

May 2021

MISSION ZERO

FINAL CASE 2021
CBS CASE CLUB



This case has been written for the purpose of the **CBS Case Academy 2021 - Final Case Competition**

The Information included in the appendices is included for the sake of example and should not be considered factual or accurate

Case Writers

Augusta Klingsten Peytz
Benedicte von Wildenrath Løvgreen
Anna Stæhr Rosentoft

Head of Final Case Competition

Laura Hönig

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“

Minerals and cement are necessary building blocks of the economic development and the green transition. Through **MissionZero**, we will enable our customers in the mining and cement industries to produce these materials with less environmental footprint”

Thomas Schulz,
Group CEO, FLSmidth





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SETTING THE STAGE

“A clean-energy future needs sustainable mining and cement! With our ability to help the mining and cement industries cut their combined 10% of worldwide CO₂ emissions, FLSmidth is arguably the Danish company that can realise the biggest, positive global environmental impact.”

- *Thomas Schultz, CEO FLSmidth*

As a company founded on fossil-based energies, FLSmidth has reinvented itself to be a company of today - and more importantly, a company of the future. Even though FLSmidth originally has been a "brown" company and still is, they are working towards becoming a sustainable company and care for the world they are operating in. To achieve this, FLSmidth has a clear plan, strategy, and mission. Specifically, **Mission Zero: Toward Zero Emissions in Mining and Cement.**



SETTING THE STAGE

Mission Zero is FLSmidth's sustainability ambition towards zero-emissions within mining and cement by 2030. But the mission needs a team. That is why FLSmidth has asked for your help. FLSmidth knows how to reach the goal and has the technical solutions to cut down on emissions and achieve it. However, there is a need for your help on how the mission reaches the public, the industry, and most importantly the employees for them to recognize FLSmidth as a sustainable company and thus change FLSmidth's overall perception going forward.

But how does one do so when the perception of the industry is so dark?

Specifically, FLSmidth asks you to answer the following:

How can FLSmidth strategically reposition the company towards being green? This entails both how Mission Zero and the sustainable vision can be anchored internally in the company, and how FLSmidth can execute and communicate the change in the industry?

Guiding considerations regarding the internal aspect can be:

1. How is a culture shifted within a company?
2. Which stakeholders should be involved internally?
3. How can this be implemented?

For the external aspect:

1. Who are the main groups that we aim to reach?
2. What key message do we want to portray?
3. What is the timeline for change and who is involved in this process?

In formulating your solution, you are encouraged to be innovative and creative. However, bear in mind that a successful strategy should be aligned with Mission Zero and the values hereof, whilst still encompassing a viable business case.

Furthermore, please have the global size of FLSmidth in mind and allow for your solution to have the potential for scale.


You will be evaluated equally on the following criteria

- Creativity of solutions
- Feasibility of implementation plan
- A holistic perspective on both the internal and external aspects


THE COMPANY HISTORY




FLSMIDTH: THE COMPANY HISTORY



FLSmidth provides sustainable productivity to the global mining and cement industries.



FLSmidth delivers market-leading engineering, equipment, and service solutions that enable their customers to improve performance, drive down costs, and reduce environmental impact.



The operations span the globe and FLSmidth has almost to 10,700 employees, present in more than 60 countries. In 2020, FLSmidth generated revenue of DKK 16.4 billion.

A proud history spanning 139 years

FLSmidth has a long and proud history. Originally known as Technical Bureau, the company we today know as FLSmidth was founded in Copenhagen in 1882 by Frederik Læssøe Smidth. The company started as a local one-man consultancy firm, whose focus was to purchase machinery and build small machines for local craftsmen.

In 1887 Poul Larsen and Alexander Foss were made partners, and from there the name changed from “Technical Bureau” to FLSmidth & Co. The same year, FLSmidth’s very first cement plant was built in Sweden. In 1890, FLSmidth opened offices in London, Paris, New York, Tokyo, and Beijing followed by many other major cities. In 1957, FLSmidth machinery accounted for 40% of all cement production in the world.

Ever since, through hard work and a sound strategy, FLSmidth has grown into being a major international company, specializing in serving the cement and mining industries globally. Today, FLSmidth is a leading supplier of productivity-enhancing solutions to the global cement and mining industries and is considered a market leader in the premium segment of the cement industry and amongst the market leaders within mining.

1880's

1882 Frederik Læssøe Smidth founds FLSmidth in his mother's apartment

1887 Poul Larsen and Alexander Foss become partners and the name changes to FLSmidth & Co

1889 FLSmidth & Co establishes the Aalborg Portland Cement Plant in Denmark and becomes a leader in technical innovation

1890's

1890 FLSmidth & Co opened an office in London

1893 - 1895 FLSmidth & Co opened offices in Paris and New York

First World War

1914-1918 The outbreak of World War I puts a sudden stop to FLSmidth's expansion. Denmark was partly cut off from the outside world. To maintain its staff in Copenhagen, the company embarked upon a wide range of activities, such as developing cement-making machinery for use in other similar industries

1920's

1925 FLSmidth & Co was registered on the Danish Stock Exchange as a public limited company (A/S)

Second World War

1939-1945 During the war, management of the Group's activities was transferred to the offices in New York and London. Several hundreds of thousands of machine and layout drawings were sent to the US office. This way, it was possible to maintain contact with overseas customers while Denmark was occupied

1950's

1957 By the time of its 75th anniversary in 1957, FLSmidth machinery accounted for 40 per cent of all cement production in the whole world

The 70s, 80s and 90s

In the last part of the 20th century, FLSmidth retained its market share in the cement industry by developing new and enhancing existing technologies while at the same time diversifying into other business areas

2000's

2001 It became clear that the conglomerate as a strategic concept was no longer viable. It was therefore decided to streamline and focus the Group and eventually dispose of its non-strategic interests

2004 Several structural changes took place. In January, the parent company of the Group, FLS Industries A/S, and its subsidiary, FLSmidth A/S were organizationally integrated

2005 FLS Industries A/S changed its name to FLSmidth & Co A/S, signaling the final return to the Group's roots as an engineering company serving the cement and minerals industries

