3 November 2020

INTERIM REPORT 9M 2020

WE DISCOVER POTENTIAL

FLSMIDTH

Key highlights

Q3 2020 vs. Q3 2019

- Continued negative impact from pandemic
  - Order intake, revenue and EBITA
- Strong cash flow

Q3 2020 vs. Q2 2020

- Stable revenue
- Order intake and EBITA increased

Group business improvement program completed

MARKET OUTLOOK

- Short-term recovery expected in Mining
- No short- to medium-term recovery in Cement
- Low visibility due to the pandemic

2020 GUIDANCE

- Revenue around DKK 16bn
- EBITA margin 4.5-5.0%

Current market situation

	Mining	Cement
Capital vs. service	High production rates, but travel restrictions and limited site access impacts on-site technical services, resulting in slower demand. Despite good industry fundamentals, large capital investments are deferred due to uncertainty.	Spare and wear parts demand continues to be impacted by reduced production rates. Customers are deferring non-critical investments, based on lower production rates and uncertainty caused by the pandemic.
Customers	~98% of sites in operation (end of Q2: ~96%). Commodity prices and demand at a good level.	~95% of cement plants* in operation (end of Q2: ~92%). Many plants operating with reduced capacity.
Own operations	~ 80% of our employees are currently working on-site. Reduced operational activity in India only. Travel restrictions still have an impact on the capacity utilisation for service technicians.	
External supply chain	Running largely undisrupted. Flexibility to switch between external suppliers.	

*Excluding China

Business improvement program completed

Group business improvement program

Savings (DKKm)[1]	Program	Run-rate[2] End Q3 2020
EBITA improvement	150	150

Costs (DKKm)[1]	Program 2019-2020	Q3 2020	2020
Implementation costs	(192)	(25)	(152)

- Business improvements include site consolidation, enhanced logistical setup and a workforce reduction of 750 employees
- Temporary costs and savings from employees on furlough and lower travel expenses not included

1 EBITA improvement and implementation costs to impact Mining and Cement largely based on the segments' relative share of Group revenue

2 Annualised savings

Pandemic accentuates diverging end markets

Cement outlook

- No short- to medium-term recovery
- Digitalization and need for green cement creates a positive mid- to long-term outlook, and
- A multi-commodity future

Diverging end markets

- Contrary to Cement, Mining is expected to recover in the short-term
- An operating model based on two industries was implemented in 2018 to accommodate for different end markets dynamics

Combination based on synergies

- Integrated approach to managing our two businesses has served the company well
- Technology overlap
- Engineering and supply chain

Additional right-sizing of Cement

- Increased outsourcing, simplification and adjustment of cost structure
- Initiatives to mitigate under-absorption
- Implementation costs: ~DKK 70 of which DKK 21m was occurred in Q3 and DKK 49m is expected in Q4

Further strengthening of industry setup

- Focus on leveraging synergies
- Clear capital allocation to
  - Capture growth opportunities, and
  - Maximise value creation within both businesses
- Consider acquisitions to strengthen the offerings in both Mining and Cement

Guidance

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Group	Realised 2019	Realised 9M 2020	Guidance August 2020	Guidance November 2020
Revenue (DKK bn)	20.6	12.2	15.5-17.0	Around 16
EBITA margin	8.1%	4.4%	4.5-6.0%	4.5-5.0%
ROCE	10.9%	6.7%	n/a	n/a

- 23 March: Guidance suspended due to the global uncertainty caused by the COVID-19 pandemic
- 28 August: Full year guidance was reinstated
- 3 November: We have not seen the gradual improvement in business sentiment that we had assumed in our base case scenario. Accordingly, we narrow our 2020 guidance
- Total business improvement implementation costs included in guidance: **DKK 222m**

Order intake declined 5% organically

- but increased compared to Q2 2020

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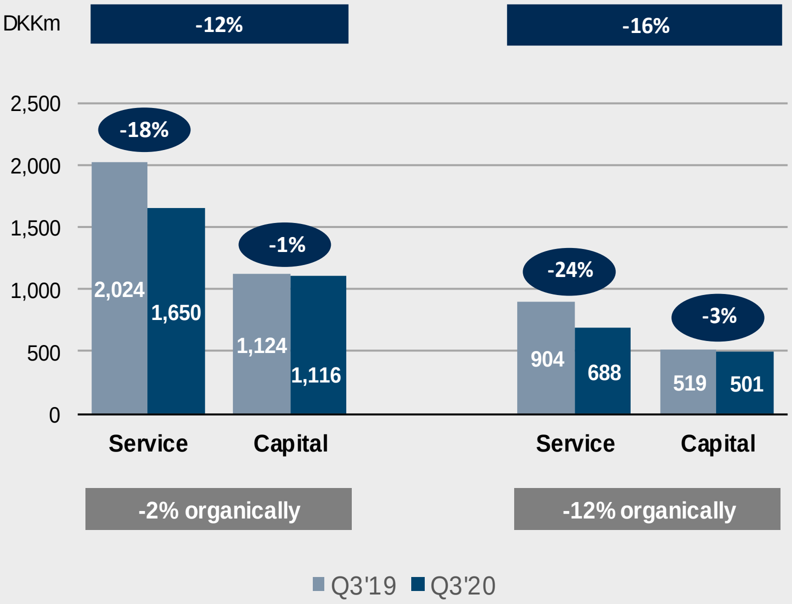
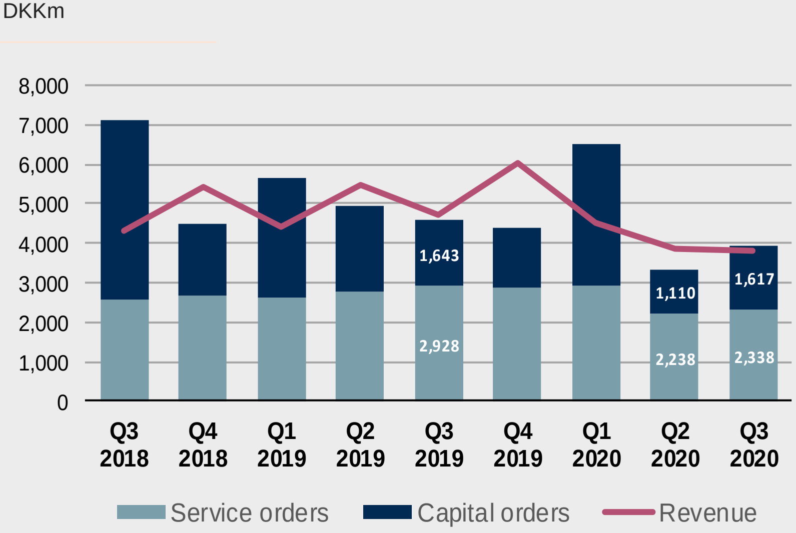
ORDER INTAKE

