FLSmidth Cement A/S

Vigerslev Allé 77

2500 Valby

Valby

CVR no. 19 09 43 08

Annual report for 2023

Adopted at the annual general meeting on 19 April 2024

Annette Høi Butt Terndrup
chair

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Company details

FLSmidth Cement A/S
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2500 Valby
Valby

Telephone:	36183780
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Website:	www.flsmidth.com
CVR-no.	19 09 43 08
Financial year:	1 January - 31 December 2023
Incorporated:	28 December 1995
Domicile:	Copenhagen

Board of directors
Mikko Juhani Keto, chair
Annette Høi Butt Terndrup
Roland Munkerod Andersen

Executive management
Christopher Sean Ashworth, CEO

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 Cement 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 by the company in general meeting.

Valby, 19 April 2024

Executive management

Christopher Sean Ashworth
CEO

Board of directors

Mikko Juhani Keto chair	Annette Høi Butt Terndrup	Roland Munkerod Andersen

Independent auditor's report

To the Shareholder of FLSmidth Cement A/S

Opinion

We have audited the financial statements of FLSmidth Cement A/S for the financial year 1 January - 31 December 2023, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared under 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 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 the financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent auditor's report

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

Statement on management's review

Management is responsible for management's review.

Our opinion on the financial statements does not cover management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of management's review.

Copenhagen, 19 April 2024

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Jens Thordahl Nøhr	Claus Tanggaard Jacobsen
State Authorised Public Accountant	State Authorised Public Accountant
mne32212	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
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	125.350	158.780	314.990	399.693	425.011
Gross profit	5.060	37.070	-21.626	18.086	8.660
Profit/loss before amortisation/depreciation and impairment losses	-9.566	7.528	-69.709	-39.244	-81.641
Net financials	-16.119	1.101	-13.899	1.308	2.590
Profit/loss for the year	-78.883	2.841	-74.106	-47.014	-73.681
Balance sheet					
Balance sheet total	235.778	213.438	261.646	424.857	417.240
Equity	108.667	82.005	74.462	19.082	65.727
Number of employees	157	189	380	807	804
Financial ratios					
Gross margin	4,0%	23,3%	-6,9%	4,5%	2,0%
EBIT margin	-50,4%	-10,2%	-17,4%	-11,2%	-20,4%
Solvency ratio	46,1%	38,4%	28,5%	4,5%	15,8%
Return on equity	-82,7%	3,6%	-158,4%	-110,9%	-80,0%

In 2021 Annual Report, certain corrections were made to key figures for 2019-2020. Please refer to the Annual Report 2021 for further information.

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

Management's review

Business acitivities

FLSmidth Cement A/S's primary activities are asset management in the cement and mining industry and advisory contracts for projects in the cement and mining industry, including man power services, also to FLSmidth companies. The company is during 2024 expected to take over Cement business activities from sister company in the group and become the principal Cement company in the FLSmidth Group.

Financial review

The company's income statement for the year ended 31 December 2023 shows a loss of TDKK 78.883 compared to a profit of TKK 2.841 last year, and the balance sheet at 31 December 2023 shows equity of TDKK 108.667. Following receipt of tax-exempt Group contribution from the parent company of TKK 100.000 during 2023.

During 2023, the market conditions were below expectations and the realized revenue of MDKK 126 is therefore below guidance, which was a range of MDKK 135-150 impacted by a saturated marked for capital projects in the Cement industy. Result before tax, but excluding impairments of investments in subsidiaries, loss of MDKK 73 is below guidance of DKK 0 mainly due to debt forgiveness against our group enterprise in Morocco of MDKK 41.

FLSmidth Cement A/S has activities in following branches:
- NL Supervision Company A/S - Libya Branch
- FLSmidth Operation & Maintenance A/S - Egypt Branch
- FLSmidth Operation & Maintenance A/S - Uruguayan Branch
- FLSmidth Operation & Maintenance A/S - Kuwait Branch
- FLSmidth Operation & Maintenance A/S - Pakistan Branch
- FLSmidth Global Services A/S - Marocco Branch
- FLSmidth Global Services A/S - Vietnam Branch

Management's review

Market trends

Cement Market
2023 was a mixed year for the cement industry with growing macroeconomic and geopolitical uncertainty as well as an evolving regulatory landscape.

