

Welcome to Capital Market Day



Valby, 18th January 2005

Introduction: Jørgen Huno Rasmussen, CEO

Program Capital Market Day 18 January 2005



10.30	Welcome, markets and group status	Jørgen Huno Rasmussen
11.00	How a cement plant gets off the grounds	Peter Krüger
11.30	Break	
11.40	FLSmidth Automation	Poul Skjøth
12.00	Site tour in Valby From head office - through the laboratory – to FLSmidth Automation; demonstration of Robolab, remote control etc.	
13.00	Lunch	
13.45	FLSmidth movie	
14.00	FLSmidth project “from idea to production”	Mogens Roikjær
14.30	FLSmidth Customer Services Division	Erik Birch
15.00	Break	
15.10	R&D Case study; HotDisc	Kim Pandrup Christensen
15.40	Focus FFE Minerals	George Robles
16.50	Closing remarks	Jørgen Huno Rasmussen

Back to Core Business

- 1882 F.L.Smidth founded
Delivery of machinery to
production of cement
- 1889 Aalborg Portland established
Production of cement
- 20th Century Global cement group
- End of 20th Century FLS Conglomerate
Delivery of machinery and plants to
production of cement, building
materials, aircraft maintenance,
environment, packaging,
transportation, etc.
- Beginning of 21st Century Focus on core competences
Divestment of other activities

FLSmidth - Status

- **Focus:** "Engineering equipment"
→ Divestment of Building Materials ✓
- **Vision:** The preferred partner and leading supplier of solutions and services to the global Cement- & Minerals Industries ✓
- **Business Idea:** Common technology sold in 2 Industries ✓
- **Core Activities:** Development, design & production of machinery, equipment, systems & services for cement and minerals globally ✓

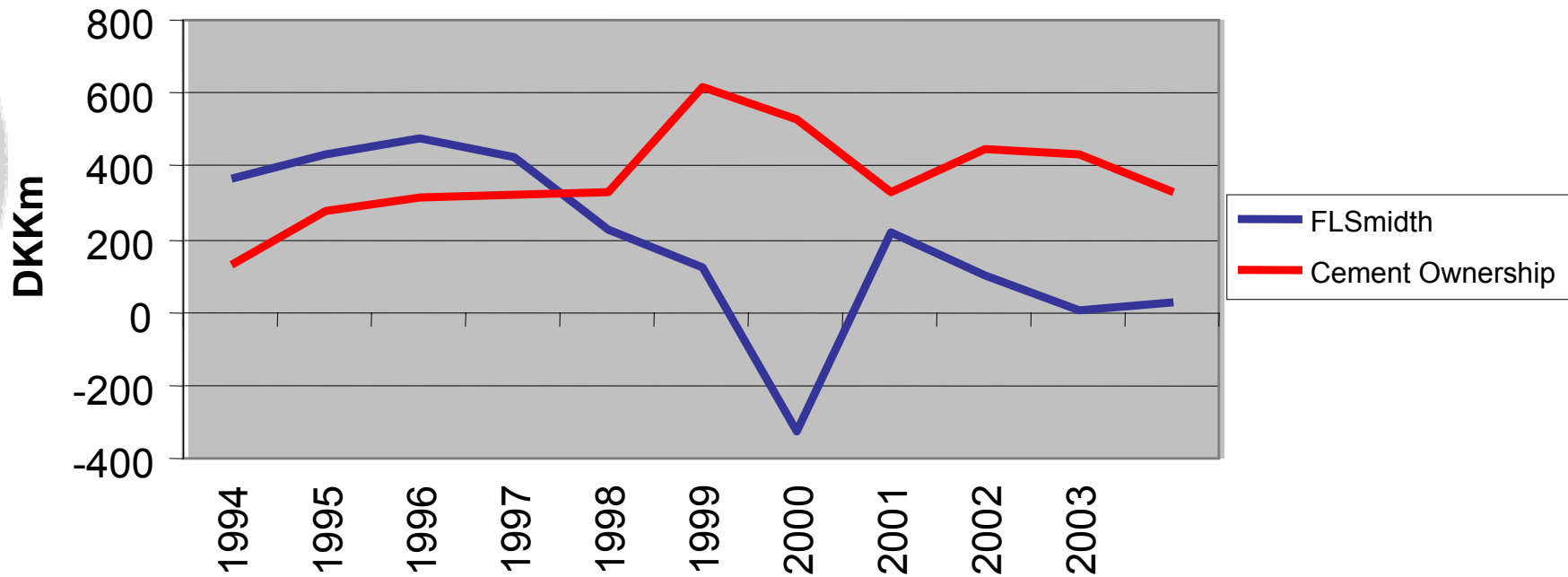
FLSmidth - Status

- **Target:** EBT 5 % of turnover
- **Market:** Stable at high level → possibilities ✓
- **Competition:** Increasing → additional challenge !
- **Means:** Strategic plans and actions:
Developed centrally and locally in 2004 ✓



