



FLSmidth & Co. A/S

Q1 Report 2007

30 May 2007





Highlights Q1 2007

- Continued high level of market activity
- Satisfactory developments in turnover, earnings and order intake
- Guidance for 2007 revised upwards
- Favorable short term market outlook
- Acquisition of KOCH Transporttechnik completed
- Partly sale of property in Aalborg, DK

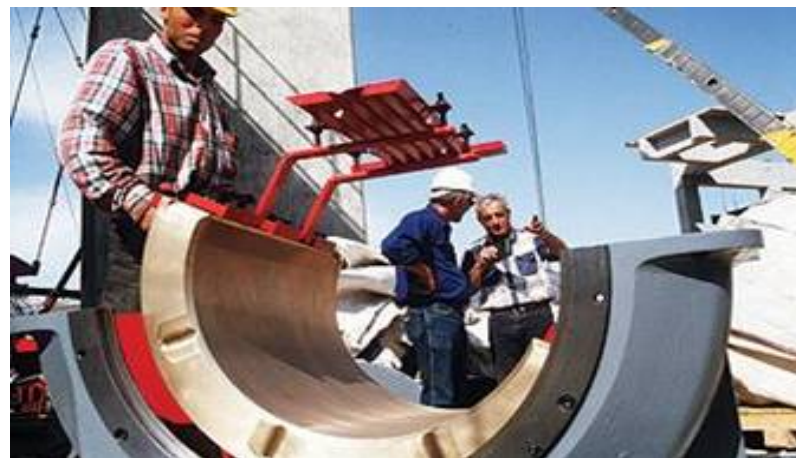




Events occurring after Q1

Offer to Buy GL&V Process

- World leading provider of liquid / solid separation technologies
- Supported by GL&V's Board of Directors and Chairman
- Enterprise value: **DKK 4.8bn**



Other M&A Activities

- Sale of MAAG Gear's turbo and marine gear activities completed
- Acquisition of RAHCO completed

Other events

- **AGM:** Dividend of DKK 7 per share paid on 26 April 2007 (DKK 372m)
- **Major orders:**

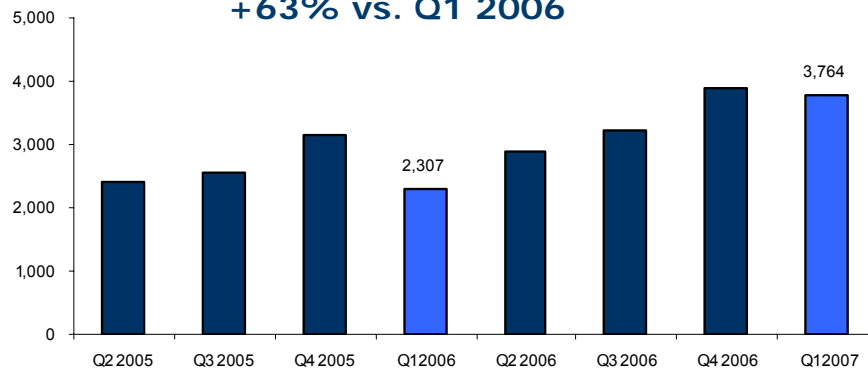
Cement (Sudan)	DKK 360m
Minerals (Brazil)	DKK 530m

Increasing sales and earnings

- Increasing order backlog in previous years starts to feed through to sales and earnings
- Increasing margins due to improved order execution and capacity utilisation (operational leverage)

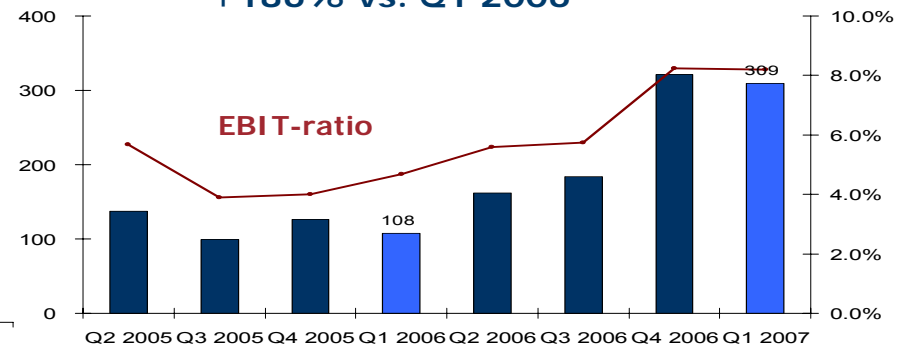
Turnover (DKKm)

