FLSmidth & Co. A/S

Annual Report 2006

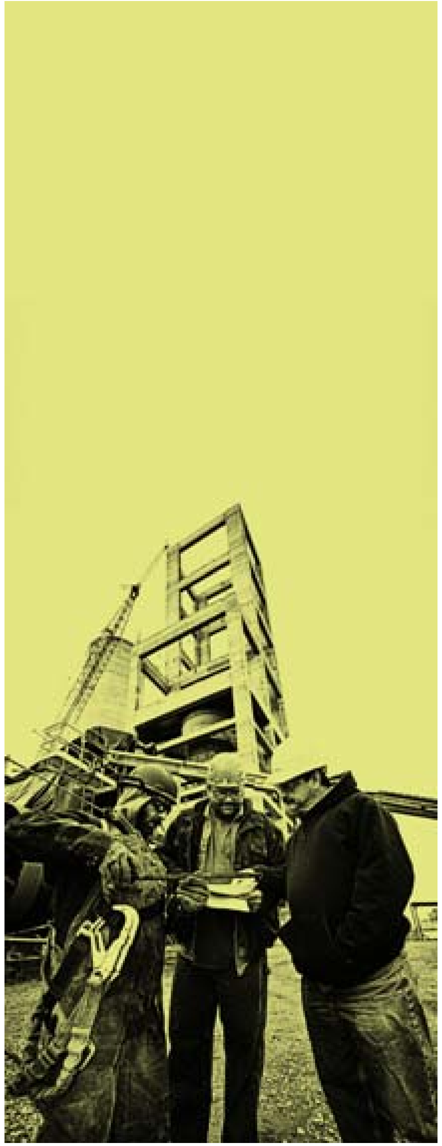
28 February 2007

Highlights 2006

- **Satisfactory development**
  in turnover, earnings and order intake in 2006

- **Shareholder structure clarified**
  - Share exchange offer completed
  - 98% of the shares are now free-floating

- **Targets for capital structure announced**
  - Target for Financial Gearing: 1-3 X EBITDA
    (1.9 at 31 Dec. 2006. NIBR DKK 2,847m)
  - Share buy-back program up to DKK 800m
    launched in August 2006
    (DKK 215m utilised at 31 Dec. 2006)
  - Proposed dividend for 2006: DKK 7 per share
    (32% pay-out ratio)



Highlights 2006

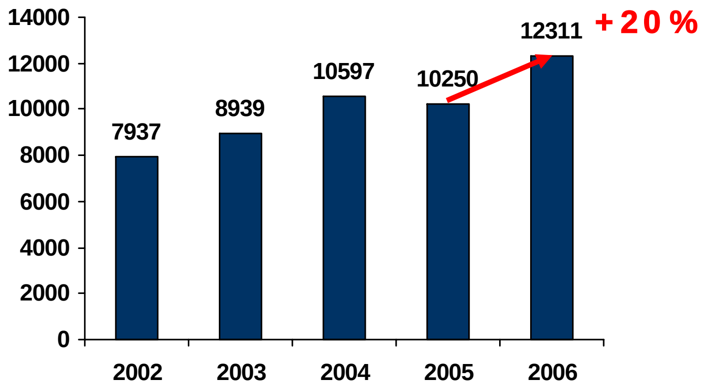
- **Technological leadership demonstrated in Cement**
  - FLSmidth to build the world largest cement plant (12,000 tpd) for Holcim in the USA

- **Acquisitions in Minerals**
  - Excel Crusher Technologies, USA (remaining 49% shares)
  - Excel Foundry & Machine, USA
  - KOCH Transporttechnik, Germany (subject to approval from authorities)

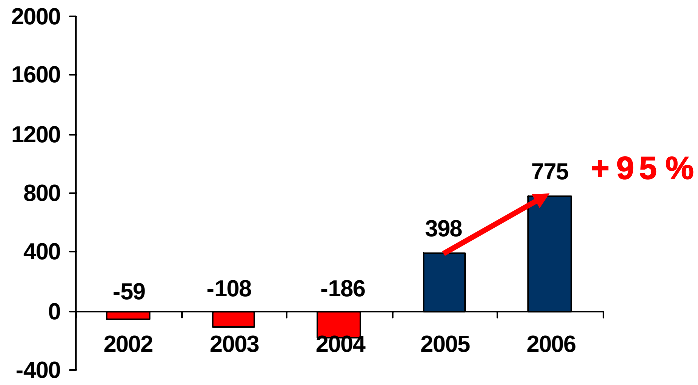
Trends in key financial figures

(Continuing activities)

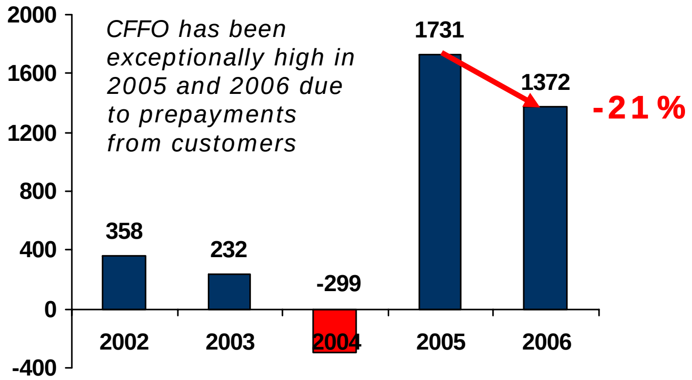
Turnover (DKKm)



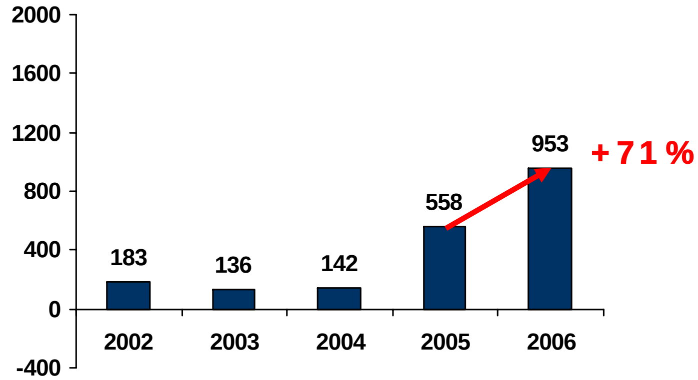
EBIT (DKKm)



CFFO (DKKm)



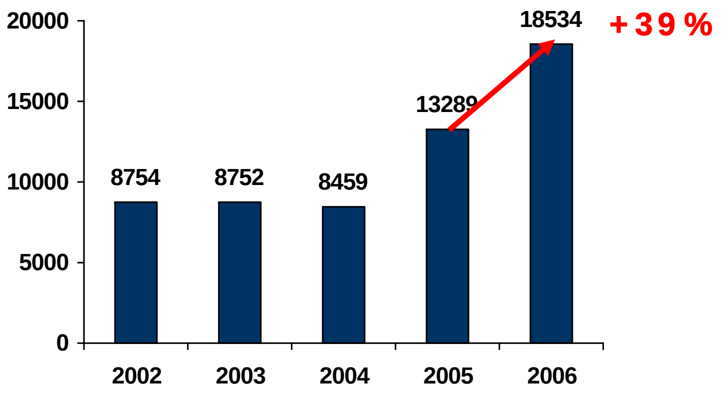
EBITDA (DKKm)



