

Capital Market Day 2014



# Welcome & Group CEO Message

Thomas Schulz, Group CEO



One Source

## Agenda (times are approximate)

- 14.00-14.30 The Group CEO message / Thomas Schulz
- 14.30-15.00 The CFO agenda / Lars Vestergaard
- 15.00-15.30 Product Companies Division /Bjarne Moltke Hansen
- 15.30-16.00 Cement Division /Per Mejnert Kristensen
- 16:00-16.15 BREAK
- 16.15-16.45 Minerals Division /Manfred Schaffer
- 16.45-17.15 Customer Services Division /Brian Day
- 17.15-17.30 Concluding remarks/Thomas Schulz
- 17.30-18.00 Q&As from the room

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## Thomas Schulz, Group CEO

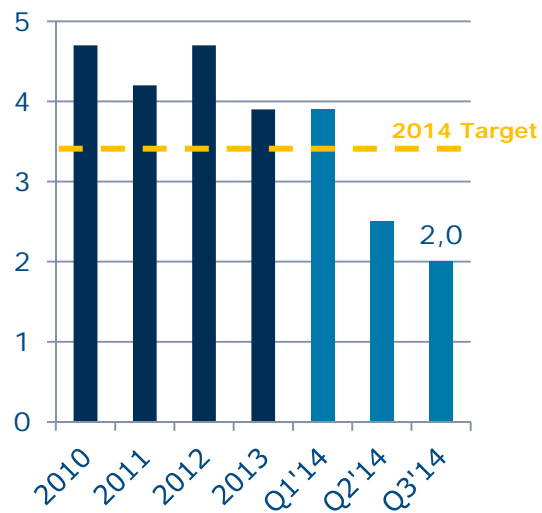
- Group CEO, since May 2013
- Sandvik (2001-2013)
  - President of the Business Area Construction
  - Chairman of SJL Shan Bao (2011 and 2012)
  - President and SVP, Mining and Construction
  - Managing Director, Mining and Construction SE Asia
  - Regional President Mining and Construction Central Europe
- Svedala, Germany (1998-2001):
  - Business Area Manager
  - Product Support Manager
- Technical University of Aachen (1994-1998):
  - Assistance of Science
  - International Consultant for Mining
- MSc (Engineering), PhD Mining Engineering (Dissertation in Mineral Mining and Quarrying)
- Born 1965, German



