



FLSmidth A/S

Vigerslev Allé 77

2500 Valby

CVR no. 15 02 88 82

Annual report for 2023

Adopted at the annual general
meeting on 10 April 2024

A handwritten signature in blue ink, appearing to read 'Mads Nipper', written over a horizontal line.

Mads Nipper
chair

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Company details

FLSmidth A/S
Vigerslev Allé 77
2500 Valby

Telephone: +4536181000

Website: www.flsmidth.com

CVR-no. 15 02 88 82

Financial year: 1 January - 31 December 2023

Incorporated: 6 March 1991

Domicile: Copenhagen

Board of Directors

Tom Knutzen, chair
Mads Nipper, deputy chair
Gillian Dawn Winckler
Thrasylvoulos Moraitis
Daniel Lars Reimann
Anne Louise Eberhard
Claus Østergaard
Carsten Hansen
Leif Gundtoft

Executive Board

Mikko Juhani Keto, CEO
Roland Munkerod Andersen, CFO

Auditors

EY Godkendt Revisionspartnerselskab
Dirch Passers Allé 36
2000 Frederiksberg

Statement by management on the annual report

The Board of Directors and Executive management have today discussed and approved the annual report of FLSmidth A/S for the financial year 1 January - 31 December 2023.

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 2023 and of the results of the company's operations for the financial year 1 January - 31 December 2023.

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

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

Valby, 10 April 2024

Executive management



Mikko Juhani Keto
CEO



Roland Munkered Andersen
CFO

Board of Directors




Tom Knutzen
chair



Mads Nipper
deputy chair



Gillian Dawn Winckler



Thrasyvoulos Moraitis



Daniel Lars Reimann



Anne Louise Eberhard



Claus Østergaard



Carsten Hansen



Leif Gundtoft

Independent auditor's report

To the Shareholders of FLSmidth A/S

Opinion

We have audited the financial statements of FLSmidth A/S for the financial year 1 January – 31 December 2023, which comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January – 31 December 2023 in accordance with the Danish Financial Statements Act.

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 financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent auditor's report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on management's review

Management is responsible for 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 Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 10 April 2024

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Jens Thordahl Nøhr
State Authorised Public Accountant
MNE no. mne32212



Claus Tanggaard Jacobsen
State Authorised Public Accountant
MNE no. mne23314

Financial highlights

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

	2023	2022	2021	2020	2019
	MDKK	MDKK	MDKK	MDKK	MDKK
Key figures					
Profit/loss					
Revenue	2.429	2.306	2.202	2.119	3.590
Gross profit	-97	-52	-70	-42	95
Operating profit/loss	-1.034	-859	-614	-437	-305
Profit/loss before net financials	225	-135	-201	-50	46
Net financials	51	-406	19	4	409
Profit/loss for the year	131	-547	-105	-154	441
Balance sheet					
Balance sheet total	13.305	12.117	12.776	10.827	11.976
Investment in property, plant and equipment	2	0	1	10	3
Equity	5.473	4.369	4.924	4.645	4.798
Number of employees	726	736	765	922	900
Financial ratios					
Gross margin	-4,0%	-2,3%	-3,2%	-2,0%	2,6%
EBIT margin	9,3%	-5,9%	-9,1%	-2,4%	1,3%
Solvency ratio	41,1%	36,1%	38,5%	42,9%	40,1%
Return on equity	2,7%	-11,8%	-2,2%	-3,3%	9,6%

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

Management's review

Business activities

FLSmidth A/S business activities are anchored around a unique combination of services and products. Our key strategic focus is to expand the share of services and standardised products relative to the share of large projects, while simultaneously de-risking the project portfolio. This focus will help us obtain a more profitable business mix and a less cyclical business with a lower level of risk.

FLSmidth A/S is also the owner of the entire FLSmidth Group's patents, trademarks and know-how and receives royalties from other Group companies for their use thereof.

Management's review

Strategy and business model

In an increasingly resource-intensive world, our customers in the mining and cement industries face a triple challenge: producing more, more sustainably and under more difficult conditions. Commodity demand is fueled by global economic growth and the green transition, particularly increasing the need for critical minerals like copper, nickel and lithium. Our clients are not only committed to increasing sustainable production methods (e.g., by reducing emissions, minimising power consumption and conserving water), they also face escalating operational challenges. These include declining ore grades, exploration of more remote and intricate deposits, a landscape of intensifying regulations and looming geopolitical uncertainties.

At FLSmidth, we position ourselves as a full flowsheet technology and service provider for the global mining and cement industries. Our role is to assist our customers in enhancing their operational performance reducing operating costs and minimizing their environmental footprint.

Transformation

FLSmidth is on a transformation journey turning from an engineering-based business with a legacy in large capital projects towards a technology company focused on service offerings. This is accompanied by a significant simplification and streamlining of our operations. To further improve transparency, accountability and our financial performance, we have established a Business Line structure with a global P&L management under each segment. This reflects the simplification of our operating model with our global footprint being optimised to better reflect our business environment and our long-term growth opportunities.

Our strategy emphasises an asset-right model and a streamlined setup. Localising our service footprint whilst consolidating our supply chain and execution centres are key. This ensures organizational efficiency and prompt delivery.

Continued high focus on profitability and a de-risked approach are crucial to our transformation journey. With less greenfield mining and fewer new cement plants being built, our overall strategic focus in Mining and Cement is shifting towards a service-led business. We pursue fewer large, complex orders and target more high-margin service offerings.

Life cycle profit approach

Our ethos of 'value over volume' guides our business management, focusing on long-term profitability for stakeholder value creation. The products we supply in Mining and Cement often generate business opportunities far exceeding their initial investment over their lifecycle. We are strategically positioned to support our customers through-out this lifecycle, capturing a substantial share of service-related revenue.

Management's review

Pure play approach

Starting January 2024, Mining and Cement are operating as independent 'pure play' businesses. This structure enables each to focus on unique opportunities, maximising potential and value creation. Each business follows a tailored strategy. This approach stems from the limited synergies, distinct customer bases, product offerings and industry dynamics between the businesses. It offers enhanced operational flexibility, independent decisionmaking, accountability, cost clarity and defined roles and responsibilities.

Financial review

The company's income statement for the year shows a revenue of MDKK 2.429 (2022: MDKK 2.306) which is according to guidance.

Result before tax, but excluding impairments of investments in subsidiaries shows MDKK 1.095 (2022: MDKK 136) which is above guidance of 0.1-0.3 bDKK, but mainly due to a combination of royalties and dividend distributions from subsidiaries.

The profit for the year amounted to MDKK 131 (2022: MDKK -547), impacted by net impairment of investments in subsidiaries of MDKK 819 (2022: MDKK 677) mainly due to costs incurred related to restructuring and integration activities.

Total assets amounted to MDKK 13.305 at the end of 2023 (end of 2022: MDKK 12.117). The equity at the end of 2023 amounted to MDKK 5.473 (2022: MDKK 4.369), representing a solvency ratio of 41,1% (2022: 36,1%). During the year, the company received a tax-exempt Group contribution in kind from the parent company in the amount of MDKK 963. The return on shareholders' equity in 2023 amounted to 2,7% (2022: -11,8%).

The total order intake of FLSmidth A/S amounted to MDKK 2.160 in 2023, representing a 5,5% decrease compared to the year before (2022: MDKK 2.287).

Management's review

Market trends

Mining Market

We continue to see a stable and active service market and a relatively softer products market. The long-term industry outlook remains positive supported by economic development and a growing demand for minerals crucial for the green transition.