MINING | CEMENT



ORDER INTAKE
-13% vs. Q3 2019



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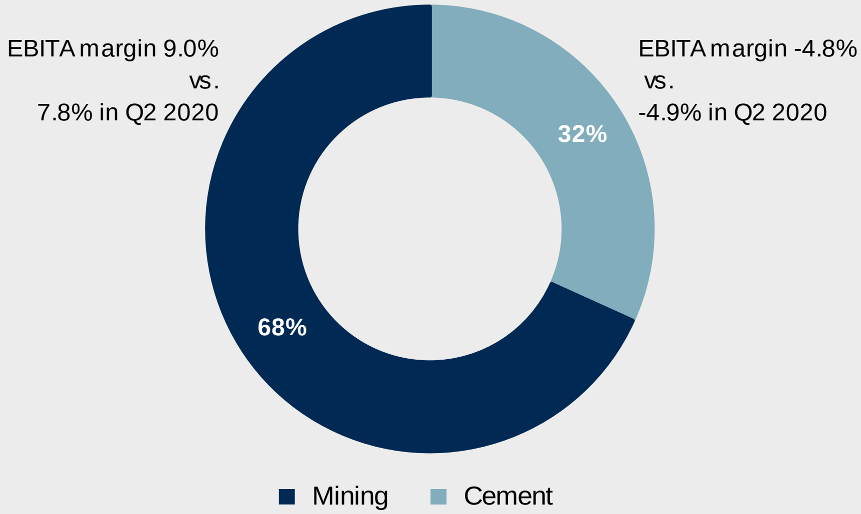
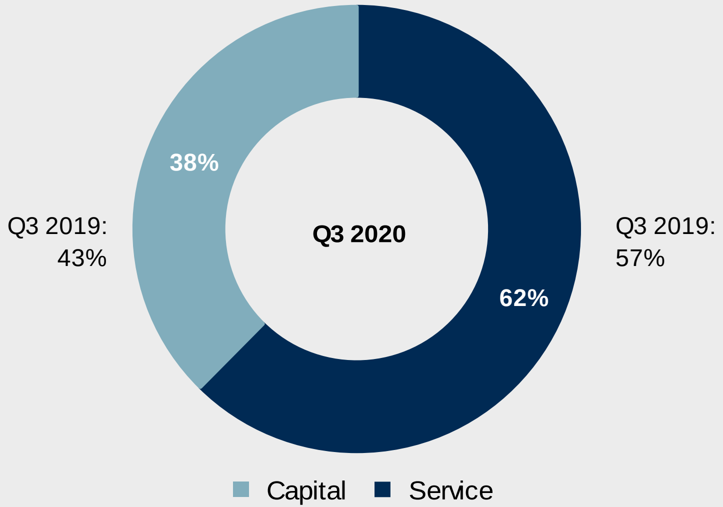
Revenue split in Q3 2020

MINING vs. CEMENT REVENUE



CAPITAL vs. SERVICE REVENUE



Financial performance in Q3 2020

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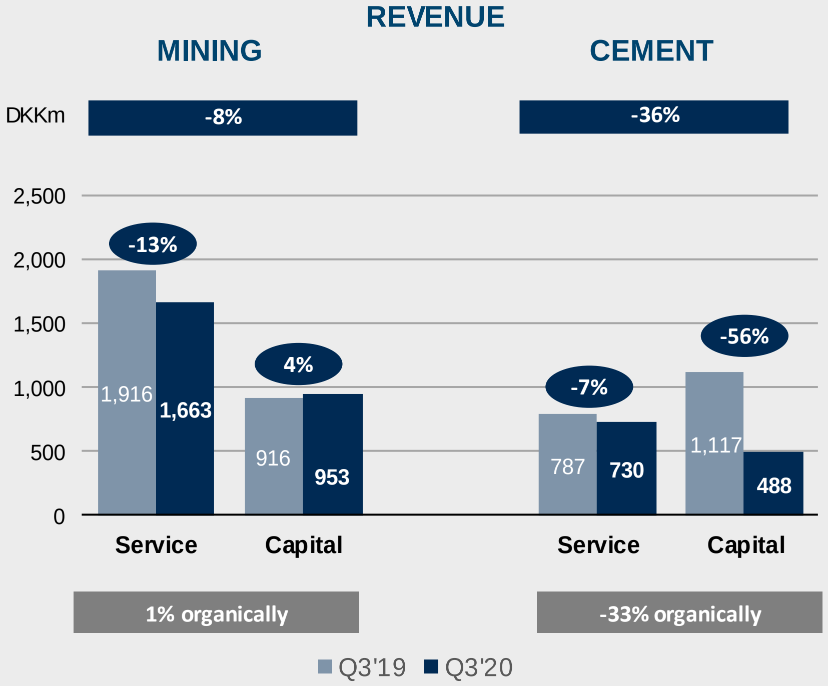
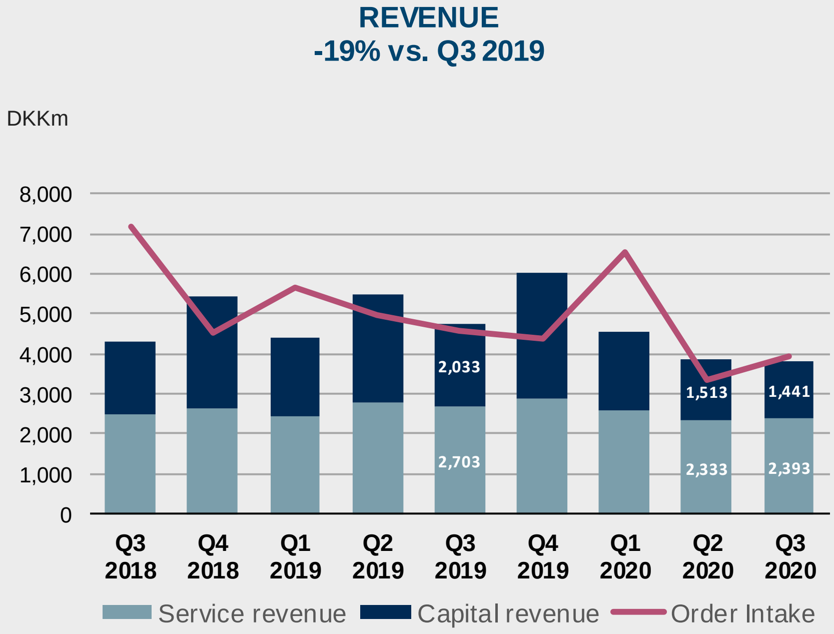
(DKKm)	Q3 2020	Q3 2019	Change
Order intake	**3,955**	**4,571**	**-13%**
Revenue	**3,834**	**4,736**	**-19%**
Gross margin	23.1%	23.8%	
EBITA	**177**	**377**	**-53%**
EBITA margin	4.6%	8.0%	
Financial costs net	(1)	(12)	
Tax	(41)	(94)	
Profit, continuing activities	48	190	
Loss, discontinued activities	(5)	0	
Profit for the Group	**43**	**190**	**-77%**
ROCE	**6.7%**	**11.2%**	
Employees (Group)	10,946	12,364	-11%

- Revenue decreased 12% organically
- EBITA margin adjusted for extraordinary costs of 6.3% in Q3
  - Business improvement costs: DKK -46m
  - Lower Mining capital profitability: DKK -30m
  - Net pandemic savings: DKK +11m
- The number of employees declined by 560 in Q3 2020 compared to Q2 2020