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# Safety First

## Safety performance (LTIFR)\*



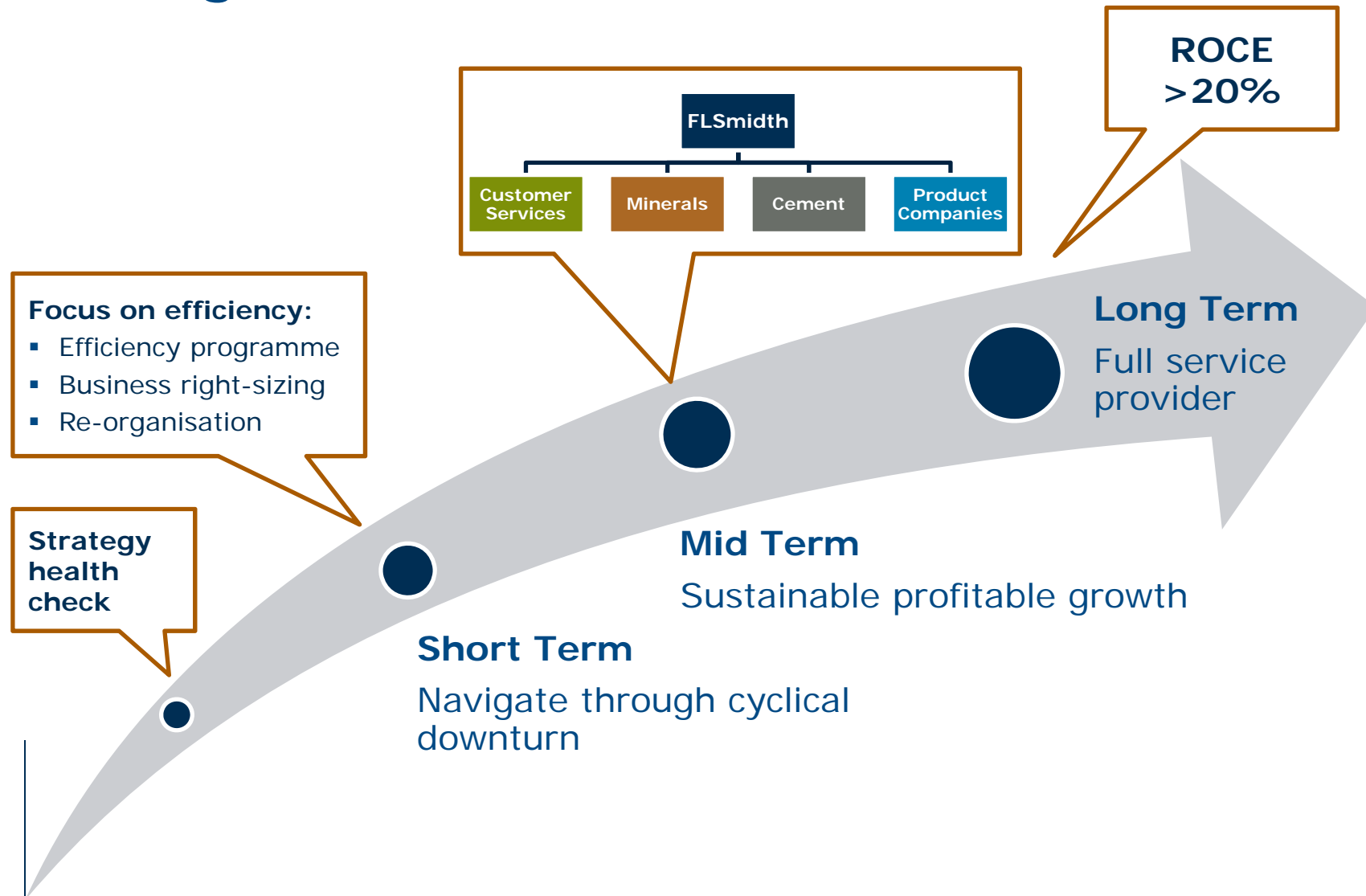
\*) Lost time injury frequency rate (per 1 mill. working hours)

