FLSmidth & Co. A/S

Q2 Report 2007

22 August 2007
Highlights Q2 2007

- Continued high level of market activity within all business areas

- Satisfactory developments in turnover, earnings and order intake

- Guidance for 2007 revised upwards

- Continuing favorable market outlook
Events occurring after Q2

Closing of GL&V Process

- Deal closed on 10 August 2007
- Purchase price CAD 983m (DKK 5.0bn)
- Consolidated from 10 August 2007

Integration of GL&V Process

- New organisation structure with enhanced customer focus
- Integration process to take place over the coming 18 months
- Joint geographic representation

Other events

- Major orders:
  - Cement (Colombia) DKK 540m
  - Cement (Syria) DKK 840m
FLSmidth Minerals – New organisation structure

Christian Jepsen
President & CEO
Responsible for:
• Overall operational and strategic performance

George Robles
EVP & Deputy CEO
Responsible for:
• Sales
• Marketing
• Long term business development
Increasing sales and earnings

• Increasing order backlog in previous years starts to feed through to sales and earnings

• Continued margin expansion due to improved order execution and capacity utilisation (operational leverage)

**Trends in key financial figures**

**Turnover (DKKm)**

+55% vs. Q2 2006

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3</td>
<td>2,900</td>
<td>4,504</td>
</tr>
</tbody>
</table>

**EBIT (DKKm)**

+167% vs. Q2 2006

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3</td>
<td>162</td>
<td>433</td>
</tr>
</tbody>
</table>
Trends in key financial figures

Order intake and order backlog

- Continued high level of order intake
  - Satisfying, although lower than in Q2 last year, where cement order intake was exceptionally high

- Record high order backlog

Order intake (DKKm)

-10% vs. Q2 2006
+45% vs. Q1 2007

Order backlog (DKKm)

+20% vs. Q2 2006
+15% vs. End 2006
Order intake from aftermarket continues to increase

- Order intake from aftermarket up 30% in Q1-Q2 07 vs. Q1-Q2 06
- Strategic focus on sustained aftermarket is materialising

Cement (DKKm)
+9% vs. Q1-Q2 2006

Minerals (DKKm)
+71% vs. Q1-Q2 2006
Segment information

- **FLSmidth Q1-Q2 2007**
  Cement accounted for approx. 2/3 of both turnover and EBIT, whereas Minerals accounted for approx. 1/4

- **FLSmidth Pro forma 2007**
  (incl. GL&V Process Pro forma Full Year 2007)
  Cement will still account for the bulk of turnover, but Minerals will be on a par with respect to EBIT (excl. effect of purchase price allocation and one-offs)
Planned investments in 2007

- **Expansion of existing production facilities**
  - FLSmidth USA
  - FLSmidth Minerals
  - MAAG Gear
  - Dansk Eternit Holding

- **Expansion of FLSmidth House, India**

- **Investments in R&D facilities**

CFFI (excl. acquisitions) 30 June 2007: DKK -143m
CFFI (excl. acquisitions) 31 Dec 2007 (Est.): DKK -500m
**Highlights H1 2007**

- **Improved earnings vs. last year** - due to higher capacity utilisation (operational leverage)
- **Continued high level of activity**
- **Margin in H1** is 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

<table>
<thead>
<tr>
<th>DKKm YTD</th>
<th>Q1-Q2 2006</th>
<th>Q1-Q2 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net turnover</td>
<td>3,287</td>
<td>5,369</td>
</tr>
<tr>
<td>EBIT</td>
<td>177</td>
<td>467</td>
</tr>
<tr>
<td>EBIT ratio</td>
<td>5.4%</td>
<td>8.7%</td>
</tr>
</tbody>
</table>
Quarterly developments - Cement

Order intake (DKKm)

- All time high

Order backlog (DKKm)

- All time high

Turnover (DKKm)

- All time high

EBIT (DKKm)

- All time high
New global contracted cement kiln capacity
(excl. of China)

Approximation of large order intake

Expected future average:
~ 60-70 mty
Long-term demand for new cement capacity ~ 60-70mty p.a.

