

Chairman's agenda

Chairman of the Board of Directors, FLSmidth & Co. A/S, Vagn Sørensen



Agenda

- Chairman's view of FLSmidth
- Composition of Board and Executive Management
- Board priorities
 - Overall strategy
 - Capital structure
 - Compliance



FLSmidth has a **proud heritage and engineering** tradition



First impression of FLSmidth

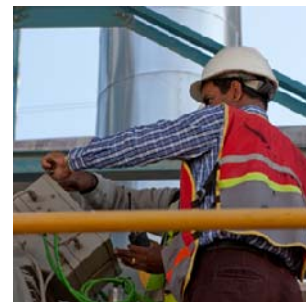
- FLSmidth offers **proud heritage** and **engineering tradition**
- After “detours” now maneuvered safely into **harbor with two docks**: cement and minerals
- Credit to employees, management and Board for **foresight** and staying power
- **FLSmidth is in no need of a revolution**, but an evolution that builds on our heritage and established strategies

FLSmidth's strengths and opportunities

- **Solid position** in selected segments with different business dynamics, yet to some degree synergistic
- **Well-defined business concept** (One Source) and segment strategies
- Quality trademark and **first-class reputation**
- **Technological know-how** / superiority
- Very developed and targeted off-shoring model
- **Financial strength** and “freedom” to determine right mix of investments, M&A and dividends
- Already sustainable positions in customer services / O&M creates further upside when built out
- Handling of financial crisis confirmed **good adaptability** and **sense of urgency**
- **Human resources**; employees and management team

Expectations to FLSmidth

- Attract and develop the greatest talents
- Keep the strong market position in Cement
- Exploit the potential in Customer Services / O&M
- Controlled and focused expansion of Non-Ferrous and Bulk Materials
- Accelerate synergistic acquisitions and take advantage of the strong balance sheet
- Continuous improvement of the cost structure and efficiency to retain competitiveness



Composition of Board and Management



Board of Directors

- Reflects **substantial managerial experience** from internationally operating industrial companies
- All members elected at the Annual General Meeting hold **competencies** within acquisition and sale of companies, financing and stock market issues, international contracts and accounting
- **Diversity** has been taken into account in the composition:
 - 1 female member (plus 1 employee elected)
 - 3 non-Dane members

Composition of the Board of Directors after AGM 2012

- **New Vice Chairman of the Board of Directors**
 - Torkil Bentzen
- **New members of the Board of Directors:**
 - Caroline Grégoire Sainte Marie and Tom Knutzen
- **Nomination committee:**
 - Vagn Sørensen (Chairman) and Torkil Bentzen
- **Remuneration committee:**
 - Vagn Sørensen (Chairman) and Torkil Bentzen
- **Audit committee:**
 - Tom Knutzen (Chairman), Sten Jakobsson and Vagn Sørensen
- **Technology committee:**
 - Torkil Bentzen (Chairman), Martin Ivert and Caroline Grégoire Sainte Maire



Board of Directors

Executive Management

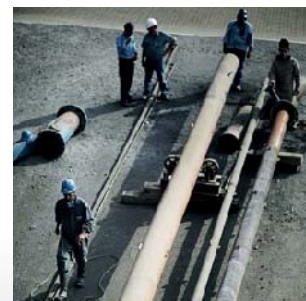
- Has been increased to 6 members as a consequence of the new Group strategy
- The goal is develop the managerial potential in the Group and to create ownership and focus in the Executive Group Management in line with the new organizational structure and strategy
- We now have a **strong team of 6 professionals** – including 2 non-Danes - who can execute the new strategy and take FLSmidth to the next level
- Management assessment has been conducted among the top 50 managers to ensure the strongest team possible and assist in the succession planning

Board priorities



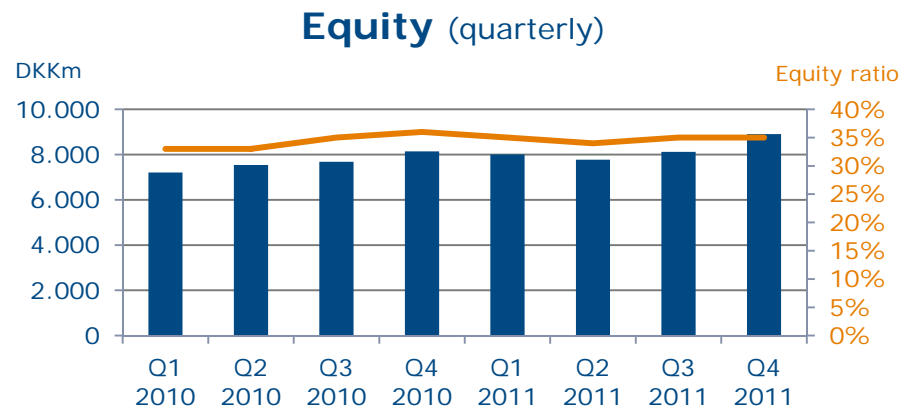
Strategy

- Overall priority is to ensure a **sustainable** and **profitable growth**
- **Old goal reached:** Minerals equal in size to Cement
- **New goal:** FLSmidth should be the market leader and preferred supplier in processing and handling of minerals in selected industries
- The Board has set the overall goal and frame for the **new Group strategy**, but it is Executive Management who - together with management teams and employees - have developed and are now executing the strategy
- **Product strategy** to achieve and sustain superiority in all key product lines



Capital structure

- **Conservative approach** to capital structure to keep low gearing and risk
- Financial strength and stability through crisis give **freedom to act**
- **Objective**
Equity ratio >30%
Financial gearing of max. 2 x EBITDA
- **Current capital contingency**
Club deal DKK 5.0bn with a remaining duration of 4.3 years plus an additional DKK 1.2bn



Compliance

- **A focus area for the Board**

- Complies with all of NASDAQ OMX Copenhagen's recommendations for corporate governance except for one recommendation, which is partially complied with

- **Diversity**

- Has set long term goal of a female and non-Dane representation in the global management (top 100 managers) that is equal to overall representation in the employee composition (16% women, 12% Danes)

- **Corporate Governance & Compliance function established**

- Covers areas such as: code of conduct, anti-bribery and anti-corruption, anti-money laundering, competition legislation, stock exchange legislation and insider rules
- The Board conducts regular reviews of all relevant policies

Questions