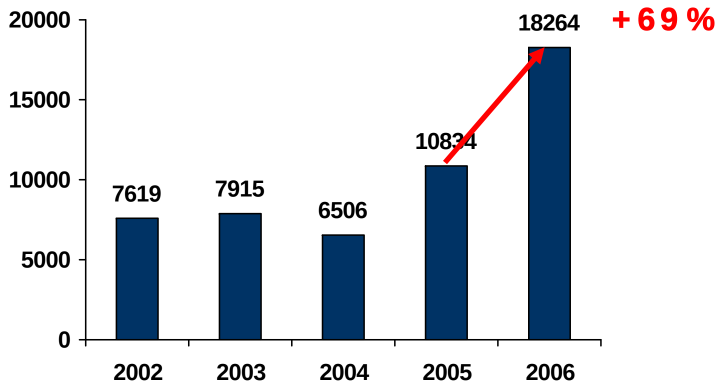
Trends in key financial figures
(Continuing activities)

- **Historical high order intake and order backlog**
  - Historical high market for new cement capacity has resulted in record high order intake and order backlog in 2006
  - The high level of activity has enabled FLSmidth to apply a more selective tender process

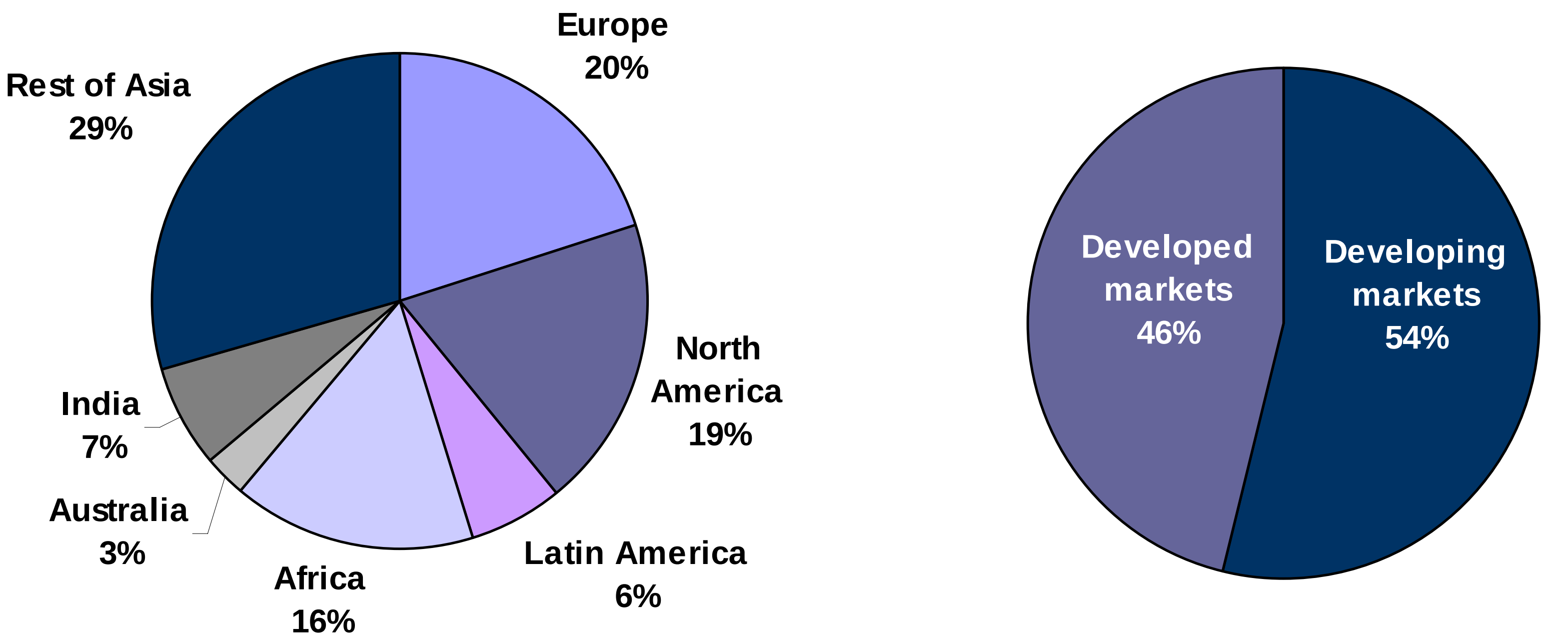
Order intake (DKKm)



Order backlog (DKKm)

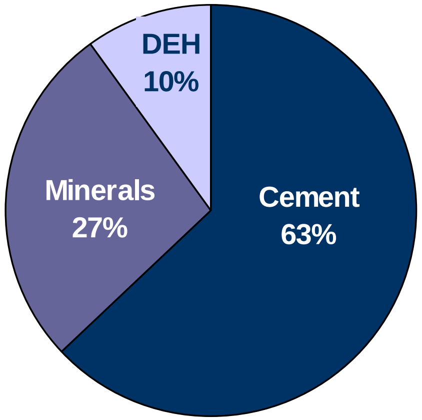


Geographical distribution of turnover

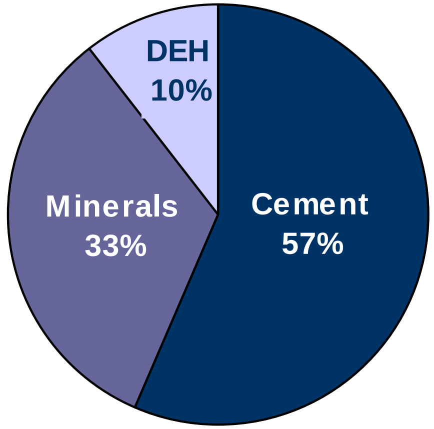


Segment information 2006

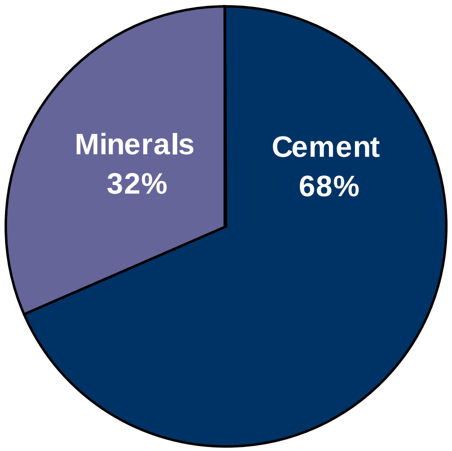
Turnover



EBIT

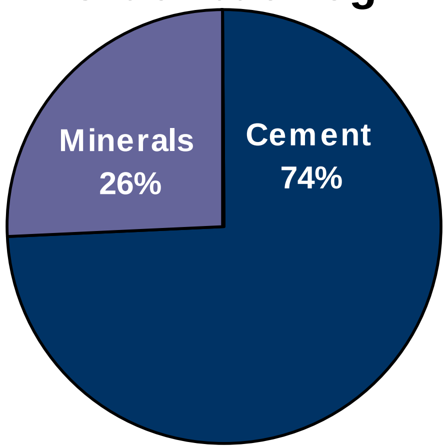


Order intake



Note: DEH is not an order-producing company => not included in the order figures

Order backlog



Cement

Highlights 2006

- **Improved earnings vs. last year**
  - due to improved market situation, and better order execution
- **High level of activity**
- **Historically high order intake and order backlog in 2006**