FLSmidth must now deliver!
- it has demonstrated the ability before

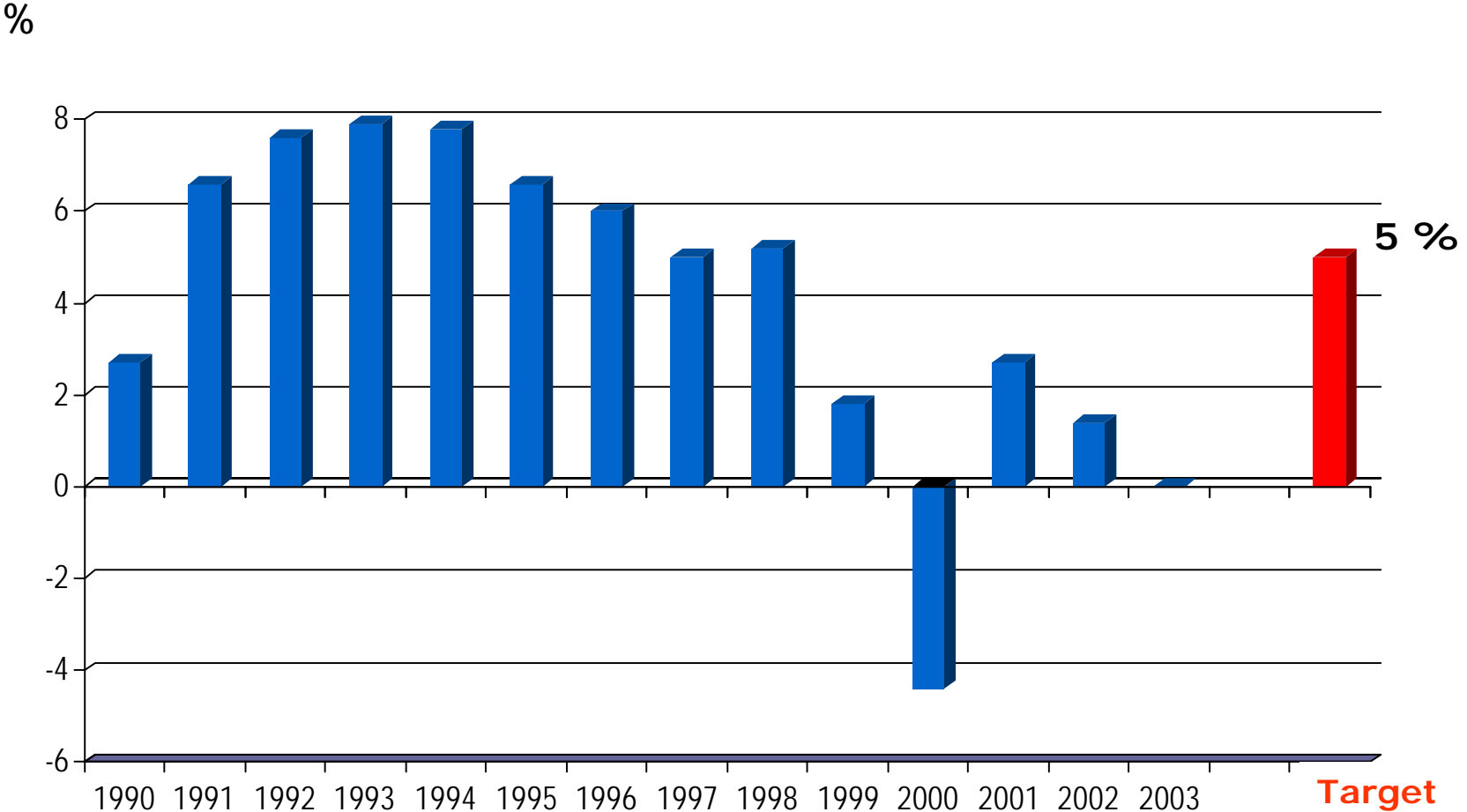
**Historical Earnings before tax (EBT)¹⁾
Cement ownership²⁾ & FLSmidth**



1) Based on Annual Reports 1994-2003

2) Cement Ownership = Ordinary earnings; Aalborg Portland, Unicon, Secil, Atlas

EBT margin (%) FLSmidth Group



In- and external survey 2003

POSITIVE VALUES

- A proud company that believes in itself and its quality products – and with a unique company spirit
- **Keeps its word**
- A friendly and relaxed attitude
- An international culture that enables the company to work in the most demanding foreign cultures
- Shares knowledge with customers
- High degree of **responsibility**, freedom, and individual opportunities

In- and external survey 2003

STRENGTHS

- A **strong heritage/experience** and (brand) recognition
- Acknowledged as the **biggest** player on the world market
- **International** presence and resources
- **Professional**, knowledgeable and experienced staff
- High customer exposure throughout the organization due to extensive traveling
- **Quality products** ensuring reliability and productivity for the customers
- Technological edge
- Know-how in handling “big” projects
- Strong informal organization

