10 February 2021

ANNUAL REPORT 2020

FLSmidth
Mission Zero

FLSmidth

Key highlights

Q4 2020 vs. Q3 2020

- Order intake, revenue and EBITA increased
- Reduction in net working capital and net debt

2020 vs. 2019

- Revenue and EBITA impacted by pandemic
- Organic order intake in line with 2019
- Strong cash flow

MARKET OUTLOOK

- Short-term recovery expected in Mining
- Mid-term recovery expected in Cement
- Continued pandemic impact in H1 2021

2021 GUIDANCE AND DIVIDEND

- Revenue DKK 15.5-17.0bn
- EBITA margin 5-6%
- Proposed dividend DKK 2 per share

Key events

Epidemic to pandemic
- Our organisation has proven its competence in handling a crisis and adapting

Customers
- Four large orders in Mining and Cement with a combined value of DKK 3.2bn
- > 100% growth in remote services

Sustainability, digitalisation and innovation
- Partnerships with for example VICEM and TITAN Cement
- Launch of the clay calciner system, a new MissionZero flagship innovation
- Commitments to Science Based Targets (January 2021)

Acquisitions and divestments
- Acquisition of Mill-Ore Group and KnowledgeScape (Mining)
- Sale of fabric filter technology and Möller pneumatic conveying systems business (Cement)
- Ongoing negotiations regarding an acquisition of ThyssenKrupp's mining business

Business improvement
- Group business improvement programme completed: EBITA run-rate of DKK 150m annually
- Reshaping of Cement (continuing)

2020 Mining market and revenue

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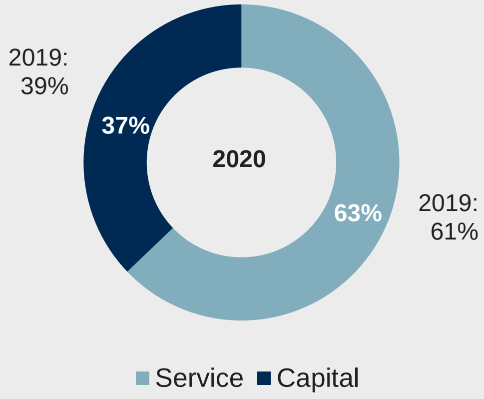
MINING MARKET

- Strong correlation between pandemic and business activity
- Despite good industry fundamentals, large capital investments have been deferred due to pandemic uncertainty
- Site shutdowns in April/May but production rates have come back to high levels
- Travel restrictions and limited site access has continued to impact on-site technical services, resulting in slower demand
- Currently 97% of mine sites in operation and commodity prices at a good level
- Our regional structure and agile supply chain are serving us well

MINING REVENUE

-13% vs. 2019 (organic -7%)



	2020	2019
EBITA margin (%)	8.4%	9.6%

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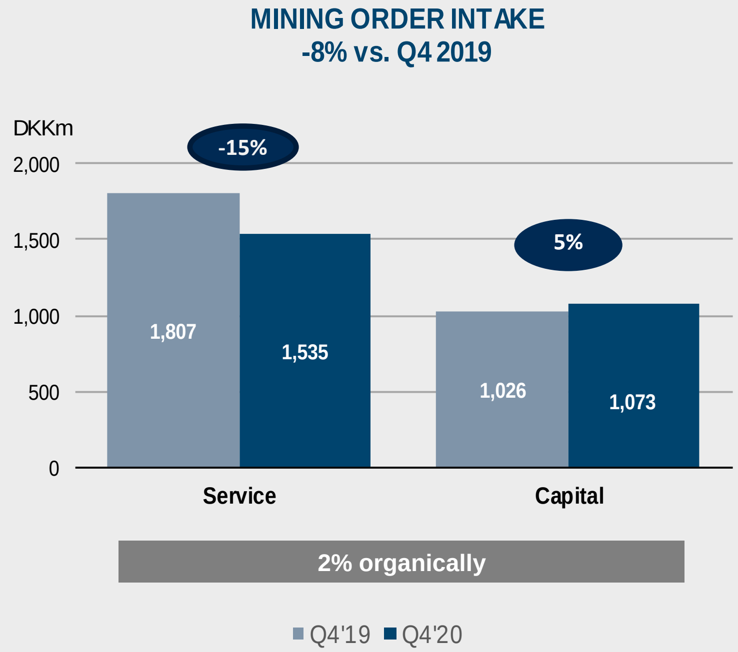
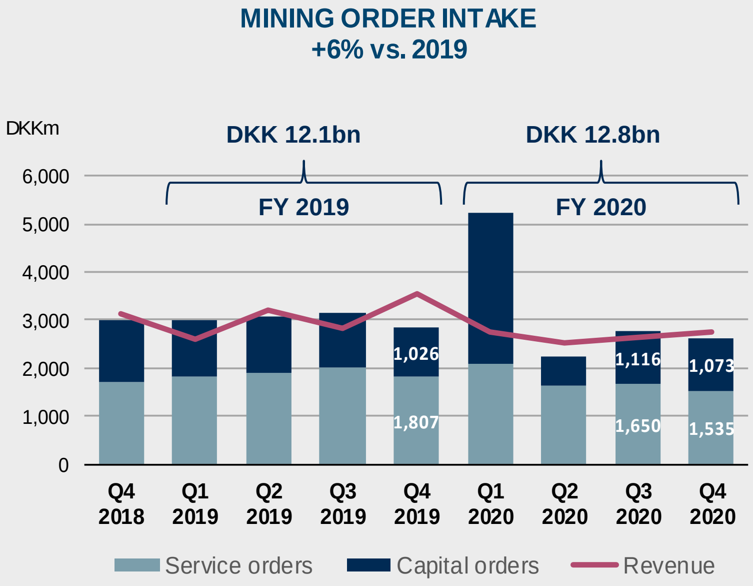
Q4 Mining order intake decreased 8%

2020 Mining order intake increased 6%





- Organic growth was 13% in 2020
- The service share in 2020 was 54% (2019: 62%)

2020 Cement market and revenue

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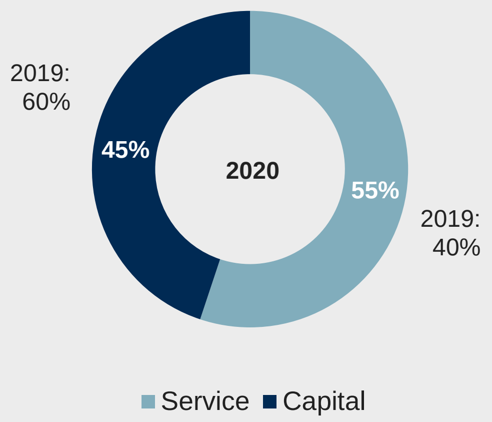
CEMENT MARKET

- Strong correlation between pandemic and business activity
- Non-critical investments deferred, based on lower production rates and pandemic uncertainty
- Spare and wear parts demand impacted by reduced production rates
- 95% of cement plants currently in operation, but many running at reduced capacity
- Our regional structure and agile supply chain are serving us well