Additional capacity needed to keep up with cement consumption

- Historical correlation between growth in cement consumption and GDP ~1.2
- Installed cement capacity globally (excl. China) ~1.300 mty
- Estimated additional capacity needed to track cement consumption:
  - If World GDP growth (excl. China) is 3% => Additional capacity needed annually: 3% * 1.2 * 1.300 mty = 47 mty
  - If World GDP growth (excl. China) is 4% => Additional capacity needed annually: 4% * 1.2 * 1.300 mty = 62 mty

Replacement of saturated cement capacity

- The average lifetime of a cement plant is estimated to be ~30 yrs
- Upgrade and modernisation projects may prolong the lifetime
- If lifetime is 50 yrs (conservative) => ~2% of installed base to be replaced p.a.
- Installed cement capacity (excl. China) 30-50 years ago ~500 mty
- Estimated annual replacement of saturated capacity: 2% * 500 mty = 10 mty
Geographical distribution of cement market
January-July 2007
Contracted new kiln capacity globally excl. China

- Middle East: 24%
- India: 24%
- Africa: 20%
- Rest of Asia: 11%
- Latin America: 3%
- North America: 4%
- Europe: 14%
Highlights H1 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 **Dorr-Oliver EIMCO** and **Krebs Engineers** from GL&V. Consolidated from 10 August 2007

Focus / Actions

- **Controlled growth**, while taking advantage of current excellent market conditions
- Initiatives to **increase capacity**
- **Integration of acquisitions**

<table>
<thead>
<tr>
<th>DKKm YTD</th>
<th>Q1-Q2 2006</th>
<th>Q1-Q2 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net turnover</td>
<td>1,310</td>
<td>2,223</td>
</tr>
<tr>
<td>EBIT</td>
<td>74</td>
<td>208</td>
</tr>
<tr>
<td>EBIT ratio</td>
<td>5.6%</td>
<td>9.4%</td>
</tr>
</tbody>
</table>
Order intake (DKKm)  
All time high

Order backlog (DKKm)  
All time high

Turnover (DKKm)  
All time high

EBIT (DKKm)  
All time high
Rationale behind the acquisition of GL&V Process

- Complementary products
- Complementary geographical fit
- Primary customer base is the same
- Expansion plans for Minerals will be satisfied in one stroke
- Acquisition of strong brand names and technologies: Dorr-Oliver EIMCO and Krebs Engineers
- Addition of 1,000 employees
## Competitive landscape

<table>
<thead>
<tr>
<th>Company</th>
<th>Crushing</th>
<th>Milling</th>
<th>Flotation</th>
<th>Sedimentation</th>
<th>Filtration</th>
</tr>
</thead>
<tbody>
<tr>
<td>FLSmidth Minerals</td>
<td>⭐️</td>
<td>⭐️</td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GL&amp;V Process</td>
<td></td>
<td></td>
<td>⭐️</td>
<td>⭐️</td>
<td>4</td>
</tr>
<tr>
<td>Metso</td>
<td>⭐️</td>
<td>⭐️</td>
<td>3</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Outotec</td>
<td></td>
<td>3</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Larox</td>
<td></td>
<td></td>
<td></td>
<td>⭐️</td>
<td></td>
</tr>
<tr>
<td>WesTech</td>
<td></td>
<td></td>
<td>3</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Delkor/Lasta</td>
<td></td>
<td></td>
<td>4</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>