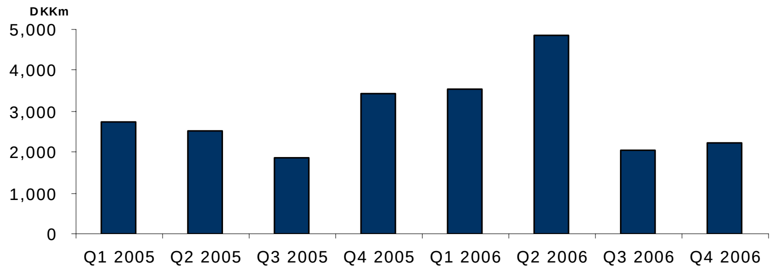
Focus / Actions

- **Improved order execution**
- **Offshoring to India**
- **Supply chain management**
- **Procurement from low cost countries**
- **Increased investments in R&D**
- **Sustainable aftermarket**
- **Lean project – from sales to manufacturing**

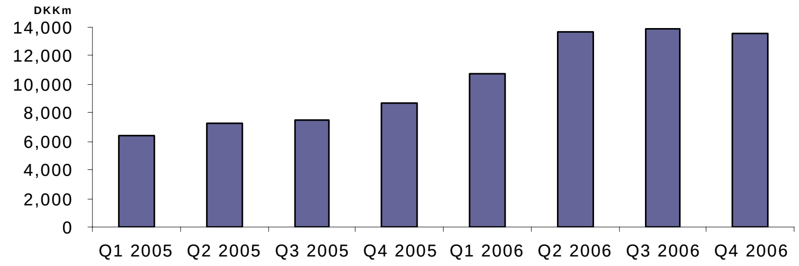
DKKm YTD	2005	**2006**
Net turnover	6,837	**7,683**
EBIT	196	**437**
EBIT ratio	2.9%	**5.7%**

Quarterly developments - Cement

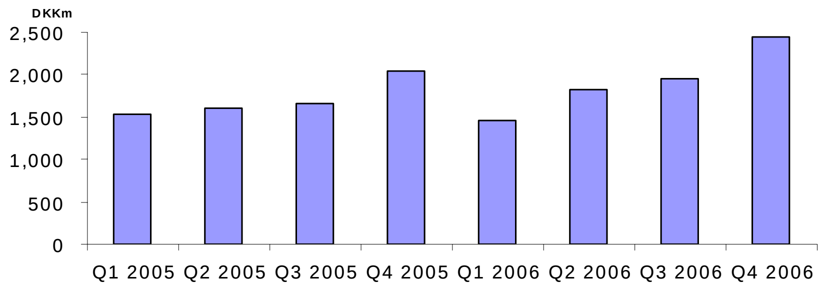
Order intake (DKKm)



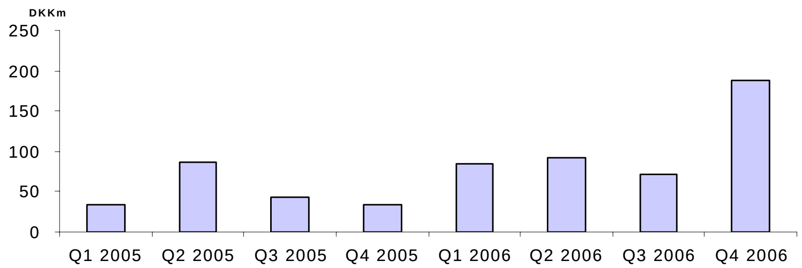
Order backlog (DKKm)



Turnover (DKKm)



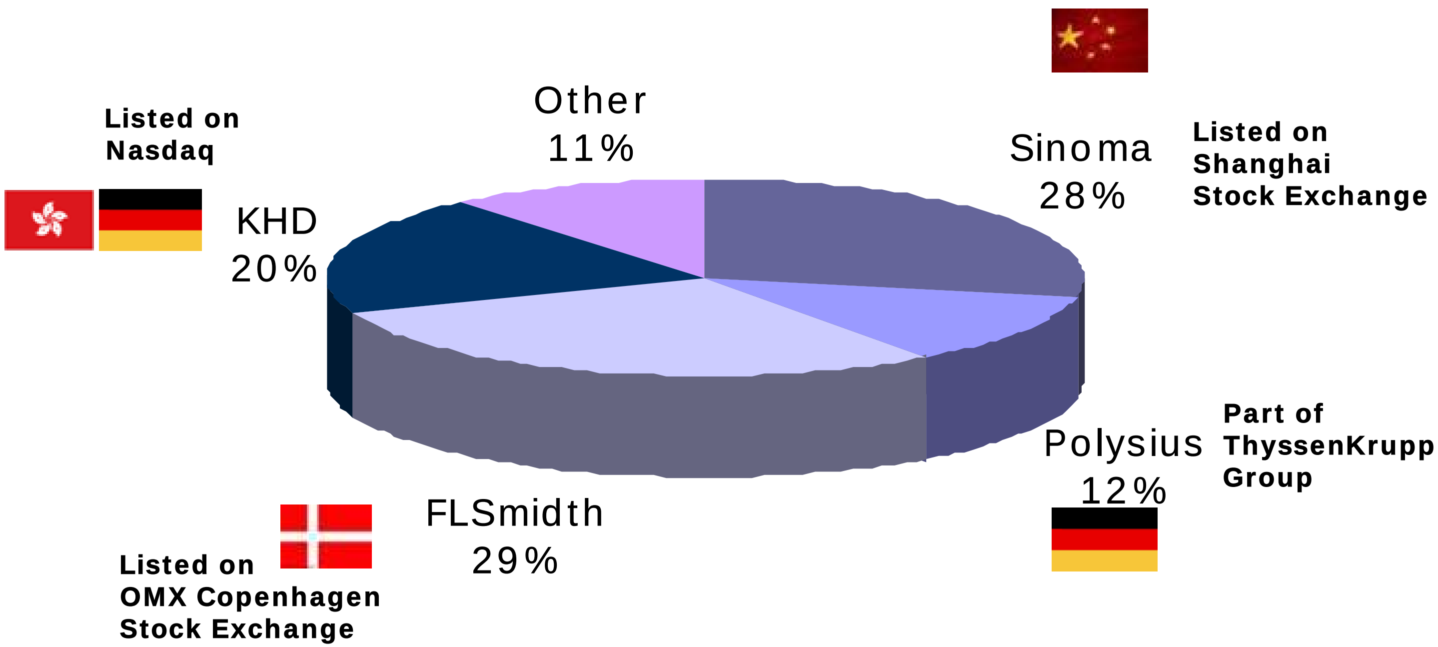
EBIT (DKKm)



