1 January –
31 December 2022
Annual Report 2022

FLSmidth & Co. A/S
Vigerslev Allé 77
DK-2500 Valby
CVR No. 58180912

# Annual Report 2022

FLSmidth

# 2022 FLSmidth reports


## Sustainability Report 2022

In our Sustainability Report 2022, we disclose our progress towards achieving our sustainability ambitions.


## Corporate Governance Statement 2022

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 2022

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


## Annual Report 2022

The Annual Report for the FLSmidth Group provides financial and operational information about the Group's performance in 2022, and it describes the Group's strategic plans and future goals.

# Contents

## Management review



## Financial statements



**About this report**
The Annual Report for the FLSmidth Group provides financial and operational information about the Group's performance in 2022, and it describes the Group's strategic plans and future goals. FLSmidth also publishes a Corporate Governance Statement, a Sustainability Report and a Remuneration Report. FLSmidth & Co. A/S is listed on NASDAQ OMX Copenhagen (Denmark).

# FY22 highlights

## Mining Technologies (ex-TK)*

**TK Mining* acquisition completed 31 August 2022**

Creating a leading global mining technology and service provider

## Mining

**15,082**
Mining revenue (DKKm)

**10.6%**
Adjusted EBITA margin

## Organisation

**Mikko Keto, new CEO**
as of 1 January 2022

**Tom Knutzen, new Chair**
as of 30 March 2022

## Cement

**6,264**
Cement revenue (DKKm)

**3.3%**
EBITA margin

## Strategy

**New pure play strategies**

New pure play strategies launched for Mining and Cement including new long-term financial targets

## Non-Core Activities

**Non-Core Activities segment established in Q4 2022**

Full exit by way of divestment or wind-down

*Mining Technologies (ex-TK) refers to the former thyssenkrupp Mining business (TK Mining)

# Letter to our shareholders

FLSmidth kickstarted its pure play strategy transformation in 2022 – and many actions have already been taken to accelerate and execute this. In addition, our legacy FLSmidth Mining business and our Cement business significantly improved profitability despite the everchanging environment.

Looking back on our first year as Chair and CEO at FLSmidth, it has undoubtedly been a busy and eventful one. We are very proud of the hard work and dedication from all our employees that have enabled us to deliver a robust performance while successfully navigating a challenging macroenvironment and numerous business changes.

## No green transition without minerals

The importance of minerals to the green transition cannot be overestimated. Supply of critical minerals like copper, lithium, nickel, and cobalt faces continued pressure to meet the ever-growing demand, and hundreds of new mines are required for these critical minerals by 2030 to avoid a delay to the green transition.

Similarly, cement is essential to infrastructure and renewable energy projects. As cement remains one of the most carbon intensive industries in the world accounting for ~7% of global $CO_2$ emissions, it is critical that the environmental impact of cement production is reduced.

Solving these crucial challenges is what drives us at FLSmidth. It is both an opportunity and our responsibility. With our MissionZero technologies and solutions, we are uniquely positioned to significantly reduce our customers' environmental footprint and at the same time improve their productivity and profitability.

## Strengthened our Mining business

During the autumn, we successfully completed one of our biggest acquisitions in our history – namely the acquisition of thyssenkrupp's Mining business – and on 1 September 2022 we welcomed ~2,000 new colleagues. With this acquisition, FLSmidth is better positioned than ever before to provide mining customers with best-in-class full flowsheet technologies and service solutions to enhance their productivity and sustainability agenda.

## Kickstarted our transformation in 2022

During 2022 FLSmidth created a new platform for improved long-term profitability, lower risk, reduced volatility and enhanced strategic focus on the core value creating parts of the business.

We implemented a pure play strategy to maximise respective opportunities in Mining and Cement as they have different markets, customers and opportunities. This also kickstarted our transformation journey, including a sharpened strategic focus on technology, products, services and sustainability.

To support our transformation, we have also begun to significantly simplify our operating model to reduce risks, improve efficiencies, ensure stronger execution and improve profitability and quality of earnings. This includes optimising our global footprint, delayering our organisation, taking out synergies related to the Mining Technologies (ex-TK) acquisition and moving towards a principal company model. As a result, we have reduced our workforce by ~10% across both Mining and Cement.

We have also made significant strides to de-risk our business by implementing risk quotas and stringent risk management and governance around our portfolio. This ensures that the opportunities we pursue and the contracts we accept carry less risks, are reduced in terms of complexity, are more profitable and are aligned with our long-term strategic priorities.

> It has been crucial for us to reinvigorate ourselves and provide a clear strategic direction to create a new foundation of trust. Focus is now on execution to build trust through results.
>
> *Tom Knutzen, Chair*

Following the completion of the Mining Technologies (ex-TK) acquisition, we conducted a planned strategic review of the combined mining product portfolio. As a result of this, we decided to split our Mining business into two segments: a continuing Mining segment, and a Non-Core Activities segment. This ensures a clear focus and stronger execution on our core Mining activities which are key to accelerate our long-term profitability and growth. We will exit non-core mining activities, which have been diluting our profitability for years. We expect to have fully exited the Non-Core Activities segment over the next three years, and we have devoted dedicated resources to ensure strong execution of this.

## An event unlike any other

Just when we started to think that our business environment was approaching normality after the pandemic, war broke out in Europe – something that most of us never thought would happen in our lifetime. We are deeply saddened by the tragic developments in Ukraine and our thoughts are with all the people who have been affected by this. As a result, we immediately decided to suspend all new business in Russia and Belarus, and we have during 2022 exited Russia.

## Improved performance in 2022

We have already seen positive effects from some of the implemented changes during 2022. Throughout the year, our legacy FLSmidth Mining business showed a sustained strong growth in order intake and revenue especially due to improved Service activity. Cement has shown a stable performance and continued the positive trend of improving profitability, and thereby returned to positive EBITA.

As a result of this, we delivered an improved performance in 2022 with Mining and Cement revenue growth of 29% and 7% over 2021, respectively. Revenue and EBITA margin for the Group, Mining, Cement and Non-Core Activities all ended in line with our latest FY 2022 guidance as of 8 November 2022.

During 2022 we received eight large orders with a combined value of around DKK 3.2bn and secured a book-to-bill of 113% for the year. Cash remains a core focus and despite significant costs to exit our activities in Russia and costs related to the integration of Mining Technologies (ex-TK), and costs from restructuring the business, we delivered a cash flow from operations of DKK 968m.

In addition, we have made good progress on most of our Science-Based Targets and we have improved our ESG ratings. The gender pay gap has been reduced across the organisation, but there is still room for further improvement to achieve our long-term diversity targets.

## Our new long-term financial targets

On 18 January 2023, at our Capital Markets Day, we officially launched our new pure play strategies for Mining and Cement including new long-term financial targets.

Our previous mid- and long-term financial targets were withdrawn in connection with the release of the Annual Report 2020 due to the uncertainty around the pandemic and other structural changes. Following the acquisition of Mining Technologies (ex-TK), our pure play approach and the establishment of a Non-Core Activities segment, we have gained improved visibility into each of our different businesses. Consequently, we introduced new long-term financial targets for the FY2026 with a core focus on quality of earnings and reduced earnings volatility. For the FY2026, we expect to deliver a 13-15% EBITA margin in Mining and an ~8% EBITA margin in Cement.

Key drivers to achieve these targets – both within Mining and Cement - include simplification of our operating model and footprint, de-risking, driving Service growth and improving our portfolio mix within both our Products and Service business lines.

## Execution is key for the year ahead

In 2022 we celebrated our 140th anniversary. While many things have changed since 1882, our passion to discover and innovate, our commitment to our customers, and most importantly, the talent and dedication of our employees have been at the heart of every achievement made since day one.

The path forward for FLSmidth will be supported by the opportunity to capitalise on the demand for sustainable solutions, to grow our market share and to become a more profitable company.

While we acknowledge macroenvironment challenges such as geopolitical turmoil, an energy crisis and a potential recession, we believe these challenges are manageable and significantly outweighed by the fundamental long-term business drivers – that are: the much-required green transition, economic growth and specific industry opportunities within the mining and cement industries.

In 2023, we look forward to seeing even more progress as we continue to walk-the-talk, drive our transformation and continue the implementation of our pure play strategies. We are confident that we have the right team and the right strategies in place, and that we will deliver even greater results together.

To all employees at FLSmidth, thank you for all your efforts in 2022 and we look forward to bringing our new strategies to life together with you during 2023.

**Tom Knutzen**
Chair

**Mikko Keto**
CEO

With the launch of our new pure play strategies, we have now 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*


# Highlights

# Financial performance highlights 2022

## GROUP

### Order intake
DKKm

24,644
▲ 28%


### Revenue
DKKm

21,849
▲ 24%


### EBITA & EBITA margin
DKKm - %

943 4.3% (adj. 6.4%)
▼ -8%


### Cash flow from operating activities
DKKm 968 ▼ from DKKm 1,449 in 2021

### Earnings per share
DKK 6.5 ▼ from DKK 6.9 in 2021

### Net working capital ratio
7.8% ▲ from 6.0% end of 2021

### NIBD/EBITDA
0.6x ▲ from -0.6x end of 2021

## MINING

### Order intake
DKKm

17,822
▲ 34%

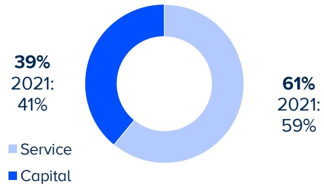

### Revenue
DKKm

15,082
▲ 29%


### EBITA & EBITA margin
DKKm - %

1,146 7.6% (adj. 10.6%)
▲ 9%


### Revenue split by Service & Capital
%




## CEMENT

### Order intake
DKKm

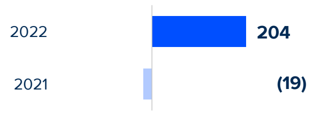
6,613
▲ 11%


### Revenue
DKKm

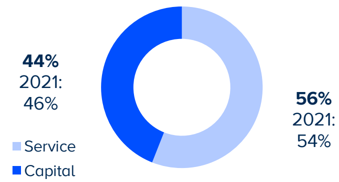
6,264
▲ 7%


### EBITA & EBITA margin
DKKm - %

204 3.3%
▲ 1,174%



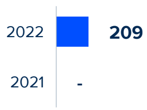

### Revenue split by Service & Capital
%




## NON-CORE ACTIVITIES

### Order intake
DKKm

209



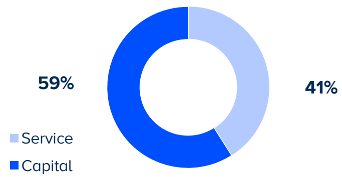

### Revenue
DKKm

503


### EBITA & EBITA margin
DKKm - %

(407) -80.9%


### Revenue split by Service & Capital
%



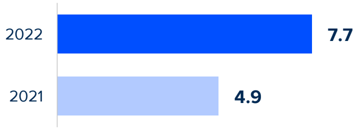
# Sustainability performance highlights 2022

### Spend with suppliers with science-based targets

% of total supplier spend

7.7

▲ 2.8% points improvement




We increased our spend with suppliers who have set decarbonisation targets as we work towards our target to achieve 30% spend by 2025. We engage with suppliers to support them in setting emission reduction targets.

### Scope 1 & 2 greenhouse gas emissions[1)]

$tCO_2e$ (market-based)

36,767

▼ 5.8% deterioration

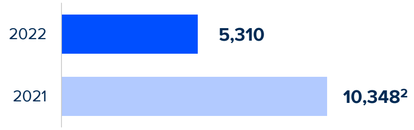

Return to work after COVID-19 and less use of renewable energy drove up scope 2 emissions, while scope 1 emissions decreased. Despite this, combined emissions were below our 43,622 $tCO_2e$ target. Increasing the use of renewable energy will be a key driver towards carbon neutrality by 2030.

### Scope 3: Economic intensity (use of sold products)[1)]

$tCO_2e$/DKKm order intake

5,310

▲ 49% improvement




Key factors in the improvement were lower sales of heavy-$CO_2$-emitting cement products and increased sale of MissionZero products. We measure this target over a multi-year period to accurately understand its long-term trend. Annualised average improvement against our 2019 baseline is 21%.

### Water withdrawal

$m^3$

178,064

▲ 12% improvement


Water withdrawal in 2022 reduced significantly, despite an increase in the number of sites globally. This is due to various water-saving initiatives and a high focus on better data quality and reporting procedures.

### Safety (Total recordable injury rate)

Total recordable injury rate/million working hours

1.5

▲ 0.4 improvement


Our total recordable injury rate (TRIR) improved in 2022 from the previous year, but we did not achieve our target of 1.3. We will continue to promote safety at our manufacturing sites, service centres and customer sites and will intensify the focus on safety behaviour in the organisation.

### Women managers

%

14.3

No improvement


We did not achieve our 15.7% target for women managers in 2022 and saw no improvement from 2021. Through active recruitment, career development and leadership training, we aim to achieve our diversity target of having 25% women managers by 2030.

### Quality (DIFOT)

%

81.9

▼ 3.2% points deterioration


Global supply chain issues have been challenging throughout the year. The situation has eased somewhat during the year, and we have continuously been able to partly mitigate the supply chain pressure due to our flexibility to switch between suppliers and use regional sourcing.

### Suppliers assessed for sustainability

No.

676

▲ 5.5% improvement


Supplier assessments help us to encourage environmental action across our supply chain. Continuing our progress with supplier engagement, we exceeded our target of 600 suppliers assessed in 2022.

1) Scope 1, 2 and 3 data related to our science-based targets does not include Mining Technologies' (ex-TK) operations. Mining Technologies (ex-TK) impact is disclosed in the Sustainability Report.

2) Reported lifetime greenhouse gas emissions for 2021 have been recalculated by 631 tonnes $CO_2e$ due to two orders moved from 2021 to 2022 to align with the effective Order Intake date.

# 5-year key figures

| DKKm | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| **Income statement** | | | | | |
| Revenue | 18,750 | 20,646 | 16,441 | 17,581 | 21,849 |
| Gross profit | 4,693 | 4,849 | 3,865 | 4,180 | 5,076 |
| EBITDA before special non-recurring items | 1,826 | 2,008 | 1,134 | 1,401 | 1,300 |
| EBITA | 1,585 | 1,663 | 771 | 1,030 | 943 |
| EBIT | 1,220 | 1,286 | 428 | 668 | 619 |
| Financial items, net | (161) | (115) | (47) | (81) | (67) |
| EBT | 1,059 | 1,171 | 381 | 587 | 552 |
| Profit for the year, continuing activities | 811 | 798 | 226 | 374 | 351 |
| Loss for the year, discontinued activities | (176) | (22) | (21) | (17) | 1 |
| Profit for the year | 635 | 776 | 205 | 357 | 352 |
| **Orders** | | | | | |
| Order intake (gross), continuing activities | 21,741 | 19,554 | 18,524 | 19,233 | 24,644 |
| Order backlog, continuing activities | 16,218 | 14,192 | 14,874 | 16,592 | 23,541 |
| **Earning ratios** | | | | | |
| Gross margin | 25.0% | 23.5% | 23.5% | 23.8% | 23.2% |
| EBITDA margin before special non-recurring items | 9.7% | 9.7% | 6.9% | 8.0% | 5.9% |
| EBITA margin | 8.5% | 8.1% | 4.7% | 5.9% | 4.3% |
| EBIT margin | 6.5% | 6.2% | 2.6% | 3.8% | 2.8% |
| EBT margin | 5.6% | 5.7% | 2.3% | 3.3% | 2.5% |
| **Cash flow** | | | | | |
| Cash flow from operating activities (CFFO) | 385 | 948 | 1,421 | 1,449 | 968 |
| Acquisitions of property, plant and equipment | (288) | (177) | (171) | (116) | (88) |
| Cash flow from investing activities (CFFI) | (285) | (661) | (376) | (273) | (2,310) |
| Free cash flow | 100 | 287 | 1,045 | 1,176 | (1,342) |
| Free cash flow adjusted for acquisitions and disposals of enterprises and activities | (15) | 574 | 1,082 | 1,185 | 777 |
| **Balance sheet** | | | | | |
| Net working capital | 2,200 | 2,739 | 1,752 | 1,058 | 1,893 |
| Net interest-bearing debt (NIBD) | (1,922) | (2,492) | (1,808) | 889 | (726) |
| Total assets | 21,743 | 23,532 | 20,456 | 23,053 | 29,845 |
| CAPEX | 508 | 523 | 494 | 397 | 424 |
| Equity | 8,266 | 8,793 | 8,130 | 10,368 | 10,787 |
| Dividend to shareholders, proposed | 461 | 0 | 103 | 173 | 173 |

**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 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| Book-to-bill | 116.0% | 94.7% | 112.7% | 109.4% | 112.8% |
| Order backlog / Revenue | 86.5% | 68.7% | 90.5% | 94.4% | 107.7% |
| Return on equity | 7.8% | 9.1% | 2.4% | 3.9% | 3.3% |
| Equity ratio | 38.0% | 37.4% | 39.7% | 45.0% | 36.1% |
| ROCE | 11.0% | 10.9% | 5.1% | 7.2% | 5.9% |
| Net working capital ratio, end | 11.7% | 13.3% | 10.7% | 6.0% | 7.8% |
| NIBD/EBITDA | 1.1 | 1.2 | 1.6 | (0.6) | 0.6 |
| Capital employed, average | 14,338 | 15,251 | 15,195 | 14,384 | 15,888 |
| Number of employees | 11,368 | 12,346 | 10,639 | 10,117 | 10,977 |
| **Share ratios** | | | | | |
| Cash flow per share, diluted | 7.7 | 18.9 | 28.3 | 27.8 | 17.0 |
| Earnings per share (EPS), diluted | 12.8 | 15.5 | 4.2 | 6.9 | 6.5 |
| Dividend yield | 3.1 | 0.0 | 0.9 | 1.2 | 1.2 |
| Dividend per share, proposed | 9 | 0 | 2 | 3 | 3 |
| Share price | 293.1 | 265.4 | 232.8 | 244.3 | 251.7 |
| Number of shares (1,000), end | 51,250 | 51,250 | 51,250 | 57,650 | 57,650 |
| Market capitalisation, end | 15,021 | 13,602 | 11,931 | 14,084 | 14,511 |
| **Sustainability key figures** | | | | | |
| Spend with suppliers with science-based targets* | | | | 4.9% | 7.7% |
| Scope 1 & 2 greenhouse gas emissions (tCO2e) market-based | | | 41,155 | 34,737 | 36,767 |
| Scope 3: Economic intensity Use of sold products (GHGs in tonnes CO2e/DKKm order intake)* | | 10,663 | | 10,348** | 5,310 |
| Water withdrawal (m3) | 227,272 | 221,613 | 197,346 | 201,997 | 178,064 |
| Safety, TRIR Total Recordable Injury Rate (including contractors)* | 3.0 | 1.6 | 1.0 | 1.9 | 1.5 |
| Women managers | 10.4% | 11.2% | 13.1% | 14.3% | 14.3% |
| Quality, DIFOT Delivery In Full On Time | 87.0% | 88.0% | 88.3% | 85.1% | 81.9% |
| Suppliers assessed for sustainability | 195 | 689 | 390 | 641 | 676 |

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

IFRS 16 was adopted 1 January 2019. No figures prior to 1 January 2019, throughout the report, have been restated.

*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

**Reported lifetime greenhouse gas emissions for 2021 have been recalculated by 631 tonnes $CO_2e$ due to two orders moved from 2021 to 2022 to align with the effective Order Intake date

# 2023 financial guidance

Financial guidance for 2023, as set out in the Company Announcement no. 1-2023 on 18 January 2023, is maintained. Guidance for full year 2023 reflects continued improvement of the underlying legacy FLSmidth Mining business, integration of Mining Technologies (ex-TK) and the establishment of the Non-Core Activities segment.

## Mining

Revenue (DKKbn)
**16.0-17.0**
(DKK 15.1bn)

Adj. EBITA margin
**9-10%**
(10.6%)

## Cement

Revenue (DKKbn)
**6.0-6.5**
(DKK 6.3bn)

EBITA margin
**4.0-5.0%**
(3.3%)

## Non-Core Activities

Revenue (DKKbn)
**0.8-1.0**
(DKK 0.5bn)

EBITA
**Loss of ~DKK 250-350m**
(Loss of DKK 0.4bn)

## Group

Revenue (DKKbn)
**23.0-24.5**
(DKK 21.8bn)

Adj. EBITA margin
**6.0-7.0%**
(6.4%)

EBITA margin
**4.0-5.0%**
(4.3%)

Following a strong 2022, we expect market growth in 2023 to remain largely stable versus 2022.

The former Mining Technologies (ex-TK) business is expected to contribute with less than DKK 3bn in revenue in 2023 and is expected to have a dilutive effect on the full year 2023 adjusted Mining EBITA margin of around 2%-points.

Guidance for Adjusted EBITA margin includes adjustments for integration costs of around DKK 550m for the full year 2023.

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

Non-Core Activities EBITA margin guidance for 2023 reflects the operationally loss-making nature of the business as well as costs related to contract negotiations aimed at reducing the scope of the Non-Core Activities order backlog.

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

Guidance for Adjusted EBITA margin includes adjustments for integration costs of around DKK 550m for the full year 2023.

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

Note: Numbers in brackets represent realised FY2022 results

# Long-term financial targets

Following the acquisition of Mining Technologies (ex-TK) and reflecting our pure play strategies as well as the establishment of the Non-Core Activities segment, we introduced our new long-term financial targets in connection with our Capital Markets Day on 18 January 2023.

## Mining

**13-15%**
EBITA margin
for the FY2026

Based on our FY2023 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 (ex-TK), 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 FY2023 guidance, we directionally expect our organic Cement revenue (CAGR towards FY2026) to grow in line with GDP growth in the markets 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 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

# At a glance – FLSmidth

## Mission Zero Towards zero emissions by 2030

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

| 1882 | 10,977 | 150+ | 60+ | 21.8bn |
|---|---|---|---|---|
| Danish company founded 140+ years ago | employees using their unique knowledge and capabilities to meet our customers' needs | countries across the globe where we serve customers | countries across the globe where we have a local presence | in consolidated Group revenue in 2022 (DKK) |

# FLSmidth Group in the world

## North America

**24%**
Share of revenue
2021: 22%

**▲37%**
Reported
revenue growth

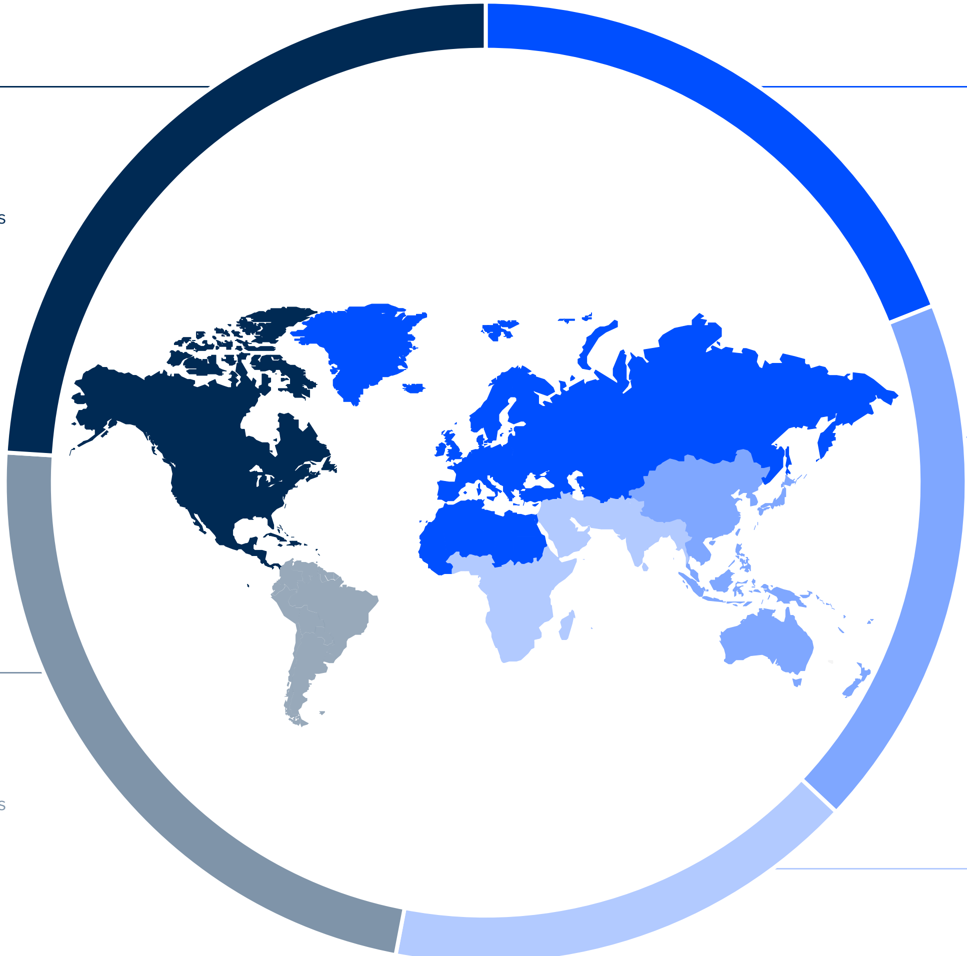
**17%**
Share of employees
2021: 17%

## Europe, North Africa & (Russia)[1]

**19%**
Share of revenue
2021: 18%

**▲30%**
Reported
revenue growth

**25%**
Share of employees
2021: 22%



## Asia & Australia[2]

**18%**
Share of revenue
2021: 21%

**▲5%**
Reported
revenue growth

**12%**
Share of employees
2021: 11%

## South America

**23%**
Share of revenue
2021: 21%

**▲36%**
Reported
revenue growth

**20%**
Share of employees
2021: 20%

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

**16%**
Share of revenue
2021: 18%

**▲12%**
Reported
revenue growth

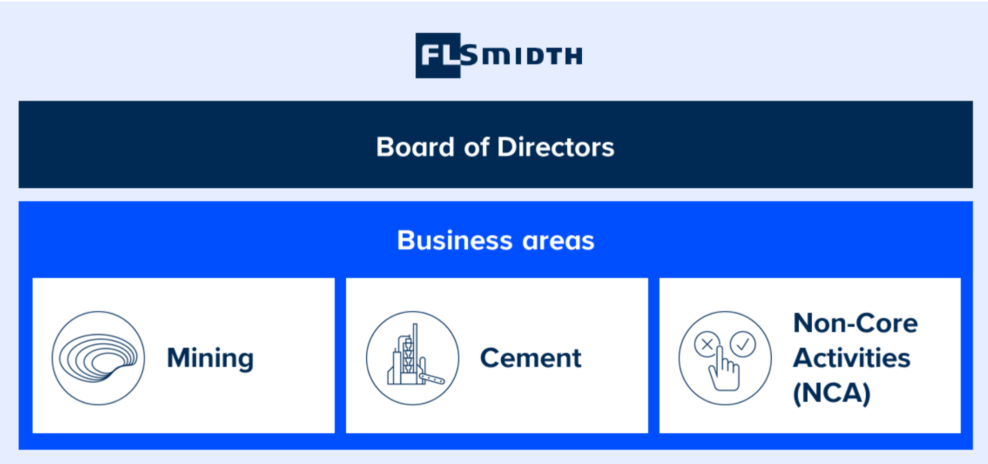
**26%**
Share of employees
2021: 30%

1) During 2022 we have exited Russia.
2) As of Q3 2022, the two regions, Asia and Australia, have been merged.

# Strategy and business model

## Transformation

FLSmidth is on a true transformation journey from an engineering-based company with a legacy in large capital projects towards a technology company focused on service offerings. Our key purpose is rooted in the much-needed green transition in the mining and cement industries and how we at FLSmidth can support this.




The core drivers of our transformation are sustainability, innovation, simplification, de-risking, transparency, performance, speed, walking-the-talk and living our company values.

The foundation on which we embark on this transformation journey is solid and anchored in our unique competitive edge including our long-standing deep industry know-how, trust and expertise, our highly skilled employees, our large installed base, sustainability and technology innovation focus and world-class offerings across the full flowsheet and across all key commodities.

## Pure play approach

To maximise our potential and value creation for all our stakeholders, we are pursuing a pure play approach for Mining and Cement. This approach has been chosen given limited synergies, low overlap in customer base and product offerings as well as different industry dynamics between the two segments.

The benefits are clear, as the pure play approach caters for increased independence, enhanced operating flexibility, independent decision-making, stronger accountability, clearer cost allocation as well as clearer roles and responsibilities. Both segments have dedicated and separated executive management teams and combined support functions.

In addition, a separate Non-Core Activities segment was established as of Q4 2022. The Non-Core Activities segment comprises products and activities that are no longer deemed to be of core strategic importance to FLSmidth. This segment will be fully exited over the next three years.

*Read more about Non-Core Activities on page 34.*

To further improve transparency, accountability and our financial performance, we have established a Business Line structure and global P&L management to drive accountability and improved performance. Simultaneously, our operating model and global footprint are being simplified and optimised to better reflect our business environment and our long-term growth opportunities.

We have a relatively asset-light business model and continue to focus on streamlining our set-up. While localising our service footprint, we continue to pursue a strategy of consolidating our supply chain and execution centres as well as product lines to ensure the leanest possible organisation and high speed of delivery.

During 2022 we started a full review of all types of footprint, such as locations and legal entities including those acquired through the acquisition of the former Mining Technologies (ex-TK) business, with the purpose of streamlining our setup and operations. This enables us to maintain closer proximity to our customers and serve them faster and better.

During 2023 this work will continue leading to increased business simplification and leaner operations across the company as we reduce complexity, organisational layers and structures.

Continued high focus on profitability and a de-risked approach is crucial for 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.

We prioritise innovation and R&D that supports our sustainability agenda and service-focused ambitions, while exiting non-sustainable business and de-risking our operations and portfolio exposure.

## Lifecycle profit approach

We manage our business focusing on profitability to be able to create value for all our stakeholders. While Capital provides us with a large installed base for our Service business as well as key expertise to deliver productivity improvements to our customers, we remain selective when taking on projects to ensure that terms and conditions support our profitability targets. We consider the lifecycle profitability of the decisions and contracts we engage in and we have set guidelines for profitability levels for both the Service and the Capital business as well as the combined offerings over a lifecycle.

## Values

To enable our company transformation and execution of our strategies, a revised set of company values has been defined. Our values Trust, Empowerment, Accountability, Collaboration and Honesty provide the basis for strong engagement internally as well as with our customers, business partners, suppliers, shareholders, and other stakeholders in the communities in which we live and operate.

## 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

### People & Engagement

People are at the centre of FLSmidth. To deliver on our strategies and to help lead the green transition within the mining and cement industries, 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 is key to FLSmidth's future success. Diversity, equality, and inclusion are therefore important elements in our continuous hunt 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. In 2022, we made significant progress in personal and performance development for all employees, supported by succession planning and significant training of employees. We continue to conduct monthly well-being and engagement surveys globally to obtain dynamic feedback.

During the year we have also invested in reducing our gender pay gap across the organisation and made good progress in providing living wages. Many parameters are considered as we 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.

> Our formula for success is simple: We must prioritise our efforts on our core business, reduce risk and execute with excellence. In addition, we know that behind any winning team, there must be a strong culture of leadership, accountability and trust.
>
> *Mikko Keto, Group CEO*

# Our approach to sustainability

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

## Helping our customers become more sustainable

The impact of mining and cement on global greenhouse gas (GHG) emissions provides significant business opportunities. Through our research and development-based sustainability programme, MissionZero, we help our customers accelerate towards more sustainable operations, reduce their environmental footprint and benefit from the green transition and global infrastructure development. MissionZero also encompasses digital solutions, a key enabler in improving operational efficiency, and the adoption of product stewardship principles. We support the long-term phasing-out of coal. We are not entering into new, greenfield coal-related projects, and we will end our involvement in coal mining by 2030.

## Conducting business responsibly

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

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

## Materiality and strategy

Through our materiality assessment, conducted most recently in 2021, and discussions with stakeholders, we align and prioritise the areas considered most material. We aim to update our materiality assessment in 2023 in line with EU's new Corporate Sustainability Reporting Directive (CSRD). This will include assessing the materiality of biodiversity and circularity, which are of increasing importance to society and our industries.

We will continue to adopt a more integrated, holistic, life cycle perspective on the products and technologies we deliver to our customers. This involves addressing all relevant impacts across the value chain, including our suppliers' ESG standards. We are starting this process in 2023 and expect to realise the full benefits over the coming years.


Through our MissionZero programme, we support the sustainability performance of our customers. Our ESG initiatives guide us in conducting responsible business.

# Progress on MissionZero

Mining and cement operations have a significant impact on the environment – together contributing approximately 10% of global $CO_2$ emissions – and the use of our products by our customers generates around 99% of greenhouse gas (GHG) emissions from our entire value chain. With our MissionZero programme, we aim to enable zero emissions in mining and cement, and our MissionZero Mine and Green Cement Plant concepts articulate our vision for how to achieve sustainable mining operations and cement production (see next page).

## Reducing economic intensity

We have aligned our business targets with the most ambitious scenario of the 2015 Paris Agreement, which aims to keep global warming below 1.5°C. This means setting validated science-based targets to reduce GHG emissions across scope 1, 2 and 3. Downstream scope 3 emissions are addressed through our economic intensity target, which links our business growth with more energy-efficient, less $CO_2$-intensive products.

According to the Greenhouse Gas Protocol, entire lifetime emissions related to equipment sold to our customers must be accounted for in the year in which the order intake is registered. Economic intensity represents the annual lifetime emissions of the products sold as a function of order intake.

In 2022, our economic intensity decreased by 50% compared with our 2019 baseline. This is significant given our science-based target of a 56% reduction by 2030. A key contributing factor was the large decrease in sales of heavy $CO_2$-emitting products in the Cement business. In addition, we saw an increase in revenue from MissionZero flagship products, which are more energy-efficient and less $CO_2$-intensive, also translating into a higher taxonomy-eligible revenue percentage.

While we are pleased with this progress, it reflects the volatility of our current economic intensity measurement. This is caused by a highly diverse product portfolio, where there is significant variation in energy consumption and product lifetimes. For example, some of our cement industry products have a high impact due to their $CO_2$ intensiveness and long lifetime. Volatility is likely to continue in the short term, but we expect it to be lower in the medium to long term. We plan to introduce additional metrics to provide a wider, more nuanced picture of our progress. This includes an annualised emissions metric that reduces the impact of the lifetime factor enabling comparisons on an annual basis. This will provide additional insight to ensure we sell more MissionZero-related products. In 2021, we introduced sales targets to incentivise sales teams to sell sustainable products. Four out of five regions met their target to increase sustainability-linked sales.

## Innovation and partnerships

Our research and development (R&D) efforts are central to our ability to meet our economic intensity target. In 2022, our sustainability-linked R&D spend accounted for 56% of our total R&D budget – reflecting our R&D activities related to solutions for water, energy and $CO_2$ improvements. Key innovations released include the Alumina Gas Suspension Calciner and the Indirect Cooler for lithium processing.

Technical partnerships with customers, universities and other organisations are essential to our MissionZero programme, enabling us to accelerate innovation and go-to-market. In 2022, we launched the CO2Valorize consortium, which aims to develop carbonation technologies, and the ECoClay consortium, which will develop the electrical activation of clay. Through the FlotSim collaboration, we stepped up research into improving flotation recovery rates in mining.

### Mission Zero Towards zero emissions by 2030

In 2022, we saw more progress towards our MissionZero ambition, including:

- A thickener upgrade at an Australian gold mine reduced water discharged to the tailings dam by 11% and allowed a 9% increase in plant capacity
- A new order for a clay calcination installation at CBI Ghana Ltd.'s cement production facility is expected to cut $CO_2$ emissions by up to 20%
- A new thickener system at a copper mine in Kazakhstan has reduced water to the tailings facility by 26% and improved the mine's tailings dam stability

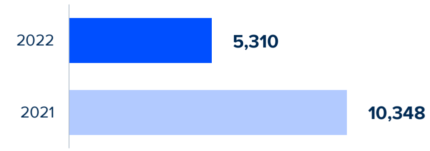
### Scope 3: Economic intensity (use of sold products)

$tCO_2e$/DKKm (order intake)

5,310

▲ 49% improvement

**2030 target** 56% reduction from 2019*




*Baseline year

### R&D spend

56%

of our R&D spend is dedicated to sustainability

### Supported Sustainable Development Goals


6.3, 6.4

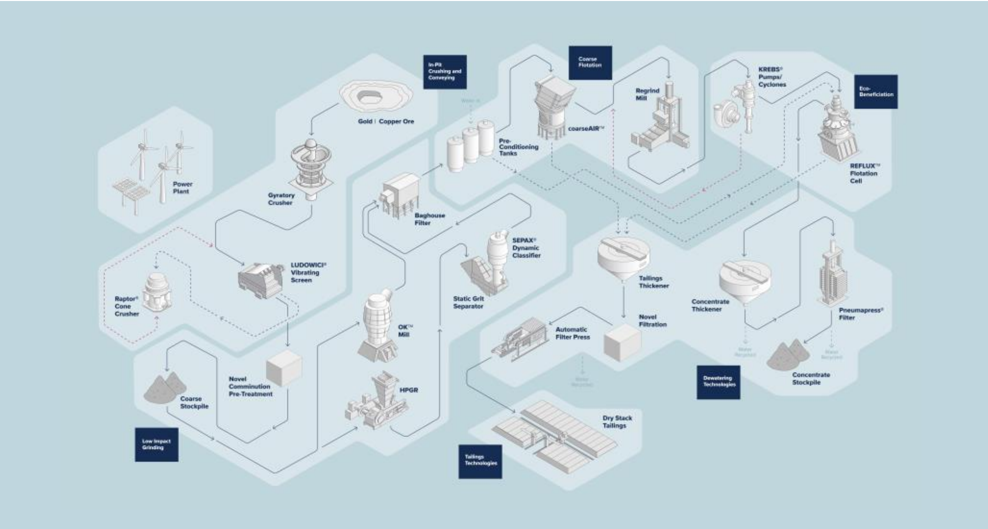

7.2, 7.3


12.2, 12.4, 12.5


13.2

# Sustainable solutions for mining and cement

Technology is the cornerstone of our MissionZero ambition to enable zero emissions in Mining and Cement. Our MissionZero Mine and Green Cement Plant concepts articulate our technology vision for 2030.