In- and external survey 2003

WEAKNESSES

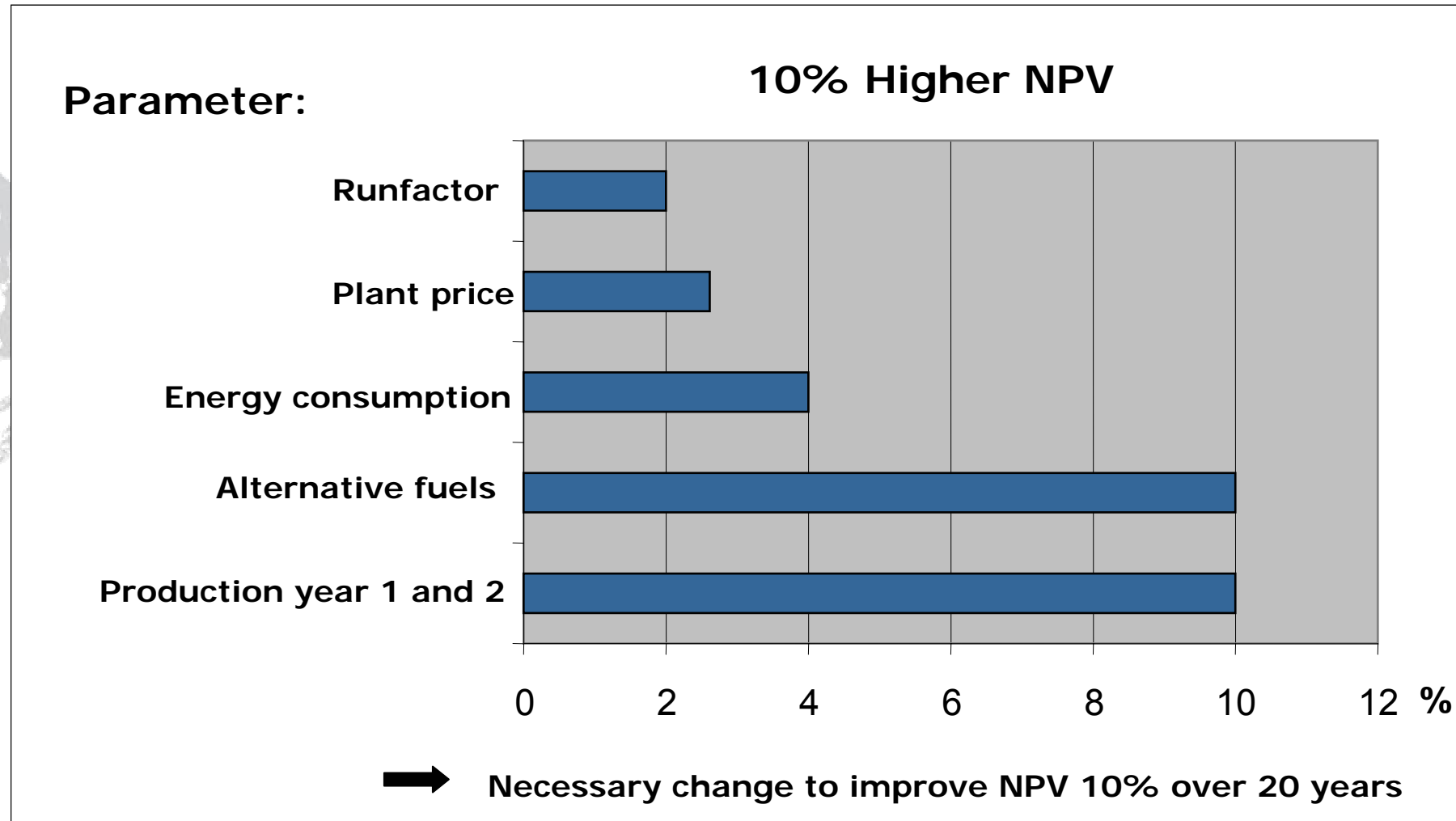
- Weak and unclear financial structure. ✓ Aalborg Portland and Unicon sold
- Inefficient, inflexible organization.
- Turnkey capabilities. ✓ New Turnkey Management organisation
- Storing, sharing, and utilizing experiences.
- KAM function is perceived as weak.
- Follow-up after project completion, regular formalized customer contact/after sales function.
- Handling smaller projects and spare parts. ✓ New smaller projects organisation
- Too much focus on technical matters, not enough on business matters/benefits.
- Unsure about what the FLS core really is
- Ability to say "no". ✓ New Sales policies
- ▪ Product/process development.
- Strong informal organization.
- Image in DK is weak.
- Not sufficient internal communication.

