FLSmidth Global Services A/S

Ramsingsvej 5

2500 Valby

Valby

CVR no. 19 09 43 08

Annual report for 2022

Adopted at the annual general meeting on 22 June 2023

Morten Loll Larsen
chair

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Company details

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Valby

Telephone:	36183780
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Website:	www.flsmidth.com
CVR-no.	19 09 43 08
Financial year:	1 January - 31 December 2022
Incorporated:	28 December 1995
Domicile:	Copenhagen

Board of directors
Tove Møller Nielsen, chair
Anders Josefsen
Morten Loll Larsen

Executive Board
Morten Loll Larsen, 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 Global Services A/S for the financial year 1 January - 31 December 2022.

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 2022 and of the results of the company's operations for the financial year 1 January - 31 December 2022.

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, 22 June 2023

Executive management

Morten Loll Larsen
CEO

Board of directors

Tove Møller Nielsen

Tove Møller Nielsen chair	Anders Josefsen	Morten Loll Larsen

Independent auditor's report

To the shareholder of FLSmidth Global Services A/S

Opinion

We have audited the financial statements of FLSmidth Global Services A/S for the financial year 1 January - 31 December 2022, 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 2022 and of the results of the company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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.

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, 22 June 2023

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Jens Thordahl Nøhr	Kennet Hartmann
State Authorised Public Accountant	State Authorised Public Accountant
mne32212	mne40036

Financial highlights

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

	2022	2021	2020	2019	2018
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	158.780	314.990	399.693	425.011	231.195
Gross profit	37.070	-21.626	18.086	8.660	123.290
Profit/loss before amortisation/depreciation and impairment losses	7.528	-69.709	-39.244	-81.641	-140
Net financials	1.101	-13.899	1.308	2.590	-24.685
Profit/loss for the year	2.841	-74.106	-47.014	-73.681	-126.828
Balance sheet					
Balance sheet total	213.438	261.646	424.857	417.240	728.501
Equity	82.005	74.462	19.082	65.727	118.425
Number of employees	189	380	807	804	838
Financial ratios					
Gross margin	23,3%	-6,9%	4,5%	2,0%	53,3%
EBIT margin	-10,2%	-17,4%	-11,2%	-20,4%	-30,8%
Solvency ratio	38,4%	28,5%	4,5%	15,8%	16,3%
Return on equity	3,6%	-158,4%	-110,9%	-80,0%	2.550,3%

In 2021 Annual Report, certain corrections were made to key figures for 2018-2020. 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 Global Services A/S’s primary activities are asset management in the cement industry and advisory contracts for projects in the mining and cement industry, including man power services, also to FLSmidth companies.

Financial review

The company's income statement for the year ended 31 December 2022 shows a profit of TDKK 2.841, and the balance sheet at 31 December 2022 shows equity of TDKK 82.005.

During 2022, the market conditions exceeded expectations and the realized revenue of mDKK 159 is therefore above guidance, which was a range of mDKK 120-140.

The result for 2022 includes reversal of provisions related to Egypt, see note 15. Excluding such reversals and due to the ongoing transition away from O&M contracts, the result was slightly below guidance of a loss in the range of 5-15m DKK.

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

Management's review

Market trends

Mining Market

Despite ongoing global macroeconomic and geopolitical turmoil, the long-term demand for minerals essential to economic growth and a sustainable future remains resilient. Changing commodity prices, supply chain constraints, inflation and the threat of a global recession were key drivers of concern and uncertainty for the mining industry in 2022. Opportunities arose due to the constant and growing demands emerging from the energy transition, and these are expected to continue.

The uncertainty caused by inflation and the risk of recession have slowed down exploration projects, reduced the budget for advanced greenfields and shifted a focus on low-risk projects during the first half of 2022. In the last quarter of 2022, there has been a recovery in progression of activity related to copper, lithium, gold, and phosphates.

The acceleration of decarbonisation efforts and energy transition drive the increase in the demand for green metals and industrial commodities globally. ESG requirements and future demand for commodities such as lithium and copper are the drivers of the capital business and require us to adapt the project planning and execution activities to the changing environment. Miners are rethinking their business models to gain competitive advantage and ESG is becoming an integrated part of the mining companies' strategies. This creates multiple opportunities for water management, decarbonisation and productivity solutions in the mining sector.

Disruption in supply chain caused by COVID-19, China's zero COVID-19 policy and geopolitical turmoil have established a need for transforming the supply strategy into stronger partnerships and collaboration with our customers and suppliers. This has created a stronger momentum for the digitalisation and life-cycle services, as an important component of the supply chain risk mitigation.

Management's review

Cement Market

During 2022, the cement industry has, like most other industries been navigating in a market with macroeconomic and geopolitical uncertainties. The volatile energy prices and inflation pressure have created a push for increased focus on productivity and we have experienced a continued focus on sustainability solutions.

