

FLSmidth to acquire thyssenkrupp's Mining business – creating a global industry leader in mining technology

FLSmidth and thyssenkrupp Industrial Solutions AG (a fully owned subsidiary of thyssenkrupp AG, "thyssenkrupp") have reached an agreement that FLSmidth will acquire thyssenkrupp's Mining business¹ (TK Mining) for a total consideration (enterprise value) of EUR 325 million, corresponding to approximately DKK 2.4 billion. Closing of the transaction is expected in H2 2022 and is subject to customary approvals from relevant authorities.

TK Mining is a leading full-line supplier of solutions for mining systems, material handling, mineral processing and services, which is highly complementary to FLSmidth's offering. TK Mining has an asset light business model and is present in 24 countries with engineering and global service centres, and has close to 3,400 employees. In 2020², revenue was EUR 780 million (approximately DKK 5.8 billion) with around one-third deriving from services. The business delivered a high single-digit negative EBIT margin and is expected to return to profitability by year 2024 based on the ongoing restructuring undertaken by TK Mining. In addition, the combination with FLSmidth offers large cost synergies, creating significant shareholder value.

A combination of the two companies will create a leading global mining technology provider with operations from pit to plant, extending the strategic customer relationships with a complementary product offering and customer base as well as improved geographic coverage. Furthermore, TK Mining's extensive active installed base, together with FLSmidth's strong existing service setup, will provide additional aftermarket opportunities, while the joint R&D capabilities and combined portfolio will enable accelerated innovation in digitalisation and MissionZero solutions. The mining industry is characterised by sound fundamentals and a positive outlook, based on underinvestment over the past decade and increasing demand due to the clean energy transition. The timing of this acquisition positions FLSmidth to capture enhanced value from the mining growth cycle underway.

Thomas Schulz, Group CEO of FLSmidth, said: *"TK Mining and FLSmidth are a perfect match, and I am proud to announce this agreement to join forces. This is a truly transformational deal allowing us to accelerate our growth ambitions in mining by creating a stronger talent pool and one of the world's largest and strongest suppliers to the mining industry. Our complementary customer base and improved geographic coverage will offer a strong value proposition to our customers. There is a significant opportunity in transforming TK Mining towards FLSmidth's business mix and model in which higher margin service business makes up about 60% of revenue. I look forward to welcoming TK Mining's management team and talented staff to our organisation."*

Martina Merz, Group CEO of thyssenkrupp AG, said: *"FLSmidth is an excellent owner and a very good new home for our mining activities. The companies have a strong cultural fit and are*

¹ It is being negotiated if thyssenkrupp's Indian mining business will be part of the transaction

² September 2020 FYE

a good match: the business models are comparable; the technologies complement each other well. The result is a world-leading technology provider from pit to plant. This is also a great opportunity for our employees. The merged new company will be able to drive innovation and digitalisation even faster and will increasingly focus on sustainability and ways to reduce environmental footprint."

Compelling strategic rationale

The combination of FLSmidth and TK Mining creates a business with a total proforma 2020 revenue of DKK 22 billion (EUR 3.0 billion), increasing FLSmidth's annual Mining revenue by more than 50% and positioning FLSmidth in the top-tier of suppliers to the mining industry. The acquisition will accelerate FLSmidth's growth ambitions with a strategic focus on Mining, which is expected to constitute approximately 75% of Group revenue after closing of the transaction. In addition to the competitive advantages of scale, FLSmidth will be able to offer a stronger value proposition to customers through combined competencies, a wider offering and a more extensive customer reach.

Proforma 2020	FLSmidth	TK Mining	Combined
Revenue	DKK 16.4bn (Mining: DKK 10.6bn)	~DKK 5.8bn	~DKK 22.2bn (Mining: 16.4bn)
Profitability	EBITA margin: 4.7% (Mining: 8.4%)	Negative (expected to be positive for the full-year 2024)	Positive
Free cash flow	DKK 1.0bn	Negative (expected to be positive for the full-year 2024)	Positive

A thorough due diligence by FLSmidth has shown that large cost synergies can be derived from a combined customer approach and service setup as well as pooled innovation, procurement, administrative structure, and optimised geographic footprint. Adding to the value creation through compelling synergies, significant opportunity exists to increase services by transforming TK Mining's business mix towards FLSmidth's business mix, hence lifting margins significantly over time.

TK Mining's offering is an ideal fit with FLSmidth's sustainability and digitalisation agenda. Combining TK Mining's solutions for open-pit mining equipment and systems, crushing, grinding, conveying and processing with FLSmidth existing premium offering will strengthen the combined business' ability to digitalise mines from pit to plant and to reduce their environmental footprint.

