

FLSmidth & Co. Group Interim Report for H1 2020

Company Announcement No. 13-2020, 4 August 2020

H1 impacted by the pandemic

Highlights in Q2 2020

- Organic order intake declined by 29%
- Organic revenue decreased by 26%
- Cement more impacted than Mining
- Profitability negatively impacted by the decline in revenue
- EBITA margin declined to 3.4%
- Strong cash flow and reduction in net debt

In Q2 2020, organic order intake declined by 29% and organic revenue decreased by 26% compared to Q2 2019. Order intake was DKK 3,348m compared to DKK 4,954m in Q2 2019 (-32%). Revenue amounted to DKK 3,846m compared to DKK 5,472m in Q2 2019 (-30%). The negative development in both order intake and revenue was larger in Cement than in Mining.

The order backlog decreased by 2% to DKK 15,227m in Q2 2020 (end of Q1 2020: DKK 15,591m).

FLSmidth Group CEO, Thomas Schulz, commented: "As anticipated, the second quarter results were marked by the COVID-19 pandemic. Mining was less impacted than Cement, and the service business was more resilient than the capital business. During the quarter, a lot of attention has been dedicated to assessing and managing the pandemic's impact on our business, including a strong focus on customer relationships and identification of business opportunities. Whilst customers continue to defer non-critical investments, more mine sites and cement plants have now restarted operations, underpinning a gradual recovery later in the year."

Financial performance

Revenue decreased 30% in Q2 2020, comprising a 22% decline in Mining and a 41% decrease in Cement. The organic decrease in Group revenue was 26%. The relatively sharper decline in Cement was due to a more severe COVID-19 impact on the cement industry, but also a result of a lower level of Cement capital orders in the past four quarters.

EBITA decreased 73% to DKK 131m (Q2 2019: DKK 487m), primarily as a result of the lower revenue. The clear majority of the revenue decline was attributable to COVID-19, but the change was also a result of a lower backlog entering the year. The EBITA margin was 3.4%

(Q2 2019: 8.9%), and the decline was driven primarily by Cement. Adjusted for extraordinary costs/savings in the quarter, the EBITA margin was 6.1% in Q2 2020.

Net working capital decreased to DKK 2,351m at the end of Q2 2020 (end of Q1 2020: DKK 2,792m), owing to a combined reduction in trade receivables and net work in progress. The net working capital ratio came down to 12.3% from 13.5%.

CFFO increased to DKK 533m in Q2 2020 compared to DKK 143m in Q2 2019, due to significant cash inflow from working capital. The adjusted free cash flow increased to DKK 476m in Q2 2020, compared to DKK 63m in Q2 2019.

Net interest-bearing debt decreased to DKK 2,298m, from DKK 2,663m at the end of Q1 2020. FLSmidth maintains a strong financial position with a net debt to EBITDA of 1.5 and undrawn committed credit facilities of DKK 4.2bn by the end of June.

Thomas Schulz, continues: "Cash generation has been an important objective for all our activities. We are pleased that we have managed to significantly improve cash flow and net working capital, despite the challenging market conditions during the quarter. The strong collection of receivables was thanks to a changed way of working and a continuation of the positive trend from Q1."

Average capital employed increased to DKK 15.4bn in Q2 2020 compared to DKK 14.9bn in Q2 2019, related to intangible assets. ROCE decreased to 8.0% in Q2 2020 compared to 11.1% in Q2 2019, due to the higher capital employed and a lower 12-months trailing EBITA.

Guidance 2020 remains suspended

On 23 March, our financial guidance for 2020 was suspended due to the global uncertainty caused by the COVID-19 pandemic. On 28 April, we announced that full year results are expected to be below the initial guidance. On 24 July, preliminary key figures for H1 2020 were announced and we reconfirmed the suspension of guidance.

Across all regions, the mining industry and especially the cement industry have been negatively affected by the pandemic. Whilst the general situation around COVID-19 is improving in parts of the world, it continues to escalate in other parts. As a global supplier with customers around the world, FLSmidth is subject to these varying market conditions. Lockdowns and mobility restrictions have continued to impact our customers and our workforce, especially the utilisation level of our global service technicians. This creates significant uncertainty around our service order intake and thus revenue for the remaining period of the year. Timing of our order backlog conversion is also impacted by uncertainty from these circumstances, as it is challenging to predict when customers will be able to progress projects and take delivery. Thus, visibility remains low and our guidance remains

suspended. We previously expected a moderate recovery in Q3, but the impact of the pandemic seems to last longer. We are cautiously optimistic about a gradual recovery later in the year.

Read the full Interim report Q2 2020 [here](#)

Contacts

Media Relations

Rasmus Windfeld, +45 40 44 60 60, rwin@flsmidth.com

Investor Relations

Nicolai Mauritzen, +45 30 93 18 51, nicm@flsmidth.com

Key figures Q2 2020

(DKKm)	Q2 2020	Q2 2019	Change (%)	H1 2020	H1 2019	Change (%)
Order intake (gross)	3,348	4,954	-32%	9,874	10,594	-7%
- of which service order intake	2,238	2,784	-20%	5,169	5,432	-5%
<i>Service order intake share</i>	67%	56%		52%	51%	
Order backlog	15,227	16,762	-9%	15,227	16,762	-9%
Revenue	3,846	5,472	-30%	8,371	9,888	-15%
- of which service revenue	2,233	2,794	-16%	4,939	5,208	-5%
<i>Service revenue share</i>	58%	51%		59%	53%	
Gross profit	912	1,315	-31%	1,959	2,396	-18%
Gross profit margin	23.7%	24.0%		23.4%	24.2%	
EBITDA	223	574	-61%	542	969	-44%
before special non-recurring items						
EBITA	131	487	-73%	359	799	-55%
EBITA margin	3.4%	8.9%		4.3%	8.1%	
EBIT	46	381	-88%	192	599	-68%
EBIT margin	1.2%	6.9%		2.3%	6.1%	
Profit	(17)	223	-108%	84	359	-77%
CFFO	533	143		498	377	
Free cash flow	468	(230)		324	(81)	
Net working capital	2,351	2,519	-7%	2,351	2,519	-7%
Net interest-bearing debt	2,298	2,802	-18%	2,298	2,802	-18%



For additional information, go to our [Investor Room](#) at www.flsmidth.com

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 ~12,000 employees are present in more than 60 countries. In 2019, FLSmidth generated a revenue of DKK 20.6 billion. www.flsmidth.com