

FLSmidth & Co. Group Interim Report for Q2 2023

## **Strong momentum on key transformation efforts, positively impacting both operational and financial performance in Q2 2023**

### **Highlights in Q2 2023**

- Mining revenue growth of 23% mainly driven by Service
- Adjusted Mining EBITA margin improved to 10.8%
- Morse Rubber acquired to strengthen mill liner business
- Non-Core Activities order backlog reduced to DKK 1.4bn
- 33% decline in Cement order intake due to a slow-down in market demand
- Good cash flow generation
- Financial guidance for 2023 was raised on 8 August 2023

Group CEO, Mikko Keto, commented: *“We have maintained the strong momentum on our key transformation efforts during Q2 2023. While we have continued to progress on our MissionZero agenda, our safety performance has been unsatisfactory and mitigating actions have been taken. Our Mining business has seen good revenue growth and continued improvement in underlying profitability in a relatively stable mining market. This has primarily been driven by strong execution in the Service business coupled with a better-than-expected progression of the Mining Technologies integration. This positive development was offset by delays in some customers' larger investment decisions, mainly in the Products business. While our Cement business remains on target for the full year, its short- to mid-term market outlook has deteriorated. Consequently, continued organisational rightsizing is required to preserve profitability. Going into the second half of the year we remain positive with a continued strong focus on executing our core transformation efforts.”*

### **Commercial performance Q2 2023**

Mining order intake increased by 6% year-on-year (increase of 12% if excluding currency effects). Mining order intake in Q2 2023 includes Mining Technologies but does not include Non-Core Activities. If excluding a high-level estimate of the impact from those changes the underlying order intake in the quarter increased by approximately 1% year-on-year.

Cement order intake decreased by 33% year-on-year mainly driven by a 43% decrease in Products order intake. This reflects an increasing slow-down in market demand, our continuing de-risking approach and our strategy of not accepting product orders which do not support our service business or green ambitions.

Order intake for Non-Core Activities amounted to DKK 32m relating to contractual obligations and parts already in stock. The order backlog for Non-Core Activities amounted to DKK 1.4bn at the end of the quarter representing a decrease of DKK 0.7bn compared to Q1 2023.

Group order intake declined by 6% year-on-year (decline of 1% if excluding currency effects). Compared to Q2 2022, Group order intake in Q2 2023 includes Mining Technologies. If excluding a high-level estimate of the impact from Mining Technologies, the underlying order intake in the quarter declined by approximately 14%.

### **Financial performance Q2 2023**

Mining revenue increased by 23% year-on-year (increase of 29% if excluding currency effects and 39% if excluding Russia). Compared to Q2 2022, Mining revenue in Q2 2023 reflects our exit from Russia, the

establishment of the separate Non-Core Activities segment and the acquisition of Mining Technologies. If excluding a high-level estimate of the impact from these factors, the underlying revenue growth in the quarter was approximately 16%. Adjusted for integration costs of DKK 97m, the adjusted EBITA margin was 10.8% in Q2 2023. The approximated dilutive effect from the acquisition of Mining Technologies was of less than 2%-points in the quarter. Including integration costs, the EBITA margin increased to 8.6% from 7.8% in Q2 2022.

Cement revenue increased by 11% year-on-year (increase of 14% if excluding currency effects). Cement EBITA continued the positive trend in improving profitability and increased by 135% year-on-year. The corresponding EBITA margin improved by 2.2%-points to 4.3% in Q2 2023.

Non-Core Activities revenue in Q2 2023 amounted to DKK 378m. EBITA amounted to DKK -113m with a corresponding EBITA margin of negative 29.9%.

Consolidated Group revenue increased by 27% year-on-year (increase of 32% if excluding currency effects and 39% if excluding Russia). If excluding a high-level estimate of the impact from Russia and Mining Technologies, the underlying revenue growth was approximately 12% year-on-year. Excluding integration costs of DKK 97m related to the acquisition of Mining Technologies, adjusted Group EBITA margin was 6.7% in Q2 2023. Including integration costs, the EBITA margin was 5.2% in Q2 2023 compared to 6.1% in Q2 2022.

### Financial guidance 2023

The financial guidance for the full year 2023, as set out in the Company Announcement no. 14-2023 on 8 August 2023, is maintained. The guidance reflects continued improvement of the underlying legacy FLSmidth Mining business and integration of Mining Technologies.

Guidance 2023	Mining	Cement	Non-Core Activities	Consolidated Group
Revenue, DKKbn	<b>Around 17.0</b> (16.0-17.0)	<b>Around 6.0</b> (Around 6.0)	<b>0.8-1.0</b> (0.8-1.0)	<b>Around 24.0</b> (23.0-24.0)
Adj. EBITA margin	<b>10-11%</b> (9-10%)			<b>7.5-8.5%</b> (6.5-7.5%)
EBITA margin		<b>5.5-6.5%</b> (5.5-6.5%)	<b>Loss of ~DKK 250-350m</b> (Loss of ~DKK 250-350m)	<b>5.5-6.5%</b> (4.5-5.5%)

Note: Numbers in brackets represent prior guidance as provided on 14 July 2023 in Company Announcement No. 13-2023

Guidance for 2023 is subject to uncertainty due to the global supply chain situation, potential recession and geopolitical turmoil.

### Earnings call

A presentation of the results will take place on **15 August 2023 at 11:00 CEST**. 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](http://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 1102. Please use the PIN code: 23619#

## Consolidated key figures Q2 2023 and H1 2023

<i>DKK million unless otherwise stated</i>	<b>Q2 2023</b>	<b>Q2 2022</b>	<b>Change (%)</b>	<b>H1 2023</b>	<b>H1 2022</b>	<b>Change (%)</b>
<b>Order intake</b>	<b>5,523</b>	<b>5,901</b>	<b>-6%</b>	<b>11,155</b>	<b>12,919</b>	<b>-14%</b>
- of which service order intake	3,388	3,529	-4%	7,183	7,003	3%
- of which products order intake	2,135	2,372	-10%	3,972	5,916	-33%
<b>Order backlog</b>	<b>20,544</b>	<b>19,461</b>	<b>6%</b>	<b>20,544</b>	<b>19,461</b>	<b>6%</b>
<b>Revenue</b>	<b>6,399</b>	<b>5,027</b>	<b>27%</b>	<b>12,415</b>	<b>9,733</b>	<b>28%</b>
- of which service revenue	3,833	2,972	29%	7,515	5,630	33%
- of which products revenue	2,566	2,055	25%	4,900	4,103	19%
<b>Gross profit</b>	<b>1,497</b>	<b>1,244</b>	<b>20%</b>	<b>2,894</b>	<b>2,351</b>	<b>23%</b>
Gross margin	23.4%	24.7%		23.3%	24.2%	
<b>Adjusted EBITA</b>	<b>429</b>	<b>402</b>	<b>7%</b>	<b>791</b>	<b>741</b>	<b>7%</b>
Adjusted EBITA margin	6.7%	8.0%		6.4%	7.6%	
<b>EBITA</b>	<b>332</b>	<b>307</b>	<b>8%</b>	<b>567</b>	<b>609</b>	<b>-7%</b>
EBITA margin	5.2%	6.1%		4.6%	6.3%	
<b>Profit</b>	<b>118</b>	<b>134</b>	<b>-12%</b>	<b>202</b>	<b>257</b>	<b>-21%</b>
CFFO	372	-214	n.m.	-32	-284	n.m.
Free cash flow	218	-297	n.m.	-210	-332	n.m.
Net working capital				2,542	1,805	41%
Net interest-bearing debt				-1,214	528	n.m.

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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](http://www.flsmidth.com)