## Key Safety Themes 2014



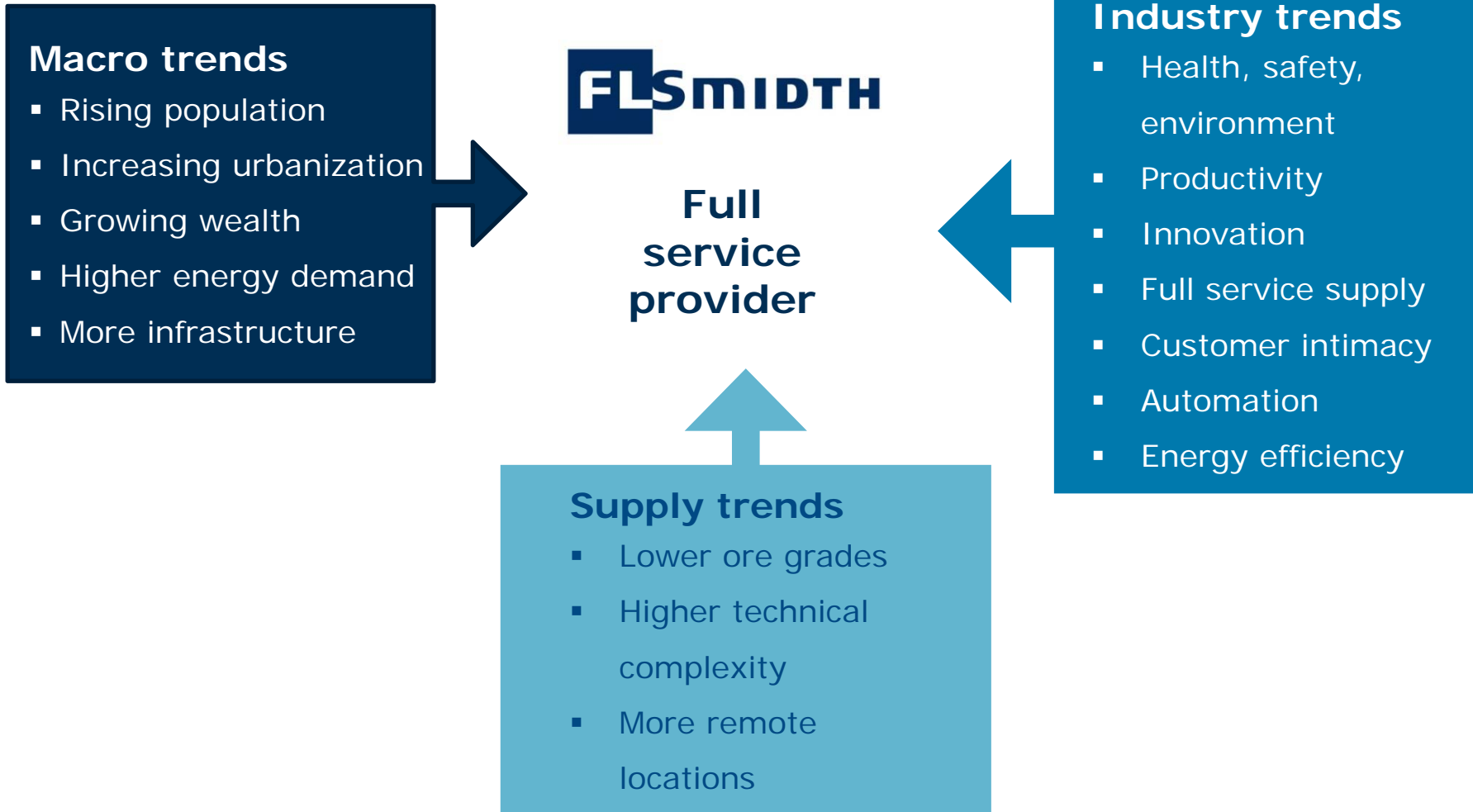
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# Strategic focus



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# Industry trends and drivers

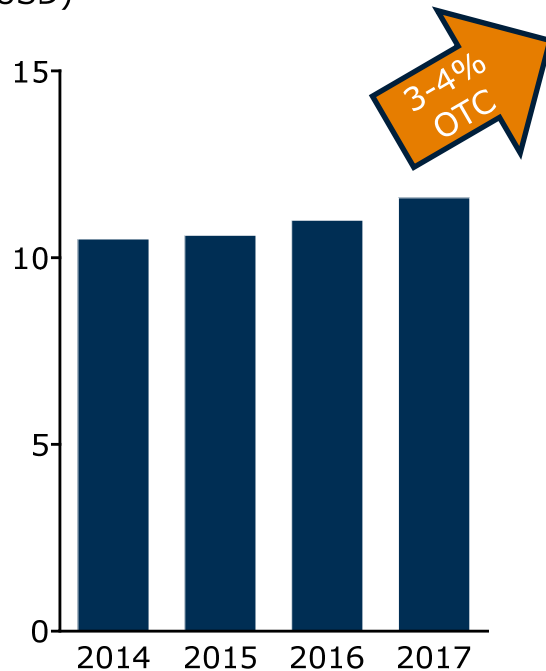


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# Market potential and growth

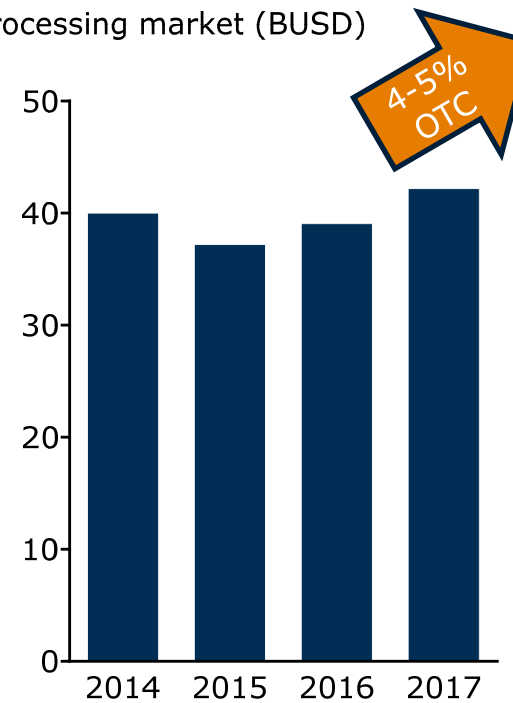
## Cement

Available cement market (BUSD)



