

FLSmidth & Co. Group Interim Report for Q3 2024

## Continued increases in profitability reflect structural business improvements from ongoing transformation activities

### Highlights in Q3 2024

- Continued stable Mining Service market and a relatively softer Mining Products market
- Mining order intake decreased by 14% compared to Q3 2023, mainly due to lower Products order intake
- Good execution of Products orders within Pumps, Cyclones & Valves (PCV) partly offsets 2% decline in Mining revenue
- Mining Adjusted EBITA margin of 13.3% reflecting continued profitability improvements
- Cement order intake decreased by 31% compared to Q3 2023
- Cement financials impacted by recent divestments and continued de-risking
- Cement Adjusted EBITA margin of 10.8% reflecting strong gross margin and lower SG&A costs
- Continued progression on all our science-based sustainability targets
- The financial guidance for the full year 2024, as set out in Company Announcement no. 9-2024 on 7 August 2024, is revised

Group CEO, Mikko Keto, commented: *“In the third quarter of 2024, we continued to see a stable and healthy Mining service market and a relatively softer Mining products market, and we expect these conditions to continue into next year. The Mining business delivered an Adjusted EBITA margin of 13.3%, and we continue to progress towards our 2026 financial target. The long-term market outlook remains encouraging, among other things exemplified by the recently signed strategic cooperation agreement for a new copper concentrator production line in Uzbekistan – a clear testament to the strength of our full flowsheet offerings and to our proven global execution capabilities. For Cement, the stable market conditions continue to provide good opportunities for the Service business, whereas we continue to de-risk the Products business to preserve profitability. In the third quarter of 2024, the Cement business achieved an Adjusted EBITA margin of 10.8%, demonstrating continued strong execution of higher-margin orders as well as release of provisions related to the completion of legacy projects. Overall, the third quarter showed continued progression on our transformation activities leading to additional improvements in profitability. We have continued our dedicated efforts to implement a cost-efficient operating model and corporate structure. We believe that we are well on track to end the year in line with our plans as well as ensuring a good outset for the coming year.”*

### Commercial performance, Q3 2024 versus Q3 2023

**Mining** order intake decreased by 14% compared to Q3 2023 (decrease of 11% if excluding currency effects). Service order intake decreased by 6% mainly driven by lower order intake within upgrades & retrofits and professional services as well as our ongoing exit from basic labour services. The decline was partly offset by relatively higher order intake for consumables, including a multi-year contract for the supply of mill liners to a customer in Australia. Products order intake decreased by 28% reflecting the continued softness of the Mining Products market and continued de-risking of our order backlog. One large order of DKK 340m was announced in the quarter. Service and Products comprised 71% and 29% of the total Mining order intake in the quarter, respectively (compared to 65% and 35% in Q3 2023, respectively).

**Cement** order intake decreased by 31% compared to Q3 2023 (decrease of 24% if excluding currency effects and effects from divestments). Service order intake decreased by 20% largely due to the recent divestments as well as less favourable market conditions in especially Western Europe and timing of the booking of certain larger service orders. Products order intake decreased by 53% driven by the recent divestments, continued de-risking of the order intake and exit from project-oriented business. Service and Products comprised 78% and 22% of the total Cement order intake in the quarter, respectively (compared to 67% and 33% in Q3 2023, respectively).

The order backlog for the **Non-Core Activities (NCA)** segment amounted to DKK 403m at the end of Q3 2024 compared to DKK 435m at the end of Q2 2024 and DKK 636m at the end of Q3 2023. It remains the expectation that the segment will be fully closed down by the end of 2024.

**Group** order intake decreased by 18% compared to Q3 2023 (decrease of 14% if excluding currency effects and effects from divestments). Service order intake decreased by 11% driven by lower order intakes in both businesses. Products order intake decreased by 33%, also driven by lower order intake in both the Mining and Cement businesses. Service and Products comprised 72% and 28% of the total order intake, respectively (compared to 66% and 34% in Q3 2023, respectively).

