FLSMIDTH

WE DISCOVER POTENTIAL

ANNUAL REPORT 2021

1 January –
31 December 2021
Annual Report 2021

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

FLSMIDTH
Mission Zero

CONTENTS

Management review

Financial statements

Integrated reports

HIGHLIGHTS

19.2
2021 Group order intake (DKKbn)
4% up over 2020

17.6
2021 Group revenue (DKKbn)

5.9%
2021 Group EBITA margin

1.4
cash flow from operations in 2021 (DKKbn)

1.4
proceeds raised from issue of new shares (DKKbn)

thyssenkrupp Mining acquisition announced

pending regulatory approval

Positive mining industry outlook

driven by global economic development and increased demand for minerals for the green transition

Mid-term recovery expected for cement

short-term the cement industry remains impacted by overcapacity

Mining guidance 2022

12.0-13.0
Revenue (DKKbn)

8.5-9.5%
EBITA margin[1]

Cement guidance 2022

5.5-6.0
Revenue (DKKbn)

1-2%
EBITA margin

Group guidance 2022

17.5-19.0
Revenue (DKKbn)

6-7%
EBITA margin[1]

Mikko Keto, Group CEO

as of 1 January 2022

SCIENCE BASED TARGETS

Science Based Targets validated

1) Including DKK 110m in acquisition related costs

LETTER TO SHAREHOLDERS

FLSmidth delivered a solid performance in 2021. Despite the challenges presented by the pandemic and the global supply chain constraints, order intake, revenue and EBITA increased substantially over 2020 and cash flow performance was strong.

On behalf of the Board of Directors and Group Executive Management, we would like to thank all the employees of FLSmidth for an extraordinary effort during another year of global uncertainty. Our employees' resilience, ingenuity and passion for serving our customers, even under challenging conditions, have been the driving factors for the solid performance of FLSmidth in 2021.

A year to remember

2021 has been a year of many significant events. First and foremost, we signed an agreement to make one of the biggest acquisitions in our history, namely acquiring thyssenkrupp's Mining business. Pending customary authority approvals, the transaction is expected to close during the second half of 2022. This will position FLSmidth as one of the strongest suppliers to the mining industry with complete pit-to-plant flowsheet solutions driving sustainable productivity.

> I would like to thank Thomas Schulz for his strong leadership in the past eight years. Thanks to Thomas and his team, FLSmidth is today a better and more focused company which holds a promising long-term growth potential.
>
> *Vagn Ove Sørensen, Chair*

To fund the acquisition, we successfully issued new shares raising proceeds of DKK 1.4bn in 2021. We appreciate the trust shown by our shareholders in this regard. We see significant long-term growth potential from this acquisition, which will transform FLSmidth into predominantly being a mining company. That said, our Cement business has seen good improvement in 2021 following a challenging 2020. With the urgent need to accelerate the global society towards a greener future, we believe our Cement business holds attractive potential in the mid- to long-term.

Following more than eight years of tenure, Thomas Schulz stepped down as the Group CEO of FLSmidth. As of 1 January 2022, Mikko Keto took over the helm as Group CEO. This has been a well-planned and seamless transition. Mikko's leadership skills, comprehensive industry insights and proven track record in driving profitability will be a competitive advantage for FLSmidth and help unfold the full MissionZero potential.

Our strategy remains unchanged, as we are on the right strategic path. We continue to be the leading supplier of sustainable productivity solutions to the global mining and cement industries.

In 2021 we have experienced increased interest in many of our MissionZero flagships solutions. This is essential for driving the green transition within the mining and cement industries as 99% of total CO_2 emissions in our value chain is downstream with our customers' use of our products. In 2021 we introduced the visionary MissionZero Mine. This serves as the roadmap for our R&D work towards zero emissions in mining. Our Mining business has received large orders for a new concentrator to a gold mine in Russia, a new lithium extraction facility in Argentina and key mineral processing technologies for a major copper producer in Chile. Further, we have been selected as the technical partner and supplier to a phosphate beneficiation plant in the Middle East.

Our Cement business has also seen significant progress for sustainability solutions in 2021. This includes accelerating our carbon capture solutions through new partnerships with Carbon8 and Chart Industries and a collaboration with Heidelberg Cement on the world's first carbon capture installation in cement in Norway. Further, we have received an order to install the first full-scale clay calcination system in Europe aimed at cutting 16% CO_2 emissions. In addition, we received orders for a greenfield project in India, a waste-to-energy solution in Indonesia, digitalisation of three cement lines in West Africa and a new pyro line in Peru.

Market conditions and pandemic impact

Compared to many other industries, the mining industry has continued to be largely resilient against the pandemic. Despite several waves of lockdowns and global supply chain challenges, the mining industry has benefitted from high commodity prices and high production rates. This is driven by global economic development and increasing demand for minerals for the green transition. Many customers have throughout 2021 continued to enforce safety protocols and restricted site access for external service providers to safeguard production and employees. This has impacted demand for on-site technical services including postponements of larger upgrades and retrofits. We see attractive opportunities from this once the market normalises.

The cement industry has been more hit by the pandemic and remains impacted by overcapacity and underutilisation leading to subdued activity for new investments. Sentiment in the cement industry remains sensitive to the general volatility in economic growth with significant regional differences. This has been further enhanced by the pandemic. We see increasing interest in solutions for decarbonisation and debottlenecking of cement plants.

Solid performance in 2021

Despite challenging market conditions, we have delivered a solid performance in 2021 with revenue and EBITA growth of 7% and 34% over 2020, respectively. Revenue exceeded our guidance range and EBITA margin ended at the high end of our guided range.

We have secured six large orders in 2021 and a book-to-bill of 109% for the year. Cash remains a core focus, and with a net working capital ratio of 6.0% at end 2021, we delivered a cash flow from operations of DKK 1.4bn in 2021. The key drivers behind the 2021 performance are continued good momentum in Mining, and improvements in our Cement business, which in the second half of 2021 returned to positive EBITA for the first time since early 2020. We have been successful in managing the global supply chain pressure as we have had the flexibility to switch between suppliers and use localised sourcing, resulting in a relatively low impact from the capacity constraints in global transportation. In addition, the impact of increased raw materials input costs and freight costs has been largely mitigated through the close collaboration with our suppliers and customers.

Ambitious sustainability performance
Sustainability is an embedded part of our culture and business model. In 2021 our Science Based Targets were validated, confirming that by 2030 we aim to be carbon neutral in our own operations (Scope 1 and 2) and cut our Scope 3 downstream economic intensity by 56% versus 2019. We will do this by delivering MissionZero solutions that will reduce customer-associated CO_2 emissions. The new EU Taxonomy will drive more investments towards sustainable projects, and this presents a strong business opportunity with our MissionZero programme. This year, we are reporting our eligibility for the first time. Our in-house sustainability performance has progressed on several areas during 2021 including diversity, safety and carbon intensity from our own operations.

Minerals are driving the green transition
During 2021 the climate agenda has been elevated to a new level, and rightfully so. The global society stands at a critical juncture in the efforts to limit global warming to 1.5° Celsius above pre-industrial levels by the end of the century. Many governments and companies have increased their carbon emission reduction pledges and commitments. While a clear step in the right direction, even more decisive actions are required. This was also witnessed at COP26 at the end of 2021, where FLSmidth had a prominent presence with our flagship MissionZero programme.

Acceleration of the green transition, whether being for electric vehicles or renewable energy,

I am honoured to have been given the opportunity to lead FLSmidth. Despite challenging market conditions, we leave 2021 with a positive sentiment. It is an exciting time to be part of FLSmidth, and as an organisation we have a busy year ahead of us.

Mikko Keto, Group CEO

will drive greater demand for more sustainably mined minerals such as copper, gold, lithium, and other battery metals as well as green cement. The global cement industry is among the world's most carbon intensive industries accounting for 7-8% of global CO_2 emissions. Cement serves as the floor of the world and 75% of the infrastructure needed in 2050 is yet not built.

FLSmidth considers these challenges a great opportunity, and together with partners and our customers, we relentlessly work to help decarbonise these hard to abate industries by bringing new technologies and innovations to the global mining and cement industries.

Exciting times ahead of us
Going into 2022, the outlook for our two end-markets remains very different. We remain positive on the mining industry, where commodity prices are at high levels and mine sites are running at high production levels. Global economic development and the green transition will require the mining industry to scale up on investments to meet the long-term demand for minerals.

In the short-term, the cement industry continues to face overcapacity and slow recovery. We see good opportunities in the mid- to long-term fuelled by large economic stimulus packages, which are expected to increase the demand for green solutions in the cement industry.

Beyond managing our two businesses, which each pursue a strategy and cost structure most appropriate to their market environment, we are deeply committed to ensuring a smooth integration of thyssenkrupp's Mining business into FLSmidth and on building an even stronger brand for the green future. In addition, we will focus on driving operational excellence to deliver improved financial performance.

Walking the talk
Our value proposition to our customers and the global society is more relevant than ever before in our 140-year history. As a global society, we – governments, businesses, and privates – need to translate our pledges into actions in the coming years, if we are to succeed with the green transition. The mining and cement industries are right in the centre of this.

We look forward to continued success and sustainable productivity together with all our employees, partners and customers in 2022.

Vagn Ove Sørensen
Chair

Mikko Keto
Group CEO

FINANCIAL PERFORMANCE HIGHLIGHTS 2021

GROUP

Order intake
DKKm

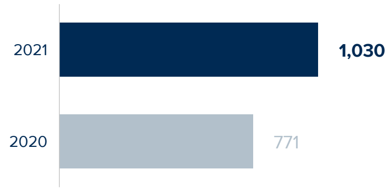
19,233
▲ 4%

Revenue
DKKm

17,581
▲ 7%

EBITA & EBITA margin
DKKm - %

1,030 **5.9%**
▲ 34%



Cash flow from operating activities
DKKm 1,449 ▲ from DKKm 1,421 in 2020

Earnings per share
DKK 6.9 ▲ from DKK 4.2 in 2020

Net working capital ratio
6.0% ▼ from 10.7% end of 2020

NIBD/EBITDA
-0.6x ▼ from 1.6x end of 2020

MINING

Order intake
DKKm

13,281
▲ 4%

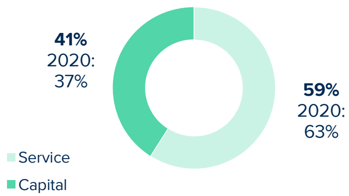
Revenue
DKKm

11,715
▲ 10%

EBITA & EBITA margin
DKKm - %

1,049 **9.0%**
▲ 18%

Revenue split by service & capital
%



CEMENT

Order intake
DKKm

5,952
▲ 4%

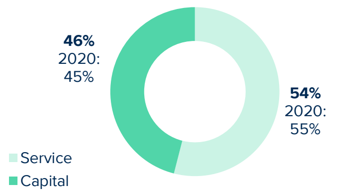
Revenue
DKKm

5,866
▲ 1%

EBITA & EBITA margin
DKKm - %

(19) **-0.3%**
▲ 84%

Revenue split by service & capital
%

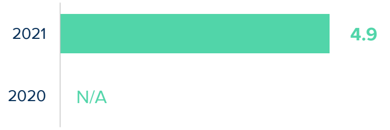


SUSTAINABILITY PERFORMANCE HIGHLIGHTS 2021

Spend with SBT-committed suppliers

% of total supplier spend

4.9



Our upstream Scope 3 SBT (Science Based Target) is to have 30% of our spend with SBT-committed suppliers by 2025. We tracked this data for the first time in 2021. We have started a process to onboard suppliers to collaborate on reducing greenhouse gas emissions.

Scope 1 & 2 GHG Emissions

tCO_2e (market-based)

34,737

▲ 16% improvement

We met our 2021 target to improve our combined Scope 1 and Scope 2 CO_2e emissions by 10% versus 2020. This improvement was mostly due to our continued renewable energy purchasing programme, which improved our Scope 2 emissions and offset a slight increase in our Scope 1 emissions.

Scope 3 economic intensity (use of sold products)

tCO_2e/DKKm order intake

10,979

▼ 3% deterioration

We introduced a new target in 2021 to reduce our economic intensity by 56% between 2019 and 2030. This target measures GHG emissions from customers' use of our products per DKKm order intake. We are in the early stages of implementing actions and expect to accelerate progress as we implement our MissionZero programme.

*baseline year

Water withdrawal

m^3

201,997

▼ 2% deterioration

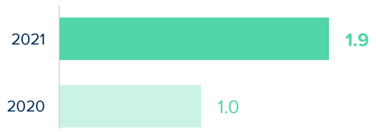
Freshwater reduction target at 187.479 m^3 was challenging to achieve due to the increase of operational activity and the limited number of initiatives targeted on the reduction of water on sites.

Safety (TRIR)

Total Recordable Incident Rate/million working hours

1.9

▼ 0.9 deterioration



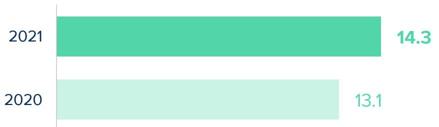
Despite strong focus on mitigating actions, total number of incidents increased during the first half year, and we did not achieve the target of 10% improvement from 2020. We increased our efforts during H2 2021 to maintain and improve our best-in-class record.

Women managers

%

14.3

▲ 1.2%-point improvement



Our 2030 target is to have 25% of women managers, and due to our active recruitment and career development strategy, we increased our share of women managers in 2021.

Quality (DIFOT)

%

85.1

▼ 3.2% point deterioration

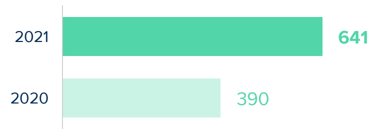
We have seen a slight decline in our ability to deliver to customers to original agreed time due to some challenges in planning and logistic execution.

Suppliers assessed for sustainability

No.

641

▲ 64% improvement



Easing of travel restrictions during 2021 in most areas related to the pandemic allowed us to finally visit suppliers again – enabling completion of sustainability screenings. Combined with the increased focus on sustainability throughout FLSmidth, this led to a good result in 2021.

5 YEAR KEY FIGURES

DKKm	2017	2018	2019	2020	2021
INCOME STATEMENT					
Revenue	18,000	18,750	20,646	16,441	17,581
Gross profit	4,597	4,693	4,849	3,865	4,180
EBITDA before special non-recurring items	1,732	1,826	2,008	1,134	1,401
EBITA	1,515	1,585	1,663	771	1,030
EBIT	1,115	1,220	1,286	428	668
Financial items, net	(319)	(161)	(115)	(47)	(81)
EBT	796	1,059	1,171	381	587
Profit for the year, continuing activities	417	811	798	226	374
Loss for the year, discontinued activities	(343)	(176)	(22)	(21)	(17)
Profit for the year	74	635	776	205	357
ORDERS					
Order intake (gross), continuing activities	19,170	21,741	19,554	18,524	19,233
Order backlog, continuing activities	13,654	16,218	14,192	14,874	16,592
EARNING RATIOS					
Gross margin	25.5%	25.0%	23.5%	23.5%	23.8%
EBITDA margin before special non-recurring items	9.6%	9.7%	9.7%	6.9%	8.0%
EBITA margin	8.4%	8.5%	8.1%	4.7%	5.9%
EBIT margin	6.2%	6.5%	6.2%	2.6%	3.8%
EBT margin	4.4%	5.6%	5.7%	2.3%	3.3%
CASH FLOW					
Cash flow from operating activities (CFFO)	1,065	385	948	1,421	1,449
Acquisitions of property, plant and equipment	(174)	(288)	(177)	(171)	(116)
Cash flow from investing activities (CFFI)	(113)	(285)	(661)	(376)	(273)
Free cash flow	952	100	287	1,045	1,176
Free cash flow adjusted for acquisitions and disposals of enterprises and activities	846	(15)	574	1,082	1,185
BALANCE SHEET					
Net working capital	1,833	2,200	2,739	1,752	1,058
Net interest-bearing debt (NIBD)	(1,545)	(1,922)	(2,492)	(1,808)	889
Total assets	22,364	21,743	23,532	20,456	23,053
CAPEX	265	508	523	494	397
Equity	8,038	8,266	8,793	8,130	10,368
Dividend to shareholders, proposed	410	461	0	103	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.

DKKm	2017	2018	2019	2020	2021
FINANCIAL RATIOS					
CFFO / Revenue	5.9%	2.1%	4.6%	8.6%	8.2%
Book-to-bill	106.5%	116.0%	94.7%	112.7%	109.4%
Order backlog / Revenue	75.9%	86.5%	68.7%	90.5%	94.4%
Return on equity	0.9%	7.8%	9.1%	2.4%	3.9%
Equity ratio	35.9%	38.0%	37.4%	39.7%	45.0%
ROCE	10.4%	11.0%	10.9%	5.1%	7.2%
Net working capital ratio, end	10.2%	11.7%	13.3%	10.7%	6.0%
NIBD/EBITDA	0.9	1.1	1.2	1.6	(0.6)
Capital employed, average	14,533	14,338	15,251	15,195	14,384
Number of employees	11,716	11,368	12,346	10,639	10,117
SHARE RATIOS					
Cash flow per share, diluted	21.4	7.7	18.9	28.3	27.8
Earnings per share (EPS), diluted	1.5	12.8	15.5	4.2	6.9
Dividend yield	2.2	3.1	0.0	0.9	1.2
Dividend per share, proposed	8	9	0	2	3
Share price	361.3	293.1	265.4	232.8	244.3
Number of shares (1,000), end	51,250	51,250	51,250	51,250	57,650
Market capitalisation, end	18,517	15,021	13,602	11,931	14,084
SUSTAINABILITY KEY FIGURES					
Spend with SBT-committed suppliers*					4.9%
Scope 1 & 2 GHG emissions (tCO_2e) market-based				41,155	34,737
Scope 3 economic intensity, Use of sold products (tCO_2e/DKKm order intake)*			10,663		10,979
Water withdrawal (m^3)	241,651	227,272	221,613	197,346	201,997
Safety, TRIR Total Recordable Injury Rate (including contractors)*	3.2	3.0	1.6	1.0	1.9
Women managers	10.5%	10.4%	11.2%	13.1%	14.3%
Quality, DIFOT Delivery In Full On Time	87.5%	87.0%	88.0%	88.3%	85.1%
Suppliers assessed for sustainability	113	195	689	390	641

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.

IFRS 15 and 9 were adopted 1 January 2018. No figures prior to 1 January 2018, throughout the report, have been restated.

The measure of number of employees changed during 2020, and 2019 was adjusted accordingly. The number of employees includes temporary employees compared to previous periods where only permanent headcount was disclosed. 2017-2018 has not been adjusted.

*Sustainability key figures are from our Sustainability Report. Starting in 2018, TRIR is including contractors, while comparison numbers are excluding contractors. Spend with SBT-committed suppliers 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.

FINANCIAL GUIDANCE 2022

Mining

The outlook for the mining industry remains positive driven by global economic development and increased demand for minerals required for the green transition. For 2022, the Mining business revenue and EBITA is expected to grow.

Mining EBITA margin is expected to be impacted by a higher share of capital revenue, higher logistics costs and inflation. It includes around DKK 110m in integration costs until closing of the thyssenkrupp Mining business transaction. The transaction is expected to close in the second half of 2022.

	2021 Realised	2022 Guidance[1]
Revenue (DKKbn)	11.7	12.0-13.0
EBITA margin	9.0%	8.5-9.5%

Cement

The short-term outlook for the cement industry remains impacted by overcapacity and slow recovery. Following a year of reshaping, we expect the Cement business to return to positive EBITA in 2022. Cement EBITA margin is expected to be impacted by higher logistics costs and inflation.

Mid-term recovery is expected in the cement industry driven by increased demand for sustainability solutions.

	2021 Realised	2022 Guidance[1]
Revenue (DKKbn)	5.9	5.5-6.0
EBITA margin	-0.3%	1-2%

Group

The financial guidance for 2022 is for the FLSmidth Group standalone and excludes the impact from the combination with thyssenkrupp's Mining business. It includes around DKK 110m in integration costs until closing of the thyssenkrupp Mining business transaction. We expect to publish a new financial guidance after the transaction closes. The transaction is expected to close in the second half of 2022.

Guidance for 2022 is subject to uncertainty due to the pandemic, global supply chain situation and geopolitical turmoil.

	2021 Realised	2021 Guidance	2022 Guidance
Revenue (DKKbn)	17.6	16-17.0	17.5-19.0
EBITA margin	5.9%	5-6%	6-7%

1) Separate guidance for Mining and Cement introduced in connection with the Annual Report 2021

BUSINESS

In this section

AT A GLANCE

FLSmidth Mission Zero

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
Danish company founded in 1882 with 140 years of discovering potential

10,117
Our more than 10,000 employees use their unique knowledge to meet our customers' needs

150+
We serve customers in more than 150 countries across most continents

60+
A truly global company with local presence in more than 60 countries

17.6bn
Group revenue of DKK 17.6bn in 2021

FLSMIDTH IN THE WORLD

North America

22% Share of revenue 2020: 21%

▲12% Reported revenue growth

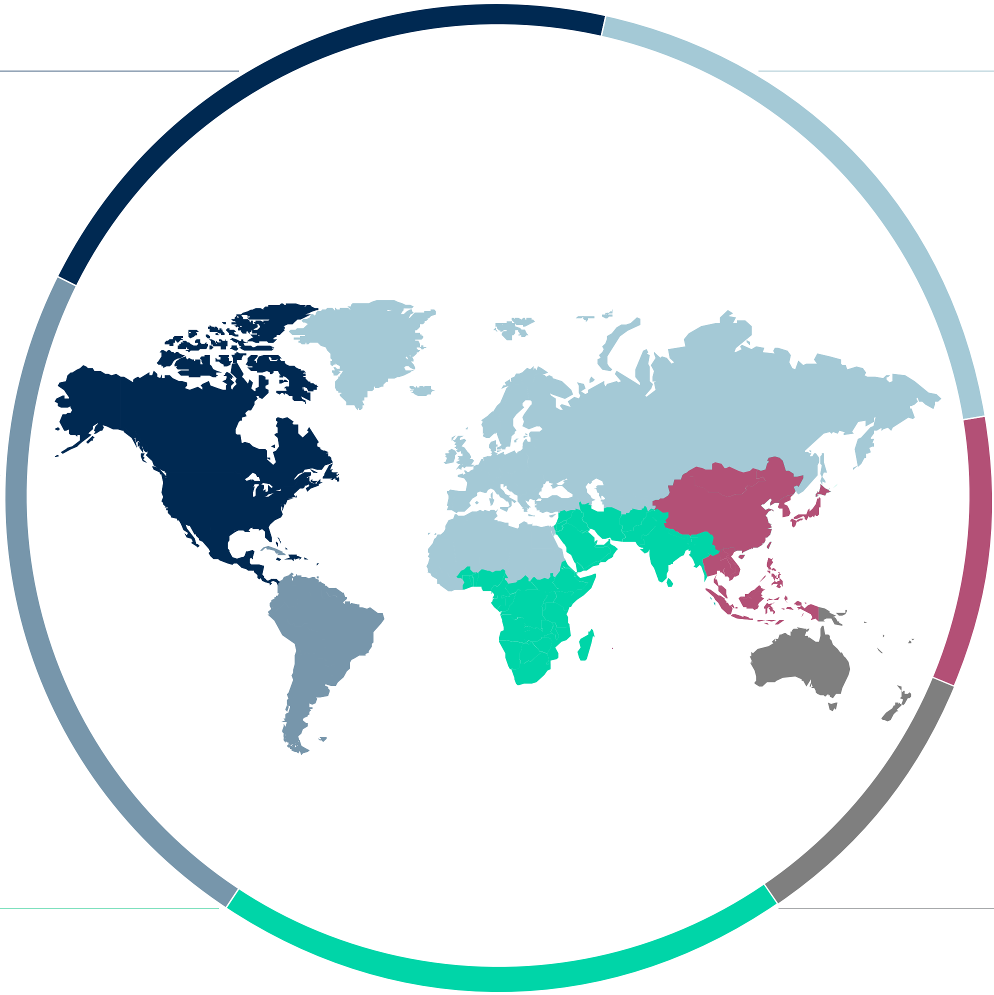
17% Share of employees 2020: 16%

Europe, North Africa & Russia

18% Share of revenue 2020: 19%

▲2% Reported revenue growth

22% Share of employees 2020: 25%



South America

21% Share of revenue 2020: 23%

▼-4% Reported revenue growth

20% Share of employees 2020: 18%

Asia

11% Share of revenue 2020: 9%

▲30% Reported revenue growth

5% Share of employees 2020: 5%

Sub-Saharan Africa, Middle East & South Asia[1]

18% Share of revenue 2020: 19%

▲2% Reported revenue growth

30% Share of employees 2020: 31%

Australia

10% Share of revenue 2020: 9%

▲20% Reported revenue growth

6% Share of employees 2020: 5%

1) As of 1 January 2021, the two regions, Sub-Saharan Africa and Middle East (SSAME) and Sub-Continental India (SCIndia), have been merged.

MINING MARKET

The mining industry has remained largely resilient during the course of 2021 aided by high commodity prices and solid industry fundamentals. The global mining market is expected to grow over the coming years and the long-term outlook remains positive driven by global economic development and increased demand for minerals required the green transition.

During 2021, copper prices hit an all-time high of more than USD 10,000 per tonne, driven by expectations of a post-pandemic recovery and increased demand for commodities to support global economic development and the green transition. Concerns about debt problems of Chinese property developers, along with efforts to limit Chinese steel production added pressure on the iron ore price during the second half of the year. Prices have though remained at highly profitable production margins. Prices for most other minerals have stayed high throughout the year.

The outlook for investments in mining remains positive. The sustainability agenda continues to gather steam with the large mining companies aligning their business models to the Paris Agreement. Miners are generating good cash flows and are well capitalised to invest following low capex levels in recent years.

In the fourth quarter, industry conditions remained largely stable compared to previous quarters. Some miners are increasingly replacing equipment as they catch up on certain maintenance that has been postponed during the pandemic.

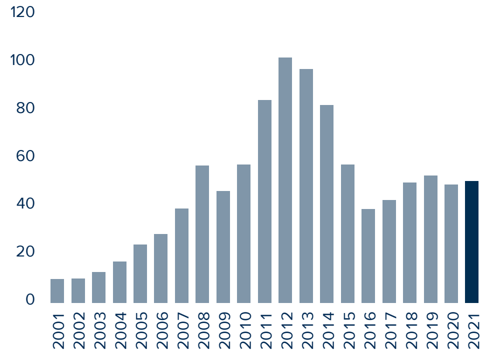
Activity in South America has been accelerated by the strong copper price and the quantity of enquiries has returned to pre-pandemic levels in Africa, Middle East and India. Iron ore has been a strong commodity driver for new projects in India, whereas copper and gold continued to dominate in Africa as well as in the Middle East. Activity in Asia (ex-China) was significantly impacted by the pandemic in the beginning of the year, but has gradually recovered in the second half of the year indicating a slightly positive trend.

In North America and Europe, we see increased market activity despite the fact that direct customer visits are still difficult in certain areas due to the pandemic. The surge in demand and subsequent bottlenecks in global supply chains also continue to cause challenges across markets and we are still seeing delays in some regions.

In Australia, service demand is strong, but logistics remain a challenge as the pandemic continues to create uncertainty around the supply of labour due to hard border closures.

Capex trend in mining

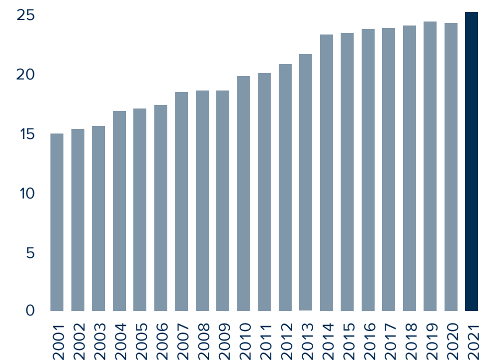
USDbn



Source: Bloomberg, FLSmidth estimates

Global copper consumption

Million tonnes



Source: Bloomberg, FLSmidth estimates

CEMENT MARKET

There is growing demand for green solutions in the cement industry. While the short-term industry outlook remains unchanged with significant overcapacity, we expect a mid-term recovery fuelled by large economic stimulus packages requiring green and carbon neutral infrastructure.

During 2021, the cement industry started to recover with improved service activity, however with significant regional differences. After easing travel restrictions in the second quarter, the increase in infection numbers towards the end of the year has put renewed strain on site visits due to preventative measurements taken by authorities and plant operators. At the same time, the global construction supply chain challenge has triggered higher costs, labour and materials shortages as well as delays across regions. In addition, energy costs are surging on global shortages of gas and coal. While this threatens to derail the emerging recovery for the cement industry, it also reinforces the need for greener solutions and alternative fuels.

In Europe, increasing focus on emission regulations and carbon taxes highlights the risk of adding costs to non-sustainable production. We have a healthy pipeline for upgrade projects driven by ongoing conversion to alternative cement production with improved environmental footprint. However, the new virus variant Omicron quickly surged to dominance during the last months of the year and many customers started to delay plant visits, which complicated on-site technical services.

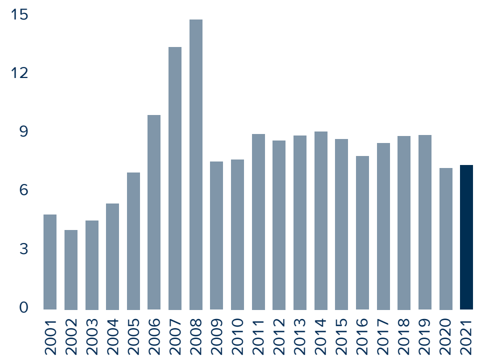
Market activity in Africa, Middle East and India was hampered by lockdowns in the beginning of 2021. Activity stabilised towards the end of the year and the higher level of plant utilisation was reflected positively in our spare and wear parts business in the fourth quarter. During the year, the successful vaccination programme and improvement in business sentiment started to remove some of the uncertainty that held back investments in North America. In the fourth quarter, demand in the region was strong with high project activity, and we have a solid pipeline of upgrades and retrofits opportunities. In South America, high infection rates slowed the activity in the first half of the year, but started to recover in the fourth quarter. However, high inflation and increasing interest rates are concurrently adding pressure on infrastructure investments.

In Asia, China has been the main driver throughout 2021, whereas the rest of the region remained challenged by pandemic restrictions which tightened during the second half of the year. Cement producers in Australia and New Zealand continue to operate all their plants, and there are some signs of growth driven by proposed government infrastructure projects.