The fourth quarter of 2023 remained impacted by the general slow-down in market demand, which characterised most of the year. 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.

Mining Market
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 geopolitical uncertainty.

In future the company is expected to have limited activity in the mining industry as set out on page 13.

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.

The ambitious pace we have set for our transformation with a sharp focus on progress both internally and externally requires flexibility and agility – the 2023 risk picture is a mixture of strategic, operational and compliance threats and opportunities further defined on the following pages along with their potential impact and mitigating efforts.

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 continues at a slow pace.

The transformation journey to becoming a servicecentric technology company with a focus on our core business with a less complex pure play setup involves the successful completion a 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 has produced results that can be seen in our continued underlying EBITA improvement throughout 2023.

2024 will see continued focus on our GREEN'26 Cement strategy, which includes de-risking and product portfolio pruning, as well as adverse effects from market conditions. Areas of strategic strenght to elevate the collaboration of our product group to utilize our global install base to achive further growth in the service sector.

Currency risk

The Treasury Policy aims to reduce the most significant currency risks to better predict the impact on the income statement as well as the cash flows to be paid or received and to protect the EBITDA of the individual entities from changes in exchange rates. The risks are managed through hedging activities by entering commonly used derivatives such as forward contracts. The currency risks, which is transaction risk, arise primarily from purchase and sale in foreign currencies compared to the functional currency of each of the Group entities.

We are, to a large extent, carrying out transactions in EUR and USD as these currencies are preferred in the cement and mining industries. EUR against DKK is currently not considered an exposure due to the Danish Kroner being pegged to the Euro.

Credit risks

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

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.

The credit risk is governed by the Group's Credit Risk Policy. 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 project execution.

Management's review

Statutory corporate social responsibility report

Sustainability is a core component of our company strategies. As a technology leader in the cement industries, we consider it our responsibility to be a key sustainability partner for our stakeholders, driving sustainable business practices across the industry value chains. Our approach focuses on the two main areas where we currently have the greatest impact: the sustainability performance of our customers and our own operations.

The impact of cement on global greenhouse gas (GHG) emissions provides significant business opportunities. Through our research and development-based sustainability programme, MissionZero, we help our customers accelerate towards more sustainable operations, reduce their environmental footprint and benefit from the green transition and global infrastructure development. MissionZero also encompasses digital solutions, a key enabler in improving operational efficiency, and the adoption of product stewardship principles. We support the long-term phasing-out of coal.

Through our environment, social and governance (ESG) efforts, we address the impact of our own operations, and those of our suppliers, across the value chain. We set measurable targets and corresponding actions related to material issues. These include: Addressing our scope 1, 2 and 3 GHG emissions in accordance with the Science Based Targets initiative; creating a safe, diverse and inclusive workplace for our people; establishing clear standards for our suppliers; and establishing clear standards within compliance and human rights – for our own business and our suppliers.

To embed sustainability in our business, we continue to work towards increased accountability and improved governance. Key performance indicators (KPIs) related to MissionZero and ESG are cascaded throughout the organisation. This is supported by increasing efforts to engage employees in all functions, business lines and regions in our sustainability activities.

Concurrently with the Annual Report, FLSmidth & Co. A/S has published its annual Sustainability Report, covering non-financial performance related to environmental and socioeconomic impacts. The 2023 Sustainability Report is in full compliance with both Sections 99a of the Danish Financial Statements Act and in accordance to the Global Reporting Initiative (GRI) core requirements, and also serves as the Advanced Communication on Progress to the United Nations Global Compact. The report has been subject to limited assurance performed by EY.

For FLSmidth Cement 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

Gender representation on the board of directors and at other management levels of FLSmidth Cement A/S

The board of directors of FLSmidth Cement 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	3
Underrepresented gender (%)	33.33%
Target figure (%)	Not required
Year for achievement of target figure	Not required
Other management levels	
Total number of members	3
Underrepresented gender (%)	33.33%
Target figure (%)	Not required
Year for achievement of target figure	Not required

Gender representation on the board of directors

At the end of 2023, the gender representation among the board members of FLSmidth Cement A/S was considered equal in accordance with applicable law. Among the three 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

The gender representation at the other management levels of FLSmidth Cement A/S was considered equal at the end of 2023. Among this group of three people, 33.33% were women and 66.67% were men. As the gender representation at the other management levels of the company is considered equal, neither a target nor a policy has been introduced for the other management levels of FLSmidth Cement A/S.