Revenue decreased 12% organically





Gross profit declined largely in line with revenue

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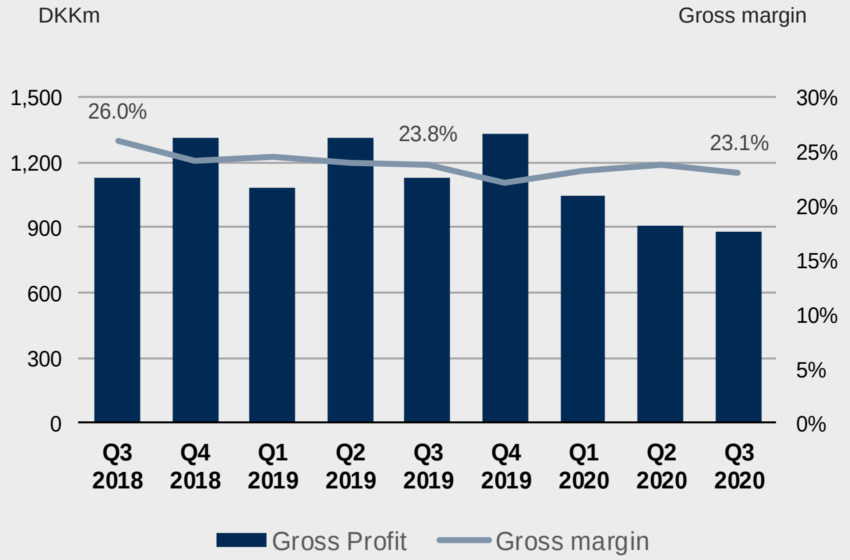
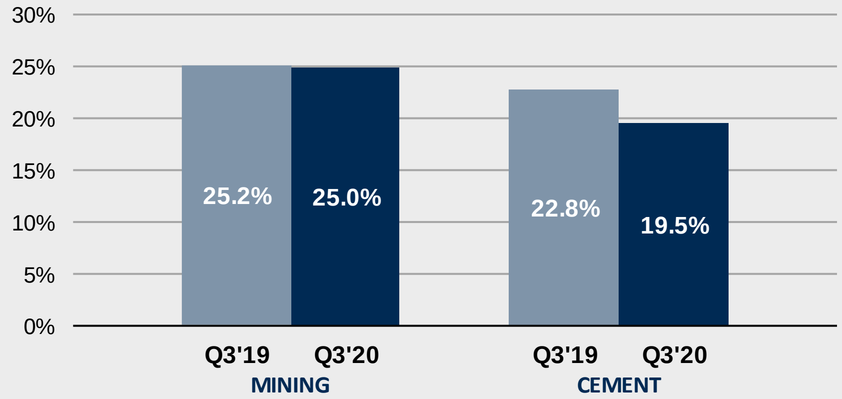
GROSS PROFIT
-21% vs. Q3 2019



GROSS MARGIN BY INDUSTRY
Q3 2020 vs. Q3 2019



- Slight decrease in Mining gross margin due to higher capital share in the quarter
- Lower gross margin in Cement due to impact from the pandemic

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SG&A costs decreased by 6%

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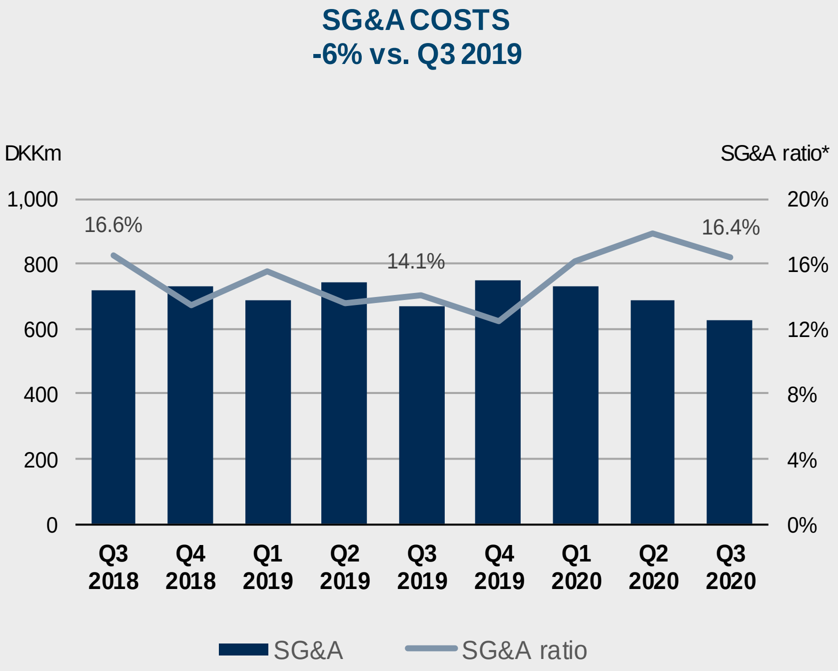

- SG&A costs down 6% to DKK 629m, from DKK 667m in Q3 2019
- SG&A ratio up to 16.4% of revenue in Q3 2020, from 14.1% in Q3 2019
- Adjusted for business improvement costs, SG&A decreased 10% to DKK 602m

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

EBITA improved compared to Q2

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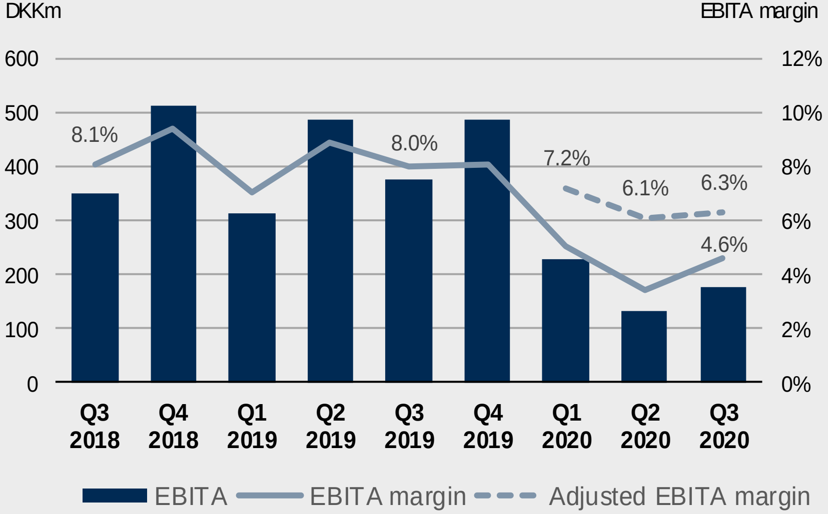
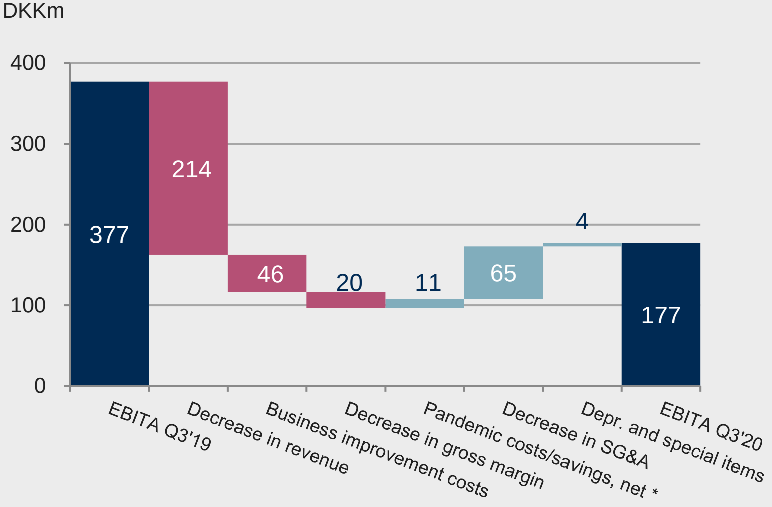
EBITA
-53% vs. Q3 2019



- Excluding extraordinary costs and savings in the quarter, the EBITA margin was 6.3%

EBITA BRIDGE
Q3 2020 vs. Q3 2019



*) Net COVID savings consist of: Savings from less travel and employees on furlough as well as costs related to low capacity utilisation, protective gear etc.