Overall, we see increased demand for solutions that can decarbonise and debottleneck cement plants. Demand for new capacity remains subdued, and the pandemic situation casts added uncertainty over the speed of recovery in the cement industry.

Capex trend in cement

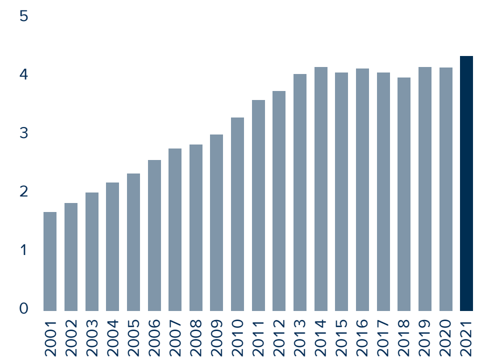
USDbn



Source: Bloomberg, FLSmidth estimates

Global cement consumption

Billion tonnes



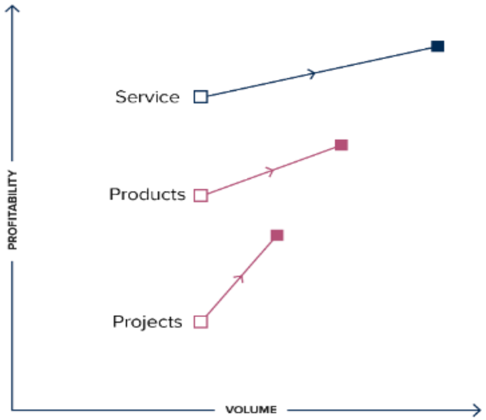
Source: Bloomberg

STRATEGY AND BUSINESS MODEL

Our vision is to drive success through sustainable productivity enhancement in the global mining and cement industries.

FLSmidth's vision, strategy and business model remain unchanged. To successfully deliver on this, our core values – competence, cooperation, and responsibility – are essential to earn the trust and respect of our customers, business partners, suppliers, employees, shareholders and stakeholders in all the communities in which we live and operate.

We are already well-positioned to deliver on our strategic vision. We aim to outgrow the market by helping our customers to increase their production, lower their operating costs and reduce their environmental footprint. One of our key strategic pillars to achieve this is sustainability through our MissionZero programme, which we launched in 2019. This is an integral part of our business strategy. Another of our key strategic pillars is digitalisation which serves as a key enabler for our sustainability agenda – both internally and towards our customers.



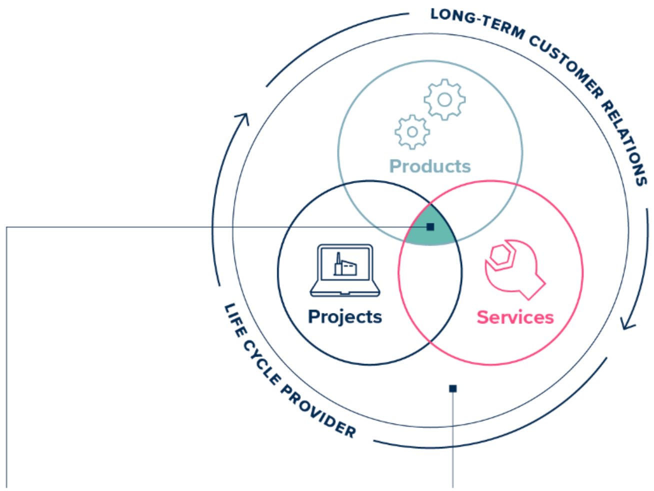
With a local presence in more than 60 countries and customers in more than 150 countries, FLSmidth is truly a global company. Our geographical footprint reflects our diverse customer base comprised by mining and cement companies, which invest in new capacity or in expanding, upgrading, maintaining and servicing existing production facilities.

Our business model is anchored around a unique combination of services, products and projects. Our key strategic focus is to expand the share of services and standardised products relative to the share of large 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. While projects provide us with process expertise that is key to deliver productivity improvements to our customers and provides access to a large installed base for our service and aftermarket business, we remain selective in taking on large projects to ensure that terms and conditions support our profitability targets.

We have several strategic focus areas with clear prioritisation of what we want to achieve to further strengthen our position as a leading sustainable productivity provider. First and foremost, we continue to have an overarching focus on profitable order intake, cash and engagement across both our industries.

BUSINESS MODEL
A UNIQUE COMBINATION OF SERVICES, PRODUCTS AND PROJECTS

SUSTAINABLE PRODUCTIVITY PROVIDER #1



Customer and sustainability benefits

- Increasing output and quality
- Reducing total cost of ownership
- Increasing productivity
- Increasing resource utilisation
- Obtaining permits and social licences to operate

FLSmidth key competences

- Commodity flowsheet competence, with process and product knowledge to optimise operations
- Digital and performance services
- Guaranteed equipment uptime and performance
- Proactive and predictive maintenance through innovative and digital solutions
- Driving sustainable development
- Local service and support presence

Within our Mining business we are especially focused on driving profitable growth and full flowsheet leadership to ensure operational excellence.

In our Cement business we are especially focused on improving profitability, developing a winning portfolio, being the leading plant productivity partner and leading supplier of sustainability solutions.

Customers

FLSmidth has vast experience in working with a broad range of customers around the world. Our customers range from global conglomerates to small-to-mid-sized regional players. The latter account for a relatively large amount of our Capital sales, whereas the global conglomerates account for a considerable share of our service business.

Given the nature of our businesses, being close to our customers is key. Combining local presence with global support and expertise makes it possible to deliver premium solutions where our customers need them. Our large number of local sales and service offices ensures frequent customer interaction. Despite cyclical end-markets, we consistently prioritise maintaining and developing a strong and competent sales force, ever aware that the strength of our customer relationships during any downturns will help define our success during upturn cycles. We constantly seek to minimise administrative functions and allocate resources to sales and service. As a result, a large proportion of our employees has direct contact with customers, and our customers generally recognise us for our high quality and reliability.

While localising our service footprint, we continue to pursue a strategy of consolidating our supply chain and project centres to ensure the leanest possible organisation and high speed of delivery.

Sustainability

FLSmidth's relatively asset-light business model means that the environmental footprint from our own operations is very modest compared to that of our customers. A large cement producer has a carbon footprint about 2,000 times that of FLSmidth, and our annual water consumption equals roughly two weeks of water consumed by a copper mine that produces around 100,000 tonnes of copper per year. Therefore, our approach to sustainability is to take responsibility for our own environmental footprint while helping our customers reduce theirs, where we can have a much greater positive impact on emissions reduction via our MissionZero programme.

Read more about MissionZero on page 19-21.

Innovation and digitalisation

Our efforts in innovation and digitalisation are important enablers for our sustainability agenda. Greater scarcity of resources such as energy, water and raw materials leads to more complex and costly operations that challenges the performance of our mining and cement customers. This calls for innovation, digitalisation and 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 automating plants, which positions us as a market leader in analysing and understanding performance data. An increasing share of our products and solutions offered to the cement and mining industries is becoming artificially intelligent and self-learning. Mining and cement have historically been conservative industries, but the needs of our customers are changing more rapidly today. Their constant hunt for productivity, reduced environmental footprint and higher returns makes them more receptive to innovation and new ways of working, which is fuelling a growing interest in digitalisation.

Digitalisation offers huge potential and has become a natural and integral part of our product portfolio, where the benefits to our customers are clear: increased productivity through optimisation, more reliable operations, increased uptime as well as proactive, predictive and increasingly prescriptive maintenance.

Site connectivity to drive data-driven decision making is an example of how our digital efforts can enhance customer productivity. In 2018, the first customer site was connected to the FLSmidth Internet of Things (IoT) platform. During 2021 we reached the milestone of having more than 100 customer sites connected globally. These sites are sending more than 140,000,000 measurements daily, which is an increase of 33% compared to 2020. These unique data sets are processed to provide insights on availability, reliability and sustainable optimisation services to our customers using our various digital solutions. This includes real-time asset performance insights at anytime and anywhere to the plant and service personnel via the SiteConnect App. Due in part to the pandemic, our customers in both mining and cement have accelerated their adoption of many of our digitally enabled solutions. As a result, we can now provide online condition monitoring and optimisation solutions to most of our key assets and systems.

A highlight in 2021 was the delivery of the digital LoadIQ solution to a customer in New Zealand, resulting in 30% improvement in process stability and increased mill utilisation and throughput by 17%, while at the same time optimising power consumption. Following this success, the customer has since requested a second LoadIQ system for installation on a larger mill. We now have 60 units installed at customer sites across the globe.

While we already offer many flagship MissionZero solutions that provide increased productivity while reducing environmental impact, we will not be successful in driving the green transition unless we relentlessly focus on developing more ground-breaking technologies. In 2021, we have launched several new innovations – either on our own or through collaboration with partners and customers. Key milestones include the development of the MissionZero Mine (launched at MINExpo in September 2021) and the Future Cement plant, which serve as our core R&D roadmaps for developing future technologies for the green transition. The pending acquisition of thyssenkrupp's Mining business will also further complement our sustainability offerings to our customers in the mining industry.

Read more about our innovations in Mining and Cement on page 22-25.

People and engagement

People are and have always been important for FLSmidth. To deliver our growth ambitions and to help lead the green transition within the mining and cement industries, we will continue to need talented and diverse people who share the FLSmidth values and ambitions. 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 drive for operational excellence across all regions.

The industries we operate in are challenged by the ability to attract enough high-skilled and high-performing staff. The pending thyssenkrupp Mining business acquisition will build an even stronger mining organisation by bringing the two together, as this acquisition will onboard more than 2,000 new skilled employees to FLSmidth.

We continue to have a strong focus on our global employer branding, in-house talent development and on the well-being of our employees. In 2021, we made significant progress in personal and performance development for all employees, supported by succession planning and a doubling of training hours per employee. Around 25% of our open positions were filled internally during the 12 months. Monthly wellbeing and engagement surveys have been rolled out globally to obtain dynamic feedback. In addition, we made good progress in our efforts to ensure living wages and address gender pay inequality.

Many parameters are considered as we endeavour to keep diversity in balance in our organisation. All managers and employees have a role in creating a diverse and inclusive organisation and contribute to various initiatives within our agenda. During 2021, 25% of all new hires were women, which is a higher share than the current gender split across the company (at the end of

2021, women accounted for 17% of total employees).

In 2020, we had to learn how to navigate our business during a pandemic. In 2021, we have leveraged these learnings and implemented hybrid working arrangements globally. Employees have remained in focus and contributed with quality performance despite the pandemic.

Standardisation

Through value engineering and modularisation, we re-think and improve the designs of our products to increase reliability and reduce cost and complexity without compromising on quality and functionality.

Our standardisation programme has yielded substantial results without reducing functionality for our customers and ensuring high speed of delivery. We have, in recent years, standardised products such as our vertical roller mills, coolers, burners, feeders and concentrators allowing for a higher degree of configuration and less customisation. We will continue standardising more products. Reducing our procurement costs through standardisation represents a huge potential. Production costs account for about 75% of our overall revenue, of which 70-80% relates to procurement from sub-contractors. Smarter product design enables us to significantly reduce our procurement costs, and we achieve other benefits such as reduced engineering hours, enhanced product reliability and simpler maintenance procedures – to the benefit of our customers and ourselves.

Life cycle and full flowsheet approach

To achieve a sustainable productivity improvement, companies need to adopt an end-to-end process and integrate the whole value chain. Forces must be activated simultaneously from multiple directions and across the organisation to create the kind of momentum that leads to sustainable change. Through a life cycle approach, we enable our customers to lower their total cost of ownership. Our ability to deliver productivity improvements is anchored in a full flowsheet of premium sustainable offerings in both mining and cement (see page 22 and 24), combined with strong process knowhow and a broad range of services.

Over the years, we have successfully built a large service business focusing on spare and wear parts, upgrades, retrofits and maintenance. Our digitalisation efforts will further pave the way for growing our spare and wear parts business in the years to come, as customers increasingly buy solutions rather than single parts and equipment.

Our customers benefit from the most comprehensive product portfolio in the industry, allowing them to increase the productivity of their complete value chain. A full flowsheet facilitates digital access to all key processes and equipment. To be able to address issues before equipment breaks down, we create powerful connections between physical and digital systems which lay the foundation for analytics-driven predictive maintenance. We can then digitalise the entire production chain to provide proactive condition monitoring and data collection, identifying damage or wear ahead of any failure.

GREEN TRANSITION RELIES ON MINERALS AND CEMENT

Global economic development and the green transition increase the demand for minerals and cement. For this development to be truly green, we must reduce the environmental impact from the production of these materials.

75%

of the global infrastructure needed in 2050 has not yet been built

Cement for construction

The world's floor area is set to double by 2060, and globally we need to construct 230 billion m^2 of buildings. Already today, the global average cement consumption per capita is 521 kg.

Source: The Global Cement Report

Global demand for refined copper expected to increase by

31%

by 2030

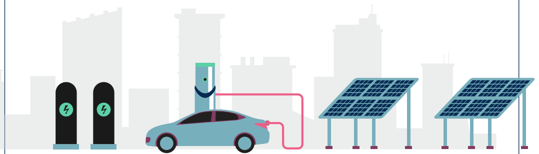
Copper for electricity

Copper is essential for distributing electricity and electrical components. In the next decade, electric vehicles are expected to more than double the need for copper to 250,000 tonnes per year. By 2030, smart home systems are forecasted to need 1.5 million tonnes per year, up from 38,000 tonnes in 2018.

Source: International Copper Association, Australian Government DISER

8x

expected increase in demand for lithium driven by electric vehicles alone by 2030



Minerals for electronics

Copper, lithium, nickel, rare earth minerals, silver, cobalt and manganese are all needed for wind and solar energy, smartphones, computers, home appliances and electric vehicles. Extended solar and wind capacity also requires more lithium.

Source: Bloomberg

Global installed wind power capacity is expected to grow around

10x

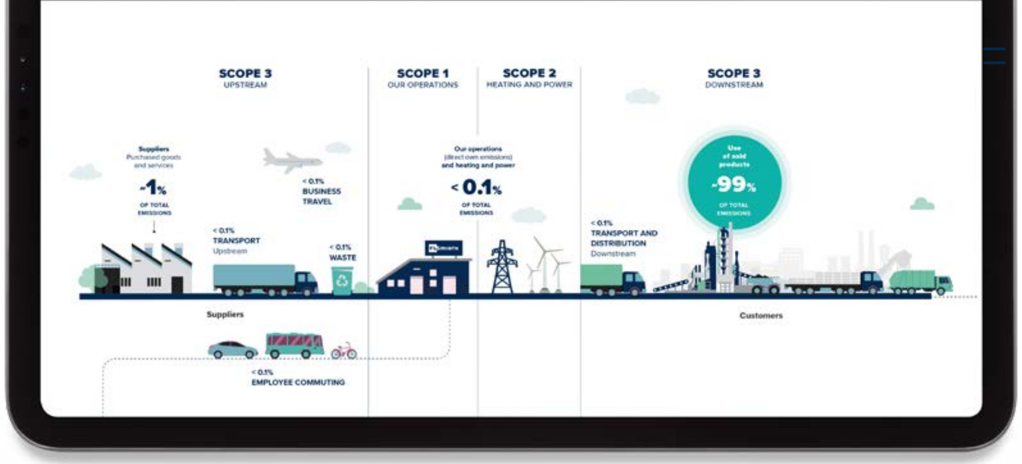
by 2050 compared to 2018

Minerals and Cement for wind turbines

An average 3 MW turbine requires 4.7t copper, 335t steel, 3t aluminium, 2t rare earth minerals and 1,200t concrete plus other materials.

Sources: IRENA (2019), Future of Wind, World Bank (2019), Climate Smart Mining

PROGRESS ON MISSIONZERO



Mining and cement operations have a significant impact on the environment. MissionZero is our sustainability programme to enable zero emissions in mining and cement by 2030.

With around 99% of our overall emissions derived from customers' use of our sold products, MissionZero is our opportunity to have the greatest positive impact on emissions reduction. Over the last two years, we have been actively working on integrating MissionZero into our business activities.

Technological innovation is at the core of this programme. Achieving transformative goals requires rethinking of organisational processes, reinventing business models and deepening customer relationships. We have made good progress in these areas, but we need to further accelerate our efforts together with the industry.

Where we are on our journey

To achieve our MissionZero ambition of delivering all the technologies needed for our customers to operate with zero emissions by 2030, we have started to develop R&D solution roadmaps, which help us assess the technology gaps that we need to close to achieve our goal, and subsequently develop the pipeline of solutions needed for both the mining and cement industries.

During 2021, we introduced the MissionZero Mine and the Green Cement Plant, which outlines how we bring the MissionZero ambition to life from a technology point of view between now and 2030. We are excited to already have introduced some of the technologies from these roadmaps to our customers this year, such as the calcined clay solution, which enables a reduction of CO_2 emissions from cement production of up to 40%.

Achieving MissionZero also requires us to rethink our approach to partnerships in order to fast-track the development and deployment of breakthrough solutions at the same time as bridging our competence gap. Examples include the Carbon capture and storage (CCS) collaboration with Carbon8 Systems and the development of mining flotation technology with the University of Newcastle, Australia.

~99%

Of our overall emissions are derived from customers' use of our sold products (Scope 3)

Integrating and measuring progress

On the product and service side, we are integrating sustainability metrics as a standardised element into our numerous product and service lines. This process enables a broader, sustainability-based dialogue with our customers, who are increasingly setting ambitious targets.

We have seen tremendous potential in applying our digital solutions to a sustainability context, especially in the areas of performance management and real-time data collection. Our pilot projects have demonstrated how digital solutions can bring value to customers that are aiming to decarbonise activities.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

HOW OUR SCIENCE BASED TARGETS HELP US TRACK OUR MISSIONZERO PROGRESS

The Science Based Targets (SBTs) have been adopted as a framework to guide and measure our progress in delivering MissionZero. At an organisational level, we have introduced a series of KPIs at functional, commercial and management levels to further integrate MissionZero across our organisation.

In April 2021, our Science Based Targets (SBTs) were validated by the Science Based Targets Initiative. Our targets address the emissions from our supply chain (upstream – scope 3), our own operations (scope 1 + 2) and at our customers (downstream – scope 3). By setting these targets and implementing corresponding actions we commit to reduce global greenhouse gas emissions in line with the Paris Agreement to a temperature rise of maximum 1.5 C versus pre-industrial levels.

To meet our supplier engagement target, we have also started a process to onboard suppliers to collaborate to reduce greenhouse gas emissions in our supply chain.

We have progressed on our efforts to reduce emissions from our own operations (Scope 1 and 2) and met our target for 2021. However, we need to accelerate our efforts to meet our 2030 carbon neutrality target.

Our economic intensity target indicates whether we are successful in decoupling the growth of our business from the growth in emissions resulting from the use of our products by our customers. It is an important indicator to demonstrate whether MissionZero is successful. By 2030, we aim to reduce our economic intensity by 56% vs a 2019 baseline.

Following the approval of this target in 2021, we are now in the early days of implementing actions to achieve this target. While our 2021 economic intensity was 3% higher than our 2019 baseline, we expect to see progress as we develop and expand our MissionZero solutions.

A key focus in 2022 will be on the further integration of sustainability parameters at a product level, as well as on the collaboration with suppliers, customers and other relevant stakeholders to improve our footprint across the value chain. The SBTs will also be embedded in our incentive structure, including the incentive scheme for our Group Executive Management.

Read about our progress on sustainability
flsmidth.com/sustainability

EU TAXONOMY

The EU Taxonomy framework is part of the EU Green Deal and serves as a core enabler to deliver on EU's ambitious climate goals towards 2030. The EU Taxonomy is a classification system, establishing a list of environmentally sustainable economic activities. The goal is to redirect investments towards sustainable projects.

The EU Taxonomy represents a significant opportunity for us to support our customers in reducing their environmental footprint, while demonstrating the environmental performance of our MissionZero portfolio.

Part of the taxonomy is a mandatory reporting requirement to identify our business activities "in scope", also known as "eligible" activities, across our revenue, CAPEX and OPEX.

Eligibility is not a measure of our sustainability performance. It is an identification process within the current confinements of the EU Taxonomy framework, which remains work in progress.

The framework contains six planned environmental goals. Only two of these goals are in scope for our initial assessment. The two goals specifically relate to activities reducing greenhouse gas emissions or adapting to climate change. Consequently, a significant part of our business activities is not yet in scope for assessment.

Based on the current EU Taxonomy framework, our eligible revenue reflects revenue associated with our MissionZero products and digital portfolio supporting a substantial reduction in greenhouse gas emissions for our customers. Our eligible CAPEX and OPEX mostly reflect our R&D activities supporting these products.

We expect the percentage of our eligible business activities to significantly increase when the four remaining environmental goals and the full EU Taxonomy framework have been implemented, and as our MissionZero solutions develop and expand.

Eligibility 2021

16.2% of revenue

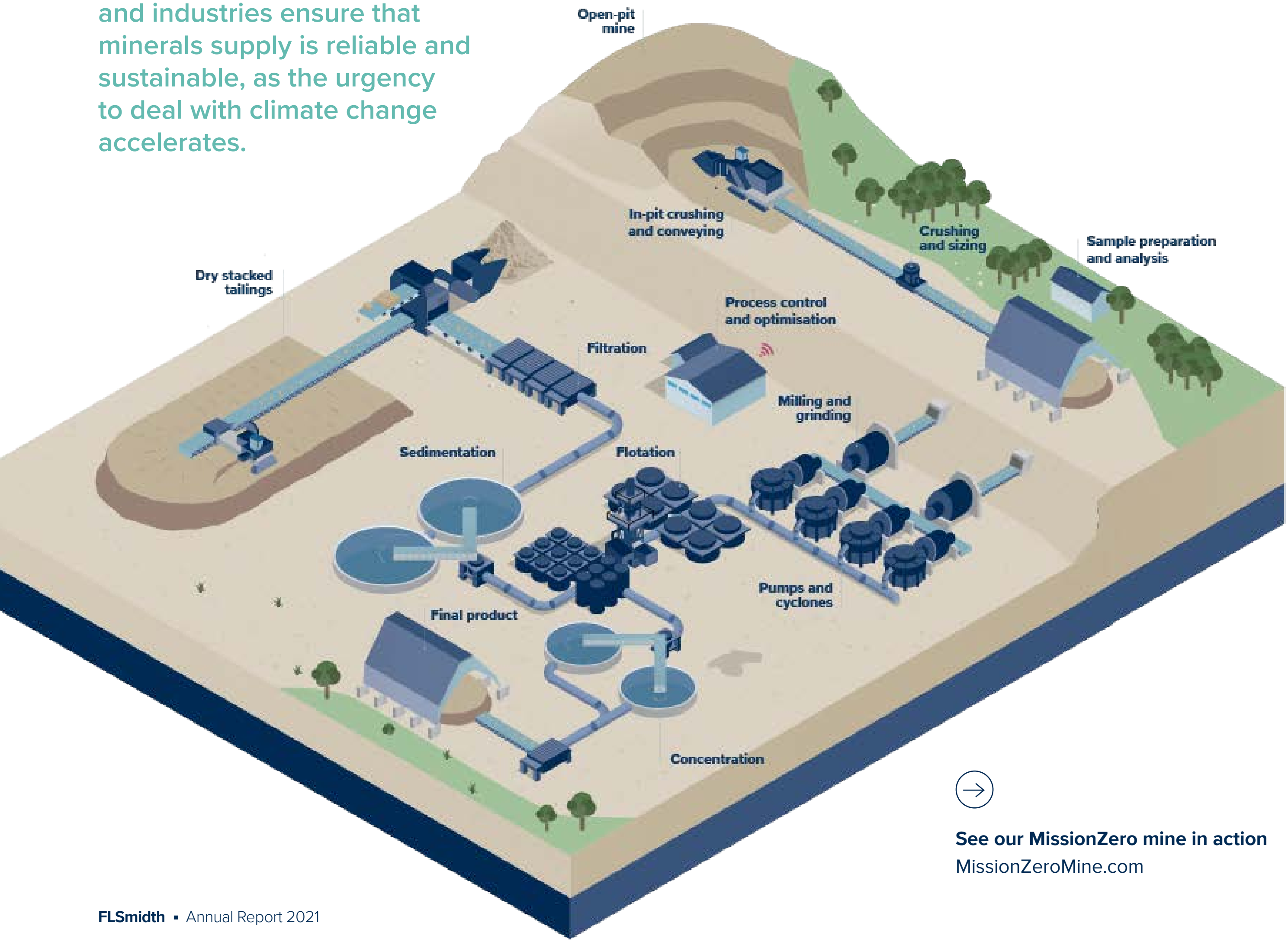
17.5% of OPEX

23.5% of CAPEX

INNOVATIONS IN MINING

THE MISSIONZERO MINE

Demand for minerals is expected to increase significantly. It is essential that governments and industries ensure that minerals supply is reliable and sustainable, as the urgency to deal with climate change accelerates.



Low Impact Grinding Circuit

This flowsheet area is of interest as dry grinding reduces overall plant water demand and can deliver power savings of 20-30% vs traditional SAG mill circuits. High-Pressure Grinding Rolls (HPGRs) or Vertical Roller Mills (VRM) technology can minimise environmental impact by replacing the traditional SAG and ball mills and deliver a 100% water-free comminution circuit.

See our MissionZero mine in action
MissionZeroMine.com

In-Pit Crushing and Conveying

Loading and hauling with diesel-fuelled mobile plants can be the single biggest source of greenhouse gas emissions from the mine. Our solutions allow crushing ore in the pit and substituting truck fleets with continuous material transportation on belt conveyors powered with electric drives.

Eco-Beneficiation

Improved recovery of coarse valuable particles allows for less fine grinding, which means energy input for grinding can be reduced by up to 30%, while overall flotation energy demand is reduced by up to 60%. CoarseAIR flotation technology delivers improved recovery at coarse grind sizes.

Water and Tailings Management

By employing thickeners and high-efficiency filter presses to remove the water from tailings waste, miners can eliminate the need for wet tailings dams. High-capacity filter presses, such as the AFP2525, that incorporate high-pressure and low-cycle times, handle entire plant throughput. Operators can expect an average of 90% availability and up to 95% recovery of process water.

Digital Optimisation

Digital technology is key to meeting the industry's goals of reducing environmental impact and improving productivity. For instance, FLSmidth's SiteConnect™ app allows our customers to monitor and provide real-time insights about the operation and performance of the plant assets from their mobile phones.

INNOVATIONS IN MINING

HIGH PRESSURE GRINDING ROLLS AND VERTICAL ROLLER MILLS

High Pressure Grinding Rolls (HPGRs) and Vertical Roller Mills (VRM) have proven to be the most efficient grinding tools available. They minimise the environmental impact and eliminate the traditional inefficiencies of horizontal grinding mills that produce a lot of random actions inside mills causing a lot of wasted energy. Both are dry grinding machines.

100%

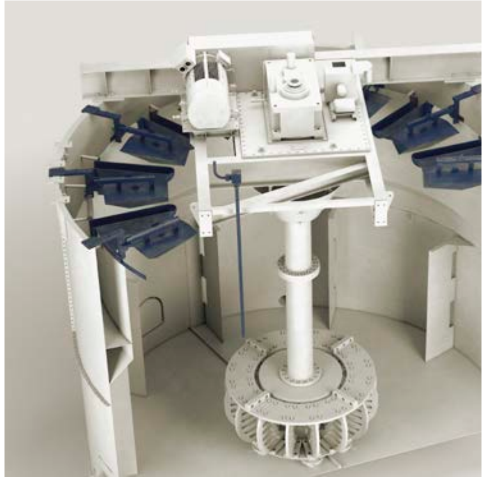
towards a zero water waste comminution circuit

LOADIQ – OPTIMAL MILL LOADING WITH SMART SENSOR TECHNOLOGY

Comminution (crushing, milling and grinding) accounts for over 30% of a mine's total energy consumption. Via smart sensor technology and machine learning, the digital solution LoadIQ can determine the optimum mill load and thereby increase throughput by 3-6%. This can help mines reduce power consumption, extend the life of wear parts and increase operational stability.

3-6%

increase in throughput



REFLUX™ FLOTATION CELL

Flotation systems consumes a high amount of energy. Processing efficiency forms the core of the REFLUX™ Flotation Cell (RFC™), a ground breaking technology that reduces plant footprint as well as water, air and energy requirements. The RFC™ reduces CAPEX by 35% and with no direct power input to the RFC™, this can help miners use up to 60% less energy in their flotations circuit. Improved kinetic efficiency also reduces the amount of water used in the recovery process.

60%

less energy use in a flotation circuit

AFP2525 AUTOMATIC FILTER PRESS

As ore grades decline, more water is needed to process more material just to keep up with production rates. This creates more water use and tailings to manage and a greater environmental impact. In a typical mine operating at over 21,000 tonnes a day, a filter installation will recover enough process water to fill six Olympic swimming pools every 24 hours. The AFP2525 Automatic Filter Press allow miners to recycle and reuse a significant amount water, as it achieves 93% availability and up to 95% recovery of process water.

