

FLSmidth & Co. Group Annual Report for 2023

Strong transformation progress leading to improved financial performance with an adjusted Mining EBITA margin of 10.8% for FY2023

Highlights in FY2023

- Mining service order intake increased by 3% in 2023 reflecting stable market conditions
- Adjusted Mining EBITA margin of 10.8% driven by better-than-expected Mining Technologies integration, ongoing transformation and synergy take-out
- Solid improvement in underlying Cement profitability with an EBITA margin of 6.7%¹
- Decision to explore divestment options for the Cement business announced in January 2024
- Exit from the Non-Core Activities (NCA) segment continuing at an accelerated pace
- Positive cash flow from operations of DKK 623m

Mining order intake decreased 5% organically in 2023, driven by Products. This development reflects our ongoing transformation efforts and market conditions. Currencies had a 4% negative impact on Mining order intake for the year. 2022 only included four months of Mining Technologies activities and the establishment of the NCA segment as of Q4 2022, whereas 2023 reflects the full year impact of Mining Technologies activities, the NCA segment and our exit from Russia. Mining service order intake increased by 3% in 2023 reflecting stable market conditions with a continued healthy activity level and demand for especially spare parts and consumables.

Cement order intake declined by 26% in 2023, mainly due to Products, which decreased by 40% compared to 2022 driven in part by the implementation of our GREEN'26 Cement strategy, which includes de-risking and product portfolio pruning, as well as adverse effects from market conditions. Cement Service order intake decreased 16% due to lower orders for consumables and Upgrades & Retrofits. Organically, Cement order intake decreased by 24%.

Non-Core Activities order backlog amounted to DKK 0.5bn by the end of 2023, representing a decrease of DKK 3.1bn since the establishment of the NCA segment as of Q4 2022. The decrease reflects the divestment to KOCH Solutions, execution of the order backlog as well as continued re-scoping and contract terminations.

Group CEO, Mikko Keto, commented: *"2023 has been yet another dynamic year for FLSmidth where we have continued to deliver on our key transformation activities. Driven by the hard work of all our dedicated employees, we have continued to improve our business performance amidst an everchanging business environment. Since the launch of our pure play strategies for Mining and Cement in early 2023, we have maintained a relentless focus on ensuring a strong integration of Mining Technologies, simplifying our business, optimising our operations and improving our profitability."*

Financial performance 2023

Mining revenue increased organically by 18% and by 13% including currency effects. Mining EBITA was impacted by costs related to the integration of Mining Technologies of DKK 481m. Adjusted for these costs, the EBITA margin was 10.8%. The positive development was driven by positive effects from our ongoing transformation efforts including a better-than-expected integration of Mining Technologies and accelerated cost synergy takeout.

1. Includes a one-off net gain of DKK 102m from the sale of the AFT business in July 2023

Cement revenue decreased by 3% compared to 2022. Organically, Cement revenue decreased by 1%. Service revenue decreased by 8% due to the continued challenging market conditions as well as the divestment of the AFT business, while Products revenue increased by 3% compared to 2022 as a result of good backlog execution. EBITA increased by 100% compared to 2022, mainly as a result of the net gain from the divestment of the AFT business as well as relatively lower SG&A costs due to the ongoing transformation efforts. The corresponding EBITA margin was 6.7% compared to 3.3% in 2022.

NCA revenue amounted to DKK 951m in 2023 compared to DKK 503m in 2022, which only contained 3 months of NCA revenue. EBITA in 2023 amounted to DKK -345m with a corresponding EBITA margin of -36.3% reflecting the operationally loss-making nature of the NCA business and costs related to the exit.

Consolidated Group organic revenue increased 10% and the EBITA margin increased to 6.0% from 4.3%. Adjusted for the integration costs related to the acquisition of Mining Technologies, the adjusted EBITA margin for the Group was 8.0% in 2023.

Integration, synergies and transformation

During the year, we have successfully improved our legacy Mining business, while at the same time managed to integrate Mining Technologies ahead of our initial expectations. As a result, we have raised the total annual cost synergy takeout from the acquisition to around DKK 600m against the initial expectations at the time of the acquisition of around DKK 360m.

We have continued to simplify, de-risk and right-size our Cement business to improve profitability and make it "fit-for-purpose" with a strategic focus on the core products and services required in the cement industry.

The exit from Non-Core Activities continued to progress at an accelerated pace. Since the NCA segment was established in Q4 2022, we have reduced the order backlog by more than 85% and we are well on track for a full exit by the end of 2024. We still expect a total loss of around DKK 1bn over the exit period. This is an important achievement, as it paves the way for a more streamlined and profitable FLSmidth in the future.

Embracing a future as two companies

As part of the pure play separation process between Mining and Cement, we have assessed different business models, investment scenarios and potential ownership structures. Based on these assessments, we have concluded that the Cement business in the longer-term could benefit from an alternative ownership than FLSmidth's. By pursuing a separate ownership, our objectives are to unlock the full potential of each of the businesses and thereby maximise shareholder value.

The process of exploring divestment options for the Cement business has been initiated, however any transaction is of course not guaranteed. Until further notice, the Cement business will continue to execute on its 'GREEN'26' strategy and work towards the long-term financial target that has been set for the business.

Financial performance Q4 2023

Mining order intake decreased by 22% compared to Q4 2022, reflecting a stable Service market and very large Products orders in Q4 2022. Excluding currency effects, the Mining order intake decreased by 18%. Mining revenue increased by 2% in the quarter and the adjusted EBITA margin was 11.8% when excluding integration costs related to the acquisition of Mining Technologies of DKK 138m. This was driven by continued

strong execution and positive effects from our ongoing transformation efforts, including a strong integration of Mining Technologies.