Throughout 2023, the global mining markets have remained active within major commodities. This especially applies to the global copper, lithium and gold markets. However, we continue to see some adverse effects from delayed large capital investment decisions, permitting issues in certain countries and prevailing macroeconomic and geo-political uncertainty.

Looking into 2024, the service market is expected to remain stable and active, and we continue to see a steady inflow of customer service enquiries as miners aim to improve operating performance through continued investments in productivity and sustainability solutions.

The products market is inherently more volatile and remains affected by some customers delaying large investment decisions, albeit with a prevailing demand for products offering high-efficiency and sustainability solutions.

Cement Market

2023 was a mixed year for the cement industry with growing macroeconomic and geopolitical uncertainty as well as an evolving regulatory landscape. These headwinds were partly offset by pockets of healthier market conditions in specific regions.

At the end of 2023 the company was impacted by a general slow-down in market demand. This market environment was in large parts a result of prevailing high interest rates and global inflation levels which have adversely impacted construction activity and thus the demand for cement. These dynamics have been most profound in the products market, while the service market has been relatively more stable through the year. As a result, global cement producers have continued to show strict capital spending discipline throughout most of 2023 and into 2024 leading to substantial delays in major investment decisions, which has adversely impacted especially the cement products market. While the short-term market outlook remains challenged, the long-term trend towards more sustainable cement production, supported by the growing urgency of the green transition, remains and continues to support long-term growth opportunities.

Management's review

Special risks apart from generally occurring risks in the industry

FLSmidth's risk management framework is outlined on the company website:
www.flsmidth.com/en-gb/company/investors/governance/managing-risks

As we continue our transformation journey, the inherent risks and challenges we face around the world require an internal capability to interpret a fast-moving world and to understand how varying threats and opportunities might impact our ability to deliver on our strategy.

It requires commitment from the entire FLSmidth organisation to properly evaluate and generate open and constructive discussions about risks so that we can act and be more agile in response to the overall trends that we see. It enables us to manage or contain events that have the potential to derail our strategic ambitions.

During 2023, we have seen the political environment further exacerbate risks we were already aware of both geopolitically and locally in the regions. Political friction continues as does concerns about climate change, while the green transition in both industries continues at a slow pace.

The transformation journey to becoming a service-centric technology company with a focus on our core business with a less complex pure play setup involves the successful completion of several internal and complex projects and we continuously monitor the ability of our organisation to deliver on these projects and transformation while ensuring focus on delivering to our customers.

We continue to see our project risks successfully mitigated with our focus on "Value over Volume" – a proposition that prioritises contribution margin over total order intake and revenue volume and our efforts to de-risk our portfolio by taking out low-margin and high-risk projects.

Management's review

Credit risks

We are exposed to credit risks arising from cash and cash equivalents, derivatives and receivables including work in progress.

For receivables the credit risk is managed by continuous risk assessments and credit evaluations of customers and trading partners; having country specific risk factors in mind. To the extent possible, the credit risks are mitigated through use of payment securities, such as letters of credit and guarantees issued by first class rated banks, or by securing positive cash flow throughout the execution under customer contract.

Our customers and trading partners mainly consist of companies within the Cement and Mining industry. Credit risk is among other things dependent on the development in these industries.

The Treasury Policy sets forth authority limits for the credit risk exposure related to cash and cash equivalents as well as derivatives. The limits are based on the counterparty credit rating. We have entered into netting agreements with the counterparties used for trading of derivatives, which means that the credit risk for derivatives is limited to the net assets per counterparty.

We aim at using banks of high quality in the countries we operate in. However, due to the nature of our business and operations in emerging markets, we are sometimes exposed to banks where the credit rating and quality can be lower than what we typically see in developed countries.

Management's review

Environmental, Social and Governance (ESG)

We are part of the mining and cement industries, both known for their substantial environmental and social impacts locally and globally. The industries combined contribute approximately 10% of the world's CO2 emissions, and the operations of mining and cement companies are often prominent in their local communities, emphasising the need for sustainable practices. This is a key reason we take a value chain approach to evaluating the impact of our business. Our impact goes far beyond our own operations and is directly tied to the operations of our suppliers and customers. It is particularly significant that 99% of our value chain emissions are generated from customers' use of our products over their operational life.

Our value chain approach enables us to identify potential material issues and opportunities, which we disclose in our sustainability reporting. We welcome the greater attention on harmonisation of sustainability requirements and disclosures by customers, analysts and regulators. We are increasingly evaluating the impacts of our business in accordance with the latest regulations and directives.

We consider a broad range of perspectives through continuous dialogue with various stakeholder groups, such as industry associations, peers, suppliers, customers, communities and more. This dialogue is necessary for us to achieve a supportive policy environment, active involvement from civil society and strong collaboration across the value chain.

A strong governance structure is essential for embedding sustainability in our organisation. The Board of Directors addresses sustainability updates every quarter and conducts an annual sustainability review to ensure it can effectively guide ongoing developments. This includes reviewing and approving our various policies annually.

As part of the newly introduced operating model, we are progressively introducing sustainability based performance objectives within relevant employees' annual performance and development plans. Sustainability is included in the bonus programme for employees working in selected sales functions.

Concurrently, FLSmidth has together with the publishing of the Group Annual Report also published its annual Sustainability Report covering non-financial performance related to environmental, social and governance impacts. The report has been published every year since 2010, guided by Global Reporting Initiative (GRI) standards, and is prepared in compliance with sections 99a and 107d of the Danish Financial Statements Act and the EU Taxonomy Regulation disclosure requirements. The report also serves as an addition to the online Communication on Progress to the United Nations Global Compact.

For FLSmidth A/S' statutory reporting cf. § 99a, please refer to our Group report available at: <https://www.flsmidth.com/en-gb/company/sustainability/sustainability-reports>

Management's review

Research & Development activities

Through our MissionZero programme, we help mining and cement companies to reduce their environmental footprints by developing more sustainable technologies and optimising production processes.

To guide and measure the progress of our MissionZero programme, we have aligned our business targets with the 2015 Paris Agreement and have validated science-based targets against the 1.5 C scenario. Our targets address our scope 1, 2 and 3 GHG emissions. Our downstream scope 3 emissions, which account for 99% of our value chain emissions, are specifically linked to our MissionZero programme. We have set an economic intensity target to decouple the growth of our business from the growth in emissions. Economic intensity represents the annual emissions of products sold as a function of order intake. Our 2030 target is to reduce economic intensity by 56% against a 2019 baseline.

We focus our research and development activities on developing more sustainable solutions. For our mining customers, we optimise flowsheets for processing copper, gold and lithium. This includes enabling mining companies to reduce energy consumption in the comminution process, one of the most energy-intensive stages in mining. This contributes to a reduced environmental footprint while also reducing costs. Our technologies also help mining companies to drastically reduce water usage. In cement, we enhance the use of alternative, less carbon-intensive fuels and integrate calcined clay into production processes. We also focus on applying carbon capture technologies to mitigate the heavy carbon emissions associated with cement production.

Our approach is collaborative. We have strong technical partnerships with customers, universities, start-ups and other organisations. Working together, we can accelerate innovation and bring more sustainable solutions to market. Partnerships are also important as we contribute to establishing a supportive public policy. We engage with international organisations who help to stimulate demand for green minerals, metals and cement through, for example, green public procurement.

Management's review

Gender representation on the Board of Directors and at other management levels of FLSmidth A/S

The Board of Directors of FLSmidth A/S continually evaluates the representation of women and men on the Board of Directors and at the other management levels of the company in accordance with section 139c of the Danish Companies Act and the following constitutes the company's statutory gender reporting according to section 99b of the Danish Financial Statements Act.