2007 FLSmidth Group had 125-year anniversary. Employee shares were granted to the Group's 7,000 employees

2010's

2011 The minerals business had record year in terms of order intake, revenue, and earnings, which contributed to its increased revenue of 9% to DKK 22bn

2012 A new global strategy was launched to develop FLSmidth into a full-service provider, offering complete product and service solutions to customers within six key industries: copper, gold, coal, iron ore, fertilizers and cement

2013 Following nearly 3 decades of transformation, expansion, mergers, and acquisitions, FLSmidth entered 2013 with an extended focus on its core business and execution

2018 A new Chief Digital Officer is appointed to develop and implement FLSmidth's overall digital strategic plan and speed up the company's digitalization process

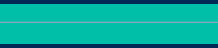
2020's

2020 Launch of Mission Zero: Towards Zero Emissions in Mining and Cement

THE COMPANY TODAY



THE HIGHLIGHTS



10,639 EMPLOYEES

The employees use their unique process knowledge about products, projects, and technical innovations, digitalization, and sustainable life cycle management

FLSMIDTH IS...

A supplier of solutions from single machinery to complete cement and minerals processing plants, including services before, during and after the construction

THE VISION

FLSmidth drives success through

1. Sustainable productivity enhancement
2. The brand promise
3. Discovering potential

60+ COUNTRIES

FLSmidth is a truly global company with local presence in more than 60 countries and customers in more than 150 countries

MISSION ZERO

FLSmidth enable their customers in cement and mining to move towards zero emissions by 2030

FLSMIDTH: TODAY

In recent years, FLSmidth has developed new and enhanced existing technologies while at the same time diversifying into other business areas to maintain its market share in the cement industry.

This further entailed a company restructuring, and FLSmidth has developed from a diversified conglomerate into a specialized and focused business group supported by only two segments: cement and minerals. At the latest, FLSmidth decided to change its organizational structure into four divisions (see appendix) as it stands today - two project divisions, a product division, and a service division.

This has been done to further support the company's business model.



The ingenuity and innovation needed to minimise our environmental footprint are all around us: some of it is within our own industries, some in partnership with customers, some with other industries, and some from experts in the wider community."

- Thomas Schulz,
Group CEO FLSmidth



FLSMIDTH IN THE WORLD

7

Regional Headquarters

3

Global project and/
or technology center

76

Local sales and service offices

6

Service Super Centres
in mining clusters

23

In-house workshops
(70-80% outsourced)



USA

Mining
technology
center

DENMARK

Global Headquarters &
Cement project and
technology center

INDIA

Shared service
and project center

THE GROUP TEAM

FLSmidth employs close to **10,700 people across 60 countries**. The organisation is led by the following individuals. A good strategy entails persuading the entire management team and consider clear value propositions for how to implement initiatives across regions and divisions.



Thomas Schultz
Group Executive Officer



Roland M. Andersen
Group CFO



Mark Clifford
President of Regions



Mikko Keto
President, Mining Industry



Annette Terndrup
Head of Group Legal & Strategy



Mikko Tepponen
Chief Digital Officer



Cori Petersen
Head of Group HR and HSE



Asger S. B. Lauritsen
Chief Procurement Officer



Carsten Riisberg Lund
President, Cement Industry

FLSMIDTH IN NUMBERS

Order intake

DKKbn

18.5

▼ 5%



Organic order intake was on par with last year, comprising growth in Mining and a decrease in Cement. Book-to-bill was 112.7%

CFFO

DKKm

1,421

▲ 50%



Despite the pandemic causing a reduction in adjusted EBITDA, cash flow from operating activities increased with the cash inflow from net working capital as the key contributor

Revenue

DKKbn

16.4

▼ 20%



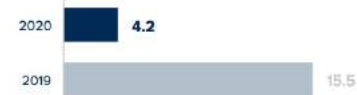
Revenue declined 16% organically due to a severe pandemic impact and a low Cement backlog entering the year

Earnings per share

DKK

4.2

▼ 73%



Profit for the year decreased as a result of the lower operating income and, in particular, a challenging cement market

EBITA & EBITA margin

DKKm - %

771 4.7%

▼ 54%



Earnings were impacted by the pandemic and the sharp decline in revenue. Profitability in Mining was quite resilient, whereas Cement was loss-making

Net working capital ratio

%

10.7%

▼ 2.6%-point



A strong cash focus led to a significant reduction in net working capital and net debt in 2020 – not least due to a 32% (DKK 1.6bn) decline in trade receivables

Revenue split

by Mining and Cement

Mining 65% EBITA margin 8.4%
Cement 35% EBITA margin -2.0%



Revenue split

by Service and Capital business

Service 60% Capital 40%



The financial setback in FLSmidth is largely due to the Covid-19 effect on the industry. Thus, this setback should as well be perceived in this manner.

The company is publicly listed, and the stock price has taken a hit in March 2020 but is recovering and have increased by 62,45% in the past year.

THE STRATEGY



THE STRATEGIC FOCUS AREAS

FLSmidth strives to be the **leading supplier of sustainable productivity to the global mining and cement industries** and is already well-positioned in this endeavour.

FLSmidth helps customers increase their production, lower their operating costs, and reduce their environmental footprint, as depicted in the impact across the value chain.

FLSmidth has a strategic focus to expand the share of services and standardized products relative to the share of large projects.

This focus will help to obtain a **more profitable business mix and a less cyclical business with a lower level of risk**. While the process expertise that is gained from projects is key to delivering productivity improvements to FLSmidth's customers, the company remains selective in taking on large projects to ensure that terms and conditions support the profitability targets.

To further strengthen the position as **Sustainable Productivity Provider #1**, FLSmidth has identified **five key strategic focus areas**.



