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Annual Report 2023

FLSmidth & Co. A/S
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# Annual Report 2023

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## 2023 FLSmidth reports


**Annual Report 2023**
In our Annual Report for the FLSmidth Group we provide financial and operational information about the Group's performance in 2023, and we describe the Group's strategic plans and future goals.


**Sustainability Report 2023**
In our Sustainability Report 2023, we disclose our progress towards achieving our sustainability ambitions.


**Corporate Governance Statement 2023**
In our Corporate Governance Statement, you can read more about how we have incorporated and follow the recommendations prepared by the Danish Committee on Corporate Governance.


**Remuneration Report 2023**
In our Remuneration Report, you can get a comprehensive overview of the remuneration of our Executive Management and our Board of Directors.

# FY23 highlights

## Mining

Continued **improvement in underlying profitability** with an adjusted EBITA margin of 10.8%

**Better-than-expected integration** of Mining Technologies led to **increased synergy take-out**

**Pumps, Cyclones & Valves** Business Line established to support our **growth ambitions**

## Cement

Solid **improvement in underlying profitability** with an EBITA margin of 6.7%

**Continued product portfolio pruning** including divestments of the AFT* business

Decision to **explore divestment options** for the business announced in January 2024


## Non-Core Activities

**Accelerated exit** from the Non-Core Activities segment, supported by the KOCH Solutions transaction

**Backlog further** reduced to DKK 531m at the end of 2023

## Sustainability

Good progression on all of our **Science Based Targets**

**Increasing diversity in the work-place** with percentage of women managers increasing to 16.3%

Energy reduction initiatives, more renewable energy and improved monitoring to **drive down our own $CO_2$ emissions**


*Advance Filtration Technologies (AFT) business was sold in July 2023.

Execution, transformation, integration, pure play separation and improved profitability. These are all the key themes describing our 2023. We have continued to see strong strategic progression across all areas. We are truly proud of this, and we have a very exciting future ahead of us!

**Tom Knutzen**
Chair

**Mikko Keto**
CEO

# Letter to our shareholders

2023 has been yet another dynamic year for FLSmidth where we have continued to deliver on our key transformation activities. Driven by the hard work of all our dedicated employees, we have continued to improve our business performance amidst an everchanging business environment.

## We are a key part of the solution

Increasing the supply of critical minerals mined in a sustainable manner is essential to economic development and the green transition. At the same time, the cement industry remains one of the highest emitting industries in the world. Consequently, our value proposition is more relevant than ever, especially in the midst of increased macroeconomic uncertainty and geopolitical turmoil.

As a market-leading supplier to the global mining and cement industries, we take great pride in and responsibility for enabling more sustainable business practices for our customers. Not just to improve their performance, but also to reduce the environmental impact from mineral processing and cement production.

## Integration, synergies and transformation

Since the launch of our pure play strategies for Mining and Cement in early 2023, we have maintained a relentless focus on ensuring a strong integration of Mining Technologies, simplifying our business, optimising our operations and improving our profitability.

During the year, we have successfully improved our legacy Mining business, while at the same time managed to integrate Mining Technologies ahead of our initial expectations. As a result, we have raised the total annual cost synergy takeout from the acquisition to around DKK 600m against the initial expectations at the time of the acquisition of around DKK 360m.

We have continued to simplify, de-risk and right-size our Cement business to improve profitability and make it “fit-for-purpose” with a strategic focus on the core products and services required in the cement industry.

The exit from Non-Core Activities (NCA) continued to progress at an accelerated pace. Since the NCA segment was established in Q4 2022, we have reduced the order backlog by more than 85% and we are well on track for a full exit by the end of 2024. We still expect a total loss of around DKK 1bn over the exit period. This is an important achievement, as it paves the way for a more streamlined and profitable FLSmidth in the future.

## Embracing a future as two companies

As part of the pure play separation process between Mining and Cement, we have assessed different business models, investment scenarios and potential ownership structures. Based on these assessments, we have concluded that the Cement business in the longer-term could benefit from an alternative ownership than FLSmidth’s.

By pursuing a separate ownership, our objectives are to unlock the full potential of each of the businesses and thereby maximise shareholder value.

The process of exploring divestment options for the Cement business has been initiated, however any transaction is of course not guaranteed. Until further notice, the Cement business will continue to execute on its ‘GREEN’26’ strategy and work towards the long-term financial target that has been set for the business.

> Pursuing separate ownership for our Mining and Cement businesses is key to unlocking their respective full potentials. We believe Cement could benefit from an alternative owner, and that FLSmidth is best served by dedicating all its focus to the Mining business.
>
> ***Tom Knutzen, Chair***

Exploring divestment options for the Cement business also represents a key step in unlocking the full long-term potential for our Mining business, which already today accounts for around 80% of our total Group revenue.

We continue to see tremendous long-term opportunities in mining backed by strong industry fundamentals and a positive long-term market outlook, especially due to the ever-growing demand for critical minerals such as copper, lithium and cobalt. However, to fully leverage these growth factors, it requires dedicated management attention and significant investments.

## Continued performance improvement

As a result of continued progression on our key transformation efforts, including the better-than-expected integration of Mining Technologies, we have continued to improve our underlying business performance, and consequently delivered a positive cash flow from operations in 2023.

Both Mining and Cement saw improved profitability in 2023. This was driven by strong execution, a relentless focus on reducing and limiting the share of more complex and risky orders, continued business simplification and product portfolio pruning in the Cement business. Performance has been adversely impacted by challenging market conditions, especially in the cement industry. The mining service market has remained stable, whereas the mining products market has been impacted by some customers delaying large investment decisions.

Further, we have continued to make good strides on our sustainability agenda during 2023. This includes a good progression on all of our Science Based Targets as well as on the alignment with the EU Taxonomy. Ensuring a strong sustainability performance across our organisation remains a key focus area while continuously mitigating areas where we have seen an unsatisfactory development, exemplified by our safety agenda where our performance has deteriorated versus last year.

## Execution and transformation in focus

Our focus in 2023 was largely aimed at ensuring a strong integration of Mining Technologies and implementing the pure play strategies. With the integration nearing completion, the focus for 2024 will be on ensuring continued execution of our transformation.

We will continue to simplify our business, optimise our footprint, implement the principal company model and execute on the pure play separation. In addition, we have started to re-invest some of the synergies into key commercial areas with the aim of fuelling our long-term growth ambitions for the Mining business. These investments will in particular be directed towards areas that can further boost our service business growth and profitability as well as key innovation and technologies, exemplified by the HPGR Pro in Mining.

This includes investments in our consumables business and in our service centres, manufacturing setup and in our Pumps, Cyclones & Valves business. The latter in particular holds significant untapped potential, and in order to maximise our full long-term value creation, we have as of February 2024 appointed a new President for this Business Line and elevated this role into the Group Executive Management to ensure strongest possible management attention.

With the launch of our new pure play strategies, we have set clear directions and ambitions for our transformation journey including the long-term financial potential for both Mining and Cement. Key focus is to walk-the-talk to ensure strong strategy execution to the benefit of our employees, customers, society and shareholders.

***Mikko Keto, CEO***

## An exciting future

We firmly believe that both our Mining and Cement businesses hold exciting long-term potential driven by economic development and the much-needed green transition.

When we announced our decision to explore an alternative ownership for the Cement business, we simultaneously re-confirmed our 2026 long-term financial targets for both the Mining and Cement business.

The re-confirmation of our long-term ambitions further serves as clear testament to our continued conviction in our strategy. In addition, it serves as testament to our confidence in our ability to successfully deliver on the transformation journey that we have embarked on – to the benefit of both our employees, customers, society and shareholders.

We would like to acknowledge all our employees' hard work and unwavering dedication. At the same time, we would also like to take this opportunity to thank our customers and shareholders for their continued trust and support and we look forward to continuing this journey with you in 2024.

**Tom Knutzen**
Chair

**Mikko Keto**
CEO


# Highlights


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# Financial performance highlights 2023

## Mining*

**Order intake** (DKK)

▼ 8.7%

**16,280**

| | |
|---|---|
| 2023 | 16,280 |
| 2022 | 17,822 |

**Revenue** (DKKm)

▲ 13.4%

**17,107**

| | |
|---|---|
| 2023 | 17,107 |
| 2022 | 15,082 |

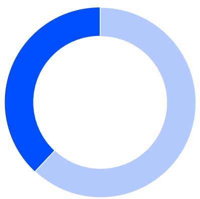
**EBITA & EBITA margin** (DKKm - %)

▲ 20.0%

**1,375** 8.0% (adj. 10.8%)

| | |
|---|---|
| 2023 | 1,375 |
| 2022 | 1,146 |

**Revenue split by Service & Products** (%)




## Cement

**Order intake** (DKK)

▼ 26.1%

**4,888**

| | |
|---|---|
| 2023 | 4,888 |
| 2022 | 6,613 |

**Revenue** (DKKm)

▼ 3.4%

**6,048**

| | |
|---|---|
| 2023 | 6,048 |
| 2022 | 6,264 |

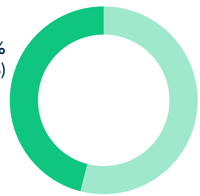
**EBITA & EBITA margin** (DKKm - %)

▲ 100.0%

**408** 6.7%

| | |
|---|---|
| 2023 | 408 |
| 2022 | 204 |

**Revenue split by Service & Products** (%)




## Non-Core Activities**

**Order intake** (DKK)

▼ 0.5%

**208**

| | |
|---|---|
| 2023 | 208 |
| 2022 | 209 |

**Revenue** (DKKm)

▲ 89.1%

**951**

| | |
|---|---|
| 2023 | 951 |
| 2022 | 503 |

**EBITA & EBITA margin** (DKKm - %)

▲ 15.2%

**(345)** -36.3%

| | |
|---|---|
| 2023 | (345) |
| 2022 | (407) |

**Revenue split by Service & Products** (%)


## Group*

**Order intake** (DKK)

▼ 13.3%

**21,376**

| | |
|---|---|
| 2023 | 21,376 |
| 2022 | 24,644 |

**Revenue** (DKKm)

▲ 10.3%

**24,106**

| | |
|---|---|
| 2023 | 24,106 |
| 2022 | 21,849 |

**EBITA & EBITA margin** (DKKm - %)

▲ 52.5%

**1,438** 6.0% (adj. 8.0%)

| | |
|---|---|
| 2023 | 1,438 |
| 2022 | 943 |

**Cash flow from operating activities**
DKK 623m ▼ from DKK 968m in 2022

**Earnings per share**
DKK 8.7 ▲ from DKK 6.5 in 2022

**Net working capital ratio**
5.7% ▼ from 7.8% end of 2022

**NIBD/EBITDA**
0.4x ▼ from 0.6x end of 2022

*Mining Technologies is included for the last four months of 2022.

**Non-Core Activities was established as of Q4 2022.

# Sustainability performance highlights 2023

We align our business with the core principles of environmental, social and governance responsibilities. In 2023, we progressed in all our sustainability performance indicators except safety. All performance figures include Mining Technologies as of 1 September 2022.

### Scope 1 and 2 greenhouse gas emissions[1]

SCIENCE BASED TARGETS

$tCO_2e$ (market-based)

**38,022**

2.7% improvement


Scope 1 and 2 $CO_2$ emissions fell within our 2023 target. Despite the integration of Mining Technologies in 2023, emissions decreased due to site consolidation and ongoing emissions reductions initiatives. This includes scope 2 (market-based) emissions decreasing as renewable electricity coverage increased from 21% to 26%.

### Scope 3: Economic intensity (use of sold products)[2]

SCIENCE BASED TARGETS

$tCO_2e$/DKKm order intake

**5,430**

0.6% improvement


Scope 3 economic intensity improved from 2022, maintaining the strong reduction shown in the previous year. This is due to the sales split between less emissions-intensive products in Mining versus high emissions-intensive products in Cement remaining stable. Economic intensity decreased by 41.3% from our 2019 base year, placing us significantly ahead of the trajectory to meet our 2030 goal of a 56% reduction.

### Water

$m^3$

**167,610**

5.9% improvement

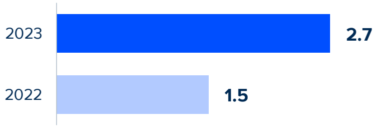

Water withdrawal was reduced by 5.9% from 2022. However, water withdrawal from water-stressed areas increased as our exposure to water stress grew with acquired Mining Technologies sites and as other regions experienced high water stress. Expanding on our water reduction initiatives, we will launch a water conservation plan aligned with local and regional regulations in 2024.

### Safety (Total recordable injury rate)

Total recordable injury rate/million working hours

**2.7**

1.2 deterioration



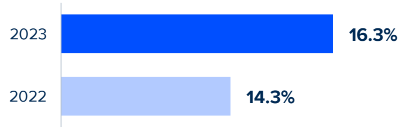

Safety performance significantly deteriorated during the year, primarily due to increased frequency of incidents in manufacturing sites, organisational changes resulting in loss of knowledge, and greater use of third-party contractors. We remain committed to our Zero Harm safety ambition and are implementing more knowledge-sharing activities and training.

### Women managers

%

**16.3**

2.0%-points improvement




We achieved our 2023 target and are progressing well towards our 2030 target of 25%. This reflects the success of our inclusive and focused hiring practices and more women promoted into leadership.

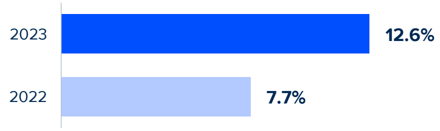
### Spend with suppliers with science-based targets

SCIENCE BASED TARGETS

%

**12.6**

4.9%-points improvement



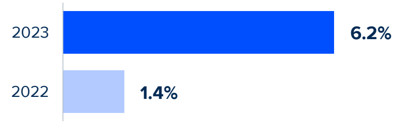

We surpassed our 2023 target for spend with suppliers with science-based targets. This was mainly due to more of our larger suppliers committing to the Science Based Targets initiative and reflects our ongoing engagement with suppliers to promote environmentally responsible practices. Our 2025 target is for 30% of our spend to be with suppliers that have set science-based targets.

### EU taxonomy - aligned revenue

% of total revenue

**6.2**

4.8%-points improvement




The increase in EU taxonomy-aligned revenue is driven by a successful technical screening in compliance with relevant standards, specifically the completion of a life cycle assessment of additional technologies in 2023. We expect aligned revenue to continue to grow as we complete more life cycle assessments of MissionZero products and improve our ESG standards across the value chain.

1. To align with upcoming CSRD reporting requirements, scope 1 and 2 emissions data in 2022 are updated to reflect our financial control of Mining Technologies. Emissions data from Mining Technologies was disclosed separately in our 2022 Sustainability Report.

2. In 2023 we updated our Scope 3 calculation methodology. The 2022 figure is updated to reflect this change as well as the inclusion of Mining Technologies. See our Sustainability Report for more details.

# 5-year key figures

| DKKm | 2019 | 2020 | 2021 | 2022* | 2023 |
|---|---|---|---|---|---|
| **Income statement** | | | | | |
| Revenue | 20,646 | 16,441 | 17,581 | 21,849 | 24,106 |
| Gross profit | 4,849 | 3,865 | 4,180 | 5,076 | 6,087 |
| EBITDA | 2,008 | 1,134 | 1,401 | 1,300 | 1,761 |
| EBITA | 1,663 | 771 | 1,030 | 943 | 1,438 |
| EBIT | 1,286 | 428 | 668 | 619 | 1,200 |
| Financial items, net | (115) | (47) | (81) | (67) | (146) |
| EBT | 1,171 | 381 | 587 | 552 | 1,054 |
| Profit for the year, continuing activities | 798 | 226 | 374 | 351 | 672 |
| Loss for the year, discontinued activities | (22) | (21) | (17) | 1 | (181) |
| Profit for the year | 776 | 205 | 357 | 352 | 491 |
| **Orders** | | | | | |
| Order intake, continuing activities | 19,554 | 18,524 | 19,233 | 24,644 | 21,376 |
| Order backlog, continuing activities | 14,192 | 14,874 | 16,592 | 23,541 | 17,593 |
| **Earning ratios** | | | | | |
| Gross margin | 23.5% | 23.5% | 23.8% | 23.2% | 25.3% |
| EBITDA margin | 9.7% | 6.9% | 8.0% | 5.9% | 7.3% |
| EBITA margin | 8.1% | 4.7% | 5.9% | 4.3% | 6.0% |
| EBIT margin | 6.2% | 2.6% | 3.8% | 2.8% | 5.0% |
| EBT margin | 5.7% | 2.3% | 3.3% | 2.5% | 4.4% |
| **Cash flow** | | | | | |
| Cash flow from operating activities (CFFO) | 948 | 1,421 | 1,449 | 968 | 623 |
| Acquisitions of property, plant and equipment | (177) | (171) | (116) | (88) | (176) |
| Cash flow from investing activities (CFFI) | (661) | (376) | (273) | (2,310) | (257) |
| Free cash flow | 287 | 1,045 | 1,176 | (1,342) | 366 |
| Free cash flow adjusted for acquisitions and disposals of enterprises and activities | 574 | 1,082 | 1,185 | 777 | 201 |
| **Balance sheet** | | | | | |
| Net working capital | 2,739 | 1,752 | 1,058 | 1,893 | 1,382 |
| Net interest-bearing debt (NIBD) | (2,492) | (1,808) | 889 | (726) | (639) |
| Total assets | 23,532 | 20,456 | 23,053 | 29,845 | 27,011 |
| CAPEX | 523 | 494 | 397 | 424 | 604 |
| Equity | 8,793 | 8,130 | 10,368 | 10,787 | 10,828 |
| Dividend to shareholders, proposed | 0 | 103 | 173 | 173 | 231 |

**Use of alternative performance measures**

Throughout the report we present financial measures which are not defined according to IFRS. We have included additional information in note 7.4 Alternative performance measures and 7.8 Definition of terms.

| Financial ratios | 2019 | 2020 | 2021 | 2022* | 2023 |
|---|---|---|---|---|---|
| Book-to-bill | 94.7% | 112.7% | 109.4% | 112.8% | 88.7% |
| Order backlog / Revenue | 68.7% | 90.5% | 94.4% | 107.7% | 73.0% |
| Return on equity | 9.1% | 2.4% | 3.9% | 3.3% | 4.5% |
| Equity ratio | 37.4% | 39.7% | 45.0% | 36.1% | 40.1% |
| ROCE | 10.9% | 5.1% | 7.2% | 5.9% | 8.2% |
| Net working capital ratio, end | 13.3% | 10.7% | 6.0% | 7.8% | 5.7% |
| NIBD/EBITDA | 1.2 | 1.6 | (0.6) | 0.6 | 0.4 |
| Capital employed, average | 15,251 | 15,195 | 14,384 | 15,888 | 17,552 |
| Number of employees | 12,346 | 10,639 | 10,117 | 10,977 | 9,377 |
| **Share ratios** | | | | | |
| Cash flow per share, diluted | 18.9 | 28.3 | 27.8 | 17.0 | 10.9 |
| Earnings per share (EPS), diluted | 15.5 | 4.2 | 6.9 | 6.5 | 8.7 |
| Dividend yield | 0.0 | 0.9 | 1.2 | 1.2 | 1.4 |
| Dividend per share, proposed | 0 | 2 | 3 | 3 | 4 |
| Share price | 265.4 | 232.8 | 244.3 | 251.7 | 287.2 |
| Number of shares (1,000), end | 51,250 | 51,250 | 57,650 | 57,650 | 57,650 |
| Market capitalisation, end | 13,602 | 11,931 | 14,084 | 14,511 | 16,557 |
| **Sustainability key figures** | | | | | |
| Spend with suppliers with science-based targets** | | | 4.9% | 7.7% | 12.6% |
| Scope 1 and 2 greenhouse gas emissions (tCO2e) market-based | | 41,155 | 34,737 | 39,079* | 38,022 |
| Scope 3: Economic intensity Use of sold products (GHGs in tonnes CO2e/DKKm order intake)** | 9,248** | | 10,348*** | 5,461** | 5,430 |
| Water withdrawal (m3) | 221,613 | 197,346 | 201,997 | 178,064 | 167,610 |
| Safety, TRIR Total Recordable Injury Rate (including contractors)** | 1.6 | 1.0 | 1.9 | 1.5 | 2.7 |
| Women managers | 11.2% | 13.1% | 14.3% | 14.3% | 16.3% |
| EU taxonomy - aligned revenue | | | | 1.4% | 6.2% |
| **Other key figures** | | | | | |
| Quality, DIFOT Delivery In Full On Time | 88.0% | 88.3% | 85.1% | 81.9% | 81.9% |

The financial ratios have been computed in accordance with the guidelines of the Danish Finance Society. Refer to note 7.8 for definitions of terms.

*Mining Technologies is included for the last four months of 2022. 2022 Scope 1 and 2 (market based) was updated to reflect Mining Technologies.

**Sustainability key figures are from our Sustainability Report. Starting in 2018, TRIR is including contractors. Spend with suppliers with science-based targets was tracked for the first time in 2021. Scope 3 economic intensity was a new target introduced in 2021 using 2019 data as baseline. No data was tracked for economic intensity in 2020. 2019 baseline has been recalculated to include Mining Technologies which is reflected in 2022 reported number.

***Reported lifetime greenhouse gas emissions for 2021 have been recalculated by 631 tonnes $CO_2$e due to two orders moved from 2021 to 2022 to align with the effective Order Intake date

# 2024 financial guidance

Our guidance for the full year 2024, as set out in the Company Announcement no. 2-2024 on 29 January 2024, is maintained. The guidance reflects the ongoing business simplification and transformation efforts, continued improvement in the core Mining business, realisation of the full cost synergies from the Mining Technologies acquisition, continued profitability progress in the underlying Cement business and the ongoing exit from the Non-Core Activities segment.

| Mining | Cement | Non-Core Activities | Group |
|---|---|---|---|
| Revenue (DKKbn) **16.0-17.0** (DKK 17.1bn) | Revenue (DKKbn) **4.0-4.5** (DKK 6.0bn) | Revenue (DKKm) **250-350** (DKK 951m) | Revenue (DKKbn) **20.0-21.5** (DKK 24.1bn) |
| Adj. EBITA margin **11.5-12.5%** (10.8%) | Adj. EBITA margin **5.5-6.5%** (6.7%) | | Adj. EBITA margin **9.0-10.0%** (8.0%) |
| | | EBITA (DKKm) **Loss of 200-300** (Loss of 345) | EBITA margin **7.5-8.5%** (6.0%) |

Compared to 2023, we expect market demand to be softer in 2024, mainly driven by the Products business due to some customers delaying larger investment decisions. However, the mining industry continues to benefit from a positive long-term outlook for minerals crucial to global economic development and the green transition.

Guidance for adjusted EBITA margin includes adjustment for transformation and separation costs of around DKK 200m for the full year 2024. The adjusted EBITA margin is impacted by the realisation of the full cost synergies from the Mining Technologies acquisition, cost base inflation and re-investment of parts of the synergies into key commercial areas to support our CORE'26 strategy and to fuel our long-term growth ambitions.

We expect the short-term outlook for the cement industry to remain impacted by macroeconomic uncertainty.

The guidance for revenue and adjusted EBITA margin reflects the ongoing execution of the 'GREEN'26' strategy, continued business simplification and product portfolio pruning, including the expected closing of sale of the MAAG gears and drives business during Q1 2024. Further, the guidance for adjusted EBITA margin includes adjustment for transformation and separation costs of around DKK 100m for the full year 2024.

The guidance for revenue reflects continued execution of the order backlog and contract negotiations aimed at reducing the scope of the remaining Non-Core Activities order backlog. The EBITA margin guidance reflects the operational lossmaking nature of the business as well as costs related to finalise the exit of the business segment by end of 2024.

The Consolidated Group guidance reflects the sum of the guidance for the three business segments.

The guidance for 2024 is subject to uncertainty due macroeconomic uncertainty and geopolitical turmoil.

# Long-term financial targets

Our long-term financial targets, as released in connection with our Capital Markets Day on 18 January 2023, are re-confirmed.

## Mining

**13-15%**

EBITA margin

for the FY2026

Based on our FY2024 guidance, we directionally expect our organic Mining revenue growth (CAGR towards FY2026) to be above market growth.

We expect this to be driven by our Products business growing in line with the market and our Service business growing above the market. We expect the mining market to grow at 3-6% (CAGR).

The key drivers for achieving our Mining EBITA margin target for the FY2026 include synergy takeout and commercial integration of Mining Technologies, simplification of our operating model, de-risking, Service business growth, improved Service and Products mix as well as growth from our Products business.

## Cement

**~8%**

EBITA margin

for the FY2026

Based on our FY2024 guidance, we directionally expect our organic Cement revenue (CAGR towards FY2026) to grow in line with GDP growth in the markets where we are present.

In the short to mid-term period, we expect a negative impact from recession on our Products revenue, while we expect our Service revenue to remain largely stable. In the long-term, we expect both Products and Service revenue to grow in line with GDP growth.

The key drivers for achieving our Cement EBITA margin target for the FY2026 include simplification of our operating model, de-risking, Service business growth from increased installed base penetration as well as improved Service and Products mix.

## Capital structure targets

**<2x**

Leverage (NIBD/EBITDA)

**30-50%**

Dividend pay-out ratio

Our capital allocation is focused on having a strong balance sheet while allowing for growth investments and value-adding M&A. Excess cash may be distributed either via extraordinary dividends or share buyback programmes.

In addition, directional expectations for cash flow generation include:

- Net working capital ratio to sales is expected to increase towards 15% for the FY2026 driven by Service business growth.
- Expected annual CAPEX ratio to sales of 2-3% with investments mainly driven by green technologies and supply chain investments.
- Effective tax rate expected to be reduced from business simplification.


# Business

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# FLSmidth at a glance

We are a leading supplier of productivity and sustainability solutions to the global mining and cement industries. We enable our customers in Mining and Cement to move towards zero emissions by 2030.

**Mission Zero**

**Towards zero emissions by 2030**

**1882**
Danish company founded more than 140 years ago

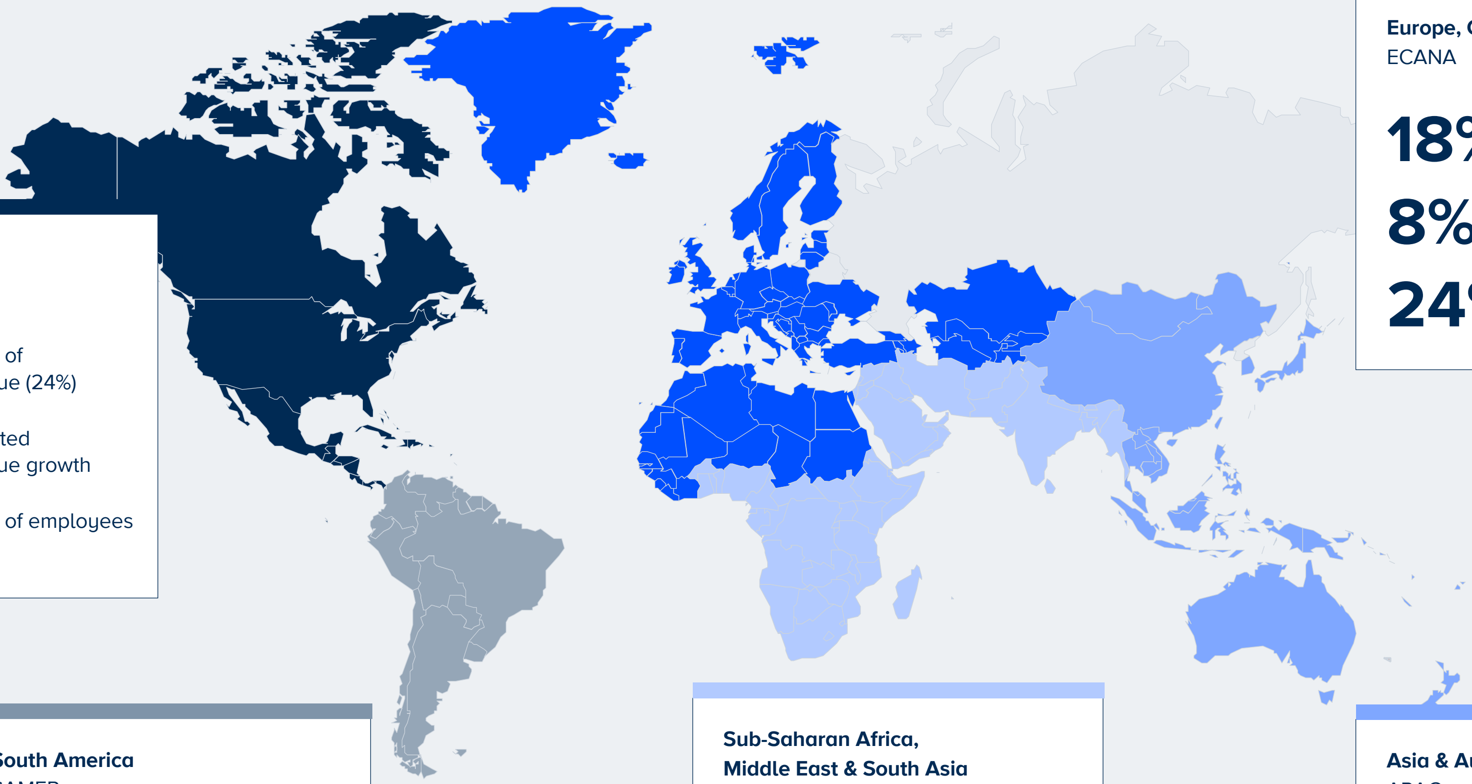
**9,377**
employees using their unique knowledge and capabilities to meet our customers' needs

**150+**
countries across the globe where we serve customers

**60+**
countries across the globe where we have a local presence

**24.1bn**
in consolidated Group revenue in 2023 (DKK)

# FLSmidth Group in the world



**North America**
NAMER

| | |
|---|---|
| **23%** | Share of revenue (24%) |
| **5%** | Reported revenue growth |
| **19%** | Share of employees (17%) |

**South America**
SAMER

| | |
|---|---|
| **25%** | Share of revenue (23%) |
| **20%** | Reported revenue growth |
| **20%** | Share of employees (20%) |

**Europe, Central Asia & North Africa**
ECANA

| | |
|---|---|
| **18%** | Share of revenue (19%) |
| **8%** | Reported revenue growth |
| **24%** | Share of employees (25%) |

**Sub-Saharan Africa, Middle East & South Asia**
SSAMESA

| | |
|---|---|
| **14%** | Share of revenue (16%) |
| **-3%** | Reported revenue growth |
| **26%** | Share of employees (26%) |

**Asia & Australia**
APAC

| | |
|---|---|
| **20%** | Share of revenue (18%) |
| **20%** | Reported revenue growth |
| **11%** | Share of employees (12%) |

Note: Numbers in brackets are comparative 2022 figures.

# Strategy and business model

## Fundamentals of our business

In an increasingly resource-intensive world, our customers in the mining and cement industries face a triple challenge: producing more, more sustainably and under more difficult conditions.

Commodity demand is fuelled by global economic growth and the green transition, particularly increasing the need for critical minerals like copper, nickel and lithium. Our clients are not only committed to increasing sustainable production methods (e.g., by reducing emissions, minimising power consumption and conserving water), they also face escalating operational challenges. These include declining ore grades, exploration of more remote and intricate deposits, a landscape of intensifying regulations and looming geopolitical uncertainties.

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

Our value proposition is anchored in our industry expertise, a foundation built on trust and proficiency, a team of highly skilled professionals, a significant installed base and a commitment to sustainability and technological innovation. We leverage these strengths to meet the evolving needs of our customers, ensuring that they can navigate the complexities of their industries effectively and sustainably.

Our customers' investment needs are twofold: capital investments and operating expenses. Capital investments include new capacity and capacity expansions as well as replacements and upgrades in existing facilities, allowing us to introduce advanced technology and innovations for new sites and modernise current operations. Capital investments are inherently cyclical, lumpy and subject to general and customer-specific economic conditions.

The operating expenses of our customers are linked to production levels, including the day-to-day costs of energy, maintenance, labour, water recycling and other materials. Our expertise is crucial in enhancing operational efficiency for our customers, we leverage our large installed base to build a stable, recurring service business.

## Transformation

FLSmidth is on a transformation journey turning from an engineering-based business with a legacy in large capital projects towards a technology company focused on service offerings. This is accompanied by a significant simplification and streamlining of our operations.

To further improve transparency, accountability and our financial performance, we have established a Business Line structure with a global P&L management under each segment. This reflects the simplification of our operating model with our global footprint being optimised to better reflect our business environment and our long-term growth opportunities.

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

Innovation and R&D are prioritised to align with our sustainability and service-focused objectives, as we exit Non-Core Activities and minimise risk exposure. The pillars of our transformation include sustainability, innovation, simplification, risk management, transparency, performance, agility and adherence to our core values.

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

## Lifecycle profit approach

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

Whilst Products provide a large installed base for our Service business, we maintain a selective approach to the Products orders taken to ensure alignment with our profitability goals. Lifecycle profitability is a key consideration in our decision-making and contract engagements, with set profitability guidelines for both our Service and Products businesses and their combined lifecycle offerings.

## Pure play approach

Starting January 2024, Mining and Cement are operating as independent 'pure play' businesses. This structure enables each to focus on unique opportunities, maximising potential and value creation. Each business follows a tailored strategy: CORE'26 for Mining and GREEN'26 for Cement. You can read more about these pure play strategies on page 24 and 32, respectively.

This approach stems from the limited synergies, distinct customer bases, product offerings and industry dynamics between the businesses. It offers enhanced operational flexibility, independent decision-making, accountability, cost clarity and defined roles and responsibilities.

Further progress includes the divestiture of the Non-Core Activities (NCA) segment, initiated in Q4 2022, with a substantial portion sold to KOCH Solutions in Q3 2023. Full exit from this segment is anticipated by the end of 2024.

**Key milestones in 2023**

- Increased Service share from 58.7% to 66.4% of order intake.
- De-risking our project portfolio with the accelerated divestiture of Non-Core Activities.
- Expansion of our service centre and supply chain capabilities to foster further growth in services.
- Transition to operating two distinct businesses from 2024.
- Decision to explore divestment options for the Cement business announce in January 2024.

# Our company values

## Trust

We are trustworthy and believe others are as well

## Empowerment

We have the necessary autonomy to drive results

## Accountability

We take ownership to get it done

## Collaboration

We proactively work together to achieve success

## Honesty

We are transparent and act with good intent

### Our values

Our transformation and strategy execution is truly rooted in our company values, encapsulated as 'TEACH' - trust, empowerment, accountability, collaboration, and honesty. These values foster strong internal engagement and shape our interactions with customers, business partners, suppliers, shareholders and communities.

### People & Engagement

People are at the centre of FLSmidth. Our role in the green transition and the transformation journey we have embarked on are inspirational and to deliver, we need talented colleagues who share the FLSmidth values and ambitions going forward. As we operate a global business with more than 100 nationalities, finding the right people, developing them and retaining them remain key to FLSmidth's future success. Diversity, equity, and inclusion are therefore important elements in our continuous search for innovation and operational excellence across the company. We have a strong focus on our global employer branding, in-house talent development and the well-being of our employees. We continue to conduct monthly wellbeing and engagement surveys globally to obtain dynamic feedback.

We believe that diverse teams perform better and focus on ensuring that our organisation is diverse in terms of gender, background, education, nationalities, etc. All managers and employees have a role in creating a diverse and inclusive organisation.

> We execute on what we have promised: FLSmidth is transforming into a technology company focused on service offerings. We run a more profitable and less risky business with incredible potential, built by an exceptional team.
>
> *Mikko Keto, Group CEO*

# Sustainability

## The impact of our business

We are part of the mining and cement industries, both known for their substantial environmental and social impacts locally and globally. The industries combined contribute approximately 10% of the world's $CO_2$ emissions, and the operations of mining and cement companies are often prominent in their local communities, emphasising the need for sustainable practices. This is a key reason we take a value chain approach to evaluating the impact of our business. Our impact goes far beyond our own operations and is directly tied to the operations of our suppliers and customers. It is particularly significant that 99% of our value chain emissions are generated from customers' use of our products over their operational life.

## Materiality and stakeholders

Our value chain approach enables us to identify potential material issues and opportunities, which we disclose in our sustainability reporting. We welcome the greater attention on harmonisation of sustainability requirements and disclosures by customers, analysts and regulators. We are increasingly evaluating the impacts of our business in accordance with the latest regulations and directives. To prepare for the upcoming EU Corporate Sustainability Reporting Directive (CSRD) requirements on double materiality, we have completed an impact materiality assessment as an update to our previous materiality assessment. When updated and finalised, the results of the double materiality assessment will help us prioritise future activities and disclosures.

To ensure all potential impacts were identified, we thoroughly assessed all sector-agnostic topics within the European Sustainability Reporting Standards (ESRS) together with additional sector specific topics stemming from GRI, the Copper Mark and other relevant sources. The findings are also based on our due diligence processes, Task Force on Climate-related Financial Disclosures (TCFD) assessment, human rights salience assessment and employee surveys.

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

The impact assessment has not only reinforced our current strategic focus areas, but also allowed us to identify and prioritise additional impact areas across our value chain, which we will report on from 2024. Our assessment revealed that we have impacts within topics of increasing materiality to our business, including biodiversity and ecosystems, resource use and circular economy, and affected communities. We will further address these topics by refining appropriate actions in 2024 as part of our CSRD compliance.

Our current impact areas under focus in this report are described in our Sustainability Report. Once the double materiality assessment is finalised, new identified areas will be introduced in next year's report.

## Governance structure

### Operating model

Following a thorough strategic review of our sustainability approach in 2023, we are implementing a new operating model to further embed sustainability in our business and our organisational culture, ensuring clear accountability and coordination across the company. The model involves embedding ESG criteria into the capital expenditure approval and budgeting processes, integrating sustainability KPIs into business processes and incentive schemes, and establishing global sustainability standards across products, services and sites and at Group level.

### Accountability

A strong governance structure is essential for embedding sustainability in our organisation. The Board of Directors addresses sustainability updates every quarter and conducts an annual sustainability review to ensure it can effectively guide ongoing developments. This includes reviewing and approving our various policies annually. Group Executive Management acts as the company's Sustainability Board and holds overall accountability for the direction, progress and focus of our sustainability work, while the daily implementation of the strategy, underlying ambitions and policies to support sustainable development lies with relevant functions and ESG policy owners.

Key to our governance structure are targets and corresponding KPIs that are cascaded throughout the business. Our long-term incentive plan connects the remuneration of FLSmidth's senior management with progress in "economic intensity", which links our business growth with selling more energy-efficient, less CO2-intensive products. The weighting of the sustainability KPI for Group Executive Management is 20%.

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

### What is double materiality?

A double materiality assessment consists of two main elements: how our activities impact society and the world and how the world around us impacts our financial performance. To date, we have completed an update to the assessment of how our activities impact society, with the financial assessment to be updated and concluded in early 2024.

## How we create sustainable value

Our assessment of impacts, risks and opportunities to date has reinforced a significant opportunity for us to address key global sustainability issues, particularly related to climate change mitigation. We aim to achieve this by helping the mining and cement industries address their environmental impact. The insights gained from our assessments shape our ambitions as we strive to be a key sustainability partner for our stakeholders, driving sustainable business practices across the industry value chains.

Our approach to sustainability, shown in the Sustainability Wheel, focuses on two broad areas: helping our customers reduce their environmental impact through technological solutions (MissionZero), and continually improving our own environmental, social and governance performance (ESG) across our value chain.

## MissionZero

MissionZero is our technology-based sustainability programme in which we help customers accelerate towards more sustainable operations, reduce their environmental footprint and benefit from the green transition and global infrastructure development. The programme focuses on helping customers reduce emissions, energy consumption, water consumption and use, and waste. Given the significance of downstream emissions in our value chain, their reduction is crucial to our long-term business performance. Our scope 3 downstream greenhouse gas (GHG) emissions reduction target is aligned with the Science Based Targets initiative and is part of our commitment to working towards the UN Sustainable Development Goals (SDGs).

## Environmental, social and governance

Through our ESG efforts, we address the impact of our own operations, and those of our customers and suppliers, across the entire value chain. We set measurable targets and specify corresponding actions for material issues. These include addressing our scope 1, 2 and 3 GHG emissions in accordance with the Science Based Targets initiative; cultivating a safe, diverse and inclusive workplace for our people; implementing clear standards for our suppliers; and upholding rigorous compliance and human rights standards. Our ESG commitments and targets are closely connected to the SDGs. We manage these material issues through clearly defined responsibilities and standardised processes to drive progress and effectiveness. Our approach encompasses continuous performance monitoring to identify potential issues and determine necessary actions.

Read more about our priorities and actions in our Sustainability Report.


Through our technology-based sustainability programme MissionZero, we help our customers reduce the environmental impact of their operations. We take a holistic approach to ESG, integrating stringent governance and human rights standards, developing a diverse, inclusive workplace, and engaging collaboratively with customers and suppliers.

# EU taxonomy

## Part of the European Green Deal, the EU taxonomy is a core enabler to deliver on the EU's ambitious environmental goals for 2030.

We continue to report according to the EU taxonomy framework, which demonstrates how we support customers in reducing their GHG footprints. Of the six environmental objectives defined by the EU taxonomy, only "climate change mitigation" and "climate change adaptation" are in scope for our 2023 reporting. This year we have assessed the other four environment goals and concluded that our activities are not currently in scope within these objectives.

### Progress in 2023

In line with expectations, alignment across revenue, OPEX and CAPEX increased during 2023. This was driven by more core product technologies fulfilling the in-depth technical screenings required to show our technologies contribute to climate change mitigation. We expect continued growth in alignment numbers.

**Revenue**

Total aligned revenue in 2023 increased to 6.2% of total revenue. This was driven by more mining technologies passing the technical screenings under economic activity 3.6 'Manufacture of other low carbon technologies'. Mining and Cement account for 5.4% and 0.8% of aligned revenue respectively. Non-Core Activities accounts for no aligned revenue. Eligible, non-aligned revenue totalled 24.1%; including aligned revenue, total eligible[1] revenue[2] was 30.3%, an increase from 2022. This was partly driven by increased sales of eligible products and an increase in eligible products. New eligible products in 2023 contributed 4% of the total increase.

**CAPEX**

Aligned CAPEX reflects annual additions related to our investments in our aligned product portfolio, including R&D and production equipment, and additions to tangible assets such as land and buildings. Aligned CAPEX in 2023 increased to 6.6%, representing DKK 42m of additions, of which DKK 36m is driven by R&D activities for developing products meeting alignment criteria. Eligible, non-aligned CAPEX decreased from 61.7% in 2022 to 46.5% in 2023. This was mostly driven by a decline in additions related to Land and Buildings, under economic activity 7.7 'Acquisition and ownership of buildings', which was elevated in 2022 due to the acquisition of Mining Technologies.

**OPEX**

Aligned OPEX increased to 2.3% in 2023 as more products passed screenings for alignment and more of our plant and equipment used for the manufacture of products became aligned. All aligned OPEX activities relate to economic activity 3.6 'Manufacture of other low carbon technologies'. Eligible, non-aligned OPEX increased to 32.2% in 2023. This reflects the remaining direct costs related to the production of eligible products, including expensed R&D activities that were not aligned.

1) Total eligible revenue, OPEX and CAPEX represent both "Aligned" and "Eligible and non-aligned".
2) We use the term "revenue" instead of "turnover" to align with the terminology in our financial reporting.

**Measuring eligibility** (in scope activities) is not a measure of sustainability performance, but the initial identification process of economic activities* that could support the EU's green transition. In 2023, we identified three eligible economic activities across revenue, CAPEX and OPEX: 3.6 'Manufacture of other low carbon technologies', 8.2 'Data-driven solutions for GHG emissions reductions', and 7.7 'Acquisition and ownership of buildings'.

***Economic activities**
The EU has defined a list of economic activities (purchase/sale of goods and/or services) as enablers for the green transition. These are economic activities that could contribute to the environmental objectives.

**Measuring alignment** defines environmentally sustainable activities under the EU Taxonomy framework and requires further assessment of the identified eligible activities. To be considered sustainable under the framework, the three KPIs need to pass screening criteria. The screenings for alignment included proving substantial contribution to one of the environmental objectives; doing no significant harm (DNSH) to the remaining five objectives; and meeting minimum safeguards. To document significant contribution, products screened for alignment must demonstrate substantial contribution through a third-party approved life cycle assessment.

We assess relevant manufacturing sites against the DNSH criteria, using a risk-based approach, meaning that we have focused on identifying significant risk within climate adaptation, water, circular economy, pollution prevention and biodiversity. Furthermore, we have assessed our compliance at company level with the minimum safeguards as defined by the EU Taxonomy Regulation.

See our Sustainability Report for more information about our EU taxonomy reporting.

### Eligibility and alignment 2023

# Mining business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# FLSmidth Mining at a glance

Our purpose is ”**mining for a sustainable world**” and our mission is ”**delivering solutions for tomorrow’s mine**”

**17.1bn**
2023 revenue (DKK)

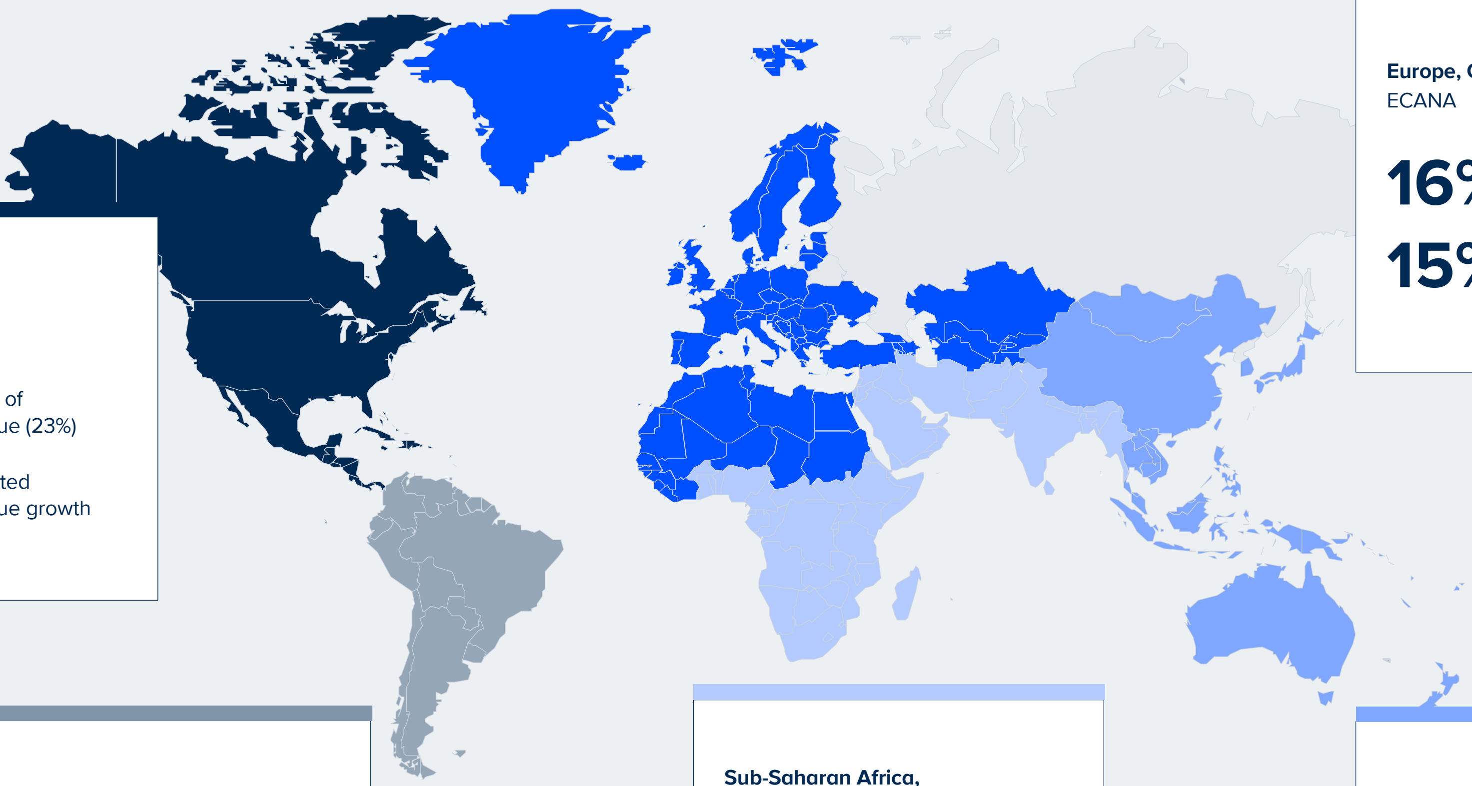
**62/38%**
2023 Service vs. Products revenue split

**~50%**
exposure to minerals critical to the green transition[1]

**6,581**
Employees (FY2023)

[1] Based on order intake FY2023

# FLSmidth Mining in the world



**North America**
NAMER

**22%** Share of revenue (23%)

**7%** Reported revenue growth

**South America**
SAMER

**31%** Share of revenue (30%)

**19%** Reported revenue growth

**Sub-Saharan Africa, Middle East & South Asia**
SSAMESA

**11%** Share of revenue (12%)

**1%** Reported revenue growth

**Europe, Central Asia & North Africa**
ECANA

**16%** Share of revenue (16%)

**15%** Reported revenue growth

**Asia & Australia**
APAC

**20%** Share of revenue (19%)

**19%** Reported revenue growth

Note: Numbers in brackets are comparative 2022 figures.