## Minerals

Available minerals processing market (BUSD)



Sources: Global Cement report 10<sup>th</sup> edition, 2012; World Bank data; Bloomberg; Analysts reports, Companies annual reports and Capital Market Days presentations; FLSmidth research, FLSmidth analysis

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# Group vision and enablers

<b>Vision</b>	<b>We will be our customers' preferred full-service provider of sustainable minerals and cement technologies</b>						
<b>Strategic Themes</b>	We unite our businesses by: <ul style="list-style-type: none"> <li>▪ Getting closer to our customers</li> <li>▪ Seeking Excellence</li> <li>▪ Thinking Innovation</li> </ul>			<b>Targets over the cycle</b>		<ul style="list-style-type: none"> <li>▪ ROCE &gt;20%</li> <li>▪ EBITA 10-13%</li> <li>▪ Growth above market</li> </ul>	
<b>Industries</b>	Cement	Copper	Gold	Coal	Iron ore	Fertilisers	Adjacencies
<b>Enablers</b>	<b>Logical structure</b>			<b>Excellence</b>			
	Based on: <ul style="list-style-type: none"> <li>▪ Core relatedness             <ul style="list-style-type: none"> <li>▪ Customers</li> <li>▪ Business Model (costs and capabilities)</li> </ul> </li> <li>▪ Long-term financial targets and dynamics</li> <li>▪ Prioritising execution</li> </ul>			<ul style="list-style-type: none"> <li>▪ Full product flowsheet solutions</li> <li>▪ Risk &amp; Project Management</li> <li>▪ Operation &amp; Maintenance</li> <li>▪ Productivity improvements</li> <li>▪ Efficient and lean organisation</li> <li>▪ Investments in people</li> <li>▪ Investments in growth</li> </ul>			
<b>Values</b>	Cooperation		Competence		Responsibility		

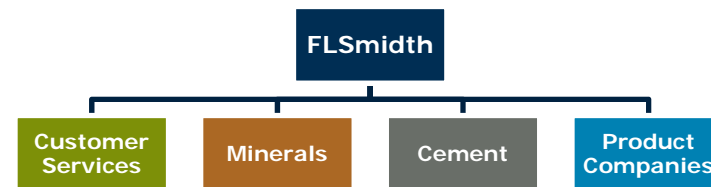
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# Organising for sustainable profitable growth

- **The organisation** is a natural continuation of the **strategy health check** performed in 2013
- The new organisation will increase **operational efficiency** through:
  - Homogeneous business models and KPIs
  - Segmented customer approach
  - Distinct management skills and competencies
  - Lower complexity and greater transparency
- Position the Group to reap the benefits of cyclical industries, where demand for **products, projects** and **services** vary over time
- Distinct growth target and efficiency levers in each division

New divisional structure from 1 January 2015



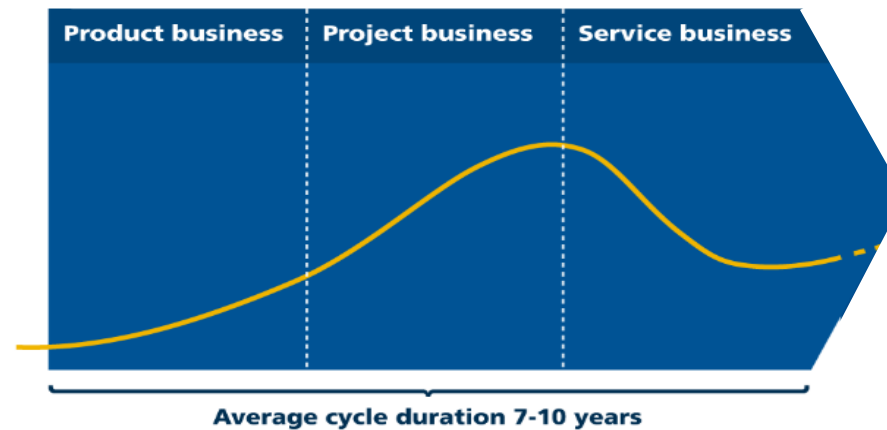
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# The new divisions

