8 August 2019

Interim report Q2 2019

Key highlights

Q2 2019

- **Strong revenue and profitability**
- **Similar level of order intake**
- **Positive free cash flow despite net working capital impact *)**
- **Acquisition of IMP completed**

*) Free cash flow adjusted for acquisitions and disposals

MARKET OUTLOOK

- Positive sentiment in Mining
- Cement market unchanged

2019 GUIDANCE MAINTAINED

- Revenue expected to be in the higher end of the guided range
- EBITA margin expected to be in the lower end of the guided range
- No implications for ROCE

Sustainability

Performance H1 2019

TRIFR

1.6

Target 2019: ≤ 2.7

WOMEN MANAGERS

11.4%

Target 2019: 11.0%

SDG'S

RELATIVE CARBON FOOTPRINT (TONNES/DKKM REVENUE)

2.5

2018: 3.2

SUPPLIERS ASSESSED

309

Target 2019: 300

FLSMIDTH

IMP Automation Group
Acquisition completed

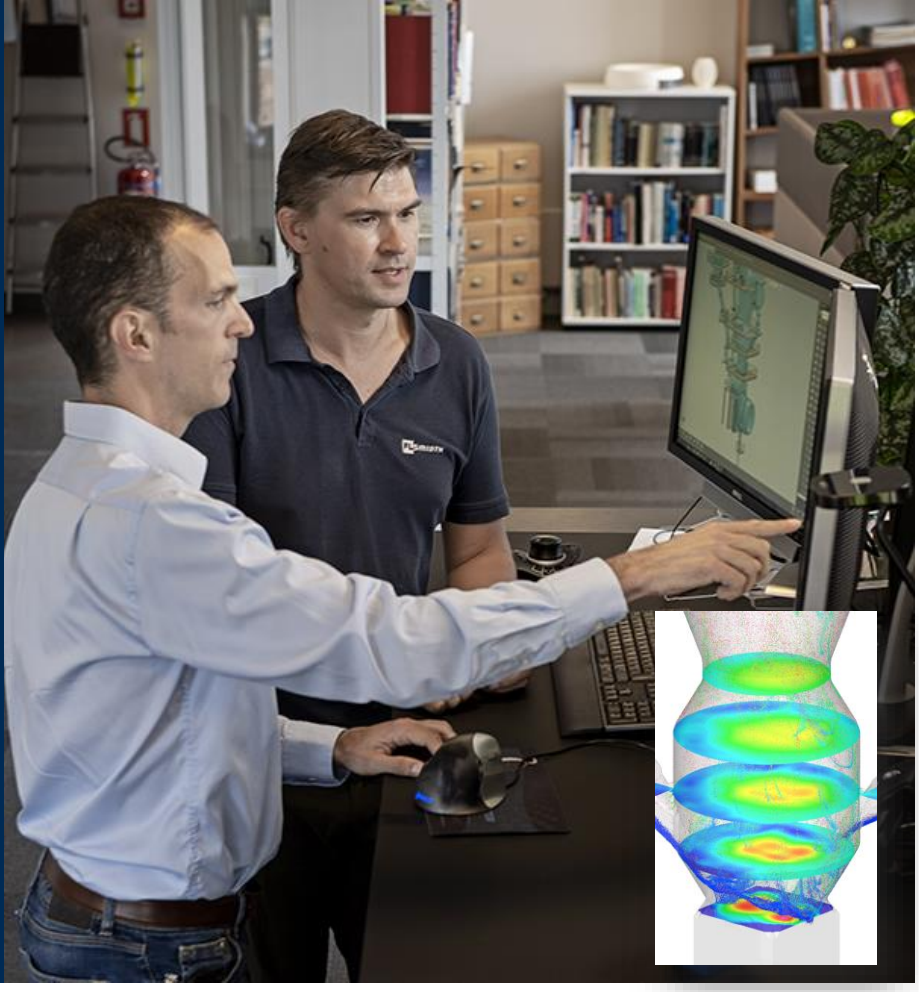
- Automated/digitalized laboratory equipment and services for mining
- Strong global customer base, particularly in Australia and South Africa
- +130 innovative employees
- Access to mineral data early in the mining value chain to improve productivity in processing
- Expected annual revenue in excess of DKK 150m
- 50% share in an associate which will be accounted for below EBIT and above EBT

Sustainable innovation - cement

Low NOx Calciner (LNOC)

Reduction of NOx by up to 60%

- Patent pending innovative process and design for a new calciner generator
- Successful NOx reduction by up to 60% - significantly lower OPEX by reducing or avoiding additive injections
- More than 5 years development and successful field testing
- Full commercial launch for installed and new plants from H2 2019



Market outlook

Mining

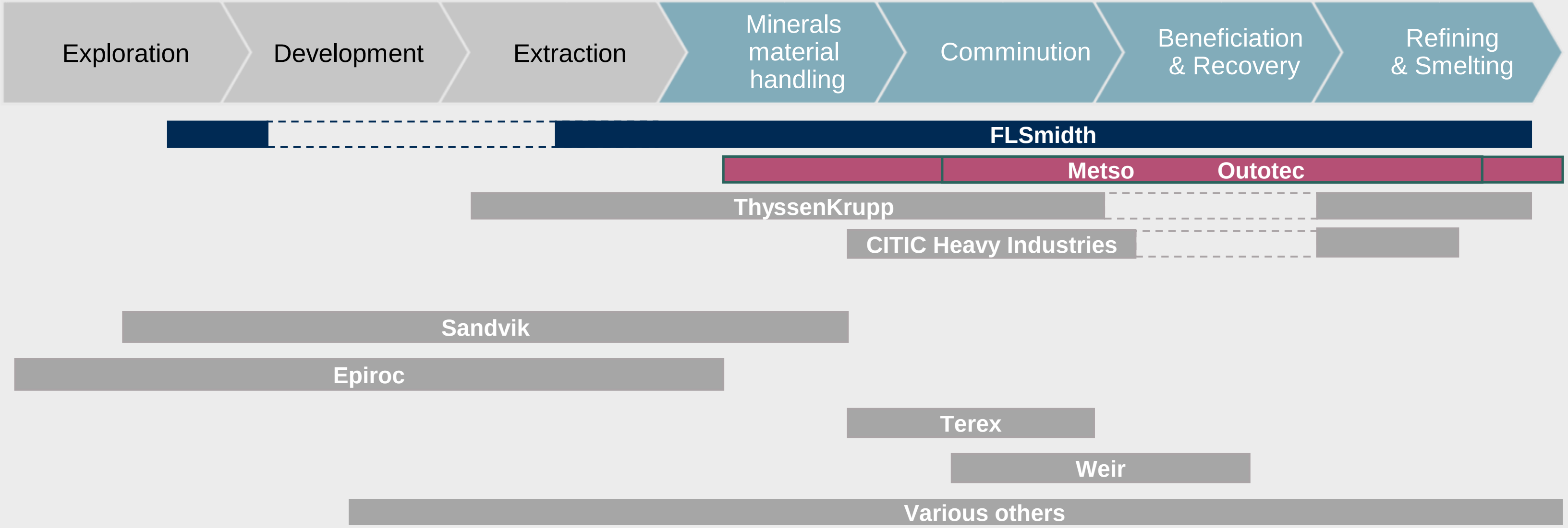
- Demand for equipment and projects remains at a good level
- Activity in most commodities, particularly copper and gold
- Increased feasibility activity related to both brownfield and greenfield
- Higher interest in new technologies (e.g. dry stack tailings)

Cement

- Select opportunities and significant regional differences
- Few tenders for large orders and continued intense competition keeps margins at a low level
- Good level of mid-sized order opportunities
- Increased push for sustainable production (e.g. alternative fuel systems)

