

28 August 2020

2020 guidance reinstated

Company announcement 14-2020, COPENHAGEN, DENMARK

Revenue in 2020 is expected to be DKK 15.5-17.0bn. EBITA margin is expected to be 4.5-6.0%, which takes into account around DKK 210m of implementation costs related to business improvement activities.

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 were expected to be below the initial guidance. Visibility remains low, but we have started to see a stabilisation of business activities and reinstate guidance for 2020 based on the following assumptions:

- No further escalation of COVID-19
- No further extensive lockdowns or travel restrictions occurring before year-end
- A gradual improvement in business sentiment for the remainder of 2020
- Business improvement implementation costs of around DKK 210m are included in the guidance, of which DKK 140m relate to the previously communicated improvement activities and around DKK 70m relate to further improvement activities in Cement

Guidance 2020

	Realised H1 2020	2020 guidance
Revenue (DKK bn)	8.4	15.5-17.0
EBITA margin	4.3%	4.5-6.0%

The guidance is subject to higher uncertainty than usual. Lockdowns and mobility restrictions continue to impact suppliers, customers and our own workforce. This creates uncertainty around the timing of our order backlog conversion and our service order intake and thus the revenue level for the remainder of the year.

Whilst the mining industry is somewhat impacted by the pandemic this year, we have already seen a strong rebound in commodity prices, and the industry is expected to recover to the pre-pandemic activity level relatively quickly and to continue to grow. However, the cement industry has been severely impacted, and the timing and extent of a rebound remain uncertain. Our goal for the Cement business is to generate more stable, higher margin earnings. In line with this strategy, we undertook several initiatives in the past years which successfully delivered improved profitability and positioned us well compared to our peers. Unfortunately, the pandemic has significantly impacted those gains. To address this and better position us for the future, we are taking additional steps to simplify the business and adjust our cost structure.

FLSmidth is the leading provider of productivity in the cement industry. Our MissionZero provides a strong platform in sustainable methods of production and offers attractive opportunities in the current market. However, we expect the ongoing overcapacity to continue to place pressure in the short to medium term. Accordingly, we are evaluating additional steps to create value and align the business to changing industry dynamics and structure.

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FLSmidth provides sustainable productivity to the global mining and cement industries. We deliver market-leading engineering, equipment and service solutions that enable our customers to improve performance, drive down costs and reduce environmental impact. Our operations span the globe and our close to 12,000 employees are present in more than 60 countries. In 2019, FLSmidth generated revenue of DKK 20.6 billion. www.flsmidth.com