FLSmidth global market share 2006

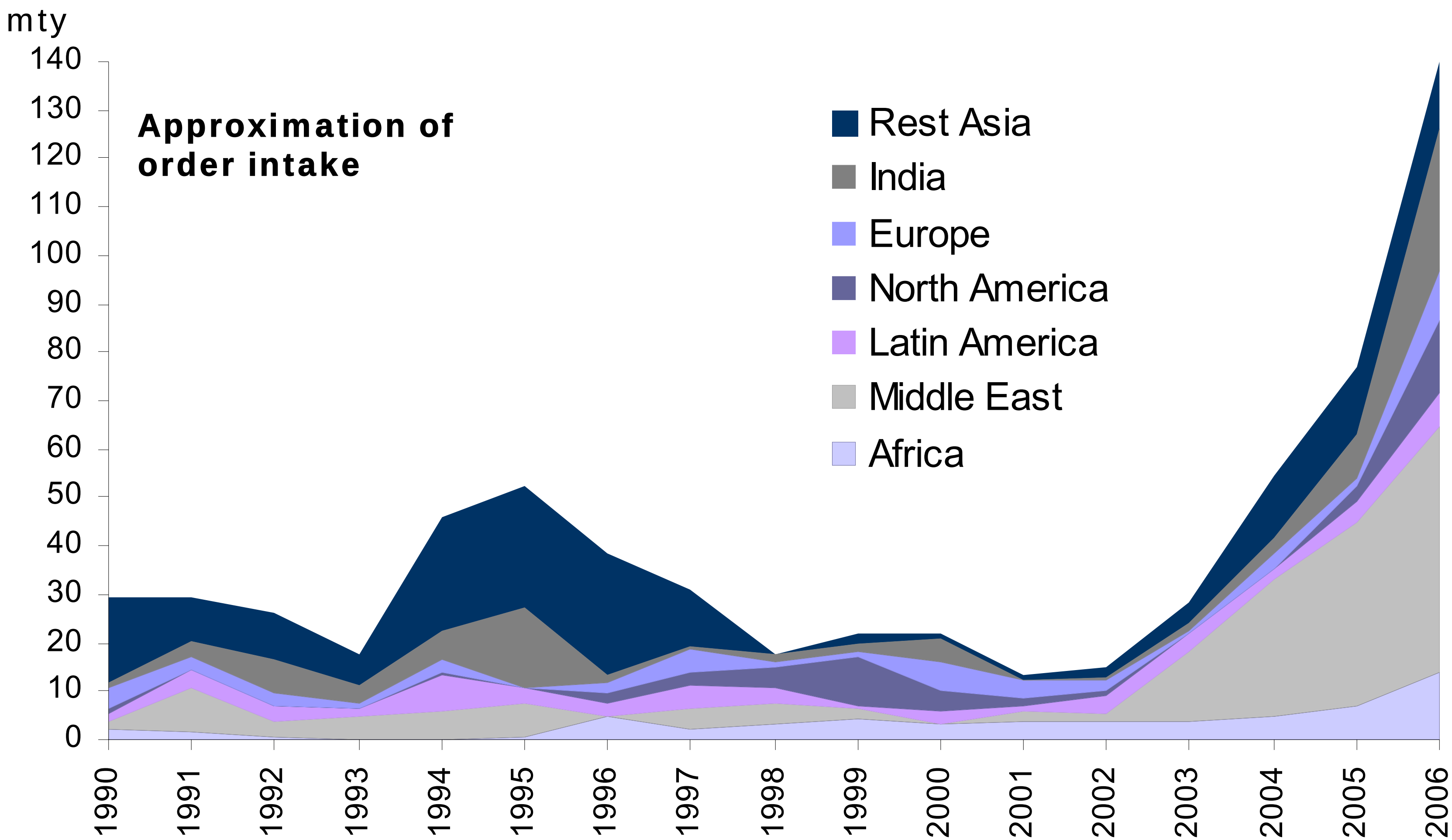
(excl. of China)

measured in terms of new contracted cement kiln capacity

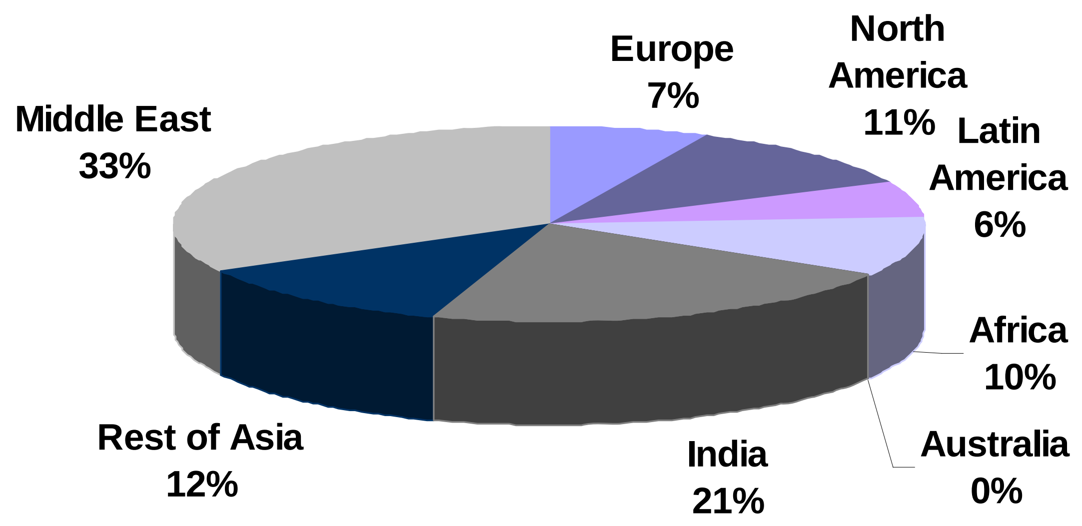


Measured in terms of turnover, FLSmidth's market share is higher

Geographical distribution of new global contracted cement kiln capacity (excl. of China)

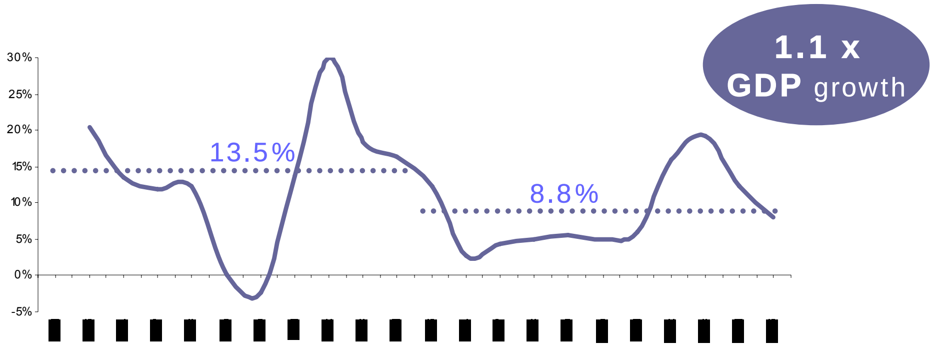


Geographical distribution of contracted new kiln capacity in 2006 (excl. China)

