



FLSmidth Real Estate A/S

Vigerslev Allé 77

2500 Valby

CVR no. 60 97 89 13

Annual report for 2019

Adopted at the annual general
meeting on 27 May 2020

Per Henrik Jensen
chairman

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Statement by management on the annual report

The supervisory and executive boards have today discussed and approved the annual report of FLSmidth Real Estate A/S for the financial year 1 January - 31 December 2019.

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

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

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

Management recommends that the annual report should be approved by the company in general meeting.

Valby, 27 May 2020

Executive board

Morten Holle
CEO

Supervisory board

Per Henrik Jensen
chairman

Jakob Grünfeld

Sander Fynboe

Company details

The company

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CVR no.: 60 97 89 13

Reporting period: 1 January - 31 December 2019

Domicile: Copenhagen

Supervisory board

Per Henrik Jensen, chairman
Jakob Grünfeld
Sander Fynboe

Executive board

Morten Holle, CEO

Financial highlights

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

	2019	2018	2017	2016	2015
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss from ordinary operating activities before gains/losses from fair value adjustments	4.612	-347	-130	-165	40.065
Net financials	6	25	1	15	-651
Profit/loss for the year	3.569	-284	-2.699	7.438	37.081
Balance sheet					
Balance sheet total	15.870	18.736	19.843	32.583	67.811
Equity	14.345	10.777	11.061	23.757	56.319
Return on assets	26,7%	-1,8%	-0,5%	-0,3%	52,8%
Solvency ratio	90,4%	57,5%	55,7%	72,9%	83,1%
Return on equity	28,4%	-2,6%	-15,5%	18,6%	98,2%

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and guidelines. For definitions, see the summary of significant accounting policies.

Where the accounting policies have been changed, the comparatives for 2015 onwards have been restated. For an account of changes in accounting policies, see the summary of significant accounting policies.

Management's review

Business activities

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.

Business review

The company's income statement for the year ended 31 December shows a profit of TDKK 3.569, and the balance sheet at 31 December 2019 shows equity of TDKK 14.345.

The board of Directors recommended a dividend to be paid out to TDKK 0 (2018: 0)

The result for 2020 is expected to be a minor profit and the company is expected to be liquidated when all obligations regarding previous sale of properties have been terminated.

Accounting policies

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

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

The annual report for 2019 is presented in TDKK

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

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

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

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the company's activities, including losses on the sale of intangible assets and property, plant and equipment.

Accounting policies

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses, financial expenses relating to finance leases, realised and unrealised capital/exchange gains and losses on securities and foreign currency transactions, amortisation of mortgage loans and surcharges and allowances under the advance-payment-of-tax scheme, etc.

Tax on profit/loss for the year

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

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

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

Balance sheet

Tangible assets

Items of plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

Interest expenses on loans obtained specifically for the purpose of financing the manufacturing of items of property, plant and equipment are included in cost over the manufacturing period. All indirect, attributable borrowing costs are recognised in the income statement.

Accounting policies

Where individual parts of an item of property, plant and equipment have different useful lives, the cost is divided into separate parts, which are depreciated separately.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

	Useful life
Land & Buildings	25-70 years

The useful life and residual value of the company's property, plant and equipment is reassessed annually.

Gains or losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses, respectively.

Receivables

Receivables are measured at amortised cost.

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

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

Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, the financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

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

Financial liabilities also include the capitalised residual finance lease commitment.

Accounting policies

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

Income statement 1 January 2019 - 31 December 2019

	<u>Note</u>	<u>2019</u> TDKK	<u>2018</u> TDKK
Administrative costs		-5	-1
Operating profit/loss		-5	-1
Other operating income		4.735	0
Other operating costs		-118	-346
Profit/loss from ordinary operating activities before gains/losses from fair value adjustments		4.612	-347
Profit/loss before financial income and expenses		4.612	-347
Financial income	1	6	25
Profit/loss from ordinary activities before tax		4.618	-322
Profit/loss before tax		4.618	-322
Tax on profit/loss for the year	2	-1.049	38
Net profit/loss for the year		<u>3.569</u>	<u>-284</u>
Retained earnings		3.569	-284
		<u>3.569</u>	<u>-284</u>

Balance sheet at 31 December 2019

	<u>Note</u>	<u>2019</u> TDKK	<u>2018</u> TDKK
Assets			
Land and buildings		0	0
Fixed asset investments		<u>0</u>	<u>0</u>
Receivables from subsidiaries		15.861	18.679
Other receivables		9	19
Corporation tax		0	38
Receivables		<u>15.870</u>	<u>18.736</u>
Total current assets		<u>15.870</u>	<u>18.736</u>
Total assets		<u><u>15.870</u></u>	<u><u>18.736</u></u>

Balance sheet at 31 December 2019

	<u>Note</u>	<u>2019</u> TDKK	<u>2018</u> TDKK
Equity and liabilities			
Share capital		3.100	3.100
Retained earnings		<u>11.245</u>	<u>7.677</u>
Equity	3	<u>14.345</u>	<u>10.777</u>
Banks		0	34
Payables to subsidiaries		76	0
Corporation tax		1.049	0
Other payables		<u>400</u>	<u>7.925</u>
Total current liabilities		<u>1.525</u>	<u>7.959</u>
Total liabilities		<u>1.525</u>	<u>7.959</u>
Total equity and liabilities		<u><u>15.870</u></u>	<u><u>18.736</u></u>
Contingencies, etc.	4		
Related parties and ownership structure	5		

Notes

	<u>2019</u>	<u>2018</u>	
	TDKK	TDKK	
1 Financial income			
Other financial income	<u>6</u>	<u>25</u>	
	<u>6</u>	<u>25</u>	
2 Tax on profit/loss for the year			
Current tax for the year	1.016	0	
Adjustment of tax concerning previous years	33	0	
Joint taxation contribution	<u>0</u>	<u>-38</u>	
	<u>1.049</u>	<u>-38</u>	
3 Equity			
	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
	TDKK	TDKK	TDKK
Equity at 1 January 2019	3.100	7.676	10.776
Net profit/loss for the year	<u>0</u>	<u>3.569</u>	<u>3.569</u>
Equity at 31 December 2019	<u>3.100</u>	<u>11.245</u>	<u>14.345</u>

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

4 Contingencies, etc.

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

Notes

5 Related parties and ownership structure

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

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

The Group Annual Report 2019 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 FLSmidth & 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.