+63% vs. Q1 2006



EBIT (DKKm)

+186% vs. Q1 2006



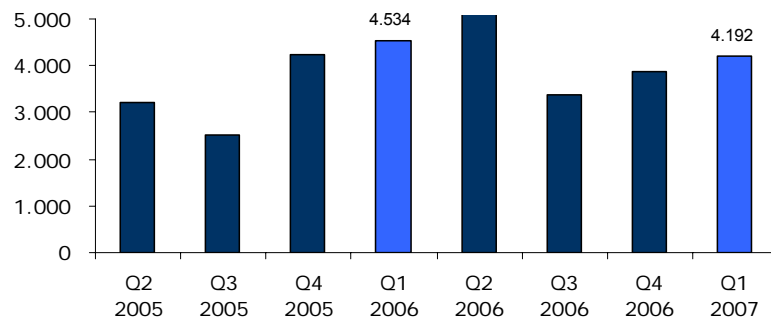
Order intake and order backlog

- Continued high level of order intake
- Record high order backlog

Order intake (DKKm)

-8% vs. Q1 2006

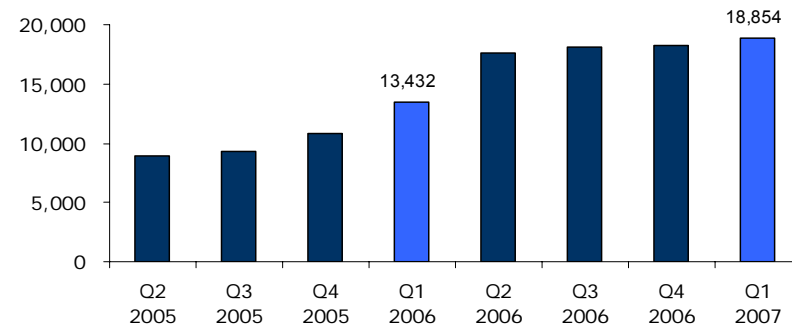
+8% vs. Q4 2006



Order backlog (DKKm)

+40% vs. Q1 2006

+3% vs. End 2006

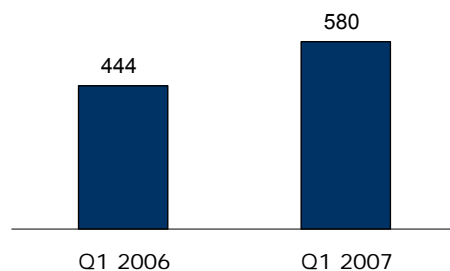


Significant increase in order intake from aftermarket

- Order intake from aftermarket up 46% in Q1 07 vs. Q1 06
- Strategic focus on sustained aftermarket materialising

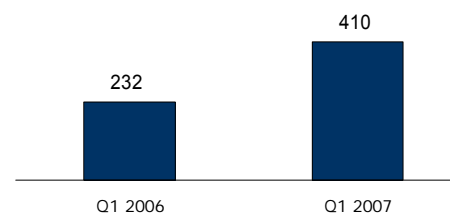
Cement (DKKm)

+31% vs. Q1 2006
+16% vs. Q4 2006



Minerals (DKKm)

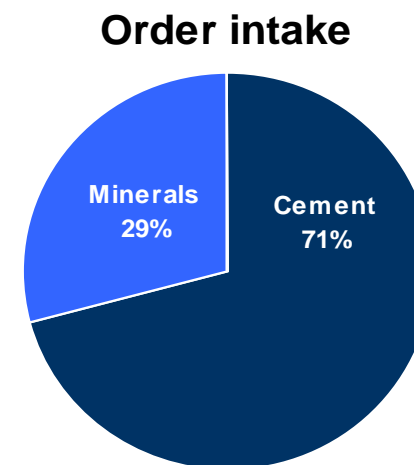
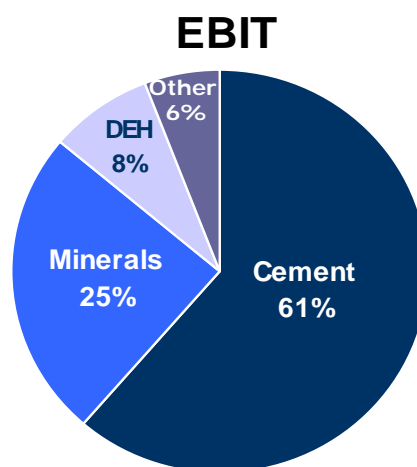
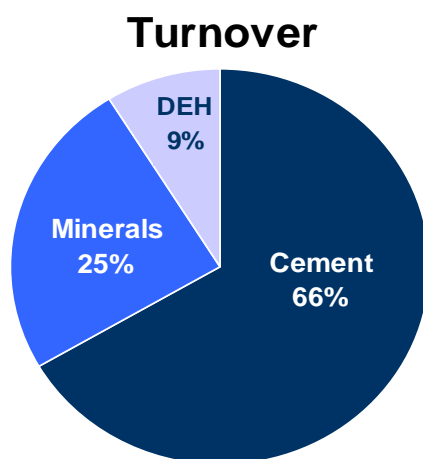
+77% vs. Q1 2006
+46% vs. Q4 2006