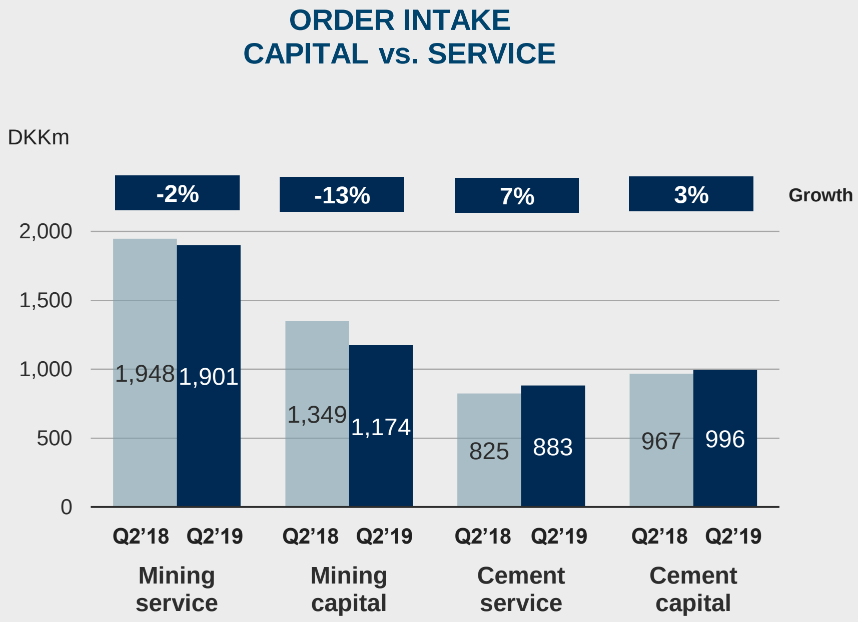
- Stable **OPEX-related spend**
- Customers' primary focus is **productivity** driven by innovation and digitalization

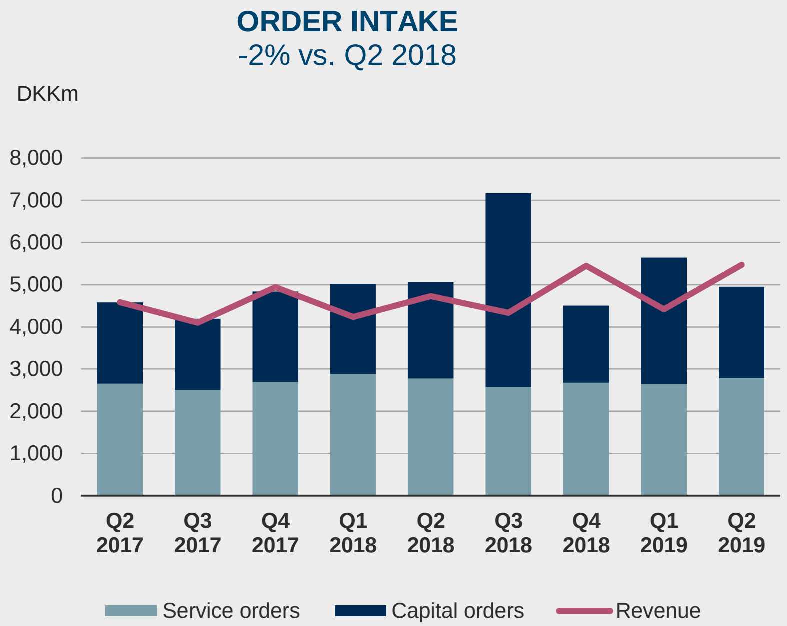
Consolidation of mining equipment suppliers



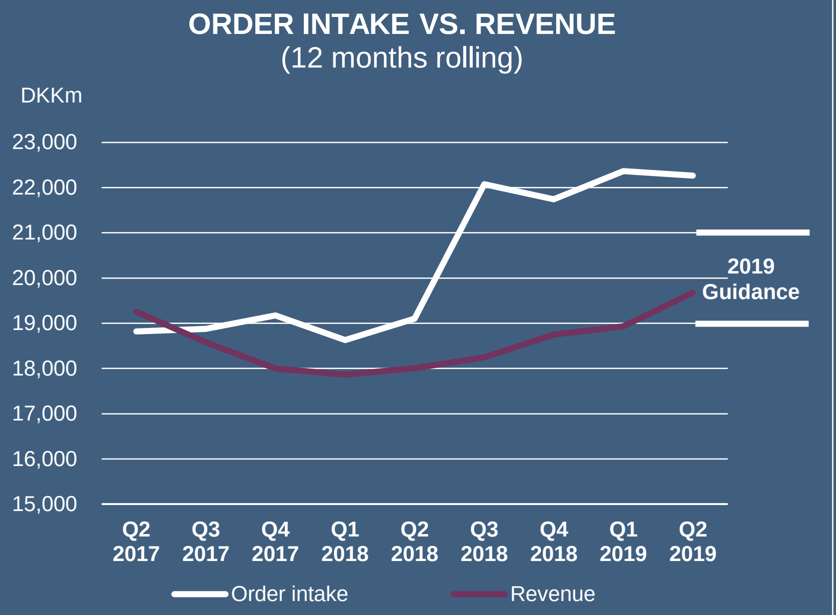
Order intake at similar level to Q2 last year

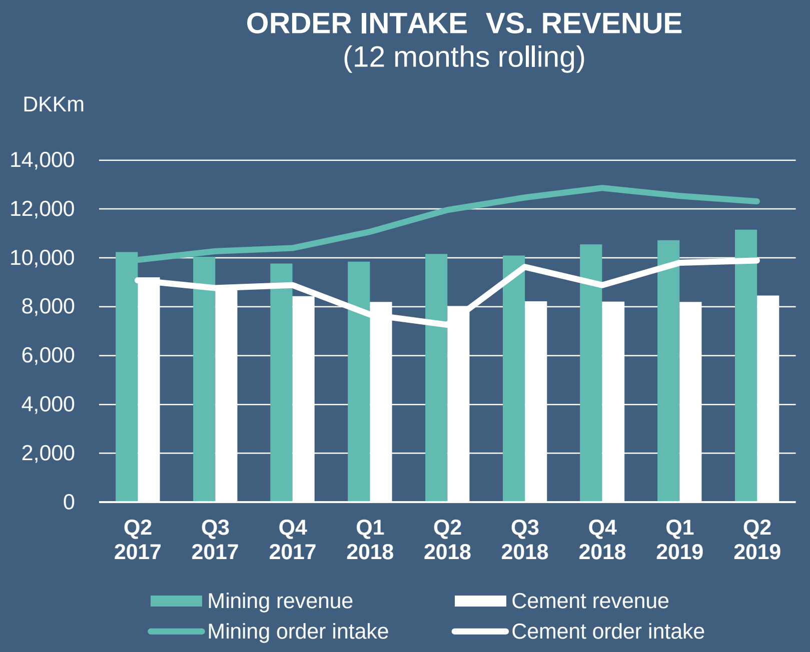
Volatility in capital orders – stable service orders