The ongoing war in Ukraine, inflation and increasing interest rates have impacted the business climate in Europe. Customers have put large investments and upgrades on stand-by and we have experienced a slowdown in decision-making processes. However, the current situation has also opened up for increased dialogues on sustainability solutions.

During the quarters of 2022 there has been an accelerated shift in focus from capacity to sustainability – mainly driven by a concern around energy volatility – especially systems supporting fuel substitution.

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.

Risks are an integral part of our business with a constant evolving risk exposure. It requires a robust governance model and top management involvement to ensure that risks are minimized and mitigated while at the same time focusing on turning risks into opportunities where possible.

With the new strategic direction, Executive Management and the Board of Directors have lowered the overall risk profile by de-risking the portfolio and focusing on the core business.

However, our business is still subject to a number of risks and opportunities which can have both short- and long-term impact. The purpose of our risk management is to identify, quantify, manage and mitigate these risks and where possible ensure we turn them into opportunities.

This year's risk review resulted in the identification of the top risks and opportunities that have the potential to significantly impact the entire business and organisation. Many of this year's top risks – company transformation, compliance, looming recession, cyber security and geopolitical – have evolved into new, more complex risks compared to 2021.

Attracting and retaining employees remains a high priority. The industries we operate in are challenged by the ability to attract enough high-skilled and high-performing staff. We welcomed many new talented employees during the year and we continue to have an active recruitment and career development strategy.

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 mining and cement 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 mining and 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 mining and 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. We are not entering into new, greenfield coal-related projects, and we will end our involvement in coal mining by 2030.

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 2022 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 Global Services A/S' statutory reporting cf. §99a, please refer to our Group report available at:
https://www.flsmidth.com/en-gb/company/sustainability/sustainability-reports

Policies on the underrepresented gender

At the end of 2022, women accounted for 33% (end 2020: 33%) of the shareholder-elected Board members, fulfilling the target that minimum 25% of the members elected at the Annual General Meeting should be female.

With one member in Management, the company does not have equal diversity in gender. It is the company's objective to have the best qualified Management without discriminating gender and nationalities. Most of FLSmidth Global Services A/S' employees are situated globally with a local Head of Operations, which naturally reflects a multitude of cultures and nationalities.

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

The other management is people with employee responsibilities.

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

Management's review

Significant events occurring after the end of the financial year

No events have occurred after the balance sheet date which could significantly affect the company's financial position.

Outlook for 2023

The outlook for the mining industry remains positive and following a strong 2022 we expect market growth in 2023 to remain largely stable versus 2022.

Short-term outlook for the Cement industry remains impacted by overcapacity and the potential recession is expected to impact market demand negatively over the coming period.

Guidance for 2023 is a revenue in the range of 135-150m DKK and a result before tax, but excluding impairments of investments in subsidiaries of 0 DKK.

Guidance for 2023 is subject to uncertainty due to the global supply chain situation, potential recession and geopolitical turmoil.

Accounting policies

The annual report of FLSmidth Global Services A/S for 2022 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 2022 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.

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.

Income statement

Revenue

Revenue is recognized based on IFRS 15.

Revenue from contracts with customers is recognised when control of the goods or services

Accounting policies

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.

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

Accounting policies

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

Other operating income

Other operating income and costs comprise income and costs 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 expenses

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 expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial year. Net financials include interest income and expenses, financial expenses relating to finance leases, realised and unrealised capital/exchange gains and losses on securities, 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.

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.

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 participating 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.

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.

Accounting policies

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.

Accounting policies

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.

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.

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.

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.

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.

Accounting policies

Financial highlights

Definitions of financial ratios:

Gross margin ratio	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
EBIT margin	$\frac{\text{Profit/loss before financials x 100}}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity, end of year x 100}}{\text{Total assets at year-end}}$
Return on equity	$\frac{\text{Profit/loss from ordinary operations after tax x 100}}{\text{Average equity}}$

Income statement 1 January 2022 - 31 December 2022

	Note	2022	2021
		TDKK	TDKK
Revenue	1	**158.780**	**314.990**
Cost of productions	2	-121.710	-336.616
Gross profit		**37.070**	**-21.626**
Sales and distribution costs	2	-1.504	-12.257
Administrative costs	2	-28.038	-35.826
Operating profit/loss		**7.528**	**-69.709**
Other operating income	3	0	15.167
Other operating costs	3	-23.704	-407
Profit/loss before financial income and expenses		**-16.176**	**-54.949**
Impairment and reversals of impairment of investments in subsidiaries and participating interests		-50	0
Financial income	4	18.543	14.817
Financial costs	5	-17.392	-28.716
Profit/loss before tax		**-15.075**	**-68.848**
Tax on profit/loss for the year	6	17.916	-5.258
Net profit/loss for the year		**2.841**	**-74.106**
Retained earnings		2.841	-74.106
		2.841	**-74.106**

