

Capital Market Day 2014



Minerals Division

Manfred Schaffer, Group EVP



One Source

Manfred Schaffer, Group EVP Minerals

- Group EVP, Minerals Division, since Sept 2014
- Sandvik (2003-2013):
 - President, Mining Systems, Surface Mining
 - Global Div Man and Managing Director, Materials Handling
- Voest-Alpine (1979-2003):
 - Managing Director, Materials Handling
 - Vice President, Bergtechnik
 - Managing Director Australian Operations, Mining & Tunneling
 - Manager Marketing and Sales, Bergtechnik
 - Project and Brand Manager, International Corp.
 - Project Manager, Maschinenbau GmbH
 - Project Engineer, Maschinenbau
 - Design/R&D Engineer
- Mechanical Engineering, IFL Executive Education, IMD People Development and Business Strategy
- Born 1958, Austrian



Unique ability to respond to miners' challenges

The miners challenges

- **"The easy ore is gone"**
 - more CAPEX for less revenue
 - Higher, deeper, dryer, more complex Mining
 - Decreasing head grades
- **Costs** headwinds
 - Labour Costs and Productivity
 - Materials and Energy
- Commodity **prices**
- Complex **environment**
 - Mine Licenses & rights
 - Corporate Social Responsibility
- **Safety, Sustainability**
- **Shareholders'** need for returns

Our response

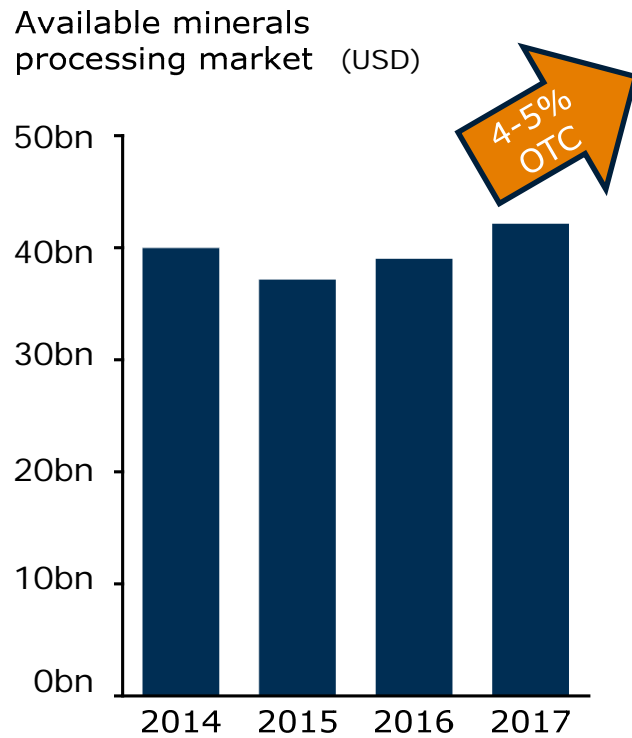
Leverage our full offering to provide the **PRODUCTIVITY SOLUTIONS** to our customers

- **Improved productivity by process optimization**, in greenfield and brownfield applications, incl.
 - Ore characterization
 - Process design
 - Plant engineering,
 - supply and installation
 - Operation and Maintenance
- **Best project delivery** capabilities by increasing EPC competence