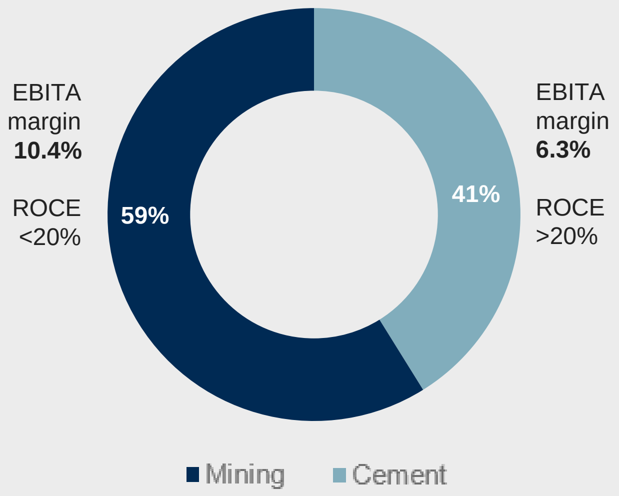
Momentum in revenue continues



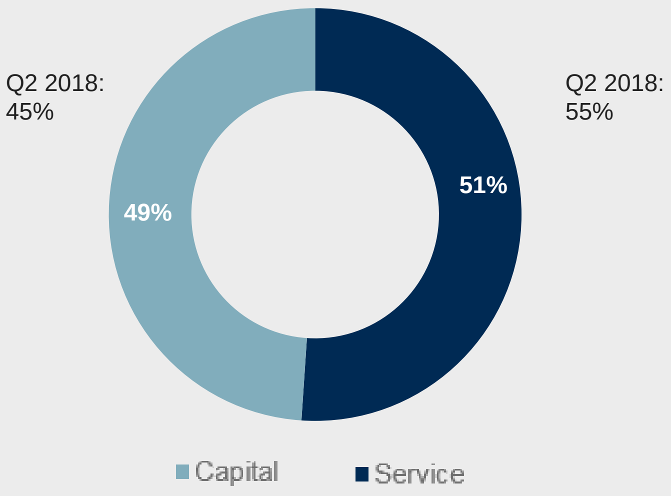


Revenue split in Q2 2019

MINING vs. CEMENT REVENUE



CAPITAL vs. SERVICE REVENUE

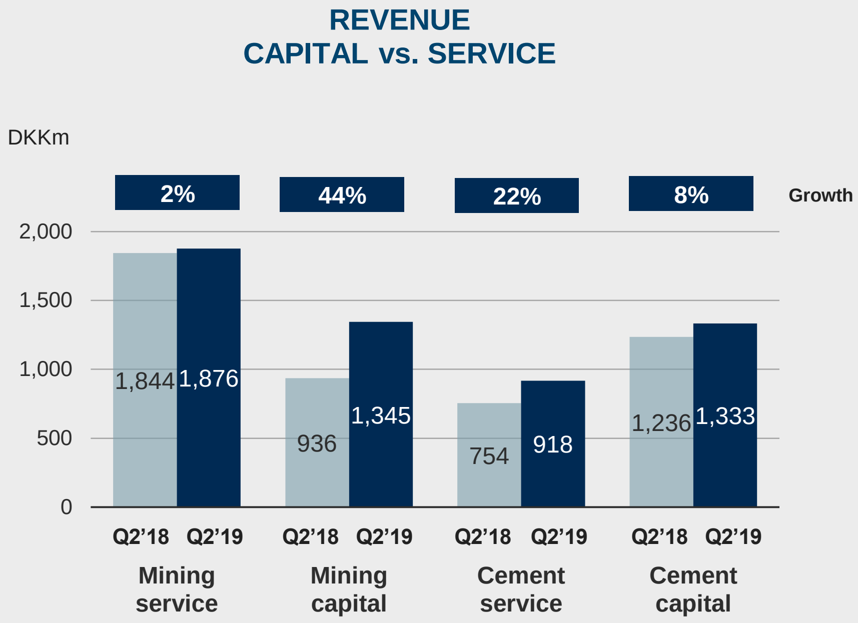


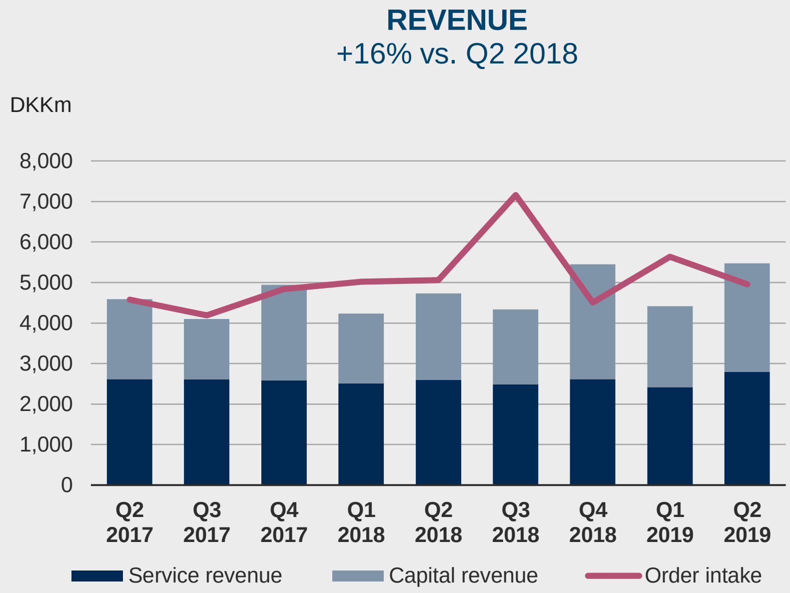
Financial performance in Q2 2019

(DKKm)	Q2 2019	Q2 2018	Change
Order intake	**4,954**	**5,056**	-2%
Order backlog	16,762	14,454	16%
Revenue	**5,472**	**4,730**	16%
Gross margin	24.0%	25.0%	
SG&A ratio	13.5%	15.7%	
EBITA	**487**	**381**	28%
EBITA margin	8.9%	8.1%	
Profit for the Group	**223**	**168**	33%
ROCE	**11.1%**	**10.4%**	
Employees (Group)	11,855	11,781	1%

- Strong improvement in revenue
- Gross margin affected by business mix, particularly in Mining
- Stable SG&A and lower SG&A ratio
- Increase in EBITA and margin expansion due to higher revenue and operating leverage

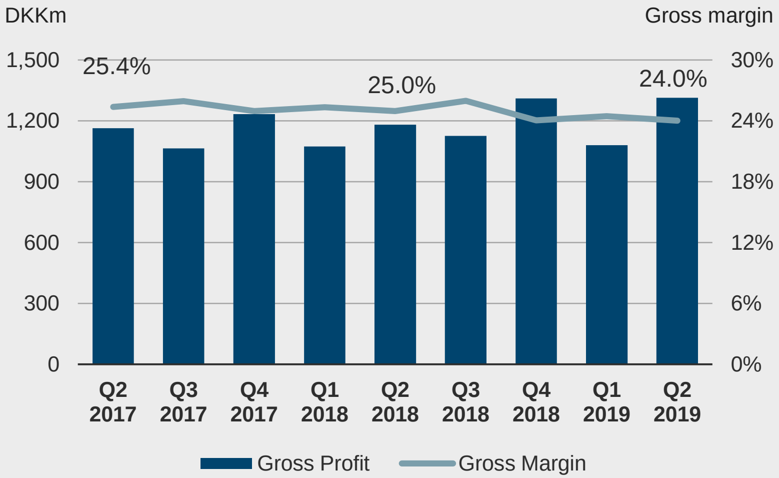
Revenue growth in both Mining and Cement





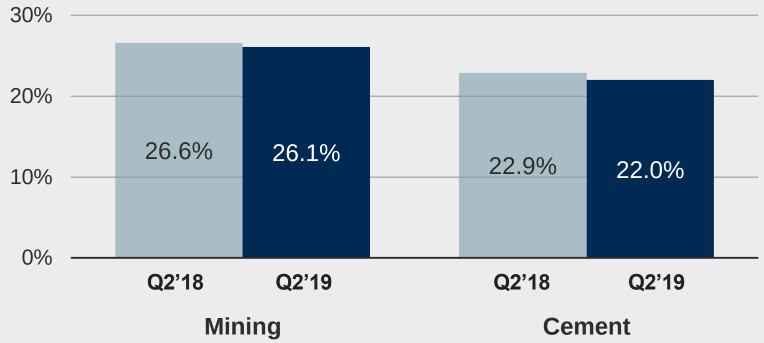
Gross profit increased due to higher activity

GROSS PROFIT
+11% vs. Q2 2018



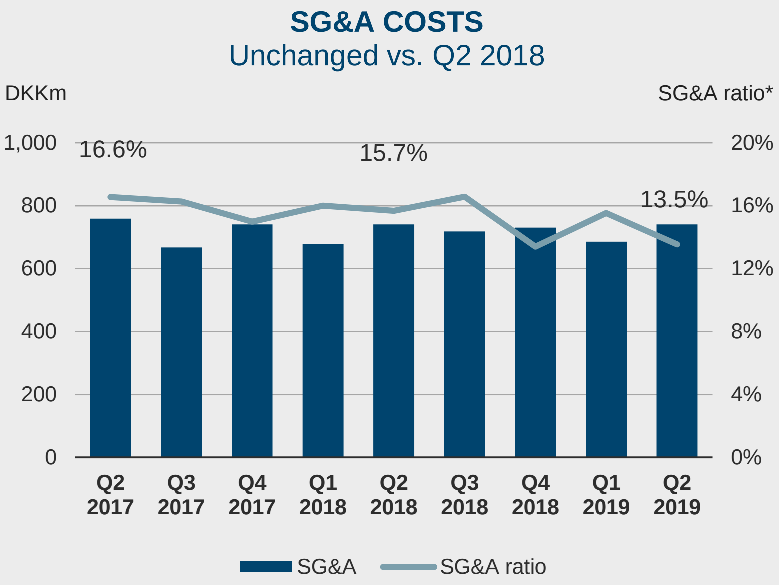
- IFRS 16 effect on gross profit: DKK +9m