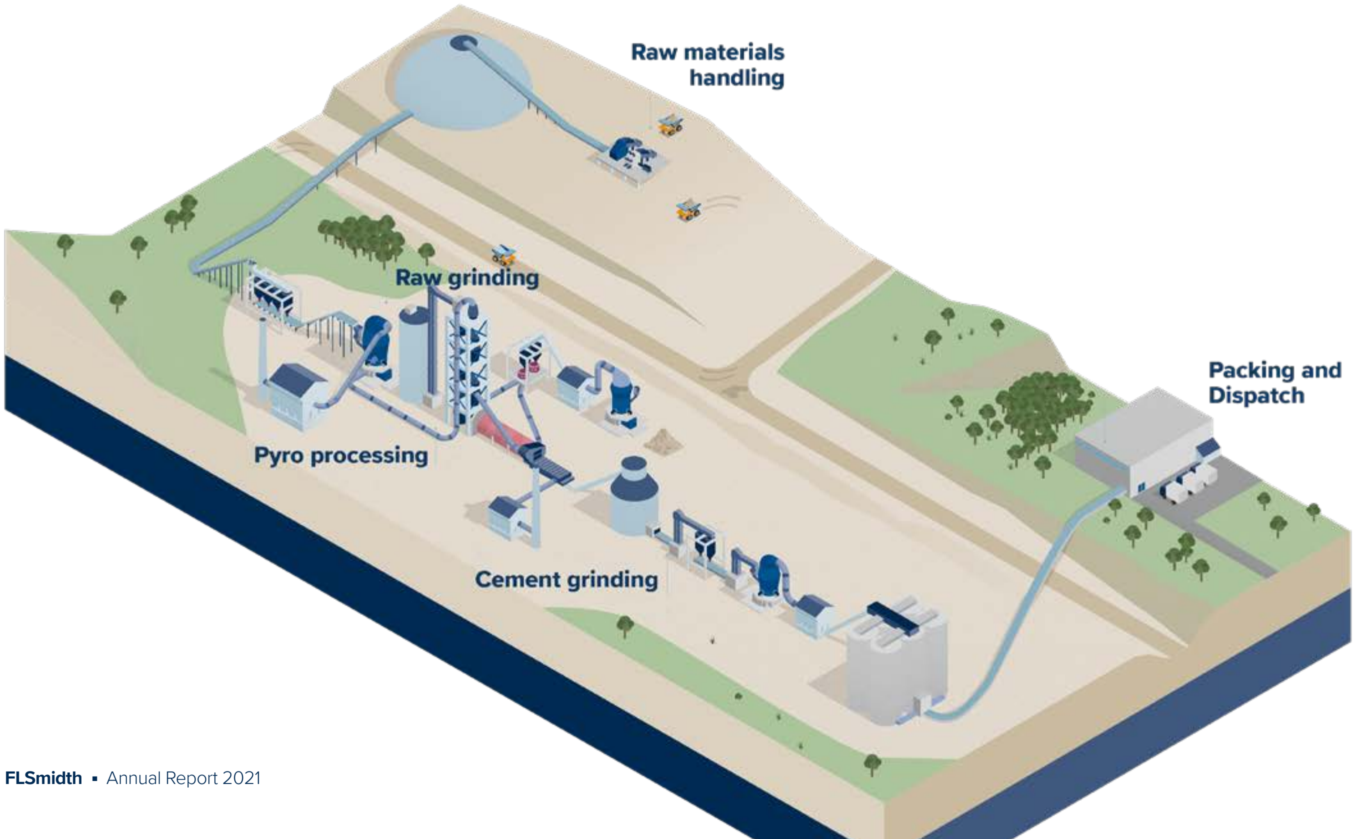
95%

recovery of process water

INNOVATIONS IN CEMENT

THE GREEN CEMENT PLANT

The production of cement accounts for 7-8% of global CO_2 emissions and demand for cement is expected to increase in line with increasing industrialisation. With MissionZero, we have made the promise to develop all the solutions needed to achieve zero emissions in the cement industry by 2030.



Clinker substitution – FLSmidth Clay Calcination System
Most of the CO_2 emissions coming from the cement processes occurs during the limestone calcination. With the new FLSmidth Clay Calciner System, cement producers can reduce emissions from the calcination process by up to 40%.

Unleashing Alternative Fuels – The HOTDISC
As the cement industry transitions away from carbon dioxide-intensive fuels such as coal, the introduction of waste-to-energy solutions are becoming increasingly attractive, both environmentally and financially. With its ability to handle a wide range of alternative fuels the HOTDISC is a flagship solution in our MissionZero programme.

Energy Efficient Grinding – OK Mill™ CO_2 reduction services
No stone is left unturned in the pursuit of MissionZero. The most recent initiative is a new 6-month sustainability service package that optimises the mill operation. This focuses on reducing power consumption, increasing the availability factor and optimising mill capacity. Basically, a sustainability overhaul with the purpose of minimising the environmental footprint of the OK Mill.

Enabling Carbon Capture – Joint-innovation with Carbon8 Systems
Carbon capture technology is essential in reaching our MissionZero goals of decarbonising cement production. Through new partnerships, we give customers access to solutions tailored to the cement industry. The proven and readily available Accelerated Carbonation Technology (ACT) enables the safe and permanent storage of captured CO_2 in products for the construction industry, while diverting bypass dust from landfill.

INNOVATIONS IN CEMENT

CARBON CAPTURE

The development of new carbon capture solutions is progressing rapidly. Through new industry partnerships, we provide customer access to solutions tailored to the cement industry offering a significant leap forward in our joint efforts to deliver on the sustainability ambitions for the industry.

The 2021 launch of Carbon8 Systems to cement customers is the result of such a partnership. The proven and readily available technology is set to accelerate the industry's efforts to decarbonise.

In 2021 we also announced a partnership with Chart Industries, which has developed a promising pilot phase cryogenic carbon capture technology.

ALTERNATIVE WASTE TO ENERGY SOLUTION

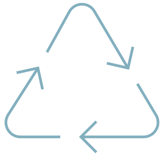
As the cement industry transitions away from carbon dioxide intensive fuels such as coal, the introduction of waste to energy solutions are becoming increasingly attractive environmentally and financially. Particularly in regions struggling with landfilling and waste management.

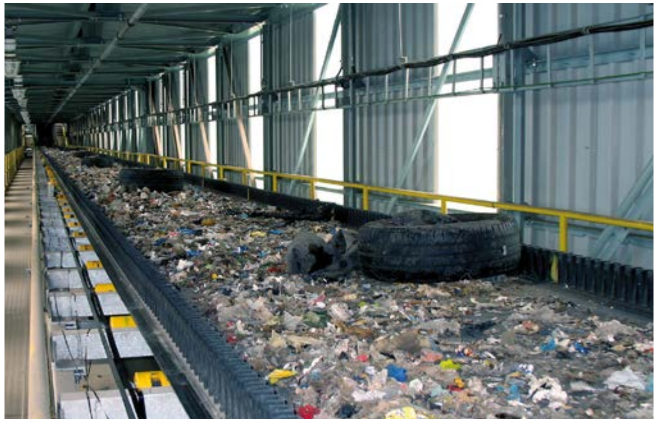
With its ability to handle a wide range of alternative fuels the HOTDISC is a flagship solution in our MissionZero programme. With a redesign it allows cement producers operating separate line calciners to install the HOTDISC beneath the calciner.

The new design was first tested at Ssangyong Cement's Donghae and Yeongwol plants in Korea with results surpassing expectations. The guarantee of 85% waste fuel replacement in the calciner with solid recovered fuel was exceeded at both sites' commissioning.

85%

minimum waste fuel replacement





CLAY CALCINATION SYSTEM

Most of the CO_2 emissions coming from the cement processes occurs during the limestone calcination. Clay is a widely available, naturally occurring mineral, which can be activated into a supplementary cementitious material and can replace 30% of calcined limestone.

With the new FLSmidth Clay Calciner System, cement producers can reduce emissions from the calcination process by up to 40% and get a cost effective, quality product that meets strength and colour standards all while reducing operating costs.

In June 2021, French cement producer, Vicat, was the first customer to order what will become Europe's first full scale clay calcination installation.

30%

replacement of calcinated limestone

FINANCIAL PERFORMANCE

In this section

QUARTERLY FINANCIAL PERFORMANCE

GROWTH

Group order intake increased 6% organically, driven by Mining. Both Mining and Cement order intake included a large project order. Service orders increased 20% driven by positive sentiment in the mining industry. Group revenue increased 19% organically, attributable to both Mining and Cement as well as both capital and service business.

Order intake

Order intake in Q4 2021 increased by 8% to DKK 5,084m, which is the highest fourth quarter level in several years. Currency effects had a 2% positive impact on order intake in the quarter.

Service order intake increased by 20% y-o-y, whereas capital order intake decreased by 3% y-o-y. Service represented 54% of total order intake, which is an increase compared to Q4 2020 where service represented 49% of total order intake.

The growth in order intake was entirely driven by Mining, which increased by 35% organically and represented 71% of total order intake. Q4 2021 includes a large Mining order for a gold project valued at around DKK 350m. Cement order intake decreased 31% organically compared to Q4 2020, which was an especially strong comparison quarter that included a large order valued at around DKK 750m. Q4 2021 included a large greenfield project order valued at around DKK 200m.

Order backlog and maturity

The order backlog was largely unchanged compared to prior quarter (Q3 2021: DKK 16,548m). 69% of the backlog is expected to be converted to revenue in 2022, mainly due to scheduled deliveries of large capital projects in Mining. 21% of the backlog is expected to be converted into revenue in 2023, and 10% in 2024 and beyond.

Revenue

Revenue increased by 21%, attributable to both Mining and Cement. Currency effects had a 2% positive impact on revenue in the quarter. Revenue growth was mainly driven by a 39% increase in capital revenue, reflecting a few large mining capital orders which started to convert into revenue. Revenue from capital orders represented 46% of total revenue compared to 40% in Q4 2020.

A better-than-expected execution was achieved in the fourth quarter, thanks to our previous efforts to establish strategic partnerships with our suppliers. This has allowed us to largely mitigate the global supply chain pressure as we have had the flexibility to switch between suppliers and use localised sourcing, resulting in a relatively low impact from the capacity constraints in global transportation.

Group – continued activities

(DKKm)	Q4 2021	Q4 2020	Change	2021	2020	Change
Order intake (gross)	**5,084**	**4,695**	**8%**	**19,233**	**18,524**	**4%**
- Hereof service order intake	2,770	2,316	20%	11,162	9,822	14%
- Hereof capital order intake	2,314	2,379	-3%	8,071	8,702	-7%
Order backlog	**16,592**	**14,874**	**12%**	**16,592**	**14,874**	**12%**
Revenue	**5,135**	**4,236**	**21%**	**17,581**	**16,441**	**7%**
- Hereof service revenue	2,796	2,552	10%	10,094	9,884	2%
- Hereof capital revenue	2,339	1,684	39%	7,487	6,557	14%
Gross profit	**1,151**	**1,022**	**13%**	**4,180**	**3,865**	**8%**
Gross profit margin	22.4%	24.1%		23.8%	23.5%	
SG&A cost	**(714)**	**(685)**	**4%**	**(2,779)**	**(2,731)**	**2%**
SG&A ratio	13.9%	16.2%		15.8%	16.6%	
EBITA	**338**	**235**	**44%**	**1,030**	**771**	**34%**
EBITA margin	6.6%	5.5%		5.9%	4.7%	
EBIT	**239**	**145**	**65%**	**668**	**428**	**56%**
EBIT margin	4.7%	3.4%		3.8%	2.6%	
Number of employees	10,117	10,639	-5%	10,117	10,639	-5%

Growth in order intake in Q4 2021 (vs. Q4 2020)

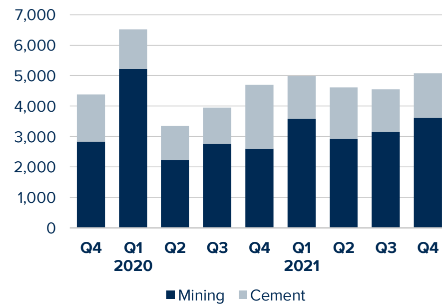
	Mining	Cement	FLSmidth Group
Organic	35%	-31%	6%
Acquisition	0%	0%	0%
Currency	3%	2%	2%
Total growth	**38%**	**-29%**	**8%**

Growth in revenue in Q4 2021 (vs. Q4 2020)

	Mining	Cement	FLSmidth Group
Organic	19%	21%	19%
Acquisition	0%	0%	0%
Currency	2%	1%	2%
Total growth	**21%**	**22%**	**21%**

Order intake

DKKm



PROFIT

Gross profit increased as a result of the higher level of revenue. Gross margin declined due to a higher share of capital revenue. Group EBITA increased by 44% compared to Q4 2020, and the corresponding EBITA margin increased to 6.6% from 5.5%.

Gross profit and margin

Gross profit increased by 13%, as a result of the higher revenue. Gross margin, however, declined to 22.4% primarily due to the increased share of capital revenue.

In Q4 2021, total research and development costs (R&D) represented 1.6% of revenue (Q4 2020: 2.7%). R&D costs in Q4 was related to several projects, including new and improved sustainable and digital cement and mining technologies as well as a range of new mining products and upgrades to improve productivity and safety. In addition, project-financed developments are taking place in cooperation with customers.

Research & development costs

(DKKm)	Q4 2021	Q4 2020
Production costs	43	48
Capitalised	40	67
Total R&D	83	115

SG&A costs

Sales, general and administrative costs (SG&A) and other operating items increased by 4% y-o-y. As the increase in revenue was relatively higher, the SG&A ratio decreased 2.3%-points to 13.9%.

Sales cost and administrative cost increased compared to Q4 2020. The increase in administrative cost mainly related to the pending acquisition of thyssenkrupp's Mining business at DKK 37m for the quarter. Other operating items were positively impacted by gains on a sale of a building in Germany.

EBITA and margin

EBITA increased by 44% attributable to the increased gross profit. Impact from increased special non-recurring expenses was offset by a lower level of depreciations for the quarter.

The EBITA margin increased to 6.6%, the highest quarterly EBITA margin since the beginning of the pandemic. Cement continued the positive development from Q3 2021 with a positive EBITA in Q4 2021. Adjusted for the costs related to the acquisition of thyssenkrupp's Mining business the EBITA margin was 7.3%.

Amortisation of intangible assets amounted to DKK 99m (Q4 2020: DKK 90m). The effect of purchase price allocations amounted to DKK 23m (Q4 2020: DKK 24m) and other amortisation to DKK 76m (Q4 2020: DKK 66m).

Earnings before interest and tax (EBIT) increased 65% to DKK 239m.

Financial items

Net financial items amounted to DKK -2m (Q4 2020: DKK 6m), all of which was explained by foreign exchange and fair value adjustments. Net interest was zero for the quarter (Q4 2020: DKK -12m).

Tax

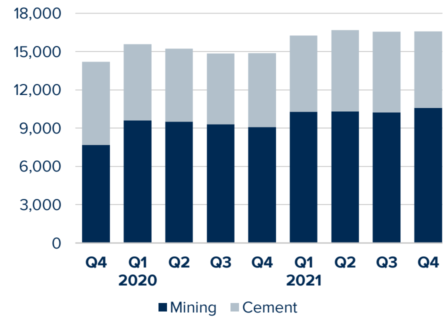
Tax in Q4 2021 totalled DKK -77m (Q4 2020: DKK -65m), corresponding to an effective tax rate of 32.5% (Q4 2020: 43.6%). Tax in Q4 2021 was positively affected by an adjustment to prior year. The effective tax in Q4 2020 was adversely impacted by impairments to deferred tax assets in Denmark.

Profit for the period

As a result of the increase in EBIT, profit for the period increased by 106% to DKK 161m (Q4 2020: DKK 78m). Discontinued activities had next to no impact on profit and loss in Q4 2021.

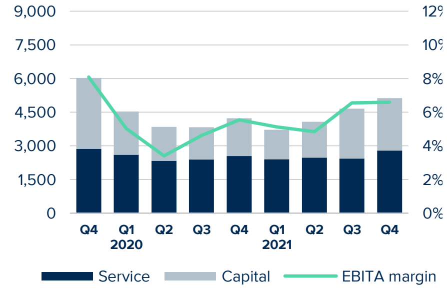
Backlog

DKKm



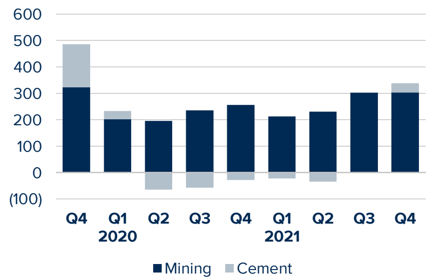
Revenue & EBITA margin

DKKm EBITA%



EBITA

DKKm



CAPITAL

Net working capital decreased to DKK 1,058m and the net working capital ratio declined to 6.0%. Strong cash flow from operations reached DKK 849m, driven by an increase in EBITDA and a positive contribution from net working capital.

Net working capital

Net working capital decreased to DKK 1,058m in Q4 2021, which is the lowest level in several years. This reduction was a result of an increase in prepayments from customers and a reduction in net work in progress. The corresponding net working capital ratio declined from 10.4% of revenue in Q3 2021 to 6.0% of revenue in Q4 2021.

Driven by a higher activity level, the utilisation of supply chain financing increased in line with previous quarters to DKK 490m (see note 3.6).

Cash flow from operations

Cash flow from operations (CFFO) in Q4 2021 reached DKK 849m, driven by an increase in EBITDA and a positive contribution from net working capital.

Discontinued activities impacted CFFO by DKK -18m in Q4 2021 (Q4 2020: DKK -32m) due to the timing difference between cash paid and cash received related to net working capital and provision balances (see note 2.11).

Cash flow effect from provisions was DKK 30m in Q4 2021 (Q4 2020: DKK 66m). The change related to recognition of additional uncertainties in the execution of the project portfolio. The impact on provisions from discontinued activities was DKK -17m in Q4.

Cash flow from investments

Cash flow from investing activities amounted to DKK -97m (Q4 2020: DKK -97m), which included disposals of property, plant and equipment of DKK 28m.

Free cash flow

Free cash flow increased DKK 752m in the quarter (Q4 2020: DKK 232m) as a result of the improved net working capital.

Net interest-bearing debt

Due to the strong free cash flow, net interest-bearing debt (NIBD) improved further from DKK 16m at the end of Q3 2021 to DKK 889m at the end of Q4 2021.

Financial gearing was -0.6x, which is well below our internal long-term capital structure target to stay below two times NIBD to EBITDA.

Financial position

By the end of 2021, FLSmidth had DKK 6.8bn of available committed credit facilities of which DKK 6.1bn was undrawn. The committed credit facilities have a weighted average time to maturity of 4.3 years. DKK 1.6bn of credit facilities will mature in 2023 and the majority, DKK 5.0bn, will mature in 2027. The remaining DKK 0.2bn matures in later years.

In addition, FLSmidth has a credit facility commitment specifically for the purpose of funding the acquisition of thyssenkrupp's Mining business, in combination with the proceeds from the completed issue of new shares.

Equity ratio

Equity at the end of Q4 2021 increased to DKK 10,368m (end of Q3 2021: DKK 9,983m), driven by the increase in profit and currency adjustments regarding translation of entities. The primary contributor to the positive translation effect was USD, CNY and AUD.

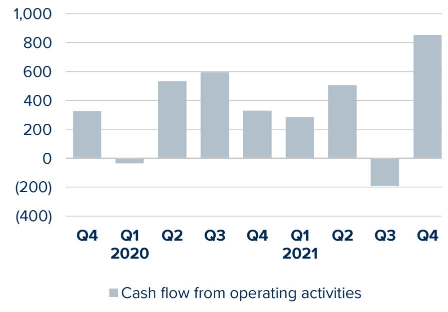
The equity ratio was 45.0% (end of Q3 2021: 45.6%), well above the long-term capital structure target of minimum 30%.

Group Executive Management

In November 2021, it was announced that the Mining Industry President, Mikko Keto, would succeed Thomas Schulz as FLSmidth's Group CEO effective 1 January 2022. In response to the growing size of the Mining business that will result from the thyssenkrupp Mining integration, the Mining President position has been merged with the Group CEO role.

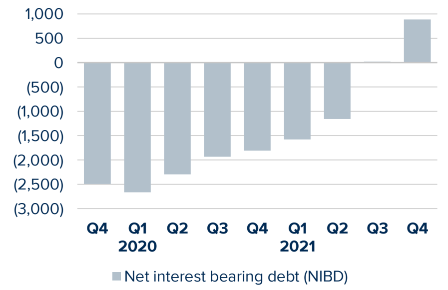
Cash flow

DKKm



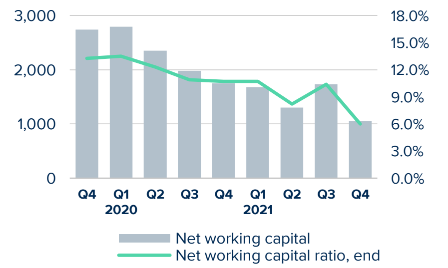
Net interest-bearing debt

DKKm



Net working capital

DKKm NWC%



ANNUAL FINANCIAL PERFORMANCE

GROWTH

Organic order intake exceeded prior year by 5%, with growth in both Mining and Cement. Despite challenging market conditions, we have delivered a solid performance in 2021 with revenue growth of 7%.

Order intake

Order intake grew 5% organically in 2021, as a result of an easing pandemic impact and improved site access compared to 2020. Currency effects had a 1% negative impact on order intake in the year.

Mining and Cement contributed equally to the order intake growth, with service being the driving factor. Service order intake increased by 14%, whereas capital orders decreased by 7%. Service accounted for 58% of the order intake.

Mining order intake increased by 4% in 2021, driven by a 12% increase in service order intake, partly offset by a 6% decrease in capital order intake. This year included four large Mining capital orders with a combined value of around DKK 950m, whereas the comparison period included three large orders with a combined value of around DKK 2.4bn.

Cement order intake increased 4%, driven by an 18% increase in service order intake, partly offset by a 10% decrease in capital order intake.

Growth in order intake in 2021 (vs. 2020)

	Mining	Cement	FLSmidth Group
Organic	5%	6%	5%
Acquisition	0%	0%	0%
Currency	-1%	-2%	-1%
Total growth	**4%**	**4%**	**4%**

Order backlog and maturity

In 2021, the order backlog increased by 12%, comprising a 17% increase in Mining and a 4% increase in Cement. The book-to-bill was 109%, supported by large orders with maturity in subsequent years.

Revenue

2021 has seen challenging market conditions due to the pandemic and the global supply chain crisis. Handling this has however become an integrated part of how we do business. By leveraging our flexible supply chain coupled with easing pandemic restrictions during the second half of 2021, full year 2021 organic revenue increased by 8%. The increase was driven mostly by Mining. Currency effects had a 1% negative impact on revenue in the year.

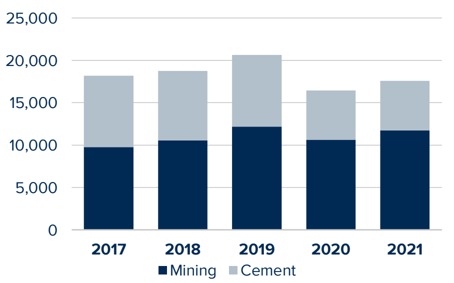
Revenue from capital orders increased 14%, primarily driven by Mining capital revenue which increased 21%. Service revenue increased by 2%, reflecting the challenging market conditions especially in the beginning of 2021 where restricted access to customer sites and lockdowns challenged order execution. Service revenue accounted for 57% of total revenue, compared to 60% in 2020.

Growth in revenue in 2021 (vs. 2020)

	Mining	Cement	FLSmidth Group
Organic	11%	3%	8%
Acquisition	0%	0%	0%
Currency	-1%	-2%	-1%
Total growth	**10%**	**1%**	**7%**

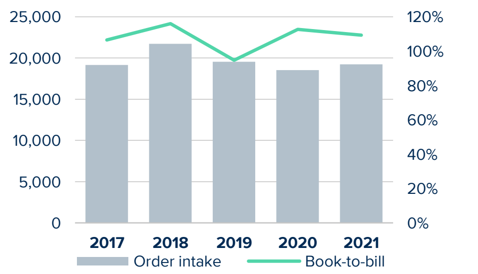
Mining and Cement revenue

DKKm



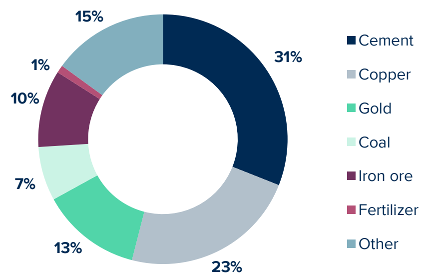
Order intake and book-to-bill

DKKm %



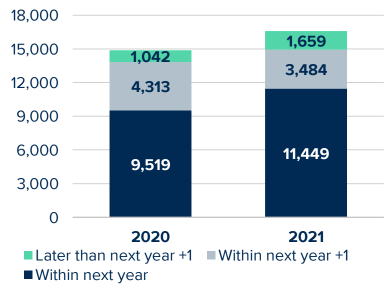
Order intake by commodity

%



Backlog maturity

DKKm



PROFIT

Gross profit increased by 8% and EBITA increased by 34% as a result of higher revenue and operating leverage. The EBITA margin improved to 5.9%, with improvements in both Mining and Cement.

Gross profit and margin

Gross profit increased by 8% in 2021, due to the increase in revenue. During the year, we have successfully managed the increased pressure on raw materials input costs and freight costs through close collaboration with our suppliers and customers. Gross margin increased 0.3%-points to 23.8%. The positive development was in spite of the low gross margin in Q4 and the higher full year share of capital revenue that has a lower profitability.

Research and development costs included in production cost were largely unchanged. The R&D costs 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)	2021	2020
Production costs	152	160
Capitalised	142	150
Total R&D	294	310

SG&A costs

Sales, general and administrative costs and other operating items increased by 2% in 2021. The small increase in SG&A was due to positive impact from our business improvement programme in 2020, partly offset by an increase in administration cost due to the pending acquisition of thyssenkrupp's Mining business of DKK 107m. The corresponding SG&A ratio decreased by 0.8%-points to 15.8%.

Cement reshaping

In addition to the previously implemented business improvement programme, we took additional steps during the year to simplify our Cement business.

EBITA and margin

EBITA increased by 34% as a result of the combined effect from the increased gross profit, limited increase in SG&A costs as well as increased special non-recurring items offset by reduced depreciation. The corresponding EBITA margin increased to 5.9% from 4.7%. Adjusted for the costs related to the acquisition of thyssenkrupp's Mining business the EBITA margin was 6.5%.

Cement was slightly loss-making for the full year, whereas profitability in Mining was solid considering the global market conditions throughout 2021. In the second half of 2021, Cement returned to positive EBITA for the first time since early 2020, driven by higher revenue, lower costs related to the reshaping of Cement as well as improvements from already executed reshaping activities.

Financial items

Net financial items amounted to a cost of DKK -81m (2020: DKK -47m), of which net interest cost including interest from leasing amounted to DKK -60m (2020: DKK -59m) and foreign exchange and fair value adjustments accounted for the remaining cost.

Tax

The effective tax rate for the year was 36.3%, a decrease of 4.4%-points compared to prior year. The effective tax rate in 2020 was negatively affected by an adjustment to prior years. Reduced tax credits on withholding taxes and an increase in the profit before tax derived from countries with higher base corporate tax rate as well as non-deductible tk transaction costs causes the effective tax rate to be relatively high.

Profit for the year

Profit for the year increased 74% to DKK 357m as a result of the solid revenue performance and EBITA margin.

Loss from discontinued activities was reduced by 19% to DKK -17m. The cost in discontinued activities relate to wind-down legacy projects in our non-mining bulk material handling business. The projects were from a revenue perspective completed at year-end 2018. Subsequent handling of claims and collection of receivables is ongoing (refer to note 2.11).

Earnings per share

As a result of the higher profit, earnings per share increased from DKK 4.2 per share in 2020 to DKK 6.9 in 2021.

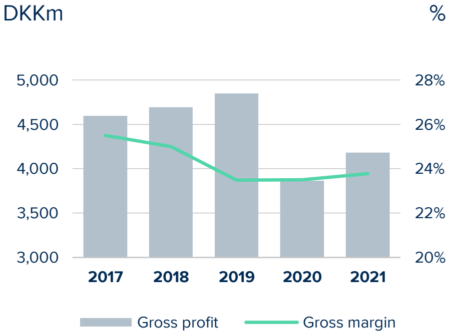
Employees

The number of employees decreased by 522 to 10,117 at the end of 2021. The main reduction was in Q1 2021 where the number of employees were reduced by 450 due to a phase-out of a Cement operation and maintenance contract.

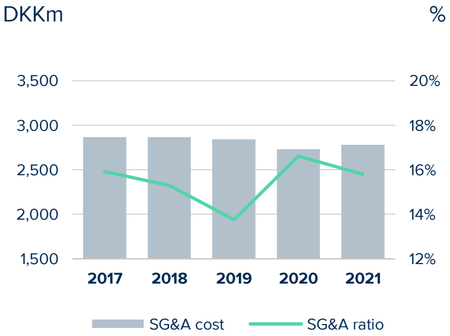
Return on capital employed

Return on capital employed (ROCE) increased to 7.2% (2020: 5.1%) as a result of the higher EBITA and reduced net working capital for the year.

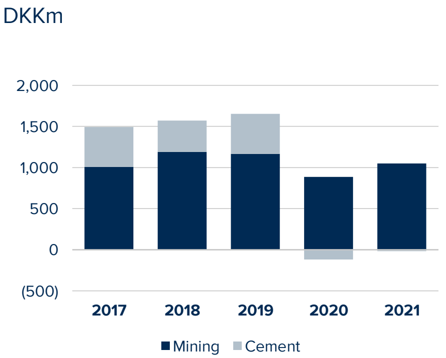
Gross profit and Gross margin



SG&A cost and SG&A ratio



EBITA by Mining and Cement



CAPITAL

A strong cash focus led to a significant reduction in net working capital and net debt. As a result of the completed issue of new shares, financial gearing decreased to -0.6x from 1.6x in 2020.

Balance sheet

Total assets increased by DKK 2.6bn. Mainly due to the issue of shares our cash balances had increased by DKK 1.0bn to DKK 1.9bn as of 31 December 2021. High prepayments to subcontractors used for new projects as well as trade receivables increase from high activity level in Q4 2021 also led to the increase in current assets.

Assets and liabilities held for sale at the end of 2020 have been sold in the beginning of 2021.

Capital employed

Average capital employed decreased to DKK 14,384m (2020: DKK 15,195m) as a result of the decrease in working capital.

At the end of 2021, capital employed amounted to DKK 14,248m, consisting primarily of intangible assets of DKK 10,882m, which is mostly goodwill as well as patents and rights and customer relations. Property, plant and equipment including lease assets were largely unchanged and net working capital declined to DKK 1,058m by the end of 2021.

Net working capital

Net working capital decreased by DKK 694m at the end of 2021 to DKK 1,058m. Cash focus in general contributed to the lower level of net working capital. The reduction at year end related to prepayments from customers which have increased due to higher activity and from prepayments on new projects. Increased activity also led to higher trade receivables that were partly offset by net work in progress liabilities. Currency effect on net working capital was DKK 14m.

Supply chain financing

Utilisation of supply chain financing has increased during 2021, driven by a higher level of activity. Consequently, the supply chain financing programme amounted to DKK 490m at the end of 2021 (2020: DKK 273m).

Net interest-bearing debt

As a result of the completed issue of new shares in Q3 2021, raising proceeds of DKK 1,4bn, net interest-bearing debt turned to net asset. At the end of 2021 net interest-bearing debt has further improved to a net asset of DKK 889m due to the strong free cash flow. Excluding the effect from the issue of shares NIBD was improved by DKK 1.3bn for the year, from DKK -1,808m at 31 December 2020 to DKK -545m.

