

Welcome to FLSmidth Capital Market Day 2012



Programme of today

- 15:00-15:30 **Presentation of the Group strategy and structure** - considerations and ambitions /Jørgen Huno Rasmussen
- 15:30-16:00 **Presentation of Customer Services** strategy /Bjarne Moltke Hansen
- 16:00-16:30 **Presentation of Bulk Materials** strategy /Christian Jepsen
- 16:30-17:00 Break (presentation of ICE on E 1st floor) /Jose Alejandro Delgado
- 17:00-17:30 **Presentation of Non-Ferrous** strategy /Peter Flanagan
- 17:30-18:00 **Presentation of Cement** strategy /Per Mejnert Kristensen
- 18:00-18:15 **The Chairman's agenda** and perspectives /Vagn Sørensen
- 18.15-18.25 **Introduction to new CFO** /Ben Guren
- 18:25-18:30 Concluding remarks / Jørgen Huno Rasmussen
- 18:30-20:00 3-course dinner in Orient Canteen



Group Strategy & Structure

By Group CEO Jørgen Huno Rasmussen



FLSmidth today

- A **leading supplier** of equipment and services to the **global minerals** and **cement industries**
- A **strong competitive position**
 - **Unmatched scope of technology**, equipment and expertise within cement and minerals processing and material handling
 - Unique ability to meet the **full range** of customer requirements, from complete plants to spare parts and full O&M services
 - Excellent **track record** of reliability, time to market and project follow-through



FLSmidth today

- **Proven ability** to help customers increase capacity, reduce operating costs and lower environmental impact
- **Local presence** in more than 50 countries
- In-country resources and substantial presence in **China** and **India**, the world's two fastest-growing markets

- **Revenue EUR ~3bn** in 2011, of which **69%** was generated in developing countries



Asset light business model

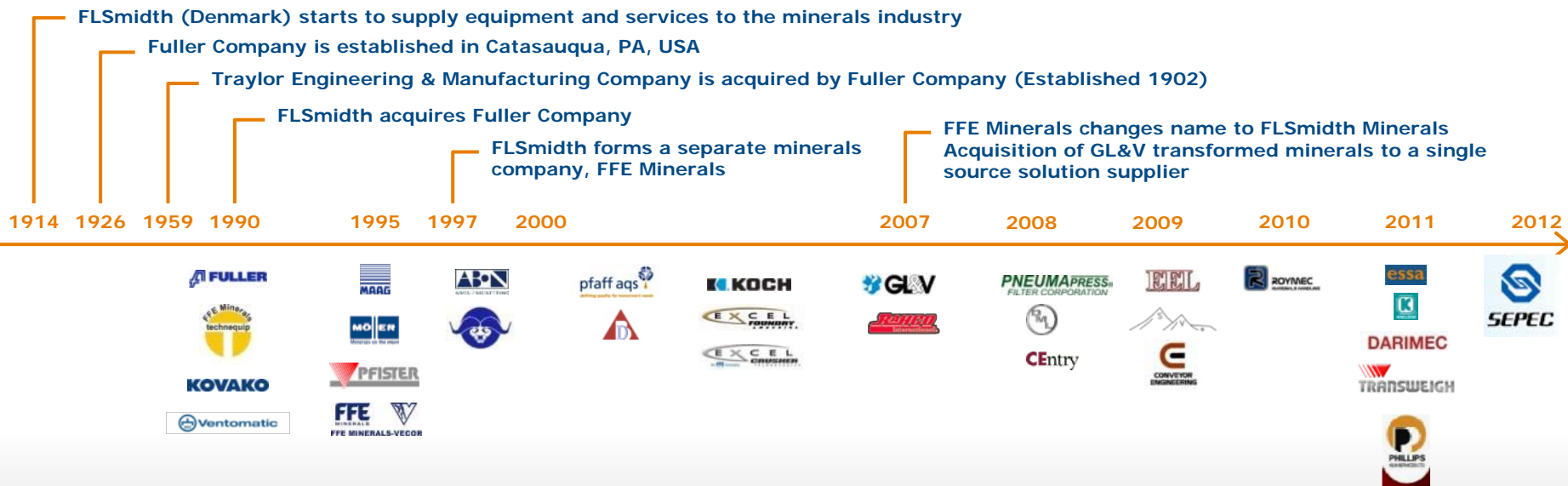
- **Engineering house and technology provider**
- **Flexible cost structure**
(mostly engineering and project management)
- **Most manufacturing is outsourced**
(~80-90%)
- **Low working capital** due to prepayments from customers (typically 10-25% of total contract amount upfront)
- **Low maintenance CAPEX**
(~2% of revenue)
- **Order related engineering** off-shored to **India**
- Increased **sourcing** from **competitive-cost-countries** (~40% at present; target is 75%)