CUSTOMERS

"Being close to our customers is key. Combining local presence with global support and expertise makes it possible to deliver premium solutions where our customers need them"



SUSTAINABILITY

"We develop eco-efficient products and solutions that help our customers lower their energy consumption and emissions, save precious water, increase their production and obtain permits for new plants. This helps to support sustainable development locally as well as globally"



INNOVATION AND DIGITALIZATION

"Our strong digital capabilities are founded on our extensive experience in automated plants, which positions us as a market leader in analyzing and understanding performance data"



LIFE CYCLE APPROACH

"Through a life cycle approach, we enable our customers to lower their total cost of ownership. Our digitalization efforts will help pave the way for growing our spare and wear parts business in the years to come, as customers increasingly buy solutions rather than single parts and equipment"

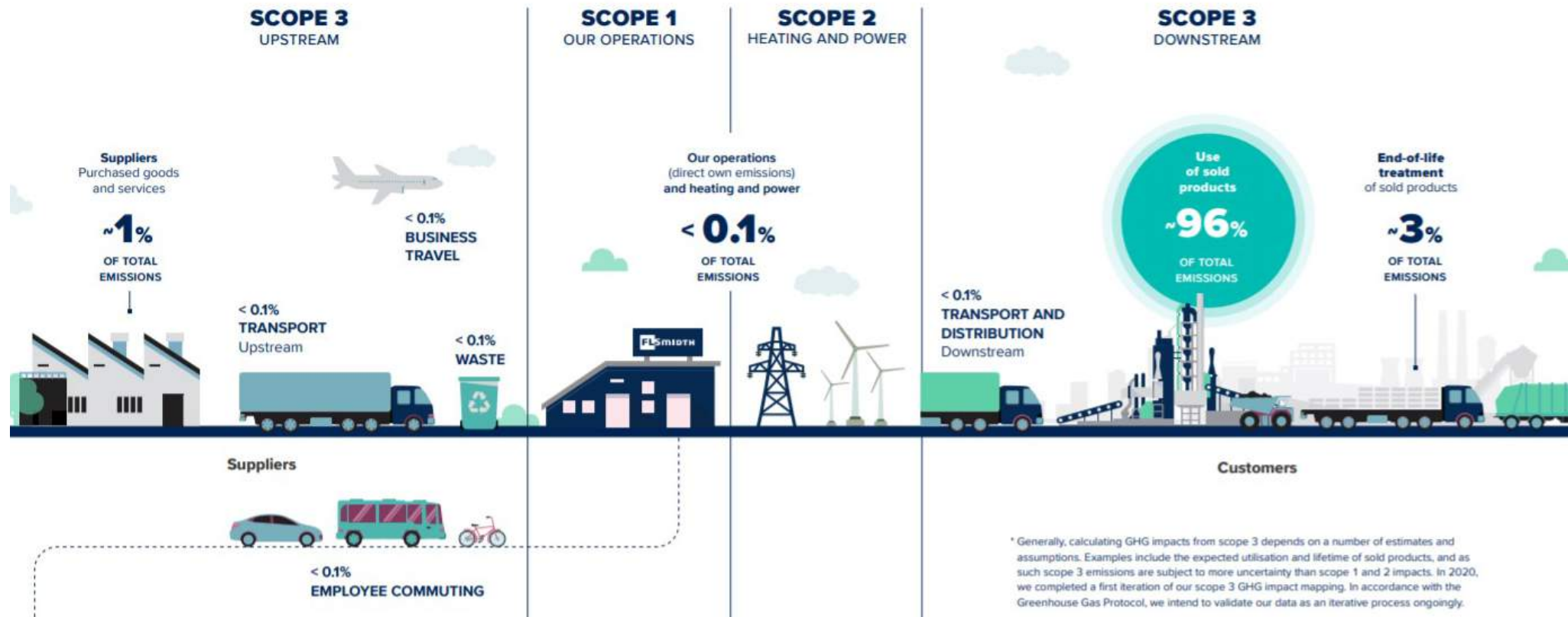


STANDARDIZATION

"Our standardization programme has yielded substantial results. We have, in recent years, standardized products such as our vertical roller mills, coolers, burners, feeders and concentrators allowing for a higher degree of configuration and less customization. We will continue standardizing more products"

THE IMPACT ACROSS VALUE CHAIN

As a leading supplier of production facilities, equipment, and service solutions to the cement and mining industries, FLSmidth has a substantial influence on their own and customers' value chains. Note that the scope of the case is not to optimize the current value chain, and this representation is merely for your understanding.



Scope explanation:

