

FLSmidth & Co. Group Annual Report for 2021

Solid performance despite challenging market conditions

Highlights in 2021

- Order intake grew 5% organically
- Revenue of DKK 17.6bn driven by 8% organic revenue growth
- EBITA increased by 34% and corresponding EBITA margin increased to 5.9%
- Strong cash flow from operating activities of DKK 1.4bn
- Mikko Keto announced Group CEO as of 1 January 2022
- Announced the acquisition of thyssenkrupp's Mining business¹
- Science Based Targets validated

Order intake grew 5% organically in 2021, as a result of an easing pandemic impact and improved site access compared to 2020. Including currency effects, order intake increased by 4% to DKK 19,233m. Mining and Cement contributed equally to the order intake growth. Service order intake increased by 14%, whereas capital orders decreased by 7%.

FLSmidth Group CEO, Mikko Keto, commented: *"FLSmidth delivered a solid performance in 2021. Despite the challenges presented by the pandemic and the global supply chain constraints, order intake, revenue and EBITA increased substantially over 2020 and cash flow performance was strong. Key drivers behind the 2021 performance are continued good momentum in Mining, and improvements in our Cement business. Further, we have announced one of the biggest acquisitions in our history, namely the acquisition of thyssenkrupp's Mining business. This will position FLSmidth as one of the strongest suppliers to the mining industry with complete pit-to-plant flowsheet solutions driving sustainable productivity."*

Financial performance

By leveraging our flexible supply chain coupled with easing pandemic restrictions during the second half of 2021, full year 2021 organic revenue increased by 8%. Including currency effects, Group revenue increased by 7% to DKK 17,581m, primarily driven by the Capital business.

Gross profit increased by 8% and EBITA increased by 34% as a result of higher revenue and operating leverage. The EBITA margin improved to 5.9% with improvements in both Mining and Cement. Adjusted for the costs related to the acquisition of thyssenkrupp's Mining business the EBITA margin was 6.5%.

We have secured six large orders in 2021 and a book-to-bill of 109% for the year. Cash remains a core focus, and with a net working capital ratio of 6.0% at end 2021, we delivered a cash flow from operating activities of DKK 1.4bn in 2021.

¹ Pending the customary authority approvals, the transaction is expected to close during the second half of 2022

Highlights in Q4 2021

- Order intake increased by 6% organically
- Revenue of DKK 5.1bn driven 19% organic revenue growth
- EBITA increased by 44% and corresponding EBITA margin increased to 6.6%
- Strong cash flow and improvement in net working capital

Group order intake increased by 8% to DKK 5,084m, which is the highest fourth quarter level in several years. The growth in order intake was entirely driven by Mining, which increased by 35% organically and represented 71% of total order intake. Group service orders increased 20% driven by the positive sentiment in the mining industry.

Group revenue increased 19% organically, attributable to both Mining and Cement as well as both capital and service business. Including currency effects, revenue increased by 21% to DKK 5,135m.

Gross profit increased as a result of the higher level of revenue. Gross margin declined due to an increased share of capital revenue. Group EBITA increased by 44% compared to Q4 2020. The corresponding EBITA margin increased to 6.6%, the highest quarterly EBITA margin since 2019. Adjusted for the costs related to the acquisition of thyssenkrupp's Mining business the EBITA margin was 7.3%.

The Q4 2021 and full year 2021 results include costs related to the thyssenkrupp Mining business acquisition of DKK 37m and DKK 107m, respectively. Subject to regulatory approval, closing of the transaction is still expected in the second half of 2022.

Guidance 2022

The outlook for our two end-markets remains very different. The outlook for the mining industry remains positive driven by global economic development and increased demand for minerals required for the green transition. The short-term outlook for the cement industry remains impacted by overcapacity and slow recovery. Mid-term recovery expected in the cement industry driven by increased demand for sustainability solutions.

Mikko Keto commented: *"Beyond managing our two businesses, which each pursue a strategy and cost structure most appropriate to their market environment, we are deeply committed to ensuring a smooth integration of thyssenkrupp's Mining business into FLSmidth and on building an even stronger brand for the green future. In addition, we will focus on driving operational excellence to deliver improved financial performance."*

Separate guidance for Mining and Cement introduced in connection with the Annual Report 2021:

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

COMPANY ANNOUNCEMENT NO. 3-2022

16 February 2022, Copenhagen, Denmark



The financial guidance for 2022 is for the FLSmidth Group standalone and excludes the impact from the combination with thyssenkrupp's Mining business. It includes around DKK 110m in integration costs until closing of the thyssenkrupp Mining business transaction. We expect to publish a new financial guidance after the transaction closes. The transaction is expected to close in the second half of 2022.

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

The Board of Directors will at the Annual General Meeting on 30 March 2022 propose a dividend of DKK 3 per share for 2021, corresponding to a pay-out ratio of 48%, in line with our targeted pay-out ratio, to be distributed in 2022.

The Chair of the Board of Directors Vagn Ove Sørensen has decided not to seek re-election at the Annual General Meeting in March 2022. The Board of Directors proposes the current Vice chair of the Board of Directors Tom Knutzen to be elected as Chair of the Board of Directors.

Earnings call

A presentation of the annual results will take place on **16 February 2022 at 11:00 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 15 01 09, SE: +46 856 642 692, UK: +44 33 3300 9261 or US: +1 833 249 8405

Key figures 2021

(DKK m)	Q4 2021	Q4 2020	Change (%)	FY 2021	FY 2020	Change (%)
Order intake (gross)	5,084	4,695	8%	19,233	18,524	4%
- of which service order intake	2,770	2,316	20%	11,162	9,822	14%
<i>Service order intake share</i>	54%	49%		58%	53%	
Order backlog	16,592	14,874	12%	16,592	14,874	12%
Revenue	5,135	4,236	21%	17,581	16,441	7%
- of which service revenue	2,796	2,552	10%	10,094	9,884	2%
<i>Service revenue share</i>	54%	60%		57%	60%	
Gross profit	1,151	1,022	13%	4,180	3,865	8%
Gross profit margin	22.4%	24.1%		23.8%	23.5%	
EBITDA	437	337	30%	1,401	1,134	24%
before special non-recurring items						
EBITA	338	235	44%	1,030	771	34%
EBITA margin	6.6%	5.5%		5.9%	4.7%	
EBIT	239	145	65%	668	428	56%
EBIT margin	4.7%	3.4%		3.8%	2.6%	
Profit	161	78	106%	357	205	74%
CFFO	849	329		1,449	1,421	
Free cash flow	752	232		1,176	1,045	
Net working capital	1,058	1,752	-40%	1,058	1,752	-40%
Net interest-bearing debt	889	(1,808)		889	(1,808)	

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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