WE DISCOVER POTENTIAL

# INTERIM REPORT H1 2022

1 January –
30 June 2022
Company announcement no. 14

FLSmidth & Co. A/S
Vigerslev Allé 77
DK - 2500 Valby
CVR No. 58180912

Mission Zero

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# HIGHLIGHTS

*Following a solid start to the year, the second quarter of 2022 saw continued growth in order intake and financial performance. Revenue and EBITA increased by 23% and 56%, respectively, driven by a solid Mining performance with an underlying EBITA margin of 10.5% when adjusting for costs related to the acquisition of thyssenkrupp's Mining business and the winding down of our Russian activities. In addition, Cement continued its positive trajectory on improving profitability. The increased revenue and EBITA was despite inflationary pressure, supply chain challenges and costs related to our ongoing wind-down of Russian activities.*

*We are very pleased to have announced that all conditions and requirements for the acquisition of thyssenkrupp's Mining business have been met and that all regulatory clearances have been obtained without imposition of any competition related remedies. Accordingly, the transaction will close on 31 August 2022. We are very excited to soon welcome our ~2,000 new colleagues and TK Mining's customers to FLSmidth. Our combined company will offer customers a stronger, complementary value proposition, while creating significant aftermarket opportunities, driving value creation through compelling synergies and further strengthening our sustainability and digitalisation agenda.*

*"As I reflect on my first six months as CEO, our common ambition is to drive faster decision-making, improved profitability and an ambitious sustainability agenda. To support this, and to prepare for the integration of thyssenkrupp's Mining business, we have adjusted our organisation. Our three Mining Business Lines (Service, Products and Systems) have been elevated to Group Executive Management, and Cement is operating on a clearer standalone basis. I have no doubt this streamlined organisation will ensure clear accountability and drive more focused execution and profitability for both Mining and Cement."*

- *Mikko Keto, Group CEO*

## Mining highlights Q2 2022

Mining order intake increased 26% organically in Q2 2022, as a result of improved service activity compared to Q2 2021. The quarter included one large product order, valued at around DKK 270m.

Revenue increased organically by 19%, driven by both service and capital. The quarter includes revenue of DKK 257m from contracts with non-sanctioned Russian and Belarusian customers.

Mining EBITA increased by 19%. The EBITA margin of 7.8% includes costs related to the acquisition of thyssenkrupp's Mining business of DKK 45m and costs of DKK 50m to the wind-down of our Russian activities. Adjusted for these costs, the Mining EBITA margin was 10.5%.

## Cement highlights Q2 2022

Cement order intake increased 8% organically, as a result of improved underlying performance and improved market conditions. The quarter included one large product order, valued at more than DKK 400m.

Cement revenue increased 12% organically, driven mainly by an increase in service revenue.

Cement EBITA continued the positive trend and increased to DKK 31m in Q2 2022 compared to DKK -34m in Q2 2021. Cement EBITA margin was positive at 2.1%, compared to -2.7% in Q2 2021, driven by higher revenue in the quarter and improvements from the successfully executed reshaping activities in 2021.

## Consolidated highlights Q2 2022

Group order intake increased 20% organically, driven predominantly by Mining. Currency tailwinds supported order intake in the quarter by 8%. Capital orders increased by 23% and service orders increased 31%.

The order backlog increased to DKK 19.5bn, of which around DKK 1.5bn related to Russian and Belarusian contracts at the end of Q2 2022 (around DKK 2.6bn at end Q1 2022).

Organic revenue increased 17% driven primarily by Mining. Gross profit increased by 22%, with the corresponding gross margin decreasing slightly from 25.0% to 24.7%. EBITA increased by 56% and the corresponding EBITA margin increased to 6.1% from 4.8% in Q2 2021. Adjusted for the costs related to the wind-down of Russian activities and to the acquisition of thyssenkrupp's Mining business, the EBITA margin was 8.0% in Q2 2022.

Cash flow was, as expected, negative due to the increase in net working capital.

## Financial guidance 2022

FLSmidth's financial guidance for 2022 is updated. Guidance for Mining revenue, consolidated Group revenue and Cement EBITA margin is raised.

Please see page 4 for detailed guidance for Mining, Cement and consolidated for the Group.

# FINANCIAL GUIDANCE 2022

FLSmidth's financial guidance for 2022 is updated. Guidance for Mining revenue, consolidated Group revenue and Cement EBITA margin is raised. The Mining EBITA margin is, as previously communicated, expected to remain in the lower end of the guidance range due to the impact from our Russian business.

## Mining

The outlook for the mining industry remains positive, despite current fears of a global recession. The outlook is driven by global economic development and increased demand for minerals required for the green transition, positively impacting revenue and EBITA.

Mining EBITA margin is expected to be impacted by a higher share of capital revenue, higher logistics costs and inflation. Guidance includes around DKK 110m in integration costs until closing of the thyssenkrupp Mining business transaction. The transaction will close on 31 August 2022.

Mining revenue is expected to be negatively impacted by lower revenue in Russia, partly offset by mitigating actions. Due to costs related to the winding-down of our activities in Russia and mitigating actions, the Mining EBITA margin is, as previously communicated, expected to remain in the lower end of the guidance range.

## Cement

Following a year of reshaping, we expect the Cement business to continue its positive EBITA trajectory in 2022. Cement EBITA margin is expected to be impacted by higher logistics costs and inflation.

The short-term outlook for the cement industry remains impacted by overcapacity and slow recovery Mid-term recovery is expected in the cement industry driven by increased demand for sustainability solutions.

Our Cement business is still expected to see an insignificant impact from the winding down of our activities in Russia.

## Group

The financial guidance for 2022 is for the FLSmidth Group standalone and excludes the impact from the combination with thyssenkrupp's Mining business. Guidance includes around DKK 110m in integration costs until closing of the thyssenkrupp Mining business transaction. The transaction will close on 31 August 2022. We will publish a new financial guidance no later than in connection with our 9M 2022 financial release.

Guidance for 2022 is subject to increased uncertainty due to the pandemic, global supply chain situation and geopolitical turmoil.

## Mining

| | H1 2022 | Initial guidance 2022 | Updated guidance 2022 |
|---|---|---|---|
| Revenue (DKKbn) | 6.8 | 12.0-13.0 | 13.0-14.0 |
| EBITA margin | 7.8% | 8.5-9.5% | 8.5-9.5% |

## Cement

| | H1 2022 | Initial guidance 2022 | Updated guidance 2022 |
|---|---|---|---|
| Revenue (DKKbn) | 3.0 | 5.5-6.0 | 5.5-6.0 |
| EBITA margin | 2.8% | 1-2% | 2-3% |

## Group

| | H1 2022 | Initial guidance 2022 | Updated guidance 2022 |
|---|---|---|---|
| Revenue (DKKbn) | 9.7 | 17.5-19.0 | 18.5-20.0 |
| EBITA margin | 6.3% | 6-7% | 6-7% |

## Russian wind-down well progressed in Q2 2022

**Actions taken in Q2 2022**

- We have amended our outstanding order backlog from Russian and Belarusian contracts to around DKK 1.5bn at end Q2 2022 from around DKK 2.6bn at end Q1 2022
- We have reduced the number of employees in Russia by ~50% from +80 employees at end Q1 2022 and we will continue towards a full wind-down
- We have incurred DKK 50m in costs related to the wind-down and taken a write-down of DKK 10m on deferred tax assets

**FLSmidth's wind-down approach**

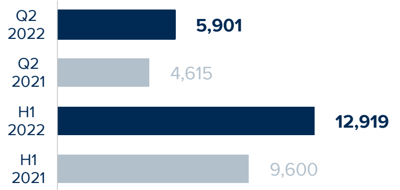
- New business in Russia and Belarus is suspended and we are winding down activities in Russia in a responsible manner
- We are working on mitigating actions and efforts
- We are obliged to fulfil legal obligations with regards to ongoing activities to the extent possible
- We will donate any net profit generated in 2022 from activities in Russia and Belarus to humanitarian purposes
- We have donated DKK 2m to Ukrainian conflict relief efforts

# FINANCIAL HIGHLIGHTS

## GROUP

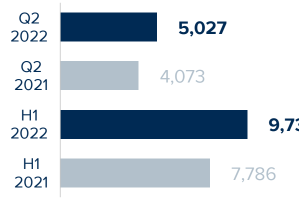
### Order intake
DKKm

**5,901**
▲ 28%



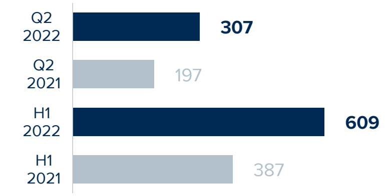

### Revenue
DKKm

**5,027**
▲ 23%




### EBITA & EBITA margin
DKKm - %

**307 6.1%**
▲ 56%




### Cash flow from operating activities
DKKm (214) ▼ from DKKm 507 in Q2 2021

### Earnings per share
DKK 2.5 ▲ from DKK 1.1 in Q2 2021

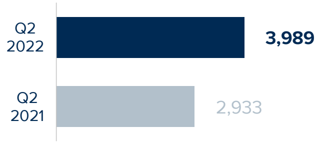
### Net working capital ratio
9.2% ▲ from 8.2% end of Q2 2021

### NIBD/EBITDA
-0.3x ▼ from 1.0x end of Q2 2021

## MINING

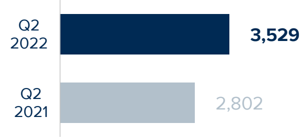
### Order intake
DKKm

**3,989**
▲ 36%




### Revenue
DKKm

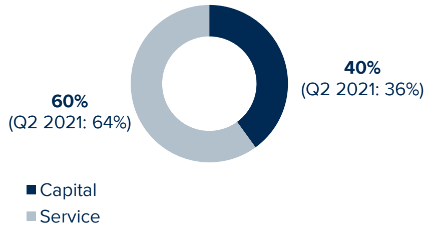
**3,529**
▲ 26%




### EBITA & EBITA margin
DKKm - %

**276 7.8%**
▲ 19%

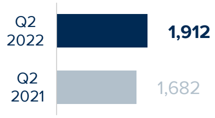

### Revenue split by capital & service
%




## CEMENT

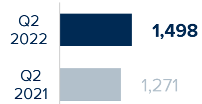
### Order intake
DKKm

**1,912**
▲ 14%




### Revenue
DKKm

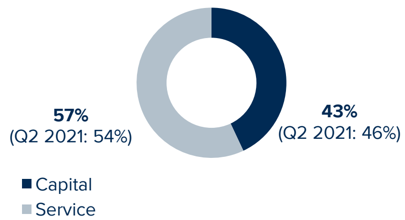
**1,498**
▲ 18%




### EBITA & EBITA margin
DKKm - %

**31 2.1%**
▲ 191%


### Revenue split by capital & service
%



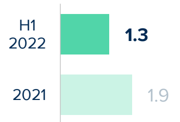
# SUSTAINABILITY HIGHLIGHTS

## Safety (TRIR)

Total Recordable Incident Rate/ million working hours

**1.3**

Target: zero harm; 2022 Target: <1.3




TRIR increased slightly during Q2 2022 due to increased medical treatment cases without lost time. TRIR however remains on target with an ongoing campaign to increase safety awareness aiming at key areas where the injury rates are the highest.

## Women managers

%

**14.1**

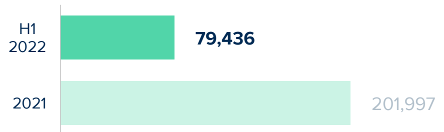
2022 Target: 15.7%


Ongoing changes to the organisation have resulted in a decline in the percentage of women managers during Q2 2022 (Q1 2022: 14.6%). We have ongoing activities in place to address this including active recruitment and career development strategy.

## Water withdrawal

$m^3$

**79,436**



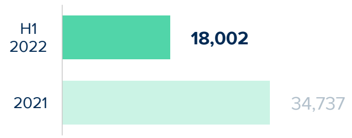

Water withdrawal is lower compared to 84,805$m^3$ in H1 2021. This is due to ongoing initiatives to save on water, as well as increased levels of remote working across the organisation.

