Thomas Schulz, Group CEO
DRIVING SUSTAINABLE PRODUCTIVITY
Capital Markets Day – Driving sustainable productivity

Agenda

11.00 - 11.30  Driving sustainable productivity (Thomas Schulz)
11.30 - 12.00  Driving financial performance (Lars Vestergaard)
12.00 - 12.20  Coffee break
12.20 - 12.50  Cement market and strategy (Jan Kjaersgaard)
12.50 - 13.20  Mining market and strategy (Manfred Schaffer)
13.20 - 14.10  Lunch break and casual conversation with management
14.10 - 14.30  Digital drives productivity (Mikael Lindholm)
14.30 - 15.00  Regional perspective (Deon De Kock)
15.00 - 15.15  Break
15.15 - 16.00  CEO wrap up (Thomas Schulz) and Q&As (All)
16.00 - 17.00  Drinks and casual conversation with management
A journey to become Productivity Provider #1
Profitable growth through sustainable offerings

- Engineering based legacy
- Global direct sales
- Competencies focused on Capital

- Leading supplier of productivity
- Engineering, products and services
- Strong digital foundation and offering of sustainable solutions

“We drive success through sustainable productivity enhancement”
Industry trends and drivers

**Demand drivers**
- Growing wealth
- Rising population
- Urbanisation
- Electrification and renewable energy

**Political barriers**
- Tariffs and subsidies
- Import and export limitations
- Sanctions and embargoes
- Currency fluctuation

**Supply trends**
- Scarcity of natural resources
- Depleting ore grades
- Increased technical complexity
- More remote locations

**Industry trends**
- Sustainability
- Efficiency
- Innovation and digitalization
- Full service supply
Market outlook

**Mining**

- Growth cycle
- Declining ore grades
- Focus on sustainable productivity

**Cement**

- Modest market growth
- Focus on operations efficiency and reducing the environmental footprint

Source: Bloomberg, FLSmidth analysis
Our value proposition

Mining – copper cost curve *(US cents/lb)*

Cement – 2019 Free cash flow

Source: On Field
Competitive landscape

MINING

Exploration → Development → Extraction → Minerals material handling → Commination → Beneficiation & Recovery → Refining & Smelting

CEMENT

Crushing → Material handling → Grinding → Pyro processing → Clinker cooling → Cement handling & packing

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## Growth outlook at previous Capital Markets Day

**June 2017**

<table>
<thead>
<tr>
<th>Structural growth in our industries</th>
<th>Self-initiated growth</th>
<th>Combined growth</th>
<th>Growth Q2 2017 - Q3 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cement</strong> 3-4%</td>
<td><strong>Cement</strong> 2-3%</td>
<td><strong>Cement</strong> 5-7%</td>
<td><strong>Cement</strong> +8%</td>
</tr>
<tr>
<td><strong>Mining</strong> 4-5%</td>
<td><strong>Mining</strong> 3-4%</td>
<td><strong>Mining</strong> 7-9%</td>
<td><strong>Mining</strong> +9%</td>
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</table>

**Outlook June 2017**

**Growth rates per annum over the cycle**

Average quarterly growth in **order intake**

Average quarterly growth in revenue

Cement -2%, Mining +7%
Financial performance

- **Growth**: Selective
- **Gross margin**: Improve
- **SG&A costs**: Under control
- **Cash**: Focus to keep on track
Margin improvement is expected both medium and long term

**EBITA margin (percent)**

- **Average for the period**
  - 2014-2018: 8.2%
  - 2019E: ~8%
  - Medium term: ~10%
  - Long term: 10-13%

**Forecast**

- Full-year 2019 guidance of ~8%
- Medium-term target of ~10%
- Long-term target of 10-13% maintained
Strategic focus – sustainable profitable growth

ILLUSTRATIVE

Profitability

Service

From

To

Products

From

To

Projects

From

To

Volume

Business model

FLSmidth

Organisation

Customers

Digitalization

FLSmidth

ENABLR

Sustainability

FLSmidth

Mission Zero
Our earnings model

Vision: *We drive success through sustainable productivity enhancement*
The new structure provides many benefits and highlights opportunities

Opportunities
- White spot targeting
- Better and faster service
- Shorter delivery and quotation time
- Improved wear parts portfolio
- Go-to-market and service based on installed base insights
- Full flowsheet offering to all customers
Digitalization brings large opportunities

Equipment lasts longer and performs better, reducing CAPEX spend

Condition monitoring and predictive maintenance reduce OPEX spend

New data-based opportunities
Increase sales and market coverage through new, digitally enabled premium equipment

Increase wallet share on existing equipment through connectivity and closer customer relations
**Sustainability as a business opportunity**

**FLSmidth’s annual CO₂ footprint** (scope 1 & 2) equals **one month** of operation for an average newer European cement plant (3,500 tpd)

**FLSmidth’s annual water consumption** equals **two weeks** of operation for a copper mine (100,000 tpy)

<table>
<thead>
<tr>
<th>Suppliers</th>
<th>FLSmidth</th>
<th>Customers</th>
<th>Large business opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium</td>
<td>Small</td>
<td>Large</td>
<td></td>
</tr>
<tr>
<td>Above industry</td>
<td>Above industry</td>
<td>Best-in-class</td>
<td></td>
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<tr>
<td>standards</td>
<td>standards</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Partial</td>
<td>Full</td>
<td>Indirect</td>
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</tbody>
</table>

**Impact**

- Ambition
  - Suppliers: Medium
  - FLSmidth: Small
  - Customers: Large

**Control by FLSmidth**

- Ambition: Above industry standards
- Control by FLSmidth: Full

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We drive success through sustainable productivity enhancement

Our sustainable ambition for 2030:

Towards zero emissions in mining and cement
Sustainability and digitalization expand the gap between premium and mid-market
A journey to become Productivity Provider #1
Profitable growth through sustainable offerings

Past
- Engineering based legacy
- Global direct sales
- Competencies focused on Capital

Present
- Leading supplier of productivity
- Engineering, products and services
- Strong digital foundation and offering of sustainable solutions

Future
- "We drive success through sustainable productivity enhancement"

Sustainability
- Life-cycle provider

Digital

FLSmidth CMD 2019 | Driving sustainable productivity