



# **FLSmidth & Co. A/S**

## **Q3 Report 2007**

**27 November 2007**



## Highlights Q3 2007

- Acquisition of GL&V Process closed on 10 Aug. 2007
- Continued high level of market activity within all business areas
- Strategic important order received from Russia
- Satisfactory developments in turnover, earnings and order intake
- Guidance for 2007 revised upwards
- Continuing favorable market outlook





## Events occurring after Q3

### First Cement O&M Contract

- O&M-contract **DKK 275m** signed with Arabian Cement Company
- Operation and maintenance of cement plant in **Egypt** built by FLSmidth
- **Five year** contract starting from inauguration in early 2008.



### Divestment of Densit

- Sold to Illinois Tool Works Inc.
- Effective date **1 Nov. 2007**
- EBIT-effect of sale DKK ~80m

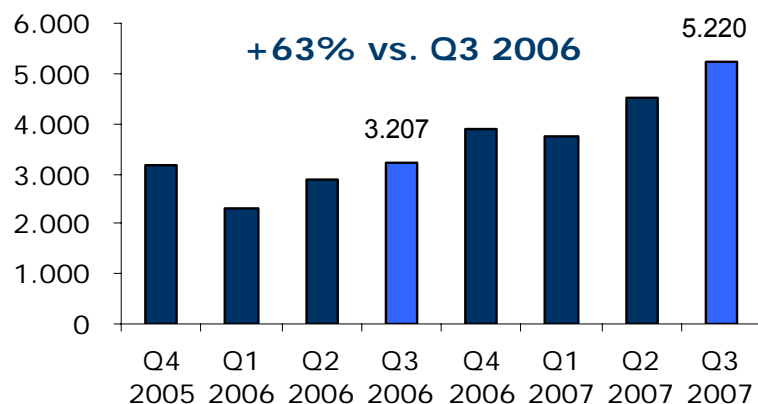
### Other events

- **Major orders:**
  - Cement (Russia) DKK 950m
  - Minerals (Australia) DKK >200m

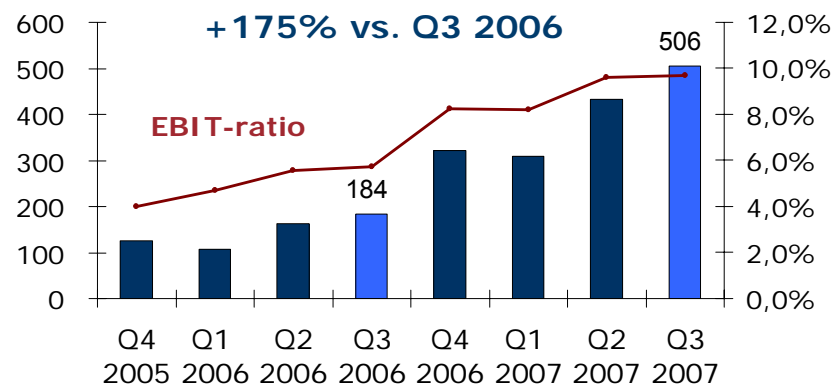
## Increasing sales and earnings

- GL&V Process consolidated from 10 August 2007
- Continued margin expansion due to improved order execution, higher sales prices, reversal of provisions and higher capacity utilisation (operational leverage)