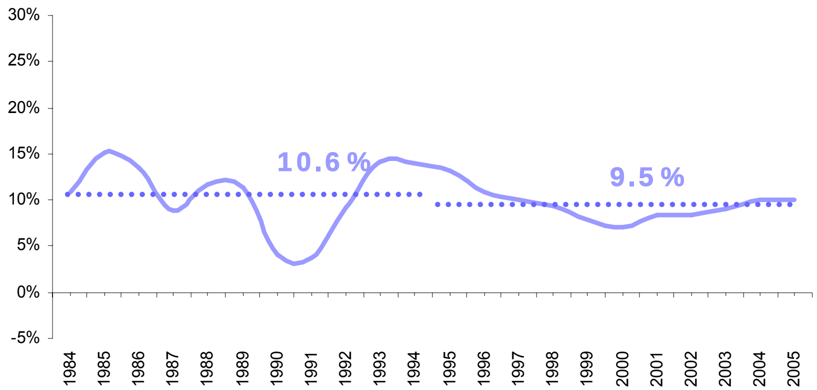


Growth in GDP and Cement Consumption

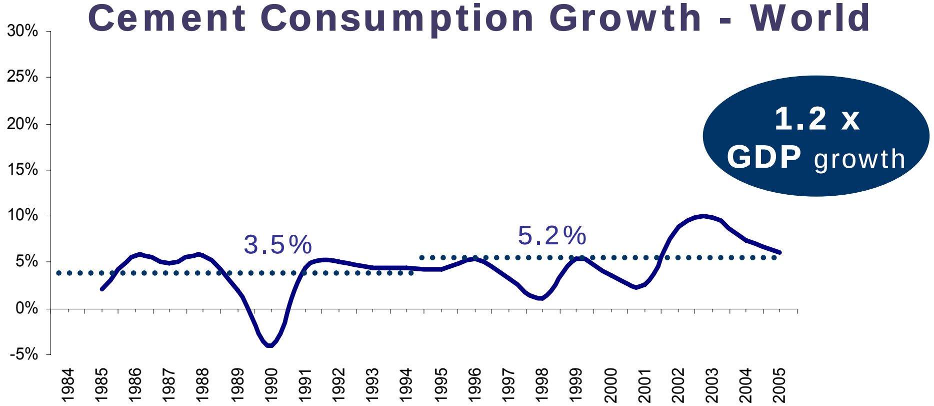
Cement Consumption Growth - China



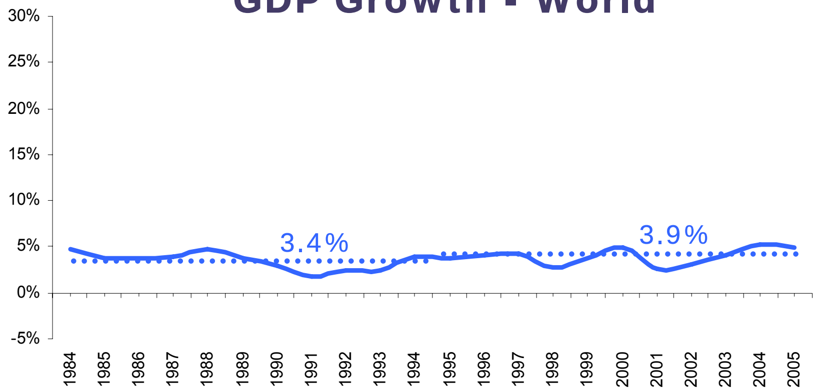
GDP Growth - China



Cement Consumption Growth - World

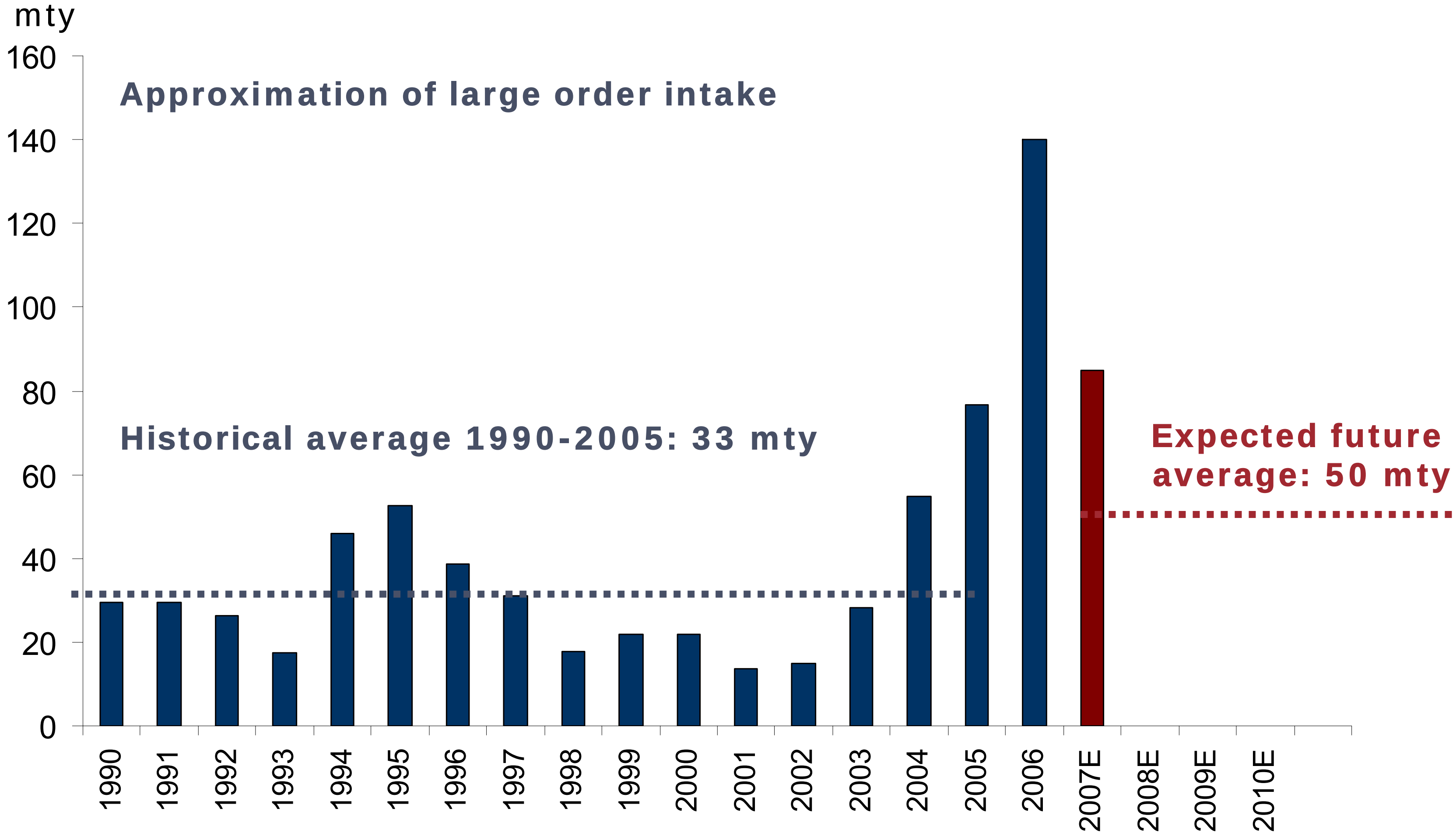


GDP Growth - World



New global contracted cement kiln capacity

(excl. of China)



