

FLSmidth & Co. Group Annual Report for 2022

Improved financial performance in 2022 with Mining revenue growth of 29% and an adjusted Mining EBITA margin of 10.6%

Highlights in FY 2022

- Mining service order intake growth of 37% and service revenue growth of 32%
- Adjusted Mining EBITA margin of 10.6%¹
- Cement service order intake growth of 9% and service revenue growth of 12%
- Cement continued its positive trend on improving profitability with a 3.3% EBITA margin
- Positive cash flow from operations
- Acquisition of Mining Technologies (ex-TK)² completed
- New Non-Core Activities segment established as of Q4 2022 with focus on full exit
- Launch of new pure play strategies for Mining and Cement - CORE'26 and GREEN'26

Mining order intake increased 20% organically as a result of improved service activity compared to 2021. Including currency effects and the impact from the acquisition of Mining Technologies (ex-TK), order intake increased by 34%, comprising a 37% increase in service orders and a 30% increase in capital orders. Cement order intake increased 5% organically compared to 2021. Group order intake increased by 16% organically, driven by both Mining and Cement. Currency tailwinds and the acquisition of Mining Technologies (ex-TK) supported order intake in the quarter by 7% and 5%, respectively.

Group CEO, Mikko Keto, commented: *"We kickstarted our pure play strategy transformation in 2022, and we have already seen positive effects from some of the implemented changes during 2022. Throughout the year, our legacy FLSmidth Mining business showed a sustained strong growth in order intake and revenue especially due to improved Service activity. Cement has shown a stable performance and continued the positive trend of improving profitability, and thereby returned to positive EBITA. As a result of this, we delivered an improved performance in 2022 with Mining and Cement revenue growth of 29% and 7% over 2021, respectively. Revenue and EBITA margin for the Group, Mining, Cement and Non-Core Activities all ended in line with our latest FY 2022 guidance."*

Financial performance 2022

Mining revenue increased organically by 14% and by 29% including currency effects and the additional revenue coming from the acquisition of Mining Technologies (ex-TK). The adjusted Mining EBITA margin was 10.6%*. Including integration costs related to the Mining Technologies (ex-TK) acquisition of DKK 252m and costs of DKK 200m related to the exit of our activities in Russia, the reported Mining EBITA margin was 7.6%.

Cement revenue increased 2% organically and by 7% including favourable currency effects. Cement EBITA continued the positive trend seen during 2022, driven by the increased revenue and higher gross margin. Cement EBITA amounted to DKK 204m in 2022 compared to DKK -19m in 2021. The corresponding Cement EBITA margin was 3.3%, compared to -0.3% in 2021.

¹ Adjusted for FY 2022 integration costs of DKK 252m related to the Mining Technologies (ex-TK) acquisition and DKK 200m in costs related to the exit of our Russian activities

² Mining Technologies (ex-TK) refers to the former thyssenkrupp Mining business (TK Mining)

Consolidated Group organic revenue increased 11% driven mainly by Mining, while the EBITA margin decreased to 4.3% from 5.9%. Adjusted for the costs related to the exit of our Russian activities and integration costs related to the acquisition of Mining Technologies (ex-TK), the adjusted EBITA margin for the Group was 6.4% in 2022.

Acquisition of Mining Technologies (ex-TK) completed

On 31 August 2022, we successfully completed the acquisition of Mining Technologies (ex-TK). With this acquisition, FLSmidth is better positioned than ever before and we are highly dedicated to provide our customers with best-in-class full flowsheet technologies and service solutions to enhance their productivity and sustainability agenda. While the strategic rationale for the acquisition has been reconfirmed, additional cost synergy potential has been uncovered and the pace to realise this has been accelerated.

Highlights in Q4 2022

- Strong Mining service revenue growth of 45%
- Adjusted Mining EBITA margin of 12.4%³
- Cement EBITA margin increased to 4.3%
- Non-Core Activities EBITA loss of DKK 407m, in line with guidance

Mining order intake grew organically 5% compared to Q4 2021. Including currency effects and the impact from the acquisition of Mining Technologies (ex-TK), Mining order intake increased by 27%, equally driven by both a growth in Capital orders and in Service orders. Cement order intake in Q4 2022 decreased by 20% organically. Including currency effects, the Cement order intake in Q4 2022 decreased by 17%, mainly explained by a 37% decrease in Capital order intake compared to Q4 2021.

Mining revenue increased 6% organically and by 32% in total including currency effects and the acquisition of Mining Technologies (ex-TK). Cement revenue decreased by 14% organically compared to Q4 2021, due to supply chain challenges and a strong comparison quarter. Including currency effects, Cement revenue decreased by 11%.

Revenue for Non-Core Activities in 2022 amounted to DKK 503m and EBITA for Non-Core Activities amounted to DKK -407m, both in line with guidance. The EBITA loss included non-recurring exit costs of DKK 270m.

New Non-Core Activities segment (NCA) introduced as of Q4 2022

Following the integration of Mining Technologies (ex-TK), we conducted a planned strategic review of the combined mining product portfolio. As a result of this, it was decided to split our Mining business into two segments: a continuing Mining segment, and a Non-Core Activities segment effective from Q4 2022. This will ensure sharpened strategic focus and stronger execution of the continuing Mining activities that are key to accelerating our long-term profitability and growth. At the same time, we have decided to divest or wind-down non-core and unprofitable mining activities, and dedicated focus and resources will be allocated to ensure effective execution and to minimise losses from these activities.