# FLSmidth Mining CORE'26 strategy

## Executing our Strategy

In 2023, we have made important strides on the execution of our CORE'26 strategy. We are transforming FLSmidth, and our Mining business, to become a technology company focused on service offerings.

CORE'26 creates the basis for strong performance and consistent value creation: a more profitable, less cyclical business mix with lower risk.

We have established a Business Line structure and a global P&L management. Further, we have integrated Mining Technologies which was acquired in Q3 2022. We have expanded the share of Services and standardised Products, and we have de-risked our project portfolio.

In our service business, we have focused on improving the customer experience and satisfaction by simplifying and streamlining our commercial operations to reduce response times and improve the 'ease of doing business' with FLSmidth.

We have invested in growth opportunities, expanding our portfolio of service centres and consumables offerings to support our customers in running their operations efficiently.

We leverage our unique knowledge of process, equipment, application and digital to create unique value through our growing suite of digital-enabled optimisation services, which we increasingly offer also on a subscription-basis.


## Purpose

Our purpose is '*Mining for a sustainable world*'. Mining is crucial to the global green transition and the future demands from the growing middle-class population worldwide. The road to net-zero emissions requires an extraordinary increase in the supply of minerals essential to the green transition, including copper, lithium, nickel and cobalt. It is both an opportunity and a responsibility, where we at FLSmidth have a unique position to lead this journey.

## Mission

Our mission is '*delivering solutions for tomorrow's mine*'. We continue to leverage our ability to innovate, improve and produce world class offerings across the full flowsheet in line with our MissionZero focus. This benefits our customers and drives motivation and competencies amongst our employees.

## Focus areas

Our CORE'26 strategy has four focus areas:

- Sustainability
- Technology
- Service
- Performance

These focus areas are further detailed into concrete strategic initiatives, linked to goals and cascaded through the organisation. This way we ensure alignment between strategic ambitions from the top and operational execution, strengthening our ability to deliver on our targets across our business – collectively, we strive towards the same goals.

## Sustainability

*Building a better future for our employees, society and the planet.*

As a key sustainability partner for our customers, we can drive significant progress across the industry value chains. Sustainability at FLSmidth has two dimensions:

- Firstly, through our customer-centric, technology based sustainability programme, MissionZero, we help our customers accelerate towards more sustainable operations. We enable them to benefit from opportunities within the green transition and global infrastructure development, while also significantly reducing their environmental footprint.
- Secondly, we address the impact of our own operations, and those of our suppliers, across the value chain. We set relevant targets and corresponding actions related to material issues which include addressing our scope 1, 2 and 3 emissions in accordance with the Science Based Targets initiative, committing to product stewardship, creating a safe, diverse workplace for our people and establishing clear standards for our suppliers.

*Read more about Sustainability and MissionZero in our Sustainability Report 2023.*

## Technology

*The complete provider for process and product technology.*

As a technology leader, we are in a unique position to enable our customers to move towards mining for a sustainable world.

We are transforming from being an engineering company to a technology leader, and we are uniquely positioned to support our customers' productivity, sustainability, and financial ambitions.

Our efforts in innovation and digitalisation are important to remain a market leader and to deliver on our mining strategy, greater scarcity of resources such as energy, water and raw materials leads to more complex and costly operations that challenges the performance of our customers. This calls for advanced technical solutions, which is where FLSmidth has a leading position and a competitive edge.

Our strong digital capabilities are founded on our experience in digitalising the full flowsheet. This positions us as a market leader in analysing and understanding performance data. An increasing share of our products and solutions offered to our customers are becoming intelligent and self-learning. Customers are increasingly focused on improving productivity and profitability, while reducing their environmental footprint.

Digitalisation offers huge potential and has become a natural and integral part of our product portfolio. The benefits to our customers are clear: increased productivity through optimisation, more reliable operations, increased up-time through proactive, predictive and increasingly prescriptive maintenance.

## Service

*Global partner for life-cycle performance and sustainability.*

Service is at the heart of our business – it is the key to customer productivity and the main driver of our profitability. As a leader in the industry with a significant installed based across the world, leveraging this is key to our future success. A higher service share allows us to maintain a healthy, stable business despite the cyclical nature of the industry. This makes it possible to spend more on R&D, acquire new technologies and invest in our people.

A focus on service also greatly benefits our customers. We continuously deliver quantifiable value over the lifecycle of a mine that advances customers' sustainability agendas and improves their bottom lines.

## Performance

*Accelerating profitability through core businesses, simplification and balanced risk.*

Performance helps us measure financials, safeguard our business and mitigate risks. When we are more focused on our core business, prioritising value over volume, and reducing our exposure to risk and market volatility, we are a healthier and more valuable company.

The successful execution of the initiatives identified within the Sustainability, Technology and Service focus areas ultimately contribute to our overall performance and growth. By investing in our people and technologies, we will realise the full potential of FLSmidth as the mining industry's technology leader.

# Market outlook and trends

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

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

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

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

## Order intake development in Q4 2023

Mining order intake decreased by 22% compared to Q4 2022. Excluding currency effects, the order intake decreased by 18%, driven by a decline in Products orders.

Service order intake increased by 1% compared to Q4 2022 reflecting stable market conditions including a healthy demand for spare parts as well as for Upgrade & Retrofits, offset by our continued efforts to exit low-margin, basic labour services.

The decline in Products mainly reflected that the comparative quarter of Q4 2022 included two large orders at a combined value of around DKK 1.2bn, whereas Q4 2023 did not include any large orders. In addition, the Products order intake also reflected our continued de-risking efforts and the current market situation.

During the quarter, Service and Products orders accounted for 71% and 29% of the total, respectively, compared to 55% and 45% in Q4 2022, respectively.

## Order intake development in 2023

Excluding currency effects, Mining order intake decreased by 5% driven by Products. This development reflects our ongoing transformation efforts and market conditions. Currencies had a 4% negative impact on order intake for the year.

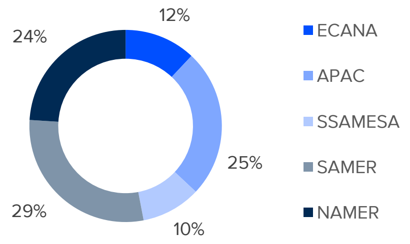
2022 only included four months of Mining Technologies activities and the establishment of the NCA segment as of Q4 2022, whereas 2023 reflects the full year impact of Mining Technologies activities, the NCA segment and our exit from Russia. If excluding a high-level estimate of the impact from those changes, the underlying order intake decline in 2023 was approximately 6% compared to 2022.

Service order intake increased by 3% in 2023 reflecting stable market conditions with a continued healthy activity level and demand for especially spare parts and consumables.

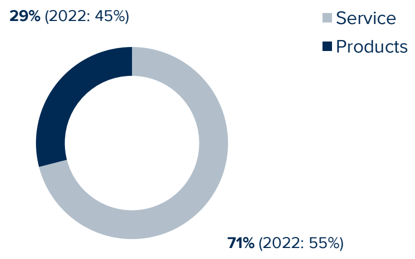
Products order intake decreased by 25% in 2023. The order intake for the year included five large, announced orders with a combined value of around DKK 1.9bn compared to seven large orders with a combined value of around DKK 2.8bn in 2022.

Service orders and Products orders accounted for 67% and 33% of Mining order intake, respectively, in line with our targeted share of Service order intake. The book-to-bill was 95%, resulting in the Mining order backlog decreasing by 14% to DKK 12,267m compared to 2022.

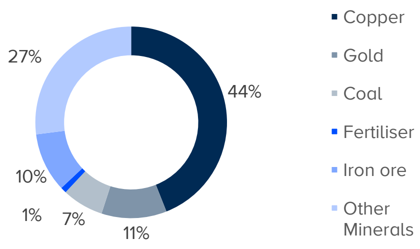
### Order intake split by Region Q4 2023




### Order intake split by Products and Service Q4 2023




### Order intake split by Commodity Q4 2023



# Mining financial performance

## Revenue development in Q4 2023

Q4 2023 revenue increased by 2%. Excluding currency effects, revenue increased by 7%. If excluding the impact from our exit from Russia in 2022, the underlying revenue growth in the quarter was approximately 4%.

Mining Service revenue amounted to DKK 2,505m in Q4 2023 reflecting continued active market conditions. Service revenue decreased by 5% compared to Q4 2022, which had a higher level of spare parts and consumables as well as basic labour services.

Products revenue increased by 14% compared to Q4 2022. The growth was driven by strong backlog execution.

Service and Products revenue comprised 56% and 44% of total Mining revenue in Q4 2023, respectively, compared to 60% and 40% in Q4 2022, respectively.

## Gross profit development in Q4 2023

Gross profit increased by 11% to DKK 1,258m, from DKK 1,132m in Q4 2022. The corresponding gross margin increased to 28.1% as a result of good margin execution and our de-risking strategy, partly offset by integration costs related to the acquisition of Mining Technologies.

## EBITA development in Q4 2023

The Adjusted EBITA margin was 11.8% when excluding integration costs related to the acquisition of Mining Technologies of DKK 138m. This was driven by continued strong execution and positive effects from our ongoing transformation efforts, including a strong integration of Mining Technologies. The EBITA margin increased to 8.7% from 7.7% in Q4 2022.

## Mining

| (DKKm) | Q4 2023 | Q4 2022 | Change | 2023 | 2022 | Change |
|---|---|---|---|---|---|---|
| **Order intake** | **3,568** | **4,579** | **-22%** | **16,280** | **17,822** | **-9%** |
| - Hereof service order intake | 2,529 | 2,500 | 1% | 10,871 | 10,575 | 3% |
| - Hereof products order intake | 1,039 | 2,079 | -50% | 5,409 | 7,247 | -25% |
| **Order backlog** | **12,267** | **14,277** | **-14%** | **12,267** | **14,277** | **-14%** |
| **Revenue** | **4,477** | **4,374** | **2%** | **17,107** | **15,082** | **13%** |
| - Hereof service revenue | 2,505 | 2,641 | -5% | 10,681 | 9,191 | 16% |
| - Hereof products revenue | 1,972 | 1,733 | 14% | 6,426 | 5,891 | 9% |
| **Gross profit** | **1,258** | **1,132** | **11%** | **4,672** | **3,794** | **23%** |
| Gross margin | 28.1% | 25.9% | | 27.3% | 25.2% | |
| **Adjusted EBITA** | **528** | **542** | **-3%** | **1,856** | **1,598** | **16%** |
| Adjusted EBITA margin | 11.8% | 12.4% | | 10.8% | 10.6% | |
| **EBITA** | **390** | **337** | **16%** | **1,375** | **1,146** | **20%** |
| EBITA margin | 8.7% | 7.7% | | 8.0% | 7.6% | |
| Number of employees | 6,581 | 7,126 | -8% | 6,581 | 7,126 | -8% |

The number of employees in Mining has been reduced by more than 500 since the end of Q4 2022. This reduction reflects the synergy takeout related to the integration of Mining Technologies, partly offset by new hirings in key commercial areas to fuel our long-term growth ambitions to support our CORE'26 strategy.

## Revenue development in 2023

Revenue increased by 13%. Excluding currency effects, revenue increased by 18%.

2022 only included four months of Mining Technologies activities and the establishment of the NCA segment as of Q4 2022, whereas 2023 reflects the full year impact of Mining Technologies activities, NCA segment and our exit from Russia. If excluding a high-level estimate of the impact from those changes, the underlying revenue growth in 2023 was approximately 21%. The growth was mainly driven by a continued healthy demand for spare parts and consumables, partly offset by relatively lower revenue within professional services due to our de-risking efforts as well as market conditions.

Mining Service revenue increased by 16% compared to 2022 reflecting stable market conditions and supported by the acquisition of Mining Technologies. Service revenue accounted for 62% of the total Mining revenue in 2023.

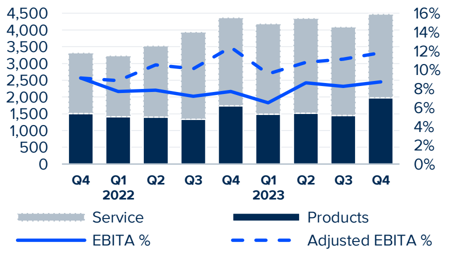
Products revenue increased by 9% compared to 2022. The growth in Products revenue was driven by strong backlog execution.

## Growth in order intake and revenue in Q4 2023 (vs. Q4 2022)

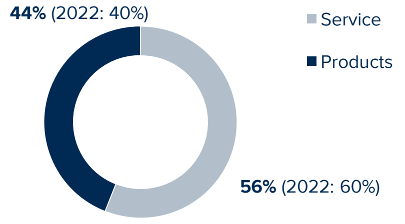
| | Order intake | Revenue |
|---|---|---|
| Organic | -18% | 7% |
| Currency | -4% | -5% |
| **Total growth** | **-22%** | **2%** |

## Revenue and EBITA margin

DKKm EBITA margin %




## Revenue split by Products and Service Q4 2023



## Gross profit development in 2023

Gross profit increased by 23% to DKK 4,672m, from DKK 3,794m in 2022. The corresponding gross margin increased to 27.3% as a result of good margin execution, positive effects from our ongoing transformation and a relatively higher share of Service revenue, partly offset by integration costs related to the acquisition of Mining Technologies.

## EBITA development in 2023

In 2023 EBITA was impacted by costs related to the integration of Mining Technologies of DKK 481m. Adjusted for these costs, the EBITA margin was 10.8%. EBITA increased by 20% to DKK 1,375m and the corresponding EBITA margin increased by 0.4%-points. The positive development was driven by positive effects from our ongoing transformation efforts including a better-than-expected integration of Mining Technologies and accelerated cost synergy takeout.

# Cement business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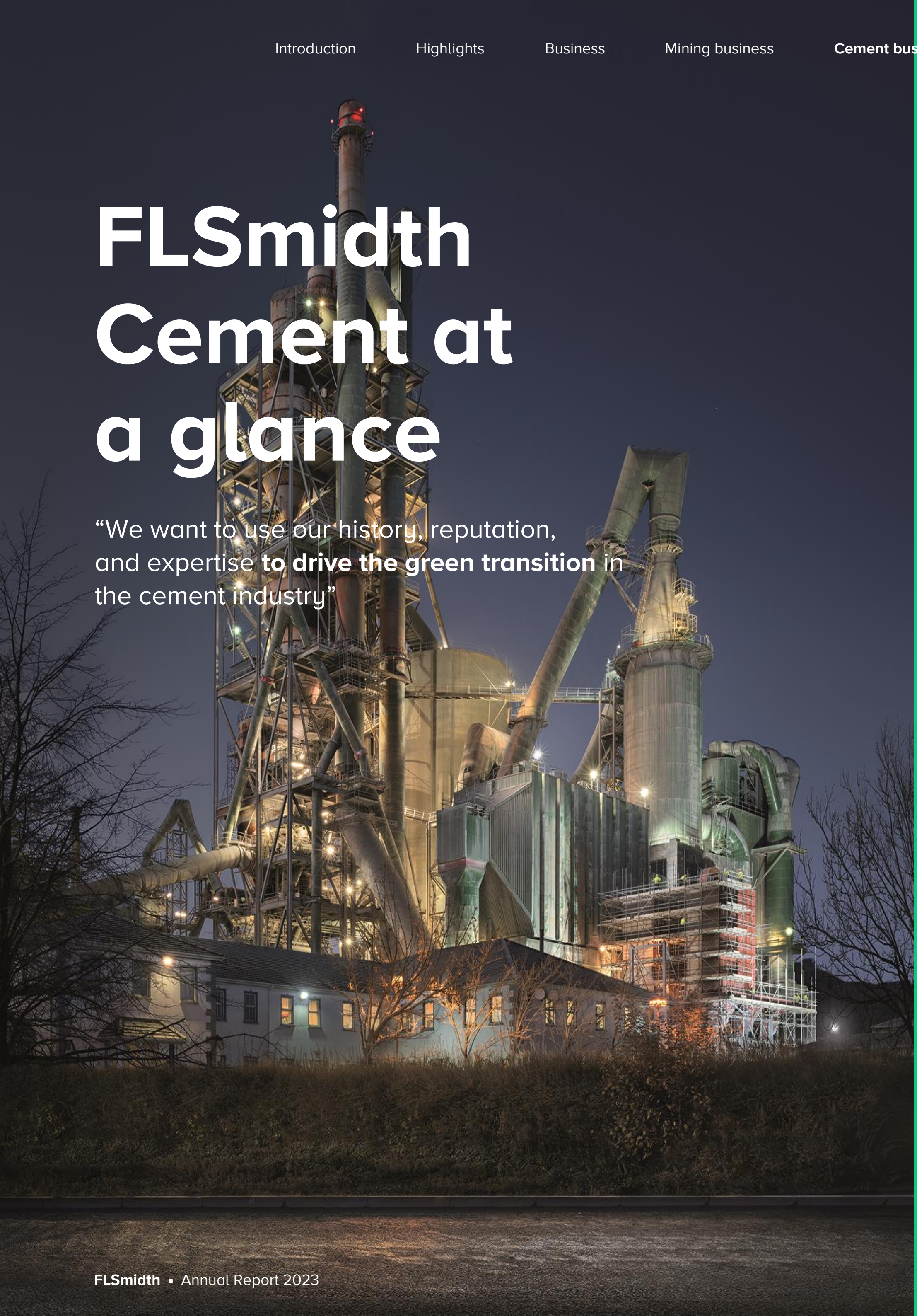


# FLSmidth Cement at a glance

"We want to use our history, reputation, and expertise **to drive the green transition** in the cement industry"

**6.0bn**

2023 revenue (DKK)

**54/46%**

2023 Service vs. Products revenue split

**+50%**

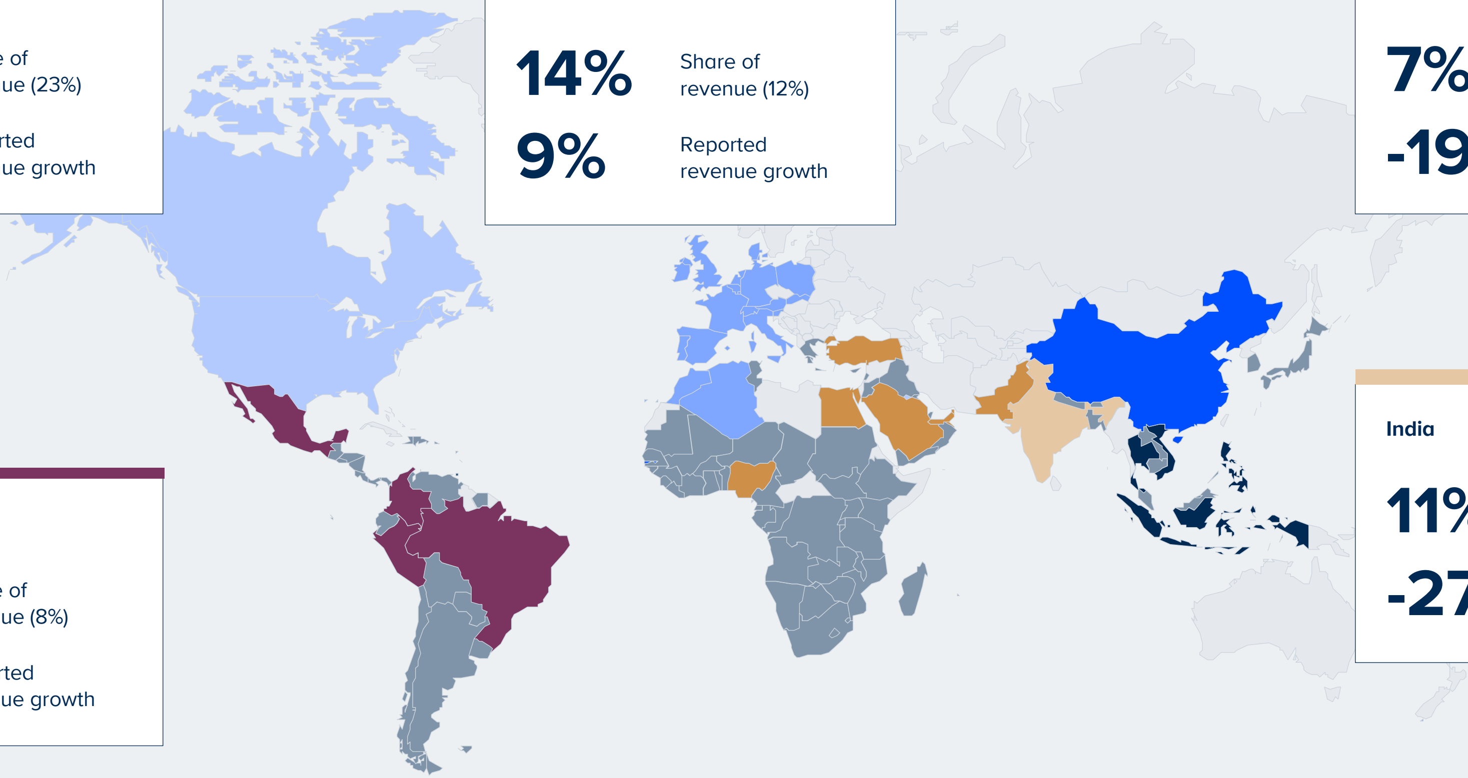
presence at all cement plants across the world[1]

**2,669**

Employees (FY2023)

[1] At FY2023

# FLSmidth Cement in the world



**US[3]**

**24%** Share of revenue (23%)

**1%** Reported revenue growth

**Denmark[4]**

**14%** Share of revenue (12%)

**9%** Reported revenue growth

**China**

**7%** Share of revenue (8%)

**-19%** Reported revenue growth

**India**

**11%** Share of revenue (15%)

**-27%** Reported revenue growth

**Brazil[2]**

**8%** Share of revenue (8%)

**9%** Reported revenue growth

**Export**

**20%** Share of revenue (19%)

**-1%** Reported revenue growth

**Turkey[1]**

**7%** Share of revenue (9%)

**-31%** Reported revenue growth

**Indonesia[5]**

**9%** Share of revenue (6%)

**50%** Reported revenue growth

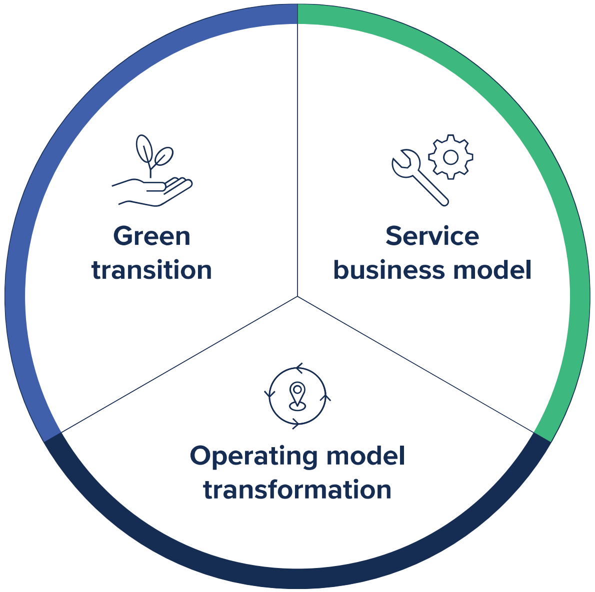
Clusters:
1) Turkey, Egypt, Nigeria, Pakistan, Saudi Arabia, UAE.
2) Brazil, Colombia, Mexico, Peru,
3) US, Canada
4) Denmark, Algeria, Austria, Belgium, France, Germany, Ireland, Italy, Morocco, Netherlands, Poland, Portugal, Slovakia, Spain, Switzerland, United Kingdom
5) Indonesia, Philippines, Thailand, Vietnam

# FLSmidth Cement GREEN'26 strategy

FLSmidth Cement continues to progress towards our ambition of providing world-class service and technologies to help customers increase productivity and reduce emissions. Our focus has been on implementing our GREEN'26 strategy with the following three pillars.

**1) Shape the green future of the cement industry** via innovative services and technologies to significantly reduce the 7% of global $CO_2$ emissions attributed to the industry.

**2) Transition to a service-first business model,** leveraging our over 140-year experience and presence in over 50% of global cement plants and partnering with customers to optimise their end-to-end plant performance.




**3) Implement a resilient operating model** that supports FLSmidth's transition into a green, service-centric organisation, while ensuring profitability amidst a volatile macroeconomic environment and evolving Cement industry.

## Green transition

We believe the long term future of the Cement industry is green. 2023 has marked the successful launch of proprietary green technologies that have already led to noteworthy emissions reductions, including the technical launch of our FUELFLEX® Pyrolyzer technology. FUELFLEX® enables customers to maximise use of alternative fuels and reduce NOx emissions. A key customer stated that the pilot technology was a "game-changer for them in their ambition to reduce carbon emissions." While FUELFLEX® technology enables the firing of 100% alternative fuels, FLSmidth Cement recognises the importance of planning for a transition period. As such, we offer upgrades and technology add-ons that enable the use of conventional fuel as a "fallback option" in parallel, but at much lower minimum feed rates with increased precision. For example, the Pfister® FEEDflex technology applied to the DRW Rotor Weighfeeder enables precise coal dosing to avoid $CO_2$ spikes, a necessary improvement in the transition.

As the cement industry faces escalating raw material costs, FLSmidth Cement remains focused on promoting calcined clay as an effective clinker substitute. Preparations for two clay sites are progressing well, and we are excited to begin full operations in 2024. As is our DNA in FLSmidth Cement, we continue to strongly invest in research and development to pioneer further innovations in cement production to drive decarbonisation in the cement industry. Going forward, we aim to continue helping customers transition to such solutions, leveraging our technical insights, domain expertise, and analysing performance plant-by-plant.

## Service business model

In 2023, FLSmidth Cement prioritised enhancing our service offering across spares, wears and professional services, including our digital focus via asset management. Capitalising on FLSmidth Cement's expertise and experience, we offer customers customised asset management support to maximise the value of their plants. Using our digital tools, we can connect directly to our customer's assets to identify optimisation opportunities and deploy our experts to support implementation of tailored solutions that enhance performance – across operational, environmental, safety and other customer priorities. For example, we partnered with a key customer to improve operating performance and helped drive significant value in their operations in the United States and Canada.

Additionally, we streamlined our geographic focus into seven priority service clusters, including Brazil, China, Denmark, India, Indonesia, Turkey and the US, representing 36 key markets, and have seen good strategic progress within these clusters in 2023.  We also strengthened our agent and reseller ecosystem to ensure global reach and enhanced quality service delivery – even beyond our core clusters. Moving into 2024, we will continue to enhance our offering to provide the highest quality for our customers.

## Operating model transformation

Throughout 2023, we worked to ensure the organisation was fit-for-purpose. We shifted our geographic focus into seven aforementioned clusters, delayered significantly, and right-sized to best reflect our green and service ambitions. Additionally, we have exited non-core business areas such as Advanced Filtration Technologies to optimise our product portfolio. FLSmidth also continued its pure play journey towards a stand-alone Cement organisation, as we believe this will better position us to focus on core business opportunities, optimise our cost base and double down on strategic growth investments.

# Market outlook and trends

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

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.

We continue to observe healthier market conditions in certain geographies. Some markets, such as India and the US, have proven to be relatively less impacted by the market slow-down and are showing positive signs, especially within the service market. On the other hand, other markets, such as China and Europe remained weaker, and we expect this trend to continue in 2024.

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.

### Order intake development in Q4 2023

Cement order intake decreased by 15% in Q4 2023 compared to Q4 2022. Excluding currency effects, order intake decreased by 13%.

Service order intake decreased by 2% compared to Q4 2022, mainly due to lower orders for Upgrades & Retrofits, partly offset by an increase in orders for spare parts and professional services within our core market clusters.

Products order intake decreased by 37% compared to Q4 2022 driven in part by our strategy of moving away from large-scale, risky projects and in part by current market conditions, which throughout 2023 have been challenging, especially in Asia.

Service and Products comprised 74% and 26% of the total Cement order intake in Q4 2023, respectively, compared to 65% and 35% in Q4 2022, respectively.

### Order intake development in 2023

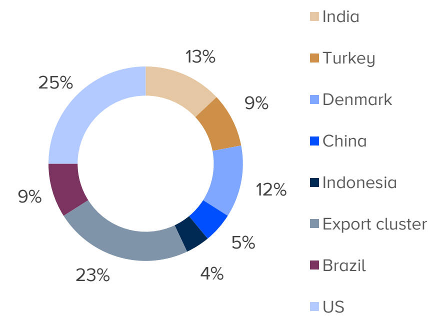
Cement order intake declined by 26% in 2023 to DKK 4,888m compared to DKK 6,613m in 2022. Organically, order intake decreased by 24%.

Service order intake decreased by 16% compared to 2022, mainly due to lower orders for consumables and for Upgrades & Retrofits.

Product order intake decreased by 40% compared to 2022 driven in part by the implementation of our GREEN'26 Cement strategy, which includes de-risking and product portfolio pruning, as well as adverse effects from market conditions.

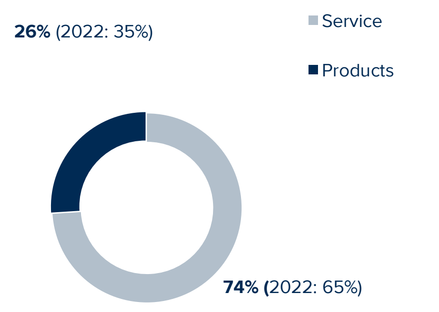
Service and Products comprised 65% and 35% of the total Cement order intake in 2023, respectively, compared to 57% and 43% in 2022, respectively.

### Order intake split by cluster in Q4 2023 (vs. Q4 2022)




*For information on clusters refer to page 31

### Order intake split by Products and Service Q4 2023



# Cement financial performance

## Revenue development in Q4 2023

Revenue decreased by 14% compared to Q4 2022. Organically, revenue decreased by 11%.

Service revenue decreased by 19% compared to Q4 2022 due to challenging market conditions as well as the divestment of the AFT business completed in Q3 2023. Products revenue decreased by 5% compared to Q4 2022 as a result of our customers' continued strict capital spending discipline leading to delays in larger investment decisions.

Service and Products comprised 55% and 45% of total Cement revenue in Q4 2023, respectively, compared to 59% and 41% in Q4 2022, respectively.

## Gross profit development in Q4 2023

Gross profit decreased by 28% in Q4 2023 compared to Q4 2022 as a result of the lower revenue, relatively higher share of Products revenue versus Service revenue compared to the comparative quarter of Q4 2022. The corresponding gross margin decreased by 5.1%-points to 24.7% in Q4 2023.

## EBITA development in Q4 2023

EBITA increased by 47% in Q4 2023 to DKK 103m compared to DKK 70m in Q4 2022. The increase was primarily a result of relatively lower SG&A costs due to positive effects from our ongoing transformation efforts including non-recurring one offs related to the ongoing rightsizing. The corresponding EBITA margin improved by 3.1%-points to 7.4% in Q4 2023.

## Employees

The number of employees in Cement was reduced by 601 compared to end Q4 2022. The reduction reflects continued optimisation of our global footprint, simplification of the operating model to improve operations and long-term profitability as well as the divestment of the AFT business completed in Q3 2023.

| (DKKm) | Q4 2023 | Q4 2022 | Change | 2023 | 2022 | Change |
|---|---|---|---|---|---|---|
| **Order intake** | **1,044** | **1,223** | **-15%** | **4,888** | **6,613** | **-26%** |
| - Hereof service order intake | 775 | 794 | -2% | 3,160 | 3,752 | -16% |
| - Hereof products order intake | 269 | 429 | -37% | 1,728 | 2,861 | -40% |
| **Order backlog** | **4,795** | **6,386** | **-25%** | **4,795** | **6,386** | **-25%** |
| **Revenue** | **1,397** | **1,618** | **-14%** | **6,048** | **6,264** | **-3%** |
| - Hereof service revenue | 769 | 954 | -19% | 3,246 | 3,536 | -8% |
| - Hereof products revenue | 628 | 664 | -5% | 2,802 | 2,728 | 3% |
| **Gross profit** | **345** | **482** | **-28%** | **1,519** | **1,602** | **-5%** |
| Gross margin | 24.7% | 29.8% | | 25.1% | 25.6% | |
| **EBITA** | **103** | **70** | **47%** | **408** | **204** | **100%** |
| EBITA margin | 7.4% | 4.3% | | 6.7% | 3.3% | |
| Number of employees | 2,669 | 3,270 | -18% | 2,669 | 3,270 | -18% |

## Revenue development in 2023

Revenue decreased by 3% compared to 2022. Organically, revenue decreased by 1%.

Service revenue decreased by 8% due to the continued challenging market conditions as well as the divestment of the AFT business. Products revenue increased by 3% compared to 2022 as a result of good backlog execution.

Service and Products comprised 54% and 46% of total Cement revenue in 2023, respectively, compared to 56% and 44% in 2022, respectively.

## Gross profit development in 2023

Gross profit decreased by 5% compared to 2022 as a result of the relatively lower share of Service revenue in the year as well as costs related to the continued business simplification but partly offset by good margin execution. The corresponding gross margin declined to 25.1% compared to 25.6% in 2022.

## EBITA development in 2023

EBITA increased to DKK 408m from DKK 204m in 2022, mainly as a result of the net gain from the divestment of the AFT business as well as relatively lower SG&A costs due to the ongoing transformation efforts. The corresponding EBITA margin was 6.7% compared to 3.3% in 2022.

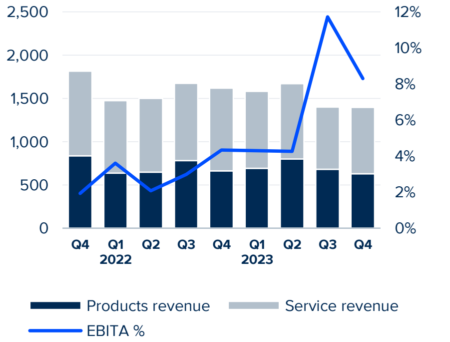
The underlying EBITA (i.e., excluding the net gain from the sale of the AFT business) amounted to DKK 306m, corresponding to an increase of 50% compared to 2022 and the underlying EBITA margin improved to 5.1% reflecting the impact of the continued business simplification, product pruning and focus on higher margin orders.

## Growth in order intake and revenue in Q4 2023 (vs. Q4 2022)

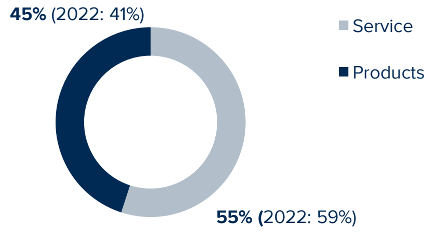
| | Order intake | Revenue |
|---|---|---|
| Organic | -13% | -11% |
| Currency | -2% | -3% |
| **Total growth** | **-15%** | **-14%** |

## Revenue and EBITA margin

DKKm EBITA margin %




## Revenue split by Products and Service Q4 2023



# Non-Core Activities

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# Accelerated exit of Non-Core Activities

The sale of material handling assets to KOCH Solutions, continued order backlog execution combined with success in re-scoping and terminating contracts have significantly reduced the NCA order backlog during 2023. We are consequently on track for a full exit of the NCA segment by end 2024.

### Rationale behind the NCA segment

As part of FLSmidth's pure play Mining strategy focusing on core technologies and services, the NCA segment was established in October 2022 with the mandate to fully exit all its activities.

The NCA segment comprises specific loss-making mining activities and products that are no longer deemed to be of core strategic importance to FLSmidth.

A designated organisational structure was established to ensure transparency and effective execution of the divestment or wind-down, oversee the employees that were initially part of the segment and to limit losses from these activities. The initial NCA order backlog started at around DKK 3.6bn as of end Q3 2022, of which approximately 50% originated from FLSmidth and 50% from the former Mining Technologies. The vast majority of the order backlog related to Products orders.

### An accelerated exit

On 14 June 2023 FLSmidth and KOCH Solutions signed an Asset Purchase & Transfer Agreement involving material handling technology that is part of the Non-Core Activities segment. The transaction, which completed on 1 September 2023, included intellectual property for port/terminal equipment, stockyard systems, pipe conveyors and various continuous surface mining equipment from both legacy FLSmidth and Mining Technologies portfolios; an order backlog totalling around DKK 0.4bn; the inclusion of project execution service for select order backlog retained by FLSmidth; the purchase and lease of certain facilities in Germany and Australia; and transfer of over 100 employees and contract workers.

As a result of the sale of assets, combined with the operational closures of businesses such as KH Mineral (France) and ATP Technologies (Canada), the re-scoping and termination of various contracts and successful execution of open orders, the NCA order backlog has been reduced at an accelerated pace during 2023.

As a consequence, and as announced upon the closing of the transaction with KOCH Solutions, we expect the NCA segment to be fully exited around end of 2024 (previously towards end of 2025). Moreover, we expect the total loss for the Non-Core Activities segment over the exit period will be around DKK 1.0bn (previously around DKK 1.2bn). The total loss estimate is based on historical performance and costs associated with the winddown or divestment decision.

The remaining 127 employees at end 2023 focus on managing the close-out of retained capital projects, assisting with the reduction of inventory and physical closure of facilities and addressing customer inquiries relating to either intellectual property that was not in the scope of the divestment or previously closed orders (i.e., warranty and other related topics).

# Non-Core Activities financial performance

### Order intake development in Q4 2023
Order intake for Non-Core Activities amounted to DKK 8m, of which 38% related to Service order intake and 62% to Products order intake. The order intake was related to contractual obligations and parts already in stock.

### Order backlog development in Q4 2023
Order backlog amounted to DKK 0.5bn by end of Q4 2023 representing a decrease of around DKK 0.1bn compared to Q3 2023 and a decrease of around DKK 3.1bn since the establishment of the NCA segment as of Q4 2022. The decrease reflected the divestment to KOCH Solutions and execution of the order backlog as well as continued re-scoping and contract terminations. The majority of the remaining order backlog is to be executed in countries within APAC and ECANA regions.

### Revenue development in Q4 2023
Revenue for NCA in Q4 2023 amounted to DKK 94m. Service and Products accounted respectively for 9% and 91% of revenue.

### Gross profit development in Q4 2023
Gross profit was negative and amounted to DKK -47m. The corresponding gross margin amounted to -50.0% reflecting the general volatility and operationally loss-making nature of the NCA segment.

### EBITA development in Q4 2023
EBITA for NCA amounted to DKK -83m, corresponding to a margin of -88.3% driven by the negative gross profit and costs related to the ongoing exit of the activities in the segment.

### Non-Core Activities

| (DKKm) | Q4 2023 | Q4 2022 | Change | 2023 | 2022* | Change |
|---|---|---|---|---|---|---|
| **Order intake** | **8** | **209** | **-96%** | **208** | **209** | **0%** |
| - Hereof service order intake | 3 | 131 | -98% | 152 | 131 | 16% |
| - Hereof products order intake | 5 | 78 | -94% | 56 | 78 | -28% |
| **Order backlog** | **531** | **2,878** | **-82%** | **531** | **2,878** | **-82%** |
| **Revenue** | **94** | **503** | **-81%** | **951** | **503** | **89%** |
| - Hereof service revenue | 8 | 206 | -96% | 309 | 206 | 50% |
| - Hereof products revenue | 86 | 297 | -71% | 642 | 297 | 116% |
| **Gross profit** | **(47)** | **(320)** | **85%** | **(104)** | **(320)** | **68%** |
| Gross margin | -50.0% | -63.6% | | -10.9% | -63.6% | |
| **EBITA** | **(83)** | **(407)** | **80%** | **(345)** | **(407)** | **15%** |
| EBITA margin | -88.3% | -80.9% | | -36.3% | -80.9% | |
| Number of employees | 127 | 581 | -78% | 127 | 581 | -78% |

*NCA was established in Q4 2022

### Order intake development in 2023
Order intake for NCA amounted to DKK 208m in 2023 reflecting contractual obligations. The order intake level was similar to that of 2022. Service and Products orders represented 73% and 27% in 2023, respectively.

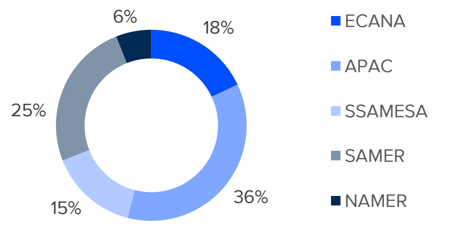
### Revenue development in 2023
NCA revenue amounted to DKK 951m in 2023 compared to DKK 503m in 2022, which only contained 3 months of NCA revenue. Service and Products revenue represented 32% and 68%, respectively.

### Gross profit development in 2023
Gross profit amounted DKK -104m in 2023 with a corresponding gross margin of -10.9% reflecting the general volatility and operationally loss-making nature of the NCA activities.

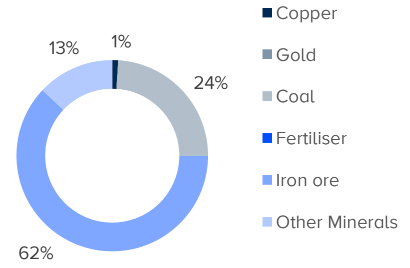
### EBITA development in 2023
EBITA in 2023 amounted to DKK -345m with a corresponding EBITA margin of -36.3% reflecting the operationally loss-making nature of the NCA business and costs related to the exit. The divestment to KOCH Solutions had no material impact on EBITA for 2023.

Total number of employees of the segment amounted to 127 at end 2023, representing a decline of 90 employees compared to Q3 2023 driven by the divestment to KOCH Solutions, continued rightsizing and natural attrition. Compared to end 2022 the number of employees in the NCA segment has been reduced by 78%.

### Order intake split by Region Q4 2023
%




### Order intake split by Commodity Q4 2023
%



# Financial performance

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# Consolidated Quarterly financial performance

## Order intake in Q4 2023

Order intake decreased by 23% in Q4 2023 to DKK 4,620m. Excluding currency effects order intake decreased by 20%. Service order intake decreased by 3% compared to Q4 2022, driven by relatively lower order intake for the Cement business. Products order intake decreased by 49% compared to Q4 2022 due to both Mining and Cement. Q4 2023 did not include any large orders, while Q4 2022 included two large Mining orders with a combined value of around DKK 1.2bn.

Service and Products represented 72% and 28% of total order intake, respectively, compared to 57% and 43%, respectively, in Q4 2022.

## Order backlog and maturity in Q4 2023

The order backlog declined by 12% to DKK 17,593m compared to the prior quarter (Q3 2023: DKK 19,993m). The year-on-year decline was driven by our continued de-risking strategy, the divestments completed in the Cement and NCA businesses. Further, the order backlog was impacted by the exit from our activities in Russia and Belarus, continued wind-down of the NCA segment, ongoing execution of the order backlog and softer market conditions, especially impacting the Products businesses in both Mining and Cement.

Outstanding order backlog related to Russian and Belarusian contracts amounted to DKK 0.1bn at the end of Q4 2023 (end of Q4 2022: DKK 0.7bn). The remaining orders are suspended by FLSmidth, and potential termination options are being investigated. Due to the uncertain nature of these contracts, they have been included in the backlog maturity for ‘Within 3 years and beyond’.

| Backlog maturity | Mining | Cement | Non-Core Activities | FLSmidth Group |
|---|---|---|---|---|
| Within 1 year | 70% | 60% | 56% | 67% |
| Within 2 years | 24% | 20% | 0% | 22% |
| Within 3 years & beyond | 6% | 20% | 44% | 11% |

At the end of Q4 2023, outstanding backlog for the NCA segment amounted to DKK 531m. As a portion of the backlog is expected to be terminated, this has been included in the backlog maturity for 'Within 3 years and beyond'. It remains the expectation that the NCA segment will be fully exited by end-2024.

## Revenue in Q4 2023

Revenue decreased by 8% to DKK 5,968m in Q4 2023, compared to Q4 2022, driven by lower revenue in the Cement business, partly offset by higher revenue in the Mining business. Group revenue in Q4 2023 was adversely impacted by our exit from Russia. If excluding this effect, revenue growth would have been -6%. Organically, Group revenue decreased by 4% year-on-year.

Service revenue decreased by 14% compared to Q4 2022, mainly driven by lower Service revenue in the Cement business. Products revenue was unchanged compared to Q4 2022 as lower Products revenue in the Cement business was offset by higher Products revenue in the Mining business.

Service and Products revenue accounted for 55% and 45% of total revenue in Q4 2023, respectively, compared to 59% and 41%, respectively, in Q4 2022.