The first level of management includes members of the Executive Board and the persons who organisationally are at the same level as the Executive Board. The other level of management level includes persons with managerial responsibility, who refer directly to the first level of management.

Gender representation	2023
Board of directors	
Total number of members	6
Underrepresented gender (%)	33.33%
Target figure (%)	Not required
Year for achievement of target figure	Not required
Other management levels	
Total number of members	9
Underrepresented gender (%)	22.22%
Target figure (%)	25%
Year for achievement of target figure	2026

Gender representation on the Board of Directors

At the end of 2023, the gender representation among the board members of FLSmidth A/S elected by the general meeting was considered equal in accordance with applicable law. Among the six board members, 33.33% were women and 66.67% were men. For this reason, no gender diversity target has been set for the Board of Directors.

Gender representation at the other management levels and target

At the end of 2023, the other management levels of FLSmidth A/S comprised nine people of which 22.22% were women and 77.78% were men. The company has a target to increase the representation of women at the company's other management levels to 25% by 2026, as the gender representation is currently not considered equal. The target was set in 2023 in order to comply with the new statutory rules in section 139c of the Danish Companies Act.

Management's review

Policy to increase the underrepresented gender at the other management levels

As the underrepresented gender at the company's other management levels is currently identified as women, the company has established a policy that aims at increasing the share of women at the other management levels through recruitment, internal leadership development, promotions, compensation and benefits.

As part of the recruitment process, diversity is deliberately taken into account when considering the profiles and qualifications of potential candidates, and the company strives to ensure that both genders are represented in the final stages of internal as well as external recruitment processes filling at least 33-40% of open positions with women talents. During 2023, the company's talent acquisition strategy was evaluated and revised including additional focus on Diversity, Equity & Inclusion (DE&I) processes and structure to do more sourcing and building a pipeline of women talents. The strategy is expected to be implemented during 2024.

To promote and develop a strong pipeline of women leaders inside FLSmidth more than 33% of participants in the internal leadership programmes in FLSmidth were women leaders. Following a focus on securing development and succession plans were made in 2023 and in 2024 additional mentoring program offerings will be implemented.

In 2023, there was a continued focus on addressing historic gender pay gaps, and the company made considerable investments to further reduce the gap driving equitable pay.

Becoming an employer of choice also includes offering a workplace with flexible work arrangements and a family policy in connection with childbirth, offering 24 weeks of paid leave for both mothers, fathers as well as for so-called social parents and co-parents creating equality for all family constellations in FLSmidth A/S.

A DE&I council was established in 2023 and supported with insights from monthly engagement surveys and well-being questionnaires, the company proactively identifies and work with issues related to diversity and inclusion.

Significant events occurring after end of reporting period

On 29 January 2024, FLSmidth announced that we will explore the available divestment options for our Cement business. The announcement does not impact the company's financial statements for 2023.

Furthermore, it is expected that the Board of Directors will approve an upcoming demerger of the company where it is divided into a Mining part and a Cement part and going forward the entity will accordingly include the Mining business only.

No other events have occurred after the balance sheet date which could significantly affect the company's financial position as of 31 December 2023.

Management's review

Outlook for 2024

Looking into 2024, the service market in Mining is expected to remain stable and active, and we continue to see a steady inflow of customer service enquiries as miners aim to improve operating performance through continued investments in productivity and sustainability solutions. The products market is inherently more volatile and remains affected by some customers delaying large investment decisions, albeit with a prevailing demand for products offering high-efficiency and sustainability solutions.

However, the outlook for the entity is affected by the upcoming demerger of the company where it is divided into a Mining part and a Cement part and going forward the entity will be in the Mining business.

Guidance for 2024 is a revenue in the range of 0.6-1.0 bDKK and a result before tax, but excluding impairments of investments in subsidiaries in the range of 0.2-0.4 bDKK.

The above guidance is subject to uncertainty due to the upcoming demerger.

Statement of policy for data ethics

In 2021, FLSmidth issued its Policy on Data Ethics. The policy addresses the data ethic principles applied by FLSmidth and describes the approach to data processing covering all data types. When using artificial intelligence and the like, we strive to ensure that the results are not discriminatory or biased. The short- and longterm consequences of data processing activities, especially when new technology is applied, are considered and the impact on the data subjects are taken into account. Security of data is important to us. FLSmidth adheres to the six fundamental ethical values developed by the expert group on data ethics to the Danish Data Ethics Council. Group Legal is the owner of the policy.

For FLSmidth A/S' statutory reporting cf. §99d, please refer to our Group report available at: www.flsmidth.com/data-ethics

Accounting policies

The annual report of FLSmidth A/S for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

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

The annual report for 2023 is presented in MDKK.

Pursuant to sections §112 subsection 1 and §86 subsection 4 of the Danish Financial Statements Act, the Annual Report of FLSmidth A/S does not contain consolidated financial statements nor a cash flow statement. With the same reference, disclosure of audit fee is excluded in accordance with §96 subsection 3.

In 2023, the presentation of liabilities have been changed so that provisions are reported within current and non-current liabilities instead of within a separate category in order to align with international practice. Comparatives have been restated.

Intra-group business combinations

The book value method is applied to business combinations such as acquisition and disposal of equity investments, mergers, demergers, additions of assets and share conversions, etc. in which entities controlled by the parent company are involved, provided, that the combination is considered completed at the time of acquisition without any restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquiree are taken directly to equity.

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.

Accounting policies

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 installments 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

Revenue

Revenue comprises of sale of products and service within the Mining and Cement Industries.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to our customers at an amount that reflects the transaction price to which we expect to be entitled in exchange for these goods or services.

Revenue from products, and services (with the exception of sale of service hours) are recognised over time, using the cost-to-cost method, when we have no alternative use for the goods or services to be delivered and we have an enforceable right to payment for work completed.

If we do have an alternative use for the goods or services to be delivered, e.g. products with a low degree of customisation, such sales will be recognised at the point in time when control transfers to the customer, usually upon delivery.

Additionally, if we do not have an enforceable right to payment for work completed throughout the contract term, such sales will also be recognised at the point in time when the control transfers to the customer, usually upon customer acceptance. In the case of significant uncertainties with the collectability of contract consideration, revenue is recognised upon cash receipt.

Judgements are made when determining if a product or service is recognised as revenue over time or at a point in time. The judgements relate to if we have an alternative use of the assets sold and if we have an enforceable right to payment throughout the contractual term. When assessing if an asset has no alternative use we estimate the alternative use cost amount. We have limited historical data as we rarely redirect our assets. The estimate is based on the specifics of each contract. When assessing if we are entitled to payment throughout the contract term, a judgement is made based on the contract wording, legal entitlement and profit estimates.

Accounting policies

Service sales (sale of service hours) are recognised over time, using the cost-to-cost method, as the customer receives and consumes the benefits as we perform the services.

In determining the transaction price revenue is reduced by probable penalties, payment of liquidated damages and any other claims that are payments to our customers. The transaction price is also adjusted for any variable elements, where we estimate the amount of the variable transaction price. The variable amount is estimated at contract inception and re-estimated periodically throughout the contract term. The variable amount is recognised as revenue when it is highly probable that reversal will not occur.

Warranties are granted in connection with the sale of equipment and systems and are classified as assurance-type warranties that are not accounted for as separate performance obligations.

Revenue is recognised less rebates, cash discounts, value added tax and duties and gross of foreign withholding taxes.

The Company has chosen IFRS 15 as interpretation for revenue recognition.