## Scope 1 & 2 GHG Emissions

$tCO_2e$ (market-based)

**18,002**

Target: carbon neutral; 2022 Target: 43,622 $tCO_2e$




$CO_2e$ emissions are higher compared to 16,167 $tCO_2e$ in H1 2021 and is due to operations being back to full capacity: In H1 2021, we temporarily closed some sites due to the pandemic. We however remain on target for the year.

## MissionZero and ESG developments

We continue to drive sustainability across our entire value chain. Our core focus is to deliver sustainability solutions to our customers while at the same time reducing the impact from our own operations.

**Upgrade of thickener to improve customer sustainability and profitability**

A recent thickener upgrade at one of Australia's largest gold mines has boosted the mine's profitability and environmental performance. Plant capacity increased by 9% without increasing the amount of ore mined, while water going to the tailings dam has been reduced by 11%. Based on these benefits, the customer's return on the investment is expected within less than 12 months.

**Cement MissionZero flagship product reaches signficant milestone**

The FLSmidth Cross-Bar Cooler delivers compelling financial and sustainability benefits to cement producers. In end April, the state-of-the-art clinker cooling technology reached the milestone of 200 units sold. Where our Cross-Bar coolers have replaced older, inefficient equipment, the combined estimated greenhouse gas emissions savings from reduced fuel and power consumption now accounts for more than 1.6 million tonnes of $CO_2$ equivalent per year.

**International partnership to eliminate fossil fuels in the cement clay calcination process**

Replacing limestone-based clinker with calcined clay is essential to reduce the environmental footprint of cement production. A new partnership led by FLSmidth is moving to the next stage in eliminating fossil fuels by electrifying the clay calcination process with renewable sources. The ECoClay partnership unites cement producers with research institutes and high-tech start-ups, who aim to develop and commercialise the technology needed to halve $CO_2$ emissions from current levels.

**Reducing own carbon emissions through solar power in China**

During Q2 2022, the FLSmidth team in China completed a 1.4 MW solar power generation project at the company's site in Qingdao. The new solar installation is expected to generate 1.6 million kWh of electricity annually, covering 42% of the site's electricity consumption and reduce $CO_2$ emissions by 32%.

# KEY FIGURES

| DKKm | Q2 2022 | Q2 2021 | H1 2022 | H1 2021 | 2021 |
|---|---|---|---|---|---|
| **INCOME STATEMENT** | | | | | |
| Revenue | 5,027 | 4,073 | 9,733 | 7,786 | 17,581 |
| Gross profit | 1,244 | 1,020 | 2,351 | 1,955 | 4,180 |
| EBITDA before special non-recurring items | 388 | 285 | 770 | 572 | 1,401 |
| EBITA | 307 | 197 | 609 | 387 | 1,030 |
| EBIT | 235 | 109 | 457 | 210 | 668 |
| Financial items, net | (5) | (27) | (34) | (36) | (81) |
| EBT | 230 | 82 | 423 | 174 | 587 |
| Profit for the period, continuing activities | 137 | 50 | 260 | 107 | 374 |
| Loss for the period, discontinued activities | (3) | (3) | (3) | (6) | (17) |
| Profit for the period | 134 | 47 | 257 | 101 | 357 |
| **ORDERS** | | | | | |
| Order intake (gross), continuing activities | 5,901 | 4,615 | 12,919 | 9,600 | 19,233 |
| Order backlog, continuing activities | | | 19,461 | 16,677 | 16,592 |
| **EARNING RATIOS** | | | | | |
| Gross margin | 24.7% | 25.0% | 24.2% | 25.1% | 23.8% |
| EBITDA margin before special non-recurring items | 7.7% | 7.0% | 7.9% | 7.3% | 8.0% |
| EBITA margin | 6.1% | 4.8% | 6.3% | 5.0% | 5.9% |
| EBIT margin | 4.7% | 2.7% | 4.7% | 2.7% | 3.8% |
| EBT margin | 4.6% | 2.0% | 4.3% | 2.2% | 3.3% |
| **CASH FLOW** | | | | | |
| Cash flow from operating activities (CFFO) | (214) | 507 | (284) | 792 | 1,449 |
| Acquisitions of property, plant and equipment | (18) | (9) | (33) | (28) | (116) |
| Cash flow from investing activities (CFFI) | (83) | (64) | (48) | (115) | (273) |
| Free cash flow | (297) | 443 | (332) | 677 | 1,176 |
| Free cash flow adjusted for acquisitions and disposals of enterprises and activities | (281) | 451 | (316) | 683 | 1,185 |
| **BALANCE SHEET** | | | | | |
| Net working capital | | | 1,805 | 1,305 | 1,058 |
| Net interest-bearing debt (NIBD) | | | 528 | (1,159) | 889 |
| Total assets | | | 24,509 | 21,077 | 23,053 |
| CAPEX | | | 163 | 141 | 397 |
| Equity | | | 11,033 | 8,369 | 10,368 |
| Dividend to shareholders, paid | 170 | 18 | 170 | 101 | 101 |

| DKKm | Q2 2022 | Q2 2021 | H1 2022 | H1 2021 | 2021 |
|---|---|---|---|---|---|
| **FINANCIAL RATIOS** | | | | | |
| CFFO / Revenue | -4.3% | 12.4% | -2.9% | 10.2% | 8.2% |
| Book-to-bill | 117.4% | 113.3% | 132.7% | 123.3% | 109.4% |
| Order backlog / Revenue | | | 99.7% | 105.2% | 94.4% |
| Return on equity | | | 4.8% | 2.4% | 3.9% |
| Equity ratio | | | 45.0% | 39.7% | 45.0% |
| ROCE, average | | | 8.4% | 5.4% | 7.2% |
| Net working capital ratio, end | | | 9.2% | 8.2% | 6.0% |
| NIBD / EBITDA | | | -0.3.x | 1.0x | -0.6x |
| Capital employed, average | | | 14,830 | 14,741 | 14,384 |
| Number of employees | | | 10,055 | 10,089 | 10,117 |
| **SHARE RATIOS** | | | | | |
| Cash flow per share (CFPS), (diluted) | (3.8) | 10.1 | (5.0) | 15.8 | 27.8 |
| Earnings per share (EPS), (diluted) | 2.5 | 1.1 | 4.8 | 2.1 | 6.9 |
| Share price | | | 174.5 | 260.7 | 244.3 |
| Number of shares (1,000), end | | | 57,650 | 51,250 | 57,650 |
| Market capitalisation, end | | | 10,060 | 13,361 | 14,084 |
| **SUSTAINABILITY KEY FIGURES** | | | | | |
| Scope 1 & 2 GHG emissions ($tCO_2e$) market-based, SBT | | | 18,002 | 16,167 | 34,737 |
| Water withdrawal ($m^3$) | | | 79,436 | 84,805 | 201,997 |
| Safety, TRIR Total Recordable Injury Rate (including contractors)* | | | 1.3 | 1.7 | 1.9 |
| Women managers | | | 14.1% | 14.5% | 14.3% |
| Quality, DIFOT Delivery In Full On Time | | | 81.2% | 86.8% | 85.1% |
| Suppliers assessed for sustainability | | | 327 | 447 | 641 |

The financial ratios have been computed in accordance with the guidelines of the Danish Finance Society and financial definitions according to note 7.8 in the 2021 Annual Report.

*Starting in 2018, TRIR is including contractors, while comparison numbers are excluding contractors.

**Use of alternative performance measures**

Throughout the report we present financial measures which are not defined according to IFRS. We have included additional information in the 2021 Annual Report note 7.4 Alternative performance measures and 7.8 Definition of terms.

# MINING MARKET DEVELOPMENTS

Activity and sentiment in the mining industry continues to be positive, despite the decline in commodity prices during the quarter and current fears of a global recession. Copper and many other metal markets are still facing tight supply conditions. The long-term outlook for minerals required to meet global economic development and drive the green transition remains positive.

The mining sector has remained resilient with few visible signs of a slowdown despite the sharp decline in commodity prices during the second quarter. Many industrial metals have experienced the worst quarter since the 2008 financial crisis as the pace of construction slowed down in China and fears of a global recession intensified. The inflationary pressure is evidenced in the operational costs of the mines and many customers are now expecting that a possible recession is lurking. However, the global supply of many commodities remains at critically low levels and the green transition will require the mining industry to scale up on investments to meet the long-term demand for minerals.

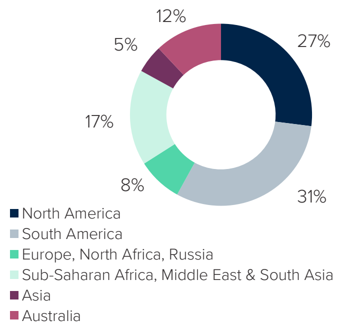
In South America, the mining market remains solid despite political uncertainty around new taxations and environmental protection rules in Chile and Peru. Mining activity is high in both Argentina and Colombia with an increased demand for brownfield projects. The pipeline remains strong and price adjustments have not had any significant impact on order intake.

Across regions, bottlenecks in supply chains and repeated pandemic lockdowns in China continue to cause challenges. Customers in some regions are concerned about the dependence on China as a major supplier. During the second quarter, we have seen a push towards localisation of supply to de-risk the supply from China and a willingness to pay higher prices for reduced supply chain risk.

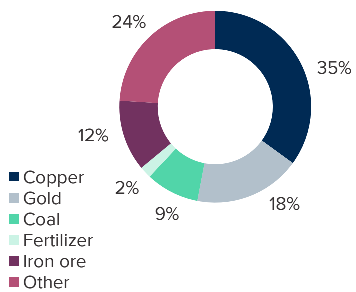
In Australia, the supply chain risk remains an issue especially for items being supplied from overseas. While the iron ore price has dropped on the back of recession fears and lower Chinese steel mill uptake, it remains at profitable levels for miners. Gold prices have decreased from their peak but remain elevated and still at profitable margins levels.

We have a healthy pipeline in Europe, North Africa and other countries of the Commonwealth of Independent States (CIS) that will partly compensate the loss of business in Russia. Customers in these regions are mainly concerned about the general inflation, raw material and freight pricing as well as increased lead time.

**Mining order intake split per Region Q2 2022**
%




**Mining order intake split by commodity Q2 2022**
%



# MINING FINANCIAL PERFORMANCE

## Q2 2022

Mining order intake increased 26% organically as a result of improved service activity compared to Q2 2021. Including currency effects, order intake increased by 36% to DKK 3,989m, comprising a 40% increase in service orders and a 29% increase in capital orders.

Q2 2022 capital order intake contains one large announced product order valued at around DKK 270m, compared to Q2 2021 which contained one large order valued at DKK 200m. During the quarter, service orders and capital orders represented 64% and 36% of Mining order intake, respectively.

Revenue increased organically by 19% and by 26% including currency effects to DKK 3,529m.

The quarter includes revenue of DKK 257m derived from contracts with non-sanctioned Russian and Belarusian customers.

The increase in capital revenue of 38% was driven by the higher backlog entering the quarter and improved market conditions compared to Q2 2021. Service revenue increased by 19% driven mainly by higher demand for spare and wear parts. Service accounted for 60% of Mining revenue in Q2 2022 compared to 64% in Q2 2021.

Gross profit increased by 17% to DKK 876m, from DKK 749m in Q2 2021. The corresponding gross margin decreased to 24.8% due to the higher share of capital revenue, increased inflationary pressure, supply chain challenges and cost related to the wind-down of our activities in Russia.

EBITA increased by 19% to DKK 276m in Q2 2022 as a result of the higher revenue. The corresponding EBITA margin decreased to 7.8% from 8.2% in Q2 2021. EBITA in Q2 2022 was impacted by costs related to the acquisition of thyssenkrupp's Mining business of DKK 45m as well as costs of DKK 50m related to the wind-down of our activities in Russia. Adjusted for these costs, the EBITA margin was 10.5%.