## Group – continued activities

| (DKKm) | Q4 2023 | Q4 2022 | Change | 2023 | 2022 | Change |
|---|---|---|---|---|---|---|
| **Order intake** | **4,620** | **6,011** | **-23%** | **21,376** | **24,644** | **-13%** |
| - Hereof service order intake | 3,307 | 3,425 | -3% | 14,183 | 14,458 | -2% |
| - Hereof products order intake | 1,313 | 2,586 | -49% | 7,193 | 10,186 | -29% |
| **Order backlog** | **17,593** | **23,541** | **-25%** | **17,593** | **23,541** | **-25%** |
| **Revenue** | **5,968** | **6,495** | **-8%** | **24,106** | **21,849** | **10%** |
| - Hereof service revenue | 3,283 | 3,801 | -14% | 14,236 | 12,933 | 10% |
| - Hereof products revenue | 2,685 | 2,694 | 0% | 9,870 | 8,916 | 11% |
| **Gross profit** | **1,557** | **1,294** | **20%** | **6,087** | **5,076** | **20%** |
| Gross profit margin | 26.1% | 19.9% | | 25.3% | 23.2% | |
| **SG&A cost** | **(1,071)** | **(1,225)** | **-13%** | **(4,452)** | **(3,874)** | **15%** |
| SG&A ratio | 17.9% | 18.9% | | 18.5% | 17.7% | |
| **Adjusted EBITA** | **549** | **205** | **168%** | **1,919** | **1,395** | **38%** |
| Adjusted EBITA margin | 9.2% | 3.2% | | 8.0% | 6.4% | |
| **EBITA** | **412** | **0** | **n/a** | **1,438** | **943** | **52%** |
| EBITA margin | 6.9% | 0.0% | | 6.0% | 4.3% | |
| Number of employees | 9,377 | 10,977 | -15% | 9,377 | 10,977 | -15% |

## Growth in order intake in Q4 2023 (vs. Q4 2022)

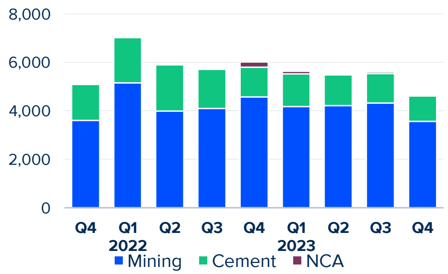
| | Mining | Cement | Non-Core Activities | FLSmidth Group |
|---|---|---|---|---|
| Organic | -18% | -13% | n/a | -20% |
| Currency | -4% | -2% | n/a | -3% |
| **Total growth** | **-22%** | **-15%** | **n/a** | **-23%** |

## Growth in revenue in Q4 2023 (vs. Q4 2022)

| | Mining | Cement | Non-Core Activities | FLSmidth Group |
|---|---|---|---|---|
| Organic | 7% | -11% | n/a | -4% |
| Currency | -5% | -3% | n/a | -4% |
| **Total growth** | **2%** | **-14%** | **n/a** | **-8%** |

## Order intake

DKKm



# Profit in Q4 2023

## Gross profit and margin

Gross profit increased by 20% to DKK 1,557m in Q4 2023, compared to DKK 1,294m in Q4 2022, reflecting the positive effects from our ongoing transformation efforts, partly offset by a relatively lower share of Service revenue in the quarter as well as costs related to the integration of Mining Technologies. The corresponding gross margin increased to 26.1% in Q4 2023 compared to 19.9% in Q4 2022.

In Q4 2023, total research and development costs (R&D) amounted to DKK 103m, representing 1.7% of revenue (Q4 2022: 1.6%).

## Research & development costs

| (DKKm) | Q4 2023 | Q4 2022 |
|---|---|---|
| Production costs | 32 | 41 |
| Capitalised | 71 | 60 |
| **Total R&D** | **103** | **101** |

## SG&A costs

Sales, general and administrative costs (SG&A) decreased by 13% compared to Q4 2022, reflecting positive effects from our ongoing transformation efforts and non-recurring positive one offs in Cement, partly offset by integration costs related to the acquisition of Mining Technologies in Q4 2023. Further, currencies had a favourable impact on SG&A of DKK 33m in the quarter.

As a result of this, SG&A costs as a percentage of revenue decreased to 17.9% in Q4 2023 compared to 18.9% in Q4 2022.

## EBITA and margin

Excluding integration costs of DKK 138m related to the acquisition of Mining Technologies, adjusted Group EBITA margin was 9.2% in Q4 2023 compared to 3.2% in Q4 2022. Including integration costs, the EBITA margin was 6.9% in Q4 2023 compared to 0% in Q4 2022 which was adversely impacted by costs related to the NCA segment, costs related to our exit from Russia and Belarus and costs related to the acquisition of Mining Technologies.

## Amortisation of intangible assets

Amortisation of intangible assets amounted to DKK 60m (Q4 2022: DKK 94m). The effect of purchase price allocations amounted to DKK 11m (Q4 2022: DKK 23m) and other amortisation to DKK 49m (Q4 2022: DKK 71m).

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## Financial items

Net financial items amounted to DKK -89m (Q4 2022: DKK -47m), of which net interest amounted to DKK -26m (Q4 2022: DKK -27m), foreign exchange and fair value adjustments amounted to DKK -3m (Q4 2022: DKK -20m) and loss from associates amounted to DKK -60m (2022: DKK -1m) due to impairments.

## Tax

Tax in Q4 2023 totalled an expense of DKK 91m compared to an income of DKK 66m in Q4 2022.

## Profit for the period

Profit in Q4 2023 was DKK 18m (Q4 2022: loss of DKK 67m). Discontinued activities realised a total loss of DKK 154m in Q4 2023 mainly due to a write-down of other receivables, which accounted for DKK 149m of the total loss.

## Return on capital employed

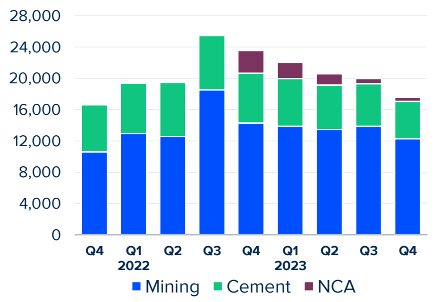
Return on capital employed (ROCE) increased to 8.2% (Q4 2022: 5.9%) due to higher earnings and a decrease in net working capital.

## Employees

The number of employees decreased by 297 to 9,377 at the end of Q4 2023, compared to 9,674 at the end of Q3 2023. The decrease was driven by workforce reductions across all business segments relating to footprint optimisation, synergies from the acquisition of Mining Technologies, and the continued rightsizing of the Cement organisation.

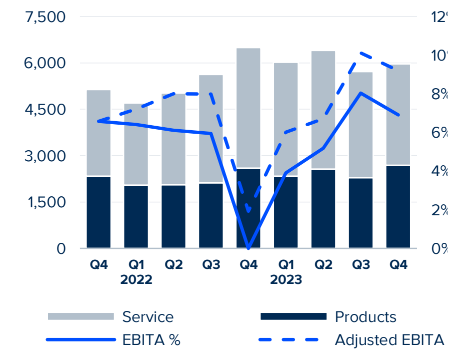
## Backlog

DKKm



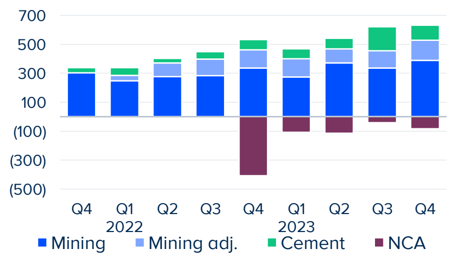

## Revenue & EBITA margin

DKKm EBITA margin %




## EBITA

DKKm



# Capital in Q4 2023

## Cash flow from operating activities
Cash flow from operating activities (CFFO) amounted to DKK 931m in Q4 2023 (Q4 2022: DKK 776m) and was positively impacted by DKK 1,372m from the decline in net working capital, partly offset by a negative change in provisions.

Discontinued activities had a minor impact on CFFO in both Q4 2022 and Q4 2023, as the write-down of DKK 149m on other receivables in Q4 2023 had no cash impact.

## Cash flow from investing activities
Cash flow from investing activities amounted to DKK -204m (Q4 2022: DKK -116m). The change is primarily related to the final payment of the acquisition of Mining Technologies.

## Free cash flow
Free cash flow (the sum of cash flow from operating and investing activities) amounted to DKK 727m in the quarter (Q4 2022: DKK 660m). Free cash flow adjusted for business acquisitions and disposals amounted to DKK 805m in Q4 2023 (Q4 2022: DKK 660m).

# Net working capital
Net working capital decreased by DKK 1,414m to DKK 1,382m at the end of Q4 2023 (end of Q3 2023: DKK 2,796m), primarily driven by a reduction in accounts receivables from increased collection and increased bad debt provision, reduction of inventory and work-in-progress, and a write-down of other receivables relating to discontinued activities. The corresponding net working capital ratio declined from 11.4% of revenue in Q3 2023 to 5.7% in Q4 2023.

Utilisation of supply chain financing declined to DKK 504m in Q4 2023 (Q3 2023: 614m).

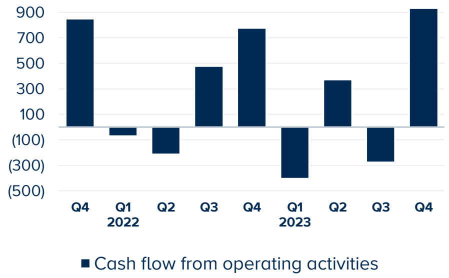
## Net interest-bearing debt
Net interest-bearing debt (NIBD) at 31 December 2023 decreased to DKK 639m (Q3 2023: DKK 1,325m). The financial gearing end of Q4 2023 amounted to 0.4x (Q3 2023: 1.0x) and remains comfortably below our target level of less than 2.0x.

## Financial position
By the end of 2023, FLSmidth had DKK 6.3bn of available committed credit facilities of which DKK 4.7bn remained undrawn. The committed credit facilities have a weighted average time to maturity of 4.3 years.

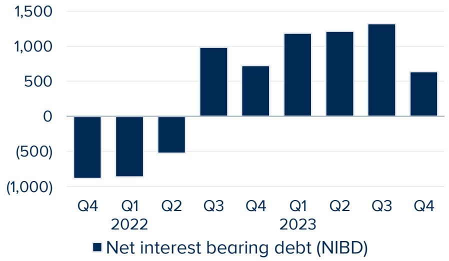
Credit facilities of DKK 5.0bn and DKK 1.1bn will mature in 2027 and 2030, respectively. The remaining DKK 0.2bn mature in later years. Additionally, FLSmidth has 0.8bn of uncommitted credit facilities available.

## Equity ratio
Equity at the end of Q4 2023 decreased to DKK 10,828m (end of Q3 2023: DKK 11,131m), driven primarily by currency adjustments. The equity ratio was 40.1% at the end of Q4 2023 (end of Q3 2023: 38.1%).

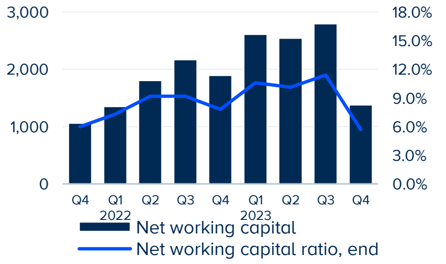
## Cash flow
DKKm




## Net interest-bearing debt
DKKm




## Net working capital
DKKm NWC%



# Consolidated Annual financial performance

## Order intake in 2023

Order intake decreased by 13% compared to 2022. Excluding currency effects order intake decreased by 10% compared to 2022.

Service order intake decreased by 2% compared to 2022 driven by lower order intake in the Cement business.

Products order intake decreased 29% compared to 2022 driven by both the Mining and Cement business and resulted from our continued de-risking strategy as well as challenging market conditions, mainly for the Cement business.

2022 included four months of Mining Technologies activities, while 2023 reflects our exit from Russia. If excluding a high-level estimate of the impact from our exit from Russia and Mining Technologies activities, the underlying order intake would have decreased by approximately 14% compared to 2022.

In 2023, five large orders at a combined value of around DKK 1.9bn were received compared to seven large orders with a combined value of around DKK 2.8bn in 2022.

### Growth in order intake in 2023 (vs. 2022)

| | Mining | Cement | Non-Core Activities | FLSmidth Group |
|---|---|---|---|---|
| Organic | -5% | -24% | n/a | -10% |
| Currency | -4% | -2% | n/a | -3% |
| **Total growth** | **-9%** | **-26%** | **n/a** | **-13%** |

## Order backlog

The order backlog declined by 25% to DKK 17,593m compared to DKK 23,541m as of the end of 2022. The year-on-year decline was driven by our continued de-risking strategy, the divestments completed in the Cement and NCA businesses as well as the exit from our activities in Russia and Belarus, continued wind-down of the NCA segment, ongoing execution of the order backlog and softer market conditions, especially in the Cement business.

Based on the order backlog maturity profile, the majority, 67% (2022: 60%) of the order backlog is expected to be converted into revenue in 2024, while 33% (2022: 40%) is expected to be converted to revenue in subsequent years.

## Revenue in 2023

Revenue increased by 10% to DKK 24,106m compared to 2022. Excluding currency effects, revenue increased by 14% compared to 2022 driven by higher revenue in the Mining business supported by the Mining Technologies acquisition, partly offset by relatively lower Cement revenue.

2022 included only four months of Mining Technologies activities, and furthermore 2023 reflects our exit from Russia. If excluding a high-level estimate of the impact from our exit from Russia and Mining Technologies activities, the underlying revenue would increase by approximately 13% compared to 2022.

Service revenue increased by 10% compared to 2022 driven by higher Service revenue in the Mining business. Products revenue increased by 11% compared to 2022 driven by both the Mining and the Cement businesses.

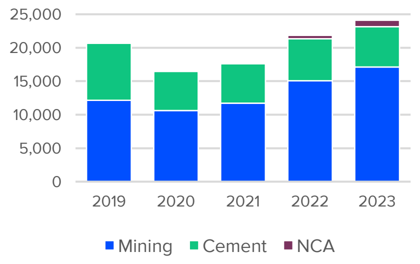
Service and Products revenue comprised 59% and 41% of total Group revenue in 2023, respectively, which is unchanged from 2022.

### Growth in revenue in 2023 (vs. 2022)

| | Mining | Cement | Non-Core Activities | FLSmidth Group |
|---|---|---|---|---|
| Organic | 18% | -1% | n/a | 14% |
| Currency | -5% | -2% | n/a | -4% |
| **Total growth** | **13%** | **-3%** | **n/a** | **10%** |

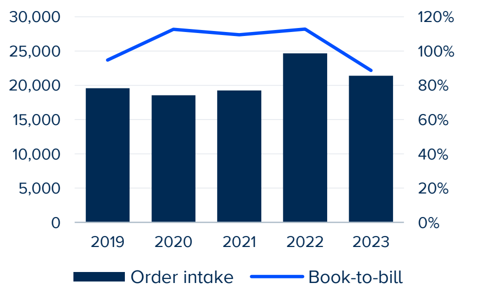
### Mining, Cement & NCA revenue

DKKm



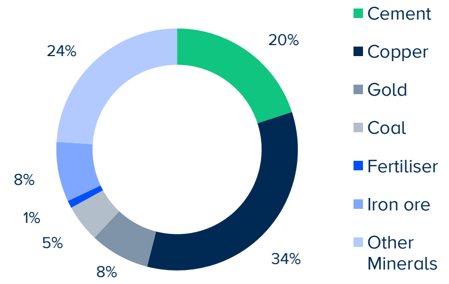

### Order intake and book-to-bill

DKKm %



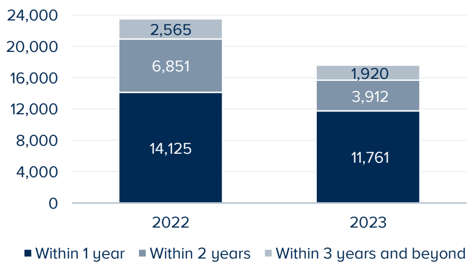

### Order intake by commodity

%




### Backlog maturity

DKKm



# Profit

## Gross profit and margin
Gross profit increased by 20% to DKK 6,087m in 2023, compared to DKK 5,076m in 2022. The year-on-year increase was driven by the higher revenue as well as positive effects from our ongoing transformation efforts, partly offset by costs related to the integration of Mining Technologies. The corresponding gross margin increased to 25.3% in 2023 compared to 23.2% in 2022.

Research and development costs reported in production costs amounted to DKK 155m. The R&D costs mainly related to several innovations, including new sustainable technologies for both Mining and Cement to support the MissionZero and digital solutions across the flowsheets.

Capitalisation of R&D costs for the year has increased compared to last year primarily due to the launch of several new larger R&D projects that support our MissionZero strategy.

## Research & development costs

| (DKKm) | 2023 | 2022 |
|---|---|---|
| Production costs | 155 | 169 |
| Capitalised | 222 | 171 |
| **Total R&D** | **377** | **340** |

## SG&A costs
Sales, general and administrative costs (SG&A) increased by 15% compared to 2022. The increase was driven by the inclusion of Mining Technologies as well as integration costs related to the acquisition and our ongoing transformation efforts. The increase was partly offset by a favourable currency effect of DKK 104m. The corresponding SG&A ratio increased by 0.8%-points to 18.5%.

## EBITA and margin
Excluding integration costs of DKK 481m related to the acquisition of Mining Technologies, adjusted Group EBITA margin was 8.0% in 2023. Including integration costs, the EBITA margin was 6.0% in 2023 compared to 4.3% in 2022. Excluding the AFT divestment gain, the underlying Group EBITA margin was 5.5%. The NCA divestment to KOCH Solutions had no material impact on EBITA.

## Financial items
Net financial items amounted to a cost of DKK -146m (2022: DKK -67m), of which net interest cost, including interest from leasing, amounted to DKK -92m (2022: DKK -50m). Loss from associates accounted for -62m (2022: DKK -3m) due to impairments and foreign exchange and fair value adjustments accounted for an income of DKK 8m (2022: cost of DKK -14m).

## Tax
The income tax expense for the year amounted to DKK 382m (2022: DKK 201m), corresponding to an effective tax rate of 36.2% (2022: 36.4%). The effective tax rate was negatively affected by withholding taxes not subject to credit relief as well as write-downs of tax losses and other tax assets in Germany. The effective tax rate was positively affected by adjustments to previous years regarding tax assets.

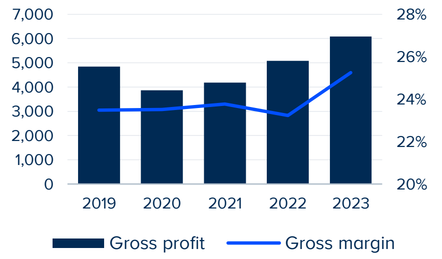
## Profit for the year
Profit for the year increased to DKK 491m in 2023 compared to DKK 352m in 2022. Discontinued activities reported a total loss of DKK -181m, compared to a total profit of DKK 1m in 2022, mainly due to a write-down of other receivables, which accounted for DKK 149m of the total loss.

## Earnings per share
Earnings per share increased from DKK 6.5 in 2022 to DKK 8.8 per share in 2023 as a result of the higher profit for the year.

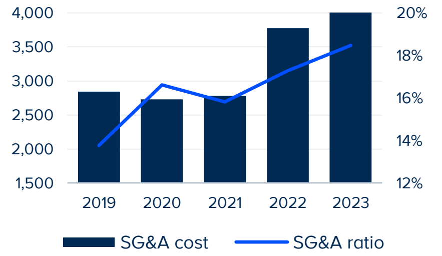
## Return on capital employed
Return on capital employed (ROCE) increased to 8.2% (Q4 2022: 5.9%) due to a higher EBITA and due to a decrease in net working capital.

## Employees
The number of employees decreased by 1,600 to 9,377 at the end of 2023, compared to 10,977 at the end of 2022. The decrease was driven by workforce reductions across all business segments relating to footprint optimisation, synergies from the acquisition of Mining Technologies, the NCA exit, including the sale to KOCH Solutions, the sale of AFT within Cement as well as continued rightsizing of the Cement organisation.

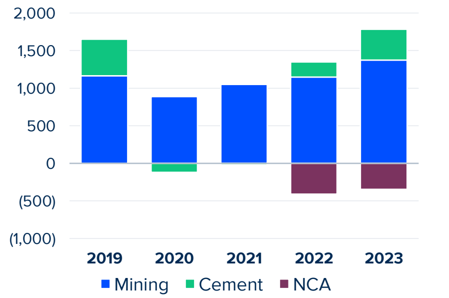
## Gross profit and Gross margin
DKKm %




## SG&A cost and SG&A ratio
DKKm %




## EBITA by Mining, Cement & NCA
DKKm



# Capital

## Balance sheet
Total assets decreased by DKK 2.8bn to DKK 27bn on 31 December 2023, mainly due to a lower level of cash and cash equivalents, resulted from repayments of bank debt, as well as lower levels of inventory and trade receivables.

## Capital employed
Average Capital employed increased by DKK 1,664m to DKK 17,552m (2022: DKK 15,888m) due to an increase in intangible assets. The average capital employed by the end of 2023 primarily consists of intangible assets (cost price) of DKK 13,485m, mostly goodwill, patents, rights, and customer relations. Property, plant, and equipment, including leased assets, were essentially unchanged, and net working capital decreased to DKK 1,382m by the end of 2023.

## Net working capital
Net working capital decreased by DKK 511m compared to 31 December 2022, primarily driven by a reduction in accounts receivables from increased collection and increase bad debt provision, reduction of inventory and working-in-progress, and a write-down of other receivables relating to discontinued activities. The corresponding net working capital ratio was 5.7% (2022: 7.8%) and reflects a strong cash focus. Currencies impacted net working capital negatively by DKK 14m.

## Supply chain financing
Utilisation of supply chain financing decreased during 2023 and amounted to DKK 504m at the end of 2023 (2022: DKK 590m).

## Net interest-bearing debt
Net interest-bearing debt (NIBD) amounted to DKK 639m at the end of 2023, compared to DKK 726m at the end of 2022.

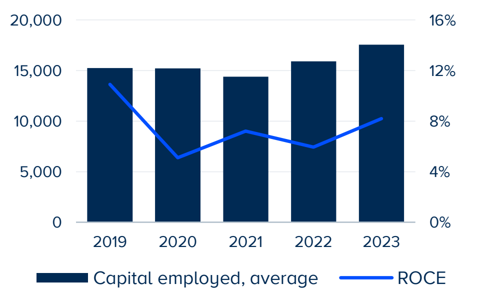
Financial gearing (NIBD/EBITDA) remained low at 0.4x (2022: 0.6x), and was thus well below our capital structure target of <2.0x.

## Equity
Equity at the end of 2023 increased to DKK 10,828m (end of 2022: DKK 10,787m) mainly related to the result for the year partly offset by negative currency adjustments relating to translation of foreign entities and dividend payment. The equity ratio was 40.1% at the end of 2023 (2022: 36.1%).

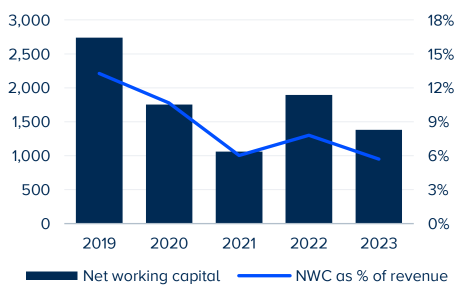
## Treasury shares
At the end of 2023, FLSmidth held a total of 913,828 shares as treasury shares, corresponding to approximately 1.6% of the total share capital of the company, which is unchanged from the end of 2022. Treasury shares are used to meet obligations relating to the company's share-based incentive programmes.

## Dividend
The Board of Directors will propose at the Annual General Meeting that a dividend of DKK 4 per share corresponding to a dividend yield of 1.4% and a pay-out ratio of 47%, will be distributed for 2023. The total dividend proposed amounts to DKK 231m.

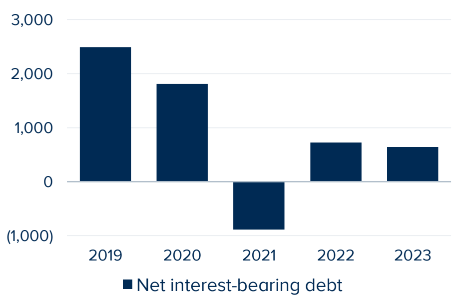
## Return on Capital employed
DKKm %



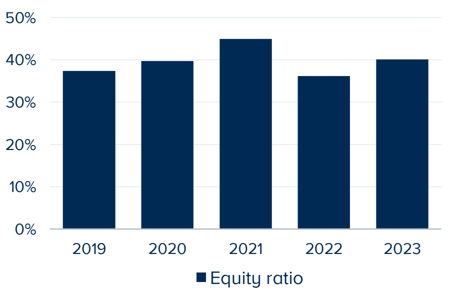

## Net working capital
DKKm %




## Net interest-bearing debt
DKKm




## Equity ratio %



### Cash flow from operating activities

Cash flow from operating activities (CFFO) decreased to DKK 623m in 2023 compared to DKK 968m in 2022. The year-on-year decrease was primarily driven by cash outflow related to provisions and taxes paid. Discontinued activities impacted CFFO positively by DKK 19m, as the write-down of DKK 149m on other receivables in 2023 had no cash impact. (see note 2.12 for more information).

### Cash flow from investing activities

Cash flow from investing activities (CFFI) amounted to DKK -257m in 2023 compared to DKK -2,310m in 2022 reflecting the acquisition of Mining Technologies which resulted in a cash outflow of DKK 2,130m. In addition, the development in CFFI was a result of CAPEX investments of DKK 499m (2022: DKK 333m), and sale of activities and fixed assets of DKK 354m (2022: DKK 160m).

### Free cash flow

Free cash flow, adjusted for business acquisitions and disposals of enterprises and activities amounted to DKK 201m in 2023 compared to DKK 777m in 2022. The decrease is primarily driven by a lower CFFO.

### Cash flow from financing activities

Cash flow from financing activities amounted to a cash outflow of DKK 1,066m in 2023 compared to a cash inflow of DKK 1,596m in 2022. The year-on-year decrease reflected repayment of debt in 2023 as well as additional debt raised in 2022 in connection with the acquisition of Mining Technologies.

### Cash position

Cash and cash equivalents amounted to DKK 1,352m at 31 December 2023 compared to 2,130m at 31 December 2022.

### Restricted cash

Cash and cash equivalents included bank balances in countries with currency restrictions or other restrictions preventing the funds to be readily available at parent company level. Focused repatriation efforts reduced restricted cash to DKK 852m at 31 December 2023 from DKK 1,459m at 31 December 2022.

## Other business

### Annual cost synergy target raised

The acquisition of Mining Technologies closed on 31 August 2022. In October 2022, FLSmidth revised the cost synergy potential from the combined organisational setup, geographical footprint and pooled innovation, procurement and administration structures in relation to the Mining segment from DKK 360m to DKK 560m.

In January 2024, the synergy potential was raised again to DKK 600m, reflecting an additional gain from optimisation of the organisational setup and geographical footprint.

The integration costs related to the realisation of the synergies totalled to DKK 733m compared to the previous expectation of DKK 800m, reflecting a better-than-expected integration of Mining Technologies.

### Changes to Group Executive Management

Throughout 2023, there have been various changes in Group Executive Management, including two members taking on additional responsibilities as well as a change of the Cement President. For more detailed information, refer to page 59.

## Subsequent events

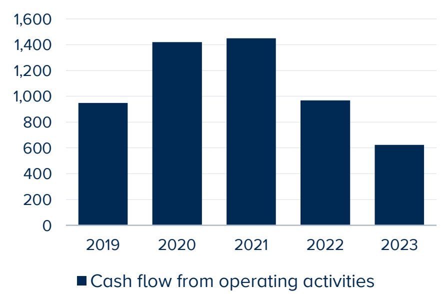
#### Divestment of the Cement business

On 29 January 2024, it was announced that FLSmidth has initiated a process to explore divestment options for its Cement business with the objective of enabling the Cement business to maximise its full potential as well as to further strengthen the Mining business' market-leading position as a full flowsheet technology and service provider to the global mining industry.

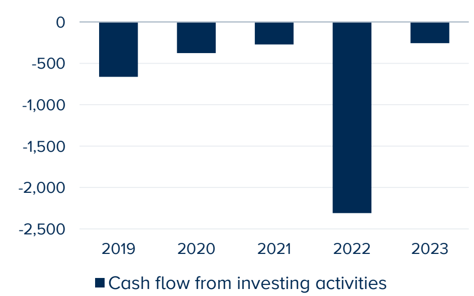
#### FLSmidth sells its MAAG gears and drives

On 22 January 2024, FLSmidth Cement entered into an agreement to sell the MAAG gears and drives business to Solix Group AB. The transaction is expected to close during the first quarter of 2024 and includes all related assets, including intellectual property, technology, employees and customer contracts. By the end of 2023, total assets and liabilities related to the activities amounted to around DKK 500m and DKK 300m, respectively. This includes non-current assets of around DKK 200m and non-current liabilities of around DKK 60m. The transaction is expected to result in an immaterial gain that will be recognised in the first quarter of 2024.

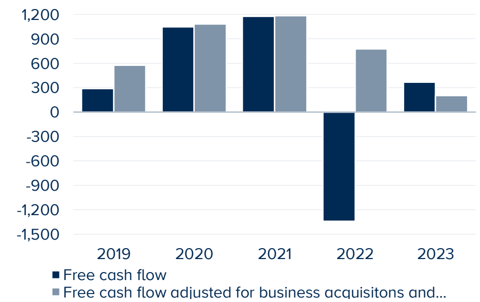
### CFFO
DKKm



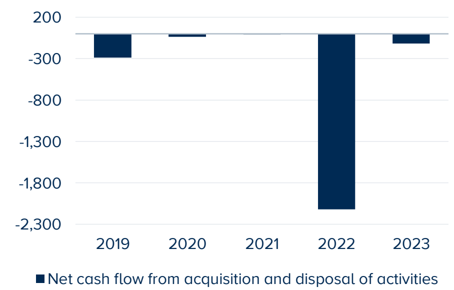

### CFFI
DKKm




### Free cash flow
DKKm




### Net cash flow from business acquisitions and disposals
DKKm



# Governance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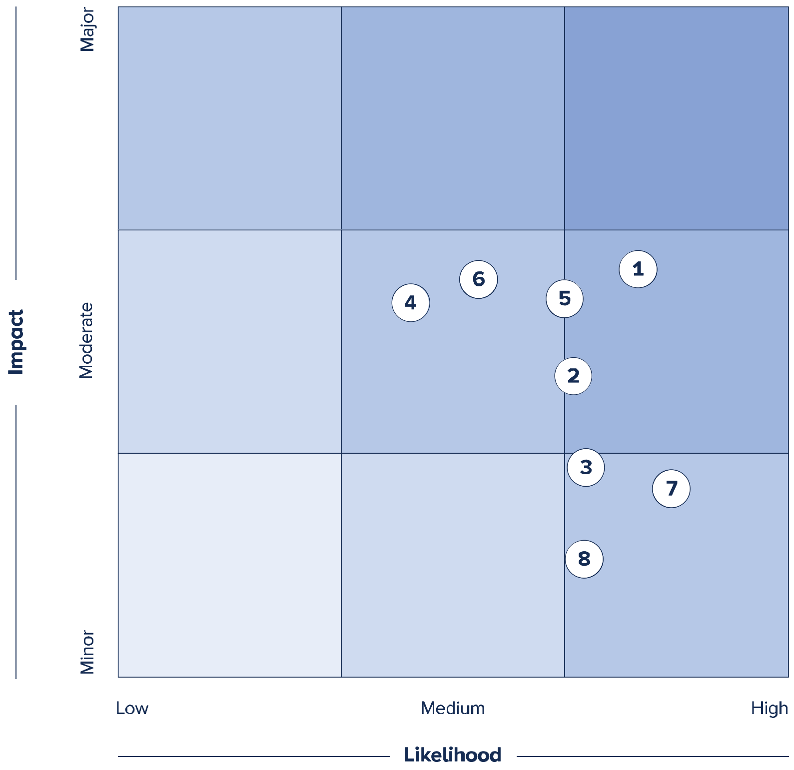
# Risk management and risk mitigation

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

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

## Key Risks




**Strategic Risks**
1. Market Trends
2. Geopolitics
3. Green Transition

**Operational Risks**
4. Transformation
5. Attract/Retain Employees
6. Employee Health & Safety
7. Cyber security

**Compliance Risks**
8. ESG

**Financial Risks**
No financial risks identified as a top risk

### Risk Categories

**Strategic Risks.**
Relate to the risk of the organisation's ability to achieve its strategy or maintain current business model. These risks generally arise from adverse business decisions, failure to implement decisions or failure to respond to external changes.

**Operational Risks.**
Arise from inadequate or failed internal processes, people and systems. The risk affects the organisation's ability to meet company-wide objectives (e.g., recruiting, hiring, retention, information technology, readiness).

**Compliance Risks.**
Risk of not being compliant with new or existing legislation or experience reputational damages as a result of perceived or unintentional improper conduct.

**Financial Risks.**
Risk of failure of business ventures or investments which will impact organisation financially. The main financial risks consist of credit risk, market risk and liquidity risk.

## Risk Governance

The key risks are continuously discussed and assessed by both Group Executive Management and the Board of Directors. The Group Executive Management reviews the risk map and on the basis of this review the top risks are presented and discussed with the Board of Directors. The combination of ongoing review of key risks and a more formal presentation of top risks allows for a thorough and structured process ensuring dialogue of which risks to avoid, which to mitigate and how to ensure we have the necessary agility to address new or sudden changes to already identified risks.

## 2023 risk review

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 in both industries continues at a slow pace.

The transformation journey to becoming a service-centric technology company with a focus on our core business with a less complex pure play set-up 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 in both Mining and Cement throughout 2023.

2024 will see continued focus on improving project execution with clearly defined best practices for handover throughout the entire project value chain from sales to execution to service, aligning project roles across functions with improved communication and accountability.

# Risk mitigation

| | Risk | Description | Potential impact | Mitigation |
|---|---|---|---|---|
| 1 | **Market Trends** | As a result of macroeconomic uncertainty, market demand in the mining industry is expected to be softer in the short-term, mostly related to the Products business. Similarly, the cement industry remains impacted by challenging market conditions. | Lower order intake may affect profitability and could potentially slow progress on one or more of our strategic goals. | ▪ Service markets remains stable and will help absorb potential impact<br>▪ Staying focused on strategic initiatives (pure play separation, principal company model implementation, business simplification)<br>▪ Exit of NCA segment continuing at an accelerated pace |
| 2 | **Geopolitics (Global & Regional)** | Accumulating shocks from various ongoing conflicts and increasing unrest in many regions along with anti-globalisation sentiments are impacting global structures and relationships. | Future revenue streams could be at risk if current conflicts start to extend beyond their borders, if new conflicts arise or if key countries turn more inward looking, become more nationalistic and isolated or if local political measures reduce our customers activity levels or their investment appetite. | ▪ Continuous review of potential risk-scenarios<br>▪ Supply chain initiatives<br>▪ Business continuity planning |
| 3 | **Green Transition** | Industry investments in equipment to enhance sustainability performance is still slow for both industries. | Eventually, the demand for equipment to enhance sustainability performance needs to increase to meet society's long-term demands. However, until customers increase investments, the slow investment decisions could potentially lead to lower order intake and thus affect profitability of the business. | ▪ Continued focus on and efforts to develop various partnerships with customers, local governments and other key stakeholders to help streamline and fast-track new investments<br>▪ Own focus on renewable energy technologies and improvements |
| 4 | **Transformation** | Our transformation journey consists of several projects running simultaneously and in parallel to each other, placing high demands and increasing workloads across the support functions of the organisation. | With a workforce that has been asked to focus on many important and complex priorities at the same time, we see potential delays in execution due to bottlenecks arising from limited resources or process knowledge and digital system constraints and capacity. | In general, we see this risk continuously decreasing as the various projects are managed and implemented:<br>▪ Transformation Office established with purpose of managing timing, resources and interdependencies<br>▪ Programme Board established to support work relating primarily to i.e. pure play separation and principal company model implementation |

| | Risk | Description | Potential impact | Mitigation |
|---|---|---|---|---|
| **5** | **Attract/Retain Employees** | In general, specialists are scarce and in high demand across the mining industry and it can be challenging to stay competitive with remuneration packages. In the Cement business it is imperative that we continue to execute with excellence despite the challenging market conditions. | We need motivated employees in order to deliver on our strategies for both businesses. There must be a strong culture of leadership, accountability, empowerment and trust to attract and retain our employees. | ▪ Monthly well-being and engagement surveys conducted globally<br>▪ Diversity, equity and inclusion are important elements<br>▪ Focus on employer branding and in-house talent development |
| **6** | **Employee Health & Safety** | After a period of positive developments in our safety statistics, we have in 2023 seen an increase of lost time due to injuries. | Building a culture of health and safety across our own and customers' sites is core to our Zero Harm 2030 ambition as the risk of increased lost time can result in a loss of trust from employees and customers. In addition, operational disturbances potentially impacts personnel and attrition and our reputation as a premium employer and supplier. | ▪ Cross-functional auditing procedure for ISO Certifications, document control system and injury campaign<br>▪ Safety audits, annual safety training, focus on safety shares and recording near misses<br>▪ Focus on workload, employee engagement and mental health |
| **7** | **Cyber security** | The general threat of IT security breaches continues to increase as we evolve and transition to a service-centric technology company. | A sophisticated cyber-attack could potentially disrupt day-to-day operations for a period of time, resulting in delays to customers and additional costs to get the business up and running again. | ▪ IT Security Policy, annual training, multifactor authentication, audits, antivirus and patch management, behavioural analysis<br>▪ Full cyber security certification, contingency plans, cloud-based solutions and IT Security Committee |
| **8** | **ESG** | Increasing ESG regulation is complex and extensive requiring specialised resources to manage and maintain. This is further complicated by political instability and unrest in many countries making it difficult to navigate as potential reputational risk of not being seen as doing the right thing increases. | There is a potential risk of being non-compliant with current and emerging ESG regulation and with the continuously changing political environment, there is a potential risk that we may not act quickly enough to address the various changing environments. | ▪ Annual Sustainability Report and public policy briefs<br>▪ Alignment with Science Based Targets, Post 2020 Biodiversity Framework, OECD, etc.<br>▪ Creating a safe, diverse and inclusive workplace<br>▪ Clear standards for suppliers<br>▪ Clear standards within compliance and human rights for our own business and our suppliers |

# Corporate governance

The Board of Directors continuously evaluates the work of Group Executive Management by specifying targets and assessing at what level or degree such targets have been met.

## Framework

The Board of Directors believes that effective corporate governance has a positive impact for the company's shareholders, employees, customers and other stakeholders. Thus, the Board of Directors regularly reviews the company's corporate governance framework and policies and assesses the need for any adjustments in light of the Group's activities, the statutory requirements and the Danish Corporate Governance Recommendations.

The following statement constitutes the company's statutory reporting according to Section 107b of the Danish Financial Statements Act.

## Governance structure

The company's shareholders exercise their rights at the general meeting. Any shareholder has the right to raise questions, and resolutions can generally be passed by a simple majority of votes cast. However, the adoption of a resolution to amend the company's articles of association or to wind up the company requires that the resolution is passed by not less than two thirds of the votes cast as well as of the share capital represented at the general meeting.

FLSmidth maintains a clear division of responsibility and separation between the Board of Directors and the Group Executive Management. The Group Executive Management is responsible for the day-to-day business of the company, and the Board of Directors oversees the Group Executive Management and handles overall managerial issues of a strategic nature.

For additional information refer to: www.flsmidth.com/en-gb/company/investors/governance.

| | 2023 | 2022 |
|---|---|---|
| Number of registered shareholders (1,000) | 52 | 54 |
| Treasury shares (1,000) | 914 (1.6%) | 914 (1.6%) |
| Number of shares held by the Board and Group Executive Management (1,000) | 73 | 74 |
| Total Board of Directors remuneration (DKK) | 6.8m | 6.6m |
| Total Group Executive Management remuneration (DKK) | 32.0m | 25.8m |
| Number of members of the Board of Directors (elected at the AGM) | 6 | 6 |
| Independent members of the Board of Directors (excluding employee elected) | 100% | 100% |
| Number of board committees* | 3/4 | 4 |
| Number of board meetings held (overall meeting attendance in %) | 17 (93%) | 14 (100%) |

*In August 2023, the Compensation Committee and the Nomination Committee were merged

## Board of Directors

The Board of Directors consists of board members elected at the Annual General Meeting and board members elected pursuant to the provisions in the Danish Companies Act on employee representation.

The Board of Directors currently consists of nine members, six members elected at the Annual General Meeting and three members elected by and among the Group's employees.

The board members elected at the Annual General Meeting shall be no less than five and no more than eight members in order to maintain a small, competent and quorate Board of Directors. These board members serve for a one-year term and therefore stand for election every year. However, re-election may take place. The Compensation & Nomination Committee identifies and recommends candidates to the Board of Directors.

Pursuant to the provisions of the Danish Companies Act on employee representation, the three board members elected by and among the Group's employees are elected for a term of four years. The most recent election took place in 2021, where two new employee-elected members joined the Board of Directors.

Immediately after the Annual General Meeting, the Board of Directors elects, among its own members, a Chair and a Vice Chair. A job and task description has been created and outlines the duties and responsibilities of the Chair and the Vice Chair.


Board meetings are called and held in accordance with the Board of Directors' rules of procedure and annual plan. In general, between six and eight ordinary board meetings are scheduled every year. However, when deemed necessary, additional meetings are held and the meeting frequency has been higher in recent years. To enhance board meeting efficiency, the Chair conducts a planning meeting with the Group CEO prior to each board meeting. In 2023, 17 board meetings were held. Apart from contemporary business issues, the most important issues dealt with in 2023 were: pure play, deployment steps for the strategy rolled out in 2023, continued execution of the wind-down of the NCA segment, sustainability and strategic review of the Cement business.

All members of the Board of Directors participated, physically or virtually, in all relevant board and committee meetings in 2023, except two members who were unable to attend one board meeting, two other members who were unable to attend two board meetings and a third member who was unable to attend four board meetings all due to conflicting appointments.

To ensure that the Board of Directors can perform its duties in the best possible manner and to achieve a highly informed debate with the Group Executive Management, the company strives for board membership profiles that reflect substantial managerial experience from internationally operating industrial companies and that match FLSmidth's company values.

At least one member of the Board of Directors must have CFO experience from a major listed company, and amongst the other members there should be a strong representation of experienced CEOs from major internationally operating and preferably listed companies. Further, most board members elected at the Annual General Meeting should hold competencies in general management including strategy development, financing and market dynamics, international controls and accounting as well as the acquisition and sale of companies. In addition, it is preferable that board members have a background in the capital goods sector with expertise in products and services.

For a description of the competencies of the Board of Directors, refer to pages 55 - 56.

All six members of the Board of Directors elected at the Annual General Meeting are independent in the opinion of the board considering the criteria specified by the Danish Committee on Corporate Governance, which is an independent body promoting corporate governance best practice in Danish listed companies.

As part of its annual plan, the Board of Directors performs an annual self-evaluation to evaluate the contribution, engagement and competencies of its individual members. The Chair is responsible for the evaluation. The overall conclusions of the 2023 board evaluation were satisfactory.

## Compensation & Nomination Committee

In August 2023, it was decided to merge the Compensation Committee and the Nomination Committee to one committee, and the combined committee is now referred to as the Compensation & Nomination Committee. The background for the merger was that the topics discussed are often interrelated and benefit from joint considerations.

The Compensation & Nomination Committee consists of Tom Knutzen (Chair), Mads Nipper, Thrasyvoulos Moraitis and Daniel Reimann.

In 2023, the Compensation Committee met once, the Nomination Committee met three times, and the combined Compensation & Nomination Committee met three times.

Main activities in 2023 have been related to assessing the composition and competencies of the Board of Directors and the succession planning as well as approval of incentive plans and overall remuneration schemes for the Group Executive Management and the management layer reporting to the Group Executive Management.

## Audit, Risk & ESG Reporting Committee

The Audit, Risk & ESG Reporting Committee consists of Anne Louise Eberhard (Chair), Mads Nipper and Gillian Dawn Winckler who are all considered independent and have considerable insight and experience in financial matters, accounting and auditing in listed companies.

In 2023, the committee met six times and the committee's main activities were to consider specific financial risks, including tax risks, accounting and auditing matters, as well as paying special attention to financial processes, internal control environment and cyber security.

Particular focus areas in 2023 have been to oversee the integration connected to the acquisition of

## Meeting attendance in 2023

| Board of Directors | Board meetings attended | Audit, Risk & ESG Reporting Committee | Compensation Committee | Nomination Committee | Compensation & Nomination Committee | Technology Committee |
|---|---|---|---|---|---|---|
| Tom Knutzen (Chair) | 17/17 | 5/6[1] | 1/1[2] | 3/3[2] | 3/3[2] | 2/2 |
| Mads Nipper (Vice Chair) | 17/17 | 6/6 | 1/1 | 3/3 | 3/3 | |
| Anne Louise Eberhard | 17/17 | 6/6[2] | | | | |
| Thrasyvoulos Moraitis | 16/17 | | 1/1 | 3/3 | 3/3 | 3/3[4] |
| Gillian Dawn Winckler | 13/17 | 6/6 | | | | |
| Daniel Reimann, elected for the Board in 2023 | 10/10 | | | 1/1 | 3/3 | 2/2 |
| Claus Østergaard (employee-elected) | 16/17 | | | | | 1/3[1] |
| Leif Gundtoft (employee-elected) | 17/17 | | | | | 1/3[1] |
| Carsten Hansen (employee-elected) | 15/17 | | | | | 3/3 |
| Richard Robinson Smith, left the Board in 2023 | 5/7 | | | | | 1/1[3] |

1) Voluntary participation (not member of the committee)
2) Chair of committee
3) Chair of committee until AGM held in March 2023
4) Chair of committee from AGM held in March 2023

the Mining Technologies business, and the pure play strategy for the operational and legal separation of the Cement business. Further, focus has also been on the new and upcoming ESG reporting requirements (CSRD), ESG risks as well as EU Taxonomy.

## The Technology Committee

The Technology Committee consists of four board members, Thrasyvoulos Moraitis (Chair), Tom Knutzen, Daniel Reimann and Carsten Hansen.

The Technology Committee met three times in 2023. The three meetings focused on sustainability, digitalisation and core product research and development respectively. The main objectives in 2023 were to review the KPIs for R&D projects and alignment with FLSmidth's strategic priorities, as well as the effectiveness of investment in R&D and the commercial potential of the R&D projects. Furthermore, an evaluation was performed of the key IP obtained as a result of the Mining Technologies acquisition.

## Group Executive Management

The Group Executive Management of FLSmidth consists of the Group CEO and the Group CFO who forms the management registered with the Danish Business Authority.

The Group has a wider Group Executive Management that holds the overall responsibility for the day-to-day operations and consists of eight Group Executive Vice Presidents, including the Group CEO and CFO. The members of the Group Executive Management are all experienced business executives having vast experience in managing global businesses and teams.

Throughout 2023, there have been various changes in executive management, including role adjustments.

The Chief Digital Officer (CDO), Mikko Tepponen, has taken up a dual role as CDO and Chief Operations Officer (COO). This expanded role provides the right opportunity to review and design the most effective organisational set-up to drive our digital and operational business transformation, delivering maximum value to our Business Lines and support functions.

Cori Petersen has taken up an expanded role, now overseeing not only People but also Sustainability. This expanded reporting structure aims to strengthen the integration of sustainability within our culture, provide clear visibility and engagement around sustainability as a key strategic focus area, and drive governance and execution of our internal and external efforts for all stakeholders.

In October 2023 we welcomed Christopher Ashworth as the new Cement President - overseeing the pure play strategy for the Cement business. Christopher Ashworth brings a wealth of expertise from global industrial companies, having held various senior leadership positions. As a performance-driven leader with extensive experience in operational efficiency, customer satisfaction, and portfolio transformation, he has a proven track record of crafting and executing transformative strategies for global corporations. He will continue our transformation efforts under Cement's GREEN'26 strategy.

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

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

At the end of 2023, the gender representation among the six members of the Board of Directors elected by the general meeting of FLSmidth & Co. A/S was considered equal in accordance with applicable Danish law[1]. Among the board members elected by the general meeting, 33.33% were women and 66.67% were men. Accordingly, no target has been set for the Board of Directors.

