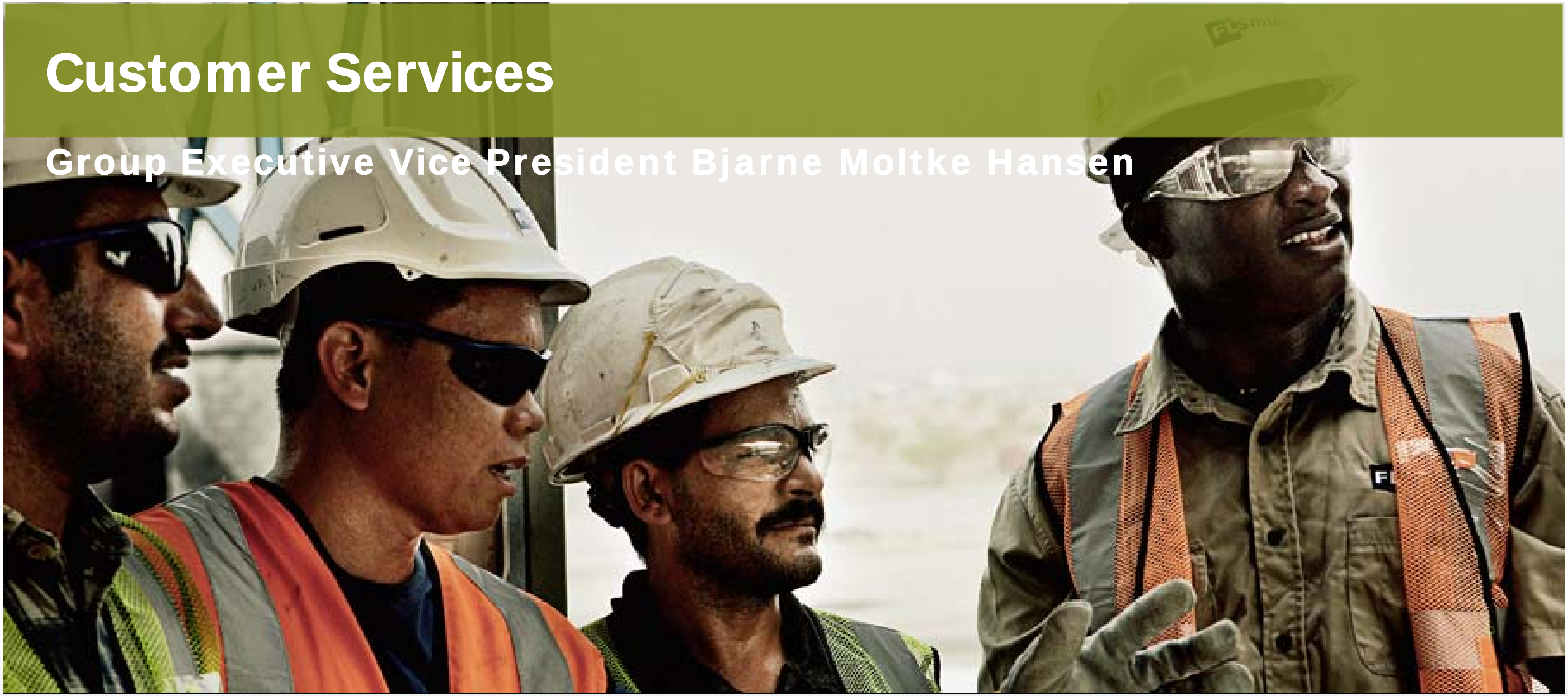
Customer Services

Group Executive Vice President Bjarne Moltke Hansen



Agenda

- Presentation Customer Services
  - Customers & industries
  - Potential opportunities and offerings
- Strategy & perspective
- Value proposition
- Market drivers & outlook