## H1 2022

Mining order intake in H1 2022 increased by 40% to DKK 9,146m (H1 2021: DKK 6,518m). The main driver was the extraordinary strong capital order intake in the first quarter of the year, which included four large capital product orders with a combined value of around DKK 1.4bn. Mining order backlog in H1 2022 increased 22% to DKK 12,544m (H1 2021: DKK 10,310m).

Mining revenue increased by 30% to DKK 6,762m (H1 2021: DKK 5,214m), driven mainly by capital revenue. EBITA increased by 18% to DKK 525m (H1 2021: DKK 444m) and the corresponding EBITA margin decreased to 7.8% from 8.5% in H1 2021. EBITA in H1 2022 was impacted by costs related to the acquisition of thyssenkrupp's Mining business of DKK 82m and costs of DKK 50m related to the wind-down of our activities in Russia. Adjusted for these costs, the EBITA margin was 9.7% in H1 2022.

### Mining

| (DKKm) | Q2 2022 | Q2 2021 | Change (%) | H1 2022 | H1 2021 | Change (%) |
|---|---|---|---|---|---|---|
| **Order intake (gross)** | **3,989** | **2,933** | **36%** | **9,146** | **6,518** | **40%** |
| - Hereof service order intake | 2,542 | 1,812 | 40% | 5,072 | 3,760 | 35% |
| - Hereof capital order intake | 1,447 | 1,121 | 29% | 4,074 | 2,758 | 48% |
| **Order backlog** | **12,544** | **10,310** | **22%** | **12,544** | **10,310** | **22%** |
| **Revenue** | **3,529** | **2,802** | **26%** | **6,762** | **5,214** | **30%** |
| - Hereof service revenue | 2,123 | 1,780 | 19% | 3,943 | 3,388 | 16% |
| - Hereof capital revenue | 1,406 | 1,022 | 38% | 2,819 | 1,826 | 54% |
| **Gross profit** | **876** | **749** | **17%** | **1,636** | **1,384** | **18%** |
| Gross margin | 24.8% | 26.7% | | 24.2% | 26.5% | |
| **EBITA** | **276** | **231** | **19%** | **525** | **444** | **18%** |
| EBITA margin | 7.8% | 8.2% | | 7.8% | 8.5% | |
| **EBIT** | **222** | **170** | **31%** | **414** | **322** | **29%** |
| EBIT margin | 6.3% | 6.1% | | 6.1% | 6.2% | |
| Number of employees | 6,314 | 6,124 | 3% | 6,314 | 6,124 | 3% |

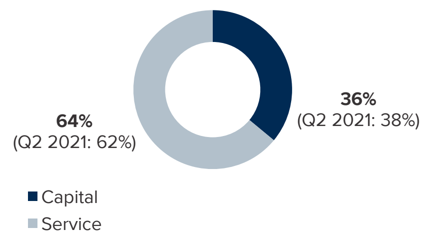
Starting from 1 January 2022, the Mining Industry's consumption of shared cost is directly attributed to the Industry and therefore included in the relevant lines of gross profit and EBITA. The comparison quarter Q1 2021 has been restated accordingly.

### Growth in Mining in Q2 2022 (vs. Q2 2021)

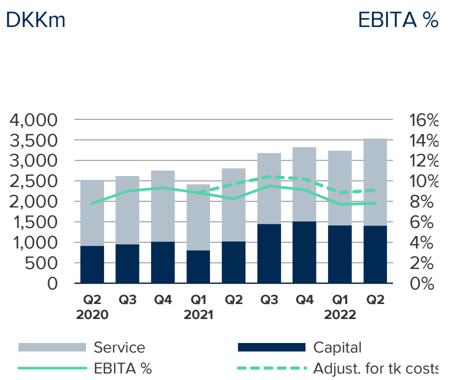
| | Order intake | Revenue |
|---|---|---|
| Organic | 26% | 19% |
| Acquisition | 0% | 0% |
| Currency | 10% | 7% |
| **Total growth** | **36%** | **26%** |

### Order intake Q2 2022 split by capital & service

%




### Revenue and EBITA margin



# CEMENT MARKET DEVELOPMENTS

The cement market remains at a stable level, despite an emerging recession. Cement consumption is driven by economic expansion and the anticipated global recession could impact market demand. The soaring cost inflation and supply chain challenges continue to create a difficult environment for many cement producers. On the positive side, it drives increased interest for productivity and sustainability solutions.

Cement is navigating the high inflationary environment coupled with persisting supply chain challenges and an emerging recession. While the surge in energy prices has forced some cement producers to temporarily shut down production of older and inefficient cement plants, it has also created new opportunities in terms of increased interest in productivity enhancement solutions. This drives sales of both new products capable of reducing energy consumption as well as technologies related to change to lower cost and more sustainable fuels.

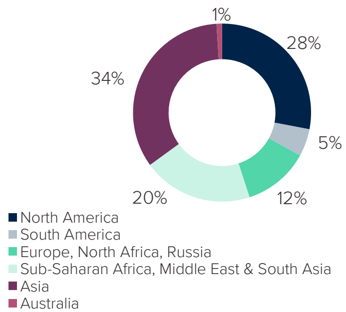
In South America, activity remains stable but with increased political and economic uncertainty. In North America, cement demand remains high and service activity continues to be solid. Supply chain disruptions and the increase in fuel cost are the main concerns of our customers. Energy prices and import costs in North America have skyrocketed at the same time as private construction is facing pressure from production bottlenecks, higher interest rates and rising construction costs.

In Asia, China remains stable and a significant market for FLSmidth. There are concerns of an anticipated recession, but the focus on reducing energy consumption continues to drive a significant upgrade market for FLSmidth, regardless of reduced cement production levels.

Investment activity in Europe is stable but a potential recession could change this picture. A high utilisation is still driving service activity, but supply chain challenges are causing some delays. Current investments continue to be directed towards productivity and sustainability solutions.

### Cement order intake split per Region Q2 2022

%



# CEMENT FINANCIAL PERFORMANCE

## Q2 2022

Cement order intake increased 8% organically compared to Q2 2021. Including favourable currency effects, the order intake in Q2 2022 increased by 14% to DKK 1,912m, comprising an increase in both service orders and capital orders of 13% and 15%, respectively.

The increase in Cement order intake was a result of improved underlying performance and improved market conditions compared to Q2 2021, where order intake was still impacted by subdued investment appetite and travel restrictions. The improved capital order intake was due to the announced large order to deliver process technology equipment for a greenfield cement plant at a total value of more than DKK 400m. The comparative quarter in 2021 contained one large order at a value of around DKK 200m.

Service orders and capital orders represented 52% and 48% of cement order intake, respectively, which was unchanged compared to Q2 2021.

Revenue increased 12% organically compared to Q2 2021, driven mainly by the increase in service revenue and a higher demand for spare and wear parts. Including favourable currency effects, revenue increased by 18% to DKK 1,498m in Q2 2022. The financial impact from our business in Russia has been insignificant. Service accounted for 57% of Cement revenue in Q2 2022 compared to 54% in Q2 2021.

Gross profit increased 36% to DKK 368m, compared to DKK 271m in Q2 2021. The corresponding gross margin increased by 3.3%-point to 24.6% as a result of the successful implementation of reshaping activities in 2021, improved execution management and mitigation of material price increases.

Cement EBITA continued the positive trend seen in Q1 2022, driven by higher revenue in the quarter and improvements from the successfully executed reshaping activities in 2021. EBITA amounted to DKK 31m in Q2 2022 compared to DKK -34m in Q2 2021. The corresponding EBITA margin was positive at 2.1%, compared to -2.7% in Q2 2021.

## H1 2022

Cement order intake in H1 2022 increased by 22% to DKK 3,773m (H1 2021: DKK 3,082m), driven by growth in both capital by 31% and service by 15%.

Cement revenue increased by 16% to DKK 2,971m in H1 2022 (H1 2021: DKK 2,572m). Service and capital revenue increased by 14% and 18%, respectively.

EBITA improved in H1 2022 and amounted to DKK 84m (H1 2021: DKK -57m) with a corresponding EBITA margin of 2.8% (H1 2021: -2.2%). Adjusted for a gain of DKK 23m from a sale of a property related to the Cement business in Q1 2022, the Cement EBITA margin in H1 2022 was 2.1%.

### Cement

| (DKKm) | Q2 2022 | Q2 2021 | Change (%) | H1 2022 | H1 2021 | Change (%) |
|---|---|---|---|---|---|---|
| **Order intake (gross)** | **1,912** | **1,682** | **14%** | **3,773** | **3,082** | **22%** |
| - Hereof service order intake | 987 | 875 | 13% | 1,931 | 1,677 | 15% |
| - Hereof capital order intake | 925 | 807 | 15% | 1,842 | 1,405 | 31% |
| **Order backlog** | **6,917** | **6,367** | **9%** | **6,917** | **6,367** | **9%** |
| **Revenue** | **1,498** | **1,271** | **18%** | **2,971** | **2,572** | **16%** |
| - Hereof service revenue | 849 | 689 | 23% | 1,687 | 1,482 | 14% |
| - Hereof capital revenue | 649 | 582 | 12% | 1,284 | 1,090 | 18% |
| **Gross profit** | **368** | **271** | **36%** | **715** | **571** | **25%** |
| Gross margin | 24.6% | 21.3% | | 24.1% | 22.2% | |
| **EBITA** | **31** | **(34)** | **191%** | **84** | **(57)** | **247%** |
| EBITA margin | 2.1% | -2.7% | | 2.8% | -2.2% | |
| **EBIT** | **13** | **(61)** | **121%** | **43** | **(112)** | **138%** |
| EBIT margin | 0.9% | -4.8% | | 1.4% | -4.4% | |
| Number of employees | 3,741 | 3,965 | -6% | 3,741 | 3,965 | -6% |

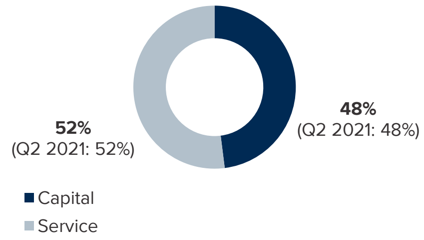
Starting from 1 January 2022, the Mining Industry's consumption of shared cost is directly attributed to the Industry and therefore included in the relevant lines of gross profit and EBITA. The comparison quarter Q1 2021 has been restated accordingly.

### Growth in Cement in Q2 2022 (vs. Q2 2021)

| | Order intake | Revenue |
|---|---|---|
| Organic | 8% | 12% |
| Acquisition | 0% | 0% |
| Currency | 6% | 6% |
| **Total growth** | **14%** | **18%** |

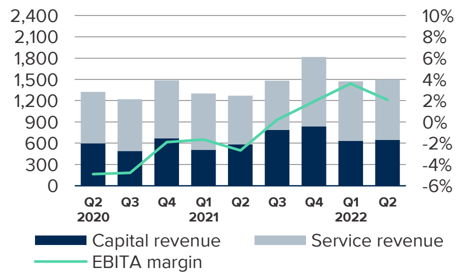
### Order intake Q2 2022 split by capital & service

%




### Revenue and EBITA margin

DKKm EBITA %



# CONSOLIDATED FINANCIAL PERFORMANCE IN Q2 2022

## GROWTH

Group order intake increased by 20% organically, driven predominantly by Mining. Currency tailwinds supported order intake in the quarter by 8%. Solid organic revenue growth of 17%.

### Order intake

Order intake in Q2 2022 increased 28% to DKK 5,901m and by 20% organically. Q2 2022 order intake included two large orders at a combined value of DKK 670m, compared to a combined value of DKK 400m of large orders in Q2 2021.

Following a period of lower investments and service activity, demand has significantly increased as a result of improved market conditions. Service orders increased by 31% and capital orders increased 23% in Q2 2022 compared to Q2 2021.

### Order backlog and maturity

The order backlog amounted to around DKK 19.5bn, an increase by 17% compared to Q2 2021. Russian contracts of a total value of approximately DKK 750m were amended during the quarter.

