

FLSmidth & Co. Group Interim Report for Q3 2022

Growth momentum sustained with 53% Mining service order intake growth and an underlying Mining EBITA margin of 10.1%

Highlights in Q3 2022

- Strong Mining order intake growth of 30%, with Service up by 53%
- Adjusted Mining EBITA margin of 10.1%* (excluding the dilutive impact from TK Mining, FLSmidth standalone adjusted EBITA margin was 12.1%)
- Cement continued its positive trend on improving profitability with a 3.0% EBITA margin
- Positive cash flow from operations
- TK Mining acquisition completed with final closing on 31 August 2022
- Combined mining product portfolio review completed
- New Non-Core Activities will be separated as of Q4 2022 with focus on full exit
- Synergy target raised to DKK 560m and the pace to realise synergies has been accelerated

Mining order intake increased 13% organically as a result of improved service activity compared to Q3 2021. Including currency effects and the impact from the acquisition of TK Mining, order intake increased by 30%, comprising a 53% increase in service orders and an 8% decline in capital orders. This reflects our focus on increasing the share of higher margin service orders and portfolio de-risking approach. Cement order intake increased 8% organically compared to Q3 2021. Group order intake increased by 11% organically, driven by both Mining and Cement. Currency tailwinds and the acquisition of TK Mining supported order intake in the quarter by 9% and 6%, respectively.

Group CEO, Mikko Keto, commented: *“The positive momentum that we saw in the second quarter has been sustained in the third quarter where we have seen robust growth in both order intake and revenue. The Mining business continued to benefit from a healthy backlog and fundamentally positive market conditions, with a 53% growth in service order intake and an adjusted Mining EBITA margin (including the combination with the former TK Mining business) reaching 10.1%* in the quarter. This was driven by a strong service business and continued focus on de-risking the portfolio. In addition, the Cement business delivered an EBITA margin of 3.0% and the short-term outlook has improved based on stable performance despite an emerging recession. Following the negative cash flow in the first half of 2022, cash flow turned, as expected, positive again in Q3 2022.*

Financial performance Q3 2022

Mining revenue increased organically by 7% and by 24% including currency effects and the additional revenue coming from the acquisition of TK Mining. The adjusted Mining EBITA margin* was 10.1% (excluding the dilutive impact from TK Mining, legacy FLSmidth Mining would on a standalone basis have delivered an adjusted EBITA margin of 12.1%). Including integration costs related to the TK Mining acquisition of DKK 45m and costs of DKK 70m related to the wind-down of our activities in Russia, the reported Mining EBITA margin was 7.2%.

**Adjusted for integration costs of DKK 45m related to the TK Mining acquisition and DKK 70m in costs related to the wind-down of our Russian activities*

Cement revenue increased 7% organically and by 13% including favourable currency effects. Cement EBITA continued the positive trend seen during 2022, mainly as a result of the improved gross margin. Cement EBITA amounted to DKK 50m in Q3 2022 compared to DKK 3m in Q3 2021. The corresponding Cement EBITA margin was 3.0%, compared to 0.2% in Q3 2021.

Consolidated Group organic revenue increased 7% driven equally by Mining and Cement, while the EBITA margin decreased to 5.9% from 6.5%. Adjusted for the costs of DKK 70m related to the wind-down of our Russian activities and integration costs of DKK 45m related to the acquisition of TK Mining, the adjusted EBITA margin for the Group was 8.0% in Q3 2022.

Acquisition of TK Mining completed

On 31 August 2022, we successfully completed the acquisition of TK Mining. With this acquisition, FLSmidth is better positioned than ever before and we are highly dedicated to provide our customers with best-in-class full flowsheet technologies and service solutions to enhance their productivity and sustainability agenda. While the strategic rationale for the acquisition has been reconfirmed, additional cost synergy potential has been uncovered and the pace to realise this has been accelerated.