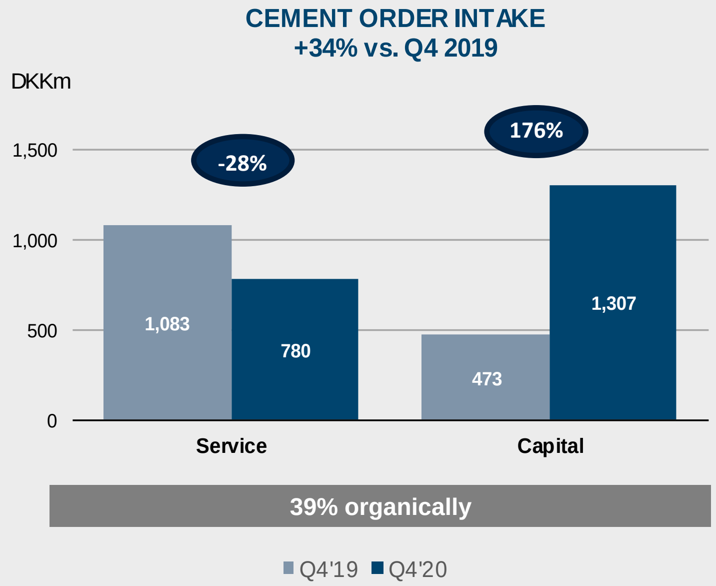
CEMENT REVENUE

-31% vs. 2019 (organic -30%)



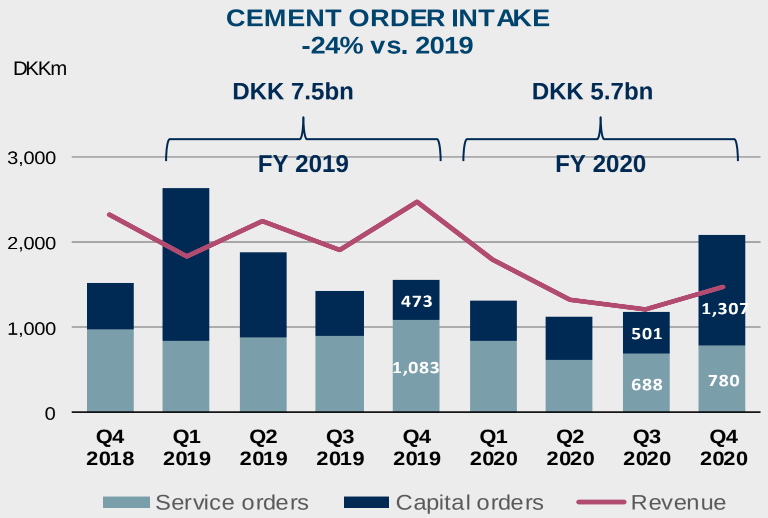
	2020	2019
EBITA margin (%)	-2.0%	5.7%

Q4 Cement order intake increased 34%



- Q4 2020 included a large Ethiopian order, valued at around DKK 750 million

2020 Cement order intake decreased 24%



- Organic growth was -22% in 2020
- The service share in 2020 was 51% (2019: 50%)

Financial performance in 2020

(DKKm)	2020	2019	Change
Order intake	**18,524**	**19,554**	**-5%**
Revenue	**16,441**	**20,646**	**-20%**
Gross margin	23.5%	23.5%	
SG&A	(2,731)	(2,841)	
EBITA	**771**	**1,663**	**-54%**
EBITA margin	4.7%	8.1%	
Financial costs net	(47)	(118)	
Tax	(155)	(373)	
Profit/loss, continuing activities	226	798	
Profit/loss, discontinued activities	(21)	(22)	
Profit/loss for the Group	**205**	**776**	**-74%**
ROCE	**5.1%**	**10.9%**	
Employees (Group)	10,639	12,346	-14%

- Organic order intake was in line with last year, comprising a growth in Mining and a decrease in Cement
- Revenue declined 16% organically due to a severe pandemic impact and a low Cement backlog entering the year
- EBITA margin adjusted for business improvement and Cement reshaping costs was 5.9% in 2020
- ROCE decreased to 5.1% due to the lower EBITA for the year

Q4 revenue decreased 24% organically y-o-y

2020 revenue decreased 16% organically

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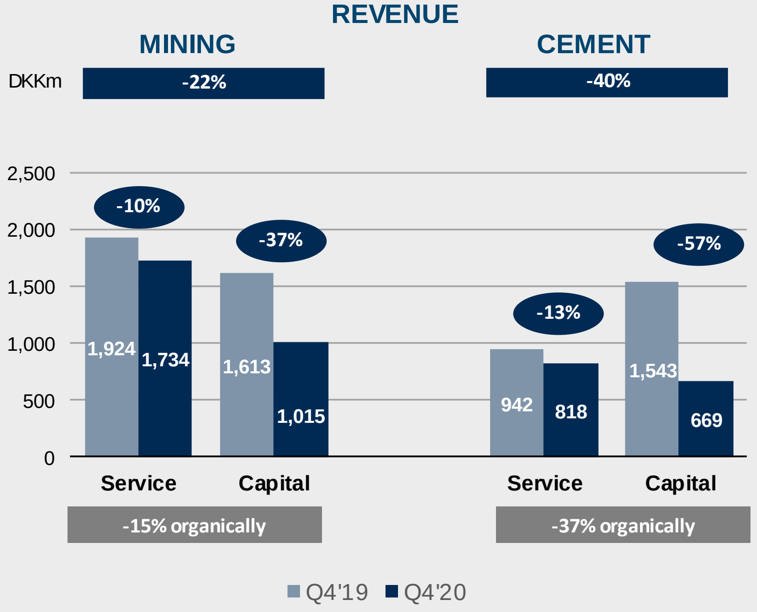
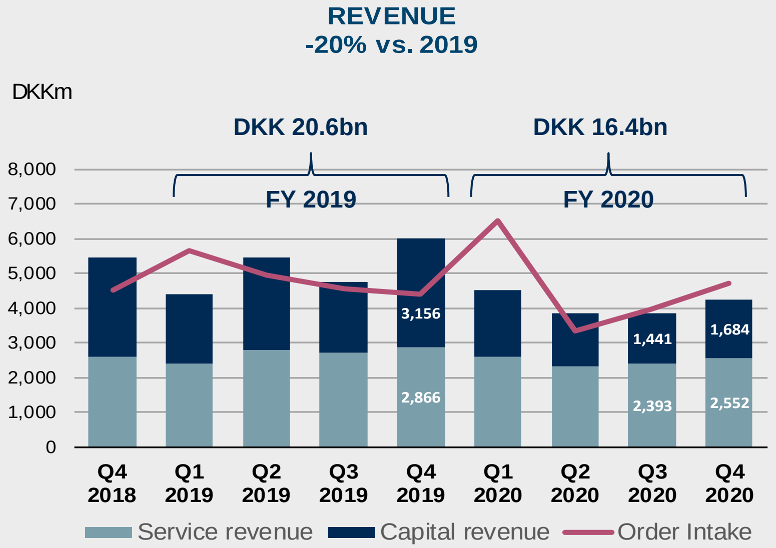