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Reduced net working capital

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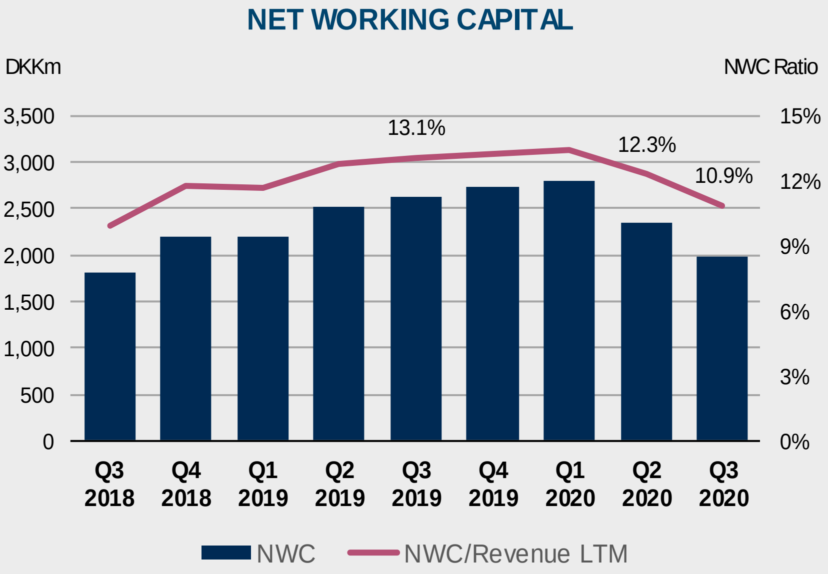

- NWC at the end of Q3 was 10.9% of the last 12 months revenue

Net working capital developments in Q3 2020

DKKm	End of Q3 2020	End of Q2 2020	Change
Inventories	**2,527**	2,721	(194)
Trade receivables	**3,383**	3,748	(365)
Trade payables net	**(2,730)**	(2,911)	181
WIP assets net	**409**	366	43
Prepayments from customers	**(1,221)**	(1,247)	26
Other liabilities net	**(387)**	(326)	(61)
NWC Total	**1,981**	2,351	(370)

- DKK 61m of the 370m decrease in NWC related to currency effects
- NWC anticipated to increase in Q4

Cash flow in Q3 2020
- Continuing activities and Group

CONTINUING ACTIVITIES (DKKm)	Q3 2020	Q3 2019
EBITDA adjusted	**267**	**475**
Change in provisions	74	(79)
Change in NWC	322	(35)
Financial payments	(4)	(19)
Taxes paid	(49)	(57)
CFFO (continuing activities)	**610**	**285**

- CFFO from discontinued activities was DKK -16m in Q3 2020

Group (DKKm)	Q3 2020	Q3 2019
CFFO (Group)	**594**	**244**
CFFI excl. acquisitions & disposals	(105)	(105)
Acquisitions & disposals	0	(6)
CFFI	**(105)**	**(111)**
Free cash flow	489	133
Free cash flow, adjusted for M&A	**489**	**139**

- CFFO increased to DKK 594m in Q3 2020, due to significant cash inflow from working capital, more than offsetting the decline in EBITDA from Q3 2019

Capital structure well in line with our targets

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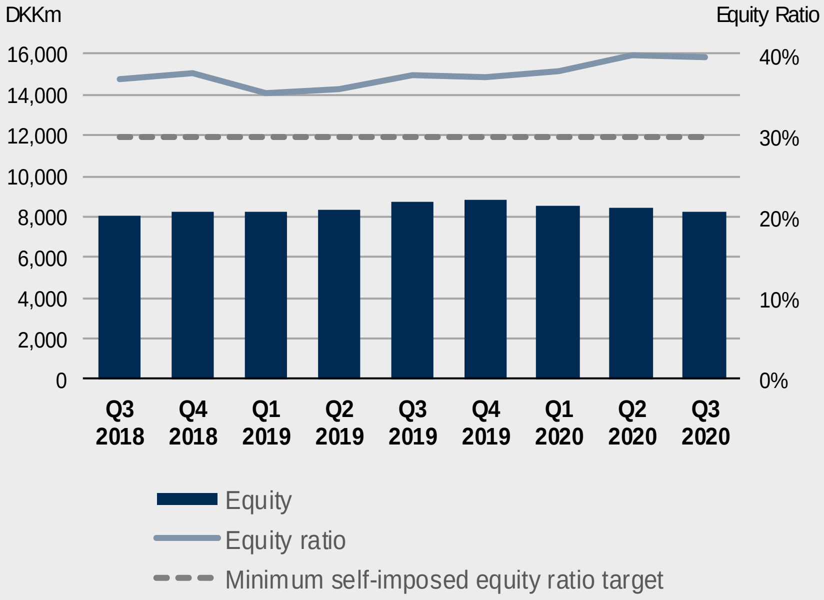
EQUITY
Equity ratio 40.0%



NIBD
NIBD/EBITDA 1.4x

- Compared to Q2, net debt decreased by DKK 362m to DKK 1,936m in Q3

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Inhouse sustainability performance 9M 2020

SAFETY (TRIR)	WOMEN MANAGERS	RELATIVE CARBON FOOTPRINT (tonnes/DKKm revenue)	SUPPLIERS ASSESSED
1.2	**12.9%**	**2.1**	**282**
Target 2020: ≤ 2.5	Target 2020: 12.5%	9M 2019: 2.4	Target 2020: 800

Achievements during the quarter

- Continued progress on our safety performance, with TRIR decreasing from 1.7 in 9M 2019 to 1.2 in 9M 2020
- Number of women managers increased to 12.9%
- Relative carbon footprint down to 2.1 tonnes per DKKm revenue, compared to 2.4 tonnes per DKKm revenue in 9M 2019
- Ongoing travel restrictions in most areas of the world due to COVID-19 have reduced our ability to visit suppliers and conduct sustainability screenings

FLSmidth Mission Zero

TOWARDS ZERO EMISSIONS
IN MINING AND CEMENT

6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
SUSTAINABLE DEVELOPMENT GOALS