Cement order intake decreased by 15% in Q4 2023 compared to Q4 2022, reflecting continued challenging market conditions and product pruning. Excluding currency effects, order intake decreased by 13%. Cement revenue decreased by 14% in the quarter. EBITA increased by 47%, primarily a result of relatively lower SG&A costs due to positive effects from our ongoing transformation efforts including non-recurring one offs related to the ongoing rightsizing. The corresponding EBITA margin improved by 3.1%-points to 7.4% in Q4 2023.

Non-Core Activities order intake amounted to DKK 8m in Q4 2023, which related to contractual obligations and parts already in stock. NCA revenue amounted to DKK 94m in Q4 2023. EBITA amounted to DKK -83m driven by the negative gross profit and costs related to the ongoing exit of the activities in the segment.

Financial guidance 2024

Our guidance for the full year 2024, as set out in the Company Announcement no. 2-2024 on 29 January 2024, is maintained. The guidance reflects the ongoing business simplification and transformation efforts, continued improvement in the core Mining business, realisation of the full cost synergies from the Mining Technologies acquisition, continued profitability progress in the underlying Cement business and the ongoing exit from the Non-Core Activities segment.

Guidance 2024	Mining	Cement	Non-Core Activities	Consolidated Group
Revenue, DKK	16.0-17.0bn	4.0-4.5bn	250-350m	20.0-21.5bn
Adj. EBITA margin	11.5-12.5%	5.5-6.5%		9.0-10.0%
EBITA margin			Loss of DKK 200-300m	7.5-8.5%

Mining

Compared to 2023, we expect market demand to be softer in 2024, mainly driven by the Products business due to some customers delaying larger investment decisions. However, the mining industry continues to benefit from a positive long-term outlook for minerals crucial to global economic development and the green transition. Guidance for adjusted EBITA margin includes adjustment for transformation and separation costs of around DKK 200m for the full year 2024. The adjusted EBITA margin is impacted by the realization of the full cost synergies from the Mining Technologies acquisition, cost base inflation and re-investment of parts of the synergies into key commercial areas to support our CORE'26 strategy and to fuel our long-term growth ambitions.

Cement

We expect the short-term outlook for the cement industry to remain impacted by macroeconomic uncertainty. The guidance for revenue and adjusted EBITA margin reflects the ongoing execution of the 'GREEN'26' strategy, continued business simplification and product portfolio pruning, including the expected closing of sale of the MAAG gears and drives business during Q1 2024. Further, the guidance for adjusted EBITA margin includes adjustment for transformation and separation costs of around DKK 100m for the full year 2024.

Non-Core Activities

The guidance for revenue reflects continued execution of the order backlog and contract negotiations aimed at reducing the scope of the remaining Non-Core Activities order backlog. The EBITA margin guidance reflects the operational lossmaking nature of the business as well as costs related to finalise the exit of the business segment by end of 2024.

Consolidated Group

The Consolidated Group guidance reflects the sum of the guidance for the three business segments. The guidance for 2024 is subject to uncertainty due macroeconomic uncertainty and geopolitical turmoil.

Earnings call

A video-webcast presentation of the results will take place on **21 February 2024 at 11:00 CET**. Mr. Mikko Keto (Group CEO), Mr. Roland M. Andersen (Group CFO) and Mr. Joshua Meyer (Mining, Service Business Line President) will comment on the report and provide an update on the strategic 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 video-webcast

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

If you wish to ask questions during the Q&A-session, please sign up [here](#). After registration, you will receive phone numbers, pin codes and a calendar invite. Please note that you will receive two codes (a pass code and a PIN code), both of which are needed when dialling into the webcast.

Presentation slides

The presentation slides will be made available shortly before the scheduled start of the video-webcast call at www.flsmidth.com/reports-and-presentations.

Consolidated key figures 2023

(DKKm)	Q4 2023	Q4 2022	Change (%)	FY 2023	FY 2022	Change (%)
Order intake (gross)	4,620	6,011	-23%	21,376	24,644	-13%
- of which service order intake	3,307	3,425	-3%	14,183	14,458	-2%
<i>Service order intake share</i>	<i>72%</i>	<i>57%</i>		<i>66%</i>	<i>59%</i>	
Order backlog	17,593	23,541	-25%	17,593	23,541	-25%
Revenue	5,968	6,495	-8%	24,106	21,849	10%
- of which service revenue	3,283	3,801	-14%	14,236	12,933	10%
<i>Service revenue share</i>	<i>55%</i>	<i>59%</i>		<i>59%</i>	<i>59%</i>	
Gross profit	1,557	1,294	20%	6,087	5,076	20%
Gross profit margin	26.1%	19.9%		25.3%	23.2%	
Adjusted EBITA	549	205	168%	1,919	1,395	38%
Adjusted EBITA margin	9.2%	3.2%	6.0%p	8.0%	6.4%	1.6%p
EBITA	412	0		1,438	943	
EBITA margin	6.9%	0.0%	6.9%p	6.0%	4.3%	1.7%p
Profit	18	(67)	n/a	491	352	39%
CFFO	931	776		623	968	
Free cash flow	727	660		366	(1,342)	
Net working capital	1,382	1,893		1,382	1,893	
Net interest-bearing debt	(639)	(726)		(639)	(726)	

Contacts:

Investor Relations

Jannick Lindegaard Denholt, +45 21 69 66 57, jli@flsmidth.com

Andreas Escherich Holkjær, +45 24 85 03 84, andh@flsmidth.com

Therese Møllevinge, +45 41 37 16 38, tmo@flsmidth.com

Media Relations

Rasmus Windfeld, +45 40 44 60 60, rwin@flsmidth.com

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