

FLSmidth & Co. Group Interim Report for Q3 2023

## **Strong progression on our transformation, improved Mining profitability and NCA exit continuing at an accelerated pace**

### **Highlights in Q3 2023**

- Mining order intake and revenue growth of 5% and 4%, respectively, mainly driven by Products
- Adjusted Mining EBITA margin further improved to 11.1%, mainly driven by Service
- Cement order intake decreased by 24% reflecting market conditions and transformation efforts
- Cement EBITA margin positively impacted by one-off net gain from sale of AFT
- Non-Core Activities order backlog reduced to DKK 0.6bn
- Financial guidance for 2023 updated

Group CEO, Mikko Keto, commented: *“We continue to see good progression on all our transformation efforts, leading to improved underlying performance and profitability. Our Mining Service business continued to show good development and the mining service market remained stable with a good inflow of customer enquiries. While the mining products market is inherently more volatile, our Mining Products business saw good growth in both order intake and revenue in the quarter. Our Cement business remains adversely affected by the general demand slowdown and we continue to take the steps necessary to improve long-term profitability, including a significant rightsizing of the organisation. Our exit from Non-Core Activities continues to progress at an accelerated pace. We have now reduced the order backlog in the segment by more than 80% and are well on track for a full exit by the end of 2024.”*

### **Commercial performance Q3 2023**

Mining order intake increased by 5% compared to Q3 2022 (increase of 12% if excluding currency effects and an estimated increase of 6% if excluding the impact of the establishment of the Non-Core Activities (NCA) segment). Compared to Q3 2022, which was characterised by an unusually high level of large spare parts orders, the Service order intake decreased by 6% in Q3 2023. Sequentially (i.e., compared to Q2 2023), Service order intake grew by 8%. Two large Mining Products orders with a combined value of DKK 730m were announced in the quarter. No large Mining Products orders were announced in Q3 2022.

Cement order intake decreased by 24% compared to Q3 2022 (decrease of 20% if excluding currency effects) mainly driven by a 31% decrease in Products order intake, reflecting both current market conditions as well as continued pruning of the product offering and the sale of the AFT business.

The order backlog for the NCA segment amounted to DKK 0.6bn at the end of Q3 2023, representing a decrease of around DKK 0.8bn compared to Q2 2023 and a decrease of around DKK 2.3bn since the establishment of the NCA segment as of Q4 2022. The decrease reflected the divestment to KOCH Solutions which closed in Q3 2023 and execution of the order backlog as well as continued re-scoping and contract terminations.

Group order intake declined by 2% compared to Q3 2022 (increase of 4% if excluding currency effects) mainly due to the current market conditions for the Cement business. The year-on-year decline was partly offset by

the relatively higher Mining order intake. Service and Products order intake comprised 66% and 34% of total Group order intake, respectively.

### **Financial performance Q3 2023**

Mining revenue increased by 4% compared to Q3 2022 (increase of 12% if excluding currency effects). However, Q3 2022 included only one month of Mining Technologies activities, while Q3 2023 reflects the establishment of the NCA segment and our exit from Russia. If excluding a high-level estimate of the impact from those changes, the underlying revenue growth in the quarter was approximately 13%. Adjusted for integration costs of DKK 119m, the EBITA margin was 11.1% Q3 2023. Including integration costs, the EBITA margin increased to 8.2% from 7.2% in Q3 2022.

Cement revenue decreased by 16% compared to Q3 2022 (decrease of 12% if excluding currency effects). Cement EBITA increased by DKK 114m compared to Q3 2022 due to the one-off net gain from the divestment of Advanced Filtration Technologies (AFT) filter media business in July 2023. The underlying EBITA, excluding the one-off net gain, amounted to DKK 66m in Q3 2023 compared to DKK 50m in Q3 2022. The corresponding underlying EBITA margin improved by 1.7%-points to 4.7% in Q3 2023.

NCA revenue amounted to DKK 230m in Q3 2023. EBITA amounted to DKK -42m with a corresponding EBITA margin of -18.3%. The divestment to KOCH Solutions had no material impact on EBITA for Q3 2023.

Consolidated Group revenue increased by 2%% compared to Q3 2022 (increase of 9% if excluding currency effects and 5% if excluding Russia). Adjusted for integration costs of DKK 119m, the EBITA margin was 10.1% in Q3 2023. Including integration costs, the EBITA margin was 8.0% in Q3 2023 compared to 5.9% in Q3 2022. Excluding the AFT divestment gain, the underlying EBITA margin was 6.3%. The NCA divestment to KOCH Solutions had no material impact on EBITA for the quarter.