Segment information Q1 2007

- Cement accounts for 2/3 and Minerals for 1/4 of the business today
- Other activities accounts for 6% of EBIT in Q1:
 - Partly sale of property in Aalborg; EBIT DKK 22m



Highlights Q1 2007

- **Improved earnings vs. last year**
- due to improved order execution and higher capacity utilisation (operational leverage)
- **Continued high level of activity**
- **Margin in Q1** higher than expected for the full year 2007 due to higher share of turnkey turnover later in 2007

Focus / Actions

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

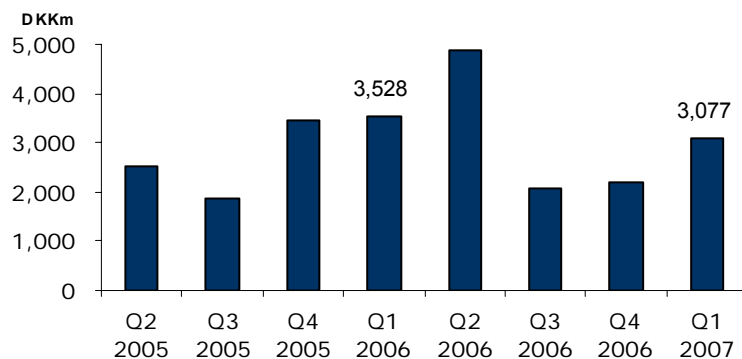


DKKm YTD
Net turnover
EBIT
EBIT ratio

Q1 2006
1,459
85
5.8%

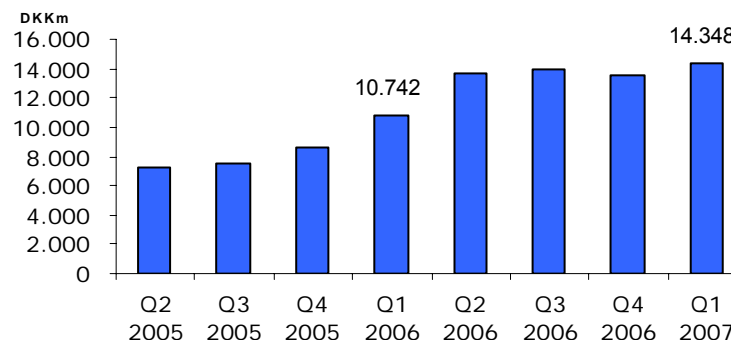
Q1 2007
2,540
190
7.5%

Order intake (DKKm)

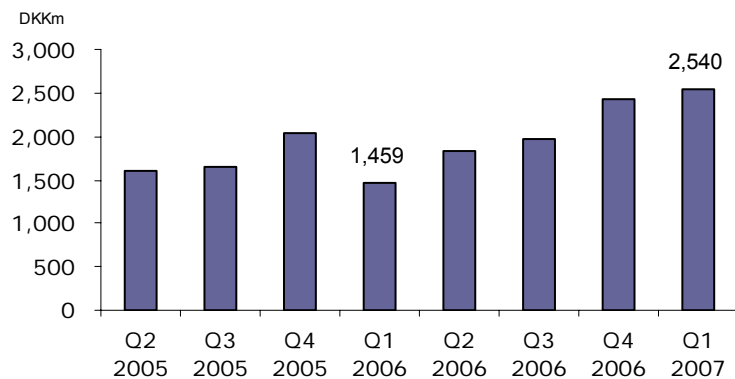


Order backlog (DKKm)