- Organic Mining service revenue was largely in line with 2019



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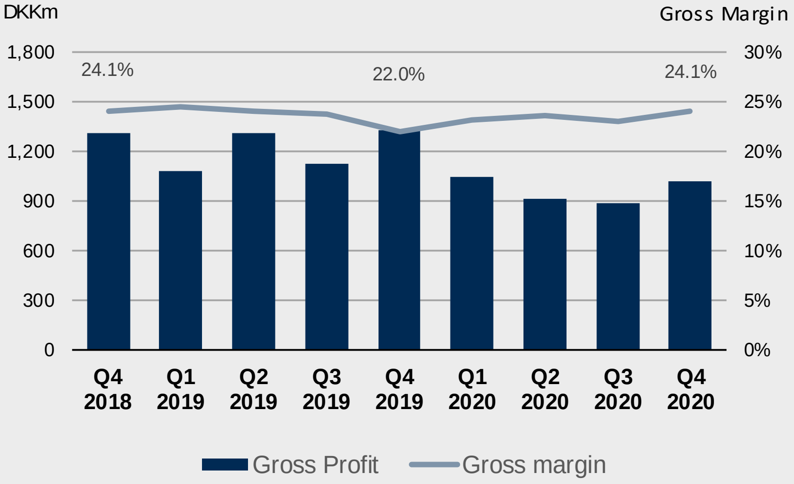
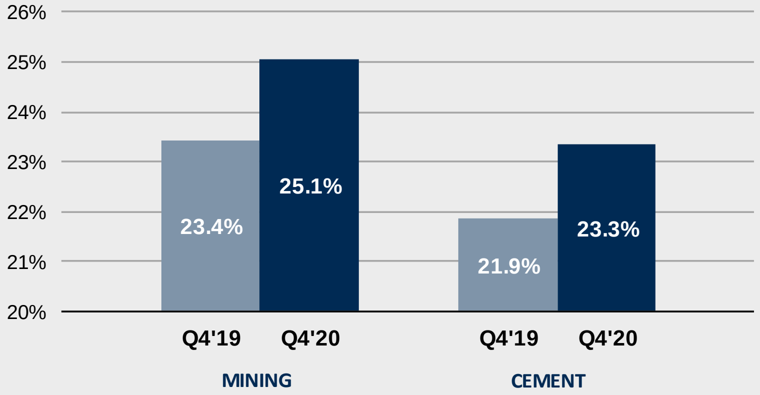
Improved gross margin

GROSS PROFIT
-23% vs. Q4 2019



GROSS MARGIN BY INDUSTRY
Q4 2020 vs. Q4 2019



- Gross margin improved in both Mining and Cement due to a higher share from service and business improvement activities

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SG&A costs down 8% y-o-y

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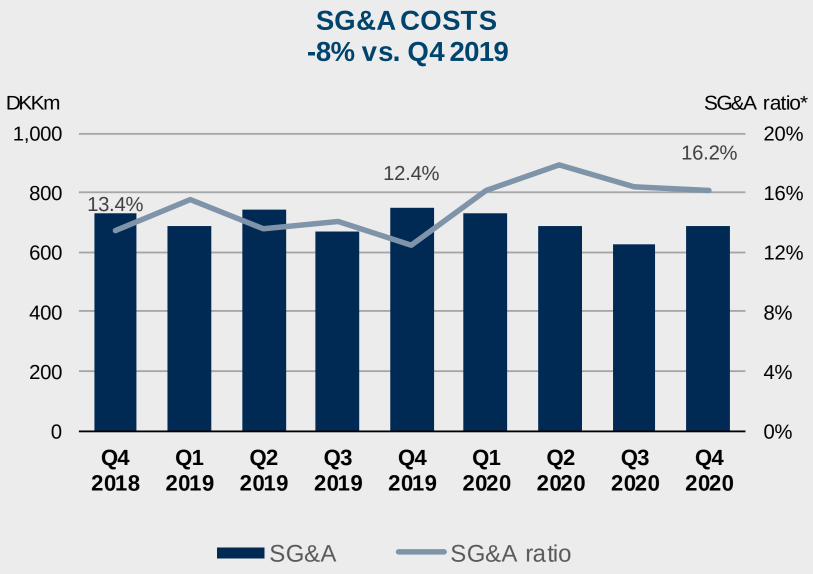

* SG&A ratio: SG&A costs (Sales, General and Administration) as percentage of revenue

- SG&A costs down 8% to DKK 685m, from DKK 747m in Q4 2019
- SG&A ratio was up to 16.2% of revenue in Q4 2020 from 12.4% in Q4 2019, due to the sharp decline in revenue
- Compared to Q3 2020 SG&A in Q4 was negatively impacted by currency and included Cement reshaping costs, increased digital spend and M&A activities, largely explaining the higher level of SG&A

Q4 EBITA increased by 33% compared to Q3 2020

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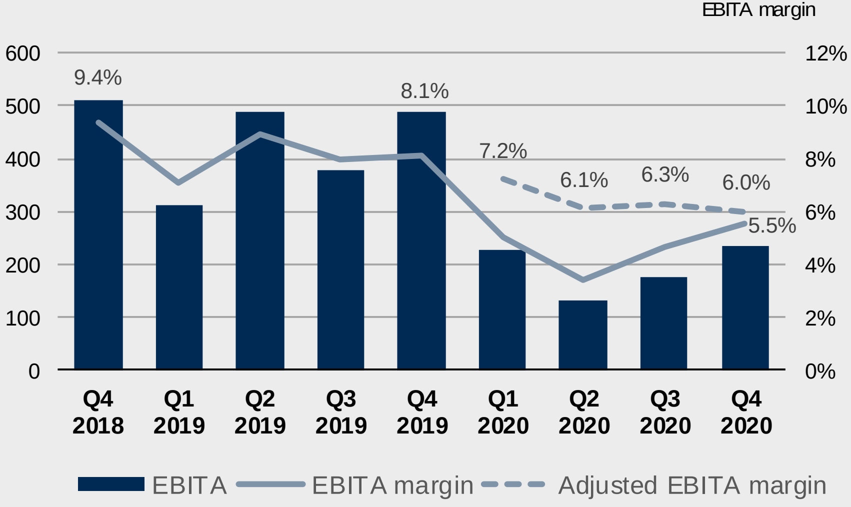
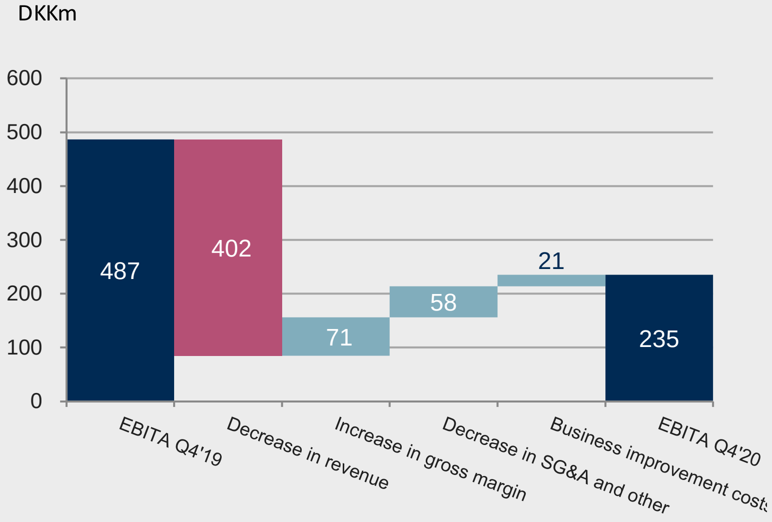
EBITA
-52% vs. Q4 2019