INNOVATION IN CEMENT

CLAY CALCINER SYSTEM (PATENT PENDING) - A MISSIONZERO FLAGSHIP INNOVATION

REDUCE CO_2 EMISSIONS by up to 40% as compared to clinker production

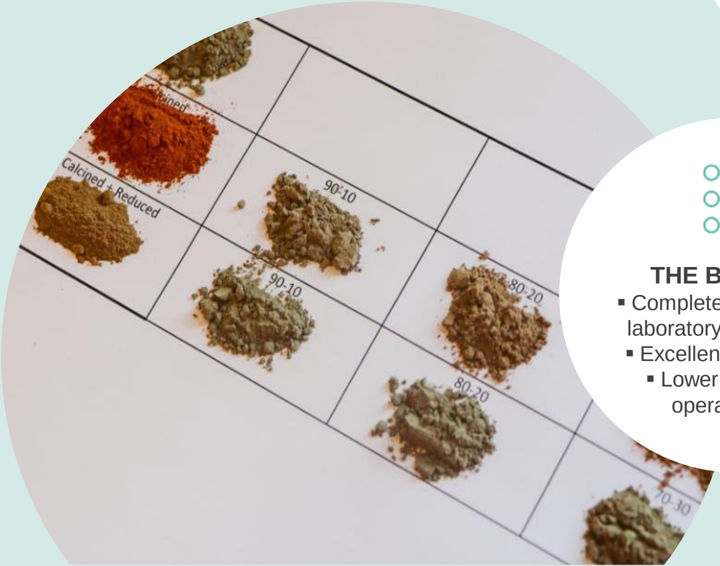
Increasing the percentage of calcined clay in cement reduces the need for clinker produced from limestone. Producing clinker is energy and emissions intensive, and therefore, the less clinker used, the less impact on the environment.

Our clay calciner system begins with the dryer crusher, from there material is fed to the pre-heater calciner system where the activation takes place. The activated clay is collected, transported and then treated for color control. A series of cooling cyclones attain a suitable temperature.

REDUCE EMISSIONS
Calcined clay is a cost-effective, sustainable alternative with significant cementitious potential, replacing clinker and reducing CO_2 emissions

THE SOLUTION
The FLSmidth clay calciner system has been specifically developed to fulfill this potential, maintaining the high strength and quality standards of cement

THE BENEFITS
- Complete testing by our laboratory and pilot plant
- Excellent color control
- Lower capital and operating costs



Key messages

Mission Zero

Messages

+

- Group business improvement program completed
- Cash focus has delivered results
- Sequential improvement in Mining
- Opportunity within digital and sustainable solutions

–

- Continued negative impact from the pandemic
- No short- to mid-term recovery expected for Cement, and consequently we are right-sizing the Cement business

Management focus (customers, costs & cash)

2020

- Navigate the pandemic
- Cash
- Costs
- Customer relationships and opportunities

Ongoing

- Customers
- Sustainability and MissionZero
- Innovation and digitalization – KnowledgeScape
- Standardisation and modularisation

Key highlights

Interim Report Q3 2020

Continued negative impact from pandemic

More positive outlook for mining than cement

Strong cash flow

Order intake and EBITA improved compared to Q2 2020

Guidance 2020 narrowed

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Mission Zero

TOWARDS ZERO EMISSIONS IN MINING AND CEMENT

With MissionZero, we enable our customers in cement and mining to move towards zero emissions in 2030. As a leader in the cement and mining industries, we see a significant business opportunity in bringing these industries into a sustainable future.

The Zero emission cement plant

Commercially competitive with cement quality guaranteed

- Zero **emissions**
- 100% fuel **substitutions**
- Zero **waste**

The Zero emission mining process

Commercially competitive with a minimised environmental footprint

- Zero water **waste**
- Zero **emissions**
- Zero energy **waste**

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), capital expenditures, dividends, capital structure or other net financial items.

- Statements regarding future economic performance, future actions and outcome of contingencies such as legal proceedings and statements regarding the underlying assumptions or relating to such statements.

- Statements regarding potential merger & acquisition activities.

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, the severity, magnitude and duration of the COVID-19 pandemic, including impacts from governments' responses to the pandemic on our operations as well as derivative effects on our customers' businesses, and on global supply chains that may impact our operations, cash flows, financial performance and position, global as well as local political and economic conditions, including 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.

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Group

(DKKm)	Q3 2020	Q3 2019	Change	9M 2020	9M 2019	Change	2019
Order Intake	**3,955**	**4,571**	**-13%**	**13,829**	**15,165**	**-9%**	**19,554**
- Service order intake	2,337	2,928	-20%	7,506	8,360	-10%	11,250
Order Backlog	14,839	16,088	-8%	14,839	16,088	-8%	14,192
Revenue	**3,834**	**4,736**	**-19%**	**12,205**	**14,624**	**-17%**	**20,646**
- Service revenue	2,393	2,703	-11%	7,332	7,911	-7%	10,777
Gross profit	884	1,126	-21%	2,843	3,522	-19%	4,849
Gross margin	23.1%	23.8%		23.3%	24.1%		23.5%
EBITA	177	377	-53%	536	1,176	-54%	1,663
EBITA margin	**4.6%**	**8.0%**		**4.4%**	**8.0%**		**8.1%**
EBIT	91	294	-69%	283	893	-68%	1,286
EBIT margin	2.4%	6.2%		2.3%	6.1%		6.2%

Cash flow statement

Group (DKKm)	**Q3 2020**	**Q3 2019**
EBITDA continuing adjusted	**267**	**475**
EBITDA discontinued	(5)	(1)
Change in provisions	72	(86)
Change in NWC	311	(78)
Financial payments	(3)	(9)
Taxes paid	(48)	(57)
CFFO (Group)	**594**	**244**
CFFI excl. acquisition & disposals	(105)	(105)
Acquisition & disposals	0	(6)
CFFI	(105)	(111)
Free cash flow	489	133
CFFO (continuing activities)	**610**	**285**
CFFO (discontinued activities)	**(16)**	**(41)**

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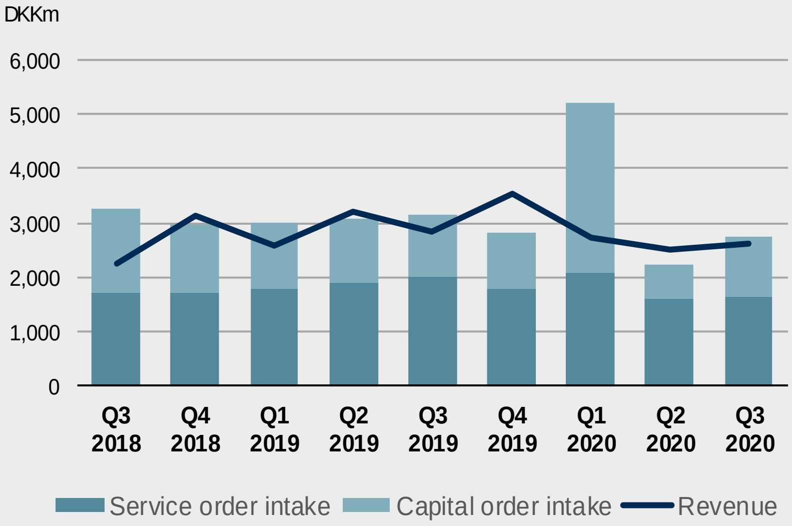
Mining