## MissionZero Mine

We want to help miners produce more with less resource use and to create a smaller footprint. Our vision of the mine of the future is captured in the MissionZero Mine, which illustrates how we can support miners with innovative technologies and digital solutions.

The MissionZero Mine brings our MissionZero ambition to life, exploring how we can already help customers to reduce their environmental impact and operating costs, as well as looking ahead to future technologies that can be industry game changers.

Find out more at
**MissionZero Mine**

## Green Cement Plant

We want to help cement plant operators reduce their carbon footprint and increase productivity. Our Green Cement Plant concept enables this, bringing together the solutions needed to enable zero-emission cement production by 2030.

It guides our work in the coming decade – both in terms of where we will focus our innovation efforts and in terms of creating partnerships with our customers, technology specialists and others who can drive the change to more sustainable operations.

Find out more at
**Green Cement Plant**

# EU taxonomy

## The EU taxonomy framework is part of the European Green Deal and serves as a core enabler to deliver on the EU's ambitious climate goals for 2030.

The EU taxonomy represents a new opportunity for us to demonstrate how we support our customers in reducing their greenhouse gas (GHG) footprints, while detailing the environmental performance of our MissionZero portfolio.

The EU taxonomy targets six environmental objectives:

1. **Climate change mitigation**
2. **Climate change adaptation**
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

Only the first two are in scope for mandatory reporting and reflected in 2022 reporting.

**Measuring eligibility (in scope)**
In 2021, we disclosed our eligible KPIs for the first time. Eligibility is not a measure of sustainability performance, but the initial identification process of business activities that could support the EU's climate transition. In 2022, the disclosure requirements were expanded to include alignment under the EU taxonomy framework.

**Measuring alignment (screened)**
Eligible activities captured under the three KPIs of revenue[1], CAPEX and OPEX need to pass screening criteria to be considered sustainable. This defines alignment in the EU taxonomy. The screenings for alignment included proving substantial contribution to one of the two environmental objectives in scope; doing no significant harm (DNSH) to the remaining five objectives; and meeting minimum safeguards.

The FLSmidth Cross-Bar® Cooler is our first EU taxonomy-aligned product. The product was screened for substantial contribution through a third-party-approved life cycle assessment (LCA). We assessed the product and the relevant manufacturing sites against the DNSH criteria. We have taken a risk-based approach, meaning that we have focused on identifying any 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 to ensure that we follow requirements. We have found that we are in compliance with these requirements. However, we do acknowledge that we will need to continue to improve our efforts to ensure that we continue to align with the requirements.

Overall, we have found that we follow the EU Taxonomy Regulation criteria, and thus can report taxonomy-aligned revenue, CAPEX and OPEX.

1) We use the term revenue instead of turnover to align with the terminology in our financial reporting.

2) Total eligible revenue, OPEX and CAPEX represent both "Eligible and aligned" and "Eligible and non-aligned".

## Progress in 2022

Total eligible[2] revenue increased from 16.2% to 25.6% in 2022. Growth was driven by increased sales of our eligible product portfolio and by additional products and technologies becoming categorised as eligible during 2022. This also includes products and technologies from our acquisition of Mining Technologies (ex-TK).

Aligned revenue for 2022, representing the revenue generated by the Cross-Bar Cooler, was 1.4% of total revenue and is reported under Economic Activity 3.6 Manufacture of other low carbon technologies.

The total eligible OPEX increased from 17.5% to 25.0% for the year. EU taxonomy-eligible OPEX reflects the direct costs related to the production of our eligible products, including expensed R&D activities.

The total eligible CAPEX increased from 23.5% to 61.8% for the year. This was driven by our commitment to ensure that a significant portion of our R&D activities was focused on our MissionZero portfolio. The increase in our total eligible CAPEX also reflects this year's treatment of land and buildings CAPEX, including capitalised leases, under Economic Activity 7.7 Acquisition and ownership of buildings, under Climate change mitigation.

EU taxonomy-aligned CAPEX and OPEX were 0.1% and 1.0% respectively. Aligned CAPEX and OPEX are driven by our activities supporting the production of the Cross-Bar Cooler, including R&D spend. A small portion of aligned CAPEX was allocated to Economic Activity 7.3 Installation, maintenance and repair of energy efficiency equipment. This relates to installation of energy-efficient windows at a site in Italy.

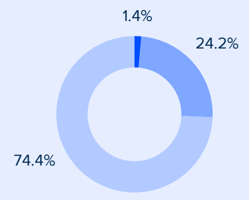
Looking ahead, based on the current EU taxonomy framework, we expect our aligned KPIs to improve. This will be driven by a forward-looking strategy on LCAs on our core MissionZero products and organic growth in the portfolio as demand for sustainable solutions in both mining and cement grows.

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

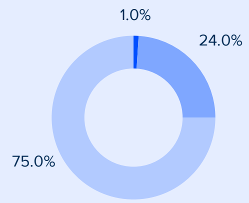
See our Sustainability Report for more information about our EU taxonomy reporting

## Eligibility and alignment 2022

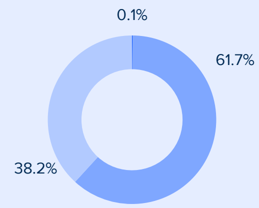
**Revenue**




**OPEX**




**CAPEX**




■ Eligible and aligned
■ Eligible and non-aligned
■ Non-eligible

# Mining business

# At a glance – FLSmidth Mining

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

**16-17bn**
revenue[1]

**~60/40**
Service vs. Capital revenue split

**~50%**
exposure to minerals critical to the green transition[2]

**7,126**
employees[3]

[1]Based on FY2023 guidance
[2]Based on order intake FY 2022
[3]At FY 2022

# FLSmidth Mining in the world

## North America

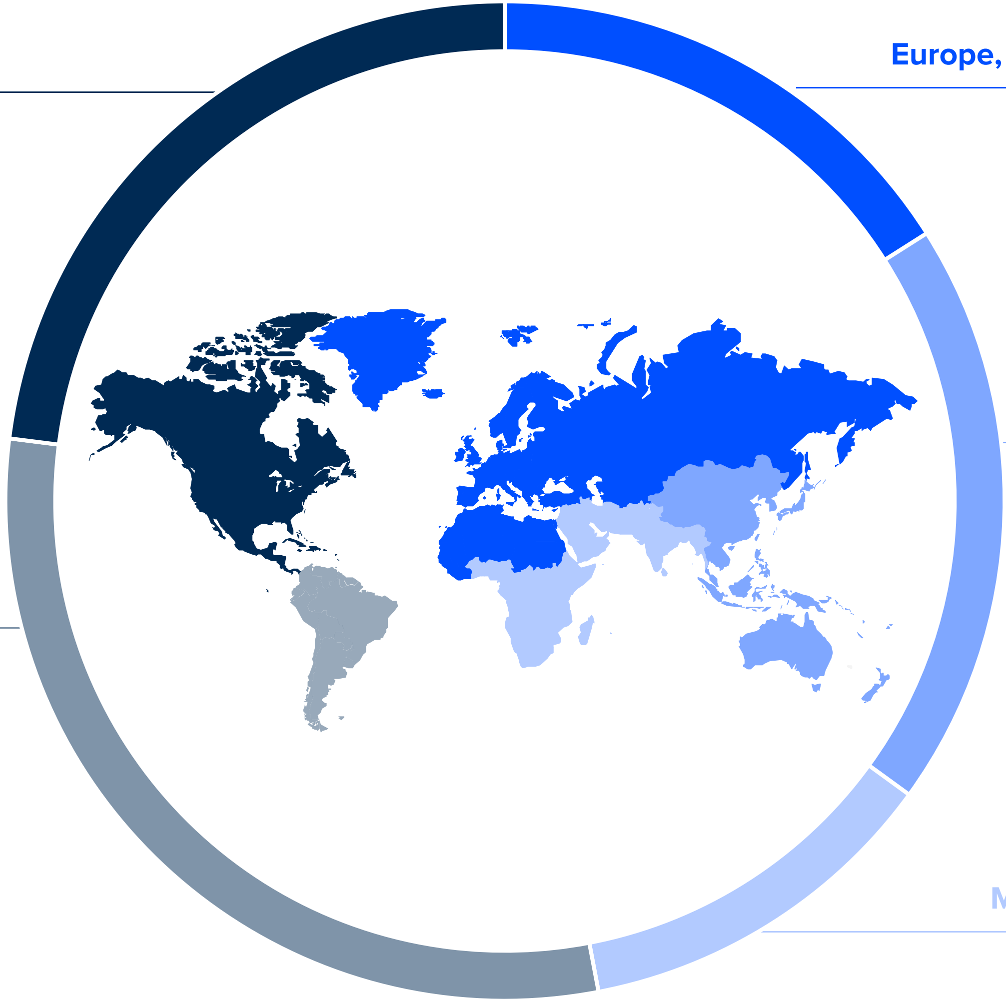
**23%**
Share of revenue
2021: 21%

**▲42%**
Reported
revenue growth

## Europe, North Africa & (Russia)[1]

**16%**
Share of revenue
2021: 15%

**▲35%**
Reported
revenue growth



## APAC[2]

**19%**
Share of revenue
2021: 21%

**▲17%**
Reported
revenue growth

## South America

**30%**
Share of revenue
2021: 27%

**▲43%**
Reported
revenue growth

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

**12%**
Share of revenue
2021: 16%

**▼-2%**
Reported
revenue growth

1) During 2022 we have exited Russia.
2) As of Q3 2022, the two regions, Asia and Australia, have been merged.
Note: FLSmidth Mining in the world comprises the Mining segment including Mining Technologies (ex-TK) excluding the Non-Core Activities segment.

# Market outlook and trends

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

The uncertainty caused by inflation and the risk of recession have slowed down exploration projects, reduced the budget for advanced greenfields and shifted a focus on low-risk projects during the first half of 2022. In the last quarter of 2022, there has been a recovery in progression of activity related to copper, lithium, gold, and phosphates. In our South American region, some orders were postponed to 2023 due to political instability in Peru and Brazil, and the uncertainty about the outcome of the constitution and mining profit taxes review in Chile. Opportunities remain strong in copper, gold and lithium in all regions, as well as iron ore in India and Asia.

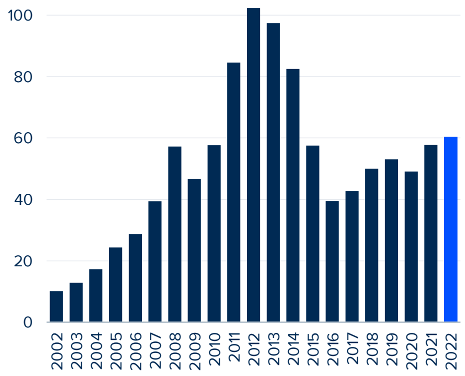
The acceleration of decarbonisation efforts and energy transition drive the increase in the demand for green metals and industrial commodities globally. ESG requirements and future demand for commodities such as lithium and copper are the drivers of the capital business and require us to adapt the project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

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

Despite the challenges caused by longer lead time and increasing energy costs in Europe, the commodity prices' elevation and supply and logistics price stabilisation have kept the service business at a healthy level across all regions during 2022.

## Capex trend in mining

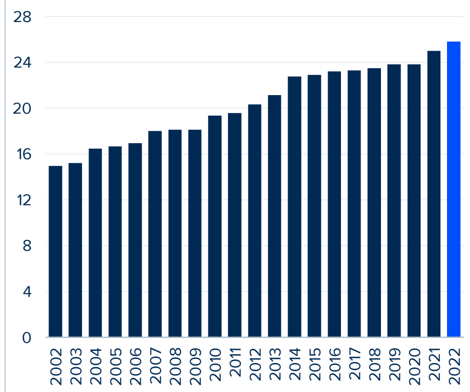
USDbn




*Source: Bloomberg, FLSmidth estimates*

## Global copper consumption

Million tonnes




*Source: Bloomberg, FLSmidth estimates*

# Strategy (CORE'26) and business model

## Transformation

Our path forward focuses on restructuring our Mining organisation to create the basis for strong performance and delivering consistent value creation through a core business and service focus. Restructuring our Mining organisation has been a key focus during 2022 with the establishment of a Business Line structure and global P&L management, integration of Mining Technologies (ex-TK), review of our product portfolio and footprint as well as the pure play approach. Based on this FLSmidth's Mining strategy's purpose, mission and focus areas have been revised accordingly.

## CORE'26

Our newly launched Mining strategy, named CORE´26, is centered around a core strategic focus on expanding the share of services and standardised products relative to the share of projects, while simultaneously de-risking the project portfolio. This focus will help us obtain a more profitable business mix and a less cyclical business with a lower level of risk.

## 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. It is both an opportunity and a responsibility and we at FLSmidth have a unique position to be able to lead this journey.

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.


## Mission

Our mission, which we strive to execute on every day, is 'delivering solutions for tomorrow's mine'. We will continue to leverage our ability to innovate, improve and produce world class offerings across the full flowsheet in line with our MissionZero focus. This will benefit our customers, drive motivation and competencies amongst our employees.

## Focus areas

We have built our CORE'26 strategy around four focus areas: Sustainability, Technology, Service and Performance. These focus areas are further detailed into concrete strategic initiatives, which are linked to goals that are cascaded through the organisation. This way we ensure alignment between our strategic ambitions from the top to the operational execution, thereby 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 primary dimensions.

Firstly, through our customer-centric, R&D-based sustainability programme, MissionZero, we help our customers accelerate towards more sustainable operations. We want them to benefit from the substantial 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 on page 18-19 and in our Sustainability Report 2022.*

### 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.

As we shift from being an engineering company to a technology leader, FLSmidth is uniquely positioned to support our customers' productivity, sustainability, and financial ambitions. Our technology focus include testing, process expertise and developing products that meet our customers' needs to make it possible to increase output, reduce water usage along with reduced energy consumption.

Powering our future as the leading partner for full flowsheet sustainable solutions, is an organisational culture and business model that fosters solution-oriented innovation.

## Service

*Global partner for life-cycle performance and sustainability*

Service is at the heart of our business – it's the main driver of our profitability and the key to customer productivity. Service plays a key role in FLSmidth's future success. Its stability allows us to maintain a healthy 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.

We're a leader in the industry with a significant installed base across the world. When we take full advantage, we drive customer satisfaction and loyalty to make FLSmidth a stronger company.

## 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 Service, Technology and Sustainability 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.

## Innovation & digitalisation

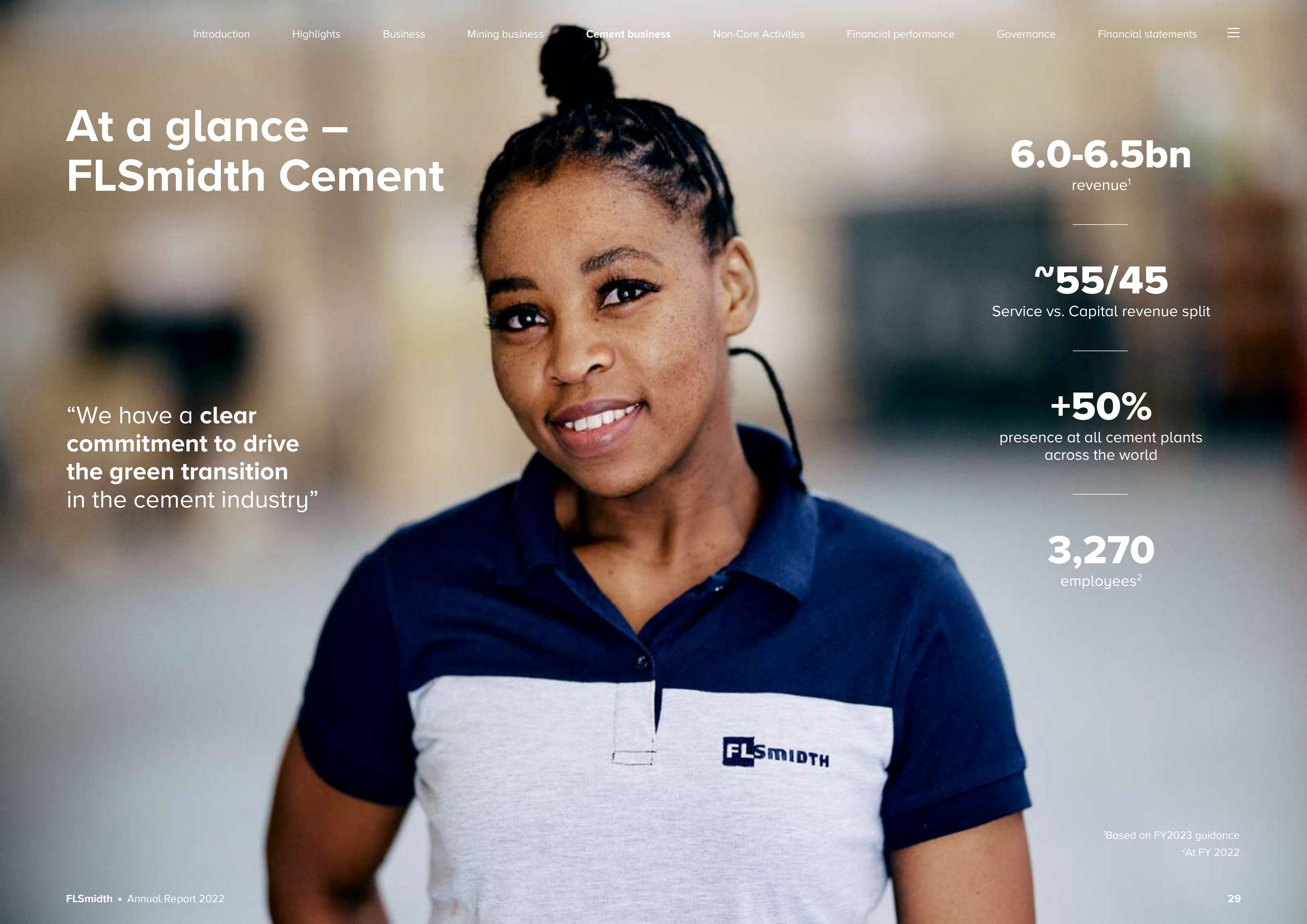
Our efforts in innovation and digitalisation are important to deliver on our mining strategy. Greater scarcity of resources such as energy, water and raw materials leads to more complex and costly operations that challenges the performance of our customers. This calls for high-end technical solutions,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

Our strong digital capabilities are founded on our extensive 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 artificially intelligent and self-learning. Customers are increasingly focused on improving productivity and their returns, while reducing their environmental footprint and higher returns.

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 as well as proactive, predictive, and increasingly prescriptive maintenance.

While we already offer many flagship MissionZero solutions that provide increased productivity while reducing environmental impact, we will not be successful in pursuing our purpose unless we continue to develop more innovative technologies. In 2022, we have launched several new innovations – both in-house and through the collaboration with partners and customers – including the PerformanceIQ for digital services.

# Cement business



# At a glance – FLSmidth Cement

"We have a **clear commitment to drive the green transition** in the cement industry"

**6.0-6.5bn**
revenue[1]

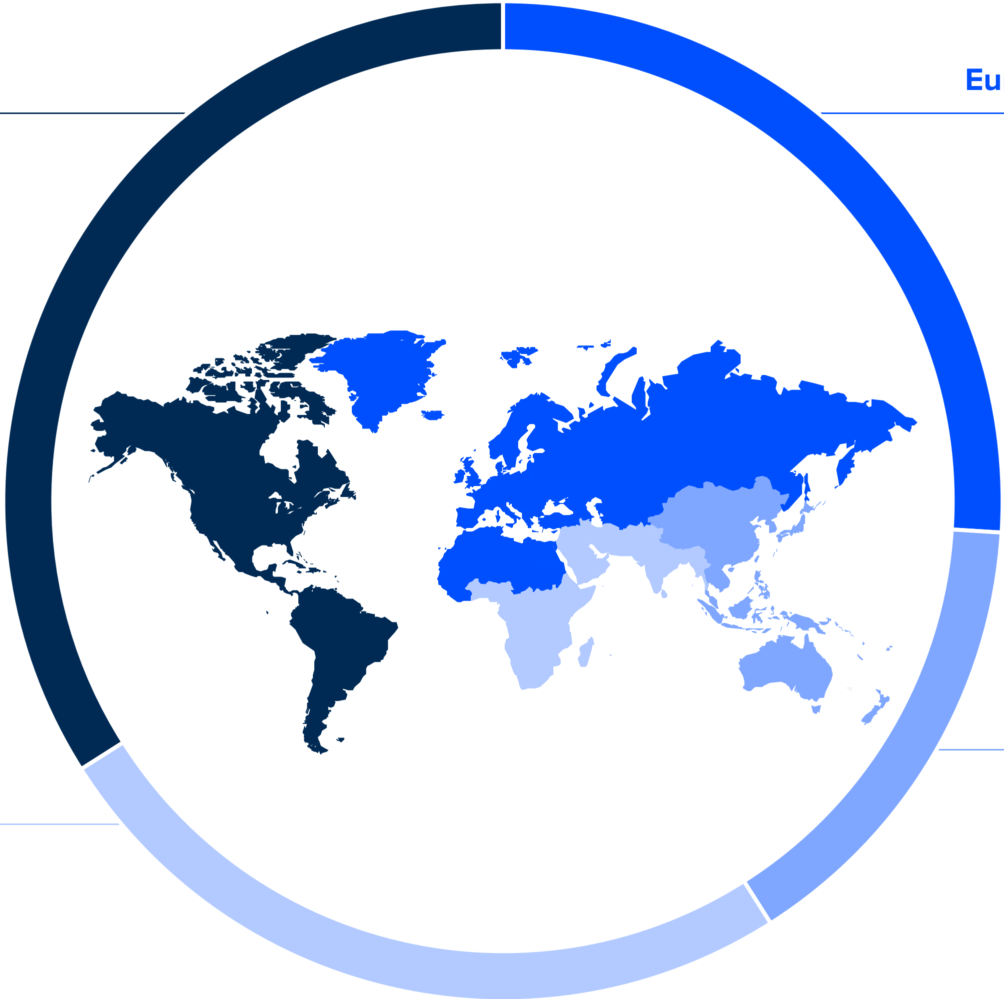
**~55/45**
Service vs. Capital revenue split

**+50%**
presence at all cement plants across the world

**3,270**
employees[2]

[1]Based on FY2023 guidance
[2]At FY 2022

# FLSmidth Cement in the world



## Americas[1]

**34%** Share of revenue 2021: 34%

**▲9%** Reported revenue growth

## Europe, North Africa & (Russia)[2]

**26%** Share of revenue 2021: 23%

**▲19%** Reported revenue growth

## APAC[3]

**15%** Share of revenue 2021: 22%

**▼-27%** Reported revenue growth

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

**25%** Share of revenue 2021: 21%

**▲26%** Reported revenue growth

1) As of Q3 2022, the two regions, North America and South America, have been merged.
2) During 2022 we have exited Russia.
3) As of Q3 2022, the two regions, Asia and Australia, have been merged.

# Market outlook and trends

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

In 2022, we have seen continued positive trends in the Americas especially in the US where an increased focus on OPEX optimisation has created a higher demand for our products and services. Furthermore, the cement producers in the US have evaluated steps needed to capture opportunities from the infrastructure packages. In addition, the "Inflation Reduction Act" has created an increased focus on the green transition and we are in close dialogue with our key customers on how to jointly drive the next steps towards the green transition in the cement market.

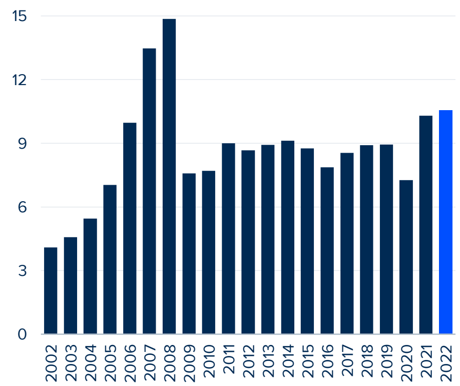
Also in 2022, the Asian market recovered from the pandemic lockdowns that affected the market in 2021 and we have seen positive service activity throughout the year. In the capital business market, in particular China has been one of the key markets focusing on modernisation of existing plants with new products. Furthermore, there has been a continued focus on conversion to alternative fuel solutions in Asia during the year. However, the transition to these solutions is moving forward at different paces country by country.

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

Overall, our Service showed strong performance throughout the year. In some countries, we have however started to see the first cases of budget constraints imposed to counter the increasing energy costs. For the Capital business the pipeline continued to be healthy but actual decision-making is slowing down caused by uncertainty around the global economy. During the quarters of 2022 there has been an accelerated shift in focus from capacity to sustainability – mainly driven by a concern around energy volatility – especially systems supporting fuel substitution.

**Capex trend in cement**

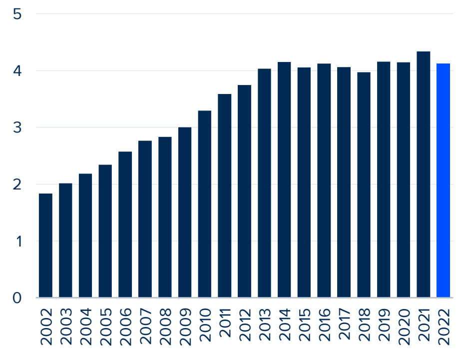
USDbn




*Source: Bloomberg, FLSmidth estimates*

**Global cement consumption**

Billion tonnes




*Source: Bloomberg, FLSmidth estimates*

# Strategy (GREEN'26) and business model

## Transformation

Cement's performance has in recent years been unsatisfactory as a result of lack of clear focus, a too large risk profile and a too heavy global footprint and complex organisational setup. With the cement industry being one of the highest emitting industries in the world, we have a significant potential to reduce this. However, to be able to successfully do so, we first needed to transform our Cement business towards a pure play rooted on service-centricity and sustainable profitability.

The green transition has to happen within the cement industry, and FLSmidth Cement has embarked on a journey to become the preferred and leading service provider for green cement.

We will do this by providing world-class services and innovations that help our customers reduce their carbon footprint and increase their productivity. Our goal is, together with our customers, to achieve economic and environmental success.

## GREEN'26

Our newly launched strategy, named GREEN'26, is rooted in three focus areas: Implementation of a revised operating model, increased focus on the service business model and accelerated green focus with the clear target of decreasing the 7% of global $CO_2$ emissions currently coming from the cement industry.

In addition, we are implementing a completely new execution model to improve profitability, reduce earnings volatility and risks – making us more resilient even in a challenging macroeconomic environment.

## Operating model transition

During 2022 we have changed our operating model and going forward the focus will mainly be on the Service business. Service is both more profitable and associated with less risk than capital. This is also more reflective of the current cement market, where limited new capacity is being built. In addition, we have restructured the Cement organisation and our footprint to become simpler and reduce earnings volatility and risks.

As part of this, the Cement business is now better positioned for fully implementing a pure play setup, which allows the Cement organisation to focus on the core business opportunities and to take more control over the cost base as well as to develop strategies and do investments for growth.

## Service business model transition

We are present at more than 50% of all cement plants in the world and we have a detailed understanding of our customers which allows us to drive the growth in the right places.
Short term, we will drive proactive sales with our core customers and build close performance partnerships plant-by-plant. We will increase our share of wallet with existing customers, close the white-spots and further penetrate the 3rd party installed base.

Going forward, we will help our customers transition their installed base to carbon neutral solutions. We have deep insights on the technical setup and performance plant-by-plant which will be leveraged to drive the green transition.

## Green transition

Cement is among the highest emitting industries in the world accounting for ~7% of global $CO_2$ emissions. We have an obligation to fight the high share of emissions related to the cement industry.

The future of the cement industry is green. We have the products and technology available to make the industry carbon neutral by 2030 and we also have the distribution network to facilitate the transition. A growing green technology market is driven by a need for productivity and cost efficiency improvements as well as regulatory requirements and demands for green cement.

The technology and products to decarbonise are to ~60% already available, all being cost neutral for the cement producers. The remaining 40% can be captured. Our focus is to provide selected green technologies and end-to-end flowsheet design where we will be cooperating with carbon-capture experts.

# Non-Core Activities

# Strategic rationale, decision criteria and exit strategy

Following the recent acquisition of Mining Technologies (ex-TK), FLSmidth initiated a planned strategic review of the combined FLSmidth and Mining Technologies (ex-TK) product portfolio. As a result of the review, a strategic change was announced to enhance long-term profitability and to accelerate growth in the core Mining business. This change includes the decision to divest or wind-down non-core and unprofitable mining activities.

## Strategic portfolio review

The review intended to assess all combined mining activities and products from a strategic, financial and sustainability perspective against FLSmidth's long-term strategic direction and ambitions.

As a result of the strategic review, it was decided to split the Mining business into two separate segments for operational and reporting purposes:

1. a continuing Mining segment focused on profitability, growth and sustainability
2. a new Non-Core Activities segment, where activities will be fully exited either by way of divestment or wind down of the order backlog

The new segment split will ensure sharpened strategic focus and stronger execution of the continuing Mining activities that are key to accelerating long-term profitability and growth for FLSmidth. At the same time, dedicated focus and resources will be allocated to the Non-Core Activities to ensure transparency and effective execution of the divestment or wind-down and to minimise losses from these activities.

## Non-Core Activities segment

The Non-Core Activities segment comprises products that are no longer deemed to be of core strategic importance to FLSmidth and are to a great extent loss-making mining activities.

The selection criteria for these activities and product types have been that either they;

1. are no longer deemed to be of core strategic importance to FLSmidth
2. offer limited or no aftermarket potential
3. are unprofitable with no viable commercial model for FLSmidth to turn these around
4. are characterised by high execution risks, are highly engineered and/or lack standardisation
5. do not contribute to FLSmidth's sustainability agenda

Consequently, FLSmidth will either divest or wind-down the following activities and products:

- All legacy FLSmidth and former Mining Technologies (ex-TK) brands: Port Systems, Stockyard equipment, Standard-sized bucket wheel excavators and pipe conveyors
- Legacy FLSmidth Mining brands: Continuous Surface Mining equipment and Mine & Overland Conveyors
- Former Mining Technologies (ex-TK) activities: Oil extraction technology and aggregate products

Existing contracts and ongoing activities in the order backlog will be executed and honoured, if not divested. With limited exceptions, FLSmidth will not take new orders for the Non-Core Activities segment.

A designated organisational structure has been established to oversee the Non-Core Activities segment, with the Head of the segment reporting directly to the Group CFO. Around 600 employees are currently working with or supporting the Non-Core Activities segment.

The Non-Core Activities segment comprises of an order backlog of around DKK 2.9bn as of end Q4 2022, of which approximately 50% originates from FLSmidth and 50% from the former Mining Technologies (ex-TK). The vast majority of the order backlog relates to Capital orders.

The Non-Core Activities order backlog is expected to be divested or wound down within the next three years with an expected total EBITA loss over the period of around DKK 0.8bn. The estimate is based on historical performance and costs associated with the winddown or divestment decision. This estimate is subject to uncertainty due to the nature of winding the business down and may change depending on which parts of the business are divested.

The segmentation reflects the internal reporting and management structure applied. In line with the internal reporting, the Non-Core Activities segment is reported prospectively from 1 October 2022. The segmentation is based on the identification of effective contracts on 1 October 2022 that relate to Non-Core Activities through a thorough contract-by-contract review by Management. It would be an extensive exercise to make this identification for contracts existing in prior periods. Further, the allocation of net profit between Mining and Non-Core Activities before the new segmentation was internally implemented would be subject to significant estimates and allocations. On that background, it is impractical to restate the Mining segment in prior periods to reflect the split of the activities between Mining and Non-Core Activities prior to the new segmentation was implemented.

# Financial performance

# Mining

## Financial performance in Q4 2022

Mining order intake grew organically 5% compared to Q4 2021. Part of the business has been moved to the Non-Core Activities segment as of Q4 2022. Including currency effects and the impact from the acquisition of Mining Technologies (ex-TK), formerly referred to as TK Mining, order intake increased by 27%, equally driven by both a growth in Capital orders and in Service orders. The increase reflected a continuing improvement in activity levels and positive market sentiment. Q4 2022 included two large orders at a combined value of around DKK 1.2bn compared to Q4 2021, which included a large order valued at around DKK 350m.

During the quarter, Service orders and Capital orders represented 55% and 45% of Mining order intake, respectively. The order intake from Mining Technologies (ex-TK) amounted to DKK 533m in Q4 2022.

Revenue increased 6% organically and by 32% in total including currency effects and the additional DKK 646m coming from the acquisition of Mining Technologies (ex-TK). The quarter included DKK 69m in revenue from contracts with non-sanctioned Russian and Belarusian customers. Service revenue increased by 45% and accounted for 78% of the share of total revenue growth. This was driven mainly by higher spare and wear parts demand. Capital revenue increased by 15% driven by the acquisition of Mining Technologies (ex-TK) and currency effects.

Gross profit increased by 46% to DKK 1,132m, from DKK 778m in Q4 2021. The corresponding gross margin increased to 25.9% as a result of the higher share of Service revenue, partly offset by integration costs related to the acquisition of Mining Technologies (ex-TK) and cost related to the exit of our activities in Russia.

EBITA margin decreased to 7.7% from 9.1% in Q4 2021. Adjusted EBITA margin was 12.4% when excluding integration costs related to the acquisition of Mining Technologies (ex-TK) of DKK 125m and costs of DKK 80m related to the exit of our activities in Russia.

## Financial performance in 2022

Mining order intake grew 20% organically. In 2022 Service order intake was strong and increased 37%. Seven large capital orders at a combined value of around DKK 2.8bn were announced compared to four large orders with a combined value of around DKK 950m in 2021. Service orders and Capital orders accounted for 59% and 41% of Mining order intake. For the year, currency had a 8% positive impact on order intake. Based on a book-to-bill of 118%, the Mining order backlog increased by 35% to DKK 14,277m.

Revenue increased 14% organically and by 29% in total including currency effect and the acquisition of Mining Technologies (ex-TK). EBITA increased by 9% to DKK 1,146m and the corresponding EBITA margin decreased by 1.4%-points. In 2022 EBITA was impacted by costs related to the acquisition of Mining Technologies (ex-TK) of DKK 252m and costs of DKK 200m to exit our activities in Russia. Adjusted for these costs, the EBITA margin was 10.6%.

## Mining

| (DKKm) | Q4 2022 | Q4 2021 | Change | 2022 | 2021 | Change |
|---|---|---|---|---|---|---|
| **Order intake (gross)** | **4,579** | **3,611** | **27%** | **17,822** | **13,281** | **34%** |
| - Hereof service order intake | 2,500 | 1,978 | 26% | 10,575 | 7,705 | 37% |
| - Hereof capital order intake | 2,079 | 1,633 | 27% | 7,247 | 5,576 | 30% |
| **Order backlog** | **14,277** | **10,599** | **35%** | **14,277** | **10,599** | **35%** |
| **Revenue** | **4,374** | **3,321** | **32%** | **15,082** | **11,715** | **29%** |
| - Hereof service revenue | 2,641 | 1,817 | 45% | 9,191 | 6,940 | 32% |
| - Hereof capital revenue | 1,733 | 1,504 | 15% | 5,891 | 4,775 | 23% |
| **Gross profit** | **1,132** | **778** | **46%** | **3,794** | **2,932** | **29%** |
| Gross margin | 25.9% | 23.4% | | 25.2% | 25.0% | |
| **Adjusted EBITA** | **542** | **n/a** | | **1,598** | **n/a** | |
| Adjusted EBITA margin | 12.4% | n/a | | 10.6% | n/a | |
| **EBITA** | **337** | **303** | **11%** | **1,146** | **1,049** | **9%** |
| EBITA margin | 7.7% | 9.1% | | 7.6% | 9.0% | |
| Number of employees | 7,126 | 6,216 | 15% | 7,126 | 6,216 | 15% |

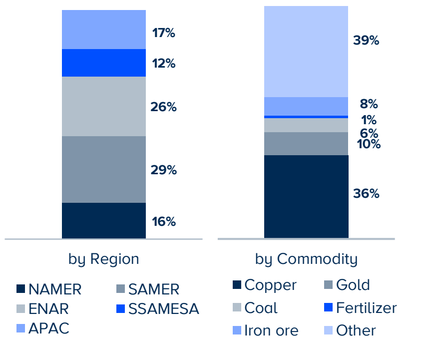
## Growth in order intake and revenue in Q4 2022 (vs. Q4 2021)

| | Order intake | Revenue |
|---|---|---|
| Organic | 5% | 6% |
| Acquisition | 15% | 20% |
| Currency | 7% | 6% |
| **Total growth** | **27%** | **32%** |

Note: Mining Q4 2021 includes Non-Core Activities

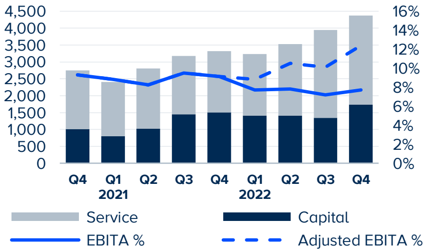
## Q4 2022 order intake split by Region and Commodity

%




## Revenue and EBITA margin

DKKm EBITA margin %



# Cement

## Financial performance in Q4 2022

Cement order intake in Q4 2022 decreased by 20% organically. Including currency effects, the order intake in Q4 2022 decreased by 17% to DKK 1,223m. This is mainly explained by a 37% decrease in Capital order intake compared to Q4 2021, which included one large order of DKK 200m. During the quarter Service orders and Capital orders represented 65% and 35% of Cement order intake, respectively.

Revenue decreased by 14% organically compared to Q4 2021, driven by supply chain challenges and a strong comparison quarter. Including currency effects, revenue decreased by 11% to DKK 1,618m. Service accounted for 59% of revenue in Q4 2022 compared to 54% in Q4 2021. The quarter included DKK 70m in revenue from contracts with non-sanctioned Russian and Belarusian customers.