At the end of 2023, the gender representation at the other management levels of FLSmidth & Co. A/S was also considered equal in accordance with applicable Danish law. Among this group of seven people, 28.57% were women and 71.43% were men. For this reason, and since FLSmidth & Co. A/S had less than 50 employees in the latest financial year, neither a target nor a policy has been introduced for the other management levels of the company.

The company aims to maintain a gender balance that is considered equal according to applicable law. Thus, in connection with recommendations and appointments, diversity is deliberately taken into account when considering the profiles and qualifications of potential candidates.

**Gender representation in FLSmidth & Co. A/S**

| | 2023 |
|---|---|
| **Board of Directors*** | |
| Total number of members | 6 |
| Underrepresented gender in percentage | 33.33% |
| Target figure in percentage | Not required |
| Year for achievement of target figure | Not required |
| **Other management levels**** | |
| Total number of members | 7 |
| Underrepresented gender in percentage | 28.57% |
| Target figure in percentage | Not required |
| Year for achievement of target figure | Not required |

*Members of the Board of Directors elected by the general meeting of FLSmidth & Co. A/S.

## Diversity across the organisation

FLSmidth is dedicated to achieving a greater gender balance across the entire organisation and has set a voluntary target of 25% of the entire workforce and people managers are women by 2030. At the end of 2023, women accounted for 20% (end of 2022: 19%) of the total workforce, while 16% (end of 2022: 14%) of all managers were women.

FLSmidth is a learning organisation, and our people are our most valuable resource. 42% of the workforce is below the age of 40. 53% have less than 5 years seniority, which reflects the transition FLSmidth has gone through over the past several years.

* According to the Danish Business Authority's guidelines on target figures, policies and reporting on gender balance, a gender balance of 40%/60% (or the closest percentage below 40% taking into account the number of people), is considered equal.

** The other management levels of FLSmidth & Co. A/S have been identified in accordance with the definition set out in Section 139c of the Danish Companies Act and taking into consideration the applicable guidelines issued by the Danish Business Authority.

## Presentation of financial statements and internal controls

To ensure the high quality of the Group's financial reporting, the Board of Directors and the Group Executive Management have adopted a number of policies, procedures and guidelines for the presentation of the financial statements and internal controls which can be found at: www.flsmidth.com/en-gb/company/investors/governance

## Report on Data Ethics Policy

In 2022, FLSmidth introduced its Data Ethics Policy. The policy addresses the data ethics principles applied by FLSmidth as well as the approach to data processing covering all relevant 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.

For additional information in accordance with Section 99d of the Danish Financial Statements Act, refer to: www.flsmidth.com/data-ethics

## Sustainability Report

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

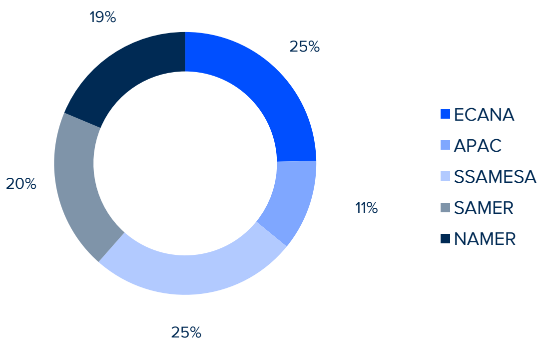
The report has been subject to limited assurance performed by EY. The report is available at: www.flsmidth.com/SustainabilityReport2023

## Report on compliance with Recommendations on Corporate Governance

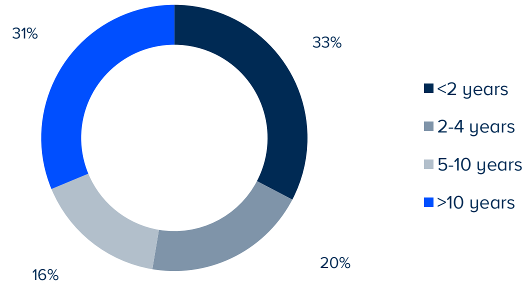
Pursuant to the rules set out in the Nasdaq Nordic Main Market Rulebook for Issuers of Shares, Danish listed companies must provide a statement on how they address the Recommendations on Corporate Governance issued by the Danish Committee on Corporate Governance in December 2020 based on the 'comply or explain' principle (https://corporategovernance.dk/english). FLSmidth's position on each specific recommendation is summarised in the corporate governance statement which has been prepared pursuant to section 107b of the Danish Financial Statements Act and is available at: www.flsmidth.com/en-gb/company/investors/governance/governance-reports

In the opinion of the Board of Directors, FLSmidth complies with all the Corporate Governance Recommendations applicable to Danish listed companies, except recommendation 3.5.1 related to external assistance in connection with evaluation of the Board of Directors, where the company only complies partially. The Board of Directors only engages external assistance in the evaluation if deemed relevant. It is the general opinion of the Board of Directors that external assistance rarely yields any benefits. However, each member of the Board of Directors has the right to request external assistance in the evaluation.

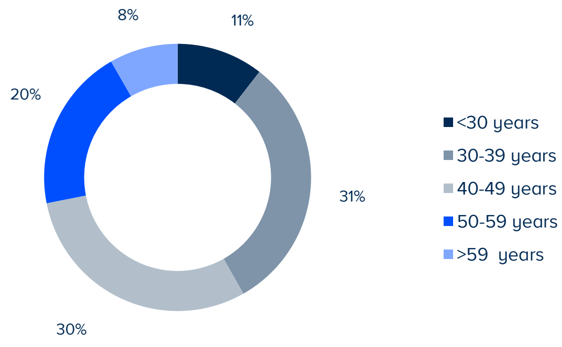
**Employees**
Geographical distribution




**Employees**
Length of service




**Employees**
Age distribution



# Board of Directors





| | **Tom Knutzen**<br>Chair | **Mads Nipper**<br>Vice Chair | **Anne Louise Eberhard** | **Thrasyvoulos Moraitis** | **Gillian Dawn Winckler** |
|---|---|---|---|---|---|
| **Age** | 61 | 57 | 60 | 60 | 61 |
| **Nationality** | Danish | Danish | Danish | British/Greek | British/Canadian |
| **Gender** | Male | Male | Female | Male | Female |
| **Member of the Board of Directors since** | 2012, Chair since 2022 (elected at the AGM). Chair of the Compensation & Nomination Committee and member of the Technology Committee | 2022, Vice Chair since 2022 (elected at the AGM). Member of the Audit, Risk & ESG Reporting Committee and the Compensation & Nomination Committee | 2017 (elected at the AGM). Chair of the Audit, Risk & ESG Reporting Committee | 2019 (elected at the AGM). Chair of the Technology Committee and member of the Compensation & Nomination Committee | 2019 (elected at the AGM). Member of the Audit, Risk & ESG Reporting Committee |
| **Number of shares in FLSmidth** | 50,000 | 1,220 | 2,000 | 1,000 | 1,000 |
| **Executive and non-executive positions in Denmark** | Chair of the Board of Directors of Tivoli A/S. Vice Chair of the Board of Directors of Jeudan A/S, Egmont Fonden and Egmont International Holding A/S | CEO of Ørsted A/S | Chair of the Boards of Directors of Finansiel Stabilitet SOV, Moneyflow Group A/S and Moneyflow 1 A/S. Member of the Board of Directors of Bavarian Nordic A/S, Simcorp A/S, Knud Højgaards Fond, VL52 ApS and Den Danske Unicef Fond. Director of EA Advice ApS, Member of the Advisory Board of DESGi, Danish ESG initiative by EY and Axcelfuture and Faculty Member at Copenhagen Business School (CBS Executive, Board Education) | None | None |
| **Executive and non-executive positions outside Denmark** | Member of the Board of Directors of Givaudan SA (CH) and Jungbunzlauer Holding AG (CH) | None | None | CEO of Serra Verde Group (CH). Advisor and principal in Vision Blue Resources (UK). Member of the Board of Directors of Reload Greece Foundation (UK) | Chair of the Board of Directors of Pan American Silver Corporation (CA). Member of the Board of Directors of West Fraser Timber Limited (CA), and BC Parks Foundation (CA), a non-profit organisation, and director with Sinova Global Inc. (CA) |

# Board of Directors

| |  |  |  |  |
|---|---|---|---|---|
| | **Daniel Reimann** | **Claus Østergaard** | **Leif Gundtoft** | **Carsten Hansen** |
| **Age** | 44 | 57 | 62 | 60 |
| **Nationality** | Danish | Danish | Danish | Danish |
| **Gender** | Male | Male | Male | Male |
| **Member of the Board of Directors since** | 2023 (elected at the AGM). Member of the Technology Committee and the Compensation & Nomination Committee | 2016 (elected by the employees) | 2021 (elected by the employees) | 2021 (elected by the employees) Member of the Technology Committee |
| **Number of shares in FLSmidth** | 0 | 429 | 128 | 52 |
| **Executive and non-executive positions in Denmark** | Member of the Board of Directors of Norican Global A/S. Principal at Altor Equity Partners A/S. Director of Visser Holding ApS and Shepherd's Tree Holding ApS | None | None | None |
| **Executive and non-executive positions outside Denmark** | None | None | None | None |

# Board competencies

| | Tom Knutzen (Chair) | Mads Nipper (Vice Chair) | Anne Louise Eberhard | Thrasyvoulos Moraitis | Gillian Dawn Winckler | Daniel Reimann | Claus Østergaard (E) | Leif Gundtoft (E) | Carsten Hansen (E) |
|---|---|---|---|---|---|---|---|---|---|
| **CEO (operational) experience** | ■ | ■ | | ■ | ■ | | | | |
| **Finance, Audit Committee, Accounting, Treasury** | ■ | | ■ | | ■ | ■ | | | |
| **Strategy Development** | ■ | ■ | | ■ | | ■ | | | |
| **M&As, Joint ventures, Alliances** | ■ | | ■ | ■ | | ■ | | | |
| **Capital markets, Listed company experience** | ■ | ■ | | ■ | ■ | | | | |
| **Risk Management, Legal, Compliance** | | | ■ | | | | | | |
| **HR, Total Rewards & Labour** | | | | | ■ | ■ | ■ | ■ | |
| **Safety, Health, Environment, Sustainability** | | ■ | ■ | ■ | ■ | | | | |
| **Digital transformation, Technology advancement** | | ■ | ■ | | | | ■ | ■ | ■ |
| **Cement and Mining Industry Knowledge/Experience** | | | | ■ | ■ | | ■ | ■ | ■ |
| **Commercial and Project excellence** | | ■ | ■ | | | ■ | | | |
| **Related Industrial experience** | ■ | | | | | | | | |
| **Service, Aftermarket experience** | | | | | | ■ | ■ | ■ | ■ |

(E) = Employee-elected

# Group Executive Management

| |  |  |  |  |
|---|---|---|---|---|
| | **Mikko Keto** | **Roland M. Andersen** | **Mikko Tepponen** | **Chris Reinbold** |
| **Title** | Group Chief Executive Officer<br>Employed by FLSmidth since 2021* | Group Chief Financial Officer<br>Employed by FLSmidth since 2020* | Chief Operations Officer and Chief Digital Officer<br>Employed by FLSmidth since 2020 | Mining, Products Business Line President<br>Employed by FLSmidth since 2020 |
| **Age** | 56 | 55 | 44 | 56 |
| **Nationality** | Finnish | Danish | Finnish | American |
| **Gender** | Male | Male | Male | Male |
| **Education** | MSc Economics from Helsinki School of Economics | MSc Corporate Finance, Executive Management Programme, London Business School | MSc Automation Technology | MBA, Finance, Indiana University,<br>B.S. Mechanical Engineering, University of Illinois |
| **Number of shares in FLSmidth** | 2,600 | 10,740 | 0 | 0 |
| **Past experience** | Numerous senior management positions with Metso (2010-2020), President for Services and Pumps business areas. Head of Sales, KONE corporation (2008-2010).<br>Various management positions in multiple countries with Nokia Networks (1994-2008) | CFO with NKT (2015-2020) and interim CEO with NKT (2018-2019). Prior to that various CFO roles in multiple countries for A.P. Moller – Maersk, Cybercity, Telenor, Torm and NKT. | Vice President, Digital Product Development, Wartsila (2017-2020), Director of Digitalisation at Wartsila (2015-2017), Senior Manager, Product Management, Digital Services at Outotec (2012-2015). COO & CTO, Sigma Solutions (2010-2012) | Senior Vice President, Global Product Line Management, FLSmidth.<br>Various managerial positions at ABB (1989-2020); Group Vice President, Global Product Manager; Region Division Manager, Southeast Asia; Senio Vice President, Head of US Power Sales; Senior Vice President, HV Products North America |
| **Non-executive positions** | Member of the Board of Directors of Normet Group | None | Member of the Board of Directors of Etteplan Oui | None |

* Registered with The Danish Business Authority. Trading in FLSmidth shares by executives and associated persons is only reported for executives registered with the Danish Business Authority.

# Group Executive Management




| | Joshua Meyer | Christopher Ashworth | Cori Petersen | Annette Terndrup |
|---|---|---|---|---|
| **Title** | Mining, Service Business Line President<br>Employed by FLSmidth since 2022 | Cement President<br>Employed by FLSmidth since 2023 | Chief People & Sustainability Officer<br>Employed by FLSmidth since 2016 | Group Legal Counsel<br>Employed by FLSmidth since 2004 |
| **Age** | 48 | 59 | 54 | 54 |
| **Nationality** | American | American | American | Danish |
| **Gender** | Male | Male | Female | Female |
| **Education** | MBA, UNC Kenan-Flagler Business School BSB, University of Minnesota – Carlson School of Management | MBA, Copenhagen Business School / University of Southern Carolina Darla Moore School of Business BS, Civil Engineering, Virginia Military Institute | BS in Business Administration: Human Resource Management, Senior Professional in Human Resources. Certified by Human Resource Certification Institute | Master of Laws (Denmark) and LLM (England) |
| **Number of shares in FLSmidth** | 0 | 0 | 918 | 2,546 |
| **Past experience** | Vice President Global Sales, Genie/Terex (2019-2022), Senior Vice President, Metso (2017-2019), Region Mining Manager/Commercial Director in Caterpillar Inc. (2012-2017). Various managerial positions in Caterpillar Inc. (1998-2012) | Vice President & Managing Director – Eurotherm (2013-2022), General Manager / Director at Invensys (2009-2013), Managing Director Wonderware (2008-2010) Scandinavia -All Schneider Electric companies | Director Human Resources, US, FLSmidth (2016), Director, Human Resources, North America, FLSmidth (2017). Various managerial positions in Rio Tinto (2011-2016). Various managerial and specialist positions (1987-2011) | Head of Group Legal (2013-2016). Various managerial positions in FLSmidth (2006-2013). Corporate counsel FLSmidth (2004-2006). Lawyer Ashurst (1998-2003). Trainee lawyer, Lett, Vilstrup & Partnere (1994-1997) |
| **Non-executive positions** | None | Member of the Board of Directors of LAAS Copenhagen | None | None |

# Remuneration

## Total remuneration to Board of Directors and Group Executive Management registered with Danish Business Authority increased compared to 2022.

Total remuneration increased compared to 2022, primarily due to increase in the expense on share-based remuneration. This covers the grant of a new share-based long-term incentive program (Restricted Share Units) that were granted to selected key employees, including the Group CEO and Group CFO, and an increase in the expense on the three Long-term incentive programmes granted in 2021, 2022 and 2023.

### Base salary

The Group CEO received a base salary increase of 4.5% in 2023. The Group CFO has not received any base salary adjustment in 2023.

### Short-term incentive programme

The pay-out under the short-term incentive programme reflects that average performance for the financial KPIs (order intake, revenue contribution margin, EBITA margin and CFFO) were significantly above target and achievement on individual goals above target.

### Long-term incentive programme

In 2023, management received no pay-out for the long-term incentive programmes (LTIP) for the performance periods 2019-2022. The KPIs for the 2023 LTIP grant are: EBITA-margin, total shareholder return and a sustainability-linked KPI.

### Other incentives

To realise the Group's transformation journey over the next three years a new share-based long-term incentive program (Restricted Share Units) was granted to selected key employees, including the Group CEO and the Group CFO. Further, a long-term cash-based incentive bonus was granted to the Group CEO.

### Remuneration of Group Executive Management

The Board has adopted overall guidelines for incentive pay for the Group Executive Management establishing a framework for variable salary components in order to support FLSmidth's short- and long-term goals. The purpose is to ensure that the remuneration structure does not lead to imprudence, short-term behaviour or unreasonable risk acceptance on the part of the Group Executive Management.

The Board's Compensation Committee considers on a regular basis the Group Executive Management's remuneration.

The total remuneration of the Group Executive Management consists of the following components:

- Base salary
- Short-term incentives in the form of a cash bonus (up to 75% of annual base salary)
- Long-term incentives in the form of performance shares (up to 100% of base salary)
- Other incentives of up to 150% of the annual base salary in cash and/or in shares
- Up to 18 months' notice in the event of termination of employment and severance payment of a maximum of 6 months' base salary
- Customary benefits such as company car, telephone, etc.

### Remuneration of the Board of Directors

The Board of Directors' total remuneration consists of an annual cash payment for the current financial year, which is submitted for approval at the Annual General Meeting. The Board of Directors' fees are normally pre-approved by the General Meeting for the year in question and then finally approved by the shareholders at the following year's General Meeting. In approving the final fees, shareholders may take unexpected workload into consideration and increase the preliminarily approved fees for all or some members of the Board of Directors. The Board of Directors' fees do not include incentive-based remuneration.

Cash payment is unchanged from 2022 and consists of a base fee of DKK 450,000 to each Board member, graded in line with additional tasks and responsibilities as follows:

- Ordinary Board members 100% of the base fee
- Board Vice chair 200% of the base fee
- Board Chair 300% of the base fee
- Committee Chair fee DKK 225,000
- Committee members fee DKK 125,000

The Chair and Vice chair do not receive payment for committee work. The fee structure was last adjusted in 2017.

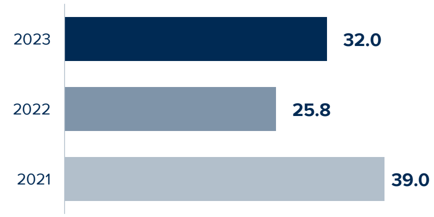
The remuneration report can be found here: www.flsmidth.com/RemunerationReport2023.

## Remuneration facts

A detailed description of the remuneration of individual members of the Board of Directors and Executive Management is disclosed in the Remuneration Report.

### Total remuneration of the Board of Directors, DKKm


### Total remuneration of Executive Management registered with the Danish Business Authority, DKKm



# Shareholder information

Total shareholder return was 15.3% in 2023. Dividend of DKK 4.00 per share is proposed.

### Capital and share structure

FLSmidth & Co. A/S is listed on Nasdaq Copenhagen. The share capital is DKK 1,153,000,000 (unchanged versus end of 2022) and the total number of issued shares is 57,650,000 (unchanged versus end of 2022). At the end of 2023, FLSmidth held a total of 913,828 equal to approximately 1.6% of the share capital as treasury shares.

Each share entitles the holder to 20 votes. The FLSmidth shares are included in 161 Danish, Nordic, European and global share indices. As of 18 December 2023, the FLSmidth shares are no longer included in the Danish Copenhagen 25 index. The shares are instead included in the Danish Large Cap index.

At the time of issuing the 2023 financial statements for FLSmidth & Co. A/S, the company had approximately 51,700 registered shareholders (2022: 53,500). Major shareholders owning more than 5% of the share capital and of the votes were Altor Invest 7 AS, Tjuvholmen Allé 19, 0252 Oslo and Lundbeckfonden, Scherfigsvej 7, 2100 Copenhagen Ø. When excluding major shareholders and certain other related shareholding, the free float of FLSmidth's outstanding shares is estimated to be approximately 72%.

Approximately 19% of the share capital is held by private investors, with the vast majority being held by Danish private investors, and 68% was held by institutional investors. Of the institutional ownership, approximately 23% was held by Danish investors (including Lundbeckfonden).

### Return on the FLSmidth share in 2023

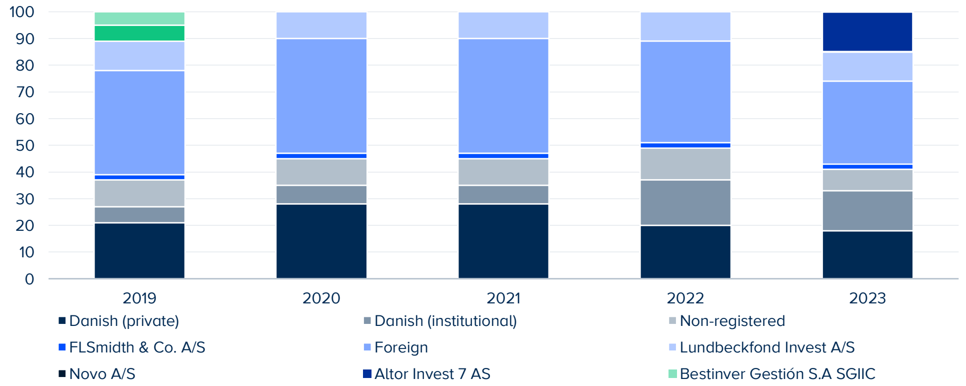
The total return on the FLSmidth share in 2023 was 15.3% (2022: 4.3%), calculated as share price appreciation and dividends paid. By comparison, the Danish Copenhagen 25 index increased by approximately 5% in 2023.

The share price ended 2023 at DKK 287.20 compared to DKK 251.70 at the end of 2022, having traded between DKK 244.00 and DKK 345.60 during the year. Total shareholder return was included as a KPI in the long-term incentive program during 2023.

The average daily traded volume was 200,432 shares, representing a decrease of approximately 25% compared to 2022.

### Development in shareholder structure

%




*Change in methodology for differentiating between Danish retail and institutional investors

### Share price development in 2023

Volume, 1,000 Share price, DKK

## Capital structure and allocation

FLSmidth takes a conservative approach to capital structure with an emphasis on relatively low debt, gearing and financial risk. The Board of Directors' priority for capital structure is as follows:

- Leverage (NIBD/EBITDA < 2)
- Dividend pay-out ratio (30-50% of net profit)

In addition, the Board of Directors' priority for capital allocation is to ensure a strong balance sheet while allowing for growth investments and value-adding M&A. Excess cash can be distributed either via extraordinary dividends or share buy-back programmes.

The Board of Directors will propose at the Annual General Meeting that a dividend of DKK 4 per share (2022: DKK 3 per share), corresponding to a dividend yield of 1.4% and a pay-out ratio of 47% to be distributed in 2023, which is in line with our targeted pay-out ratio.

## FLSmidth Investor Relations

FLSmidth engages in an open and active dialogue with the capital markets. It is FLSmidth's objective to have an appropriately diversified shareholder base in terms of geography, investment style and investment horizon. Accordingly, the purpose of Investor Relations is to:

- Ensure compliance with relevant rules and regulation for companies listed on Nasdaq Copenhagen.
- Ensure that FLSmidth is perceived as a visible, accessible, reliable and professional company by the capital markets.
- Ensure that relevant, accurate, balanced and timely information is made available to the capital markets as basis for regular trading and fair pricing of the shares.

- Ensure that the Board of Directors and Group Executive Management are briefed on relevant information received based on dialogue with investors, analysts and other financial market stakeholders.

To achieve these goals, an open and active dialogue with the capital markets takes place through stock exchange announcements and financial reporting, investor presentations, webcasts, conference calls and other forms of electronic communication investor meetings, roadshows, AGMs and capital market days.

FLSmidth & Co. A/S is generally categorised as a capital goods or industrials company and is currently being covered by 14 equity analysts, seven of which are based outside Denmark.
For further details regarding analyst coverage, see the company website: www.FLSmidth.com/analysts.

All investor relations materials and investor relations contact information are available to investors at the company website:
www.FLSmidth.com/investors

## Financial calendar 2024

| | |
|---|---|
| 10 Apr 2024 | Annual General Meeting |
| 15 May 2024 | Q1 2024 Interim Financial Report |
| 15 Aug 2024 | H1 2024 Interim Financial Report |
| 12 Nov 2024 | 9M 2024 Interim Financial Report |

## Share and dividend key figures

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| CFPS (cash flow per share), DKK (diluted) | 18.9 | 28.3 | 27.8 | 17.0 | 10.9 |
| EPS (earnings per share), DKK (diluted) | 15.5 | 4.2 | 6.9 | 6.5 | 8.7 |
| BVPS (book value per share), DKK | 171 | 159 | 180 | 188 | 188 |
| DPS (dividend per share), DKK, proposed | 0 | 2 | 3 | 3 | 4 |
| Pay-out ratio (%) | - | 50 | 48 | 49 | 47 |
| Dividend yield (dividend as percent of share price end of year) | 0.0 | 0.9 | 1.2 | 1.2 | 1.4 |
| FLSmidth & Co. A/S share price, end of year, DKK | 265.4 | 232.8 | 244.3 | 251.7 | 287.2 |
| Listed number of shares (1,000), end of year | 51,250 | 51,250 | 57,650 | 57,650 | 57,650 |
| Number of shares excl. own shares (1,000), end of year | 50,056 | 50,152 | 56,725 | 56,736 | 56,736 |
| Average number of shares (1,000), (diluted) | 50,092 | 50,153 | 52,080 | 56,879 | 57,137 |
| Market capitalisation, DKKm | 13,602 | 11,931 | 14,084 | 14,511 | 16,557 |

## Share and dividend key figures

| Share information | |
|---|---|
| **Market** | Nasdaq Copenhagen |
| **Symbol** | FLS |
| **ISIN** | DK0010234467 |
| **Number of shares** | 57,650,000 |
| **Sector** | Construction and Materials |
| **ICB Code** | 5010 |
| **Segment** | Large |

# Consolidated Financial statements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# Consolidated financial statements

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# Income statement

| Notes | DKKm | 2023 | 2022 |
|---|---|---|---|
| 1.4 | Revenue | 24,106 | 21,849 |
| | Production costs | (18,019) | (16,773) |
| | **Gross profit** | **6,087** | **5,076** |
| | Sales costs | (1,679) | (1,704) |
| | Administrative costs | (2,773) | (2,170) |
| | Other operating net income | 126 | 98 |
| | **EBITDA** | **1,761** | **1,300** |
| 2.4, 2.5 | Depreciation and impairment of property, plant and equipment and lease assets | (323) | (357) |
| | **EBITA** | **1,438** | **943** |
| 2.2 | Amortisation and impairment of intangible assets | (238) | (324) |
| | **EBIT** | **1,200** | **619** |
| 5.4 | Financial income | 1,371 | 1,588 |
| 5.4 | Financial costs | (1,517) | (1,655) |
| | **EBT** | **1,054** | **552** |
| 4.1 | Tax for the year | (382) | (201) |
| | **Profit for the year, continuing activities** | **672** | **351** |
| 1.2, 2.12 | Profit/(loss) for the year, discontinued activities | (181) | 1 |
| | **Profit for the year** | **491** | **352** |
| | | | |
| | Attributable to: | | |
| | Shareholders in FLSmidth & Co. A/S | 497 | 370 |
| | Minority interests | (6) | (18) |
| | | **491** | **352** |
| | | | |
| 5.2 | Earnings per share (EPS): | | |
| | Continuing and discontinued activities per share (DKK) | 8.8 | 6.5 |
| | Continuing and discontinued activities per share, diluted (DKK) | 8.7 | 6.5 |
| | Continuing activities per share (DKK) | 12.0 | 6.5 |
| | Continuing activities per share, diluted (DKK) | 11.9 | 6.5 |
| 5.1 | Proposed dividends per share (DKK) | 4.0 | 3.0 |

# Statement of comprehensive income

| Notes | DKKm | 2023 | 2022 |
|---|---|---|---|
| | **Profit for the year** | 491 | 352 |
| | | | |
| | **Items that will not be reclassified to profit or loss:** | | |
| | Actuarial gains and losses on defined benefit plans | 17 | 101 |
| 4.3, 4.4 | Tax of actuarial gains and losses on defined benefit plans | (5) | (24) |
| | | | |
| | **Items that are or may be reclassified subsequently to profit or loss:** | | |
| 5.3 | Currency adjustments regarding translation of entities | (359) | 149 |
| 5.5 | Cash flow hedging: | | |
| | - Value adjustments for the year | 34 | (28) |
| | - Value adjustments transferred to work in progress | 4 | 12 |
| 4.3, 4.4 | Tax hereof | (10) | 8 |
| | **Other comprehensive income for the year after tax** | **(319)** | **218** |
| | | | |
| | **Comprehensive income for the year** | **172** | **570** |
| | | | |
| | Attributable to: | | |
| | Shareholders in FLSmidth & Co. A/S | 175 | 587 |
| | Minority interests | (3) | (17) |
| | | **172** | **570** |

Mining Technologies is included with twelve months in 2023 and four months in 2022.

# Cash flow statement

| Notes | DKKm | 2023 | 2022 |
|---|---|---|---|
| 1.2 | EBITDA | 1,761 | 1,300 |
| 1.2 | EBITDA, discontinued activities | (171) | (10) |
| | Adjustment for gain on sale of activities and property, plant and equipment and other non-cash items | (85) | 4 |
| 2.7 | Change in provisions, pension and employee benefits | (236) | 640 |
| 3.1 | Change in net working capital | 298 | (446) |
| | **Cash flow from operating activities before financial items and tax** | **1,567** | **1,488** |
| 5.4 | Financial items received and paid | (94) | (49) |
| 4.2 | Taxes paid | (850) | (471) |
| | **Cash flow from operating activities** | **623** | **968** |
| | | | |
| 2.10 | Acquisition of enterprises and activities | (118) | (2,120) |
| 2.2 | Acquisition of intangible assets | (323) | (245) |
| 2.4 | Acquisition of property, plant and equipment | (176) | (88) |
| | Acquisition of financial assets | (3) | (23) |
| 2.11 | Disposal of enterprises and activities | 283 | 1 |
| | Disposal of property, plant and equipment | 71 | 159 |
| | Disposal of financial assets | 0 | 6 |
| 2.6 | Dividend from associates | 9 | 0 |
| | **Cash flow from investing activities** | **(257)** | **(2,310)** |
| | | | |
| | Dividend paid | (170) | (176) |
| | Buyout of minority interests | (13) | 0 |
| | Acquisition of treasury shares | (1) | 0 |
| 5.7 | Repayment of lease liabilities | (133) | (134) |
| 5.7 | Change in interest-bearing debt | (749) | 1,906 |
| | **Cash flow from financing activities** | **(1,066)** | **1,596** |
| | | | |
| | **Change in cash and cash equivalents** | **(700)** | **254** |
| | Cash and cash equivalents at beginning of period | 2,130 | 1,935 |
| | Foreign exchange adjustment, cash and cash equivalents | (78) | (59) |
| | **Cash and cash equivalents at 31 December** | **1,352** | **2,130** |

The cash flow statement cannot be inferred from the published financial information only

## Accounting policy

The cash flow statement is presented using the indirect method and shows the composition of cash flow divided into operating, investing and financing activities for both continued and discontinued activity and the changes in cash and cash equivalents during the year.

Cash flow from operating activities consists of earnings before depreciation, amortisation and impairment (EBITDA) adjusted for changes in provisions and net working capital, other non-cash operating items, financial items received and paid and taxes paid.

Cash flow from investing activities comprises payments made and cash received in connection with the acquisition and disposal of businesses and non-current assets including dividend from associates.

Cash flow from financing activities comprises changes in the size or composition of equity and loans, repayment of interest-bearing debt including lease liabilities, acquisitions and disposal of non-controlling interests, movements in treasury shares and payment of dividend to shareholders.

Cash and cash equivalents mainly consist of bank deposits.

### Free cash flow

| DKKm | 2023 | 2022 |
|---|---|---|
| Free cash flow | 366 | (1,342) |
| Free cash flow, adjusted for acquisitions and disposals of enterprises and activities | 201 | 777 |

# Balance sheet

| Notes | DKKm | 31/12 2023 | 31/12 2022 |
|---|---|---|---|
| | **Assets** | | |
| | Goodwill | 6,448 | 6,433 |
| | Patents and rights | 688 | 766 |
| | Customer relations | 331 | 392 |
| | Other intangible assets | 143 | 148 |
| | Completed development projects | 174 | 204 |
| | Intangible assets under development | 653 | 422 |
| 2.2 | **Intangible assets** | **8,437** | **8,365** |
| | | | |
| | Land and buildings | 1,777 | 1,983 |
| | Plant and machinery | 391 | 493 |
| | Operating equipment, fixtures and fittings | 117 | 131 |
| | Tangible assets in course of construction | 104 | 40 |
| 2.4, 2.5 | **Property, plant and equipment** | **2,389** | **2,647** |
| | | | |
| 4.3 | Deferred tax assets | 2,314 | 1,921 |
| 2.6 | Investments in associates | 81 | 157 |
| | Other securities and investments | 56 | 59 |
| | **Other non-current assets** | **2,451** | **2,137** |
| | | | |
| | **Non-current assets** | **13,277** | **13,149** |
| | | | |
| 3.2 | Inventories | 3,450 | 3,971 |
| 3.3 | Trade receivables | 4,516 | 5,108 |
| 3.4 | Work in progress | 2,769 | 3,147 |
| | Prepayments | 423 | 874 |
| | Income tax receivables | 229 | 321 |
| 3.5 | Other receivables | 995 | 1,145 |
| | Cash and cash equivalents | 1,352 | 2,130 |
| | **Current assets** | **13,734** | **16,696** |
| | | | |
| | **Total assets** | **27,011** | **29,845** |

| Notes | DKKm | 31/12 2023 | 31/12 2022 |
|---|---|---|---|
| | **Equity and liabilities** | | |
| 5.1 | Share capital | 1,153 | 1,153 |
| | Foreign exchange adjustments | (879) | (517) |
| | Cash flow hedging | (32) | (70) |
| 5.1 | Retained earnings | 10,615 | 10,247 |
| | **Shareholders in FLSmidth & Co. A/S** | **10,857** | **10,813** |
| | Minority interests | (29) | (26) |
| | **Equity** | **10,828** | **10,787** |
| | | | |
| 4.3 | Deferred tax liabilities | 207 | 294 |
| 2.8 | Pension obligations | 363 | 414 |
| 2.7 | Provisions | 660 | 896 |
| 5.7 | Lease liabilities | 132 | 206 |
| 5.7 | Bank loans and mortgage debt | 1,633 | 1,929 |
| 3.4 | Prepayments from customers | 338 | 578 |
| | Income tax liabilities | 110 | 103 |
| 3.7 | Other liabilities | 53 | 85 |
| | **Non-current liabilities** | **3,496** | **4,505** |
| | | | |
| 2.8 | Pension obligations | 2 | 2 |
| 2.7 | Provisions | 1,635 | 1,611 |
| 5.7 | Lease liabilities | 101 | 117 |
| 5.7 | Bank loans and mortgage debt | 54 | 615 |
| 3.4 | Prepayments from customers | 1,595 | 2,193 |
| 3.4 | Work in progress | 3,025 | 3,592 |
| 3.6 | Trade payables | 4,024 | 4,339 |
| | Income tax liabilities | 277 | 346 |
| 3.7 | Other liabilities | 1,974 | 1,738 |
| | **Current liabilities** | **12,687** | **14,553** |
| | | | |
| | **Total liabilities** | **16,183** | **19,058** |
| | | | |
| | **Total equity and liabilities** | **27,011** | **29,845** |

# Equity statement

| DKKm | Share capital | Foreign exchange adjustments | Cash flow hedging | Retained earnings | Shareholders in FLSmidth & Co A/S | Minority interests | 2023 Total | Share capital | Foreign exchange adjustments | Cash flow hedging | Retained earnings | Shareholders in FLSmidth & Co A/S | Minority interests | 2022 Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Equity at 1 January** | **1,153** | **(517)** | **(70)** | **10,247** | **10,813** | **(26)** | **10,787** | **1,153** | **(665)** | **(54)** | **9,937** | **10,371** | **(3)** | **10,368** |
| | | | | | | | | | | | | | | |
| **Comprehensive income for the year** | | | | | | | | | | | | | | |
| Profit/loss for the year | | | | 497 | 497 | (6) | 491 | | | | 370 | 370 | (18) | 352 |
| | | | | | | | | | | | | | | |
| **Other comprehensive income** | | | | | | | | | | | | | | |
| Actuarial gain/loss on defined benefit plans | | | | 17 | 17 | | 17 | | | | 101 | 101 | | 101 |
| Currency adjustments regarding translation of entities | | (362) | | | (362) | 3 | (359) | | 148 | | | 148 | 1 | 149 |
| Cash flow hedging: | | | | | | | | | | | | | | |
| - Value adjustments for the year | | | 34 | | 34 | | 34 | | | (28) | | (28) | | (28) |
| - Value adjustments transferred to work in progress | | | 4 | | 4 | | 4 | | | 12 | | 12 | | 12 |
| Tax on other comprehensive income | | | | (15) | (15) | | (15) | | | | (16) | (16) | | (16) |
| **Other comprehensive income for the year** | **0** | **(362)** | **38** | **2** | **(322)** | **3** | **(319)** | **0** | **148** | **(16)** | **85** | **217** | **1** | **218** |
| | | | | | | | | | | | | | | |
| **Comprehensive income for the year** | **0** | **(362)** | **38** | **499** | **175** | **(3)** | **172** | **0** | **148** | **(16)** | **455** | **587** | **(17)** | **570** |
| | | | | | | | | | | | | | | |
| Transactions with owners: | | | | | | | | | | | | | | |
| Dividend paid | | | | (170) | (170) | | (170) | | | | (170) | (170) | (6) | (176) |
| Share-based payment | | | | 53 | 53 | | 53 | | | | 25 | 25 | | 25 |
| Buyout of minority interests | | | | (13) | (13) | | (13) | | | | 0 | 0 | | 0 |
| Acquisition of treasury shares | | | | (1) | (1) | | (1) | | | | 0 | 0 | | 0 |
| **Equity at 31 December** | **1,153** | **(879)** | **(32)** | **10,615** | **10,857** | **(29)** | **10,828** | **1,153** | **(517)** | **(70)** | **10,247** | **10,813** | **(26)** | **10,787** |

# Key accounting estimates and judgements

When preparing the consolidated financial statements, we are required to make several estimates and judgements. These affect the carrying amounts of balance sheet items and income and expenses for the financial year. This note includes the areas that involve a higher degree of judgement or complexity and where changes in assumptions and estimates will likely have a significant impact on the consolidated financial statements. These areas are categorised as key accounting estimates and judgements. The significance of the impact on the consolidated financial statements of those estimates and judgements is categorised into three levels: low, medium and high, where only the two last levels result in classification as key accounting estimates/judgements.

### Impact significance

| | | |
|---|---|---|
| Key accounting estimates and judgements | Low | ■□□ |
| | Medium | ■■□ |
| | High | ■■■ |

### Key accounting estimate

The determination of the carrying amount of some assets and liabilities requires the estimation of the effect of uncertain future events on those assets and liabilities and actual results may differ from the estimates made. Making the estimates involve developing expectations of the future based on assumptions, that we to the extent possible support by historical trends or reasonable expectations. We believe that our estimates are the most likely outcome of future events.

### Key accounting judgements

Key accounting judgements are made when applying accounting policies. Key accounting judgements are the judgements made, that can have a significant impact on the amounts recognised in the consolidated financial statements.

The areas that are categorised as key accounting estimates and judgements are unchanged compared to last year.

The description of the key accounting estimates and judgements are included in the individual notes as shown below.

### Key accounting estimates and judgements

| Note | Key accounting estimates and judgements | Nature of accounting impact | Impact of estimates and judgements |
|---|---|---|---|
| 1.4 Revenue | Determine recognition method | Judgement | ■■■ |
| 2.7 Provisions | Estimate warranty provision | Estimate | ■■■ |
| 2.10 Business acquisitions | Purchase price allocation | Estimate and adjustment | ■■■ |
| 3.2 Inventories | Estimate valuation of inventories | Estimate | ■■□ |
| 3.3 Trade receivables | Estimate level of expected losses | Estimate | ■■□ |
| 3.4 Work in progress | Estimate total cost to complete | Estimate | ■■■ |
| 4.3 Deferred tax | Estimate the value of deferred tax assets | Estimate | ■■□ |

As a global business, FLSmidth is exposed to risks associated with climate change comprising both transitional and physical risks.

In general, climate-related changes have not imposed significant uncertainty on the financial statement but poses opportunities to FLSmidth for delivering solutions to our current and future customers to succeed on the green transition. Investment in developing such solutions has been factored into the future expected cash flows in e.g. the impairment test of intangible assets.

Further, in preparing the consolidated financial statements 2023, management has considered the impact of climate change, particularly in the context of our sustainability performance, to the extent possible. This includes that our 2030 SBTi targets to reduce emissions across the value chain are considered in our financial forecasts. The potential consequences on the value and useful life of property, plant and equipment were assessed as having no material financial impact.

The geopolitical situation from various ongoing conflicts and increasing unrest in many regions along with anti-globalisation sentiments are impacting global structures and relationships. Potential risk-scenarios are continuously reviewed and supply chain initiatives are ongoing.

Section 1

# Operating Profit and Segments


| | | |
|---|---|---|
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| 1.2 | Segment information | 71 |
| 1.3 | Geographical information | 73 |
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| 1.5 | Staff costs | 77 |


## 1.1 Income statement by function

It is our policy to prepare the income statement based on an adjusted classification of the cost by function in order to show the earnings before depreciation, amortisation and impairment. Depreciation, amortisation, and impairment are therefore separated from the individual functions and presented in separate lines.

The income statement prepared on the basis of cost by function is shown below:

### Income Statement by function

| DKKm | 2023 | 2022 |
|---|---|---|
| Revenue | 24,106 | 21,849 |
| Production costs, including depreciation and amortisation | (18,348) | (17,123) |
| **Gross profit** | **5,758** | **4,726** |
| Sales costs, including depreciation and amortisation | (1,703) | (1,738) |
| Administrative costs, depreciation and amortisation | (2,981) | (2,467) |
| Other operating net income | 126 | 98 |
| **EBIT** | **1,200** | **619** |
| | | |
| **Depreciation, amortisation and impairment consist of:** | | |
| Depreciation and impairment of property, plant and equipment and lease assets | (323) | (357) |
| Amortisation and impairment of intangible assets | (238) | (324) |
| | **(561)** | **(681)** |
| | | |
| **Depreciation, amortisation and impairment are divided into:** | | |
| Production costs | (329) | (350) |
| Sales costs | (24) | (34) |
| Administrative costs | (208) | (297) |
| | **(561)** | **(681)** |

## 1.2 Segment information

FLSmidth has three operating and reporting segments – Mining, Cement and Non-Core Activities.

The Mining and Cement segments are dedicated to provide customers full flowsheet technologies and service solutions to enhance their productivity and support the sustainability agenda. This includes offering single services or products as well as product bundles with related performance guarantees in accordance with the Group Risk Management approach.

The Non-Core Activities, were separated effective from 1 October 2022 and include Mining activities and product types that either offer limited or no aftermarket potential, are characterised by high execution risks, are highly engineered and/or lack standardisation, and we see no viable commercial model for FLSmidth to turn these around. Furthermore, these products are not aligned with or important to FLSmidth's sustainability agenda. A designated organisational structure oversees the segment. The order backlog is expected to be divested or wound down by the end of 2024.

The segments have technology ownership and develop and drive the life cycle offering and product portfolio. Five regions support sales and service within Mining and Non-Core Activities while activities in Cement are supported by seven core clusters.

The structure helps create a productivity-driven organisation with a strong, unified digital approach and fewer touchpoints strengthening our local presence, customer focus, and life cycle offering in order to capture growth.

The segmentation reflects the internal reporting and management structure.

### Accounting policy

Segment income and costs include transactions between the three segments, if any. Such transactions are carried out on market terms.

Some administrative functions such as finance, HR, IT and legal are shared by the segments. Such shared costs are paid by the business segments based on assessment of consumption.

Discontinued activities are not a separate reportable segment but presented as discontinued operations under IFRS 5.

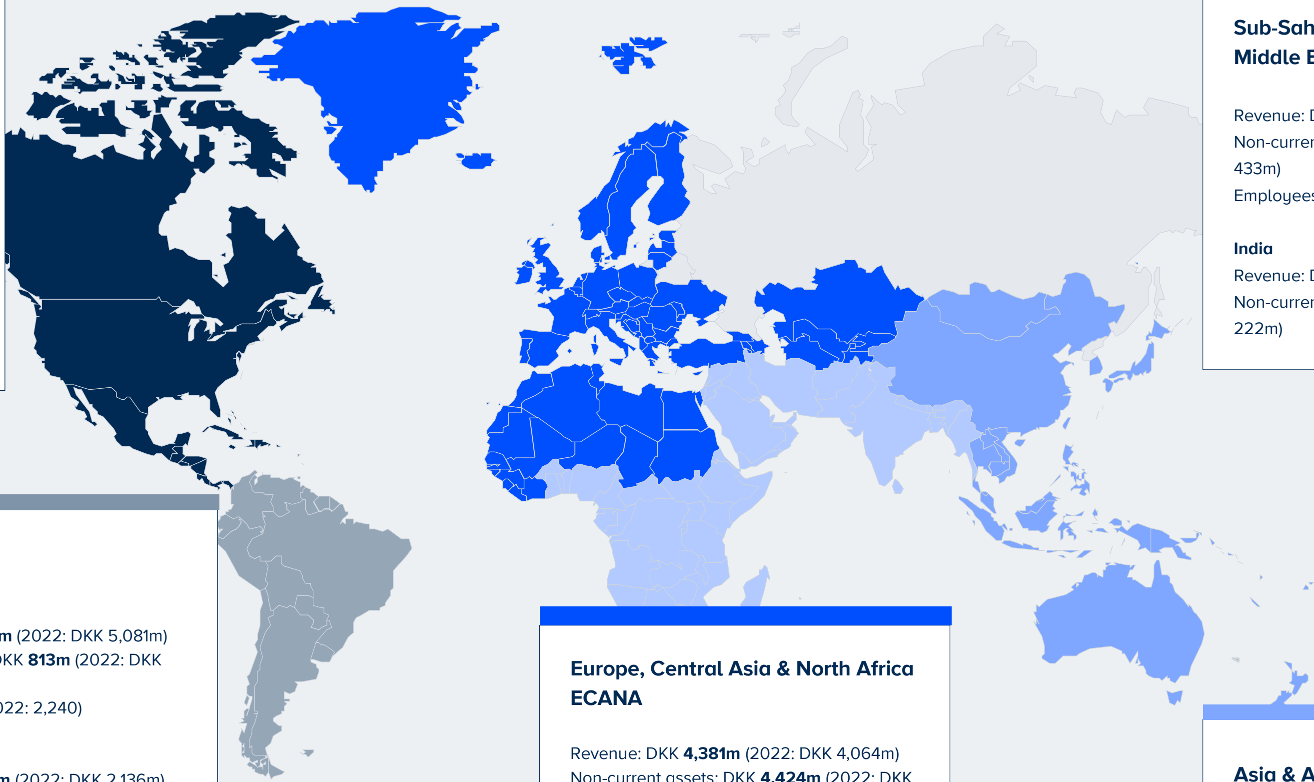
Geographical information in note 1.3 is based on five regions. Revenue is presented in the region in which delivery takes place. Non-current assets and employees are presented in the region in which they belong.