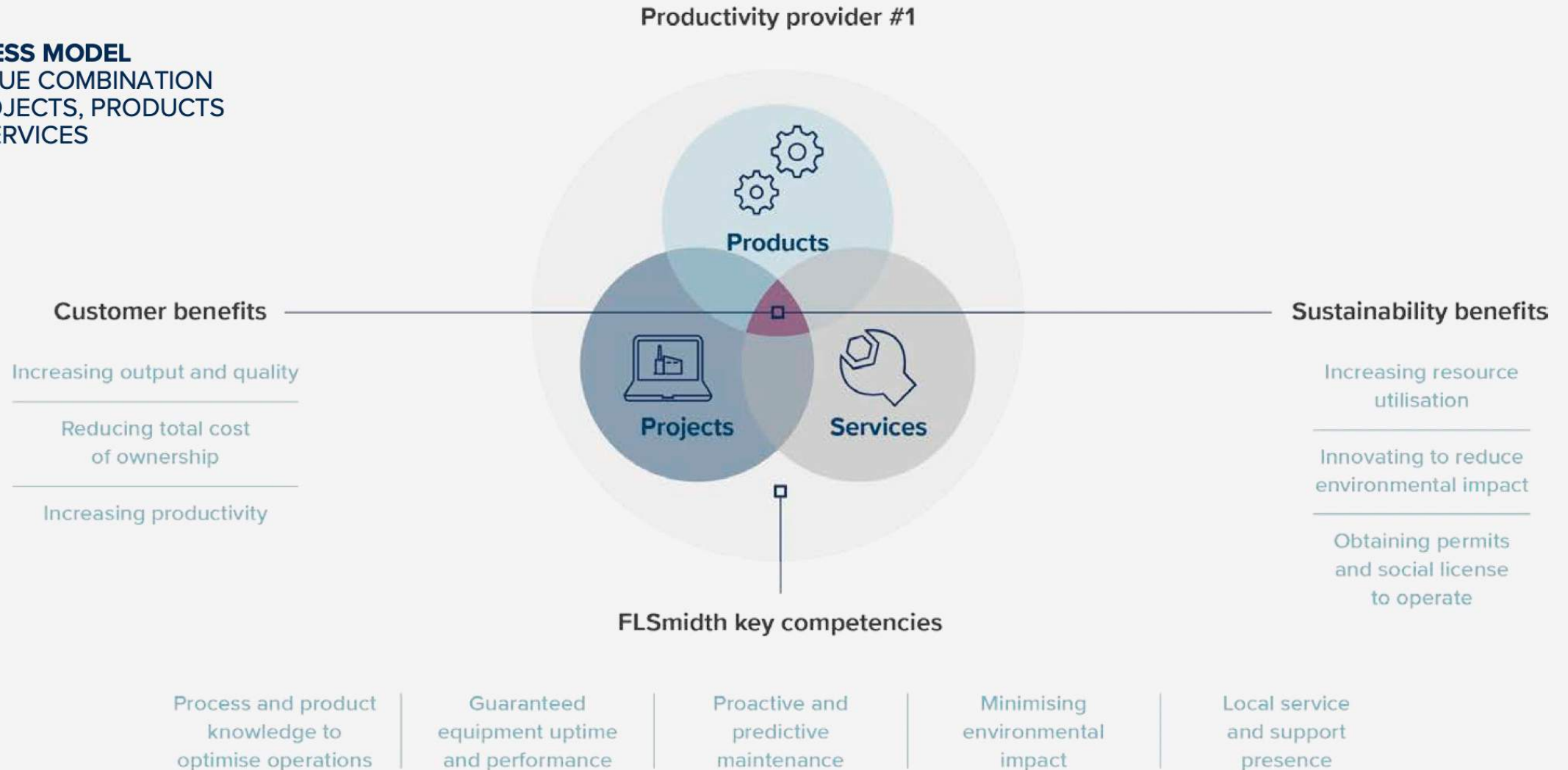
1. Direct GHG emissions from FLSmidth's own facilities and vehicles
2. Indirect GHG emissions from purchased electricity, steam, heating and cooling
3. Indirect GHG emissions from the value chain, including both upstream emissions (e.g. purchased goods and services, upstream transportation and distribution, and business travel) and downstream emissions (e.g., downstream transportation and distribution, use of sold products and end-of-life treatment of sold products)



THE BUSINESS MODEL

BUSINESS MODEL

A UNIQUE COMBINATION OF PROJECTS, PRODUCTS AND SERVICES



THE PRODUCTS



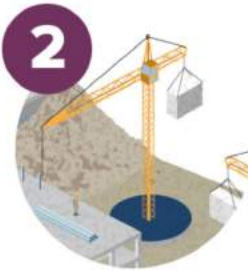
PRODUCT EXPLANATION

FLSmidth provides global cement and mineral industries with factories, machinery, services, and know-how. Improved infrastructure, renewable energy options, electric cars, wind and solar energy are the future, and all of this requires cement and minerals. The two main bodies of FLSmidth's business is mining and cement.



1. Minerals and Electronics

Electronic devices and digital solutions play an increasing role in the world and require vast amounts of minerals.



2. Cement for Construction

By 2030, 60% of the global population will live in cities. Urbanization like this requires cement for construction.



3. Copper for electricity

Copper distributes electricity over long distances with little power loss and important for a future without fossil fuels.

PRODUCT EXPLANATION

FLSmidth primarily operates in the mining and cement industries, and though each is distinct, there are considerable commonalities and synergies between the two. Involvement in both industries provides FLSmidth with the unique advantage of sharing resources and best practices. As an example, the project management skills needed in the mining and cement businesses, e.g., process know-how, risk management, project execution, etc., are largely the same. The same applies to shared technologies and services, as well as scale benefits. FLSmidth applies many of their materials handling, process control, packaging, and other products and solutions in both industries. FLSmidth also delivers a variety of products, solutions and services to adjacent industries, with similarities to cement and mining.

However, the two business – cement and mining – are very different and can not be treated as one. An example hereof, is that cement is a very local business, grounded to the specific areas in which operations are located in, whereas mining is more global.

FLSmidth builds and develops their business around three strategic pillars: Life-cycle approach, full-service provider, and full flow-sheet.



Minerals and cement are necessary building blocks for the economic development and the transition to green. We enable our customers in the mining and cement industries to produce these materials with less environmental footprint”

- Thomas Schulz,
Group CEO FLSmidth



THE MARKET



THE MARKET FOR CEMENT AND MINING

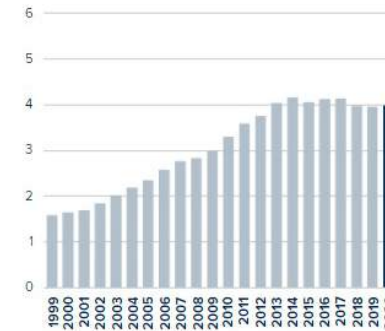
The global cement market size was valued at USD 312.5 billion in 2018 and is projected to reach USD 463.0 billion by 2026, exhibiting a compound annual growth rate (CAGR) of 5.2% during the forecast period. This growth rate is driven by a rising urban population which will eventually increase the demand for residential spaces, amenities, and non-residential establishments (malls, airports, industries, roads, etc.) Further, the market is driven by increasing investments in the construction industry across the globe.

The global mining market is expected to grow from USD 1,641.67 billion in 2020 to USD 1,845.55 billion in 2021 at a CAGR rate of 12.4%. The market is expected to reach USD 2,427.85 billion in 2025 at a CAGR of 7%. Asia Pacific is the largest region in the global mining market, accounting for 71% in the market in 2020, North America being the second largest region accounting for 9%, and finally, Middle East being the smallest region in the global mining market. The market is mainly driven by government policies providing subsidies and encouraging foreign direct investments (FDI) in the mining industry.