Long history of strategic acquisitions

- contributing to FLSmidth's growth and success

Key historical milestones ...



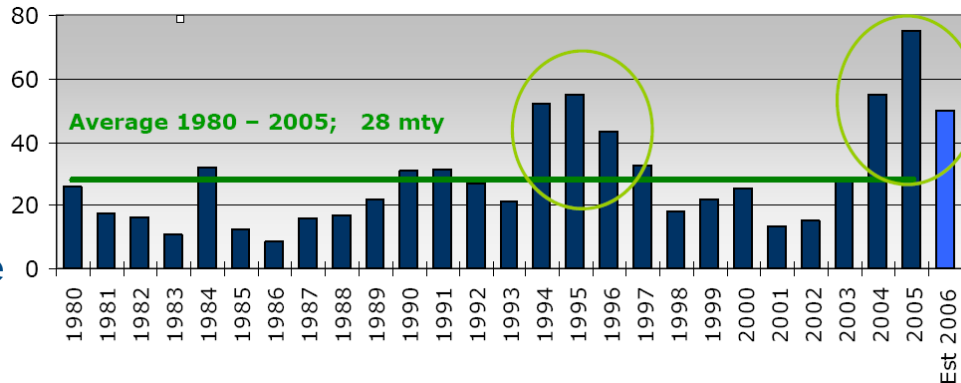
The strategic route to the present



New millenium - A global supplier to the Cement industry

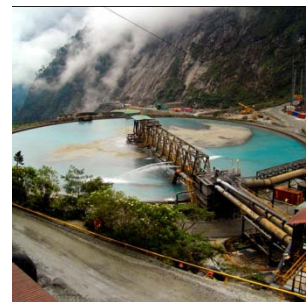
- In 2005, **Cement accounted for 68% of revenue** and 43% of Group EBIT
- Whereas Minerals accounted for only **20% of revenue**
- Dependant on the cyclicalicity of the cement industry

Million tonnes



Strategic targets set out in the Annual Report 2007

A significant strategic focus area for the FLSmidth Board and Management is to reduce the Group's exposure to cyclical movements in the demand for new cement capacity. This has led to the strategic decision to balance the Cement and Minerals activities and increase the Customer Services business.



- **In 2007, Cement accounted for 61% and Minerals for 32% of revenue**

10 August 2007 changed our world!



Giving FLSmidth full process flowsheet

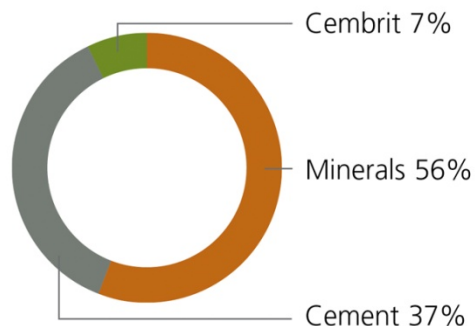
- Acquisition of Dorr-Oliver Eimco and Krebs Engineers (GL&V) **strengthened Minerals offerings**
- **From minerals extraction to end product**



