Welcome to Capital Market Day

Valby, 18th January 2005

Introduction: Jørgen Huno Rasmussen, CEO
10.30 Welcome, markets and group status  
Jørgen Huno Rasmussen
11.00 How a cement plant gets off the grounds  
Peter Krüger
11.30 Break
11.40 FLSmidth Automation  
Poul Skjøth
12.00 Site tour in Valby  
From head office - through the laboratory – to FLSmidth Automation; demonstration of Robolab, remote control etc.
13.00 Lunch
13.45 FLSmidth movie
14.00 FLSmidth project “from idea to production”  
Mogens Roikjær
14.30 FLSmidth Customer Services Division  
Erik Birch
15.00 Break
15.10 R&D Case study; HotDisc  
Kim Pandrup Christensen
15.40 Focus FFE Minerals  
George Robles
16.50 Closing remarks  
Jørgen Huno Rasmussen
Back to Core Business

■ 1882            F.L.Smidth founded
                   Delivery of machinery to
                   production of cement

■ 1889            Aalborg Portland established
                   Production of cement

■ 20th Century    Global cement group

■ End of 20th Century  FLS Conglomerate
                       Delivery of machinery and plants to
                       production of cement, building
                       materials, aircraft maintenance,
                       environment, packaging,
                       transportation, etc.

■ Beginning of 21st Century  Focus on core competences
                              Divestment of other activities
## FLSmidth - Status

<table>
<thead>
<tr>
<th>Focus:</th>
<th>&quot;Engineering equipment&quot;</th>
<th>✓</th>
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<tbody>
<tr>
<td></td>
<td>Divestment of Building Materials</td>
<td>✓</td>
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<tr>
<td>Vision:</td>
<td>The preferred partner and leading supplier of solutions and services to the global Cement- &amp; Minerals Industries</td>
<td>✓</td>
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<tr>
<td>Business Idea:</td>
<td>Common technology sold in 2 Industries</td>
<td>✓</td>
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<tr>
<td>Core Activities:</td>
<td>Development, design &amp; production of machinery, equipment, systems &amp; services for cement and minerals globally</td>
<td>✓</td>
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<tr>
<td><strong>FLSmidth - Status</strong></td>
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<tr>
<td><strong>Target:</strong> EBT 5 % of turnover</td>
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<tr>
<td><strong>Market:</strong> Stable at high level possibilities</td>
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<td><strong>Competition:</strong> Increasing additional challenge !</td>
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<td><strong>Means:</strong> Strategic plans and actions: Developed centrally and locally in 2004</td>
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FLSmidth must now deliver!
- it has demonstrated the ability before

Historical Earnings before tax (EBT)\(^1\)
Cement ownership\(^2\) & FLSmidth

1) Based on Annual Reports 1994-2003
2) Cement Ownership = Ordinary earnings; Aalborg Portland, Unicon, Secil, Atlas
EBT margin (%) FLSmidth Group

%
In- and external survey 2003

POSITIVE VALUES

- A proud company that believes in itself and its quality products – and with a unique company spirit
- Keeps its word
- A friendly and relaxed attitude
- An international culture that enables the company to work in the most demanding foreign cultures
- Shares knowledge with customers
- High degree of responsibility, freedom, and individual opportunities
In- and external survey 2003

STRENGTHS

- A strong heritage/experience and (brand) recognition
- Acknowledged as the biggest player on the world market
- International presence and resources
- Professional, knowledgeable and experienced staff
- High customer exposure throughout the organization due to extensive traveling
- Quality products ensuring reliability and productivity for the customers
- Technological edge
- Know-how in handling “big” projects
- Strong informal organization
In- and external survey 2003

**WEAKNESSES**

- Weak and unclear **financial structure**.
- Inefficient, inflexible organization.
- **Turnkey capabilities**.
- Storing, sharing, and utilizing experiences.
- KAM function is perceived as weak.
- Follow-up after project completion, regular formalized customer contact/after sales function.
- **Handling smaller projects** and spare parts.
- Too much focus on technical matters, not enough on business matters/benefits.
- Unsure about what the FLS core really is
- **Ability to say “no”**.
- **Product/process development**.
- Strong informal organization.
- Image in DK is weak.
- Not sufficient internal communication.