Financial gearing (NIBD/EBITDA) was -0.6x (end of 2020: 1.6x). Compared to last year, excluding the effect from the issue of shares the financial gearing improved to 0.4x.

Equity

Equity increased by DKK 2.2bn mainly related to the issue of new shares and the improved profit for the year. Currency adjustments regarding translation of foreign entities added to the equity as well. The equity ratio was 45.0% (2020: 39.7%), well above the long-term capital structure target of minimum 30%. Adjusted for the issue of new shares, the equity ratio was 38.8%.

Treasury shares

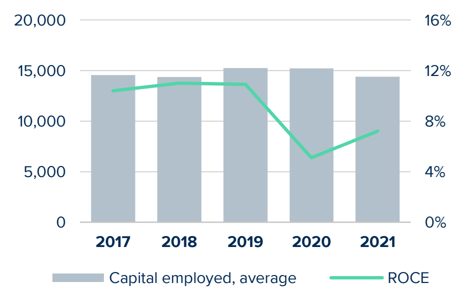
The holding of treasury shares was 924,568 shares at the end of 2021 (2020: 1,097,718 shares), representing 1.6% of the total share capital (2020: 2.1%). Adjusted for the issue of new shares treasury shares represented 1.8% of the total share capital. Treasury shares are used to hedge our share-based 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 48%, will be distributed for 2021. The total dividend proposed amounts to DKK 173m.

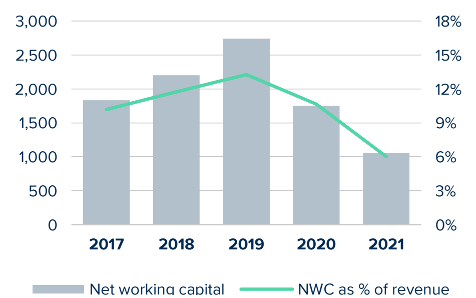
Return on capital employed

DKKm %



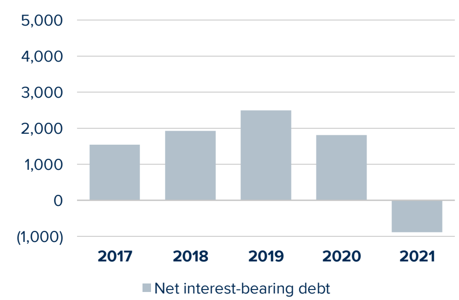
Net working capital

DKKm %



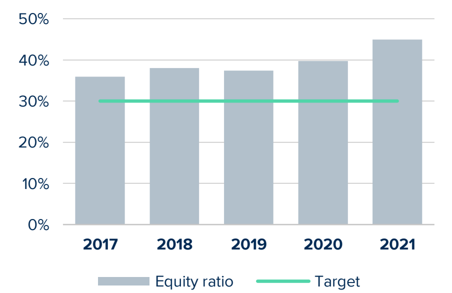
Net interest-bearing debt

DKKm



Equity ratio and target

%



Cash flow from operating activities
Cash flow from operating activities (CFFO) was largely unchanged compared to 2020. Cash inflow from the higher adjusted EBITDA and the improved net working capital was spent on tax payments leaving the CFFO largely unchanged compared to last year. CFFO was negatively impacted by discontinued activities of DKK -188m primarily relating to upfront payment of an unsubstantiated claim, see note 2.11.

Cash flow from investing activities
Cash flow from investing activities (CFFI) amounted to DKK -273m in 2021 (2020: DKK -376m). Acquisition and disposal of enterprises and activities had nearly no impact in 2021 contrary to the past four years with the acquisition of Sandvik Mining Systems, IMP Automation Group and Knowledge-Scape as well as divestments in the Cement business.

Free cash flow
Free cash flow increased to DKK 1,176m (2020: DKK 1,045m) as a result of the slightly higher cash flow from operating activities and the slightly lower level of investments.

Cash flow from financing activities
Cash flow from financing activities was DKK -276m (2020: DKK -956m), a result of significant repayment of debt and payment of dividend primarily offset by the cash inflow from issue of new shares of DKK 1.4bn.

Cash position
As a consequence of the issue of new shares cash and cash equivalents increased by DKK 1.0bn to DKK 1.9bn.

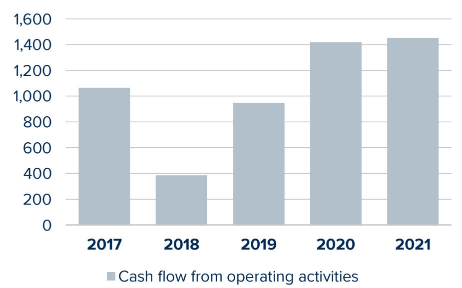
Restricted cash
Cash and cash equivalents included cash with currency restrictions amounting to DKK 868m (2020: DKK 781m). The increase in restricted cash compared to 2020 related mainly to India and South Africa. The cash and cash equivalents with currency restrictions were primarily related to bank deposits located in countries with currency restrictions. The deposits are part of local daily cash management in countries where we have operating activities.

Acquisitions
On 29 July, FLSmidth and thyssenkrupp Industrial Solutions AG reached an agreement that FLSmidth will acquire thyssenkrupp's Mining business (tk Mining). Closing of the transaction is expected in H2 2022 and is subject to customary approvals from relevant authorities.

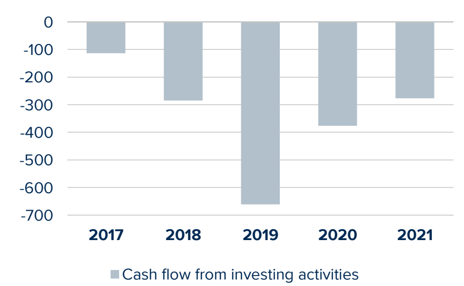
On 6 September, it was announced that thyssenkrupp's mining activities in India are excluded from the final transaction. Consequently, the total consideration (enterprise value) for tk Mining will be reduced by EUR 45 million (approximately DKK 335 million) to EUR 280 million (approximately DKK 2.1 billion). FLSmidth already has a strong presence in India and the tk Mining activities in India are not strategically important for the transaction. The exclusion of the tk Mining activities in India will not affect the transfer of tk Mining's key IP and technologies to FLSmidth as part of the overall transaction. The exclusion of the tk Mining activities in India has no impact on the expected synergies and integration costs.

The acquisition of tk Mining is a transformational deal which will add around 50% to FLSmidth's Mining revenue and create one of the world's largest and strongest suppliers to the mining industry. Funding of the acquisition has been secured through a combination of debt facilities and proceeds from the issue of new shares which was completed on 10 September 2021.

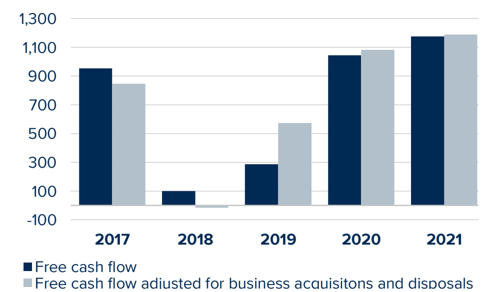
CFFO
DKKm



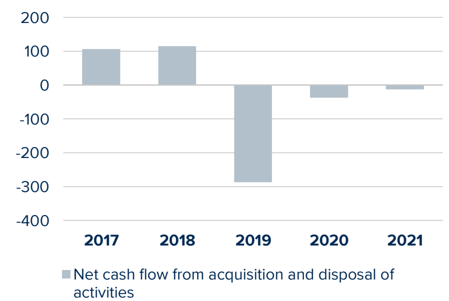
CFFI
DKKm



Free cash flow
DKKm



Net cash flow from business acquisitions and disposals
DKKm



MINING

Financial performance in Q4 2021

Mining order intake grew organically 35% compared to Q4 2020. Including currency effects, the order intake in Q4 2020 increased by 38%. This was driven by a 52% increase in capital orders and a 29% increase in service orders. The increase in order intake reflects a continuing improvement in activity levels and positive market sentiment, compared to Q4 2020, which was significantly impacted by the pandemic. Q4 2021 included a large announced order for a gold project in Russia valued at around DKK 350m, whereas no large orders were announced in Q4 2020.

During the quarter, service orders and capital orders represented 55% and 45% of Mining order intake, respectively.

Revenue increased 19% organically and by 21% including currency effects. Capital revenue increased by 48% and accounted for 85% of the share of revenue growth. This was driven by the higher backlog and largely stable market conditions compared to Q3 2021 in terms of site access and order execution ability. Service revenue increased by 5%, also supported by the largely stable market conditions. Q4 2021 service revenue is nearly on par with averagely quarterly revenue prior to the pandemic.

Gross profit, before allocation of shared cost increased by 16%. The corresponding gross margin decreased to 24.1% due to the higher share of capital revenue, slightly higher logistic costs and impairments of inventory. EBITA increased by 18% as a result of the higher revenue, and despite the lower share of service revenue in the quarter. The corresponding EBITA margin decreased by 0.2%-point to 9.1%. EBITA was impacted by costs related to the acquisition of thyssenkrupp Mining of DKK 37m. Adjusted for these costs, the EBITA margin was 10.2%.

Financial performance in 2021

Mining order intake grew 5% organically, despite the strong comparison period which includes three large capital orders with a combined value of around DKK 2.4bn in Q1 2020. 2021 order intake includes four large orders in the Middle East, Chile, Argentina and Russia with a combined value around DKK 950m. Service orders and capital orders accounted for 54% and 46% of Mining order intake. During the year, currency had a 1% negative impact on order intake. Based on a book-to-bill of 113%, the Mining order backlog increased by 17% to DKK 10,599m.

Revenue increased 11% organically with service revenue and capital revenue increasing by 4% and 21%, respectively. EBITA increased by 18% to DKK 1,049m and the corresponding EBITA margin increased by 0.6%-point owing to an improved gross margin and operating leverage from the increase in revenue. EBITA included costs related to the acquisition of thyssenkrupp Mining of DKK 107m. Adjusted for these costs the EBITA margin was 9.9%.

Mining

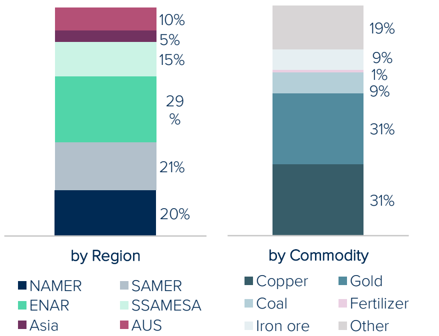
(DKKm)	Q4 2021	Q4 2020	Change	2021	2020	Change
Order intake (gross)	**3,611**	**2,608**	**38%**	**13,281**	**12,811**	**4%**
- Hereof service order intake	1,978	1,535	29%	7,705	6,888	12%
- Hereof capital order intake	1,633	1,073	52%	5,576	5,923	-6%
Order backlog	**10,599**	**9,085**	**17%**	**10,599**	**9,085**	**17%**
Revenue	**3,321**	**2,749**	**21%**	**11,715**	**10,620**	**10%**
- Hereof service revenue	1,817	1,734	5%	6,940	6,676	4%
- Hereof capital revenue	1,504	1,015	48%	4,775	3,944	21%
Gross profit before allocation of shared cost	**801**	**689**	**16%**	**3,004**	**2,688**	**12%**
Gross profit margin before allocation of shared cost	24.1%	25.1%		25.6%	25.3%	
EBITA before allocation of shared cost	**562**	**452**	**24%**	**1,881**	**1,710**	**10%**
EBITA margin before allocation of shared cost	16.9%	16.4%		16.1%	16.1%	
EBITA	**303**	**256**	**18%**	**1,049**	**888**	**18%**
EBITA margin	9.1%	9.3%		9.0%	8.4%	
EBIT	**238**	**199**	**20%**	**802**	**655**	**22%**
EBIT margin	7.2%	7.2%		6.8%	6.2%	
Number of employees	5,351	5,176	3%	5,351	5,176	3%

Growth in order intake and revenue in Q4 2021 (vs. Q4 2020)

	Order intake	Revenue
Organic	35%	19%
Acquisition	0%	0%
Currency	3%	2%
Total growth	**38%**	**21%**

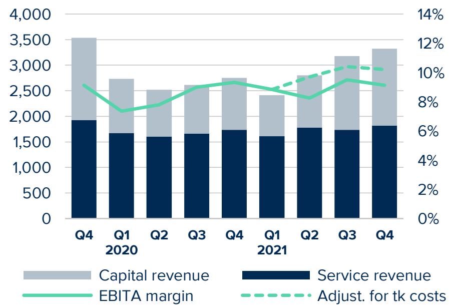
Q4 order intake split by Region and Commodity

%



Revenue and EBITA margin

DKKm EBITA %



CEMENT

Financial performance in Q4 2021

Cement order intake in Q4 2021 decreased by 31% organically. Including currency effects, the order intake in Q4 2021 decreased by 29%, mainly explained by a 48% decrease in capital orders. Q4 2020 included a large capital order valued at around DKK 750m. Service order intake increased 2% reflecting largely unchanged market conditions compared to Q4 2020. Service orders and capital orders represented 54% and 46% of cement order intake, respectively.

Revenue increased by 21% organically and by 22% including currency effects, driven by execution on capital orders and increased demand for service. Service accounted for 54% of revenue in Q4 2021 compared to 47% in Q3 2021.

Gross profit, before allocation of shared cost, increased by 10%, despite a largely unchanged service revenue share. Gross profit before allocation of shared cost as well as the corresponding gross margin was negatively impacted by discontinuation of an operational and maintenance contract in Egypt and lower margin in upgrade and retrofit business.

EBITA in Cement amounted to DKK 35m in Q4 2021 driven by the higher revenue, and improvements from already executed reshaping activities.

Cement

(DKKm)	Q4 2021	Q4 2020	Change	2021	2020	Change
Order intake (gross)	**1,473**	**2,087**	**-29%**	**5,952**	**5,713**	**4%**
- Hereof service order intake	792	780	2%	3,457	2,934	18%
- Hereof capital order intake	681	1,307	-48%	2,495	2,779	-10%
Order backlog	**5,993**	**5,789**	**4%**	**5,993**	**5,789**	**4%**
Revenue	**1,814**	**1,487**	**22%**	**5,866**	**5,821**	**1%**
- Hereof service revenue	979	818	20%	3,154	3,208	-2%
- Hereof capital revenue	835	669	25%	2,712	2,613	4%
Gross profit before allocation of shared cost	**383**	**347**	**10%**	**1,281**	**1,255**	**2%**
Gross profit margin before allocation of shared cost	21.1%	23.3%		21.8%	21.6%	
EBITA before allocation of shared cost	**188**	**144**	**31%**	**502**	**515**	**-3%**
EBITA margin before allocation of shared cost	10.4%	9.7%		8.6%	8.8%	
EBITA	**35**	**(28)**	**225%**	**(19)**	**(118)**	**84%**
EBITA margin	1.9%	-1.9%		-0.3%	-2.0%	
EBIT	**1**	**(61)**	**102%**	**(134)**	**(228)**	**41%**
EBIT margin	0.1%	-4.1%		-2.3%	-3.9%	
Number of employees	3,405	4,118	-17%	3,405	4,118	-17%

Financial performance in 2021

Cement order intake grew organically by 6% to DKK 5,952m, driven by an 18% increase in service orders. This reflects a strong development considering the challenging market circumstances, and an increasing demand for green solutions. 2021 includes two large orders in France and India with a combined value of DKK 400m plus a series of small to medium-sized sustainability-related orders. Service orders and capital orders accounted for 58% and 42% of Cement order intake. Order backlog increased by 4% to DKK 5,993m.

Revenue increased by 3% organically, and by 1% including currency effects. Service revenue declined by 2% and capital revenue increased by 4%. The first half of the year was impacted by a low backlog and site restrictions. Conditions gradually improved during the year with easing pandemic impact and increased site access, supporting improved performance in the second half of 2021.

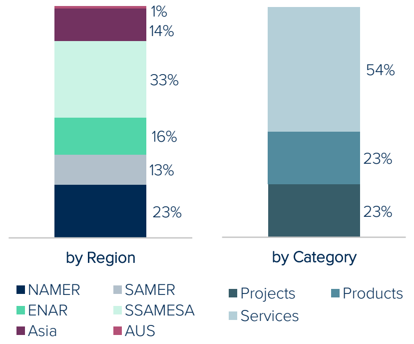
EBITA improved compared to prior year but remained slightly loss making for full year 2021. This reflects the largely flat revenue development and Cement reshaping activities during the year. The corresponding EBITA margin was -0.3% compared to -2.0% in prior year.

Growth in order intake and revenue in Q4 2021 (vs. Q4 2020)

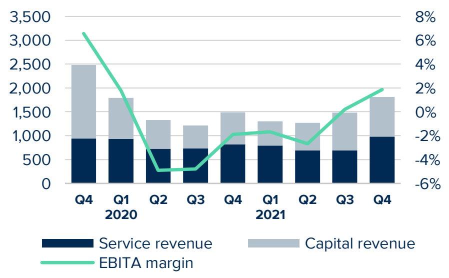
	Order intake	Revenue
Organic	-31%	21%
Acquisition	0%	0%
Currency	2%	1%
Total growth	**-29%**	**22%**

Q4 order intake split by Region and Category

%



Revenue and EBITA margin



GOVERNANCE

In this section

RISK MANAGEMENT

The 2021 risk review revealed changes to the company's top 10 risks compared to 2020. 'Supply chain' was the top risk derived from the post-pandemic surge in demand and subsequent global supply chains bottlenecks.

Risk management framework

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

The Board of Directors has the overall responsibility for deciding the Group's risk appetite and reviews the Group's top risks and key mitigation strategies annually.

2021 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. The top risks - supply chain, cybersecurity, compliance and geopolitical - were all different from 2020.

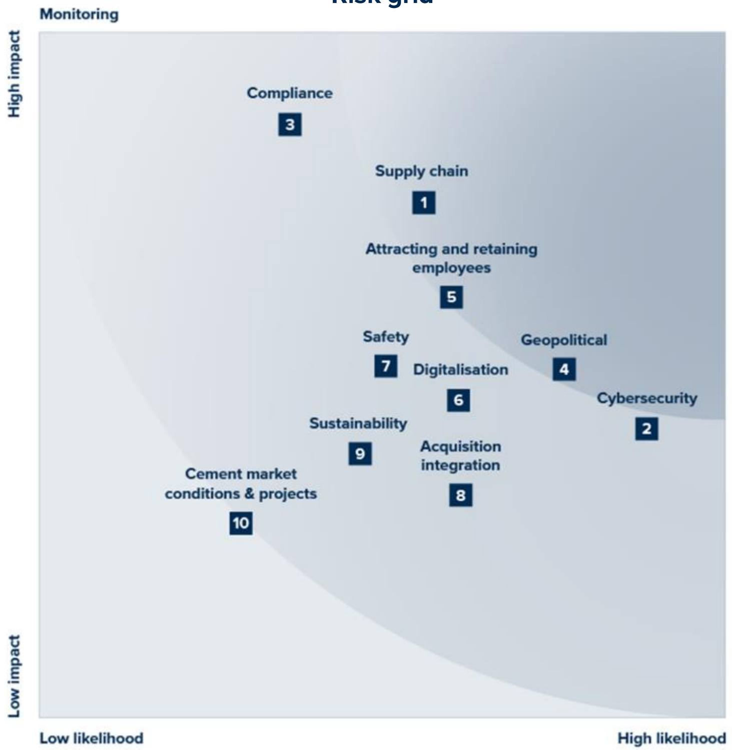
During 2021, the world economy has been faced with logistics and supply chain challenges. As a global company this has impacted FLSmidth too. We have, however, been successful in mitigating most of the impact based on our flexibility to switch between suppliers and our regionalised sourcing and setup for the service business. Also, artificial intelligence has been a key lever to continuously track the fastest and cheapest transport routes.

Compliance was another identified risk in 2021 with a high potential impact. Investors and other stakeholders increasingly expect companies to account for not only their own operations but suppliers' and customers' actions too. A specific focus area is modern slavery and the risk from unknowingly supporting the use of forced labour as part of the extended supply chain. We proactively manage this risk through due diligence, and we show our commitment by seeking full and progressive alignment with the UN Guiding Principles on Business and Human Rights.

Attracting and retaining employees was the second highest risk in 2020 and fifth highest risk in 2021. The industries we operate in are challenged by the ability to attract enough high-skilled and high-performing staff. However, the pending thyssenkrupp Mining business acquisition holds great potential to solve the talent challenge in our Mining business, as this acquisition will onboard more than 2,000 skilled employees.

Last year's top identified risks were Cement Market conditions and Projects. Our Cement business reshaping efforts coupled with the increasing demand for sustainability offerings have helped to significantly mitigate and reduce this risk. In Mining, our focus on increased standardisation and modularisation, balancing project scope with profitability and the integration of engineering departments into the business have all contributed to confining project related risks.

Risk grid



This is crucial as we concurrently see a more litigious environment developing with customers being more willing to activate remedies in contracts to their advantage. In response to this trend, we are tightening up our terms and conditions to help mitigate the financial impact.

For information on financial risks and mitigation activities, including liquidity, credit and foreign exchange rates and tax see note 4.5 and 5.3.

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 2021 risk review. Sustainability and digitalisation are 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.

Integration of the pending thyssenkrupp Mining business acquisition is another example of a risk which, if managed properly, represents a significant long-term business potential.

RISK MITIGATION

Risk	Potential impact	Mitigation
1 Supply Chain	The supply chain has been more challenged during the year with high demands on internal and external trusted supply chains that could result in customer delivery delays, which could lead to penalties and disruptions in executing projects.	Group Procurement is on a strong path towards increasing operational efficiencies through new tools and more uniform processes. The Group's global sourcing strategy allows us to maintain resilience and flexibility within our global supply chain and the ability to source from suppliers across all regions. Suppliers are evenly split across the regions to reduce transportation and lead time helping to alleviate potential disruptions.
2 Cybersecurity	As our business evolves, the threat of cybersecurity, data leakage and data security means that cyber risk remains a key risk. The number of attempts to breach continues to increase and we recognise that a sophisticated cyber-attack could result in an extended period of down-time, potentially resulting in delays to customers and additional costs for the organisation.	The Group is focused on IT Security and awareness, conducting regular audits and continuous analysis of current controls and regular security updates. Migration to cloud-based solutions, continuous cyber awareness training across the organisation, multifactor authentication, anti-virus and patch management, behavioural analysis as well as an IT Security Committee all help to mitigate the potential impact of this risk.
3 Compliance	Compliance has top-priority in FLSmidth and despite all our efforts to mitigate the risk, we have the understanding that one mishap could negatively impact our brand and reputation with customers. As we continue to expand through acquisition and have local offices in challenging environments, focus on monitoring and mitigating compliance risks remains high.	The Group has a dedicated Compliance Department that has established rules and procedures to ensure a common understanding of ethical behaviour. 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 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.
4 Geopolitical	This risk continues to evolve due to instability, polarisation in many countries and tensions between major world economies. This poses a threat to our project execution ability in some regions, increase the risk of delays and disruptions, or prohibits us from carrying out our contracts in certain jurisdictions. Threats of sanctions in specific markets that are critical to our growth may force customers to purchase from local suppliers.	The company's local footprint continues to expand with strategic investments, placing FLSmidth closer to customers around the world. Group Procurement optimisation continues to focus on strategic, global sourcing and building relationships with multiple suppliers to protect supply chain and logistics operations.
5 Attracting and retaining employees	Formerly defined as Workplace Engagement. This has evolved into how we build up our brand to attract new employees as well as our collective ability to keep our existing workforce engaged and adaptable to the ever-evolving industry landscape to drive the organisation forward. We need to mitigate the risk of losing employees and their engagement to be able to compete and achieve strong business performance.	Actions are focused 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, and lastly, improving our employer brand

Risk	Potential impact	Mitigation
6 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 appointment of Regional Product Line Managers as well as 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.
7 Safety	The pandemic continues to pose safety challenges for our employees and non-critical business travel remains minimised. We have seen an increase in the number of injuries during 2021. This is a serious issue that could result in a loss of trust and ultimately business for FLSmidth. The domino effect that such an event potentially could have on the organisation's reputation as a premium 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. 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. A pandemic Security Team meets regularly to review the latest developments and each Region continues to follow the guidance as defined by the local health and government authorities. Communication to our employees has top priority as we continuously evaluate and navigate around the pandemic as it has become a part of our everyday lives.
8 Acquisition integration	With the pending thyssenkrupp Mining acquisition it is important that the integration runs as smooth and efficient as possible whilst at the same time does not distract the current base business from delivering on its primary objectives.	The Integration Management Office is already well underway with the planning and preparation for the deal closing. Each workstream has a detailed integration plan with owners of the action steps to ensure a smooth acquisition integration. The new business will integrate into the existing FLSmidth business model and operating model from day one.
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 Cement market conditions & Projects	Increased demand for sustainability offerings in the cement industry coupled with internal reshaping efforts have significantly reduced the risk associated with our Cement business. In addition, increased focus on standardisation and modularisation, balancing projects scope with profitability and integrating engineering departments into the business have all contributed to confining project related risks.	During 2021, we have reshaped our Cement business 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 is an ongoing process. To minimise the risks from projects, we have tightened up our terms and conditions to help mitigate any unexpected financial impact. This is an ongoing process. In addition, we have a strategic focus on expanding the share of services and standardised relative to the share of large projects. This will help us obtain a more profitable business mix and a less cyclical business with a lower risk level.

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 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.

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 terms 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 has been created and outlines the duties and responsibilities of the Chair and the Vice chair.

Board meetings are called and held in accordance with the Board 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. Due to the pandemic, the meeting frequency has been higher in recent years. To enhance Board meeting efficiency, the Chair conducts a planning meeting with the Group CEO and Group CFO prior to each Board meeting. 15 Board meetings were held in 2021. Apart from contemporary business issues, the most important issues dealt with in 2021 were: impact from the pandemic on our business, cash

flow, capital structure, financial risks, sustainability, reshaping of our Cement business, diversity and the acquisition of thyssenkrupp's Mining business. All members of the Board of Directors participated, physically or virtually, in all relevant board and committee meetings in 2021, except one member who was unable to attend one of the Technology Committee meetings due to a conflicting appointment.

To achieve a highly informed debate with Group Executive Management, the Company strives for

Corporate governance highlights	2021	2020
Number of registered shareholders (1,000)	54	46
Treasury shares (1,000)	925 (1.6%)	1,098 (2.1%)
Numbers of shares held by Board and Group Executive Management (1,000)	94	87
Total Board remuneration (DKK)	6.5m	6.4m
Total Executive Management (registered) remuneration (DKK)	39.0m	18.6m
Number of Board members (elected at the AGM)	6	6
Female representation on Board of Directors (elected at the AGM)	33%	33%
Independent directors, excluding employee elected members	83%	100%
Number of board committees	4	4
Number of board meetings held (overall meeting attendance%)	15 (100%)	17 (99%)

Board membership profiles that reflects 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 all other members should preferably have CEO experience from a major internationally operating and preferably listed company. The composition of the Board of Directors reflects that the majority of members elected at the Annual General Meeting hold 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 cement and/or minerals.

Five of the 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. The Chair, Vagn Ove Sørensen, has in 2021 been a member for more than 12 years and can thus not be regarded as independent according to the criteria. The Chair, Vagn Ove Sørensen, will not be running for re-election at the company's AGM in March 2022.

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 Vagn Ove Sørensen (Chair), Tom Knutzen and Thrasyvoulos Moraitis. In 2021, the Nomination Committee met three times. Its main activities in 2021 have been related to assessing the composition and competencies of the Board of Directors and the new Group CEO.

The Compensation Committee

The Compensation Committee consists of Vagn Ove Sørensen (Chair), Tom Knutzen and Thrasyvoulos Moraitis. The Compensation Committee met five times in 2021. The committee's main activities in 2021 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, as well as on the recruitment of the new Chief Executive Officer.

The Audit Committee

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

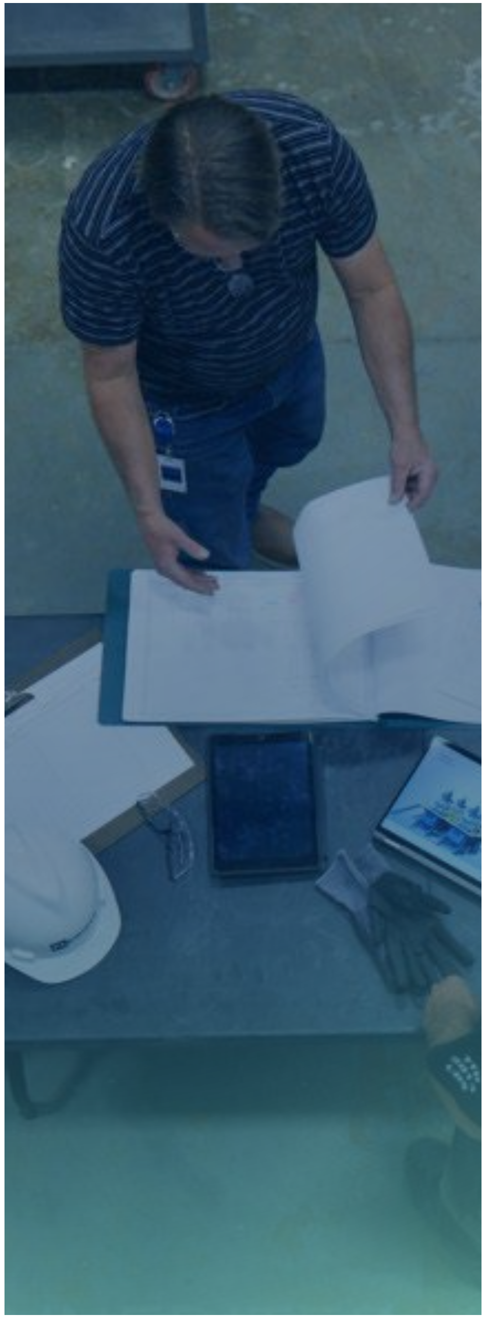
In 2021, the Audit Committee met six times and the committee's main activities were to consider specific financial risk, including tax risk, accounting and auditing matters, as well as paying special attention to financial processes, internal control environment and cyber security.

A particular focus area in 2021 has been to assess the financial risks associated with the pandemic and the financial impact of the acquisition of thyssenkrupp's Mining business.