Cost of production

Cost of production comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation.

Cost of production also includes research and development costs that do not qualify for capitalisation as well as amortisation of capitalised development costs.

Sales and distribution costs

Sales and distribution costs comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

Administrative costs

Administrative expenses comprise expenses incurred in the year related to management, administrative staff, office premises, office expenses, depreciation, etc.

Accounting policies

Other operating income

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.

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognized on a straight-line basis over the period of the agreement.

Gain and loss from the disposal of individual fixed assets which cannot be considered part of the disposal of a complete activity is included in other operating income and costs.

Impairment of financial assets

Impairment and reversals of impairment of investments in subsidiaries and equity interests are presented net in the income statement.

Income from investment in subsidiaries

Dividend from investments in subsidiaries and equity interests is recognised as income in the income statement in the financial year in which the dividend is declared. This will typically be at the time of the approval by the Annual General Meeting of the distribution from the company concerned.

The liquidations proceeds related to the liquidation of a subsidiary is recognized as income in the financial statement in the year in which the liquidation is finalized and the liquidation proceeds are free to be distributed to the owner.

Gain and loss from the disposal of individual investments in subsidiaries is included in income from investment in subsidiaries.

Financial income and costs

Financial income and costs are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and costs, 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.

Accounting policies

Tax on profit/loss for the year

The Company and its Danish Group enterprises are jointly taxed with the other Danish members of the FLSmidth & 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).

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

Intangible assets

Development projects, patents and licences

Development costs comprise costs, wages/salaries and amortisation losses that are directly and indirectly attributable to the company's development activities.

Accounting policies

Developments projects recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Clearly defined and identifiable development projects, for which the technical rate of utilisation, sufficient resources and a potential future market or application in the Company can be demonstrated and which are intended to be manufactured, marketed or used, are recognised as intangible assets if the cost can be determined reliably, and if it is sufficiently certain that the future earnings or the net selling price will cover production, selling and administrative costs plus the development costs. Other development costs are recognised in the income statement as the costs are incurred.

Amortisation of completed development projects except from software 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 tested for impairment at least once a year.

Amortisation of patents, rights, customer relations and other intangible assets is charged over the remaining patent or agreement period or useful life if shorter. The amortisation profile is systematically based on the expected distribution of the assets' future economic benefits. The basis of amortisation is reduced by impairment losses if any.

Following the completion of the development work, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually five years.

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 30 years
- Customer relations, up to 20 years

If under rare circumstances useful life can not be estimated reliably, useful life is set at 10 years.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses. Other intangible assets are amortised on a straight line basis over the estimated useful life.

Patents and licenses are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining patent period, and licences are amortised over the term of the licence.

Accounting policies

Gains and losses on the disposal of development projects, patents and licenses are determined as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Tangible assets

Items of land and buildings, 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. Land is not depreciated. Where individual components of an item of tangible assets have different useful lives, they are accounted for as separate items, which are depreciated separately.

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.

Accounting policies

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

	Useful life
Manufacturing plants	20-40 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	5 years

Assets of low acquisition value or short life are recognised in the income statement in the years of acquisition.

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.

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The company's total liabilities relating to operating leases and other rent agreements are disclosed under 'Contingencies, etc.'.

Currently the company has no financial leases.

Financial assets

Investment in subsidiaries and equity interests are measured at cost. If cost exceeds the recoverable amount, a write-down is made to this lower value.

Dividend from subsidiaries and equity interests 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.

Accounting policies

Other investments

Other securities and investments, including listed shares are measured at fair value via the income statement.

In particular circumstances where the value quoted on the stock exchange is considered not to represent the actual fair value, the shares concerned are carried at an estimated fair value. Value adjustments are recognised in the income statement as financial items.

Other securities and investments includes shares in cement plants acquired in connection with orders received are measured at fair value. If the fair value is not immediately ascertainable, the shares are measured at a prudently assessed value.

Impairment of non-current assets

The carrying amount of intangible assets, items of property, plant and equipment and investments in subsidiaries and equity interests is tested annually for impairment, other than what is reflected through normal amortisation and depreciation.

Where there is evidence of impairment, an impairment test is performed for each individual asset or group of assets. Write-down is made to the lower of the recoverable amount and the carrying amount.

The recoverable amount is the higher of the net present value and the value in use less expected costs to sell. The net present value is determined as the present value of the anticipated net cash flows from the use of the asset or group of assets and the anticipated net cash flows from the disposal of the asset or group of assets after the end of their useful life.

Inventories

Inventories are measured at cost using the weighted average method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

The cost of goods for resale, raw materials and consumables comprises the purchase price plus delivery costs.

The cost of finished goods includes the cost of raw materials, consumables, direct cost of labour and production/production overheads.

The net realisable value of inventories is calculated as the selling price less costs of completion and expenses incurred to effect the sale. The net realisable value is determined taking into account marketability, obsolescence and expected selling price movements.

Accounting policies

Receivables

Receivables are measured at amortised cost or lower net realizable value. The company has chosen IFRS 9 as interpretation for impairment.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss for that individual asset is recognised.

Contract work in progress

Contract work in progress is measured at the selling price of the work performed. The selling price is measured by reference to the stage of completion at the balance sheet date and the expected aggregated income from the individual work in progress. The stage of completion is determined as the share of the expenses incurred relative to the expected total expenses for the individual work in progress.

The stage of completion for the individual project is normally calculated as the ratio between the costs incurred and the total budgeted costs. In some projects, where costs cannot be used as a basis, the ratio between completed sub activities and the total project is used instead.

The individual work in progress is recognised in the balance sheet under receivables or payables. Net assets comprise the sum of work in progress where the selling price of the work performed exceeds invoicing on account. Net liabilities comprise the sum of work in progress where invoicing on account exceeds the selling price.

Contractual prepayments are recognised as prepayments received from customers among long-term and current liabilities.

Prepayments to subcontractors consist of prepayments to subcontractors in connection with work-in-progress for third parties and are measured at amortised cost.

Provision is made for loss making contracts on work-in-progress. This is based on individual assessment of the estimated loss until the work is completed.

Prepayments

Prepayments recognised under 'Current assets' comprises expenses incurred concerning subsequent financial years.

Accounting policies

Equity

Hedging reserve

Derivatives are initially recognised in the balance sheet at fair value and subsequently remeasured at fair value. Fair value of derivatives is included in other receivables or other liabilities respectively.

Fair value changes of derivatives that are accounted for as cash flow hedging instruments are recognised in equity. Any ineffective portions of the cash flow hedges are recognised in the income statement within financial item. When the hedged cash flows materialises, the fair value of the hedging instrument is transferred from equity into the line item of the hedged item.

Reserve for development projects

An amount equivalent to internally generated development costs in the balance sheet is recognised in equity under reserve for development costs. The reserve is measured less deferred tax and reduced by amortisation and impairment losses on the asset. If impairment losses on development costs are subsequently reversed, the reserve will be restored with a corresponding amount. The reserve is dissolved when the development costs are no longer associated with the operations of the enterprise, and the remaining amount will be transferred to retained earnings.

Dividends

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability when declared by the annual general meeting of shareholders.

Provisions

Provisions comprise expected expenses relating to warranty commitments, losses on work in progress, restructuring, etc. Provisions are recognised when, as a result of a past event, the company has a legal or constructive obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions - except for provisions for deferred tax - are measured at net asset value.

Warranty commitments include expenses for remedial action within the warranty period. Provisions for warranty commitments are measured and recognised based on Management's best estimate of the amount whereby the obligation is expected to be settled. Provisions with an expected maturity of more than one year from the balance sheet date are discounted using a rate that reflects the risk and maturity of the liability.