### **Other business**

In October 2023, Christopher Ashworth was appointed new President of FLSmidth Cement reporting to the Group CEO, Mikko Keto. This appointment follows the departure of the former President of FLSmidth Cement, Asger Lauritsen, in August 2023. During the interim period Group CFO, Roland M. Andersen, has in addition to his duties as Group CFO served as interim President of FLSmidth Cement.

## Financial guidance for 2023

The financial guidance for the full year 2023, as set out in the Company Announcement no. 15-2023 on 15 August 2023, is updated. The financial guidance reflects continued improvement of the underlying legacy FLSmidth Mining business and integration of Mining Technologies.

Financial guidance 2023	Mining	Cement	Non-Core Activities	Consolidated Group
Revenue, DKKbn	<b>Around 17.0</b> <i>(Around 17.0)</i>	<b>Around 6.0</b> <i>(Around 6.0)</i>	<b>0.9-1.0</b> <i>(0.8-1.0)</i>	<b>Around 24.0</b> <i>(Around 24.0)</i>
Adj. EBITA margin	<b>10.5-11.0%</b> <i>(10.0-11.0%)</i>			<b>7.5-8.5%</b> <i>(7.5-8.5%)</i>
EBITA margin		<b>5.5-6.5%</b> <i>(5.5-6.5%)</i>	<b>Loss of ~DKK 300-350m</b> <i>(Loss of ~DKK 250-350m)</i>	<b>5.5-6.5%</b> <i>(5.5-6.5%)</i>

*Note: Numbers in brackets represent prior guidance as provided on 15 August 2023 in Company Announcement No. 15-2023*

The financial 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 **9 November 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, US: +1 785 424 1739. Please use the PIN code: 73015#.

## Consolidated key figures Q3 2023 and 9M 2023

<i>DKK million unless otherwise stated</i>	Q3 2023	Q3 2022	Change (%)	9M 2023	9M 2022	Change (%)
<b>Order intake</b>	<b>5,601</b>	<b>5,714</b>	<b>-2%</b>	<b>16,756</b>	<b>18,633</b>	<b>-10%</b>
- of which service order intake	3,694	4,030	-8%	10,876	11,033	-1%
- of which products order intake	1,907	1,684	13%	5,880	7,600	-23%
<b>Order backlog</b>	<b>19,933</b>	<b>25,476</b>	<b>-22%</b>	<b>19,933</b>	<b>25,476</b>	<b>-22%</b>
<b>Revenue</b>	<b>5,723</b>	<b>5,621</b>	<b>2%</b>	<b>18,138</b>	<b>15,354</b>	<b>18%</b>
- of which service revenue	3,439	3,502	-2%	10,953	9,132	20%
- of which products revenue	2,284	2,119	8%	7,185	6,222	15%
<b>Gross profit</b>	<b>1,636</b>	<b>1,431</b>	<b>14%</b>	<b>4,530</b>	<b>3,782</b>	<b>20%</b>
Gross margin	28.6%	25.5%		25.0%	24.6%	
<b>Adjusted EBITA</b>	<b>579</b>	<b>449</b>	<b>29%</b>	<b>1,369</b>	<b>1,190</b>	<b>15%</b>
Adjusted EBITA margin	10.1%	8.0%		7.5%	7.8%	
<b>EBITA</b>	<b>460</b>	<b>334</b>	<b>38%</b>	<b>1,026</b>	<b>943</b>	<b>9%</b>
EBITA margin	8.0%	5.9%		5.7%	6.1%	
<b>Profit</b>	<b>272</b>	<b>162</b>	<b>68%</b>	<b>474</b>	<b>419</b>	<b>13%</b>
CFFO	-276	476	n.m.	-308	192	n.m.
Free cash flow	-151	-1,670	n.m.	-361	-2,002	n.m.
Net working capital				2,796	2,170	29%
Net interest-bearing debt				1,325	985	n.m.

### Contacts:

#### Investor Relations

Jannick Lindegaard Denholt, +45 21 69 66 57, [jli@flsmidth.com](mailto:jli@flsmidth.com)  
Andreas Escherich Holkjær, +45 24 85 03 84, [andh@flsmidth.com](mailto:andh@flsmidth.com)

#### Media Relations

Rasmus Windfeld, +45 40 44 60 60, [rwin@flsmidth.com](mailto: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. We work within fully validated Science-Based Targets, have a clear commitment to reducing the sustainability footprint of the global mining and cement industries and aim to become carbon neutral in our own operations by 2030. [www.flsmidth.com](http://www.flsmidth.com).*