Meeting attendance in 2021

Board of directors	Board meetings attended	Audit Committee meetings attended	Compensation Committee meetings attended	Nomination Committee meetings attended	Technology Committee meetings attended
Vagn Ove Sørensen (Chair)	15/15	4/6[1)]	5/5[2)]	3/3[2)]	
Tom Knutzen (Vice chair)	15/15	6/6[2)]	5/5	3/3	
Richard Robinson Smith	15/15				2/3[2)]
Anne Louise Eberhard	15/15	6/6			
Gillian Dawn Winckler	15/15	6/6			
Thrasyvoulos Moraitis	15/15		5/5	3/3	3/3
Claus Østergaard (employee-elected)	15/15				
Leif Gundtoft (employee-elected) joined the Board in 2021	11/11				
Carsten Hansen (employee-elected) joined the Board in 2021	11/11				2/2
Mette Dobel (employee-elected) left the Board in 2021	5/5				
Søren Dickow Quistgaard (employee-elected) left the Board in 2021	5/5				1/1

1) Voluntary participation (not member of Audit Committee)
2) Committee Chair



The Technology Committee

The Technology Committee consists of three Board members, Richard Robinson Smith (Chair), Thrasyvoulos Moraitis and Carsten Hansen, who replaced Søren Dickow Quistgaard. The Technology Committee met three times in 2021. With a clear focus on sustainability, the main tasks in 2021 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 to evaluate the key IP and complementary technologies of thyssenkrupp Mining.

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 consisted of eight Group Executive Vice Presidents, including the Group CEO, at the end of 2021. The members of the Group Executive Management are all experienced business executives, each possessing insights and hands-on experience that match the operational issues and challenges currently facing FLSmidth.

In November 2021 it was announced that the Mining Industry President, Mikko Keto, would succeed Thomas Schulz as FLSmidth's Group CEO effective 1 January 2022. In response to the growing size of the Mining business that will result from the thyssenkrupp Mining integration, the Mining President position has been merged with the Group CEO role. Mikko Keto joined FLSmidth in January 2021 from Metso Outotec, where he worked for 10 years of which the last two years as President, Minerals Services and Pumps, where he delivered growth in Services along with profitability improvements. He also served as a member of the company's Executive Team. Thomas Schulz will stay with FLSmidth until the end of February 2022 as a special advisor to support any remaining transition actions before he will leave for an outside role.

Effective 1 January 2022, Mark Clifford took on the role as Chief Operating Officer, responsible for managing day-to-day operations between the Regions and the Mining and Cement Industries. Mark Clifford has possessed various leadership roles over his many years in FLSmidth, most recently as the Head of Regions. As COO, Mark Clifford will draw from his in-depth experience and understanding of our business.

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 2021, women accounted for 33% (end 2020: 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 2021, women accounted for 17% (end 2020: 16%) of the total workforce, while 14% of all managers were women (end 2020: 13%). By 2030, we target 25% of our entire workforce and people managers to be women. When filling management vacancies externally, at least one female candidate must be in the short list.

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 (9% of the total workforce), the USA (15% of the total workforce) and India (22% of the total workforce).

Today 50% (2020: 56%) of Group Executive Management and 91% (end 2020: 90%) 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. 48% of the workforce is below the age of 40. 46% 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

During 2021, FLSmidth issued its Policy on Data Ethics. The policy addresses the data ethic principles applied by FLSmidth and describes the approach to data processing covering all data types. When using artificial intelligence and the like, we strive to ensure that the results are not discriminatory or biased. The short- and long-term consequences of data processing activities, especially when new technology is applied, are considered and the impact on the data subjects are taken into account. Security of data is important to us. FLSmidth adheres to the six fundamental ethical values developed by the expert group on data ethics to the Danish Data Ethics Council. Group Legal is the owner of the policy.

For 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 2021 Sustainability Report is in full compliance with both Sections 99a, 99b and 107d of the Danish Financial Statements Act and in accordance to the Global Reporting Initiative (GRI) core requirements, and also serves as the Advanced Communication on Progress to the United Nations Global Compact. The report has been subject to limited assurance performed by Ernst & Young. The report is available at: www.flsmidth.com/SustainabilityReport2021

Compliance with recommendations for corporate governance

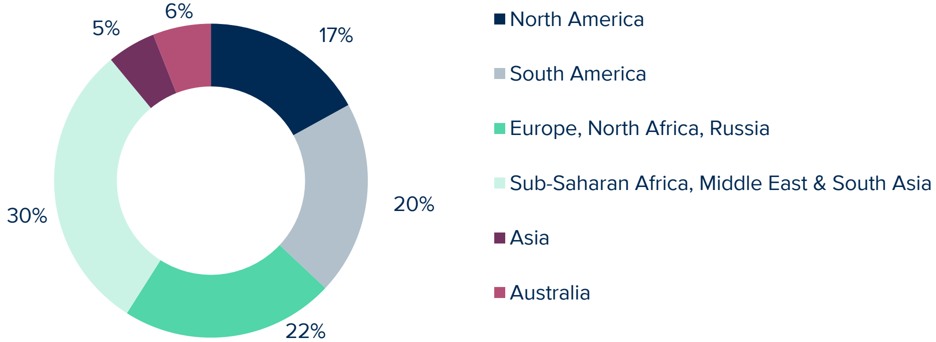
Pursuant to Section 4.3 of the rules for issuers of shares listed on Nasdaq Copenhagen, Danish companies must provide a statement on how they address the recommendations on Corporate Governance issued by the Committee on Corporate Governance in December 2020 based on the ‘comply or explain’ principle (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.

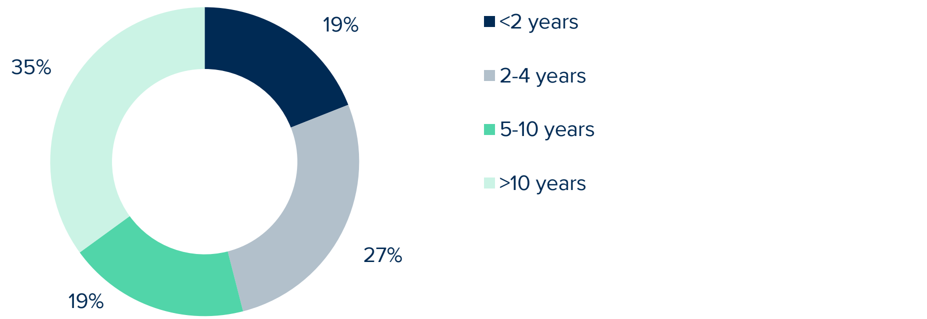
Employees

Geographical distribution



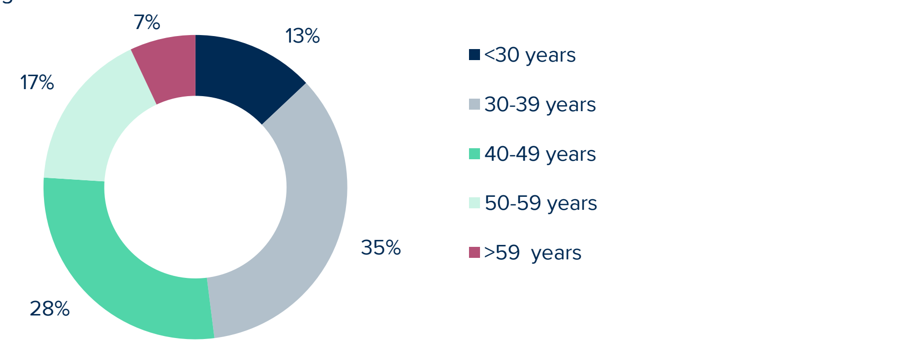
Employees

Length of service



Employees

Age distribution



BOARD OF DIRECTORS

					
Name	**Vagn Ove Sørensen, Chair**	**Tom Knutzen, Vice chair**	**Richard Robinson Smith**	**Anne Louise Eberhard**	**Gillian Dawn Winckler**
Age	62	59	56	58	59
Nationality	Danish	Danish	German/American	Danish	British/Canadian
Gender	Male	Male	Male	Female	Female
Member of the Board since	2009, Chair since 2011 (elected at the AGM). Chair of the Nomination and Compensation Committees	2012 (elected at the AGM). Chair of the Audit Committee. Member of the Nomination and Compensation Committees	2016 (elected at the AGM). Chair of the Technology Committee	2017 (elected at the AGM). Member of the Audit Committee	2019 (elected at the AGM). Member of the Audit Committee
Number of shares in FLSmidth	16,965	25,000	500	2,000	1,000
Executive and non-executive positions in Denmark	Chair of the Boards of Directors of Scandlines. Member of the Board of Directors of CP Dyvig & Co. A/S. Senior Advisor to EQT Partners	Chair of the Board of Directors of Tivoli A/S and Chr. Augustinus Fabrikker A/S	None	Chair of the Boards of Directors of Moneyflow Group A/S and Moneyflow 1 A/S. Vice Chair of the Boards of Directors of Finansiel Stabilitet SOV. Member of the Board of Directors of Bavarian Nordic A/S, Topdanmark A/S, Topdanmark Forsikring A/S, Knud Højgaards Fond, Knud Højgaards Hus A/S, Højgaard Ejendomme A/S, Chr. Hansen Natural Colors A/S and group companies (Oterra), Unicef Danmark 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	Chair of the Board of Directors of Air Canada (CA). Member of the Board of Directors of Braganza AS (SE), Parques Reunidos SA (ES), Royal Caribbean Cruises Ltd. (US), VFS Global (CH) and CNH industrial (NL), and Big Bus Tours (UK). Member of the Strategic Advisory Board of Nordic Aviation Capital (IR). Senior Advisor to Morgan Stanley	CEO at Jungbunzlauer Suisse AG (CH)	Chief Executive Officer 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 organisation

BOARD OF DIRECTORS

- CONTINUED

Name	Thrasyvoulos Moraitis	Claus Østergaard	Leif Gundtoft	Carsten Hansen
Age	59	55	60	58
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) Member of the Technology Committee.
Number of shares in FLSmidth	1,000	429	128	16
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). CIO of ESM Acquisition Corporate (US). Advisor and principal in Vision Blue Resources	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
Vagn Ove Sørensen (Chair)	X		X	X	X			X					
Tom Knutzen	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	Mark Clifford	Carsten Lund
Title	Group Chief Executive Officer Employed by FLSmidth since 2021*	Group Chief Financial Officer Employed by FLSmidth since 2020*	Chief Operating Officer Employed by FLSmidth since 2014	Cement Industry President Employed by FLSmidth since 1988
Age	54	53	59	59
Nationality	Finnish	Danish	Australian	Danish
Gender	Male	Male	Male	Male
Education	MSc Economics from Helsinki School of Economics	MSc Corporate Finance, Executive Management Programme, London Business School	Studied BSc Mining Engineering at University of NSW Sydney, IFL executive education, IMD strategic development	Executive MBA, Scandinavian International Management Institute (SIMI) B.Sc. in Mechanical and Process Engineering, Danish Technical University
Number of shares in FLSmidth	600	0	2,619	11,214
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. 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	President of Regions, Country Head Australia, FLSmidth (2014-2018), Numerous management roles with Sandvik Mining and Construction: Vice President, Underground hard rock & Surface Mining Region Australia (2012-2014), Global Aftermarket Manager, Sandvik Construction Division (2008-2012), General Manager underground Hard Rock Mining Region Australia (2005-2008)	Regional President, Europe, North Africa and CIS. Managing Director & CEO, FLSmidth India Private Limited. President Material Handling Division, FLSmidth A/S. CEO, FLSmidth Airtech a/s
Non-Executive positions	Member of Board of Directors Normet Group	None	None	Member of the Board of Directors Dinex a/s. Member of the Board of Directors Dall Energy ApS.

* 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	**Annette Terndrup**	**Cori Petersen**	**Asger S.B. Lauritsen**	**Mikko Tepponen**
Title	Chief Legal and Strategy Officer Employed by FLSmidth since 2004	Chief HR Officer Employed by FLSmidth since 2016	Chief Procurement Officer Employed by FLSmidth since 2016	Chief Digital Officer Employed by FLSmidth since 2020
Age	52	52	55	42
Nationality	Danish	American	Danish	Finnish
Gender	Female	Female	Male	Male
Education	Master of Law (Denmark) and LLM (England)	B.S. in Business administration: Human Resource management, Senior Professional in Human Resources. Certified by Human Resource Certification Institute	MSc University of Copenhagen, MBA (IMD), GMP (INSEAD)	MSc Automation Technology
Number of shares in FLSmidth	2,546	918	1,335	0
Past experience	Head of Group Legal (2013-2016). Various managerial positions in FLSmidth (2006-2013). Corporate counsel FLSmidth (2004-2006). Lawyer Ashurst 1998-2003. Trainee lawyer Lett, Vilstrup & Partnere 1994-1997	Director Human Resources, US, FLSmidth (2016), Director, Human Resources, North America, FLSmidth (2017). Various managerial positions in Rio Tinto (2011 – 2016). Various managerial and specialist positions (1987-2011)	Various managerial positions; 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)	Vice President, Digital Product Development at Wartsila. Director Digitalisation at Wartsila. Senior Manager, Product Management, Digital Services at Outotec
Non-Executive positions	None	Member of Board of Directors AmCham Denmark	None	Member of Board of Directors Etteplan Oyj

REMUNERATION

Total management remuneration increased compared to 2020 due to improved financial performance.

In 2020, the remuneration was low primarily due to the impact on incentive programmes from the pandemic severely impacting the financial performance and target fulfilling. In 2021, the remuneration increased due to target fulfilling on incentive programmes being above target and from the severance package agreed with the former Group CEO.

Base salary

An adjustment of +2.4% to registered Group Executive Management's monthly base salary was made in 2021.

Short-term incentive programme

The pay-out under the short-term incentive programme is above target based on an average achievement on the financial KPIs (order intake, revenue contribution margin, EBITA margin and CFFO).

Long-term incentive programme

In 2021, management received no pay-out for the long-term incentive programme (LTIP) for the performance period 2018-2020.

The KPIs for the 2021 LTIP grant are: EBITA-margin, total shareholder return and a sustainability-linked KPI, which is a change to the years before.

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 the company'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 currently 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.

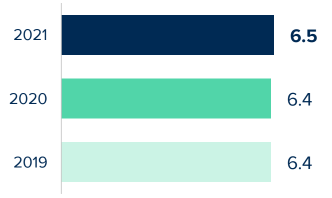
The fee structure was last adjusted in 2017.

The remuneration report can be found here: www.flsmidth.com/RemunerationReport2021

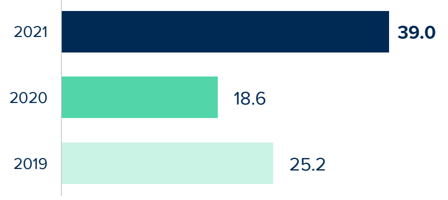
Remuneration facts

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 6% in 2021. 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 2020: DKK 1,025,000,000) and the total number of issued shares is 57,650,000 (end of 2020: 51,250,000). In 2021, the company completed a direct issue and private placement of 6,400,000 new shares to support financing the acquisition of thyssenkrupp's Mining business.

Each share entitles the holder to 20 votes. The FLSmidth & Co. A/S share is included in approximately 160 Danish, Nordic, European and global share indices, including the leading Danish stock index C25.

The company had approximately 54,000 shareholders at the end of 2021 (end of 2020: approximately 46,000). In addition, around 1,670 present and former employees hold shares in the company (end of 2020: approximately 1,750).

The FLSmidth & Co. A/S share has a free float of around 90%. At the end of 2021, FLSmidth had one major shareholder. Lundbeckfond Invest A/S has disclosed holdings of voting rights exceeding 10% of total outstanding voting rights.

The methodology for differentiating between Danish retail and institutional investors was changed in 2021, identifying a larger share of institutional shareholders than previously.

The combined share of Danish retail and institutional investors excluding Lundbeckfond Invest, remains unchanged at around 35% in 2021. FLSmidth's holding of treasury shares declined to 1.6% (2020: 2.1%).

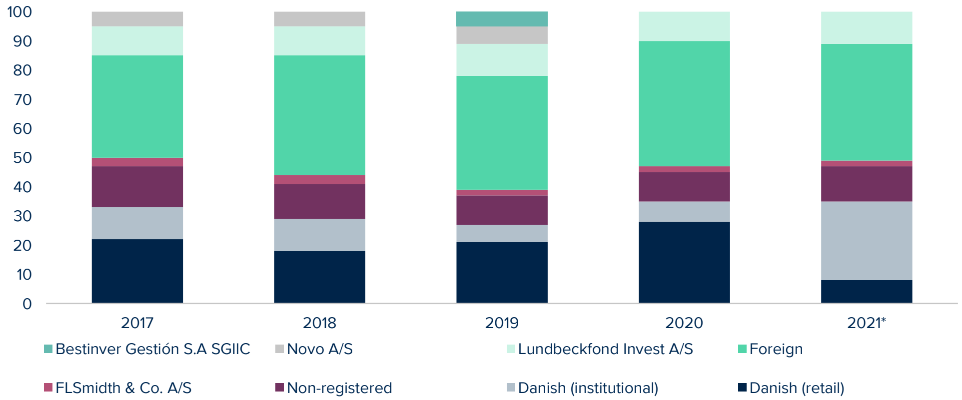
Return on the FLSmidth share in 2021

The total return on the FLSmidth & Co. A/S share in 2021 was 6% (2020: -12%), calculated as share price appreciation and dividend paid.

The share price ended 2021 at 244.3 compared to 232.8 at the end of 2020, having traded between 207.1 and 282.3 during the year. Total shareholder return was included as a KPI in the long-term incentive program during 2021.

Development in shareholder structure

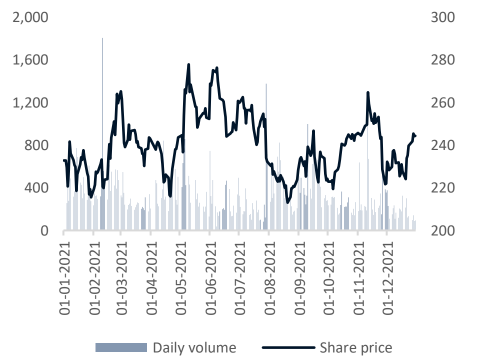
%



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

Share price development in 2021

Volume, 1,000 Share price DKK



Financial calendar 2022

30 Mar 2022	Annual General Meeting
05 May 2022	First quarter Interim Report 2022
19 Aug 2022	Half year Interim Report 2022
08 Nov 2022	Nine months Interim Report 2022

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 through-the-cycle is as follows:

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

In addition, the Board of Directors' priority for capital allocation is to invest in organic growth and value adding M&A, and under special circumstances share buyback or special dividend.

As announced on 29 July 2021, FLSmidth and thyssenkrupp have reached an agreement that FLSmidth will acquire thyssenkrupp's Mining business. Closing of the transaction is expected in H2 2022 and is subject to customary approvals from relevant authorities.

The Board of Directors will propose at the Annual General Meeting that a dividend of DKK 3 per share (2020: DKK 2 per share), corresponding to a dividend yield of 1.2% and a pay-out ratio of 48%, in line with our targeted pay-out ratio, to be distributed in 2022.

FLSmidth Investor Relations

Through the Investor Relations function, the Board of Directors maintains an ongoing dialogue between the company and the stock market and ensures that the positions and views of the shareholders are reported back to the Board.

The purpose of FLSmidth's Investor Relations function is to contribute to ensuring and facilitating that:

- All shareholders have equal and sufficient access to timely, relevant and price-sensitive information
- The share price reflects FLSmidth's underlying financial results and a fair market value
- The liquidity and the day-to-day trading turnover of the FLSmidth share is sufficiently attractive for both short- and long-term investors
- The shareholder structure is appropriately diversified in terms of geography, investment profile and time horizon.

To achieve these goals, an open and active dialogue is maintained with the stock market through investor presentations, investor meetings, webcasts, teleconferences, roadshows, the Annual General Meeting and Capital Markets Days and through FLSmidth's website and electronic communication services.

The pandemic has changed the way Investor Relations and Management interacts with the financial markets, as pandemic restrictions and travel bans have limited travel activity. In 2021, the majority of investor and analyst meetings have been conducted virtually. We have remained connected and engaged with investors through high-definition video and audio. We plan to resume travel activity when the pandemic allows for it, however virtual meetings will continue to be an integrated part of how we engage with the financial markets.

FLSmidth & Co. A/S is generally categorised as a capital goods or industrial company and is currently being covered by 17 equity analysts, 10 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/investor

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

	2017	2018	2019	2020	2021
CFPS (cash flow per share), DKK (diluted)	21.4	7.7	18.9	28.3	27.8
EPS (earnings per share), DKK (diluted)	1.5	12.8	15.5	4.2	6.9
BVPS (book value per share), DKK	156	161	171	159	180
DPS (dividend per share), DKK, proposed	8	9	0	2	3
Pay-out ratio (%)	539	72	0	50	48
Dividend yield, proposed (dividend as percent of share price end of year)	2.2	3.1	0.0	0.9	1.2
FLSmidth & Co. A/S share price, end of year, DKK	361.3	293.1	265.4	232.8	244.3
Listed number of shares (1,000), end of year	51,250	51,250	51,250	51,250	57,650
Number of shares excl. own shares (1,000), end of year	49,521	49,866	50,056	50,152	56,725
Average number of shares (1,000), (diluted)	49,690	50,051	50,092	50,153	52,080
Market capitalisation, DKKm	18,517	15,021	13,602	11,931	14,084

FINANCIAL STATEMENTS

In this section

CONSOLIDATED FINANCIAL STATEMENTS

Primary statements

Notes

INCOME STATEMENT

Notes	DKKm	2021	2020
1.4	Revenue	17,581	16,441
	Production costs	(13,401)	(12,576)
	Gross profit	**4,180**	**3,865**
	Sales costs	(1,314)	(1,367)
	Administrative costs	(1,506)	(1,400)
	Other operating income	41	36
	EBITDA before special non-recurring items	**1,401**	**1,134**
1.7	Special non-recurring items	(57)	(24)
2.4, 2.5	Depreciation and impairment of property, plant and equipment and lease assets	(314)	(339)
	EBITA	**1,030**	**771**
2.2	Amortisation and impairment of intangible assets	(362)	(343)
	EBIT	**668**	**428**
5.4	Financial income	870	952
5.4	Financial costs	(951)	(999)
	EBT	**587**	**381**
4.1	Tax for the year	(213)	(155)
	Profit for the year, continuing activities	**374**	**226**
1.2, 2.11	Loss for the year, discontinued activities	(17)	(21)
	Profit for the year	**357**	**205**
	Attributable to:		
	Shareholders in FLSmidth & Co. A/S	358	210
	Minority interests	(1)	(5)
		357	**205**
5.2	Earnings per share (EPS):		
	Continuing and discontinued activities per share (DKK)	6.9	4.2
	Continuing and discontinued activities per share, diluted (DKK)	6.9	4.2
	Continuing activities per share (DKK)	7.2	4.6
	Continuing activities per share, diluted (DKK)	7.2	4.6
5.1	Proposed dividends per share (DKK)	3.0	2.0

STATEMENT OF COMPREHENSIVE INCOME

Notes	DKKm	2021	2020
	Profit for the year	357	205
	Items that will not be reclassified to profit or loss:		
	Actuarial gains and losses on defined benefit plans	70	(19)
4.3, 4.4	Tax of actuarial gains and losses on defined benefit plans	(15)	1
	Items that are or may be reclassified subsequently to profit or loss:		
	Currency adjustments regarding translation of entities	467	(832)
	Cash flow hedging:		
	- Value adjustments for the year	(39)	35
	- Value adjustments transferred to work in progress	(11)	(11)
4.3, 4.4	Tax hereof	15	(7)
	Other comprehensive income for the year after tax	**487**	**(833)**
	Comprehensive income for the year	**844**	**(628)**
	Attributable to:		
	Shareholders in FLSmidth & Co. A/S	844	(622)
	Minority interests	0	(6)
		844	**(628)**

CASH FLOW STATEMENT

Notes	DKKm	2021	2020
1.2	EBITDA before special non-recurring items	1,401	1,134
1.2	EBITDA, discontinued activities	(19)	(15)
	Adjustment for special non-recurring items, gain on sale of property, plant and equipment and non-cash items	(56)	(48)
	Adjusted EBITDA	**1,326**	**1,071**
2.7	Change in provisions, pension and employee benefits	117	63
3.1	Change in net working capital	612	706
	Cash flow from operating activities before financial items and tax	**2,055**	**1,840**
5.4	Financial items received and paid	(69)	(51)
4.2	Taxes paid	(537)	(368)
	Cash flow from operating activities	**1,449**	**1,421**
2.10	Acquisition of enterprises and activities	(11)	(99)
2.2	Acquisition of intangible assets	(179)	(178)
2.4	Acquisition of property, plant and equipment	(116)	(171)
	Acquisition of financial assets	(8)	(7)
	Prepayment related to disposal of enterprises and activities	0	62
2.12	Disposal of enterprises and activities	2	0
	Disposal of property, plant and equipment	39	3
	Disposal of financial assets	0	7
2.6	Dividend from associates	0	7
	Cash flow from investing activities	**(273)**	**(376)**
	Dividend paid	(101)	(14)
5.1	Issue of shares, net of costs	1,434	0
	Addition of minority interests	3	0
	Exercise of share options	43	0
5.7	Repayment of lease liabilities	(125)	(120)
5.7	Repayment of debt	(1,530)	(822)
	Cash flow from financing activities	**(276)**	**(956)**
	Change in cash and cash equivalents	**900**	**89**
	Cash and cash equivalents at 1 January	976	1,001
	Foreign exchange adjustment, cash and cash equivalents	59	(114)
	Cash and cash equivalents at 31 December	**1,935**	**976**

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 as interests paid from the lease liabilities and taxes paid.

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

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.

Specification of cash and cash equivalents

Notes	DKKm	2021	2020
2.12	Cash and cash equivalents included in assets held for sale	0	30
	Cash and cash equivalents	1,935	946
	Cash and cash equivalents at 31 December	**1,935**	**976**

Free cash flow

DKKm	2021	2020
Free cash flow	1,176	1,045
Free cash flow, adjusted for acquisitions and disposals of enterprises and activities	1,185	1,082

BALANCE SHEET

Notes	DKKm	31-12-2021	31-12-2020
	ASSETS		
	Goodwill	4,364	4,194
	Patents and rights	784	875
	Customer relations	401	466
	Other intangible assets	165	172
	Completed development projects	233	234
	Intangible assets under development	310	299
2.2	**Intangible assets**	**6,257**	**6,240**
	Land and buildings	1,792	1,674
	Plant and machinery	383	378
	Operating equipment, fixtures and fittings	112	132
	Tangible assets in course of construction	21	137
2.4, 2.5	**Property, plant and equipment**	**2,308**	**2,321**
4.3	Deferred tax assets	1,490	1,248
2.6	Investments in associates	162	159
	Other securities and investments	49	43
	Other non-current assets	**1,701**	**1,450**
	Non-current assets	**10,266**	**10,011**
3.2	Inventories	2,464	2,368
3.3	Trade receivables	4,112	3,453
3.4	Work in progress	2,358	2,175
	Prepayments	871	333
	Income tax receivables	248	178
3.5	Other receivables	799	868
	Cash and cash equivalents	1,935	946
	Current assets	**12,787**	**10,321**
2.12	Assets classified as held for sale	0	124
	Total assets	**23,053**	**20,456**

Notes	DKKm	31-12-2021	31-12-2020
	EQUITY AND LIABILITIES		
5.1	Share capital	1,153	1,025
	Foreign exchange adjustments	(665)	(1,131)
	Cash flow hedging	(54)	(4)
5.1	Retained earnings	9,937	8,246
	Shareholders in FLSmidth & Co. A/S	**10,371**	**8,136**
	Minority interests	(3)	(6)
	Equity	**10,368**	**8,130**
4.3	Deferred tax liabilities	169	200
2.8	Pension obligations	320	375
2.7	Provisions	450	426
5.7	Lease liabilities	200	209
5.7	Bank loans and mortgage debt	726	2,250
	Prepayments from customers	587	240
	Income tax liabilities	119	139
3.7	Other liabilities	55	125
	Non-current liabilities	**2,626**	**3,964**
2.8	Pension obligations	2	3
2.7	Provisions	697	589
5.7	Lease liabilities	104	113
5.7	Bank loans and mortgage debt	17	183
	Prepayments from customers	1,903	1,026
3.4	Work in progress	2,373	1,834
3.6	Trade payables	3,367	3,055
	Income tax liabilities	193	162
3.7	Other liabilities	1,403	1,306
	Current liabilities	**10,059**	**8,271**
2.12	Liabilities associated with assets classified as held for sale	0	91
	Total liabilities	**12,685**	**12,326**
	Total equity and liabilities	**23,053**	**20,456**

EQUITY STATEMENT

2021

DKKm	Share capital	Currency 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**

2020

DKKm	Share capital	Currency adjustments	Cash flow hedging	Retained earnings	Shareholders in FLSmidth & Co A/S	Minority interests	Total
Equity at 1 January	**1,025**	**(300)**	**(28)**	**8,082**	**8,779**	**14**	**8,793**
Comprehensive income for the year							
Profit/loss for the year				210	210	(5)	205
Other comprehensive income							
Actuarial gain/loss on defined benefit plans				(19)	(19)		(19)
Currency adjustments regarding translation of entities		(831)			(831)	(1)	(832)
Cash flow hedging:							
- Value adjustments for the year			35		35		35
- Value adjustments transferred to work in progress			(11)		(11)		(11)
Tax on other comprehensive income				(6)	(6)		(6)
Other comprehensive income for the year	**0**	**(831)**	**24**	**(25)**	**(832)**	**(1)**	**(833)**
Comprehensive income for the year	**0**	**(831)**	**24**	**185**	**(622)**	**(6)**	**(628)**
Transactions with owners:							
Dividend paid					0	(14)	(14)
Issue of shares, net of costs					0		0
Share-based payment				(21)	(21)		(21)
Exercise of share options					0		0
Addition of minority interests					0		0
Equity at 31 December	**1,025**	**(1,131)**	**(4)**	**8,246**	**8,136**	**(6)**	**8,130**

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 are unchanged from last years.

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. The emergence of new virus variants continuously requires us and our customers to adapt to government imposed restrictions etc. Bottlenecks in global supply chains have led to increases in prices/costs for both us and our customers. 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.

Valuation of inventories

During 2021, we have remained focused on the active measures taken in 2020 to ensure a sound inventory turn and appropriate inventory level. The valuation of inventories is no longer assessed to be subject to significant increased uncertainty.