- Excluding Cement reshaping costs the EBITA margin was 6.0%

EBITA BRIDGE
Q4 2020 vs. Q4 2019



- Net COVID-19 costs/savings were insignificant in the quarter
- EBITA improvement from the Group Business improvement programme of DKK 150m/4 included in the gross margin and the SG&A components in the bridge

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DKK 1bn reduction in net working capital in 2020

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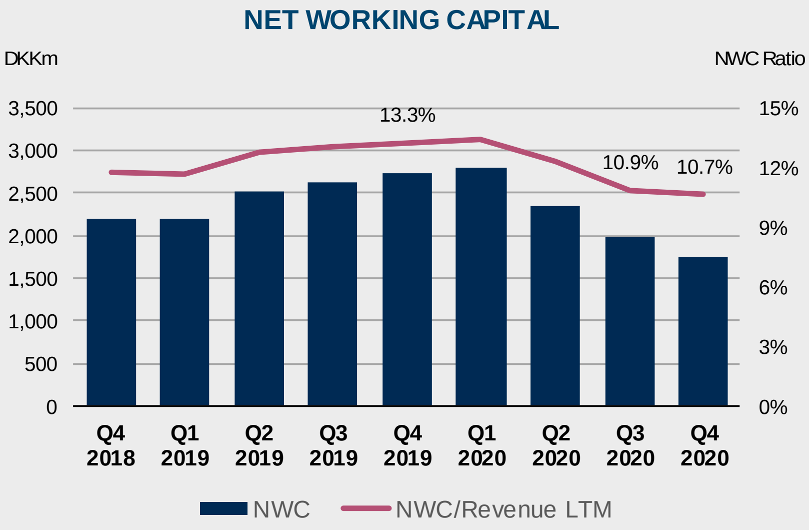


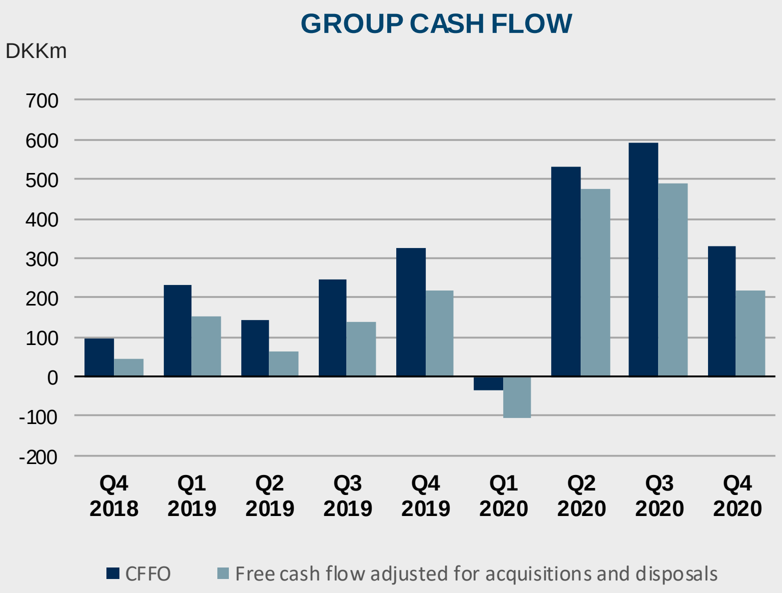
- NWC at the end of Q4 was 10.7% of the last 12 months revenue

Net working capital developments in 2020

DKKm	End of 2020	End of 2019	Change
Inventories	**2,368**	2,714	(346)
Trade receivables	**3,453**	5,068	(1,615)
Trade payables net	**(2,722)**	(3,759)	1,037
WIP assets net	**341**	1,034	(693)
Prepayments from customers	**(1,266)**	(1,768)	502
Other liabilities net	**(422)**	(550)	128
NWC Total	**1,752**	2,739	(987)

- DKK 158m of the 987m decrease in NWC related to currency effects
- Significantly reduced utilisation of supply chain financing

Cash flow in 2020
- Continuing activities and Group



CONTINUING ACTIVITIES (DKKm)	2020	2019
EBITDA adjusted	**1,086**	**2,012**
Change in provisions	78	(122)
Change in NWC	724	(390)
Financial payments	(51)	(50)
Taxes paid	(364)	(311)
CFFO (continuing activities)	**1,473**	**1,139**

Group (DKKm)	2020	2019
CFFO (Group)	**1,421**	**948**
CFFI excl. acquisitions & disposals	(339)	(374)
Acquisitions & disposals	(37)	(287)
CFFI	**(376)**	**(661)**
Free cash flow	1,045	287
Free cash flow, adjusted for M&A	**1,082**	**574**

Capital structure well in line with our targets

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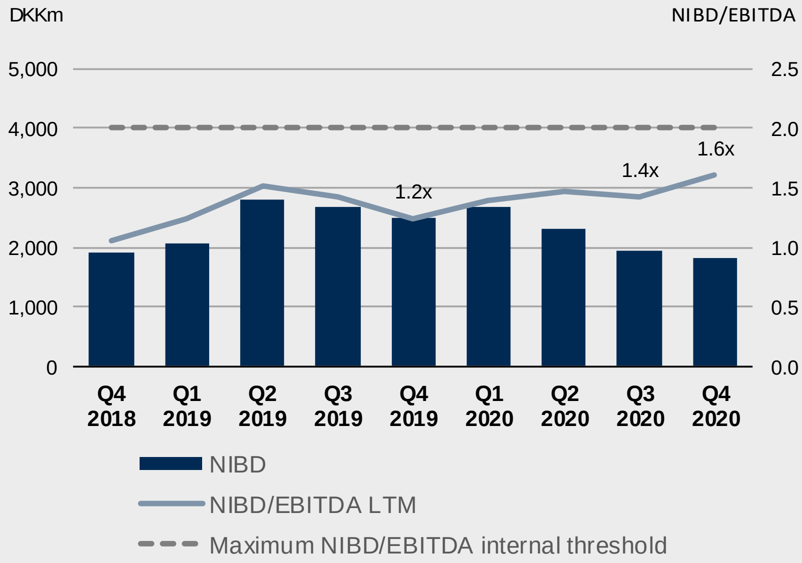
EQUITY
Equity ratio 39.7%

NIBD
NIBD/EBITDA 1.6x



- Compared to Q3, net debt decreased by DKK 128m to DKK 1,808m in Q4

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2021 Industry outlook

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MINING

- Positive outlook and fundamentals
- Green transition to drive minerals demand
- Strong correlation between pandemic and business activity
- Pandemic expected to limit activity in H1 2021
- Revenue and EBITA expected to grow from the second half of 2021
- Lower expected service share vs. 2020 based on backlog
- 2021 profitability supported by business improvement activities carried out in 2020
- Increased process efficiency and reliability through digitalisation