# 1.2 Segment information
## – continued

| DKKm | 2023 | | | | | 2022 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | FLSmidth Group | | | | | FLSmidth Group | |
| | Mining | Cement | Non-Core Activities [1] | Continuing activities | Discontinued activities [2] | Mining | Cement | Non-Core Activities [1] | Continuing activities | Discontinued activities [2] |
| **Income statement** | | | | | | | | | | |
| **Revenue** | **17,107** | **6,048** | **951** | **24,106** | **0** | **15,082** | **6,264** | **503** | **21,849** | **0** |
| Production costs | (12,435) | (4,529) | (1,055) | (18,019) | (14) | (11,288) | (4,662) | (823) | (16,773) | (7) |
| **Gross profit** | **4,672** | **1,519** | **(104)** | **6,087** | **(14)** | **3,794** | **1,602** | **(320)** | **5,076** | **(7)** |
| SG&A costs | (3,087) | (1,140) | (225) | (4,452) | (157) | (2,444) | (1,346) | (84) | (3,874) | (3) |
| Other operating net income [3] | 13 | 113 | 0 | 126 | | 39 | 59 | 0 | 98 | 0 |
| **EBITDA** | **1,598** | **492** | **(329)** | **1,761** | **(171)** | **1,389** | **315** | **(404)** | **1,300** | **(10)** |
| Depreciation and impairment of property, plant and equipment | (223) | (84) | (16) | (323) | 0 | (243) | (111) | (3) | (357) | 0 |
| **EBITA** | **1,375** | **408** | **(345)** | **1,438** | **(171)** | **1,146** | **204** | **(407)** | **943** | **(10)** |
| Amortisation of intangible assets | (204) | (34) | 0 | (238) | 0 | (223) | (101) | 0 | (324) | 0 |
| **EBIT** | **1,171** | **374** | **(345)** | **1,200** | **(171)** | **923** | **103** | **(407)** | **619** | **(10)** |
| | | | | | | | | | | |
| Order intake | 16,280 | 4,888 | 208 | 21,376 | 0 | 17,822 | 6,613 | 209 | 24,644 | 0 |
| Order backlog | 12,267 | 4,795 | 531 | 17,593 | 0 | 14,277 | 6,386 | 2,878 | 23,541 | 0 |
| | | | | | | | | | | |
| *Gross margin* | *27.3%* | *25.1%* | *-10.9%* | *25.3%* | | *25.2%* | *25.6%* | *-63.6%* | *23.2%* | |
| *EBITDA margin* | *9.3%* | *8.1%* | *-34.6%* | *7.3%* | | *9.2%* | *5.0%* | *-80.3%* | *5.9%* | |
| *EBITA margin* | *8.0%* | *6.7%* | *-36.3%* | *6.0%* | | *7.6%* | *3.3%* | *-80.9%* | *4.3%* | |
| *EBIT margin* | *6.8%* | *6.2%* | *-36.3%* | *5.0%* | | *6.1%* | *1.6%* | *-80.9%* | *2.8%* | |
| **Number of employees at 31 December** | **6,581** | **2,669** | **127** | **9,377** | **0** | **7,126** | **3,270** | **581** | **10,977** | **0** |
| | | | | | | | | | | |
| **Reconciliation of profit/(loss) for the year** | | | | | | | | | | |
| EBIT | | | | 1,200 | (171) | | | | 619 | (10) |
| Financial income | | | | 1,371 | 4 | | | | 1,588 | 7 |
| Financial costs | | | | (1,517) | (17) | | | | (1,655) | (12) |
| **EBT** | | | | **1,054** | **(184)** | | | | **552** | **(15)** |
| Tax for the year | | | | (382) | 3 | | | | (201) | 16 |
| **Profit/(loss) for the year** | | | | **672** | **(181)** | | | | **351** | **1** |

1) Non-Core Activities constitutes a separate reportable segment prospectively from 1 October 2022. Comparative information has not been restated. Further information can be found in the 2022 Annual Report note 1.2. Under the previous segmentation Mining and Non-Core Activities was presented as one segment.
2) Discontinued activities mainly consist of non-mining bulk material handling.
3) Other operating net income is presented as a separate line item instead of presented together with SG&A cost. Comparative information has been restated.

# 1.3 GEOGRAPHICAL INFORMATION



### North America NAMER

Revenue: DKK **5,536m** (2022: DKK 5,270m)
Non-current assets: DKK **3,816m** (2022: DKK 3,650m)
Employees: **1,759** (2022: 1,807)

**USA**
Revenue: DKK **3,300m** (2022: DKK 2,909m)
Non-current assets: DKK **2,889m** (2022: DKK 2,986m)

**Canada**
Revenue: DKK **1,295m** (2022: DKK 1,457m)
Non-current assets: DKK **908m** (2022: DKK 648m)

### Sub-Saharan Africa, Middle East & South Asia, SSAMESA

Revenue: DKK **3,384m** (2022: DKK 3,506m)
Non-current assets: DKK **331m** (2022: DKK 433m)
Employees: **2,401** (2022: 2,829)

**India**
Revenue: DKK **1,197m** (2022: DKK 1,600m)
Non-current assets: DKK **139m** (2022: DKK 222m)

### South America SAMER

Revenue: DKK **6,094m** (2022: DKK 5,081m)
Non-current assets: DKK **813m** (2022: DKK 467m)
Employees: **1,852** (2022: 2,240)

**Chile**
Revenue: DKK **2,347m** (2022: DKK 2,136m)
Non-current assets: DKK **516m** (2022: DKK 169m)

**Peru**
Revenue: DKK **1,502m** (2022: DKK 1,266m)
Non-current assets: DKK **210m** (2022: DKK 151m)

**Brazil**
Revenue: DKK **1,670m** (2022: DKK 1,199m)
Non-current assets: DKK **87m** (2022: DKK 147m)

### Europe, Central Asia & North Africa ECANA

Revenue: DKK **4,381m** (2022: DKK 4,064m)
Non-current assets: DKK **4,424m** (2022: DKK 4,819m)
Employees: **2,311** (2022: 2,775)

**Denmark**
Revenue: DKK **59m** (2022: DKK 54m)
Non-current assets: DKK **744m** (2022: DKK 1,264m)

**Kazakhstan**
Revenue: DKK **1,269m** (2022: DKK 625m)
Non-current assets: DKK **124m** (2022: DKK 36m)

### Asia & Australia, APAC

Revenue: DKK **4,711m** (2022: DKK 3,928m)
Non-current assets: DKK **1,442m** (2022: DKK 1,643m)
Employees: **1,054** (2022: 1,326)

**Australia**
Revenue: DKK **2,156m** (2022: DKK 2,007m)
Non-current assets: DKK **1,434m** (2022: DKK 1,624m)

Revenue, non-current assets (intangible assets and Property, plant and equipment) and number of employees are disclosed for all Regions.

Revenue, non-current assets (intangible assets and Property, plant and equipment) are disclosed for home country of our Headquarter and countries that account for more than 5% of Group revenue.

# 1.4 Revenue

Revenue arises from sale of life cycle offerings to our customers. We sell a broad range of goods and services within the Mining and Cement segments split into the main business Products and Services. Revenue within the Non-Core Activities segment reflects the performance of the backlog and sale of parts already in stock.

## Products

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

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

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

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

## Services

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

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

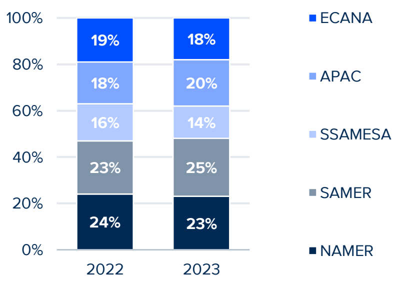
## Revenue split on industry and category

| DKKm | 2023 Mining | 2023 Cement | 2023 Non-Core Activities | 2023 Group | 2022 Mining | 2022 Cement | 2022 Non-Core Activities* | 2022 Group |
|---|---|---|---|---|---|---|---|---|
| Products business | 6,426 | 2,802 | 642 | 9,870 | 5,891 | 2,728 | 297 | 8,916 |
| Service business | 10,681 | 3,246 | 309 | 14,236 | 9,191 | 3,536 | 206 | 12,933 |
| **Total revenue** | **17,107** | **6,048** | **951** | **24,106** | **15,082** | **6,264** | **503** | **21,849** |

*Non-Core Activities constitutes a separate reportable segment prospectively from 1 October 2022.

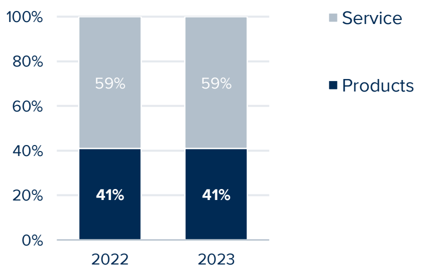
## Revenue split

by Regions



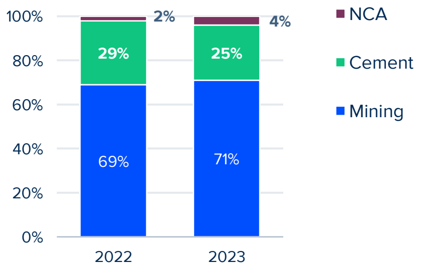

## Revenue

by Revenue stream




## Revenue

by Mining, Cement and Non-Core Activities



# 1.4 Revenue – continued

Upgrades and rebuilds are defined as one performance obligation. Revenue is typically recognised over time using the cost-to-cost method. The payment pattern for upgrades and rebuilds are very similar to the pattern for products.

## Revenue recognition principles

The table below decomposes revenue by segments into revenue recognition principles, i.e. either at the point in time or over time to reflect the percentage of completion of the performance obligations in the contracts.

Percentage of completion covers a wide range of different types of contracts, from contracts where the customer consumes the services over time, such as fixed price service contracts, to more complex product bundles with engineering subject to the enhanced risk governance structure under the Risk Management Board and to risk quotas. To reflect the wide range of contracts that are accounted for using percentage of completion, the category has been decomposed into two subcategories from 1 January 2023 with comparative information restated.

The nominal increase in percentage of completion is due to the acquisition of Mining Technologies being included with twelve months in 2023 and four months in 2022.

## Backlog

The order backlog on 31 December 2023 amounted to DKK 17,593m (2022: DKK 23,541m) and represents the value of outstanding performance obligations on effective contracts, where we will transfer control at a future point in time and the remaining performance obligations on contracts where we transfer control over time. A contract is effective when it becomes binding for both parties depending on the specific conditions of the contract. This usually means that the contract has been signed and the prepayment (if any) has been received.

Information on the split of the order backlog between the three segments can be found in note 1.2.

Based on the order backlog maturity profile, the majority, 67% (2022: 60%) of the order backlog is expected to be converted into revenue in 2024, while 33% (2022: 40%) is expected to be converted to revenue in subsequent years.

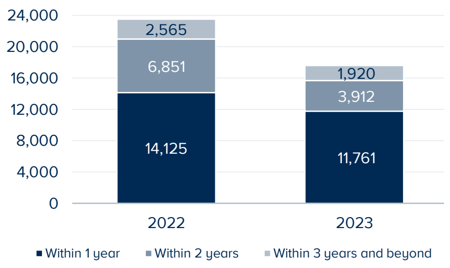
Besides the key accounting judgments described in the box, revenue is impacted by key accounting estimate related to the estimate of the percentage of completion (estimate of total cost to complete). The key accounting estimates are further explained in note 3.4.

## Revenue split on timing of revenue recognition principle

| DKKm | Mining 2023 | Cement 2023 | Non-Core Activities 2023 | Group 2023 | Mining 2022 | Cement 2022 | Non-Core Activities* 2022 | Group 2022 |
|---|---|---|---|---|---|---|---|---|
| Point in time | 9,442 | 2,610 | 55 | 12,107 | 8,034 | 2,689 | 239 | 10,962 |
| Percentage of completion | | | | | | | | |
| - Service, single machines and product bundles | 6,050 | 3,102 | 0 | 9,152 | 4,975 | 3,017 | 0 | 7,992 |
| - Product bundles with engineering under enhanced risk governance | 1,615 | 336 | 896 | 2,847 | 2,073 | 558 | 264 | 2,895 |
| **Total revenue** | **17,107** | **6,048** | **951** | **24,106** | **15,082** | **6,264** | **503** | **21,849** |

*Non-Core Activities constitutes a separate reportable segment prospectively from 1 October 2022.

## Backlog maturity
DKKm




## Accounting policy

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. Judgement is made to determine if a contract for sale of products or services, or a combination hereof, involves one or more performance obligations. If a contract contains more than one performance obligation, the contract price is allocated to each performance obligation based on the relative stand-alone selling price for each performance obligation.

Revenue from products and services is recognised over time, using the cost-to-cost method, when 1) we have no alternative use for the goods or services to be delivered and 2) 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, revenue is recognised at the point in time when control transfers to the customer, usually upon delivery.

## **1.4 Revenue** – continued

If we do not have an enforceable right to payment for work completed throughout the contract term, revenue is 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.

In determining the transaction price revenue is reduced by probable penalties, payment of liquidated damages and any other claims that are payments to our customers. The transaction price is also adjusted for any variable elements, where we estimate the amount of the variable transaction price.

The variable amount is estimated at contract inception and re-estimated periodically throughout the contract term. The variable amount is recognised as revenue when it is highly probable that reversal will not occur.

Warranties are granted in connection with the sale of equipment and systems and are classified as assurance-type warranties that are not accounted for as separate performance obligations. Refer to note 2.7, Provisions, for accounting policy on warranties provisions.

Revenue is recognised less rebates, cash discounts and value added tax and duties.

### Key accounting judgements

**Judgement regarding recognition method**
Judgements are made when determining if revenue on product or service is recognised over time or at a point in time. The judgements relate to if we have an alternative use of the assets being produced and if we have an enforceable right to payment throughout the contractual term.

When assessing if an asset being produced has no alternative use to FLSmidth, 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.

# 1.5 Staff costs

Staff costs consist of direct wages and salaries, remuneration, pension costs, share-based payments, training etc. related to the continuing activities.

The increase in staff costs relates primarily to inflation and restructuring following the implementation of our transformation strategy and the integration of Mining Technologies. There is a positive effect from foreign currency rates of DKK 145m (2022: negative impact of DKK 215m).

### Composition of staff costs

| DKKm | 2023 | 2022 |
|---|---|---|
| Wages, salaries and other remuneration | 4,469 | 4,326 |
| Contribution plans and other social security costs, etc. | 631 | 599 |
| Defined benefit plans | 30 | 25 |
| Share-based payment | 54 | 25 |
| Other staff costs | 546 | 338 |
| | **5,730** | **5,313** |
| The amounts are included in the items: | | |
| Production costs | 3,437 | 3,195 |
| Sales costs | 1,120 | 1,217 |
| Administrative costs | 1,173 | 901 |
| | **5,730** | **5,313** |
| Average number of employees in continuing activities | 10,197 | 10,621 |
| Year-end number of employees | 9,377 | 10,977 |

During 2023 the remuneration of the Board of Directors and Group Executive Management was as follows:

### Remuneration Board of Directors

| DKKm | 2023 | 2022 |
|---|---|---|
| Board of Directors fees | 6.8 | 6.6 |
| **Total** | **6.8** | **6.6** |

### Remuneration Group Executive Management

| DKKm | 2023 | 2022 |
|---|---|---|
| Wages and salaries | 32 | 32 |
| Bonus | 18 | 20 |
| Benefits | 2 | 3 |
| Severance package | 6 | 14 |
| Share-based payment | 15 | 7 |
| Other incentives | 4 | 3 |
| **Total** | **77** | **79** |

Two members of the Group Executive Management are registered with The Danish Business Authority. During 2023, the registered members of the Group Executive Management earned remuneration as follows:

### Remuneration registered executives

| DKKm | 2023 | 2022 |
|---|---|---|
| Wages and salaries | 14 | 13 |
| Bonus | 8 | 8 |
| Benefits | 1 | 1 |
| Severance package | 0 | 0 |
| Share-based payment | 8 | 4 |
| Other incentives | 1 | 0 |
| **Total** | **32** | **26** |

Each member of the Group Executive Management is, other than the base salary, entitled to customary benefits. Additionally, the members of Group Executive Management participate in short-term- and long-term incentive programmes. The short- and the long-term incentive programmes are capped at 75% and 100%, respectively, of the annual base salary. In addition to this each executive may, at the Board of Directors' discretion, receive an additional incentive of up to 150% of the annual base salary, which can be cash and/or share based. The individual maximum and target levels are fixed as part of the ongoing remuneration adjustment cycle.

To realise FLSmidth's transformation journey over the next three years, selected key employees including the registered executives were granted a long-term share-based programme ('restricted share units'). Further information can be found in note 6.1. The CEO was granted a cash-based long-term bonus vesting over three years based on different key milestones related to the transformation of the Group.

The members of the Group Executive Management have up to 18 months' notice in the event of termination of employment and severance payment may correspond to a maximum of 6 months' base salary.

For details related to the remuneration of the Board of Directors and Group Executive Management, refer to the Remuneration Report 2023: www.flsmidth.com/RemunerationReport2023.

## Accounting policy

Staff costs include wages and salaries, cash bonuses, share-based payments, pension costs, benefits and social security costs. In general, staff costs are expensed when the services are rendered by the employees. When long-term incentive programmes are provided, the costs are accrued over the period that makes the employees entitled to the payment. Termination benefits are expensed when an agreement has been reached between the Group and the employee and no future service is rendered by the employee in exchange for the termination payment.

The Group's pension plans consist of both defined contribution plans and defined benefit plans (pension plans). The accounting policy for pension plans can be found in note 2.8.

The accounting policy for share-based payments can be found in note 6.1.

Section 2

# Capital employed and other Balance sheet items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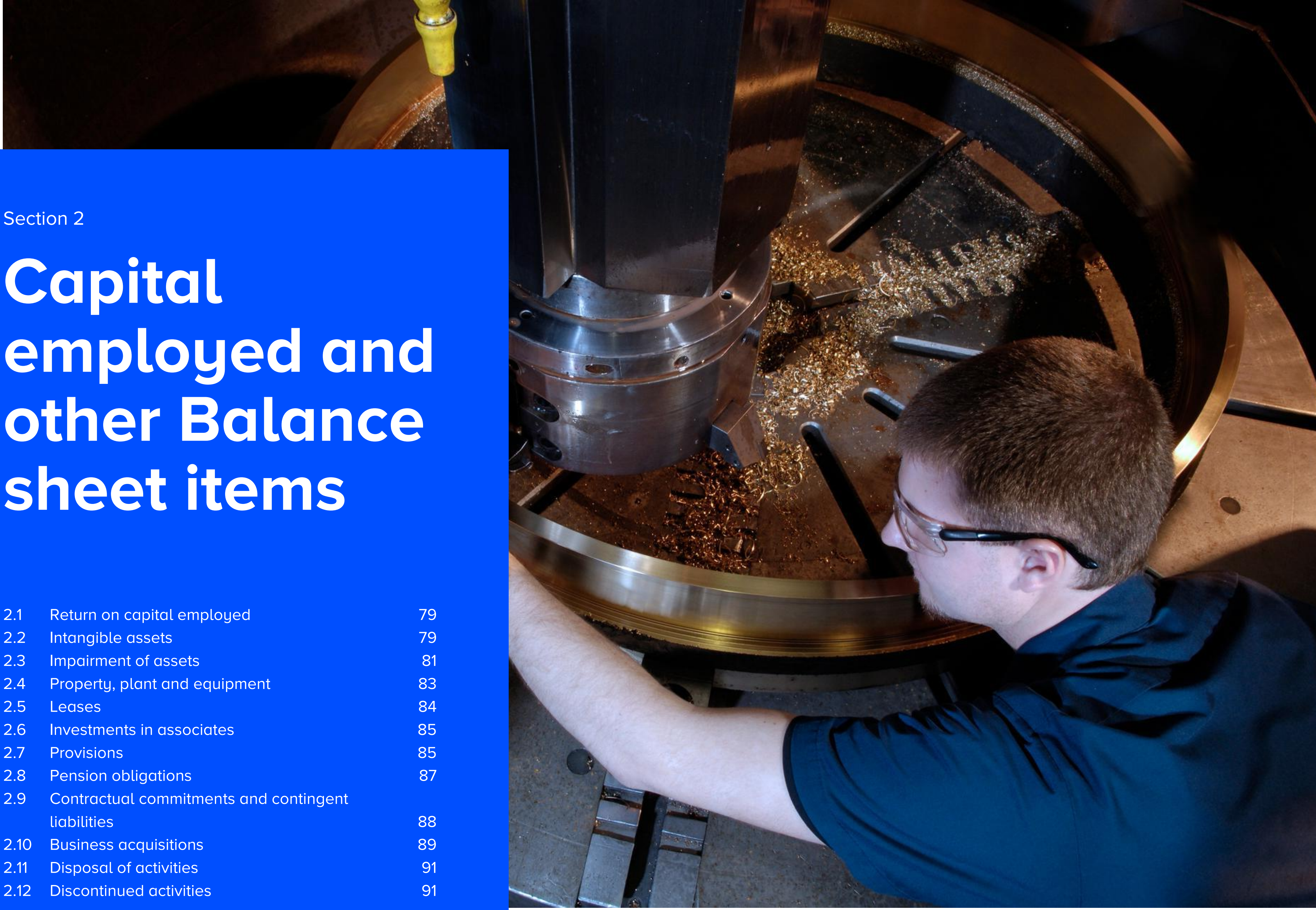


## 2.1 Return on capital employed

Capital employed is determined as the sum of fixed assets and net working capital. capital employed is used for determining the key performance indicator Return on capital employed (ROCE). The table below shows the decomposition of capital employed.

### Capital employed

| DKKm | 2023 | 2022 |
|---|---|---|
| Intangible assets at cost value, note 2.2 | 13,485 | 13,308 |
| Property, plant and equipment at carrying amount, note 2.4 | 2,389 | 2,647 |
| Net working capital, note 3.1 | 1,382 | 1,893 |
| **Capital employed, total** | **17,256** | **17,848** |

### ROCE

| DKKm | 2023 | 2022 |
|---|---|---|
| EBITA | 1,438 | 943 |
| Capital employed, average* | 17,552 | 15,888 |
| **ROCE, average** | **8.2%** | **5.9%** |

* For 2022, the average capital employed is adjusted to reflect the acquisition of Mining Technologies

ROCE is calculated based on average capital employed to reflect the annual development. In 2022, the average capital employed is adjusted by including the increase in capital employed coming from Mining Technologies prorated to the period after acquisition. ROCE increased during the year, driven by an increased EBITA that was partly offset by an increase in average capital employed.

## 2.2 Intangible assets

Goodwill arising from business acquisitions is recognised in the consolidated financial statements. The carrying amount of goodwill per segment is shown in note 2.3. The finalisation of the initial accounting in 2023 for the acquisition of Mining Technologies in 2022 led to an increase in goodwill in 2023 of DKK 108m, see note 2.10 for more information.

Patents and rights acquired are recognised in the consolidated financial statements. The patents and rights include patents, trademarks, technology, and other rights.

Our intangible assets under development consist of research and development (R&D) projects and software. Much of the knowhow/R&D we generate, originate from work for customers, of which some is expensed and some is capitalised depending on the nature of the cost. In 2023, R&D costs expensed totalled DKK 155m (2022: DKK 169m). The expense is included in production costs. The addition of intangible assets under development amounts to DKK 322m (2022: DKK 242m) where capitalised R&D cost amounts to DKK 193m (2022: DKK 146m) and the remaining capitalised relates to IT related projects. Of those capitalised costs, DKK 138m (2022: DKK 94m) are internally generated. In 2022, impairment of DKK 75m was recognised on R&D projects. In 2023, there was no impairment.

In the table on the next page, intangible assets are shown by type. Other intangible assets consist of software and completed software implementation projects, whereas completed development projects primarily consist of R&D costs (developments in relation to production techniques, processes, and similar). Until completed, internally developed assets are presented in a separate column.

## Accounting policy

### Goodwill

Goodwill arises from business combinations and is determined as the excess of the purchase price over the fair value of the net assets acquired, including contingent liabilities. Goodwill is expressed in the functional currency of the entity acquired. Internally generated goodwill is not capitalised. Goodwill is allocated to the cash generating units as defined by Management and being the segments Mining and Cement as no goodwill is related to the Non-Core Activities. Subsequently, goodwill is not amortised but is tested for impairment at least once a year or sooner if impairment indication arises. Further information on the impairment test and the recognition of a potential impairment loss on goodwill can be found in note 2.3.

### Intangible assets other than goodwill

Patents and rights, including trademarks, customer relations, software applications and other intangible assets are measured at cost less accumulated amortisation and impairment losses. Customer relations are acquired in business combinations, only, while patents and rights, including trademarks, software applications and other intangible assets can be acquired as part of business combinations, in separate acquisitions or be internally developed.

The Group uses significant resources on innovation in relation to production techniques/processes, software solutions and the like. For accounting purposes, the innovation activities are classified into a research phase and a development phase. Projects within the development phase are capitalised if it can be demonstrated that FLSmidth has the technical feasibility, intention, and sufficient resources to complete the development and provided that the cost to develop can be determined reliably and it is probable that the future earnings or the net selling price will cover production, sales, and administrative costs plus development costs. Other development costs and costs in the research phase are recognised in the income statement when incurred. Development costs consist of salaries and other costs that are directly attributable to development activities.

Development projects in progress are not amortised but are tested for impairment at least once a year.

Once a development project has been completed it is amortised on a straight-line basis over the estimated useful life. Similarly, other intangible assets are amortised on a straight-line basis over the estimated useful life of the assets which is as follows:

- Patents and rights, including trademarks, up to 30 years
- Customer relations up to 30 years
- Other intangible assets up to 20 years; primarily consist of software applications with useful life up to 5 years
- Completed development projects (R&D projects) up to 8 years

Intangible assets are written down to recoverable amount if lower. Further information can be found in note 2.3.

## 2.2 Intangible assets
– continued

| DKKm | Goodwill | Patents and rights | Customer relations | Other intangible assets | Completed development projects | Intangible assets under development | 2023 Total |
|---|---|---|---|---|---|---|---|
| Cost at 1 January | 6,434 | 2,204 | 2,015 | 929 | 1,304 | 422 | 13,308 |
| Foreign exchange adjustments | (84) | (7) | (64) | (5) | 0 | 0 | (160) |
| Acquisition of group enterprises | 108 | 0 | 0 | 0 | 0 | 0 | 108 |
| Disposals of enterprises | (9) | (15) | 0 | (1) | 0 | 0 | (25) |
| Additions | 0 | 0 | 0 | 1 | 0 | 322 | 323 |
| Disposals | 0 | 0 | (19) | (46) | 0 | (4) | (69) |
| Transferred between categories | 0 | 0 | 0 | 56 | 31 | (87) | 0 |
| **Cost at 31 December** | **6,449** | **2,182** | **1,932** | **934** | **1,335** | **653** | **13,485** |
| | | | | | | | |
| Amortisation and impairment at 1 January | (1) | (1,438) | (1,623) | (781) | (1,100) | 0 | (4,943) |
| Foreign exchange adjustment | 0 | 6 | 54 | 5 | 1 | 0 | 66 |
| Disposals of enterprises | 0 | 1 | 0 | 1 | 0 | 0 | 2 |
| Disposals | 0 | 0 | 19 | 46 | 0 | 0 | 65 |
| Amortisation and impairment | 0 | (63) | (51) | (62) | (62) | 0 | (238) |
| **Amortisation and impairment at 31 December** | **(1)** | **(1,494)** | **(1,601)** | **(791)** | **(1,161)** | **0** | **(5,048)** |
| | | | | | | | |
| **Carrying amount at 31 December** | **6,448** | **688** | **331** | **143** | **174** | **653** | **8,437** |

| DKKm | Goodwill | Patents and rights | Customer relations | Other intangible assets | Completed development projects | Intangible assets under development | 2022 Total |
|---|---|---|---|---|---|---|---|
| Cost at 1 January | 4,364 | 2,127 | 1,925 | 884 | 1,272 | 310 | 10,882 |
| Foreign exchange adjustments | 111 | 12 | 58 | 10 | 0 | 0 | 191 |
| Acquisition of group enterprises | 1,959 | 65 | 32 | 0 | 0 | 0 | 2,056 |
| Additions | 0 | 0 | 0 | 3 | 0 | 242 | 245 |
| Disposals | 0 | 0 | 0 | (5) | (61) | 0 | (66) |
| Transferred between categories | 0 | 0 | 0 | 37 | 93 | (130) | 0 |
| **Cost at 31 December** | **6,434** | **2,204** | **2,015** | **929** | **1,304** | **422** | **13,308** |
| | | | | | | | |
| Amortisation and impairment at 1 January | 0 | (1,343) | (1,524) | (719) | (1,039) | 0 | (4,625) |
| Foreign exchange adjustment | (1) | (7) | (43) | (11) | (1) | 0 | (63) |
| Disposals | 0 | 0 | 0 | 5 | 61 | 0 | 66 |
| Amortisation and impairment | 0 | (88) | (56) | (56) | (121) | 0 | (321) |
| **Amortisation and impairment at 31 December** | **(1)** | **(1,438)** | **(1,623)** | **(781)** | **(1,100)** | **0** | **(4,943)** |
| | | | | | | | |
| **Carrying amount at 31 December** | **6,433** | **766** | **392** | **148** | **204** | **422** | **8,365** |

# 2.3 Impairment of assets

## Result of annual impairment test

We perform an annual impairment test of goodwill and intangible assets under development. Neither in 2023 nor in 2022 did the test reveal an impairment need. Intangible assets relate primarily to business combinations, software and development projects. The annual impairment test is an assessment of whether the cash generating units will be able to generate sufficient positive net cash flow in the future to support the carrying amount of the assets related to the units.

Management believes that no reasonable changes in the key assumptions are likely to reduce the excess value in any of the cash generating units to zero or less.

Carrying amounts of intangible assets included in the impairment test are specified in the table below. Following the pure play there has been identified adjustments to the split of intangible assets between Mining and Cement.

## Cash generating units

The cash generating units equal our operating and reportable segments, Mining, Cement and Non-Core Activities, these being the smallest group of assets which together generate incoming cash flow from continued use of the assets and which are independent of cash flow from other assets or groups of assets. The cash generating units are unchanged compared to last year.

As no non-current assets (including goodwill and other intangible assets) relate to Non-Core Activities, the impairment test only covers Mining and Cement.

## Key assumptions

The recoverable amount determined in the impairment test is based on a value-in-use calculation. To determine the value-in-use, management is required to estimate the present value of the future free net cash flow based on budgets and strategy for the coming five years as well as projections for the terminal period. Significant parameters in the estimate of the present value are discount rate, revenue growth, EBITA margin, expected investments and growth expectations for the terminal period.

The discount rate is determined separately for Mining and Cement to reflect the risks specific to each CGU. The discount rate applied is the weighted average cost of capital (WACC) and reflects the latest market assumptions for the cost of equity and the cost of debt.

The cost of equity is determined assuming that investors are holding a global equity exposure, with the risk-free rate determined as a 10-year US treasury rate and the equity premium determined on the US market. The weighting of the cost of debt and cost of equity is based on the capital structure for relevant peer groups for the two industries.

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

Investments reflect both maintenance and expectations of organic growth.

**Mining**

Throughout 2023, the global mining markets have been active within major commodities. 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.

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

Longer term, the industry outlook remains positive and is supported by a growing demand for minerals crucial to a successful green transition.

On the shorter term, we expect our Mining revenue growth to be driven primarily by our Service business growing above the market. On the mid-term, we expect growth to be driven by both the Products and the Service business. The key drivers for achieving the EBITA margin target include synergy takeout and commercial integration of Mining Technologies, simplification of our operating model, de-risking, Service business growth, improved Service and Products mix as well as growth from our Product business.

## Carrying amounts of intangible assets

| | 2023 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| DKKm | Mining | Cement | Non-Core Activities | Group | Mining | Cement | Non-Core Activities | Group |
| Goodwill | 6,323 | 125 | 0 | 6,448 | 6,219 | 214 | 0 | 6,433 |
| Patents and rights | 672 | 16 | 0 | 688 | 480 | 286 | 0 | 766 |
| Customer relations | 331 | 0 | 0 | 331 | 391 | 1 | 0 | 392 |
| Other intangible assets | 133 | 10 | 0 | 143 | 99 | 49 | 0 | 148 |
| Completed development projects | 115 | 59 | 0 | 174 | 136 | 68 | 0 | 204 |
| Intangible assets under development | 475 | 178 | 0 | 653 | 281 | 141 | 0 | 422 |
| **Total** | **8,049** | **388** | **0** | **8,437** | **7,606** | **759** | **0** | **8,365** |

# 2.3 Impairment of assets
## – continued

**Cement**
2023 was impacted by the general slow-down in market demand. This market environment was in large parts a result of prevailing high interest rates and global inflation levels which have adversely impacted construction activity and thus the demand for cement. These dynamics have been most profound in the products market, while the service market has been relatively more stable through the year. As a result, global cement producers have continued to show strict capital spending discipline throughout most of 2023 and into 2024 leading to substantial delays in major investment decisions, which has adversely impacted especially the cement products market.

While the short-term market outlook remains challenged, the long-term trend towards more sustainable cement production, supported by the growing urgency of the green transition, remains and continues to support long-term growth opportunities.

We expect our Cement revenue to grow with the GDP growth in the markets where we are present. In the short to mid-term we expect a negative impact from changed strategy on becoming Product and Service centric leading to lower projects revenue, while our Service revenue and core Product revenue will remain largely stable and grow with inflation. To reflect the uncertainty around the long-term development and growth, the growth in the terminal period has been lowered from 3% to 2% in the impairment test. The key drivers for achieving the EBITA margin target include simplification of our operating model, extensive cost focus to align to new business volume, de-risking and higher share of Service business.

**Sensitivity analysis**
Based on current assumptions we see no impairment indications, and our key assumptions are not sensitive to reasonable changes to an extent that will result in an impairment loss neither individually or in combination. For example, a lowering of perpetual growth to zero and increasing the discount rate by two percentages points will not lead to impairment. Similarly, a decrease in EBITA by 30% or an increase in investments as a percentage of revenue by 2 percentage points will not lead to impairment.

## Key assumptions

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | **Mining** | **Cement** | **Mining** | **Cement** |
| Investments % of revenue | 2.5% | 1.0% | 2.5% | 2.0% |
| Growth rate in the terminal period | 3.0% | 2.0% | 3.0% | 3.0% |
| Discount rate after tax | 10.0% | 10.5% | 9.5% | 10.0% |
| Discount rate before tax | 13.5% | 14.2% | 13.3% | 14.0% |
| EBITA margin | 11-14% | 3-8% | 7-14% | 3-8% |

# 2.4 Property, plant and equipment

Land and buildings with a cost price net of depreciation of DKK 48m (2022: DKK 48m) are pledged against mortgage debt of DKK 215m (2022: DKK 226m). The fair value of land and buildings pledged exceeds the value of the mortgage debt.

## Accounting policy

The Group measures property, plant and equipment at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials and direct labour. Property, plant and equipment include lease assets, see further in note 2.5.

Depreciation is charged on a straight-line basis over the estimated useful life of the assets until they reach the estimated residual value.

Estimated useful life is as follows:

- Buildings, 20-40 years
- Plant and machinery, 3-15 years
- Operating equipment and fixtures and fittings, 3-15 years
- Leasehold improvements, mainly related to land and buildings, up to 5 years or following the corresponding lease agreement
- Land is not depreciated.

## Carrying amount of property, plant and equipment

| | | | | | 2023 | | | | | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| DKKm | Land and buildings | Plant and machinery | Operating equipment, fixtures and fittings | Property, plant and equipment under construction | Total | Land and buildings | Plant and machinery | Operating equipment, fixtures and fittings | Property, plant and equipment under construction | Total |
| Cost at 1 January | 2,595 | 1,787 | 786 | 40 | 5,208 | 2,529 | 1,661 | 886 | 21 | 5,097 |
| Foreign exchange adjustments | (73) | (48) | (9) | (5) | (135) | 66 | 43 | 13 | 1 | 123 |
| Acquisitions of enterprises | 31 | (40) | 0 | 0 | (9) | 327 | 167 | 47 | 11 | 552 |
| Disposals of enterprises | (31) | (38) | (18) | 0 | (87) | 0 | 0 | 0 | 0 | 0 |
| Additions | 5 | 26 | 24 | 121 | 176 | 4 | 20 | 19 | 45 | 88 |
| Disposals | (77) | (91) | (72) | 0 | (240) | (344) | (118) | (190) | 0 | (652) |
| Transferred between categories | 19 | 27 | 6 | (52) | 0 | 13 | 14 | 11 | (38) | 0 |
| **Cost at 31 December** | **2,469** | **1,623** | **717** | **104** | **4,913** | **2,595** | **1,787** | **786** | **40** | **5,208** |
| | | | | | | | | | | |
| Depreciation and impairment at 1 January | (872) | (1,305) | (681) | 0 | (2,858) | (989) | (1,286) | (811) | 0 | (3,086) |
| Foreign exchange adjustment | 22 | 35 | 8 | 0 | 65 | (24) | (34) | (15) | 0 | (73) |
| Disposals of enterprises | 1 | 23 | 14 | 0 | 38 | 0 | 1 | (1) | 0 | 0 |
| Disposals | 51 | 86 | 70 | 0 | 207 | 214 | 111 | 188 | 0 | 513 |
| Depreciation | (74) | (87) | (39) | 0 | (200) | (72) | (99) | (41) | 0 | (212) |
| Transferred between categories | 0 | (1) | 1 | 0 | 0 | (1) | 2 | (1) | 0 | 0 |
| **Depreciation and impairment at 31 December** | **(872)** | **(1,249)** | **(627)** | **0** | **(2,748)** | **(872)** | **(1,305)** | **(681)** | **0** | **(2,858)** |
| | | | | | | | | | | |
| **Carrying amount at 31 December, owned assets** | **1,597** | **374** | **90** | **104** | **2,165** | **1,723** | **482** | **105** | **40** | **2,350** |
| **Carrying amount at 31 December, leased assets, note 2.5** | **180** | **17** | **27** | **0** | **224** | **260** | **11** | **26** | **0** | **297** |
| **Carrying amount at 31 December, property, plant and equipment** | **1,777** | **391** | **117** | **104** | **2,389** | **1,983** | **493** | **131** | **40** | **2,647** |

# 2.5 Leases

We are party to several lease contracts as lessee, by which we lease offices, warehouses, manufacturing facilities and vehicles. We enter into lease contracts due to the flexibility it provides as it may ease the scalability to always adapt the asset base to the operational activity.

The majority of the lease assets relate to land and buildings and the lease contracts are typically made for fixed periods of 1 to 10 years, with a weighted average lease term of 2 years. The average discount rate applied for land and buildings is 3.59% at the end of 2023 (2022: 3.71%).

The amounts included in the income statement related to expensed leases are presented in the table.

During 2023 cash outflows for capitalised leases were DKK 145m (2022: DKK 146m). Interest related to leases was DKK 12m (2022: DKK 12m) and impacted CFFO negatively, and the remaining DKK 133m (2022: DKK 134m) was repayment of lease debt included in CFFF. Refer to note 5.8 Financial assets and liabilities for maturity analysis of lease liabilities

Further to the above cash outflow, DKK 13m (2022: DKK 16m) was included in CFFO for costs relating to short term, low-value and variable lease payments not recorded on the balance sheet.

In September 2022, FLSmidth signed a lease of a new headquarter at Havneholmen in Copenhagen. The new headquarter is currently in the construction phase. It is expected that the lease will be effective in 2026. The minimum lease payments over the term of the lease amount to a total of DKK 0.2bn

We are not party to any significant lease contracts as lessor.

## Accounting policy

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the payments, which are fixed or variable dependent on an index or a rate. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the lease asset. Service components are excluded from the lease liability.

The lease payments are discounted using an incremental country specific borrowing rate, based on a government bond plus the Group's credit margin.

The lease payments are split into an interest cost and a repayment of the lease liability.

Lease assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Restoration costs

The lease assets are depreciated over the term of the lease contract on a straight-line basis.

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

## Carrying amount of leases

| | | | | 2023 |
|---|---|---|---|---|
| DKKm | Land and buildings | Plant and machinery | Operating equipment | Total |
| Carrying amount at 1 January | 260 | 11 | 26 | 297 |
| Foreign exchange adjustments | (2) | 0 | (1) | (3) |
| Acquisitions of enterprises | 0 | 0 | 0 | 0 |
| Disposals of enterprises | (44) | 0 | 0 | (44) |
| Remeasurement | 9 | 0 | (1) | 8 |
| Additions | 71 | 13 | 21 | 105 |
| Disposals | (14) | 0 | (2) | (16) |
| Depreciation | (100) | (7) | (16) | (123) |
| **Carrying amount at 31 December** | **180** | **17** | **27** | **224** |

| | | | | 2022 |
|---|---|---|---|---|
| DKKm | Land and buildings | Plant and machinery | Operating equipment | Total |
| Carrying amount at 1 January | 252 | 8 | 37 | 297 |
| Foreign exchange adjustments | (1) | (1) | (1) | (3) |
| Acquisitions of enterprises | 50 | 1 | 2 | 53 |
| Remeasurement | 11 | 1 | 0 | 12 |
| Additions | 68 | 8 | 15 | 91 |
| Disposals | (7) | (1) | 0 | (8) |
| Depreciation | (113) | (5) | (27) | (145) |
| **Carrying amount at 31 December** | **260** | **11** | **26** | **297** |

## Expensed leases

| DKKm | 2023 | 2022 |
|---|---|---|
| Cost relating to short-term leases | 7 | 11 |
| Cost relating to leases of low-value assets that are not shown above as short-term leases | 4 | 4 |
| Cost relating to variable lease payments not included in lease liabilities | 2 | 1 |
| **Expensed lease costs in the income statement** | **13** | **16** |
| | | |
| The lease costs are included in the following lines: | | |
| Production cost | 6 | 9 |
| Sales cost | 1 | 2 |
| Administrative cost | 6 | 5 |
| **Expensed lease costs in the income statement** | **13** | **16** |

## 2.5 Leases – continued

The following factors are normally the most relevant:

- How the asset supports the direction of the Group, from a strategic standpoint, location of the asset, timing of the option being exercisable
- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate)
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate)

Payments associated with short-term and low value leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture at a low value.

## 2.6 Investments in associates

Investments in associates includes an investment in Intertek Robotic Laboratories Pty Ltd, Australia, with a 50% share.

Although we hold 50% of the shares and voting rights, we do not share the control, hence the investment is not a joint venture. As we do have significant influence the investment is treated as an investment in associates and accounted for using the equity method.

| Name of associate | Country | Date of acquisition | Ownership interest | Voting share |
|---|---|---|---|---|
| Intertek Robotic Laboratories Pty Ltd | Australia | 31-May 2019 | 50% | 50% |

The primary activity of the company is to provide automated and robotic sample preparation, fusion and analytical testing services, including the procurement, construction and commissioning of laboratories.

In Q4 2023, an impairment loss of DKK 61m on the investment was recognised leading to a net loss from associates of DKK 62m in the income statement for 2023. The impairment loss reflects a downward revision of expected future performance.

### Carrying value of investments in associates, FLSmidth share

| DKKm | 2023 | 2022 |
|---|---|---|
| Beginning value 1 January | 157 | 162 |
| Foreign exchange adjustments | (5) | (1) |
| Impairment loss | (61) | 0 |
| Loss from associates | (1) | (4) |
| Dividend paid | (9) | 0 |
| **Carrying value at 31 December** | **81** | **157** |

Financial information of 100% of Intertek Robotic Laboratories Pty Ltd, prepared in accordance with FLSmidth accounting policies, is as follows (not only FLSmidth's share):

### Intertek Robotic Laboratories Pty Ltd

| DKKm | 2023 | 2022 |
|---|---|---|
| Revenue | 131 | 138 |
| Loss for the period | (2) | (8) |
| | | |
| Total comprehensive income | 0 | 0 |
| Dividend paid | (18) | 0 |
| | | |
| Current assets | 60 | 66 |
| Customer relations | 77 | 97 |
| Non-current assets | 11 | 33 |
| Current liabilities | (16) | (28) |
| **Equity** | **132** | **168** |

The financial information reflects the adjustments made in relation to the acquisition.

### Investments in associates, FLSmidth share

| DKKm | 2023 | 2022 |
|---|---|---|
| FLSmidth's share of equity, 50% | 66 | 84 |
| Goodwill | 15 | 73 |
| **Carrying value at 31 December** | **81** | **157** |

## 2.7 Provisions

Provisions are liabilities of uncertain timing or amount. Our provisions consist of:

- Provision for warranty claims in respect of goods or services already delivered
- Provisions for cost related to restructuring
- Provisions for loss-making contracts (included in other provisions)
- Provisions for losses resulting from disputes and lawsuits (included in other provisions)
- Provisions for indirect tax risks (included in other provisions)

Total provisions have decreased by DKK 212m compared to last year. All categories contributed to the decrease.

The finalisation of the purchase price allocation for Mining Technologies in 2023 increased provisions by DKK 14m, composed by a decrease in warranty provisions of DKK 91m more than offset by an increase in other project related provisions of DKK 105m (included in other provisions).

Warranty provisions cover expected costs to remedy warranty claims during the warranty period. The warranty provision is recognised during the production phase. The warranty period starts once the performance obligation in the contract has been finalised and runs seldomly for more than two years and often only up to one year. The overall decrease in warranty provision compared to 2022 is due to finalisation of the purchase price allocation for Mining Technologies, see above.

Restructuring provisions relate to costs expected to be incurred when executing restructurings decided and communicated by management. In most cases, the restructuring will occur in the near future. The provision is impacted by execution of the restructurings from 2022 related to the

# 2.7 Provisions – continued

Non-Core Activities as well as integration of Mining Technologies that were impacted by a natural reduction in workforce. The transformation strategy decided in 2023 led to additions to the restructuring provisions.

The decrease in other provisions is a combination of a decline related to ongoing legal disputes partly offset by the increase due to the finalisation of the purchase price allocation for Mining Technologies, see above.

Continued activities' share of Group provisions is shown below. The provisions from continued and discontinued activities add up to our total provisions.

In our cash flow statement, the changes in provisions are combined with the changes in pensions and employee benefits. The impact on cash flows from changes in provisions, pensions and employee benefits (adjustment to the amounts recognised in the income statement) is shown in the table below.

### Cash flow effect from change in provisions, pension and employee benefits

| DKKm | 2023 | 2022 |
|---|---|---|
| Pensions and employee benefits | (35) | (50) |
| Provisions | (226) | 680 |
| Of which relate to foreign exchange adjustments | 25 | 10 |
| **Cash flow effect** | **(236)** | **640** |

## Accounting policy

Provisions are recognised when we, due to an event occurring before or at the balance sheet date, have a legal or constructive obligation and outflow of resources is expected to settle the obligation.

Provisions for warranty claims are estimated on a order-by-order basis based on historical realised costs to handle warranty claims. The provision covers also unsettled claims from customers or subcontractors.

Provisions for restructuring costs are made only if the restructuring has been decided at the balance sheet date in accordance with a specific plan, and only provided that the parties involved have been informed about the overall plan.

Provisions for loss-making contracts (included in other provisions in the table) cover customer contracts expected to result in a loss as the expected cost to complete exceeds revenue. The expected cost overrun that is not covered by revenue is recognised as a provision. The key accounting estimate is explained in note 3.4.

Provisions regarding disputes and lawsuits (included in other provisions in the table) are based on Management's assessment of the likely outcome settling the cases based on the information at hand at the balance sheet date.