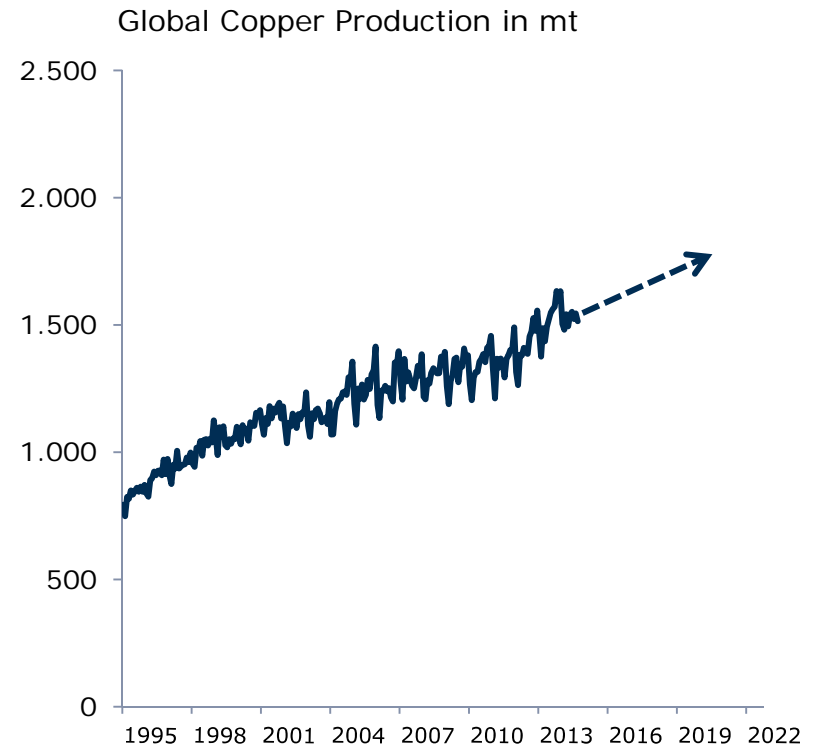
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Long term underlying positive outlook for Mining and Minerals

Accessible market



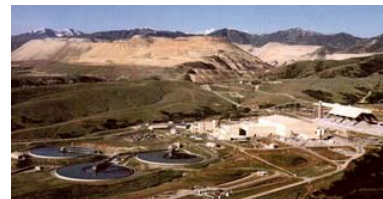
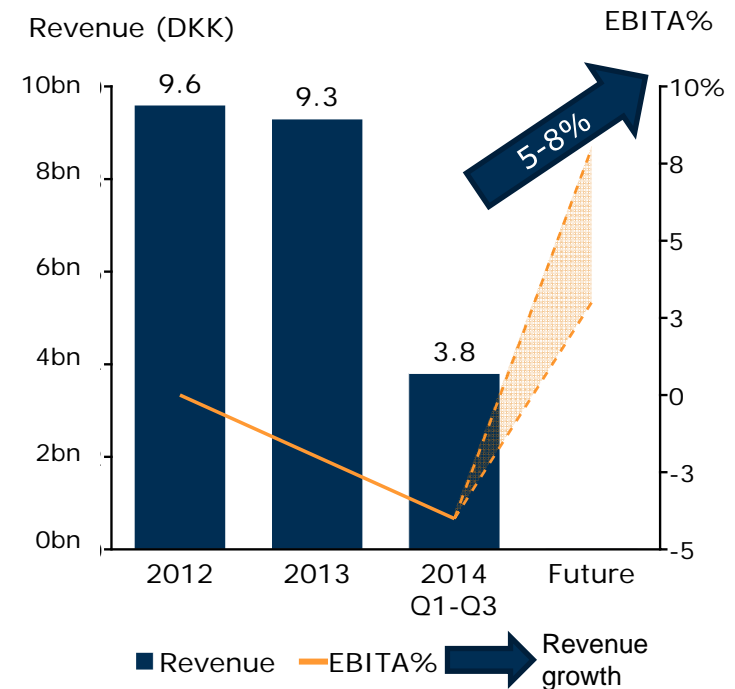
Mined copper production



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The Minerals Division in brief

- 'One Source' minerals solution provider:
 - **Optimize minerals processes** - higher process efficiency and recovery rates
 - Design, supply and install from **single equipment to full flow-sheet solutions**
 - Smart **Material Handling Solutions** in e.g. Continuous Mining (IPCC), Dry Tailings, Heap Leaching
- Technology and Project centres in USA, Germany, India, South Africa, Chile and Australia
- Ambition: >3% EBITA margin by 2016
merger synergies result in cost reduction, 4-5% points improvement
- Approx. 2,600 FTE in Q3/2014
- A cycle resilient organization, easy to deal with, a performance oriented culture