Outstanding order backlog related to Russian and Belarusian contracts amounted to around DKK 1.5bn at the end of Q2 2022 (end of Q1 2022: around DKK 2.6bn) and is due to uncertainty included in the '2024 and beyond' maturity. 35% of the backlog is expected to be converted to revenue in the remainder of 2022.

| Backlog maturity | Mining | Cement | FLSmidth Group |
|---|---|---|---|
| 2022 | 33% | 37% | 35% |
| 2023 | 52% | 44% | 49% |
| 2024 and beyond | 15% | 19% | 16% |

### Revenue

Revenue increased 23% to DKK 5,027m in Q2 2022, driven by a 20% increase in service revenue and 28% increase in capital revenue. Service revenue accounted for 59% of the total revenue during the quarter, compared to 61% in Q2 2021.

Organic revenue increased 17% driven primarily by a 19% organic growth in Mining, however Cement also contributed with an organic growth of 12%. The increase was a result of a higher order backlog entering Q2 2022 and improved market conditions compared to Q2 2021.

Cost inflation and global supply chain issues remain challenging. However, we have been able to partly mitigate the supply chain pressure due to our flexibility to switch between suppliers and use regional sourcing.

### Group – continued activities

| (DKKm) | Q2 2022 | Q2 2021 | Change (%) | H1 2022 | H1 2021 | Change (%) |
|---|---|---|---|---|---|---|
| **Order intake (gross)** | **5,901** | **4,615** | **28%** | **12,919** | **9,600** | **35%** |
| - Hereof service order intake | 3,529 | 2,687 | 31% | 7,003 | 5,437 | 29% |
| - Hereof capital order intake | 2,372 | 1,928 | 23% | 5,916 | 4,163 | 42% |
| **Order backlog** | **19,461** | **16,677** | **17%** | **19,461** | **16,677** | **17%** |
| **Revenue** | **5,027** | **4,073** | **23%** | **9,733** | **7,786** | **25%** |
| - Hereof service revenue | 2,972 | 2,469 | 20% | 5,630 | 4,870 | 16% |
| - Hereof capital revenue | 2,055 | 1,604 | 28% | 4,103 | 2,916 | 41% |
| **Gross profit** | **1,244** | **1,020** | **22%** | **2,351** | **1,955** | **20%** |
| Gross margin | 24.7% | 25.0% | | 24.2% | 25.1% | |
| **SG&A cost** | **(856)** | **(735)** | **16%** | **(1,581)** | **(1,383)** | **14%** |
| SG&A ratio | 17.0% | 18.0% | | 16.2% | 17.8% | |
| **EBITA** | **307** | **197** | **56%** | **609** | **387** | **57%** |
| EBITA margin | 6.1% | 4.8% | | 6.3% | 5.0% | |
| **EBIT** | **235** | **109** | **116%** | **457** | **210** | **118%** |
| EBIT margin | 4.7% | 2.7% | | 4.7% | 2.7% | |
| Number of employees | 10,055 | 10,089 | 0% | 10,055 | 10,089 | 0% |

### Growth in order intake in Q2 2022 (vs. Q2 2021)

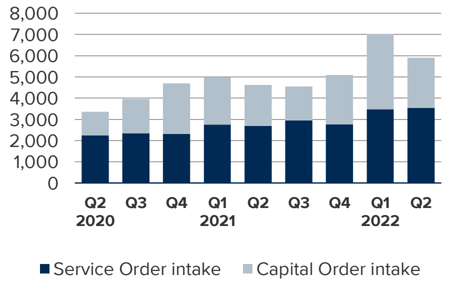
| | Mining | Cement | FLSmidth Group |
|---|---|---|---|
| Organic | 26% | 8% | 20% |
| Acquisition | 0% | 0% | 0% |
| Currency | 10% | 6% | 8% |
| **Total growth** | **36%** | **14%** | **28%** |

### Growth in revenue in Q2 2022 (vs. Q2 2021)

| | Mining | Cement | FLSmidth Group |
|---|---|---|---|
| Organic | 19% | 12% | 17% |
| Acquisition | 0% | 0% | 0% |
| Currency | 7% | 6% | 6% |
| **Total growth** | **26%** | **18%** | **23%** |

### Order intake

DKKm



# PROFIT

Gross profit increased by 22% and EBITA increased by 56% compared to the second quarter of 2021, as a result of higher revenue and healthy underlying performance. The adjusted EBITA margin improved to 8.0%.

## Gross profit and margin

Gross profit increased by 22% to DKK 1,244m, due to the higher revenue. The corresponding gross margin decreased slightly from 25.0% to 24.7%, impacted by the higher share of capital revenue, inflationary pressure, supply chain challenges and cost related to the wind-down of our activities in Russia.

In Q2 2022, total research and development costs (R&D) amounted to DKK 81m, representing 1.6% of revenue (Q2 2021: 2.0%).

| R&D costs (DKKm) | Q2 2022 | Q2 2021 |
|---|---|---|
| Production costs | 44 | 38 |
| Capitalised | 37 | 43 |
| Total R&D | 81 | 81 |

## SG&A costs

As a result of the increased revenue, SG&A costs as a percentage of revenue declined to 17.0% in Q2 2022 compared to 18.0% in Q2 2021.

Sales, general and administrative costs (SG&A) and other operating items increased 16% compared to Q2 2021, mainly due to the higher activity level, wage inflation and cost related to the wind-down of our activities in Russia. Further, currencies had a negative impact on SG&A of DKK 31m in the quarter. Cost related to the acquisition of thyssenkrupp's Mining business amounted to DKK 45m in the quarter.

## EBITA and EBITA margin

EBITA increased by 56% to DKK 307m, as a result of the higher revenue. The EBITA margin increased to 6.1% from 4.8% in Q2 2021. Adjusted for the costs of DKK 50m related to the wind-down of our Russian activities and costs of DKK 45m related to the acquisition of thyssenkrupp's Mining business, the EBITA margin was 8.0% in Q2 2022.

Amortisation in Q2 2022 was DKK 72m (Q2 2021: DKK 88m) of which the effect of purchase price allocations amounted to DKK 14m (Q2 2021: DKK 23m) and other amortisations to DKK 58m (Q2 2021: DKK 65m).

Earnings before interest and tax (EBIT) increased 116% to DKK 235m.

## Financial items

Net financial items amounted to DKK -5m (Q2 2021: DKK -27m), of which foreign exchange and fair value adjustments amounted to DKK 9m (Q1 2021: DKK -12m). Net interest amounted to DKK -11m (Q2 2021: DKK -15m) and income from associates amounted to DKK -3m (Q2 2021: 0m).

## Tax

Tax for Q2 2022 totalled DKK -93m (Q2 2021: DKK -32m), corresponding to an effective tax rate of 40% (Q2 2021: 39%). The increased effective tax rate is due to a DKK 10m write-down of deferred tax assets in Russia.

## Profit for the period

Profit for the period increased to DKK 134m (Q2 2021: DKK 47m), equivalent to DKK 2.5 per share (Q2 2021: DKK 1.1). The increase resulted from the significantly higher EBT, partly offset by higher tax.

## Return on capital employed

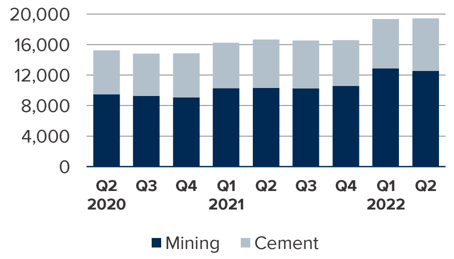
As a result of the higher EBITA in the quarter and only slightly higher average capital employed compared to Q2 2021, return on capital employed (ROCE) increased to 8.4% (Q2 2021: 5.4%).

## Employees

The number of employees increased slightly to 10,055 at the end of Q2 2022, compared to 10,039 at the end of Q1 2022.

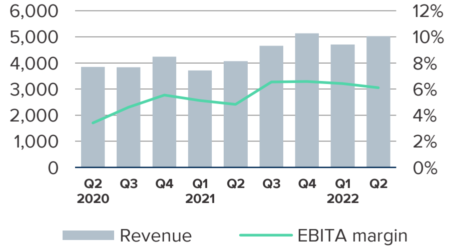
## Backlog

DKKm



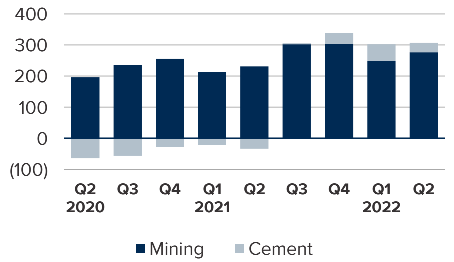

## Revenue & EBITA margin

DKKm EBITA%




## EBITA

DKKm



# CAPITAL

Net working capital increased to DKK 1,805m, driven by an increase in inventories. The net working capital ratio increased from 7.3% in Q1 2022 to 9.2% in Q2 2022.

### Net working capital

Net working capital increased to DKK 1,805m at the end of Q2 2022 (end of Q1 2022: DKK 1,354m). The primary driver of the increase in the quarter was trade receivables that increased as a result of increased activity. Inventories increased in line with expectations to mitigate the supply chain challenges. The net working capital ratio increased to 9.2% of 12-months trailing revenue (Q1 2022: 7.3%).

Utilisation of supply chain financing increased slightly in the second quarter of 2022 to DKK 614m (Q1 2022: DKK 547m).

### Cash flow from operating activities

Cash flow from operating activities (CFFO) declined in line with expectations to DKK -214m in Q2 2022 (Q2 2021: DKK 507m).

The main contributor to the negative CFFO was the net working capital outflow of DKK 566m in Q2 2022, compared to a net working capital inflow of DKK 320m in Q2 2021.

### Cash flow from investing activities

Cash flow from investing activities resulted in a net cash outflow of DKK 83m in Q2 2022, mainly due to the acquisition of intangible assets.

### Cash flow from financing activities

Cash flow from financing activities amounted to DKK -26m as paid dividend of DKK 170m and repayment of lease liabilities was funded by increased net interest-bearing debt.

### Free cash flow

Free cash flow (cash flow from operating and investing activities) adjusted for business acquisitions and disposals amounted to DKK -281m in Q2 2022 (Q2 2021: DKK 451).

### Net interest-bearing debt

As a result of the completed issue of new shares, raising proceeds of approximately DKK 1.4bn in 2021, the net interest-bearing debt (NIBD) remains at a net cash position. The net cash position was DKK 528m at the end of Q2 2022 (Q1 2022: DKK 864 m) and corresponds to a financial gearing of -0.3x (Q1 2022: -0.6x).

### Financial position

By the end of Q2 2022, FLSmidth had DKK 5.2bn of available committed credit facilities of which DKK 5.0bn was undrawn. The committed credit facilities have a weighted average time to maturity of 4.7 years. DKK 5.0bn of credit facilities will mature in 2027 and the remaining DKK 0.2bn matures in later years. In addition, FLSmidth has a credit facility commitment specifically for the purpose of funding the acquisition of thyssenkrupp's Mining business, in combination with the proceeds from the completed issue of new shares.

### Equity ratio

Equity at the end of Q2 2022 increased to DKK 11,033m (Q1 2022: DKK 10,679m), due to the positive profit for the period and the translation effect from foreign currencies. The equity ratio was largely stable at 45.0% (Q1 2022: 44.7%).

At the Annual General Meeting held in March 2022, it was approved to pay a dividend of DKK 3 per share. The corresponding pay out of DKK 170m was paid in Q2 2022.

# OTHER BUSINESS

### Acquisition of TK Mining

As announced on 11 August 2022, all conditions and requirements for the acquisition of thyssenkrupp's Mining business (TK Mining) have been met. All regulatory clearances have been obtained without imposition of any competition related remedies. In accordance with the sale and purchase agreement, final closing of the transaction will take place on the last business day of the month. Accordingly, the transaction will close on 31 August 2022.

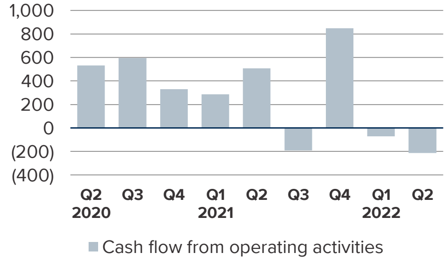
The combination of FLSmidth and TK Mining will create a leading global mining technology and service provider with operations from pit-to-plant with a strong focus on productivity and sustainability. Further impact of the transaction, including updated financial guidance for 2022, will be communicated no later than in connection with the release of our 9M 2022 financial results.