Global demand for new cement kiln capacity 2007-2008

Cement

Expectations 2007

- Continued high level of activity
- Turnover DKK 10-12bn
- EBIT ratio ~6%

Assumptions

- New cement kiln capacity excl. China 80-90 mty in 2007
- Competition unchanged
- Continued growth in aftermarket activities, however accounting for a smaller share of total turnover
- Turnkey projects will account for a higher share of total turnover

DKKm YTD	2006	2007E
Net turnover	7,683	10-12,000
EBIT ratio	5.7%	~ 6%
EBIT	437	~ 600-720m

Minerals

Highlights 2006

- Substantial growth in order intake
- Order backlog record high
- Market very active across all business segments and geographical territories
- Record earnings within all business areas

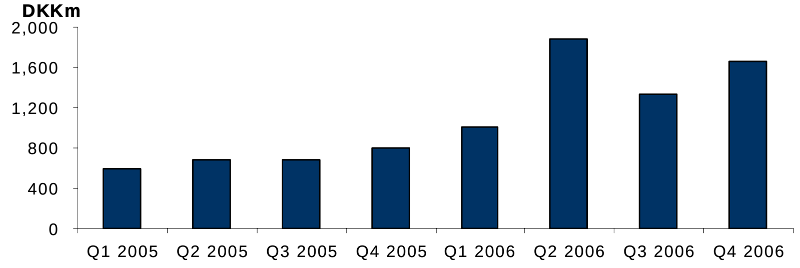
Focus / Actions

- Controlled growth, while taking advantage of current excellent market conditions
- Focus on sustainable aftermarket parts and services business
- Transformation from supplier of single equipment to supplier of engineered solutions
- Global integration
- Acquisitions

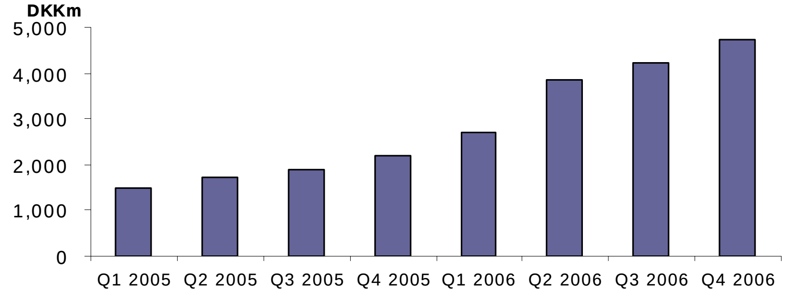
DKKm YTD	2005	**2006**
Net turnover	2,145	**3,276**
EBIT	103	**258**
EBIT ratio	4.8%	**7.9%**

Quarterly developments - Minerals

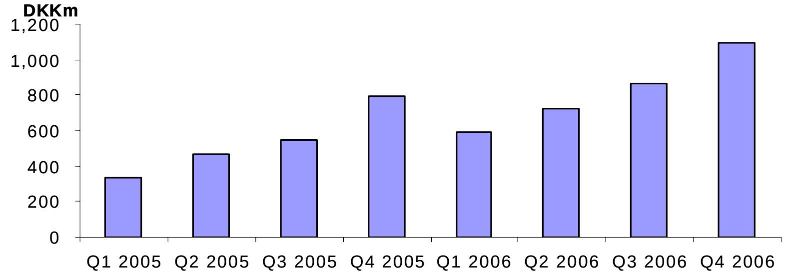
Order intake (DKKm)



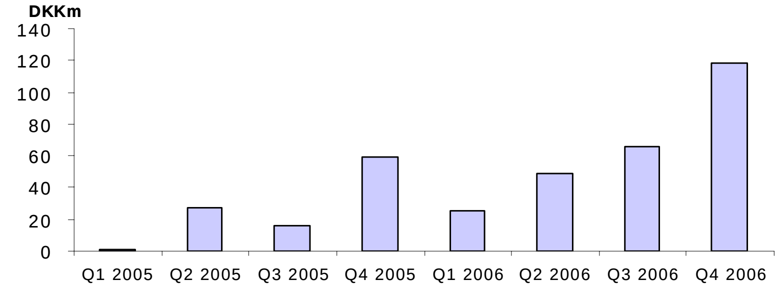
Order backlog (DKKm)



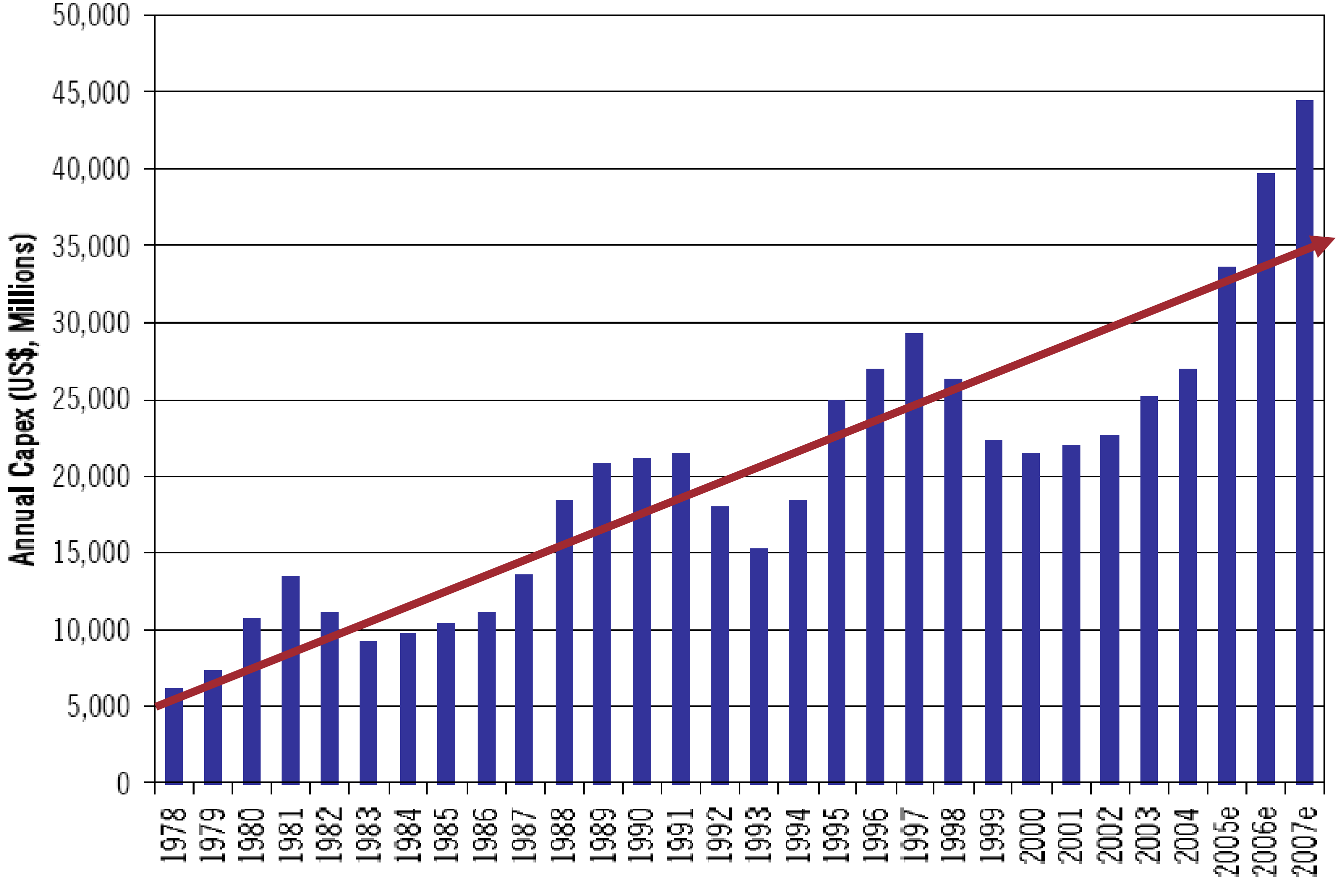
Turnover (DKKm)