Accounting policies

On corporate acquisitions, provisions for restructuring costs in the acquiree are included in the statement of the cost and, thus, in goodwill or goodwill on consolidation. Provisions for restructuring costs are made in so far as they have been decided no later than at the time of acquisition and the process has been initiated.

When it is probable that the total expenses will exceed the total revenue from contract work in progress, the total expected loss on the work in progress is recognised as a provision. The provision is recognised under production costs.

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

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax adjustments resulting from changes in tax rates are recognised in the income statement, with the exception of items taken directly to equity.

Liabilities

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

In the balance sheet the cash pool accounts are recognised under receivables and payables to affiliated companies as part of assets and liabilities, respectively.

Prepayments received from costumers

Prepayments received from costumers recognised under 'Non-current liabilities' and 'Current liabilities' comprises payments received concerning income in subsequent financial years.

Accounting policies

Foreign currency translation

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

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

Fixed assets acquired in foreign currencies are translated at the exchange rate at the transaction date.

Derivative financial instruments

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

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

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

Accounting policies

Financial Highlights

Definitions of financial ratios.

Gross margin	$\frac{\text{Gross Profit} \times 100}{\text{Revenue}}$
EBIT margin	$\frac{\text{Profit/loss before financials} \times 100}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets}}$
Return on equity	$\frac{\text{Net profit/loss for the year} \times 100}{\text{Average equity}}$

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.

Income statement 1 January - 31 December

	Note	2023 MDKK	2022 MDKK
Revenue	1	2.429	2.306
Cost of production	2-8- 9	-2.526	-2.358
Gross profit		-97	-52
Sales and distribution costs	2-8- 9	-245	-252
Administrative costs	2-8- 9	-692	-555
Operating profit/loss		-1.034	-859
Other operating income and costs	3	1.259	724
Profit/loss before financial income and expenses		225	-135
Income from investments in subsidiaries		1.095	351
Financial income	4	61	104
Impairment and reversals of impairment of investments in subsidiaries	10	-819	-677
Financial costs	5	-286	-184
Profit/loss before tax		276	-541
Tax on profit/loss for the year	6	-145	-6
Net profit/loss for the year		131	-547
Distribution of profit	7		

Balance sheet 31 December

	Note	2023 MDKK	2022 MDKK
Assets			
Completed development projects		172	202
Acquired patents		704	592
Development projects in progress		639	408
Other intangible assets		183	360
Intangible assets	8	1.698	1.562
Land and buildings	9	20	21
Other fixtures and fittings, tools and equipment	9	2	5
Tangible assets		22	26
Investments in subsidiaries	10	7.232	6.900
Investments in equity interests	11	0	0
Other investments	12	17	17
Deferred tax assets	17	870	790
Financial assets		8.119	7.707
Total non-current assets		9.839	9.295

Balance sheet 31 December

	Note	2023 MDKK	2022 MDKK
Assets			
Finished goods and goods for resale		96	120
Inventories		96	120
Trade receivables		429	597
Contract work in progress	13	240	238
Receivables from Group entities	14	2.546	1.683
Other receivables		64	47
Prepayments	15	82	128
Receivables		3.361	2.693
Cash		9	9
Total current assets		3.466	2.822
Total assets		13.305	12.117

Balance sheet 31 December

	Note	2023 MDKK	2022 MDKK
Equity and liabilities			
Share capital	16	500	500
Reserve for development expenditure		676	476
Retained earnings		4.299	3.408
Hedging reserve		-2	-15
Equity		5.473	4.369
Other provisions	18	100	123
Prepayments received from customers	19	218	363
Other payables	19	6	2
Total non-current liabilities		324	488
Other provisions	18	276	240
Bank loans		3	2
Prepayments received from customers		113	144
Trade payables		646	617
Contract work in progress	13	474	479
Payables to Group entities	24	5.493	5.492
Corporation tax		111	74
Other payables	20	392	212
Total current liabilities		7.508	7.260
Total liabilities		7.832	7.748
Total equity and liabilities		13.305	12.117
Contingent liabilities	21		
Mortgages and collateral	22		
Financial instruments	23		
Related parties and ownership structure	24		
Significant events occurring after end of reporting period	25		

Statement of changes in equity

	Share capital	Reserve for development expenditure	Retained earnings	Hedging reserve	Total
	MDKK	MDKK	MDKK	MDKK	MDKK
Equity at 1 January 2023	500	476	3.408	-15	4.369
Exchange adjustments	0	0	-3	0	-3
Tax-exempt Group contribution received in kind	0	0	963	0	963
Value adjustment of hedging transactions	0	0	0	13	13
Net profit/loss for the year	0	200	-69	0	131
Equity at 31 December 2023	500	676	4.299	-2	5.473

	Share capital	Reserve for development expenditure	Retained earnings	Hedging reserve	Total
	MDKK	MDKK	MDKK	MDKK	MDKK
Equity 1 January 2022	500	421	4.007	-4	4.924
Exchange adjustments	0	0	3	0	3
Value adjustment of hedging transactions	0	0	0	-11	-11
Net profit/loss for the year	0	55	-602	0	-547
Equity 31 December 2022	500	476	3.408	-15	4.369

Notes

	<u>2023</u>	<u>2022</u>
	MDKK	MDKK
1 Revenue		
Income recognised in accordance with the point-in-time principle	844	748
Income recognised in accordance with the percentage-of-completion method	<u>1.585</u>	<u>1.558</u>
Total revenue	<u>2.429</u>	<u>2.306</u>
Geographical breakdown:		
North America	19	25
South America	191	150
Europe, Central Asia & North Africa	1.200	1.249
Sub-Saharan Africa, Middle East & South Asia	544	546
Asia Pacific	<u>475</u>	<u>336</u>
Total revenue	<u>2.429</u>	<u>2.306</u>
Segment reporting:		
Cement - Products	1.301	1.215
Cement - Service	847	955
Mining - Products	81	67
Mining - Service	<u>200</u>	<u>69</u>
Total revenue	<u>2.429</u>	<u>2.306</u>

Notes

1 Revenue

Revenue arises from sale of life-cycle offerings to our customers. We sell a broad range of goods and services within the Mining and Cement Industries split into the main categories products and services

Products:

Products range from standardised and customised equipment to plants, plant extensions, process systems and process system extensions. The latter has usually significant contract price, a long lead time affecting the consolidated financial statements in more than one financial year, a high degree of project management and involve more than one FLSmith entity in the delivery to the customer.

Revenue from products that are standardised or customised to a low degree are recognised at the point in time when control of the products transfers to the customers, usually upon delivery.

Revenue from the sale of products that are customised to a larger extent is usually recognised over time, applying the percentage of completion cost-to-cost method.

Highly customised product sales will often entitle us to receive a down payment from the customer, followed by several progress payments linked to our performance progress. Upon completion or delivery, we will usually be entitled to the final payment. To the extent possible we obtain payment guarantees to minimise the credit risk during execution. Most of the products are sold as fixed price contracts.

Service:

Services comprise various service elements to support the life cycle offerings portfolio. The sale can consist of spare parts, wear parts, service hours, long-term maintenance contracts and sale of upgrades and rebuilds. The sale of service hours includes amongst others sale of supervision, electronic or mechanical service of equipment or plants.

The performance obligation for service sales and maintenance contracts is either each service hour or the full contract, depending on the contract wording. Most service contracts are fixed price contracts, if not for the full service, then for the hourly rate. Service sales are recognised over time as the services are provided to the customer based on the cost-to-cost method. We are normally entitled to payment once the service has been provided or on a monthly basis.