### New members in Group Executive Management

Our organisation has been adjusted to ensure clear accountability and drive more focused execution and profitability. As a result, our three Mining Business Lines have been elevated to Group Executive Management. To this end, Joshua Meyer has been appointed President, Mining Service, Chris Reinbold has been appointed President, Mining Products and Axel Baumeister, President Mining Systems. In addition to his role as Chief Operating Officer, Asger Lauritsen has been appointed President for Cement.

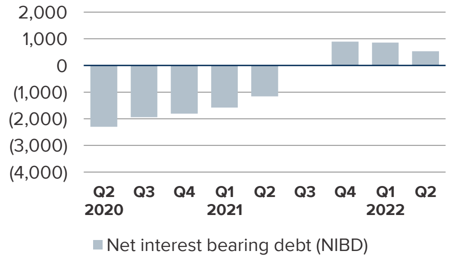
### Cash flow

DKKm



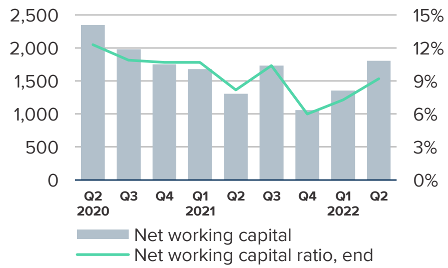

### Net interest-bearing debt

DKKm




### Net working capital

DKKm NWC%



# CONSOLIDATED FINANCIAL PERFORMANCE IN H1 2022

## GROWTH

### Order intake

Order intake increased 28% organically, driven by both Mining and Cement. Including currency effects, order intake in the first half year of 2022 increased 35% to DKK 12,919m (H1 2021: DKK 9,600m). Service order intake and capital order intake increased by 29% and 42% respectively, driven by both Mining and Cement.

Mining service orders increased by 35%, and capital orders by 48%. Several large Mining orders with a combined value of around DKK 1.6bn were announced in H1 2022 (H1 2021: large Mining orders with a combined value of DKK 0.4bn). As a result, Mining order intake increased 32% organically in the first half year. Cement contributed to the growth by an order intake increase of 17% organically.

### Order backlog

The order backlog increased 17% to DKK 19,461m by 30 June 2022 (30 June 2021: DKK 16,677m), and includes amendment of Russian contracts at a total value of approximately DKK 750m. The higher backlog is related to both Mining and Cement which increased by 22% and 9% respectively.

### Revenue

Organically, revenue grew by 20%, comprising a 24% increase in Mining and an 11% increase in Cement. Including favourable currency effects, Group revenue increased 25% to DKK 9,733m in the first half year of 2022.

Growth in Mining revenue comprised a 16% increase in service revenue and a 54% increase in capital revenue.

In the first half year of 2022, Cement continued the positive trend from Q4 2021 and showed revenue growth of 14% and 18% in service and capital revenue, respectively.

## PROFIT

### Gross profit and margin

Gross profit in the first half year of 2022 increased by 20% to DKK 2,351m. Gross margin decreased to 24.2% from 25.1% in the comparison period H1 2021, impacted by the higher share of capital revenue, inflationary pressure, supply chain challenges and cost related to the wind-down of our activities in Russia.

In the first half year of 2022, Research and Development costs were DKK 146m (H1 2021: 133m), of which DKK 64m were capitalised (H1 2021: 65m) and the balance reported as production costs.

### EBITA and margin

EBITA increased 57% to DKK 609m, as a result of higher revenue and improved gross margin in Cement. Group EBITA margin was 6.3%, up from 5.0% in the first half year of 2021. The improvement was despite the impact from costs related to the acquisition of thyssenkrupp's Mining business of DKK 82m in H1 2022 as well as costs of DKK 50m related to the wind-down of our activities in Russia. Adjusted for these costs, the EBITA margin was 7.6% in H1 2022.

### Financial items

Net financial items amounted to DKK -34m (H1 2021: DKK -36m), of which foreign exchange and fair value adjustments amounted to DKK -1m (H1 2021: DKK -9m). Termination of hedging Russian Rubles had a negative impact of DKK 36m on foreign exchange adjustments. Net interest amounted to DKK -30m (H1 2021: DKK -28m) and income from associates amounted to DKK -3m (H1 2021: DKK 1m).

### Tax

Tax for H1 2022 totalled DKK -163m (H1 2021: DKK -67m), corresponding to an effective tax rate of 39% (H1 2021: 39%). The high effective tax rate is impacted by a DKK 10m write-down of deferred tax assets in Russia.

### Profit for the period

Profit for the period increased by 154% to DKK 257m. Continuing activities improved to DKK 260m from DKK 107m. Discontinued activities reported a DKK 3m loss, compared to a DKK 6m loss in the first half year of 2021.

### Earnings per share

Earnings per share (diluted) increased to DKK 4.8 from DKK 2.1 in the first half year of 2021.

### Growth in order intake in H1 2022 (vs. H1 2021)

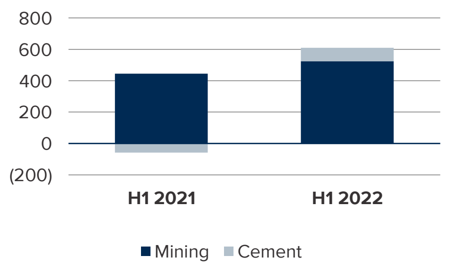
| | Mining | Cement | FLSmidth Group |
|---|---|---|---|
| Organic | 32% | 17% | 28% |
| Acquisition | 0% | 0% | 0% |
| Currency | 8% | 5% | 7% |
| **Total growth** | **40%** | **22%** | **35%** |

### Growth in revenue in H1 2022 (vs. H1 2021)

| | Mining | Cement | FLSmidth Group |
|---|---|---|---|
| Organic | 24% | 11% | 20% |
| Acquisition | 0% | 0% | 0% |
| Currency | 6% | 5% | 5% |
| **Total growth** | **30%** | **16%** | **25%** |

### EBITA split by segment

DKKm



# CAPITAL

## Net working capital

Net working capital increased in H1 2022 to DKK 1,805m (end of 2021: DKK 1,058m). In line with expectations, the corresponding net working capital ratio was 9.2% of 12-months trailing revenue, compared to 6.0% at the end of 2021.

The increase related primarily to the expected increase in inventories to mitigate the supply chain challenges and an increase in net work in progress driven by the higher execution of capital orders. Trade receivables increased mainly due to currency effects.

## Cash flow from operating activities

In line with expectations, cash flow from operating activities decreased to DKK -284m (H1 2021: DKK 792m), due to the large cash outflow of DKK 785m to working capital in the period compared to a cash inflow of DKK 469m in the comparison period H1 2021.

## Cash flow from investing activities

Cash flow used for investments was DKK -48m compared to DKK -115m in the first half year of 2021.

## Cash flow from financing activities

Cash flow from financing activities amounted to DKK -4m as paid dividend of DKK 170m and repayment of lease liabilities was funded by increased net interest-bearing debt.

## Free cash flow

Free cash flow adjusted for business acquisitions and disposals was DKK -316m in H1 2022 (H1 2021: DKK 683m).

## Balance sheet

Total assets increased to DKK 24,509m by 30 June 2022 (end of 2021: DKK 23,053), primarily related to increased net working capital assets and foreign exchange effects.

## Net interest-bearing debt

Net interest-bearing debt (NIBD) by 30 June 2022 decreased to a positive net cash position of DKK 528m (end of 2021: DKK 889m). The Group's financial gearing was -0.3x (end of 2021: -0.6x).

## Equity

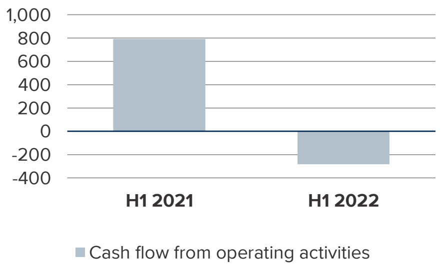
Equity at end H1 2022 increased to DKK 11,033m (end of 2021: DKK 10,368m). The increase related to profit for the period and currency adjustments regarding translation of entities, less dividend paid.

## Treasury shares

The holding of treasury shares as of 30 June 2022 was unchanged from year end 2021 and amounts to 924,568 shares, representing 1.6% of the total share capital. Treasury shares are used to hedge our share-based incentive programmes.

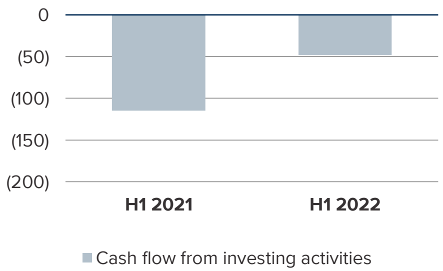
## Cash flow from operating activities

DKKm



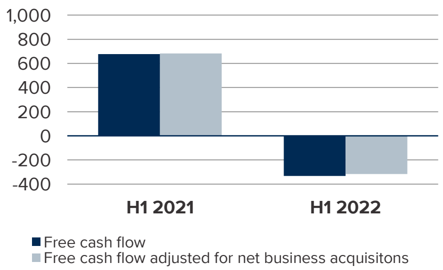

## Cash flow from investing activities

DKKm




## Free cash flow

DKKm



# CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

## INCOME STATEMENT

| Notes | DKKm | Q2 2022 | Q2 2021 | H1 2022 | H1 2021 |
|---|---|---|---|---|---|
| 3, 4 | Revenue | 5,027 | 4,073 | 9,733 | 7,786 |
| | Production costs | (3,783) | (3,053) | (7,382) | (5,831) |
| | **Gross profit** | **1,244** | **1,020** | **2,351** | **1,955** |
| | Sales costs | (394) | (337) | (736) | (652) |
| | Administrative costs | (470) | (404) | (881) | (742) |
| | Other operating items | 8 | 6 | 36 | 11 |
| | **EBITDA before special non-recurring items** | **388** | **285** | **770** | **572** |
| | Special non-recurring items | 0 | (4) | 0 | (19) |
| | Depreciation and impairment of property, plant and equipment and lease assets | (81) | (84) | (161) | (166) |
| | **EBITA** | **307** | **197** | **609** | **387** |
| | Amortisation and impairment of intangible assets | (72) | (88) | (152) | (177) |
| | **EBIT** | **235** | **109** | **457** | **210** |
| | Financial income | 391 | 232 | 728 | 531 |
| | Financial costs | (396) | (259) | (762) | (567) |
| | **EBT** | **230** | **82** | **423** | **174** |
| | Tax for the period | (93) | (32) | (163) | (67) |
| | **Profit for the period, continuing activities** | **137** | **50** | **260** | **107** |
| 3, 7 | Loss for the period, discontinued activities | (3) | (3) | (3) | (6) |
| | **Profit for the period** | **134** | **47** | **257** | **101** |
| | | | | | |
| | Attributable to: | | | | |
| | Shareholders in FLSmidth & Co. A/S | 142 | 50 | 272 | 103 |
| | Minority interests | (8) | (3) | (15) | (2) |
| | | **134** | **47** | **257** | **101** |
| | Earnings per share (EPS): | | | | |
| | Continuing and discontinued activities per share | 2.5 | 1.1 | 4.8 | 2.1 |
| | Continuing and discontinued activities per share, diluted | 2.5 | 1.1 | 4.8 | 2.1 |
| | Continuing activities per share | 2.6 | 1.1 | 4.9 | 2.2 |
| | Continuing activities per share, diluted | 2.6 | 1.1 | 4.9 | 2.2 |