### Provisions

| | | | | 2023 | | | | 2022 |
|---|---|---|---|---|---|---|---|---|
| DKKm | Warranties | Restructuring | Other | Total | Warranties | Restructuring | Other | Total |
| Provisions at 1 January | 980 | 404 | 1,123 | 2,507 | 543 | 47 | 557 | 1,147 |
| Foreign exchange adjustments | (17) | (1) | (1) | (19) | 2 | 0 | (19) | (17) |
| Acquisition of Group enterprises | (91) | 0 | 105 | 14 | 295 | 6 | 381 | 682 |
| Additions | 346 | 312 | 940 | 1,598 | 325 | 411 | 652 | 1,388 |
| Used | (128) | (288) | (983) | (1,399) | (98) | (56) | (307) | (461) |
| Reversals | (207) | (67) | (132) | (406) | (87) | (4) | (141) | (232) |
| **Provisions at 31 December** | **883** | **360** | **1,052** | **2,295** | **980** | **404** | **1,123** | **2,507** |

### Provisions related to continued activities

| DKKm | 2023 | 2022 |
|---|---|---|
| Provisions at 1 January | 2,390 | 999 |
| Foreign exchange adjustments | (19) | (17) |
| Acquisition of Group enterprises | 14 | 682 |
| Additions | 1,592 | 1,385 |
| Used | (1,388) | (428) |
| Reversals | (359) | (231) |
| **Continued activities share of Group provisions** | **2,230** | **2,390** |

### Key accounting judgements

**Estimated warranty provision**

When estimating the warranty provision we take into consideration several years of warranty cost information, any specific risk related to customer contracts, knowledge about defects and functional errors in the product portfolio, risks associated with newly launched products as well as customer losses in connection with suspension of operation. We include all of these factors as relevant, to estimate a warranty provision that to the best of our knowledge reflects our responsibility towards our customers in the future.

# 2.8 Pension Obligations

### Defined contribution plans

The majority of our pension plans are defined contribution plans and we have no further payment obligations once the contributions are paid. Under these pension plans, we recognise regular payments, e.g. a fixed amount or a fixed percentage of the salary. Pension costs related to defined contribution plans are recognised in staff costs (note 1.5) and amounted to DKK 625m (2022: DKK 599m).

### Defined benefit plans

We also have defined benefit plans where the responsibility for the pension obligation towards the employees rests with us. Under a defined benefit plan, we have an obligation to pay a specific benefit, e.g. retirement pension in the form of a fixed proportion of the salary at the time of retirement. Under these plans, we carry the risk in relation to future developments in interest rates, inflation, mortality, etc. A change in the assumptions upon which the calculation is based results in a change in the present value of the pension obligation. Such actuarial gains and losses are recognised in other comprehensive income and amounted to net gains of DKK 17m in 2023 (2022: net gain of DKK 101m).

The majority of the total pension obligations are partially funded with assets placed in pension funds and through insurance. In 2024 we expect to make a contribution to the defined benefit plans of DKK 14m (2023: DKK 18m). The weighted average duration of the obligations is 14 years (2022: 15 years).

### Actuarial assumptions

| | 2023 | 2022 |
|---|---|---|
| Average discounting rate applied | 3.3% | 3.3% |
| Expected future pay increase rate | 2.9% | 3.3% |

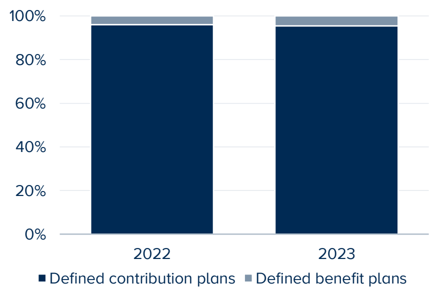
### Pension obligations

| DKKm | 2023 Present value of pension obligations | 2023 Fair value of plan assets | 2023 Net obligations | 2022 Present value of pension obligations | 2022 Fair value of plan assets | 2022 Net obligations |
|---|---|---|---|---|---|---|
| Value at 1 January | (1,081) | 665 | (416) | (1,116) | 794 | (322) |
| Interest on obligation/asset | (36) | 22 | (14) | (26) | 21 | (5) |
| Service costs | (30) | 0 | (30) | (25) | 0 | (25) |
| **Recognised in the income statement** | (66) | **22** | (44) | (51) | **21** | (30) |
| Actuarial gains and losses from financial assumptions* | (7) | 24 | 17 | 217 | (116) | 101 |
| **Recognised in other comprehensive income** | (7) | **24** | **17** | **217** | (116) | **101** |
| Acquisition of enterprises | 0 | 0 | 0 | (180) | 0 | (180) |
| Disposal of activities | 8 | 0 | 8 | 0 | 0 | 0 |
| Foreign exchange adjustments | 4 | (2) | 2 | (51) | 46 | (5) |
| Settlements | 5 | 0 | 5 | 26 | (26) | 0 |
| Employer contributions | 0 | 33 | 33 | 0 | 2 | 2 |
| Participant contributions | 0 | 0 | 0 | 0 | 1 | 1 |
| Benefits paid to employees | 207 | (177) | 30 | 74 | (57) | 17 |
| **Other changes** | **224** | (146) | **78** | (131) | (34) | (165) |
| **Value at 31 December** | (930) | **565** | (365) | (1,081) | **665** | (416) |

*Actuarial gains and losses relate primarily to changes in financial assumptions

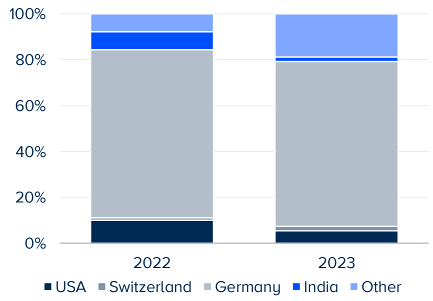
### Pension contributions by plan types

%



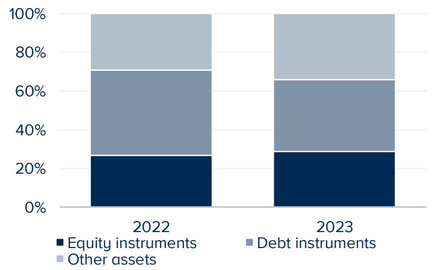

### Pension obligations by country

%




### Fair value of plan assets

by Instruments



# 2.8 Pension obligations
— continued

**Sensitivity analysis**
Below shows a sensitivity analysis based on changes in the discount rate, all other things being equal.

A change in the discount rate will result in the following changes in the net pension obligation:

### Sensitivity

| DKKm | 2023 | 2022 |
|---|---|---|
| Discount rate - 1%, increase | 128 | 110 |
| Discount rate + 1%, decrease | (83) | (103) |

## Accounting policy

Contributions to defined contribution plans are recognised in staff costs when the related service is provided. Any contributions outstanding are recognised in the balance sheet as other liabilities.

For defined benefit plans, annual actuarial calculations are made of the present value of future benefits payable under the pension plan using the projected unit credit method. The Group uses external actuarial experts.

The present value is calculated based on assumptions about future developments in variables such as salary levels, interest, inflation and mortality rates. The present value is only calculated for benefits earned by the employees through their employment with the Group to date. The actuarial calculation of present value less the fair value of any plan assets is recognised in the balance sheet as pension obligations.

The pension costs (service costs) for the year, based on actuarial estimates and financial forecasts at the beginning of the year, are recognised in the income statement within staff costs. The interest on the net pension obligation is recognised in the income statement within financial costs. The difference between the forecast development in pension assets and liabilities and the realised values is called actuarial gains or losses and is recognised in other comprehensive income.

If a pension plan constitutes a net asset, the asset is recognised only to the extent that it equals the value of future repayments under the plan or it leads to a reduction of future contributions to the plan.

# 2.9 Contractual Commitments and contingent liabilities

### Contractual commitments

As part of our digital strategy, FLSmidth has made a fund investment in Chrysalix, a venture capital firm that specialises in transformational industrial innovation.

We have made a capital commitment of USD 10m. The capital commitment can be called up until 2029, with the investment period being the first 5 years. The timing and amounts of each capital call are uncertain. The undrawn part of the capital commitment at 31 December 2023 amounted to DKK 30m (2022: DKK: 36m).

### Contingent liabilities

Contingent liabilities cover guarantees and other contingent liabilities related to legal disputes etc. At the end of 2023, contingent liabilities amounted to DKK 2,638m (2022: DKK 3,762m) excluding the Mining Technologies issued corporate guarantees mentioned below.

**Guarantees**
Guarantees consist of customary performance and payment guarantees. The volume of the guarantees amounted to DKK 2,272m (2022: DKK 3,259m). The decrease relates primarily to expiry of guarantees from the acquisition of Mining Technologies and to our continued de-risking efforts. At the end of 2022, Mining Technologies had issued additional corporate contract support guarantees to customers of DKK 784m. By the end of 2023 almost all such guarantees have expired.

It is customary market practice to issue guarantees to customers, which serve as a security that we will deliver as promised in terms of performance, quality, and timing. The volume of the guarantees varies with the activity level and reflects the outstanding order backlog, finalised projects and deliveries that are covered by warranties etc. Only a minor share of such guarantees is expected to materialise into losses. In the event a guarantee is expected to materialise, a provision is recognised to cover the risk. Such provisions are covered by note 2.7, and included either within warranty provisions or other provisions.

**Other contingent liabilities**
We are involved in legal disputes, certain of which are already pending with courts or other authorities and other disputes which may or may not lead to formal legal proceedings being instigated against us. Other contingent liabilities amount to DKK 366m (2022: DKK 503m). The outcome of such proceedings and disputes is by nature unknown, but is not expected to have significant impact on our financial position. The decrease during 2023 is related to the receivable written down in discontinued activities.

A customer has initiated arbitration against FLSmidth and certain partners for an amount of DKK 208m, for alleged contractual breaches. FLSmidth is rejecting the claim in arbitration.

# 2.10 Business Acquisitions

## Acquisition of Mining Technologies in 2022

On 31 August 2022, FLSmidth acquired Mining Technologies. Mining Technologies is a leading full-line supplier of solutions for mining systems, material handling, mineral processing and services. The combination of FLSmidth and Mining Technologies creates a leading global mining technology and service provider with operations from pit-to-plant with a strong focus on productivity and sustainability. Furthermore, FLSmidth's strong existing service setup will provide additional aftermarket opportunities, while the joint R&D capabilities and combined portfolio will enable accelerated innovation in digitalisation and MissionZero solutions.

### Business Acquisitions 2022 (Mining Technologies)

| Allocation of purchase price on assets acquired and liabilities assumed (DKKm) | Provisional (AR 2022) | Final (AR 2023) |
|---|---|---|
| Patents and IP rights | 65 | 65 |
| Customer relations | 32 | 32 |
| Land and buildings | 377 | 379 |
| Other tangible assets | 230 | 183 |
| Deferred tax assets | 67 | 60 |
| Inventories | 820 | 820 |
| Trade and other receivables | 1,107 | 1,113 |
| Work in progress | 187 | 181 |
| Other current assets | 368 | 368 |
| Cash | 1,019 | 1,019 |
| **Total assets** | **4,272** | **4,220** |
| | | |
| Pension liabilities | 180 | 180 |
| Other non-current liabilities | 149 | 121 |
| Provisions | 682 | 694 |
| Prepayments from customers | 119 | 119 |
| Work in progress | 783 | 783 |
| Trade payables | 564 | 564 |
| Other current liabilities | 632 | 632 |
| **Total liabilities** | **3,109** | **3,093** |
| | | |
| Total identifiable net assets | 1,163 | 1,127 |
| Goodwill | 1,959 | 2,067 |
| **Purchase price** | **3,122** | **3,194** |
| Cash | 1,019 | 1,019 |
| **Net cash transferred to the seller** | **2,103** | **2,175** |

The mining industry is characterised by sound fundamentals and a positive outlook, based on underinvestment over the past decade and increasing demand due to the clean energy transition. The timing of this acquisition positions FLSmidth to capture enhanced value from the mining growth cycle underway. In addition to the competitive advantages of scale, FLSmidth will be able to offer a stronger value proposition to customers through combined competencies and a wider offering. Such synergies as well as the value of the assembled workforce constitute the major parts of the goodwill recognised on the acquisition.

The acquisition was incorporated into the cash generating unit Mining. Prospectively from 1 October 2022, the non-core activities in the acquired business were transferred to Non-Core Activities as part of the strategic review in 2022.

The provisional purchase price allocation presented in Annual report 2022 has been updated and finalised in August 2023 to reflect new information obtained about facts and circumstances that existed on 31 August 2022.

This includes the finalisation of the project reviews and the agreement with the Seller on the final adjustments to the purchase price, the latter being mainly the net of adjustments related to net working capital at closing and the resolution of a dispute on adjustments related to the project business. In total, the final adjustments amounted to DKK 72m that has been paid in 2023.

The table shows the provisional purchase price allocation included in Annual report 2022 and the final purchase price allocation leading to an increase in goodwill in 2023 of DKK 108m. The changes include the impact from the final purchase price adjustment of DKK 72m and a decrease in net assets of DKK 36m. The decrease in net assets reflects changes in the estimated fair value of property, plant and equipment of DKK -45m, increase in project related provisions of DKK 12m and impact on net assets of DKK 21m from changes in tax assets and tax liabilities.

The changes have been implemented without restating the purchase price allocation in the Annual report 2022 as the impact is not material.

Provisions include the estimated fair value of contingent liabilities of DKK 0.1bn to cover the risk on performance and payment guarantees and to cover for pending and potential legal disputes. The contractual amount of trade receivables exceeds the fair value by DKK 0.1bn.

Acquisition related costs amounted to DKK 33m in 2022 and were included in the income statement as administrative costs.

The consolidation of Mining Technology increased Revenue and reduced Net profit in 2022 by DKK 1,227m and DKK 112m, respectively. Assuming FLSmidth had taken over Mining Technologies with effect from 1 January 2022, the estimated impact would be a further increase in Revenue of DKK 2.7bn and decrease in Net profit of DKK 0.1bn in 2022.

## Acquisitions in 2023

Effective from 1 June 2023, FLSmidth has acquired the American company Morse Rubber. The acquisition supports FLSmidth Mining's CORE'26 strategy and will be adding advanced moulding capabilities for rubber and composite mill liners, as well as screen media and various rubber and

# 2.10 Business acquisitions
– continued

rubber ceramic wear components to our existing offerings. The purchase price of DKK 42m equals net assets acquired. The acquisition increased property, plant and equipment by DKK 36m, working capital assets and liabilities by DKK 12m and DKK 6m, respectively. The impact on net profit was insignificant.

## Accounting policy

Acquired businesses are included in the consolidated financial statements from the date when control (the acquisition date) of the business is transferred to FLSmidth.

The purchase price includes consideration already paid/received, deferred consideration and expected contingent consideration. The purchase price is allocated to the identified assets, liabilities and contingent liabilities (net assets) based on their fair values at acquisition date and any excess of the purchase price over the net assets is recognised in the balance sheet as goodwill within intangible assets. In the event the purchase price is lower than the net assets, the difference is recognised in the income statement (a gain from a bargain purchase).

If, on the acquisition date, there are any uncertainties with respect to identifying or measuring the acquired net assets, the initial recognition will be made on the basis of estimated fair values. The estimated fair values may be adjusted or additional assets or liabilities may be recognised during the measurement period of up to 12 months to reflect new information that becomes available about conditions prevailing on the acquisition date. Such adjustments are made to the initial purchase price allocation as a restatement of prior information, including to the amount of goodwill.

Any subsequent adjustment of contingent consideration is recognised directly in the income statement, unless it relates to new information on conditions prevailing at acquisition date obtained during the measurement period and therefore impacting the purchase price allocation.

## Key accounting estimates and judgements

### Purchase price allocation

The allocation of the purchase price to assets acquired and liabilities assumed involves judgement related to identifying assets and liabilities, especially for intangible assets. For the acquisition of Mining Technologies, we identified customer relations and IP rights as separate intangible assets with a positive fair value.

Estimates are required when determining the fair value of the identified assets and liabilities at acquisition date. The estimate of the fair value of customer relations is based on expected revenue, saved selling costs and a survival period of 15 years. The estimate of fair value of liabilities related to the project business, such as warranties, the order backlog (loss-making projects) and lawsuits is based on expected future cash outflow required to settle liabilities. For the order backlog, the estimated fair value includes an adjustment for low margin projects.

In 2022, the purchase price allocation for Mining Technologies was provisional awaiting especially the final purchase price and finalisation of project reviews. The purchase price allocation was finalised 31 August 2023 when the measurement period of 12 months ended. This involved judgement on whether new information obtained reflected facts and circumstances that existed at 31 August 2022.

## 2.11 Disposal of activities

On 14 June 2023, FLSmidth and KOCH Solutions signed an asset purchase & transfer agreement involving material handling technology that is part of the Non-Core Activities segment. The transaction was completed on 1 September 2023 and led to the derecognition of assets and liabilities of DKK 100m and DKK 33m, respectively, and a reduction in the backlog in Non-Core Activities of around DKK 400m. The transaction had no material impact on EBITA for 2023, subject to final price adjustments.

On 14 July 2023, FLSmidth sold its Advance Filtration Technologies (AFT) business to Micronics, a leading global provider of industrial filtration solutions. The sale included all related assets, including intellectual property, technology, employees and customer contracts.

The divestment of the AFT business is part of FLSmidth Cement's pure play strategy, which includes focusing the cement Products portfolio on the core technologies required for the green transition in the cement industry. The completion of the transaction led to the derecognition of assets and liabilities of DKK 207m and DKK 73m, respectively, and a reduction in the order backlog in Cement of DKK 101m. The transaction led to a gain of DKK 102m.

Total assets and liabilities in activities sold are shown in the table below. Gains and losses from disposal of activities are included in the line item 'Other operating net income'. There was no disposal of activities in 2022.

| DKKm | 2023 |
|---|---|
| Intangible assets | 25 |
| Tangible assets, including lease assets | 93 |
| Current assets | 189 |
| **Total assets** | **307** |
| | |
| Pension | 8 |
| Lease liabilities | 49 |
| Current liabilities | 49 |
| **Total liabilities** | **106** |

## 2.12 Discontinued activities

Discontinued activities include the remaining responsibilities to finalise legacy projects, handling of claims, etc. retained on the sale of the non-mining bulk material handling business in 2019.

In 2021, a customer made an unsubstantiated cash withdrawal of DKK 130m on a performance guarantee. We now foresee a high risk of not being able to collect the amount and the receivable including other net working capital amounts due from the customer has been written down to zero in 2023. This has led to a net loss of DKK 149m.

The table below shows the share of Group provisions disclosed in note 2.7 that are included within discontinued activities.

| DKKm | 2023 | 2022 |
|---|---|---|
| Provisions at 1 January | 117 | 148 |
| Additions | 6 | 3 |
| Used | (11) | (33) |
| Reversals | (47) | (1) |
| **Provisions** | **65** | **117** |

The activities account for DKK 132m (2022: DKK 362m) of FLSmidth's net working capital shown in note 3.1. In total, remaining discontinued activities represent a net asset of DKK 67m (2022: DKK 245m).

The segment note 1.2 shows the full disclosure of the income statement for discontinued activities. Tax income of DKK 3m in 2023 relates to joint taxation contribution and reassessment of tax risks.

### Accounting policy

Discontinued activities comprise disposal groups, which have been disposed of, ceased or are classified as held for sale and represents a separate major line of business or geographical area.

Discontinued activities are presented in the income statement as profit/loss for the year, discontinued activities and consists of operating income after tax. Gains or losses from disposal of the assets related to the discontinued activities and adjustments hereto are likewise presented as discontinued activities in the income statement.

In the consolidated cash flow statement, cash flow from discontinued activities is included in cash flow from operating, investing and financing activities together with cash flow from continuing activities.

### Discontinued activities share of CFFO

| DKKm | 2023 | 2022 |
|---|---|---|
| EBITDA, see segment note 1.2 | (171) | (10) |
| Change in provisions | (53) | (31) |
| Change in net working capital | 250 | (6) |
| **Cash flow from operating activities before financial items and tax** | **26** | **(47)** |
| Financial items received and paid | (7) | (3) |
| **Cash flow from operating activities** | **19** | **(50)** |

Section 3

# Working capital


| | | |
|---|---|---|
| 3.1 | Net working capital | 93 |
| 3.2 | Inventories | 93 |
| 3.3 | Trade receivables | 94 |
| 3.4 | Work in progress | 95 |
| 3.5 | Other receivables | 96 |
| 3.6 | Trade payables | 96 |
| 3.7 | Other liabilities | 96 |

# 3.1 Net working capital

Net working capital represents the assets and liabilities necessary to support FLSmidth's daily operations.

The impact on FLSmidth's cash flows from net working capital is also showed in table below.

Net working capital decreased by DKK 511m compared to 31 December 2022, driven primarily by a strong cash collection from trade receivables and lower inventories partly offset by a decrease in prepayments from customers due to the de-risking strategy mainly impacting product orders.

Currency impacts decreased net working capital at 31 December 2023 by DKK 14m (2022: an increase of DKK 112m).

Utilisation of supply chain financing decreased during 2023 by DKK 86m (2022: an increase of DKK 100m).

## Net working capital

| DKKm | 2023 | 2022 |
|---|---|---|
| Inventories | 3,450 | 3,971 |
| Trade receivables | 4,516 | 5,108 |
| Work in progress, asset | 2,769 | 3,147 |
| Prepayments | 423 | 874 |
| Other receivables | 855 | 1,030 |
| Derivative financial instruments | 37 | 54 |
| Prepayments from customers | (1,933) | (2,771) |
| Trade payables | (4,024) | (4,339) |
| Work in progress, liability | (3,025) | (3,592) |
| Other liabilities | (1,637) | (1,509) |
| Derivative financial instruments | (49) | (80) |
| **Net working capital of the Group** | **1,382** | **1,893** |

## Cash flow effect from change in NWC

| DKKm | 2023 | 2022 |
|---|---|---|
| Inventories | 310 | (680) |
| Trade receivables | 431 | 92 |
| Trade payables | (208) | 379 |
| Work in progress | (230) | (118) |
| Prepayments from customers | (810) | 183 |
| Prepayments | 439 | 187 |
| Other receivables and other liabilities | 479 | (291) |
| - of which relate to foreign exchange gain/(loss) | (113) | (198) |
| | **298** | **(446)** |

# 3.2 Inventories

## Inventories net of impairment

| DKKm | 2023 | 2022 |
|---|---|---|
| Raw materials and consumables | 454 | 461 |
| Goods in progress | 831 | 1,117 |
| Finished goods and goods for resale | 2,165 | 2,393 |
| **Inventories** | **3,450** | **3,971** |

Inventory level has decreased by 13% in 2023. The lower inventory level is mainly driven by an increase in impairments for slow moving stock and obsolete items. The write-down in 2023 includes a write-down on strategic inventories.

## Impairment of inventories

| DKKm | 2023 | 2022 |
|---|---|---|
| Impairment at 1 January | 379 | 353 |
| Foreign exchange adjustments | (32) | 8 |
| Additions | 709 | 159 |
| Realised | (260) | (89) |
| Reversals | (52) | (52) |
| **Impairment at 31 December** | **744** | **379** |

## Accounting policy

Inventories are measured at cost based on weighted average cost prices.

In the event that cost of inventories exceeds the expected selling price less cost of completion and selling costs, the inventories are impaired to the lower net realisable value. The net realisable value of inventories is measured as the expected sales price less costs of completion and costs to finalise the sale.

Impairment assessment of the inventory is performed item by item including:

- Test for slow moving stock
- Test for aging of inventory
- Assessment of expected market (pricing and market potential)
- Assessment of strategic inventory items

## Key accounting estimates

**Estimated valuation of inventories**

When assessing the net realisable value of inventories we take marketability, obsolescence and development in expected selling prices into account. Also inventory turnover, quantities and the nature and condition of the inventory items including the classification as strategic inventory are considered in the assessment. We include all of these factors as relevant, to ensure that our inventory is reflected at the expected selling price, if lower than cost.

## 3.2 Inventories – continued

Obsolete items are impaired to the value of zero. Management considers part of the inventories as strategic. Strategic items are held in inventory, even if slow moving, because they are considered key equipment to the customers, that we need to be able to deliver with very short notice.

Raw materials and consumables include purchase costs of materials and consumables, duties and freight. Work in progress, finished goods and goods for resale include cost of manufacturing including materials consumed and labour costs plus an allowance for production overheads. Production overheads include operating costs, maintenance of production facilities as well as administration and factory management directly related to manufacturing.

## 3.3 Trade receivables

Trade receivables relate to both our Service and Products businesses. Trade receivables decreased in 2023 due our cash collection efforts and increases in impairments on specific trade receivables primarily from customer contracts in Mining Technologies past due by more than three months.

### Trade receivables net of impairment specified according to aging

| DKKm | 2023 | 2022 |
|---|---|---|
| Not due for payment | 3,245 | 3,597 |
| Overdue < one month | 680 | 590 |
| Overdue one - two months | 216 | 183 |
| Overdue two - three months | 62 | 95 |
| Overdue > three months | 313 | 643 |
| **Trade receivables** | **4,516** | **5,108** |
| Trade receivables not due for payment with retentions on contractual terms | 420 | 562 |

Impairment of trade receivables specified according to aging is shown on the right.

The increase in impairments in 2023 is based on historical observed default rate adjusted for up to date estimates of uncertainties in specific project related activities and current market conditions.

### Impairment of trade receivables

| DKKm | 2023 | 2022 |
|---|---|---|
| Impairment at 1 January | 415 | 333 |
| Foreign exchange adjustments | (8) | (10) |
| Additions | 471 | 293 |
| Reversals | (96) | (80) |
| Realised | (91) | (121) |
| **Impairment at 31 December** | **691** | **415** |

## Accounting policy

Trade receivables are initially measured at fair value and subsequently measured at amortised cost.

A credit loss allowance is made upon initial recognition based on historical observed default rates adjusted for forward looking estimates. The cost of the credit loss allowances is included in administration costs. A loss is considered realised when it is certain that we will not recover the receivable, e.g. in case of bankruptcy or similar.

### Impairment of trade receivables specified according to aging

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| DKKm | Expected loss rate | Gross carrying amount | Impairment | Expected loss rate | Gross carrying amount | Impairment |
| Not due for payment | 1.1% | 3,281 | 36 | 1.3% | 3,626 | 47 |
| Overdue < one month | 5.4% | 719 | 39 | 6.2% | 631 | 39 |
| Overdue one - two months | 12.6% | 247 | 31 | 14.4% | 215 | 31 |
| Overdue two - three months | 21.5% | 79 | 17 | 24.8% | 129 | 32 |
| Overdue > three months | 64.5% | 881 | 568 | 28.9% | 922 | 266 |
| **Total** | | **5,207** | **691** | | **5,523** | **415** |

### Key accounting estimates

**Estimated level of expected losses**

When estimating the level of receivables that in the future is expected not to be collected we take the following information into account; historical losses on receivables, ageing of the receivables, access to payment securities and possibilities to off-set assets against claims. When making the assessment we also evaluate the expected development in macro-economic and political environments that could impact the recoverability.

We have made estimates of our expectation to the future losses on receivables by applying a consistent methodology. The calculation of expected credit losses (ECL) incorporate forward-looking estimates. These estimates are mainly based on historical experience on losses and adjusted to reflect the current situation.

The impact from the adjustments to reflect the current situation has decreased compared to at the end of 2022. This reflects a slight decrease in uncertainty in the macroeconomic outlook compared to last year and can be seen from the decline in expected loss rate by ageing. This is however offset by the increase on specific impairment of receivables overdue by more than three months.

# 3.4 Work in progress

Work in progress relates to contracts with customers where revenue is recognised over time. As the costs to produce the output under a contract are incurred, revenue is calculated reflecting the share of costs incurred compared to total expected costs to fulfil the contract (percentage of completion). The revenue is recognised as work in progress (gross work in progress) and consists of cost incurred including margin. Balances on a specific contract is removed from work in progress once the work is completed and accepted by the customer. Especially for more complex product bundles with engineering, the work typically extends over several financial years. The total amount of work in progress therefore includes accumulated revenue for several years for contracts where the work has not been finalised and/or accepted by the customer.

During the execution, invoices are issued according to the invoice structure for each transaction. The invoiced amounts reduce the balance on work in progress (Net work in progress in the table). Depending on the invoice structure, the work in progress balance on a specific contract can change from being presented as an asset (a contract asset) in one period to being presented as a liability (a contract liability) in the next period. In the balance sheet and as shown in the table, net work in progress on contracts where work performed exceeds the invoiced amount are presented as assets while contracts where the invoiced amount exceeds the work performed are presented as liabilities.

In general, the invoicing structure reflects the progress on the work to be performed and work in progress liabilities are, therefore, usually converted into revenue in the next year. The decrease in gross work in progress reflects our de-risking strategy.

## Composition of work in progress

| DKKm | 2023 | 2022 |
|---|---|---|
| **Gross work in progress** | **40,853** | **46,107** |
| Invoicing on account to customers | (41,109) | (46,552) |
| **Net work in progress** | **(256)** | **(445)** |
| Of which is recognised as work in progress: | | |
| Under assets | 2,769 | 3,147 |
| Under liabilities | (3,025) | (3,592) |
| **Net work in progress** | **(256)** | **(445)** |

Note 1.4 include information on the order backlog reflecting effective contracts with customers where we will transfer control at future point in time and the remaining performance obligations on contracts where we transfer control over time.

In addition to net work in progress, contract liabilities include prepayments received from customers of DKK 1,933m (2022: DKK 2,771m). The prepayments are recognised separately in the balance sheet as current and non-current liabilities. Prepayments presented as current reflect amounts that are expected to be recognised as revenue during the following year.

When assessing impairment on the work in progress net balances we evaluate on a contract by contract basis. If an impairment on a contract is probable we recognise the expected loss and a related provision.

## Accounting policy

Work in progress consists of contract assets and contract liabilities for contracts with customers where revenue is recognised over time.

For contracts included as work in progress revenue reflecting the percentage of completion is recognised when the outcome of the contracts can be estimated reliably. The percentage of completion is calculated based on a cost-to-cost basis (input method) and is the ratio between the cost incurred and the total estimated cost.

The contracts are measured at an amount equal to the selling price of the work performed (percentage of completion) less progress billings and expected losses.

The selling price is the total expected income from the individual contracts. If variability is included in the selling price, we use the most likely amount method.

An expected loss is recognised when it is deemed probable that the total contract costs will exceed the total revenue from individual contracts. The expected loss is recognised immediately as a cost and as a provision for a loss-making contract. Further information can be found in note 2.7.

When the selling price of the work performed exceeds progress billings, work in progress is presented as an asset and relate to unbilled work in progress. Work in progress assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. Expected credit loss on work in progress assets is included within the loss allowance for trade receivables as managed together.

When progress billings exceed the selling price of the work performed, work in progress is presented as a liability.

Prepayments from customers are recognised as a liability.

## Key accounting estimates

**Estimated costs to complete**

We estimate the total expected costs for our contracts. The estimates primarily relate to the level of contingencies to cover unforeseen costs, such as cost changes due to changes in future supplies of raw materials, subcontractor products and services as well as unforeseen costs related to execution and hand-over.

The estimates are based on the specifics for each contract while taking historical data into account. For contracts sold to customers in politically and economically unstable countries, the estimates include additional risk coverage due to a higher level of uncertainty.

We reassess our project financials, including update of expected project costs on an ongoing basis, to ensure that expected cost increases are appropriately reflected in the estimated cost to complete.

## 3.5 Other receivables

### Specification of other receivables

| DKKm | 2023 | 2022 |
|---|---|---|
| Indirect taxes receivables | 522 | 522 |
| Deposits | 56 | 107 |
| Derivatives | 37 | 54 |
| Other | 380 | 462 |
| **Total** | **995** | **1,145** |

Other receivables of DKK 891m, including the derivatives, are included within net working capital. The remaining DKK 104m is included in net interest bearing debt.

## 3.6 Trade payables

To improve the relationship with our suppliers and minimise the finance cost in the value chain, FLSmidth facilitates a supply chain financing programme funded by a credit institute. When participating in this program, the supplier has the option to receive early payment from the credit institution based on the invoices approved by FLSmidth through a factoring arrangement between the supplier and the credit institution, where the invoices are transferred to the credit institution without recourse.

The amounts payable to suppliers included in the supply chain financing programme are classified as trade payables in the balance sheet as well as in the cash flow statement (working capital within cash flow from operations). The trade payables covered by the supply chain financing programme arises in the ordinary course of business from supply of goods and services and the payment terms are not significantly extended compared to trade payables not part of the supply chain financing programme. At the end of 2023 trade payables covered by the programme amounted to DKK 504m (2022: 590m).

## 3.7 Other liabilities

### Specification of other liabilities

| DKKm | 2023 | 2022 |
|---|---|---|
| Indirect taxes payables | 213 | 210 |
| Accrued employee items | 751 | 779 |
| Employee benefits | 164 | 181 |
| Derivatives | 49 | 80 |
| Other accruals and payables | 850 | 573 |
| **Total** | **2,027** | **1,823** |

Other liabilities of DKK 1,686m, including the derivatives, are included within net working capital and DKK 175m is included in net interest bearing debt. Employee benefits are not included in neither net working capital nor net interest bearing debt.

DKK 53m (2022: DKK 85m) is included in non-current liabilities and DKK 1,974m (2022: DKK 1,738m) in current liabilities.

Section 4

# Tax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# 4.1 Income Tax

The income tax expense for the year amounted to DKK 382m (2022: DKK 201m), corresponding to an effective tax rate of 36.2% (2022: 36.4%). The effective tax rate was negatively affected by withholding taxes not subject to credit relief as well as write-downs of tax losses and other tax assets in Germany. The effective tax rate was positively affected by adjustments to previous years regarding tax assets previously value at nil, mainly in USA, and non-taxable income.

Uncertain tax positions reflect management's assessment of the risk of a position taken by the Group being disputed by a tax authority. The assessment considers the inherent risk and uncertainty of undertaking complex projects and operating in a variety of developed and developing countries. The assessment includes the most likely outcome of both ongoing and potential future tax audits but also an assessment of whether the most likely outcome differs significantly for other possible outcomes. The provision for uncertain tax position is slightly increased in 2023.

## Accounting policy

Income tax for the year comprises current tax and changes in deferred tax including valuation of deferred tax assets, adjustments to previous years, foreign paid withholding taxes including available credit relief and changes in provisions for uncertain tax positions.

Income tax for the year is recognised in the Income Statement, unless it is attributable to items recognised in other comprehensive income. Exchange rate adjustments of deferred tax are included as part of the year's adjustments to deferred tax.

Current tax is calculated using the applicable tax rates for the financial year on the expected taxable income for the year. The resulting tax is reduced by tax paid on account in the year. Current tax is recognised in the balance sheet as either a receivable or a liability for each tax jurisdiction and includes also previous years taxes.

Deferred tax is calculated using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except differences relating to initial recognition of goodwill.

Tax losses that are likely used against future taxable income in the same legal tax unit and jurisdiction in the next five years are included in the measurement of deferred tax. Deferred tax liabilities regarding investments in subsidiaries are recognised if the shares are expected to be sold in the short-term.

Deferred tax assets/liabilities and tax receivables/payables are offset if the Group has a legal right to offset these and intends to settle these on a net basis or to realise the assets and settle the liabilities simultaneously.

Uncertain tax positions are measured at the amount estimated to be required to settle such potential future obligations. We measure these uncertain tax positions on a yearly basis through interviews with key stakeholders in the main Group entities.

We determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty will be followed. Management has assessed that for uncertain tax positions the most likely outcome method will in most circumstances best predict the resolution of uncertainty.

### Composition of tax for the year and effective tax rates

| | 2023 | | 2022 | |
|---|---|---|---|---|
| **DKKm** | **Tax** | **Effective tax rate** | **Tax** | **Effective tax rate** |
| Tax according to Danish tax rate | (232) | 22.0% | (122) | 22.0% |
| Differences in the tax rates in foreign subsidiaries relative to 22% | (24) | 2.2% | 2 | -0.3% |
| Non-taxable income and non-deductible costs | 50 | -4.8% | (4) | 0.7% |
| Net change in valuation of tax assets | (140) | 13.3% | (3) | 0.5% |
| Change in deferred tax due to adjustment of tax rates | 0 | 0.0% | (8) | 1.5% |
| Adjustments regarding previous years, deferred tax | (27) | 2.6% | (22) | 4.0% |
| Adjustments regarding previous years, current tax | 140 | -13.3% | (1) | 0.2% |
| Withholding tax | (141) | 13.4% | (66) | 12.0% |
| Uncertain tax positions | (8) | 0.8% | 23 | -4.2% |
| **Total tax for the year and effective tax rate** | **(382)** | **36.2%** | **(201)** | **36.4%** |

### Composition of tax for the year

| DKKm | 2023 | 2022 |
|---|---|---|
| Current tax on net profit for the year | (844) | (514) |
| Withholding tax | (141) | (66) |
| Change in deferred tax | 498 | 387 |
| Change in tax rate on deferred tax | 0 | (8) |
| Adjustments regarding previous years, deferred tax | (27) | (22) |
| Adjustments regarding previous years, current tax | 140 | (1) |
| Uncertain tax positions | (8) | 23 |
| **Tax on profit for the year, continuing activities** | **(382)** | **(201)** |
| | | |
| Earnings before tax on continuing activities | 1,054 | 552 |
| Earnings before tax on discontinued activities | (184) | (15) |
| **Total earnings before tax** | **870** | **537** |

## 4.2 Paid income tax

Income tax paid in 2023 amounted to DKK 850m (2022: DKK 471m). The increase in tax paid is mainly caused by increased profit, payment regarding prior years and an increase in withholding taxes.

Besides income tax, Group activities generate sales taxes, customs duties, personal income taxes paid by the employees, etc. which are excluded from income tax.

The Group has prepared a preliminary assessment of the Group's exposure to Pillar II income taxes. It is not expected that the Group will be materially impacted by the Pillar II international tax reform.

## 4.3 Deferred Tax

Deferred tax assets at the end of 2023 amount to DKK 2.314m (2022: DKK 1,921m) and deferred tax liabilities amount to DKK 207m (2022: DKK 294m). The net deferred tax assets amount to DKK 2.107m (2022: DKK 1,627m).

### Composition of deferred tax

**2023**

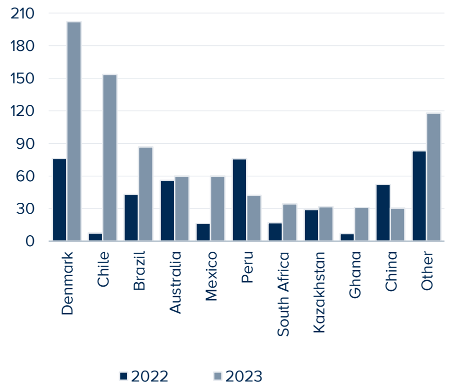
| DKKm | Balance sheet 1 January | Acquisition of enterprises | Currency adjustment | Included in Income Statement: Adjustment to previous years | Included in Income Statement: Changed tax rate | Included in Income Statement: Change in deferred tax | Included in Other comprehensive income | Balance sheet 31 December |
|---|---|---|---|---|---|---|---|---|
| Intangible assets | 86 | 0 | 2 | (14) | (1) | 160 | 0 | 233 |
| Property, plant and equipment | 244 | 0 | (2) | (18) | 0 | 39 | 0 | 263 |
| Current assets | 128 | 0 | (13) | (4) | 1 | 222 | (18) | 316 |
| Liabilities | 662 | 27 | (15) | 3 | 0 | 38 | (5) | 710 |
| Tax loss carry-forwards, etc. | 643 | 16 | (7) | 34 | 0 | 184 | 0 | 870 |
| Share of tax assets valued at nil | (136) | 0 | 10 | (19) | 0 | (140) | 0 | (285) |
| **Net deferred tax assets/(liabilities)** | **1,627** | **43** | **(25)** | **(18)** | **0** | **503** | **(23)** | **2,107** |
| **of which related to discontinued activities** | | | | **9** | | **5** | | **14** |

**2022**

| DKKm | Balance sheet 1 January | Acquisition of enterprises | Currency adjustment | Included in Income Statement: Adjustment to previous years | Included in Income Statement: Changed tax rate | Included in Income Statement: Change in deferred tax | Included in Other comprehensive income | Balance sheet 31 December |
|---|---|---|---|---|---|---|---|---|
| Intangible assets | 115 | 1 | (9) | (12) | (2) | (7) | 0 | 86 |
| Property, plant and equipment | 256 | (24) | (2) | 14 | 0 | 0 | 0 | 244 |
| Current assets | (2) | (32) | 0 | 92 | 0 | 69 | 1 | 128 |
| Liabilities | 606 | 22 | 2 | (170) | (3) | 229 | (24) | 662 |
| Tax loss carry-forwards, etc. | 497 | 10 | 5 | 22 | (3) | 112 | 0 | 643 |
| Share of tax assets valued at nil | (151) | 0 | (1) | 32 | 0 | (16) | 0 | (136) |
| **Net deferred tax assets/(liabilities)** | **1,321** | **(23)** | **(5)** | **(22)** | **(8)** | **387** | **(23)** | **1,627** |

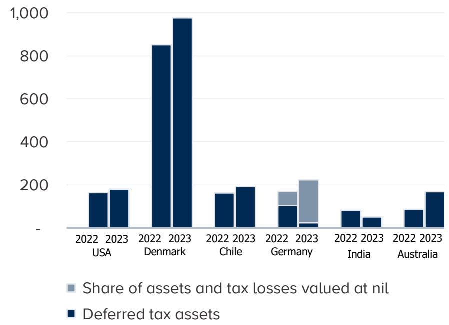
### Income tax paid

DKKm




### Significant deferred tax assets, net

DKKm



# 4.3 Deferred Tax
— continued

Recognition of net deferred tax assets is based on forecasted taxable income considering the application of a changed business model, including our pure play Mining and Cement strategies, and forecasted growth and margins for the coming years.

Deferred tax assets valued at nil amounting to DKK 285m (2022: DKK 136m) relate to tax losses and tax assets mainly in discontinued entities, and the increase relates primarily to Germany, where the tax assets are not likely to be fully utilised within a foreseeable future.

As of 31 December 2023, the non-recognised part of the tax assets in Germany amounts to DKK 199m (2022: DKK 66m). Recognising tax assets is a key accounting estimate and is based on management's forecast of earnings incorporated cost savings and the recovery of the market.

Temporary differences regarding future repatriation of profit from entities in foreign countries are estimated at DKK 375m-425m in 2023 (2022: DKK 325m-375m). These liabilities are not recognised because the Group is able to control when the liability is released, and it is considered probable that the liability will not be triggered in the foreseeable future.

All foreign paid withholding taxes in the Group has been recognised. In 2022, DKK 108m of foreign paid withholding taxes in the USA were not recognised.

## Net deferred tax

| DKKm | 2023 | 2022 |
|---|---|---|
| Deferred tax assets | 2,314 | 1,921 |
| Deferred tax liabilities | (207) | (294) |
| | **2,107** | **1,627** |

## Maturity profile of tax assets valued at nil

| DKKm | 2023 | 2022 |
|---|---|---|
| Within one year | 4 | 12 |
| Between one and five years | 111 | 0 |
| After five years | 864 | 489 |
| **Base value of tax assets valued at nil** | **979** | **501** |
| **Tax value** | **285** | **136** |
| Deferred tax assets valued at nil consist of: | | |
| Temporary differences | 51 | 51 |
| Tax losses | 928 | 450 |
| | **979** | **501** |

## Key accounting estimates

**Estimated value of deferred tax assets**
The value of deferred tax assets is recognised to the extent that it is deemed likely that taxable income in the future can utilise the tax losses. For this purpose the income from the coming five years is estimated, based on forecasts.

In assessing the probability of the future realisation of deferred tax assets, we have considered the economic outlook in our forecasts of taxable income and reversals of taxable temporary differences. The uncertainty of forecasts is related to macroeconomic developments, including the demand for environmental investments by our customers, not least within the Cement industry.

## 4.4 Tax on other comprehensive income

Tax recognised in other comprehensive income by the components of other comprehensive income to which it relates is shown in the table below.

## 4.5 Our approach to tax and tax risk

Being a responsible taxpayer is important to us, and this means that we will pay the correct amount of taxes at the right time in all countries where we do business. We strive to accomplish this through a strong governance framework focused on compliance with applicable laws as well as generally agreed principles of international taxation and standards for responsible business conduct. We are a global company undertaking complex projects and operating in a variety of developed and developing economies. Inherent risk and uncertainty regarding compliance requirements and double taxation are common issues faced by our business. We actively mitigate tax risk and uncertainties from business operations. Our objective is to be transparent regarding our tax affairs by communicating openly and in a clear, timely and transparent manner.


### Tax on other comprehensive income

| DKKm | 2023 Deferred tax | 2023 Current tax | 2023 Tax income/ cost | 2022 Deferred tax | 2022 Current tax | 2022 Tax income/ cost |
|---|---|---|---|---|---|---|
| Value adjustments of hedging instruments | (18) | 8 | (10) | 1 | 7 | 8 |
| Actuarial gains/losses on defined benefit plans | (5) | 0 | (5) | (24) | 0 | (24) |
| **Tax on other comprehensive income** | **(23)** | **8** | **(15)** | **(23)** | **7** | **(16)** |

Section 5

# Financial risks and Products structure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# 5.1 Shares and capital structure

## Shares
Share capital is DKK 1,153m and the total number of authorised and issued shares is 57,650,000. Each share entitles the holder to 20 votes and no shares have special rights attached to it.

## Shareholders
At 21 February 2024, FLSmidth had two major shareholders. Altor Invest 7 AS and Lundbeckfonden have both disclosed holdings of voting rights exceeding 10% of total outstanding voting rights. No other shareholders have reported a participating interest above 5%.

## Capital structure
FLSmidth takes a conservative approach to capital structure with an emphasis on relatively low debt, gearing and financial risk. The Board of Directors' priority for capital structure is as follows:

- Leverage (NIBD/EBITDA < 2)
- Dividend pay-out ratio (30-50% of net profit)

The priority for capital allocation is to ensure a strong balance sheet while allowing for growth investments and value-adding M&A. Excess cash can be distributed either via extraordinary dividends or share buy-back programmes.

Shareholders' equity includes the following reserves:

- Share capital (nominal value of shares issued)
- Foreign exchange adjustments (accumulated currency adjustments regarding translation of foreign entities)
- Cash flow hedging (fair value of derivatives that hedge the currency risks on expected future cash flows and meet the criteria for cash flow hedging)
- Retained earnings (all other components of shareholders' equity including share premium)

## Treasury shares
Our holding of treasury shares at the end of 2023 accounted for 1.6% of the share capital (2022: 1.6%).

The Board of Directors is authorised until the next Annual General Meeting to let the Company acquire treasury shares up to a total nominal value of 10% of the Company's share Products in accordance with Section 12 of the Danish Companies Act.

The treasury shares are used to hedge share-based incentive programmes, and are recognised directly in equity in retained earnings (zero value in the balance sheet). Refer to note 6.1 for further information.

## Dividend per share
The Board of Directors will propose at the Annual General Meeting that a dividend of DKK 4 per share corresponding to a dividend yield of 1.4% and a pay-out ratio of 47%, will be distributed for 2023. The total dividend proposed amounts to DKK 231m.