Gross profit increased by 29% as a result of our efforts to focus on higher value orders. The corresponding gross margin increased 9.2%-points, impacted by financial closure of specific service contracts. As a result of the new simplified operating model in Cement, the quarter included additional costs which increased SG&A costs.

EBITA in Cement amounted to DKK 70m in Q4 2022 driven by the improved gross margin. The corresponding EBITA margin improved by 2.4%-points to 4.3%.

## Financial performance in 2022

Cement order intake grew by 11% to DKK 6,613m, driven by an 9% increase in Service orders and a 15% increase in Capital orders. This reflects improved market conditions compared to 2021. 2022 included a large order of more than DKK 400m. Service and Capital orders accounted for 57% and 43% of Cement order intake, respectively. Order backlog increased by 7% to DKK 6,386m.

Revenue increased by 2% organically, and by 7% including currency effects. Service revenue increased by 12% and Capital revenue increased by 1%. Gross profit increased 28% driven by the strong focus on price increases and execution throughout the year.

EBITA improved in 2022 and amounted to DKK 204m, driven by the increased revenue and higher gross margin. The corresponding EBITA margin improved to 3.3% despite a year with higher costs due to inflationary pressure and the new simplified operating model in Cement.

### Cement

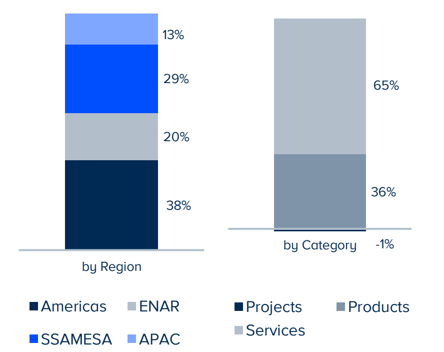
| (DKKm) | Q4 2022 | Q4 2021 | Change | 2022 | 2021 | Change |
|---|---|---|---|---|---|---|
| **Order intake (gross)** | **1,223** | **1,473** | **-17%** | **6,613** | **5,952** | **11%** |
| - Hereof service order intake | 794 | 792 | 0% | 3,752 | 3,457 | 9% |
| - Hereof capital order intake | 429 | 681 | -37% | 2,861 | 2,495 | 15% |
| **Order backlog** | **6,386** | **5,993** | **7%** | **6,386** | **5,993** | **7%** |
| **Revenue** | **1,618** | **1,814** | **-11%** | **6,264** | **5,866** | **7%** |
| - Hereof service revenue | 954 | 979 | -3% | 3,536 | 3,154 | 12% |
| - Hereof capital revenue | 664 | 835 | -20% | 2,728 | 2,712 | 1% |
| **Gross profit** | **482** | **373** | **29%** | **1,602** | **1,248** | **28%** |
| Gross margin | 29.8% | 20.6% | | 25.6% | 21.3% | |
| **EBITA** | **70** | **35** | **100%** | **204** | **(19)** | **1,174%** |
| EBITA margin | 4.3% | 1.9% | | 3.3% | -0.3% | |
| Number of employees | 3,270 | 3,901 | -16% | 3,270 | 3,901 | -16% |

### Growth in order intake and revenue in Q4 2022 (vs. Q4 2021)

| | Order intake | Revenue |
|---|---|---|
| Organic | -20% | -14% |
| Acquisition | 0% | 0% |
| Currency | 3% | 3% |
| **Total growth** | **-17%** | **-11%** |

### Q4 2022 order intake split by Region and Category

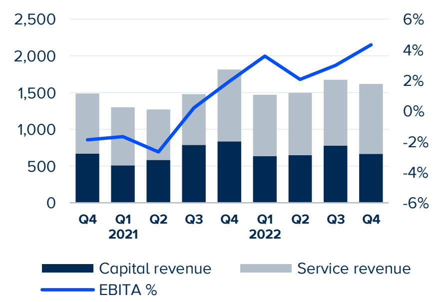
%




### Revenue and EBITA margin

DKKm

EBITA margin %



# Non-Core Activities

### Financial performance in Q4 2022

Order intake for Non-Core Activities amounted to DKK 209m, 63% relating to Service order intake and 37% to Capital order intake. The order intake was related to contractual obligations and parts already in stock.

Order backlog amounted to DKK 2.9bn. Roughly 50% of the backlog are from orders originating from Mining Technologies (ex-TK). The vast majority is from capital orders. Nearly one-third of the backlog is destined for countries within APAC.

Revenue for Non-Core Activities in 2022 amounted to DKK 503m, which was in line with guidance. Capital accounted for 59% of total revenue, while 41% of revenue was related to Service.

Gross profit was negative and amounted to DKK -320m, driven by provisions made for specific projects and costs related to exiting Non-Core Activities. The corresponding gross margin amounted to -63.6%. EBITA for Non-Core Activities amounted to DKK -407m, corresponding to a margin of -80.9% driven by the negative gross profit.

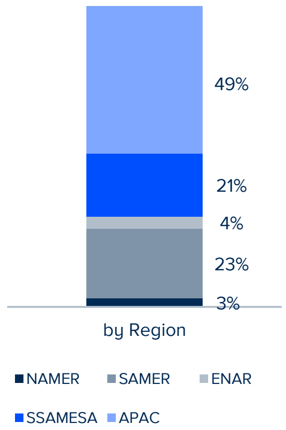
Total number of employees of the segment amounted to 581 at 31 December 2022.

### Non-Core Activities

| (DKKm) | Q4 2022 |
|---|---|
| **Order intake (gross)** | **209** |
| - Hereof service order intake | 131 |
| - Hereof capital order intake | 78 |
| **Order backlog** | **2,878** |
| **Revenue** | **503** |
| - Hereof service revenue | 206 |
| - Hereof capital revenue | 297 |
| **Gross profit** | **(320)** |
| Gross margin | -63.6% |
| **EBITA** | **(407)** |
| EBITA margin | -80.9% |
| Number of employees | 581 |

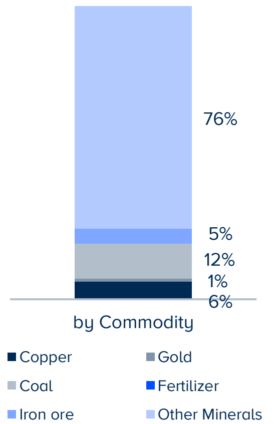
### Q4 2022 order intake split by Region

%




### Q4 2022 order intake split by Category

%



# Consolidated - Quarterly financial performance

## Growth

Group order intake in Q4 2022 increased 18%, predominantly driven by Mining. Mining order intake was supported by currency tailwinds and the acquisition of Mining Technologies (ex-TK) by 7% and 15% respectively. Group revenue increased 26%, driven primarily by Mining.

### Group – continued activities

| (DKKm) | Q4 2022 | Q4 2021 | Change | 2022 | 2021 | Change |
|---|---|---|---|---|---|---|
| **Order intake (gross)** | **6,011** | **5,084** | **18%** | **24,644** | **19,233** | **28%** |
| - Hereof service order intake | 3,425 | 2,770 | 24% | 14,458 | 11,162 | 30% |
| - Hereof capital order intake | 2,586 | 2,314 | 12% | 10,186 | 8,071 | 26% |
| **Order backlog** | **23,541** | **16,592** | **42%** | **23,541** | **16,592** | **42%** |
| **Revenue** | **6,495** | **5,135** | **26%** | **21,849** | **17,581** | **24%** |
| - Hereof service revenue | 3,801 | 2,796 | 36% | 12,933 | 10,094 | 28% |
| - Hereof capital revenue | 2,694 | 2,339 | 15% | 8,916 | 7,487 | 19% |
| **Gross profit** | **1,294** | **1,151** | **12%** | **5,076** | **4,180** | **21%** |
| Gross profit margin | 19.9% | 22.4% | | 23.2% | 23.8% | |
| **SG&A cost** | **(1,183)** | **(714)** | **66%** | **(3,776)** | **(2,779)** | **36%** |
| SG&A ratio | 18.2% | 13.9% | | 17.3% | 15.8% | |
| **Adjusted EBITA** | **205** | **n/a** | | **1,395** | **n/a** | |
| Adjusted EBITA margin | 3.2% | n/a | | 6.4% | n/a | |
| **EBITA** | **0** | **338** | **-100%** | **943** | **1,030** | **-8%** |
| EBITA margin | 0.0% | 6.6% | | 4.3% | 5.9% | |
| Number of employees | 10,977 | 10,117 | 9% | 10,977 | 10,117 | 9% |

### Order intake

Order intake in Q4 2022 increased by 18% to DKK 6,011m including the impact from the acquisition of Mining Technologies (ex-TK) of DKK 688m. Currency effects had a 6% positive impact on order intake in the quarter. Organically, order intake decreased by 1%. This was due to a decline in Cement capital orders compared to Q4 2021, which contained one large order of around DKK 200m and continued portfolio de-risking.

Service order intake increased by 24%, in line with our increased focus on expanding the share of higher margin Service orders. Capital order intake increased by 12% compared to Q4 2021 due to Mining and included two large orders of a combined value of around DKK 1.2bn. Service represented 57% of total order intake compared to Q4 2021, where Service represented 54% of total order intake.

The growth in order intake was primarily driven by Mining, which increased by 27%. This included the addition of the Mining Technologies (ex-TK) acquisition and 5% in organic growth. Cement order intake decreased 20% organically compared to Q4 2021. Our Non-Core Activities order intake amounted to DKK 209m for Q4 2022.

### Order backlog and maturity

The order backlog declined 8% to DKK 23.5bn compared to the prior quarter (Q3 2022: DKK 25.5bn) due to strong execution of the order backlog and the exit of our Russian and Belarusian activities. Outstanding order backlog related to Russian and Belarusian contracts amounted to DKK 0.7bn at the end of Q4 2022 (end of Q3 2022: DKK 1.6bn). These orders are due to uncertainty included in the '2025 and beyond' maturity and have been suspended by FLSmidth. The Non-Core Activities backlog represented DKK 2.9bn out of the total backlog at the end of Q4 2022.

The inclusion of the backlog of Mining Technologies (ex-TK) represented DKK 5,060m of the total group backlog at the end of Q4 2022.

| | Mining | Cement | Non-Core Activities | FLSmidth Group |
|---|---|---|---|---|
| 2023 | 62% | 66% | 35% | 60% |
| 2024 | 33% | 18% | 35% | 29% |
| **2025 & beyond** | **5%** | **16%** | **30%** | **11%** |

### Growth in order intake in Q4 2022 (vs. Q4 2021)

| | Mining | Cement | Non-Core Activities | FLSmidth Group |
|---|---|---|---|---|
| Organic | 5% | -20% | n/a | -1% |
| Acquisition | 15% | 0% | n/a | 13% |
| Currency | 7% | 3% | n/a | 6% |
| **Total growth** | **27%** | **-17%** | **n/a** | **18%** |

Note: Mining Q4 2021 includes Non-Core Activities

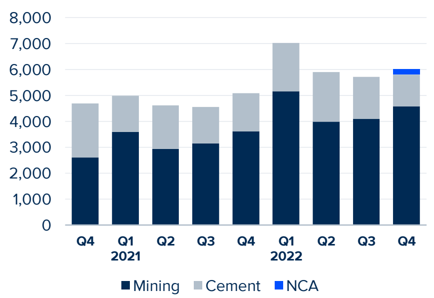
### Growth in revenue in Q4 2022 (vs. Q4 2021)

| | Mining | Cement | Non-Core Activities | FLSmidth Group |
|---|---|---|---|---|
| Organic | 6% | -14% | n/a | 3% |
| Acquisition | 20% | 0% | n/a | 18% |
| Currency | 6% | 3% | n/a | 5% |
| **Total growth** | **32%** | **-11%** | **n/a** | **26%** |

Note: Mining Q4 2021 includes Non-Core Activities

### Order intake

DKKm



## Revenue

Revenue increased 26% to DKK 6,495m in Q4 2022, driven by a 36% increase in Service revenue and 15% increase in Capital revenue. Service revenue accounted for 59% of total revenue in the quarter, compared to 54% in Q4 2021.

Organically, revenue increased 3% driven primarily by a 6% organic growth in Mining while Cement partly offset the organic growth with a 14% decrease. The quarter included DKK 139m in revenue from contracts with non-sanctioned Russian and Belarusian customers, DKK 503m from our Non-Core Activities and DKK 646m coming from the acquisition of Mining Technologies (ex-TK).

## Russia exit 2022

### Status prior to 24 February 2022

- 4 sales offices with +80 employees
- No production assets
- Outstanding order backlog from Russian and Belarusian contracts of around DKK 3bn
- Expected revenue of around DKK 1.5bn in Russia in 2022

### During 2022 we have exited Russia

- Outstanding order backlog from Russian and Belarusian contracts was DKK 0.7bn at end Q4 2022 (around DKK 1.6bn at end Q3 2022). These orders are due to uncertainty included in the '2025 and beyond' maturity and have been suspended by FLSmidth
- Revenue of DKK 139m from non-sanctioned Russian and Belarusian customers was recognised in Q4 2022 (FY 2022: DKK 929m)
- During Q4 2022 we continued the efforts to exit the activities in Russia and Belarus and have incurred DKK 80m in costs in Q4 2022 related to the exit (FY 2022: DKK 200m)
- We have reduced the number of employees in Russia by >95% at end Q4 2022
- The exit of activities in Russia has resulted in a net loss for the FY 2022 on Russian activities

## Profit

Gross profit increased 12% driven by increased revenue. Adjusted EBITA margin was 3.2%. When including costs related to the exit of Russian activities and integration costs related to the acquisition of Mining Technologies (ex-TK), Group EBITA was zero.

### Gross profit and margin

Gross profit increased by 12% to DKK 1,294m, driven by the higher revenue. The corresponding gross margin decreased to 19.9% impacted by costs related to the exit of our activities in Russia, the new simplified operating model in Cement, the integration cost of Mining Technologies (ex-TK) and the ongoing exit of our Non-Core Activities.

In Q4 2022, total research and development costs (R&D) amounted to DKK 101m, representing 1.6% of revenue (Q4 2021: 1.6%). The increase in R&D was mainly due to the acquisition of Mining Technologies (ex-TK).

### Research & development costs

| (DKKm) | Q4 2022 | Q4 2021 |
|---|---|---|
| Production costs | 41 | 43 |
| Capitalised | 60 | 40 |
| **Total R&D** | **101** | **83** |

### SG&A costs

Sales, general and administrative costs (SG&A) and other operating items increased 66% compared to Q4 2021, mainly due to costs related to the exit of our activities in Russia, the new simplified operating model in Cement and integration costs related to the acquisition of Mining Technologies (ex-TK) in Q4 2022. Further, currencies had a negative impact on SG&A of DKK 11m in the quarter.

As a result of this, SG&A costs as a percentage of revenue increased to 18.2% in Q4 2022 compared to 13.9% in Q4 2021.

### EBITA and margin

Excluding costs of DKK 80m related to the exit of our activities in Russia and integration costs of DKK 125m related to the acquisition of Mining Technologies (ex-TK) adjusted Group EBITA margin was 3.2% in Q4 2022. Including these costs, the reported EBITA margin decreased to zero in Q4 2022.

Amortisation of intangible assets amounted to DKK 94m (Q4 2021: DKK 99m). The effect of purchase price allocations amounted to DKK 23m (Q4 2021: DKK 23m) and other amortisation to DKK 71m (Q4 2021: DKK 76m).

Earnings before interest and tax (EBIT) decreased 139% to DKK -94m.

### Financial items

Net financial items amounted to DKK -47m (Q4 2021: DKK -2m), of which net interest amounted to DKK -27m (Q4 2021: DKK 0m) and foreign exchange and fair value adjustments amounted to DKK -20m (Q4 2021: DKK -2m).

### Tax

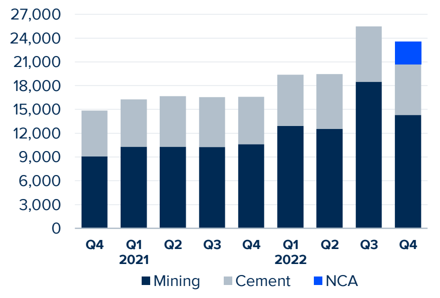
Tax in Q4 2022 totaled DKK 66m (Q4 2021: DKK -77m).

### Profit for the period

As a result of the negative EBIT in Q4 2022, there was a loss of DKK 67m (Q4 2021: DKK 161m). Discontinued activities had a profit of DKK 8m in Q4 2022.

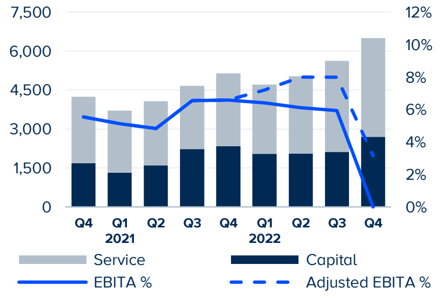
### Backlog

DKKm



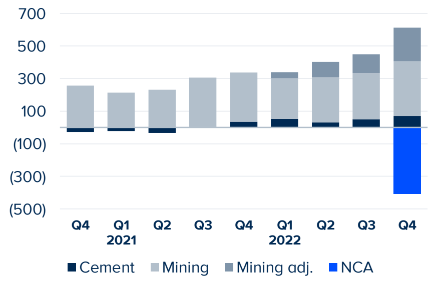

### Revenue & EBITA margin

DKKm EBITA margin %




### EBITA

DKKm



## Capital

A strong cash collection led to a net working capital decrease of DKK 277m to DKK 1,893m. The net working capital ratio decreased to 7.8% in Q4 2022 (Q3 2022: 9.2%).

### Net working capital

Net working capital decreased DKK 277m to DKK 1,893m at the end of Q4 2022 (end of Q3 2022: DKK 2,170m). The primary driver of the decrease in the quarter was a strong collection in accounts receivables and inventory decline due to backlog execution. The corresponding net working capital ratio declined from 9.2% of revenue in Q3 2022 to 7.8% of revenue in Q4 2022. Net working capital includes Mining Technologies (ex-TK) of DKK 305m.

Utilisation of supply chain financing declined to DKK 590m in Q4 2022 (Q3 2022: 636m).

### Cash flow from operations

Cash flow from operations (CFFO) in Q4 2022 was strong and amounted to DKK 776m (Q4 2021: DKK 849m). The decline in net working capital in the quarter positively impacted CFFO by DKK 314m.

Discontinued activities impacted CFFO by DKK 14m in Q4 2022 (Q4 2021: DKK -18m) due to a positive effect on tax.

### Cash flow from investments

Cash flow from investing activities amounted to DKK -116m (Q4 2021: DKK -97m).

### Free cash flow

Free cash flow increased DKK 660m in the quarter (Q4 2021: DKK 752m) as a result of the stronger cash flow from operations.

### Net interest-bearing debt

Due to a robust free cash flow in Q4 2022, net interest-bearing debt (NIBD) improved further from DKK 985m at the end of Q3 2022 to DKK 726m at the end of Q4 2022. The financial gearing end of Q4 2022 amounted to 0.6x (Q3 2022: 0.7x).

### Financial position

By the end of 2022, FLSmidth had DKK 6.3bn of available committed credit facilities of which DKK 4.4bn was undrawn. The committed credit facilities have a weighted average time to maturity of 5.0 years.

Credit facilities of DKK 5.0bn and DKK 1.1bn will mature in 2027 and 2030, respectively. The remaining DKK 0.2bn matures in later years. DKK 1.6bn of uncommitted credit facilities will mature in 2023.

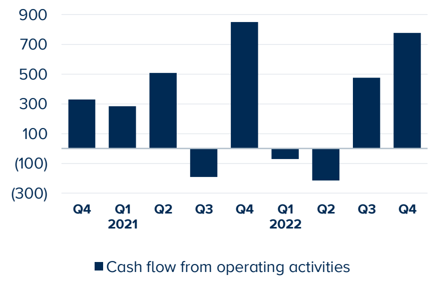
### Equity ratio

Equity at the end of Q4 2022 decreased to DKK 10,787m (end of Q3 2022: DKK 11,555m), driven by the decrease in profit and an increase in net working capital.

The equity ratio was 36.1% (end of Q3 2022: 37.2%).

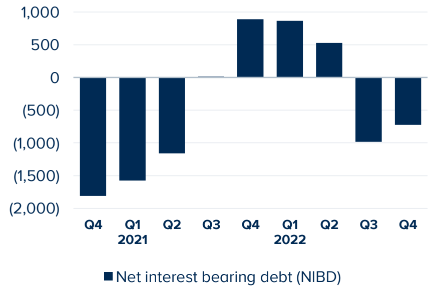
### Cash flow

DKKm



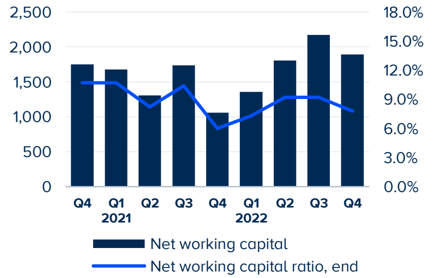

### Net interest-bearing debt

DKKm




### Net working capital

DKKm NWC%



# Consolidated - Annual financial performance

## Growth

Group order intake increased by 16% organically with growth mainly driven by Mining. In addition to improved market conditions order intake was also supported by currency tailwinds and the acquisition of Mining Technologies (ex-TK).

### Order intake

Order intake grew 16% organically in 2022 following a higher post-pandemic demand and improved market conditions. Currency positively affected order intake by 7% in the year. Including currency effects and the impact of the acquisition of Mining Technologies (ex-TK), order intake increased by 28% to DKK 24,644m.

Service order intake increased by 30% in 2022, in line with our focus on increasing the share of higher margin Service orders and portfolio de-risking approach. A resilient mining market throughout 2022 and improved logistics also contributed to the high Service order intake. Service accounted for 59% of total order intake in line with last year. Capital orders increased by 26%, mainly driven by Mining.

Mining order intake increased by 34% in 2022, driven by both Service and Capital. In 2022, seven large mining orders at a combined value of around DKK 2.8bn were received compared to four large orders with a combined value of around DKK 950m in 2021.

Cement order intake increased 11%, driven by a 15% increase in Capital order intake and a 9% increase in Service order intake. Investment appetite improved over 2021 and resulted in one large cement order of around DKK 400m in 2022.

Non-Core Activities order intake amounted to DKK 0.2bn in 2022. The order intake was related to contractual obligations and parts already in stock.

### Growth in order intake in 2022 (vs. 2021)

| | Mining | Cement | Non-Core Activities | FLSmidth Group |
|---|---|---|---|---|
| Organic | 20% | 5% | n/a | 16% |
| Acquisition | 6% | 0% | n/a | 5% |
| Currency | 8% | 6% | n/a | 7% |
| **Total growth** | **34%** | **11%** | **n/a** | **28%** |

Note: Mining FY 2021 includes Non-Core Activities

### Order backlog

The order backlog increased by 42%, comprising a 35% increase in Mining and a 7% increase in Cement. The increase in Mining was supported by the addition of the acquired order backlog from Mining Technologies (ex-TK). The book-to-bill was 113%.

Outstanding order backlog related to Russian and Belarusian contracts amounted to around DKK 0.7bn end of Q4 2022 (end of Q3 2022 around DKK 1.6bn). These orders are due to uncertainty included in the '2025 and beyond' maturity and have been suspended by FLSmidth.

### Revenue

Market conditions improved in 2022 with regards to investment appetite, site access and impact from supply chain constraints. Based on a strong backlog 2022 organic revenue increased by 11%, despite the exit of Russian activities. The increase was driven mostly by Service revenue in Mining, Including the impact of the acquisition of Mining Technologies (ex-TK) as well as currency effects of 6% revenue increased by 24% to DKK 21,849m.

Service revenue accounted for 59% of total revenue, compared to 57% in 2021. Capital revenue increased 19%, primarily driven by the acquisition of Mining Technologies (ex-TK).

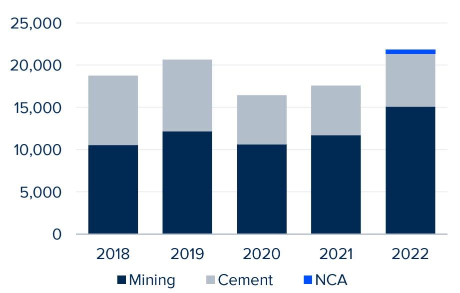
### Growth in revenue in 2022 (vs. 2021)

| | Mining | Cement | Non-Core Activities | FLSmidth Group |
|---|---|---|---|---|
| Organic | 14% | 2% | n/a | 11% |
| Acquisition | 8% | 0% | n/a | 7% |
| Currency | 7% | 5% | n/a | 6% |
| **Total growth** | **29%** | **7%** | **n/a** | **24%** |

Note: Mining FY 2021 includes Non-Core Activities

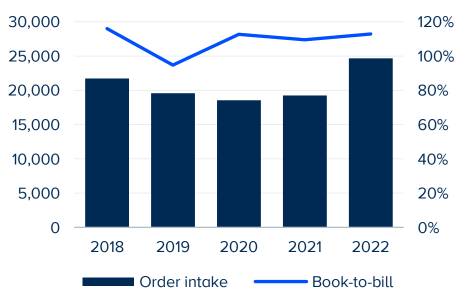
### Mining, Cement & NCA revenue

DKKm



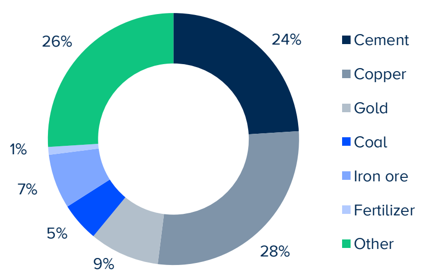

### Order intake and book-to-bill

DKKm %



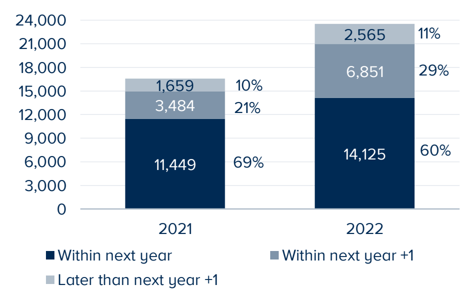

### Order intake by commodity

%




### Backlog maturity

DKKm



## Profit

### Gross profit increased by 21% mainly due to higher Service revenue. Adjusted EBITA margin was 6.4% excluding the costs related to the exit of Russian activities, acquisition of Mining Technologies (ex-TK) and costs related to exiting Non-Core Activities. Reported EBITA margin was 4.3%.

### Gross profit and margin

Gross profit increased by 21% in 2022, due to the increase in revenue, mitigation of inflationary pressure and focus on high margin Service revenue. Gross margin decreased 0.6%-points to 23.2% and was impacted by costs related to the exit of Russian activities, the acquisition of Mining Technologies (ex-TK) as well as costs for exiting Non-Core Activities.

Research and development costs reported in production costs were DKK 169m. The increase in R&D was mainly driven by the acquisition of Mining Technologies (ex-TK). The R&D costs mainly related to several innovations, including new sustainable cement technologies, tailings management, digital solutions, and various equipment across the mining value chain.

### Research & development costs

| (DKKm) | 2022 | 2021 |
|---|---|---|
| Production costs | 169 | 152 |
| Capitalised | 171 | 142 |
| **Total R&D** | **340** | **294** |

### SG&A costs

Sales, general and administrative costs (SG&A) and other operating items increased by 36% in 2022, mainly due to integration costs related to Mining Technologies (ex-TK), exit of our Russian activities and unfavorable currency impact. In addition, the SG&A costs of Mining Technologies (ex-TK) itself contributed to the increase in overall SG&A costs. The corresponding SG&A ratio increased by 1.5%-points to 17.3%.

### EBITA and margin

Reported EBITA decreased 8% to DKK 943m despite positive impact from a higher revenue. The corresponding EBITA margin declined to 4.3% from 5.9% due to costs for exiting of Russia, integration costs, cost related to the new simplified operating model in Cement and cost related to exiting Non-Core Activities. Adjusted for costs incurred for the integration of Mining Technologies (ex-TK) of DKK 252m as well as costs of DKK 200m related to the exit of our activities in Russia adjusted EBITA margin was 6.4%.

Underlying performance in both Mining and Cement have improved compared to prior years, as a result of our increased focus on higher margin Service, de-risking the portfolio and focus on our strategic initiatives.

### Financial items

Net financial items amounted to a cost of DKK -67m (2021: DKK -81m), of which net interest cost including interest from leasing amounted to DKK -50m (2021: DKK -60m) and foreign exchange and fair value adjustments accounted for the remaining cost. Termination of hedging Russian Rubles had a negative impact of DKK 36m on foreign exchange adjustments.

### Tax

The effective tax rate for the year was 36.4% in line with last year. 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 countries outside Denmark (mainly in Russia).

### Profit for the year

Profit for the year decreased 1% to DKK 352m mainly due to costs related to the exit of activities in Russia, integration costs for Mining Technologies (ex-TK) and the new simplified operating model in Cement. Discontinued activities reported a profit of DKK 1m compared to DKK -17m in 2021 due to a tax income in 2022.

### Earnings per share

As a result of the profit level, earnings per share decreased from DKK 6.9 in 2021 to DKK 6.5 per share in 2022.

### Employees

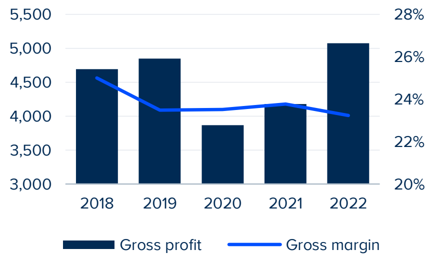
The number of employees increased by 860 to 10,977 at the end of 2022. The decrease is a direct result of around 2,000 FTEs coming from the acquisition of Mining Technologies (ex-TK), partly offset by strategic workforce reductions carried out in both Mining and Cement in Q4 2022.

### Return on capital employed

Return on capital employed (ROCE) decreased to 5.9% (2021: 7.2%) due to the increase in average capital employed, decreased EBITA as well as the impact from the acquisition of the Mining Technologies (ex-TK) business.

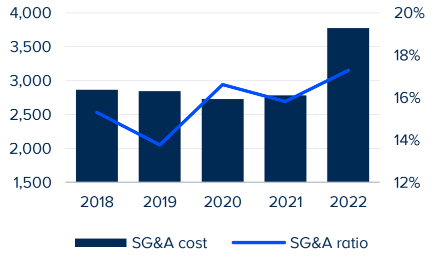
### Gross profit and Gross margin

DKKm %



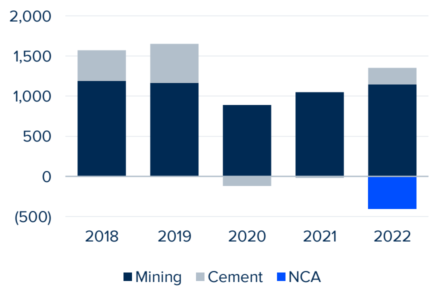

### SG&A cost and SG&A ratio

DKKm %




### EBITA by Mining, Cement & NCA

DKKm



# Capital

Cash generation from operating activities was satisfactory in 2022. Net interest-bearing debt and financial gearing increased in 2022 as expected due to the payment of the purchase price of Mining Technologies (ex-TK).

## Balance sheet

Total assets increased by DKK 6.8bn to DKK 30bn on 31 December 2022. The increase related to the acquisition of Mining Technologies (ex-TK) amounted to around DKK 5.5bn. Cash balance was reduced in 2022 and impacted by the purchase price payment for Mining Technologies (ex-TK).

## Capital employed

Average capital employed increased to DKK 15,888m (2021: DKK 14,384m) as a result of the acquisition of Mining Technologies (ex-TK). This was also the driving factor of the increase in intangible assets as well as in net working capital. At the end of 2022, capital employed amounted to DKK 17,848m, consisting primarily of intangible assets of DKK 13,308m, which was mostly goodwill as well as patents and rights and customer relations. Property, plant and equipment including leased assets were largely unchanged and net working capital increased to DKK 1,893m by the end of 2022.

## Net working capital

Net working capital increased by DKK 0.8bn compared to 31 December 2021. The increase is primarily due to the impact from the acquisition of Mining Technologies (ex-TK) and a higher level of inventories to mitigate supply chain challenges. The corresponding net working capital ratio was 7.8% (2021: 6%) and reflects a strong cash focus considering the increase in activity levels. The currency effect on net working capital was an increase of DKK 112m.

## Supply chain financing

Utilisation of supply chain financing has increased slightly during 2022, driven by a higher level of activity. Consequently, the supply chain financing programme amounted to DKK 590m at the end of 2022 (2021: DKK 490m).

## Net interest-bearing debt

As a result of the payment of the acquisition price for Mining Technologies (ex-TK), net interest-bearing debt was DKK -726m (end of 2021: DKK 889m). This was partly offset by the cash generation from operations in 2022.

Financial gearing (NIBD/EBITDA) was 0.6x (end of 2021: -0.6x) also driven by the acquisition of Mining Technologies (ex-TK). The level is well below our capital structure target of < 2.0.

## Equity

Equity at the end of 2022 increased to DKK 10,787m (end of 2021: DKK 10,368m) mainly related to comprehensive income for the year. Currency adjustments regarding translation of foreign entities added to the equity as well. The equity ratio was 36.1% (2021: 45.0%).

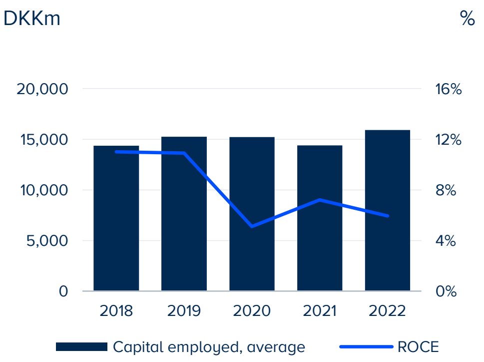
## Treasury shares

The holding of treasury shares was 913,828 shares at the end of 2022 (2021: 924,568 shares), representing 1.6% of the total share capital (2021: 1.6%). Treasury shares are used to hedge our share-based incentive programmes.

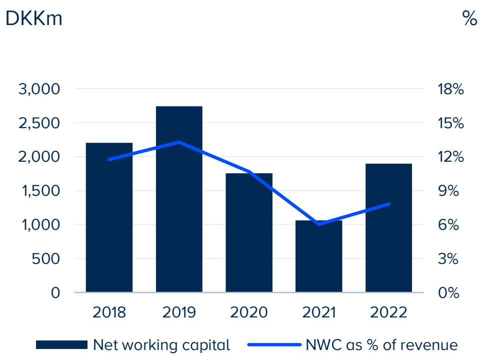
## Dividend

The Board of Directors will propose at the Annual General Meeting that a dividend of DKK 3 per share corresponding to a dividend yield of 1.2% and a pay-out ratio of 49%, will be distributed. for 2023. The total dividend proposed amounts to DKK 173m.

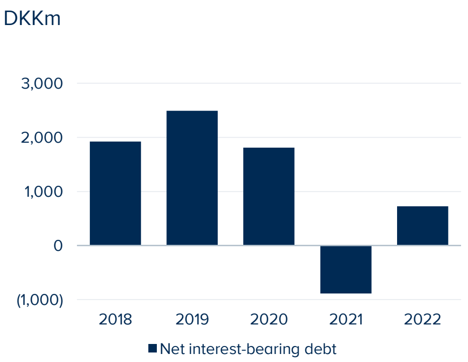
## Return on capital employed



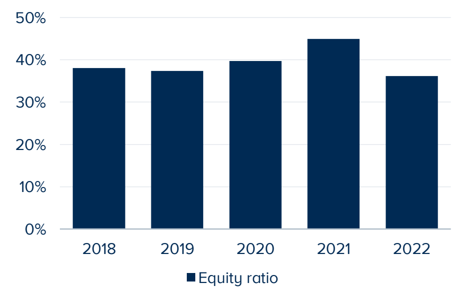

## Net working capital




## Net interest-bearing debt




## Equity ratio %



## Cash flow from operating activities

Cash flow from operating activities (CFFO) declined to DKK 968m compared to DKK 1,449m in 2021 explained by the cash outflow of DKK 446m in net working capital mainly from the increase in inventories. CFFO was negatively impacted by discontinued activities of DKK -50m, see note 2.11.

## Cash flow from investing activities

Cash flow from investing activities (CFFI) amounted to DKK -2,310m in 2022 (2021: DKK -273m), reflecting the acquisition of Mining Technologies (ex-TK) which resulted in a cash outflow of DKK 2,103m.

## Free cash flow

Free cash flow adjusted for business acquisitions and disposals was DKK 777m (2021: DKK1,185m).

## Cash flow from financing activities

Cash flow from financing activities was DKK 1,596m (2021: DKK -276m), primarily as a result of increased debt due to payment of purchase price for Mining Technologies (ex-TK).

In 2022 a sustainability linked funding agreement was signed amounting to EUR 150m (DKK 1.1bn) with a lifetime of 7 years.

## Cash position

Cash and cash equivalents amounted to DKK 2.1bn at 31 December 2022 compared to 1.9bn at 31 December 2021.

## Restricted cash

Cash and cash equivalents included cash with currency restrictions as well as other restrictions amounting to DKK 1,459m (2021: DKK 868m). The restricted cash position has increased following the acquisition of Mining Technologies (ex-TK). The restricted cash coming from the Mining Technologies (ex-TK) acquisition amounts to DKK 361m. The cross-border cash pool in China has a limit of CNY 100m (DKK 101m), hence cash in China above this limit is classified as restricted. Cash in Russia is also classified as restricted.

# Other business

## Annual cost synergy target and total integration costs raised

The acquisition of Mining Technologies (ex-TK) closed on 31 August 2022. In October 2022, FLSmidth revisited the cost synergy potential from the combined organisational setup, geographical footprint and pooled innovation, procurement and administration structures in relation to the Mining segment. Based on this, further upside was uncovered.