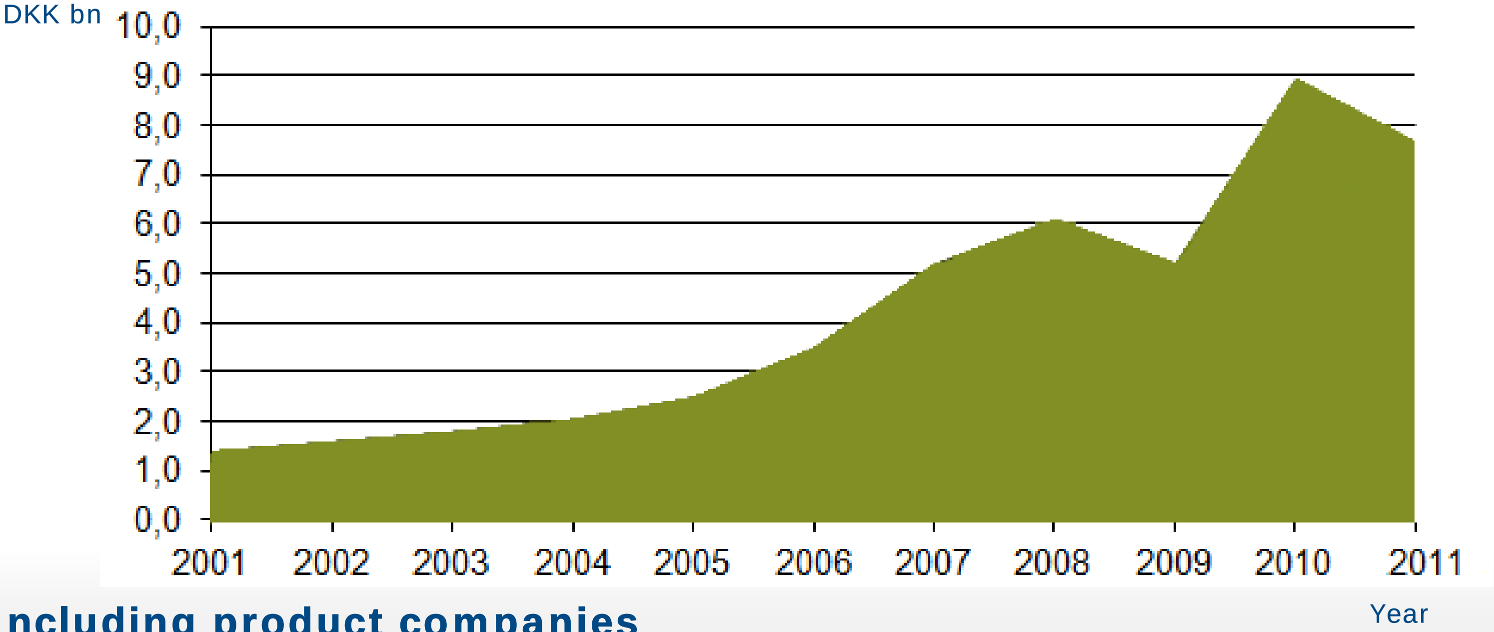
Total cost of ownership approach:

"Customer Services is like everything below the water – The purchase price is only the tip of the iceberg"

In 2005 we said ...

- We are **not only** a company selling large projects or key products for the cement and minerals industries
- We want to transform to a **much more service oriented company**
- By strengthening our “aftermarket” business we **get the best of two worlds**:
  - Much closer day to day contact with customers
  - Higher loyalty
  - Less cyclical business model for the entire Group

Order intake has grown from DKK 1-2b seven years ago to DKK +7b today



- **Including product companies**

Key figures
Customer Services

Customer Services (DKK m)	Full-year 2009	Full-year 2010	Full-year 2011	Expected trend in 2012
Order intake	4,151	7,305	5,271	Increasing
Revenue	4,429	4,747	5,259	Increasing
EBITDA	783	668	882	
EBITA*	747	618	838	
EBITA-ratio	*16.9%*	*13.0%*	*15.9%*	Stable
EBIT	729	607	832	
EBIT-ratio	*16.5%*	*12.8%*	*15.8%*	

- **2011 excluding certain product companies**

*) Definition of EBITA: Earnings before amortisation and write-down of intangible assets