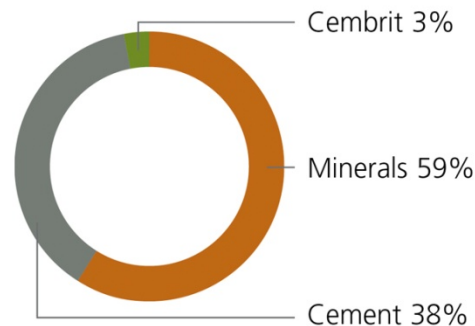
- Strategy to bring Minerals activities to **same level as Cement**

2011 – our 2007 strategic target obtained! Minerals for the first time ever bigger than Cement

Revenue 2011
– by segment



EBIT result 2011
– by segment



Ready for the next level – New Group Strategy



“We will be our customers’
preferred full-service provider
of sustainable minerals and
cement technologies”

New **Vision** and New Group **Strategy**

"Focused full-service provider"

We will **focus** on 6 key industries:

- Coal
- Iron ore
- Fertilizer
- Copper
- Gold
- Cement



We will not diversify into unrelated industries

We will **differentiate** from competitors by offering full service within our key industries and core technologies; minerals processing and material handling

Full-service provider

We will build state-of-the-art machinery and then bundle this with services to supply the solutions our customers need the most



We do no longer regard products and machinery as "the end", but rather as "the means" by which we supply services to our customers

Providing full service solutions will enable us to cover more of the customers' life cycle

"Focused full-service provider"

Life cycle approach

We will focus on a product portfolio that reflects our customers' life cycle

Maximize sales to each customer

Our primary value-proposition will be based on a holistic life-cycle approach where total cost of ownership (TCO) is lower than our competitors and based on more sustainable and eco-efficient technologies



Full flow-sheet

We will offer customers in our six key industries full flow sheet solutions that reflect our core competences

The objective is to complete the flow sheet in each of our six key industries - though with varying scope



We will pursue business activities within our core activities that will result in market leadership

Three key strategic themes

- We build our strategy around **three themes**:
 - Customer intimacy
 - Product leadership
 - Operational excellence
- Our approach will be **balanced and interlinked**
- We will align our solutions with our customers' needs



New financial targets

Financial targets	
Annual revenue growth	Above market average
EBITA ratio	10-13%
Equity ratio	>30%
Financial gearing (NIBD/EBITDA)	<2
Pay-out ratio	30-50%
CFFI (excl. acquisitions)	DKK -700m to -900m

New Group structure



Cement and minerals – commercially different

What they have in common apart from basic technology is volatility

	Cement	Minerals	Similar?
1 Sources & deposits	<ul style="list-style-type: none"> Raw materials widely available Low value-to-weight ratio: short transport, proximity to demand 	<ul style="list-style-type: none"> Deposits geographically dispersed, far away from core markets Global supply chain to marketplace 	-
2 Growth & perspectives	<ul style="list-style-type: none"> Global demand growing slowly Large overcapacities reducing demand for new equipment 	<ul style="list-style-type: none"> Booming demand for commodities Many players with large <u>capex</u> projects in pipeline 	-
3 Players & consolidation	<ul style="list-style-type: none"> High fragmentation growth markets <u>Vertical</u> consolidation in mature regions 	<ul style="list-style-type: none"> Strong <u>horizontal</u> consolidation No. of junior miners limited; further mergers expected 	?
4 Volatility	<ul style="list-style-type: none"> Demand linked to construction Hence, clear GDP dependency, but cycles relatively long 	<ul style="list-style-type: none"> Commodity prices very volatile Impacting directly industry activity and investments into new assets, but with time lag 	✓