Source: Fortune Business Insights, Expert Market Research and The Business Research Company

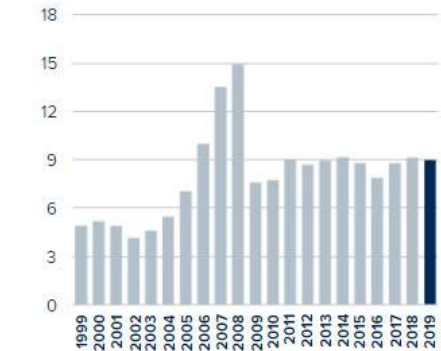
Global Cement consumption

Billion tonnes



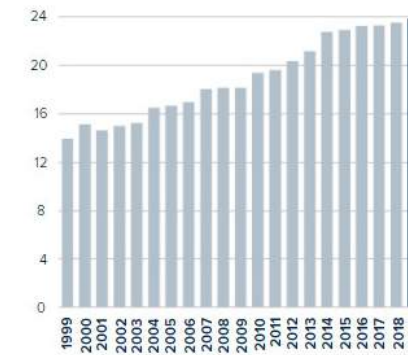
Capex trend in cement

USDbn



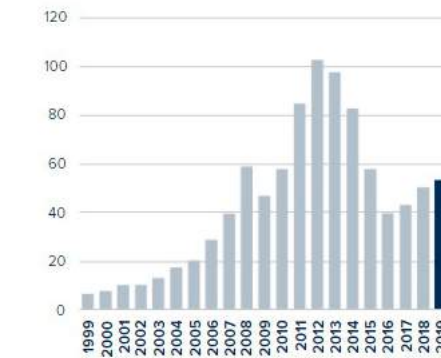
Global copper consumption

Million tonnes



Capex trend in mining

USDbn



MARKET TREND AND DRIVERS

Cement and minerals are vital for economic, social, and technological development. Urbanization and industrialization drive the need for infrastructure and improved standards of living.



DEMAND DRIVERS

- Growing wealth
- Growing populations
- Urbanization
- Electrification & renewables



SUPPLY TRENDS

- Scarcity of natural resources
- Depleting ore grades
- Increased technical complexity
- More remote locations



MARKET TRENDS

- Sustainability
- Productivity
- Digitalization & innovation
- Full-service supply



THE COMPETITIVE LANDSCAPE

In recent years, an increasing number of company **mergers and collaborations** in the industry has made the highest impact on the **market growth**. Due to the **constant demand for cement**, construction companies are partnering with cement manufactures on a long-term basis to ensure seamless production and availability of the products.



STAKEHOLDERS IN THE INDUSTRY

POLITICAL AND LEGAL

The political landscape in both Denmark and the EU can be considered. In Denmark, it is the Parliament with Mette Frederiksen as the prime minister and the Danish Competition Authority. In the EU, the European Commission and in particular the Departments for Growth and Trade are important. Other key stakeholders in the EU include Internal Market Commissioner Thierry Breton, EVP Valdis Dombrovkis, and EVP Margrethe Vestager.

MEDIA

Changing the perception of a company requires attention from the media as well. This allows the new vision to be communicated externally, beyond the internal channels. Key media stakeholders are the Financial Times and Politico. Within FLSmidth media relations is accordingly a prioritized field of expertise.



TRADE UNIONS AND ASSOCIATIONS

Within the industry, you can consider both the Trade Unions and Trade Associations to change the perception of FLSmidth. Key Trade Associations in Denmark is IDA and in the EU ERT and Business Europe. The most important Trade Union to consider is the EU Syndicat European Trade Union. Further, the establishment of think tanks is as well highly emerging. The most relevant think tank for FLSmidth is Bruegel, an economic think tank specialising in economics.

INVESTORS

FLSmidth's current and future investors can also be considered, as these present a vital actor for the company's financial stability. These include the stock investors, but in particular foundations as well. The main foundation backing FLSmidth is the Lundbeck Foundation.

Source: FLSmidth

MISSION ZERO



MISSION ZERO: THE STRATEGY OF TOMORROW

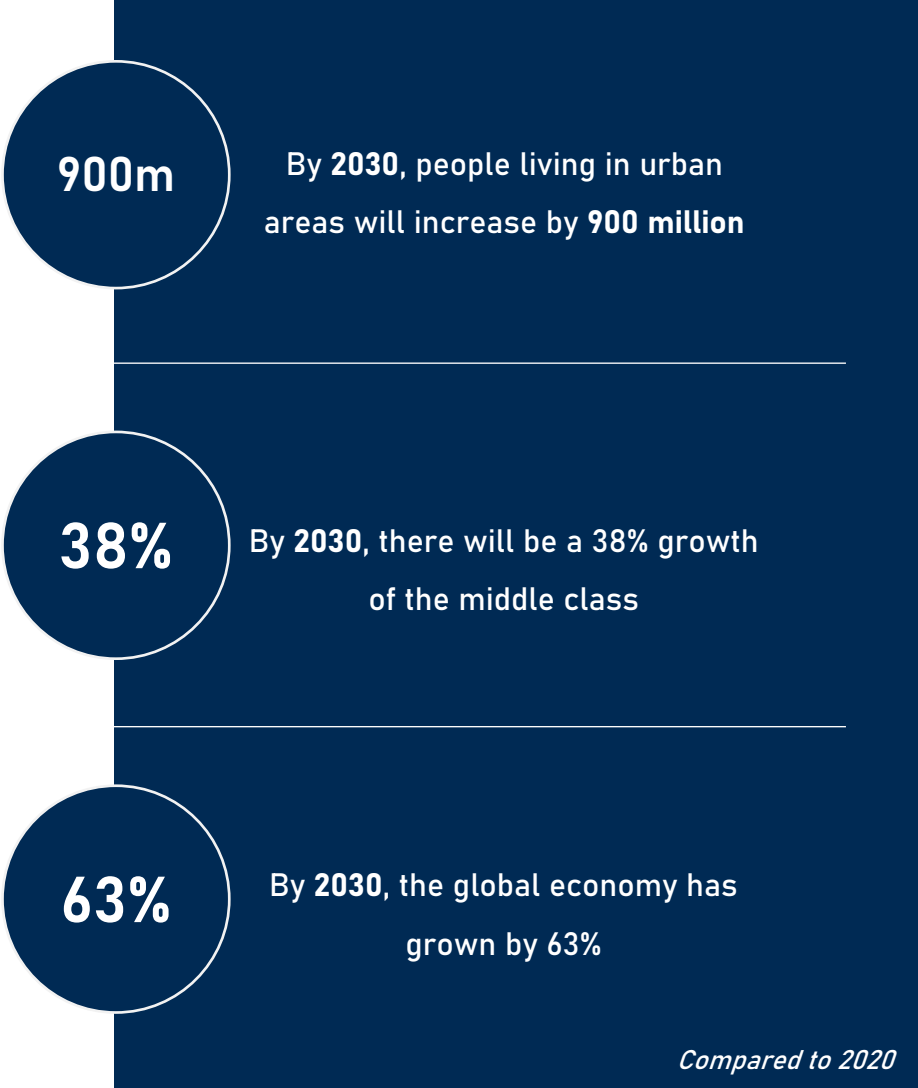
Rising to the challenge: Cement and minerals impact us all