### Turnover (DKKm)

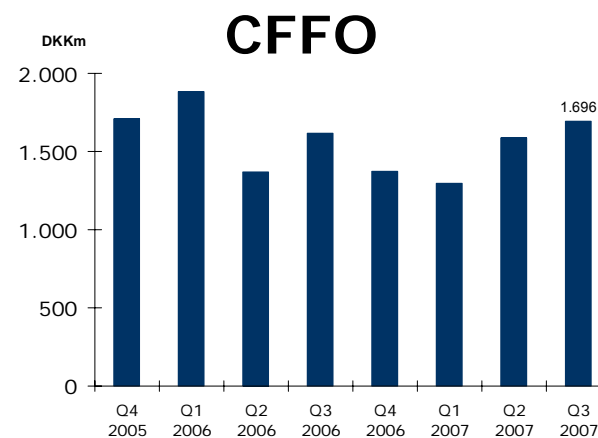
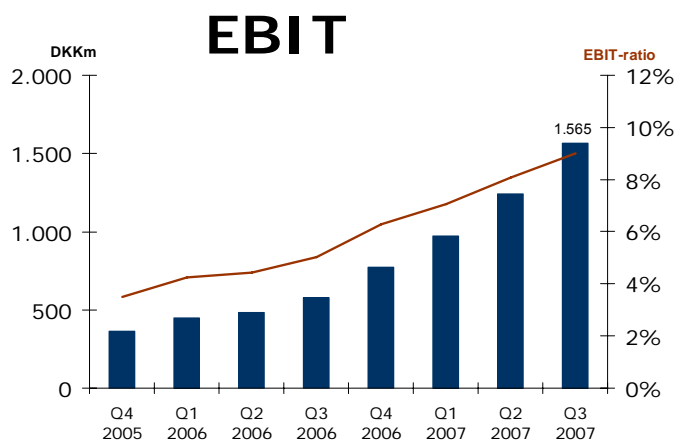
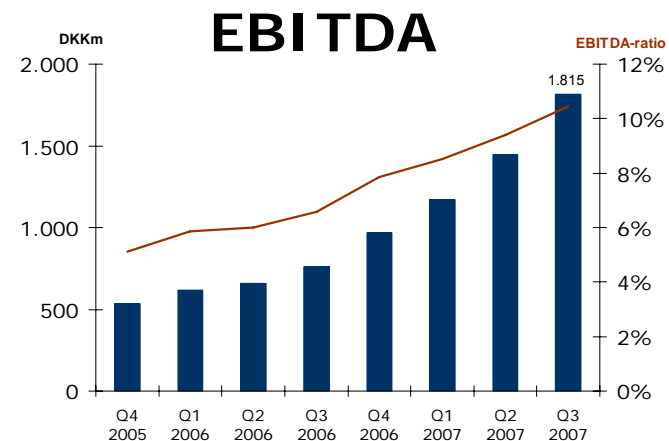
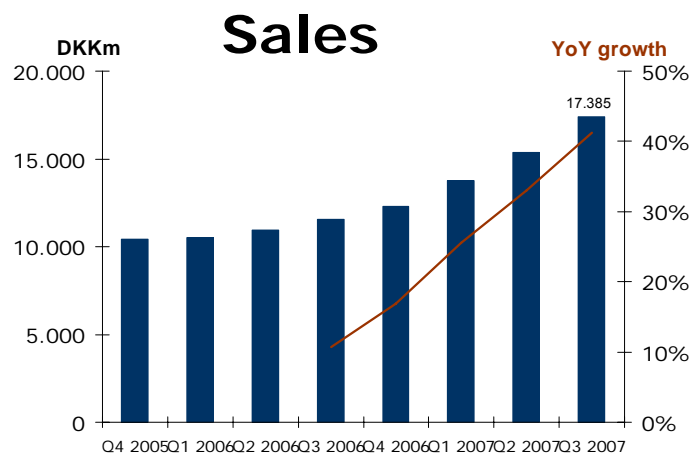


