

FLSmidth Finans A/S


Vigerslev Allé 77

2500 Valby

CVR no. 31 61 07 61

Annual report for 2022

Adopted at the annual general
meeting on 20 June 2023

A handwritten signature in blue ink, consisting of several loops and a final flourish.

Sander Fynboe
chair

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Company details

FLSmith Finans A/S
Vigerslev Allé 77
2500 Valby

CVR-no. 31 61 07 61

Financial year: 1 January - 31 December 2022

Domicile: Copenhagen

Board of directors

Sander Fynboe, chair
Lisbet Kragelund
Camilla Winther

Executive Board

Camilla Winther

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 Finans 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, 20 June 2023

Executive Management



Camilla Winther

Board of directors



Sander Fynboe
chair



Lisbet Kragelund



Camilla Winther

Independent auditor's report

To the shareholder of FLSmidth Finans A/S

Opinion

We have audited the financial statements of FLSmidth Finans A/S for the financial year 1 January – 31 December 2022, which comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 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 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' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code.

Management's responsibilities for the financial statements

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

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

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent auditor's report

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

Statement on Management's review

Management is responsible for the Management's review.

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

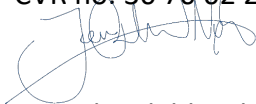
In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially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

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

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

Copenhagen, 20 June 2023

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Jens Thordahl Nøhr
State Authorised Public Accountant
MNE no. mne32212



Tommy Borggaard Nielsen
State Authorised Public Accountant
MNE no. mne34340

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
	MDKK	MDKK	MDKK	MDKK	MDKK
Key figures					
Net financials	6	13	12	4	10
Profit/loss for the year	4	10	9	3	8
Balance sheet total	1.029	617	603	1.132	841
Total equity	617	613	603	594	590
Financial ratios					
Solvency ratio	60,0%	99,4%	100,0%	52,5%	70,2%
Return on equity	0,7%	1,6%	1,5%	0,5%	1,4%

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

Management's review

Business review

The company is part of FLSmidth Group and fully owned by FLSmidth & Co. A/S. The purpose of the Company is to provide capital via loans to entities within the FLSmidth Group or entities associated with the FLSmidth Group.

Financial review

The company's income statement for the year ended 31 December 2022 shows a profit of TDKK 4.381, and the balance sheet at 31 December 2022 shows equity of TDKK 617.127.

The Profit for the year is below expectations at the beginning of the year primarily due to currency losses for the year.

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.

Special risks apart from generally occurring risks in industry

Currency risks

The Company's currency risk derives from the impact of exchange rates on future commercial payments and financial payments. Furthermore, the Company hedges loans in foreign currencies provided to entities within the FLSmidth Group in order to reduce fluctuations in FX prices as described in note 3 to the financial statements. Funding is done in the Company's own currency.

Interest-rate risks

The Company reduces interest risk by only using floating rates on its funding and financing agreements.

Credit risks

The Company's financial assets are mainly managed or approved by Management and Treasury department. The credit risk is limited to only FLSmidth Group counterparties where there is continuously assessment of operational performance and profitability.

Management's review

Outlook 2023

It's our assumptions that market conditions in 2023 will be similar to that of 2022. Management expects a positive net result for 2023 in line with 2022, however depending on the level of loan balances, currency fluctuations and interest rate levels, which may change during the year.

Accounting policies

The annual report of FLSmidth Finans A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class medium C.

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

The annual report for 2022 is presented in TDKK

In accordance with section 86.4 of the Danish Financial Statements Act, no cash flow statement has been prepared. The cash flow statement of FLSmidth Finans A/S is included in the consolidated financial statements of FLSmidth & Co. A/S.

Basis of recognition and measurement

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.

Income statement

Administration costs

Administration costs include expenses to audit fee.

Financial income and costs

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses exchange gains and losses on foreign currency transactions, derivative gains/ losses, surcharges and allowances under the advance-payment-of-tax scheme, etc.

Tax for the year

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

Accounting policies

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

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write downs for bad and doubtful debts.

Receivables are measured at amortised cost or lower net realizable value. The company has chosen IAS 39 as interpretation for impairment of financial assets.

Income tax and deferred tax

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 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.

Liabilities

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

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

Accounting policies

Foreign currency translation

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

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

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.

Derivative financial instruments that do not qualify for hedge accounting, fair value adjustments are recognised as financial items in the income statement.

The derivatives are forward exchange contracts not traded on an active market. The fair value is therefore estimated using a valuation technique, where all significant inputs are based on observable market data such as exchange rates, interest rates, credit risk and volatilities (level 2).

Accounting policies

Financial highlights

Definitions of financial ratios.