EBIT (DKKm)



Mining Capex 1978-2007
- cyclical, but on an upward trend



Source: Citigroup, 17 January 2007

Mining companies
- are planning to increase Capex further in 2007 e.g.:

- **BHP Billiton**
  Spending on equipment and raw material has risen 45% over the past 3 years from $11bn to $16bn.
  Plans to keep spending level at about $16bn in 2007.

- **Rio Tinto**
  Spent more than $150m on exploration in 2006.
  Will probably spend more than $170m in 2007.
  Plans to increase capital spending by **28%** to $5 bn in 2007.

- **CVRD**
  Plans to increase investments by **40%** to $6.3 bn in 2007.

Source: Bloomberg

Minerals

Expectations 2007

- Continued high level of activity
- Turnover DKK 5-5.5bn
- EBIT ratio ~9%

Assumptions

- Increasing investments in global mineral exploration and processing
- Consumption driven by increasing population, urbanisation and industrialisation, primarily in Asia
- Approval received from authorities regarding acquisition of KOCH Transporttechnik

DKKm YTD	2006	2007E
Net turnover	3,276	5,000-5,500
EBIT ratio	7.9%	~ 9%
EBIT	258	~ 450-495

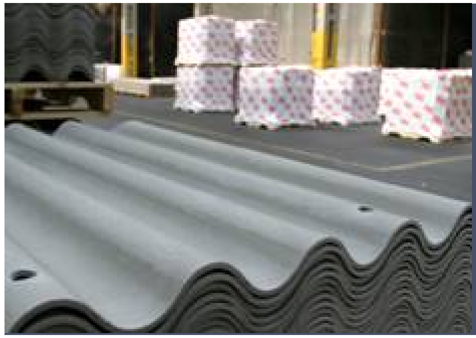
Dansk Eternit Holding

Highlights 2006

- Restructuring of DEH is on track
- Increased volume with only a modest increase in staffing
- Earnings up due to increased sales of high margin products
- Has acquired two trading companies in Holland and Slovakia
- Joint venture established in Hungary

Focus / Actions

- Controlled and profitable growth, both organic and acquisitive, in existing and new markets
- Optimisation and expansion of production and distribution platform



DKKm YTD	2005	2006
Net turnover	1,147	**1,216**
EBIT	61	**81**
EBIT ratio	5.3%	**6.7%**

Dansk Eternit Holding

Expectations 2007

- Turnover DKK 1.3bn
- EBIT ratio ~8%

Assumptions

- High level of building activity in Europe
- Continued organic and acquisitive growth
- Expansion in Eastern Europe