## Outstanding shares net of Treasury shares

| (1,000) | 2023 | 2022 |
|---|---|---|
| Treasury shares at 1 January | 914 | 925 |
| Used for share based payments | 0 | (11) |
| **Treasury shares at 31 December** | **914** | **914** |
| | | |
| Outstanding shares net of Treasury shares: | | |
| Outstanding shares net of Treasury shares 1 January | 56,736 | 56,725 |
| Movement, treasury shares | 0 | 11 |
| **Outstanding shares net of Treasury shares at 31 December** | **56,736** | **56,736** |

## 5.2 Earnings per share

Earnings per share from continuing activities increased to DKK 12.0 in 2023 (2022: DKK 6.5). Earnings per share from discontinued activities equalled DKK -3.2 in 2023 (2022: DKK 0.0).

The number of dilutive shares from share-based payment (see note 6.1) is determined as the number of shares that are expected to vest under share-based payments to employees, reduced by the numbers of shares that represents the fair value of service during the remaining vesting period.

### Earnings per share from continuing and discontinuing activities

| DKKm | 2023 | 2022 |
|---|---|---|
| Profit for the year, continuing activities | 672 | 351 |
| Minority interests | 6 | 18 |
| **FLSmidth's share of profit, continuing activities** | **678** | **369** |
| | | |
| Loss for the year, discontinued activities | (181) | 1 |
| **FLSmidth's share of loss, discontinuing activities** | **(181)** | **1** |
| | | |
| **FLSmidth's share of profit** | **497** | **370** |

| Number of shares (1,000) | 2023 | 2022 |
|---|---|---|
| Issued shares 1 January | 57,650 | 57,650 |
| Issue of new shares, weighted | 0 | 0 |
| Treasury shares, weighted | 914 | 920 |
| **Average number of outstanding shares** | **56,736** | **56,730** |
| Dilutive effect of share based payment | 401 | 149 |
| **Average diluted number of outstanding shares** | **57,137** | **56,879** |

| DKK per share | 2023 | 2022 |
|---|---|---|
| Earnings per share from continuing activities | 12.0 | 6.5 |
| Earnings per share from discontinued activities | (3.2) | 0.0 |
| **Earnings per share from continuing and discontinued activities** | **8.8** | **6.5** |

| DKK per share | 2023 | 2022 |
|---|---|---|
| Diluted earnings per share from continuing activities | 11.9 | 6.5 |
| Diluted earnings per share from discontinued activities | (3.2) | 0.0 |
| **Diluted earnings per share from continuing and discontinued activities** | **8.7** | **6.5** |

## 5.3 Financial risks

Due to the international activities and the industry characteristics, risks are an embedded part of doing business. We are exposed to financial risks, that can have a material impact to the consolidated financial statements of the Group.

The financial risks are to the extent possible managed centrally for the Group and are governed by the Treasury Policy, which is approved by the Board of Directors. The Treasury Policy is updated on an annual basis to address any changes in the risk picture.

The main financial risks that we are exposed to are interests, currency, credit and liquidity risks.

### Interest rate risk

Interest rate risks arise from interest-bearing assets and liabilities. Interest-bearing items consist primarily of cash and cash equivalents, bank loans and mortgage debt.

According to the Treasury Policy, hedging of interest rates is governed by a duration range and is managed by using derivatives such as interest rate swaps. No interest derivatives have been used during 2023 or 2022.

As of 31 December 2023, the majority of our interest-bearing debt is carrying a floating rate.

All other things being equal, a 1%-point increase in the interest rate will increase our interest cost by DKK 6m (2022: DKK 7m), calculated as 1% of the net interest bearing debt as of 31 December 2023. The sensitivity to changes in the interest rate has decreased in 2023 due to the decrease in debt.

### 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.

The Treasury Policy sets forth thresholds and requirements for the hedging strategy to be applied. Hedge accounting is applied for the largest project transactions. For other project transactions, the currency risk is either not hedged or economically hedged, dependent on the significance of the risk.

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.

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# 5.3 Financial risks
– continued

The project nature of the business changes the foreign currency risk picture towards and against specific currencies from one year to another, depending on the area in which we have activities.

The table 'Transaction impact' is a sensitivity analysis showing the gain/loss on net profit and other comprehensive income of a 5% percent appreciation of the largest currency exposure towards DKK (a 5% decrease will have similar opposite effect). The analysis assumes that all other variables, exposures and interest rates in particular, remain constant. The analysis includes the offsetting impact from monetary items and derivatives used to hedge the currency risk.

The impact on net profit for the year includes monetary items in foreign currencies that are currency adjusted through the income statement as well as any derivatives used for economic hedging.

The impact on other comprehensive income includes the value adjustment on derivatives designated as hedge accounting in effective cash flow hedges. The value adjustments are transferred to the income statement as the hedged cash flows through the work in progress are recognised in the income statement.

In addition to the transactional effects, in the event of currency developments, we will also be impacted by translation effects from the Group entities with net assets in functional currencies other than Danish Kroner and Euro. In 2023 translation effects of DKK -359m (2022: DKK 149m) have been recognised in Other Comprehensive income. A 5 % appreciation on the currencies with largest exposure towards Danish Kroner will have the following effect on other comprehensive income (a 5% depreciation will have a similar negative effect).

The project nature of the business changes the foreign currency risk picture towards and against specific currencies from one year to another, depending on the area in which we have activities.

The table 'Transaction impact' is a sensitivity analysis showing the gain/loss on net profit and other comprehensive income of a 5% percent appreciation of the largest currency exposure towards DKK (a 5% decrease will have similar opposite effect). The analysis assumes that all other variables, exposures and interest rates in particular, remain constant. The analysis includes the offsetting impact from monetary items and derivatives used to hedge the currency risk.

The impact on net profit for the year includes monetary items in foreign currencies that are currency adjusted through the income statement as well as any derivatives used for economic hedging.

The impact on other comprehensive income includes the value adjustment on derivatives designated as hedge accounting in effective cash flow hedges. The value adjustments are transferred to the income statement as the hedged cash flows through the work in progress are recognised in the income statement.

In addition to the transactional effects, in the event of currency developments, we will also be impacted by translation effects from the Group entities with net assets in functional currencies other than Danish Kroner and Euro. In 2023 translation effects of DKK -359m (2022: DKK 149m) have been recognised in Other Comprehensive income. A 5 % appreciation on the currencies with largest exposure towards Danish Kroner will have the following effect on other comprehensive income (a 5% depreciation will have a similar negative effect).

## Transaction impact

| DKKm | | 2023 | | 2022 | |
|---|---|---|---|---|---|
| **Currency** | **Change** | **Net profit for the year** | **Other comprehensive income** | **Net profit for the year** | **Other comprehensive income** |
| USD | 5,0% | 4 | (12) | 8 | (30) |
| GBP | 5,0% | (1) | 0 | 0 | 0 |
| AUD | 5,0% | (1) | 0 | 1 | 0 |
| CAD | 5,0% | 1 | (1) | 1 | (1) |
| MXN | 5,0% | 1 | 0 | 1 | 0 |
| CNY | 5,0% | 1 | 0 | 4 | 0 |

## Translation impact

| DKKm | Change | 2023 | 2022 |
|---|---|---|---|
| USD | 5,0% | 106 | 84 |
| CLP | 5,0% | 52 | 34 |
| CAD | 5,0% | 47 | 34 |
| INR | 5,0% | 27 | 39 |
| AUD | 5,0% | 20 | 2 |
| MXN | 5,0% | 18 | 15 |

## Credit risk

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

At 31 December 2023, total credit risk was DKK 9,664m (2022: DKK 11,547m) as shown in the table below. 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 execution under customer contract. At the end of 2023, 10% (2022: 7%) of our work in progress asset and 6% (2022: 9%) of our trade receivables balance were covered by payment securities.

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

# 5.3 Financial risks
## – continued

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.

We consider the maximum credit risk to financial counterparties to be DKK 1,365m (2022: DKK 2,142m). All financial assets, excluding other securities and investments, are expected to be settled during 2023.

### Total exposure to credit risk

| DKKm | 2023 | 2022 |
|---|---|---|
| Non-financial counterparties: | | |
| Trade receivables, note 3.3 | 4,516 | 5,108 |
| Work in progress, assets, note 3.4 | 2,769 | 3,147 |
| Other receivables, note 3.5 | 995 | 1,145 |
| of which derivatives | (37) | (54) |
| Other securities and investments | 56 | 59 |
| **Total non-financial counterparties** | **8,299** | **9,405** |
| | | |
| Financial counterparties: | | |
| Derivatives, netted amount | 13 | 12 |
| Cash and cash equivalent | 1,352 | 2,130 |
| **Total financial counterparties** | **1,365** | **2,142** |
| | | |
| **Total exposure to credit risk** | **9,664** | **11,547** |

# 5.3 Financial risks
– continued

## Liquidity risk
The objective of the Treasury Policy is to ensure that the Group always has sufficient and flexible financial resources at our disposal to ensure continuous operations and to honour liabilities when they become due.

The financial resources consist of non-restricted cash and cash equivalents together with undrawn committed facilities. Financial resources are monitored daily to ensure that the available amount exceeds the Treasury Policy threshold of DKK 3,000m.

Committed facilities includes a Revolving Credit Facility with a group of international banks, a green term loan with Nordic Investment Bank and a Danish mortgage loan. The weighted average maturity of these loans is 4.3 years at the end of 2023, and no facilities matures before 2027. The committed facilities contain standard clauses such as pari passu, negative pledge, change of control and a leverage financial covenant. The Group did not default or fail to fulfil any of its financial covenants, in neither 2022 nor 2023.

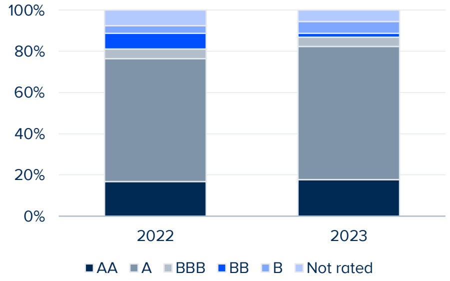
By the end of 2023, total committed credit facilities were DKK 6,322m (2022: DKK 6,326m) of which DKK 4,689m (2022: DKK 4,397m) was unutilised. The financial resources, undrawn committed facilities together with non-restricted cash of DKK 500m, amounted to DKK 5,189m and shows comfortable headroom to the DKK 3,000m threshold.

Short-term liquidity is managed through international cash-pools and by having overdraft facilities in place with various financial institutions.

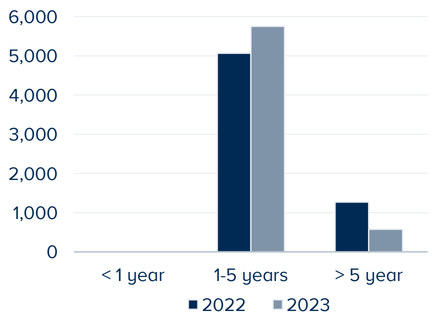
## Restricted cash
Restricted cash is bank balances in countries with currency restrictions or other restrictions preventing the funds to be readily available at parent company level. The definition of restricted cash is unchanged from last year.

Restricted cash amounted to DKK 852m (2022: DKK 1,459m). Focused repatriation efforts during 2023 has reduced the restricted cash significantly. Cash in Indonesia and Mongolia is no longer classified as restricted cash.

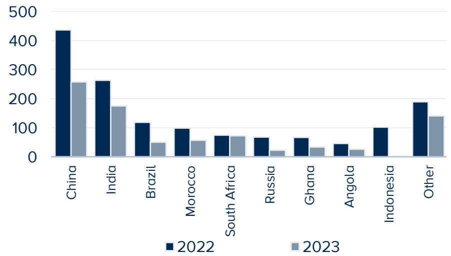
### Credit risk ratings per financial institution
%




### Maturity profile of Group funding facilities
DKKm




### Group restricted cash
DKKm



# 5.4 Financial income and costs

## Net financial costs

| DKKm | 2023 | 2022 |
|---|---|---|
| Interest income | 69 | 36 |
| Fair value adjustment of derivatives | 582 | 728 |
| Foreign exchange gains | 717 | 822 |
| Fair value adjustment of shares | 3 | 2 |
| **Total financial income** | **1,371** | **1,588** |
| | | |
| Interest cost | (149) | (74) |
| Loss from associates | (62) | (3) |
| Lease interest cost | (12) | (12) |
| Fair value adjustment of derivatives | (524) | (702) |
| Foreign exchange losses | (764) | (854) |
| Fair value adjustment of shares | (6) | (10) |
| **Total financial costs** | **(1,517)** | **(1,655)** |
| | | |
| **Net financial costs** | **(146)** | **(67)** |

## Cash flow effect from financial income and costs

| DKKm | 2023 | 2022 |
|---|---|---|
| Interest received | 70 | 37 |
| Interest paid | (164) | (86) |
| **Cash flow effect** | **(94)** | **(49)** |

As shown in the table the large movement in foreign exchange rates during 2022 and 2023 led to significant gross foreign exchange gains and losses. On a net basis, foreign exchange adjustments, including the impact from economic hedges, amounted to DKK 11m (2022: DKK -6m) primarily related to the cost of hedging the loan portfolio to the functional currency of the borrowing entity (forward points) and exposures in the non-hedgeable emerging market currencies, as well as timing differences between cash flows and hedges.

The net interest cost totalled DKK 80m (2022: DKK 38m) related to loans and deposits.

Fair value adjustment of shares of net DKK -3m (2022: DKK -8m) relates to shareholdings in cement companies.

Further information on [income/loss] from associates can be found in note 2.6

## Accounting policy

Financial income and costs comprise interest income and costs, realised and unrealised foreign exchange gains and losses arising from monetary items, income/loss from associates accounted for at equity method and fair value adjustments of shares and derivatives where hedge accounting is not applied.

# 5.5 Derivatives

The Group's derivatives are entered into to hedge the currency risk and accounted for as hedge accounting or economic hedges.

We use derivatives to hedge currency risks arising from monetary items recognised in the balance sheet. Fair value adjustments recognised in financial items in the income statement amounted to DKK 58m (2022: DKK 26m).

## Economic hedge

At 31 December 2023 the fair value of our hedge agreements that are not recognised as hedge accounting amounted to DKK -9m (2022: DKK -14m). The breakdown of the economic hedges by most important currencies for each of the years 2023 and 2022 is shown in the table below.

## Carrying amount, net fair value

| DKKm | | | 2023 | | | 2022 |
|---|---|---|---|---|---|---|
| | Economic hedge | Cash flow hedge | Total hedge | Economic hedge | Cash flow hedge | Total hedge |
| Financial instruments asset | 26 | 11 | 37 | 17 | 37 | 54 |
| Financial instruments liability | (35) | (14) | (49) | (31) | (49) | (80) |
| **Total** | **(9)** | **(3)** | **(12)** | **(14)** | **(12)** | **(26)** |

## Economic Hedge

| DKKm | | 2023 | | | 2022 |
|---|---|---|---|---|---|
| Currency | Notional amount | Net fair value | | Notional amount | Net fair value |
| AUD | (1,075) | (2) | AUD | (974) | (15) |
| USD | 751 | (26) | USD | (512) | 3 |
| CAD | 509 | 11 | EUR | 358 | (1) |
| GBP | 374 | 1 | CNY | 43 | (1) |
| MXN | 276 | 3 | | | |
| Other | | 4 | Other | | 0 |
| **Total** | | **(9)** | | | **(14)** |

A negative notional amount represents a sale of the currency

### Cash flow hedge

We use forward exchange contracts to hedge currency risks regarding expected future cash flows that meet the criteria for cash flow hedging.

The fair value reserve of the derivatives is recognised in other comprehensive income until the hedged items affect the income statement through work in progress. The fair value of derivatives is recognised in other receivables and other liabilities. The majority of the cash flow hedge instruments are expected to settle and affect the income statement within one year.

Ineffectiveness is recognised in the income statement within financial items. Ineffectiveness was immaterial in 2023 and 2022.

At 31 December 2023, the fair value of our cash flow hedge instruments amounted to DKK -3m (2022: DKK -12m). The breakdown of the cashflow hedges by most important currencies for each of the years 2023 and 2022 is shown in the table below.

### Changes in the cash flow hedging reserve

| DKKm | 2023 | 2022 |
|---|---|---|
| Change in cash flow hedge reserve | 34 | (28) |
| Reclassified from other comprehensive income to work in progress | 4 | 12 |

## Accounting policy

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

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

Any changes in the fair value of derivatives not used for hedge accounting are recognised in the income statement within financial items.

Certain contracts contain conditions that correspond to derivatives. In case the embedded derivatives deviate significantly from the overall contract, they are recognised and measured as separate instruments at fair value. That is unless the contract concerned as a whole is recognised and measured at fair value.

## 5.6 Fair value measurement

Financial instruments are remeasured at fair value on a recurring basis and are categorised into the following levels of the fair value hierarchy:

Level 1: Observable market prices for identical instruments (quoted prices)
Level 2: Valuation techniques primarily based on observable prices or traded prices for comparable instruments
Level 3: Valuation techniques primarily based on non-observable input

Securities and investments consist primarily of investments in shares. The fair value is either determined as the quoted price in an active market for the same type of instrument (level 1) or at fair value based on available data which include valuation based on multiple of earnings or equity from the latest available financial statements (level 3). 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).

There have been no transfers between the levels in 2023 or 2022.

### Cash flow hedge

| DKKm | 2023 | | 2022 | | |
|---|---|---|---|---|---|
| Currency | Notional amount | Net fair value | | Notional amount | Net fair value |
| USD | (296) | 5 | USD | (643) | (8) |
| EUR | 241 | (7) | EUR | 374 | (5) |
| CAD | (13) | (1) | | | |
| Other | | 0 | Other | | 1 |
| **Total** | | **(3)** | | | **(12)** |

A negative notional amount represents a sale of the currency

### Financial instruments measured at fair value

| DKKm | Level 1 | Level 2 | Level 3 | 2023 Total |
|---|---|---|---|---|
| Securities and investments | 17 | 0 | 39 | 56 |
| Derivatives, asset | 0 | 37 | 0 | 37 |
| Derivatives, liability | 0 | (49) | 0 | (49) |
| | **17** | **(12)** | **39** | **44** |

| DKKm | Level 1 | Level 2 | Level 3 | 2022 Total |
|---|---|---|---|---|
| Securities and investments | 17 | 0 | 42 | 59 |
| Derivatives, asset | 0 | 54 | 0 | 54 |
| Derivatives, liability | 0 | (80) | 0 | (80) |
| | **17** | **(26)** | **42** | **33** |

## 5.7 Net interest bearing debt

2023

| DKKm | Carrying amount 1 January 2023 | Cash flows | Acquisition of enterprises | Additional lease liability during the year | Foreign exchange effect | Carrying amount 31 December 2023 |
|---|---|---|---|---|---|---|
| Lease liabilities | 323 | (133) | (49) | 96 | (4) | 233 |
| Bank loans and mortgage debt, committed | 1,929 | (296) | 0 | 0 | 0 | 1,633 |
| Bank loans and mortgage debt, uncommitted | 615 | (561) | 0 | 0 | 0 | 54 |
| Other liability | 0 | 168 | 0 | 0 | 7 | 175 |
| **Interest bearing debt** | **2,867** | **(822)** | **(49)** | **96** | **3** | **2,095** |
| | | | | | | |
| Cash and cash equivalents | 2,130 | (700) | 0 | 0 | (78) | 1,352 |
| Other receivables | 11 | 60 | 0 | 0 | 33 | 104 |
| **Interest bearing assets** | **2,141** | **(640)** | **0** | **0** | **(45)** | **1,456** |
| | | | | | | |
| **Net interest bearing debt / (assets)** | **726** | **(182)** | **(49)** | **96** | **48** | **639** |

2022

| DKKm | Carrying amount 1 January 2022 | Cash flows | Acquisition of enterprises | Additional lease liability during the year | Foreign exchange effect | Carrying amount 31 December 2022 |
|---|---|---|---|---|---|---|
| Lease liabilities | 304 | (134) | 51 | 98 | 4 | 323 |
| Bank loans and mortgage debt, committed | 726 | 1,308 | 0 | 0 | (105) | 1,929 |
| Bank loans and mortgage debt, uncommitted | 17 | 598 | 0 | 0 | 0 | 615 |
| Other liability | 0 | 0 | 0 | 0 | 0 | 0 |
| **Interest bearing debt** | **1,047** | **1,772** | **51** | **98** | **(101)** | **2,867** |
| | | | | | | |
| Cash and cash equivalents* | 1,935 | 254 | 0 | 0 | (59) | 2,130 |
| Other receivables | 1 | 11 | 0 | 0 | (1) | 11 |
| **Interest bearing assets** | **1,936** | **265** | **0** | **0** | **(60)** | **2,141** |
| | | | | | | |
| **Net interest bearing debt** | **(889)** | **1,507** | **51** | **98** | **(41)** | **726** |

*In 2022, cash flows from cash and cash equivalents are net of cash taken over from Mining Technologies of DKK 1,019m.

## 5.8 Financial assets and liabilities

### Accounting policy

The financial assets are classified based on the contractual cash flow characteristics of the financial asset as well as our intention with the financial asset according to our business model.

If cash flows from a financial asset are solely payments of principal and interests the classification is either:

- Amortised cost, for financial assets, where the objective is to hold the financial asset to collect the contractual cash flows.
- Fair value through profit/loss, for other financial assets

Hedging instruments designated as hedge accounting are classified separately and are measured at fair value.

Based on this, all financial assets and liabilities, except for hedging instruments, securities and investments, are measured at amortised cost.

The table on the next page shows the fair value of all financial instruments and compares it to the carrying amount. For the mortgage debt, the fair value is determined as the quoted price of the underlying mortgage bonds funding the debt. The carrying amount for the other items is a reasonable approximation of fair value.

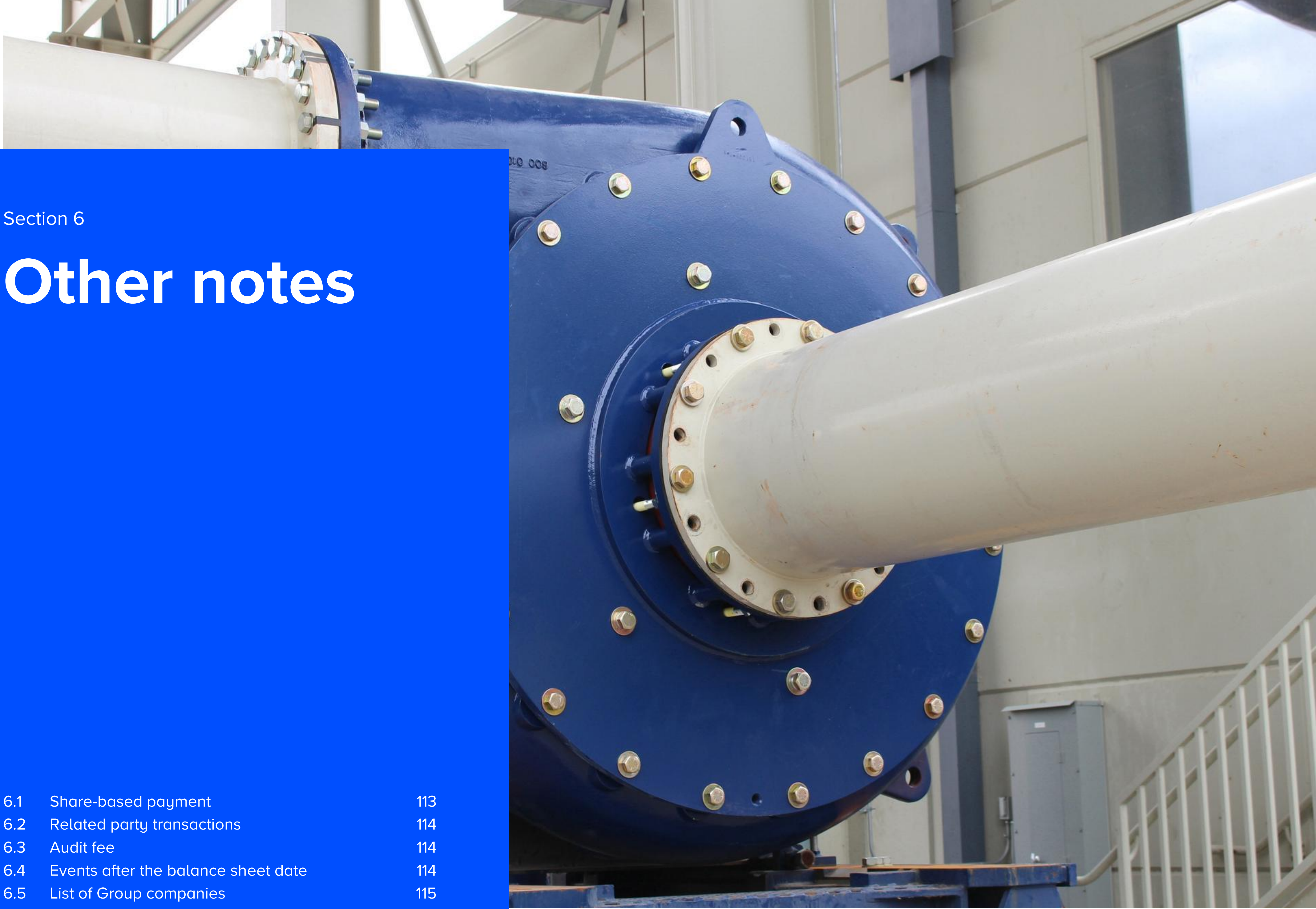
# 5.8 Financial assets and liabilities – continued

| Assets DKKm | 2023 Maturity of cash flows < 1 year | 1-5 years | > 5 year | Total cash flows | Fair value | Carrying amount | 2022 Maturity of cash flows < 1 year | 1-5 years | > 5 year | Total cash flows | Fair value | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Hedging instruments (hedge accounting)** | **8** | **0** | **0** | **8** | **11** | **11** | **37** | **0** | **0** | **37** | **37** | **37** |
| Hedging instruments (economic hedging) | 26 | 0 | 0 | 26 | 26 | 26 | 17 | 0 | 0 | 17 | 17 | 17 |
| Securities and investments | 0 | 0 | 56 | 56 | 56 | 56 | 0 | 0 | 59 | 59 | 59 | 59 |
| **Fair value through profit and loss** | **26** | **0** | **56** | **82** | **82** | **82** | **17** | **0** | **59** | **76** | **76** | **76** |
| Trade receivables | 4,516 | 0 | 0 | 4,516 | 4,516 | 4,516 | 5,108 | 0 | 0 | 5,108 | 5,108 | 5,108 |
| Work in progress | 2,769 | 0 | 0 | 2,769 | 2,769 | 2,769 | 3,147 | 0 | 0 | 3,147 | 3,147 | 3,147 |
| Other receivables | 958 | 0 | 0 | 958 | 958 | 958 | 1,090 | 0 | 0 | 1,090 | 1,090 | 1,090 |
| Cash and cash equivalents | 1,352 | 0 | 0 | 1,352 | 1,352 | 1,352 | 2,130 | 0 | 0 | 2,130 | 2,130 | 2,130 |
| **Amortised cost** | **9,595** | **0** | **0** | **9,595** | **9,595** | **9,595** | **11,475** | **0** | **0** | **11,475** | **11,475** | **11,475** |
| **Total financial assets** | **9,629** | **0** | **56** | **9,685** | **9,688** | **9,688** | **11,529** | **0** | **59** | **11,588** | **11,588** | **11,588** |

| Liabilities DKKm | 2023 Maturity of cash flows < 1 year | 1-5 years | > 5 year | Total cash flows | Fair value | Carrying amount | 2022 Maturity of cash flows < 1 year | 1-5 years | > 5 year | Total cash flows | Fair value | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Hedging instruments (hedge accounting)** | **(12)** | **(1)** | **0** | **(13)** | **(14)** | **(14)** | **(49)** | **0** | **0** | **(49)** | **(49)** | **(49)** |
| Hedging instruments (economic hedging) | (35) | 0 | 0 | (35) | (35) | (35) | (31) | 0 | 0 | (31) | (31) | (31) |
| **Fair value through profit and loss** | **(35)** | **0** | **0** | **(35)** | **(35)** | **(35)** | **(31)** | **0** | **0** | **(31)** | **(31)** | **(31)** |
| Lease liabilities | (109) | (188) | (1) | (298) | (233) | (233) | (128) | (200) | (22) | (350) | (323) | (323) |
| Mortgage debt | (21) | (84) | (185) | (290) | (215) | (215) | (16) | (63) | (154) | (233) | (227) | (226) |
| Bank debt | (97) | (1,178) | (431) | (1,706) | (1,472) | (1,472) | (542) | (1,833) | 0 | (2,375) | (2,318) | (2,318) |
| Trade payables | (4,024) | 0 | 0 | (4,024) | (4,024) | (4,024) | (4,339) | 0 | 0 | (4,339) | (4,339) | (4,339) |
| Other liabilities | (1,927) | (51) | 0 | (1,978) | (1,978) | (1,978) | (1,737) | (85) | 0 | (1,822) | (1,822) | (1,822) |
| **Amortised cost** | **(6,178)** | **(1,501)** | **(617)** | **(8,296)** | **(7,922)** | **(7,922)** | **(6,762)** | **(2,181)** | **(176)** | **(9,119)** | **(9,029)** | **(9,028)** |
| **Total financial liabilities** | **(6,225)** | **(1,502)** | **(617)** | **(8,344)** | **(7,971)** | **(7,971)** | **(6,842)** | **(2,181)** | **(176)** | **(9,199)** | **(9,109)** | **(9,108)** |

Section 6

# Other notes




| | | |
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| 6.1 | Share-based payment | 113 |
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# 6.1 Share-based payment

Share-based payment programmes outstanding by the end of 2023 consist of the performance share programme (the recurring long-term incentive programme) and a restricted share programme that was granted in 2023.

## Performance shares

The performance shares units (PSU) are based on a three year performance period and the performance measurement is based on key financial performance indicators as well as continued employment. For the outstanding programmes the key performance indicators are EBITA margin, total shareholder return (TSR) and a sustainability indicator (MZ). The programme granted in March 2020 expired during 2023 without any payout.

Under the programmes, the number of PSUs (shares) that will eventually vest depends on the level of achievement of the key performance indicators. The purpose of the performance share programme is to ensure common goals for Group Executive Management, key employees and shareholders.

The value of the PSUs at grant date is measured at fair value (market price) of the shares adjusted for the expected performance under the TSR KPI.

For the 2023 plan, a maximum of 74,216 shares (2022: 75,703 shares on the 2022 plan and a grant of 10,240 shares under the 2020 plan) were granted to Executive Management at the grant date.

The total number of outstanding performance shares at the end of 2023 was 655,083 (2022: 597,682) of which 563,957 are expected to vest (2022: 306,555). This includes the expected vesting of 143,754 performance shares in 2024 under the programme granted in March 2021.

| | | | |
|---|---|---|---|
| Conditional grant | March-23 | March-22 | March-21 |
| Performance period | Jan 2023 - Dec 2025 | Jan 2022 - Dec 2024 | Jan 2021 - Dec 2023 |
| Vesting period | Mar 2023 - Feb 2026 | Mar 2022 - Feb 2025 | Mar 2021 - Feb 2024 |
| Vesting conditions, other than service conditions | EBITA, TSR, MZ | EBITA, TSR, MZ | EBITA, TSR, MZ |

| **DKK/DKKm** | **2023** | **2022** |
|---|---|---|
| Market price per share, end of year | 287.20 | 251.70 |
| Total fair value of performance shares expected to vest at the end of the vesting period, end of year | 162 | 77 |

| | **2023** | | | **2022** | | |
|---|---|---|---|---|---|---|
| **Outstanding performance shares** | **Group Executive Management** | **Key employees** | **Total number** | **Group Executive Management** | **Key employees** | **Total number** |
| Outstanding performance shares 1 January | 132,625 | 465,057 | 597,682 | 132,735 | 416,437 | 549,172 |
| Awards | 74,216 | 249,041 | 323,257 | 86,443 | 198,213 | 284,656 |
| Vested | 0 | 0 | 0 | 0 | 0 | 0 |
| Lapsed | (31,454) | (162,843) | (194,297) | (32,733) | (115,115) | (147,848) |
| Forfeited | (5,967) | (65,592) | (71,559) | (8,539) | (79,758) | (88,298) |
| Change in positions | (7,984) | 7,984 | 0 | (45,281) | 45,281 | 0 |
| **Outstanding performance shares 31 December** | **161,436** | **493,647** | **655,083** | **132,625** | **465,057** | **597,682** |
| **Expected to vest** | **138,032** | **425,925** | **563,957** | **75,367** | **231,288** | **306,655** |

# 6.1 Share-based payment - Continued

## Restricted shares

To realise the Group's transformation journey over the next three years, selected key employees were granted a three-year share programme in 2023, see table below. The programme will vest in two tranches, being 1/3 after two years and the remaining share after three year and subject to the participant being actively employed.

## Other

In 2022, 10,740 of shares were allotted as other incentives. The shares are accounted for as equity settled share-based payment under IFRS 2.

## Accounting policy

The performance share programme and the restricted share programmes are classified as equity based, as the schemes settle in shares.

The value of the services received in exchange for the granting of performance share units (PSUs) and restricted share units (RSUs), is measured as the fair value of the share units at grant date. The fair value of the PSUs and RSUs is determined based on the quoted share price and for the PSUs adjusted for the expected performance under the TSR KPI, both determined at grant date. The fair value is not adjusted for dividend as participants of the programme are compensated for dividend pay-outs during the performance period.

The fair value is recognised in staff cost in the income statement and in equity over the vesting period which is three years.

On initial recognition of the PSUs, the number of PSUs expected to vest are estimated. Subsequently, the estimate is revised so that the total cost recognised is based on the actual number of PSUs expected to vest, however, keeping the expectations related to the TSR KPI unchanged compared to grant date.

## Restricted shares

| | |
|---|---|
| Conditional grant | March-23 |
| Performance and vesting period | Mar 2023 - Mar 2026 |
| Vesting conditions, other than service conditions | None |
| Fair value, end of year (DKKm) | 30 |

| Outstanding restricted shares | 2023<br>Group Executive Management | Key employees | Total number |
|---|---|---|---|
| Awards 2023 | 49,468 | 58,671 | **108,139** |
| Forfeited | (2,716) | (2,053) | **(4,769)** |
| Change in positions | (840) | 840 | **0** |
| **Outstanding restricted shares 31 December 2023** | **45,912** | **57,458** | **103,370** |

# 6.2 Related party transactions

Related parties to FLSmidth are determined as members of the Board of Directors and Group Executive Management, their close family members, or companies in which these persons have significant influence and the associated entities over which FLSmidth has significant influence.

During 2023, FLSmidth has had ordinary sales transactions of DKK 10m (2022: DKK 15m) with its associate Intertek Robotic Laboratories Pty Ltd. Other than that, there were no significant transactions between FLSmidth and any of its related parties, other than ordinary remuneration of the Board of Directors and Group Executive Management in 2022 and 2023. Refer to note 1.5 Staff cost and the Remuneration report 2023.

# 6.3 Audit fee

## Fees to independent auditor

| DKKm | 2023 | 2022 |
|---|---|---|
| Statutory audit | 22 | 21 |
| Other assurance engagement | 1 | 1 |
| **Total audit related services** | **23** | **22** |
| | | |
| Tax and indirect taxes consultancy | 0 | 0 |
| Other services | 2 | 2 |
| **Total non-audit services** | **2** | **2** |
| | | |
| **Total fees to independent auditor** | **25** | **24** |

In addition to statutory audit, EY Godkendt Revisionspartnerselskab, the Group auditors appointed at the Annual General Meeting, provided other assurance engagements, primarily consisting of limited assurance report on the Sustainability Report and reasonable assurance report on the Remuneration Report for FLSmidth & Co. A/S. Other services provided in 2023 and 2022 included certain advisory services in respect of the integration of Mining Technologies. All non-audit services have been approved by the Audit Committee.

# 6.4 Events after the balance sheet date

On 22 January 2024, FLSmidth Cement entered into an agreement to sell the MAAG gears and drives business to Solix Group AB. The transaction is expected to close during the first quarter of 2024 and includes all related assets, including intellectual property, technology, employees and customer contracts. By the end of 2023, total assets and liabilities related to the activities amounted to around DKK 500m and DKK 300m, respectively. This includes non-current assets of around DKK 200m and non-current liabilities of around DKK 60m. The transaction is expected to result in an immaterial gain that will be recognised in the first quarter of 2024.

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

We are not aware of any other subsequent matters, that could be of material importance to FLSmidth's financial position.

# 6.5 List of Group Companies

| Company name | Country | Direct Group holding (pct.) |
|---|---|---|
| **FLSmidth & Co. A/S** | Denmark | |
| ○ FLSmidth Real Estate A/S | Denmark | 100 |
| ○ FLSmidth S.A.C. | Peru | 100 |
| ○ FLSmidth (Beijing) Ltd. | China | 100 |
| ○ FLSmidth Finans A/S | Denmark | 100 |
| ○ Matr. nr. 2055 A/S | Denmark | 100 |
| ○ SLF Romer XV ApS | Denmark | 100 |
| ⌂ Gemena Sp. Z.o.o. | Poland | 100 |
| | | |
| **FLSmidth Cement A/S** (Formerly FLSmidth Global Services A/S) | Denmark | 100 |
| ○ FLSmidth Denmark Cement Holding ApS | Denmark | 100 |
| ⌂ FLSmidth Cement India LLP | India | 100 |
| ○ NLSupervision Company Angola, LDA. | Angola | 100 |
| ○ NL Supervision Company Tunisia | Tunisia | 100 |
| ○ ISIRNEL S.A. | Uruguay | 100 |
| ○ FLSmidth Cement Brasil Ltda. | Brazil | 100 |
| ○ FLSmidth Cement Mexico S.A. de C.V. | Mexico | 100 |
| ○ FLSmidth Mekanik Sistemler Satis Bakim Ltd. Sti | Turkey | 100 |
| | | |
| **FLSmidth A/S** | Denmark | 100 |
| ○ FLSmidth MAAG Gear AG | Switzerland | 100 |
| ⌂ FLSmidth MAAG Gear Sp. z o.o. | Poland | 100 |
| ○ FLS Maroc | Morocco | 100 |
| ○ FLSmidth Kenya Limited | Kenya | 100 |
| ○ FLSmidth (Thailand) Co. Ltd. | Thailand | 100 |
| ○ FLSmidth Panama Inc. | Panama | 100 |
| ○ FLSmidth S.A. | Ecuador | 100 |
| ○ FLSmidth Paraguay S.A. | Paraguay | 100 |
| ○ Cement Knowledge Center | Kingdom of Saudi Arabia | 51 |
| ○ The Pennies and Pounds Holding, Inc.* | Philippines | 33 |
| ○ FLSmidth S.A. | Spain | 100 |
| ⌂ FLSmidth S.A.S. | Colombia | 100 |
| ○ FLSmidth Mongolia | Mongolia | 100 |
| ○ FLSmidth (UK) Limited | United Kingdom | 100 |
| ○ FLSmidth Caucasus Limited Liability Company (LLC) | Armenia | 100 |
| ○ NHI-Fuller (Shenyang) Mining Co. Ltd. | China | 50 |

| Company name | Country | Direct Group holding (pct.) |
|---|---|---|
| ○ FLSmidth Limited | Ghana | 100 |
| ○ FLSmidth (Private) Ltd. | Pakistan | 100 |
| ○ FLSmidth Argentina S.A. | Argentina | 100 |
| ○ FLSmidth Zambia Ltd. | Zambia | 100 |
| ○ FLSmidth Iranian (PJSCo) | Iran | 100 |
| ○ FLSmidth Ventomatic S.p.A. | Italy | 100 |
| ⌂ FLSmidth MAAG Gear S.p.A. | Italy | 100 |
| ○ PT FLSmidth Indonesia | Indonesia | 100 |
| ○ FLSmidth Spol. s.r.o. | Czech Republic | 100 |
| ○ FLSmidth GmbH | Austria | 100 |
| ○ FLSmidth Co. Ltd. | Vietnam | 100 |
| ○ FLSmidth Philippines, Inc. | Philippines | 100 |
| ○ FLSmidth LLP | Kazakhstan | 100 |
| ⌂ TOO FLSmidth Plant Construction Kazakhstan | Kazakhstan | 100 |
| ⌂ TOO FLSmidth Plant Engineering Kazakhstan | Kazakhstan | 100 |
| ○ FLSmidth Shanghai Ltd. | China | 100 |
| ○ FLSmidth Qingdao Ltd. | China | 100 |
| ○ Saudi FLSmidth Co. | Kingdom of Saudi Arabia | 100 |
| ○ FLSmidth Nepal Private Limited | Nepal | 100 |
| ○ FLSmidth SAS | France | 100 |
| ○ FLSmidth Rusland Holding A/S | Denmark | 100 |
| ⌂ FLSmidth Rus OOO** | Russia | 100 |
| ○ FLSmidth Industrial Solutions Ltda. | Brazil | 100 |
| ○ FLSmidth Industrial Solutions Makine Sanayi Ve Ticaret A.Ş. | Turkey | 100 |
| ○ FLSmidth Services Foreign Enterprise LLC | Uzbekistan | 100 |
| | | |
| **FLS US Holdings, Inc.** | USA | 100 |
| ○ FLSmidth Inc. | USA | 100 |
| ⌂ Phillips Kiln Services (India) Pvt. Ltd.* | India | 50 |
| ⌂ Fuller Company | USA | 100 |
| ⌂ FLSmidth Cement USA Inc. | USA | 100 |
| ⌂ FLSmidth Dorr-Oliver Eimco SLC Inc. | USA | 100 |
| ⌂ Ludowici Mineral Processing Equipment Inc. | USA | 100 |
| ⌂ FLSmidth Dorr-Oliver Inc. | USA | 100 |
| › FLSmidth Dorr-Oliver International Inc. | USA | 100 |
| ○ Morse Rubber LLC | USA | 100 |

# 6.5 List of Group Companies
## – continued

| Company name | Country | Direct Group holding (pct.) |
|---|---|---|
| **FLS Germany Holding GmbH** | Germany | 100 |
| ○ FLSmidth Wadgassen GmbH | Germany | 100 |
| ⌂ FLSmidth Wadgassen Ltd.** | Russia | 100 |
| ○ FLSmidth Pfister GmbH | Germany | 100 |
| ○ FLSmidth Real Estate GmbH | Germany | 100 |
| ○ FLSmidth Wiesbaden GmbH | Germany | 100 |
| ○ FLSmidth Mining Technologies GmbH | Germany | 100 |
| ⌂ thyssenkrupp Industrial Solutions Maroc SARL (in Members voluntary liquidation) | Morocco | 100 |
| ⌂ FLSmidth Cement (Beijing) Ltd. | China | 100 |
| ⌂ PT. FLSmidth Industries Southeast Asia | Indonesia | 100 |
| ⌂ Mining Plants & Systems Bulgaria EOOD | Bulgaria | 100 |
| ⌂ KH Mineral S.A.S. | France | 100 |
| ⌂ OOO FLSmidth Mining Technologies (RUS)** | Russia | 100 |
| ⌂ FLSmidth Mining Technologies (Thailand) Ltd. | Thailand | 100 |

| Company name | Country | Direct Group holding (pct.) |
|---|---|---|
| **FLSmidth Minerals Holding ApS** | Denmark | 100 |
| ○ FLSmidth Private Limited | India | 100 |
| ○ FLSmidth S.A. | Chile | 100 |
| ○ FLSmidth Ltd. | Canada | 100 |
| ○ FLSmidth S.A. de C.V. | Mexico | 100 |
| ○ FLSmidth (Pty.) Ltd. | South Africa | 100 |
| ⌂ FLSMIDTH-SOCIEDADE UNIPESSOAL, LDA | Angola | 100 |
| ⌂ FLSmidth Mozambique Limitada | Mozambique | 100 |
| ⌂ FLSmidth (Pty) Ltd. | Botswana | 85 |
| ⌂ FLSmidth South Africa (Pty.) Ltd. | South Africa | 75 |
| ⌂ FLSmidth Industrial Solutions Africa (Pty) Ltd. | South Africa | 100 |
| › FLSmidth Industrial Solutions South Africa (Pty) Ltd. | South Africa | 100 |
| › FLSmidth Industrial Solutions (Botswana) (Proprietary) Limited | Botswana | 100 |
| › FLSmidth Industrial Solutions Mozambique Limitada | Mozambique | 100 |
| ○ FLSmidth Pty. Ltd. | Australia | 100 |
| ⌂ FLSmidth ABON Pty. Ltd. | Australia | 100 |
| ⌂ IMP Group Pty Ltd (in Members voluntary liquidation) | Australia | 100 |
| ⌂ Intertek Robotic Laboratories Pty Ltd.* | Australia | 50 |
| ⌂ FLSmidth Industrial Solutions (Australia) Pty. Ltd | Australia | 100 |
| ⌂ Ludowici Pty. Limited (in Members voluntary liquidation) | Australia | 100 |
| › Ludowici Packaging Australia Pty. Ltd. (in Members voluntary liquidation) | Australia | 100 |
| › Ludowici Australia Pty. Ltd. (in Members voluntary liquidation) | Australia | 100 |
| » Rojan Advanced Ceramics Pty. Ltd. (in Members voluntary liquidation) | Australia | 100 |
| » Ludowici China Pty Limited (in Members voluntary liquidation) | Australia | 100 |
| ⌂ FLSmidth Krebs Australia Pty. Ltd. (in Members voluntary liquidation) | Australia | 100 |
| ⌂ ESSA Australia Limited (in Members voluntary liquidation) | Australia | 100 |
| ⌂ DMI Holdings Pty. Ltd. (in Members voluntary liquidation) | Australia | 100 |
| ⌂ DMI (Australia) Pty. Ltd. (in Members voluntary liquidation) | Australia | 100 |
| ⌂ Fleet Rebuild Pty. Ltd. (in Members voluntary liquidation) | Australia | 100 |
| › Mayer Bulk Group Pty. Ltd. (in Members voluntary liquidation) | Australia | 100 |
| » FLSmidth Mayer Pty. Ltd. (in Members voluntary liquidation) | Australia | 100 |
| ⌂ FLSmidth M.I.E. Enterprises Pty. Ltd. (in Members voluntary liquidation) | Australia | 100 |

*Associate
**There are no activities in the Russian companies

Section 7

# Basis of reporting


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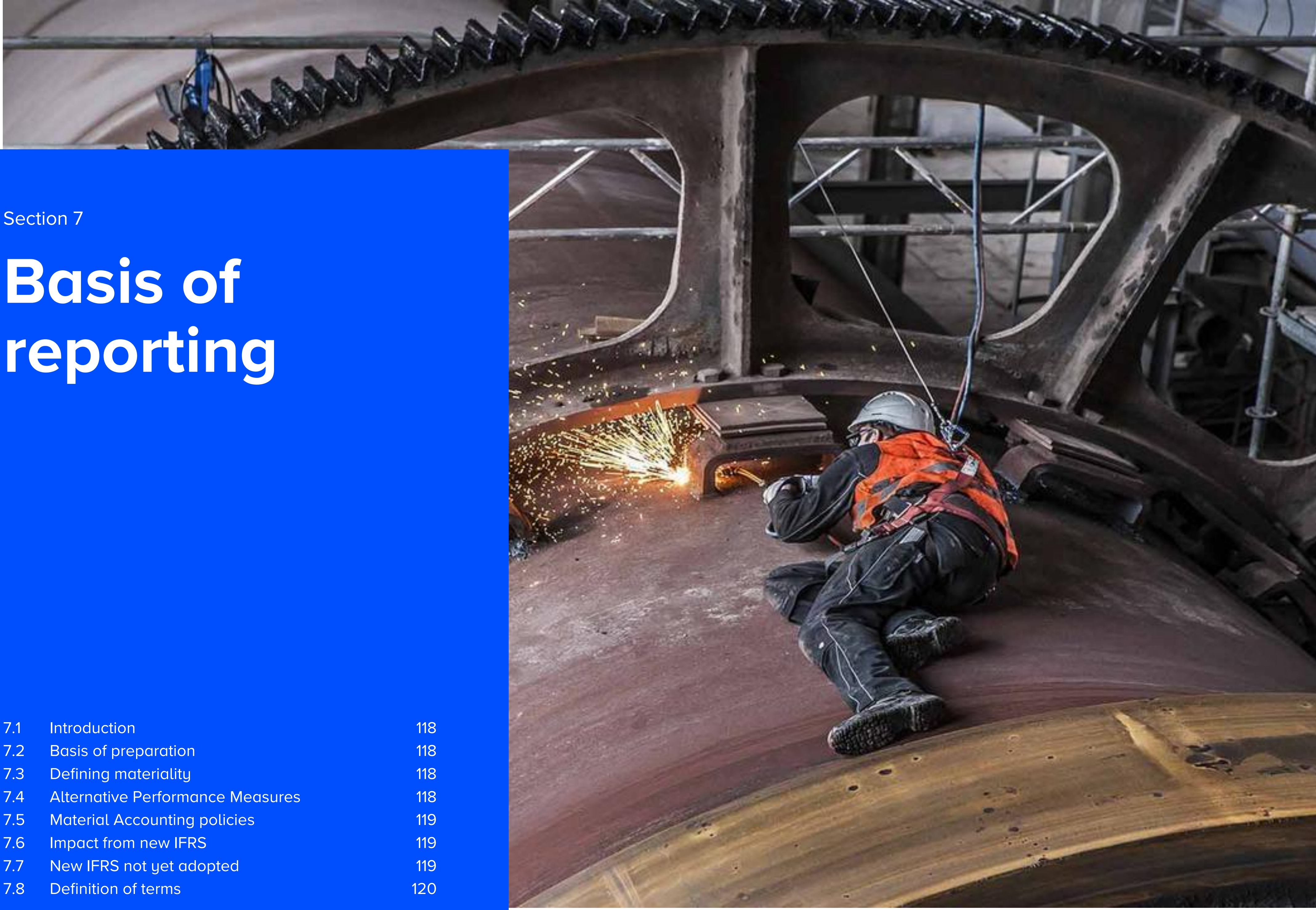

## 7.1 Introduction

This section provides an overview of our principal accounting policies and judgements as well as new and amended IFRS standards and interpretations.