Three Divisions– one service approach

Non-Ferrous

Bulk Materials

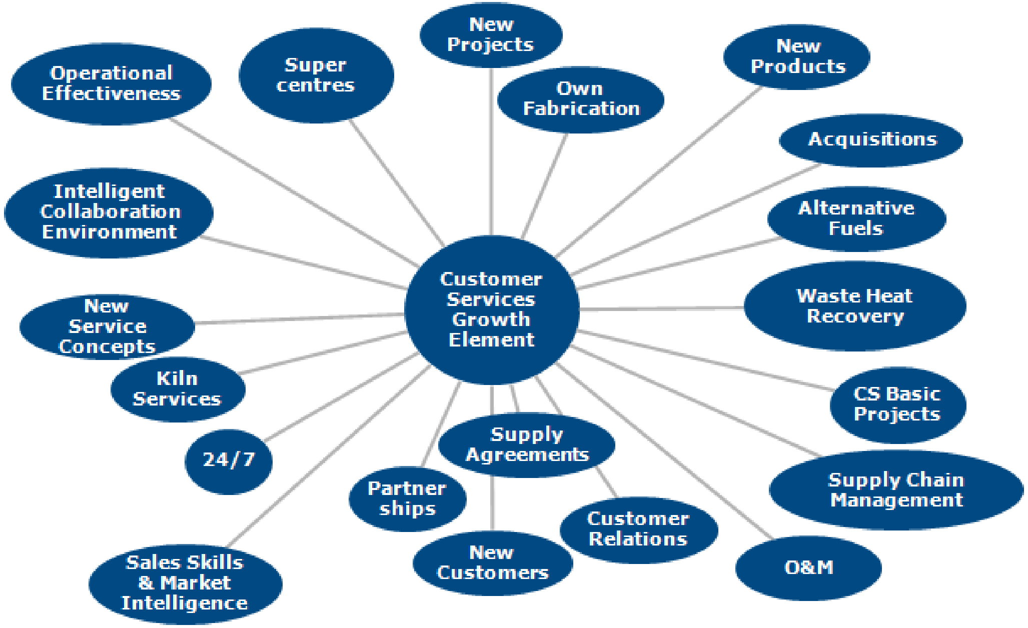
Cement

Customer Services

- Parts
- Services
- Upgrades
- Installation
- Commissioning
- Back Office
- Inventories
- O&M
- Etc.

- Close interaction with capital Divisions is a must for both sides

Key drivers for growth in Customer Services



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One Source

Customer relationships are key to services growth

Key service customers (examples only)

Cement

- **Global**
  Heidelberg, Holcim, Lafarge, Cemex, Italcementi
- **Regional**
  Titan, Cementir, Aditya Birla, Dangote
- **National/Local**
  Semen Gresik, Ash Grove, D.G. Kahn, Jaypee

Bulk Materials

- **Global**
  BHP, Rio Tinto, Barrick
- **Regional**
  Codelco, Grupo Mexico, Zaldava
- **Local**
  Fortesque mining, Suncor, Newmont

Non-Ferrous

- **Global**
  BHP, Xstrata, Rio Tinto, Vale
- **Regional**
  Phelps dodge, Boliden, Vedanta
- **Local**
  Talvivaara, Aditya Birla , Fortesque mining

- Interface throughout all levels of the organisation

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Key opportunities and offerings by geography

South America

- Greenfield plants with potential O&M expansions
- Supercenter and satellite offices

North America

- Mature market, expansion opportunities
- Harvest huge installed base with good coverage and technical support
- Supercenter

Europe, Middle East, Russia

- Mature market and few new plants, however opportunities in Middle East and Russia
- Expand services, Russia warehousing

South Africa and Africa

- New plants, expansions, potential O&M
- Supercenter, increase service offerings, satellite service locations

India

- Good installed base, new projects, bulk handling, O&M

Australia

- Labour shortage, installed base, new projects, expansions, increased opex
- Supercenter and satellite service locations, huge installed base

Mongolia

- New coal plants
- Supercenter, local service

Strategy & perspective

Why tackle the service opportunity with a stand-alone division?

1	Visible priority	▪ Make growth of service business a clear priority within FLSmidth ▪ Enhance accountability for service business: full profit and loss responsibility via true P&L, externally reported
2	Service culture	▪ Foster service culture and mindset to a level that is best achieved in a focused, central service division ▪ Further develop specific service skills on global and local level
3	Service offering	▪ Develop and improve service offering through deeper understanding of end-customers and own installed base ▪ Continue focus on product-related services, strengthen focus on value-added service offerings
4	Synergies between BUs	▪ Standardise and optimize Best Practices processes and tools ▪ Bundle competences and resources for comprehensive customer support ▪ Drive joint usage of infrastructure

Four main strategic levers

- Operation & Maintenance
- Supercenters & Local Service Units
- Plant operation and equipment services
- Acquisitions in services

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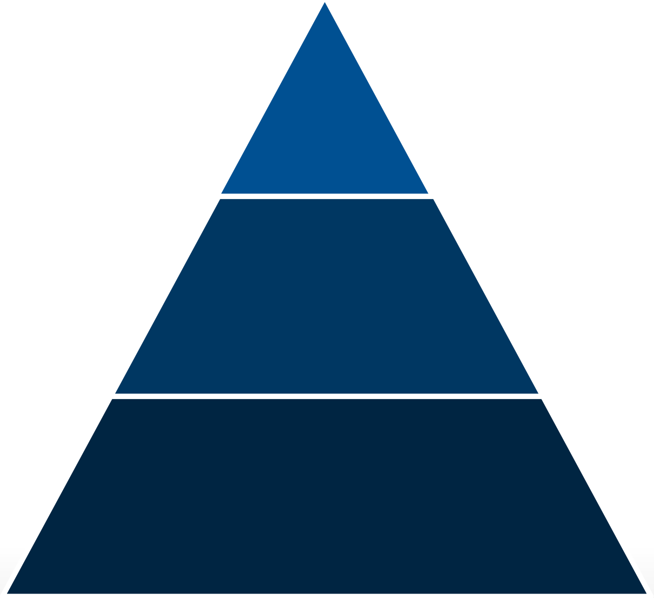
Operation & Maintenance