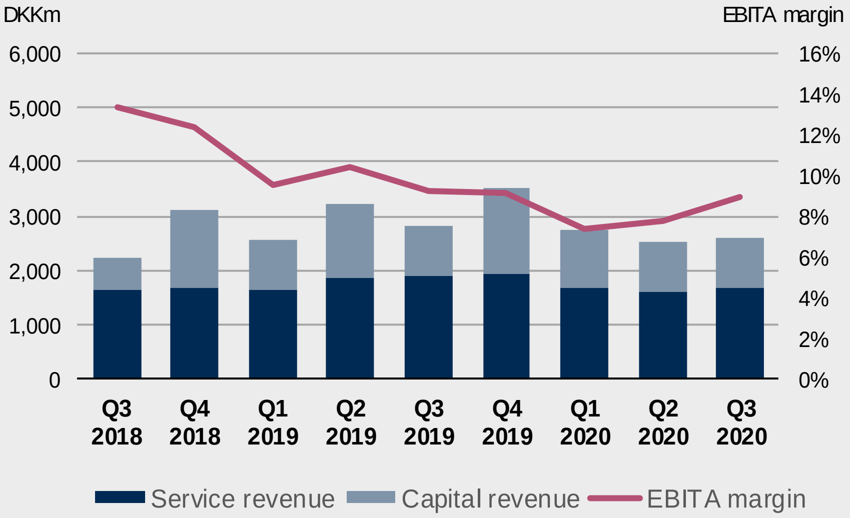
(DKKm)	Q3 2020	Q3 2019	Change	9M 2020	9M 2019	Change	2019
Order Intake	**2,766**	**3,148**	**-12%**	**10,203**	**9,231**	**11%**	**12,064**
- Service order intake	1,650	2,024	-18%	5,353	5,727	-7%	7,534
- Capital order intake	1,116	1,124	-1%	4,850	3,504	38%	4,530
Order Backlog	9,298	8,544	9%	9,298	8,544	9%	7,683
Revenue	**2,616**	**2,832**	**-8%**	**7,871**	**8,632**	**-9%**	**12,169**
- Service revenue	1,663	1,916	-13%	4,942	5,446	-9%	7,370
- Capital revenue	953	916	4%	2,929	3,186	-8%	4,799
Gross margin before shared costs	25.0%	25.2%		25.4%	26.0%		25.2%
EBITA margin before shared costs	16.8%	16.3%		16.0%	16.8%		16.2%
EBITA	235	261	-10%	632	843	-25%	1,166
EBITA margin	**9.0%**	**9.2%**		**8.0%**	**9.8%**		**9.6%**

Mining

ORDER INTAKE
-12% vs. Q3 2019



REVENUE
-8% vs. Q3 2019

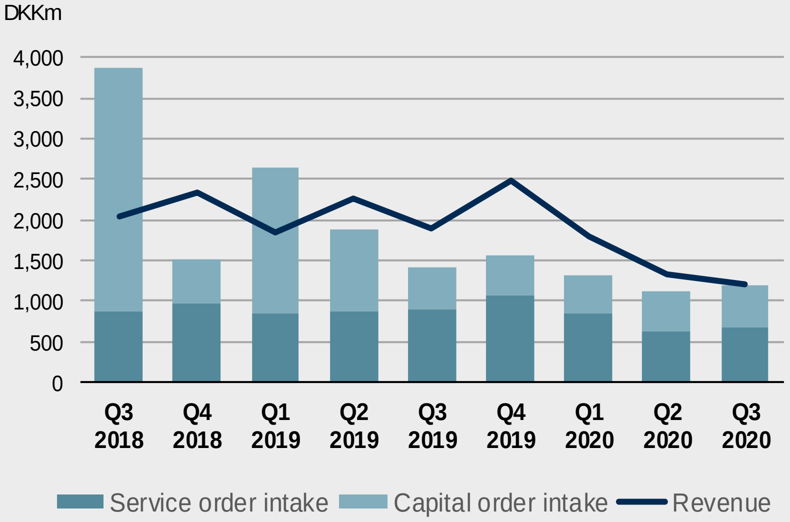


Cement

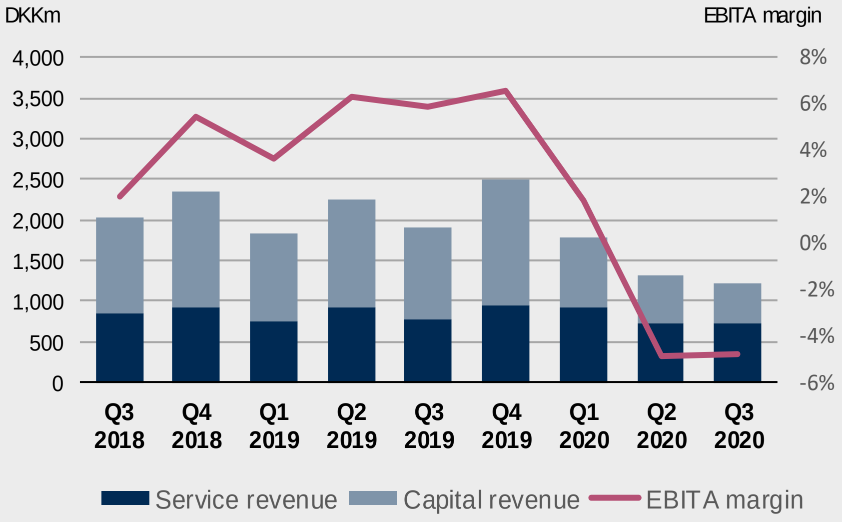
(DKKm)	Q3 2020	Q3 2019	Change	9M 2020	9M 2019	Change	2019
Order Intake	**1,189**	**1,423**	**-16%**	**3,626**	**5,934**	**-39%**	**7,490**
- Service order intake	688	904	-24%	2,154	2,633	-18%	3,716
- Capital order intake	501	519	-3%	1,472	3,301	-55%	3,774
Order Backlog	5,541	7,544	-27%	5,541	7,544	-27%	6,509
Revenue	**1,218**	**1,904**	**-36%**	**4,334**	**5,992**	**-28%**	**8,477**
- Service revenue	730	787	-7%	2,390	2,465	-3%	3,407
- Capital revenue	488	1,117	-56%	1,944	3,527	-45%	5,070
Gross margin before shared costs	19.5%	22.8%		20.9%	22.3%		22.2%
EBITA margin before shared costs	6.7%	13.8%		8.6%	13.6%		13.5%
EBITA	(57)	111	-151%	(90)	323	-128%	486
EBITA margin	**-4.8%**	**5.8%**		**-2.1%**	**5.4%**		**5.7%**