Organisational changes

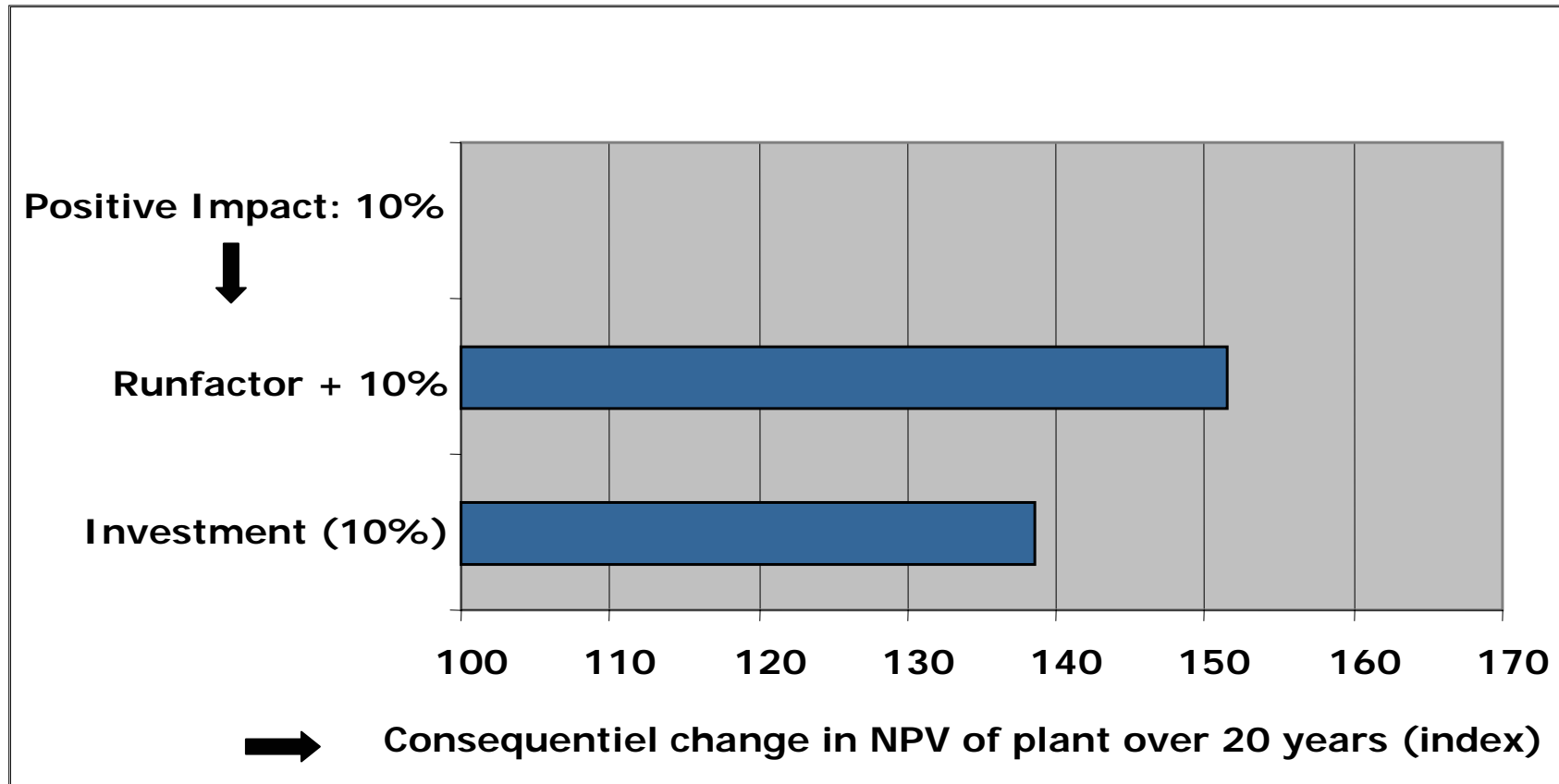
Actions 2004:

- **New Board in FLSmidth A/S**
- **New centralised management structure**
- **Elimination of holding company**
- **Centralised staff functions**
- **New Turnkey unit and more project-orientation**
- **Merger of Materials Handling into FLSmidth**
- **Redefined internal divisions
(Customer Services/Automation/Materials Handling)**
- **Merger of Airtech into FLSmidth as internal division**
- **Task force for process-problems
(Plant Evaluation Team)**
- **Small Projects unit both in DK and USA (CSP)**
- **Succession in management progressing
(10 key positions)**

Improvement-potential of parameters in relation to NPV of investment in a cement plant



Efficiency more important than price in relation to NPV of investment in a cement plant



NB: Based on realistic but uncertain assumptions

How do we reach our target?

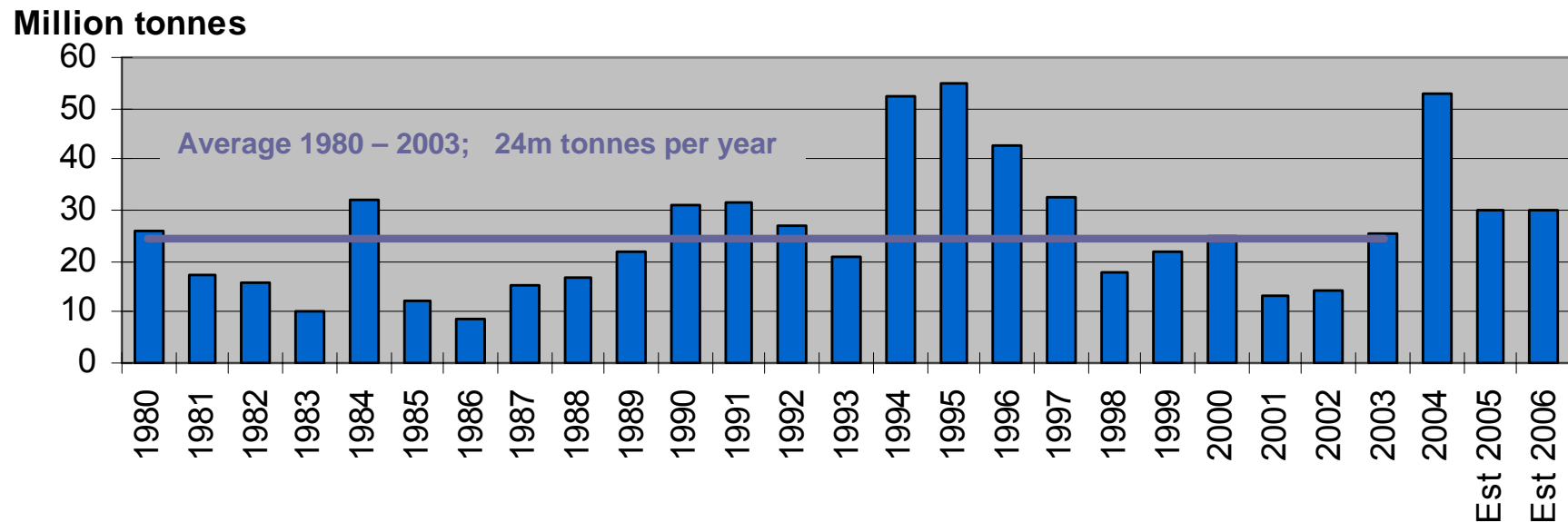
- By means of executing strategic initiatives:

- **Research & product-development**
- **Sales policies**
- **Risk control**
- **Contract administration**
- **Project orientation**
- **Standardisation**
- **IT-development**
- **Sourcing from low-cost countries**
- **Increased engineering in India**
- **Increased manufacturing in China**
- **Increased aftermarket services**
- **Integrated geographical presence**
- **Synergies in Cement / Minerals**
- **Expansion within Minerals**



Yearly contracted cement kiln capacity excl. China

Contracted cement kiln capacity on a yearly basis 1980-2006

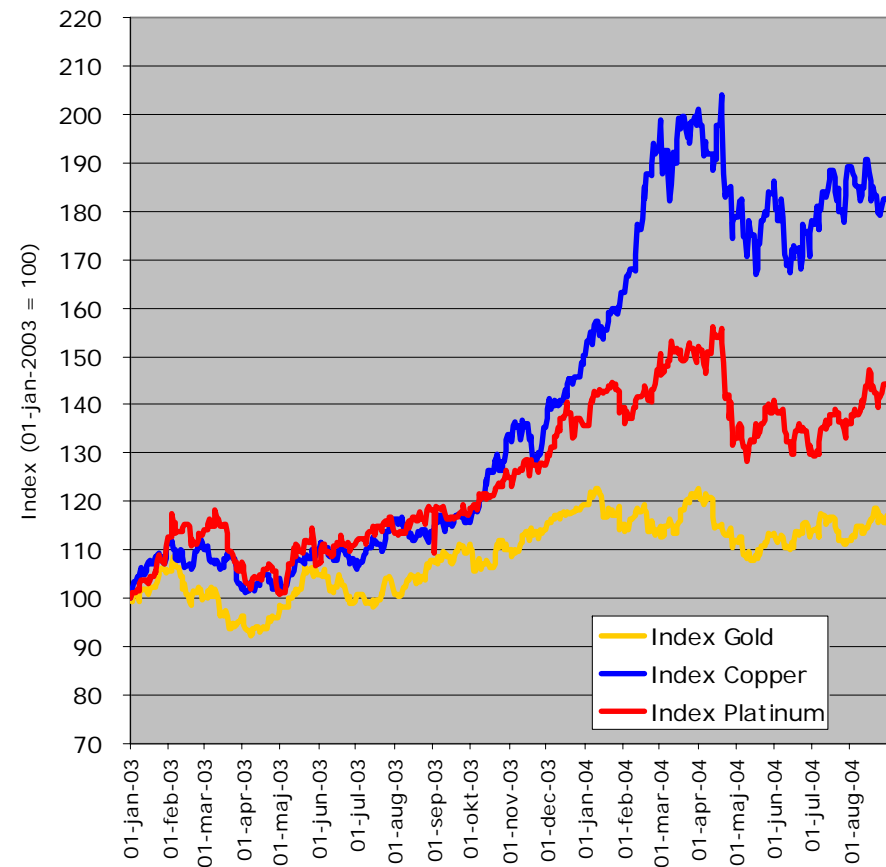


- Positive trends in demand for new kiln capacity continue => 53 mty in 2004
- Revival of old, and arrival of new market participants – especially from China
- Increased level of activity in Vietnam, India, Middle East and USA