## STATEMENT OF COMPREHENSIVE INCOME

| Notes | DKKm | Q2 2022 | Q2 2021 | H1 2022 | H1 2021 |
|---|---|---|---|---|---|
| | **Profit for the period** | **134** | **47** | **257** | **101** |
| | | | | | |
| | **Items that will not be reclassified to profit or loss:** | | | | |
| | Actuarial gains on defined benefit plans | 15 | (25) | 42 | (18) |
| | | | | | |
| | **Items that are or may be reclassified subsequently to profit or loss:** | | | | |
| | Currency adjustments regarding translation of entities | 239 | (90) | 554 | 268 |
| | Cash flow hedging: | | | | |
| | - Value adjustments for the period | (52) | 1 | (52) | (12) |
| | - Value adjustments transferred to work in progress | 3 | (6) | 17 | (14) |
| | | | | | |
| | Tax of total other comprehensive income | 7 | 2 | 2 | 4 |
| | **Other comprehensive income for the period after tax** | **212** | **(118)** | **563** | **228** |
| | | | | | |
| | **Comprehensive income for the period** | **346** | **(71)** | **820** | **329** |
| | | | | | |
| | Attributable to: | | | | |
| | Shareholders in FLSmidth & Co. A/S | 352 | (67) | 835 | 332 |
| | Minority interests | (6) | (4) | (15) | (3) |
| | | **346** | **(71)** | **820** | **329** |

# CASH FLOW STATEMENT

| Notes | DKKm | Q2 2022 | Q2 2021 | H1 2022 | H1 2021 |
|---|---|---|---|---|---|
| | EBITDA before special non-recurring items | 388 | 285 | 770 | 572 |
| 3 | EBITDA, discontinued activities | (3) | (3) | (4) | (6) |
| | Adjustment for gain on sale of property, plant and equipment and other non-cash items | 7 | (1) | (9) | (15) |
| | **Adjusted EBITDA** | **392** | **281** | **757** | **551** |
| | Change in provisions, pension and employee benefits | 57 | 41 | 25 | 28 |
| 8 | Change in net working capital | (566) | 320 | (785) | 469 |
| | **Cash flow from operating activities before financial items and tax** | **(117)** | **642** | **(3)** | **1,048** |
| | Financial items received and paid | (11) | (10) | (29) | (29) |
| | Taxes paid | (86) | (125) | (252) | (227) |
| | **Cash flow from operating activities** | **(214)** | **507** | **(284)** | **792** |
| | | | | | |
| | Acquisition of enterprises and activities | (16) | (8) | (16) | (8) |
| | Acquisition of intangible assets | (48) | (47) | (84) | (79) |
| | Acquisition of property, plant and equipment | (18) | (9) | (33) | (28) |
| | Acquisition of financial assets | (4) | (1) | (9) | (4) |
| | Disposal of enterprises and activities | 0 | 0 | 0 | 2 |
| | Disposal of property, plant and equipment | 3 | 1 | 94 | 2 |
| | **Cash flow from investing activities** | **(83)** | **(64)** | **(48)** | **(115)** |
| | | | | | |
| | Dividend paid | (170) | (18) | (170) | (101) |
| 10 | Issue of shares, net of costs | 0 | 0 | 0 | 0 |
| | Capital injection, minority interests | 0 | 3 | 0 | 3 |
| | Exercise of share options | 0 | 0 | 0 | 1 |
| | Repayment of lease liabilities | (32) | (31) | (61) | (64) |
| | Change in net interest bearing debt | 176 | (306) | 227 | (177) |
| | **Cash flow from financing activities** | **(26)** | **(352)** | **(4)** | **(338)** |
| | | | | | |
| | **Change in cash and cash equivalents** | **(323)** | **91** | **(336)** | **339** |
| | Cash and cash equivalents at beginning of period | 1,954 | 1,256 | 1,935 | 976 |
| | Foreign exchange adjustment, cash and cash equivalents | 8 | 0 | 40 | 32 |
| | **Cash and cash equivalents at 30 June** | **1,639** | **1,347** | **1,639** | **1,347** |

The cash flow statement cannot be inferred from the published financial information only

## Free cash flow

| DKKm | Q2 2022 | Q2 2021 | H1 2022 | H1 2021 |
|---|---|---|---|---|
| Free cash flow | (297) | 443 | (332) | 677 |
| Free cash flow, adjusted for acquisitions and disposals of enterprises and activities | (281) | 451 | (316) | 683 |

# BALANCE SHEET

| Notes | DKKm | 30/06 2022 | 31/12 2021 | 30/06 2021 |
|---|---|---|---|---|
| | ASSETS | | | |
| | Goodwill | 4,587 | 4,364 | 4,288 |
| | Patents and rights | 752 | 784 | 830 |
| | Customer relations | 387 | 401 | 430 |
| | Other intangible assets | 162 | 165 | 145 |
| | Completed development projects | 202 | 233 | 209 |
| | Intangible assets under development | 354 | 310 | 351 |
| | **Intangible assets** | **6,444** | **6,257** | **6,253** |
| | | | | |
| | Land and buildings | 1,798 | 1,792 | 1,672 |
| | Plant and machinery | 369 | 383 | 355 |
| | Operating equipment, fixtures and fittings | 94 | 112 | 114 |
| | Tangible assets in course of construction | 23 | 21 | 123 |
| | **Property, plant and equipment** | **2,284** | **2,308** | **2,264** |
| | | | | |
| | Deferred tax assets | 1,448 | 1,490 | 1,262 |
| | Investments in associates | 164 | 162 | 163 |
| 9 | Other securities and investments | 58 | 49 | 48 |
| | **Other non-current assets** | **1,670** | **1,701** | **1,473** |
| | | | | |
| | **Non-current assets** | **10,398** | **10,266** | **9,990** |
| | | | | |
| | Inventories | 2,976 | 2,464 | 2,489 |
| | Trade receivables | 4,300 | 4,112 | 3,209 |
| | Work in progress | 3,085 | 2,358 | 2,316 |
| | Prepayments | 758 | 871 | 552 |
| | Income tax receivables | 391 | 248 | 441 |
| | Other receivables | 962 | 799 | 733 |
| | Cash and cash equivalents | 1,639 | 1,935 | 1,347 |
| | **Current assets** | **14,111** | **12,787** | **11,087** |
| | | | | |
| | **Total assets** | **24,509** | **23,053** | **21,077** |

| Notes | DKKm | 30/06 2022 | 31/12 2021 | 30/06 2021 |
|---|---|---|---|---|
| | EQUITY AND LIABILITIES | | | |
| 10 | Share capital | 1,153 | 1,153 | 1,025 |
| | Foreign exchange adjustments | (111) | (665) | (862) |
| | Cash flow hedging | (89) | (54) | (30) |
| 10 | Retained earnings | 10,098 | 9,937 | 8,242 |
| | **Shareholders in FLSmidth & Co. A/S** | **11,051** | **10,371** | **8,375** |
| | Minority interests | (18) | (3) | (6) |
| | **Equity** | **11,033** | **10,368** | **8,369** |
| | | | | |
| | Deferred tax liabilities | 185 | 169 | 221 |
| | Pension obligations | 296 | 320 | 403 |
| 5 | Provisions | 505 | 450 | 404 |
| | Lease liabilities | 198 | 200 | 196 |
| | Bank loans and mortgage debt | 757 | 726 | 2,199 |
| | Prepayments from customers | 608 | 587 | 279 |
| | Income tax liabilities | 119 | 119 | 140 |
| | Other liabilities | 47 | 55 | 118 |
| | **Non-current liabilities** | **2,715** | **2,626** | **3,960** |
| | | | | |
| | Pension obligations | 2 | 2 | 3 |
| 5 | Provisions | 670 | 697 | 652 |
| | Lease liabilities | 105 | 104 | 97 |
| | Bank loans and mortgage debt | 43 | 17 | 14 |
| | Prepayments from customers | 1,902 | 1,903 | 1,606 |
| | Work in progress | 2,754 | 2,373 | 1,800 |
| | Trade payables | 3,687 | 3,367 | 3,001 |
| | Income tax liabilities | 179 | 193 | 250 |
| 10 | Other liabilities | 1,419 | 1,403 | 1,325 |
| | **Current liabilities** | **10,761** | **10,059** | **8,748** |
| | | | | |
| | **Total liabilities** | **13,476** | **12,685** | **12,708** |
| | | | | |
| | **Total equity and liabilities** | **24,509** | **23,053** | **21,077** |

# EQUITY STATEMENT

**H1 2022**

| DKKm | Share capital | Currency adjust-ments | Cash flow hedging | Retained earnings | Share-holders in FLSmidth & Co A/S | Minority interests | Total |
|---|---|---|---|---|---|---|---|
| **Equity at 1 January** | **1,153** | **(665)** | **(54)** | **9,937** | **10,371** | **(3)** | **10,368** |
| **Comprehensive income for the period** | | | | | | | |
| Profit/loss for the period | | | | 272 | 272 | (15) | 257 |
| **Other comprehensive income** | | | | | | | |
| Actuarial gains/(losses) on defined benefit plans | | | | 42 | 42 | | 42 |
| Currency adjustments regarding translation of entities | | 554 | | | 554 | | 554 |
| Cash flow hedging: | | | | | | | |
| - Value adjustments for the period | | | (52) | | (52) | | (52) |
| - Value adjustments transferred to work in progress | | | 17 | | 17 | | 17 |
| Tax on other comprehensive income | | | | 2 | 2 | | 2 |
| **Other comprehensive income total** | **0** | **554** | **(35)** | **44** | **563** | **0** | **563** |
| **Comprehensive income for the period** | **0** | **554** | **(35)** | **316** | **835** | **(15)** | **820** |
| Transactions with owners: | | | | | | | |
| Dividend paid | | | | (170) | (170) | | (170) |
| Share-based payment | | | | 15 | 15 | | 15 |
| Exercise of share options | | | | 0 | 0 | | 0 |
| Capital injection, minority interests | | | | 0 | 0 | | 0 |
| **Equity at 30 June** | **1,153** | **(111)** | **(89)** | **10,098** | **11,051** | **(18)** | **11,033** |

**H1 2021**

| DKKm | Share capital | Currency adjust-ments | Cash flow hedging | Retained earnings | Share-holders in FLSmidth & Co A/S | Minority interests | Total |
|---|---|---|---|---|---|---|---|
| **Equity at 1 January** | **1,025** | **(1,131)** | **(4)** | **8,246** | **8,136** | **(6)** | **8,130** |
| **Comprehensive income for the period** | | | | | | | |
| Profit/loss for the period | | | | 103 | 103 | (2) | 101 |
| **Other comprehensive income** | | | | | | | |
| Actuarial gains/(losses) on defined benefit plans | | | | (18) | (18) | | (18) |
| Currency adjustments regarding translation of entities | | 269 | | | 269 | (1) | 268 |
| Cash flow hedging: | | | | | | | |
| - Value adjustments for the period | | | (12) | | (12) | | (12) |
| - Value adjustments transferred to work in progress | | | (14) | | (14) | | (14) |
| Tax on other comprehensive income | | | | 4 | 4 | | 4 |
| **Other comprehensive income total** | **0** | **269** | **(26)** | **(14)** | **229** | **(1)** | **228** |
| **Comprehensive income for the period** | **0** | **269** | **(26)** | **89** | **332** | **(3)** | **329** |
| Transactions with owners: | | | | | | | |
| Dividend paid | | | | (101) | (101) | | (101) |
| Share-based payment | | | | 7 | 7 | | 7 |
| Exercise of share options | | | | 1 | 1 | | 1 |
| Capital injection, minority interests | | | | 0 | 0 | 3 | 3 |
| **Equity at 30 June** | **1,025** | **(862)** | **(30)** | **8,242** | **8,375** | **(6)** | **8,369** |

# 1. KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

When preparing the financial statements, we are required to make several estimates and judgements. The estimates and judgements that can have a significant impact on the financial statements are categorised as key accounting estimates and judgements. Key accounting estimates and judgements are regularly assessed to adapt to market conditions and changes in political and economic factors. In general, key accounting judgements are made in relation to the accounting of revenue when determining the performance obligations and the recognition method, while key accounting estimates relate to the estimation of warranty provisions, valuation of inventories, trade receivables, work in progress and deferred tax. For further details, reference is made to The Annual Report 2021, Key accounting estimates and judgements, pages 57-58 and to specific notes.