Notes

	<u>2023</u>	<u>2022</u>
	MDKK	MDKK
2 Staff		
Wages and Salaries	705	659
Pensions	60	19
Other social security expenses	15	14
Total staff cost	<u>780</u>	<u>692</u>
Total staff cost	780	692
Staff cost capitalised as part of development projects	-82	-102
Total	<u>698</u>	<u>590</u>
Including remuneration to the Executive Management		
Wages and salaries	11	10
Bonus	6	6
Share-based payments	6	3
Benefits	1	1
Other incentives	1	0
Total	<u>25</u>	<u>20</u>
Paid by other group companies	-25	-20
Board of Directors fee	7	7
Paid by other group companies	-7	-7
Average number of employees	<u>726</u>	<u>736</u>

The staff costs included in the income statement are included in the items: Production costs, sales and distribution costs and administrative costs.

Notes

	<u>2023</u>	<u>2022</u>
	MDKK	MDKK
3 Other operating income and costs		
Royalty fees and value based payment from Group entities	1.253	723
Other operating income	11	1
Sale of Advanced Filtration Technologies	5	0
Sale of Koch Solutions	-6	0
Other operating costs	-4	0
	<u>1.259</u>	<u>724</u>

Other operating income and costs consists of refund of travel costs and insurance compensation, etc.

4 Financial income		
Interest from Group enterprises	13	0
Foreign exchange gains	36	86
Fair value adjustments of financial instrumentations	1	0
Derivatives	11	18
	<u>61</u>	<u>104</u>

5 Financial costs		
Fair value adjustment of shares	2	3
Interest paid to Group enterprises	233	72
Other financial costs	4	1
Foreign exchange losses	33	80
Derivatives	14	28
	<u>286</u>	<u>184</u>

Notes

	<u>2023</u>	<u>2022</u>
	MDKK	MDKK
6 Tax on profit/loss for the year		
Current tax for the year	-234	-148
Deferred tax for the year	187	149
Adjustment of tax concerning previous years	5	-7
Adjustment of deferred tax concerning previous years	-73	0
Impairment deferred tax assets	-30	0
	<u>-145</u>	<u>-6</u>
7 Distribution of profit		
Reserve for development projects	200	55
Retained earnings	-69	-602
	<u>131</u>	<u>-547</u>

Notes

8 Intangible assets

	Completed develop- ment projects	Acquired patents	Develop- ment projects in progress	Other intangible assets	Total
	MDKK	MDKK	MDKK	MDKK	MDKK
Cost at 1 January 2023	1.363	3.038	408	806	5.615
Exchange adjustment	-1	0	0	0	-1
Additions for the year	0	233	322	21	576
Disposals for the year	0	-79	-4	-45	-128
Transfers for the year	32	0	-87	55	0
Cost at 31 December 2023	1.394	3.192	639	837	6.062
Impairment losses and amortisation at 1 January 2023	1.161	2.446	0	446	4.053
Exchange adjustment	-1	0	0	0	-1
Amortisation for the year	62	102	0	58	222
Disposal of amortisation for the year	0	-60	0	-45	-105
Write-down for the year	0	0	0	195	195
Impairment losses and amortisation at 31 December 2023	1.222	2.488	0	654	4.364
Carrying amount at 31 December 2023	172	704	639	183	1.698

Intangible assets under development consist of development projects and software. The transfer from intangible assets under development to completed development projects primarily relates to several R&D projects finalised in 2023.

Development projects are measured at full cost value under the assumptions that the projects will bring future economic benefits when continuing the Company's normal operation with the current market shares and market conditions.

Investments in development projects are ongoing to drive growth and innovation. Development projects are regularly evaluated and when deemed complete.

Amortisation for year 2023 MDKK 222 is included in production costs in the financial statement. Write-down for the year 2023 MDKK 195 is included in production costs in the financial statement.

Notes

9 Tangible assets

	Land and buildings	Other fixtures and fittings, tools and equipment	Total
	MDKK	MDKK	MDKK
Cost at 1 January 2023	76	160	236
Additions for the year	1	1	2
Disposals for the year	0	-40	-40
Cost at 31 December 2023	<u>77</u>	<u>121</u>	<u>198</u>
Impairment losses and depreciation at 1 January 2023	55	155	210
Depreciation for the year	2	4	6
Reversal of impairment and depreciation of sold assets	0	-40	-40
Impairment losses and depreciation at 31 December 2023	<u>57</u>	<u>119</u>	<u>176</u>
Carrying amount at 31 December 2023	<u>20</u>	<u>2</u>	<u>22</u>

Depreciation for year 2023 MDKK 5 is included in production costs and MDKK 1 is included in administration costs in the financial statement.

Notes

	<u>2023</u>	<u>2022</u>
	MDKK	MDKK
10 Investments in subsidiaries		
Cost at 1 January 2023	8.288	8.299
Additions for the year	1.150	2
Disposals for the year	<u>-3</u>	<u>-13</u>
Cost at 31 December 2023	9.435	8.288
Revaluations at 1 January 2023	-1.388	-711
Disposals for the year	4	2
Reversals of impairment changes for the year	0	2
Impairment changes for the year	-819	-681
Revaluations at 31 December 2023	<u>-2.203</u>	<u>-1.388</u>
Carrying amount at 31 December 2023	<u>7.232</u>	<u>6.900</u>

Notes

As at 31 December 2023, the cost price of the investments in subsidiaries was tested for impairment. The impairment test showed an impairment for entities in Germany, Ecuador and China in 2023 of MDKK 819 (2022: MDKK 681), primarily related to the investment in Germany. This reflects the integration and restructuring costs of Mining Technologies related to the ongoing integration into FLSmidth Mining. In 2022, impairments of MDKK 681 were recognised related to entities in Germany, Russia, China and Iran.

Key assumptions:

Value in use of Group companies, expressing their recoverable amount, is calculated by discounting expected future cash flow to net present value. Expected future cash flow is based on Management estimates including expected growth rates, etc. The discounting factor is also based on Management estimates which include both general capital market conditions and a specific risk profile. The calculations of value in use consist of discounted expected cash flow for the next five years and a calculated terminal value of cash flow for the subsequent period. The calculation of terminal value is based on Management's conservative growth rate estimate for each of the cash generating units.

Impairment tests have been performed for the activities in USA and Germany. The recoverable amount determined in the impairment test is based on a value-in-use calculation. To determine the value-in-use, management is required to estimate 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 terminal period. Significant parameters in the estimate of the present value are discount rate, revenue growth, EBITA margin, expected investments and growth expectations for the terminal period. The discount rate is determined separately for the Mining and Cement industries to reflect the risks specific for the entities. The classification of an entity within one of the two industries is based on how much of the entity's sales activities are within each of the industries. The discount rate applied is the weighted average cost of capital (WACC) and reflects the latest market assumptions for the cost of equity and the cost of debt.

The applied discount rate after tax is 10.0% for Mining entities (2022: 9.5%) and 10.5% for Cement entities (2022: 10.0%). In some of the impairments tests we have added a country specific market risk rate between 1-2 % based on the official rating of the countries Government Bonds.

The expected annual growth rate and the expected margins in the budget periods are based on historical experience and the assumptions about expected market developments. The long-term growth rate for the terminal period is based on the expected growth in the world economy, specifically for the industries. In 2023, the long-term growth rate in the terminal period was set to 3.0% for Mining and 2.0% for Cement. In 2022, the growth rate was 3.0% for both industries.