- Aalborg Portland and Unicon sold
- New Turnkey Management organisation
- New smaller projects organisation
- New Sales policies
Organisational changes

**Actions 2004:**

- New Board in FLSmidth A/S
- New centralised management structure
- Elimination of holding company
- Centralised staff functions
- New Turnkey unit and more project-orientation
- Merger of Materials Handling into FLSmidth
- Redefined internal divisions (Customer Services/Automation/Materials Handling)
- Merger of Airtech into FLSmidth as internal division
- Task force for process-problems (Plant Evaluation Team)
- Small Projects unit both in DK and USA (CSP)
- Succession in management progressing (10 key positions)
Improvement-potential of parameters in relation to NPV of investment in a cement plant

Parameter:

- Runfactor
- Plant price
- Energy consumption
- Alternative fuels
- Production year 1 and 2

10% Higher NPV

→ Necessary change to improve NPV 10% over 20 years

NB: Based on realistic but uncertain assumptions
Efficiency more important than price in relation to NPV of investment in a cement plant.

Positive Impact: 10%

Runfactor + 10%

Investment (10%)

Consequentiel change in NPV of plant over 20 years (index)

NB: Based on realistic but uncertain assumptions
How do we reach our target?

- By means of executing strategic initiatives:

  - Research & product-development
  - Sales policies
  - Risk control
  - Contract administration
  - Project orientation
  - Standardisation
  - IT-development
  - Sourcing from low-cost countries
  - Increased engineering in India
  - Increased manufacturing in China
  - Increased aftermarket services
  - Integrated geographical presence
  - Synergies in Cement / Minerals
  - Expansion within Minerals
Yearly contracted cement kiln capacity excl. China

Contracted cement kiln capacity on a yearly basis 1980-2006

Million tonnes

- Positive trends in demand for new kiln capacity continue => 53 mty in 2004
- Revival of old, and arrival of new market participants – especially from China
- Increased level of activity in Vietnam, India, Middle East and USA
FFE Minerals - a niche player in the market for extraction of minerals which is five to nine times as large as the cement market.

Growing demand for minerals in Asia, in particular China although at a slower pace than anticipated.

High energy and steel prices as well as possible royalty on mined ore has temporarily postponed investment decisions.

Geographically, India remains a very active market.

**Gold, Copper, Platinum Prices**

Index 01-jan-2003 = 100 (as quoted on the London Metal Exchange)
International cement kiln market split
Sold 2004 excl. China

- Iran: 28%
- Pakistan: 19%
- India: 6%
- Africa: 9%
- Rest ME: 21%
- Rest World: 17%
International cement kiln market shares
Orders new capacity excl. China

2003

- FLSmidth: 55%
- Chinese: 21%
- Polysius: 7%
- KHD: 8%
- FCB & others: 9%
- Others: 2%

2004

- FLSmidth: 34%
- Chinese: 21%
- Polysius: 13%
- KHD: 4%
- FCB & others: 10%
- Others: 18%

FLSmidth-orders: 2003: 55,700 tpd
2004: 54,100 tpd
New challenge in international markets: The Chinese competitor appeared in 2004

- FLSmidth was prepared and acted early:
  - Acquainted through decades in China
  - Avoided joint ventures and protected core-technology
  - Mobilized for increased competition in Spring 2004
  - Procurement of equipment / machinery is majority of costs
  - Launched procurement program in low-cost countries including China with increased local staff
  - Evaluating qualified suppliers and expanding in-house production facilities in China
  - Change from Western suppliers can reduce our total plant sales prices
  - **AND** maintaining FLSmidth-guarantee on quality and output
More strategic actions:

- Accelerate improvements of technology through **increased R&d-investments**
- Protect and develop all **long-term core-technologies in our two western centres** DK and USA

 Ensuring that FLSmidth always stays technologically ahead of the competition including the Chinese

- Develop **back-office and non-core technologies** in eastern centre in India
- Increased **IT-investments and standardization**