GROSS MARGIN BY INDUSTRY
Q2 2019 vs. Q2 2018



- Lower gross margin due to higher share of capital vs. service revenue in Mining and execution of lower-margin projects in Cement

Stable SG&A – lower SG&A ratio

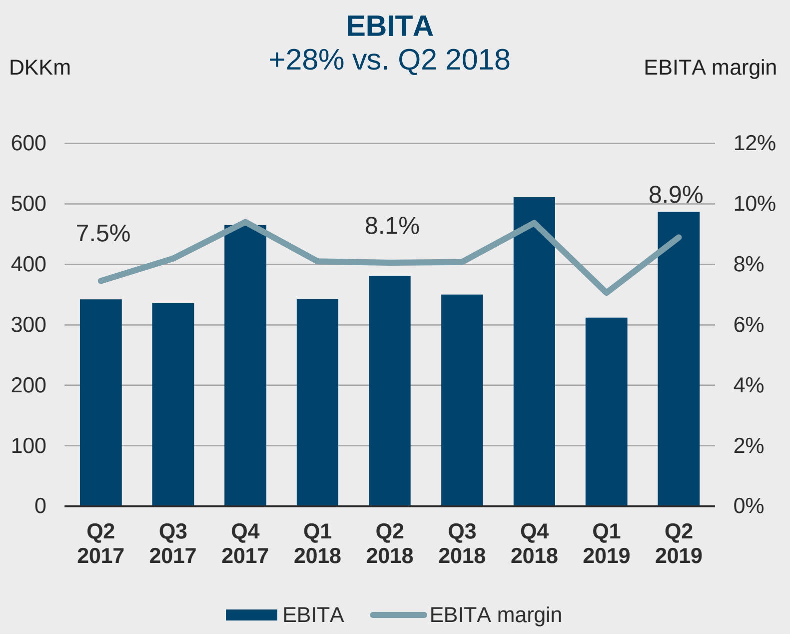


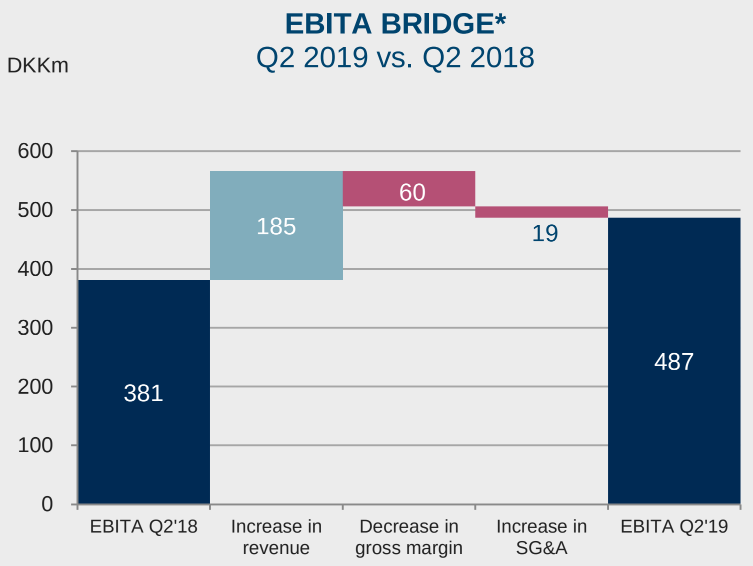
*) SG&A ratio: SG&A costs (Sales, General and Administration) as percentage of revenue

- Stable SG&A costs despite significantly higher level of activity
- SG&A costs increased DKK 8m adjusted for currency and IFRS 16:
  - IFRS 16 effect: DKK 20m decrease
  - Currency: DKK 12m increase

Higher revenue and managed SG&A costs to drive **operating leverage**

Strong improvement in profitability

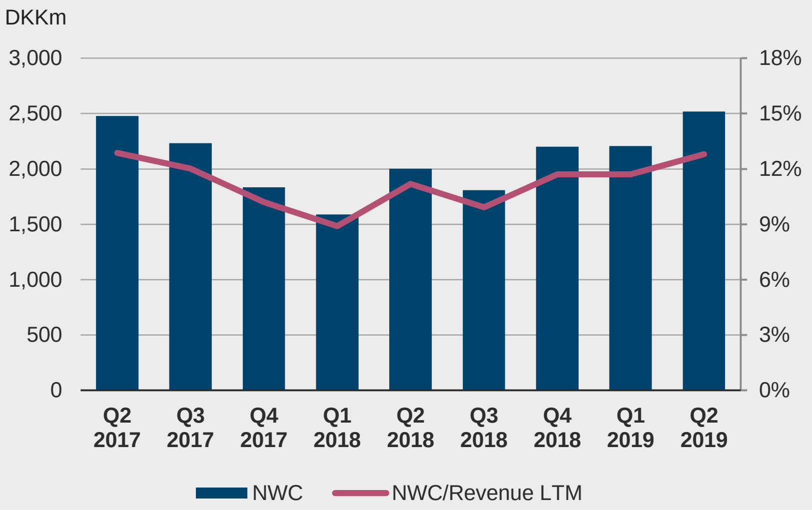




*) 2019 numbers shown without the effects of IFRS 16 to be comparable with 2018

High project activity towards the end of the quarter
- led to build-up of working capital

NET WORKING CAPITAL



- **NWC** at the end of Q2 was 12.8% of the last 12 months revenue (target over the cycle: <10%)
- Supply chain financing had a slight diminishing impact on trade payables in Q2

Net working capital developments in Q2

DKKm	End Q2 2019	End Q1 2019	Change
Inventories	**2,893**	**2,966**	*(73)*
Trade Receivables	**4,493**	**4,454**	*39*
Trade Payables	**(3,914)**	**(3,627)**	*(287)*
WIP Assets net	**1,079**	**782**	*297*
Prepayments net	**(1,310)**	**(1,399)**	*89*
Other liabilities net	**(722)**	**(969)**	*247*
NWC total	**2,519**	**2,207**	*312*

- Currency effect on NWC**: DKK 67m** increase

Discontinued activities Q2 2019

Cash flow (DKKm)	**Q2 2019**	**Q2 2018**
EBITDA adjusted	**(5)**	**(44)**
Change in provisions	(1)	(239)
Change in NWC	(24)	(39)
Financial and tax payments	(6)	(1)
CFFO	**(36)**	**(323)**

- **No used provisions in Q2**
- **Discontinued activities** are expected to generate a **cash outflow of around DKK -70m** in the remainder of 2019-2020 based on:
  - Cash payments related to provisions (balance of DKK 246m end of Q2)
  - Cash collection related to net working capital (NWC balance of DKK 184m end of Q2)
  - Moderate SG&A cost

Cash flow in Q2 2019
- Continuing activities and Group

CONTINUING ACTIVITIES (DKKm)	**Q2 2019**	**Q2 2018**
EBITDA adjusted	**580**	**449**
Change in provisions	(78)	(64)
Change in NWC	(266)	(378)
Financial payments	(14)	(24)
Taxes paid	(43)	(72)
CFFO (continuing activities)	**179**	**(89)**