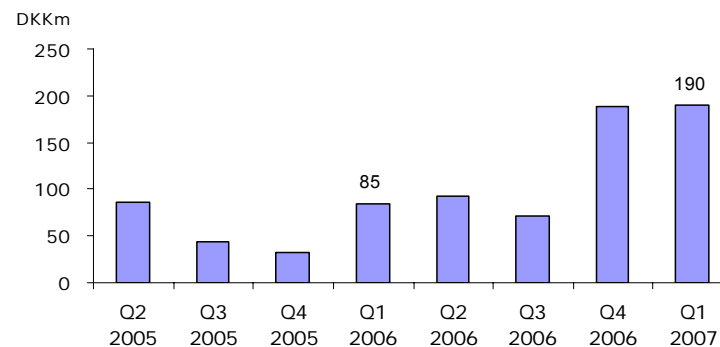
All time high



Turnover (DKKm)

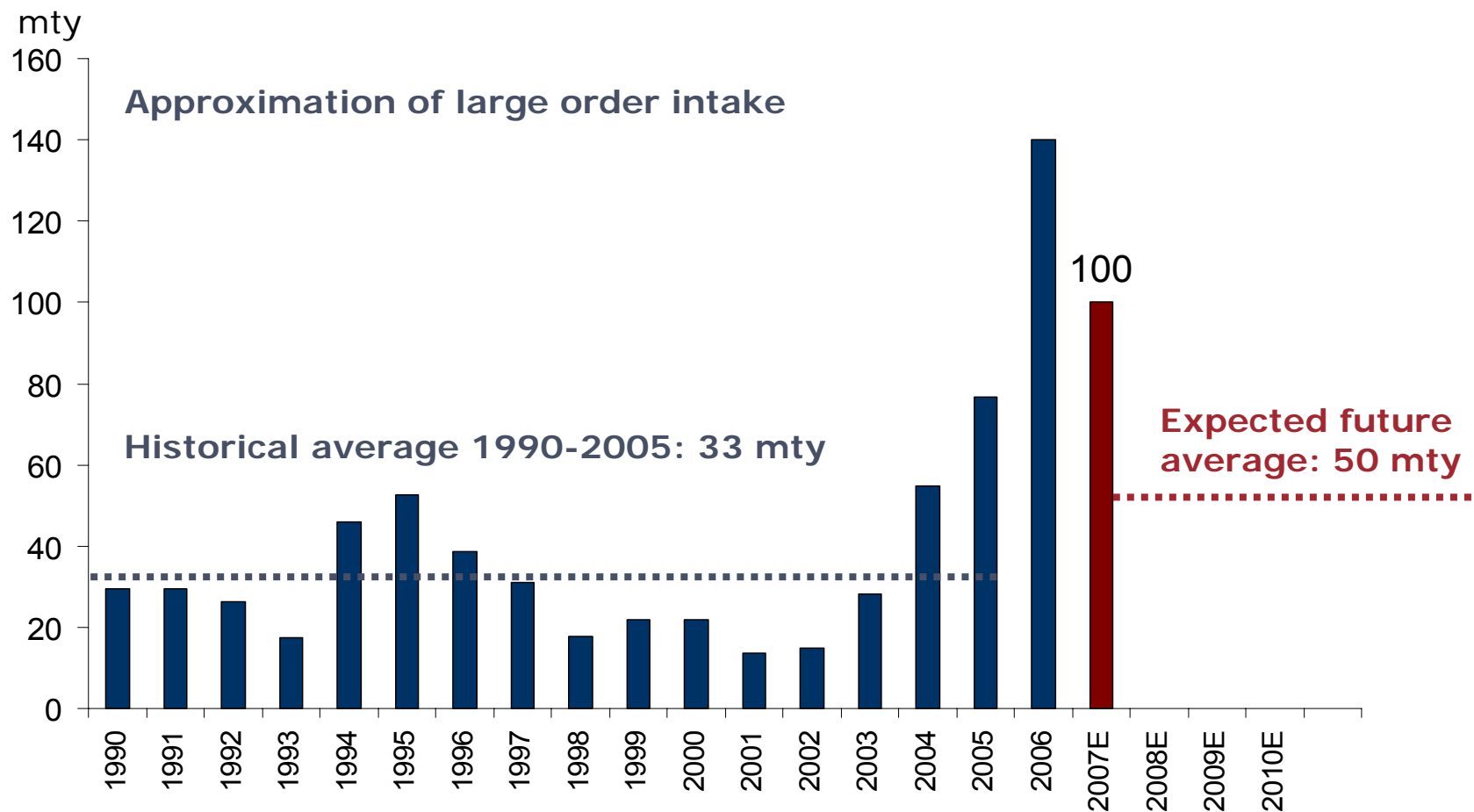


EBIT (DKKm)



