



**Welcome to**

**FLSmidth & Co.**

**Capital Markets Day 2007**

**Jørgen Huno Rasmussen (CEO)**



## Agenda

- |              |   |                                 |
|--------------|---|---------------------------------|
| <b>11.00</b> | <b>Opening Remarks</b>                    | Jørgen Huno Rasmussen, FLSmidth |
| <b>11.30</b> | <b>FFE Minerals – Facts &amp; Figures</b> | George Robles, FFE Minerals     |
| <b>13.00</b> | <i>Lunch</i>                              |                                 |
| <b>14.00</b> | <b>FFE Minerals - Recent Acquisitions</b> |                                 |
|              | - Excel Crusher Technologies              | Doug Parsons, Excel CT & FM     |
|              | - Excel Foundry & Machine                 | Doug Parsons, Excel CT & FM     |
|              | - KOCH Transporttechnik                   | Bernie H. Loyer, FFE Minerals   |
| <b>15.15</b> | <i>Coffee break</i>                       |                                 |
| <b>15.25</b> | <b>Minerals market outlook</b>            | George Robles, FFE Minerals     |
| <b>15.50</b> | <b>Closing Remarks</b>                    | Jørgen Huno Rasmussen, FLSmidth |
| <b>16.00</b> | <i>End</i>                                |                                 |



# FLSmidth & Co. Today

## Vision

It is the vision of FLSmidth & Co. to continuously strengthen the position as the **preferred partner** and **leading supplier** of equipment and services to the global cement and minerals industries

## Financial Targets

- **EBIT ratio** >5% in periods of low activity
- EBIT ratio 6-7% in periods of high activity
- **Equity ratio** >30% (long-term)
- **Financial gearing**; 1-3 x EBITDA
- Investments in **R&D** >2% of Turnover

## Business Areas

### Focused on:

- **Cement**
- **Minerals**
- **Dansk Eternit Holding**

## Aspirations

- To **grow** the minerals business to a similar size as cement
- To considerably grow the **aftermarket**
- To optimize the **cost structure**
- To strengthen the position as **technological leader**



# The World Today

## Globalisation

### 3 consequences of globalisation

*(Colin Mauldin, Investor Insight)*

1. Global prices of manufactured goods continue down
2. Ever-cheaper goods from China creates opportunities to increase other global prices
3. Primarily service-producing countries get richer than countries specializing in manufacturing

## Economic Environment

- Low inflation and interest rates
- High growth in developing countries
- Growing global middle class
- High oil and commodity prices
- Kyoto protocol

## Risks

- Supply chain constraints
- Slow-down in global growth
- Regional over-capacity in cement
- Political crises
- ....

## Opportunities

- Focus more on supply chain management
- Focus more on service and after-market
- Focus more on R&D – in particular on energy efficiency and reduction of emissions



## Looking back - 2006

### Significant events in 2006

- Future shareholder structure solved
- FLSmidth to build the world's largest cement plant (12,000 tpd) in the USA
- Acquisition of Excel Foundry & Machine and the remaining 49% shares in Excel Crusher Technologies, USA
- Acquisition of KOCH Transporttechnik, Germany