DKKm YTD	2006	2007E
Net turnover	1,216	1,300
EBIT ratio	6.7%	~ 8%
EBIT	81	~ 104

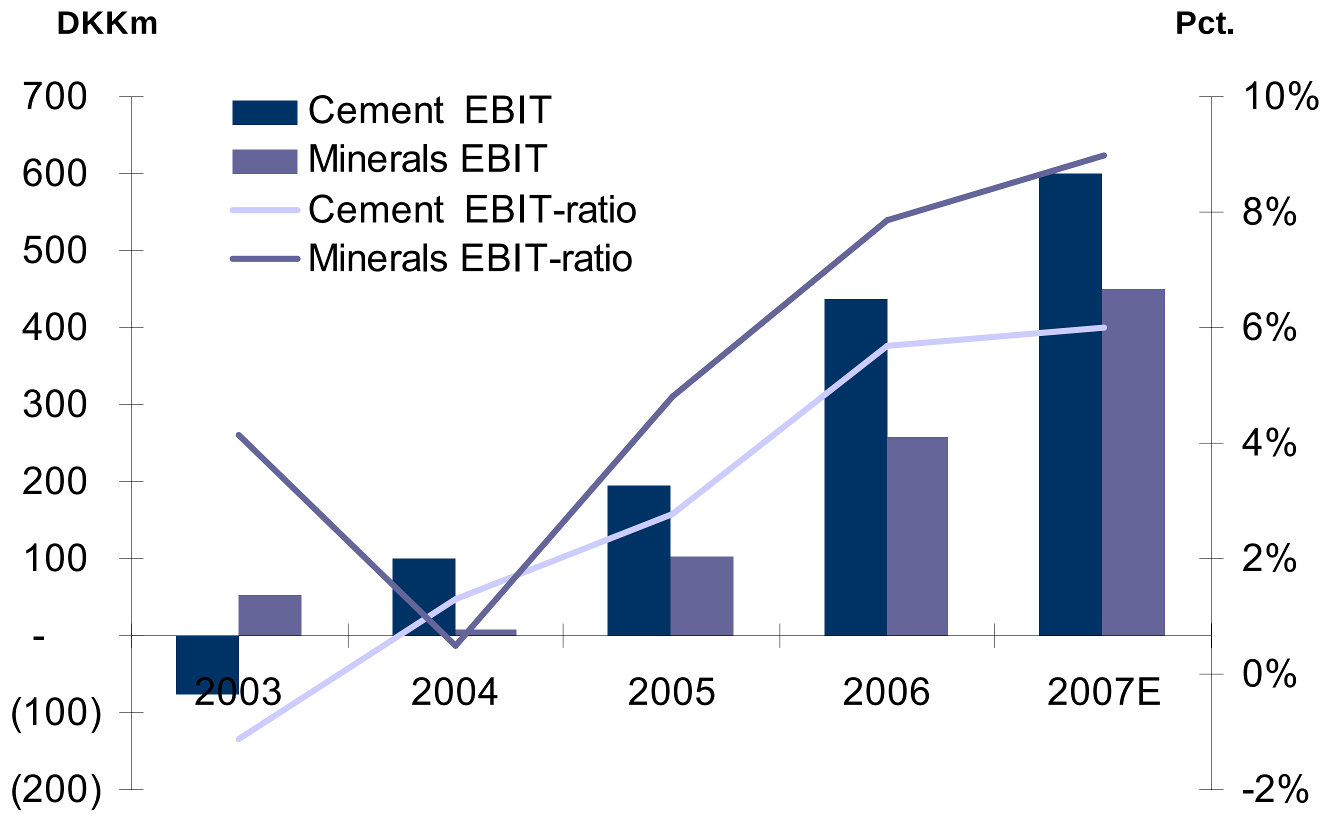
Business area guidance 2007

Expectations for 2007		(2006)
Cement		
Turnover	~ DKK 10-12bn	(7.7bn)
EBIT ratio	~ 6%	(5.7%)
Minerals		
Turnover	~ DKK 5-5.5bn	(3.3bn)
EBIT ratio	~ 9%	(7.9%)
Dansk Eternit Holding		
Turnover	~ DKK 1.3bn	(1.2bn)
EBIT ratio	~ 8%	(6.7%)
Overheads		
EBIT	~ DKK -15m	(-18m)

Comments

- Cement EBIT ratio is adversely impacted by high level of turnkey turnover in 2007
- Cement and Minerals EBIT ratios are adversely impacted by relatively low share of turnover from aftermarket activities in 2007

Developments in EBIT and EBIT ratios



Guidance 2007

		2007	2006	Change vs. 2006
New cement kiln capacity		80-90mty	140mty	-40% approx.
Turnover	DKK	16-18.5bn	12.3bn	+30-40%
EBIT	DKK	1.1-1.3bn	775m	+40-70%
EBT	DKK	1.2-1.4bn	924m	+30-50%
CFFO	DKK approx.	600m	1.3bn	-50% approx.
Investments (excl. acquisitions)	DKK approx.	450m	249m	+80% approx.
Effective tax rate		30%	26%	

Comments

- Extraordinary high level of investments (excl. acquisitions) in 2007 due to general increase in capacity

Long-term financial targets

- **7-8% EBIT ratio expected in 2007-2008**
  - Will depend on the **distribution of turnover** between business units and products

- **Long-term turnover and margin outlook**
  - **Minerals** is expected to account for a higher share of total turnover
  - **Aftermarket activity** is expected to increase in the wake of the present boom in new capacity, and will account for a higher share of total turnover
  - In future, the Group EBIT ratio is expected to be **only marginally below 7-8% in periods of low activity**

Long-term margin outlook

Group EBIT margin will depend on the mix between:

1. **Business areas** — **(Cement, Minerals and DEH)**
2. **Type of contracts** — **(Turnkey orders, Large orders, Basic orders, Service and spares)**
3. **Products** — **(High vs. low margin products)**

Long-term margin outlook
– will depend on mix between **business areas**

	EBIT ratio	Turnover in 2007	Relative share of turnover in 2007-2008	Relative share of turnover long-term
Cement	●	↗	→	↘
Minerals	●	↗	→	↗
Dansk Eternit Holding	●	↗	↘	↘

Long-term margin outlook
– will depend on mix between **contract types**

	EBIT ratio	Turnover in 2007	Relative share of turnover in 2007-2008	Relative share of turnover long-term
Service and spare parts	●	↗	↘	↗
Basic orders	●	↗	→	→
Large orders	●	↗	↗	↘
Turnkey orders	●	↗	↗	↝

Long-term margin outlook
– will depend on **product mix**

Examples	Cement / Minerals	Dansk Eternit Holding
High margin products	• Own proprietary equipment • Specialised equipment manufactured by in-house product companies	• Products with much added value e.g. flat sheets
Low margin products	• All auxiliary equipment bought from sub-suppliers e.g. compressors, fans, motors, etc.	• Products with less added value e.g. corrugated sheets

Future macroeconomic drivers

- Increasing **outsourcing** and offshoring of manufacturing, IT, engineering, services etc. to developing countries
- Increasing level of **urbanisation** and **industrialisation** in developing countries
- Increasing **global middle class**
- Increasing global population
- Continued **high oil and commodity prices** will benefit regions that are rich on natural resources
- Continued high **global economic growth**

Future growth drivers
- organic and acquisitive

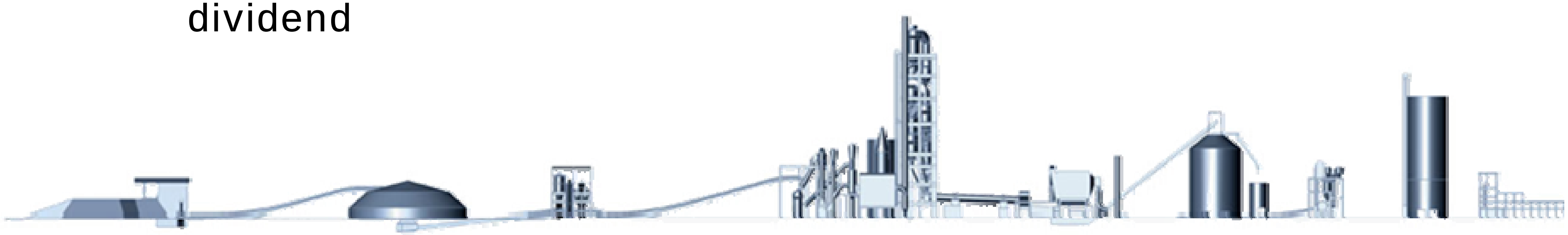
- Improved execution of **order backlog**
- Expansion of **product portfolio** to cover more of the minerals processing flowsheet
- **Expansion** into new geographical markets and new minerals in **FFE Minerals**
- Expansion of **Aftermarket** activities
- **Acquisition** of bolt-on technology in both cement and minerals
- Improved **value proposition**
- Sustained **competitive advantage**

Future margin drivers

- Higher share of turnover from **Minerals** and **aftermarket**
- **Operational leverage**
- **Global integration** and focus on system solutions rather than single machines in FFE Minerals
- More **engineering offshored** to India
- More **sourcing** of quality equipment and components from **low-cost countries**
- More in-house **manufacturing of spares**
- Development of new **service concepts**
- Increased **efficiency** e.g. through application of **“Lean”**
- **Market segmentation** and **customer focus**
- Global integration of **back-office activities** in Minerals and Cement

Concluding remarks

- Historically high turnover, order intake and order backlog in 2006
- Satisfactory development in earnings
- Both turnover and operating margins are set to rise in the coming years - by how much will depend on the developments in the identified growth and margin drivers and in the mix between products, business areas and contract types
- Surplus cash will be used to fund acquisitions, and alternatively to buy back shares or to distribute as dividend



Questions