### **Financial performance, Q3 2024 versus Q3 2023**

**Mining** revenue decreased by 2% compared to Q3 2023 (unchanged revenue if excluding currency effects). Service revenue decreased by 5%, primarily driven by lower revenue within professional services and spare parts and the execution of two major Service orders in Q3 2023. The decline was partly offset by relatively higher revenue within consumables. Products revenue increased by 3% driven primarily by good execution of PCV-related Products orders as well as orders related to conveying, crushing and screening. Gross profit increased by 5% to DKK 1,305m (DKK 1,242m in Q3 2023) corresponding to a gross margin of 32.6% (30.3% in Q3 2023). Excluding transformation and separation costs of DKK 38m, the Adjusted EBITA margin was 13.3% in Q3 2024. Including these items, the EBITA margin was 12.4% compared to 8.2% in Q3 2023.

**Cement** revenue decreased by 27% compared to Q3 2023 (decrease of 21% if excluding currency effects and effects from divestments). Service revenue decreased by 17% due to effects from divestments. Products revenue decreased by 39% driven in part by the continued pruning of our product portfolio as a result of our de-risking strategy and the impact of divestments. Gross profit increased by 1% to DKK 388m (DKK 385m in Q3 2023) as a result of continued good execution of higher-margin orders as well as release of provisions related to the completion of legacy projects. The corresponding gross margin increased by 10.6%-points to 38.1% compared to Q3 2023. Excluding transformation and separation costs of DKK 19m, the Adjusted EBITA margin was 10.8% in Q3 2024. Including these items, the EBITA margin was 8.9% compared to 11.7% in Q3 2023 which included a net gain of around DKK 100m from the sale of the AFT business. Excluding the net gain, the EBITA margin improved by 4.2%-points from Q3 2023 to Q3 2024.

**NCA** revenue amounted to DKK 36m. Gross profit was negative and amounted to DKK -21m, reflecting the general volatility and operationally loss-making nature of the segment. EBITA amounted to DKK -8m, positively impacted by settlement of legacy projects.

**Group** revenue decreased by 12% compared to Q3 2023 (decrease of 8% if excluding currency effects and effects from divestments). Gross profit increased by 2% to DKK 1,672m (DKK 1,636m in Q3 2023)

corresponding to a gross margin of 33.1% (28.6% in Q3 2023). The gross margin reflects good execution of higher-margin orders following our de-risking strategy partly offset by lower revenue in the quarter. Excluding transformation and separation costs of DKK 57m, the Adjusted EBITA margin was 12.6%. Including these items, the EBITA margin was 11.4% compared to 8.0% in Q3 2023. Excluding the net gain of around DKK 100m from the sale of the AFT in Q3 2023, the EBITA margin improved by 5.1%-points from Q3 2023 to Q3 2024. Cash flow from operating activities (CFFO) amounted to DKK 357m and was positively impacted by DKK 205m from changes in the carrying amount of provisions, pension and employee benefits but negatively impacted by changes in net working capital.

## Other business

In November 2024, FLSmidth announced that Chris Reinbold, Mining Products Business Line President, is to step down from his role and will leave FLSmidth by the end of November 2024. FLSmidth has initiated the process of identifying a replacement and expects the process to be concluded in the near future.

## Financial guidance for 2024

The financial guidance for the full year 2024, as set out in Company Announcement no. 9-2024 on 7 August 2024, is revised. The guidance reflects the ongoing business simplification and transformation efforts, continued improvement in the core Mining business, realisation of the full cost synergies from the Mining Technologies acquisition, continued profitability progress in the Cement business and the ongoing exit from the Non-Core Activities segment.

Mining	Cement	Non-Core Activities	Consolidated Group
Revenue (DKKbn) <b>~15.5</b> <i>(unchanged)</i>	Revenue (DKKbn) <b>4.0-4.5</b> <i>(unchanged)</i>	Revenue (DKKbn) <b>~200</b> <i>(200-300)</i>	Revenue (DKKbn) <b>~20.0</b> <i>(unchanged)</i>
Adj. EBITA margin <b>~13.0%</b> <i>(12.5-13.0%)</i>	Adj. EBITA margin <b>~9.0%</b> <i>(8.0-9.0%)</i>		Adj. EBITA margin <b>~11.0%</b> <i>(10.0-11.0%)</i>
		EBITA (DKKbn) <b>Loss of DKK 200-250</b> <i>(Loss of 200-300)</i>	EBITA margin <b>~9.5%</b> <i>(8.5-9.5%)</i>

Note: Numbers in brackets represent the prior guidance as provided on 7 August 2024 in Company Announcement no. 9-2024.