Strong financial benefits

The transaction offers an attractive opportunity to create long-term value for FLSmidth's shareholders, and it is FLSmidth's expectation that TK Mining will contribute positively to net profit and cash flow from 2024 on a stand-alone basis in addition to net effects from synergies.

Annual run-rate synergies of DKK 370 million (EUR 50 million) are expected by the end of year 2024 and integration costs are expected to be DKK 560 million (EUR 75 million) and will be phased over three years (2022-2024).

Funding of the acquisition is secured through debt facilities which are available beyond transaction close and are expected to be supplemented with equity before transaction close. Given the carve-out nature of this transaction, the project focused nature of the current TK Mining business, and the expected duration of the integration period, FLSmidth plans to seek approval to raise up to 20% new equity at an Extraordinary General Meeting, to be held on 26 August 2021. Based on current market conditions, FLSmidth expects to raise 15-20% new equity. Danske Bank, J.P. Morgan and Nordea have been appointed to assist this process.

Following closing of the transaction, further details on the impact of the acquisition will be communicated, including an update on synergies and timing of integration.

Key transaction highlights

- Total consideration (enterprise value) of EUR 325 million (DKK 2.4 billion)
- Equity value of EUR 241 million (DKK 1.8 billion) subject to change between signing and closing
- EV/EBITDA normalised incl. synergies of less than 4x post integration
- Expected run-rate synergies of DKK 370 million (EUR 50 million)
- Expected integration costs of DKK 560 million (EUR 75 million)
- Expectation that TK mining will contribute positively to net profit and cash flow from 2024 on a stand-alone basis in addition to net effects from synergies
- Funding secured through debt facilities which are available beyond transaction close and are expected to be partly refinanced by equity before transaction close

The transaction is conditional upon customary regulatory approvals and formal approval by the supervisory board of thyssenkrupp AG and the supervisory board of thyssenkrupp Industrial Solutions AG. The transaction is expected to be completed in H2 2022. Until then the two companies will continue to operate as separate and competing entities. J.P. Morgan Securities plc has acted as sole financial advisor to FLSmidth on this transaction.

FLSmidth's financial guidance for 2021 is unchanged.

Conference call

FLSmidth invites investors and analyst to participate in a teleconference today, 29 July 2021, at 14:00 p.m. CEST. A presentation will be made available ahead of the call at:

<https://www.flsmidth.com/en-gb/company/investors>

At the conference call, Thomas Schulz, Group CEO, and Roland M. Andersen, Group CFO, will present the transaction and participants will have the opportunity to ask questions following a short presentation.

The telephone numbers for the teleconference are:

- DK +45 78150109
- SE +46 850558365
- UK +44 3333009267
- US +1 6467224956



No prior registration is required to attend the teleconference.

FLSmidth delivers sustainable productivity to the global mining and cement industries. We deliver market-leading engineering, equipment and service solutions to our customers enabling them to improve performance, drive down costs and reduce environmental impact. Our operations span the globe and our ~10,600 employees are present in more than 60 countries. In 2020, FLSmidth generated a revenue of DKK 16.4 billion. www.flsmidth.com

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Forward-looking statements

This announcement contains forward-looking statements that reflect FLSmidth's current expectations and views of future events. Some of these forward-looking statements can be identified by terms and phrases such as "estimate," "expect," "target," "plan," "project," "will" and similar expressions. These forward-looking statements include but are not limited to statements relating to: the expected characteristics of the combined company; expected financial results and characteristics of the combined company; expected timing of completion of the transaction and satisfaction of conditions precedent, including regulatory conditions; expected benefits of the proposed transaction, including related synergies; expected integration costs; and expectations regarding raise of equity. These forward-looking statements are based on FLSmidth's beliefs, assumptions, and expectations of future performance and events, considering the information currently available to it. These forward-looking statements are subject to a number of known and un-known risks and uncertainties, many of which are beyond FLSmidth's control, any of which could cause actual results to differ materially from such forward-looking statements. Risks and uncertainties include among other: timing of completion of the transaction; performance of TK Mining until completion of transaction; the ability of FLSmidth to integrate TK Mining into FLSmidth's operations; the performance of the global economy; the effect of changes in governmental regulations; disruption from the proposed transaction making it more difficult to maintain relationships with customers, employees or suppliers; and the impact on the combined company (after giving effect to the proposed transaction with TK Mining) of any of the foregoing risks, as well as other risk factors listed from time to time in FLSmidth's public disclosures and other risks that have not yet been identified or which FLSmidth has not considered to be material. Except as required by law or rules and regulations, FLSmidth undertakes no obligation to publicly update or publicly revise any forward-looking statements, whether as a result of new information, future events or otherwise.