Investments reflect both maintenance and expectations of organic growth.

Notes

Based on those assumptions, an impairment loss of MDKK 819 is recognized.

Sensitivity analysis

Following the impairment loss on the investments in Germany there is no excess value as the investments were written down to the recoverable amount. Hence, any adverse change in the assumptions will lead to further impairment losses. For example, if the discount rate was increased by 1.0%, the impairment loss would increase by around MDKK 75.

Management is of the belief that the key assumptions used are achievable.

Based on current expectations regarding USA we see no impairment indications and our key assumptions are not sensitive to reasonable changes to an extent that will result in an impairment loss neither individually nor in combination.

Notes

10 Investments in subsidiaries

Investments in subsidiaries are specified as follows:

Name	Registered office	Ownership interest	Equity	Profit/ loss for the year
773 FLS Maroc	Morocco	100	12	47
529 FLSmidth (Private) Ltd.	Pakistan	100	2	1
803 FLSmidth (Thailand) Co. Ltd.	Thailand	100	38	11
940 FLSmidth (UK) Limited	United Kingdom	100	398	9
156 FLSmidth Argentina S.A.	Argentina	100	-1	-1
774 FLSmidth Caucasus Limited Liability Company (LLC)	Armenia	100	4	1
750 FLSmidth Co. Ltd.	Vietnam	100	9	0
951 FLSmidth GmbH	Austria	100	0	0
800 FLSmidth Iranian (PJSCo)****	Iran	100	0	0
776 FLSmidth Kenya Limited	Kenya	100	-7	-5
808 FLSmidth Limited	Ghana	100	90	40
780 FLSmidth LLP	Kazakhstan	100	145	44
286 FLSmidth Ltda.	Brazil	100	0	134
710 FLSmidth Mongolia	Mongolia	100	47	27
907 FLSmidth MAAG Gear AG	Switzerland	100	73	-12
523 FLSmidth MAAG Gear Sp. z o.o.	Poland	100	219	29
825 FLSmidth Nepal Private Limited	Nepal	100	0	0
829 FLSmidth Panama Inc.	Panama	100	0	0
775 FLSmidth Philippines, Inc.	Philippines	100	8	0
988 FLSmidth Qingdao Ltd.	China	100	165	56
958 FLSmidth Rusland Holding A/S	Denmark	90	3	0
959 FLSmidth Rus OOO	Russia	100	21	-6
760 FLSmidth S.A.S	Colombia	100	-34	8
832 FLSmidth S.A.	Ecuador	100	1	-1
87 FLSmidth S.A.	Spain	94	67	14
942 FLSmidth SAS	France	100	21	-1
985 FLSmidth Shanghai Ltd.	China	100	53	13
617 FLSmidth Spol. s.r.o.	Czech Republic	100	63	1
281 FLSmidth Ventomatic SpA	Italy	100	652	46
999 FLSmidth MAAG Gear S.p.A	Italy	100	101	5

Notes

984	FLSmidth Zambia Ltd.	Zambia	90	0	0
807	NHI-Fuller (Shenyang) Mining Co. Ltd.	China	50	17	-3
440	PT FLSmidth Indonesia	Indonesia	100	104	28
827	Saudi FLSmidth Co.	Saudi Arabia	100	10	2
709	The Pennies and Pounds Holding, Inc.*	Philippines	33	0	0
860	FLSmidth Paraguay S.A.	Paraguay	90	12	13
861	Cement Knowledge Center	Saudi Arabia	51	2	1
114	FLS Germany Holding GmbH	Germany	100	201	948
113	FLSmidth Pfister GmbH	Germany	100	30	65
117	FLSmidth Real Estate GmbH	Germany	100	6	6
906	FLSmidth Wadgassen GmbH	Germany	100	72	-70
830	FLSmidth Wadgassen Ltd.	Russia	100	0	-2
941	FLSmidth Wiesbaden GmbH	Germany	100	105	18
881	FLSmidth Mining Technologies GmbH	Germany	100	2.248	-102
872	FLSmidth Industrial Solutions (Botswana) (Proprietary) Limited	Botswana	100	0	0
874	Mining Plants & Systems Bulgaria EOOD	Bulgaria	100	1	1
877	FLSmidth Cement (Beijing) Ltd.	China	100	31	21
880	KH Mineral S.A.S.	France	100	-22	-69
883	PT. FLSmidth Industries Southeast Asia	Indonesia	100	38	17
885	TOO FLSmidth Plant Construction Kazakhstan	Kazakhstan	100	1	-1
886	TOO FLSmidth Plant Engineering Kazakhstan	Kazakhstan	100	3	1
889	tk Industrial Solutions Maroc SARL ****	Morocco	100	-3	-5
890	FLSmidth Industrial Solutions Mozambique Limitada	Mozambique	100	-3	7
892	OOO FLSmidth Mining Technologies (RUS)	Russia	100	2	-2
893	FLSmidth Industrial Solutions (Africa)(Pty) Ltd.	South Africa	100	251	15
894	FLSmidth Industrial Solutions South Africa (Pty) Ltd.	South Africa	100	-33	7
897	FLSmidth Mining Technologies (Thailand) Ltd.	Thailand	100	0	-1
898	FLSmidth Industrial Solutions Makine Sanayi Ve Ticaret A.Ş.	Turkey	100	21	3

Notes

643	FLSmidth Minerals Holding ApS	Denmark	100	2.581	279
543	FLSmidth (Pty.) Ltd.	South Africa	100	705	50
838	FLSMIDTH-SOCIEDADE UNIPESSOAL, LDA	Angola	100	0	0
736a	FLSmidth Mozambique Limitada	Mozambique	100	-6	1
989	FLSmidth (Pty) Ltd.	Botswana	100	5	0
639	FLSmidth South Africa (Pty.) Ltd.	South Africa	75	-121	-30
311	FLSmidth Ltd.	Canada	100	1.249	29
544	FLSmidth Private Limited	India	100	243	70
309	FLSmidth Pty. Ltd.	Australia	100	1.187	12
870	FLSmidth Industrial Solutions (Australia) Pty. Ltd.	Australia	100	-67	-29
753	DMI Holdings Pty. Ltd. ****	Australia	100	0	0
754	DMI (Australia) Pty. Ltd. ****	Australia	100	0	0
991	ESSA Australia Limited ****	Australia	100	0	0
756	Fleet Rebuild Pty. Ltd. ****	Australia	100	0	0
758	Mayer Bulk Group Pty. Ltd. ****	Australia	100	0	0
757	FLSmidth Mayer Pty. Ltd. ****	Australia	100	0	0
546	FLSmidth ABON Pty. Ltd.	Australia	100	331	-5
947	FLSmidth Krebs Australia Pty. Ltd. ****	Australia	100	0	0
755	FLSmidth M.I.E. Enterprises Pty. Ltd. ****	Australia	100	0	0
715	Ludowici Pty. Limited	Australia	100	0	0
839	IMP Group Pty Ltd	Australia	100	0	0
840	Intertek Robotic Laboratories Pty Ltd *	Australia	50	0	0
717	Ludowici Australia Pty. Ltd.	Australia	100	0	0
718	Ludowici China Pty Limited	Australia	100	0	0
722	Rojan Advanced Ceramics Pty. Ltd. ****	Australia	100	0	0
737	Ludowici Packaging Australia Pty. Ltd. ****	Australia	100	0	0
158a	FLSmidth S.A.	Chile	100	910	217
532	FLSmidth S.A. de C.V.	Mexico	100	256	54

Notes

296	FLS US Holdings, Inc.	United States	100	2,930	103
923	FLSmidth Inc.	United States	100	-297	-243
304	Fuller Company	United States	100	0	0
924	FLSmidth Dorr-Oliver Eimco SLC Inc.	United States	100	0	0
925	FLSmidth Dorr-Oliver Inc.	United States	100	14	0
927	FLSmidth Dorr-Oliver International Inc.	United States	100	0	0
724	Ludowici Mineral Processing Equipment Inc.	United States	100	0	0
703	Phillips Kiln Services (India) Pvt. Ltd.*	India	50	0	0
322	SLS Corporation	United States	100	0	0
525	FLSmidth Cement USA Inc	United States	100	0	0
450	FLSmidth Services Foreign Enterprise LLC	Uzbekistan	100	0	0
449	Morse Rubber LLC	United States	100	40	-1

* Associate

** Joint Venture

*** under Members voluntary winding up

****in Members voluntary liquidation

All other enterprises are Group enterprises

Information about equity and profit/loss for the year is disclosed based on preliminary 2023 financial reporting for the underlying investment entities on a stand-alone basis.