CEMENT

- Structural change in cement market accelerated by ongoing pandemic
- Mid-term recovery expected for Cement
- Digitalisation and need for green cement provide a positive mid- to long-term outlook
- Revenue expected to decline in 2021 based on low backlog and pandemic impact
- Cement not expected to be EBITA positive in 2021 based on continued Cement reshaping costs and low capacity utilisation in the service business until pandemic eases

2020-2021 revenue and EBITA margin bridge

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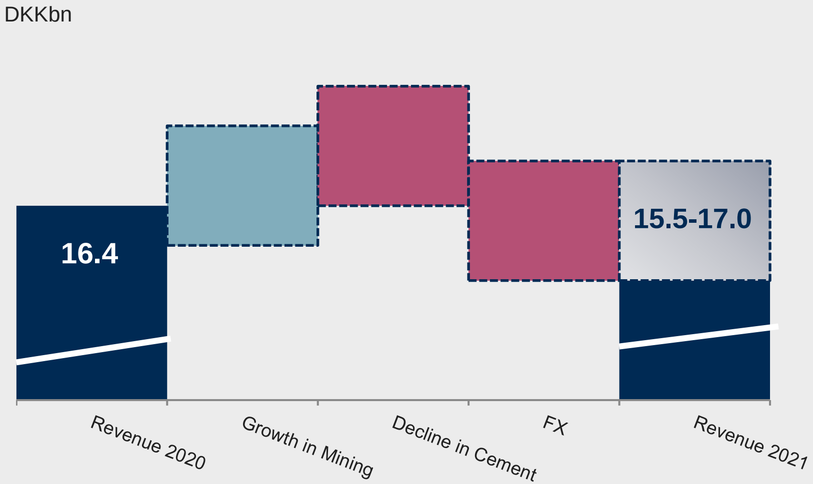
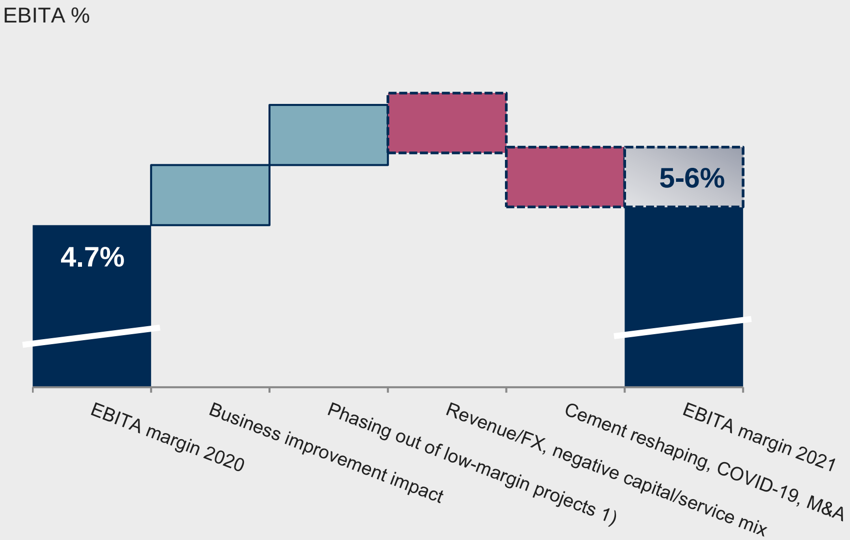
REVENUE BRIDGE (ILLUSTRATIVE)



EBITA MARGIN BRIDGE (ILLUSTRATIVE)



1) As announced in Q3 2019

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Financial outlook

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Group guidance	Realised 2020	Guidance 2021
Revenue (DKK bn)	16.4	15.5-17.0
EBITA margin	4.7%	5-6%

- Pandemic impact expected to continue in H1 2021 with a gradual improvement in business sentiment in H2 2021
- Guidance ranges for 2021 are subject to uncertainty due to the pandemic

Mid- and long-term financial targets withdrawn

- Cement industry dynamics have diverged from those of the mining industry
- Structural changes in the cement industry with no short- to mid-term recovery anticipated
- Growth delayed by the pandemic
- The above has increased uncertainty around the target levels and the timing for achieving our mid- and long-term financial targets
- Targets for capital structure, including financial gearing, equity ratio and dividend policy remain unchanged
- We will resume communication on the longer-term prospects for Mining and Cement when we have sufficient visibility

Inhouse sustainability performance 2020

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SAFETY (TRIR)	WOMEN MANAGERS	RELATIVE CARBON FOOTPRINT (tonnes/DKKm revenue)	SUPPLIERS ASSESSED
1.0	**13.1%**	**2.2**	**390**
Target 2020: ≤ 2.5	Target 2020: 12.5%	2019: 2.6	2019: 689

Achievements during the quarter

- Continued progress on our safety performance, with TRIR decreasing from 1.6 in 2019 to 1.0 in 2020
- Number of women managers increased to 13.1%
- Relative carbon footprint down to 2.2 tonnes per DKKm revenue, compared to 2.6 tonnes per DKKm revenue in 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

New 2030 sustainability targets and commitment to TCFD[1] and Science Based Targets

FLSmidth Mission Zero

	2030 Ambition	2030 Targets	
SAFETY	• Zero Harm	• TRIR : 10% Y-o-Y	
PEOPLE	• A diverse and inclusive organisation	• 25 % of Women Managers • 30 % of Women white collar	
ENVIRONMENT	• Enable Zero Emissions	Scope 1 -2 *(own operations) :* **carbon neutral**	Scope 3 *(customers) :* **7% YoY improvement economic intensity**
SUPPLIER MANAGEMENT	• Reduced supplier footprint	• Supplier setting Science Based Targets – 30% of spend	
COMPLIANCE	• Safeguard standards	• All business partners under monitoring	
HUMAN RIGHTS	• Transparency and compliance	• All suppliers adhere with our policy	

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Science Based Targets: Inventory completed and targets submitted
TCFD: First analysis completed together with EY

[1]Task Force for Climate Related Financial Disclosure

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INNOVATION IN MINING AND CEMENT

FLSMIDTH ENABLR

DIGITAL SOLUTIONS
TO POWER YOUR PRODUCTIVITY

ECS/PROCESSEXPERT® V8.5

SELF-LEARNING CONTROL SOLUTIONS BASED ON ARTIFICIAL INTELLIGENCE

New cognitive technologies empowers productivity and sustainability

Intelligent process control solutions stabilise and optimise processes, enabling increased use of alternative fuels, 5% lower energy consumption and increased production of up to 6% – whilst maintaining product quality

Related to MissionZero goals

Zero emissions

Zero energy waste

THE CHALLENGE
Reduce the environmental impact by optimising the plant to achieve maximum efficiency and higher profitability, while reducing consumption of energy and fuels

THE SOLUTION
State-of-the-art process optimisation and artificial intelligence enables the site to raise production, reduce costs and extend equipment life

THE BENEFITS
- Increased production and energy efficiency
- Reduced downtime, equipment wear and maintenance costs

Key messages

Messages

+

- Cash focus delivered strong results
- Sequential improvement in financial performance
- Strong regional setup has proven beneficial
- Agile supply chain
- Opportunity within digital and sustainable solutions

–

- Continued negative impact from the pandemic
- Reshaping our Cement business to be profitable as no mid-term recovery is expected for the cement market

Management focus (customers, costs & cash)

2021

- Navigate the pandemic
- Further strengthening of industry setup
- Cash, costs and pricing
- Customer relationships

Ongoing

- Customers
- Sustainability and MissionZero
- Innovation and digitalisation
- Standardisation and modularisation

Key highlights

Annual Report 2020

Continued negative impact from pandemic

More positive outlook for mining than cement

Strong cash flow

Revenue, order intake and EBITA improved compared to Q3 2020

Guidance 2021

Revenue: DKK 15.5-17.0bn

EBITA margin: 5-6%

FLSMIDTH 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**

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- 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.