In the first half year of 2022, the geopolitical situation was on top of the agenda following the war in Ukraine. Sanctions are continuously being imposed on Russian and Belarusian entities and individuals resulting in restrictions on imports and exports. We are closely monitoring the impact from the war and the sanctions imposed by EU, US and other western countries. We have suspended new business in Russia and Belarus and will – in a responsible manner – wind-down our activities in Russia. Costs to wind-down have been recognised. We are, however, obliged to fulfil our remaining legal obligations with regards to existing orders, provided the customer is not sanctioned and to the extent possible. During the second quarter of 2022, sanctions were introduced to further limit the possibilities for the shipment of products to Russia.

Besides the direct impact from the sanctions, the war has also intensified bottlenecks in the global supply chains that were already current at the end of 2021. It has also led to further increases in energy prices, contributed to rising inflation and fluctuations in foreign exchange rates. Further, the COVID-19 pandemic and government-imposed restrictions continue to pose challenges in some parts of the world.

The resulting uncertainties have impacted our key accounting estimates as described below.

We have reassessed our projects to reflect the expected implications on project financials. This includes updating of project costs to ensure that significant expected cost increases are reflected in the total cost to complete. In cases where customers are severely impacted by the war, we assess the likelihood that the customer will be able to pay the agreed consideration for goods or services provided by us. The assessment reflects the risk of any potential additional expected credit losses (ECL) on trade receivables against Russian and Belarussian customers. The assessments also consider the need for write-down of inventory and other assets.

The change in estimates had no material impact on the financial statements in the first half year of 2022. By nature, the updated key accounting estimates contain uncertainties, and it is possible that the outcomes in the next financial period can differ from those on which management's estimates are based.

# 2. INCOME STATEMENT BY FUNCTION

It is our policy to prepare the income statement based on an adjusted classification of the cost by function in order to show the earnings before special non-recurring items, depreciation, amortisation and impairment (EBITDA). Special non-recurring items, depreciation, amortisation and impairment are therefore separated from the individual functions and presented in separated lines.

The income statement classified by function includes allocation of special non-recurring items, depreciation, amortisation and impairment.

## Income Statement by function

| DKKm | Q2 2022 | Q2 2021 | H1 2022 | H1 2021 |
|---|---|---|---|---|
| Revenue | 5,027 | 4,073 | 9,733 | 7,786 |
| Production costs | (3,860) | (3,142) | (7,542) | (6,003) |
| **Gross profit** | **1,167** | **931** | **2,191** | **1,783** |
| Sales costs, including depreciation and amortisation | (402) | (348) | (753) | (678) |
| Administrative costs, including depreciation and amortisation | (538) | (480) | (1,017) | (906) |
| Other operating income | 8 | 6 | 36 | 11 |
| **EBIT** | **235** | **109** | **457** | **210** |
| **Special non-recurring items, depreciation, amortisation and impairment consist of:** | | | | |
| Special non-recurring items | 0 | (4) | 0 | (19) |
| Depreciation and impairment of property, plant and equipment and lease assets | (81) | (84) | (161) | (166) |
| Amortisation and impairment of intangible assets | (72) | (88) | (152) | (177) |
| | **(153)** | **(176)** | **(313)** | **(362)** |
| **Special non-recurring items, depreciation, amortisation and impairment are divided into:** | | | | |
| Production costs | (77) | (89) | (160) | (172) |
| Sales costs | (8) | (11) | (17) | (26) |
| Administrative costs | (68) | (76) | (136) | (164) |
| | **(153)** | **(176)** | **(313)** | **(362)** |

# 3. SEGMENT INFORMATION

| DKKm | H1 2022 Mining | H1 2022 Cement | H1 2022 FLSmidth Group Continuing activities | H1 2022 FLSmidth Group Discontinued activities [2] | H1 2021 Mining [1] | H1 2021 Cement [1] | H1 2021 FLSmidth Group Continuing activities | H1 2021 FLSmidth Group Discontinued activities [2] |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | **6,762** | **2,971** | **9,733** | **0** | **5,214** | **2,572** | **7,786** | **0** |
| Production costs | (5,126) | (2,256) | (7,382) | (3) | (3,830) | (2,001) | (5,831) | 0 |
| **Gross profit** | **1,636** | **715** | **2,351** | **(3)** | **1,384** | **571** | **1,955** | **0** |
| SG&A costs | (1,001) | (580) | (1,581) | (1) | (818) | (565) | (1,383) | (6) |
| **EBITDA before special non-recurring items** | **635** | **135** | **770** | **(4)** | **566** | **6** | **572** | **(6)** |
| Special non-recurring items | 0 | 0 | 0 | 0 | (11) | (8) | (19) | 0 |
| Depreciation and impairment of property, plant and equipment and lease assets | (110) | (51) | (161) | 0 | (111) | (55) | (166) | 0 |
| **EBITA** | **525** | **84** | **609** | **(4)** | **444** | **(57)** | **387** | **(6)** |
| Amortisation and impairment of intangible assets | (111) | (41) | (152) | 0 | (122) | (55) | (177) | 0 |
| **EBIT** | **414** | **43** | **457** | **(4)** | **322** | **(112)** | **210** | **(6)** |
| | | | | | | | | |
| Order intake (gross) | 9,146 | 3,773 | 12,919 | 0 | 6,518 | 3,082 | 9,600 | 0 |
| Order backlog | 12,544 | 6,917 | 19,461 | 0 | 10,310 | 6,367 | 16,677 | 0 |
| | | | | | | | | |
| *Gross margin* | *24.2%* | *24.1%* | *24.2%* | | *26.5%* | *22.2%* | *25.1%* | |
| *EBITDA margin before special non-recurring items* | *9.4%* | *4.5%* | *7.9%* | | *10.9%* | *0.2%* | *7.3%* | |
| *EBITA margin* | *7.8%* | *2.8%* | *6.3%* | | *8.5%* | *-2.2%* | *5.0%* | |
| *EBIT margin* | *6.1%* | *1.4%* | *4.7%* | | *6.2%* | *-4.4%* | *2.7%* | |
| **Number of employees at 30 June** | **6,314** | **3,741** | **10,055** | **0** | **6,124** | **3,965** | **10,089** | **0** |
| | | | | | | | | |
| **Reconciliation of profit for the period** | | | | | | | | |
| EBIT | | | 457 | (4) | | | 210 | (6) |
| Financial income | | | 728 | 0 | | | 531 | 0 |
| Financial costs | | | (762) | (1) | | | (567) | (1) |
| **EBT** | | | **423** | **(5)** | | | **174** | **(7)** |

1) Starting from 1 January 2022, shared costs are directly attributed to the industries based on consumption and therefore included in the relevant line items. Previously, the costs were allocated to the industries after the total 'EBITA before allocation of shared costs'. The numbers have been restated to include shared costs in the cost line items for the industries. See next page for further explanation.
2) Discontinued activities mainly consist of non-mining bulk material handling.

# 3. SEGMENT INFORMATION – CONTINUED

Starting from 1 January 2022, shared costs are directly attributed to the industries based on consumption. Therefore, the costs are now included in the relevant line items, being production costs, SG&A costs and depreciation and impairment of property, plant and equipment. Previously, the costs were allocated to the industries and included below the subtotal 'EBITA before allocation of shared costs'.

For 2021, the information has been restated to reflect the change.

The table below shows the impact on the line items and margins in the segment information in H1 2021 for the two industries.

## Restated segment information for H1 2021, shared costs

| DKKm | Mining | Cement | Other companies | Shared costs |
|---|---|---|---|---|
| Production cost | (32) | (14) | 0 | 46 |
| SG&A costs | (305) | (222) | (1) | 528 |
| Depreciation and impairment of property, plant and equipment and lease assets | (47) | (14) | 0 | 61 |
| **Gross profit** | **(384)** | **(250)** | **(1)** | **635** |
| | | | | |
| *Gross margin* | *-0.6%* | *-0.5%* | | |
| *EBITDA margin before special non-recurring items* | *-6.5%* | *-9.2%* | | |
| *EBITA margin before allocation of shared costs* | *-7.4%* | *-9.7%* | | |
| *EBITA margin* | *0.0%* | *0.0%* | | |
| *EBIT margin* | *0.0%* | *0.0%* | | |
| **Number of employees at 30 June** | **852** | **508** | **0** | **(1,360)** |

# 4. REVENUE

Revenue arises from sale of life cycle offerings to our customers. We sell a broad range of goods and services within the Mining and Cement Industries.

Six Regions support the sales within the Mining and Cement Industries. Revenue is presented in the Regions in which delivery takes place. In the first half year of 2022, both North America and Europe, North Africa and Russia regions picked up a higher share of the Group revenue than the same period last year. South America, Asia and Australia regions each represented a 2%-point lower share of Group revenue in the first half year of 2022 compared to same period in 2021.

## Backlog

The order backlog at 30 June 2022 amounts to DKK 19,461m (end of H1 2021: DKK 16,677m) and represents the value of outstanding performance obligations on current contracts. The value of outstanding performance obligations on current contracts is a combination of value from contracts where we will transfer control at a future point in time and the value of the remaining performance obligations on contracts where we transfer control over time.

35% of the backlog is expected to be converted to revenue in the remainder of 2022. Outstanding order backlog related to Russian and Belarusian contracts amounted to around DKK 1.5bn at the end of Q2 2022 (end of Q1 2022: DKK 2.6bn) and is due to uncertainty included in the '2024 and beyond' maturity.

### Revenue split by recognition principle

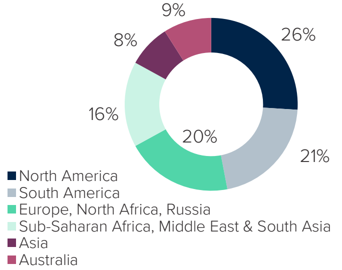
| | | | H1 2022 | | | H1 2021 |
|---|---|---|---|---|---|---|
| DKKm | Mining | Cement | Group | Mining | Cement | Group |
| Point in time | 3,455 | 1,258 | 4,713 | 2,926 | 895 | 3,821 |
| Percentage of completion | 3,307 | 1,713 | 5,020 | 2,288 | 1,675 | 3,963 |
| Cash | 0 | 0 | 0 | 0 | 2 | 2 |
| **Total revenue** | **6,762** | **2,971** | **9,733** | **5,214** | **2,572** | **7,786** |

### Revenue split by industry and category

| | | | H1 2022 | | | H1 2021 |
|---|---|---|---|---|---|---|
| DKKm | Mining | Cement | Group | Mining | Cement | Group |
| Projects | 2,164 | 506 | 2,670 | 1,148 | 428 | 1,576 |
| Products | 655 | 778 | 1,433 | 678 | 662 | 1,340 |
| **Capital business** | **2,819** | **1,284** | **4,103** | **1,826** | **1,090** | **2,916** |
| **Service business** | **3,943** | **1,687** | **5,630** | **3,388** | **1,482** | **4,870** |
| **Total revenue** | **6,762** | **2,971** | **9,733** | **5,214** | **2,572** | **7,786** |

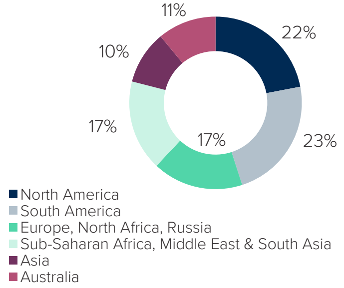
### Revenue split by Regions H1 2022

%



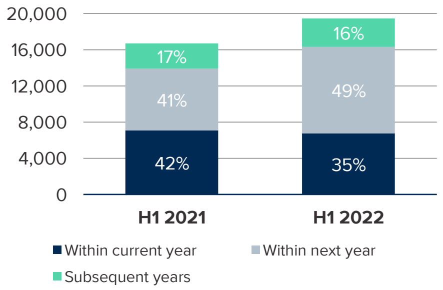

### Revenue split by Regions H1 2021

%




### Backlog

DKKm



# 5. PROVISIONS

Net provisions increased by DKK 28m compared to 31 December 2021.