For additional description of the estimates, please refer to note 3.2 Inventories.

Valuation of receivables

The economic situation and the outlook for our customers improved during 2021 as the impact from the pandemic decreased. This positively impacted the percentage of our trade receivable being past due. In line with this development, the impairment ratio (impairment as a percentage of the gross carrying amount) decreased to 7.5% compared to 8.4% at the end of 2020 as the impact on expected credit losses from forward-looking estimates decreased during 2021. The uncertainty related to the impact from the in creases 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.

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	■ ■ ■
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	■ □ □

Estimate total cost to complete

The impacts from increases in costs following the supply chain challenges 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. Compared to the uncertainties at the end of 2020 following the unpredictable development in logistics and execution as a consequence of the outbreak of the COVID-19 pandemic, the uncertainties at the end of 2021 have decreased.

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, not least within the Cement industry.

For additional description of the estimates, please refer to note 4.3 Deferred tax.

SECTION 1

OPERATING PROFIT & SEGMENTS

In this section

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 separated lines.

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

Income Statement by function

DKKm	2021	2020
Revenue	17,581	16,441
Production costs, including depreciation and amortisation	(13,744)	(12,920)
Gross profit	**3,837**	**3,521**
Sales costs, including depreciation and amortisation	(1,362)	(1,432)
Administrative costs, including special non-recurring items, depreciation and amortisation	(1,848)	(1,697)
Other operating income	41	36
EBIT	**668**	**428**
Special non-recurring items, depreciation, amortisation and impairment consist of:		
Special non-recurring items	(57)	(24)
Depreciation and impairment of property, plant and equipment and lease assets	(314)	(339)
Amortisation and impairment of intangible assets	(362)	(343)
	(733)	**(706)**
Special non-recurring items, depreciation, amortisation and impairment are divided into:		
Production costs	(343)	(344)
Sales costs	(48)	(65)
Administrative costs	(342)	(297)
	(733)	**(706)**

1.2 SEGMENT INFORMATION

Mining and Cement Industries are our operating and reporting segments. Our Industries have technology ownership and develop and drive the life cycle offering and product portfolio. This is supported by a six region structure driving customer relations, sales and service for both Industries.

The organisational 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.

The Mining and Cement Industries 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 Industries, 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. The segments are primarily managed on EBITA before allocation of shared costs.

Accounting policy

Segment income and costs include transactions between industries. Such transactions are carried out on market terms. The transactions are eliminated upon consolidation.

Administrative functions such as finance, HR, IT and legal are shared by the two industries.

Additionally, the industries are supported by Group Functions related to procurement, logistics and marketing.

Shared costs are allocated to business segments based on assessment of usage.

Other companies consist of eliminations, companies with no activities, real estate and the parent company, while discontinued activities consist of bulk material handling activities and run-off on activities sold in previous years.

Geographical information is based on the six Regions that support the Industries. 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

	2021						2020					
					FLSmidth Group						FLSmidth Group	
DKKm	**Mining**	**Cement**	**Shared costs**	**Other compa-nies**	**Continuing activities**	**Discontinued activities**	**Mining**	**Cement**	**Shared costs**	**Other compa-nies**	**Continuing activities**	**Discontinued activities**
INCOME STATEMENT												
Revenue	**11,715**	**5,866**	**0**	**0**	**17,581**	**0**	**10,620**	**5,821**	**0**	**0**	**16,441**	**0**
Production costs	(8,711)	(4,585)	(105)	0	(13,401)	0	(7,932)	(4,566)	(78)	0	(12,576)	0
Gross profit	**3,004**	**1,281**	**(105)**	**0**	**4,180**	**0**	**2,688**	**1,255**	**(78)**	**0**	**3,865**	**0**
SG&A costs	(995)	(656)	(1,130)	2	(2,779)	(19)	(828)	(648)	(1,257)	2	(2,731)	(15)
EBITDA before special non-recurring items	**2,009**	**625**	**(1,235)**	**2**	**1,401**	**(19)**	**1,860**	**607**	**(1,335)**	**2**	**1,134**	**(15)**
Special non-recurring items	(14)	(43)	0	0	(57)	0	(24)	0	0	0	(24)	(1)
Depreciation and impairment of property, plant and equipment	(114)	(80)	(120)	0	(314)	0	(126)	(92)	(121)	0	(339)	0
EBITA before allocation of shared costs	**1,881**	**502**	**(1,355)**	**2**	**1,030**	**(19)**	**1,710**	**515**	**(1,456)**	**2**	**771**	**(16)**
Allocation of shared costs	(832)	(521)	1,355	(2)	0	0	(822)	(633)	1,456	(1)	0	0
EBITA	**1,049**	**(19)**	**0**	**0**	**1,030**	**(19)**	**888**	**(118)**	**0**	**1**	**771**	**(16)**
Amortisation of intangible assets	(247)	(115)	0	0	(362)	0	(233)	(110)	0	0	(343)	0
EBIT	**802**	**(134)**	**0**	**0**	**668**	**(19)**	**655**	**(228)**	**0**	**1**	**428**	**(16)**
Order intake (gross)	13,281	5,952			19,233	0	12,811	5,713			18,524	0
Order backlog	10,599	5,993			16,592	0	9,085	5,789			14,874	0
Gross margin	*25.6%*	*21.8%*			*23.8%*		*25.3%*	*21.6%*			*23.5%*	
EBITDA margin before special non-recurring items	*17.1%*	*10.7%*			*8.0%*		*17.5%*	*10.4%*			*6.9%*	
EBITA margin before allocation of shared costs	*16.1%*	*8.6%*			*5.9%*		*16.1%*	*8.8%*			*4.7%*	
EBITA margin	*9.0%*	*-0.3%*			*5.9%*		*8.4%*	*-2.0%*			*4.7%*	
EBIT margin	*6.8%*	*-2.3%*			*3.8%*		*6.2%*	*-3.9%*			*2.6%*	
Number of employees at 31 December	**5,351**	**3,405**	**1,361**		**10,117**	**0**	**5,176**	**4,118**	**1,345**		**10,639**	**0**
Reconciliation of profit/(loss) for the year												
EBIT					668	(19)					428	(16)
Financial income					870	1					952	12
Financial costs					(951)	(1)					(999)	(14)
EBT					**587**	**(19)**					**381**	**(18)**
Tax for the year					(213)	2					(155)	(3)
Profit/(loss) for the year					**374**	**(17)**					**226**	**(21)**

1.3 GEOGRAPHICAL INFORMATION

1 NORTH AMERICA, NAMER

Revenue: DKK **3,850**m (2020: DKK 3,440m)
Non-current assets: DKK **3,630**m (2020: DKK 3,435m)
Employees: **1,678** (2020: 1,672)

USA
Revenue: DKK **2,258**m (2020: DKK 2,258m)
Non-current assets: DKK **3,002**m (2020: DKK 2,840m)

Canada
Revenue: DKK **902**m (2020: DKK 568m)
Non-current assets: DKK **613**m (2020: DKK 577m)

3 EUROPE, NORTH AFRICA & RUSSIA, ENAR

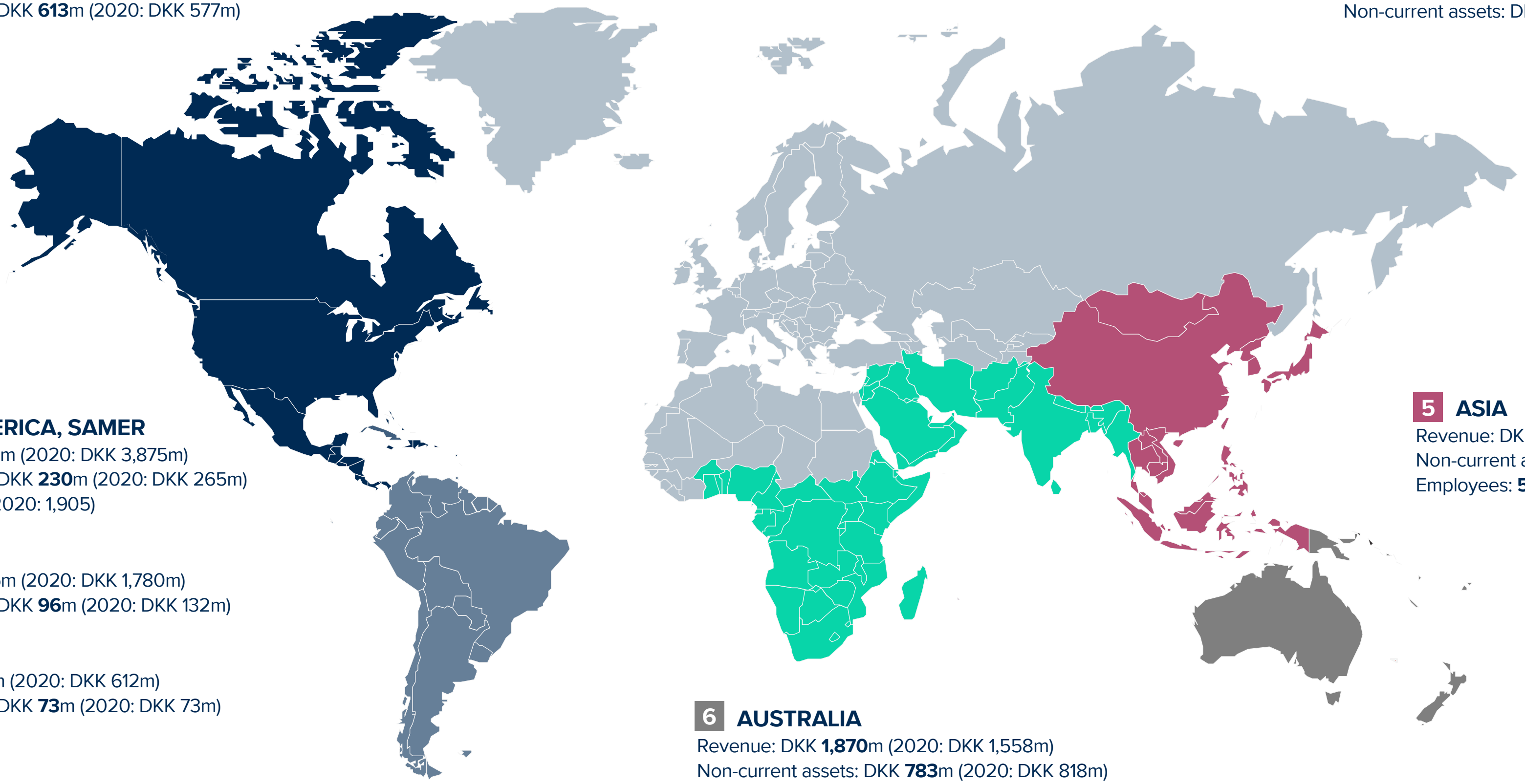
Revenue: DKK **3,124**m (2020: DKK 3,067m)
Non-current assets: DKK **3,410**m (2020: DKK 3,540m)
Employees: **2,206** (2020: 2,628)

Denmark
Revenue: DKK **37**m (2020: DKK 35m)
Non-current assets: DKK **1,198**m (2020: DKK 1,275m)

4 SUB-SAHARAN AFRICA, MIDDLE EAST & SOUTH ASIA, SSAMESA*

Revenue: DKK **3,134**m (2020: DKK 3,063m)
Non-current assets: DKK **403**m (2020: DKK 406m)
Employees: **3,048** (2020: 3,345)

India
Revenue: DKK **1,108**m (2020: DKK 1,136m)
Non-current assets: DKK **245**m (2020: DKK 247m)



2 SOUTH AMERICA, SAMER

Revenue: DKK **3,731**m (2020: DKK 3,875m)
Non-current assets: DKK **230**m (2020: DKK 265m)
Employees: **2,074** (2020: 1,905)

Chile
Revenue: DKK **1,726**m (2020: DKK 1,780m)
Non-current assets: DKK **96**m (2020: DKK 132m)

Brazil
Revenue: DKK **896**m (2020: DKK 612m)
Non-current assets: DKK **73**m (2020: DKK 73m)

5 ASIA

Revenue: DKK **1,872**m (2020: DKK 1,438m)
Non-current assets: DKK **108**m (2020: DKK 99m)
Employees: **529** (2020: 507)

6 AUSTRALIA

Revenue: DKK **1,870**m (2020: DKK 1,558m)
Non-current assets: DKK **783**m (2020: DKK 818m)
Employees: **582** (2020: 582)

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 2021 presented as two regions, 1) Sub-Saharan Africa & Middle East and 2) Subcontinental India

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 Industries split into the main categories of projects, products, and services.

Products

The sale of products comprises sale of standardised and customised equipment, such as preheaters, 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.

Services

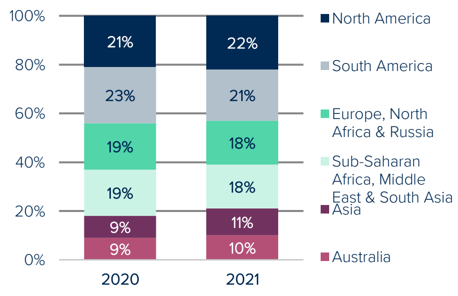
Services comprise various service elements to support the life cycle offerings portfolio. The sale can consist of spare parts, wear parts, service hours, long-term maintenance contracts, operation & maintenance contracts and sale of upgrades and retrofits. The sale of service hours includes amongst others 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.

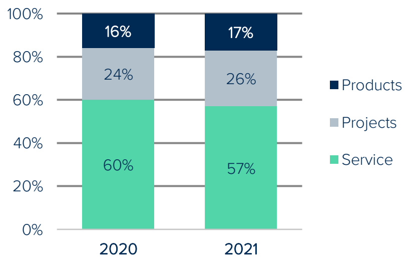
Revenue split on industry and category

	2021			2020		
DKKm	**Mining**	**Cement**	**Group**	**Mining**	**Cement**	**Group**
Products	1,484	1,449	2,933	1,328	1,280	2,608
Projects	3,291	1,263	4,554	2,616	1,333	3,949
Capital business	**4,775**	**2,712**	**7,487**	**3,944**	**2,613**	**6,557**
Service business	**6,940**	**3,154**	**10,094**	**6,676**	**3,208**	**9,884**
Total revenue	**11,715**	**5,866**	**17,581**	**10,620**	**5,821**	**16,441**

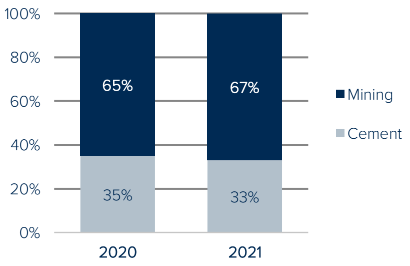
Revenue split
by Regions



Revenue
by Revenue stream



Revenue
by Mining and Cement



1.4 REVENUE - continued

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.

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.

Backlog

The order backlog on 31 December 2021 amounts to DKK 16,592m (2020: DKK 14,874m) 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.

Based on the order backlog maturity profile, the majority, 69% (2020: 64%) of the order backlog is expected to be converted into revenue in 2022, while 31% (2020: 36%) 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

	2021			2020		
DKKm	**Mining**	**Cement**	**Group**	**Mining**	**Cement**	**Group**
Point in time	6,187	1,915	8,102	6,123	1,845	7,968
Percentage of completion	5,528	3,949	9,477	4,497	3,955	8,452
Cash	0	2	2	0	21	21
Total revenue	**11,715**	**5,866**	**17,581**	**10,620**	**5,821**	**16,441**

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

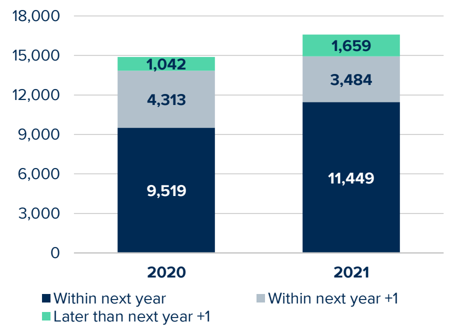
Judgements are made when determining if revenue on a project, product or service is recognised over time or at a point in time. The judgements relate to if we have an alternative use of the assets being produced and if we have an enforceable right to payment throughout the contractual term.

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 and Cement Industries.

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 decrease in staff costs is positively affected by change in currencies of approximately DKK 30m.

Composition of staff costs

DKKm	2021	2020
Wages, salaries and other remuneration	3,549	3,891
Contribution plans and other social security costs, etc.	441	439
Defined benefit plans	26	26
Share-based payment	15	(21)
Other staff costs	128	206
	4,159	**4,541**
The amounts are included in the items:		
Production costs	2,522	2,766
Sales costs	956	1,027
Administrative costs	681	748
	4,159	**4,541**
Average number of employees in continuing activities	10,339	11,567

During 2021 the remuneration of the Board of Directors and Group Executive Management was as follows:

Remuneration Board of Directors

DKKm	2021	2020
Board of Directors fees	6.5	6.4
Total	**6.5**	**6.4**

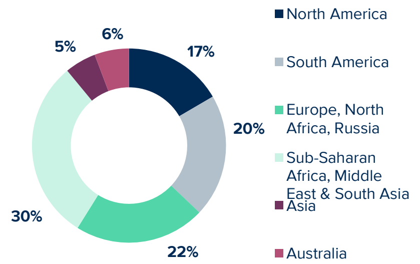
Remuneration Group Executive Management

DKKm	2021	2020
Wages and salaries	36	31
Bonus	14	1
Benefits	2	4
Severance package	5	10
Share-based payment	5	(2)
Other incentives	9	7
Total	**71**	**51**

Two members of the Group Executive Management are registered with The Danish Business Authority. During 2021, the registered members of the Group Executive Management earned remuneration as follows including the severance package for Thomas Schulz who resigned from the Group Executive Management by the end of 2021.

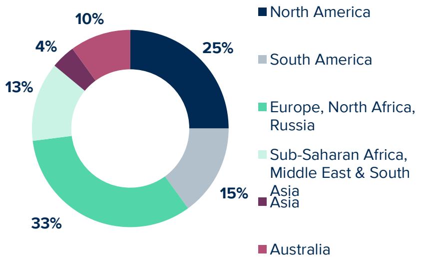
Number of employees per region

%



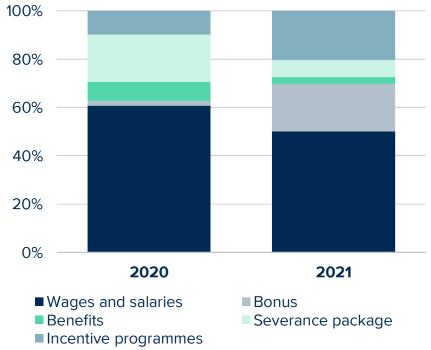
Staff cost per region

%



Remuneration of Group Executive Management

%



1.5 STAFF COSTS - continued

Remuneration registered executives

DKKm	2021	2020
Wages and salaries	15	13
Bonus	7	1
Benefits	1	2
Severance package	5	0
Share-based payment	4	(2)
Other incentives	7	5
Total	**39**	**19**

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 2021:
www.flsmidth.com/RemunerationReport2021.

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

Governments in many countries have introduced measures to support entities during the pandemic. During 2021 we have been entitled to the below government grants and fulfilled the conditions attached to receiving the grants. The grants have primarily been received to compensate for salary expenses and the majority of the 2021 grants have been received in Switzerland.

The COVID-19 related government grants have been included in the following line items in the income statement:

COVID-19 related government grants

DKKm	2021	2020
Production cost	7	15
Sales cost	2	5
Administration cost	0	1
	9	**21**

During 2021 we have received a few other government grants, which are not COVID-19 related of DKK 7m (2020: DKK 24m). The grants are included in other operating income and relate to export grants out of India. During 2021, the grants were discontinued.

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

Special non-recurring items in 2021 and 2020 relate to closedown of production facilities within the US and consist primarily of severance costs and relocation costs. For the split on industries, refer to note 1.2. No further similar costs are expected for 2022.

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

In this section

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	2021	2020
Intangible assets at cost value, note 2.2	10,882	10,447
Property, plant and equipment at carrying amount, note 2.4	2,308	2,321
Net working capital, note 3.1	1,058	1,752
Capital employed, total	**14,248**	**14,520**
Capital employed, average	**14,384**	**15,195**

ROCE

DKKm	2021	2020
EBITA	1,030	771
Capital employed, average	14,384	15,195
ROCE, average	**7.2%**	**5.1%**

ROCE is calculated based on average capital employed to reflect the annual development. ROCE has increased during the year, driven by both the decreased average capital employed and increased 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.

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. In 2021, R&D costs expensed totalled DKK 152m (2020: DKK 160m). The expense is included in production costs. The addition of intangible assets under development amounts to DKK 179m (2020: DKK 177m) where capitalised R&D cost amounts to DKK 142m (2020: DKK 150m) and the remaining capitalisation relates to IT related projects. Of those capitalised costs, DKK 114m (2020: DKK 115m) 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

Carrying amount of intangible assets

2021

DKKm	Goodwill	Patents and rights	Customer relations	Other intangible assets	Completed development projects	Intangible assets under development	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
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**

2020

DKKm	Goodwill	Patents and rights	Customer relations	Other intangible assets	Completed development projects	Intangible assets under development	Total
Cost at 1 January 2020	4,376	2,118	1,963	765	1,035	362	10,619
Foreign exchange adjustments	(240)	(21)	(134)	(30)	0	0	(425)
Acquisition of group enterprises	58	12	3	9	0	0	82
Additions	0	0	0	1	0	177	178
Disposals	0	(1)	0	(6)	0	0	(7)
Transferred between categories	0	0	0	111	129	(240)	0
Cost at 31 December 2020	**4,194**	**2,108**	**1,832**	**850**	**1,164**	**299**	**10,447**
Amortisation and impairment at 1 January 2020	0	(1,151)	(1,354)	(671)	(832)	0	(4,008)
Foreign exchange adjustment	0	12	96	29	0	0	137
Disposals	0	1	0	6	0	0	7
Amortisation	0	(95)	(108)	(42)	(98)	0	(343)
Amortisation and impairment at 31 December 2020	**0**	**(1,233)**	**(1,366)**	**(678)**	**(930)**	**0**	**(4,207)**
Carrying amount at 31 December 2020	**4,194**	**875**	**466**	**172**	**234**	**299**	**6,240**

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 2021 nor in 2020 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 and Cement, these being the smallest group of assets which together generate incoming cash flow from continued use of the assets and which are independent of cash flow from other assets or groups of assets. The definition of the cash generating units is reconsidered once a year, and the definition is unchanged compared to last year.

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. The expected future free net cash flow does not include cash flows from tk Mining. 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.

Due to the current low interest rate environment, a conservative approach regarding the long-term growth rate for the terminal period has been applied. This methodology has been applied to ensure consistency with the level of the risk-free rate applied as a basis for the estimation of WACC and the long-term growth rate. Based on these factors, a long term annual growth rate for the terminal period of 1.5% has been applied. Investments reflect both maintenance and expectations of organic growth.

Mining

The mining industry has remained largely resilient during the course of 2021 aided by high commodity prices and solid industry fundamentals. The global mining industry is expected to grow over the coming years and the long-term outlook remains positive for minerals required for global economic development and to enable the green transition.

The outlook for investments in mining remains positive, particularly for minerals that are required for global economic development and to enable the green transition. The sustainability agenda continues to gather stream with the large mining companies aligning their business models to the Paris Agreement. Miners are generating good cash flows and are well capitalised to invest following low capex levels in recent years.

Cement

There is growing demand for green solutions in the cement industry. While the short-term industry outlook remains unchanged with significant overcapacity, we expect a mid-term recovery fuelled by large economic stimulus packages requiring green and carbon neutral infrastructure.

Carrying amounts of intangible assets

			2021			2020
DKKm	**Mining**	**Cement**	**Group**	**Mining**	**Cement**	**Group**
Goodwill	4,156	208	4,364	3,991	203	4,194
Patents and rights	493	291	784	572	303	875
Customer relations	398	3	401	460	6	466
Other intangible assets	79	86	165	89	83	172
Completed development projects	117	116	233	112	122	234
Intangible assets under development	156	154	310	150	149	299
Total	**5,398**	**858**	**6,257**	**5,374**	**866**	**6,240**

2.3 IMPAIRMENT OF ASSETS
– continued

During 2021, the cement industry started to recover with improved service activity, however with significant regional differences. The increase in COVID-19 infection numbers towards the end of the year has put renewed strain on site visits due to preventive measurements taken by authorities and plant operators. At the same time, the global construction supply chain challenge has triggered higher costs, labour and materials shortages as well as delays across regions.

Increasing focus on emission regulations and carbon taxes are adding costs to non-sustainable production and we have a healthy pipeline for upgrade projects driven by ongoing conversion to alternative cement production with improved environmental footprint.

Overall, we see increased demand for solutions that can decarbonise and debottleneck cement plants. Demand for new capacity remains subdued and the pandemic situation casts uncertainty over the speed of recovery in the cement industry.

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

	2021		2020	
	Mining	Cement	Mining	Cement
Investments % of revenue	2.5%	2.0%	2.5%	2.0%
Growth rate in the terminal period	1.5%	1.5%	1.5%	1.5%
Discount rate after tax	8.0%	8.5%	7.5%	7.5%
Discount rate before tax	10.3%	10.9%	9.6%	9.6%
EBITA margin for goodwill test	9-13%	1-6%	9-13%	0-6%

2.4 PROPERTY, PLANT AND EQUIPMENT

Land and buildings with a carrying amount of DKK 48m (2020: DKK 48m) are pledged against mortgage debt of DKK 241m (2020: DKK 256m). 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. From 2021, property, plant and equipment include lease assets, see further in note 2.5. The comparative information in the balance sheet has been restated.

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

					2021					2020
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	2,306	1,543	892	137	4,878	2,498	1,620	1,000	80	5,198
Foreign exchange adjustments	108	79	36	4	227	(164)	(121)	(65)	(14)	(364)
Acquisitions of enterprises	0	0	0	0	0	9	0	0	0	9
Additions	12	16	15	73	116	10	30	25	112	177
Disposals	(28)	(35)	(60)	(1)	(124)	(48)	(18)	(70)	0	(136)
Transferred between categories	131	58	3	(192)	0	1	33	7	(41)	0
Transferred to assets classified as held for sale	0	0	0	0	0	0	(1)	(5)	0	(6)
Cost at 31 December	**2,529**	**1,661**	**886**	**21**	**5,097**	**2,306**	**1,543**	**892**	**137**	**4,878**
Depreciation and impairment at 1 January	(892)	(1,174)	(803)	0	(2,869)	(923)	(1,181)	(894)	0	(2,998)
Foreign exchange adjustment	(38)	(55)	(33)	0	(126)	49	91	59	0	199
Disposals	13	31	59	0	103	48	17	70	0	135
Depreciation	(72)	(88)	(34)	0	(194)	(66)	(102)	(43)	0	(211)
Transferred to assets classified as held for sale	0	0	0	0	0	0	1	5	0	6
Depreciation and impairment at 31 December	**(989)**	**(1,286)**	**(811)**	**0**	**(3,086)**	**(892)**	**(1,174)**	**(803)**	**0**	**(2,869)**
Carrying amount at 31 December, owned assets	**1,540**	**375**	**75**	**21**	**2,011**	**1,414**	**369**	**89**	**137**	**2,009**
Carrying amount at 31 December, leased assets, note 2.5	**252**	**8**	**37**	**0**	**297**	**260**	**9**	**43**	**0**	**312**
Carrying amount at 31 December, property, plant and equipment	**1,792**	**383**	**112**	**21**	**2,308**	**1,674**	**378**	**132**	**137**	**2,321**

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

From 2021, the lease assets are included in the same line item in the balance sheet as that within which the corresponding underlying asset would be presented if they were owned, cf. note 2.4.

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 5 years. The average discount rate applied for land and buildings is 3.19% at the end of 2021 (2020: 3.13%).

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

During 2021 cash outflows for capitalised leases were DKK 135m (2020: DKK 131m). Interest related to leases was DKK 11m (2020: DKK 11m) and impacted CFFO negatively, and the remaining DKK 124m (2020: DKK 120m) 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 14m (2020: DKK 11m) was included in CFFO for costs relating to short term, low-value and variable lease payments not recorded on the balance sheet.

FLSmidth is currently looking into a potential lease of a new headquarter near our current headquarter in Valby, Denmark. It has therefore been decided not to move forward with a previous conditional agreement to sell and lease back parts of the current headquarter in Valby. Final decisions on leasing a new headquarter and deciding what to do with our current headquarter, is expected during the first half of 2022.

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

Carrying amount of leases

				2021
DKKm	**Land and buildings**	**Plant and machinery**	**Operating equipment**	**Total**
Carrying amount at 1 January 2021	260	9	43	312
Foreign exchange adjustments	5	1	0	6
Remeasurement	5	0	(1)	4
Additions	76	2	24	102
Disposals	(7)	0	0	(7)
Depreciation	(87)	(4)	(29)	(120)
Write down	0	0	0	0
Transferred to assets classified as held for sale	0	0	0	0
Carrying amount at 31 December 2021	**252**	**8**	**37**	**297**

				2020
DKKm	**Land and buildings**	**Plant and machinery**	**Operating equipment**	**Total**
Carrying amount at 1 January 2020	260	8	44	312
Foreign exchange adjustments	(16)	(1)	0	(17)
Acquisitions of enterprises	0	0	0	0
Remeasurement	11	0	0	11
Additions	103	6	30	139
Disposals	(3)	0	(1)	(4)
Depreciation	(90)	(4)	(30)	(124)
Write down	(4)	0	0	(4)
Transferred to assets classified as held for sale	(1)	0	0	(1)
Carrying amount at 31 December 2020	**260**	**9**	**43**	**312**

Expensed leases

DKKm	**2021**	**2020**
Cost relating to short-term leases	11	9
Cost relating to leases of low-value assets that are not shown above as short-term leases	2	2
Cost relating to variable lease payments not included in lease liabilities	1	0
Expensed lease costs in the income statement	**14**	**11**
The lease costs are included in the following lines:		
Production cost	5	2
Sales cost	1	1
Administrative cost	8	8
Expensed lease costs in the income statement	**14**	**11**

2.5 LEASES – continued

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).