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Group

(DKKm)	Q4 2020	Q4 2019	Change	2020	2019	Change
Order Intake	**4,695**	**4,389**	**7%**	**18,524**	**19,554**	**-5%**
- Service order intake	2,316	2,890	-20%	9,822	11,250	-13%
Order Backlog	14,874	14,192	5%	14,874	14,192	5%
Revenue	**4,236**	**6,022**	**-30%**	**16,441**	**20,646**	**-20%**
- Service revenue	2,552	2,866	-11%	9,884	10,777	-8%
Gross profit	1,022	1,327	-23%	3,865	4,849	-20%
Gross margin	24.1%	22.0%		23.5%	23.5%	
EBITA	235	487	-52%	771	1,663	-54%
EBITA margin	**5.5%**	**8.1%**		**4.7%**	**8.1%**	
EBIT	145	393	-63%	428	1,286	-67%
EBIT margin	3.4%	6.5%		2.6%	6.2%	

Cash flow statement

Group (DKKm)	**2020**	**2019**
EBITDA continuing adjusted	**1,086**	**2,012**
EBITDA discontinued	(15)	(16)
Change in provisions	63	(230)
Change in NWC	706	(448)
Financial payments	(51)	(59)
Taxes paid	(368)	(311)
CFFO (Group)	**1,421**	**948**
CFFI excl. acquisition & disposals	(339)	(374)
Acquisition & disposals	(37)	(287)
CFFI	**(376)**	**(661)**
Free cash flow	**1,045**	**287**
CFFO (continuing activities)	1,473	1,139
CFFO (discontinued activities)	(52)	(191)

Group (DKKm)	**Q4 2020**	**Q4 2019**
EBITDA continuing adjusted	**255**	**548**
EBITDA discontinued	(4)	(3)
Change in provisions	66	55
Change in NWC	161	(138)
Financial payments	(1)	(25)
Taxes paid	(148)	(113)
CFFO (Group)	**329**	**327**
CFFI excl. acquisition & disposals	(109)	(110)
Acquisition & disposals	12	18
CFFI	**(97)**	**(92)**
Free cash flow	**232**	**235**
CFFO (continuing activities)	361	369
CFFO (discontinued activities)	(32)	(42)

Cash flow in Q4 2020

- Continuing activities and Group

CONTINUING ACTIVITIES (DKKm)	**Q4 2020**	**Q4 2019**
EBITDA adjusted	**255**	**551**
Change in provisions	71	84
Change in NWC	182	(138)
Financial payments	(1)	(15)
Taxes paid	(146)	(113)
CFFO (continuing activities)	**361**	**369**

- CFFO from discontinued activities was DKK -32m in Q4 2020

Group (DKKm)	**Q4 2020**	**Q4 2019**
CFFO (Group)	**329**	**327**
CFFI excl. acquisitions & disposals	(109)	(110)
Acquisitions & disposals	12	18
CFFI	(97)	(92)
Free cash flow	232	235
Free cash flow, adjusted for M&A	**220**	**217**

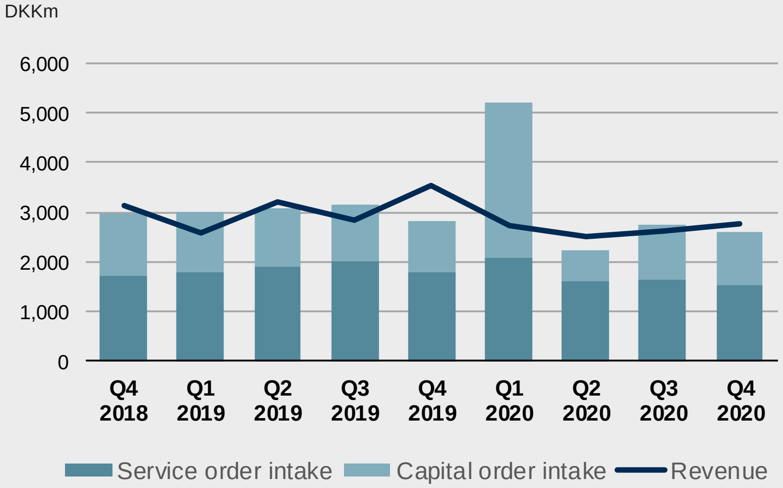
- CFFO was on par with Q4 2019 due to significant cash inflow from working capital, offsetting the decline in EBITDA

Mining

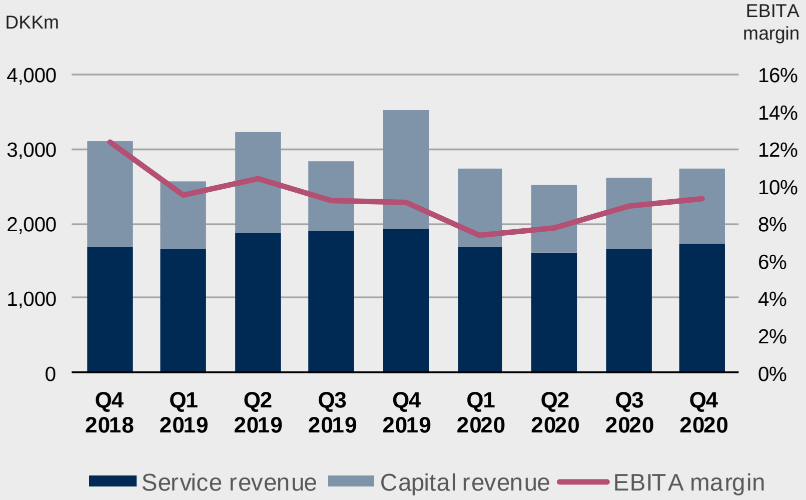
(DKKm)	Q4 2020	Q4 2019	Change	2020	2019	Change
Order Intake	**2,608**	**2,833**	**-8%**	**12,811**	**12,064**	**6%**
- Service order intake	1,535	1,807	-15%	6,888	7,534	-9%
- Capital order intake	1,073	1,026	5%	5,923	4,530	31%
Order Backlog	9,085	7,683	18%	9,085	7,683	18%
Revenue	**2,749**	**3,537**	**-22%**	**10,620**	**12,169**	**-13%**
- Service revenue	1,734	1,924	-10%	6,676	7,370	-9%
- Capital revenue	1,015	1,613	-37%	3,944	4,799	-18%
Gross margin before shared costs	25.1%	23.4%		25.3%	25.2%	
EBITA margin before shared costs	16.4%	14.9%		16.1%	16.2%	
EBITA	256	323	-21%	888	1,166	-24%
EBITA margin	**9.3%**	**9.1%**		**8.4%**	**9.6%**	