“The road to a greener future is paved with cement and minerals” – FLSmidth sustainability Report 2020

The statement directly relates to the fact that growing populations need cement for housing and infrastructure, and the move to sustainable energy and electric vehicles requires the mining of excessive minerals. Increased purchasing power also leads to more consumption of electricity and electronic goods. Due to the increasing demand for cement and minerals, it is therefore crucial that FLSmidth takes responsibility and action towards utilising these materials in an environmentally friendly way – this is the purpose of Mission Zero.

Jointly, cement and minerals production accounts for approximately 10% of all CO₂ emissions. To meet the requirements of the Paris Agreement and create a sustainable world for future generations, it is imperative that FLSmidth rises to the challenge and enables more sustainable production of cement and minerals.

Source: FLSmidth Sustainability Report 2020



MISSION ZERO THE STRATEGY OF TOMORROW

Mission Zero is FLSmidth's sustainability programme to reduce emissions in cement and mining to zero by 2030

Mining and cement are key in the transition to a sustainable and low-carbon future. FLSmidth's MissionZero programme will accelerate this transition by providing technology that helps enable 100% fuel substitutions, zero emissions, zero waste, and zero water and energy waste from mining and cement production. This is necessary as cement and mining operations have a significant impact on the environment.

As stated, cement and minerals production combined accounts for approximately 10% of all CO₂ emission. If this industry was a country, it would be the third-largest polluter in the world. With growing populations, a larger middle class, and a transition to greener energy, the demand for cement and minerals - and thus the environmental impact - will only increase in the next decade.

A more sustainable future requires action from the industries. FLSmidth will lead this action towards zero emissions in mining and cement, without compromising quality or the customers' commercial competitiveness.

Towards zero emission in mining



Zero water

Increase safety and cut risk and cost with sustainable water and tailings management



Zero emissions

Reduce emission from use of fossil fuels in transportation and minerals processing



Zero energy waste

Reduce energy cost and waste, especially from energy intensive mills

Towards zero emission in cement



Zero Emissions

Reduce emissions from fuel burning and reduce process emissions related to clinker



100% fuel substitutes

Eliminate the need for fossil fuels and deliver solutions for 100% alternative fuels



Zero waste

Use water as alternative fuel to make plants more sustainable profitable

“

With Mission Zero, we accelerate the use of technology and knowledge to enable our customers to produce cement and process minerals with **zero environmental impact**”

Thomas Schulz,
Group CEO, FLSmidth



MISSION ZERO QUOTES FROM THE EMPLOYEES

ABOUT MAKING IT OPERATIONAL

"We need to turn Mission Zero into something operational"

"We need to go from PowerPoint to Excel"

"People need to see how they can contribute to Mission Zero – then they will engage"

"We need to go from 'like' to trust"

ABOUT MAKING IT COMMERCIAL

"Mission Zero gives us a new hook to engage with customers"

"Turn your overall sustainability story into a simple narrative for the salespeople"

"Stop talking about products. Start talking about solutions"

ABOUT PURPOSE

"Mission Zero clearly articulates the purpose of the company I work for"

"Mission Zero helps drive change and enables outside-the-box-thinking"

"We launched Mission Zero as a challenge to the organisation"





MISSION ZERO AND THE SDGs

THE ZERO-EMISSIONS CEMENT PLANT

Commercially competitive with cement quality guaranteed



Zero emissions



100% fuel substitution



Zero waste



12.4

13.2



7.2



12.2, 12.4, 12.5



THE ZERO-EMISSIONS MINING PROCESS

Commercially competitive with a minimised environmental footprint



Zero water waste



Zero emissions



Zero energy waste



6.3, 6.4



12.4



13.2



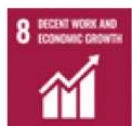
7.3

Safety

2030 ambition
Zero harm

2030 targets

LTIF (incl. contractors):
10% Y-o-Y improvement
TRIR (incl. contractors):
10% Y-o-Y improvement



8.8

People diversity

2030 ambition
A diverse and inclusive organisation

2030 targets

% of women total: 30% **
% of women managers: 25%



5.5

Environment

2030 ambition
Enable zero emissions

2030 targets

CO₂ emissions Scope 1 and 2:
Carbon-neutral
Scope 3 downstream:
Economic intensity
7% Y-o-Y improvement