Solvency ratio	$\frac{\text{Equity, end of year} \times 100}{\text{Total assets at year-end}}$
Return on equity	$\frac{\text{Profit/loss from ordinary operations after tax} \times 100}{\text{Average equity}}$

Income statement 1 January - 31 December

	<u>Note</u>	<u>2022</u> TDKK	<u>2021</u> TDKK
Administration costs		-30	-1
Gross profit		-30	-1
Financial income	2	180.313	65.906
Financial costs	3	-174.613	-52.946
Profit/loss before tax		5.670	12.959
Tax for the year	4	-1.289	-2.923
Profit/loss for the year		<u>4.381</u>	<u>10.036</u>
Distribution of profit	5		

Balance sheet 31 December

	<u>Note</u>	<u>2022</u> TDKK	<u>2021</u> TDKK
Assets			
Receivables from Group companies	6	0	15.676
Deferred tax assets	7	2.051	0
Financial assets		<u>2.051</u>	<u>15.676</u>
Total non-current assets		<u>2.051</u>	<u>15.676</u>
Receivables from Group companies		1.024.563	598.936
Other receivables		4	16
Joint taxation contributions receivable		2.455	1.923
Receivables		<u>1.027.022</u>	<u>600.875</u>
Total current assets		<u>1.027.022</u>	<u>600.875</u>
Total assets		<u>1.029.073</u>	<u>616.551</u>

Balance sheet 31 December

	<u>Note</u>	<u>2022</u> TDKK	<u>2021</u> TDKK
Equity and liabilities			
Share capital		10.000	10.000
Retained earnings		<u>607.127</u>	<u>602.746</u>
Equity		<u>617.127</u>	<u>612.746</u>
Payables to affiliated companies	8	396.533	0
Other payables	3	<u>15.413</u>	<u>3.805</u>
Total current liabilities		<u>411.946</u>	<u>3.805</u>
Total liabilities		<u>411.946</u>	<u>3.805</u>
Total equity and liabilities		<u><u>1.029.073</u></u>	<u><u>616.551</u></u>

Statement of changes in equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January 2022	10.000	602.746	612.746
Net profit/loss for the year	0	4.381	4.381
Equity at 31 December 2022	10.000	607.127	617.127

The share capital consists of 1 share of a nominal value of TDKK 10,000. No shares carry any special rights.

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

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January 2021	10.000	592.710	602.710
Net profit/loss for the year	0	10.036	10.036
Equity at 31 December 2021	10.000	602.746	612.746

Notes

	<u>2022</u>	<u>2021</u>
	TDKK	TDKK
1 Staff costs		
Remuneration		
Executive management and Board of directors fee	<u>30</u>	<u>30</u>
	<u>30</u>	<u>30</u>
Average number of employees	<u>0</u>	<u>0</u>

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 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.

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

2 Financial income		
Interest received from Group companies	25.559	16.898
Other financial income	1	0
Foreign exchange adjustments	52.630	30.459
Fair value adjustments of financial instruments	<u>102.123</u>	<u>18.549</u>
	<u>180.313</u>	<u>65.906</u>

Notes

	<u>2022</u>	<u>2021</u>
	TDKK	TDKK
3 Financial costs		
Financial expenses, Group companies	6.506	610
Other financial costs	3	4
Foreign exchange adjustments	77.080	8.312
Fair value adjustments of financial instruments	<u>91.024</u>	<u>44.020</u>
	<u>174.613</u>	<u>52.946</u>

Foreign exchange contracts amount to a net gain of DKK 11,1 million for 2022 (2021: net loss of DKK 25,5 million) of which unrealised value adjustments amount to DKK -11,6 million. (DKK -5 million). As of 31 December 2022 the fair value amounts to negative DKK 15,4 million (level 2 in the fair value hierarchy). Foreign exchange contracts are used for economic hedging of loans in foreign currency. The notional of the contracts for significant currencies are AUD -1.006 million and USD -7,4 million.

4 Tax for the year

Tax for the year	0	2.851
Deferred tax for the year	1.254	0
Adjustment of tax concerning previous years	3.340	72
Adjustment of deferred tax concerning previous years	<u>-3.305</u>	<u>0</u>
	<u>1.289</u>	<u>2.923</u>

5 Distribution of profit

Retained earnings	<u>4.381</u>	<u>10.036</u>
	<u>4.381</u>	<u>10.036</u>

Notes

6 Financial assets

	<u>Receivables from Group companies</u>
	TDKK
Cost at 1 January 2022	15.676
Disposals for the year and transfer to current assets	<u>-15.676</u>
Cost at 31 December 2022	<u>0</u>
Carrying amount at 31 December 2022	<u><u>0</u></u>

	<u>2022</u>	<u>2021</u>
	TDKK	TDKK
7 Deferred tax		
Adjustment deferred tax current year	-1.254	0
Adjustment deferred tax prior year	<u>3.305</u>	<u>0</u>
Deferred tax asset at 31 December 2022	<u><u>2.051</u></u>	<u><u>0</u></u>

Deferred tax asset relates to tax losses carried forward recognised in the balance sheet.

Notes

8 Payables to affiliated companies

	Debt at 1 January 2022	Debt at 31 December 2022
Payables to subsidiaries	<u>0</u>	<u>396.533</u>
	<u>0</u>	<u>396.533</u>

The payable relate to a group internal cash pool account with FLSmidt & Co A/S. In the financial year, further amounts have been drawn in order to finance loans to group companies.

9 Contingent assets and liabilities

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

Notes

10 Related parties and ownership structure

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

FLSmidth Finans A/S is a fully consolidated subsidiary in the Parent's (largest and smallest group) consolidated financial statements, FLSmidt & Co. A/S, Valby Copenhagen, 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>

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

	2022	2021
Financial income from Group companies	180mDKK	66mDKK
Financial expenses to Group companies	-175mDKK	-53mDKK
Receivable from Group companies	1.025mDKK	615mDKK
Payable to Group companies	397mDKK	0mDKK
Derivatives (positive)	0mDKK	0mDKK
Derivatives (negative)	-15mDKK	-4mDKK

11 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.