Focused division operating everything from complete plants to minor maintenance programs

- Operate in plant equipment
- Optimization – maximise equipment up-time
- Plant operation and equipment services
- Energy – operate as efficient as possible
- Safety – highest standards
- HR – manage work force
- Knowledge – increased understanding of equipment and develop best practice
- Bundling EP-EPC-O&M-M

O&M solutions are about people



O&M Plant Management

- Fill in the **Management** positions at the Plant.
- Implement Management Maintenance System

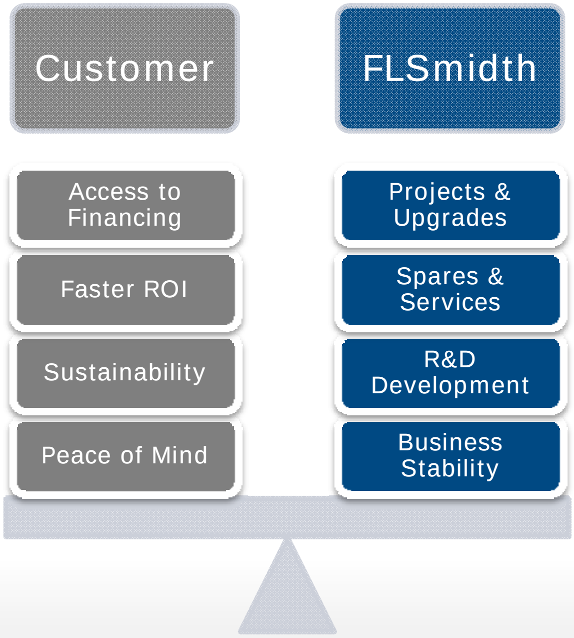
O&M Technical Management

- Additional to above all **Key personnel** for the different functional areas are sourced.
- Supply of Consumables and Spare Parts

O&M Partnership

- The **Complete Staff** for running the entire plant
- Training of local staff at Technician and Engineer level

O&M creates a win-win situation



O&M contracts around the world

Mexico | Chile | Tunisia | Libya | Egypt | Angola | Zambia | India

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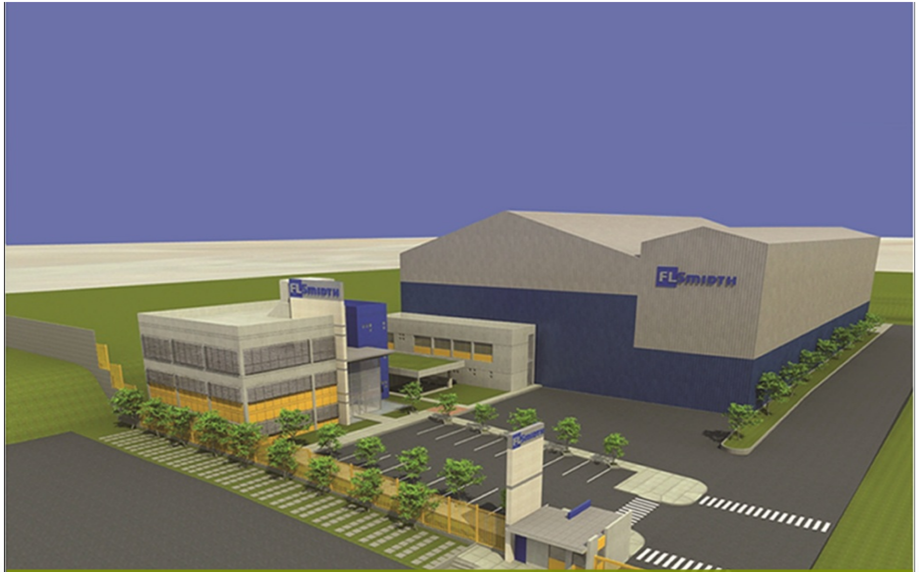
Supercenters – 8 planned and approved