	Minerals	Cement	Customer Services	Product Companies
<b>Type of business</b>	Engineered, customised single products EPS projects EPC projects		Spare parts ~70% Services ~15% O&M ~15%	Relatively standardised and market-leading product range
<b>Characteristics</b>	Cyclical business, large orders, negative NWC, low margins		Small orders, stable high margins, growth	Stable high margins, original equipment & spare parts
<b>Our excellence</b>	Project execution Procurement Full flow sheet offering Engineered products		Inventory Logistics Speed O&M	Product leadership Market share Assembly/Manufac. Inventory
<b>Business model</b>	Global direct sales OEM supplier / technology provider In-house R&D and engineering Outsourced manufacturing		Local direct sales, Warehouse, service & supports centres, mostly outsourced manufacturing	Mostly local direct sales, integrated value chain, in-house assembly /manufacturing

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# Ultimate objective: Fit for cycle navigation



## Momentum<sup>\*)</sup>

Cement			
Minerals			
Product Companies			
Services			

\* Color code refers to performance over the cycle

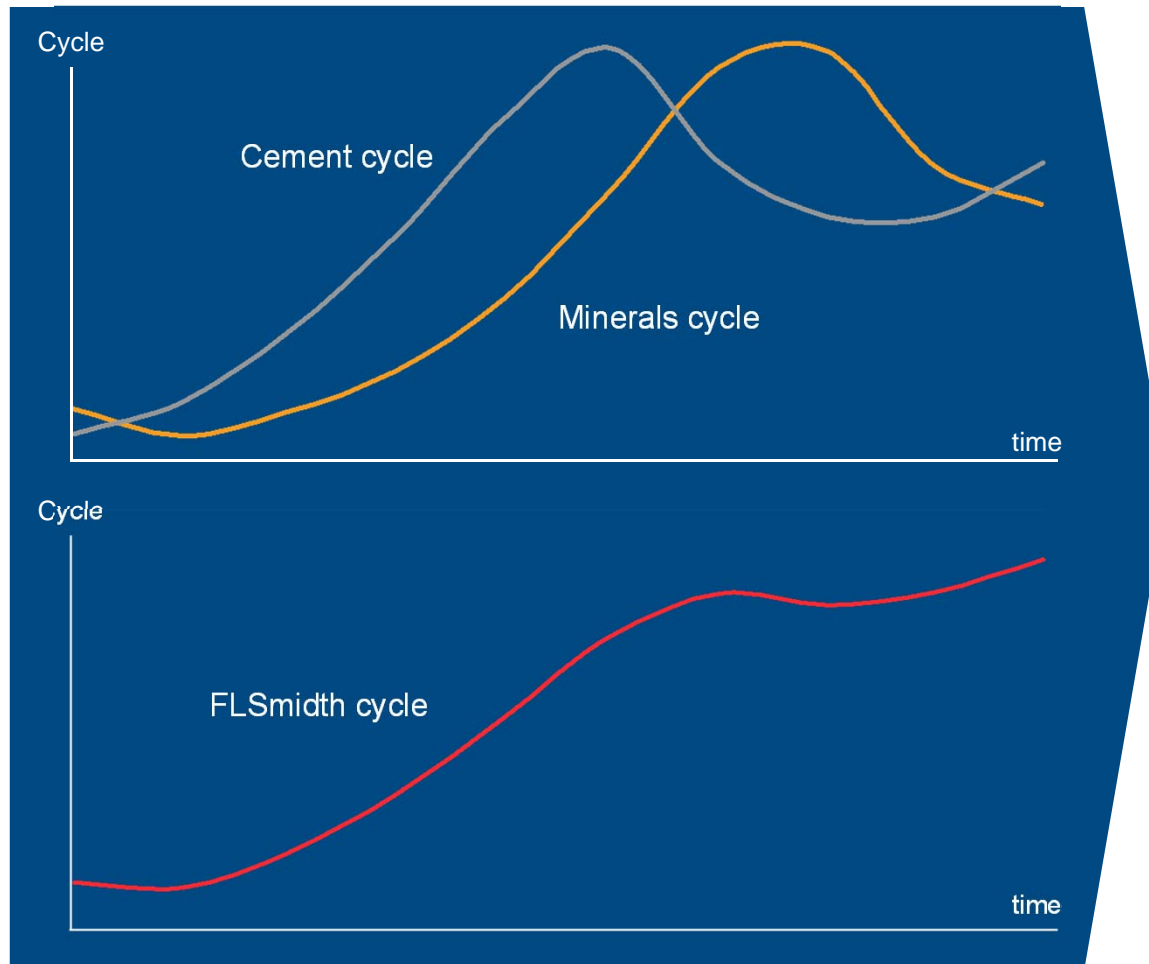
**Breadth:**  
Our portfolio contains offerings for all subparts of the cycle