Management's review

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

Significant events occurring after the end of the financial year

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

Furthermore, it is expected that the Board of Directores will approve an upcomming split of a sister company in the Group as part of dividing the Group into a Mining part and a Cement part. In this connection, FLSmidth Cement A/S expects to take over all the Group's Cement business activities. The effect caused by the upcomming split will only impact the outlook for 2024.

We are not aware of any other subsequent matters, that could be of material importance to the companys financial position.

Outlook for 2024

The short-term outlook for the Cement industry remains impacted by overcapacity expected to impact market demand negatively over the coming period.

Below guidance is based on the ongoing pure play separation process. During 2024 the company is expected to take over Cement business activities from a sister company in the group.

Guidance for 2024 is a revenue in the range of 1.2-1.5 bDKK and a result before tax of 0.0-0.2 bDKK.

Guidance for 2024 is subject to uncertainty due to the global supply chain situation, potential recession and geopolitical turmoil.

Accounting policies

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

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

The annual report for 2023 is presented in TDKK.

Pursuant to sections §112 subsection 1 and §86 subsection 4 of the Danish Financial Statements Act, the Annual Report of FLSmidth Global Services 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.

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 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.

Accounting policies

Income statement

Revenue

Revenue is recognized based on IFRS 15.

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 projects, 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 project, 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.

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.

Accounting policies

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

Cost of productions

Cost of productions 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 productions 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 costs comprise costs incurred in the year related to management, administrative staff, office premises, office expenses, depreciation, etc.

Other operating income

Other operating income comprise income of a secondary nature in relation to the activities of the Company, etc.

Gain 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.

Other operating costs

Other operating expenses comprise items of a secondary nature relative to the company's activities.

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 associates are presented net in the income statement.

Accounting policies

Dividend from Group enterprises

Dividend from investments in subsidiaries and associates 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.

Financial income and costs

Financial income and costs are recognised in the income statement at the amounts that relate to the financial year. Net financials include interest income and costs, financial costs relating to finance leases, realised and unrealised capital/exchange gains and losses on securities, liabilities and foreign currency transactions, amortisation of financial assets and liabilities and surcharges and allowances under the Danish Tax Prepayment Scheme, etc.

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.

Accounting policies

Balance sheet

Financial assets

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

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

Deposits are recognized at cost price. Write-down is made to the lower of the recoverable amount and the carrying amount.

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.

Impairment of non-current assets

The carrying amount of investments in subsidiaries, associates 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 FIFO method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

The cost of goods for resale comprises the purchase price.

Accounting policies

The net realisable value of inventories is calculated as the expected selling price less direct 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.

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 aggregate 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.

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.

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

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.

Accounting policies

Deferred tax is measured according to the tax rules and at the tax rates 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 'Current liabilities' comprises payments received concerning income in subsequent financial years.

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.

Foreign exchange rate impact from translating branches in foreign currency is included within equity as revaluation reserve.

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.

Accounting policies

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 fair value 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 is not designated as or does not qualify for hedge accounting, fair value adjustments are recognised in the income statement on a current basis.

Financial Highlights

Definitions of financial ratios:

Gross margin $$\frac{\text{Gross Profit x 100}}{\text{Revenue}}$$

EBIT margin $$\frac{\text{Profit/loss before financials x 100}}{\text{Revenue}}$$

Solvency ratio $$\frac{\text{Equity at year end x 100}}{\text{Total assets}}$$

Return on equity $$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$$

Income statement 1 January - 31 December

	Note	2023 TDKK	2022 TDKK
Revenue	1	**125.350**	**158.780**
Cost of productions	2	-120.290	-121.710
Gross profit		**5.060**	**37.070**
Sales and distribution costs	2	-484	-1.504
Administrative costs	2	-14.142	-28.038
Operating profit/loss		**-9.566**	**7.528**
Other operating costs	3	-53.611	-23.704
Profit/loss before financial income and expenses		**-63.177**	**-16.176**
Impairment and reversals of impairment of investments in subsidiaries and equity interests	8	-6.288	-50
Financial income	4	11.225	18.543
Financial costs	5	-21.056	-17.392
Profit/loss before tax		**-79.296**	**-15.075**
Tax on profit/loss for the year	6	413	17.916
Net profit/loss for the year		**-78.883**	**2.841**
Retained earnings		-78.883	2.841
		-78.883	**2.841**