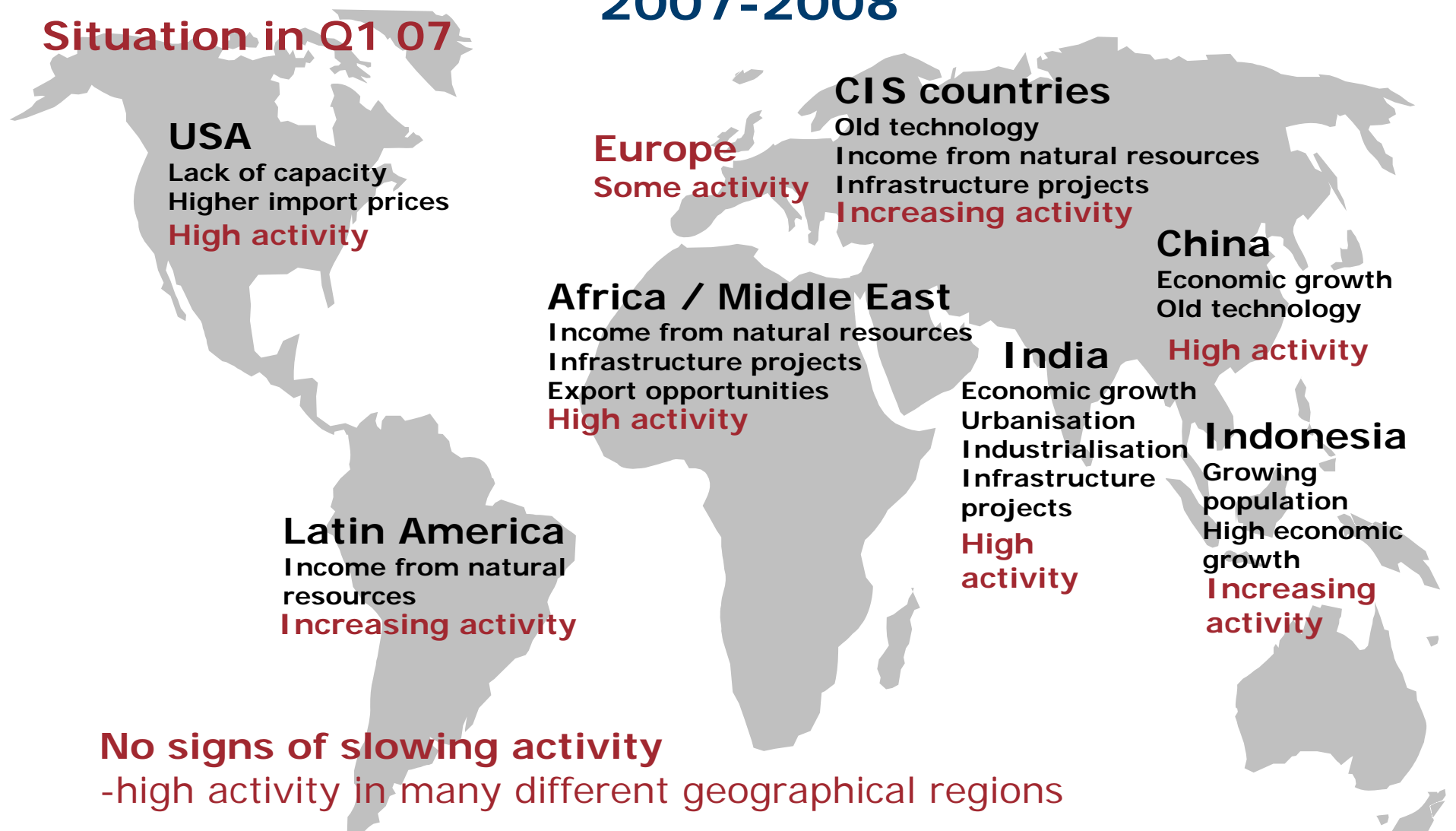


New global contracted cement kiln capacity (excl. of China)