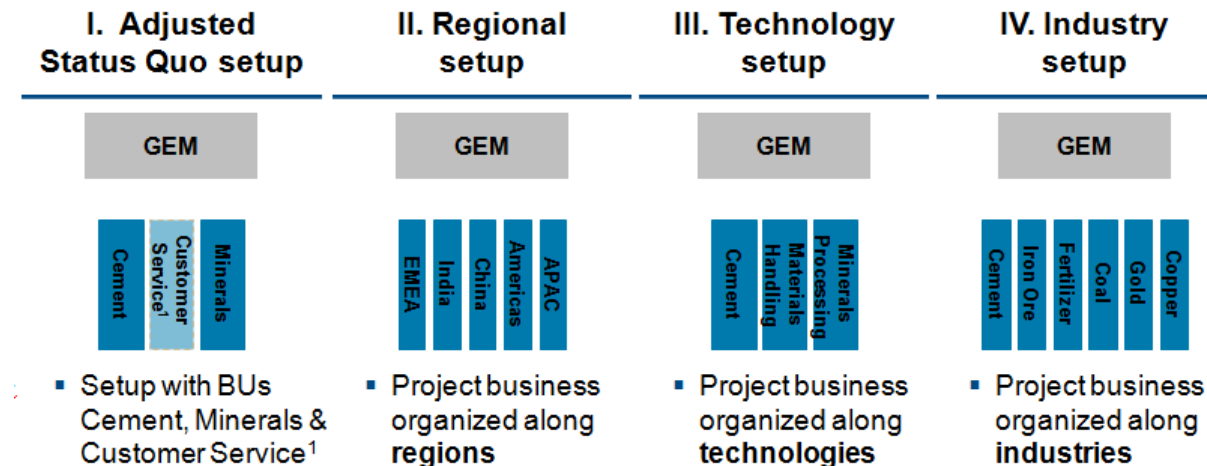
The organisation should reflect that of the customers

- **Large global cement players** have organised their businesses with **regional geographical Business Units**
- **"Pure-play" setup** – focus on cement and selected downstream products – no other commodities/minerals
- Central coordination of procurement activities – but **regional heads quite strong influencers** of final purchase decision

- **All major mining players** are **global players** and are organised around **global commodity Business Units**
- Within individual BUs, a regional structure is implemented, reflecting the **locations of the assets** in operation
- Many players with coordination of procurement activities at central level – but **BU's in all cases strongly involved** in decision making process