³ Adjusted for Q4 integration costs of DKK 125m related to the Mining Technologies (ex-TK) acquisition and DKK 80m in costs related to the exit of our Russian activities

New pure play strategies introduced including new long-term financial targets

In connection with our Capital Markets Day, held on 18 January 2023, we officially launched our new pure play strategies for Mining and Cement including new long-term financial targets. Following the acquisition of Mining Technologies (ex-TK), our pure play approach and the establishment of a Non-Core Activities segment, we have gained improved visibility into each of our different businesses. Consequently, we introduced new long-term financial targets for the FY2026 with a core focus on quality of earnings and reduced earnings volatility. For the FY2026, we expect to deliver a 13-15% EBITA margin in Mining and an ~8% EBITA margin in Cement.

Group CEO, Mikko Keto, commented: *"With the launch of our new pure play strategies, we have now set clear directions and ambitions for our transformation journey including the long-term financial potential for both Mining and Cement. Key focus is to walk-the-talk to ensure strong strategy execution to the benefit of our employees, customers, society and shareholders"*.

Financial guidance 2023

The financial guidance for 2023 as set out on 18 January 2023 is maintained. Guidance for full year 2023 reflects continued improvement of the underlying legacy Mining business, integration of Mining Technologies (ex-TK) and the establishment of the Non-Core Activities segment.

Guidance 2023	Mining	Cement	Non-Core Activities	Consolidated Group
Revenue, DKKbn	16.0-17.0	6.0-6.5	0.8-1.0	23.0-24.5
Adj. EBITA margin	9-10%			6-7%*
EBITA margin		4-5%	Loss of ~DKK 250-350m	4-5%

* Consolidated Group adj. EBITA margin is not adjusted for the loss in Non-Core Activities

Mining

Following a strong 2022, we expect market growth in 2023 to remain largely stable versus 2022. The former Mining Technologies (ex-TK) business is expected to contribute with less than DKK 3bn in revenue in 2023 and is expected to have a dilutive effect on the full year 2023 adjusted Mining EBITA margin of around 2%-points. Guidance for Adjusted EBITA margin includes adjustments for integration costs of around DKK 550m for the full year 2023.

Cement

Short-term outlook for the cement industry remains impacted by overcapacity and the potential recession is expected to impact market demand negatively over the coming period.

Non-Core Activities

Non-Core Activities EBITA margin guidance for 2023 reflects the operationally loss-making nature of the business as well as costs related to contract negotiations aimed at reducing the scope of the Non-Core Activities order backlog.

Consolidated Group

Consolidated Group guidance reflects the sum of the guidance for the three business segments. Guidance for Adjusted EBITA margin includes adjustments for integration costs of around DKK 550m for the full year 2023. Guidance for 2023 is subject to uncertainty due to the global supply chain situation, potential recession and geopolitical turmoil.

The Board of Directors will at the Annual General Meeting on 29 March 2023 propose a dividend of DKK 3 per share for 2022, corresponding to a pay-out ratio of 49%, in line with our targeted pay-out ratio, to be distributed in 2023.

Earnings call

A presentation of the results will take place on **22 February 2023 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 77 41 97, UK: +44 0 808 101 1183 or US: +1 785 424 1738.

Please use the PIN code: 30 87 4 #

Consolidated key figures 2022

(DKK M)	Q4 2022	Q4 2021	Change (%)	FY 2022	FY 2021	Change (%)
Order intake (gross)	6,011	5,084	18%	24,644	19,233	28%
- of which service order intake	3,425	2,770	24%	14,458	11,162	30%
<i>Service order intake share</i>	<i>57%</i>	<i>54%</i>		<i>59%</i>	<i>58%</i>	
Order backlog	23,541	16,592	42%	23,541	16,592	42%
Revenue	6,495	5,135	26%	21,849	17,581	24%
- of which service revenue	3,801	2,796	36%	12,933	10,094	28%
<i>Service revenue share</i>	<i>59%</i>	<i>54%</i>		<i>59%</i>	<i>57%</i>	
Gross profit	1,294	1,151	12%	5,076	4,180	21%
Gross profit margin	19.9%	22.4%		23.2%	23.8%	
Adjusted EBITA*	205	n/a		1,395	n/a	
Adjusted EBITA margin*	3.2%	n/a		6.4%	n/a	
EBITA	0	338	-100%	943	1,030	-8%
EBITA margin	0.0%	6.6%		4.3%	5.9%	
Profit	(67)	161	-142%	352	357	-1%
CFFO	776	849		968	1,449	
Free cash flow	660	752		(1,342)	1,176	
Net working capital	1,893	1,058	79%	1,893	1,058	79%
Net interest-bearing debt	(726)	889		(726)	889	

*Adjusted for integration costs related to the Mining Technologies (ex-TK) acquisition and costs related to the exit of our Russian activities

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About FLSmidth

FLSmidth is a full flowsheet technology and service supplier to the global mining and cement industries. We enable our customers to improve performance, lower operating costs and reduce environmental impact. 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