⭐️ = Leading
## Geographical presence

<table>
<thead>
<tr>
<th>Strength by region</th>
<th>FLSmidth Minerals</th>
<th>GL&amp;V Process</th>
<th>Combined business</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>● ● ✔</td>
<td>● ● ●</td>
<td>● ● ●</td>
</tr>
<tr>
<td>Latin America</td>
<td>● ● ●</td>
<td>● ● ●</td>
<td>● ● ●</td>
</tr>
<tr>
<td>India &amp; ME</td>
<td>● ● ●</td>
<td>● ✔</td>
<td>● ● ●</td>
</tr>
<tr>
<td>Africa</td>
<td>● ● ●</td>
<td>● ●</td>
<td>● ● ●</td>
</tr>
<tr>
<td>Asia</td>
<td>● ✔</td>
<td>● ● ●</td>
<td>● ● ●</td>
</tr>
<tr>
<td>Australia</td>
<td>● ● ✔</td>
<td>● ●</td>
<td>● ●</td>
</tr>
<tr>
<td>Europe</td>
<td>● ✔</td>
<td>● ● ●</td>
<td>● ● ●</td>
</tr>
</tbody>
</table>
Transaction details

- **Purchase price:** CAD 840m
- **Net interest bearing debt:** CAD 110m
- **Future Liabilities:** CAD 33m
- **Enterprise value:** **CAD 983m** (=DKK 5.0bn)
Estimated synergies in 2-3 years

- **Estimated Sales Synergies**  
  EBIT  DKK 180m *)
  - Estimated additional annual revenue DKK 1.0bn
  - Combined bidding for new projects
  - GL&V Process equipment added to FLSmidth Minerals projects
  - FLSmidth Minerals equipment added to GL&V Process projects
  - Geographic strength of each party

*) Excl. effect of purchase price allocation

- **Estimated Cost Synergies**  
  EBIT  DKK 20m
  - Geographic overlap
## GL&V Process impact on 2007 Financial Results

### Estimated impact on FLSmidth Minerals 2007 Results:

- **Consolidated from 10 August 2007**
- **Turnover**  
  DKK 1.2bn
- **EBITDA**  (before special items)  
  DKK 150m
- **EBIT-margin**  (excl. effect of purchase price allocation and special items)  
  ~12%
- **Amortisation of intangible assets**  
  DKK -30m
- **Special items**  (stocks, order backlog)  
  DKK -90m
- **Restructuring costs**  
  DKK -20m
- **EBIT-effect *)**  
  DKK 0m
- **Net financial income**  (Group level)  
  DKK -100m
- **EBT-effect**  (Group level)  
  DKK-100m

### GL&V Process Full Year 2007 Proforma (estimated)

- **Turnover**  
  DKK 3.0bn
- **EBIT-margin**  (excl. effect of purchase price allocation and special items)  
  12%

*) based on preliminary purchase price allocation
Highlights H1 2007

- **High activity in H1** due to mild winter and increasing building and construction activity in Europe
- **Full capacity utilisation**
- **Positive outlook** for the European Fibre-cement market in general, and for the Eastern-European market in particular

Focus / Actions

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

<table>
<thead>
<tr>
<th></th>
<th>Q1-Q2 2006</th>
<th>Q1-Q2 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net turnover (DKKm YTD)</td>
<td>548</td>
<td>704</td>
</tr>
<tr>
<td>EBIT</td>
<td>42</td>
<td>53</td>
</tr>
<tr>
<td>EBIT ratio</td>
<td>7.7%</td>
<td>7.5%</td>
</tr>
</tbody>
</table>
Quarterly developments

- Record high quarterly turnover in Q2 - capped by current capacity
- Typical seasonal pattern less pronounced this year due to mild winter in Europe

**Turnover (DKKm)**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3</td>
<td>312</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Q4</td>
<td>366</td>
<td>31</td>
<td></td>
</tr>
</tbody>
</table>

**EBIT (DKKm)**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3</td>
<td>31</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td>Q4</td>
<td>10</td>
<td>10</td>
<td></td>
</tr>
</tbody>
</table>
# Business area guidance 2007