- Chile (Antafogasta and Santiago), Peru and Australia **in operation 2012**
- A Supercenter may include:
  - Offices
  - Training center
  - Warehouse
  - Rebuild and retrofit capabilities
  - Small laboratory
  - Inventory
  - Staging
  - Storage
- **Closer to the customers**

Supercenters – 8 planned and approved

Supercenter under construction



Artistic rendering of a Supercenter in Peru

Plant operation and equipment services

We will collaborate with our customers in achieving:

- Improved efficiency
- Tailored and bundled offerings
- Plant sustainability
- Maximising the ROI

We will collaborate based on services within four areas/categories:

- Monitoring & Diagnostics
- Repairs & Refurbishments
- Replacements & Upgrades
- Audits & Optimisations

Plant operation and equipment services

- **We will offer these services based on**:
  - Local manpower: Local service engineers
  - Global knowledge: Process and equipment experts
  - IT infrastructure: ICE center
- One way of differentiating **our services by combining local manpower with global brainpower** through ICE infrastructure
- We will offer our services in the form of several different business models varying with our part in the customer's decision process and our part in the customer's business process

FLSmidth ICE:
Intelligent Collaboration Environment

- Remote: Monitoring, Trouble shooting, Supervision
- Process optimisation
- Benchmarking & KPI management
- Centralized Predictive maintenance systems
- Spares optimisation & future link to FLSmidth Service & Super Centers
- Capture experiences – return of knowledge
- Data mining & building a Technical Center of Excellence
- 24 / 7 Service

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Acquisition in services

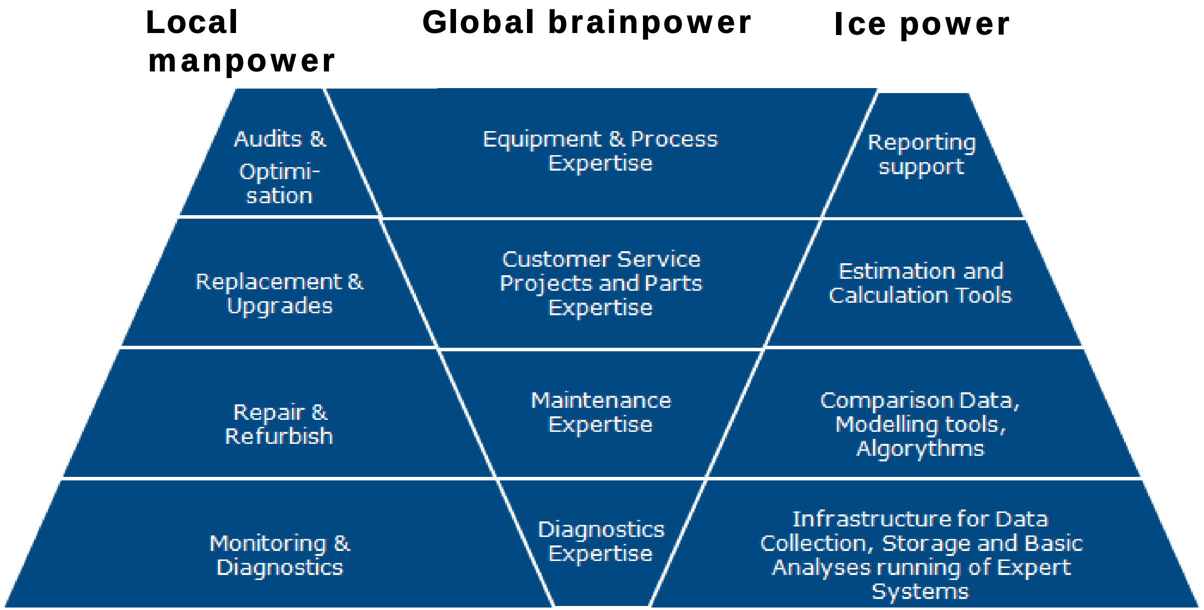
A platform for further growth

- To address increased customer service demands, ressource shortage, widen geography base and access to key technologies

Example:

- Acquisition of Phillips Kiln Services in 2011
    - Strengtening local presence globally
    - Complimentary of service offerings in both minerals and cement industries
- Strengthening service offerings globally and increase service portfolio

Value proposition
Local value creation – Globally powered



Market drivers & outlook

Record high commodity prices drive demand for mining and construction equipment and services

- Demand drivers
  - Growing population, urbanization and increased prosperity
- Supply drivers
  - Decreasing ore grades – requires more throughput for same output
- Operational drivers
  - Customers focus on efficiency and cost and/or maximising output
  - Customers focus on optimising production and reducing wear

Questions