Balance sheet at 31 December 2022

	Note	2022	2021
		TDKK	TDKK
Assets			
Investments in subsidiaries	8	27.989	27.989
Investment in participating interests	9	2.836	2.886
Deposits	10	70	29
Deferred tax assets	13	49.434	19.048
Financial assets		**80.329**	**49.952**
Total non-current assets		**80.329**	**49.952**
Finished goods and goods for resale		210	296
Inventories		**210**	**296**
Trade receivables		20.820	46.113
Contract work in progress	11	1.148	4.015
Receivables from Group enterprises	19	93.403	126.319
Other receivables		2.384	1.798
Corporation tax		598	4.680
Prepayments	12	1.517	2.957
Receivables		**119.870**	**185.882**
Cash		**13.029**	**25.516**
Total current assets		**133.109**	**211.694**
Total assets		**213.438**	**261.646**

Balance sheet at 31 December 2022

	Note	2022 TDKK	2021 TDKK
Equity and liabilities			
Share capital		3.625	3.625
Revaluation reserve		2.268	-2.434
Retained earnings		76.112	73.271
Equity	14	**82.005**	**74.462**
Other provisions	15	5.096	44.365
Total provisions		**5.096**	**44.365**
Prepayments received from customers		0	1.485
Total non-current liabilities		**0**	**1.485**

Balance sheet at 31 December 2022 (continued)

	Note	2022 TDKK	2021 TDKK
Equity and liabilities			
Prepayments received from customers		0	7.028
Trade payables		2.757	7.738
Contract work in progress	11	10.360	6.589
Payables to Group enterprises	19	100.340	89.541
Corporation tax		3.589	0
Other payables	16	9.291	30.438
Total current liabilities		**126.337**	**141.334**
Total liabilities		**126.337**	**142.819**
Total equity and liabilities		**213.438**	**261.646**

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 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 at 31 December 2022	**3.625**	**2.268**	**76.112**	**82.005**

	Share capital	Revaluation reserve	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity 1. januar 2021	3.500	-6.920	22.502	19.082
Exchange adjustments	0	4.486	0	4.486
Cash capital increase	125	0	124.875	125.000
Net profit/loss for the year	0	0	-74.106	-74.106
Equity 31. december 2021	**3.625**	**-2.434**	**73.271**	**74.462**

Notes

		2022	2021
		TDKK	TDKK
1	**Revenue**		
	Income recognised in accordance with over time principle	158.780	314.990
	Total revenue	**158.780**	**314.990**
	Geographical breakdown:		
	North America	17.691	26.099
	South America	25.682	8.058
	Europe, North Africa & Russia	94.974	235.756
	Sub-Saharan & Middle east	10.546	26.857
	Asia	6.784	9.691
	Subcontinental India	2.537	7.846
	Australia	566	683
	Total revenue	**158.780**	**314.990**
	Segment reporting:		
	Service	130.236	297.141
	Cement	**130.236**	**297.141**
	Service	28.544	17.849
	Mining	**28.544**	**17.849**
	Total revenue	**158.780**	**314.990**

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

		2022	2021
		TDKK	TDKK
2	**Staff**		
	Including remuneration to the executive and supervisory boards:		
	Wages and salaries	96.103	102.240
	Pensions	815	1.818
	Other staff expenses	3.244	696
	Total Staff costs	**100.162**	**104.754**
	Remuneration		
	Executive management and Board of directors fee	30	30
		30	**30**
	Average number of employees	189	380

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 income and costs

Other operating income and costs include management fee from Group Companies.

		2022	2021
		TDKK	TDKK
4	**Financial income**		
	Other financial income	2.515	807
	Interests from Group enterprises	21	0
	Foreign exchange gains	11.826	5.017
	Interest from Tax authorities	0	8.400
	Fair value adjustments of financial instruments income	4.181	593
		18.543	**14.817**

		2022	2021
5	**Financial costs**		
	Other financial costs	1.600	0
	Interest paid to Group enterprises	1.043	1.378
	Foreign exchange losses	13.925	8.803
	Interest to Tax authorities	-5.498	17.520
	Fair value adjustments of financial instruments costs	6.322	1.015
		17.392	**28.716**

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

		2022	2021
6	**Tax on profit/loss for the year**		
	Current tax for the year	3.701	-711
	Deferred tax for the year	-6.964	19.473
	Adjustment of tax concerning previous years	-2.356	-10.313
	Adjustment of deferred tax concerning previous years	3.982	-8.613
	Recognition of previously unrecognised deferred tax asset	-21.612	0
	Tax of ordinary income or loss	**-23.249**	**-164**
	Witholding taxes	5.333	5.422
		-17.916	**5.258**