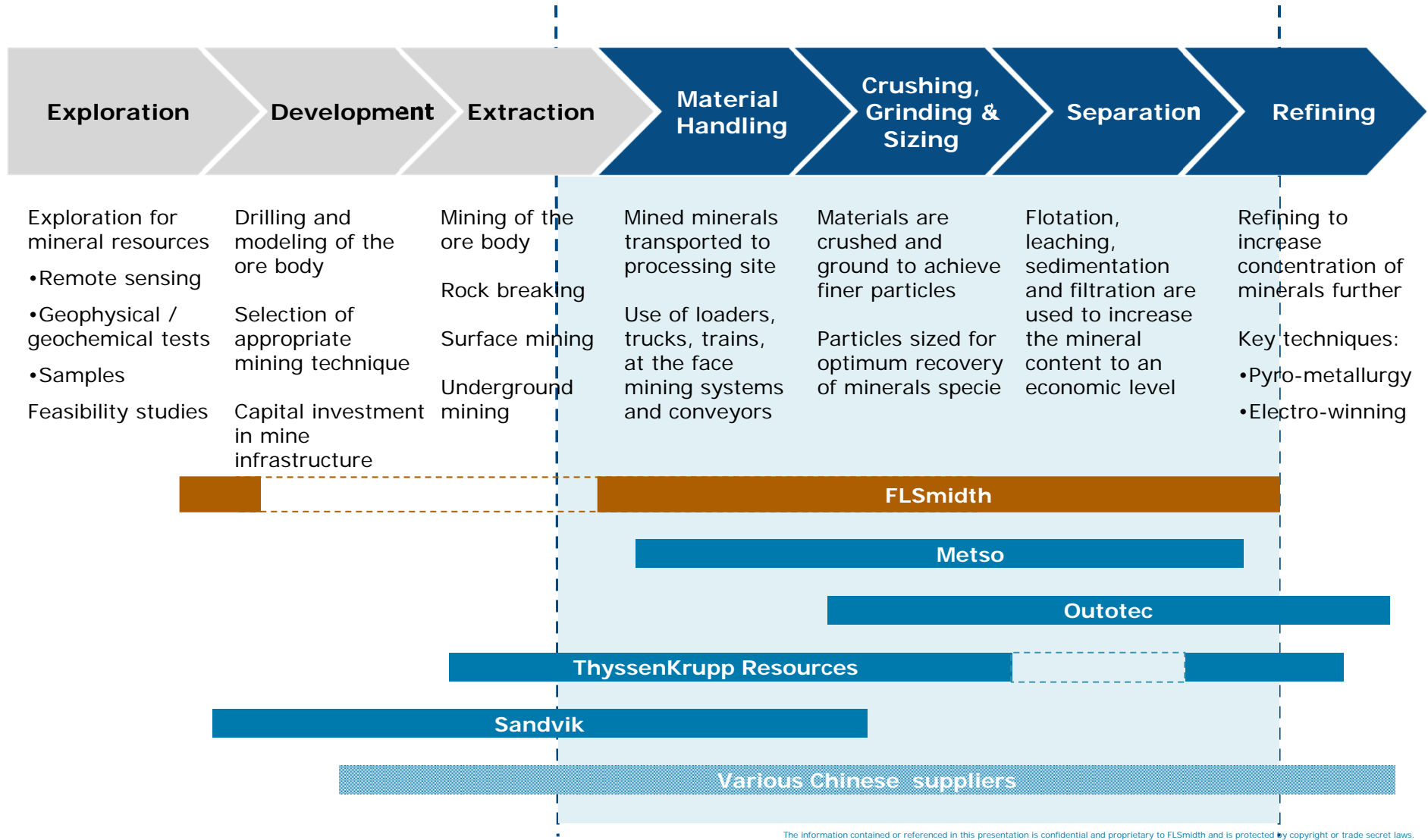
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Minerals Division's 'reason-to-be'