Four high-level options considered

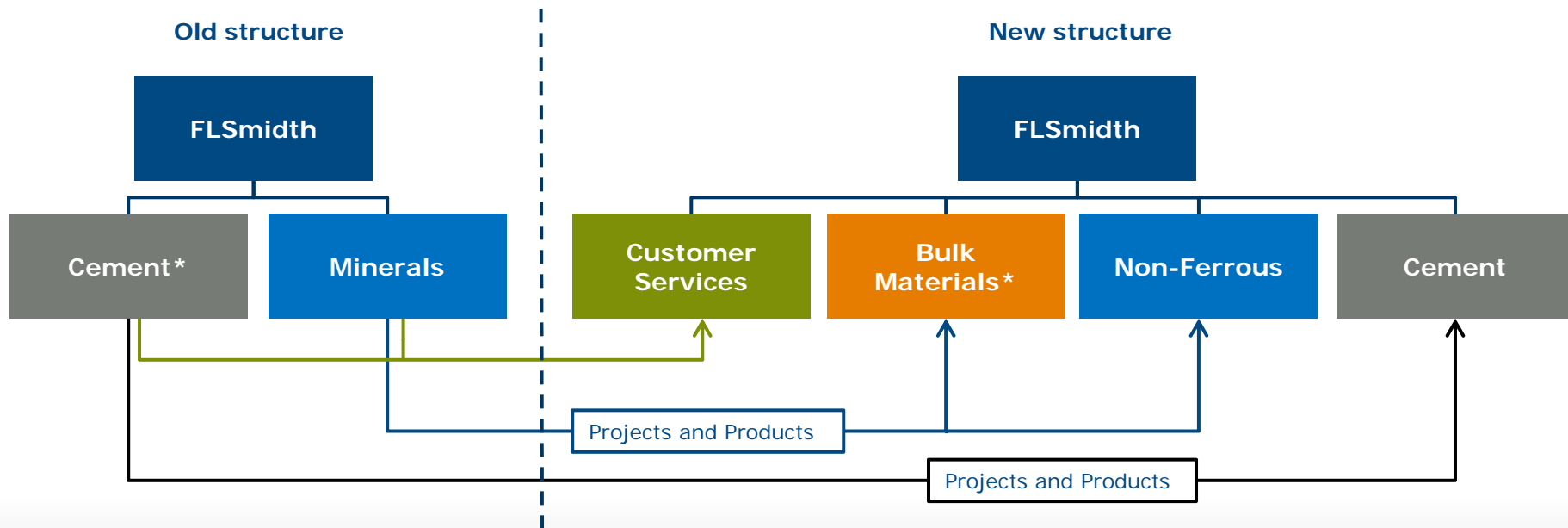


- Aligned with design principles derived from structure, strategy and industries

Design principles – high-level options favour “Technology” setup

	Status Quo	Regions	Technology	Industries
The setup should reflect that only few overlaps exist between cement and minerals regarding regions, customers and technology	✓	—	✓	✓
The FLSmidth setup should be capable of achieving customer intimacy with large, global customers and small, local customers in all focus industries	impacts on 2nd level and below			
Different types of business (projects, products, CS) should be placed in a structure which is ideal for the individual business type and the Group	impacts on 2nd level and below			
Given the large M&A plans , the setup should be able to integrate target companies according to their industry focus and footprint	✓	—	✓	✓
The structure should be simple , with fewer dotted lines and fewer double hats	can be achieved with either setup			
Project sales and project execution should be clearly allocated so that full accountability is ensured	✓	✓	✓	✓
Integration of the existing units should be deepened in a reasonable manner to achieve back-end synergies	can be achieved with either setup for back-end functions			
Our customers and our shareholders should perceive FLSmidth as one organization	✓	✓	✓	✓
A dynamic perspective is required : what worked in the past, what is needed in future?	can be achieved with either setup			
The new structure should be supported by reporting based on the FLS IT platform (Hyperion, Helios), but it should not be defined by the IT systems	can be achieved with either setup			

New Group Structure



*) Some product companies previously belonging to Cement are moved to Bulk Materials since a considerable part of their future activities is related to minerals

Industry focused Divisions to realise growth and strategic goals

- Divisions are integrated organisations with dedicated management teams and clear accountability/responsibility for their business
 - 1 Executive Vice President for each Division, enlarged and more operational Group Executive Management
 - Clearly reduced "double hats" on management level
 - Distinct operational units (Divisions) with full global responsibility for their business, incl. **P/L, technology, product development, sales and execution**

Matching core technologies with key industries

Customer Service

- Creates focus on Customer Service which has a different business logic than the three project sales divisions
- Further strengthen link between global customer service activities across FLSmidth's local footprint

Bulk Materials

- Coal, Iron Ore, Fertilizers
- Industries relying most heavily on Materials Handling

Non-Ferrous

- Gold and Copper
- Industries relying most heavily on Minerals Processing

Cement

- Full focus on the Cement industry and on retaining and developing technology

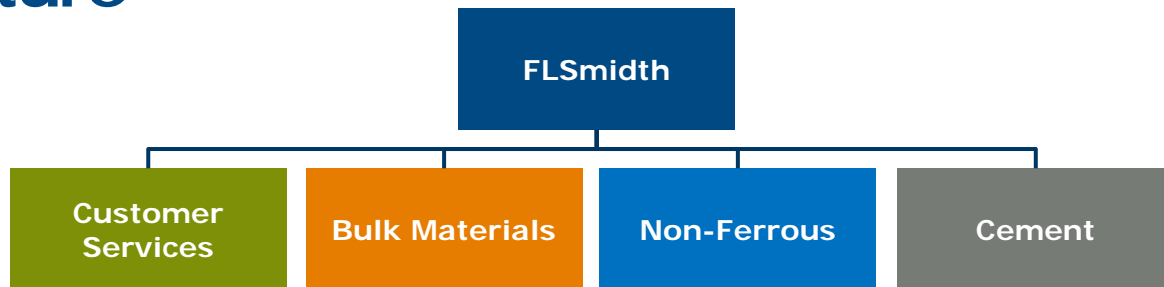
Working across Divisions to serve the industry