Cement

ORDER INTAKE
-16% vs. Q3 2019



REVENUE
-36% vs. Q3 2019



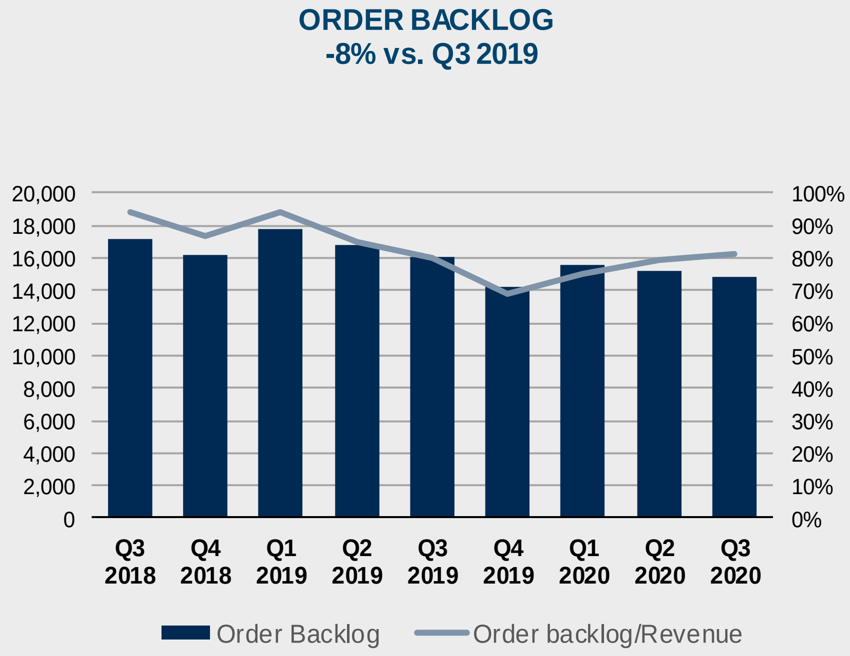
Order intake and revenue growth

Order intake growth Q3'20 vs. Q3'19	Mining	Cement	Group
Organic	-2%	-12%	-5%
Acquisitions	0%	0%	0%
Currency	-10%	-4%	-8%
Total growth	**-12%**	**-16%**	**-13%**

Revenue growth Q3'20 vs. Q3'19	Mining	Cement	Group
Organic	1%	-33%	-12%
Acquisitions	0%	0%	0%
Currency	-9%	-3%	-7%
Total growth	**-8%**	**-36%**	**-19%**

Order backlog and conversion to revenue

Order backlog / last 12 months revenue at 81% in Q3

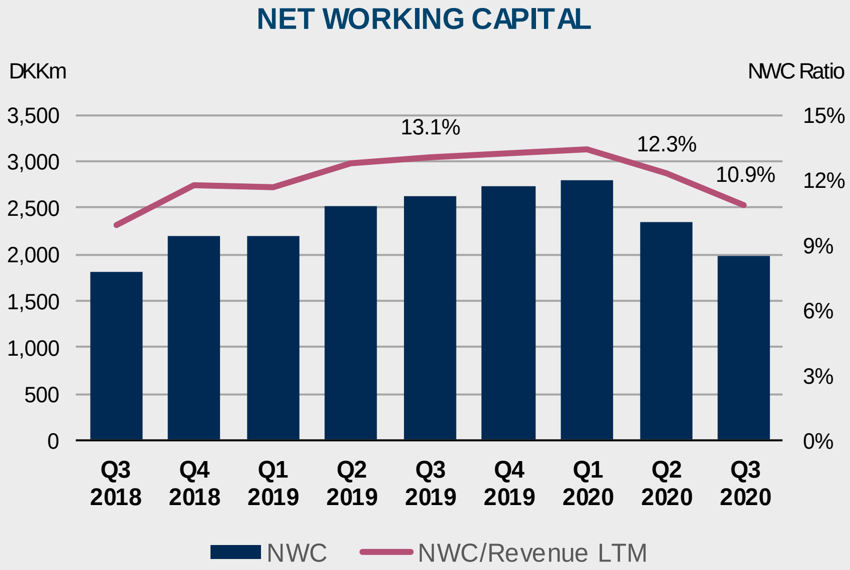


*Order backlog divided by last 12 months revenue

Expected backlog conversion to revenue:

- 21% in 2020
- 54% in 2021
- 25% in 2022 and beyond

Net working capital



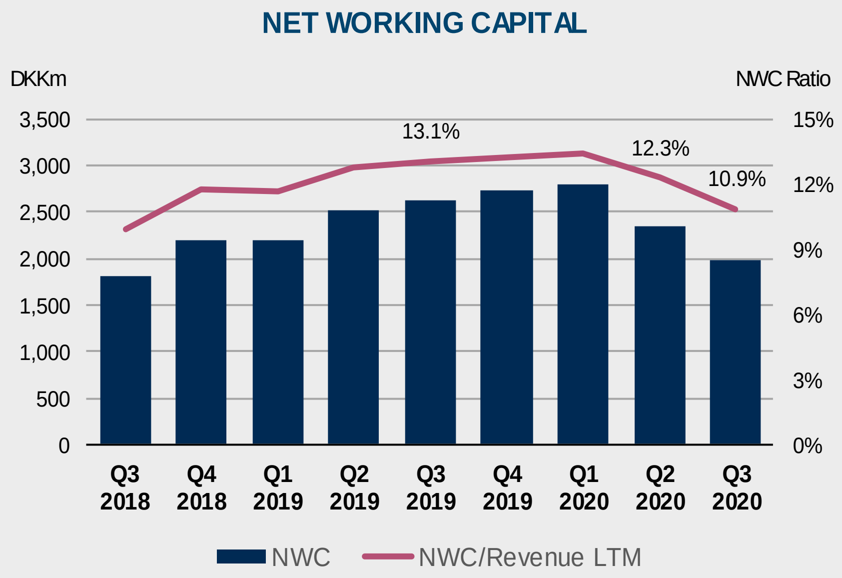
- NWC at the end Q3 was 10.9% of the last 12 months revenue

Net working capital developments, year to date

DKKm	End of Q3 2020	End of Q4 2019	Change
Inventories	**2,527**	2,714	(187)
Trade receivables	**3,383**	5,069	(1,686)
Trade payables net	**(2,730)**	(3,759)	1,029
WIP assets net	**409**	1,034	(625)
Prepayments from customers	**(1,221)**	(1,768)	547
Other liabilities net	**(387)**	(551)	164
NWC Total	**1,981**	2,739	(758)

- DKK 216m of the 758m decrease in NWC related to currency effects

Net working capital



- NWC at the end Q3 was 10.9% of the last 12 months revenue

Net working capital developments, year on year

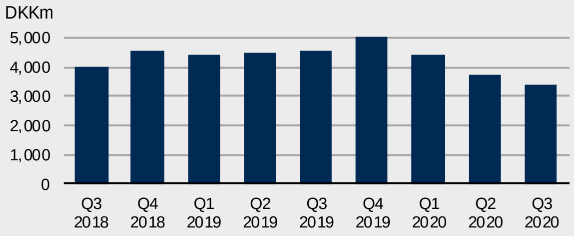
DKKm	End of Q3 2020	End of Q3 2019	Change
Inventories	**2,527**	2,910	(383)
Trade receivables	**3,383**	4,586	(1,203)
Trade payables net	**(2,730)**	(3,593)	863
WIP assets net	**409**	1,031	(622)
Prepayments from customers	**(1,221)**	(1,858)	637
Other liabilities net	**(387)**	(452)	65
NWC Total	**1,981**	2,624	(643)