The annual cost synergy target is expected to be around DKK 560m (previously DKK 360m) and the pace to realise these synergies has been accelerated. Consequently, the annual cost synergy run-rate is now expected to be achieved by end of 2023 (previously first two years after closing of the acquisition).

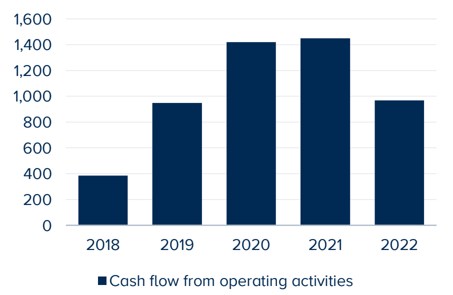
Integration costs to realise the synergies are now estimated to be around DKK 800m (previously DKK 560m), of which around DKK 252m was recognised in 2022. The remaining part of the total DKK 800m integration costs are expected to be recognised before the end of 2023.

## New Headquarter

In September 2022, FLSmidth signed a lease of a new headquarter at Havneholmen in Copenhagen. The headquarter is currently in the construction phase and it is expected that the lease will be effective in 2025.

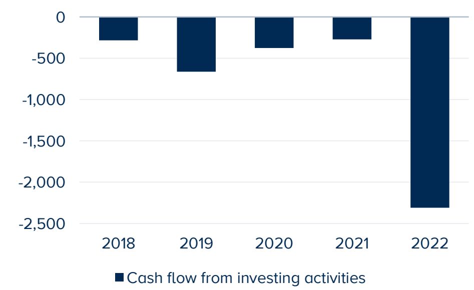
### CFFO

DKKm



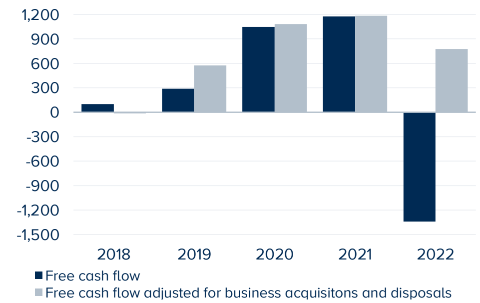

### CFFI

DKKm



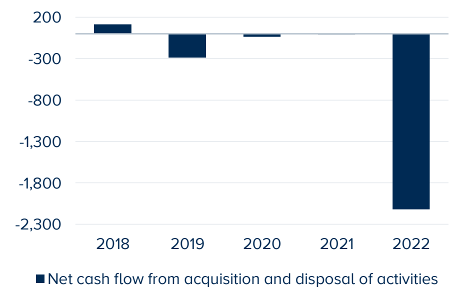

### Free cash flow

DKKm




### Net cash flow from business acquisitions and disposals

DKKm




# Governance

# Risk management

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

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

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

### Governance

Group Executive Management leads our risk management programme, with oversight from the Audit Committee and ultimately the Board of Directors having the overall responsibility for deciding the risk appetite and monitoring the risk exposure.

Through a bottom-up approach, risks are assessed by the Business Lines and Shared Functions during workshops facilitated by Group Risk Management. This enables the collection of a broad spectrum of data across the organisation and identifies the biggest risks for FLSmidth.

Based on this assessment, Executive Management identifies high-risk issues for the coming year and ensures that actionable mitigation plans are in place. In addition Executive Management reviews the mid and long term risks to ensure proper mitigation and attention.

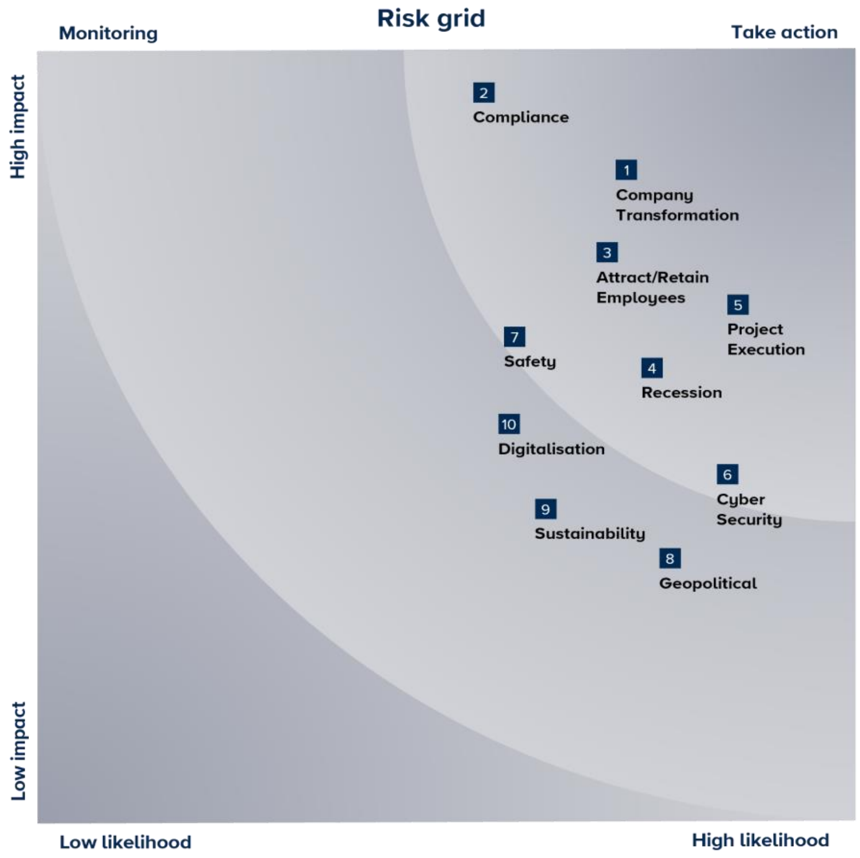
During the year the Risk Committee meets to review the top risks and follow up on mitigation plans. This ensures that ownership for managing the risks is anchored in the business and that the focus on proactively identifying, managing and mitigating the risks continue throughout the year.

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

### 2022 risk review

This year's risk review resulted in the identification of 10 top risks and opportunities that have the potential to significantly impact the entire business and organisation. Many of this year's top risks – company transformation, compliance, looming recession, cyber security and geopolitical – have evolved into new, more complex risks compared to 2021. Mitigation efforts have proven effective with regards to two of last year's top risks 'supply chain' and 'cement market conditions' that are no longer considered top risks.

During 2022, the war in Ukraine and zero-COVID-19 strategy in China presented a myriad of geopolitical challenges from a compliance point of view and for the safety and well-being of our employees as well as to logistics. The challenges set into motion collective mitigation efforts across the




entire organisation. Our extended focus on compliance, health and safety of our employees and investments in additional resources along with our continued flexibility managing the supply chain allowed us to deal with the new challenges effectively.

Company Transformation was identified as a top risk in 2022 – an evolution of the acquisition integration risk identified in 2021. With integration of the newly acquired Mining Technologies (ex-TK) business still high on the priority list, the integration team has merged into our Strategy & Transformation team, becoming a vital part of our journey towards more profitable growth and full flowsheet leadership to ensure operational excellence.

Attracting and retaining employees remains high on the list for 2022. The industries we operate in are challenged by the ability to attract enough high-skilled and high-performing staff. We have welcomed many new talented employees through the acquisition of Mining Technologies (ex-TK) and continue to have an active recruitment and career development strategy.

In project execution, our focus on value over volume has already produced positive results. We work to expand our share of services and standardised equipment relative to the share of large projects while simultaneously de-risking the project portfolio. With a less cyclical business and lower level of risk we remain selective in taking on large, complex orders both in Mining and Cement positioning us well for the increasing demand for sustainability offerings. In Mining, our focus is on driving profitable growth and market leading solutions across the full flowsheet. In Cement, we focus on improving profitability and developing a winning portfolio position with us as a leading plant-productivity partner. Further we want to be a leading supplier of sustainability solutions while helping to reduce the financial impact of project-related risks.

For information on financial risks and mitigation activities, including liquidity, credit and foreign exchange rates see section 5 in the financial statements. For tax see section 4 in the financial statements and our Group Tax Policy available on:

https://www.flsmidth.com/en-gb/company/sustainability/policies-and-priorities

### Turning risks into opportunities

The biggest risk of doing business is often the risk of inaction as companies fail to adapt to the changing business environment. If appropriate action is taken, such risks can be minimised and turned into even larger business opportunities. This is the case for a number of the risks identified in FLSmidth's 2022 risk review. Sustainability and digitalisation remain two of FLSmidth's key strategic priorities. While both constitute a risk of increased niche competition, we see them as even greater business opportunities considering our strong efforts to maintain and develop a leading position within both areas.

# Risk mitigation

| Risk | Potential impact | Mitigation |
|---|---|---|
| 1 Company Transformation | The company transformation relates to the realisation of the cost synergies from the acquisition of Mining Technologies (ex-TK) and on execution of the pure play strategies for Mining and Cement. Compared to the integration risk from 2021, the risk has been expanded to include implementation of our strategy and the new mindset that is required to achieve this. | The transition to become a service-led business requires a mindset shift and a new way of making decisions to ensure we maximise the opportunities available through our installed base and beyond. Our continued focus on supply chain and manufacturing efficiency, employing and training skilled workers and making strategic decisions about capital projects will help to ensure a smooth transition. |
| 2 Compliance | Compliance has been very busy in 2022 dealing with the shock effects of the war in Ukraine, diligently working to make sure the business was aligned with the continuously changing sanctions regulations. Despite all our efforts to continue to mitigate, we have the understanding that one mishap could negatively impact our brand and reputation with customers. | Additional resource investments were made in 2022 to our dedicated Compliance Department. We have established rules and procedures to ensure a common understanding of ethical behaviour across the organisation. There are policies in place to support the organisation with day-to-day compliance issues such as the Code of Business Conduct, Anti-Bribery policy and Export Control, as well as tools and procedures to identify individual issues that may pose a threat including the Whistle Blower Hotline, screening of third-party agents, suppliers and sign-off protocols. Online training continues to be a key part of our mitigation strategy with a catalogue of compulsory compliance training for all employees. |
| 3 Attract & Retain Employees | With the high demand for skilled workers across both industries, we are facing the same challenges with aging workforce and lack of younger, skilled workers. While our Sustainability MissionZero helps attract new generations, we need to mitigate the risk of losing employees and their engagement to be able to compete and achieve strong business performance. | We have welcomed many talented employees through the Mining Technologies (ex-TK) acquisition and continue to mitigate the retention risk by focusing on four main areas: communicating our vision and strategy in a clear and compelling way, strengthening our growth and development opportunities through actionable development plans and consistent performance feedback, monitor and act on dynamic feedback coming through monthly engagement surveys/exit interviews, ensuring fair and competitive total rewards. |
| 4 Recession | Higher, prolonged inflation could affect short-term demand despite continued high prices for select commodities and delay investments for green technologies in both the mining and cement industries. | Monitoring and controlling our own costs coupled with the continued operating model simplification will help ensure Cement remains stable, while our significant exposure to copper and gold will help build resilience against volatile commodity prices within Mining. |
| 5 Project Execution | Increased demand for sustainability offerings in the cement industry coupled with internal new strategy efforts have significantly reduced the risk associated with our Cement business. In addition, focus on value over volume, standardisation, balancing scope with profitability and integrating engineering departments into the business have all contributed to confining project related risks. | During 2022, we achieved positive results from our Cement business re-shaping to mitigate the challenging market conditions characterised by lack of global growth and overcapacity in the market, while at the same time repositioning our Cement business for the green transition. This continues to be an ongoing process.<br>To minimise the risks in Mining, we remain selective in taking on large, complex orders and focus on building a quality order backlog. In addition, we have a strategic focus on value over volume, expanding our share of services and standardised equipment to support our transition to becoming a service-led business. |

| Risk | Potential impact | Mitigation |
| --- | --- | --- |
| 6 Cyber Security | As our digital offerings continue to grow there is tremendous potential in applying our digital solutions to a sustainability context, however as this opportunity grows, so does the risk of cyber-crime. A sophisticated cyber-attack could disrupt the 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 is essential for us to secure the customer assets delivered by FLSmidth and we are working towards the full cybersecurity certification (IEC62443) in this area. We have continuous focus on IT Security and awareness throughout the organisation. There are regular audits and security updates as well as continuous analysis of existing controls. Contingency plans, cloud-based solutions, cyber awareness training modules, multi-factor authentication, anti-virus and patch management, behaviour analysis and an IT Security Committee all help to mitigate the potential impacts. |
| 7 Safety | We have seen a decrease in the number of workplace injuries during 2022. Building a culture of health and safety across our own sites and at our customers' is core to our Zero Harm 2030 ambition and is taken seriously as it can result in a loss of trust from employees and customers. The domino effect that a serious or fatal injury potentially could have on the organisation's reputation as a premium employer and supplier could be significant. | The Group has zero tolerance for safety risks both at third party sites as well as its own. Safety is a high priority for everyone. In 2022, we launched new cross-functional auditing procedure for ISO certifications, introduced new documentation control system and launched an injury campaign, eliminating approximately 240 hand injury risks. Safety audits are conducted by management, all employees are required to participate in safety training annually, safety shares and recording of near misses are mandatory. Focus on workload and employee engagement as well as mental health seminars help to educate our employees on the importance of a healthy work-life balance and empower them to take responsibility for ensuring they have the necessary information needed to perform their responsibilities safely. |
| 8 Geopolitical | We saw the actualisation of this risk in 2022 fuelled by the war in Ukraine. Polarisation and tensions between major world economies continues to create instability, which not only poses a threat to our project execution ability in some regions and increases the risk of delays and disruptions, but could force us to permanently close down offices as was the case for our Russian operations. Threat of sanctions in specific markets and the risk of commoditising of the mining industry are all relative risks. | We continue to review our footprint and expand with strategic investments. Our procurement optimisation continues to focus on strategic, global sourcing and building relationships with multiple suppliers to protect supply chain and logistics operations where we have achieved operational efficiencies while maintaining resilience and flexibility within our supply chain. We also have a standardised due diligence process in place where we screen sales agents and distributors, customers, contractors and suppliers. We continue to develop our due diligence process as our business environment evolves. |
| 9 Sustainability | As a key driver for the mining and cement industries, the success of our business depends on our ability to develop sustainable products and solutions. With increased global awareness on health, safety and the environment, sustainable solutions represent a huge opportunity as our largest environmental impact stems from customer's use of our products. | MissionZero is an integral part of our risk mitigation strategy and presents a great opportunity to reduce emissions in both the mining and cement industries. To better understand and evaluate climate-related risks and opportunities, we have started to implement the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD). This is an ongoing process. More information on how we evaluate risks using the TCFD can be found in our Sustainability Report. For information on our position on coal mining, please see the Sustainability Report. |
| 10 Digitalisation | Digitalisation is a major driver for change, representing a huge opportunity for sustainable productivity improvements. We continue our strong focus on sustainable innovations that enables customers to improve their operations and helps us to expand to mid-market and single-equipment suppliers enabling us to capture a larger share of the market for services. | With the launch of digitally enabled products and digital offerings aimed at increasing productivity at customer sites and the implementation of artificial intelligence in parts of Procurement, Finance and other Group Functions, the company continues to improve sustainable productivity in-house. Through our own technology centres, collaborations with customers at their sites and partnerships with third parties, we are working together to co-create new solutions. |

# Corporate governance

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

The following statutory statement (including the Corporate Governance section, the Remuneration section, as well as the overview of the Board of Directors and Group Executive Management) is provided pursuant to the Danish Financial Statements Act Sections 99d, 104 and 107b.

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.

| | 2022 | 2021 |
|---|---|---|
| Number of registered shareholders (1,000) | 54 | 54 |
| Treasury shares (1,000) | 914 (1.6%) | 925 (1.6%) |
| Numbers of shares held by Board and Group Executive Management (1,000) | 74 | 94 |
| Total Board remuneration (DKK) | 6.6m | 6.5m |
| Total Executive Management remuneration (DKK) | 25.8m | 39.0m |
| Number of Board members (elected at the AGM) | 6 | 6 |
| Female representation on Board of Directors (elected at the AGM) | 33.0% | 33.0% |
| Independent directors, excluding employee elected members | 100.0% | 83.0% |
| Number of board committees | 4 | 4 |
| Number of board meetings held (overall meeting attendance%) | 14 (100%) | 15 (100%) |

## Management structure

According to general practice in Denmark, 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 please refer to: www.flsmidth.com/en-gb/company/investors/governance.

## The Board of Directors

The Board of Directors is elected at the Annual General Meeting apart from the Board members who are elected pursuant to the provisions of the Danish Companies Act on employee representation. Board members elected at the Annual General Meeting constitute no less than five and no more than eight members, currently six members, in order to maintain a small, competent and quorate Board. The members of the Board elected at the Annual General Meeting retire at each Annual General Meeting. Re-election may take place. The Nomination Committee identifies and recommends candidates to the Board of Directors.

Pursuant to the provisions of the Danish Companies Act regarding employee representation, FLSmidth's employees are currently represented on the Board by three members who are elected for a term of four years. The most recent election took place in 2021, where two new members joined the Board.

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 have 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's rules of procedure and its annual plan. In general, between six and eight ordinary Board meetings are held every year. However, when deemed necessary, additional meetings may be 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. 14 Board meetings were held in 2022. Apart from contemporary business issues, the most important issues dealt with in 2022 were: the war in Ukraine, establishment of Non-Core Activities, new strategy, de-risking of portfolio, financial risks, sustainability, simplification of Cement's operating model, diversity and the acquisition and integration of the Mining Technologies (ex-TK) business.


All members of the Board of Directors participated, physically or virtually, in all relevant board and committee meetings in 2022, except one member who was unable to attend one Board meeting and another Board member who was unable to attend two Board meetings due to conflicting appointments. To achieve a highly informed debate with Group Executive Management, the Company strives for Board membership profiles that reflect substantial managerial experience from internationally operating industrial companies.

At least one member of the Board 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. The composition of the Board of

Directors reflects that the majority of members elected at the Annual General Meeting holds competencies in acquisition and sale of companies, financing and stock market issues, international contracts and accounting. In addition, it is preferable that Board members have a background in construction contracting and possess technical expertise on process plants and process technology, including minerals and/or cement.

All six members of the Board elected at the Annual General Meeting are independent in the opinion of the Board of Directors and according to the criteria specified by the Committee on Corporate Governance, which is an independent Danish 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 Nomination Committee

The Nomination Committee consists of Tom Knutzen (Chair), Mads Nipper and Thrasyvoulos Moraitis. In 2022, the Nomination Committee met twice. Its main activities in 2022 have been related to assessing the composition and competencies of the Board of Directors and the succession planning.

## The Compensation Committee

The Compensation Committee consists of Tom Knutzen (Chair), Mads Nipper and Thrasyvoulos Moraitis. The Compensation Committee met five times in 2022. The committee's main activities in 2022 were related to the approval of incentive plans and overall remuneration schemes for Group Executive Management and the management layer reporting to the Group Executive Management.

## The Audit Committee

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

In 2022, the Audit Committee met six times and the committee's main activities were to consider specific financial risk, including tax risk, accounting and auditing matters, as well as paying special attention to financial processes, internal control environment and cyber security.

A particular focus area in 2022 has been to prepare for the integration and the integration itself connected to the acquisition of the Mining Technologies (ex-TK) business.

## Meeting attendance in 2022

| Board of directors | Board meetings attended | Audit Committee meetings attended | Compensation Committee meetings attended | Nomination Committee meetings attended | Technology Committee meetings attended |
|---|---|---|---|---|---|
| Tom Knutzen (Chair) | 14/14 | 6/6[1+3] | 5/5[2+4] | 2/2[2+4] | |
| Mads Nipper (Vice chair) | 9/9 | 5/5 | 3/3 | 1/1 | |
| Richard Robinson Smith | 12/14 | | | | 3/3[2+4] |
| Anne Louise Eberhard | 14/14 | 6/6[4] | | | |
| Gillian Dawn Winckler | 13/14 | 6/6 | | | |
| Thrasyvoulos Moraitis | 14/14 | | 5/5 | 2/2 | 3/3 |
| Claus Østergaard (employee-elected) | 14/14 | | | | |
| Leif Gundtoft (employee-elected) | 14/14 | | | | |
| Carsten Hansen (employee-elected) | 14/14 | | | | 3/3 |
| Vagn Sørensen, left the Board in 2022 | 5/5 | 1/1[1] | 2/2[3] | 1/1[3] | |

1) Voluntary participation (not member of Audit Committee)
2) Committee Chair
3) Chair of Committee until AGM March 2022
4) Chair of Committee from AGM March 2022

## The Technology Committee

The Technology Committee consists of three Board members, Richard Robinson Smith (Chair), Thrasyvoulos Moraitis and Carsten Hansen. The Technology Committee met three times in 2022. With a clear focus on sustainability, the main tasks in 2022 were to monitor the major development projects across the two industries, to ensure the right and appropriate KPIs are set for R&D projects, as well as finalising the evaluation of the key IP coming in with the Mining Technology business. Furthermore, evaluation and removal of redundant technologies were performed.

## Group Executive Management

The officially registered Executive Management of FLSmidth consists of the Group CEO and the Group CFO.

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

During 2022 new members of the Group Executive Management are the two Business Line Presidents in the Mining segment, Joshua Meyer (Service) and Chris Reinbold (Products). Joshua Meyer joined FLSmidth in 2022, holds an MBA, and has experience from Terex, Metso and Caterpillar. Chris Reinbold holds an MBA and has had various management positions at ABB and joined FLSmidth in 2020. Moreover, Asger S.B. Lauritsen who was previously Chief Procurement Officer, took over additional roles as Group COO and Cement President.

## Diversity in Board and Management

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

At the end of 2022, women accounted for 33% (end 2021: 33%) of the shareholder-elected Board members, fulfilling the target that a minimum of 25% of the members elected at the Annual General Meeting should be women.

At the end of 2022, women accounted for 19% (end 2021: 17%) of the total workforce, while 14% of all managers were women (end 2021: 14%). By 2030, our target is that 25% of our entire workforce and people managers should be women. When filling vacancies, there should be a diverse slate of candidates, including women, to select from and we have a target to fill one out of every three openings with a woman.

Due to FLSmidth's global presence in over 60 countries, the overall workforce naturally reflects a multitude of cultures and nationalities. The Board of Directors has set a long-term goal according to which global managers should to a greater extent reflect the representation of nationalities among all employees and the geographical location of FLSmidth's technology centres in Denmark (22% of the total workforce) and the USA (5% of the total workforce).

Today 66% (2021: 50%) of Group Executive Management and 94% (end 2021: 91%) of the total number of employees have a nationality other than Danish.

FLSmidth is a learning organisation, and our people are our most valuable resource. 41% of the workforce is below the age of 40. 56% have less than 5 years seniority, which reflects the transition FLSmidth has gone through over the past several years.

## 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

## Policy on Data Ethics

In 2022, FLSmidth issued its Policy on Data Ethics. The policy addresses the data ethic principles applied by FLSmidth and describes the approach to data processing covering all data types. When using artificial intelligence and the like, we strive to ensure that the results are not discriminatory or biased. The short- and long-term consequences of data processing activities, especially when new technology is applied, are considered and the impact on the data subjects are taken into account. Security of data is important to us. FLSmidth adheres to the six fundamental ethical values developed by the expert group on data ethics to the Danish Data Ethics Council. Group Legal is the owner of the policy.

For additional information please 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 and socio-economic 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, 99b and 107d of the Danish Financial Statements Act and EU taxonomy regulation disclosure requirements. As of 2022, we no longer publish a GRI index. The report also serves as the Communication on Progress to the United Nations Global Compact. The report has received limited assurance performed by EY. The report is available at:

www.flsmidth.com/SustainabilityReport2022

## Compliance with recommendations for corporate governance

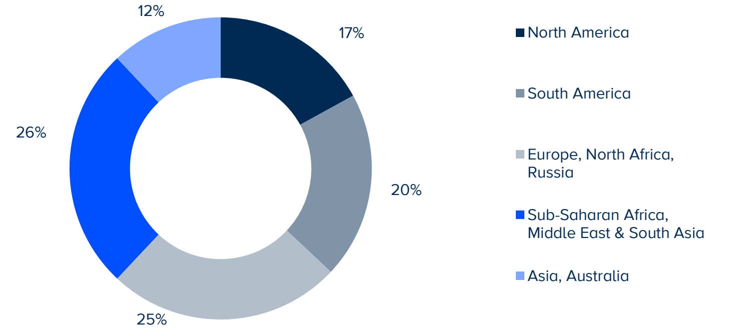
Pursuant to Nasdaq Copenhagen's Nordic Main Market Rulebook for Issuers of Shares, Danish companies must provide a statement on how they address the recommendations on Corporate Governance issued by the Committee on Corporate Governance in December 2020 based on the 'comply or explain' principle (https://corporategovernance.dk/english).

FLSmidth's position on each specific recommendation is summarised in the corporate governance statement available at:

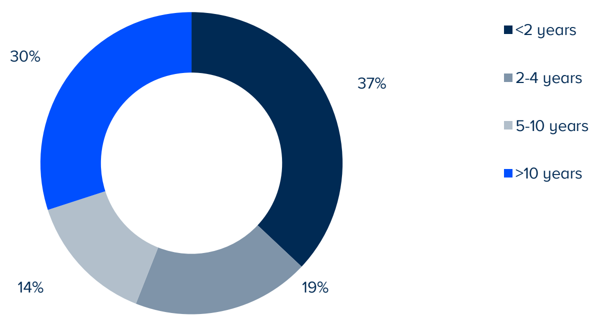
www.flsmidth.com/en-gb/company/investors/governance/governance-reports

In the Board's opinion, FLSmidth complies with all recommendations on corporate governance applicable to Danish listed companies, except 3.5.1 related to external assistance in connection with evaluation of the performance of the Board of Directors, where the company only complies partially.

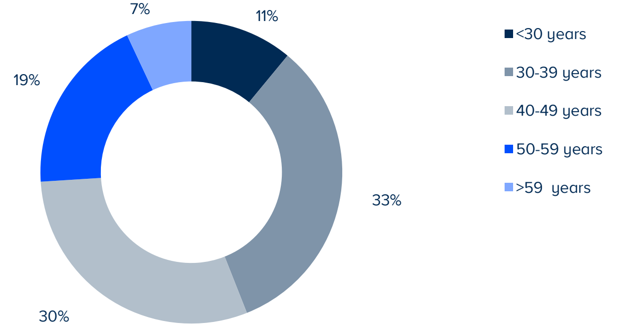
## Employees
Geographical distribution



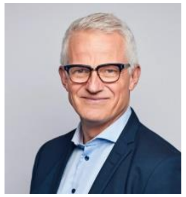

## Employees
Length of service




## Employees
Age distribution



# Board of directors


| **Name** | **Tom Knutzen, Chair** | **Mads Nipper, Vice chair** | **Richard Robinson Smith** | **Anne Louise Eberhard** | **Gillian Dawn Winckler** |
|---|---|---|---|---|---|
| **Age** | 60 | 56 | 57 | 59 | 60 |
| **Nationality** | Danish | Danish | German/American | Danish | British/Canadian |
| **Gender** | Male | Male | Male | Female | Female |
| **Member of the Board since** | 2012, Chair since 2022 (elected at the AGM). Chair of the Nomination and Compensation Committees | 2022 (elected at the AGM). Member of the Audit, Nomination and Compensation Committees | 2016 (elected at the AGM). Chair of the Technology Committee | 2017 (elected at the AGM). Chair of the Audit Committee | 2019 (elected at the AGM). Member of the Audit Committee |
| **Number of shares in FLSmidth** | 50,000 | 1,220 | 500 | 2,000 | 1,000 |
| **Executive and non-executive positions in Denmark** | Chair of the Board of Directors of Tivoli A/S and Chr. Augustinus Fabrikker A/S. Vice Chair of the Board of Directors of Jeudan A/S | CEO of Ørsted A/S | None | 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 Den Danske Unicef Fond, Bavarian Nordic A/S, Knud Højgaards Fond, Oterra A/S and VL52 ApS. Faculty Member at Copenhagen Business School (CBS Executive, Board Education). Director EA Advice ApS | None |
| **Executive and non-executive positions outside Denmark** | Member of the Board of Directors of Givaudan SA (CH) and Jungbunzlauer Holding AG (CH) | None | CEO of KION Group AG (DE) | None | 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 organization, and Director with Sinova Global Inc. (CA) |

# Board of directors

## - Continued

| **Name** | **Thrasyvoulos Moraitis** | **Claus Østergaard** | **Leif Gundtoft** | **Carsten Hansen** |
|---|---|---|---|---|
| **Age** | 60 | 56 | 61 | 59 |
| **Nationality** | British/Greek | Danish | Danish | Danish |
| **Gender** | Male | Male | Male | Male |
| **Member of the Board since** | 2019 (elected at the AGM). Member of the Technology Committee, Nomination Committee and Compensation Committee. | 2016 (elected by the employees) | 2021 (elected by the employees) | 2021 (elected by the employees)<br>Member of the Technology Committee. |
| **Number of shares in FLSmidth** | 1,000 | 429 | 128 | 52 |
| **Executive and non-executive positions in Denmark** | None | None | None | None |
| **Executive and non-executive positions outside Denmark** | Member of the Board of Directors of Reload Greece Foundation (GR). CEO of Serra Verde Group (CH). Advisor and principal in Vision Blue Resources (UK) | None | None | None |

## Board competencies

| **Board of directors** | **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** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Tom Knutzen (Chair) | X | X | X | X | X | | | | | | | X | |
| Mads Nipper (Vice Chair) | X | | X | | X | | | X | X | | X | | |
| Richard Robinson Smith | X | | X | | X | | | | X | | | X | X |
| Anne Louise Eberhard | | X | | X | | X | | X | X | | X | | |
| Gillian Dawn Winckler | X | X | | | X | | X | X | | X | | | |
| Thrasyvoulos Moraitis | X | | X | X | X | | | X | | X | | | |
| Claus Østergaard (employee-elected) | | | | | | | X | | X | X | | | X |
| Leif Gundtoft (employee-elected) | | | | | | | X | | X | X | | | X |
| Carsten Hansen (employee-elected) | | | | | | | | | X | X | | | X |

# Group executive management




| **Name** | **Mikko Keto** | **Roland M. Andersen** | **Asger S.B. Lauritsen** | **Chris Reinbold** |
|---|---|---|---|---|
| **Title** | Group Chief Executive Officer<br>Employed by FLSmidth since 2021* | Group Chief Financial Officer<br>Employed by FLSmidth since 2020* | Group COO & Cement President<br>Employed by FLSmidth since 2016 | Mining, Products Business Line President<br>Employed by FLSmidth since 2020 |
| **Age** | 55 | 54 | 56 | 56 |
| **Nationality** | Finnish | Danish | Danish | American |
| **Gender** | Male | Male | Male | Male |
| **Education** | MSc Economics from Helsinki School of Economics | MSc Corporate Finance, Executive Management Programme, London Business School | MSc University of Copenhagen, MBA (IMD), GMP (INSEAD) | Master of Business Administration, Finance, Indiana University, B.S. Mechanical Engineering, University of Illinois. |
| **Number of shares in FLSmidth** | 2,600 | 10,740 | 1,335 | 0 |
| **Past experience** | Numerous senior management positions with Metso 2010-2020, most recently 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), Interim CEO with NKT (2018-2019). Prior to that various CFO roles in A.P. Moller – Maersk, Telenor/Cybercity and Torm | Various management positions;<br>Head of Operations, Technical, and Supply Chain in DS NORDEN (2014-2016); Executive Committee, Danish Shipowners Association and Intertanko (2014-2016); Maersk Line (2006-2014) - CPO, Head of Operations Execution & Supply Chain; A.P. Møller-Maersk (2004-2006), e.g., CEO of regional cluster Pakistan/Afghanistan; CEO, ROSTI Containers (2001-2004); Executive Vice president, Sales & Marketing, DISA (1997-2001); Company Secretary, Business Unit Head of various A.P. Møller-Maersk entities (1992-1997) | Senior Vice President, Global Product Line Management, FLSmidth. Various managerial positions at ABB (1989-2020), Group Vice President, Global Product Group Manager; Region Division Manager, Southeast Asia; Senior Vice President, Head of US Power Sales; Senior Vice President, HV Products North America. |
| **Non-Executive positions** | Member of Board of Directors Normet Group | None | None | None |

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

# Group executive management

## - Continued

| |  |  |  |  |
|---|---|---|---|---|
| **Name** | **Joshua Meyer** | **Annette Terndrup** | **Cori Petersen** | **Mikko Tepponen** |
| **Title** | Mining, Service Business Line President<br>Employed by FLSmidth since 2022 | Chief Legal and Strategy Officer<br>Employed by FLSmidth since 2004 | Chief HR Officer<br>Employed by FLSmidth since 2016 | Chief Digital Officer<br>Employed by FLSmidth since 2020 |
| **Age** | 47 | 53 | 53 | 43 |
| **Nationality** | American | Danish | American | Finnish |
| **Gender** | Male | Female | Female | Male |
| **Education** | MBA, UNC Kenan-Flagler Business School<br>BSB, University of Minnesota - Carlson School of Management | Master of Law (Denmark) and LLM (England) | .S. in Business Administration: Human Resource Management, Senior Professional in Human Resources. Certified by Human Resource Certification Institute | MSc Automation Technology |
| **Number of shares in FLSmidth** | 0 | 2,546 | 918 | 0 |
| **Past experience** | Vice President Global Sales in Genie/Terex (2019-2022), Senior Vice President in Metso (2017-2019), Region Mining Manager/Commercial Director in Caterpillar Inc. (2012-2017), Various managerial positions in Caterpillar Inc. (1998-2012). | Head of Group Legal (2013-2016). Various managerial positions in FLSmidth (2006-2013). Corporate counsel FLSmidth (2004-2006).<br>Lawyer Ashurst 1998-2003. Trainee lawyer Lett, Vilstrup & Partnere 1994-1997 | Director Human Resources, US, FLSmidth (2016), Director, Human Resources, North America,<br>FLSmidth (2017). Various managerial positions in Rio Tinto (2011 – 2016). Various managerial and specialist positions (1987-2011) | Vice President, Digital Product Development at Wartsila. Director of Digitalisation at Wartsila. Senior Manager, Product Management, Digital Services at Outotec |
| **Non-Executive positions** | None | None | Member of Board of Directors AmCham Denmark | Member of Board of Directors Etteplan Oyj |

# Remuneration

Total remuneration to Board of Directors and Group Executive Management registered with Danish Business Authoritiy decreased compared to 2021.

In 2021, the remuneration was impacted by the severance package agreed with the former Group CEO and from discretionary cash bonuses to the Group CEO and Group CFO for their part in reaching an agreement to acquire Mining Technologies (ex-TK). In 2022, the remuneration includes a above target payout under the short-term incentive programme due to a performance significantly above target.

### Base salary

The new Group CEO entered service 1 January 2022 and has not received any base salary adjustment in 2022. An adjustment of +3.0% to Group CFO's monthly base salary was made in 2022.

### Short-term incentive programme

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

### Long-term incentive programme

In 2022, management received no pay-out for the long-term incentive programmes (LTIP) for the performance periods 2019-2021.

The KPIs for the 2022 LTIP grant are: EBITA-margin, total shareholder return and a sustainability-linked KPI.

### 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 2021 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

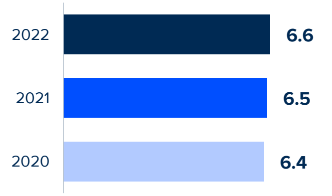
The Chair and Vice chair do not receive payment for committee work. The fee structure was last adjusted in 2017.

The remuneration report can be found here: www.flsmidth.com/RemunerationReport2022

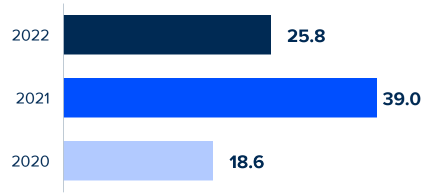
## Remuneration facts

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 4% in 2022. Dividend of DKK 3 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 (end of 2021: DKK 1,153,000,000) and the total number of issued shares is 57,650,000 (end of 2021: 57,650,000).

Each share entitles the holder to 20 votes. The FLSmidth & Co. A/S share is included in approximately 195 Danish, Nordic, European and global share indices, including the leading Danish stock index C25.

The company had approximately 53,500 shareholders at the end of 2022 (end of 2021: approximately 54,000). In addition, around 1,590 present and former employees hold shares in the company (end of 2021: approximately 1,670).

At the time of issuing the 2022 financial statements for FLSmidth & Co. A/S, FLSmidth & Co. A/S had two major shareholders - Lundbeckfonden, Scherfigsvej 7, 2100 Copenhagen Ø and Altor Invest 7 AS, Tjuvholmen Allé 19, 0252 Oslo. Both have disclosed holdings of voting rights exceeding 10% of total outstanding voting rights.

The combined share of Danish retail and institutional investors excluding Lundbeckfonden, was 37% by the end of 2022. FLSmidth's holding of treasury shares remained at 1.6% (2021: 1.6%).

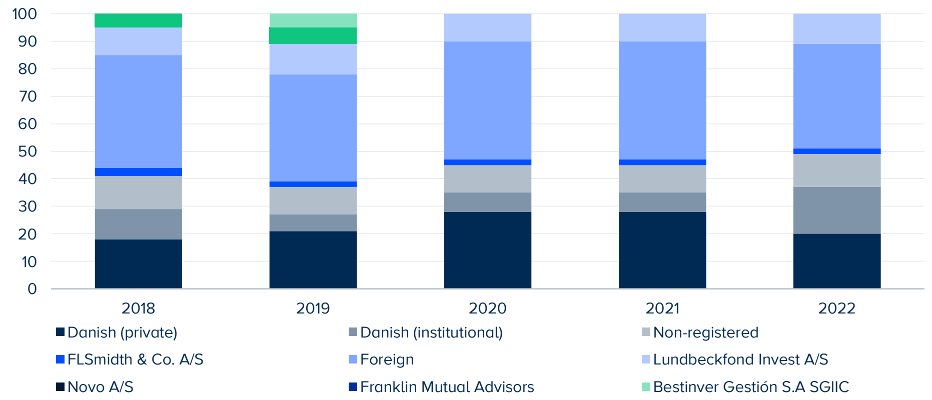
## Return on the FLSmidth share in 2022

The total return on the FLSmidth & Co. A/S share in 2022 was 4% (2021: 6%), calculated as share price appreciation and dividend paid.