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	2021	2020
Beginning value 1 January	159	165
Acquisition of enterprises	0	0
Foreign exchange adjustments	4	1
Income from associates	(1)	0
Dividend paid	0	(7)
Carrying value at 31 December	**162**	**159**

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	2021	2020
Revenue	137	111
Profit for the period	(2)	0
Total comprehensive income	0	0
Dividend paid	0	(14)
Current assets	40	35
Customer relations	112	124
Non-current assets	48	31
Current liabilities	(22)	(14)
Equity	**178**	**176**

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

Investments in associates, FLSmidth share

DKKm	2021	2020
FLSmidth's share of equity, 50%	89	88
Goodwill	73	71
Carrying value at 31 December	**162**	**159**

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 increased activity level and 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 mainly a result of 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 relate to a combination of increase in the provision for loss making contracts due to additional uncertainties in the execution of the project portfolio and from increase in provisions for ongoing legal disputes.

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	2021	2020
Pensions and employee benefits	19	(1)
Provisions	134	(5)
Of which relate to foreign exchange adjustments	(36)	69
Cash flow effect	**117**	**63**

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.

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

				2021				2020
DKKm	Warranties	Restructuring	Other	Total	Warranties	Restructuring	Other	Total
Provisions at 1 January	496	60	459	1,015	578	40	400	1,018
Foreign exchange adjustments	16	4	7	27	(24)	(4)	(22)	(50)
Additions	227	43	371	641	198	52	413	663
Used	(80)	(59)	(245)	(384)	(83)	(27)	(285)	(395)
Reversals	(116)	(1)	(35)	(152)	(169)	(1)	(47)	(217)
Transferred to assets classified as held for sale	0	0	0	0	(4)	0	0	(4)
Provisions at 31 December	**543**	**47**	**557**	**1,147**	**496**	**60**	**459**	**1,015**

Provisions related to continued activities

DKKm	2021	2020
Provisions at 1 January	833	807
Reclassification to beginning balance, continued/discontinued activities	0	13
Foreign exchange adjustments	27	(49)
Additions	638	661
Used	(348)	(378)
Reversals	(151)	(217)
Transferred to assets classified as held for sale	0	(4)
Continued activities share of Group provisions	**999**	**833**

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 441m (2020: DKK 439m).

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 2022 we expect to make a contribution to the defined benefit plans of DKK 9.1m (2021: 8.5m). The weighted average duration of the obligations is 15 years (2020: 13 years).

Actuarial assumptions

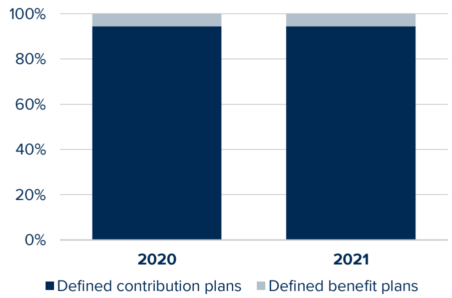
	2021	2020
Average discounting rate applied	1.5%	0.9%
Expected future pay increase rate	2.9%	1.5%

Pension obligations

	2021			2020		
DKKm	Present value of pension obligations	Fair value of plan assets	Net obligations	Present value of pension obligations	Fair value of plan assets	Net obligations
Value at 1 January	(1,127)	749	(378)	(1,152)	787	(365)
Interest on obligation/asset	(20)	15	(5)	(25)	20	(5)
Service costs	(26)	0	(26)	(26)	0	(26)
Recognised in the income statement	**(46)**	**15**	**(31)**	**(51)**	**20**	**(31)**
Actuarial gains and losses from financial assumptions	35	35	70	(66)	47	(19)
Recognised in other comprehensive income	**35**	**35**	**70**	**(66)**	**47**	**(19)**
Foreign exchange adjustments	(58)	54	(4)	70	(58)	12
Employer contributions	0	3	3	0	(7)	(7)
Participant contributions	0	1	1	(1)	7	6
Benefits paid to employees	80	(63)	17	70	(47)	23
Other changes	**22**	**(5)**	**17**	**139**	**(105)**	**34**
Transferred to assets classified as held for sale	0	0	0	3	0	3
Value at 31 December	**(1,116)**	**794**	**(322)**	**(1,127)**	**749**	**(378)**

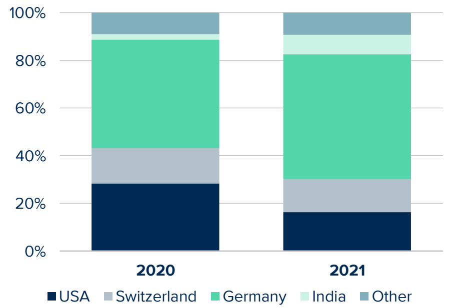
Pension contributions by plan types

%



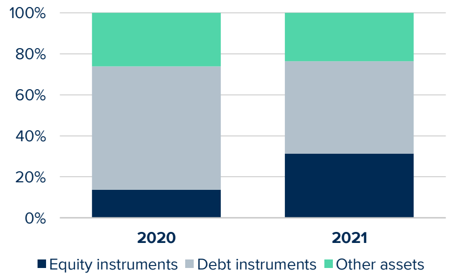
Pension obligations by country

%



Fair value of plan assets

by Instruments



2.8 PENSION OBLIGATIONS – continued

Sensitivity analysis

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

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

Sensitivity

DKKm	2021	2020
Discount rate - 1%, increase	145	153
Discount rate + 1%, decrease	(132)	(131)

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

The capital commitment of DKK 2.1b related to the acquisition of thyssenkrupp's Mining business (subject to customary authority approvals) is described in note 2.10.

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 un-certain. The undrawn part of the capital commitment at 31 December 2021 amounted to DKK 43m (2020: DKK: 52m).

Contingent liabilities

Contingent liabilities at the end of 2021 amounted to DKK 3,117m (2020: DKK 2,660m). Contingent liabilities cover guarantees and other contingent liabilities related to legal disputes etc.

Guarantees

To cover project-related risks, such as performance, payment, quality and delay, we issue usual security in the form of performance and payment guarantees for projects and supplies towards our customers. At 31 December 2021, the volume of such guarantees amounted to DKK 2,254m (2020: DKK: 2,376m). 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, 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 863m (2020: DKK 284m). The outcome of such proceedings and disputes is by nature unknown, but is not expected to have significant impact on our financial position.

On 22 July 2021, a customer informed that it intends to initiate arbitration against FLSmidth and certain partners for an amount of DKK 208m, for alleged contractual breaches ('the Tunisia contract'). FLSmidth will reject a potential claim.

Contingent liabilities in 2021 further 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.

2.10 BUSINESS ACQUISITIONS

Acquisitions in 2021

In 2021, FLSmidth did not acquire any new businesses.

On 29 July and 6 September 2021, it was announced that FLSmidth and thyssenkrupp Industrial Solution AG have reached an agreement that FLSmidth will acquire thyssenkrupp's Mining business, excluding the activities in India, for a total consideration of EUR 280m corresponding to approximately DKK 2.1 billion. Closing is expected in H2 2022 and is conditional upon customary regulatory approvals and formal approval by the supervisory board of thyssenkrupp AG and the supervisory board of thyssenkrupp Industrial Solution AG.

Acquisition related costs amounted to DKK 107m and are recognised in the income statement as administrative cost. For 2021, the costs include costs incurred both before and after signing of the agreement to acquire the tk mining business.

Acquisitions in 2020

On 31 January 2020, FLSmidth acquired 100% the business Mill-Ore Group. On 30 October 2020, FLSmidth acquired 100% the business KnowledgeScape LLC.

The acquisition price for the two businesses is DKK 97m and lead to the recognition of goodwill of DKK 58m.
The accounting for the acquisitions has been finalised during 2021 and did not lead to adjustments to the purchase price allocation determined at the end of 2020, refer to Annual Report 2020 page 85.

During 2021 and as anticipated, FLSmidth paid DKK 11m (2020: 8m DKK) in deferred payments on the IMP Automation Group acquisition in 2019 and the KnowledgeScape LLC acquisition in 2020.

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, amongst others, due to the COVID-19 pandemic.

The segment note 1.2 shows the full disclosure of income statement for discontinued activities.

Discontinued activities' effect on cash flow from operating activities is presented in the table below. The cash outflow 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 as of 31 December 2021.

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

Discontinued activities share of provisions

DKKm	2021	2020
Provisions at 1 January	182	211
Reclassification to beginning balance, continued/discontinued activities	0	(13)
Foreign exchange adjustments	0	(1)
Additions	0	2
Used	(34)	(17)
Provisions	**148**	**182**

In addition to the provisions of DKK 148m, discontinued activities include DKK 350m (2020: DKK 220m) 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	2021	2020
EBITDA, see segment note 1.2	(19)	(15)
Adjustment for gain on sale of property, plant and equipment etc.	0	0
Adjusted EBITDA	**(19)**	**(15)**
Change in provisions	(34)	(15)
Change in net working capital	(134)	(18)
Cash flow from operating activities before financial items and tax	**(187)**	**(48)**
Financial items received and paid	(1)	0
Taxes paid	0	(4)
Cash flow from operating activities	**(188)**	**(52)**

2.12 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

At the end of 2021, no assets and liabilities are classified as held for sale.

In the first quarter of 2021, the two disposals that were announced in December 2020 became effective.

The sale of advanced fabric filter technology ("AFT") to Simatek A/S and of Möller pneumatic conveying systems business to REEL had no material income statement effect in 2021.

The assets related to the disposals were included in assets classified as held for sale as of 31 December 2020.

Accounting policy

Non-current assets as well as assets and liabilities expected to be sold as a group in a single transaction are classified as held for sale, if their carrying value is likely to be recovered by sale within 12 months in accordance with a formal plan.

Assets held for sale are measured at the lower of the carrying value at the time of classification as held for sale and the fair value less costs to sell. Assets are not depreciated from the time they are reclassified as held for sale.

SECTION 3

WORKING CAPITAL

In this section

3.1 NET WORKING CAPITAL

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

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

Despite the increased activity level during the second half of 2021 following the global easing of pandemic restrictions the collection of prepayments from customers and invoicing in excess of work in progress completed led to decreased net working capital compared to the end of 2020.
Currency impacts increased the net working capital balance at 31 December 2021 by DKK 14m (2020: a reduction of DKK 158m).

Net working capital

DKKm	2021	2020
Inventories	2,464	2,368
Trade receivables	4,112	3,453
Work in progress, asset	2,358	2,175
Prepayments	871	333
Other receivables	709	748
Derivative financial instruments	31	65
Prepayments from customers	(2,490)	(1,266)
Trade payables	(3,367)	(3,055)
Work in progress, liability	(2,373)	(1,834)
Other liabilities	(1,224)	(1,200)
Derivative financial instruments	(33)	(35)
	1,058	**1,752**

Cash flow effect from change in NWC

DKKm	2021	2020
Inventories	10	143
Trade receivables	(547)	1,241
Trade payables	216	(1,051)
Work in progress	322	625
Prepayments from customers	1,183	(407)
Prepayments	(534)	214
Other receivables and other liabilities	156	(29)
- of which relate to foreign exchange gain/(loss)	(194)	(30)
	612	**706**

3.2 INVENTORIES

Inventories net of impairment

DKKm	2021	2020
Raw materials and consumables	270	240
Goods in progress	361	387
Finished goods and goods for resale	1,833	1,741
Inventories	**2,464**	**2,368**

Impairment of inventories

DKKm	2021	2020
Impairment at 1 January	272	315
Foreign exchange adjustments	14	(19)
Additions	95	69
Realised	(14)	(54)
Reversals	(14)	(29)
Transferred to assets classified as held for sale	0	(10)
Impairment at 31 December	**353**	**272**

Reported inventory level has increased by 4% in 2021 due to higher foreign currency exchange rates by year end 2021. Adjusted for currency the inventory marginally decreased during 2021.

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 net of impairment specified according to aging

DKKm	2021	2020
Not due for payment	2,883	2,327
Overdue < one month	465	398
Overdue one - two months	163	164
Overdue two - three months	72	91
Overdue > three months	529	473
Trade receivables	**4,112**	**3,453**
Trade receivables not due for payment with retentions on contractual terms	529	338

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

The impairment in 2021 is based on historical observed default rates adjusted for estimates of uncertainties in project related activities and market conditions.

Impairment of trade receivables

DKKm	2021	2020
Impairment at 1 January	317	339
Foreign exchange adjustments	15	(29)
Additions	128	187
Reversals	(70)	(114)
Realised	(57)	(66)
Impairment at 31 December	**333**	**317**

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 off-set assets against claims. When making the assessment we also evaluate the expected development in macro-economic and political environments that could impact the recoverability.

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

The impact from the adjustments to reflect the current situation has decreased compared to at the end of 2020. The decrease is based on an assessment of an improvement in credit risk following the more stable macroeconomic situation.

Impairment of trade receivables specified according to aging

	2021			2020		
DKKm	Expected loss rate	Gross carrying amount	Impairment	Expected loss rate	Gross carrying amount	Impairment
Not due for payment	1.2%	2,919	36	1.5%	2,363	36
Overdue < one month	6.1%	495	30	6.7%	427	29
Overdue one - two months	14.2%	190	27	14.2%	191	27
Overdue two - three months	25.1%	96	24	24.7%	121	30
Overdue > three months	29.1%	745	216	29.1%	668	195
Total		**4,445**	**333**		**3,770**	**317**

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, the costs are recognised as work in progress and revenue reflecting the share of costs incurred compared to total expected costs to fulfil the contract (percentage of completion) is recognised (gross work in progress). 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	2021	2020
Gross work in progress	**33,338**	**30,179**
Invoicing on account to customers	(33,353)	(29,838)
Net work in progress	**(15)**	**341**
Of which is recognised as work in progress:		
Under assets	2,358	2,175
Under liabilities	(2,373)	(1,834)
Net work in progress	**(15)**	**341**

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 work in progress liabilities contract liabilities include prepayments received from customers of DKK 2,490m (2020: DKK 1,266m). 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 and expected losses, 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 manged together.

When progress billings and expected losses 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, we have reassessed our project financials, including update of expected project costs, to ensure that cost increases are appropriately reflected in the estimated cost to complete. Nevertheless, it is assessed that the uncertainties have decreased compared to the uncertainties at the end of 2020.

3.5 OTHER RECEIVABLES

Specification of other receivables

DKKm	2021	2020
Indirect taxes receivables	402	420
Deposits	30	61
Derivatives	31	65
Other	336	322
	799	**868**

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 re-course.

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 not part of the supply change financing programme. At the end of 2021, trade payables covered by the programme amounted to DKK 490m (2020: DKK 273m). After a low level of activity during 2020 the utilisation of supply chain financing increased during 2021.

3.7 OTHER LIABILITIES

Specification of other liabilities

DKKm	2021	2020
Indirect taxes payables	177	179
Accrued employee items	665	716
Employee benefits	122	112
Derivatives	33	35
Other accruals and payables	461	389
	1,458	**1,431**

SECTION 4

TAX

In this section

4.1 INCOME TAX

The income tax expense for the year amounted to DKK 213m (2020: DKK 155m), corresponding to an effective tax rate of 36.3% (2020: 40.7%). The income tax expense was negatively affected by the value of non-deductible costs partly offset by a positive adjustment due to a partial reversal of the impairment of deferred tax assets in Germany. In 2020, the tax rate was negatively affected by an adjustment regarding prior years. The non-deductible costs mainly increased due to acquisition costs in Germany in respect of the acquiring of the thyssenkrupp Mining division. Withholding taxes not subject to credit relief added to the tax expense.

Uncertain tax positions reflect the annual assessment by management 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 liability is recognised under income tax liabilities or deferred tax liabilities, depending in 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

	2021		2020	
DKKm	**Tax**	**Effective tax rate**	**Tax**	**Effective tax rate**
Tax according to Danish tax rate	(129)	22.0%	(84)	22.0%
Differences in the tax rates in foreign subsidiaries relative to 22%	(31)	5.3%	(30)	7.9%
Non-taxable income and non-deductible costs	(48)	8.2%	33	-8.7%
Change in tax assets valued at nil	38	-6.5%	(28)	7.3%
Change in deferred tax due to adjustment of tax rates	4	-0.7%	54	-14.2%
Adjustments regarding previous years, deferred tax	(19)	3.2%	22	-5.8%
Adjustments regarding previous years, current tax	4	-0.7%	(46)	12.1%
Withholding tax	(52)	8.9%	(71)	18.6%
Uncertain tax positions	20	-3.4%	(5)	1.3%
Total tax for the year and effective tax rate	**(213)**	**36.3%**	**(155)**	**40.7%**

Composition of tax for the year

DKKm	2021	2020
Current tax on profit/(loss) for the year	(449)	(212)
Withholding tax	(52)	(71)
Change in deferred tax	280	103
Change in tax rate on deferred tax	4	54
Adjustments regarding previous years, deferred tax	(19)	22
Adjustments regarding previous years, current tax	4	(46)
Current tax on equity	(1)	0
Uncertain tax positions	20	(5)
Tax for the year, continuing activities	**(213)**	**(155)**
Earnings before tax on continuing activities	587	381
Earnings before tax on discontinued activities	(19)	(18)
Total earnings before tax	**568**	**363**

4.2 PAID INCOME TAX

Income tax paid in 2021 amounted to DKK 537m (2020: DKK 368m). 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.

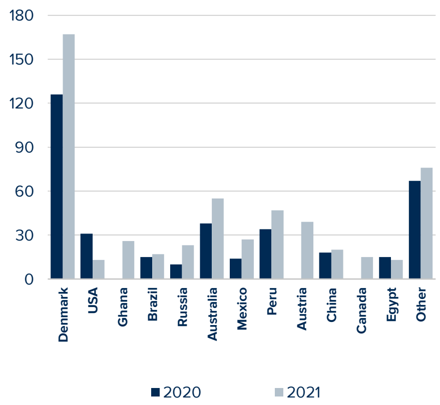
Besides income tax, Group activities generate sales taxes, customs duties, personal income taxes paid by the employees, etc. which are excluded from income tax.

4.3 DEFERRED TAX

Deferred tax assets at the end of 2021 amount to DKK 1,490m (2020: DKK 1,248m) and deferred tax liabilities amount to DKK 169m (2020: DKK 200m). The net deferred tax assets amount to DKK 1,321m (2019: DKK 1,048m).

Income tax paid

DKKm



Composition of deferred tax

2021

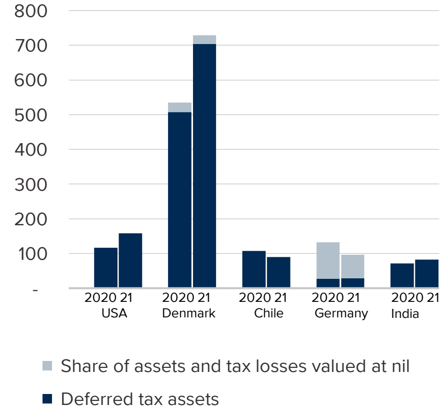
DKKm	Balance sheet 1 January	Currency adjustment	Adjustment to previous years (Included in Income Statement within Tax for the year)	Changed tax rate (Included in Income Statement within Tax for the year)	Change in deferred tax (Included in Income Statement within Tax for the year)	Included in other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

2020

DKKm	Balance sheet 1 January	Currency adjustment	Adjustment to previous years (Included in Income Statement within Tax for the year)	Changed tax rate (Included in Income Statement within Tax for the year)	Change in deferred tax (Included in Income Statement within Tax for the year)	Included in other comprehensive income	Transfer from assets held for sale	Balance sheet 31 December
Intangible assets	11	19	(32)	52	67	0	0	117
Property, plant and equipment	183	(2)	40	0	9	0	2	232
Current assets	378	(17)	(5)	5	(42)	0	(89)	230
Liabilities	141	(18)	8	(2)	77	(6)	94	294
Tax loss carry-forwards, etc.	346	(15)	14	(1)	20	0	0	364
Share of tax assets valued at nil	(165)	7	(3)	0	(28)	0	0	(189)
Net deferred tax assets/(liabilities)	**894**	**(26)**	**22**	**54**	**103**	**(6)**	**7**	**1,048**

Significant deferred tax assets

DKKm



4.3 DEFERRED TAX
– continued

Deferred tax assets valued at nil amounting to DKK 151m (2020: DKK 189m) 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 2021 (2020: DKK 300-350m). 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.

Net deferred tax

DKKm	2021	2020
Deferred tax assets	1,490	1,248
Deferred tax liabilities	(169)	(200)
	1,321	**1,048**

DKK 92m (2020: DKK 72m) 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	2021	2020
Within one year	64	30
Between one and five years	0	3
After five years	766	929
Base value of tax assets valued at nil	**830**	**962**
Tax value	**151**	**189**
Deferred tax assets valued at nil consist of:		
Temporary differences	3	14
Tax losses	827	948
	830	**962**

The deferred tax assets in Germany and Denmark are 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 2021, the non-recognised part of the tax asset in Germany amounts to DKK 66m (2020: DKK 105m) and relates to discontinued activities and dormant entities. The non-recognised tax asset in Denmark amounts to DKK 25m (2020: 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.

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.

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 in-come 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.

Our Group Tax Policy, which has been approved by the Board of Directors of FLSmidth, is available on:

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

Tax on other comprehensive income

	2021			2020		
DKKm	**Deferred tax**	**Current tax**	**Tax income/ cost**	**Deferred tax**	**Current tax**	**Tax income/ cost**
Value adjustments of hedging instruments	14	1	15	(7)	0	(7)
Actuarial gains/losses on defined benefit plans	(15)	0	(15)	1	0	1
Tax on other comprehensive income	**(1)**	**1**	**0**	**(6)**	**0**	**(6)**

SECTION 5

FINANCIAL RISKS & CAPITAL STRUCTURE

In this section

5.1 SHARES AND CAPITAL STRUCTURE

Shares

On 10 September 2021, an issue of 6,400,000 new shares of DKK 20 each at a price of DKK 228 per share was completed. Hereafter, share capital is DKK 1,153m (2020: DKK 1,025m) and the total number of authorised and issued shares is 57,650,000 (2020: 51,250,000). Each share entitles the holder to 20 votes and no shares have special rights attached to it. The issue increases shareholders' equity by the proceed received net of costs of DKK 25m.

Shareholders at the end of 2021

At the end of 2021, FLSmidth had one major shareholder. Lundbeckfond Invest A/S has disclosed holdings of voting rights exceeding 10% of total outstanding voting rights. No other shareholders have reported a participating interest above 5%.

Capital structure

FLSmidth take a conservative approach to capital structure, with the emphasis on relatively low debt, gearing and financial risk.

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)
- Equity ratio > 30%

For further information please refer to Shareholder information section page 50.

Shareholders' equity includes the following re-serves:

- 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 2021 accounted for 1.6 % of the share capital (2020: 2.1%).

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). The reduction in treasury shares during 2021 relates to exercise of share options granted to employees. 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 (2020: DKK 2) corresponding to a dividend yield of 1.2% (2020: 0.9%) and a pay-out ratio of 48% (2020: 50%) will be distributed for 2021. The total dividend proposed amounts to DKK 173m (2020: DKK 103m).

Movements in shares and share capital

	2021		2020	
	Number of shares (1,000)	Nominal value (DKKm)	Number of shares (1,000)	Nominal value (DKKm)
Share capital at 1 January	51,250	1,025	51,250	1,025
Issue of new shares	6,400	128	0	0
Share capital at 31 December	**57,650**	**1,153**	**51,250**	**1,025**

Outstanding shares net of Treasury shares

(1,000):	2021	2020
Treasury shares at 1 January	1,098	1,194
Used for share options exercised	(173)	(96)
Treasury shares at 31 December	**925**	**1,098**
Outstanding shares net of Treasury shares:		
Outstanding shares net of Treasury shares 1 January	50,152	50,056
Issue of new shares	6,400	0
Movement, treasury shares	173	96
Outstanding shares net of Treasury shares at 31 December	**56,725**	**50,152**

5.2 EARNINGS PER SHARE

Earnings per share from continuing activities increased to DKK 7.2 in 2021 (2020: DKK 4.6) primarily driven by increased profit for the year. Earnings per share from discontinued activities remained at the same level DKK -0.3 in 2021 (2020: DKK -0.4).

There is no dilutive effect of share base payments in 2021 (2020: 0.0%).

As of 31 December 2021 none of the share options were in-the-money (2020: none).

Earnings per share from continuing and discontinuing activities

DKKm	2021	2020
Profit for the year, continuing activities	374	226
Minority interests	1	5
FLSmidth's share of profit, continuing activities	**375**	**231**
Loss for the year, discontinued activities	(17)	(21)
FLSmidth's share of loss, discontinuing activities	**(17)**	**(21)**
FLSmidth's share of profit	**358**	**210**

Number of shares (1,000)	2021	2020
Issued shares 1 January	51,250	51,250
Issue of new shares, weighted	1,871	0
Treasury shares, weighted	1,041	1,097
Average number of outstanding shares	**52,080**	**50,153**
Dilutive effect of share based payment	0	0
Average diluted number of outstanding shares	**52,080**	**50,153**

DKK	2021	2020
Earnings per share from continuing activities	7.2	4.6
Earnings per share from discontinued activities	(0.3)	(0.4)
Earnings per share from continuing and discontinued activities	**6.9**	**4.2**

DKK	2021	2020
Diluted earnings per share from continuing activities	7.2	4.6
Diluted earnings per share from discontinued activities	(0.3)	(0.4)
Diluted earnings per share from continuing and discontinued activities	**6.9**	**4.2**

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. During 2021, COVID-19 no longer had a significant impact on the currency and interest rate risks, as volatility decreased.

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 2021 or 2020.

As of 31 December 2021, the majority of our interest-bearing debt is carrying a floating rate.

A 1%-point increase in the interest rate will not increase interest costs (2020: DKK 18m, calculated as 1% of the net interest bearing debt as of 31 December 2020. The sensitivity to changes in the interest rate has decreased in 2021 due to the debt reduction and all other things being equal.

The interest rate benchmark reform (called IBOR reform) is not expected to have any significant impact on the Group's financial statements.

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. The analysis includes the transactional 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. A 5 % increase in the specified currencies towards Danish Kroner will have the following effect on other comprehensive income.

Translation impact

DKKm	Change	2021	2020
USD	5.0%	78	68
INR	5.0%	38	35
AUD	5.0%	98	92
CLP	5.0%	38	36
GBP	5.0%	17	16
ZAR	5.0%	16	15

Transaction impact

DKKm		2021		2020	
Currency	Change	Net profit for the year	Other comprehensive income	Net profit for the year	Other comprehensive income
USD	5.0%	10	(16)	0	(14)
CNY	5.0%	(1)	0	1	1
AUD	5.0%	0	0	(3)	0
BRL	5.0%	2	0	0	0
GBP	5.0%	0	0	0	2
ZAR	5.0%	(2)	0	0	0
CAD	5.0%	0	(3)	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 2021, total credit risk was measured as DKK 9,236m (2020: DKK 7,455m) 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 2021, 13% (2020: 17%) of our work in progress asset and 7% (2020: 6%) of our trade receivables balance were covered by payment securities.

Total exposure to credit risk

DKKm	2021	2020
Non-financial counterparties:		
Trade receivables, note 3.3	4,112	3,453
Work in progress, assets, note 3.4	2,358	2,175
Other receivables, note 3.5	799	868
of which derivatives	(31)	(65)
Other securities and investments	49	43
Total non-financial counterparties	**7,287**	**6,474**
Financial counterparties:		
Derivatives, netted amount	14	35
Cash and cash equivalent	1,935	946
Total financial counterparties	**1,949**	**981**
Total exposure to credit risk	**9,236**	**7,455**

5.3 FINANCIAL RISKS
– continued

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 1,949m (2020: DKK 981m). All financial assets, excluding other securities and investments, are expected to be settled during 2022.

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.

During 2021, a 1-year extension-option for the DKK 5bn facility was exercised, extending the expiry to 2027. Total committed facilities by the end of 2021 were DKK 6,821m (2020: DKK 6,970m), of which DKK 726m (2020: DKK 2,251m) was utilised. The committed facilities will mature during the years 2023-2027. Short-term liquidity risks are managed through a cash pool in various currencies and by having short-term overdraft facilities in place with various financial institutions, mainly on a committed basis, but also through uncommitted facilities.

In addition, FLSmidth has a credit facility commitment specifically for the purpose of funding the acquisition of tk Mining, in combination with the proceeds from the completed issue of new shares.

According to the Treasury Policy the available financial resources must not be lower than DKK 2bn at any point. The liquidity position is monitored daily. As of 31 December 2021, 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 2020 nor 2021.

Having activities in various emerging markets implies additional risks due to specific restrictions and requirements. Mitigating actions are therefore considered on a case-by-case basis. It requires thorough dedicated efforts to reduce related risks to an acceptable level.

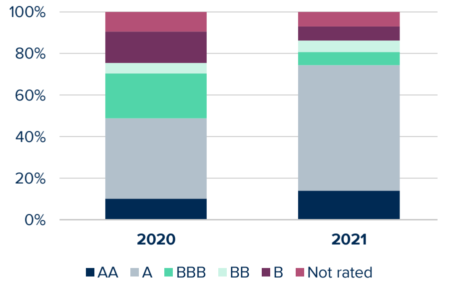
Restricted cash

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. Restricted cash, amounting to DKK 868m (2020: DKK 781m), is however available for local daily operations.

A cross border cash pool was established in China during 2021. Cash in China is therefore no longer classified as restricted cash, but instead available to the group. Contrarily, both India and South Africa have an increase of restricted cash, which contributes to the overall increase of restricted cash amount.

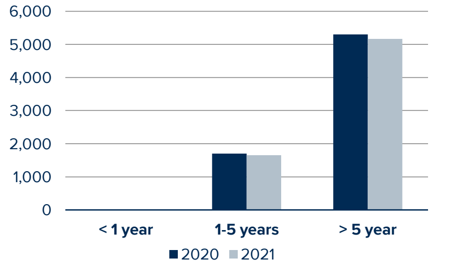
Credit risk ratings per financial institution

%



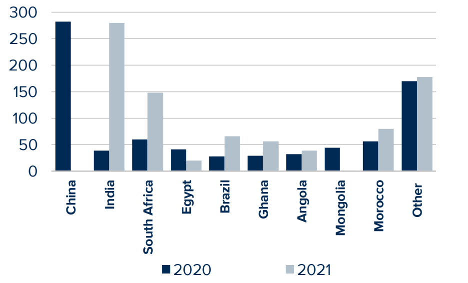
Maturity profile of Group funding facilities

DKKm



Group restricted cash

DKKm



5.4 FINANCIAL INCOME AND COSTS

Net financial costs

DKKm	2021	2020
Interest income	24	21
Fair value adjustment of derivatives	354	308
Foreign exchange gains	490	622
Fair value adjustment of shares	2	1
Total financial income	**870**	**952**
Interest cost	(73)	(69)
Loss from associates	(1)	0
Lease interest cost	(11)	(11)
Fair value adjustment of derivatives	(242)	(356)
Foreign exchange losses	(620)	(563)
Fair value adjustment of shares	(4)	0
Total financial costs	**(951)**	**(999)**
Net financial costs	**(81)**	**(47)**

Cash flow effect from financial income and costs

DKKm	2021	2020
Interest received	24	22
Interest paid	(93)	(73)
	(69)	**(51)**

Foreign exchange adjustments, net of hedging effect, amounted to DKK -18m (2020: DKK 11m), 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 49m (2020: DKK 48m) related to loans and deposits.