 Ensuring that FLSmidth stays price-competitive through efficiency and cost-control

- Less **risks** in contracts, stronger **logistics** in execution
- Relatively more activity in **Minerals** and in **Aftermarket**

 Ensuring increasing results and profitability
# Group Business Units

## Continuing Activities
- **FLSmidth**
  - Customer Services Division
  - FLSmidth Automation
  - FLSmidth Materials Handling
  - FLSmidth Airtech **RESTRUCT.**
- **Pfister**
- **Ventomatic**
- **Maag Gear** **TURNAROUND**
- **FFE Minerals**

## Other activities
- **Dansk Eternit Holding** **RESTRUCT.**
- **Densit**
- **FLS miljø** **WINDING UP**
- **Aalborg Portland** **SOLD**
- **Unicon** **SOLD**
- **Aerospace** **SOLD**
Customer Services Division (CSD) is a global supplier of spare parts, customer services and inspections. CSD is also focusing on small projects, i.e. individual machines or minor conversion projects.
Target: Increased aftermarket proportion of cement-activities

- Counter-tendencies within Global Cement Producers
- Requires constantly strengthened competitiveness through cost-control
- New concepts to be developed, e.g. inspired from minerals
Future Business Units

**Continuing Activities**

- FLSmidth
- Customer Services Division
- **FLSmidth Automation**
  - FLSmidth Materials Handling
  - FLSmidth Airtech
- Pfister
- Ventomatic
- MAAG Gear
- FFE Minerals

**FLSmidth Automation**
Supplies systems for measuring, controlling and regulating complex industrial process installations in cement plants and other process industries worldwide

*FLS Industries => FLSmidth & Co.*
AUTOMATION: Development in EBIT

- EBIT MKR
- EBIT %
FLSmidth Airtech supplies bag filters, electrostatic precipitators, scrubbers, conditioning towers, systems and services to reduce the emission of dust, SOx, dioxins and heavy metals.
## Airtech Market/Product strategy

### Focus strategy in FLSmidth Airtech / OEM Market Presence

<table>
<thead>
<tr>
<th>Products</th>
<th>Cement</th>
<th>Pulp &amp; paper</th>
<th>Iron &amp; steel</th>
<th>Copper</th>
<th>Other minerals</th>
<th>Waste</th>
<th>Biomass boilers</th>
<th>Utility boilers</th>
<th>Glass</th>
<th>Chemical</th>
<th>Others</th>
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<tr>
<th>Scope of supply</th>
<th>Engineering &amp; key parts</th>
<th>Full equipment supply</th>
<th>Semi turn-key excl. civil</th>
<th>Full turnkey incl. civil</th>
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<tr>
<td></td>
<td>Primary market</td>
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<td>back-to-back required</td>
<td>No bid</td>
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*Primary market: Full turnkey incl. civil
*Very selective approach: Semi turn-key excl. civil
Future Business Units

**Continuing Activities**

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<td><strong>MAAG Gear</strong></td>
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**MAAG Gear** is an international supplier of gears and gear units to the cement industry and related industries
MAAG Gear in a turnaround:

- Improvements:
  - The polish plant was incorporated in 2001
  - Zurich plant was moved to Winterthur in 2003
  - Sales have been increasing last year

- But results are still very unsatisfying

- New CEO in November 2004 with the tasks:
  - Strengthen commercial focus
  - Improve cost control
  - Optimize sourcing from low cost-countries
  - Simultaneously strengthen quality assurance
**Future Business Units**

**FFE Minerals** is a world-wide supplier of machinery, operating and maintenance services to the metallic mining and mineral industries as well as to the lime and paper industries.

**Continuing Activities**

- FLSmidth
  - Customer Services Division
  - FLSmidth Automation
  - FLSmidth Materials Handling
  - FLSmidth Airtech
- MAAG Gear
- Pfister
- Ventomatic
- **FFE Minerals**
Why invest in FLSmidth & Co.?

A focused company

- with a unique global market position
- supported by growth in global cement and minerals markets
- aiming for a 5% EBT ratio