## Expectations for 2007 (DKK)

<table>
<thead>
<tr>
<th>Area</th>
<th>Turnover</th>
<th>EBIT ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cement</strong></td>
<td>~11.5-12bn</td>
<td>~7-8%</td>
</tr>
<tr>
<td><strong>Minerals</strong></td>
<td>~6.7bn</td>
<td>~10% *)</td>
</tr>
<tr>
<td><strong>Dansk Eternit Holding</strong></td>
<td>~1.4bn</td>
<td>~9%</td>
</tr>
<tr>
<td><strong>Overheads etc.</strong></td>
<td>~-15m</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Area</th>
<th>Previously</th>
<th>(2006)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cement</strong></td>
<td>~10.5-12bn</td>
<td>(7.7bn)</td>
</tr>
<tr>
<td></td>
<td>~6%</td>
<td>(5.7%)</td>
</tr>
<tr>
<td><strong>Minerals</strong></td>
<td>~5-5.5bn</td>
<td>(3.3bn)</td>
</tr>
<tr>
<td></td>
<td>~9%</td>
<td>(7.9%)</td>
</tr>
<tr>
<td><strong>Dansk Eternit Holding</strong></td>
<td>~1.4bn</td>
<td>(1.2bn)</td>
</tr>
<tr>
<td></td>
<td>~9%</td>
<td>(6.7%)</td>
</tr>
<tr>
<td><strong>Overheads etc.</strong></td>
<td>~-15m</td>
<td>(-18m)</td>
</tr>
</tbody>
</table>

*) before effect of purchase price allocation and one-offs

## Comments

- GL&V Process included in Minerals from 10 August 2007
  - Expected contribution in 2007: Turnover DKK 1.2bn, EBIT DKK 0m
- Cement EBIT-ratio expected to be lower in H2 2007 due to high proportion of turnkey turnover
### Guidance 2007

(Incl. GL&V Process)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>Previously</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>New cement kiln capacity</td>
<td>125-150mty</td>
<td>100mty</td>
<td>140mty.</td>
</tr>
<tr>
<td>Turnover</td>
<td>DKK 19.5-20bn</td>
<td>DKK 17-19bn</td>
<td>DKK 12.3bn</td>
</tr>
<tr>
<td>EBITDA (before special items)</td>
<td>DKK 1.85-2.0bn</td>
<td>DKK 966m</td>
<td>DKK 966m</td>
</tr>
<tr>
<td>EBIT</td>
<td>DKK 1.45-1.6bn</td>
<td>DKK 1.2-1.35bn</td>
<td>775m</td>
</tr>
<tr>
<td>EBT</td>
<td>DKK 1.45-1.6bn</td>
<td>DKK 1.3-1.45bn</td>
<td>924m</td>
</tr>
<tr>
<td>CFFO</td>
<td>DKK approx. 600m</td>
<td>DKK 600m</td>
<td>DKK 600m</td>
</tr>
<tr>
<td>CFFI (excl. acquisitions)</td>
<td>DKK approx. -500m</td>
<td>DKK -450m</td>
<td>DKK -249m</td>
</tr>
<tr>
<td>Effective tax rate</td>
<td>33%</td>
<td>30%</td>
<td>26%</td>
</tr>
<tr>
<td>Cash tax rate</td>
<td>20%</td>
<td>17%</td>
<td>17%</td>
</tr>
</tbody>
</table>

### Comments

- Based on preliminary purchase price allocation of GL&V Process
- Extraordinary high level of investments (excl. acquisitions) due to capacity increase
- The estimated effective tax rate is up from 30% to 33% due to adjustment of the Group’s deferred tax asset following the reduction in the Danish corporate tax rate from 28% to 25%
Concluding remarks

• Favourable market outlook

• Satisfactory development in financial performance

• Guidance for 2007 revised upwards

• With the acquisition of GL&V Process, FLSmidth Minerals is well positioned to take advantage of excellent market conditions
Questions