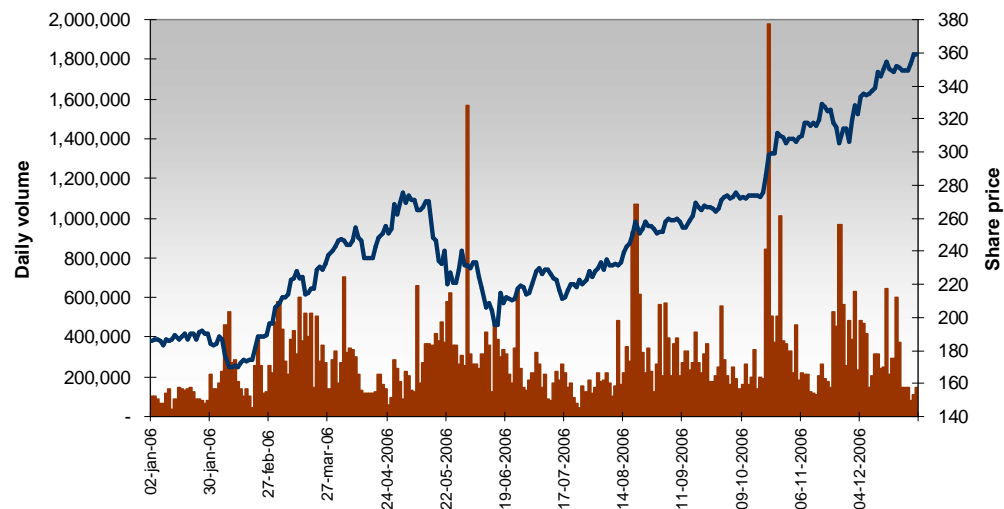


# Looking back - 2006

## Shareholder structure 2006

- Share exchange offer to shareholders in Potagua FLS was followed by a merger of Potagua FLS and FLSmidth & Co.
- The number of share classes in FLSmidth & Co. has been reduced to one
- FLSmidth has no controlling majority shareholder any more (Largest shareholder today: ATP 14.9%)
- Approx. 98% of the shares are free-floating
- Share buy-back program up to DKK 800m has been initiated

## FLSmidth share price and volume



**Total shareholder return in 2006 was 97%**

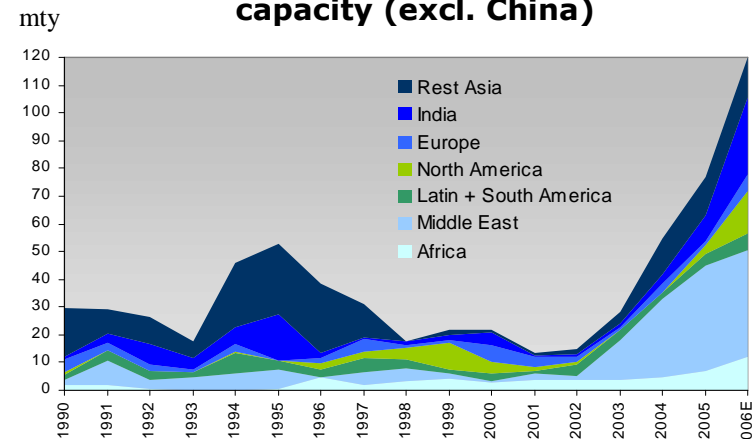


# Looking back - 2006

## Favorable market conditions

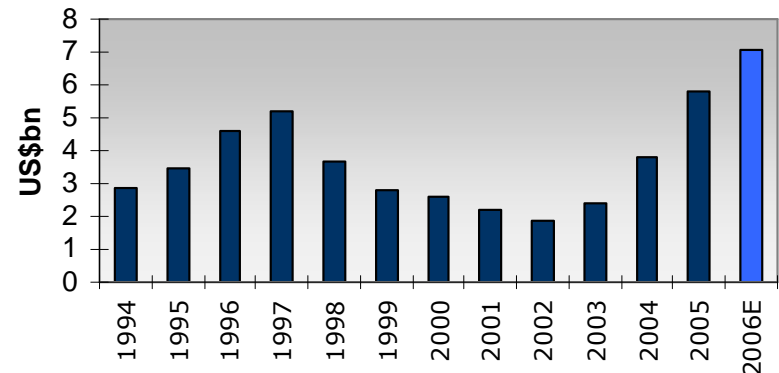
- Demand for new **cement** kiln capacity has increased **10-fold** in the last **5 years** primarily due to infrastructure investments in the Middle East and Asia
- Investments in exploration for non-ferrous **metals** have increased **3-fold** in the last **3 years** due to increased demand out of China, and consequently rising metals prices