Balance sheet 31 December

	Note	2023 TDKK	2022 TDKK
Assets			
Investments in subsidiaries	8	24.271	27.989
Investment in equity interests	9	2.836	2.836
Deposits	10	44	70
Deferred tax assets	13	55.125	49.434
Financial assets		**82.276**	**80.329**
Total non-current assets		**82.276**	**80.329**
Finished goods and goods for resale		160	210
Inventories		**160**	**210**
Trade receivables		10.012	20.820
Contract work in progress	11	6.237	1.148
Receivables from Group enterprises	19	113.039	93.403
Other receivables		6.645	2.384
Corporation tax		31	598
Prepayments	12	938	1.517
Receivables		**136.902**	**119.870**
Cash		**16.440**	**13.029**
Total current assets		**153.502**	**133.109**
Total assets		**235.778**	**213.438**

Balance sheet 31 December

	Note	2023 TDKK	2022 TDKK
Equity and liabilities			
Share capital		3.625	3.625
Revaluation reserve		7.813	2.268
Retained earnings		97.229	76.112
Equity	14	**108.667**	**82.005**
Other provisions	15	3.208	4.464
Prepayments received from customers		119	0
Total non-current liabilities		**3.327**	**4.464**
Other provisions	15	17	632
Prepayments received from customers		1.177	0
Trade payables		1.754	2.757
Contract work in progress	11	16.267	10.360
Payables to Group enterprises	19	92.197	100.340
Corporation tax		415	3.589
Other payables	16	11.957	9.291
Total current liabilities		**123.784**	**126.969**
Total liabilities		**127.111**	**131.433**
Total equity and liabilities		**235.778**	**213.438**

Other notes	
Staff	2
Distribution of profit	7
Contingent liabilities	17
Mortgages and collateral	18
Related parties and ownership structure	19
Significant events occurring after end of reporting period	20

Statement of changes in equity

	Share capital	Revaluation reserve	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January 2023	3.625	2.268	76.112	82.005
Exchange adjustments	0	5.545	0	5.545
Tax-exempt Group contribution received	0	0	100.000	100.000
Net profit/loss for the year	0	0	-78.883	-78.883
Equity at 31 December 2023	**3.625**	**7.813**	**97.229**	**108.667**

	Share capital	Revaluation reserve	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity 1. januar 2022	3.625	-2.434	73.271	74.462
Exchange adjustments	0	4.702	0	4.702
Net profit/loss for the year	0	0	2.841	2.841
Equity 31. december 2022	**3.625**	**2.268**	**76.112**	**82.005**

Notes

		2023	2022
		TDKK	TDKK
1	**Revenue**		
	Income recognised in accordance with over time principle	125.350	158.780
	Total revenue	**125.350**	**158.780**
	Geographical breakdown:		
	North America	12.975	17.691
	South America	23.997	25.682
	Europe, Central Asia & North Africa	71.407	94.974
	Sub-Saharan & Middle East	6.285	10.546
	Asia	10.238	6.784
	Subcontinental India	448	2.537
	Australia	0	566
	Total revenue	**125.350**	**158.780**
	Segment reporting:		
	Service	102.578	130.236
	Cement	**102.578**	**130.236**
	Service	22.772	28.544
	Mining	**22.772**	**28.544**
	Total revenue	**125.350**	**158.780**

Service:

Service comprises various service elements to support the life-cycle offerings portfolio. The sale can consist of service hours or long-term maintenance contracts.

The sale of service hours include amongst others sale of supervision, electronic or mechanical service of equipment or plants.

The performance obligation for service sale 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

1 **Revenue** (continued)

recognised over time as the services are provided to the customer based on the cost-to-complete method. We are normally entitled to payment once the service has been provided or on a monthly basis. Service projects, such as upgrades and retrofits are defined as one performance obligation. The transaction price is usually fixed and revenue is typically recognised over time using the cost-to-complete method. The payment pattern for upgrades and retrofits are very similar to the pattern for projects and products.