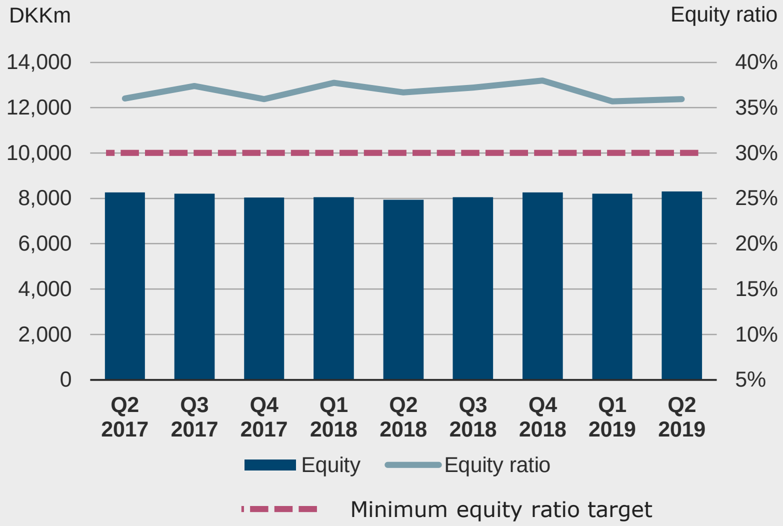
- Improvement in CFFO mainly from higher adjusted EBITDA and NWC

Group (DKKm)	**Q2 2019**	**Q2 2018**
CFFO (Group)	**143**	**(412)**
CFFI excl. acquisitions & disposals	(80)	(153)
Acquisitions & disposals	(293)	70
CFFI	**(373)**	**(83)**
Free cash flow	(230)	(495)
Free cash flow, adjusted for M&A	**63**	**(565)**

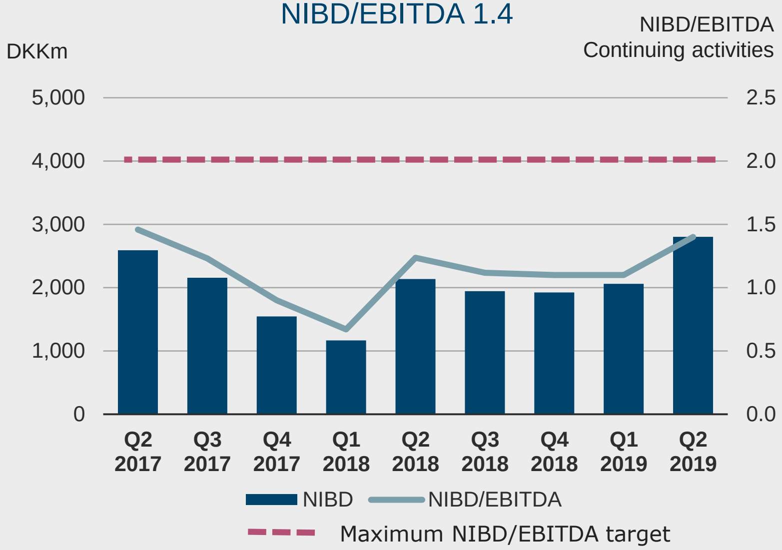
- CFFI increase related to the acquisition of IMP Automation Group
- IFRS 16 had a DKK 27m positive effect on free cash flow

Capital structure in line with long-term targets
- Net debt increased due to dividend and acquisition of IMP

EQUITY
Equity ratio 36.0%



NIBD
NIBD/EBITDA 1.4



- Net debt increased to DKK 2,802m in Q2 (end of Q1 2019: DKK 2,059m)
- Net debt without IFRS 16 of DKK +320m: **DKK 2,482m**

Return on Capital Employed (ROCE)

ROCE Q2 2019*)
11.1%
(Q2 2018: 10.4%)

EBITA LTM
DKK 1,660m
(Q2 2018: 1,525m)

Capital employed
DKK 14,888m
(Q2 2018: 14,648m)

Growth and operating leverage to drive increase in ROCE

Mining ROCE < 20%

Mining EBITA 10.4%

Cement ROCE > 20%

Cement EBITA 6.3%

Growth
(ORDER INTAKE & REVENUE)

Profit
(EBITA%)

Ensure strong operating leverage as growth returns

Capital
(NWC%)

Run business to optimise free cash flow generation

*) ROCE: Return on capital employed calculated on a **before tax** basis, **including goodwill** and based on last 12 months' **EBITA** and **average capital employed**

Guidance maintained

Group	Realised Q1-Q2 2019	Guidance 2019	2018
Revenue (DKK bn)	9.9	**19-21**	18.8
EBITA margin	8.1%	**9-10%**	8.5%
ROCE	11.1%	**12-14%**	11.0%

- **Revenue expected to be in the higher end of the guided range**
- **EBITA margin expected to be in the lower end of the guided range**
- **No implications for ROCE**

Management agenda

Managing the cycle (customers, costs & cash)

KPIs:	Trend Q2 YoY
ROCE	↗
Order intake	↘
EBITA%	↗
NWC%	↗
TRIFR (Total Recordable Injury Frequency Rate)	↘
DIFOT (Delivery In Full On Time)	↗

Management focus

H2 2019

- Maintain high activity level
- Reduce NWC
- Drive aftermarket

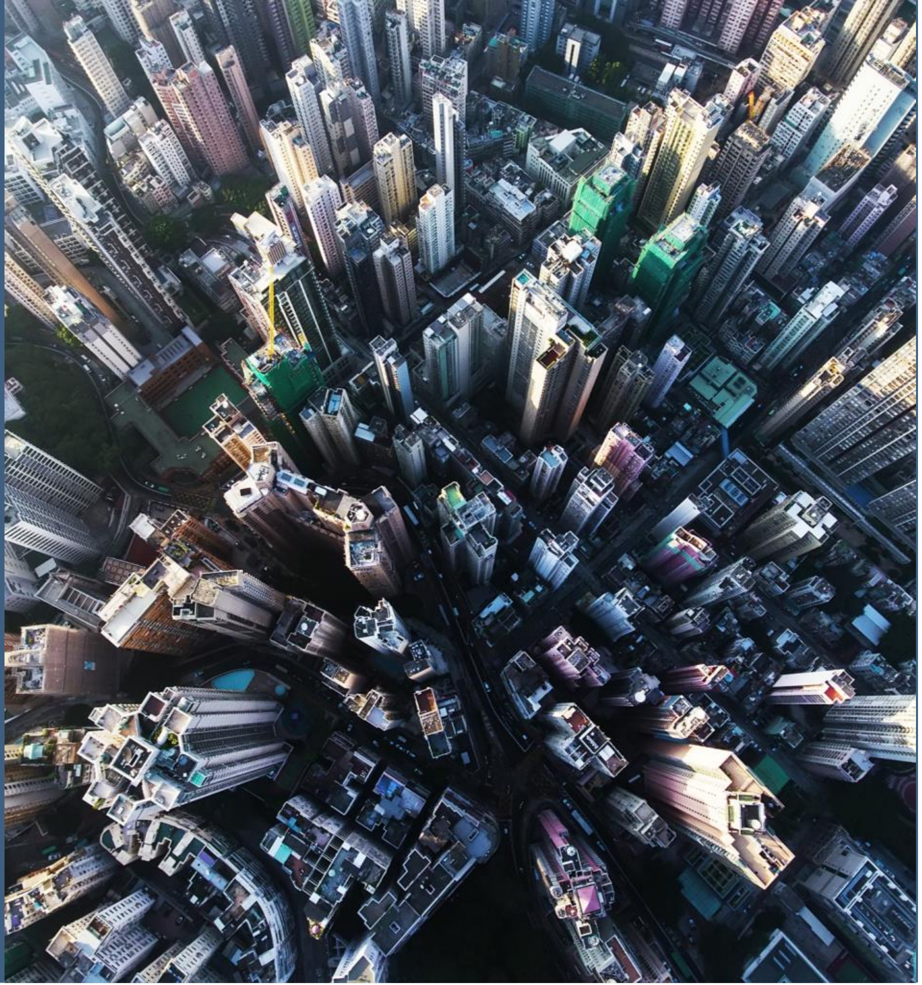
Long-term

- Customers
- Innovation & Digitalization
- Sustainability
- Standardisation and modularisation

Save the date

Capital Market Day 2019

- Date
  6 November 2019 11.00-16.00 CET
- Place
  Marketenderiet, Valby, Denmark
- Theme
  Driving **sustainable productivity improvement**
- More information/registration
  www.flsmidth.com/en-gb/company/investors



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Key highlights

Interim Report Q2 2019

Strong improvement in revenue and profitability

Positive sentiment in mining
Cement market unchanged

Positive free cash flow despite NWC impact

Acquisition of IMP completed

Guidance 2019

Maintained

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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:

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- statements containing projections of or targets for revenues, profit (or loss), capital expenditures, 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.