The share price ended 2022 at 251.7 compared to 244.3 at the end of 2021, having traded between 260.7 and 164.35 during the year. Total shareholder return was included as a KPI in the long-term incentive program during 2022.

### Development in shareholder structure

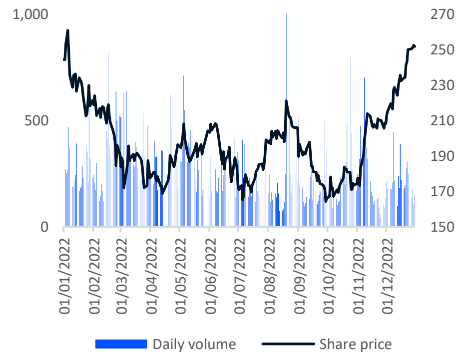
%




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

### Share price development in 2022

Volume, 1,000 Share price DKK




### Financial calendar 2023

| | |
|---|---|
| 29 Mar 2023 | Annual General Meeting |
| 11 May 2023 | First quarter Interim Report 2023 |
| 15 Aug 2023 | Half year Interim Report 2023 |
| 09 Nov 2023 | Nine months Interim Report 2023 |

## 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 buyback programmes.

On 31 August 2022, FLSmidth completed the acquisition of Mining Technologies (ex-TK) business. The acquisition was mainly financed by proceeds from the issuance of new share in Q3 2021 accompanied by drawings on committed debt facilities

The Board of Directors will propose at the Annual General Meeting that a dividend of DKK 3 per share (2021: DKK 3 per share), corresponding to a dividend yield of 1.2% and a pay-out ratio of 49%, in line with our targeted pay-out ratio, to be distributed in 2023.

## 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 time 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 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 industrial company and is currently being covered by 12 equity analysts, 7 of which are based outside Denmark.

For further details regarding analyst coverage, please 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

## Share information

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

## Share and dividend key figures

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| CFPS (cash flow per share), DKK (diluted) | 7.7 | 18.9 | 28.3 | 27.8 | 17.0 |
| EPS (earnings per share), DKK (diluted) | 12.8 | 15.5 | 4.2 | 6.9 | 6.5 |
| BVPS (book value per share), DKK | 161 | 171 | 159 | 180 | 188 |
| DPS (dividend per share), DKK, proposed | 9 | 0 | 2 | 3 | 3 |
| Pay-out ratio (%) | 72 | - | 50 | 48 | 49 |
| Dividend yield (dividend as percent of share price end of year) | 3.1 | 0.0 | 0.9 | 1.2 | 1.2 |
| FLSmidth & Co. A/S share price, end of year, DKK | 293.1 | 265.4 | 232.8 | 244.3 | 251.7 |
| Listed number of shares (1,000), end of year | 51,250 | 51,250 | 51,250 | 57,650 | 57,650 |
| Number of shares excl. own shares (1,000), end of year | 49,866 | 50,056 | 50,152 | 56,725 | 56,736 |
| Average number of shares (1,000), (diluted) | 50,051 | 50,092 | 50,153 | 52,080 | 56,879 |
| Market capitalisation, DKKm | 15,021 | 13,602 | 11,931 | 14,084 | 14,511 |


# Financial statements

# Consolidated financial statements

## Primary statements



## Notes

# Income statement

| Notes | DKKm | 2022 | 2021 |
|---|---|---|---|
| 1.4 | Revenue | 21,849 | 17,581 |
| | Production costs | (16,773) | (13,401) |
| | **Gross profit** | **5,076** | **4,180** |
| | Sales costs | (1,704) | (1,314) |
| | Administrative costs | (2,170) | (1,506) |
| | Other operating income | 98 | 41 |
| | **EBITDA before special non-recurring items** | **1,300** | **1,401** |
| 1.7 | Special non-recurring items | 0 | (57) |
| 2.4, 2.5 | Depreciation and impairment of property, plant and equipment and lease assets | (357) | (314) |
| | **EBITA** | **943** | **1,030** |
| 2.2 | Amortisation and impairment of intangible assets | (324) | (362) |
| | **EBIT** | **619** | **668** |
| 5.4 | Financial income | 1,588 | 870 |
| 5.4 | Financial costs | (1,655) | (951) |
| | **EBT** | **552** | **587** |
| 4.1 | Tax for the year | (201) | (213) |
| | **Profit for the year, continuing activities** | **351** | **374** |
| 1.2, 2.11 | Profit/(loss) for the year, discontinued activities | 1 | (17) |
| | **Profit for the year** | **352** | **357** |
| | | | |
| | Attributable to: | | |
| | Shareholders in FLSmidth & Co. A/S | 370 | 358 |
| | Minority interests | (18) | (1) |
| | | **352** | **357** |
| | | | |
| 5.2 | Earnings per share (EPS): | | |
| | Continuing and discontinued activities per share (DKK) | 6.5 | 6.9 |
| | Continuing and discontinued activities per share, diluted (DKK) | 6.5 | 6.9 |
| | Continuing activities per share (DKK) | 6.5 | 7.2 |
| | Continuing activities per share, diluted (DKK) | 6.5 | 7.2 |
| 5.1 | Proposed dividends per share (DKK) | 3.0 | 3.0 |

# Statement of comprehensive income

| Notes | DKKm | 2022 | 2021 |
|---|---|---|---|
| | **Profit for the year** | 352 | 357 |
| | | | |
| | **Items that will not be reclassified to profit or loss:** | | |
| | Actuarial gains and losses on defined benefit plans | 101 | 70 |
| 4.3, 4.4 | Tax of actuarial gains and losses on defined benefit plans | (24) | (15) |
| | | | |
| | **Items that are or may be reclassified subsequently to profit or loss:** | | |
| 5.3 | Currency adjustments regarding translation of entities | 149 | 467 |
| 5.5 | Cash flow hedging: | | |
| | - Value adjustments for the year | (28) | (39) |
| | - Value adjustments transferred to work in progress | 12 | (11) |
| 4.3, 4.4 | Tax hereof | 8 | 15 |
| | **Other comprehensive income for the year after tax** | **218** | **487** |
| | | | |
| | **Comprehensive income for the year** | **570** | **844** |
| | | | |
| | Attributable to: | | |
| | Shareholders in FLSmidth & Co. A/S | 587 | 844 |
| | Minority interests | (17) | 0 |
| | | **570** | **844** |

# Cash flow statement

| Notes | DKKm | 2022 | 2021 |
|---|---|---|---|
| 1.2 | EBITDA before special non-recurring items | 1,300 | 1,401 |
| 1.2 | EBITDA, discontinued activities | (10) | (19) |
| | Adjustment for special non-recurring items, gain on sale of property, plant and equipment and non-cash items | 4 | (56) |
| | **EBITDA adjusted to reflect cash flows** | **1,294** | **1,326** |
| 2.7 | Change in provisions, pension and employee benefits | 640 | 117 |
| 3.1 | Change in net working capital | (446) | 612 |
| | **Cash flow from operating activities before financial items and tax** | **1,488** | **2,055** |
| 5.4 | Financial items received and paid | (49) | (69) |
| 4.2 | Taxes paid | (471) | (537) |
| | **Cash flow from operating activities** | **968** | **1,449** |
| | | | |
| 2.10 | Acquisition of enterprises and activities | (2,120) | (11) |
| 2.2 | Acquisition of intangible assets | (245) | (179) |
| 2.4 | Acquisition of property, plant and equipment | (88) | (116) |
| | Acquisition of financial assets | (23) | (8) |
| | Disposal of enterprises and activities | 1 | 2 |
| | Disposal of property, plant and equipment | 159 | 39 |
| | Disposal of financial assets | 6 | 0 |
| | **Cash flow from investing activities** | **(2,310)** | **(273)** |
| | | | |
| | Dividend paid | (176) | (101) |
| 5.1 | Issue of shares, net of costs | 0 | 1,434 |
| | Addition of minority interests | 0 | 3 |
| | Exercise of share options | 0 | 43 |
| 5.7 | Repayment of lease liabilities | (134) | (125) |
| 5.7 | Change in interest-bearing debt | 1,906 | (1,530) |
| | **Cash flow from financing activities** | **1,596** | **(276)** |
| | | | |
| | **Change in cash and cash equivalents** | **254** | **900** |
| | Cash and cash equivalents at 1 January | 1,935 | 976 |
| | Foreign exchange adjustment, cash and cash equivalents | (59) | 59 |
| | **Cash and cash equivalents at 31 December** | **2,130** | **1,935** |

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 non-cash operating items, changes in provisions and net working capital, financial items received and paid from the lease liabilities 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 | 2022 | 2021 |
|---|---|---|
| Free cash flow | (1,342) | 1,176 |
| Free cash flow, adjusted for acquisitions and disposals of enterprises and activities | 777 | 1,185 |

# Balance sheet

| Notes | DKKm | 31-12-2022 | 31-12-2021 |
|---|---|---|---|
| | **Assets** | | |
| | Goodwill | 6,433 | 4,364 |
| | Patents and rights | 766 | 784 |
| | Customer relations | 392 | 401 |
| | Other intangible assets | 148 | 165 |
| | Completed development projects | 204 | 233 |
| | Intangible assets under development | 422 | 310 |
| 2.2 | **Intangible assets** | **8,365** | **6,257** |
| | Land and buildings | 1,983 | 1,792 |
| | Plant and machinery | 493 | 383 |
| | Operating equipment, fixtures and fittings | 131 | 112 |
| | Tangible assets in course of construction | 40 | 21 |
| 2.4, 2.5 | **Property, plant and equipment** | **2,647** | **2,308** |
| 4.3 | Deferred tax assets | 1,921 | 1,490 |
| 2.6 | Investments in associates | 157 | 162 |
| | Other securities and investments | 59 | 49 |
| | **Other non-current assets** | **2,137** | **1,701** |
| | **Non-current assets** | **13,149** | **10,266** |
| 3.2 | Inventories | 3,971 | 2,464 |
| 3.3 | Trade receivables | 5,108 | 4,112 |
| 3.4 | Work in progress | 3,147 | 2,358 |
| | Prepayments | 874 | 871 |
| | Income tax receivables | 321 | 248 |
| 3.5 | Other receivables | 1,145 | 799 |
| | Cash and cash equivalents | 2,130 | 1,935 |
| | **Current assets** | **16,696** | **12,787** |
| | **Total assets** | **29,845** | **23,053** |

| Notes | DKKm | 31-12-2022 | 31-12-2021 |
|---|---|---|---|
| | **Equity and liabilities** | | |
| 5.1 | Share capital | 1,153 | 1,153 |
| | Foreign exchange adjustments | (517) | (665) |
| | Cash flow hedging | (70) | (54) |
| 5.1 | Retained earnings | 10,247 | 9,937 |
| | **Shareholders in FLSmidth & Co. A/S** | **10,813** | **10,371** |
| | Minority interests | (26) | (3) |
| | **Equity** | **10,787** | **10,368** |
| 4.3 | Deferred tax liabilities | 294 | 169 |
| 2.8 | Pension obligations | 414 | 320 |
| 2.7 | Provisions | 896 | 450 |
| 5.7 | Lease liabilities | 206 | 200 |
| 5.7 | Bank loans and mortgage debt | 1,929 | 726 |
| 3.4 | Prepayments from customers | 578 | 587 |
| | Income tax liabilities | 103 | 119 |
| 3.7 | Other liabilities | 85 | 55 |
| | **Non-current liabilities** | **4,505** | **2,626** |
| 2.8 | Pension obligations | 2 | 2 |
| 2.7 | Provisions | 1,611 | 697 |
| 5.7 | Lease liabilities | 117 | 104 |
| 5.7 | Bank loans and mortgage debt | 615 | 17 |
| 3.4 | Prepayments from customers | 2,193 | 1,903 |
| 3.4 | Work in progress | 3,592 | 2,373 |
| 3.6 | Trade payables | 4,339 | 3,367 |
| | Income tax liabilities | 346 | 193 |
| 3.7 | Other liabilities | 1,738 | 1,403 |
| | **Current liabilities** | **14,553** | **10,059** |
| | **Total liabilities** | **19,058** | **12,685** |
| | **Total equity and liabilities** | **29,845** | **23,053** |

# Equity statement

**2022**

| DKKm | Share capital | Foreign exchange adjustments | Cash flow hedging | Retained earnings | Shareholders in FLSmidth & Co A/S | Minority interests | Total |
|---|---|---|---|---|---|---|---|
| **Equity at 1 January** | **1,153** | **(665)** | **(54)** | **9,937** | **10,371** | **(3)** | **10,368** |
| | | | | | | | |
| **Comprehensive income for the year** | | | | | | | |
| Profit/loss for the year | | | | 370 | 370 | (18) | 352 |
| | | | | | | | |
| **Other comprehensive income** | | | | | | | |
| Actuarial gain/loss on defined benefit plans | | | | 101 | 101 | | 101 |
| Currency adjustments regarding translation of entities | | 148 | | | 148 | 1 | 149 |
| Cash flow hedging: | | | | | | | |
| - Value adjustments for the year | | | (28) | | (28) | | (28) |
| - Value adjustments transferred to work in progress | | | 12 | | 12 | | 12 |
| Tax on other comprehensive income | | | | (16) | (16) | | (16) |
| **Other comprehensive income for the year** | **0** | **148** | **(16)** | **85** | **217** | **1** | **218** |
| | | | | | | | |
| **Comprehensive income for the year** | **0** | **148** | **(16)** | **455** | **587** | **(17)** | **570** |
| | | | | | | | |
| Transactions with owners: | | | | | | | |
| Dividend paid | | | | (170) | (170) | (6) | (176) |
| Issue of shares, net of costs | | | | | 0 | | 0 |
| Share-based payment | | | | 25 | 25 | | 25 |
| Exercise of share options | | | | | 0 | | 0 |
| Addition of minority interests | | | | | 0 | | 0 |
| **Equity at 31 December** | **1,153** | **(517)** | **(70)** | **10,247** | **10,813** | **(26)** | **10,787** |

**2021**

| DKKm | Share capital | Foreign exchange adjustments | Cash flow hedging | Retained earnings | Shareholders in FLSmidth & Co A/S | Minority interests | Total |
|---|---|---|---|---|---|---|---|
| **Equity at 1 January** | **1,025** | **(1,131)** | **(4)** | **8,246** | **8,136** | **(6)** | **8,130** |
| | | | | | | | |
| **Comprehensive income for the year** | | | | | | | |
| Profit/loss for the year | | | | 358 | 358 | (1) | 357 |
| | | | | | | | |
| **Other comprehensive income** | | | | | | | |
| Actuarial gain/loss on defined benefit plans | | | | 70 | 70 | | 70 |
| Currency adjustments regarding translation of entities | | 466 | | | 466 | 1 | 467 |
| Cash flow hedging: | | | | | | | |
| - Value adjustments for the year | | | (39) | | (39) | | (39) |
| - Value adjustments transferred to work in progress | | | (11) | | (11) | | (11) |
| Tax on other comprehensive income | | | | 0 | 0 | | 0 |
| **Other comprehensive income for the year** | **0** | **466** | **(50)** | **70** | **486** | **1** | **487** |
| | | | | | | | |
| **Comprehensive income for the year** | **0** | **466** | **(50)** | **428** | **844** | **0** | **844** |
| | | | | | | | |
| Transactions with owners: | | | | | | | |
| Dividend paid | | | | (101) | (101) | | (101) |
| Issue of shares, net of costs | 128 | | | 1,306 | 1,434 | | 1,434 |
| Share-based payment | | | | 15 | 15 | | 15 |
| Exercise of share options | | | | 43 | 43 | | 43 |
| Addition of minority interests | | | | | 0 | 3 | 3 |
| **Equity at 31 December** | **1,153** | **(665)** | **(54)** | **9,937** | **10,371** | **(3)** | **10,368** |

# Key accounting estimates and judgements

When preparing the 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 financial statements. These areas are categorised as key accounting estimates and judgements. The significance of the impact on the financial statements of those estimates and judgements is categorised into three levels: low, medium and high.

### 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 financial statements.

The areas that are categorised as key accounting estimates and judgements include, besides those identified last year also the initial accounting for the acquisition of Mining Technology and the restructuring in Mining segment with the creation of Non-Core Activities.

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

At the end of 2021, the COVID-19 pandemic exposed the Group to significant increased uncertainty in relation to the financial statements. At the end of 2022, the COVID-19 pandemic and government-imposed restrictions continued to pose challenges in some parts of the world. More importantly, the geopolitical situation following the war in Ukraine was on the top of the agenda. As a result, we immediately decided to suspend all new business in Russia and Belarus, and we have during the year exited our activities in Russia. The remaining legal obligations with regards to the fulfillment of existing Russian and Belarusian orders have been suspended by FLSmidth. Costs to exit have been recognised.

### Key accounting estimates and judgements

| Note | Key accounting estimates and judgements | Nature of accounting impact | Impact of estimates and judgements |
|---|---|---|---|
| 1.4 Revenue | Determine performance obligations | Judgement | ▶ ▷ ▷ |
| | Determine recognition method | Judgement | ▶ ▶ ▶ |
| 2.7 Provisions | Estimate warranty provision | Estimate | ▶ ▶ ▶ |
| 2.10 Business acquisitions | Purchase price allocation | Judgement and estimate | ▶ ▶ ▶ |
| 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 | ▶ ▷ ▷ |

Besides the direct impact from the sanctions, the war has also intensified bottlenecks in the global supply chains that were already current at the end of 2021. It has also led to further increases in the energy prices, contributed to rising inflation and fluctuations in foreign currency rates. To reduce the inflationary pressure, central banks have increased interest rates. The resulting uncertainties have impacted our key accounting estimates and judgements as described below.

In general, climate-related changes have not imposed significant uncertainty on the financial statement but poses opportunities to the Group for delivering solutions to our current and future customers to succeed on the green transition.

### Initial accounting for the acquisition of Mining Technologies (ex-TK)

On 31 August 2022, we obtained control of Mining Technologies (ex-TK). At initial recognition, assets acquired and liabilities assumed are measured at fair value and the excess of the purchase prices over the fair value of the net assets acquired represents goodwill. The initial accounting is still subject to change, and changes to the fair value of assets acquired and liabilities assumed may be expected to reflect new information obtained on facts and circumstances that existed at the acquisition date. The purchase price is also subject to change. Further information can be found in note 2.10.

### Valuation of receivables

The economic situation and the outlook for our customers impact the customers' ability to pay. This is reflected in the estimate of the impairment of trade receivables. The impairment ratio (impairment as a percentage of the gross carrying amount) increased to 7.8% compared to 7.5% at the end of 2021 as the impact on expected credit losses from forward-looking estimates increased during 2022. The uncertainty related to the impact from the increases in prices and costs on our customers is incorporated through the forward-looking estimates.

For additional description of the estimates, please refer to note 3.3 Trade receivables.

### Estimate total cost to complete

The impacts from increases in costs following the supply chain challenges and the increasing inflation have been covered through reassessments of our projects to reflect estimated implications on project financials. This includes updating of project costs to ensure that significant cost increases are reflected in the estimate of the total cost to complete. To the extent possible, price increases on the input side has been passed on to the customers. In case it is not possible to increase the sales price to absorb the cost increases leading to loss-making contracts, provisions are recognised, see note 2.7.

For additional description of the estimates, please refer to note 3.4 Work in progress.

### Deferred tax assets

The recoverability of the deferred tax assets is dependent on the generation of sufficient future taxable income to utilise tax losses. The uncertainty on the future income is related to the macroeconomic development, including the demand for environmental investments by our customers.
For additional description of the estimates, please refer to note 4.3 Deferred tax.

Section 1

# Operating Profit & Segments

## 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 special non-recurring items, depreciation, amortisation and impairment. Special non-recurring items, 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 | 2022 | 2021 |
|---|---|---|
| Revenue | 21,849 | 17,581 |
| Production costs, including depreciation and amortisation | (17,123) | (13,744) |
| **Gross profit** | **4,726** | **3,837** |
| | | |
| Sales costs, including depreciation and amortisation | (1,738) | (1,362) |
| Administrative costs, including special non-recurring items, depreciation and amortisation | (2,467) | (1,848) |
| Other operating income | 98 | 41 |
| **EBIT** | **619** | **668** |
| | | |
| **Special non-recurring items, depreciation, amortisation and impairment consist of:** | | |
| Special non-recurring items | 0 | (57) |
| Depreciation and impairment of property, plant and equipment and lease assets | (357) | (314) |
| Amortisation and impairment of intangible assets | (324) | (362) |
| | **(681)** | **(733)** |
| | | |
| **Special non-recurring items, depreciation, amortisation and impairment are divided into:** | | |
| Production costs | (350) | (343) |
| Sales costs | (34) | (48) |
| Administrative costs | (297) | (342) |
| | **(681)** | **(733)** |

## 1.2 Segment information

As a result of the strategic review of the combined FLSmidth and Mining Technologies (ex-TK) product portfolio it has been decided to divest or wind-down non-core mining activities that are no longer deemed to be of core strategic importance to FLSmidth as well as specific loss-making mining activities. The non-core activities constitute a separate reportable segment. Hereafter, we have three operating and reporting segments – Mining, Cement and Non-Core Activities.

The continuing Mining segment is dedicated to provide customers full flowsheet technologies and service solutions to enhance their productivity and sustainability agenda. This includes offering single services or products as well as projects with lower risk consisting of product bundles with related performance guarantees in accordance with FLSmidth's risk management approach.

The Non-Core Activities include 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 is established to oversee the segment. The order backlog is expected to be divested or wound down within the next three years.

The composition of the Cement segment remains unchanged by the introduction of the Non-Core Activities segment.

The segments have technology ownership and develop and drive the life cycle offering and product portfolio. As of second half of 2022, five regions support sales and service within Mining and Non-Core Activities as Asia and Australia have been merged to APAC. For Cement, four regions exist as of second half 2022, as North America and South America have further been merged to Americas.

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

We front our customers in the global industries with all the knowhow technologies, products, processes and systems used to separate commercially viable minerals from their ores and to cement production.

With the responsibility of our total life cycle offerings firmly anchored in the Mining and Cement segments, we are capable of improving our customer specific offerings. Offerings range from first time sale of single products to turnkey projects, subsequent services, operation & maintenance, upgrades and rebuilds of existing equipment, plants and sale of spare parts and wear parts.

The segmentation reflects the internal reporting and management structure applied with Non-Core Activities starting from 1 October 2022.

### Accounting policy

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

Administrative functions such as finance, HR, IT and legal are shared by the segments. Additionally, the segments are supported by Group Functions related to procurement, logistics and marketing. Such shared costs are allocated to business segments based on assessment of consumption.

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. The activities are not a separate reportable segment but presented as discontinued operations under IFRS 5. Further information can be found in note 2.11.

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 | 2022 | | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | FLSmidth Group | | | | FLSmidth Group | |
| | Mining | Cement | Non-Core Activities [1] | Continuing activities | Discontinued activities [2] | Mining [3] | Cement [3] | Continuing activities | Discontinued activities [2] |
| **Income statement** | | | | | | | | | |
| **Revenue** | **15,082** | **6,264** | **503** | **21,849** | **0** | **11,715** | **5,866** | **17,581** | **0** |
| Production costs | (11,288) | (4,662) | (823) | (16,773) | (7) | (8,783) | (4,618) | (13,401) | 0 |
| **Gross profit** | **3,794** | **1,602** | **(320)** | **5,076** | **(7)** | **2,932** | **1,248** | **4,180** | **0** |
| SG&A costs | (2,405) | (1,287) | (84) | (3,776) | (3) | (1,662) | (1,117) | (2,779) | (19) |
| **EBITDA before special non-recurring items** | **1,389** | **315** | **(404)** | **1,300** | **(10)** | **1,270** | **131** | **1,401** | **(19)** |
| Special non-recurring items | 0 | 0 | 0 | 0 | 0 | (14) | (43) | (57) | 0 |
| Depreciation and impairment of property, plant and equipment | (243) | (111) | (3) | (357) | 0 | (207) | (107) | (314) | 0 |
| **EBITA** | **1,146** | **204** | **(407)** | **943** | **(10)** | **1,049** | **(19)** | **1,030** | **(19)** |
| Amortisation of intangible assets | (223) | (101) | 0 | (324) | 0 | (247) | (115) | (362) | 0 |
| **EBIT** | **923** | **103** | **(407)** | **619** | **(10)** | **802** | **(134)** | **668** | **(19)** |
| Order intake (gross) | 17,822 | 6,613 | 209 | 24,644 | 0 | 13,281 | 5,952 | 19,233 | |
| Order backlog | 14,277 | 6,386 | 2,878 | 23,541 | 0 | 10,599 | 5,993 | 16,592 | 0 |
| *Gross margin* | *25.2%* | *25.6%* | *-63.6%* | *23.2%* | | *25.0%* | *21.3%* | *23.8%* | |
| *EBITDA margin before special non-recurring items* | *9.2%* | *5.0%* | *-80.3%* | *5.9%* | | *10.8%* | *2.2%* | *8.0%* | |
| *EBITA margin* | *7.6%* | *3.3%* | *-80.9%* | *4.3%* | | *9.0%* | *-0.3%* | *5.9%* | |
| *EBIT margin* | *6.1%* | *1.6%* | *-80.9%* | *2.8%* | | *6.8%* | *-2.3%* | *3.8%* | |
| **Number of employees at 31 December** | **7,126** | **3,270** | **581** | **10,977** | **0** | **6,216** | **3,901** | **10,117** | **0** |
| | | | | | | | | | |
| **Reconciliation of profit/(loss) for the year** | | | | | | | | | |
| EBIT | | | | 619 | (10) | | | 668 | (19) |
| Financial income | | | | 1,588 | 7 | | | 870 | 1 |
| Financial costs | | | | (1,655) | (12) | | | (951) | (1) |
| **EBT** | | | | **552** | **(15)** | | | **587** | **(19)** |
| Tax for the year | | | | (201) | 16 | | | (213) | 2 |
| **Profit/(loss) for the year** | | | | **351** | **1** | | | **374** | **(17)** |

1) Non-Core Activities constitutes a separate reportable segment prospectively from 1 October 2022. Comparative information has not been restated. See the next page for further explanation

2) Discontinued activities mainly consist of non-mining bulk material handling.

3) Starting from 1 January 2022, shared costs are directly attributed to the segments based on consumption and therefore included in the relevant line items. Previously, the costs were allocated to the industries after the total 'EBITA before allocation of shared costs'. In 2021 the numbers have been restated to include shared costs in the cost line items for the industries. See next page for further explanation.

# 1.2 Segment information
– continued

### Shared costs
Starting from 1 January 2022, shared costs are directly attributed to the segments based on consumption. Therefore, the costs are now included in the relevant line items, being production costs, SG&A costs and depreciation and impairment of property, plant and equipment. Previously, the costs were allocated to the segments and included below in the subtotal 'EBITA before allocation of shared costs'.

The information for 2021 has been restated to reflect the change.

The table below shows the impact on the line items and margins in the segment information in 2021 for the two segments.

### Non-Core Activities segment
The segmentation reflects the internal reporting and management structure applied. In line with the internal reporting, the Non-Core Activities segment is reported prospectively from 1 October 2022. The segmentation is based on the identification of effective contracts on 1 October 2022 that relate to Non-Core Activities through a thorough contract-by-contract review by Management. It would be an extensive exercise to make this identification for contracts existing in prior periods. Further, the allocation of net profit between Mining and Non-Core Activities before the new segmentation was internally implemented would be subject to significant estimates and allocations. On that background, it is impractical to restate the Mining segment in prior periods to reflect the split of the activities between Mining and Non-Core Activities prior to the new segmentation was implemented.

The table below shows segment information for 2022 based on the previous segmentation (Mining old segmentation). This reflects an aggregation of Mining and Non-Core Activities.

### Restated segment information for 2021, shared costs

| DKKm | Mining | Cement | Other companies | Shared costs |
|---|---|---|---|---|
| Production cost | (72) | (33) | 0 | 105 |
| SG&A costs | (667) | (461) | (2) | 1,130 |
| Depreciation and impairment of property, plant and equipment and lease assets | (93) | (27) | 0 | 120 |
| **Shared costs directly attributed** | **(832)** | **(521)** | **(2)** | **1,355** |
| | | | | |
| *Gross margin* | -0.6% | -0.6% | | |
| *EBITDA margin before special non-recurring items* | -6.3% | -8.4% | | |
| *EBITA margin before allocation of shared costs* | -7.1% | -8.9% | | |
| *EBITA margin* | 0.0% | 0.0% | | |
| *EBIT margin* | 0.0% | 0.0% | | |
| **Number of employees at 30 September** | **865** | **496** | **0** | **(1,361)** |

### Old segmentation

| | 2022 | | | 2021 |
|---|---|---|---|---|
| DKKm | Mining | Non-Core Activities | Mining old segmentation | Mining |
| INCOME STATEMENT | | | | |
| **Revenue** | **15,082** | **503** | **15,585** | **11,715** |
| Production costs | (11,288) | (823) | (12,111) | (8,783) |
| **Gross profit** | **3,794** | **(320)** | **3,474** | **2,932** |
| SG&A costs | (2,405) | (84) | (2,489) | (1,662) |
| **EBITDA before special non-recurring items** | **1,389** | **(404)** | **985** | **1,270** |
| Special non-recurring items | 0 | 0 | 0 | (14) |
| Depreciation and impairment of property, plant and equipment | (243) | (3) | (246) | (207) |
| **EBITA** | **1,146** | **(407)** | **739** | **1,049** |
| Amortisation of intangible assets | (223) | 0 | (223) | (247) |
| **EBIT** | **923** | **(407)** | **516** | **802** |
| Order intake (gross) | 17,822 | 209 | 18,031 | 13,281 |
| Order backlog | 14,277 | 2,878 | 17,155 | 10,599 |
| *Gross margin* | 25.2% | -63.6% | 22.3% | 25.0% |
| *EBITDA margin before special non-recurring items* | 9.2% | -80.3% | 6.3% | 10.8% |
| *EBITA margin* | 7.6% | -80.9% | 4.7% | 9.0% |
| *EBIT margin* | 6.1% | -80.9% | 3.3% | 6.8% |
| **Number of employees at 31 December** | **7,126** | **581** | **7,707** | **6,216** |

# 1.3 GEOGRAPHICAL INFORMATION

### 1 NORTH AMERICA, NAMER
Revenue: DKK **5,270**m (2021: DKK 3,850m)
Non-current assets: DKK **3,650**m (2021: DKK 3,630m)
Employees: **1,807** (2021: 1,678)

*USA*
Revenue: DKK **2,909**m (2021: DKK 2,258m)
Non-current assets: DKK **2,986**m (2021: DKK 3,002m)

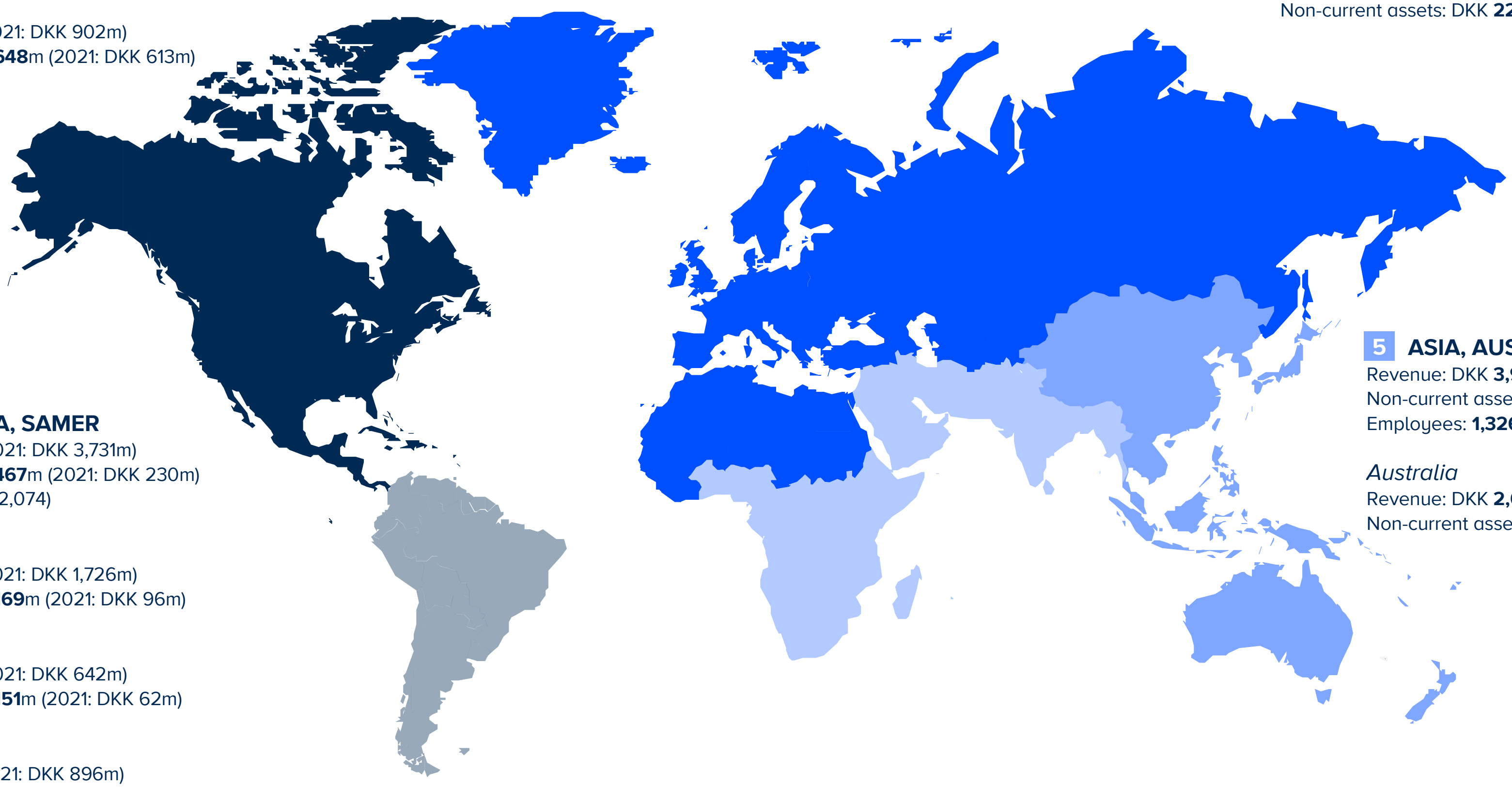
*Canada*
Revenue: DKK **1,457**m (2021: DKK 902m)
Non-current assets: DKK **648**m (2021: DKK 613m)

### 3 EUROPE, NORTH AFRICA & RUSSIA, ENAR
Revenue: DKK **4,064**m (2021: DKK 3,124m)
Non-current assets: DKK **4,819**m (2021: DKK 3,410m)
Employees: **2,775** (2021: 2,206)

*Denmark*
Revenue: DKK **54**m (2021: DKK 37m)
Non-current assets: DKK **1,264**m (2021: DKK 1,198m)

### 4 SUB-SAHARAN AFRICA, MIDDLE EAST & SOUTH ASIA, SSAMESA
Revenue: DKK **3,506**m (2021: DKK 3,134m)
Non-current assets: DKK **433**m (2021: DKK 403m)
Employees: **2,829**m (2021: 3,048)

*India*
Revenue: DKK **1,600**m (2021: DKK 1,108m)
Non-current assets: DKK **222**m (2021: DKK 245m)



### 2 SOUTH AMERICA, SAMER
Revenue: DKK **5,081**m (2021: DKK 3,731m)
Non-current assets: DKK **467**m (2021: DKK 230m)
Employees: **2,240** (2021: 2,074)

*Chile*
Revenue: DKK **2,136**m (2021: DKK 1,726m)
Non-current assets: DKK **169**m (2021: DKK 96m)

*Peru*
Revenue: DKK **1,266**m (2021: DKK 642m)
Non-current assets: DKK **151**m (2021: DKK 62m)

*Brazil*
Revenue: DKK **1,199**m (2021: DKK 896m)
Non-current assets: DKK **147**m (2021: DKK 73m)

### 5 ASIA, AUSTRALIA, APAC*
Revenue: DKK **3,928**m (2021: DKK 3,742m)
Non-current assets: DKK **1,643**m (2021: DKK 891m)
Employees: **1,326**m (2021: 1,111)

*Australia*
Revenue: DKK **2,007**m (2021: DKK 1,841m)
Non-current assets: DKK **1,624**m (2021: DKK 783m)

Revenue, non-current assets and number of employees are disclosed for all Regions, home country of our Headquarter and countries that account for more than 5% of Group revenue.
*This region was until H1 2022 presented as two regions, 1) Asia and 2) Australia

## 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 categories of projects, products, and services. Revenue within the Non-Core Activities segment reflect the performance of the backlog as no new orders are taken in.

### Products

The sale of products comprises sale of standardised and customised equipment, such as pre-heaters, cyclones, mills and kilns. Products will usually have a lead time of less than one year.

Each product is considered as one performance obligation. Most of the products are sold at a fixed price.

Revenue from the sale of products is usually recognised over time, applying the percentage of completion cost-to-cost method. However, 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. 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.

For standardised products we will usually be entitled to payment upon delivery.

### Projects

The sale of projects comprises sale of plants, plant extensions, process systems and process system extensions.

Projects are usually significant in amount, have a long lead time affecting the financial statements in more than one financial year, have a high degree of project management and involve more than one FLSmidth entity in the delivery to the customer.

A project is usually considered one performance obligation as a project typically includes highly interrelated and interdependent physical assets and services, like engineering, installation, and supervision. Dependent on the contract structure one performance obligation can consist of more than one contract.

Most of the projects are sold as fixed price contracts and revenue from projects is usually recognised over time; applying the percentage of completion cost-to-cost method.