Notes

		2023	2022
		TDKK	TDKK
2	**Staff**		
	Including remuneration to the executive and supervisory boards:		
	Wages and salaries	97.332	96.103
	Pensions	1.994	815
	Other staff expenses	3.164	3.244
	Total Staff costs	**102.490**	**100.162**
	Remuneration		
	Executive management and Board of directors fee	30	30
		30	**30**
	Number of fulltime employees on average	157	189

No direct remuneration is paid by the Company to Executive Management and the Board of Directors for their management duties, as they are employed by the Company or other Group companies to perform other functions. The estimated remuneration for management duties amounts to TDKK 30 in total for Executive Management and the Board of Directors, which is directly and indirectly paid by the Company as part of management fee or salary.

According to section 98 B(3) of the Danish Financial statement Act, remuneration to the Executive Board has not been disclosed seperately.

The staff costs included in the income statement are included in the items: Costs of productions, sales and distributions costs and administrative costs.

3 Other operating costs

Other operating income and costs include debt forgiveness to group enterprises of MDKK 41 (2022: MDKK 0), impairment of intercompany receivables, provision to support subsidiaries and management fee from Group Companies.

		2023	2022
		TDKK	TDKK
4	**Financial income**		
	Other financial income	821	2.515
	Interests from Group enterprises	923	21
	Foreign exchange gains	6.928	11.826
	Fair value adjustments of financial instruments income	2.553	4.181
		11.225	**18.543**

		2023	2022
5	**Financial costs**		
	Other financial costs	52	1.600
	Interest paid to Group enterprises	5.757	1.043
	Foreign exchange losses	13.129	13.925
	Interest to Tax authorities	0	-5.498
	Fair value adjustments of financial instruments costs	2.118	6.322
		21.056	**17.392**

Within financial costs a finance income of TDKK 5.498 in 2022 is included, which is a reversal of provision for interest relating to tax case in Egypt provided for in previous years.

		2023	2022
6	**Tax on profit/loss for the year**		
	Current tax for the year	1.301	3.701
	Deferred tax for the year	-5.944	-6.964
	Adjustment of tax concerning previous years	100	-2.356
	Adjustment of deferred tax concerning previous years	-643	3.982
	Recognition of previously unrecognised deferred tax asset	0	-21.612
	Tax of ordinary income or loss	**-5.186**	**-23.249**
	Witholding taxes	4.773	5.333
		-413	**-17.916**

Notes

		2023	2022
		TDKK	TDKK
7	**Distribution of profit**		
	Retained earnings	-78.883	2.841
		-78.883	**2.841**

		2023	2022
		TDKK	TDKK
8	**Investments in subsidiaries**		
	Cost at 1 January 2023	127.804	127.804
	Additions for the year	2.570	0
	Cost at 31 December 2023	130.374	127.804
	Revaluations at 1 January 2023	-99.815	-99.815
	Impairment changes for the year	-6.288	0
	Revaluations at 31 December 2023	-106.103	-99.815
	Carrying amount at 31 December 2023	**24.271**	**27.989**

As at 31 December 2023, the cost price of the investments in subsidiaries was tested for impairment. The impairment test showed impairment of our subsidiaries in Angola and Turkey MDKK 6 (2022: MDKK 0). Management has decided to provide for potential future losses regarding the investment in NL Supervision Company Tunesia. This is included as we write-down of Receivables from Group enterprises.

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 six to eight 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.

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

Notes

Investments in subsidiaries are specified as follows:

Name	Registered office	Ownership interest/voting rights	Equity	Profit/loss for the year
NL Supervision Company Tunesia	Tunesia	95%	-51.340	-14.810
NL Supervision Company Angola, LDA.	Angola	90%	25.255	-445
ISIRNEL S.A.	Uruguay	100%	1.906	101
FLSmidth Denmark Cement Holding ApS	Denmark	100%	100	0
FLSmidth Cement India LLP	India	99%	0	0
FLSmidth Cement Mexico S.A. de C.V	Mexico	99,99%	0	0
FLSmidth Mekanik Sistemler Satis Bakim Ltd. Sti	Turkey	100%	3.002	-4.587
FLSmidth Cement Brasil Ltda	Brazil	100%	3.804	2.389

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.