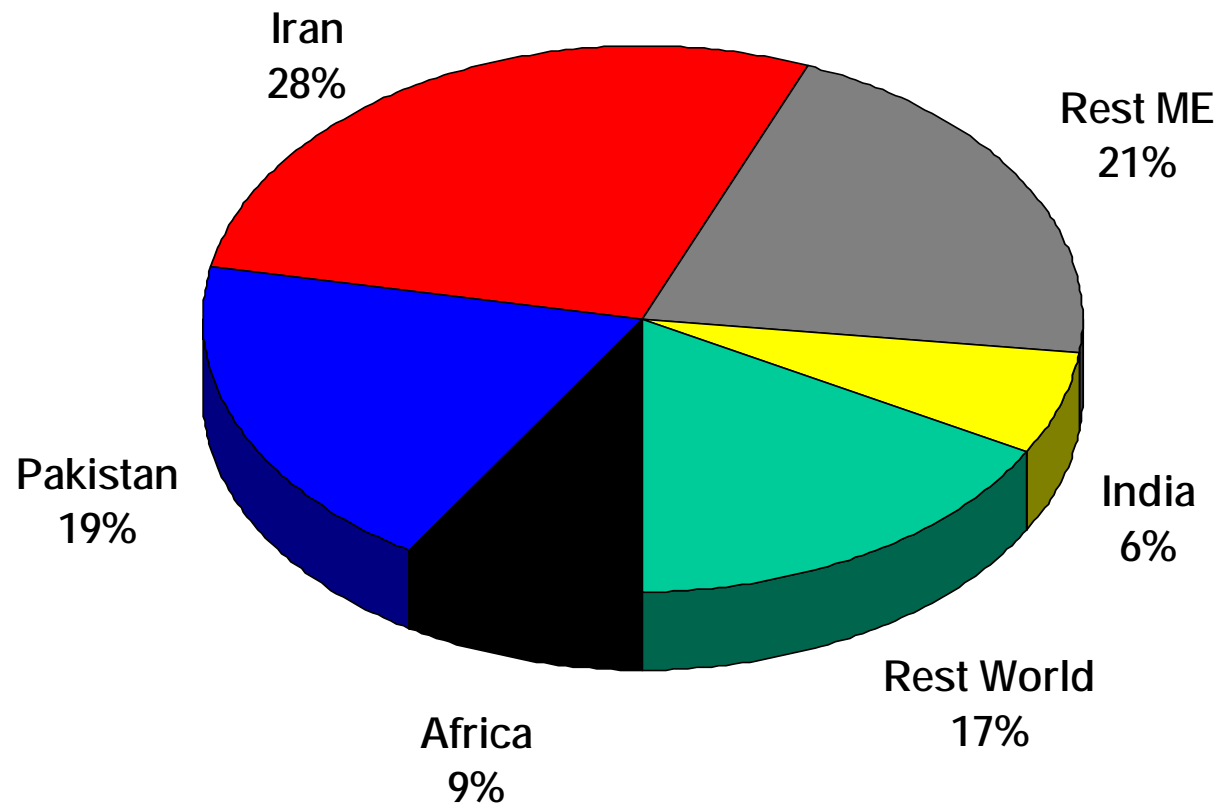
Market development - Minerals

- FFE Minerals - a niche player in the market for extraction of minerals which is five to nine times as large as the cement market
- Growing demand for minerals in Asia, in particular China although at a slower pace than anticipated
- High energy and steel prices as well as possible royalty on mined ore has temporarily postponed investment decisions
- Geographically, India remains a very active market

Gold, Copper, Platinum Prices
Index 01-jan-2003 = 100
(as quoted on the London Metal Exchange)



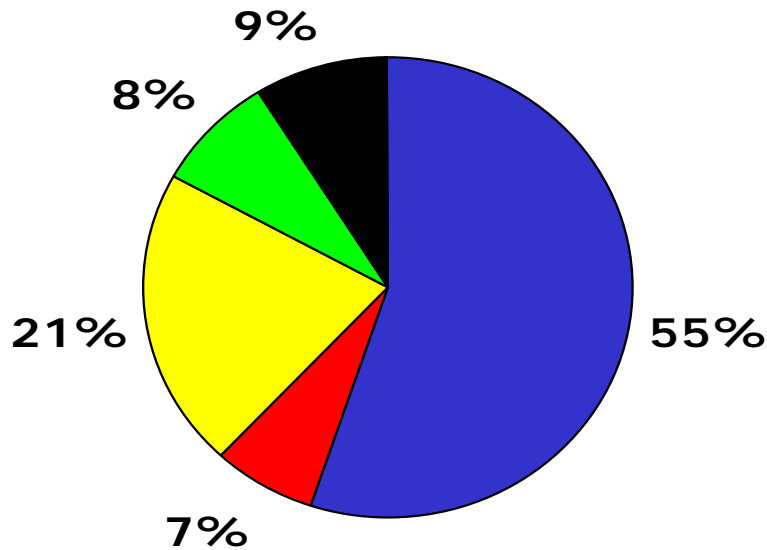
International cement kiln market split Sold 2004 excl. China