Notes

	<u>2023</u>	<u>2022</u>
	MDKK	MDKK
11 Investments in equity interests		
Cost at 1 January 2023	<u>8</u>	<u>8</u>
Cost at 31 December 2023	<u>8</u>	<u>8</u>
Revaluations at 1 January 2023	<u>-8</u>	<u>-8</u>
Revaluations at 31 December 2023	<u>-8</u>	<u>-8</u>
Carrying amount at 31 December 2023	<u>0</u>	<u>0</u>

All investments in equity interests are associates.

12 Financial assets

	<u>Other</u>
	<u>investments</u>
	MDKK
Cost at 1 January 2023	<u>35</u>
Cost at 31 December 2023	<u>35</u>
Impairment losses at 1 January 2023	<u>18</u>
Impairment losses at 31 December 2023	<u>18</u>
Carrying amount at 31 December 2023	<u>17</u>

Notes

	<u>2023</u>	<u>2022</u>
	MDKK	MDKK
13 Contract work in progress		
Sales price value of production for the period	6.091	7.721
Payments received on account	<u>-6.325</u>	<u>-7.483</u>
	<u>-234</u>	<u>238</u>
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	240	238
Prepayments received recognised in debt	<u>-474</u>	<u>-479</u>
	<u>-234</u>	<u>-241</u>

14 Receivables from Group enterprises

Receivables from Group enterprises include receivable dividend at the amount of MDKK 106 (2022: MDKK 41).

15 Prepayments

Prepayments include prepayments to subcontractors as well as expenses incurred concerning subsequent financial years.

Notes

16 Share capital

The share capital consists of:

	Nominal value
3 shares of TDKK 100	300
2 shares of TDKK 100.000	200.000
1 shares of TDKK 299.700	299.700
	<u>500.000</u>

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

	2023 MDKK	2022 MDKK
17 Deferred tax assets		
Deferred tax at 1 January 2023	790	638
Deferred tax recognised in income statement	187	149
Deferred tax recognised in equity	-4	3
Adjustment of deferred tax concerning previous years	-73	0
Impairment deferred tax assets	-30	0
Deferred tax assets at 31 December 2023	<u>870</u>	<u>790</u>

The deferred tax assets are not fully recognized as the tax assets are not likely to be fully utilized within the next five years based on management's forecast earnings. The non-recognised deferred tax asset amounts MDKK 159, corresponding to the net impairment at 31 December 2023.

Notes

	2023	2022
	MDKK	MDKK
18 Other provisions		
Balance at beginning of year at 1 January 2023	363	191
Addition during the year	274	283
Used during the year	-194	-74
Reversal during the year	-67	-37
Balance at 31 December 2023	376	363

The expected due dates of other provisions are:

Within one year	276	240
Between 1 and 5 years	100	123
	376	363

19 Long term debt

	Debt at 1 January 2023	Debt at 31 December 2023	Installment next year	Debt outstanding after 5 years
	MDKK	MDKK	MDKK	MDKK
Prepayments received from customers	363	218	0	0
Other payables	2	6	0	0
	365	224	0	0

20 Other payables

Other liabilities include holiday pay, other employee, other accruals and public taxes.

Financial instruments is included at fair value mDKK 1 (2022: mDKK 9).

Notes

	<u>2023</u>	<u>2022</u>
	MDKK	MDKK
21 Contingent liabilities		
Guarantees	2.379	4.526
Rental agreements	14	14
Operational lease	2	3
Other contingent liabilities	<u>0</u>	<u>130</u>
	<u>2.395</u>	<u>4.673</u>

The Company has through its banks provided usual security in the form of performance guarantees etc. for contracts and supplies. At the end of 2023 the total number of performance and payment guarantees issued amounted to DKK 1.174m (2022: 1.536m) and parent company guarantees issued amounted to DKK 1.182m (2022: 2.990m). In cases where a guarantee is expected to materialise, a provision for this amount is made in the Annual Report under the heading of Provisions.

In 2021, a customer made an unsubstantiated cash withdrawal of DKK 130m on a performance guarantee. We now foresee a high risk of not being able to collect the amount and the exposure has accordingly been provided for in 2023.

In addition, the Company is from time to time involved in disputes regarding material amounts that are normal for its business. This is not expected to impose significant liabilities upon the Company, and the outcome is not expected to have significant impact on the Company's financial position.

The company is part of a Danish joint taxation scheme for which FLSmidth & Co. A/S is the administrator. As part of the joint taxation, FLSmidth 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.

22 Mortgages and collateral

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

Notes

23 Financial instruments

Currency hedging

The Company uses forward exchange contracts in order to hedge currency risks on underlying contractual and budgeted payments and currency risks on loans and investments.

The figures below show the principals and the fair value of pending forward exchange contracts at 31 December 2023, which have been made to hedge currency risks. All fair values are based on officially fixed quotations, if available, alternatively in prices quoted by banks. Principals are translated at balance sheet date rates of exchange. Pending forward exchange contracts at 31 December 2023 have up to two years' time to maturity.

In the case of forward exchange contracts, negative principals indicate net sale of the currency concerned and positive principals indicate net purchase of the currency concerned.

Currency in MDKK	2023	2022	2023	2022
	Notional amount	Notional amount	Net fair value	Net fair value
USD	67	184	1	-8
GBP	18	0	0	0
CNY	75	44	0	-1
			1	-9

Notes

24 Related parties and ownership structure

Transactions

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.

	<u>2023</u>	<u>2022</u>
	MDKK	MDKK
Revenue	195	189
Cost of production	-317	-403
Royalties	1.029	723
Group fees	633	524
Group cost	-190	-184
Value-based payment	224	0
Interest income	13	0
Interest cost	-233	-71
Receivables from Group entities	2.546	1.683
Payables to Group entities	5.493	5.492
Tax-exempt Group contribution received in kind	963	0
Tax-exempt Group contribution to subsidiaries in kind	963	0

Consolidated financial statements

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

The Group Annual Report 2023 is available on www.flsmidth.com:

<https://www.flsmidth.com/en-gb/company/investors/reports-and-presentations>

Notes

25 Significant events occurring after end of reporting period

On 29 January 2024, FLSmidth announced that we will explore the available divestment options for our Cement business. The announcement does not impact the company's financial statements for 2023.

Furthermore, it is expected that the Board of Directors will approve an upcoming demerger of the company where it is divided into a Mining part and a Cement part and going forward the entity will accordingly include the Mining business only.

No other events have occurred after the balance sheet date which could significantly affect the company's financial position as of 31 December 2023.