## Earnings call

A presentation of the results will take place on **12 November 2024 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 is available at: [www.flsmidth.com/reports-and-presentations](http://www.flsmidth.com/reports-and-presentations).

## Live audio-webcast

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

If you wish to ask questions during the Q&A-session, please sign up [here](#). After registration, you will receive phone numbers, pin codes and a calendar invite. Please note that you will receive two codes (a pass code and a PIN code), both of which are needed when dialling into the webcast.

## Presentation slides

The presentation slides will be made available shortly before the scheduled start of the webcast at [www.flsmidth.com/reports-and-presentations](http://www.flsmidth.com/reports-and-presentations).

## Consolidated key figures Q3 2024 and 9M 2024

<i>DKK million, unless otherwise stated</i>	<b>Q3'24</b>	<b>Q3'23</b>	<b>Change (%)</b>	<b>9M'24</b>	<b>9M'23</b>	<b>Change (%)</b>	<b>FY'23</b>
<b>Order intake</b>	<b>4,589</b>	<b>5,601</b>	<b>-18%</b>	<b>14,272</b>	<b>16,756</b>	<b>-15%</b>	<b>21,376</b>
- Hereof service order intake	3,304	3,694	-11%	10,365	10,876	-5%	14,183
- Hereof products order intake	1,285	1,907	-33%	3,907	5,880	-34%	7,193
<b>Order backlog</b>	<b>15,678</b>	<b>19,933</b>	<b>-21%</b>	<b>15,678</b>	<b>19,933</b>	<b>-21%</b>	<b>17,593</b>
<b>Revenue</b>	<b>5,059</b>	<b>5,723</b>	<b>-12%</b>	<b>14,856</b>	<b>18,138</b>	<b>-18%</b>	<b>24,106</b>
- Hereof service revenue	3,111	3,439	-10%	9,470	10,953	-14%	14,236
- Hereof products revenue	1,948	2,284	-15%	5,386	7,185	-25%	9,870
<b>Gross profit</b>	<b>1,672</b>	<b>1,636</b>	<b>2%</b>	<b>4,665</b>	<b>4,530</b>	<b>3%</b>	<b>6,087</b>
Gross margin	33.1%	28.6%		31.4%	25.0%		25.3%
<b>Adjusted EBITA</b>	<b>636</b>	<b>579</b>	<b>10%</b>	<b>1,585</b>	<b>1,369</b>	<b>16%</b>	<b>1,919</b>
Adjusted EBITA margin	12.6%	10.1%		10.7%	7.5%		8.0%
<b>EBITA</b>	<b>579</b>	<b>460</b>	<b>26%</b>	<b>1,375</b>	<b>1,026</b>	<b>34%</b>	<b>1,438</b>
EBITA margin	11.4%	8.0%		9.3%	5.7%		6.0%
<b>Profit for the period</b>	<b>289</b>	<b>272</b>	<b>6%</b>	<b>670</b>	<b>474</b>	<b>41%</b>	<b>491</b>
CFFO	357	-276	n.m.	19	-308	n.m.	623
Free cash flow	128	-151	n.m.	-267	-361	n.m.	366
Net working capital				2,208	2,796	-21%	1,382
Net interest-bearing debt				1,180	1,325	n.m.	(639)

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## **About FLSmidth**

*FLSmidth is a full flowsheet technology and service supplier to the global mining and cement industries. We enable our customers to improve performance, lower operating costs and reduce environmental impact. MissionZero is our sustainability ambition towards zero emissions in mining and cement by 2030. We work within fully validated Science-Based Targets, have a clear commitment to improving the sustainability performance of the global mining and cement industries and aim to become carbon neutral in our own operations by 2030. [www.flsmidth.com](http://www.flsmidth.com).*