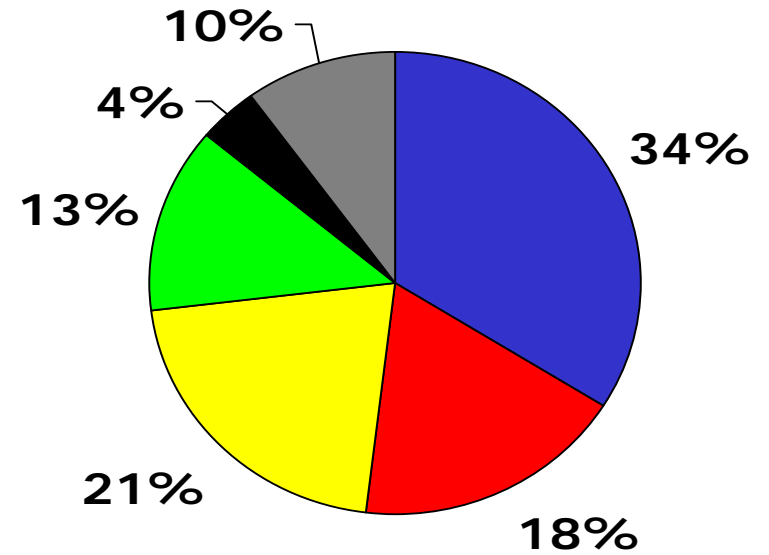
International cement kiln market shares

Orders new capacity excl. China

2003



2004



■ FLSmidth	■ Chinese	■ Polysius
■ KHD	■ FCB & others	■ Others

FLSmidth-orders: 2003: 55.700 tpd
2004: 54.100 tpd

New challenge in international markets: The Chinese competitor appeared in 2004



- **FLSmidth was prepared and acted early:**
 - Acquainted through decades in China
 - Avoided joint ventures and protected core-technology
 - Mobilized for increased competition in Spring 2004
 - Procurement of equipment / machinery is majority of costs
 - Launched procurement program in low-cost countries including China with increased local staff
 - Evaluating qualified suppliers and expanding in-house production facilities in China
 - Change from Western suppliers can reduce our total plant sales prices
 - **AND** maintaining FLSmidth-guarantee on quality and output

More strategic actions:

- Accelerate improvements of technology through **increased R&d-investments**
- Protect and develop all **long-term core-technologies** in our two western centres DK and USA

→ Ensuring that FLSmidth always stays technologically ahead of the competition including the Chinese

- Develop **back-office and non-core technologies** in eastern centre in India
- Increased **IT-investments and standardization**

→ Ensuring that FLSmidth stays price-competitive through efficiency and cost-control

- Less **risks** in contracts, stronger **logistics** in execution
- Relatively more activity in **Minerals** and in **Aftermarket**

→ Ensuring increasing results and profitability

Group Business Units

FLS Industries => FLSmidth & Co.

Continuing Activities

FLSmidth

Customer Services Division

FLSmidth Automation

FLSmidth Materials Handling

FLSmidth Airtech **RESTRUCT.**

Pfister

Ventomatic

Maag Gear **TURNAROUND**

FFE Minerals

Other activities

Dansk Eternit Holding **RESTRUCT.**

Densit

FLS miljø **WINDING UP**

Aalborg Portland **SOLD**

Unicon **SOLD**

Aerospace **SOLD**

Future Business Units

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Pfister

Ventomatic

MAAG Gear

FFE Minerals

Customer Services Division (CSD) is a global supplier of spare parts, customer services and inspections. CSD is also focusing on small projects, i.e. individual machines or minor conversion projects.



Target: Increased aftermarket proportion of cement-activities

- Counter-tendencies within Global Cement Producers
- Requires constantly strengthened competitiveness through cost-control
- New concepts to be developed, e.g. inspired from minerals



Kiln inspection

Service

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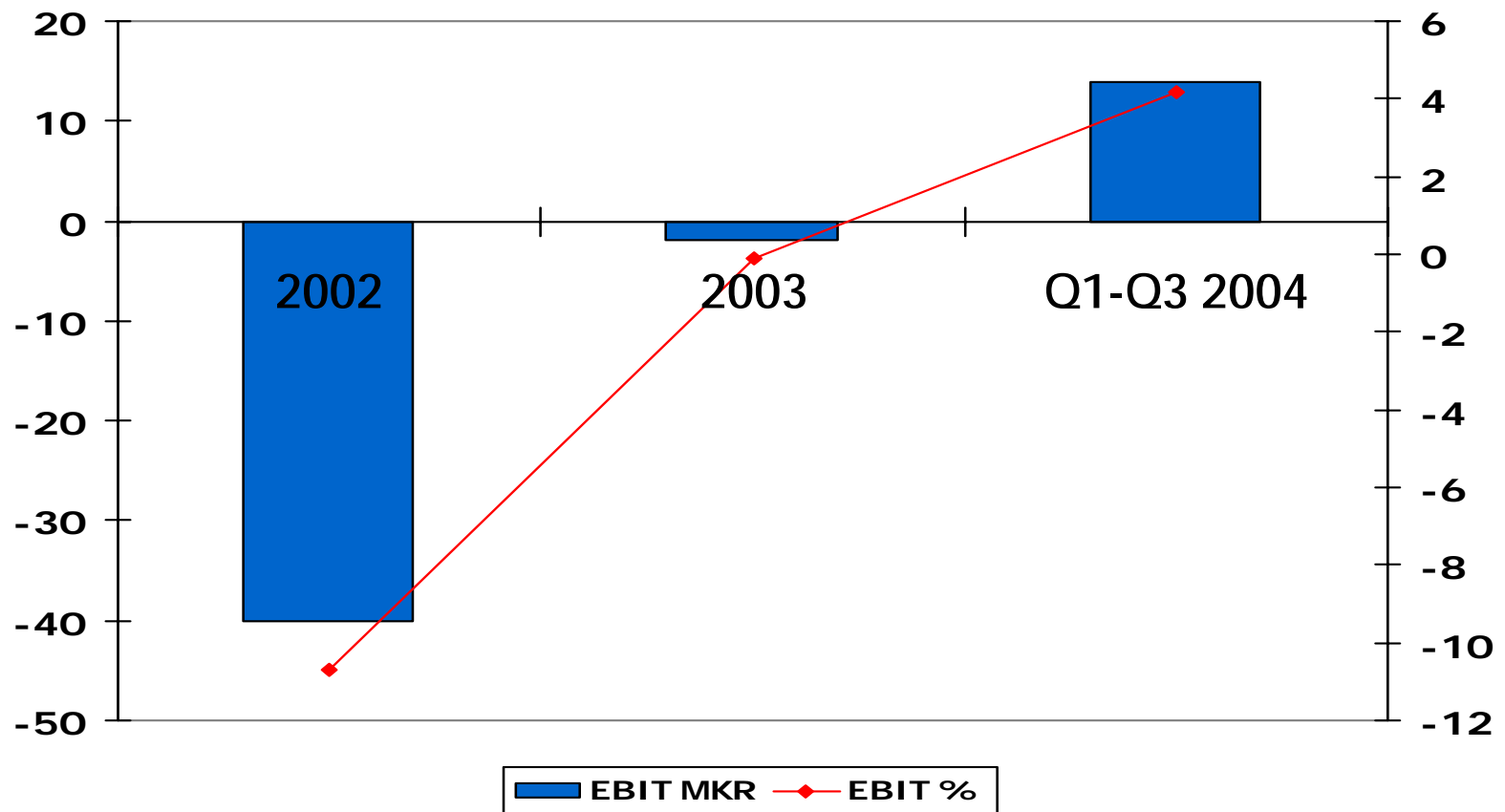
FFE Minerals