**Interplay:**  
We do not believe in 'cherry picking' – each business fuels the others

**Cycle navigation:**  
Leverage the diversity of our assets in all parts of the cycle

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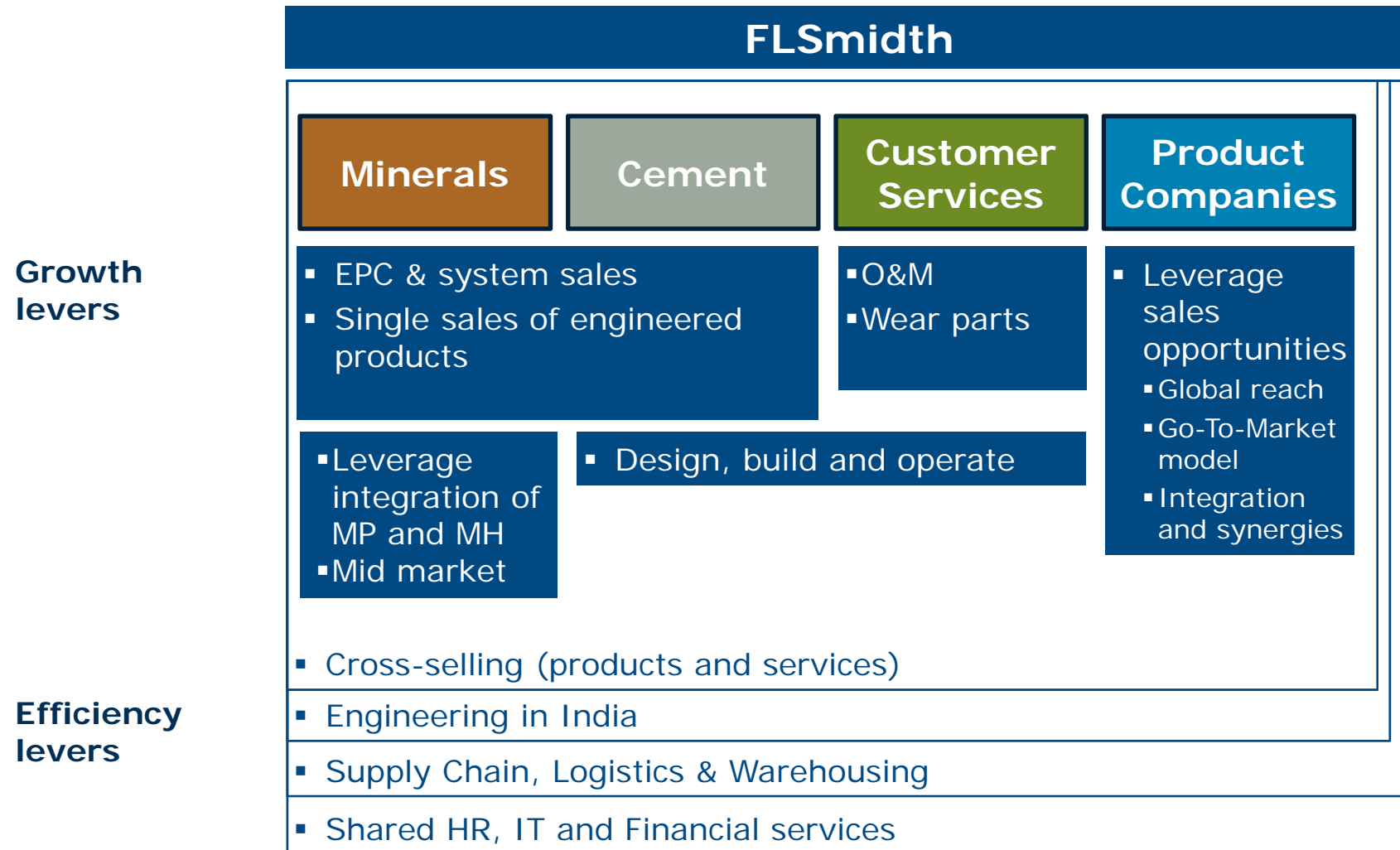
## Divisional interplay at FLSmidth