Global demand for new cement kiln capacity 2007-2008

Situation in Q1 07



Highlights Q1 2007

- **Market very active** across all business segments and geographical territories
- **Order backlog record high**
- **Increasing sales and earnings** within all business areas
- Acquisition of **KOCH** and **RAHCO**
- Offer to buy **GL&V Process**

Focus / Actions

- **Controlled growth**, while taking advantage of current excellent market conditions
- Initiatives to **increase capacity**
- **Global integration**
- Acquisitions



DKKm YTD
 Net turnover
 EBIT
 EBIT ratio

Q1 2006

590

25

4.2%

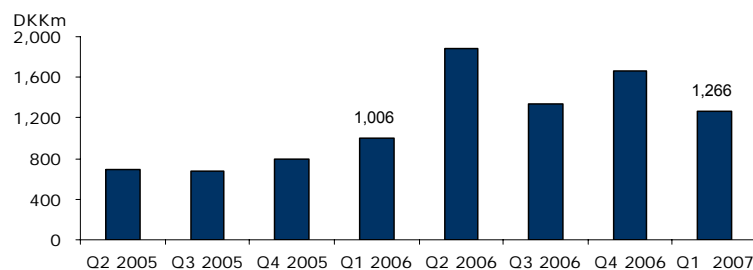
Q1 2007

936

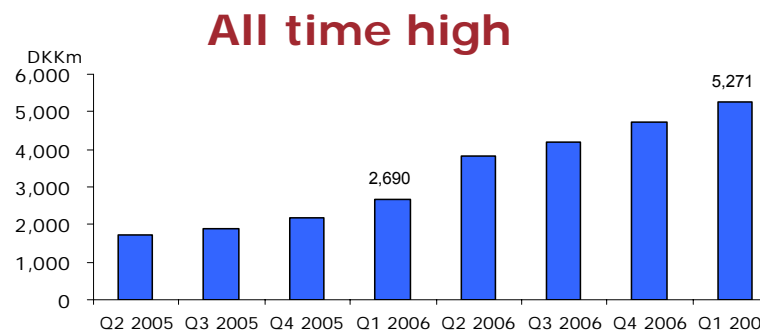
76

8.1%

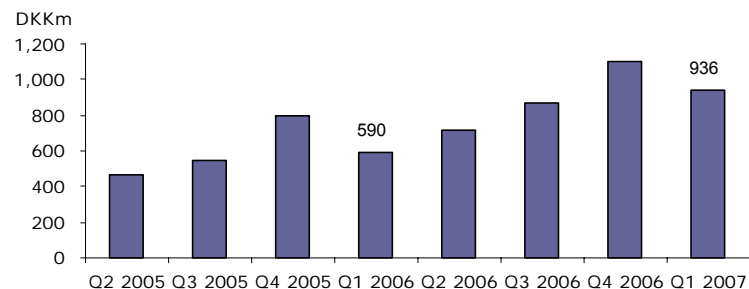
Order intake (DKKm)



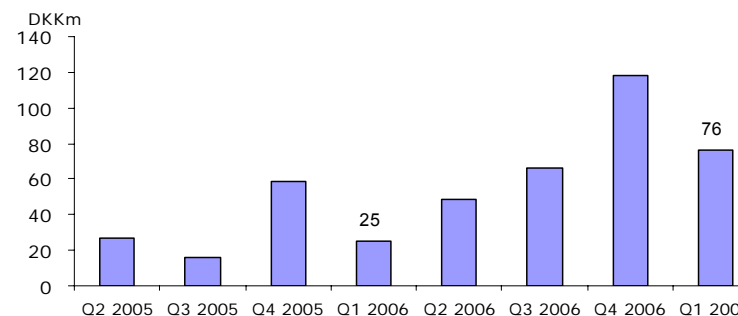
Order backlog (DKKm)



Turnover (DKKm)



EBIT (DKKm)