**New global contracted cement kiln capacity (excl. China)**



**Global investments in exploration of non-ferrous metals**

Source: Metals Economics Group

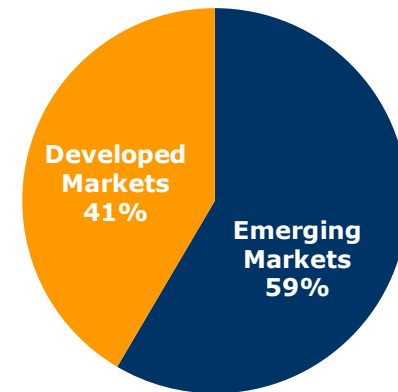




## Looking ahead - 2007

- FLSmidth celebrates its **125th Anniversary**
- Execution of record high order backlog is expected to drive up **revenue and earnings** in 2007
- Markets are still very active, especially **emerging markets**
- More **acquisitions** may be announced in 2007



FLSmidth Sales 2005



**FLSmidth & Co. generates approx. 60% of sales in emerging markets**



# FLSmidth celebrates its 125th Anniversary

|   |   |  |
|---|---|--|
| <p>FLSmidth proudly presents:</p> <p><b>New Corporate Film</b></p>  | <p>Podcast</p> <p><b>Listen to a sample of our anniversary book!</b></p> <p>Release date 2 February 2007</p>                        |    |
| <p>Flashfilm</p> <p><b>125 years in 125 sec.</b><br/>Experience the story</p> <p>Release date 1 June 2007</p> | <p>Podcast</p> <p><b>What would you hear if you worked at FLSmidth?</b><br/>Hear the real sounds</p> <p>Release date 2 May 2007</p> | <p>Podcast</p> <p><b>What is great about FLSmidth?</b><br/>Listen to interviews with FLSmidth employees</p> <p>Release date 2 March 2007</p> |
| <p>125</p>  | <p>Podcast</p> <p><b>Free download of music brought to you by FLSmidth!</b></p> <p>Release date 2 April 2007</p>                    |    |

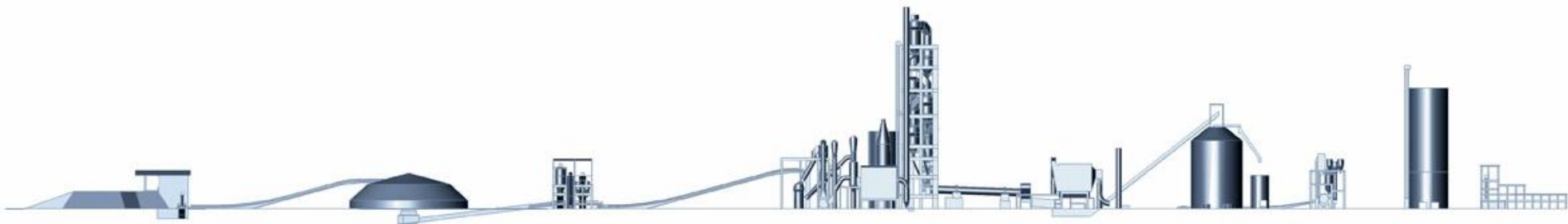
## Anniversary celebrations

- Anniversary website
- Anniversary book
- Anniversary calendar
- Anniversary flashfilm
- Employee shares
- Customer events in Denmark, India, Indonesia, Egypt, USA
- Ph. D. scholarships

## Future demand for cement and minerals

### World Bank: Global Economic Prospects 2007

- **Growth in developing countries** will reach a near record 7 percent in 2006. In 2007 and 2008, growth will probably slow, but still likely to **exceed 6 percent**, more than twice the rate in **high-income countries**, which is expected to be **2.6 percent**
- **Globalization could spur faster growth** in average incomes in the next 25 years than during 1980-2005, with developing countries playing a central role.