- Different pick up times – Cement generally picking up shortly before mining
- Each division within FLSmidth playing at full potential at different times of the cycle

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# Long term growth and efficiency levers



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# Midmarket

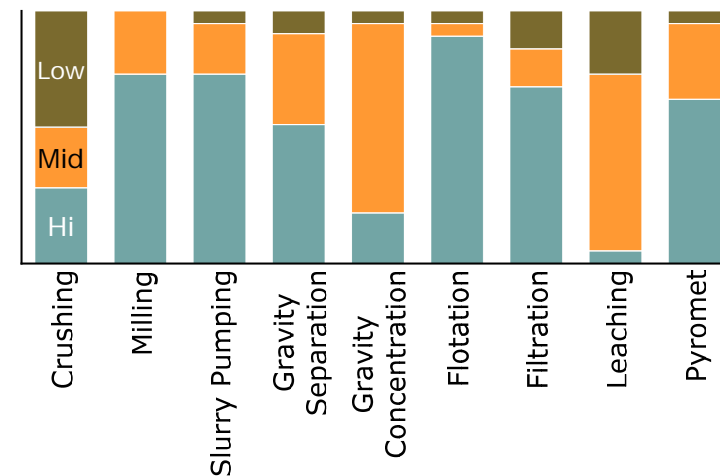
## Cement

Players	Value proposition	
	Civil	Equipment
FLSmidth and Premium peers	Midmarket /some premium	Premium
Midmarket peers	Midmarket	Mostly premium from EU
Low cost peers	Midmarket	Midmarket and low cost

Do not enter midmarket in Main equipment  
 Focus and execute on the current strategy: EPC, Product leadership, Cost reduction

## Mining

Estimated % of the market by offering for selected products



Explore midmarket opportunities in select high potential segments and evaluate potential entry

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# Overall profitability by industry

Estimated 2013 (incl. eliminations)

## Minerals (total)

Revenue DKK **17.8bn**  
EBITA adj. **8.1%**

## Cement (total)

Revenue DKK **8.1bn**  
EBITA adj. **7.5%**

### Proforma financials 2013 (excl. eliminations)

	Minerals	Cement	Customer Services	Product Companies
Revenue	DKK 9.2bn	DKK 4.4bn	DKK 7.2bn	DKK 6.0bn
EBITA% adj.	4%	5%	14%	12%
Employees (actual)	2,600	1,300	6,400	3,400

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## Long term Group targets **unchanged**

Financial targets	
Annual revenue growth	Above market average
EBITA margin	10-13%
ROCE*	> 20%
Tax rate	32-34%
Equity ratio	> 30%
Financial gearing (NIBD/EBITDA)	< 2
Pay-out ratio	30-50%

\*) ROCE: Return on capital employed calculated on a before tax basis as EBITA divided by average Capital Employed including goodwill

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## Divisional long term targets

	Growth (over the cycle)	EBITA% (over the cycle)	NWC
Customer Services	5-10%	>15%	15-20%
Minerals	5-6%	3-8%	Negative
Cement	3-5%	3-8%	Negative
Product Companies	5-10%	12-15%	~15%

- Long term divisional targets will replace specific divisional guidance in the future

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