		2023	2022
		TDKK	TDKK
9	**Investment in equity interests**		
	Cost at 1 January 2023	3.014	3.014
	Cost at 31 December 2023	3.014	3.014
	Revaluations at 1 January 2023	-178	-128
	Impairment for the year	0	-50
	Revaluations at 31 December 2023	-178	-178
	Carrying amount at 31 December 2023	**2.836**	**2.836**

Investment in equity interests are specified as follows:

Name	Registered office	Ownership interest/voting rights	Equity	Profit/loss for the year
FLSmidth Rusland Holding A/S	Denmark	10%	3.381	62
FLSmidth S.A.	Spain	6,2%	67.130	13.673
FLSmidth SAS	Columbia	6,2%	-33.786	7.854
FLSmidt S.A.C.	Peru	0,001%	664.756	180.503
FLSmidth Zambia Ltd	Zambia	10%	-1	-200
FLSmidth Kenya Limited	Kenya	0,1%	-6.705	-4.658
FLSmidth Rus OOO	Russia	10%	20.508	-6.108

All investments in equity interests are associates.

Notes

10 Financial assets

	Deposits
	TDKK
Cost at 1 January 2023	70
Exchange adjustment	1
Disposals for the year	-27
Cost at 31 December 2023	44
Carrying amount at 31 December 2023	**44**

	2023	2022
	TDKK	TDKK
11 Contract work in progress		
Sales price value of production for the period	309.969	421.100
Payments received on account	-319.999	-430.312
	-10.030	**-9.212**
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	6.237	1.148
Contract work in progress recognised in liabilities	-16.267	-10.360
	-10.030	**-9.212**

12 Prepayments

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

Notes

		2023	2022
		TDKK	TDKK
13	**Deferred tax**		
	Deferred tax	49.434	19.048
	Exchange rate adjustment	-896	-1.394
	Used tax provision	0	7.186
	Changes for the year	5.944	6.964
	Changes for previous year	643	-3.982
	Recognition of previously unrecognised deferred tax asset	0	21.612
	Provision for deferred tax	**55.125**	**49.434**

The deferred tax assets are not fully recognized as the tax assets are not likely to be fully utilized within the next three to five years based on management's forecasted earnings. The nonrecognised deferred tax asset amounts TDKK 6.163 (2022: TDKK 2.541).

14 Equity

The share capital consist of 3,625 shares of a nominel value of TDKK 1. No shares carry any special rights

The share capital has developed as follows:

	2023	2022	2021	2020	2019
	TDKK	TDKK	TDKK	TDKK	TDKK
Share capital at 1 January 2023	3.625	3.625	3.500	3.500	2.500
Additions for the year	0	0	125	0	1.000
Share capital	**3.625**	**3.625**	**3.625**	**3.500**	**3.500**

Notes

		2023	2022
		TDKK	TDKK
15	**Other provisions**		
	Balance at beginning of year at 1 January 2023	5.096	44.365
	Exchange adjustment	-854	-5.663
	Provision in year	135	3.008
	Used during the year	-531	-8.198
	Reversed during the year	-621	-28.416
	Balance at 31 December 2023	**3.225**	**5.096**

The expected due dates of other provisions are:		
Within one year	17	632
Between 1 and 5 years	3.208	4.464
	3.225	**5.096**

When assessing work-in-progress and completed projects, various project related risks including performance guarantees have been taken into account for which allowances have been made on the basis of Management's estimates.

A few issues are pending in respect of previously supplied goods. In this context, provisions have been made to cover any costs.

Provisions mainly consist of provisions for the usual warranties and provisions for loss-making contracts.

Notes

16 Other payables

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

	2023	2022
	TDKK	TDKK
17 Contingent liabilities		
Rental agreements	54	131
Operational lease	646	1.043
	700	**1.174**

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 Cement 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.

18 Mortgages and collateral

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

Notes

19 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.

	2023	2022
Revenue	90mDKK	106mDKK
Cost of production	-1mDKK	-2mDKK
Group income	13mDKK	0mDKK
Group costs	-11mDKK	-12mDKK
Interest income	1mDKK	0mDKK
Interest costs	-6mDKK	-1mDKK
Other operating items	-5mDKK	-16mDKK
Debt forgiveness	-41mDKK	0mDKK
Tax-exempt Group contribution received	100mDKK	0mDKK

Consolidated financial statements

FLSmidth Cement 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

20 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 companys financial statements of 2023.

Furthermore, it is expected that the Board of Directores will approve an upcomming split of a sister company in the Group as part of dividing the Group into a Mining part and a Cement part. In this connection, FLSmidth Cement A/S expects to take over all the Group's Cement business activities. The effect caused by the upcomming split will only impact the outlook for 2024.

We are not aware of any other subsequent matters, that could be of material importance to the companys financial position.