13.2

Human rights

2030 ambition
Safeguard standards



8.5, 8.7

Compliance

2030 ambition
Transparency and compliance



10.3



16.5, 16.6

Supplier management

2030 ambition
Reduced footprint

2030 targets

Suppliers setting science-based targets: 30% of spend



12.6, 12.7



13.2

YOUR TASK



YOUR TASK

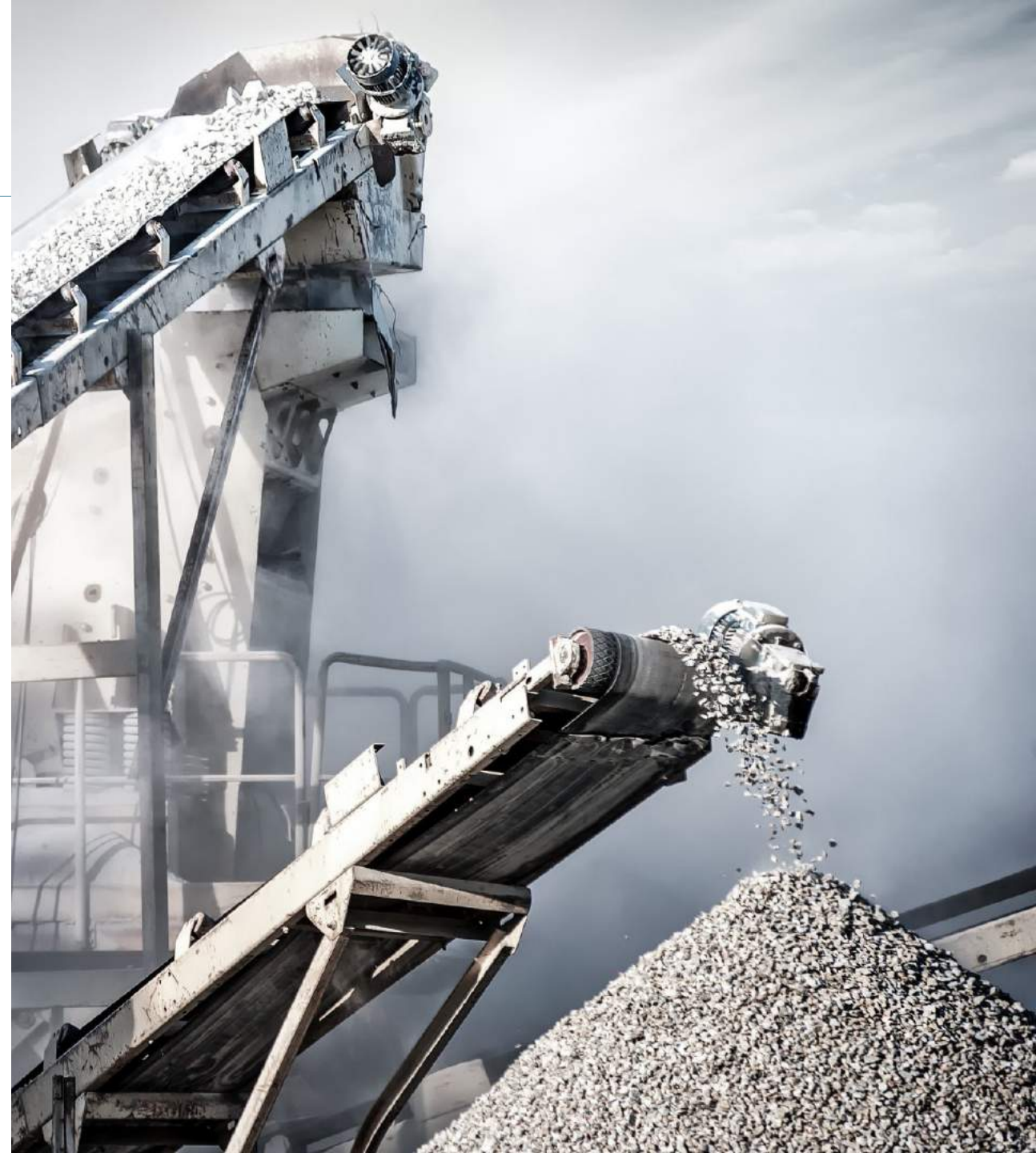
The next fifteen hours

FLSmidth has the technical capabilities to reach the goal of zero-emission, however, the efforts must not be in vain. When undergoing an organizational transformation from being a mining and cement company to being a green company, the public perception must change accordingly. This is why perception is crucial for among other investors in the sector, the stock price, and the global partnership opportunities. But how does a public perception change? How should a company enable such a large-scale transformation? Who should be involved in the process?

FLSmidth has the tools, the innovation, and the methods to reach the sustainable goals of Mission Zero. Now they need your help to find out:

How can FLSmidth strategically reposition the company towards being green? This entails both how Mission Zero and the sustainable vision can be anchored internally in the company, and how FLSmidth can execute and communicate the change in the industry?

We wish you the best of luck and look forward to seeing your presentations







Case Writers
Augusta Klingsten Peytz
Benedicte von Wildenrath Løvgreen
Anna Rosentoft

Head of Final Case Competition
Laura Hönig

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APPENDICES



FLSMIDTH: THE FOUR DIVISIONS

Minerals

The Minerals division focus on delivering systems to their key mining industries: coal, copper, gold, iron ore and fertilizer. The business covers mineral processing and material handling technologies and is a merger of the divisions Mineral Processing and Material Handling. The new Minerals division unleash a significant potential for FLSmidth to become the strongest project and systems provider in the minerals industries.

Cement

FLSmidth has more than 130 years of experience and is the global cement industry's leading technology supplier of complete plants and production lines. The dedicated Cement division will enable a sustained focus on complete plants and product lines, and especially the further development of Engineering, Procurement and Construction (EPC) offerings will ensure a continued strong position in the cement industry.

Customer Services

In 2012, Customer Services was separated from the project business in order to make the growth of the business area a clear priority within FLSmidth and to foster a strong service culture and mindset. FLSmidth will continue to leverage the opportunities for growth and development in the service areas through a dedicated Customer Services division. The further development of the Operations & Maintenance (O&M) business will have particularly high priority in the Customer Services division. The sale of wear parts, consumables and new service concepts to the minerals and cement industries will also be boosted in the division.

Product Companies

In order to ensure dedicated management focus and to utilize shared supply chain and back-office functions, FLSmidth separated several product companies from the project divisions to form a stand-alone Product Companies division. The Product Companies division enables FLSmidth to release a significant potential for globalizing and growing the company's unique product brands. The new division will serve FLSmidth's six key industries; copper, coal, iron ore, gold, fertilizer and cement, the Minerals and Cement divisions as well as adjacent industries

In your strategy, you are not required to focus on a specific division. Your focus should rather be on the organisation as a whole – and how the common mentality can be shifted internally across the divisions.