- Develop on promise to be a **stronger „One Source“ supplier value proposition** for our customers
 - Focus on full solutions to maximize customers' productivity
 - Integrate our Material Handling and Minerals Processing activities
- ... and **develop it even further**
 - Evolve the EPC model in Minerals to meet the minerals industry needs
- **Leverage synergies** within our group
 - Concentration of competences into one engineering powerhouse
 - Global presence and avoiding sub-scale positions
 - Increase operational efficiencies (Frontline, Backoffice, Supply Chain)
- Become **more adaptable** to changing market conditions
 - Agile, lean, scalable organization, suitable for a cyclical industry

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Our focus within the mining/minerals industry



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“One Source” Supplier for all Minerals Processing Applications



- Minerals Division is the final step in **aligning and integrating** our previous acquisitions in Minerals Processing and Materials Handling
- We release the **full potential of processing knowledge and product ownership** for all major steps in minerals processing

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Wide Range of Engineered Products

Incl. metallurgical testing, automation & service organisation



Crushing & Screening



Crushing



Screening



Grinding

Milling



Milling



HPGR

Precious Metals



Gravity Separator



Downstream Gold

Flotation & Dewatering



Flotation



Sedimentation



Filtration



Classifiers



Centrifuges

Stockyard & Port Machines



Ship Loader



Stockyard Equipment

Conveying & Feeding



Apron Feeder



Pipe Conveyor



Overland Conveyor



Mobile Stacking Conveyor

Mine Shaft, Mobile Stacking Conveyor & Mobile Sizers



Mobile Sizer



Mine Hoist



Mine Skips

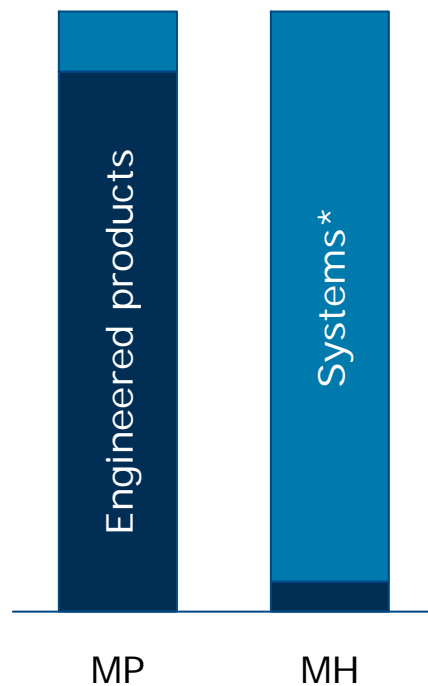
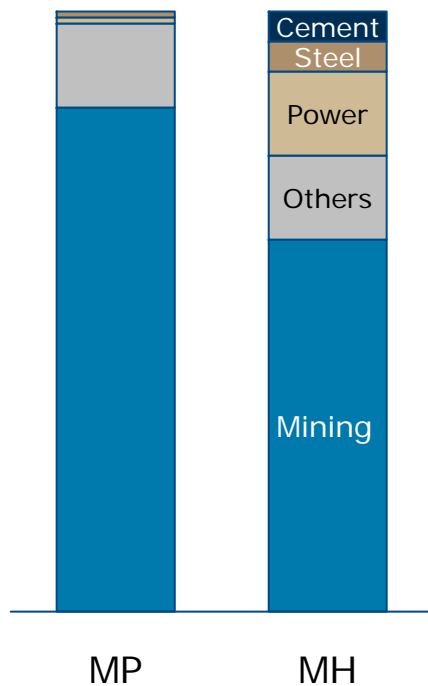
One Source

Minerals Processing and Material Handling: Combination logic

Core Customers and Go-to-Market Models overlap

Complementary capabilities, to provide full solutions span

Similar drivers and success factors



- **Same business model and drivers**
- **Sharing Markets and global footprint**
- **Strong Market, Sell, Design and Delivery synergies**

