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

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>4,151</td>
<td>7,305</td>
<td>5,271</td>
<td>Increasing</td>
</tr>
<tr>
<td>Revenue</td>
<td>4,429</td>
<td>4,747</td>
<td>5,259</td>
<td>Increasing</td>
</tr>
<tr>
<td>EBITDA</td>
<td>783</td>
<td>668</td>
<td>882</td>
<td></td>
</tr>
<tr>
<td>EBITA*</td>
<td>747</td>
<td>618</td>
<td>838</td>
<td></td>
</tr>
<tr>
<td>EBITA-ratio</td>
<td>16.9%</td>
<td>13.0%</td>
<td>15.9%</td>
<td>Stable</td>
</tr>
<tr>
<td>EBIT</td>
<td>729</td>
<td>607</td>
<td>832</td>
<td></td>
</tr>
<tr>
<td>EBIT-ratio</td>
<td>16.5%</td>
<td>12.8%</td>
<td>15.8%</td>
<td></td>
</tr>
</tbody>
</table>

### 2011 excluding certain product companies

*) Definition of EBITA: Earnings before amortisation and write-down of intangible assets
Three Divisions – one service approach

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
Customer Services

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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
  Fortescue mining, Suncor, Newmont

Non-Ferrous
- Global
  BHP, Xstrata, Rio Tinto, Vale
- Regional
  Phelps dodge, Boliden, Vedanta
- Local
  Talvivaara, Aditya Birla, Fortresque 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?

<table>
<thead>
<tr>
<th>1. Visible priority</th>
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</thead>
<tbody>
<tr>
<td>- Make growth of service business a clear priority within FLSmidth</td>
</tr>
<tr>
<td>- Enhance accountability for service business: full profit and loss responsibility via true P&amp;L, externally reported</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. Service culture</th>
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<tbody>
<tr>
<td>- Foster service culture and mindset to a level that is best achieved in a focused, central service division</td>
</tr>
<tr>
<td>- Further develop specific service skills on global and local level</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3. Service offering</th>
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</thead>
<tbody>
<tr>
<td>- Develop and improve service offering through deeper understanding of end-customers and own installed base</td>
</tr>
<tr>
<td>- Continue focus on product-related services, strengthen focus on value-added service offerings</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4. Synergies between BUs</th>
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</thead>
<tbody>
<tr>
<td>- Standardise and optimize Best Practices processes and tools</td>
</tr>
<tr>
<td>- Bundle competences and resources for comprehensive customer support</td>
</tr>
<tr>
<td>- Drive joint usage of infrastructure</td>
</tr>
</tbody>
</table>
Four main strategic levers

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

Focused division operating everything from complete plants to minor maintenance programs

- Operate in plant equipment
- Optimization – maximise equipment uptime
- 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

Customer
- Access to Financing
- Faster ROI
- Sustainability
- Peace of Mind

FLSmidth
- Projects & Upgrades
- Spares & Services
- R&D Development
- Business Stability
O&M contracts around the world
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
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
Strategy & perspective

**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
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
  - Strengthening 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**

<table>
<thead>
<tr>
<th>Local manpower</th>
<th>Global brainpower</th>
<th>Ice power</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audits &amp; Optimisation</td>
<td>Equipment &amp; Process Expertise</td>
<td>Reporting support</td>
</tr>
<tr>
<td>Replacement &amp; Upgrades</td>
<td>Customer Service Projects and Parts Expertise</td>
<td>Estimation and Calculation Tools</td>
</tr>
<tr>
<td>Repair &amp; Refurbish</td>
<td>Maintenance Expertise</td>
<td>Comparison Data, Modelling tools, Algorithms</td>
</tr>
<tr>
<td>Monitoring &amp; Diagnostics</td>
<td>Diagnostics Expertise</td>
<td>Infrastructure for Data Collection, Storage and Basic Analyses running of Expert Systems</td>
</tr>
</tbody>
</table>
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