The following sections provide an overall description of the accounting policies applied to the consolidated financial statements. We provide a more detailed description of the accounting policies and key estimates and judgements in the notes. An overview of key accounting estimates and judgements are provided in a separate section after the primary financial statements.

The descriptions of accounting policies in the statements and notes form part of the overall description of accounting policies.

The annual report has been approved by the Board of Directors at its meeting 21 February 2024. The annual report will be presented to the shareholders of FLSmidth & Co. A/S for approval at the Annual General Meeting on 10 April 2024.

## 7.2 Basis of preparation

The consolidated financial statements of FLSmidth Group have been prepared in accordance with IFRS Accounting Standards® as adopted by the EU and further requirements in the Danish Financial Statements Act for listed companies in class D. We have prepared the consolidated financial statements in accordance with all the IFRS accounting standards effective at 31 December 2023. The financial year for the Group is January 1 – December 31.

The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention, except for derivatives and securities, which are measured at fair value. The accounting policies are unchanged from last year except from changes included in note 7.6.

As required under the Commission's Delegated Regulation (EU) 2019/815 (ESEF Regulation), FLSmidth & Co. A/S' annual report is filed in the European Single Electronic Format (ESEF). The consolidated financial statements and notes are tagged using inline eXtensible Business Reporting Language (iXBRL). FLSmidth Group's iXBRL tagging complies with the ESEF taxonomy included in the ESEF Regulation and developed based on the IFRS taxonomy published by the IFRS Foundation. Where a financial statement line item is not defined in the ESEF taxonomy, an extension to the taxonomy has been created, except for elements corresponding to subtotals. The annual report submitted to the Danish Financial Supervisory Authority consists of a zip-file **(**213800G7EG4156NNPG91-2023-12-31-en.zip**)** that includes an XHTML file, that can be opened in standard web browsers and a number of technical XBRL files that make automated extracts of the incorporated XBRL data possible.

## 7.3 Defining materiality

The annual report is based on the concept of materiality, to ensure that the content is material and relevant to the readers. The consolidated financial statements consist of many transactions. These transactions are aggregated into classes according to their nature or function, and presented in classes of similar items in the consolidated financial statements and in the notes as required by IFRS. If items are individually immaterial, they are aggregated with other items of a similar nature in the consolidated financial statements or in the notes.

The disclosure requirements throughout IFRS are substantial, and we provide the specific disclosures required by IFRS unless the information is considered immaterial to the economic decision-making of the readers of these consolidated financial statements.

## 7.4 Alternative Performance measures

We present financial measures which are not defined according to IFRS. We use these alternative performance measures (APM) as we believe that these financial measures provide valuable information to our stakeholders and management. The financial measures should not be considered as a replacement for performance measures as defined under IFRS, but rather as supplementary information.

The alternative performance measures may not be comparable to similarly titled measures presented by other companies, as the definitions and calculations may be different. Our definitions of the financial measures are included in note 7.8 Definition of terms.

We use several alternative performance measures throughout the report. The most commonly used are:

### Growth

We use different alternative performance measures related to growth, such as order intake, order backlog and growth. We use these measures in the daily management of our business, as order intake and order backlog are part of the main indicators of our future activity level.

### Profit

We use different alternative performance measures related to profit, such as EBIT, EBITA and EBITDA. EBITA is a measure which is commonly used within the industry and included in our calculation of return of capital employed. To reflect the underlying performance, we have in 2022 and 2023 supplementary included adjusted EBITA and adjusted EBITA margin in the management report. The adjustments cover the integration costs of DKK 481m (2022: DKK 252m) related to the integration of Mining Technologies. In 2022, EBITA was also adjusted for costs of DKK 200m related to the exit of Russian activities.

### Cash flow

We use different alternative performance measures related to cash flow, such as free cash flow. We use free cash flow to measure how much cash we generate from our operations after maintaining our capital employed. Therefore, free cash flow is determined as cash flow from operating and investing activities.

### Financial position

We use different alternative performance measures related to the financial position, such as capital employed, net working capital and net interest-bearing debt. Capital employed and net working capital are included in our calculation of return of capital employed. Net working capital is also a measure we use in the daily management of our business, as it is closely related to the activity.

# 7.5 Material Accounting policies

The descriptions of material accounting policies in the notes form part of the overall description of accounting policies.

## Consolidation

The consolidated financial statements comprise the financial statements of FLSmidth & Co. A/S (the parent company) and subsidiaries controlled by FLSmidth & Co. A/S, prepared in accordance with Group accounting policies. The consolidated financial statements are prepared by combining items of a uniform nature and subsequently eliminating intercompany transactions, internal shareholdings and balances and unrealised intercompany profits and losses.

## Foreign currencies

The consolidated financial statements are presented in Danish Kroner (DKK) that is the functional currency of the parent company.

Foreign currency transactions are translated into the functional currency defined for each company using the prevailing exchange rates at the transaction date. Monetary items denominated in foreign currencies are translated into the functional currency at the prevailing exchange rates at the reporting date.

Financial statements of foreign subsidiaries are translated into Danish Kroner at the prevailing exchange rates at the reporting date for assets and liabilities, and at average exchange rates for income statement items.

All exchange rate differences are recognised as financial income or financial costs, except for the following, that are recognised in other comprehensive income, translated at the prevailing exchange rates at the reporting date:

- Translation of foreign subsidiaries' net assets at the beginning of the year
- Translation of foreign subsidiaries' income statements from average exchange rates to the exchange rates prevailing at the reporting date
- Translation of long-term intercompany balances, which are considered to form part of the net investment in subsidiaries

Goodwill arising from the acquisition of new companies is treated as an asset belonging to the new foreign subsidiaries and translated into Danish Kroner at prevailing exchange rates at the reporting date.

Unrealised gain/loss relating to hedging of future cash flow is recognised in other comprehensive income.

# 7.6 Impact from new IFRS

We have implemented all changes to IFRS standards as adopted by the EU and applicable for the 2023 financial year, including:

Amendments to IAS1, Disclosure of Accounting Policies (issued February 2021). Disclosure of material accounting policies rather than significant accounting policies.

Amendments to IAS 8, Definition of Accounting Estimates (issued February 2021). The amendment introduces a definition of accounting estimates to distinguish changes in accounting estimates from changes in accounting policies.

Amendments to IAS 12, Deferred taxes (issued May 2021). The amendments clarify the accounting for deferred tax on leases and decommissioning obligations.

Amendments to IAS 12, International Tax Reform Pillar Two Model Rules (issued May 2023). Requires the disclosure of information on the exposure to Pillar Two taxes and provides a mandatory exception from recognising deferred tax related to Pillar II taxes.

The implementation of the above amendments has not had and is not expected to have a significant impact on the consolidated financial statements.

# 7.7 New IFRS not yet adopted

Generally, we expect to implement all new or amended accounting standards and interpretations when they become mandatory and have been endorsed by the EU. IASB has issued new or amended accounting standards, which become effective after 31 December 2023.
The following amendments are relevant for FLSmidth & Co. A/S, but none of these are expected to have a significant impact on the consolidated financial statements:

## New IFRS not yet updated

| IFRS | Description | Effective date |
|---|---|---|
| Amendments to IAS 1, Presentation of Financial Statements | Amendment related to promoting consistency when classifying a liability with an uncertain settlement date as a current or non-current liability. The amendment also requires disclosure of information on the risk that a non-current liability becomes payable within twelve months (issued January 2020 and October 2022) | 01-Jan-24 |
| Amendments to IFRS 16, Leases | Introduces measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 for being accounted for as a sale (issued September 2022) | 01-Jan-24 |
| Amendments to IAS 7 and IFRS 7, Supplier Finance Arrangements | The amendment adds disclosure requirements on supplier finance arrangements (issued May 2023) | 01-Jan-24 |
| Amendments to IAS 21: Lack of Exchangeability | The amendment adds provisions on how to assess whether a currency is exchangeable into another currency and, when it is not, how to estimate the exchange rate and disclosures to be provided (issued August 2023) | 01-Jan-25 |

# 7.8 Definition of terms

### Acquisition development
Development as a consequence of business acquisition, disregarding development from currency. In general, business acquisitions are included in the development from organic growth after 12 months, unless it earlier is impracticable to distinguish acquisition development from organic growth, e.g. due to integration into existing business.

### Alternative performance measure
A financial measure of historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified according to IFRS.

### Book-to-bill
Order intake as a percentage of revenue.

### BVPS (Book value per share)
FLSmidth & Co. A/S´ share of equity excluding minorities divided by year-end number of shares.

### Capital employed, average
In 2023, the average capital employed was adjusted due to the acquisition of Mining Technologies by including the increase in capital employed coming from Mining Technologies prorated to the period when FLSmidth was the owner.

### Capital employed, end of period
Intangible assets (cost) + property, plant and equipment (carrying amount) + lease assets + net working capital.

### Capital expenditure (CAPEX)
Investment in intangible assets as well as property, plant and equipment and leased assets. Excluding impact from acquisitions.

### CFFF
Cash flow from financing activities.

### CFFI
Cash flow from investing activities.

### CFFO
Cash flow from operating activities.

### CFFO / Revenue
CFFO as a percentage of last 12 months’ revenue.

### CFPS (cash flow per share), (diluted)
CFFO as a percentage of average number of shares (diluted).

### Currency development
The difference between the current figure reported and the same figure had the exchange rates towards DKK been the same as in the comparison period.

### DIFOT
Delivery in full on time.

### Dividend yield
Dividend as percent of share price end of year.

### EBIT
Earnings before interest and tax and impairments of investments in associated companies.

### EBIT margin
EBIT as a percentage of revenue.

### EBITA and adj. EBITA
Earnings before, interest, tax, amortisation and impairments of investments in associated companies. Adjusted EBITA equals EBITA plus integration costs of DKK 481m (2022: DKK 252m) and in 2022 also costs to exit Russia of DKK 200m.

### EBITA margin and adj. EBITA margin
EBITA as a percentage of revenue. Adjusted EBITA margin calculated as Adjusted EBITA as a percentage of revenue.

### EBT
Earnings before tax.

### EBT margin
EBT as a percentage of revenue.

### Effective tax rate
Income tax expenses as a percentage of EBT.

### EPC projects
Engineering, procurement and construction.

### EPS projects
Engineering, procurement and supervision.

### EPS (earning per share)
Net profit/(loss) divided by the average number of shares outstanding (adjusted for treasury shares).

### EPS (earnings per share), (diluted)
Net profit/(loss) divided by the average number of shares outstanding (adjusted for treasury shares) less share options in-the-money.

### Equity ratio
Equity as a percentage of total assets.

### Financial gearing (NIBD/EBITDA)
Net interest-bearing debt (NIBD) divided by EBITDA.

### Free cash flow
CFFO + CFFI.

### Free cash flow adjusted for acquisitions and disposals of enterprises and activities
CFFO + CFFI + acquisitions of enterprises and activities - disposals of enterprises and activities.

### Gross margin
Gross profit as a percentage of revenue.

### Growth decomposition
Increase/decrease in percentage compared to last year. Currency effect is current year amount compared to current year amount at last year’s foreign exchange rate. Organic effect is growth +/- currency effect and acquisition effect. Acquired growth from Mining Technologies, which was included from 1 September 2022 (i.e. 4 months in 2022), is included in organic growth in 2023 as it is not possible to fully separate this from the legacy FLSmidth Mining business. In 2022 Mining Technologies was included in acquired growth.

### Market capitalisation
The share price multiplied by the number of shares issued end of year.

# 7.8 Definition of terms
## – continued

### Net interest-bearing debt (NIBD)
Interest-bearing debt less interest-bearing assets and bank balances.

### Net working capital, average
(Net working capital, end of year + net working capital, end of last year)/2.

### Net working capital, end
Inventories + trade receivables + work in progress for third parties, net + prepayments, net + financial instruments, net + other receivables – other liabilities – trade payables.

### Net working capital ratio, average
Net working capital, average as a percentage of last 12 months revenue.

### Net working capital ratio, end
Net working capital as a percentage of last 12 months´ revenue.

### Number of shares outstanding
The total number of shares, excluding FLSmidth's holding of treasury shares.

### NIBD/EBITDA
Net interest-bearing debt (NIBD) divided by last 12 months' EBITDA.

### Operational expenditure (OPEX)
External costs, personal cost and other income and costs.

### Order backlog
The value of outstanding performance obligations on current contracts at end of year.

### Order backlog / Revenue
Order backlog as a percentage of last 12 months´ revenue.

### Order intake
Orders are included as order intake when an order becomes effective, meaning when the contract becomes binding for both parties dependent on the specific conditions of the contract.

### Organic development
Development as a consequence of growth in already existing business, disregarding development from currency.

### Other comprehensive income
All items recognised in equity other than those related to transactions with owners of the company.

### Pay-out ratio
The total dividends for the year as a percentage of profit/(loss) for the year.

### Return on equity
Profit/(loss) for the last 12 months´ as a percentage of equity ((Equity, end of year + equity, end of last year)/2).

### ROCE (return on capital employed)
EBITA as a percentage of capital employed, average.

### Sales, General & Administrative costs (SG&A costs)
Sales cost + Administrative cost ± other operating items.

### Total shareholder return
Share price increase and paid dividend.

### Sustainability related definition of terms

**EU Taxonomy – eligible CAPEX**
FLSmidth CAPEX linked to economic activities currently defined in the EU Taxonomy as a percentage of total additions to tangibles and intangibles, before depreciation, amortisations or any remeasurements. Includes additions through acquisitions.

**EU Taxonomy – eligible OPEX**
FLSmidth OPEX linked to economic activities currently defined in the EU Taxonomy as a percentage of direct OPEX costs. These relate to day-to-day servicing, maintenance and repair of assets used for production, as well as non-capitalised R&D costs.

**EU Taxonomy – eligible revenue**
FLSmidth revenue linked to economic activities currently defined in the EU Taxonomy as a percentage of total revenue. FLSmidth defines revenue-generating eligible equipment and technologies as those aimed at substantial GHG emission reductions in the value proposition of the product offerings.

**EU Taxonomy – aligned CAPEX**
The portion of FLSmidth 'EU Taxonomy - Eligible CAPEX' that is aligned to technical screenings for environmentally sustainable economic activities defined in the EU Taxonomy. Measured as a percentage of total additions to tangibles and intangibles, before depreciation, amortisations or any remeasurements. Includes additions through acquisitions.

**EU Taxonomy – aligned OPEX**
The portion of FLSmidth 'EU Taxonomy - Eligible OPEX' that is aligned to technical screenings for environmentally sustainable economic activities defined in the EU Taxonomy. Measured as a percentage of direct OPEX costs.

**EU Taxonomy – aligned revenue**
The portion of FLSmidth 'EU Taxonomy - Eligible Revenue' that is aligned to technical screenings for environmentally sustainable economic activities defined in the EU Taxonomy. Measured as a percentage of total revenue.

**Number of suppliers screened for sustainability**
Count of suppliers screened. Both active and potential new suppliers. A screening includes review of the suppliers Health and Safety, Environmental and Social performance.

**Scope 1 greenhouse gas emissions (in tonnes $CO_2$-equivalents)**
Scope 1 emissions are direct emissions of greenhouse gases and are measured as $CO_2$-equivalents. Scope 1 emissions for FLSmidth comprise fuel and gas use for various operational activities.

# 7.8 Definition of terms
– continued

**Scope 2 greenhouse gas emissions (GHG) (in tonnes $CO_2$-equivalents)**
Scope 2 emissions include indirect emissions from electricity, heat, steam and cooling purchased and consumed by FLSmidth.

**Scope 3: Economic intensity, use of sold products ($tCO_2e$/DKKm order intake)**
Downstream scope 3 greenhouse gas emissions from lifetime use of sold products sold in the reporting year, divided by order intake for the same period.

**Spend with suppliers with science-based targets**
FLSmidth external spend with companies as having set SBT targets on (website) versus total FLSmidth external spend.

**Total Recorded Incident Rate (including contractors) TRIR**
TRIR accidents include fatalities, Lost time incident (LTI), medically treated injuries (MTI) and Restricted Work cases (RWC). The total recordable incident frequency rate (TRIR) is calculated as the number of TRI accidents per one million hours worked.

**Water withdrawal (m3)**
Water withdrawal includes all resources FLSmidth withdraws from groundwater or consumed from waterworks.

**Women managers, %**
Women employees with one or more direct reports. Share of Women managers by year-end divided by all managers at year-end. (Year-end or respective quarter end).

# Parent company financial statements

## Primary statements


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# Income statement

| Notes | DKKm | 2023 | 2022 |
|---|---|---|---|
| | Dividend from Group enterprises | 17 | 41 |
| | Other operating income and cost | 1 | 1 |
| 1 | Staff costs | (7) | (6) |
| | Other operating costs | (44) | (107) |
| 6 | Impairment of investments in Group enterprises | 0 | (52) |
| 5 | Depreciation, amortisation and impairment | (1) | (1) |
| | **EBIT** | **(34)** | **(124)** |
| 2 | Financial income | 1,572 | 1,693 |
| 2 | Financial costs | (1,402) | (1,612) |
| | **EBT** | **136** | **(43)** |
| 3 | Tax for the year | (20) | 2 |
| | **Profit for the year** | **116** | **(41)** |
| | | | |
| 4 | Distribution of profit for the year: | | |
| | Retained earnings | (115) | (214) |
| | Proposed dividend | 231 | 173 |
| | | **116** | **(41)** |

## Management's review

Parent company FLSmidth & Co. A/S' activities include holding of shares in Group enterprises and the Group's Treasury activities. Regarding the holding of treasury shares reference is made to section 5.1 in the consolidated financial statements.

Dividend from Group enterprises to the parent company, FLSmidth & Co. A/S, amounted to DKK 17m in 2023 (2022: DKK 41m) and the profit for the year amounted to DKK 116m (2022: DKK -41m).

Other operating costs amounted to DKK 44m primarily consisting of administrative costs and Management costs. A decrease compared to 2022 where the cost was affected by extraordinary costs related to the integration of Mining Technologies into FLSmidth Group.

No impairment of investments in Group enterprises occurred in the year.

The increase in net financials is caused by an increase in interest income from Group enterprises. Net financial income is DKK 170m (2022: DKK 81m).

Total assets at year-end amounted to DKK 11,712m (2022: 11,849m) and the equity amounted to DKK 3,688m (2022: 3,740m).

The result for the Parent exceeds the Management's expectations primarily caused by the increase of the interest income.

The financial guidance for 2024 for the Parent is that we expect to realise a profit for the year between DKK 0m and DKK 50m. The guidance for the year does not include any potential impairments of investments in Group enterprises.

# Balance sheet

| Notes | DKKm | 2023 | 2022 |
|---|---|---|---|
| | **Assets** | | |
| 5 | Land and buildings | 6 | 7 |
| 5 | **Property, plant and equipment** | **6** | **7** |
| | | | |
| 6 | Investments in Group enterprises | 3,629 | 2,566 |
| 6 | Other securities and investments | 12 | 16 |
| | **Financial non-current assets** | **3,641** | **2,582** |
| | | | |
| | **Total non-current assets** | **3,647** | **2,589** |
| | | | |
| | Receivables from Group enterprises | 7,665 | 8,594 |
| 7 | Deferred tax assets | 45 | 35 |
| 8 | Other receivables | 92 | 118 |
| | **Receivables** | **7,802** | **8,747** |
| | | | |
| | **Cash and cash equivalents** | **263** | **513** |
| | | | |
| | **Total current assets** | **8,065** | **9,260** |
| | | | |
| | **Total assets** | **11,712** | **11,849** |

| Notes | DKKm | 2023 | 2022 |
|---|---|---|---|
| | **Equity and liabilities** | | |
| | Share capital | 1,153 | 1,153 |
| | Retained earnings | 2,304 | 2,414 |
| | Proposed dividend | 231 | 173 |
| | **Equity** | **3,688** | **3,740** |
| | | | |
| 10 | Provisions | 9 | 9 |
| | **Provisions** | **9** | **9** |
| | | | |
| 11 | Bank loans | 1,429 | 1,716 |
| 11 | Other liabilities | 2 | 0 |
| | **Total non-current liabilities** | **1,431** | **1,716** |
| | | | |
| 11 | Bank loans | 20 | 583 |
| 11 | Debt to Group enterprises | 6,364 | 5,614 |
| 11 | Income tax liabilities | 78 | 38 |
| 11+12 | Other liabilities | 122 | 149 |
| | **Total current liabilities** | **6,584** | **6,384** |
| | | | |
| | **Total liabilities** | **8,024** | **8,109** |
| | | | |
| | **Total equity and liabilities** | **11,712** | **11,849** |

# Equity

| DKKm | Share capital | Retained earnings | Proposed dividend | Total |
|---|---|---|---|---|
| **Equity at 1 January 2022** | **1,153** | **2,626** | **173** | **3,952** |
| Profit for the year | 0 | (41) | 0 | (41) |
| Dividend paid | 0 | 3 | (173) | (170) |
| Proposed dividend | 0 | (173) | 173 | 0 |
| Share-based payment | 0 | (1) | 0 | (1) |
| **Equity at 31 December 2022** | **1,153** | **2,414** | **173** | **3,740** |
| | | | | |
| Profit for the year | 0 | 116 | 0 | 116 |
| Dividend paid | 0 | 3 | (173) | (170) |
| Proposed dividend | 0 | (231) | 231 | 0 |
| Share-based payment | 0 | 2 | 0 | 2 |
| **Equity at 31 December 2023** | **1,153** | **2,304** | **231** | **3,688** |

| Number of shares (1,000): | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Share capital at 1 January | 57,650 | 57,650 | 51,250 | 51,250 | 51,250 |
| Issue of shares | 0 | 0 | 6,400 | 0 | 0 |
| **Share capital at 31 December** | **57,650** | **57,650** | **57,650** | **51,250** | **51,250** |

Share capital is divided into 57,650,000 share of DKK 20 each. Each share entitles its holder to 20 votes, and there are no special rights attached to the shares.

Profit for the year DKK 116m (2022: DKK -41m) is transferred to retained earnings, of which DKK 231m (2022: DKK 173m) is proposed as dividend.

## 1. Staff costs

| DKKm | 2023 | 2022 |
|---|---|---|
| Salaries and other remuneration | 3 | 3 |
| Bonus | 2 | 2 |
| Share-based payment | 2 | 1 |
| | **7** | **6** |
| | | |
| **Average number of employees** | **8** | **8** |

The company pays remuneration to the Group's Board of Directors and the Group's Executive Management employed in Denmark, with the latter being an average of 8 employees (2022: 8).

Most of the compensation is allocated to other Group entities. Remuneration of the company's Board of Directors for 2023 amounts to DKK 7m (2022: DKK 7m), including DKK 0m (2022: DKK 0m) which was incurred by the parent company. The total remuneration of the Group's Executive Management amounted to DKK 77m (2022: DKK 79m), of which DKK 7m (2022: DKK 6m) was incurred by the parent company.

In respect to Group's Executive Management incentive program (bonus and share-based payment) reference is made to sections 1.5 Staff costs and 6.1 Share-based payment in the consolidated financial statements.

## 2. Financial income and costs

| DKKm | 2023 | 2022 |
|---|---|---|
| Interest income | 5 | 8 |
| Interest income from Group enterprises | 443 | 144 |
| Foreign exchange gains | 1,124 | 1,541 |
| **Total financial income** | **1,572** | **1,693** |
| | | |
| Write-down of loans to Group enterprises | 0 | (38) |
| Interest cost | (99) | (41) |
| Interest cost to Group enterprises | (237) | (66) |
| Foreign exchange losses | (1,066) | (1,467) |
| **Total financial costs** | **(1,402)** | **(1,612)** |

Foreign exchange gains and losses relate primarily to derivatives used to hedge the currency exposure for the Group.

## 3. Tax for the year

| DKKm | 2023 | 2022 |
|---|---|---|
| Current tax on profit/loss for the year | (30) | (3) |
| Withholding tax | (1) | (2) |
| Adjustments of deferred tax | 13 | 4 |
| Adjustments regarding previous years, deferred taxes | (3) | 4 |
| Adjustments regarding previous years, current taxes | 1 | (1) |
| **Tax for the year** | **(20)** | **2** |

## 4. Distribution of profit for the year

Proposed distribution of profit:

| DKKm | 2023 | 2022 |
|---|---|---|
| Proposed dividend | 231 | 173 |
| Retained earnings | (115) | (214) |
| **Profit for the year** | **116** | **(41)** |

## 5. Property, plant and equipment

| DKKm | Land and buildings | Operating equipment, fixtures and fittings | 2023 Total |
|---|---|---|---|
| Cost at 1 January | 23 | 2 | 25 |
| **Cost at 31 December** | **23** | **2** | **25** |
| | | | |
| Depreciation and impairment at 1 January | (16) | (2) | (18) |
| Depreciation | (1) | 0 | (1) |
| **Depreciation and impairment at 31 December** | **(17)** | **(2)** | **(19)** |
| | | | |
| **Carrying amount at 31 December** | **6** | **0** | **6** |

| DKKm | Land and buildings | Operating equipment, fixtures and fittings | 2022 Total |
|---|---|---|---|
| Cost at 1 January | 23 | 2 | 25 |
| **Cost at 31 December** | **23** | **2** | **25** |
| | | | |
| Depreciation and impairment at 1 January | (15) | (2) | (17) |
| Depreciation | (1) | 0 | (1) |
| **Depreciation and impairment at 31 December** | **(16)** | **(2)** | **(18)** |
| | | | |
| **Carrying amount at 31 December** | **7** | **0** | **7** |

# 6. Financial non-current assets

Financial non-current assets include investments in Group enterprises measured at cost less impairment and other securities and investments measured at fair value.

The additions and disposals for the year are related to our pure play strategy which has resolved in regrouping of the ownership of specific entities within the group structure.

For specification of investments in Group enterprises see note 6.5 in the consolidated financial statements.

| DKKm | Investments in Group enterprises | Other securities and investments | 2023 Total |
|---|---|---|---|
| Cost at 1 January | 3,245 | 37 | 3,282 |
| Additions | 2,026 | 0 | 2,026 |
| Disposals | (963) | 0 | (963) |
| **Cost at 31 December** | **4,308** | **37** | **4,345** |
| | | | |
| Impairment/fair value adjustments at 1 January | (679) | (21) | (700) |
| Fair value adjustments | 0 | (4) | (4) |
| **Impairment/fair value adjustments at 31 December** | **(679)** | **(25)** | **(704)** |
| | | | |
| **Carrying amount at 31 December** | **3,629** | **12** | **3,641** |

| DKKm | Investments in Group enterprises | Other securities and investments | 2022 Total |
|---|---|---|---|
| Cost at 1 January | 3,245 | 37 | 3,282 |
| **Cost at 31 December** | **3,245** | **37** | **3,282** |
| | | | |
| Impairment/fair value adjustments at 1 January | (627) | (16) | (643) |
| Impairment | (52) | 0 | (52) |
| Fair value adjustments | 0 | (5) | (5) |
| **Impairment/fair value adjustments at 31 December** | **(679)** | **(21)** | **(700)** |
| | | | |
| **Carrying amount at 31 December** | **2,566** | **16** | **2,582** |

### Result of annual impairment test

At the end of 2023, the cost price of the investments in subsidiaries was tested for impairment. The impairment test was based on value in use. The impairment test did not reveal an impairment loss or reversal of impairments recognised in prior years.

In the annual impairment test 2022, an impairment loss amounting to DKK 52m in the subsidiary FLSmidth Cement A/S was identified.

**Key assumptions**

The impairment test has been based on a five year forecast for FLSmidth Cement A/S. The applied discount rate after tax is 10.5% (2022: 10.0%) and reflects the latest market assumptions for the risk free rate based on a 10-year US government bond, the equity risk premium and the cost of debt. The long-term growth rate for the terminal period in the impairment test 2022 was based on the expected growth in the world economy as well as input from current long-term swaps. Based on these factors, a long-term annual growth rate for the terminal period of 3.0% was applied in 2022. In 2023, the long-term growth has been decreased to 2.0%.

# 7. Deferred tax assets and liabilities

| DKKm | 2023 | 2022 |
|---|---|---|
| Tangible assets | 17 | 17 |
| Liabilities | 28 | 18 |
| **Net value of deferred tax assets** | **45** | **35** |

For impact from deferred taxes on the income statement, see note 3.

# 8. Other receivables

Other receivables mainly include foreign exchange rate derivatives with positive fair value of DKK 54m (2022: DKK 82m). The derivatives relate to Group Treasury's hedge of the currency exposure in the Group.

## 9. Derivatives

The currency exposure for the Group is hedged according to the Financial Policy, however at Parent company level, the hedges are treated as economic hedges, as no hedge accounting is applied. At 31 December 2023, the fair value of hedge agreements amounted to DKK -11m (2022: DKK -3m). More information on the background etc. for hedging of the currency exposure in FLSmidth Group can be found in note 5.5 Derivatives in the consolidated financial statements.

| Economic hedge, DKKm | | 2023 |
|---|---|---|
| **Currency** | **Notional amount** | **Net fair value** |
| AUD | 127 | (2) |
| CAD | 509 | 11 |
| CLP | (186) | 1 |
| GBP | 412 | 1 |
| MXN | 276 | 3 |
| PLN | 129 | 1 |
| USD | 1,882 | (26) |
| Other | 0 | 0 |
| **Total** | | **(11)** |

A negative notional amount represents a sale of the currency

| Economic hedge, DKKm | | 2022 |
|---|---|---|
| **Currency** | **Notional amount** | **Net fair value** |
| AUD | 86 | 9 |
| CAD | 422 | 2 |
| CLP | 4 | (1) |
| GBP | 581 | (10) |
| MXN | 255 | 4 |
| PLN | 77 | 1 |
| USD | 1,821 | (9) |
| Other | 0 | 1 |
| **Total** | | **(3)** |

A negative notional amount represents a sale of the currency

## 10. Provisions

| DKKm | 2023 | 2022 |
|---|---|---|
| Provisions at 1 January | 9 | 9 |
| Addition | 0 | 0 |
| Reversals | 0 | 0 |
| **Provisions at 31 December** | **9** | **9** |

## 11. Maturity profile of current and non-current liabilities

Maturity profile of liabilities:

| DKKm | 2023 | 2022 |
|---|---|---|
| Bank loans | 20 | 583 |
| Debt to Group enterprises | 6,364 | 5,614 |
| Income tax liabilities | 78 | 38 |
| Other liabilities | 122 | 149 |
| **Within one year** | **6,584** | **6,384** |
| Bank loans | 1,429 | 1,716 |
| Other liabilities | 2 | 0 |
| **Within one to five years** | **1,431** | **1,716** |
| **After five years** | **0** | **0** |
| **Total** | **8,015** | **8,100** |

## 12. Other liabilities

Other liabilities include foreign exchange rate derivatives with negative fair value of DKK 63m (2022: DKK 84m). The derivatives relate to Group Treasury's hedge of the currency exposure in the Group.

## 13. Audit Fee

In addition to statutory audit, EY Godkendt Revisionspartnerselskab, the Parent company auditors provided other assurance engagements to the Parent company.

| DKKm | 2023 | 2022 |
|---|---|---|
| Statutory audit | 5 | 4 |
| Other assurance engagement | 1 | 1 |
| **Total audit related services** | **6** | **5** |
| **Total fees to independent auditor** | **6** | **5** |

## 14. Contractual and contingent liabilities

The parent company has provided guarantees primarily to financial institutions at a total amount of DKK 11,941m (2022: DKK 13,521m) of which DKK 4,107m have been utilised in 2023 (2022: DKK 6,794m). Out of the total amount, DKK 10,931m are related to parent corporate guarantees issued for guarantee facilities with banks (2022: DKK 11,315m), out of which DKK 3,482m is utilised (2022: DKK 5,157m).

In connection with disposal of enterprises, normal guarantees, etc. are issued to the acquiring enterprise. Provisions are made for estimated losses on such items.

The parent company is the administration company of the Danish joint taxation. According to the Danish corporate tax rules, as of 1 July 2012, the Company is obliged to withhold taxes on interest, royalty and dividend for all companies subjected to the Danish joint taxation scheme.

The parent company has issued letter of support for a limited number of Group companies.

There are no significant contingent assets or liabilities apart from the above.

## 15. Related party transactions

Related parties include the parent company's Board of Directors and Group Executive Management and the Group companies and associates that are part of the Group.

There have been no transactions with related parties in 2023 and 2022, apart from Group Executive Management´s remuneration stated in note 1, dividend and Treasury activities as mentioned below. Capital transactions with subsidiaries are included in note 6 and balances are disclosed separately in the balance sheet. Dividends received are disclosed in the income statement.

Parent company's sales of services consist of managerial services and insurance services. The parent company´s purchase of services mainly consists of legal and tax assistance provided by the subsidiary FLSmidth A/S.

Financial income and costs are attributable to the FLSmidth Group's in-house Treasury function, which is performed by the parent company, FLSmidth & Co. A/S. Other receivables and other liabilities are mainly attributable to this activity.

For guarantees provided by the parent company for related parties, see note 14.

## 16. Shareholders

At 21 February 2024:

Two shareholders have reported a participating interest above 10%:

- Altor Invest 7 AS
- Lundbeckfond Invest A/S, Denmark.

No other shareholders have reported a participating interest above 5%.

## 17. Events after the balance sheet date

For more information refer to note 6.4 Events after the balance sheet date in the consolidated financial statements.

We are not aware of any other subsequent matters, that could be of material importance to FLSmidth's financial position.

## 18. Accounting policies – parent company

The financial statements of the Parent company (FLSmidth & Co. A/S) are prepared in conformity with the provisions of the Danish Financial Statements Act for reporting class D enterprises.

To ensure uniform presentation, the terminology used in the consolidated financial statements has as far as possible been applied in the Parent company's financial statements.

The accounting policies for the Parent company are unchanged from 2022.

### Income statement

The company's main activity, dividend income from Group enterprises, is presented first in the income statement.

### Dividend from Group enterprises

Dividend from investments in Group enterprises is recognised as income in the parent company's 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 distribution from the company concerned. When the dividend distributed exceeds the accumulated earnings after the date of acquisition, the dividend is recognised in the income statement, however, this will trigger an impairment test of the investment.

### Property, plant and equipment

Depreciation is charged on a straight line basis over the estimated useful life of the assets until they reach the estimated residual value. In the parent company's financial statements, the depreciation period and the residual value are determined at the time of acquisition and are reassessed every year.

Estimated useful life is as follows:

- Buildings, 20-40 years
- Operating equipment and fixtures and fittings, 3-15 years
- Land is not depreciated.

### Leases

The company has chosen IAS 17 as an interpretation for the accounting for leases. Operating leases are recognised in the income statement on a straight line basis.

### Investments in group enterprises

Investments in Group enterprises are measured at cost less impairment. Where the cost exceeds the recoverable amount, an impairment loss is recognised to this lower value. To the extent the distributed dividend exceeds the accumulated earnings after the date of acquisition, an impairment test of the investment is triggered.

### Other securities and investments

Other securities and investments consist of shares in cement plants that are acquired in connection with the signing of contracts and are measured at fair value. Value adjustments are recognised in the income statement as financial items.

### Receivables and financial liabilities

Receivables from Group enterprises are measured at amortised cost. The company has chosen IAS 39 as interpretation for impairment of financial assets. Therefore, an impairment loss on a receivable is recognised if it is expected that the receivable will not be collected in full.

Financial liabilities other than derivatives, are measured at amortised cost.

Derivatives are measured at fair value on a recurring basis with value adjustments recognised in the income statement as financial items. Derivatives with a positive fair value are presented in the line item Other receivables and derivatives with a negative fair value are presented in the line item Other liabilities.

### Cash flow statement

As the consolidated financial statements include a cash flow statement for the whole Group, no individual statement for the parent company has been included, see the exemption provision, section 86(4) of the Danish Financial Statements Act.

# Statement by Management

The Board of Directors and the Executive Board have today considered and approved the Annual Report for the financial year 1 January – 31 December 2023.

The consolidated financial statements are prepared in accordance with IFRS Accounting Standards as adopted by the EU. The Parent company financial statements are prepared in accordance with the Danish Financial Statements Act. Further, the Annual Report is prepared in accordance with additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the Parent company financial statements give a true and fair view of the Group's and the Parent company's financial position at 31 December 2023 as well as of the results of their operations and the consolidated cash flows for the financial year 1 January – 31 December 2023.

In our opinion, the management's review gives a fair review of the development in the Group's and the Parent company's activities and financial matters, results of operations, consolidated cash flows and financial position as well as a description of material risks and uncertainties that the Group and the Parent company face.

In our opinion, the annual report for the financial year 1 January – 31 December 2023 with the file name 213800G7EG4156NNPG91-2023-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

We recommend the Annual report for adoption at the Annual General Meeting.

Valby, 21 February 2024

## Executive management

**Mikko Juhani Keto**
Group CEO

**Roland M. Andersen**
Group CFO

## Board of directors

**Tom Knutzen**
Chair

**Mads Nipper**
Vice chair

**Anne Louise Eberhard**

**Thrasyvoulos Moraitis**

**Gillian Dawn Winckler**

**Daniel Reimann**

**Claus Østergaard**

**Leif Gundtoft**

**Carsten Hansen**

# Independent auditor's report

## To the shareholders of FLSmidth & Co. A/S

### Report on the audit of the consolidated financial statements and parent company financial statements

### Opinion

We have audited the consolidated financial statements and the parent company financial statements of FLSmidth & Co. A/S for the financial year 1 January – 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including material accounting policy information, for the Group and the parent company, and a consolidated statement of comprehensive income and a consolidated cash flow statement. The consolidated financial statements are prepared in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at 31 December 2023 and of the results of the Group's operations and cash flows for the financial year 1 January – 31 December 2023 in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

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

Our opinion is consistent with our long-form audit report to the Audit Committee and the Board of Directors.

### 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 consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "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 Group 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.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

***Appointment of auditor***

We were initially appointed as auditor of FLSmidth & Co. A/S on 30 March 2017 for the financial year 2017. We have been reappointed annually by resolution of the general meeting for a total consecutive period of 7 years including the financial year 2023.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2023. These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section, including in relation to the key audit matters below. Our audit included the design and performance of procedures to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

***Accounting for projects***

The material accounting policy information and disclosures about revenue recognition related to projects are included in notes 1.4, 2.7 and 3.4 to the consolidated financial statements.

FLSmidth's Mining and Cement segments deliver customised equipment (projects in the form of more complex product bundles with engineering), which usually have a significant contract price and typically extends over more than one financial year. Due to the nature of these projects and in accordance with the accounting policy, FLSmidth recognises and measures revenue from such long term projects over time based on the cost-to-cost method.

Accounting for projects involve significant management judgments in respect of estimating the cost to complete the projects, including risk contingencies, warranties, liquidated damages, claims and the expected time to completion as well as the risk of credit losses. Together with the impact from executing projects in parts of the world where macro-economic and geopolitical factors as well as various on-going conflicts may have an adverse effect, changes in these estimates during the execution of projects can significantly impact the revenue, cost and contribution recognised. Accordingly, we considered the accounting for projects to be a key audit matter for the consolidated financial statements.

*How our audit addressed the key audit matter*

As part of our procedures, we assessed the judgments made by management regarding the estimated costs to complete the projects and the assumptions made in assessment of warranty provisions by comparing these on a sample basis to underlying accounting records and supporting documentation. We assessed the changes in estimated project cost and risk contingencies by comparing these to budgets, latest estimates and underlying documentation on a sample basis, and discussed these with project accounting, project management and group management. We further assessed management's judgements regarding exposures related to claims and liquidated damages for projects and provisions to mitigate contract-specific financial risks as well as the risk of credit losses. For those balances subject to claims, we made inquiries of external and internal legal counsel.

***Valuation of inventory***
The material accounting policy information and disclosures about inventories are included in note 3.2 to the consolidated financial statements.

FLSmidth carries inventories in the balance sheet at the lower of cost and net realisable value. The inventories include strategic items, which are held in inventory, even if slow moving, because they are considered key equipment for the customers that FLSmidth needs to be able to deliver with short notice. The valuation of inventories involves significant management judgements to determine whether inventories are still technically relevant when demand for the inventory items is expected. The current market conditions are also considered. Accordingly, we considered this to be a key audit matter for the consolidated financial statements.

*How our audit addressed the key audit matter*
As part of our procedures, we analysed the ageing of inventories recorded and obtained on a sample basis supporting documentation regarding valuation of slow moving items. Further, we assessed management's judgements in respect of the expected market demand and expected sales price for significant aged items by comparing these on a sample basis to available supporting documentation.

***Valuation of trade receivables***
The material accounting policy information and disclosures about trade receivables are included in note 3.3 to the consolidated financial statements.

FLSmidth carries trade receivables in the balance sheet at the amortised costs net of impairment losses, which is the original invoice amount less an estimated loss allowance for lifetime expected credit losses. FLSmidth has significant trade receivables from a wide range of customers across the world. Trade receivables include inherent risk of credit losses influenced by specific characteristics and circumstances of the customer, e.g. the customer's ability to pay, access to securities and payment guarantees, as well as the ageing of the receivable. The current market conditions and any country specific matters are also considered. Accordingly, we considered this to be a key audit matter for the consolidated financial statements.

*How our audit addressed the key audit matter*
As part of our procedures, we analysed the ageing of trade receivables and obtained on a sample basis supporting documentation regarding management's expected credit losses from items with particular risk characteristics. We evaluated management's assessment of recoverability particularly for significant aged items by corroborating them on a sample basis against internal and external evidence regarding the likelihood of payment.

## Statement on the 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 by relevant law and regulations.

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 relevant law and regulations. We did not identify any material misstatement of the Management's review.

## Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act.

Moreover, Management is responsible 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 Group's and the parent 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 Group or the parent company or to cease operations, or has no realistic alternative but to do so.

## 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 Group's and the parent 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 Group's and the parent 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 Group and the parent 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## Report on compliance with the ESEF Regulation

As part of our audit of the consolidated financial statements and parent company Financial Statements of FLSmidth & Co. A/S, we performed procedures to express an opinion on whether the annual report of FLSmidth & Co. A/S for the financial year 1 January – 31 December 2023 with the file name 213800G7EG4156NNPG91-2023-12-31-en.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements including notes.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the consolidated financial statements presented in human readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the consolidated financial statements including notes;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited consolidated financial statements.

In our opinion, the annual report of FLSmidth & Co. A/S for the financial year 1 January – 31 December 2023 with the file name 213800G7EG4156NNPG91-2023-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 21 February 2024
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

**Henrik Kronborg Iversen**
State Authorised
Public Accountant
mne24687

**Jens Thordahl Nøhr**
State Authorised
Public Accountant
mne32212

# Forward looking statements

FLSmidth & Co. A/S' financial reports, whether in the form of annual reports or interim reports, filed with the Danish Business Authority and/or announced via the company's website and/or NASDAQ Copenhagen, as well as any presentations based on such financial reports, and any other written information released, or oral statements made, to the public based on this report or in the future on behalf of FLSmidth & Co. A/S, may contain forward looking statements.

Words such as 'believe', 'expect', 'may', 'will', 'plan', 'strategy', 'prospect', 'foresee', 'estimate', 'project', 'anticipate', 'can', 'intend', 'target' and other words and terms of similar meaning in connection with any discussion of future operating or financial performance identify forward-looking statements. Examples of such forward-looking statements include, but are not limited to:

- Statements of plans, objectives or goals for future operations, including those related to FLSmidth & Co. A/S' markets, products, product research and product development.
- Statements containing projections of or targets for revenues, profit (or loss), CAPEX, dividends, Products structure or other net financial items.
- Statements regarding future economic performance, future actions and outcome of contingencies such as legal proceedings and statements regarding the underlying assumptions or relating to such statements.
- Statements regarding potential merger & acquisition activities.

These forward-looking statements are based on current plans, estimates and projections. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, which may be outside FLSmidth & Co. A/S' influence, and which could materially affect such forward-looking statements.

FLSmidth & Co. A/S cautions that a number of important factors, including those described in this report, could cause actual results to differ materially from those contemplated in any forward-looking statements.

Factors that may affect future results include, but are not limited to, global as well as local political and economic conditions, including interest rate and exchange rate fluctuations, delays or faults in project execution, fluctuations in raw material prices, delays in research and/or development of new products or service concepts, interruptions of supplies and production, unexpected breach or termination of contracts, market-driven price reductions for FLSmidth & Co. A/S' products and/or services, introduction of competing products, reliance on information technology, FLSmidth & Co. A/S' ability to successfully market current and new products, exposure to product liability and legal proceedings and investigations, changes in legislation or regulation and interpretation thereof, intellectual property protection, perceived or actual failure to adhere to ethical marketing practices, investments in and divestitures of domestic and foreign enterprises, unexpected growth in costs and expenses, failure to recruit and retain the right employees and failure to maintain a culture of compliance. Unless required by law FLSmidth & Co. A/S is under no duty and undertakes no obligation to update or revise any forward-looking statement after the distribution of this report.

Annual report 2023
1 January – 31 December 2023

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