Key Industry Directors (KIDs)

- Provide industry knowledge and market intelligence
- Drive industry strategy, goals and priorities
 - Including global sales targets, budgets and updates
- Define industry **needs for R&D and/or M&A**
- Assist the global sales force with sales strategies, value propositions, and sales training
- Drive Customer Intimacy in the industry across Divisions
 - Including **co-ordinating needs for projects with combined technologies**

New Group Structure

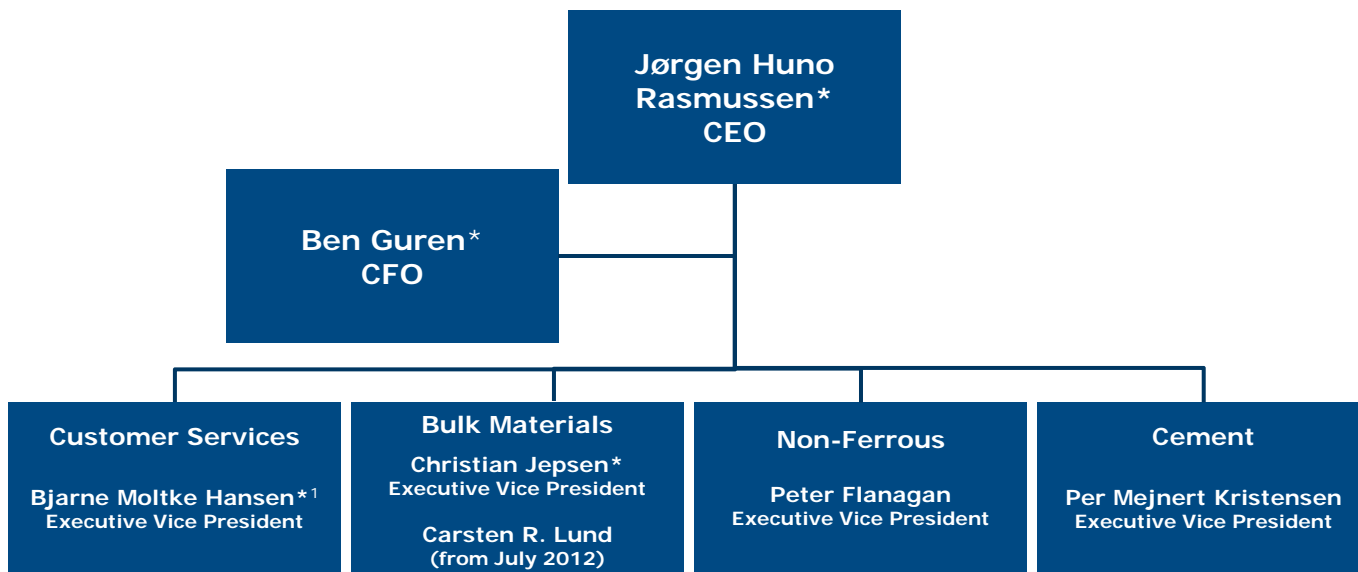
Bulk Materials, Non-Ferrous and Cement still include a total of DKK 1.9bn service revenue in product companies. **Total service revenue** amounted to DKK 7.2bn in 2011 representing **33% of Group revenue**



