

FLSmidth & Co. Group Interim Report for Q2 2022

Continued growth and underlying Mining EBITA margin of 10.5%

Highlights in Q2 2022

- Good order intake and revenue growth driven by both Mining and Cement
- Underlying Mining EBITA margin of 10.5%* with reported Mining EBITA margin of 7.8%
- Cement continued its positive trajectory on improving profitability
- Negative cash flow, as expected, due to increase in net working capital
- Completion of TK Mining acquisition closing on 31 August 2022
- Russian wind-down well progressed
- Financial guidance raised for Mining revenue, Group revenue and Cement EBITA margin

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. 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. Consolidated Group order intake increased 20% organically with currency tailwinds supporting order intake in the quarter by 8%.

Group CEO, Mikko Keto, commented: *“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.”*

Financial performance Q2 2022

Mining 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 revenue increased 12% organically, driven mainly by the 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 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 our Russian activities and to the acquisition of thyssenkrupp’s Mining business, the EBITA margin was 8.0% in Q2 2022.

The net working capital ratio increased from 7.3% in Q1 2022 to 9.2% in Q2 2022. 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. Cash flow from operating activities (CFFO) declined in line with expectations in Q2 2022, as a result of the net working capital outflow.

A significant milestone achieved - TK Mining acquisition closing on 31 August 2022

As announced on 11 August 2022 (refer Company Announcement No. 13-2022), all conditions and requirements for the acquisition of thyssenkrupp's Mining business have been met. 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.

New members in Group Executive Management

To drive faster decision-making, improved profitability and an ambitious sustainability agenda, 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. 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.

Financial guidance 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.

Guidance 2022	Revenue (DKKbn)	EBITA margin
Mining	13.0-14.0 (12.0-13.0)	8.5-9.5% (unchanged)
Cement	5.5-6.0 (unchanged)	2-3% (1-2%)
Group	18.5-20.0 (17.5-19.0)	6-7% (unchanged)

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.

Earnings call

A presentation of the results will take place on **19 August 2022 at 10:00 CET**. Mr. Mikko Keto (Group CEO) and Mr. Roland M. Andersen (Group CFO) will comment on the report and developments in the Group. The presentation will be followed by a Q&A-session. The presentation is available at: www.flsmidth.com/reports-and-presentations

Live audio-webcast

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

Conference call

If you wish to ask questions or just listen to the presentation **via telephone**, please call one of the following numbers: DK: +45 78 77 41 97, SE: +46 107 502 346, UK: 0 808 101 1183 or US: 785 424 1205

Please use the PIN code: 74 33 7

Consolidated key figures H1 2022

(DKK m)	Q2 2022	Q2 2021	Change (%)	H1 2022	H1 2021	Change (%)
Order intake (gross)	5,901	4,615	28%	12,919	9,600	35%
- of which service order intake	3,529	2,687	31%	7,003	5,437	29%
Service order intake share	60%	58%		54%	57%	
Order backlog	19,461	16,677	17%	19,461	16,677	17%
Revenue	5,027	4,073	23%	9,733	7,786	25%
- of which service revenue	2,972	2,469	20%	5,630	4,870	16%
Service revenue share	59%	61%		58%	63%	
Gross profit	1,244	1,020	22%	2,351	1,955	20%
Gross profit margin	24.7%	25.0%		24.2%	25.1%	
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%	
Profit	134	47	185%	257	101	154%
CFFO	(214)	507		(284)	792	
Free cash flow	(297)	443		(332)	677	
Net working capital	1,805	1,305	38%	1,805	1,305	38%
Net interest-bearing debt	528	(1,159)		528	(1,159)	

**Adjusted for integration costs of DKK 45m related to the TK Mining acquisition and DKK 50m in costs related to the wind-down of our Russian activities*

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About FLSmidth

FLSmidth provides sustainable productivity to the global mining and cement industries. We deliver market-leading engineering, equipment and service solutions that enable our customers to improve performance, drive down costs and reduce environmental impact. Our operations span the globe and we are close to ~10,100 employees, present in more than 60 countries. In 2021, FLSmidth generated revenue of DKK 17.6 billion. MissionZero is our sustainability ambition towards zero emissions in mining and cement by 2030. FLSmidth works within fully validated Science-Based Targets, our commitment to keep global warming below 1.5°C and to becoming carbon neutral in our own operations by 2030. www.flsmidth.com