A project contract will often entitle us to receive a down payment from the customer, followed by several progress payments linked to our performance progress. Upon completion and customer acceptance we will usually be entitled to the final payment. To the extent possible we obtain payment guarantees to minimise the credit risk during execution.

Projects will no longer be a category in 2023 since we will split our categories in products and services going forward.

### 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, operation & maintenance contracts and sale of upgrades and retrofits. The sale of service hours includes amongst others sale of supervision, electronic or mechanical service of equipment or plants.

Each spare part and wear part is considered one performance obligation. The sale is usually agreed at a fixed price and revenue is usually recognised at the point of delivery. We are normally entitled to payment once we have delivered the parts.

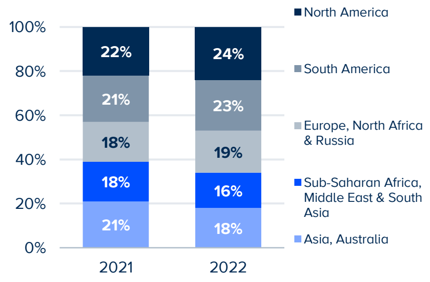
The performance obligation for service sales and maintenance contracts is either each service hour or the full contract, depending on the contract wording. Most service contracts are fixed price contracts, if not for the full service, then for the hourly rate. Service sales are recognised over time as 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

| | | | | 2022 | | | 2021 |
|---|---|---|---|---|---|---|---|
| **DKKm** | **Mining** | **Cement** | **Non-Core Activities** | **Group** | **Mining** | **Cement** | **Group** |
| Products | 1,700 | 1,583 | 33 | 3,316 | 1,484 | 1,449 | 2,933 |
| Projects | 4,191 | 1,145 | 264 | 5,600 | 3,291 | 1,263 | 4,554 |
| **Capital business** | **5,891** | **2,728** | **297** | **8,916** | **4,775** | **2,712** | **7,487** |
| | | | | | | | |
| **Service business** | **9,191** | **3,536** | **206** | **12,933** | **6,940** | **3,154** | **10,094** |
| **Total revenue** | **15,082** | **6,264** | **503** | **21,849** | **11,715** | **5,866** | **17,581** |

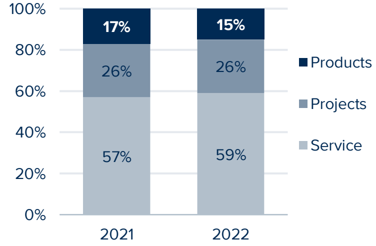
### Revenue split

by Regions



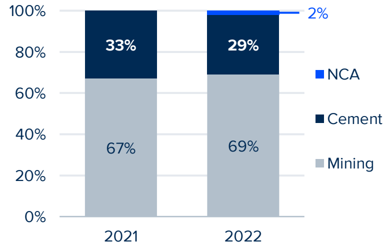

### Revenue

by Revenue stream




### Revenue

by Mining, Cement and Non-Core Activities



# 1.4 Revenue – continued

Each operation & maintenance contract is determined as one performance obligation. The transaction price is usually variable, depending on the produced output, and revenue is recognised over time, using the cost-to-cost method. In cases of significant uncertainties with measuring the revenue reliably we recognise revenue upon cash receipt. We are usually entitled to payment on a monthly basis.

Upgrades and retrofits are defined as one performance obligation. The transaction price is usually fixed and revenue is typically recognised over time using the cost-to-cost method. The payment pattern for upgrades and retrofits are very similar to the pattern for projects and products.

## Revenue recognition principles

The split between percentage of completion and point in time has decreased from 54% in 2021 to 50% in 2022. The nominal increase in percentage of completion is due to the acquisition of Mining Technologies (ex-TK).

## Backlog

The order backlog on 31 December 2022 amounted to DKK 23,541m (2021: DKK 16,592m) 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.

Of the increase, DKK 5,451m related to the acquisition of Mining Technologies (ex-TK). Information of 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, 60% (2021: 69%) of the order backlog is expected to be converted into revenue in 2022, while 40% (2021: 31%) 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 | 2022 Mining | 2022 Cement | 2022 Non-Core Activities | 2022 Group | 2021 Mining | 2021 Cement | 2021 Group |
|---|---|---|---|---|---|---|---|
| Point in time | 8,034 | 2,689 | 239 | 10,962 | 6,187 | 1,915 | 8,102 |
| Percentage of completion* | 7,048 | 3,575 | 264 | 10,887 | 5,528 | 3,949 | 9,477 |
| Cash | 0 | 0 | 0 | 0 | 0 | 2 | 2 |
| **Total revenue** | **15,082** | **6,264** | **503** | **21,849** | **11,715** | **5,866** | **17,581** |

## Key accounting judgements

### Judgement regarding performance obligations

Judgement is performed when determining if a contract for sale of projects, products or services, or a combination hereof, involves one or more performance obligations.

The complexity arises when selling bundled goods and services, and the consequence of the key accounting judgement is related to the timing of revenue recognition, especially for point in time sales.

### Judgement regarding recognition method

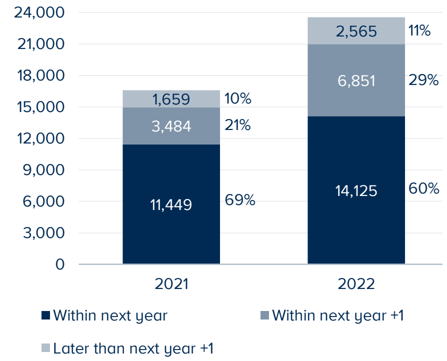
Judgements are made when determining if revenue on a project, product or service is recognised over time or at a point in time. The judgements relate to if we have an alternative use of the assets being produced and if we have an enforceable right to payment throughout the contractual term.

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.

## Backlog maturity

DKKm




## Accounting policy

Revenue comprises sale of projects, products and service within the Mining, Cement and Non-Core Activities segments.

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

Revenue from projects, products, and services (except for sale of service hours) 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, such sales will be recognised at the point in time when control transfers to the customer, usually upon delivery.

## 1.4 Revenue – continued

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

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

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

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

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

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

## 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 is primarily due the acquisition of Mining Technologies (ex-TK). Changes in foreign currency rates have increased staff costs by approximately DKK 215m (2021: decrease of DKK 30m).

### Composition of staff costs

| DKKm | 2022 | 2021 |
|---|---|---|
| Wages, salaries and other remuneration | 4,326 | 3,549 |
| Contribution plans and other social security costs, etc. | 599 | 441 |
| Defined benefit plans | 25 | 26 |
| Share-based payment | 25 | 15 |
| Other staff costs | 338 | 128 |
| | **5,313** | **4,159** |
| The amounts are included in the items: | | |
| Production costs | 3,195 | 2,522 |
| Sales costs | 1,217 | 956 |
| Administrative costs | 901 | 681 |
| | **5,313** | **4,159** |
| Average number of employees in continuing activities | 10,621 | 10,339 |

During 2022 the remuneration of the Board of Directors and Group Executive Management was as follows:

### Remuneration Board of Directors

| DKKm | 2022 | 2021 |
|---|---|---|
| Board of Directors fees | 6.6 | 6.5 |
| **Total** | **6.6** | **6.5** |

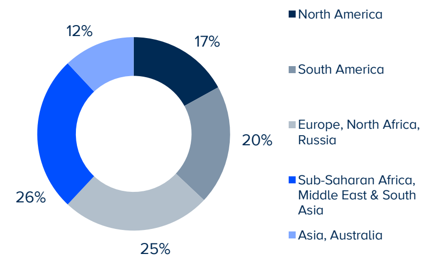
### Remuneration Group Executive Management

| DKKm | 2022 | 2021 |
|---|---|---|
| Wages and salaries | 32 | 36 |
| Bonus | 20 | 14 |
| Benefits | 3 | 2 |
| Severance package | 14 | 5 |
| Share-based payment | 7 | 5 |
| Other incentives | 3 | 9 |
| **Total** | **79** | **71** |

Two members of the Group Executive Management are registered with The Danish Business Authority. During 2022, the registered members of the Group Executive Management earned remuneration as follows.

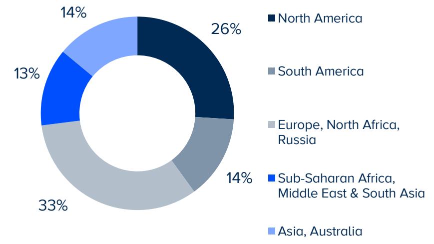
### Number of employees per region

%



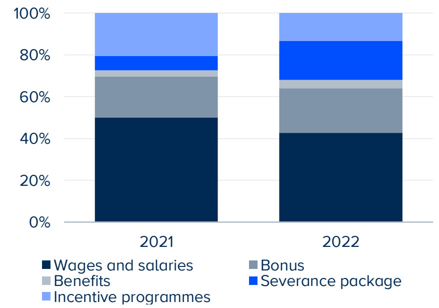

### Staff cost per region

%




### Remuneration of Group Executive Management

%



## 1.5 Staff costs – continued

### Remuneration registered executives

| DKKm | 2022 | 2021 |
|---|---|---|
| Wages and salaries | 13 | 15 |
| Bonus | 8 | 7 |
| Benefits | 1 | 1 |
| Severance package | 0 | 5 |
| Share-based payment | 4 | 4 |
| Other incentives | 0 | 7 |
| **Total** | **26** | **39** |

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 a short-term- and a long-term incentive programme. 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's 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.

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, please refer to the Remuneration Report 2022:
www.flsmidth.com/RemunerationReport2022.

### 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 employee. 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. The accounting policy for pension plans can be found in note 2.8.

Share-based payments are granted as part of the long-term incentive programme. The accounting policy for share-based payments can be found in note 6.1.

## 1.6 Government grants

During 2022, FLSmidth received DKK 24m (2021: DKK 1m) of grants to perform R&D development to support the green transition. The grants were primarily received through EU. The grants have reduced production costs by DKK 4m while the remaining has either been deferred or reduced the capitalised development costs. We also received DKK 15m (2021: DKK 7m) of other grants, primarily export related government grants out of India. The grants are included in other operating income.

In 2021, FLSmidth received DKK 9m in COVID-19 related grants primarily to compensate for salary expenses and the majority of the 2021 grants have been received in Switzerland. The grants reduced production costs and sales cost by DKK 7m and DKK 2m, respectively.

### Accounting policy

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. The government grants are recognised according to their purpose.

Government grants intended to compensate for costs are recognised in the income statement over the periods in which the entity recognises the related costs. The government grant is deducted in the related expense. Government grants not directly related to compensation for costs incurred are included within other operating income.

## 1.7 Special non-recurring items

Costs included in 2021 related to closedown of production facilities within the US (severance costs and relocation costs).

### Accounting policy

Special non-recurring items consist of costs and income of a special nature in relation to the main activities of the continued activities, including closedown of facilities, gains and losses from disposal of enterprises and activities.

Section 2

# Capital employed and other Balance sheet items



## 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 | 2022 | 2021 |
|---|---|---|
| Intangible assets at cost value, note 2.2 | 13,308 | 10,882 |
| Property, plant and equipment at carrying amount, note 2.4 | 2,647 | 2,308 |
| Net working capital, note 3.1 | 1,893 | 1,058 |
| **Capital employed, total** | **17,848** | **14,248** |

### ROCE

| DKKm | 2022 | 2021 |
|---|---|---|
| EBITA | 943 | 1,030 |
| Capital employed, average* | 15,888 | 14,384 |
| **ROCE, average** | **5.9%** | **7.2%** |

* For 2022, the average capital employed is adjusted to reflect the acquisition of Mining Technologies (ex-TK)

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 (ex-TK) prorated to the period after acquisition. ROCE decreased during the year, driven by both increased average capital employed and decreased EBITA.

## 2.2 Intangible assets

Goodwill arising from business acquisitions is recognised in the financial statements. The carrying amount of goodwill per segment is shown in note 2.3. Information on the acquisition of Mining Technology is included in note 2.10. The acquisition led to a significant increase in goodwill.

Patents and rights acquired through business acquisitions are recognised in the 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 2022, R&D costs expensed totalled DKK 169m (2021: DKK 152m). The expense is included in production costs. The addition of intangible assets under development amounts to DKK 242m (2021: DKK 179m) where capitalised R&D cost amounts to DKK 146m (2021: DKK 142m) and the remaining capitalisation relates to IT related projects. Of those capitalised costs, DKK 94m (2021: DKK 114m) are internally generated.

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

At initial recognition, goodwill arising from business combinations is measured at cost being 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. The determination of cash generating units complies with the managerial structure and the internal financial reporting in the Group. 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 the Group 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 | 2022 Total |
|---|---|---|---|---|---|---|---|
| Cost at 1 January 2022 | 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 2022** | **6,434** | **2,204** | **2,015** | **929** | **1,304** | **422** | **13,308** |
| | | | | | | | |
| Amortisation and impairment at 1 January 2022 | 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 | 0 | (88) | (56) | (56) | (121) | 0 | (321) |
| **Amortisation and impairment at 31 December 2022** | **(1)** | **(1,438)** | **(1,623)** | **(781)** | **(1,100)** | **0** | **(4,943)** |
| | | | | | | | |
| **Carrying amount at 31 December 2022** | **6,433** | **766** | **392** | **148** | **204** | **422** | **8,365** |

| DKKm | Goodwill | Patents and rights | Customer relations | Other intangible assets | Completed development projects | Intangible assets under development | 2021 Total |
|---|---|---|---|---|---|---|---|
| Cost at 1 January 2021 | 4,194 | 2,108 | 1,832 | 850 | 1,164 | 299 | 10,447 |
| Foreign exchange adjustments | 170 | 19 | 93 | 17 | 0 | 0 | 299 |
| Acquisition of group enterprises | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Additions | 0 | 0 | 0 | 0 | 0 | 179 | 179 |
| Disposals | 0 | 0 | 0 | (35) | (8) | 0 | (43) |
| Transferred between categories | 0 | 0 | 0 | 52 | 116 | (168) | 0 |
| **Cost at 31 December 2021** | **4,364** | **2,127** | **1,925** | **884** | **1,272** | **310** | **10,882** |
| | | | | | | | |
| Amortisation and impairment at 1 January 2021 | 0 | (1,233) | (1,366) | (678) | (930) | 0 | (4,207) |
| Foreign exchange adjustment | 0 | (11) | (71) | (25) | 8 | 0 | (99) |
| Disposals | 0 | 0 | 0 | 35 | 8 | 0 | 43 |
| Amortisation | 0 | (99) | (87) | (51) | (125) | 0 | (362) |
| **Amortisation and impairment at 31 December 2021** | **0** | **(1,343)** | **(1,524)** | **(719)** | **(1,039)** | **0** | **(4,625)** |
| | | | | | | | |
| **Carrying amount at 31 December 2021** | **4,364** | **784** | **401** | **165** | **233** | **310** | **6,257** |

## 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 2022 nor in 2021 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.

### 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. Besides the establishment of Non-Core Activities, the definition is unchanged compared to last year.

As no non-current assets (including goodwill and other intangible assets) relate to Non-Core Activities the impairment test for 2022 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 eight years as well as projections for the terminal period. The eight-year period is used to reflect a full business cycle. 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 2022, the long-term growth rate in the terminal period was set to 3.0%.

In 2021, due to the then low interest rate environment, the long-term growth rate was set to 1.5%.

Investments reflect both maintenance and expectations of organic growth.

**Mining**

Despite ongoing global macroeconomic and geopolitical tension, the long-term demand for minerals essential to economic growth and a sustainable future remains unscathed. The uncertainty in 2022 caused by inflation and the risk of recession showed a recovery in progression of projects related to copper, Lithium, gold, and phosphates in the last quarter of 2022.

We expect our organic Mining revenue growth to be above market growth. This will be driven by our Products business growing in line with the market and our Service business growing above the market. The key drivers for achieving the EBITA margin target include synergy takeout and commercial integration of Mining Technologies (ex-TK), simplification of our operating model, derisking, Service business growth, improved Service and Products mix as well as growth from our Product business.

**Cement**

During 2022, the cement industry has like many other industries through the year been navigating in a market with economic, geo-political and energy uncertainties. The volatile energy prices and inflation pressure has created a push for increased focus on productivity cost and we have experienced a continued focus on sustainability solutions.

### Carrying amounts of intangible assets

| | 2022 | | | | 2021 | | |
|---|---|---|---|---|---|---|---|
| **DKKm** | **Mining** | **Cement** | **Non-Core Activities** | **Group** | **Mining** | **Cement** | **Group** |
| Goodwill | 6,219 | 214 | 0 | 6,433 | 4,156 | 208 | 4,364 |
| Patents and rights | 480 | 286 | 0 | 766 | 493 | 291 | 784 |
| Customer relations | 391 | 1 | 0 | 392 | 398 | 3 | 401 |
| Other intangible assets | 99 | 49 | 0 | 148 | 79 | 86 | 165 |
| Completed development projects | 136 | 68 | 0 | 204 | 117 | 116 | 233 |
| Intangible assets under development | 281 | 141 | 0 | 422 | 156 | 154 | 310 |
| **Total** | **7,606** | **759** | **0** | **8,365** | **5,399** | **858** | **6,257** |

## 2.3 Impairment of assets
– continued

We expect our organic Cement revenue to grown in line with GDP growth in the markets we are present. In the short to mid-term 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 grown in line with GDP growth. The key drivers for achieving the EBITA margin target include simplification of our operating model, de-risking, Service business growth from increased installed base penetration as well as improved Service and Product mix.

**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.

## Accounting policy
Goodwill and intangible assets not yet available for use are tested for impairment at least once a year, irrespective of whether there is any indication that they may be impaired.
Assets that are subject to amortisation, such as intangible assets in use with definite useful life, and other non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Factors that could trigger an impairment test include the following:

- Changes of R&D project expectations
- Lower than predicted sales related to particular technologies
- Changes in the economic lives of similar assets
- Relationship with other intangible assets or property, plant and equipment

For impairment testing, assets are grouped into the smallest group of assets that generates largely independent cash inflows (cash generating unit) as determined based on the management structure and the internal financial reporting.

If the carrying amount of intangible assets exceeds the recoverable amount based on the existence of one or more of the above indicators of impairment, any impairment is measured based on the net present value of expected future cash flows. Impairments are reviewed at each reporting date for possible reversal. However, impairment of goodwill may not subsequently be reversed.
Recognition of impairment of other assets is reversed to the extent that changes have taken place in the assumptions and estimates that led to the recognition of impairment.

### Key assumptions

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Mining | Cement | Mining | Cement |
| Investments % of revenue | 2.5% | 2.0% | 2.5% | 2.0% |
| Growth rate in the terminal period | 3.0% | 3.0% | 1.5% | 1.5% |
| Discount rate after tax | 9.5% | 10.0% | 8.0% | 8.5% |
| Discount rate before tax | 13.3% | 14.0% | 10.3% | 10.9% |
| EBITA margin | 7-14% | 3-8% | 9-13% | 1-6% |

## 2.4 Property, plant and equipment

Land and buildings with a carrying amount of DKK 48m (2021: DKK 48m) are pledged against mortgage debt of DKK 226m (2021: DKK 241m). The fair value of land and buildings pledged exceeds the value of the mortgage debt.

### Accounting policy

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials and direct labour costs. 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.

Newly acquired assets and assets of own construction are depreciated from the time they are available for use.

Where acquisition or use of the asset places the Group under an obligation to incur the costs of re-establishing the asset, the estimated costs for this purpose are recognised as part of the cost of the asset and are depreciated during the asset's useful life.

### Carrying amount of property, plant and equipment

| | 2022 | | | | | 2021 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **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 | 2,529 | 1,661 | 886 | 21 | 5,097 | 2,306 | 1,543 | 892 | 137 | 4,878 |
| Foreign exchange adjustments | 66 | 43 | 13 | 1 | 123 | 108 | 79 | 36 | 4 | 227 |
| Acquisitions of enterprises | 327 | 167 | 47 | 11 | 552 | 0 | 0 | 0 | 0 | 0 |
| Additions | 4 | 20 | 19 | 45 | 88 | 12 | 16 | 15 | 73 | 116 |
| Disposals | (344) | (118) | (190) | 0 | (652) | (28) | (35) | (60) | (1) | (124) |
| Transferred between categories | 13 | 14 | 11 | (38) | 0 | 131 | 58 | 3 | (192) | 0 |
| **Cost at 31 December** | **2,595** | **1,787** | **786** | **40** | **5,208** | **2,529** | **1,661** | **886** | **21** | **5,097** |
| | | | | | | | | | | |
| Depreciation and impairment at 1 January | (989) | (1,286) | (811) | 0 | (3,086) | (892) | (1,174) | (803) | 0 | (2,869) |
| Foreign exchange adjustment | (24) | (34) | (15) | 0 | (73) | (38) | (55) | (33) | 0 | (126) |
| Disposals of enterprises | 0 | 1 | (1) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | 214 | 111 | 188 | 0 | 513 | 13 | 31 | 59 | 0 | 103 |
| Depreciation | (72) | (99) | (41) | 0 | (212) | (72) | (88) | (34) | 0 | (194) |
| Transferred between categories | (1) | 2 | (1) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Depreciation and impairment at 31 December** | **(872)** | **(1,305)** | **(681)** | **0** | **(2,858)** | **(989)** | **(1,286)** | **(811)** | **0** | **(3,086)** |
| | | | | | | | | | | |
| **Carrying amount at 31 December, owned assets** | **1,723** | **482** | **105** | **40** | **2,350** | **1,540** | **375** | **75** | **21** | **2,011** |
| **Carrying amount at 31 December, leased assets, note 2.5** | **260** | **11** | **26** | **0** | **297** | **252** | **8** | **37** | **0** | **297** |
| **Carrying amount at 31 December, property, plant and equipment** | **1,983** | **493** | **131** | **40** | **2,647** | **1,792** | **383** | **112** | **21** | **2,308** |

# 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 4 years. The average discount rate applied for land and buildings is 3,71% at the end of 2022 (2021: 3.19%).

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

During 2022 cash outflows for capitalised leases were DKK 146m (2021: DKK 135m). Interest related to leases was DKK 12m (2021: DKK 10m) and impacted CFFO negatively, and the remaining DKK 134m (2021: DKK 125m) was repayment of lease debt included in CFFF. Please refer to note 5.8 Financial assets and liabilities for maturity analysis of lease liabilities

Further to the above cash outflow, DKK 16m (2021: DKK 14m) 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 2025. 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 have been 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

| 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 2022** | **260** | **11** | **26** | **297** |

| 2021 | | | | |
|---|---|---|---|---|
| **DKKm** | **Land and buildings** | **Plant and machinery** | **Operating equipment** | **Total** |
| Carrying amount at 1 January | 260 | 9 | 43 | 312 |
| Foreign exchange adjustments | 5 | 1 | 0 | 6 |
| Acquisitions of enterprises | 0 | 0 | 0 | 0 |
| Remeasurement | 5 | 0 | (1) | 4 |
| Additions | 76 | 2 | 24 | 102 |
| Disposals | (7) | 0 | 0 | (7) |
| Depreciation | (87) | (4) | (29) | (120) |
| **Carrying amount at 31 December 2021** | **252** | **8** | **37** | **297** |

## Expensed leases

| **DKKm** | **2022** | **2021** |
|---|---|---|
| Cost relating to short-term leases | 11 | 11 |
| Cost relating to leases of low-value assets that are not shown above as short-term leases | 4 | 2 |
| Cost relating to variable lease payments not included in lease liabilities | 1 | 1 |
| **Expensed lease costs in the income statement** | **16** | **14** |
| | | |
| The lease costs are included in the following lines: | | |
| Production cost | 9 | 5 |
| Sales cost | 2 | 1 |
| Administrative cost | 5 | 8 |
| **Expensed lease costs in the income statement** | **16** | **14** |

## 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 investment in Intertek Robotic Laboratories Pty Ltd, Australia, with a 50% share.

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

| 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.

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

| DKKm | 2022 | 2021 |
|---|---|---|
| Beginning value 1 January | 162 | 159 |
| Foreign exchange adjustments | (1) | 4 |
| Income from associates | (4) | (1) |
| **Carrying value at 31 December** | **157** | **162** |

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 | 2022 | 2021 |
|---|---|---|
| Revenue | 138 | 137 |
| Profit for the period | (8) | (2) |
| | | |
| Total comprehensive income | 0 | 0 |
| Dividend paid | 0 | 0 |
| | | |
| Current assets | 66 | 40 |
| Customer relations | 97 | 112 |
| Non-current assets | 33 | 48 |
| Current liabilities | (28) | (22) |
| **Equity** | **168** | **178** |

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

### Investments in associates, FLSmidth share

| DKKm | 2022 | 2021 |
|---|---|---|
| FLSmidth's share of equity, 50% | 84 | 89 |
| Goodwill | 73 | 73 |
| **Carrying value at 31 December** | **157** | **162** |

## 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 increased compared to last year reflecting the acquisition of Mining Technologies (ex-TK), the increased activity level and the effect of certain specific project risks.

Warranty provisions cover expected costs to remedy warranty claims during the warranty period. For projects, the warranty provision is built up during the production phase. The warranty period starts once the project has been finalised and runs seldomly for more than two years and often only up to one year. The increase is the result of the acquisition of Mining Technologies (ex-TK) as well as the higher activity level.

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 increase in other provisions relates to a combination of an increase in the provision for loss making contracts due to additional uncertainties in the execution of the project portfolio, an increase in provisions for ongoing legal disputes as well as the result of the acquisition of Mining Technologies (ex-TK).

## 2.7 Provisions – continued

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 to the right.

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

| DKKm | 2022 | 2021 |
|---|---|---|
| Pensions and employee benefits | (50) | 19 |
| Provisions | 680 | 134 |
| Of which relate to foreign exchange adjustments | 10 | (36) |
| **Cash flow effect** | **640** | **117** |

## 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 project-by-project 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 cover projects expected to result in a loss as the expected cost to complete the project 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 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

| | | | | 2022 | | | | 2021 |
|---|---|---|---|---|---|---|---|---|
| DKKm | Warranties | Restructuring | Other | Total | Warranties | Restructuring | Other | Total |
| Provisions at 1 January | 543 | 47 | 557 | 1,147 | 496 | 60 | 459 | 1,015 |
| Foreign exchange adjustments | 2 | 0 | (19) | (17) | 16 | 4 | 7 | 27 |
| Acquisition of Group enterprises | 295 | 6 | 381 | 682 | 0 | 0 | 0 | 0 |
| Additions | 325 | 411 | 652 | 1,388 | 227 | 43 | 371 | 641 |
| Used | (98) | (56) | (307) | (461) | (80) | (59) | (245) | (384) |
| Reversals | (87) | (4) | (141) | (232) | (116) | (1) | (35) | (152) |
| **Provisions at 31 December** | **980** | **404** | **1,123** | **2,507** | **543** | **47** | **557** | **1,147** |

### Provisions related to continued activities

| DKKm | 2022 | 2021 |
|---|---|---|
| Provisions at 1 January | 999 | 833 |
| Foreign exchange adjustments | (17) | 27 |
| Acquisition of Group enterprises | 682 | 0 |
| Additions | 1,385 | 638 |
| Used | (428) | (348) |
| Reversals | (231) | (151) |
| **Continued activities share of Group provisions** | **2,390** | **999** |

### Key accounting estimates

**Estimated warranty provision**

When estimating the warranty provision we take into consideration several years of warranty cost information, any specific project related risks, 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 559m (2021: DKK 441m).

## 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 exit salary. 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.

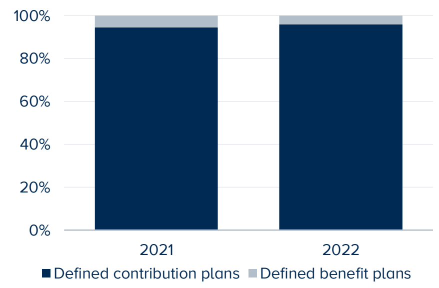
The majority of the total pension obligations are partially funded with assets placed in pension funds and through insurance. In 2023 we expect to make a contribution to the defined benefit plans of DKK 18m (2022: 9m). The weighted average duration of the obligations is 15 years (2021: 15 years).

## Actuarial assumptions

| | 2022 | 2021 |
|---|---|---|
| Average discounting rate applied | 3.3% | 1.5% |
| Expected future pay increase rate | 3.3% | 2.9% |

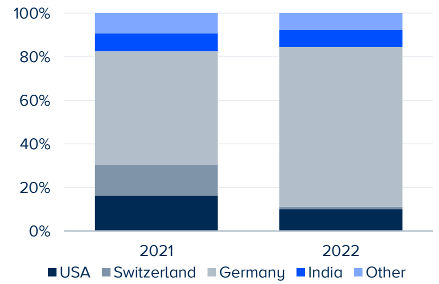
## Pension contributions by plan types

%



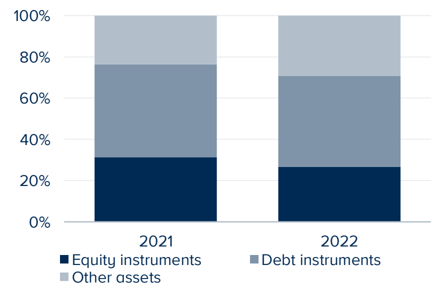

## Pension obligations by country

%




## Fair value of plan assets

by Instruments




## Pension obligations

| DKKm | 2022 Present value of pension obligations | 2022 Fair value of plan assets | 2022 Net obligations | 2021 Present value of pension obligations | 2021 Fair value of plan assets | 2021 Net obligations |
|---|---|---|---|---|---|---|
| Value at 1 January | (1,116) | 794 | (322) | (1,127) | 749 | (378) |
| | | | | | | |
| Interest on obligation/asset | (26) | 21 | (5) | (20) | 15 | (5) |
| Service costs | (25) | 0 | (25) | (26) | 0 | (26) |
| **Recognised in the income statement** | **(51)** | **21** | **(30)** | **(46)** | **15** | **(31)** |
| | | | | | | |
| Actuarial gains and losses from financial assumptions | 217 | (116) | 101 | 35 | 35 | 70 |
| **Recognised in other comprehensive income** | **217** | **(116)** | **101** | **35** | **35** | **70** |
| | | | | | | |
| Acquisition of enterprises | (180) | 0 | (180) | 0 | 0 | 0 |
| Foreign exchange adjustments | (51) | 46 | (5) | (58) | 54 | (4) |
| Settlements | 26 | (26) | 0 | 0 | 0 | 0 |
| Employer contributions | 0 | 2 | 2 | 0 | 3 | 3 |
| Participant contributions | 0 | 1 | 1 | 0 | 1 | 1 |
| Benefits paid to employees | 74 | (57) | 17 | 80 | (63) | 17 |
| **Other changes** | **(131)** | **(34)** | **(165)** | **22** | **(5)** | **17** |
| | | | | | | |
| **Value at 31 December** | **(1,081)** | **665** | **(416)** | **(1,116)** | **794** | **(322)** |

# 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 | 2022 | 2021 |
|---|---|---|
| Discount rate - 1%, increase | 110 | 145 |
| Discount rate + 1%, decrease | (103) | (132) |

## 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 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.

Our participation provides priority access, builds capabilities and shares risk when working with early stage start-ups across the globe. Our objective of engaging with disruptive and deep technology start-ups is to create differentiated value propositions and accelerate being Productivity Provider #1, while delivering strategic and financial returns.

We have made a capital commitment of USD 10m. The capital can be called up until 2029, 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 2022 amounted to DKK 36m (2021: DKK: 43m).

### Contingent liabilities
Contingent liabilities cover guarantees and other contingent liabilities related to legal disputes etc. At the end of 2022, contingent liabilities amounted to DKK 3,762m excluding the Mining Technologies (ex-TK) issued corporate guarantees mentioned below (2021: DKK 3,117m).

**Guarantees**
Guarantees consist of customary performance and payment guarantees. The volume of the guarantees amounted to DKK 3,259m (2021: DKK 2,254m). The increase relates to the acquisition of Mining Technologies (ex-TK). In addition to the above mentioned guarantees, Mining Technologies (ex-TK) has also issued DKK 784m of corporate contract-support guarantees to customers. Nearly half of the Mining Technologies (ex-TK) guarantees will expire during 2023, and by end of 2024 almost all will 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 503m (2021: DKK 863m). The outcome of such proceedings and disputes is by nature unknown, but is not expected to have significant impact on our financial position.

Contingent liabilities include DKK 130m that is recognised related to a customer's unsubstantiated cash withdrawal on a performance guarantee, see note 2.11 for more information.

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

# 2.10 Business Acquisitions

## Acquisitions in 2022

As announced on 11 August 2022, the transaction to acquire Mining Technologies (ex-TK) closed on 31 August 2022, after which FLSmidth obtained control over the acquired business.

Mining Technologies (ex-TK) is a leading full-line supplier of solutions for mining systems, material handling, mineral processing and services.

The combination of FLSmidth and Mining Technologies (ex-TK) will create 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.

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 expected cost synergies as well as the value of the assembled workforce constitute the major parts of the goodwill recognised on the acquisition.

**Initial recognition of Mining Technologies**

On 31 August 2022, a consideration of EUR 420m (DKK 3,122m) was transferred to the seller. Net of cash acquired, the cash consideration amounted to DKK 2,103m and includes compensation of DKK 212m for internal funding of the acquired business previously provided by the seller. The final purchase price depends on certain adjustments primarily related to ongoing projects and development in net working capital. The adjustments are not yet finally agreed between the two parties. Subsequent adjustments to the consideration paid for the acquisition are therefore expected during the coming quarters.

The acquisition is 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, see note 1.2 for more information.

A preliminary allocation of the purchase price on the fair value of identifiable assets acquired and liabilities assumed at acquisition date was presented in the 9 months interim report. During the fourth quarter, the allocation has been updated to reflect new information obtained about fact and circumstances that existed at the acquisition date. The updated allocation is shown in the table. The changes relate to information received through project reviews primarily increasing provisions and trade receivables. Further, the tax impact on the fair value adjustments to the net assets identified have been reassessed and deferred tax assets have been decreased. The changes resulted in an increase in goodwill of DKK 136m compared to 9 months interim report.

Provisions include the estimated fair value of contingent liabilities of DKK 0.1bn to cover the risk on performance and payment guarantees issued and to cover for pending and potential legal disputes. Net working capital acquired amounts to DKK 481m.

The contractual amount of trade receivables exceeds the fair value by DKK 0.1 bn.

It is important to note that the initial accounting for the business combination remains subject to change and will be retrospectively adjusted to reflect new information obtained no later than 12 months after the acquisition date. This includes potential new information on the identification of assets and liabilities, including contingent liabilities, and the measurement of those items at fair value. Amongst other, project reviews (including the identification of onerous contracts) may lead to further changes to the initial accounting. During the measurement period, changes to the above will have a resulting impact on goodwill as will the change resulting from the final purchase price. Significant changes may therefore occur during the measurement period.

Acquisition related costs amounted to DKK 33m in 2022 and DKK 89m in 2021 and are included in the income statement as administrative costs. The

| Preliminary allocation of purchase price on assets acquired and liabilities assumed (DKKm) | 31/08 2022 |
|---|---|
| Patents and IP rights | 65 |
| Customer relations | 32 |
| Land and buildings | 377 |
| Other tangible assets | 230 |
| Deferred tax assets | 67 |
| Inventories | 820 |
| Trade and other receivables | 1,107 |
| Work in progress | 187 |
| Other current assets | 368 |
| Cash | 1,019 |
| **Total assets** | **4,272** |
| | |
| Pension liabilities | 180 |
| Other non-current liabilities | 149 |
| Provisions | 682 |
| Prepayments from customers | 119 |
| Work in progress | 783 |
| Trade payables | 564 |
| Other current liabilities | 632 |
| **Total liabilities** | **3,109** |
| | |
| Total identifiable net assets | 1,163 |
| Goodwill | 1,959 |
| **Purchase price** | **3,122** |
| Cash | 1,019 |
| **Net cash transferred to the seller** | **2,103** |

costs include costs incurred both before and after signing of the agreement in 2021.

The consolidation of Mining Technologies (ex-TK) has increased Revenue by DKK 1,227m and reduced net profit by DKK 112m. Assuming the Group had taken over Mining Technologies (ex-TK) with effect from 1 January 2022, the currently estimated impact would be a further increase in Revenue of DKK 2.7bn and decrease in Net profit of DKK 0.1bn.

### Acquisitions in 2021

In 2021, FLSmidth did not acquire any new businesses.

## Accounting policy

Newly acquired or newly established businesses are included in the consolidated financial statements from the acquisition date or formation. The acquisition date is the date when control of the business is transferred to the Group.

Upon acquisition of the business of which we obtain control, the acquisition method is applied, according to which the identified assets, liabilities and contingent liabilities are measured at their fair values.

The purchase price consists of the fair value of the consideration payable/receivable. This includes the fair value of the consideration already paid/received, deferred consideration and contingent consideration.

Any subsequent adjustment of contingent consideration is recognised directly in the income statement, unless the adjustment is the result of new information about conditions prevailing at the acquisition date, and this information becomes available before the initial accounting is terminated no later than 12 months after the acquisition date (the measuring period). Transaction costs are recognised directly in the income statement when incurred as administrative costs.

When the purchase price differs from the fair values of the assets, liabilities and contingent liabilities identified on acquisition, any positive differences (goodwill) are recognised in the balance sheet under intangible assets and any negative differences (a gain from a bargain purchase) are recognised in the income statement.

If, on the acquisition date, there are any uncertainties with respect to identifying or measuring acquired assets, liabilities or contingent liabilities or uncertainty with respect to determining their cost, the initial recognition will be made on the basis of estimated values. Such estimated values may be adjusted, or additional assets or liabilities may be recognised during the measurement period, if new information becomes available about conditions prevailing on the acquisition date, which would have affected the calculation of values on that day, had such information been known. The adjustments are made to the initial purchase price allocation as a restatement of prior information, including to the amount of goodwill or gain on a bargain purchase.

## 2.11 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.

Progress on projects has been delayed due to COVID-19 and a dispute with a customer.