* Islands or larger projects, e.g. full flowsheet

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Unique materials testing facility in Salt Lake City



Robotic Ore Analyses



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Using our unique competences for integrated Minerals Processing and Materials Handling solutions

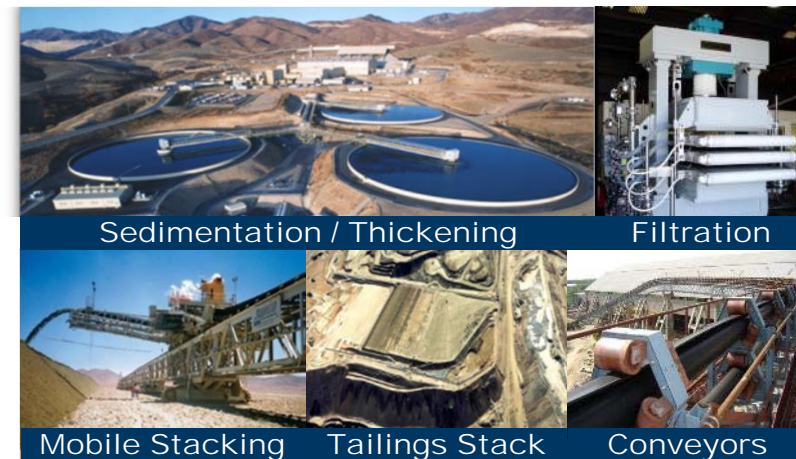
IPCC – In-pit Crushing and Conveying

Reduce truck haulage OPEX by creating one continuous Minerals (or Waste) Extraction System



Dry Tailings Processing and Handling / Stacking

- Reduce OPEX and CAPEX by
- Extracting and recirculate valuable water from tailings
 - Stack dry tailing, eliminating environmental risks and pools/dams



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By engaging earlier we can create more value

Project Development Phases



DESIRED POSITION

FLSmidth as a partner for most productive solution development and project supply partner



ELEVATED POSITION

FLSmidth bidding as bundle or Island supplier



TRADITIONAL Entry Point

FLSmidth bidding as an equipment supplier

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Evolving the EPC model

Early involvement and selection of critical equipment

- A key driver of **system performance**
- Reduces **project time and plant life cycle cost** by up to 10%
- Improve **project delivery time and risks** through better forward-looking Project Execution Model
- Improve **ramp-up time**: modularization and pre-commission in factory rather than onsite

It does not take away project scope from the EPCM

- Early engagement with FLSmidth in the concept phase will position the EPCMs better to deliver greater overall value

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Achieving profitable growth through productivity solutions leadership and best practices in FLSmidth

Our ambition:

- 5-6% annual revenue growth over the cycle
- EBITA 3-8% over a cycle
- Negative NWC and positive Cashflow throughout project execution

Our vision:

Be our Customers' preferred full-service provider of sustainable Minerals Technologies

Our enablers:

- Know-how in minerals technology and flowsheet optimisation
- Excellence in ore characterization and pilot testing
- Comprehensive product portfolio
- Project / EPC Competence
- Global coverage, customer intimacy, experience, references, brand, trust

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Strategic Roadmap to Profitable Growth

Long term: expand from a leading position

Short term: realize the "One Source" vision

- Realize synergies from re-organization
- Focus on leadership in selected product segments
- Realize the full solution - best productivity concept and EPC capabilities
- Expand by increased geographic market penetration (e.g. Australia, SE Asia)

- Expand to adjacent markets
- Explore opportunities in mid-market
- Couple EPC full solutions, with Operation and Maintenance
- Preferred partner for Majors Miners, partnership with EPCM houses

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Minerals key take-aways

- Minerals is becoming a stronger „One Source“ supplier
- The new Minerals division will capture synergies and deliver significant efficiency improvements
- Competencies are better leveraged, enabling easier adaptation to changing market conditions
- Growth by evolving the EPC model in Minerals



**MANAGING THE CYCLE AND
PREPARING FOR THE UPTURN**

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