New Non-Core Activities segment effective from Q4 2022

Following the integration of TK Mining, we conducted a planned strategic review of the combined mining product portfolio. As a result of this, we have decided to split our Mining business into two segments: a continuing Mining segment, and a Non-Core Activities segment effective from Q4 2022. This will ensure sharpened strategic focus and stronger execution of the continuing Mining activities that are key to accelerating our long-term profitability and growth. At the same time, we have decided to divest or wind-down non-core and unprofitable mining activities, and dedicated focus and resources will be allocated to ensure effective execution and to minimise losses from these activities.

Financial guidance 2022

The financial guidance for 2022 as set out in the Company Announcement no. 17-2022 on 20 October 2022 is maintained. This reflects the underlying business performance, integration of TK Mining including the updated synergy target and integration costs, and the establishment of the Non-Core Activities segment. Adjusted EBITA margin guidance was introduced to drive transparency on the underlying business performance. The adjustment covers integration costs and costs related to the wind-down of Russian activities.

Guidance 2022 (DKKbn)	Mining	Cement	Non-Core Activities	Consolidated Group
Revenue	14.5-15.0 (13.0-14.0)	6.0-6.5 (5.5-6.0)	~0.5 (n/a)	21.0-22.0 (18.5-20.0)
Adj. EBITA margin	10.0-10.5% (n/a)	n/a	n/a	~6% (n/a)
EBITA margin	~7.5% (8.5-9.5%)	~3% (2-3%)	Loss of ~DKK 0.4bn (n/a)	~4% (6-7%)

Note: Numbers in brackets represent the original guidance prior to Company Announcement no. 17-2022 that was published on 20 October 2022.

Earnings call

A presentation of the results will take place on **8 November 2022 at 11:00 CET**. Mr. Mikko Keto (Group CEO) and Mr. Roland M. Andersen (Group CFO) will comment on the report and developments in the Group. The presentation will be followed by a Q&A-session. The presentation will be made available shortly before the conference call at www.flsmidth.com/reports-and-presentations.

Live audio-webcast

The presentation can be followed live or as replay **via the internet** [here](#).

Conference call

If you wish to ask questions or just listen to the presentation **via telephone**, please call one of the following numbers: DK: +45 78 77 41 97, UK: +44 0 808 101 1183 or US: +1 785 424 1634

Please use the PIN code: 24 21 6 #

Consolidated key figures 9M 2022

(DKK m)	Q3 2022	Q3 2021	Change (%)	9M 2022	9M 2021	Change (%)
Order intake (gross)	5,714	4,549	26%	18,633	14,149	32%
- of which service order intake	4,030	2,955	36%	11,033	8,392	31%
Service order intake share	71%	65%		59%	59%	
Order backlog	25,476	16,548	54%	25,476	16,548	54%
Revenue	5,621	4,660	21%	15,354	12,446	23%
- of which service revenue	3,502	2,428	44%	9,132	7,298	25%
Service revenue share	62%	52%		59%	59%	
Gross profit	1,431	1,074	33%	3,782	3,029	25%
Gross profit margin	25.5%	23.0%		24.6%	24.3%	
Adjusted EBITA*	449	n/a		1,190	n/a	
Adjusted EBITA margin*	8.0%	n/a		7.8%	n/a	
EBITA	334	305	10%	943	692	36%
EBITA margin	5.9%	6.5%		6.1%	5.6%	
EBIT	256	219	17%	713	429	66%
EBIT margin	4.6%	4.7%		4.6%	3.4%	
Profit	162	95	71%	419	196	114%
CFFO	476	(192)		192	600	
Free cash flow	(1,670)	(253)		(2,002)	424	
Net working capital	2,170	1,735	25%	2,170	1,735	25%
Net interest-bearing debt	(985)	16		(985)	16	

*Adjusted for integration costs of DKK 45m related to the TK Mining acquisition and DKK 70m in costs related to the wind-down of our Russian activities

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About FLSmidth

FLSmidth provides sustainable productivity to the global mining and cement industries. We deliver market-leading technology, products and service solutions that enable our customers to improve performance, drive down costs and reduce environmental impact. MissionZero is our sustainability ambition towards zero emissions in mining and cement by 2030. FLSmidth works within fully validated Science-Based Targets, our commitment to keep global warming below 1.5°C and to becoming carbon neutral in our own operations by 2030. www.flsmidth.com