KEY FINANCIALS

DKKm	2016	2017	2018	2019	2020
INCOME STATEMENT					
Revenue	18,192	18,000	18,750	20,646	16,441
Gross profit	4,581	4,597	4,693	4,849	3,865
EBITDA before special non-recurring items	1,588	1,732	1,826	2,008	1,134
EBITA	1,289	1,515	1,585	1,663	771
EBIT	881	1,115	1,220	1,286	428
Financial items, net	(54)	(311)	(161)	(118)	(47)
EBT	827	796	1,059	1,171	381
Profit for the year, continuing activities	590	417	811	798	226
Loss for the year, discontinued activities	(68)	(343)	(176)	(22)	(21)
Profit for the year	522	74	635	776	205
ORDERS					
Order intake (gross), continuing activities	18,303	19,170	21,741	19,554	18,524
Order backlog, continuing activities	13,887	13,654	16,218	14,192	14,874
EARNING RATIOS					
Gross margin	25.2%	25.5%	25.0%	23.5%	23.5%
EBITDA margin before special non-recurring items	8.7%	9.6%	9.7%	9.7%	6.9%
EBITA margin	7.1%	8.4%	8.5%	8.1%	4.7%
EBIT margin	4.8%	6.2%	6.5%	6.2%	2.6%
EBT margin	4.5%	4.4%	5.6%	5.7%	2.3%
CASH FLOW					
Cash flow from operating activities (CFFO)	1,447	1,065	385	948	1,421
Acquisitions of property, plant and equipment	(203)	(174)	(288)	(177)	(171)
Cash flow from investing activities (CFFI)	(194)	(113)	(285)	(661)	(376)
Free cash flow	1,253	952	100	287	1,045
Free cash flow adjusted for acquisitions and disposals of enterprises and activities	1,253	846	(15)	574	1,082
BALANCE SHEET					
Net working capital	2,099	1,833	2,200	2,739	1,752
Net interest-bearing debt (NIBD)	(2,525)	(1,545)	(1,922)	(2,492)	(1,808)
Total assets	24,112	22,364	21,743	23,532	20,456
Equity	8,462	8,038	8,266	8,793	8,130
Dividend to shareholders, proposed	307	410	461	0	103

Use of alternative performance measures

Throughout the report we present financial measures which are not defined according to IFRS. We have included additional information in note 7.4 Alternative performance measures and 7.8 Definition of terms.

DKKm	2016	2017	2018	2019	2020
FINANCIAL RATIOS					
CFFO / Revenue	8.0%	5.9%	2.1%	4.6%	8.6%
Book-to-bill	100.6%	106.5%	116.0%	94.7%	112.7%
Order backlog / Revenue	76.3%	75.9%	86.5%	68.7%	90.5%
Return on equity	6.3%	0.9%	7.8%	9.1%	2.4%
Equity ratio	35.1%	35.9%	38.0%	37.4%	39.7%
ROCE	8.5%	10.4%	11.0%	10.9%	5.1%
Net working capital ratio, end	11.5%	10.2%	11.7%	13.3%	10.7%
NIBD/EBITDA	1.6	0.9	1.1	1.2	1.6
Capital employed, average	15,157	14,533	14,338	15,251	15,195
Number of employees	12,187	11,716	11,368	12,346	10,639
SHARE RATIOS					
Cash flow per share, diluted	29.5	21.4	7.7	18.9	28.3
Earnings per share (EPS), diluted	10.6	1.5	12.8	15.5	4.2
Dividend yield	2.0	2.2	3.1	0.0	0.9
Dividend per share, proposed	6	8	9	0	2
Share price	293.0	361.3	293.1	265.4	232.8
Number of shares (1,000), end	51,250	51,250	51,250	51,250	51,250
Market capitalisation, end	15,016	18,517	15,021	13,602	11,931
SUSTAINABILITY KEY FIGURES					
Safety, TRIR Total Recordable Incident Rate	4.0	3.2	3.0	1.6	1.0
Quality, DIFOT Delivery In Full On Time	84.0%	87.5%	87.0%	88.0%	88.3%
CO ₂ emissions in tonnes	44,195	64,267	64,270	53,200	36,830
Relative carbon footprint	2.4	3.6	3.4	2.6	2.2
Water withdrawal (m ³)	-	241,651	227,272	221,613	197,346
Suppliers assessed for sustainability	161	113	195	689	390
Women managers	10.7%	10.5%	10.4%	11.2%	13.1%

The financial ratios have been computed in accordance with the guidelines of the Danish Finance Society. Please refer to note 7.8 for definitions of terms.

IFRS 16 was adopted 1 January 2019. No figures prior to 1 January 2019, throughout the report, have been restated.

IFRS 15 and 9 were adopted 1 January 2018. No figures prior to 1 January 2018, throughout the report, have been restated.

The measure of number of employees have been changed during 2020, and 2019 has been adjusted accordingly. The number of employees includes temporary employees compared to previous periods where only permanent headcount was disclosed. 2016-2018 has not been adjusted.

Last year's proposed dividend of DKK 8 per share, amounting to DKK 410m and a dividend yield of 3.0, was withdrawn in connection to the Annual General Meeting and the comparative numbers have been adjusted accordingly.

Sustainability key figures are from our Sustainability Report. Starting in 2018, TRIR is including contractors, while comparison numbers are excluding contractors. Water withdrawal was not counted in 2016.

RISK MANAGEMENT

Safety - mitigate severe impact on health and safety of the employees, further complicated by the pandemic.

Compliance - importance of compliance with a wide-range of trade and anti-corruption laws and regulations.

Workplace Engagement - ability to keep the workforce engaged to adapt to constant change.

Cement Market Conditions - lack of global growth and decreasing general consumption.

Sustainability - leverage the opportunity for development and adoption of sustainable solutions.

Projects - ability to deliver on time and as promised to customers.

Digitalization - create value and optimize processes that drive productivity.

Geopolitical risk - tensions between key nations and volatile risk environments could lead to increased costs or disruptions in operations.

Cyber Threats - as technology advances, computer crime is becoming increasingly sophisticated.

Supply Chain - pandemic lockdown and resulting decline in on-site activities has increased concerns regarding supply chain reliability when demand to deliver increases.

Financial Risk - liquidity, credit and fluctuation in foreign exchange rates.