Mining

ORDER INTAKE
-8% vs. Q4 2019



REVENUE
-22% vs. Q4 2019

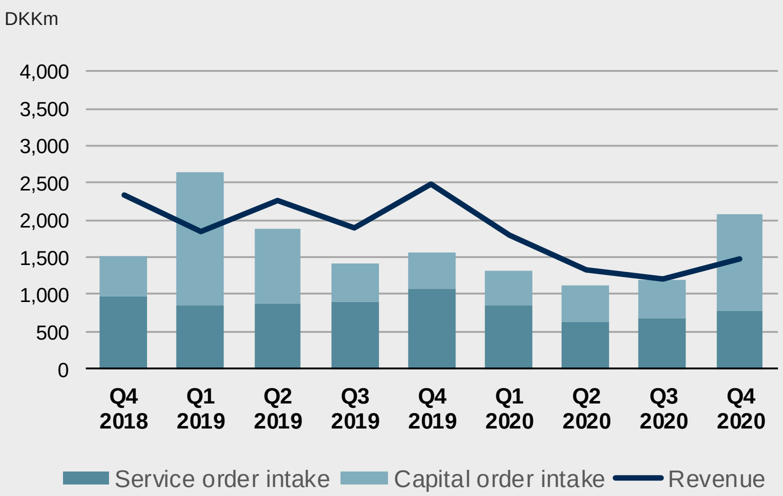


Cement

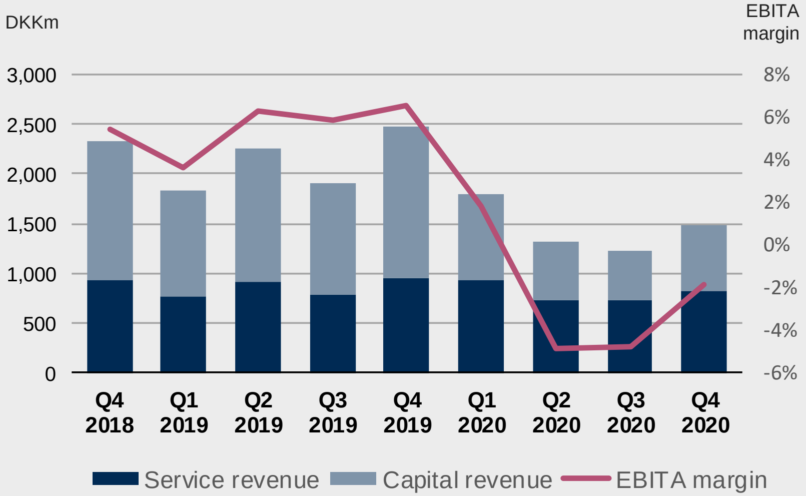
(DKKm)	Q4 2020	Q4 2019	Change	2020	2019	Change
Order Intake	**2,087**	**1,556**	**34%**	**5,713**	**7,490**	**-24%**
- Service order intake	780	1,083	-28%	2,934	3,716	-21%
- Capital order intake	1,307	473	176%	2,779	3,774	-26%
Order Backlog	5,789	6,509	-11%	5,789	6,509	-11%
Revenue	**1,487**	**2,485**	**-40%**	**5,821**	**8,477**	**-31%**
- Service revenue	818	942	-13%	3,208	3,407	-6%
- Capital revenue	669	1,543	-57%	2,613	5,070	-48%
Gross margin before shared costs	23.3%	21.9%		21.6%	22.2%	
EBITA margin before shared costs	9.7%	13.3%		8.8%	13.5%	
EBITA	(28)	163	-117%	(118)	486	-124%
EBITA margin	**-1.9%**	**6.6%**		**-2.0%**	**5.7%**	

Cement

ORDER INTAKE
34% vs. Q4 2019



REVENUE
-40% vs. Q4 2019



Order intake and revenue growth

Order intake growth Q4'20 vs. Q4'19	Mining	Cement	Group
Organic	2%	39%	15%
Acquisitions	1%	0%	0%
Currency	-11%	-5%	-8%
Total growth	**-8%**	**34%**	**7%**

Order intake growth 2020 vs. 2019	Mining	Cement	Group
Organic	13%	-22%	0%
Acquisitions	1%	0%	0%
Currency	-8%	-2%	-5%
Total growth	**6%**	**-24%**	**-5%**

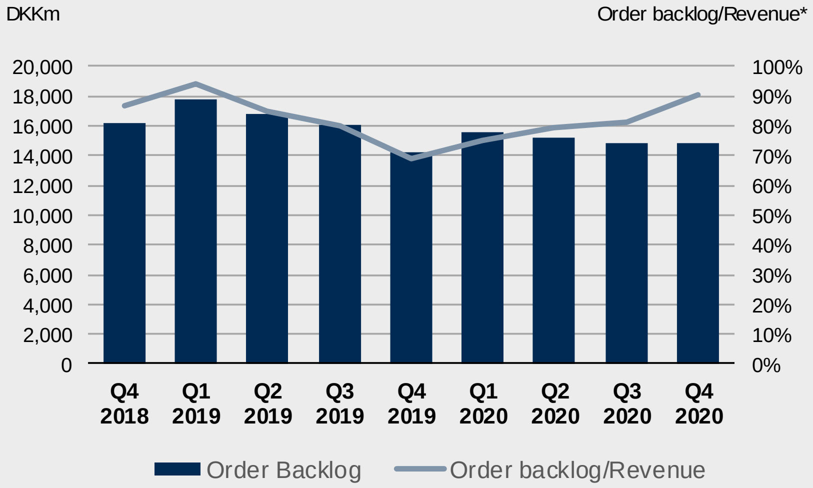
Revenue growth Q4'20 vs. Q4'19	Mining	Cement	Group
Organic	-15%	-37%	-24%
Acquisitions	0%	0%	0%
Currency	-7%	-3%	-6%
Total growth	**-22%**	**-40%**	**-30%**

Revenue growth 2020 vs. 2019	Mining	Cement	Group
Organic	-7%	-30%	-16%
Acquisitions	1%	0%	0%
Currency	-7%	-1%	-4%
Total growth	**-13%**	**-31%**	**-20%**

Order backlog and conversion to revenue

Order backlog / last 12 months revenue at 90% in Q4

ORDER BACKLOG
5% vs. Q4 2019

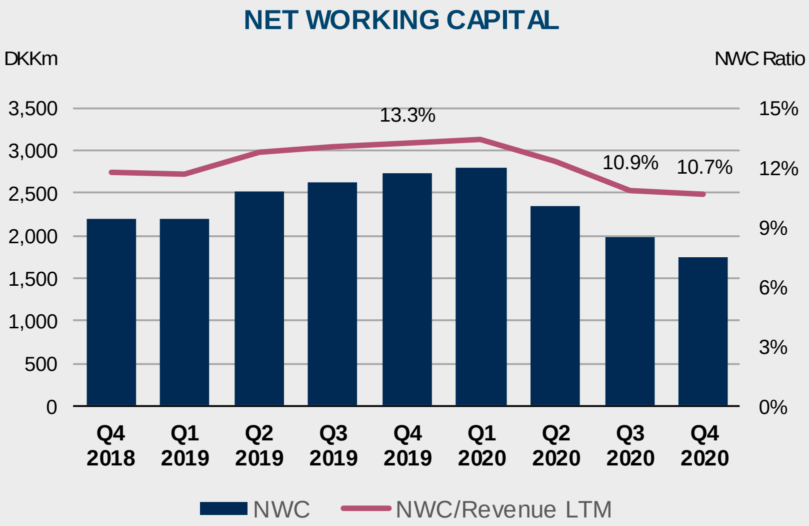


*Order backlog divided by last 12 months revenue

Expected backlog conversion to revenue:

- 64% in 2021
- 29% in 2022
- 7% in 2023 and beyond

Net working capital

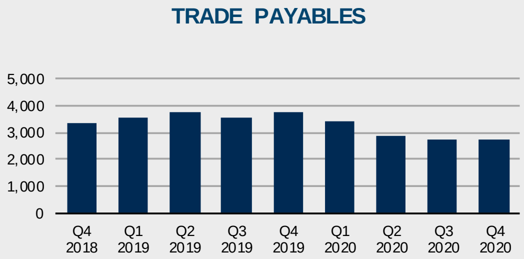


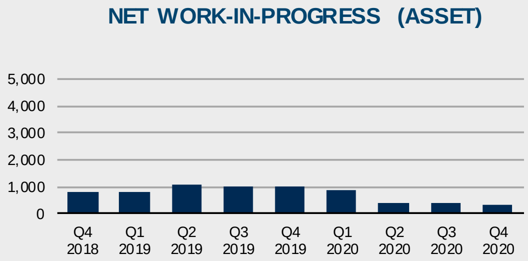
Net working capital developments, quarter-on-quarter

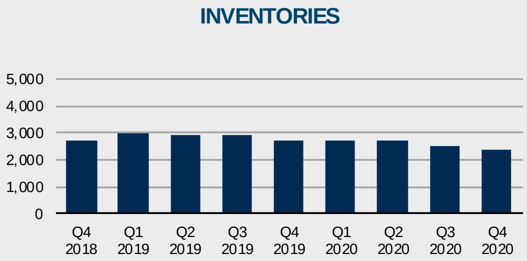
DKKm	End of Q4 2020	End of Q3 2020	Change
Inventories	**2,368**	2,527	(159)
Trade receivables	**3,453**	3,383	70
Trade payables net	**(2,722)**	(2,730)	8
WIP assets net	**341**	409	(68)
Prepayments from customers	**(1,266)**	(1,221)	(45)
Other liabilities net	**(422)**	(387)	(35)
NWC Total	**1,752**	1,981	(229)

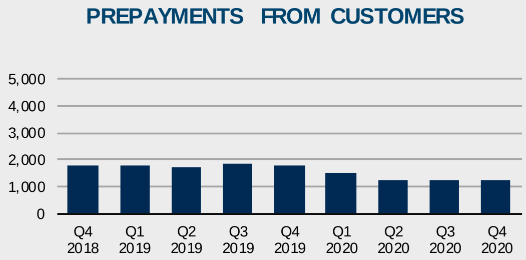
Net working capital components

- Net working capital decreased to DKK 1,752m at the end of 2020



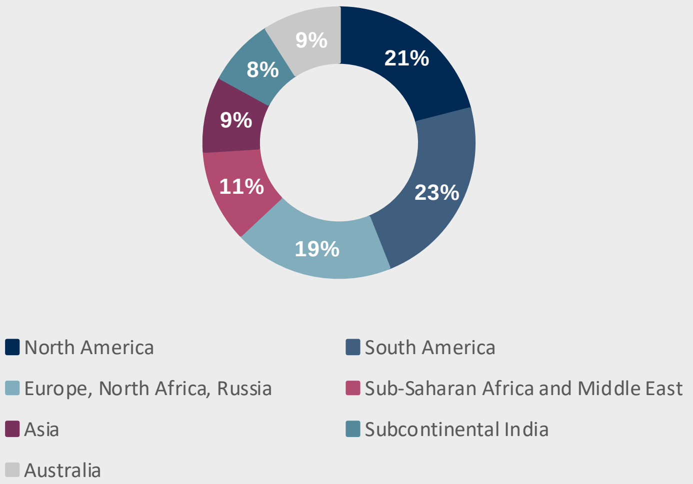




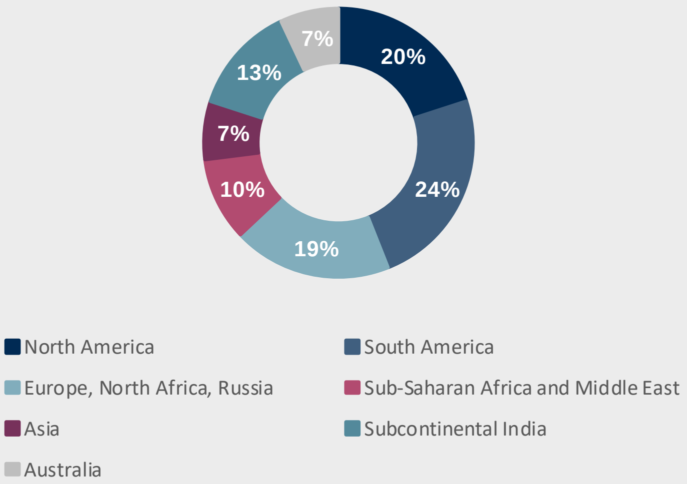


Revenue split in 2020

REVENUE 2020
BY REGION

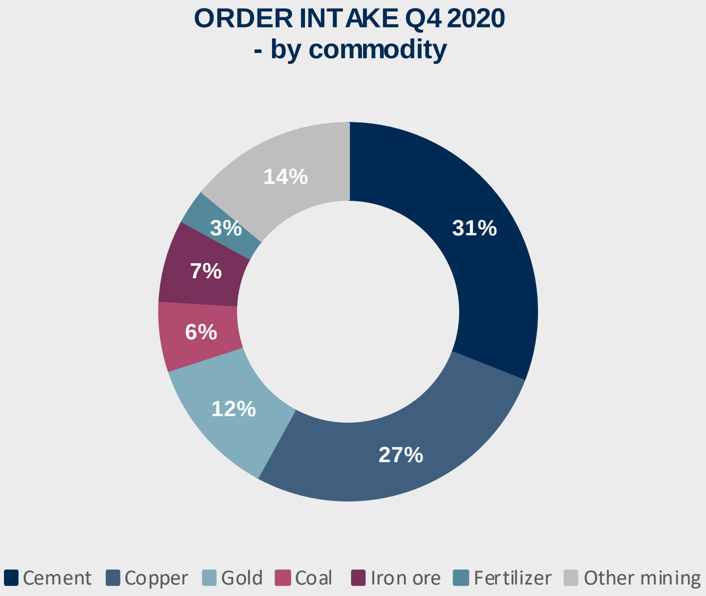


REVENUE 2019
BY REGION



Order intake by commodity

Mission Zero



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