FLSmidth Automation

Supplies systems for measuring, controlling and regulating complex industrial process installations in cement plants and other process industries worldwide



AUTOMATION: Development in EBIT



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Ventomatic

MAAG Gear

FFE Minerals

FLSmidth Airtech supplies bag filters, electrostatic precipitators, scrubbers, conditioning towers, systems and services to reduce the emission of dust, SO_x, dioxins and heavy metals.



Airtech Market/Product strategy

Focus strategy in FLSmidth Airtech / OEM Market Presence											
Products	Cement	Pulp & paper	Iron & steel	Copper	Other minerals	Waste	Biomass boilers	Utility boilers	Glass	Chemical	Others
ESP	Green	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Red	Red	Red	Red
FF	Green	Red	Red	Red	Yellow	Yellow	Red	Red	Red	Red	Red
GCT	Green	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red
HEX	Green	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red
GSA	Green	Red	Yellow	Red	Yellow	Yellow	Red	Red	Red	Red	Red
WAS	Green	Red	Red	Red	Yellow	Yellow	Red	Red	Red	Red	Red
Scope of supply											
Engineering & key parts	Green										
Full equipment supply	Green									Primary market	Green
Semi turn-key excl. civil	Yellow	back-to-back required								Very selective approach	Yellow
Full turnkey incl. civil	Red									No bid	Red

Future Business Units

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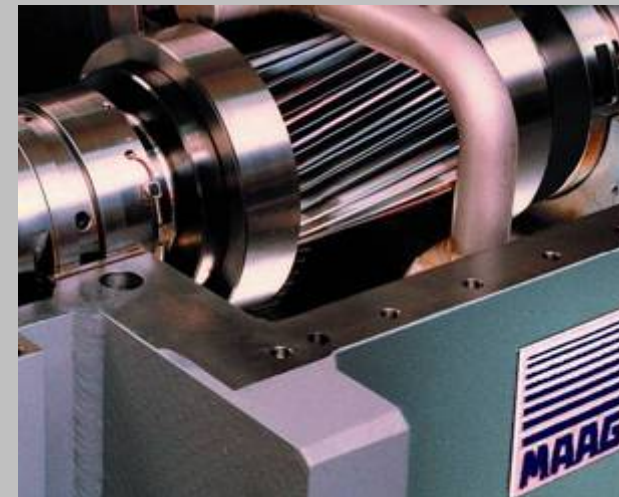
Pfister

Ventomatic

MAAG Gear

FFE Minerals

MAAG Gear is an international supplier of gears and gear units to the cement industry and related industries



MAAG Gear in a turnaround:

- **Improvements:**
 - The polish plant was incorporated in 2001
 - Zurich plant was moved to Winterthur in 2003
 - Sales have been increasing last year
- **But results are still very unsatisfying** →
- **New CEO in November 2004 with the tasks:**
 - Strengthen commercial focus
 - Improve cost control
 - Optimize sourcing from low cost-countries
 - Simultaneously strengthen quality assurance

Future Business Units

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FFE Minerals

FFE Minerals is a world-wide supplier of machinery, operating and maintenance services to the metallic mining and mineral industries as well as to the lime and paper industries



Why invest in FLSmidth & Co. ?

A focused company

The logo for FLSmidth, featuring the company name in a bold, blue, sans-serif font. The 'F' and 'L' are white and set against a dark blue square background, while the 'S', 'M', 'I', 'D', 'T', and 'H' are solid blue.

- with a unique global market position
- supported by growth in global cement and minerals markets
- aiming for a 5% EBT ratio