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Group

(DKKm)	**Q2 2019**	Q2 2018	Change	**Q1-Q2 2019**	Q1-Q2 2018	Change	**2018**
Order intake	**4,954**	**5,056**	-2%	**10,594**	**10,074**	5%	**21,741**
- Service order intake	2,784	2,773	0%	5,432	5,658	-4%	10,907
Order backlog	16,762	14,454	16%	16,762	14,454	16%	16,218
Revenue	**5,472**	**4,730**	16%	**9,888**	**8,965**	10%	**18,750**
- Service revenue	2,794	2,599	8%	5,208	5,106	2%	10,208
Gross profit	1,315	1,181	11%	2,396	2,255	6%	4,693
Gross margin	24.0%	25.0%		24.2%	25.2%		25.0%
EBITA	487	381	28%	799	724	10%	1,585
EBITA margin	**8.9%**	**8.1%**		**8.1%**	**8.1%**		**8.5%**
EBIT	381	299	27%	599	547	10%	1,220
EBIT margin	6.9%	6.3%		6.1%	6.1%		6.5%

Cash flow statement in Q2 2019

Group (DKKm)	**Q2 2019**	**Q2 2018**
EBITDA continuing adjusted	**580**	**450**
EBITDA discontinued	(5)	(45)
Change in provisions	(79)	(303)
Change in NWC	(290)	(417)
Financial payments	(20)	(22)
Taxes paid	(43)	(75)
CFFO (Group)	**143**	**(412)**
CFFI excl. acquisitions & disposals	(80)	(153)
Acquisitions & disposals	(293)	70
CFFI	**(373)**	**(83)**
Free cash flow	**(230)**	**(495)**
CFFO (continuing activities)	179	(89)
CFFO (discontinued activities)	(36)	(323)

- CFFI increased due to investments in innovation & digitalization as well as select investments in property, plant and equipment
- Free cash flow adjusted for IFRS 16 was **DKK –257m**

Cash flow statement in Q1-Q2 2019

Group (DKKm)	**Q1-Q2 2019**	**Q1-Q2 2018**
EBITDA continuing adjusted	**989**	**852**
EBITDA discontinued	(15)	(56)
Change in provisions	(199)	(388)
Change in NWC	(232)	(275)
Financial payments	(25)	(26)
Taxes paid	(141)	(176)
CFFO (Group)	**377**	**(69)**
CFFI excl. acquisitions & disposals	(159)	(205)
Acquisitions & disposals	(299)	80
CFFI	**(458)**	**(125)**
Free cash flow	**(81)**	**(194)**
CFFO (continuing activities)	485	278
CFFO (discontinued activities)	(108)	(347)

- CFFI increased due to investments in innovation & digitalization as well as select investments in property, plant and equipment
- Free cash flow adjusted for IFRS 16 was **DKK -129m**

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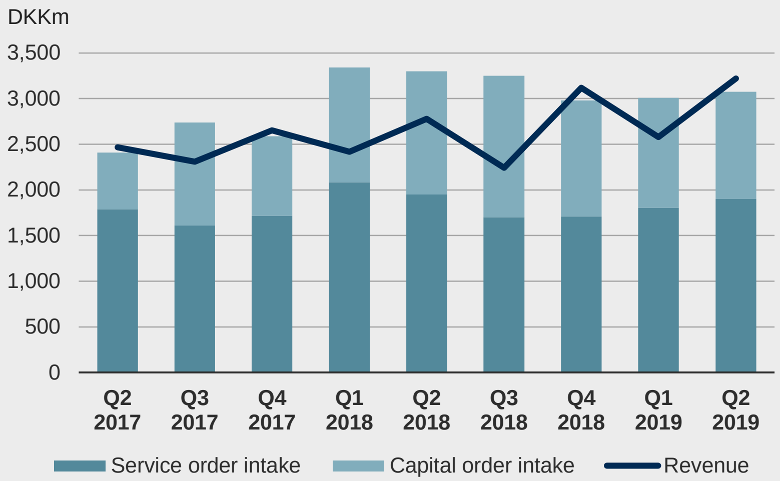
Mining

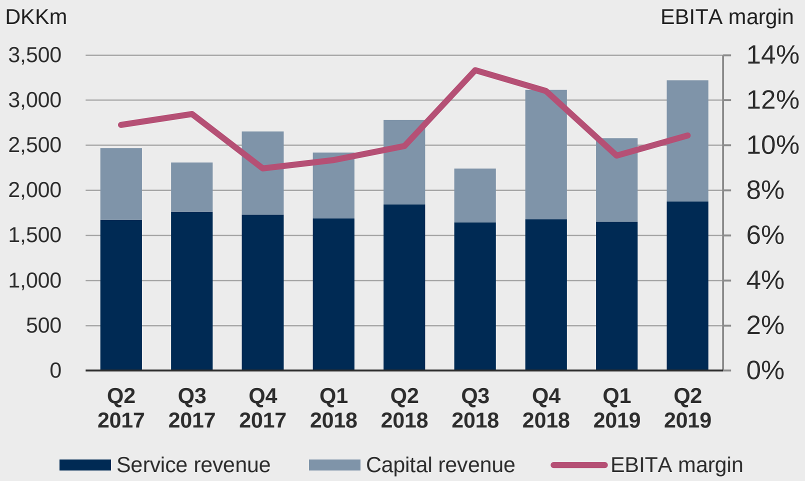
(DKKm)	Q2 2019	Q2 2018	Change	Q1-Q2 2019	Q1-Q2 2018	Change	2018
Order intake	**3,075**	**3,297**	-7%	**6,083**	**6,636**	-8%	**12,866**
- Service order intake	1,901	1,948	-2%	3,703	4,032	-8%	7,441
- Capital order intake	1,174	1,349	-13%	2,380	2,604	-9%	5,425
Order backlog	8,757	7,526	16%	8,757	7,526	16%	8,350
Revenue	**3,221**	**2,780**	16%	**5,800**	**5,198**	12%	**10,557**
- Service revenue	1,876	1,844	2%	3,530	3,533	0%	6,858
- Capital revenue	1,345	936	44%	2,270	1,665	36%	3,699
Gross margin before shared costs	26.1%	26.6%		26.3%	26.8%		28.0%
EBITA margin before shared costs	16.8%	17.8%		16.9%	17.8%		18.7%
EBITA	336	277	21%	582	503	16%	1,189
EBITA margin	**10.4%**	**9.9%**		**10.0%**	**9.7%**		**11.3%**