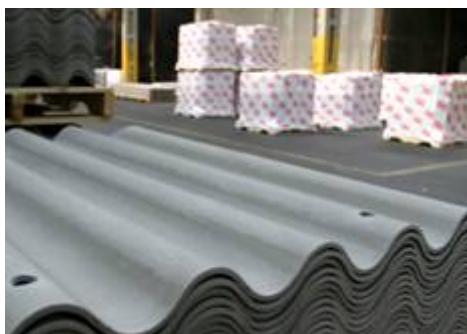


Highlights Q1 2007

- **High activity in Q1** due to mild winter and increasing building and construction activity in Europe
- **Full capacity utilisation**
- **Guidance for 2007 revised upwards**

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

Net turnover
EBIT
EBIT ratio

Q1 2006

236
11
4.7%

Q1 2007

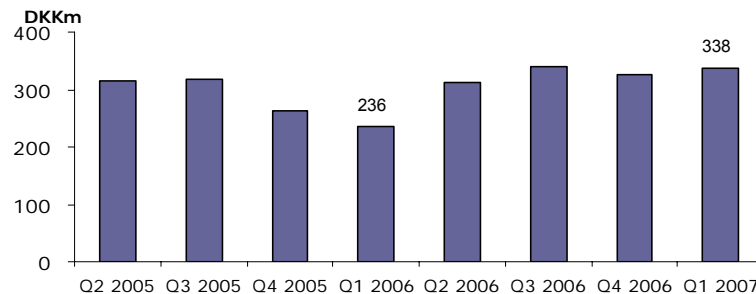
338
25
7.4%

Turnover in DEH typically follows a seasonal pattern

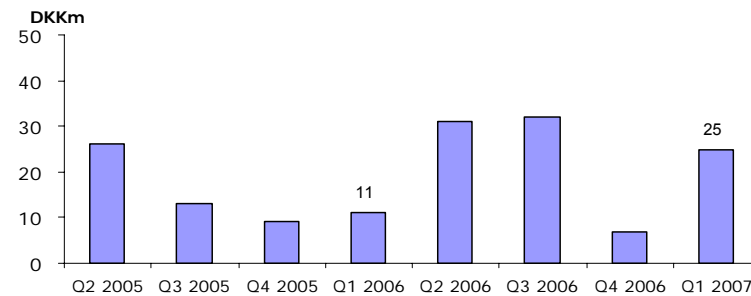
- Low season in Q1 + Q4 (Winter)
- High season in Q2 + Q3 (Summer)

...however, not this year due to a mild winter in Europe!

Turnover (DKKm)



EBIT (DKKm)





Business area guidance 2007

Expectations for 2007		Previously	(2006)
■ Cement			
Turnover	~ DKK 10.5-12bn	~ DKK 10-12bn	(7.7bn)
EBIT ratio	~ 6%	~ 6%	(5.7%)
■ Minerals			
Turnover	~ DKK 5-5.5bn	~ DKK 5-5.5bn	(3.3bn)
EBIT ratio	~ 9%	~ 9%	(7.9%)
■ Dansk Eternit Holding			
Turnover	~ DKK 1.4bn	~ DKK 1.3bn	(1.2bn)
EBIT ratio	~ 9%	~ 8%	(6.7%)
■ Overheads etc.			
EBIT	~ DKK -15m	~ 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



Guidance 2007

(Excl. GL&V Process)

		<u>2007</u>	<u>Previously</u>	<u>2006</u>
■ New cement kiln capacity		100mty	80-90mty	140mty.
■ Turnover	DKK	17-19bn	16-18.5bn	12.3bn
■ EBIT	DKK	1.2-1.35bn	1.1-1.3bn	775m
■ EBT	DKK	1.3-1.45bn	1.2-1.4bn	924m
■ CFFO	DKK approx.	600m	600m	1.3bn
■ Investments <small>(excl. acquisitions)</small>	DKK approx.	450m	450m	249m
■ Effective tax rate		30%	30%	26%

Comments

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



Long-term margin outlook

Future EBIT-margin depends on the mix between:

- **Business areas** Cement / Minerals / DEH
- **Type of contracts**
 - Turnkey orders (equipment + civil works)
 - Large orders (equipment > DKK 50 mio.)
 - Basic orders
 - Service and spares
- **Products**
 - High margin (i.e. own proprietary equipment)
 - Low margin (i.e. auxiliary equipment)





Concluding remarks

- Favourable short term market outlook
- Satisfactory development in order intake, turnover and earnings
- Guidance for 2007 revised upwards
- Both turnover and operating margins are expected to rise in the coming years, depending on the developments in:
 - growth and margin drivers
 - mix between products, business areas and contract types





Questions