Notes

		2022	2021
		TDKK	TDKK
7	**Distribution of profit**		
	Retained earnings	2.841	-74.106
		2.841	**-74.106**

		2022	2021
		TDKK	TDKK
8	**Investments in subsidiaries**		
	Cost at 1 January 2022	127.804	127.804
	Cost at 31 December 2022	127.804	127.804
	Revaluations at 1 January 2022	-99.815	-99.815
	Revaluations at 31 December 2022	-99.815	-99.815
	Carrying amount at 31 December 2022	**27.989**	**27.989**

As at 31 December 2022, the cost price of the investments in subsidiaries was tested for impairment. The impairment test showed no need for impairment in 2022 (2021: MDKK 0). Management has decided to provide for potential future losses regarding the investment in NL Supervision Company Tunesia. This is included within 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%	-37.412	-928
NL Supervision Company Angola, LDA.	Angola	90%	44.096	-1.087
ISIRNEL S.A.	Uruguay	100%	1.879	1.437

		2022	2021
		TDKK	TDKK
9	**Investment in participating interests**		
	Cost at 1 January 2022	3.014	3.014
	Cost at 31 December 2022	3.014	3.014
	Revaluations at 1 January 2022	-128	-128
	Impairment for the year	-50	0
	Revaluations at 31 December 2022	-178	-128
	Carrying amount at 31 December 2022	**2.836**	**2.886**

Investment in participating 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%	3.322	-9.369
FLSmidth S.A.	Spain	6,2%	53.500	556
FLSmidth Sales and Services Limited	Nigeria	25%	1.422	4
FLSmidt S.A.C.	Peru	0,001%	507.282	134.053
FLSmidth Zambia Ltd	Zambia	10%	201	0
FLSmidth Mekanik Sistemler Satis Bakim Ltd. Sti	Turkey	0,02%	6.399	2.650
FLSmidth Kenya Limited	Kenya	0,1%	-3.512	-1.939
FLSmidth Rus OOO	Russia	10%	26.559	-59.943

Notes

10 Financial assets

	Deposits
	TDKK
Cost at 1 January 2022	29
Exchange adjustment	-3
Additions for the year	44
Cost at 31 December 2022	70
Carrying amount at 31 December 2022	**70**

11 Contract work in progress

	2022	2021
	TDKK	TDKK
Sales price value of production for the period	421.100	1.375.632
Payments received on account	-430.312	-1.378.206
	-9.212	**-2.574**
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	1.148	4.015
Contract work in progress recognised in liabilities	-10.360	-6.589
	-9.212	**-2.574**

12 Prepayments

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

	2022	2021
	TDKK	TDKK
13 Deferred tax		
Deferred tax at 1 January	19.048	25.408
Exchange rate adjustment	-1.394	4.500
Used tax provision	7.186	0
Changes for the year	6.964	-19.473
Changes for previous year	-3.982	8.613
Recognition of previously unrecognised deferred tax asset	21.612	0
Provision for deferred tax at 31 December	**49.434**	**19.048**

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 2.541 (2021: TDKK 24.153).

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:

	2022	2021	2020	2019	2018
	TDKK	TDKK	TDKK	TDKK	TDKK
Share capital at 1 January 2022	3.625	3.500	3.500	2.500	1.500
Additions for the year	0	125	0	1.000	1.000
Share capital	**3.625**	**3.625**	**3.500**	**3.500**	**2.500**

Notes

		2022	2021
		TDKK	TDKK
15	**Other provisions**		
	Balance at beginning of year at 1 January 2022	44.365	70.337
	Exchange adjustment	-5.663	2.328
	Provision in year	3.008	20.200
	Used during the year	-8.198	-47.109
	Reversed during the year	-28.416	-1.391
	Balance at 31 December 2022	**5.096**	**44.365**

The expected due dates of other provisions are:		
Within one year	632	625
Between 1 and 5 years	4.464	43.740
	5.096	**44.365**

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 counter any losses.

Provisions mainly consist of provisions for the usual warranties and provisions for loss-making contracts. In 2021, provisions were recognized related to a project in Egypt covering financial risks as well as operational risks in the completion phase. During 2022, the risks have been mitigated more favorably than anticipated and accordingly the provisions amounting to DKK 28m reversed.

16 Other payables

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

17 Contingent liabilities

	2022	2021
	TDKK	TDKK
Rental agreements	131	131
Operational lease	1.043	2.410
	1.174	**2.541**

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 Global Services 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 Global Services 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.

	2022	2021
Revenue	106mDKK	102mDKK
Cost of production	-2mDKK	-4mDKK
Group cost	-12mDKK	-10mDKK
Interest cost	-1mDKK	-1mDKK
Other operating items	-16mDKK	-2mDKK

Consolidated financial statements

FLSmidth Global Services 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 2022 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

No events have occurred after the balance sheet date which could significantly affect the company's financial position.