	Customer Services	Bulk Materials	Non-Ferrous	Cement
Market potential p.a. (estimated)	DKK ~70bn	DKK ~90bn	DKK ~50bn	DKK ~60bn
Industries served	All focus industries	Coal, iron, fertilizers and other bulk minerals	Copper, gold and other minerals	Cement
Main competitors	All OEM suppliers, specialised services and parts suppliers	ThyssenKrupp, Sandvik, Takraf, FAM, Metso, etc.	Metso, Outotec, ThyssenKrupp, Sandvik, Weir, etc.	Sinoma, ThyssenKrupp Polysius, KHD, etc.
Revenue 2011*) (proforma)	DKK 5.3bn	DKK 5.0bn	DKK 6.8bn	DKK 4.4bn
EBITA-% 2011 (proforma)	~16%	~5%	~12%	~11%

*) Elimination in the form of inter-company trade amounted to approx. DKK 1bn in 2011

Group Executive Management enlarged



*) Executive officer registered with the Danish Business Agency

1) Responsible for Cembrit

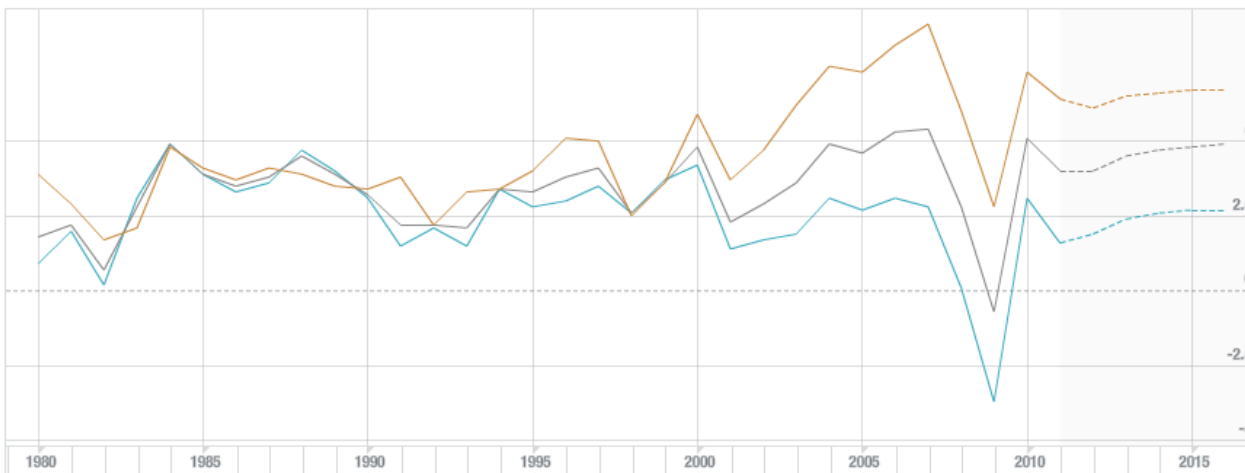
Outlook & Guidance unchanged



Positive macro-economic development – growth in emerging markets and developing countries

- Emerging and developing economies
- Advanced economies
- World

Real GDP growth (Annual percent change)



©IMF, 2012, Source: World Economic Outlook (September 2011)

... which will drive demand for commodities and thereby support capital goods prospects

- **Key structural trends:**
 - **Emerging market consumption growth** driving demand for new products and ultimately the expansion of the manufacturing base in emerging markets
 - The need for significant **infrastructure investment** in emerging markets
 - **Resource constraints** for food, fuel, feed and raw materials driving increased direct demand for capital equipment, as well as greater investment in capital equipment to improve energy efficiency
 - **Human capital shortages** and rising labour costs leading to further labour-to-capital substitution
 - The rise of **emerging market competition** in both domestic and export markets.

Enhanced footprint within Coal & Australia

- FLSmidth has made an offer of AUD 11\$ per share to acquire Australian company **Ludowici**, equivalent to DKK 2.3bn
- Will allow us to complete our product portfolio within **coal** handling and processing
- **Coal KID** will coordinate between Divisions (technology requirements) and ensure customer and industry focus
- Will also strengthen our **copper** and **iron ore** product portfolio
- **Customer Services 65%** of activities



Questions?