- DKK 269m of the 643m decrease in NWC related to currency effects

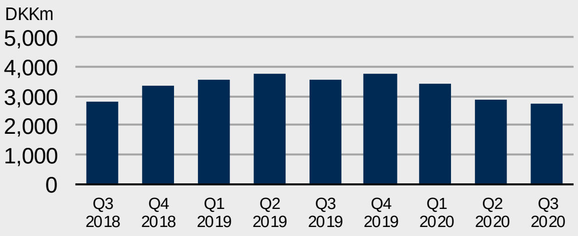
Net working capital components

- Net working capital decreased to DKK 1,981m, owing to a combined reduction in trade receivables and net work in progress

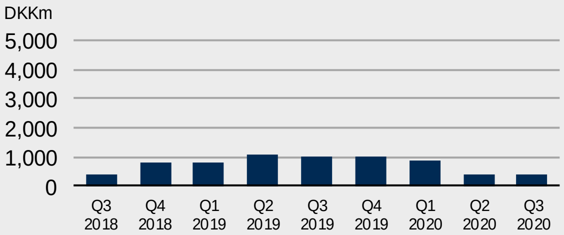
TRADE RECEIVABLES



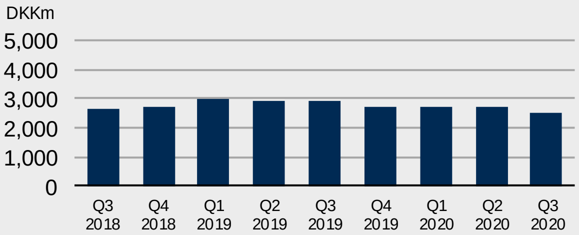
TRADE PAYABLES



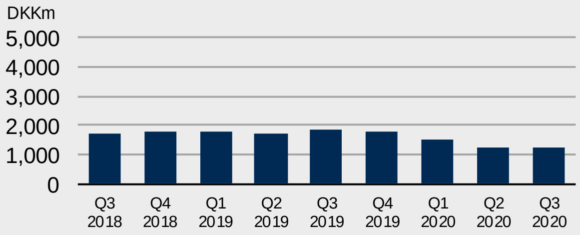
NET WORK-IN-PROGRESS (ASSET)



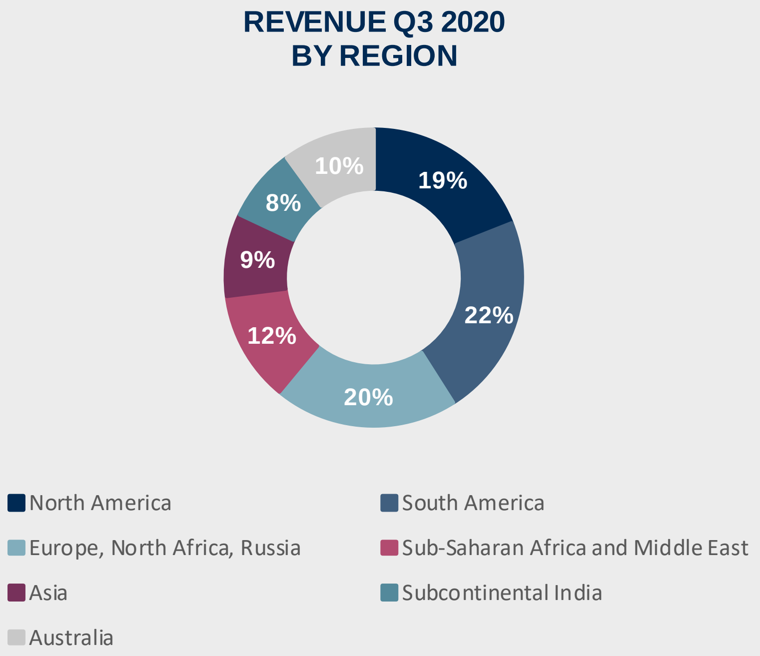
INVENTORIES

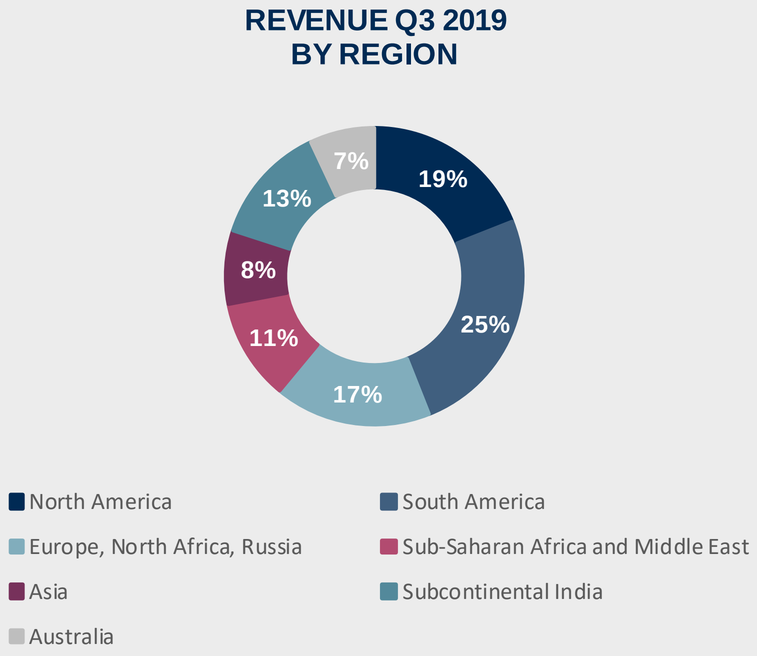


PREPAYMENTS FROM CUSTOMERS



Revenue split in Q3 2020





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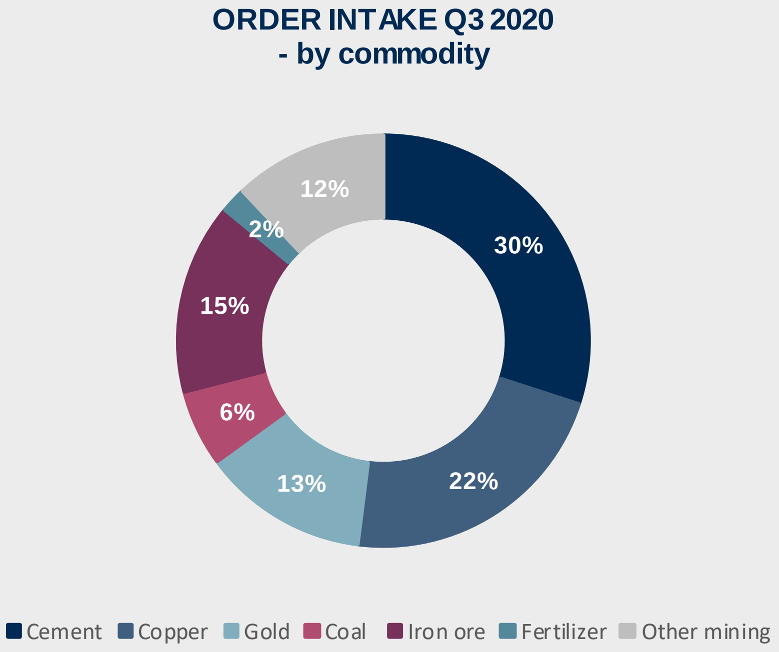
Order intake by commodity



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