The segment note 1.2 shows the full disclosure of income statement for discontinued activities. Tax income of DKK 16m relating to joint taxation contribution and reassessment of tax risks, has been recognized with discontinued activities in 2022 (2021: DKK 2m).

Discontinued activities' effect on cash flow from operating activities is presented in the table below. The cash outflow in 2021 related to net working capital includes a customer's unsubstantiated cash withdrawal of DKK 130m on a performance guarantee. We have rejected the claim and recognised the cash withdrawal as a receivable. The receivable is still unchanged in 2022.

Discontinued activities' share of Group provisions disclosed in note 2.7 is shown in the table below:

### Discontinued activities share of provisions

| DKKm | 2022 | 2021 |
|---|---|---|
| Provisions at 1 January | 148 | 182 |
| Additions | 3 | 0 |
| Used | (33) | (34) |
| Reversals | (1) | 0 |
| **Provisions** | **117** | **148** |

In addition to the provisions of DKK 117m, discontinued activities include DKK 362m (2021: DKK 350m) of the Group's net working capital shown in note 3.1.

## 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 | 2022 | 2021 |
|---|---|---|
| EBITDA, see segment note 1.2 | (10) | (19) |
| **Adjusted EBITDA** | **(10)** | **(19)** |
| Change in provisions | (31) | (34) |
| Change in net working capital | (6) | (134) |
| **Cash flow from operating activities before financial items and tax** | **(47)** | **(187)** |
| Financial items received and paid | (3) | (1) |
| **Cash flow from operating activities** | **(50)** | **(188)** |

Section 3

# Working Capital



## 3.1 Net working capital

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

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

Net working capital at 31 December 2022 has increased by DKK 0.8bn compared to 31 December 2021. The increase is primarily due to the impact from the acquisition of Mining Technologies (ex-TK) and a higher level of inventories to mitigate supply chain challenges. Currency impacts increased the net working capital balance at 31 December 2022 by DKK 112m (2021: an increase of DKK 14m).

Utilisation of supply chain financing increased during 2022 to DKK 590m (31 December 2021: DKK 490m).

### Net working capital

| DKKm | 2022 | 2021 |
|---|---|---|
| Inventories | 3,971 | 2,464 |
| Trade receivables | 5,108 | 4,112 |
| Work in progress, asset | 3,147 | 2,358 |
| Prepayments | 874 | 871 |
| Other receivables | 1,030 | 709 |
| Derivative financial instruments | 54 | 31 |
| Prepayments from customers | (2,771) | (2,490) |
| Trade payables | (4,339) | (3,367) |
| Work in progress, liability | (3,592) | (2,373) |
| Other liabilities | (1,509) | (1,224) |
| Derivative financial instruments | (80) | (33) |
| | **1,893** | **1,058** |

### Cash flow effect from change in NWC

| DKKm | 2022 | 2021 |
|---|---|---|
| Inventories | (680) | 10 |
| Trade receivables | 92 | (547) |
| Trade payables | 379 | 216 |
| Work in progress | (118) | 322 |
| Prepayments from customers | 183 | 1,183 |
| Prepayments | 187 | (534) |
| Other receivables and other liabilities | (291) | 156 |
| - of which relate to foreign exchange gain/(loss) | (198) | (194) |
| | **(446)** | **612** |

## 3.2 Inventories

### Inventories net of impairment

| DKKm | 2022 | 2021 |
|---|---|---|
| Raw materials and consumables | 461 | 270 |
| Goods in progress | 1,117 | 361 |
| Finished goods and goods for resale | 2,393 | 1,833 |
| **Inventories** | **3,971** | **2,464** |

### Impairment of inventories

| DKKm | 2022 | 2021 |
|---|---|---|
| Impairment at 1 January | 353 | 272 |
| Foreign exchange adjustments | 8 | 14 |
| Additions | 159 | 95 |
| Realised | (89) | (14) |
| Reversals | (52) | (14) |
| **Impairment at 31 December** | **379** | **353** |

Inventory level has increased 61% in 2022. The higher inventory level is mainly due to the acquisition of Mining Technologies (ex-TK) and 24% in organic growth for mitigating supply chain challenges and support a higher activity level in 2023 from the strong backlog.

## 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

Our trade receivables relate to the sale of both service and capital business. Trade receivables increased in 2022 mainly due to the acquisition of Mining Technologies (ex-TK) (DKK 1.1bn).

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

| DKKm | 2022 | 2021 |
|---|---|---|
| Not due for payment | 3,597 | 2,883 |
| Overdue < one month | 590 | 465 |
| Overdue one - two months | 183 | 163 |
| Overdue two - three months | 95 | 72 |
| Overdue > three months | 643 | 529 |
| **Trade receivables** | **5,108** | **4,112** |
| Trade receivables not due for payment with retentions on contractual terms | 562 | 529 |

Impairment of trade receivables specified according to aging is shown below.

The impairment in 2022 is based on historical observed default rates adjusted for estimates of uncertainties in project related activities and in market conditions.

### Impairment of trade receivables

| DKKm | 2022 | 2021 |
|---|---|---|
| Impairment at 1 January | 333 | 317 |
| Foreign exchange adjustments | (10) | 15 |
| Additions | 293 | 128 |
| Reversals | (80) | (70) |
| Realised | (121) | (57) |
| **Impairment at 31 December** | **415** | **333** |

## 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.

### 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 offset 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 increased compared to at the end of 2021. The increase is based on an assessment of a deterioration in the credit quality following the current macroeconomic situation with increasing uncertainties, inflation etc.

### Impairment of trade receivables specified according to aging

| DKKm | 2022 Expected loss rate | 2022 Gross carrying amount | 2022 Impairment | 2021 Expected loss rate | 2021 Gross carrying amount | 2021 Impairment |
|---|---|---|---|---|---|---|
| Not due for payment | 1.3% | 3,626 | 47 | 1.2% | 2,919 | 36 |
| Overdue < one month | 6.2% | 631 | 39 | 6.1% | 495 | 30 |
| Overdue one - two months | 14.4% | 215 | 31 | 14.2% | 190 | 27 |
| Overdue two - three months | 24.8% | 129 | 32 | 25.1% | 96 | 24 |
| Overdue > three months | 28.9% | 922 | 266 | 29.1% | 745 | 216 |
| **Total** | | **5,523** | **415** | | **4,445** | **333** |

## 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 projects, 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 project 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 project 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 projects where the invoiced amount exceeds the work performed are presented as liabilities.

In general, the invoicing structure for projects reflects the progress on the projects and work in progress liabilities are, therefore, usually converted into revenue in the next year.

### Composition of work in progress

| DKKm | 2022 | 2021 |
|---|---|---|
| **Gross work in progress** | **46,107** | **33,338** |
| Invoicing on account to customers | (46,552) | (33,353) |
| **Net work in progress** | **(445)** | **(15)** |
| Of which is recognised as work in progress: | | |
| Under assets | 3,147 | 2,358 |
| Under liabilities | (3,592) | (2,373) |
| **Net work in progress** | **(445)** | **(15)** |

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 2,771m (2021: DKK 2,490m). 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 project by project basis. If an impairment on a project 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 total cost 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.

With the increasing costs due to the global supply chain challenges and the risk of further cost increases in light of the increasing inflation during 2022, we have reassessed our project financials, including update of expected project costs, to ensure that expected cost increases are appropriately reflected in the estimated cost to complete.

## 3.5 Other receivables

### Specification of other receivables

| DKKm | 2022 | 2021 |
|---|---|---|
| Indirect taxes receivables | 522 | 402 |
| Deposits | 107 | 30 |
| Derivatives | 54 | 31 |
| Other | 462 | 336 |
| | **1,145** | **799** |

## 3.6 Trade payables

To improve the relationship with our suppliers and minimise the finance cost in the value chain, we facilitate a supply chain financing programme hosted by a credit institute. When participating in this programme, the supplier has the option to receive early payment from the credit institution based on the invoices approved by us 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 arise in the ordinary course of business from supply of goods and services and the payment terms are not significantly extended compared to trade payables that are not part of the supply change financing programme. At the end of 2022, trade payables covered by the programme amounted to DKK 590m (2021: DKK 490m).

## 3.7 Other liabilities

### Specification of other liabilities

| DKKm | 2022 | 2021 |
|---|---|---|
| Indirect taxes payables | 210 | 177 |
| Accrued employee items | 779 | 665 |
| Employee benefits | 181 | 122 |
| Derivatives | 80 | 33 |
| Other accruals and payables | 573 | 461 |
| | **1,823** | **1,458** |

DKK 85m (2021: DKK 55m) is included in non-current liabilities and DKK 1,738m (2021: DKK 1,403m) in current liabilities.


Section 4

# Tax

# 4.1 Income Tax

The income tax expense for the year amounted to DKK 201m (2021: DKK 213m), corresponding to an effective tax rate of 36.4% (2021: 36.3%). 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 countries outside Denmark (mainly in Russia). In 2021, the non-deductible cost was increased mainly due to acquisition costs in Germany related to the acquisition of Mining Technologies (ex-TK).

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.

## Accounting policy

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.

Tax for the year is recognised in the Income Statement, however, tax attributable to items recognised in other comprehensive income is 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 comprises tax calculated on the basis of the expected taxable income for the year, using the applicable tax rates for the financial year.

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.

The measurement addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and IFRIC 23.

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.

The impact from uncertain tax positions is recognised under current income tax or deferred tax, depending on how the realisation of the tax position will affect the financial statements.
Tax receivables and tax liabilities comprise tax on expected taxable income less tax paid on account in the year and previous years taxes. Current tax is recognised in the balance sheet as either a receivable or a liability.

### Composition of tax for the year and effective tax rates

| DKKm | 2022 Tax | 2022 Effective tax rate | 2021 Tax | 2021 Effective tax rate |
|---|---|---|---|---|
| Tax according to Danish tax rate | (122) | 22.0% | (129) | 22.0% |
| Differences in the tax rates in foreign subsidiaries relative to 22% | 2 | -0.3% | (31) | 5.3% |
| Non-taxable income and non-deductible costs | (4) | 0.7% | (48) | 8.2% |
| Net change in valuation of tax assets | (3) | 0.5% | 38 | -6.5% |
| Change in deferred tax due to adjustment of tax rates | (8) | 1.5% | 4 | -0.7% |
| Adjustments regarding previous years, deferred tax | (22) | 4.0% | (19) | 3.2% |
| Adjustments regarding previous years, current tax | (1) | 0.2% | 4 | -0.7% |
| Withholding tax | (66) | 12.0% | (52) | 8.9% |
| Uncertain tax positions | 23 | -4.2% | 20 | -3.4% |
| **Total tax for the year and effective tax rate** | **(201)** | **36.4%** | **(213)** | **36.3%** |

### Composition of tax for the year

| DKKm | 2022 | 2021 |
|---|---|---|
| Current tax on Total comprehensive income for the year | (507) | (449) |
| Current tax on Other comprehensive income excluded | (7) | (1) |
| Withholding tax | (66) | (52) |
| Change in deferred tax | 387 | 280 |
| Change in tax rate on deferred tax | (8) | 4 |
| Adjustments regarding previous years, deferred tax | (22) | (19) |
| Adjustments regarding previous years, current tax | (1) | 4 |
| Uncertain tax positions | 23 | 20 |
| **Tax on profit for the year, continuing activities** | **(201)** | **(213)** |
| | | |
| Earnings before tax on continuing activities | 552 | 587 |
| Earnings before tax on discontinued activities | (15) | (19) |
| **Total earnings before tax** | **537** | **568** |

## 4.2 Paid income tax

Income tax paid in 2022 amounted to DKK 471m (2021: DKK 537m). Most of these payments are attributable to Group enterprises in the countries shown in the graph. Many countries had COVID-19 measures in place in 2020 allowing to postpone our tax payments into 2021 which partly explains the decrease in tax payments in 2022.

Besides income tax, Group activities generate sales taxes, customs duties, personal income taxes paid by the employees, etc. which are excluded from income tax.

## 4.3 Deferred Tax

Deferred tax assets at the end of 2022 amount to DKK 1,921m (2021: DKK 1,490m) and deferred tax liabilities amount to DKK 294m (2021: DKK 169m). The net deferred tax assets amount to DKK 1,627m (2019: DKK 1,321m).

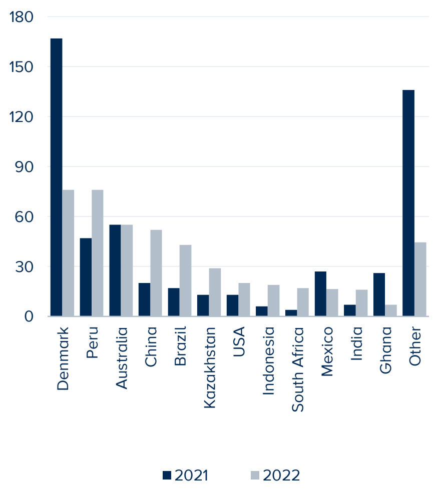
### Composition of deferred tax

| DKKm | Balance sheet 1 January | Acquisition of enterprises | Currency adjustment | Included in Income Statement within Tax for the year: Adjustment to previous years | Changed tax rate | Change in deferred tax | Included in other comprehensive income | Balance sheet 31 December 2022 |
|---|---|---|---|---|---|---|---|---|
| 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** |

| DKKm | Balance sheet 1 January | Acquisition of enterprises | Currency adjustment | Included in Income Statement within Tax for the year: Adjustment to previous years | Changed tax rate | Change in deferred tax | Included in other comprehensive income | Balance sheet 31 December 2021 |
|---|---|---|---|---|---|---|---|---|
| Intangible assets | 117 | 0 | (10) | (48) | 1 | 55 | 0 | 115 |
| Property, plant and equipment | 232 | 0 | 1 | 0 | 0 | 23 | 0 | 256 |
| Current assets | 230 | 0 | 1 | 17 | (2) | (248) | 0 | (2) |
| Liabilities | 294 | 0 | 13 | 14 | 3 | 283 | (1) | 606 |
| Tax loss carry-forwards, etc. | 364 | 0 | 7 | (7) | 5 | 128 | 0 | 497 |
| Share of tax assets valued at nil | (189) | 0 | (3) | 5 | (3) | 39 | 0 | (151) |
| **Net deferred tax assets/(liabilities)** | **1,048** | **0** | **9** | **(19)** | **4** | **280** | **(1)** | **1,321** |

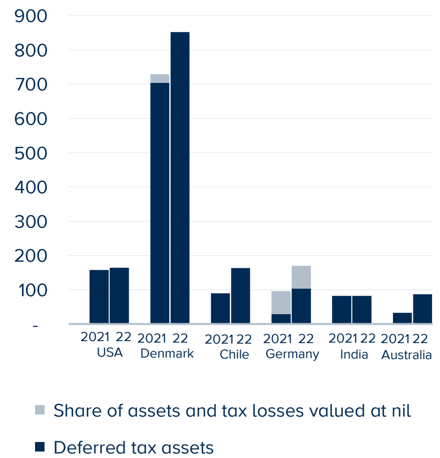
### Income tax paid

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 136m (2021: DKK 151m) relate to tax losses and tax assets mainly in discontinued and dormant entities.

Temporary differences regarding future repatriation of profit from entities in foreign countries are estimated at DKK 325-375m in 2022 (2021: DKK 325-375m). 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.

### 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.

## Net deferred tax

| DKKm | 2022 | 2021 |
|---|---|---|
| Deferred tax assets | 1,921 | 1,490 |
| Deferred tax liabilities | (294) | (169) |
| | **1,627** | **1,321** |

DKK 108m (2021: DKK 92m) of foreign paid withholding taxes in the USA are not recognised as a future benefit due to uncertainties relating to the ability to recoup the asset within in the foreseeable future.

## Maturity profile of tax assets valued at nil

| DKKm | 2022 | 2021 |
|---|---|---|
| Within one year | 12 | 64 |
| Between one and five years | 0 | 0 |
| After five years | 489 | 766 |
| **Base value of tax assets valued at nil** | **501** | **830** |
| **Tax value** | **136** | **151** |
| Deferred tax assets valued at nil consist of: | | |
| Temporary differences | 51 | 3 |
| Tax losses | 450 | 827 |
| | **501** | **830** |

The deferred tax assets in Germany is not fully recognized as, based on management's forecast earnings, the tax assets are not likely to be fully utilized within the foreseeable future.

As of 31 December 2022, the non-recognised part of the tax asset in Germany amounts to DKK 66m (2021: DKK 66m) and relates to discontinued activities and dormant entities. The non-recognised tax asset in Denmark was in 2022 reduced to 0 (2021: DKK 25m). Recognising tax assets is a key accounting estimate and is based on management's forecast of earnings incorporating cost savings and the recovery of the market.

## Accounting policy

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. Deferred tax is calculated based on the applicable tax rates for the individual financial years.

The effect of changes in the tax rates is stated in the income statement unless they are items previously recognised in the statement of other comprehensive income.

The tax value of losses that are more likely than not to be available for utilisation against future taxable income in the same legal tax unit and jurisdiction is included in the measurement of deferred tax.

If companies in the Group have deferred tax liabilities, they are valued independently of the time when the tax, if any, becomes payable.

A deferred tax liability is recognised to cover retaxation of losses in foreign enterprises if shares in the enterprises concerned are likely to be sold and to cover expected additional future tax liabilities related to the financial year or previous years. No deferred tax liabilities regarding investments in subsidiaries are recognised if the shares are unlikely 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, intends to settle these on a net basis or to realise the assets and settle the liabilities simultaneously.

## 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 by having a strong focus on compliance with applicable tax laws as well as generally agreed principles of international taxation. We are a global company undertaking complex projects and operating in a variety of developed and developing economies. Inherent risk and uncertainty in regards to compliance requirements and double taxation are common issues faced by our business. We actively work to identify and mitigate tax risk and uncertainties.

### Tax on other comprehensive income

| | | | 2022 | | | 2021 |
|---|---|---|---|---|---|---|
| **DKKm** | **Deferred tax** | **Current tax** | **Tax income/ cost** | **Deferred tax** | **Current tax** | **Tax income/ cost** |
| Value adjustments of hedging instruments | 1 | 7 | 8 | 14 | 1 | 15 |
| Actuarial gains/losses on defined benefit plans | (24) | 0 | (24) | (15) | 0 | (15) |
| **Tax on other comprehensive income** | **(23)** | **7** | **(16)** | **(1)** | **1** | **0** |

Section 5

# Financial risks & capital structure

# 5.1 Shares and capital structure

### Shares
In 2021, 6,400,000 new shares of DKK 20 each at a price of DKK 228 were issued. Hereafter, share capital is DKK 1,153m and the total number of authorised and issued shares is 57,650,000. The issue increased shareholders' equity in 2021 by the proceed received net of costs of DKK 25m. Each share entitles the holder to 20 votes and no shares have special rights attached to it.

### Shareholders at the end of 2022
At the end of 2022, FLSmidth had one major shareholder. Lundbeckfonden has disclosed holdings of voting rights exceeding 10% of total outstanding voting rights. No other shareholders have reported a participating interest above 5% at the end of 2022.

As announced in our company announcement of 19 January 2023, Altor Invest 7 AS acquired above 10 % of the shares and voting rights in FLSmidth & Co. A/S.

### Capital structure
The Board of Directors' priority for capital structure and capital allocation is as follows:

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

For further information please refer to Shareholder information section.

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 2022 accounted for 1.6 % of the share capital (2021: 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 capital in accordance with Section 12 of the Danish Companies Act.

The treasury shares are used to hedge employees' exercise of 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 3 per share (2021: DKK 3) corresponding to a dividend yield of 1.2% (2021: 1.2%) and a pay-out ratio of 49% (2021: 48%) will be distributed for 2022. The total dividend proposed amounts to DKK 173m (2021: DKK 173m).

### Movements in shares and share capital

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Number of shares (1,000) | Nominal value (DKKm) | Number of shares (1,000) | Nominal value (DKKm) |
| Share capital at 1 January | 57,650 | 1,153 | 51,250 | 1,025 |
| Issue of new shares | 0 | 0 | 6,400 | 128 |
| **Share capital at 31 December** | **57,650** | **1,153** | **57,650** | **1,153** |

### Outstanding shares net of Treasury shares

| (1,000): | 2022 | 2021 |
|---|---|---|
| Treasury shares at 1 January | 925 | 1,098 |
| Used for share based payments | (11) | (173) |
| **Treasury shares at 31 December** | **914** | **925** |
| Outstanding shares net of Treasury shares: | | |
| Outstanding shares net of Treasury shares 1 January | 56,725 | 50,152 |
| Issue of new shares | 0 | 6,400 |
| Movement, treasury shares | 11 | 173 |
| **Outstanding shares net of Treasury shares at 31 December** | **56,736** | **56,725** |

## 5.2 Earnings per share

Earnings per share from continuing activities decreased to DKK 6.5 in 2022 (2021: DKK 7.2) primarily driven by the increase in average number of outstanding shares. Earnings per share from discontinued activities equalled DKK 0.0 in 2022 (2021: DKK -0.3).

The number of dilutive shares from share-based payment (see note 6.1) is determined as the number of performance shares that are expected to vest, 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 | 2022 | 2021 |
|---|---|---|
| Profit for the year, continuing activities | 351 | 374 |
| Minority interests | 18 | 1 |
| **FLSmidth's share of profit, continuing activities** | **369** | **375** |
| | | |
| Loss for the year, discontinued activities | 1 | (17) |
| **FLSmidth's share of loss, discontinuing activities** | **1** | **(17)** |
| | | |
| **FLSmidth's share of profit** | **370** | **358** |

| Number of shares (1,000) | 2022 | 2021 |
|---|---|---|
| Issued shares 1 January | 57,650 | 51,250 |
| Issue of new shares, weighted | 0 | 1,871 |
| Treasury shares, weighted | 920 | 1,041 |
| **Average number of outstanding shares** | **56,730** | **52,080** |
| Dilutive effect of share based payment | 149 | 0 |
| **Average diluted number of outstanding shares** | **56,879** | **52,080** |

| DKK | 2022 | 2021 |
|---|---|---|
| Earnings per share from continuing activities | 6.5 | 7.2 |
| Earnings per share from discontinued activities | 0.0 | (0.3) |
| **Earnings per share from continuing and discontinued activities** | **6.5** | **6.9** |

| DKK | 2022 | 2021 |
|---|---|---|
| Diluted earnings per share from continuing activities | 6.5 | 7.2 |
| Diluted earnings per share from discontinued activities | 0.0 | (0.3) |
| **Diluted earnings per share from continuing and discontinued activities** | **6.5** | **6.9** |

## 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 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 currency, credit, interest 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 2022 or 2021.

As of 31 December 2022, 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 7m (2021: DKK 0m), calculated as 1% of the net interest bearing debt as of 31 December 2022. The sensitivity to changes in the interest rate has increased in 2022 due to the increase 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.

# 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.

In the table 'Transaction impact', the sensitivity analysis is provided. The analysis assumes that all other variables, exposures and interest rates in particular, remain constant. The sensitivity analysis shows the gain/loss on net profit and other comprehensive income of a 5% percent increase in the specified currencies towards DKK (a 5% decrease will have similar opposite effect). 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. During 2022 and 2021, significant translation impacts have been recognised in Other Comprehensive income. A 5 % appreciation in the specified currencies towards Danish Kroner will have the following effect on other comprehensive income (a 5% depreciation will have a similar negative effect).

### Translation impact

| DKKm | Change | 2022 | 2021 |
|---|---|---|---|
| USD | 5.0% | 84 | 78 |
| INR | 5.0% | 39 | 38 |
| CLP | 5.0% | 34 | 38 |
| CAD | 5.0% | 34 | (1) |
| GBP | 5.0% | 16 | 17 |
| MXN | 5.0% | 15 | 9 |

### Transaction impact

| DKKm | | 2022 | | 2021 | |
|---|---|---|---|---|---|
| Currency | Change | Net profit for the year | Other comprehensive income | Net profit for the year | Other comprehensive income |
| USD | 5.0% | 8 | (30) | 10 | (16) |
| CNY | 5.0% | 4 | 0 | (1) | 0 |
| AUD | 5.0% | 1 | 0 | 0 | 0 |
| MZN | 5.0% | 1 | 0 | (1) | 0 |
| CAD | 5.0% | 1 | (1) | 0 | (3) |
| RUB | 5.0% | (1) | 0 | 0 | 0 |

### Credit risk

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

At 31 December 2022, total credit risk was DKK 11,547m (2021: DKK 9,236m) as shown in the table below.

The Treasury Policy sets forth authority limits for the credit risk exposure related to cash and cash equivalents as well as derivatives. The limits are based on the counterparty credit rating.

We have entered into netting agreements with the counterparties used for trading of derivatives, which means that the credit risk for derivatives is limited to the net assets per counterparty.

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

The credit risk is governed by the Group's Credit Risk Policy. For receivables the credit risk is managed by continuous risk assessments and credit evaluations of customers and trading partners; having country specific risk factors in mind. To the extent possible, the credit risks are mitigated through use of payment securities, such as letters of credit and guarantees issued by first class rated banks, or by securing positive cash flow throughout the project execution. At the end of 2022, 7% (2021: 13%) of our work in progress asset and 9% (2021: 7%) 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.

We consider the maximum credit risk to financial counterparties to be DKK 2,142m (2021: DKK 1,949m). All financial assets, excluding other securities and investments, are expected to be settled during 2023.

### Total exposure to credit risk

| DKKm | 2022 | 2021 |
|---|---|---|
| Non-financial counterparties: | | |
| Trade receivables, note 3.3 | 5,108 | 4,112 |
| Work in progress, assets, note 3.4 | 3,147 | 2,358 |
| Other receivables, note 3.5 | 1,145 | 799 |
| of which derivatives | (54) | (31) |
| Other securities and investments | 59 | 49 |
| **Total non-financial counterparties** | **9,405** | **7,287** |
| Financial counterparties: | | |
| Derivatives, netted amount | 12 | 14 |
| Cash and cash equivalent | 2,130 | 1,935 |
| **Total financial counterparties** | **2,142** | **1,949** |
| **Total exposure to credit risk** | **11,547** | **9,236** |

# 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 are continuously monitored and consist of cash and cash equivalents and undrawn committed facilities.

In 2022, a EUR 150m (DKK 1,115m) loan facility was agreed with Nordic Investment Bank. The facility will expire in 2030 and the margin is linked to our sustainability KPIs.

By the end of 2022, total committed credit facilities were DKK 6,326m (2021: DKK 6,821m) of which DKK 1,929m (2021: DKK 726m) was utilised. The committed credit facilities will mature after 2026. Short-term liquidity risks are managed through cash-pools and by having short-term overdraft facilities in place with various financial institutions, through committed and uncommitted credit facilities.

According to the Treasury Policy the available financial resources must not be lower than DKK 3bn at any point. The liquidity position is monitored daily. As of 31 December 2022, the financial resources are well above the threshold.

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 2021 nor 2022.

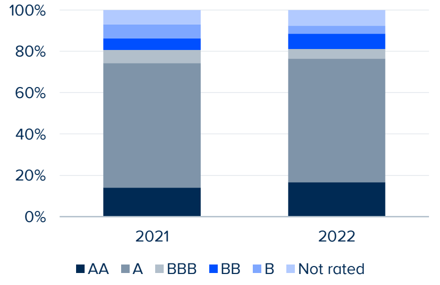
**Restricted cash**

Restricted cash is cash, that is considered either very difficult or expensive to transfer from some of the countries, that FLSmidth subsidiaries operate in, to the Group.

Cash and cash equivalents included cash with restrictions amounting to DKK 1,459m (2021: DKK 868m). The restricted cash position has increased following the acquisition of Mining Technologies (ex-TK). The restricted cash coming from the Mining Technologies (ex-TK) acquisition amounts to DKK 361m. The cross border cash pool in China has a limit of CNY 100m (DKK 101m), hence cash in China above this limit is classified as restricted. Cash in Russia is also classified as restricted.

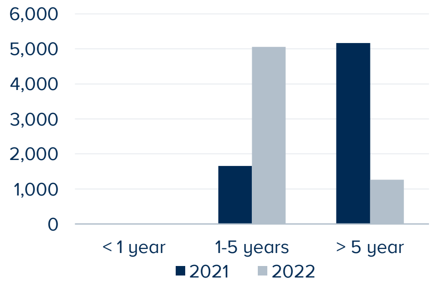
### Credit risk ratings per financial institution

%



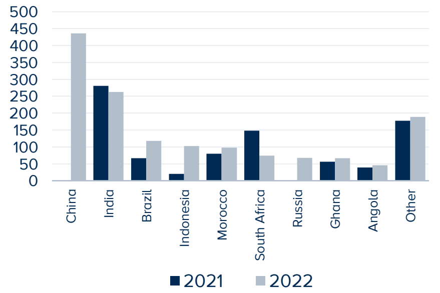

### Maturity profile of Group funding facilities

DKKm




### Group restricted cash

DKKm



# 5.4 Financial income and costs

## Net financial costs

| DKKm | 2022 | 2021 |
|---|---|---|
| Interest income | 36 | 24 |
| Fair value adjustment of derivatives | 728 | 354 |
| Foreign exchange gains | 822 | 490 |
| Fair value adjustment of shares | 2 | 2 |
| **Total financial income** | **1,588** | **870** |
| | | |
| Interest cost | (74) | (73) |
| Loss from associates | (3) | (1) |
| Lease interest cost | (12) | (11) |
| Fair value adjustment of derivatives | (702) | (242) |
| Foreign exchange losses | (854) | (620) |
| Fair value adjustment of shares | (10) | (4) |
| **Total financial costs** | **(1,655)** | **(951)** |
| | | |
| **Net financial costs** | **(67)** | **(81)** |

## Cash flow effect from financial income and costs

| DKKm | 2022 | 2021 |
|---|---|---|
| Interest received | 37 | 24 |
| Interest paid | (86) | (93) |
| **Cash flow effect** | **(49)** | **(69)** |

As shown in the table the large movement in foreign exchange rates during 2022 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 -6m (2021: DKK -18m), primarily related to the cost of hedging the loan portfolio to the functional currency of the borrowing entity (forward points) and exposures in non-hedgeable emerging market currencies, as well as timing differences between cash flows and hedges.

The net interest cost totalled DKK 38m (2021: DKK 49m) related to loans and deposits.

Lease interest cost amounted to DKK 12m (2021: DKK 11m).

Fair value adjustment of shares of net DKK -8m (2021: DKK -2m) relates to shareholdings in cement companies.

## Accounting policy

Financial income and costs comprise interest income and costs, realised and unrealised foreign exchange gains and losses arising from monetary items, 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.

## Economic hedge

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 26m (2021: DKK 112m).

At 31 December 2022 the fair value of our hedge agreements that are not recognised as hedge accounting amounted to DKK -14m (2021: DKK 4m).

The breakdown of the economic hedges by most important currencies for each of the years 2022 and 2021 is shown in the table below.

## 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.

## Carrying amount, net fair value

| DKKm | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Economic hedge | Cash flow hedge | Total hedge | Economic hedge | Cash flow hedge | Total hedge |
| Financial instruments asset | 17 | 37 | 54 | 19 | 12 | 31 |
| Financial instruments liability | (31) | (49) | (80) | (15) | (18) | (33) |
| **Total** | **(14)** | **(12)** | **(26)** | **4** | **(6)** | **(2)** |

## Economic Hedge

| DKKm | 2022 | | 2021 | |
|---|---|---|---|---|
| Currency | Notional amount | Net fair value | Notional amount | Net fair value |
| AUD | (974) | (15) | (110) | (1) |
| USD | (512) | 3 | (231) | 1 |
| EUR | 358 | (1) | 840 | 4 |
| CNY | 43 | (1) | | |
| CAD | | | (228) | (2) |
| Other | | 0 | | 2 |
| **Total** | | **(14)** | | **4** |

A negative notional amount represents a sale of the currency

# 5.5 Derivatives – continued

Ineffectiveness is recognised in the income statement within financial items. Ineffectiveness was immaterial in 2022 and 2021.

At 31 December 2022, the fair value of our cash flow hedge instruments amounted to DKK -12m (2021: DKK -6m). The breakdown of the cashflow hedges by most important currencies for each of the years 2022 and 2021 is shown in the table below.

### Changes in the cash flow hedging reserve

| DKKm | 2022 | 2021 |
|---|---|---|
| Change in cash flow hedge reserve | (28) | (39) |
| Reclassified from other comprehensive income to work in progress | 12 | (11) |

## 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.

### Cash flow hedge

| DKKm | 2022 | | 2021 | |
|---|---|---|---|---|
| Currency | Notional amount | Net fair value | Notional amount | Net fair value |
| USD | (643) | (8) | (355) | 2 |
| CNY | | 0 | | 0 |
| EUR | 374 | (5) | 323 | (8) |
| Other | | 1 | | 0 |
| **Total** | | **(12)** | | **(6)** |

A negative notional amount represents a sale of the currency

# 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 2022 or 2021.

### Financial instruments measured at fair value

| 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** |

| DKKm | Level 1 | Level 2 | Level 3 | 2021 Total |
|---|---|---|---|---|
| Securities and investments | 6 | 0 | 43 | 49 |
| Derivatives, asset | 0 | 31 | 0 | 31 |
| Derivatives, liability | 0 | (33) | 0 | (33) |
| | **6** | **(2)** | **43** | **47** |

# 5.7 Net interest bearing debt

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 |
| Mortgage debt | 241 | (14) | 0 | 0 | (1) | 226 |
| Bank debt | 502 | 1,920 | | | (104) | 2,318 |
| Other liability | 0 | 0 | | | 0 | 0 |
| **Interest bearing debt** | **1,047** | **1,772** | **51** | **98** | **(101)** | **2,867** |
| Cash and cash equivalents* | 1,935 | 254 | | | (59) | 2,130 |
| Other receivables | 1 | 11 | | | (1) | 11 |
| **Interest bearing assets** | **1,936** | **265** | **0** | **0** | **(60)** | **2,141** |
| **Net interest bearing debt / (assets)** | **(889)** | **1,507** | **51** | **98** | **(41)** | **726** |

*Cash flows from cash and cash equivalents are net of cash taken over from Mining Technologies (ex-TK) of DKK 1,019m.

2021

| DKKm | Carrying amount 1 January 2021 | Cash flows | Acquisition of enterprises | Additional lease liability during the year | Foreign exchange effect | Carrying amount 31 December 2021 |
|---|---|---|---|---|---|---|
| Lease liabilities | 322 | (122) | 0 | 99 | 5 | 304 |
| Mortgage debt | 256 | (15) | 0 | 0 | 0 | 241 |
| Bank debt | 2,177 | (1,481) | | | (194) | 502 |
| Other liability | 0 | 0 | | | 0 | 0 |
| **Interest bearing debt** | **2,755** | **(1,618)** | **0** | **99** | **(189)** | **1,047** |
| Cash and cash equivalents | 946 | 930 | | | 59 | 1,935 |
| Other receivables | 1 | 0 | | | 0 | 1 |
| **Interest bearing assets** | **947** | **930** | **0** | **0** | **59** | **1,936** |
| **Net interest bearing debt** | **1,808** | **(2,548)** | **0** | **99** | **(248)** | **(889)** |

# 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.

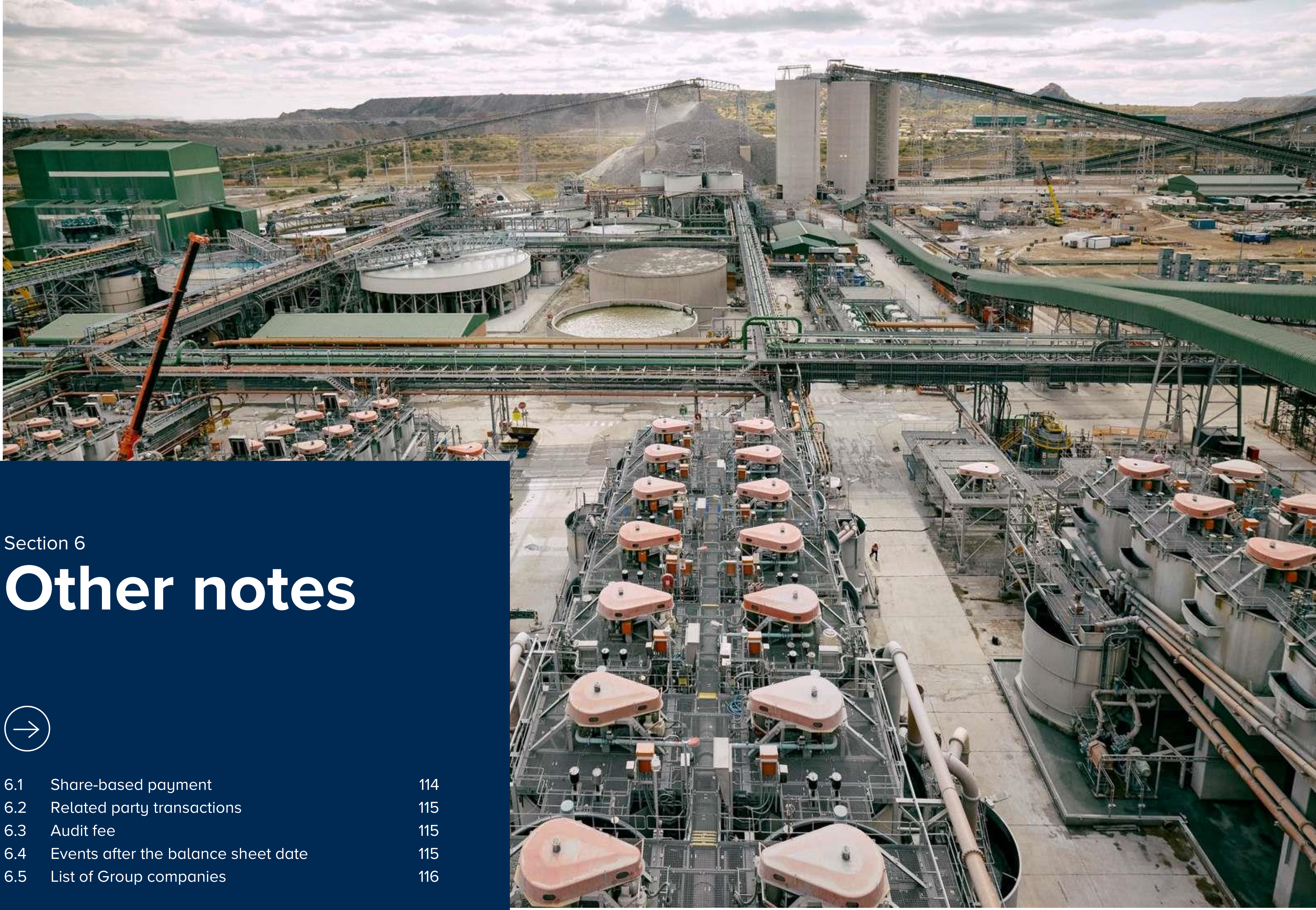
Based on this, all financial assets and liabilities, except for hedging instruments, securities and investments, are measured at amortised cost.