Mining

ORDER INTAKE
-7% vs. Q2 2018



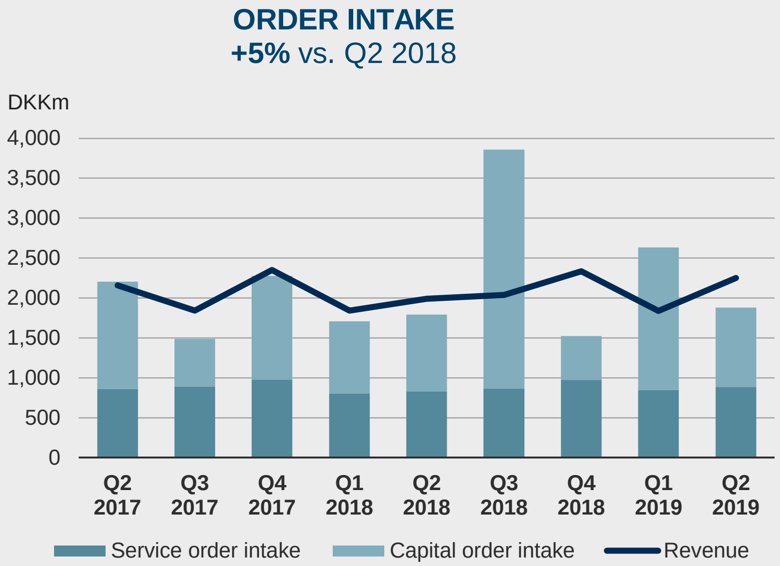
REVENUE
+16% vs. Q2 2018

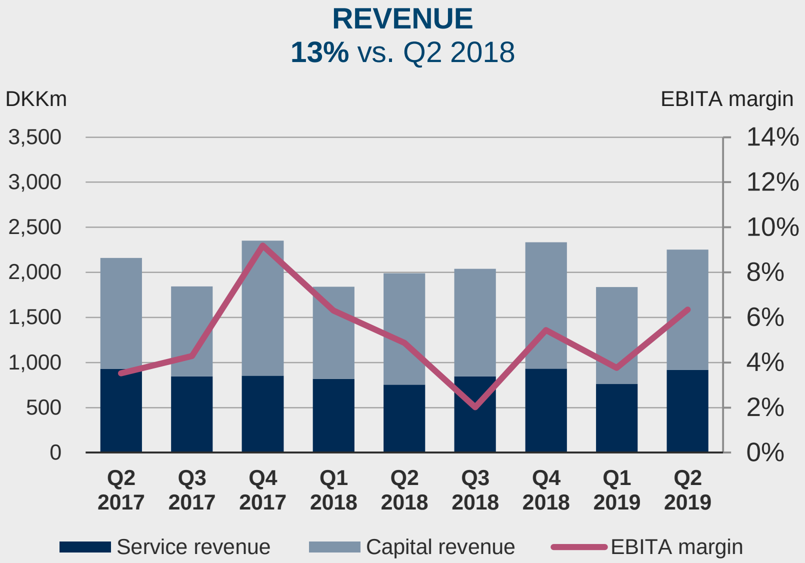


Cement

(DKKm)	Q2 2019	Q2 2018	Change	Q1-Q2 2019	Q1-Q2 2018	Change	2018
Order intake	**1,879**	**1,792**	5%	**4,511**	**3,499**	29%	**8,881**
- Service order intake	883	825	7%	1,729	1,626	6%	3,466
- Capital order intake	996	967	3%	2,782	1,873	49%	5,415
Order backlog	8,005	7,003	14%	8,005	7,003	14%	7,872
Revenue	**2,251**	**1,990**	13%	**4,088**	**3,831**	7%	**8,204**
- Service revenue	918	754	22%	1,678	1,572	7%	3,350
- Capital revenue	1,333	1,236	8%	2,410	2,259	7%	4,854
Gross margin before shared costs	22.0%	22.9%		22.1%	23.2%		21.9%
EBITA margin before shared costs	14.1%	14.8%		13.5%	15.6%		13.0%
EBITA	143	97	47%	212	213	0%	381
EBITA margin	**6.3%**	**4.9%**		**5.2%**	**5.6%**		**4.6%**

Cement


ORDER INTAKE
+5% vs. Q2 2018
DKKm
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
Q2 2017
Q3 2017
Q4 2017
Q1 2018
Q2 2018
Q3 2018
Q4 2018
Q1 2019
Q2 2019
Service order intake
Capital order intake
Revenue


REVENUE
13% vs. Q2 2018
DKKm
EBITA margin
3,500
3,000
2,500
2,000
1,500
1,000
500
0
14%
12%
10%
8%
6%
4%
2%
0%
Q2 2017
Q3 2017
Q4 2017
Q1 2018
Q2 2018
Q3 2018
Q4 2018
Q1 2019
Q2 2019
Service revenue
Capital revenue
EBITA margin

Order intake and revenue growth

Order intake growth Q2'19 vs. Q2'18	Mining	Cement	Group
Organic	-9%	3%	-4%
Acquisitions	2%	0%	1%
Currency	0%	2%	1%
Total growth	**-7%**	**5%**	**-2%**

Order intake growth H1'19 vs. H1'18	Mining	Cement	Group
Organic	-9%	27%	4%
Acquisitions	1%	0%	1%
Currency	0%	2%	0%
Total growth	**-8%**	**29%**	**5%**

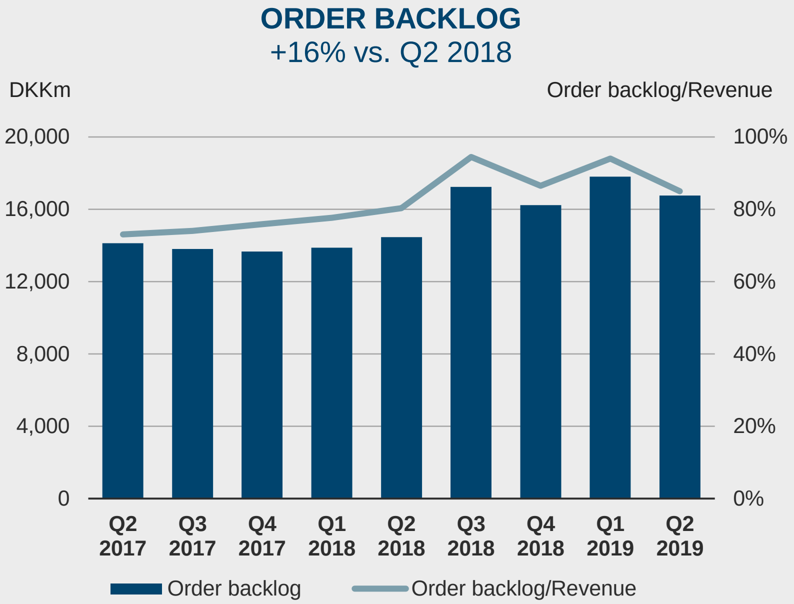
Revenue growth Q2'19 vs. Q2'18	Mining	Cement	Group
Organic	15%	11%	14%
Currency	1%	2%	2%
Total growth[1]	**16%**	**13%**	**16%**

Revenue growth H1'19 vs. H1'18	Mining	Cement	Group
Organic	11%	5%	9%
Currency	1%	2%	1%
Total growth[1]	**12%**	**7%**	**10%**

[1] Due to comparison with restated figures for Q2 2018, Group growth cannot be derived from a weighted average of growth in Mining and Cement

Order backlog and conversion to revenue

Order backlog / last 12 months revenue at 85% in Q2



*Order backlog divided by last 12 months revenue

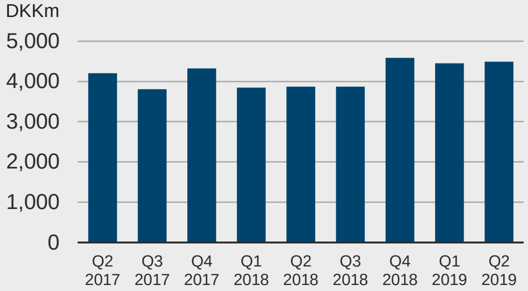
Expected backlog conversion to revenue:

- 50% in 2019
- 34% in 2020
- 16% in 2021 and beyond

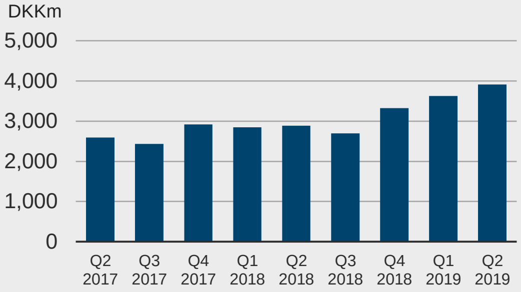
Net working capital components

- NWC increased to DKK 2,519m in Q2 due to a higher level of net work in progress, partly counterbalanced by an increase in trade payables