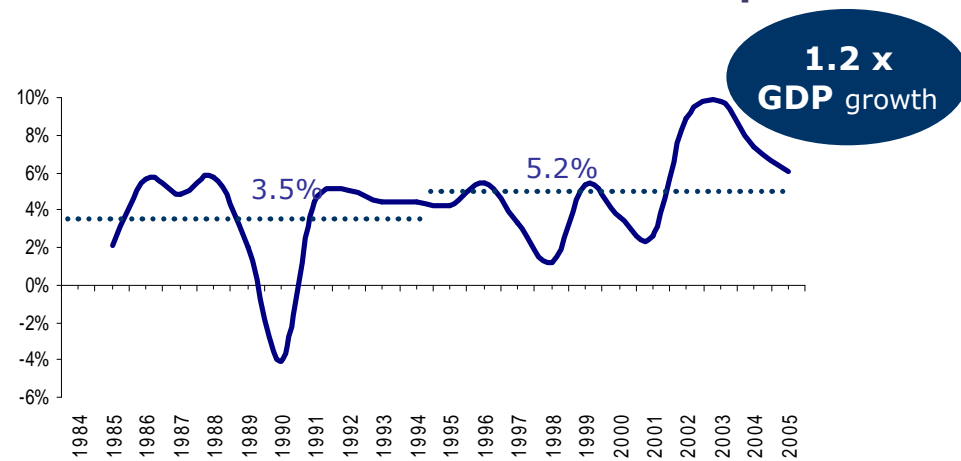


## Future demand for cement and minerals

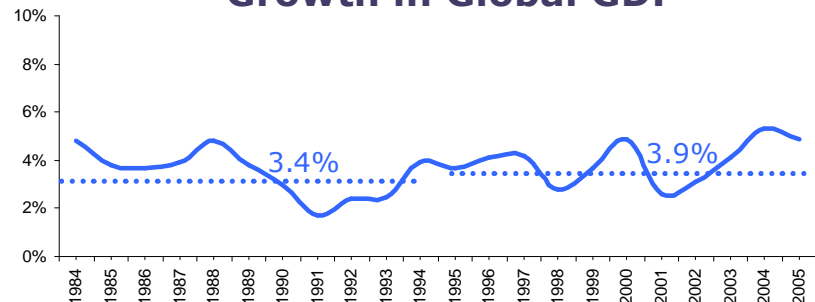
- Growth in cement and minerals consumption is closely linked to **growth in GDP**
- According to "Economist Intelligence Unit", the following countries are expected to enjoy the **highest growth rates** in GDP in **2007**:

|                        |       |
|------------------------|-------|
| • Azerbaijan           | 17.5% |
| • Angola               | 12.8% |
| • Sudan                | 10.9% |
| • Lebanon              | 10.2% |
| • China                | 9.8%  |
| • Armenia              | 9.0%  |
| • Qatar                | 8.9%  |
| • Kazakhstan           | 8.7%  |
| • United Arab Emirates | 8.2%  |
| • Estonia              | 7.8%  |
| • Libya                | 7.8%  |
| • Latvia               | 7.5%  |

### Growth in Global Cement Consumption



### Growth in Global GDP



## Looking inside - FLSmidth

### Strategic initiatives under implementation

- Increased **sourcing** from low-cost countries
- New **workshop** in Qingdao, **China** opened
- Increased investments in **R&D**
- New **aftermarket** concepts
- **Acquisitions** of bolt-on technology
- MAAG Gear to **focus** on gears to the cement and minerals industries
- Increased use of advanced **IT-tools**
- Increased efficiency (**Lean**-management)
- Increased **off-shoring** of engineering activities to **India**
- Increased focus on **profitable growth**



**Benefits are expected to be seen in 2007-10**



## Looking inside - FLSmidth

### “Increased focus on Profitable Growth”

#### No Go

- Diversification
- Turnover with lower margins
- Activities without synergies
- More small isolated units
- Increased risks
- More staff-functions and higher SGA-ratio

#### Go

- HR-development
- R&D-investments
- New technologies related to our core-activities
- New combinations of existing competences
- More repeat orders
- New geographical markets
- New customers
- More in-house spares
- New aftermarket-concepts
- Growing margins, results and shareholder value



## Focus of today

- **FFE Minerals is set to rise considerably in size in the years to come reducing group dependency on cement**
  - What is the nature of their business and what are the current market conditions?
  - What are the prospects of the most recent acquisitions?
  - What are the expectations to the future?