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 | 2022 < 1 year | 2022 1-5 years | 2022 > 5 year | 2022 Total cash flows | 2022 Fair value | 2022 Carrying amount | 2021 < 1 year | 2021 1-5 years | 2021 > 5 year | 2021 Total cash flows | 2021 Fair value | 2021 Carrying amount |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Maturity of cash flows | | | | | | Maturity of cash flows | | | | | |
| **Hedging instruments (hedge accounting)** | **37** | **0** | **0** | **37** | **37** | **37** | **10** | **2** | **0** | **12** | **12** | **12** |
| Hedging instruments (economic hedging) | 17 | 0 | 0 | 17 | 17 | 17 | 19 | 0 | 0 | 19 | 19 | 19 |
| Securities and investments | 0 | 0 | 59 | 59 | 59 | 59 | 0 | 0 | 49 | 49 | 49 | 49 |
| **Fair value through profit and loss** | **17** | **0** | **59** | **76** | **76** | **76** | **19** | **0** | **49** | **68** | **68** | **68** |
| Trade receivables | 5,108 | 0 | 0 | 5,108 | 5,108 | 5,108 | 4,112 | 0 | 0 | 4,112 | 4,112 | 4,112 |
| Work in progress | 3,147 | 0 | 0 | 3,147 | 3,147 | 3,147 | 2,358 | 0 | 0 | 2,358 | 2,358 | 2,358 |
| Other receivables | 1,090 | 0 | 0 | 1,090 | 1,090 | 1,090 | 768 | 0 | 0 | 768 | 768 | 768 |
| Cash and cash equivalents | 2,130 | 0 | 0 | 2,130 | 2,130 | 2,130 | 1,935 | 0 | 0 | 1,935 | 1,935 | 1,935 |
| **Amortised cost** | **11,475** | **0** | **0** | **11,475** | **11,475** | **11,475** | **9,173** | **0** | **0** | **9,173** | **9,173** | **9,173** |
| **Total financial assets** | **11,529** | **0** | **59** | **11,588** | **11,588** | **11,588** | **9,202** | **2** | **49** | **9,253** | **9,253** | **9,253** |

| Liabilities DKKm | 2022 < 1 year | 2022 1-5 years | 2022 > 5 year | 2022 Total cash flows | 2022 Fair value | 2022 Carrying amount | 2021 < 1 year | 2021 1-5 years | 2021 > 5 year | 2021 Total cash flows | 2021 Fair value | 2021 Carrying amount |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Maturity of cash flows | | | | | | Maturity of cash flows | | | | | |
| **Hedging instruments (hedge accounting)** | **(49)** | **0** | **0** | **(49)** | **(49)** | **(49)** | **(18)** | **0** | **0** | **(18)** | **(18)** | **(18)** |
| Hedging instruments (economic hedging) | (31) | 0 | 0 | (31) | (31) | (31) | (15) | 0 | 0 | (15) | (15) | (15) |
| **Fair value through profit and loss** | **(31)** | **0** | **0** | **(31)** | **(31)** | **(31)** | **(15)** | **0** | **0** | **(15)** | **(15)** | **(15)** |
| Lease liabilities | (128) | (200) | (22) | (350) | (323) | (323) | (106) | (184) | (39) | (329) | (304) | (304) |
| Mortgage debt | (16) | (63) | (154) | (233) | (227) | (226) | (16) | (64) | (170) | (250) | (243) | (241) |
| Bank debt | (542) | (1,833) | 0 | (2,375) | (2,318) | (2,318) | (2) | (504) | 0 | (506) | (502) | (502) |
| Trade payables | (4,339) | 0 | 0 | (4,339) | (4,339) | (4,339) | (3,367) | 0 | 0 | (3,367) | (3,367) | (3,367) |
| Other liabilities | (1,737) | (85) | 0 | (1,822) | (1,822) | (1,822) | (1,403) | (55) | 0 | (1,458) | (1,458) | (1,458) |
| **Amortised cost** | **(6,762)** | **(2,181)** | **(176)** | **(9,119)** | **(9,029)** | **(9,028)** | **(4,894)** | **(807)** | **(209)** | **(5,910)** | **(5,874)** | **(5,872)** |
| **Total financial liabilities** | **(6,842)** | **(2,181)** | **(176)** | **(9,199)** | **(9,109)** | **(9,108)** | **(4,927)** | **(807)** | **(209)** | **(5,943)** | **(5,907)** | **(5,905)** |



Section 6

# Other notes

## 6.1 Share-based payment

During 2022, the only share-based payment programme outstanding was the performance share programme as the exercise period for the last share option programme expired in 2021.

### 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 programmes granted in 2022 and 2021, the key performance indicators are EBITA margin, total shareholder return (TSR) and a sustainability indicator (MZ). For programmes granted in prior years, the key performance indicators were EBITA margin and net working capital ratio.

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. The share price is not adjusted for dividend as participants of the programme will be compensated for any dividend pay-outs in the performance period.

For the 2022 plan, a maximum of 75,703 shares (2021: 70,108 shares) were granted to Executive Management at the grant date.

The total number of outstanding performance shares at the end of 2022 was 597,682 (2021: 549,172) of which 306,555 are expected to vest (2021: 149,098).

In 2022, a further 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 is 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), is measured as the fair value of the performance share units at grant date. The fair value of the PSUs is determined based on the quoted share price adjusted for the expected performance under the TSR KPI, both determined at grant date.

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.

### Performance shares

| | | | |
|---|---|---|---|
| Conditional grant | March-22 | March-21 | March-20 |
| Performance year | Jan 2022 - Dec 2024 | Jan 2021 - Dec 2023 | Jan 2020 - Dec 2022 |
| Vesting period | Mar 2022 - Feb 2025 | Mar 2021 - Feb 2024 | Mar 2020 - Feb 2023 |
| Vesting conditions, other than service conditions | EBITA, TSR, MZ | EBITA, TSR, MZ | EBITA, NWC |

| DKK/DKKm | 2022 | 2021 |
|---|---|---|
| Market price per share, end of year | 251.70 | 244.30 |
| Total fair value of performance shares to be vested at balance sheet date | 77 | 36 |

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| **Specification of performance shares expected to vest** | **Group Executive Management** | **Key employees** | **Total number** | **Group Executive Management** | **Key employees** | **Total number** |
| Outstanding performance shares 1 January | 37,106 | 111,992 | 149,098 | 28,420 | 85,754 | 114,174 |
| Awards current year (maximum number) | 75,703 | 198,213 | 273,916 | 70,108 | 164,646 | 234,754 |
| Vested | 0 | 0 | 0 | 0 | 0 | 0 |
| Lapsed | (10,650) | (62,416) | (73,066) | (22,344) | (9,875) | (32,219) |
| Adjusted to reflect expectations | (15,146) | (28,147) | (43,293) | (39,078) | (128,533) | (167,611) |
| Change between positions | (11,646) | 11,646 | 0 | 0 | 0 | 0 |
| **Outstanding performance shares 31 December expected to vest** | **75,367** | **231,288** | **306,655** | **37,106** | **111,992** | **149,098** |

# 6.1 Share-based payment – continued

## Share options

The exercise period on the last share option programme expired in 2021. The options exercised during 2021 is shown in the table 'Share options'. The exercise price was DKK 250.63 compared to an weighted average share price of DKK 258.67 when the options were exercised.

## Share options

| | Group Executive Management | Key employees | Total number |
|---|---|---|---|
| **Outstanding options 31 December 2020** | **65,049** | **479,197** | **544,246** |
| Exercised | (45,371) | (127,779) | (173,150) |
| Lapsed | (19,678) | (351,418) | (371,096) |
| **Outstanding options 31 December 2021 and 2022** | **0** | **0** | **0** |

# 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 2022, FLSmidth has had ordinary sales transactions of DKK 15m (2021: DKK 14m) 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 2021 and 2022. Please refer to note 1.5 Staff cost and the Remuneration report 2022.

# 6.3 Audit fee

## Fees to independent auditor

| DKKm | 2022 | 2021 |
|---|---|---|
| Statutory audit | 21 | 16 |
| Other assurance engagement | 1 | 1 |
| **Total audit related services** | **22** | **17** |
| | | |
| Tax and indirect taxes consultancy | 0 | 1 |
| Other services | 2 | 0 |
| **Total non-audit services** | **2** | **1** |
| | | |
| **Total fees to independent auditor** | **24** | **18** |

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 2022 included certain advisory services in respect of the integration of Mining Technologies (ex-TK). All non-audit services have been approved by the Audit Committee.

# 6.4 Events after the balance sheet date

We are not aware of any subsequent matters, that could be of material importance to the Group'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 Dorr-Oliver Eimco Venezuela S.R.L. (under liquidation) | Venezuela | 100 |
| | | |
| **FLSmidth Global Services A/S** | Denmark | 100 |
| ○ NLSupervision Company Angola, LDA. | Angola | 100 |
| ○ NL Supervision Company Tunisia | Tunisia | 100 |
| ○ ISIRNEL S.A. | Uruguay | 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 A/S (Jordan) Ltd. | Jordan | 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 |
| ○ FLSmidth Ltda. | Brazil | 100 |
| ○ PT FLSmidth Indonesia | Indonesia | 100 |
| ○ FLSmidth Spol. s.r.o. | Czech Republic | 100 |
| ○ FLSmidth GmbH | Austria | 100 |
| ○ FLSmidth Co. Ltd. | Vietnam | 100 |
| ○ FLSmidth Mekanik Sistemler Satis Bakim Ltd. Sti | Turkey | 100 |
| ○ FLSmidth Philippines, Inc. | Philippines | 100 |
| ○ FLSmidth LLP | Kazakhstan | 100 |
| ○ FLSmidth Sales and Services Limited | Nigeria | 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 |
| | | |
| **FLS US Holdings, Inc.** | USA | 100 |
| ○ FLSmidth Inc. | USA | 100 |
| ⌂ Phillips Kiln Services (India) Pvt. Ltd.* | India | 50 |
| ⌂ SLS Corporation | USA | 100 |
| ⌂ Fuller Company | 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 |

## 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 |
| ⌂ FLSmidth Industrial Solutions Ltda. | Brazil | 100 |
| ⌂ thyssenkrupp Industrial Solutions Maroc SARL *** | Morocco | 100 |
| ⌂ FLSmidth Industrial Solutions Chile Limitada | Chile | 100 |
| ⌂ thyssenkrupp BulkTec (China) Ltd. *** | China | 100 |
| ⌂ FLSmidth Industrial Solutions (Canada) Inc. | Canada | 100 |
| ⌂ PT. FLSmidth Industries Southeast Asia | Indonesia | 100 |
| ⌂ Mining Plants & Systems Bulgaria EOOD | Bulgaria | 100 |
| ⌂ TOO FLSmidth Industrial Solutions Kazakhstan | Kazakhstan | 100 |
| › TOO FLSmidth Plant Construction Kazakhstan | Kazakhstan | 100 |
| › TOO FLSmidth Plant Engineering Kazakhstan | Kazakhstan | 100 |
| ⌂ FLSmidth Mining Technologies USA Inc. | USA | 100 |
| ⌂ KH Mineral S.A.S. | France | 100 |
| ⌂ OOO FLSmidth Mining Technologies (RUS) | Russia | 100 |
| ⌂ tk Mining Technologies (Thailand) Ltd. *** | Thailand | 100 |
| ⌂ thyssenkrupp Industrial Solutions (Peru) S.A. *** | Peru | 100 |
| ⌂ FLSmidth Industrial Solutions Africa (Pty) Ltd. | South Africa | 100 |
| › FLSmidth Industrial Solutions South Africa (Pty) Ltd. | South Africa | 70 |
| › thyssenkrupp Industrial Solutions (Botswana) (Proprietary) Limited *** | Botswana | 100 |
| › FLSmidth Industrial Solutions Mozambique Limitada | Mozambique | 100 |
| ⌂ FLSmidth Industrial Solutions Makine Sanayi Ve Ticaret A.Ş. | Turkey | 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 Pty. Ltd. | Australia | 100 |
| ⌂ FLSmidth ABON Pty. Ltd. | Australia | 100 |
| ⌂ IMP Group Pty Ltd | Australia | 100 |
| ⌂ Intertek Robotic Laboratories Pty Ltd * | Australia | 50 |
| ⌂ FLSmidth Industrial Solutions (Australia) Pty. Ltd | Australia | 100 |
| ⌂ Ludowici Pty. Limited | Australia | 100 |
| › Ludowici Hong Kong Investments Ltd. (under Members voluntary winding up) | Hong Kong | 100 |
| › Ludowici Packaging Australia Pty. Ltd. (under Members voluntary liquidation) | Australia | 100 |
| › Ludowici Australia Pty. Ltd. | Australia | 100 |
| » Rojan Advanced Ceramics Pty. Ltd. (under Members voluntary liquidation) | Australia | 100 |
| » Ludowici China Pty Limited | Australia | 100 |
| ➜ Ludowici Hong Kong Limited (under Members voluntary winding up) | Hong Kong | 100 |
| ⌂ FLSmidth Krebs Australia Pty. Ltd. (under Members voluntary liquidation) | Australia | 100 |
| ⌂ ESSA Australia Limited (under Members voluntary liquidation) | Australia | 100 |
| ⌂ DMI Holdings Pty. Ltd. (under Members voluntary liquidation) | Australia | 100 |
| ⌂ DMI (Australia) Pty. Ltd. (under Members voluntary liquidation) | Australia | 100 |
| ⌂ Fleet Rebuild Pty. Ltd. (under Members voluntary liquidation) | Australia | 100 |
| › Mayer Bulk Group Pty. Ltd. (under Members voluntary liquidation) | Australia | 100 |
| » FLSmidth Mayer Pty. Ltd. (under Members voluntary liquidation) | Australia | 100 |
| ⌂ FLSmidth M.I.E. Enterprises Pty. Ltd. (under Members voluntary liquidation) | Australia | 100 |

*Associate
**Joint Venture
***Companies undergoing name change
All other enterprises are Group enterprises

Section 7

# Basis of reporting

## 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 22 February 2023. The annual report will be presented to the shareholders of FLSmidth & Co. A/S for approval at the Annual General Meeting.

## 7.2 Basis of preparation

The consolidated financial statements of FLSmidth Group have been prepared in accordance with IFRS 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 standards effective at 31 December 2022. The financial year for the Group is January 1 – December 31.

The 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 extensions which are subtotals. The annual report submitted to the Danish Financial Supervisory Authority consists of a zip-file **(213800G7EG4156NNPG91-2022-12-31-en.zip)** that includes an XHTML file, that can be opened in standard web browers 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 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 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 primary 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 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 before special non-recurring items. EBITA is a measure which is commonly used within the industry and included in our calculation of return of capital employed. Note 1.7 provides further information on Special non-recurring items. To reflect the underlying performance, we have in 2022 supplementary included adjusted EBITA and adjusted EBITA margin in the management report. The adjustments cover the integration costs of DKK 252m related to the integration of Mining Technology and the 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.

### 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 Accounting policies

The descriptions of 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 2022 financial year, including:

Amendments to IFRS 3, Business Combinations (issued May 2020). The amendment updates the reference to the new conceptual framework and adds a further exemption from the recognition principles to prevent changes to the accounting for business combinations.
Amendments to IAS 16, Property, Plant and Equipment (issued in May 2020). The amendment prohibits the deduction of any proceeds from selling items produced while the asset is being tested in the cost of the tangible asset.
Amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets (issued in May 2020). The amendment clarifies that costs included when determining if a contract is loss making includes both incremental costs and an allocation of other costs that relate directly to fulfilling contracts.
Annual improvements 2018-2020 (issued in May 2020). The improvements cover primarily IFRS 9, Financial Instruments (clarification of which fees to include when applying the '10 percent' test to determine if a modification of a financial liability is substantial) and IFRS 16, Leases (clarifies that lease incentives are included in the value of a lease).

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 2022.
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:

| IFRS | Description | Effective date |
|---|---|---|
| Amendments to IAS 1, Disclosure of Accounting Policies | Disclosure of material accounting policies rather than significant accounting policies (issued February 2021) | 01/Jan/23 |
| Amendments to IAS 8, Definition of Accounting Estimates | Introduces a definition of accounting estimates and amendments to distinguish changes in accounting estimates from changes in accounting policies (issued February 2021) | 01/Jan/23 |
| Amendments to IAS 12, Deferred tax | Clarifies the accounting for deferred tax on leases and decommissioning obligations (issued May 2021) | 01/Jan/23 |
| 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 |

# 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 2022, the average capital employed is adjusted due to the acquisition of Mining Technologies (ex-TK) by including the increase in capital employed coming from Mining Technologies (ex-TK) 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 and costs to exit Russia (2022: DKK 452m).

### EBITA margin and adj. EBITA margin
EBITA as a percentage of revenue. Adjusted EBITA margin calculated as Adjusted EBITA as a percentage of revenue.

### EBITDA before special non-recurring items
Earnings before special non-recurring items, interest, tax, depreciation, amortisation and impairments of investments in associated companies.

### EBITDA margin before special non-recurring items
EBITDA before special non-recurring items 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.

### Free cash flow adjusted for acquisitions and disposals of enterprises and activities and IFRS 16, Leases
CFFO + CFFI + acquisitions of enterprises and activities - disposals of enterprises and activities + repayment of lease liabilities.

### 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.

### 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.

### One-offs
Costs/income assessed by Management to be non-recurring by nature.

### 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. On O&M contracts entered into after 2014, the order backlog includes the next 12 months´ expected revenue.

### 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. On O&M contracts entered into after 2014, the order intake includes the next 12 months´ expected revenue, and subsequently order intake will be included on a monthly rolling basis.

### 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. In the calculation of the average capital employed, the increase coming from the acquisition of Mining Technologies (ex-TK) is included prorated to the period when FLSmidth was the owner.

### Sales, General & Administrative costs (SG&A costs)
Sales cost + Administrative cost ± other operating items.

### Special non-recurring items
Costs and income of a special nature in relation to the main activities of the continued activities, including gains and losses from disposals of enterprises and activities.

### 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



## Notes

# Income statement

| Notes | DKKm | 2022 | 2021 |
|---|---|---|---|
| | Dividend from Group enterprises | 41 | 44 |
| 1 | Other operating income | 1 | 1 |
| 2 | Staff costs | (6) | (8) |
| | Other operating costs | (107) | (21) |
| 8 | Impairment of investments in Group enterprises | (52) | (18) |
| 7 | Depreciation, amortisation and impairment | (1) | (1) |
| | **EBIT** | **(124)** | **(3)** |
| 3 | Financial income | 1,693 | 808 |
| 4 | Financial costs | (1,612) | (744) |
| | **EBT** | **(43)** | **61** |
| 5 | Tax for the year | 2 | 0 |
| | **Profit for the year** | **(41)** | **61** |
| | | | |
| 6 | Distribution of profit for the year: | | |
| | Retained earnings | (214) | (112) |
| | Proposed dividend | 173 | 173 |
| | | **(41)** | **61** |

## 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 Group financial statements.

Dividend from Group enterprises to the parent company, FLSmidth & Co. A/S, was DKK 41m in 2022 (2021: DKK 44m) and the profit for the year was DKK -41m (2021: DKK 61m).

The increase in Other operating costs are caused by additional costs in respect to the integration of Mining Technologies (ex-TK) (DKK 80m) into the FLSmidth group.

Increase in financial income and cost is related to foreign exchange gains and losses. Net financial income is DKK 119m (2021: DKK 64m).

The result is impacted by write downs of investments in Group enterprises.

Total assets at year-end amounted to DKK 11,811m (2021: DKK 10,187m) and the equity was DKK 3,740m (2021: DKK 3,952m). Management consider the result to be in line with the expected level. The financial guidance of 2023 for the Parent is that we expect to realize a profit for the year between DKK 0m and DKK -50m. The guidance of the year will be affected by potential impairments of investments in Group enterprises as well as integration costs relating to Mining Technologies (ex-TK).

# Balance sheet

| Notes | DKKm | 2022 | 2021 |
|---|---|---|---|
| | **Assets** | | |
| | Land and buildings | 7 | 8 |
| 7 | **Property, plant and equipment** | **7** | **8** |
| | | | |
| 8 | Investments in Group enterprises | 2,566 | 2,618 |
| 8 | Other securities and investments | 16 | 21 |
| | **Financial non-current assets** | **2,582** | **2,639** |
| | | | |
| | **Total non-current assets** | **2,589** | **2,647** |
| | | | |
| | Receivables from Group enterprises | 8,520 | 6,781 |
| 9 | Deferred tax assets | 35 | 27 |
| 10 | Other receivables | 154 | 144 |
| | **Receivables** | **8,709** | **6,952** |
| | | | |
| | **Cash and cash equivalents** | **513** | **588** |
| | | | |
| | **Total current assets** | **9,222** | **7,540** |
| | | | |
| | **Total assets** | **11,811** | **10,187** |

| Notes | DKKm | 2022 | 2021 |
|---|---|---|---|
| | **Equity and liabilities** | | |
| | Share capital | 1,153 | 1,153 |
| | Retained earnings | 2,414 | 2,626 |
| | Proposed dividend | 173 | 173 |
| | **Equity** | **3,740** | **3,952** |
| | | | |
| 12 | Provisions | 9 | 9 |
| | **Provisions** | **9** | **9** |
| | | | |
| 14 | Bank loans | 1,716 | 499 |
| | **Total non-current liabilities** | **1,716** | **499** |
| | | | |
| 14 | Bank loans | 583 | 0 |
| 14 | Debt to Group enterprises | 5,614 | 5,538 |
| 13+14 | Other liabilities | 149 | 189 |
| | **Total current liabilities** | **6,346** | **5,727** |
| | | | |
| | **Total liabilities** | **8,071** | **6,235** |
| | | | |
| | **Total equity and liabilities** | **11,811** | **10,187** |

# Equity

| DKKm | Share capital | Retained earnings | Proposed dividend | Total |
|---|---|---|---|---|
| **Equity at 1 January 2021** | **1,025** | **1,388** | **103** | **2,516** |
| Profit for the year | | 61 | | 61 |
| Dividend paid | | 2 | (103) | (101) |
| Issue of shares, net of costs | 128 | 1,306 | | 1,434 |
| Proposed dividend | | (173) | 173 | 0 |
| Share-based payment | | (1) | | (1) |
| Exercise of share options | | 43 | | 43 |
| **Equity at 31 December 2021** | **1,153** | **2,626** | **173** | **3,952** |
| | | | | |
| Profit for the year | | (41) | | (41) |
| Dividend paid | | 3 | (173) | (170) |
| Proposed dividend | | (173) | 173 | 0 |
| Share-based payment | | (1) | | (1) |
| Exercise of share options | | | | 0 |
| **Equity at 31 December 2022** | **1,153** | **2,414** | **173** | **3,740** |

| Number of shares (1,000): | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Share capital at 1 January | 57,650 | 51,250 | 51,250 | 51,250 | 51,250 |
| Issue of shares | 0 | 6,400 | 0 | 0 | 0 |
| **Share capital at 31 December** | **57,650** | **57,650** | **51,250** | **51,250** | **51,250** |

Each share entitles its holder to 20 votes, and there are no special rights attached to the shares.

Profit for the year DKK -41m (2021: DKK 61m) is transferred to retained earnings, of which DKK 173m (2021: DKK 173m) is proposed as dividend.

# 1. Other operating income

| DKKm | 2022 | 2021 |
|---|---|---|
| Rent fee, etc. | 1 | 1 |
| | **1** | **1** |

# 2. Staff costs

| DKKm | 2022 | 2021 |
|---|---|---|
| Salaries and other remuneration | 3 | 3 |
| Bonus | 2 | 3 |
| Share-based payment | 1 | 1 |
| Severance package | 0 | 1 |
| | **6** | **8** |
| **Average number of employees** | **8** | **8** |

Remuneration of the company's Board of Directors for 2022 amounts to DKK 7m (2021: DKK 7m), including DKK 0m (2021: DKK 0m) which was incurred by the parent company. The total remuneration of the Group's Executive Management amounted to DKK 79m (2021: DKK 71m), of which DKK 6m (2021: DKK 8m) was incurred by the parent company.

In respect to Group's Executive Management incentive program reference is made to section 6.1 Share-based payment in the Group financial statements.

# 3. Financial income

| DKKm | 2022 | 2021 |
|---|---|---|
| Interest income | 8 | 0 |
| Interest income from Group enterprises | 144 | 85 |
| Foreign exchange gains | 1,541 | 723 |
| | **1,693** | **808** |

# 4. Financial cost

| DKKm | 2022 | 2021 |
|---|---|---|
| Write-down of loans to Group enterprises | 38 | 0 |
| Interest cost | 41 | 36 |
| Interest cost to Group companies | 66 | 13 |
| Foreign exchange losses | 1,467 | 695 |
| | **1,612** | **744** |

# 5. Tax for the year

| DKKm | 2022 | 2021 |
|---|---|---|
| Current tax on profit/loss for the year | (3) | (4) |
| Withholding tax | (2) | (1) |
| Adjustments of deferred tax | 4 | (1) |
| Adjustments regarding previous years, deferred taxes | 4 | 5 |
| Adjustments regarding previous years, current taxes | (1) | 1 |
| **Tax for the year** | **2** | **0** |

# 6. Distribution of profit for the year

Proposed distribution of profit:

| DKKm | 2022 | 2021 |
|---|---|---|
| Proposed dividend | 173 | 173 |
| Retained earnings | (214) | (112) |
| **Profit for the year** | **(41)** | **61** |

# 7. Property, plant and equipment

| DKKm | Land and buildings | Operating equipment, fixtures and fittings | Total |
|---|---|---|---|
| Cost at 1 January 2022 | 23 | 2 | 25 |
| **Cost at 31 December 2022** | **23** | **2** | **25** |
| | | | |
| Depreciation and impairment at 1 January 2022 | (15) | (2) | (17) |
| Depreciation | (1) | 0 | (1) |
| **Depreciation and impairment at 31 December 2022** | **(16)** | **(2)** | **(18)** |
| | | | |
| **Carrying amount at 31 December 2022** | **7** | **0** | **7** |

| DKKm | Land and buildings | Operating equipment, fixtures and fittings | Total |
|---|---|---|---|
| Cost at 1 January 2021 | 23 | 2 | 25 |
| **Cost at 31 December 2021** | **23** | **2** | **25** |
| | | | |
| Depreciation and impairment at 1 January 2021 | (14) | (2) | (16) |
| Depreciation | (1) | 0 | (1) |
| **Depreciation and impairment at 31 December 2021** | **(15)** | **(2)** | **(17)** |
| | | | |
| **Carrying amount at 31 December 2021** | **8** | **0** | **8** |

## 8. Financial non-current assets

For specification of investments in Group enterprises and for the acquisition of Mining Technology, see note 2.10 and 6.5 in the consolidated financial statements.

### Result of annual impairment test

At the end of 2022, the cost price of the investments in subsidiaries was tested for impairment. The impairment test based on value in use identified impairment losses for 2022 amounting to DKK 52m (2021: DKK 18m). The impairment was related to the subsidiary FLSmidth Global Services A/S.

### Key assumptions

The impairment test has been based on a five year forecast for FLSmidth Global Services A/S.

The applied discount rate after tax is 10% 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 is 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% has been applied.

| DKKm | Investments in Group enterprises | Other securities and investments | Total |
|---|---|---|---|
| Cost at 1 January 2022 | 3,245 | 37 | 3,282 |
| Additions | 0 | 0 | 0 |
| Share-based payment | 0 | 0 | 0 |
| **Cost at 31 December 2022** | **3,245** | **37** | **3,282** |
| Impairment at 1 January 2022 | (627) | (16) | (643) |
| Impairment | (52) | 0 | (52) |
| Fair value adjustments | 0 | (5) | (5) |
| **Impairment at 31 December 2022** | **(679)** | **(21)** | **(700)** |
| **Carrying amount at 31 December 2022** | **2,566** | **16** | **2,582** |

| DKKm | Investments in Group enterprises | Other securities and investments | Total |
|---|---|---|---|
| Cost at 1 January 2021 | 3,121 | 37 | 3,158 |
| Additions | 125 | 0 | 125 |
| Share-based payment | (1) | 0 | (1) |
| **Cost at 31 December 2021** | **3,245** | **37** | **3,282** |
| Impairment at 1 January 2021 | (609) | (18) | (627) |
| Impairment | (18) | 0 | (18) |
| Fair value adjustments | 0 | 2 | 2 |
| **Impairment at 31 December 2021** | **(627)** | **(16)** | **(643)** |
| **Carrying amount at 31 December 2021** | **2,618** | **21** | **2,639** |

## 9. Deferred tax assets and liabilities

Deferred tax relates to the following items:

| DKKm | 2022 | 2021 |
|---|---|---|
| Tangible asset | 17 | 16 |
| Liabilities | 18 | 11 |
| **Net value of deferred tax assets** | **35** | **27** |

## 10. Other receivables

Other receivables mainly include fair value of financial contracts (positive value) of DKK 82m (2021: DKK 55m), receivable from Canadian tax authorities DKK 18m (2021: DKK 18m) and tax on account for the Danish jointly taxed enterprises.

## 11. Derivatives

The currency exposure for the Group is hedged according to the Financial Policy, however at Parent company level no hedge accounting is applied (economic hedging). At 31 December 2022, the fair value of our hedge agreements amounted to DKK -3m (2021: DKK 3m).

| Economic hedge, DKKm | | 2022 |
|---|---|---|
| **Currency** | **Notional amount** | **Net fair value** |
| AUD | 86 | 9 |
| CAD | 422 | 2 |
| GBP | 581 | (10) |
| MXN | 255 | 4 |
| USD | 1,821 | (9) |
| Other | 0 | 1 |
| **Total** | | **(3)** |

A negative notional amount represents a sale of the currency

| Economic hedge, DKKm | | 2021 |
|---|---|---|
| **Currency** | **Notional amount** | **Net fair value** |
| AUD | 210 | 2 |
| CAD | 16 | 0 |
| GBP | 560 | 10 |
| MXN | 229 | 3 |
| USD | 1.179 | (6) |
| Other | 0 | (6) |
| **Total** | | **3** |

A negative notional amount represents a sale of the currency

## 12. Provisions

| DKKm | 2022 | 2021 |
|---|---|---|
| Provisions at 1 January | 9 | 8 |
| Addition | 0 | 1 |
| Reversals | 0 | 0 |
| **Provisions at 31 December** | **9** | **9** |

## 13. Other liabilities

Other liabilities include fair value of financial contracts (negative value) of DKK 84m (2021: DKK 52m).

## 14. Maturity profile of current and non-current liabilities

Maturity profile of liabilities:

| DKKm | 2022 | 2021 |
|---|---|---|
| Bank loans | 583 | 0 |
| Debt to Group enterprises | 5,600 | 5,538 |
| Other liabilities | 163 | 189 |
| **Within one year** | **6,346** | **5,727** |
| | | |
| Bank loans | 1,716 | 499 |
| Other liabilities | 0 | 0 |
| **Within one to five years** | **1,716** | **499** |
| | | |
| **After five years** | **0** | **0** |
| | | |
| **Total** | **8,062** | **6,226** |

## 15. Audit Fee

In addition to statutory audit, EY Godkendt Revisionspartnerselskab, the Parent company auditors provided other assurance engagements to the Parent company.

| DKKm | 2022 | 2021 |
|---|---|---|
| Statutory audit | 4 | 3 |
| **Total audit related services** | **4** | **3** |
| | | |
| **Total fees to independent auditor** | **4** | **3** |

## 16. Contractual and contingent liabilities

The parent company has provided guarantees primarily to financial institutions at a total amount of DKK 13,521m (2021: DKK 13,094m) of which DKK 6,794m have been utilized in 2022 (2021: DKK 5,200m). Out of the total amount, DKK 11,315m are related to parent corporate guarantees issued for guarantee facilities with banks (2021: DKK 1,715m), out of which DKK 5,157m is utilized (2021: DKK 4,489m).

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 certain Group companies.

There are no significant contingent assets or liabilities apart from the above.

See also note 2.9 in the consolidated financial statements.

## 17. 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 has been no transactions with related parties in 2022 and 2021, apart from Group Executive Management´s remuneration stated in note 2, dividend and Treasury activities as mentioned below. Capital transactions with subsidiaries are included in note 8 and balances are disclosed separately in the balance sheet.

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 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. Receivables and payables are mainly attributable to this activity.

For guarantees provided by the parent company for related parties, please see note 16 in the parent company financial statements

## 18. Shareholders

At the end of 2022:

One shareholder has reported a participating interest above 10%:

- Lundbeckfond Invest A/S, Denmark.

As announced in our company announcement no. 4-2023 of 19 January 2023 and Altor Invest 7 AS acquired above 10 % of the shares and voting rights in FLSmidth & Co. A/S.

No other shareholders have reported a participating interest above 5%.

## 19. Accounting policies – parent company

### Accounting policy

The financial statements of the parent company (FLSmidth & Co. A/S) are presented 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 parent company's accounting policies on recognition and measurement are generally consistent with those of the Group. The instances in which the parent company's accounting policies deviate from those of the Group have been described below.

The accounting policies for the parent company are unchanged from 2021.

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 subsidiaries 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.

### 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.

### Leases

The company has chosen IAS 17 as an interpretation for leases. Operating leases are recognised in the income statement on a straight line basis.

### Financial assets and liabilities

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

Financial liabilities are measured at amortised cost.

### 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 2022.

The consolidated financial statements are presented in accordance with International Financial Reporting 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 2022 as well as of the results of their operations and the consolidated cash flows for the financial year 1 January –
31 December 2022.

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 2022 with the file name 213800G7EG4156NNPG91-2022-12-31-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, 22 February 2023

## 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**

**Gillian Dawn Winckler**

**Richard Robinson Smith**

**Thrasyvoulos Moraitis**

**Carsten Hansen**

**Claus Østergaard**

**Leif Gundtoft**

# 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 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, 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 International Financial Reporting 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 2022 and of the results of the Group's operations and cash flows for the financial year 1 January – 31 December 2022 in accordance with International Financial Reporting 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 2022 and of the results of the Parent Company's operations for the financial year 1 January – 31 December 2022 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 6 years including the financial year 2022.

### 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 2022. 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 accounting principles 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 Cement and Mining industries deliver long term projects, which typically extends over more than one financial year. Due to the nature of these projects and in accordance with the accounting principles, 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 macroeconomic and political factors as well as COVID-19 related challenges 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.

As part of our procedures, we assessed the judgments made by management regarding the estimated costs to complete and the assumptions made in assessment of warranty provisions by comparing these to underlying accounting records and supporting documentation. We assessed the changes in estimated project cost and risk contingencies by comparing these to budgets and latest estimates, 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 accounting principles and disclosures about inventory are included in note 3.2 to the consolidated financial statements.

FLSmidth carries inventory in the balance sheet at the lower of cost and net realisable value. The inventory includes 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 inventory involves significant management judgements to determine whether inventory is still technical 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.

As part of our procedures, we analysed the ageing of inventory recorded and obtained 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 to available supporting documentation.

**Valuation of trade receivables**
The accounting principles 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.

As part of our procedures, we analysed the ageing of trade receivables and obtained 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 against internal and external evidence regarding the likelihood of payment.

**Acquisition accounting for thyssenkrupp Mining Technologies GmbH**
The accounting principles and disclosures about business acquisitions are included in note 2.10 to the consolidated financial statements.

On 31 August 2022, FLSmidth completed the acquisition of thyssenkrupp Mining Technologies GmbH for a total consideration of DKK 3,122 million. In connection with the acquisition, management prepared a preliminary purchase price allocation for the acquisition to allocate the fair value of the identifiable assets and liabilities acquired. Significant judgements have been exercised by management in establishing the initial estimates of the fair values in preparing the purchase price allocation. These significant judgements and estimates mainly relate to assessing the fair value of the acquired patents and IP rights, customer relations, order backlog and ongoing projects including related balances and provisions, etc. Accordingly, we considered accounting for the acquisition to be a key audit matter for the consolidated financial statements.

As part of our audit, we have assessed the appropriateness of the accounting principles for business acquisitions applied by management compared to applicable accounting standards. We involved our internal specialists in assessing the valuation methodologies used by management when assessing the fair value of the acquired assets and liabilities including the determination of the initial estimates of the fair values. We assessed the key assumptions applied by management by comparing these to available market data, underlying accounting records, supporting documentation, past performance of the acquired business and our experience from comparable transactions. We further considered the adequacy of disclosures provided by management compared to applicable accounting standards.

## 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 under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. 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 International Financial Reporting 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, related safeguards.

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 financial statements of FLSmidth & Co. A/S we performed procedures to express an opinion on whether the annual report for the financial year 1 January - 31 December 2022 with the file name 213800G7EG4156NNPG91-2022-12-31-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 for the financial year 1 January - 31 December 2022 with the file name 213800G7EG4156NNPG91-2022-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 22 February 2023
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, capital 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 the impact from the COVID-19 pandemic, 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 2022
1 January – 31 December 2022

FLSmidth & Co. A/S
Vigerslev Allé 77
2500 Valby
Denmark

Tel.: +45 36 18 18 00
Fax: +45 36 44 11 46
corppr@flsmidth.com

www.flsmidth.com
CVR No. 58180912