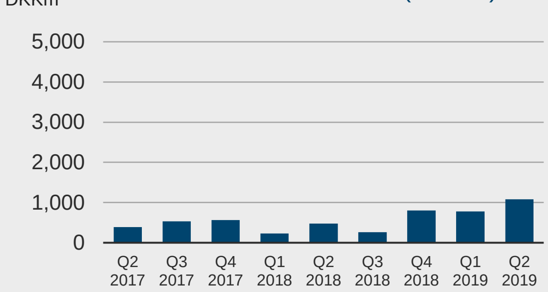
TRADE RECEIVABLES



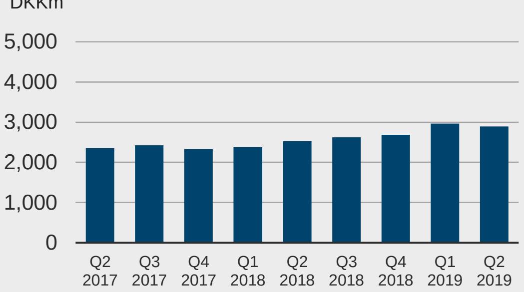
TRADE PAYABLES



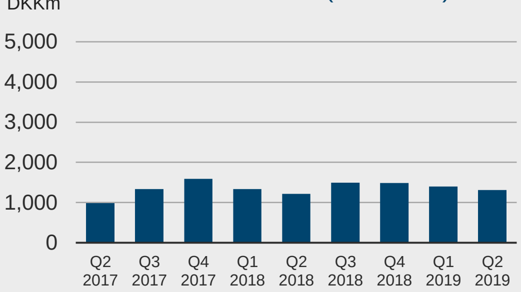
NET WORK-IN-PROGRESS (ASSET)



INVENTORIES

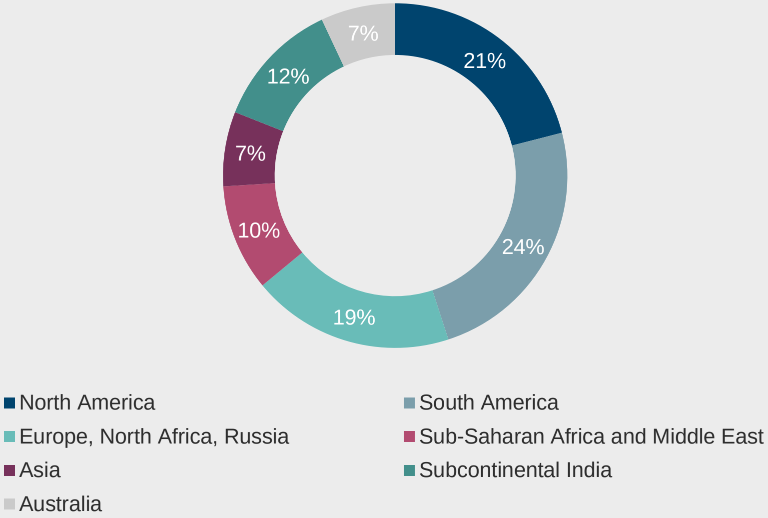


NET PREPAYMENTS (LIABILITY)

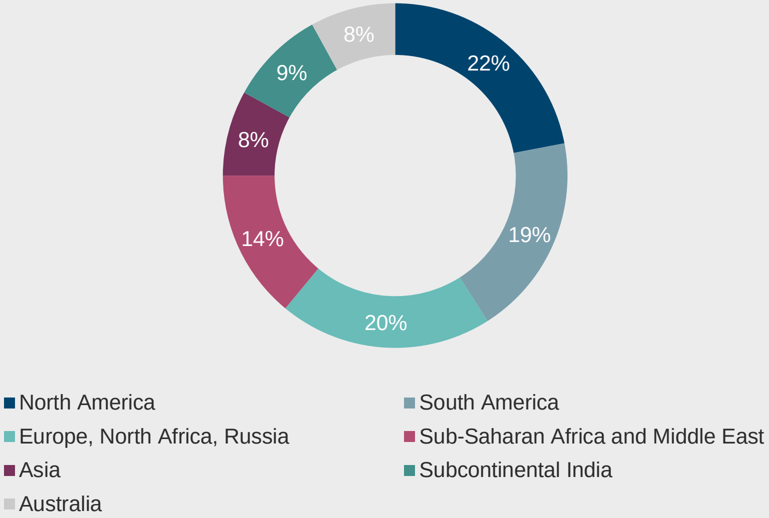


Revenue split in Q2 2019

REVENUE Q2 2019
BY REGION

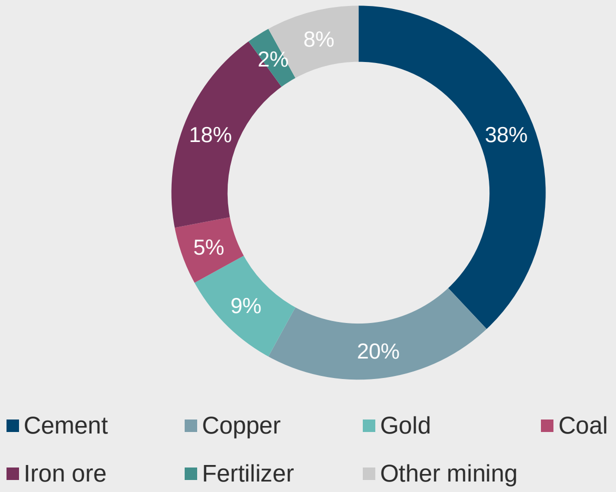


REVENUE Q2 2018
BY REGION

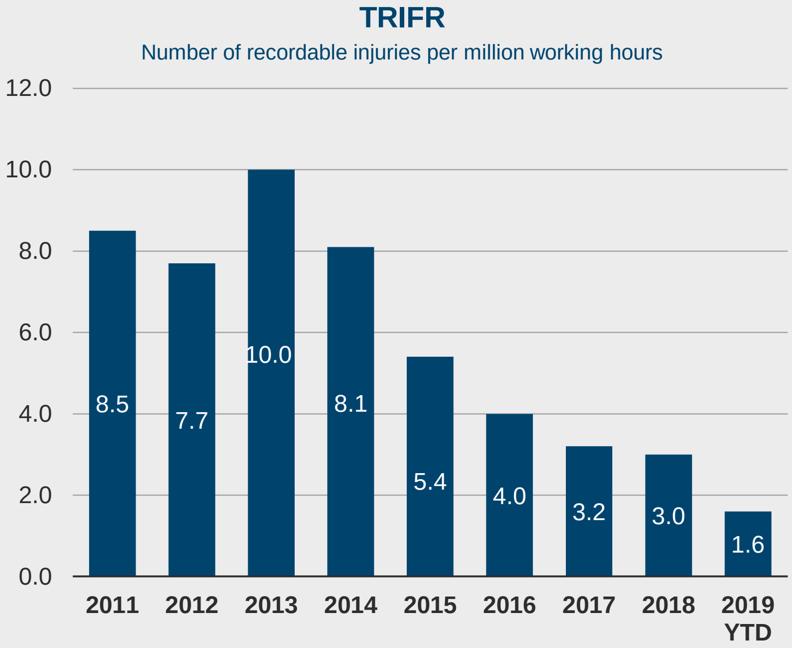


Order intake by commodity

ORDER INTAKE Q1 2019
– by commodity



Safety performance
Total Recordable Injury Frequency Rate*) (TRIFR) 1.6



As of 2018, TRIFR is including contractors. Comparison numbers until 2016 are excluding contractors.
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- Safety ambition: **No injuries**
- 2019 TRIFR target : **≤ 2.7**
- Increase from 1.5 in Q1 2019

*) Total Recordable Injury Frequency Rate (TRIFR) includes medical treated injuries in addition to lost time injuries, including contractors

Effects from implementing IFRS 16, Leases

DKKm	Q2 2019 IFRS 16	Effect from IFRS 16	Q2 2019 IAS 17
Gross profit	1,315	9	1,306
SG&A	(741)	20	(761)
EBITDA	574	29	545
Depreciation and impairment of property, plant and equipment	(87)	(27)	(60)
EBITA	487	2	485
EBIT	381	2	379
EBT	349	0	349
CFFO	143	27	116
CFFF	13	(27)	40
Total assets	23,067	317	22,750
Total liabilities	(14,754)	(320)	(14,434)
NIBD	2,802	320	2,482

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