Lease interest cost amounted to DKK 11m (2020: DKK 11m).

Fair value adjustment of shares of net DKK -2m (2020: DKK 1m) 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 112m (2020: DKK -48m).
At 31 December 2021 the fair value of our hedge agreements that are not recognised as hedge accounting amounted to DKK 4m (2020: DKK 1m).

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 are included in 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			2021			2020
	Economic hedge	Cash flow hedge	Total hedge	Economic hedge	Cash flow hedge	Total hedge
Financial instruments asset	19	12	31	9	56	65
Financial instruments liability	(15)	(18)	(33)	(8)	(27)	(35)
Total	**4**	**(6)**	**(2)**	**1**	**29**	**30**

Economic Hedge

DKKm		2021		2020
Currency	Notional amount	Net fair value	Notional amount	Net fair value
USD	(231)	1	(286)	3
AUD	(110)	(1)	(222)	(2)
EUR	840	4	184	0
CAD	(228)	(2)	(218)	1
Other	0	2	0	(1)
Total		**4**		**1**

A negative notional amount represents a sale of the currency

5.5 DERIVATIVES – continued

At 31 December 2021, the fair value of our cash flow hedge instruments amounted to DKK -6m (2020: DKK 29m).

Changes in the cash flow hedging reserve

DKKm	2021	2020
Change in cash flow hedge reserve	(39)	35
Reclassified from other comprehensive income to work in progress	(11)	(11)

Accounting policy

Derivatives are initially recognised in the balance sheet at fair value and subsequently measured at fair value. Fair value of derivatives is included in other receivables or other liabilities respectively.

Fair value changes of derivatives used for cash flow hedging are recognised in other comprehensive income.

Any ineffective portions of the cash flow hedges are recognised as a financial item. Upon settlement of the cash flow hedges, the fair value 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 as 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	2021		2020	
Currency	Notional amount	Net fair value	Notional amount	Net fair value
USD	(355)	2	(382)	28
CNY	0	0	33	0
EUR	323	(8)	18	(1)
Other	0	0	0	2
Total		**(6)**		**29**

A negative notional amount represents a sale of the currency

5.6 FAIR VALUE MEASUREMENT

Financial instruments measured at fair value are measured on a recurring basis and 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 2021 or 2020.

Financial instruments measured at fair value

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**

DKKm	Level 1	Level 2	Level 3	2020 Total
Securities and investments	9	0	34	43
Hedging instruments asset	0	65	0	65
Hedging instruments liability	0	(35)	0	(35)
	9	**30**	**34**	**73**

5.7 NET INTEREST BEARING DEBT

2021

DKKm	Effective interest rate	Carrying amount 1 January 2021	Cash flows	Additional lease liability during the year	Foreign exchange effect	Transferred to assets classified as held for sale	Carrying amount 31 December 2021
Lease liabilities	3.76%	322	(122)	99	5	0	304
Mortgage debt	0.45%	256	(15)	0	0	0	241
Bank debt	1.58%	2,177	(1,481)		(194)	0	502
Other liability		0	0		0	0	0
Interest bearing debt		**2,755**	**(1,618)**	**99**	**(189)**	**0**	**1,047**
Cash and cash equivalents		946	930		59	0	1,935
Other receivables		1	0		0	0	1
Interest bearing assets		**947**	**930**	**0**	**59**	**0**	**1,936**
Net interest bearing debt / (assets)		**1,808**	**(2,548)**	**99**	**(248)**	**0**	**(889)**

*The cash flow movements do not include cash in- and outflow related to assets and liabilities associated with assets held for sale.

2020

DKKm	Effective interest rate	Carrying amount 1 January 2020	Cash flows	Additional lease liability during the year	Foreign exchange effect	Transferred to assets classified as held for sale	Carrying amount 31 December 2020
Lease liabilities	3.43%	318	(120)	147	(17)	(6)	322
Mortgage debt	0.45%	273	(17)	0	0	0	256
Bank debt	1.19%	2,902	(857)	0	132	0	2,177
Other liability		0	52	0	0	(52)	0
Interest bearing debt		**3,493**	**(942)**	**147**	**115**	**(58)**	**2,755**
Cash and cash equivalents		1,001	89	0	(114)	(30)	946
Other receivables		0	1	0	0	0	1
Interest bearing assets		**1,001**	**90**	**0**	**(114)**	**(30)**	**947**
Net interest bearing debt		**2,492**	**(1,032)**	**147**	**229**	**(28)**	**1,808**

5.8 FINANCIAL ASSETS AND LIABILITIES

All financial assets and liabilities, except for hedging instruments, securities and investments, are measured at amortised cost. 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.

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.

5.8 FINANCIAL ASSETS AND LIABILITIES – continued

Assets DKKm	2021 Maturity of cash flows < 1 year	1-5 years	> 5 year	Total cash flows	Fair value	Carrying amount	2020 Maturity of cash flows < 1 year	1-5 years	> 5 year	Total cash flows	Fair value	Carrying amount
Hedging instruments (hedge accounting)	**10**	**2**	**0**	**12**	**12**	**12**	**54**	**2**	**0**	**56**	**56**	**56**
Hedging instruments (economic hedging)	19	0	0	19	19	19	9	0	0	9	9	9
Securities and investments	0	0	49	49	49	49	0	0	43	43	43	43
Fair value through profit and loss	**19**	**0**	**49**	**68**	**68**	**68**	**9**	**0**	**43**	**52**	**52**	**52**
Trade receivables	4,112	0	0	4,112	4,112	4,112	3,453	0	0	3,453	3,453	3,453
Work in progress	2,358	0	0	2,358	2,358	2,358	2,175	0	0	2,175	2,175	2,175
Other receivables	768	0	0	768	768	768	383	0	0	383	383	383
Cash and cash equivalents	1,935	0	0	1,935	1,935	1,935	946	0	0	946	946	946
Amortised costs	**9,173**	**0**	**0**	**9,173**	**9,173**	**9,173**	**6,957**	**0**	**0**	**6,957**	**6,957**	**6,957**
Total financial assets	**9,202**	**2**	**49**	**9,253**	**9,253**	**9,253**	**7,020**	**2**	**43**	**7,065**	**7,065**	**7,065**

Liabilities DKKm	2021 Maturity of cash flows < 1 year	1-5 years	> 5 year	Total cash flows	Fair value	Carrying amount	2020 Maturity of cash flows < 1 year	1-5 years	> 5 year	Total cash flows	Fair value	Carrying amount
Hedging instruments (hedge accounting)	**(18)**	**0**	**0**	**(18)**	**(18)**	**(18)**	**(27)**	**0**	**0**	**(27)**	**(27)**	**(27)**
Hedging instruments (economic hedging)	(15)	0	0	(15)	(15)	(15)	(8)	0	0	(8)	(8)	(8)
Fair value through profit and loss	**(15)**	**0**	**0**	**(15)**	**(15)**	**(15)**	**(8)**	**0**	**0**	**(8)**	**(8)**	**(8)**
Lease liabilities	(106)	(184)	(39)	(329)	(304)	(304)	(112)	(174)	(58)	(344)	(322)	(322)
Mortgage debt	(16)	(64)	(170)	(250)	(243)	(241)	(16)	(67)	(186)	(269)	(256)	(256)
Bank debt	(2)	(504)	0	(506)	(502)	(502)	(194)	(586)	(1,507)	(2,287)	(2,177)	(2,177)
Trade payables	(3,367)	0	0	(3,367)	(3,367)	(3,367)	(3,055)	0	0	(3,055)	(3,055)	(3,055)
Other liabilities	(1,403)	(55)	0	(1,458)	(1,458)	(1,458)	(1,092)	(125)	0	(1,217)	(1,217)	(1,217)
Amortised cost	**(4,894)**	**(807)**	**(209)**	**(5,910)**	**(5,874)**	**(5,872)**	**(4,469)**	**(952)**	**(1,751)**	**(7,172)**	**(7,027)**	**(7,027)**
Total financial liabilities	**(4,927)**	**(807)**	**(209)**	**(5,943)**	**(5,907)**	**(5,905)**	**(4,504)**	**(952)**	**(1,751)**	**(7,207)**	**(7,062)**	**(7,062)**

SECTION 6

OTHER NOTES

In this section

6.1 SHARE-BASED PAYMENT

At the beginning of 2021, two different share-based incentive programmes were outstanding, a share-option programme and a performance share programme. During 2021, the exercise period for the last share option programme expired.

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 programme granted in 2021, the key performance indicators are EBITA margin, total shareholder return (TSR) and progress on MissionZero (MZ). For programmes 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 market 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 2021 plan, a maximum of 70,108 shares (2020: 52,242 shares) were granted to Executive Management at the grant date.

In 2021, the expense recognised for services provided by employees in return for the fair value of performance shares granted amounted to DKK 15m.

For 2020, an income of DKK 21m was recognised reflecting a reversal of costs previously recognised on programmes where the financial KPIs were no longer expected to be achieved.

The total number of outstanding performance shares at the end of 2021 was 549,172 (2020: 478,038) of which 149,098 are expected to vest (2020: 114,174).

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 determinated 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

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

DKK/DKKm	2021	2020
Market price per share, end of year	244.30	232.80
Total fair value of performance shares to be vested at balance sheet date	36	27

	2021			2020		
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	28,420	85,754	114,174	31,109	194,837	225,946
Vested	0	0	0	(16,262)	(81,335)	(97,597)
Lapsed	(22,344)	(9,875)	(32,219)	0	(21,034)	(21,034)
Awards current year (maximum number)	70,108	164,646	234,754	52,242	168,236	220,478
Adjusted to reflect expectations	(39,078)	(128,533)	(167,611)	(43,628)	(169,991)	(213,619)
Change between positions	0	0	0	4,959	(4,959)	0
Outstanding performance shares 31 December expected to vest	**37,106**	**111,992**	**149,098**	**28,420**	**85,754**	**114,174**

6.1 SHARE-BASED PAYMENT – continued

Share options

2015 was the last year where share options were granted. The share option programme had from the grant date a three year vesting period followed by a three year exercise period. The last options vested in 2018 and the exercise period 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 of DKK 258.67 when the options were exercised.

Share options

	Group Executive Management	Key employees	Total number
Outstanding options 1 January 2020	49,889	776,265	826,154
Change between positions	15,160	(15,160)	0
Lapsed	0	(281,908)	(281,908)
Outstanding options 31 December 2020	**65,049**	**479,197**	**544,246**
Change between positions			0
Exercised	(45,371)	(127,779)	(173,150)
Lapsed	(19,678)	(351,418)	(371,096)
Outstanding options 31 December 2021	**0**	**0**	**0**
Number of options that were exercisable at 31 December 2020	65,049	479,197	544,246
Number of options that were exercisable at 31 December 2021	0	0	0
Total fair value of outstanding options DKKm			
At 31 December 2020	1	9	10
At 31 December 2021	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 2021, FLSmidth has had ordinary sales transactions of DKK 14m (2020: DKK 12m) 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 2020 and 2021. Please refer to note 1.5 Staff cost and the Remuneration report 2021.

6.3 AUDIT FEE

Fees to independent auditor

DKKm	2021	2020
Statutory audit	16	15
Other assurance engagement	1	1
Total audit related services	**17**	**16**
Tax and indirect taxes consultancy	1	2
Total non-audit services	**1**	**2**
Total fees to independent auditor	**18**	**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. 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	
○ FLS Real Estate A/S	Denmark	100
○ FLSmidth (Beijing) Ltd.	China	100
○ FLSmidth Finans A/S	Denmark	100
○ FLSmidth Dorr-Oliver Eimco Venezuela S.R.L. (under liquidation)	Venezuela	100
○ FLSmidth S.A.C.	Peru	100
○ SLF Romer XV ApS	Denmark	100
⌂ Gemena Sp. Z.o.o.	Poland	100
○ Matr. nr. 2055 A/S	Denmark	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
○ FLS Maroc	Morocco	100
○ FLSmidth A/S (Jordan) Ltd.	Jordan	100
○ FLSmidth MAAG Gear AG	Switzerland	100
⌂ FLSmidth MAAG Gear Sp. z o.o.	Poland	100
○ FLSmidth Kenya Limited	Kenya	100
○ FLSmidth (Thailand) Co. Ltd.	Thailand	100
○ FLSmidth Panama Inc.	Panama	100
○ FLSmidth S.A.	Ecuador	100
○ FLSmidth Paraguay S.A.	Paraguay	100
○ The Pennies and Pounds Holding, Inc.*	Philippines	33
○ FLSmidth S.A.	Spain	100
⌂ FLSmidth S.A.S.	Colombia	100
○ FLSmidth Mongolia	Mongolia	100
○ P.T. FLSmidth Construction Indonesia	Indonesia	67
○ FLSmidth Milano S.R.L.	Italy	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 Minerals Holding ApS	Denmark	100
○ 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 M.I.E. Enterprises Pty. Ltd.	Australia	100
⌂ Fleet Rebuild Pty. Ltd.	Australia	100
› Mayer Bulk Group Pty. Ltd.	Australia	100
» FLSmidth Mayer Pty. Ltd.	Australia	100
⌂ DMI (Australia) Pty. Ltd.	Australia	100
⌂ FLSmidth Krebs Australia Pty. Ltd.	Australia	100
⌂ ESSA Australia Limited	Australia	100
⌂ DMI Holdings Pty. Ltd.	Australia	100
⌂ Ludowici Pty. Limited	Australia	100
› Ludowici Hong Kong Investments Ltd.	Hong Kong	100
› Ludowici Packaging Australia Pty. Ltd.	Australia	100
› Ludowici Australia Pty. Ltd.	Australia	100
» Rojan Advanced Ceramics Pty. Ltd.	Australia	100
» Ludowici China Pty Limited	Australia	100
➔ Ludowici Hong Kong Limited	Hong Kong	100
○ FLSmidth Private Limited	India	100
○ FLSmidth S.A.	Chile	100
○ FLSmidth S.A. de C.V.	Mexico	100
○ FLSmidth Ltd.	Canada	100

Company name	Country	Direct Group holding (pct.)
○ FLSmidth (Pty.) Ltd.	South Africa	100
⌂ FLSMIDTH-SOCIEDADE UNIPESSOAL, LDA	Angola	100
⌂ FLSmidth Mozambique Limitada	Mozambique	100
⌂ Euroslot KDSS (South Africa) (Pty.) Ltd.	South Africa	100
⌂ FLSmidth Roymec (Pty) Ltd.	South Africa	100
⌂ FLSmidth (Pty) Ltd.	Botswana	85
⌂ FLSmidth South Africa (Pty.) Ltd.	South Africa	75

*Associate
All other enterprises are Group enterprises

SECTION 7

BASIS OF REPORTING

In this section

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 16 February 2022. 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 2021. The financial year for the Group is January 1 – December 31.

The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention, except for derivatives and securities, which are measured at fair value. The accounting policies are unchanged from last year except from changes included in note 7.6.

As required under the Commission's Delegated Regulation (EU) 2019/815 (ESEF Regulation), FLSmidth & Co. A/S' annual report is filed in the European Single Electronic Format (ESEF). The primary statements in the consolidated financial statements 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 (213800G7EG4156NNPG91-2021-12-31-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 consolidated financial statements consist of many transactions. These transactions are aggregated into classes according to their nature or function, and presented in classes of similar items in the 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 in the consolidated financial statements 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.

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).

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 new or amended accounting standards and interpretations as adopted by the EU and applicable for the 2021 financial year. Besides a change to IFRS 4 not relevant for the Group and a prolongment of the availability of the practical expedient to the accounting for COVID-19 related rent concessions, the changes consist of:

- Interest Rate Benchmark Reform - Phase 2 project. (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (issued August 2020)

The amendments in the Interest Rate Benchmark Reform – phase 2 - address issues following the changes to the interest rate benchmarks. The amendments have not had impact on the 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 2021.
The following amendments are relevant for FLSmidth, but none of these are expected to have a significant impact on the financial statements:

IFRS	Description	Effective date
Amendments to IFRS 3, Business Combinations	Amendment related to updating an outdated reference. No significant changes in requirements (issued May 2020)	01-jan-22
Amendments to IAS 16, Property, Plant and Equipment	Amendment related to proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the intended manner (issued May 2020)	01-jan-22
Amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets	Amendment related to costs that should be included as the cost of fulfilling a contract when assessing whether a contract is onerous (issued May 2020)	01-jan-22
Annual improvements 2018-2020*; IFRS 9, Financial Instruments	The amendment clarifies which fees to include when applying the '10 per cent' test in assessing whether to derecognise a financial liability. Only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf are included (issued May 2020)	01-jan-22
Annual improvements 2018-2020*; IFRS 16, Leases	Provides additional clarity regarding that lease incentives are included in the value of lease liabilities and lease assets by an estimated value (issued May 2020)	01-jan-22
Amendments to IAS 1, Presentation of Financial Statements	Amendment related to promoting consistency when classifying a liability with an uncertain settlement date as current or non-current liability (issued January/July 2020)	01-jan-23
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

*Other changes included in the Annual improvements 2018-2020 to other standards will not have an impact on our financial statements.

7.8 DEFINITION OF TERMS

Acquisition development
Development as a consequence of business acquisition, disregarding development from currency. After 12 months business acquisitions are included in the development from organic growth.

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
(Capital employed, end of period + capital employed end of same period last year)/2.

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
Earnings before, interest, tax, amortisation and impairments of investments in associated companies.

EBITA margin
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.

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.

7.8 DEFINITION OF TERMS – continued

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.

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.

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.

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.

Scope 2 greenhouse gas emissions (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 SBT-committed suppliers
FLSmidth purchase spend in direct categories with companies noted as committed to SBT on https://sciencebasedtargets.org/ versus the total purchase spend of FLSmidth in direct categories.

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 (m^3)
Water withdrawal includes all resources FLSmidth withdraws from groundwater or consumes from waterworks. The latest assessment was carried out in January 2022.

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

Parent Company Financial statements

Notes

INCOME STATEMENT

Notes	DKKm	2021	2020
	Dividend from Group enterprises	44	0
1	Other operating income	1	1
2	Staff costs	(8)	(4)
	Other operating costs	(21)	(11)
8	Impairment of investments in Group enterprises	(18)	(47)
7	Depreciation, amortisation and impairment	(1)	(1)
	EBIT	**(3)**	**(62)**
3	Financial income	808	1,177
4	Financial costs	(744)	(1,098)
	EBT	**61**	**17**
5	Tax for the year	0	(23)
	Profit for the year	**61**	**(6)**
6	Distribution of profit for the year:		
	Retained earnings	(112)	(109)
		(112)	**(109)**
	Distribution of dividend:		
	Proposed dividend	173	103
		173	**103**

Management's review

Parent company FLSmidth & Co. A/S' activities include holding of shares in Group enterprises and the Group's Treasury activities.

Dividend from Group enterprises to the parent company, FLSmidth & Co. A/S, was DKK 44m in 2021 (2020: DKK 0m) and the profit for the year was DKK 61m (2020: DKK -6m).

Decrease in financial income and cost is related to foreign exchange gains and losses. Net financial income is DKK 64m (2020: DKK 79m).

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

Total assets at year-end amounted to DKK 10,187m (2020: DKK 8,445m) and the equity was DKK 3,952m (2020: DKK 2,516m). Management consider the result to be in line with the expected level. For financial guidance of 2022 for the Group please refer to page 9.

BALANCE SHEET

Notes	DKKm	2021	2020
	ASSETS		
	Land and buildings	8	9
7	**Property, plant and equipment**	**8**	**9**
8	Investments in Group enterprises	2,618	2,512
8	Other securities and investments	21	19
	Financial assets	**2,639**	**2,531**
	Total non-current assets	**2,647**	**2,540**
	Receivables from Group enterprises	6,781	5,688
9	Deferred tax assets	27	23
10	Other receivables	144	105
	Receivables	**6,952**	**5,816**
	Cash and cash equivalents	**588**	**89**
	Total current assets	**7,540**	**5,905**
	Total assets	**10,187**	**8,445**

Notes	DKKm	2021	2020
	EQUITY AND LIABILITIES		
	Share capital	1,153	1,025
	Retained earnings	2,626	1,388
	Proposed dividend	173	103
	Equity	**3,952**	**2,516**
12	Provisions	9	8
	Provisions	**9**	**8**
14	Bank loans	499	2,006
14	Other liabilities	0	2
	Total non-current liabilities	**499**	**2,008**
14	Bank loans	0	150
14	Debt to Group enterprises	5,538	3,639
13+14	Other liabilities	189	124
	Total current liabilities	**5,727**	**3,913**
	Total liabilities	**6,235**	**5,929**
	Total equity and liabilities	**10,187**	**8,445**

EQUITY

DKKm	Share capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2020	**1,025**	**1,497**	**0**	**2,522**
Profit for the year		(6)		(6)
Proposed dividend		(103)	103	0
Equity at 31 December 2020	**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**

Number of shares (1,000):	2021	2020	2019	2018	2017
Share capital at 1 January	51,250	51,250	51,250	51,250	51,250
Issue of shares	6,400	0	0	0	0
Share capital at 31 December	**57,650**	**51,250**	**51,250**	**51,250**	**51,250**

On 10 September 2021, an issue of 6,400,000 new shares of DKK 20 each at a price of DKK 228 per share was completed. Hereafter, share capital is DKK 1,153m (2020: DKK 1,025m) and the total number of authorised and issued shares is 57,650,000 (2020: 51,250,000). Each share entitles its holder to 20 votes, and there are no special rights attached to the shares. The issue increases share-holders' equity by the proceed received net of costs of DKK 25m.

Profit for the year DKK 61m (2020: DKK -6m) is transferred to retained earnings, of which DKK 173m (2020: DKK 103m) is proposed as dividend.

1. OTHER OPERATING INCOME

DKKm	2021	2020
Rent fee, etc.	1	1
	1	**1**

2. STAFF COSTS

DKKm	2021	2020
Salaries and other remuneration	3	3
Bonus	3	1
Share-based payment	1	0
Severance package	1	0
	8	**4**
Average number of employees	**8**	**8**

Remuneration of the company's Board of Directors for 2021 amounts to DKK 7m (2020: DKK 6m), including DKK 0m (2020: DKK 0m), which was incurred by the parent company. The total remuneration of the Group's Executive Management amounted to DKK 71m (2020: DKK 51m), of which DKK 8m (2020: DKK 4m) was incurred by the parent company.

3. FINANCIAL INCOME

DKKm	2021	2020
Interest income from Group enterprises	85	88
Foreign exchange gains	723	1,089
	808	**1,177**

4. FINANCIAL COST

DKKm	2021	2020
Interest cost	36	34
Interest cost to Group companies	13	16
Foreign exchange losses	695	1,048
	744	**1,098**

5. TAX FOR THE YEAR

DKKm	2021	2020
Current tax on profit/loss for the year	(4)	(19)
Withholding tax	(1)	0
Adjustments of deferred tax	(1)	(6)
Adjustments regarding previous years, deferred taxes	5	(3)
Adjustments regarding previous years, current taxes	1	5
Tax for the year	**0**	**(23)**

6. DISTRIBUTION OF PROFIT FOR THE YEAR

Proposed distribution of profit:

DKKm	2021	2020
Proposed dividend	173	103
Retained earnings	(112)	(109)
Profit for the year	**61**	**(6)**

7. PROPERTY, PLANT AND EQUIPMENT

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**

DKKm	Land and buildings	Operating equipment, fixtures and fittings	Total
Cost at 1 January 2020	23	2	25
Cost at 31 December 2020	**23**	**2**	**25**
Depreciation and impairment at 1 January 2020	(13)	(2)	(15)
Depreciation	(1)	0	(1)
Depreciation and impairment at 31 December 2020	**(14)**	**(2)**	**(16)**
Carrying amount at 31 December 2020	**9**	**0**	**9**

8. FINANCIAL ASSETS

For specification of investments in Group enterprises, see note 6.5 in the consolidated financial statements.

Result of annual impairment test

At the end of 2021, the cost price of the investments in subsidiaries was tested for impairment. The impairment test based on value in use identified impairment losses for 2021 amounting to DKK 18m (2020: DKK 54m). The impairment was related to the subsidiary FLSmidth Global Services A/S. Reversal of prior year's impairment amounted to DKK 0m (2020: DKK 7m).

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 8.5% 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 1.5% has been applied.

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)
Write-downs	0	2	2
Impairment at 31 December 2021	**(627)**	**(16)**	**(643)**
Carrying amount at 31 December 2021	**2,618**	**21**	**2,639**

DKKm	Investments in Group enterprises	Other securities and investments	Total
Cost at 1 January 2020	3,141	37	3,178
Share-based payment	(20)	0	(20)
Cost at 31 December 2020	**3,121**	**37**	**3,158**
Impairment at 1 January 2020	(562)	(16)	(578)
Reversal of prior year's impairment	7	0	7
Impairment	(54)	(2)	(56)
Impairment at 31 December 2020	**(609)**	**(18)**	**(627)**
Carrying amount at 31 December 2020	**2,512**	**19**	**2,531**

9. DEFERRED TAX ASSETS AND LIABILITES

Deferred tax relates to the following items:

DKKm	2021	2020
Tangible asset	16	15
Liabilities	11	8
Net value of deferred tax assets	**27**	**23**

10. OTHER RECEIVABLES

Other receivables mainly include fair value of financial contracts (positive value) of DKK 55m (2020: DKK 67m), receivable from Canadian tax authorities DKK 18m (2020: DKK 17m) and tax on account for the Danish jointly taxed enterprises.

11. DERIVATIVES

The currency exposure is hedged according to the Financial Policy. At 31 December 2021 the fair value of our hedge agreements amounted to DKK 3m (2020: DKK -1m).

Economic hedge, DKKm		2021
Currency	**Notional amount**	**Net fair value**
AUD	210	2
USD	1,179	(6)
GBP	560	10
EUR	(161)	(2)
Other	0	(1)
Total		**3**

A negative notional amount represents a sale of the currency

Economic hedge, DKKm		2020
Currency	**Notional amount**	**Net fair value**
AUD	23	2
USD	1,230	(4)
GBP	546	2
EUR	301	(1)
Other	-	0
Total		**(1)**

A negative notional amount represents a sale of the currency

12. PROVISIONS

DKKm	2021	2020
Provisions at 1 January	8	7
Addition	1	4
Reversals	0	(3)
Provisions at 31 December	**9**	**8**

13. OTHER LIABILITIES

Other liabilities include fair value of financial contracts (negative value) of DKK 52m (2020: DKK 68m).

14. MATURITY PROFILE OF CURRENT AND NON-CURRENT LIABILITIES

Maturity profile of liabilities:

DKKm	2021	2020
Bank loans	0	150
Debt to Group enterprises	5,538	3,639
Other liabilities	189	124
Within one year	**5,727**	**3,913**
Bank loans	499	2,006
Other liabilities	0	2
Within one to five years	**499**	**2,008**
After five years	**0**	**0**
Total	**6,226**	**5,921**

15. AUDIT FEE

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

DKKm	2021	2020
Statutory audit	3	3
Total audit related services	**3**	**3**
Total fees to independent auditor	**3**	**3**

16. CONTRACTUAL AND CONTINGENT LIABILITIES

The parent company has provided guarantees primarily to financial institutions at a total amount of DKK 13,094m (2020: DKK 13,088m) of which DKK 5,200m have been utilised in 2021 (2020: DKK 4,208m). Of the total amount of guarantees, DKK 5,840m (2020: DKK 5,656m) are provided on behalf of our subsidiaries.

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 2021 and 2020, 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.

These transactions are carried out on market terms and at market prices.

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 2021:

One shareholder has reported a participating interest above 10%:

- Lundbeckfond Invest A/S, Denmark.

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 2020.

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.

Financial assets

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.

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 2021.

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 2021 as well as of the results of their operations and the consolidated cash flows for the financial year 1 January – 31 December 2021.

In our opinion, the management's review gives a fair review of the development in the Group's and the Parent companys 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 2021 with the file name 213800G7EG4156NNPG91-2021-12-31-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, 16 February 2022

Executive management

Mikko Juhani Keto
Group CEO

Roland M. Andersen
Group CFO

Board of directors

Vagn Ove Sørensen
Chair

Tom Knutzen
Vice chair

Gillian Dawn Winckler

Thrasyvoulos Moraitis

Richard Robinson Smith

Anne Louise Eberhard

Carsten Hansen

Leif Gundtoft

Claus Østergaard

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 2021, 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 2021 and of the results of the Group's operations and cash flows for the financial year 1 January – 31 December 2021 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 2021 and of the results of the Parent Company's operations for the financial year 1 January – 31 December 2021 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 5 years including the financial year 2021.

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 2021. 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 macro-economic 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 obtained an understanding of the process for how project cost are estimated and risk evaluated. We evaluated the judgments made by management regarding the estimated costs to complete and the assumptions made in assessment of warranty provisions. We evaluated the changes in estimated project cost and risk contingencies, and discussed these with project accounting, project management and group management. We evaluated management's assessments 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 obtained an understanding of FLSmidth's process for monitoring inventory and recording write-down for obsolete items. We analysed the inventory recorded in the balance sheet and obtained evidence regarding valuation of slow moving items. Further, we evaluated management's assessment of the expected market demand and expected sales price for significant aged items.

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 obtained an understanding of FLSmidth's process for monitoring receivables and recording allowances for lifetime expected credit losses. We analysed the trade receivables recorded in the balance sheet and obtained evidence regarding the 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.

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 or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 2021 with the file name 213800G7EG4156NNPG91-2021-12-31-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.

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 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;
- 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 2021 with the file name 213800G7EG4156NNPG91-2021-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 16 February 2022
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 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
1 January – 31
December 2021

FLSmidth & Co. A/S
Vigerslev Allé 77
DK-2500 Valby
Denmark
Tel.: +45 36 18 18 00
Fax: +45 36 44 11 46
corppr@flsmidth.com
www.flsmidth.com
CVR No. 58180912