7.588)</u> |
| 4 Share capital | 2017 TDKK | 2016 TDKK |
| Analysis of the Company's share capital, TDKK 3.100 | | |
| 4 shares of TDKK 250 | 3.100 | 3.100 |
| 4 shares of TDKK 500 | | |
| 1 share of TDKK 100 | | |
| | <u>3.100</u> | <u>3.100</u> |
| All shares have the same share class. | | |
| 5 Provisions | | |
| Provisions | | |
| Provisions at 1 January 2017 | 8.292 | 8.301 |
| Additions | 0 | 0 |
| Used | 0 | (9) |
| Reversals | 0 | 0 |
| | <u>8.292</u> | <u>8.292</u> |
| 6 Other liabilities | | |
| Other payables include due holiday pay, public taxes and interest payable. | | |
| 7 Contingent liabilities | | |
| The Company is part of a Danish joint taxation scheme for which FLSmith & Co. A/S is the administrator. As part of the joint taxation, FLSmith Global Field Services ApS is liable with other companies in the joint taxation scheme for Danish corporate taxes on dividend, interest and royalties within the joint taxation group. | | |

Notes

8 Related parties and ownership

FLSmith A/S, Denmark owns 100% of the shares of FLSmith Real Estate A/S.

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

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

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

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

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

9 Collateral and pledged assets

None of the assets owned by FLSmith Real Estate A/S are pledged and the Company has no collateral agreements.