Additions to provisions amounted to DKK 288m in H1 2022, compared to DKK 261m in H1 2021. Additions to warranty provisions have increased in line with the increasing level of activity.

For a description of the main provision categories see note 2.7 in the 2021 Annual Report.

## Provisions

| DKKm | 30/06 2022 | 31/12 2021 | 30/06 2021 |
|---|---|---|---|
| Provisions at 1 January | 1,147 | 1,015 | 1,015 |
| Foreign exchange adjustments | 15 | 27 | 12 |
| Additions | 288 | 641 | 261 |
| Used | (212) | (384) | (176) |
| Reversals | (63) | (152) | (56) |
| **Provisions** | **1,175** | **1,147** | **1,056** |
| The split of provisions is as follows: | | | |
| Warranties | 605 | 543 | 516 |
| Restructuring | 13 | 47 | 83 |
| Other provisions | 557 | 557 | 457 |
| | **1,175** | **1,147** | **1,056** |
| The maturity of provisions is specified as follows: | | | |
| Current liabilities | 670 | 697 | 652 |
| Non-current liabilities | 505 | 450 | 404 |
| | **1,175** | **1,147** | **1,056** |

# 6. CONTRACTUAL COMMITMENTS AND CONTINGENT LIABILITIES

Contingent liabilities at 30 June 2022 amounted to DKK 3.2bn (31 December 2021: DKK 3.1bn). Contingent liabilities primarily relate to performance and payment guarantees issued to cover project-related risks, such as performance, payment, quality, and delay. The volume of such guarantees amounted to DKK 2.3bn (31 December 2021: DKK 2.3bn). In the event a guarantee is expected to materialise, a provision is recognized to cover the risk. The remaining contingent liabilities relate to our involvement in legal disputes, which are already pending with courts or other authorities and other disputes which may or may not lead to formal legal proceedings being initiated against us.

No significant changes have occurred to the nature and extent of our contractual commitments and contingent liabilities compared to what was disclosed in note 2.9 in the 2021 Annual Report.

## Provisions related to continued activities

| DKKm | 30/06 2022 | 31/12 2021 | 30/06 2021 |
|---|---|---|---|
| Provisions at 1 January | 999 | 833 | 833 |
| Foreign exchange adjustments | 15 | 27 | 12 |
| Additions | 288 | 641 | 261 |
| Used | (199) | (350) | (171) |
| Reversals | (63) | (152) | (56) |
| **Provisions** | **1,040** | **999** | **879** |

## 7. DISCONTINUED ACTIVITIES

Discontinued activities include the remaining responsibilities to finalise legacy projects, handling of claims, etc. retained on the sale of the non-mining bulk material handling business in 2019. Progress on projects has been delayed, amongst others, due to the COVID-19 pandemic and most recently by the war in Ukraine. For further information on discontinued activities, please refer to note 2.11 of Annual report 2021.

In addition to provisions of DKK 135m shown in the table below, discontinued activities accounts for DKK 364m (31 December 2021: DKK 350m) of the Group's net working capital shown in note 8.

### Discontinued activities effect on cash flow from operating activities

| DKKm | H1 2022 | 2021 | H1 2021 |
|---|---|---|---|
| EBITDA | (4) | (19) | (6) |
| Change in provisions | (13) | (34) | (5) |
| Change in net working capital | (16) | (134) | (5) |
| **Cash flow from operating activities before financial items and tax** | **(33)** | **(187)** | **(16)** |
| Financial items received and paid | (1) | (1) | 0 |
| Taxes paid | 0 | 0 | 0 |
| **Cash flow from operating activities** | **(34)** | **(188)** | **(16)** |

### Discontinued activities share of Group provisions disclosed in note 5

| DKKm | 30/06 2022 | 31/12 2021 | 30/06 2021 |
|---|---|---|---|
| Provisions at 1 January | 148 | 182 | 182 |
| Used | (13) | (34) | (5) |
| **Provisions** | **135** | **148** | **177** |

## 8. NET WORKING CAPITAL

Net working capital at 30 June 2022 has increased DKK 0.7bn compared to 31 December 2021. The increase is primarily driven by increased levels of inventories of DKK 0.5bn to mitigate the supply chain challenges. Trade receivables increased DKK 0.2bn mainly due to currency effects. Increased activities led to an increase in net work in progress at 30 June 2022.

Utilisation of supply chain financing increased slightly in the first half year of 2022 to DKK 614m (31 December 2021: DKK 490m).

### Net working capital

| DKKm | 30/06 2022 | 31/12 2021 | 30/06 2021 |
|---|---|---|---|
| Inventories | 2,976 | 2,464 | 2,489 |
| Trade receivables | 4,300 | 4,112 | 3,209 |
| Work in progress, assets | 3,085 | 2,358 | 2,316 |
| Prepayments | 758 | 871 | 552 |
| Other receivables | 846 | 709 | 641 |
| Derivative financial instruments | 52 | 31 | 35 |
| Prepayments from customers | (2,510) | (2,490) | (1,885) |
| Trade payables | (3,687) | (3,367) | (3,001) |
| Work in progress, liability | (2,754) | (2,373) | (1,800) |
| Other liabilities | (1,173) | (1,224) | (1,230) |
| Derivative financial instruments | (88) | (33) | (21) |
| **Net working capital** | **1,805** | **1,058** | **1,305** |
| | | | |
| Change in net working capital | (747) | 694 | 447 |
| Financial instruments and foreign exchange effect on cash flow | (38) | (82) | 22 |
| **Cash flow effect from change in net working capital** | **(785)** | **612** | **469** |

# 9. FAIR VALUE MEASUREMENT

Financial instruments measured at fair value are measured on a recurring basis and categorised into the following levels of the fair value hierarchy:

- Level 1: Observable market prices for identical instruments
- Level 2: Valuation techniques primarily based on observable prices or traded prices for comparable instruments
- Level 3: Valuation techniques primarily based on unobservable prices

Securities and investments measured at fair value through profit/loss are either measured at quoted prices in an active market for the same type of instrument (level 1) or at fair value based on available data (level 3).

Hedging instruments are not traded in an active market based on quoted prices. They are measured instead using a valuation technique, where all significant inputs are based on observable market data; such as exchange rates, interest rates, credit risk and volatilities (level 2).

There have been no significant transfers between the levels in the first half year of 2022 or during 2021.

### Financial instruments

| | | | | H1 2022 |
|---|---|---|---|---|
| **DKKm** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Securities and investments | 4 | 0 | 53 | 57 |
| Hedging instruments asset | 0 | 52 | 0 | 52 |
| Hedging instruments liability | 0 | 88 | 0 | 88 |
| | **4** | **140** | **53** | **197** |

| | | | | 2021 |
|---|---|---|---|---|
| **DKKm** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Securities and investments | 6 | 0 | 43 | 49 |
| Hedging instruments asset | 0 | 31 | 0 | 31 |
| Hedging instruments liability | 0 | (33) | 0 | (33) |
| | **6** | **(2)** | **43** | **47** |

# 10. SHAREHOLDERS' EQUITY

At the Annual General Meeting 30 March 2022, a dividend of DKK 3 per share was declared. The total dividend amounting to DKK 170m was paid out in April 2022.

In September 2021, an issue of 6,400,000 new shares of DKK 20 each at a price of DKK 228 per share was completed. The proceeds received net of transaction costs of DKK 25m increased shareholders' equity in 2021.

# 11. EVENTS AFTER THE BALANCE SHEET DATE

As announced on 11 August 2022 (refer to Company Announcement No. 13-2022), all conditions and requirements for the acquisition of thyssenkrupp's Mining business (TK Mining) have been met. In accordance with the sale and purchase agreement, final closing of the transaction will take place on the last business day of the month. Accordingly, the transaction will close on 31 August 2022.

We are not aware of any other subsequent matters that could be of material importance to the Group's financial position at 30 June 2022.

# 12. ACCOUNTING POLICIES

The condensed interim report of the Group for the first half year of 2022 is presented in accordance with IAS 34, Interim Financial Reporting, as approved by the EU and additional Danish disclosure requirements regarding interim reporting by listed companies.

Apart from the below mentioned changes, the accounting policies are unchanged from those applied in the 2021 Annual Report. Reference is made to note 7.5, Accounting policies, note 7.6, Impact from new IFRS, note 7.7, New IFRS not yet adopted and to specific notes in the 2021 Annual Report for further details.

Alternative Performance Measures (APM) are unchanged from those applied in the 2021 Annual Report, refer to note 7.4 in the 2021 Annual Report for a description of used APM.

### Changes in accounting policies

As of 1 January 2022, the FLSmidth Group has implemented all new or amended accounting standards and interpretations as adopted by the EU and applicable for the 2022 financial year. This includes the changes to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Annual Improvement 2018-2020. The latter includes changes to IFRS 9 Financial Instruments and IFRS 16 Leases.

The implementation has not had and is not expected to have significant impact on the consolidated financial statements.

# STATEMENT BY MANAGEMENT

The Board of Directors and Executive Management have today considered and approved the consolidated condensed interim financial statements for the period 1 January – 30 June 2022.

The consolidated condensed interim financial statements are presented in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU and Danish disclosure requirements for interim reports of listed companies. The consolidated condensed interim financial statements have not been audited or reviewed by the Group's independent auditors.

In our opinion, the consolidated condensed interim financial statements give a true and fair view of the Group's financial position at 30 June 2022 as well as of the results of its operations and cash flows for the period 1 January – 30 June 2022.

In our opinion, the management review gives a fair review of the development in the Group's activity and financial matters, results of operations, cash flows and financial position as well as a description of the principal risks and uncertainties that the Group faces.

Valby, 19 August 2022

## Executive management

**Mikko Juhani Keto**
Group CEO

**Roland M. Andersen**
Group CFO

## Board of directors

**Tom Knutzen**
Chair

**Mads Nipper**
Vice chair

**Anne Louise Eberhard**

**Gillian Dawn Winckler**

**Richard Robinson Smith**

**Thrasyvoulos Moraitis**

**Carsten Hansen**

**Claus Østergaard**

**Leif Gundtoft**

# FORWARD-LOOKING STATEMENTS

FLSmidth & Co. A/S' financial reports, whether in the form of annual reports or interim reports, filed with the Danish Business Authority and/or announced via the company's website and/or NASDAQ Copenhagen, as well as any presentations based on such financial reports, and any other written information released, or oral statements made, to the public based on this report or in the future on behalf of FLSmidth & Co. A/S, may contain forward looking statements.

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:

- Statements of plans, objectives or goals for future operations, including those related to FLSmidth & Co. A/S' markets, products, product research and product development.
- Statements containing projections of or targets for revenues, profit (or loss), CAPEX, 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.

These forward-looking statements are based on current plans, estimates and projections. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, which may be outside FLSmidth & Co. A/S' influence, and which could materially affect such forward-looking statements.

FLSmidth & Co. A/S cautions that a number of important factors, including those described in this report, could cause actual results to differ materially from those contemplated in any forward-looking statements.

Factors that may affect future results include, but are not limited to, global as well as local political and economic conditions, including the impact from the COVID-19 pandemic, interest rate and exchange rate fluctuations, delays or faults in project execution, fluctuations in raw material prices, delays in research and/or development of new products or service concepts, interruptions of supplies and production, unexpected breach or termination of contracts, market-driven price reductions for FLSmidth & Co. A/S' products and/or services, introduction of competing products, reliance on information technology, FLSmidth & Co. A/S' ability to successfully market current and new products, exposure to product liability and legal proceedings and investigations, changes in legislation or regulation and interpretation thereof, intellectual property protection, perceived or actual failure to adhere to ethical marketing practices, investments in and divestitures of domestic and foreign enterprises, unexpected growth in costs and expenses, failure to recruit and retain the right employees and failure to maintain a culture of compliance. Unless required by law FLSmidth & Co. A/S is under no duty and undertakes no obligation to update or revise any forward-looking statement after the distribution of this report.

**Interim Report**
**1 January –**
**30 June 2022**

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