### EBIT (DKKm)





# 12-month trailing Group Performance

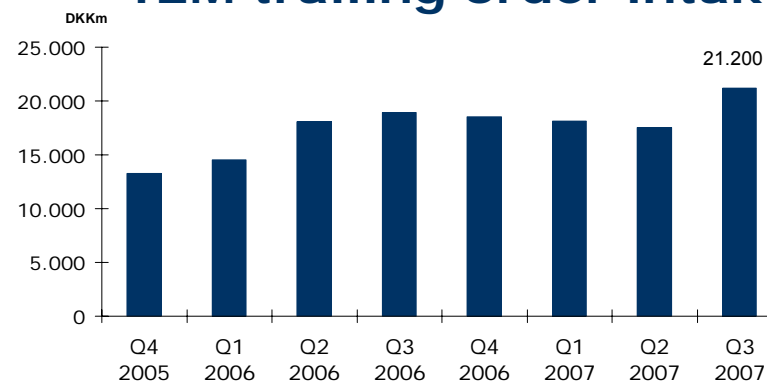




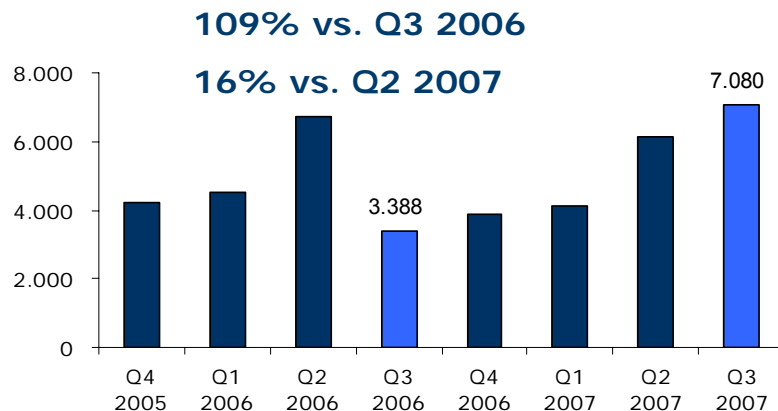
## Trends in order intake and backlog

Record high order intake  
Record high order backlog

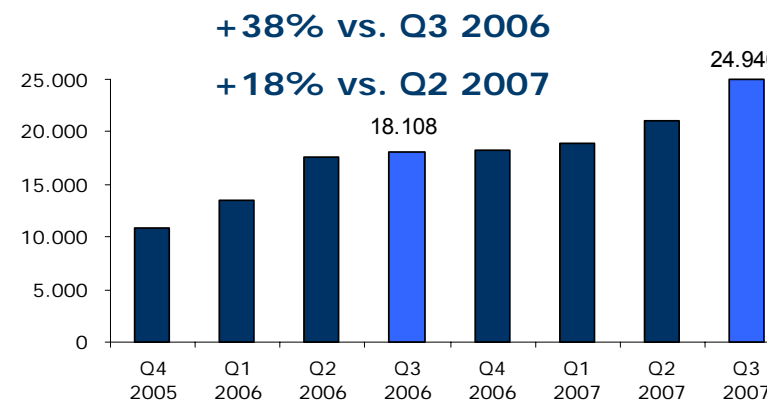
### 12M trailing order intake



### Order intake (DKKm)



### Order backlog (DKKm)



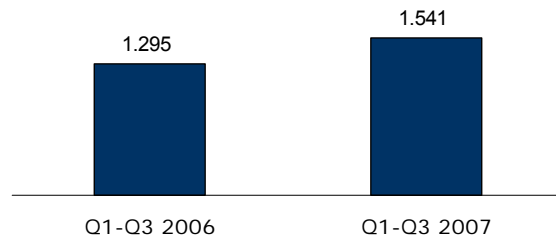


## Order intake from aftermarket

- Order intake from aftermarket up 34% in Q1-Q3 07 vs. Q1-Q3 06
- Strategic focus on sustained aftermarket is materialising

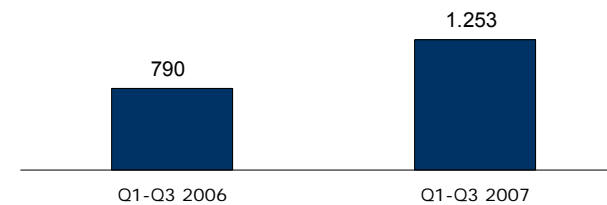
### Cement (DKKm)

+19% vs. Q1-Q3 2006



### Minerals (DKKm)

+59% vs. Q1-Q3 2006



## Highlights Q1-Q3 2007

- **Improved earnings vs. last year**  
- due to improved order execution, higher sales prices, reversal of provisions, and operational leverage
- **Continued high level of activity**

## 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

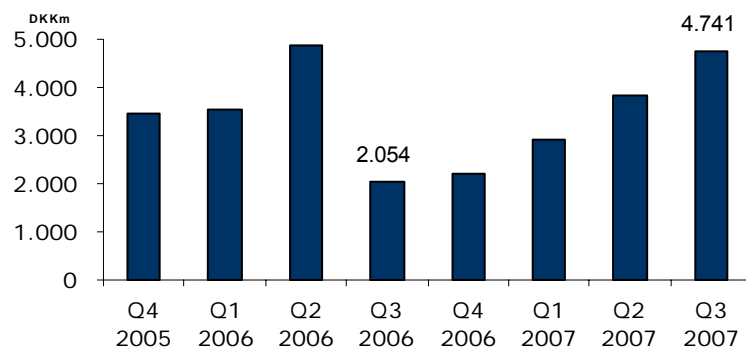


DKKm YTD  
Net turnover  
EBIT  
EBIT ratio

Q1-Q3 2006  
5,246  
250  
4.8%

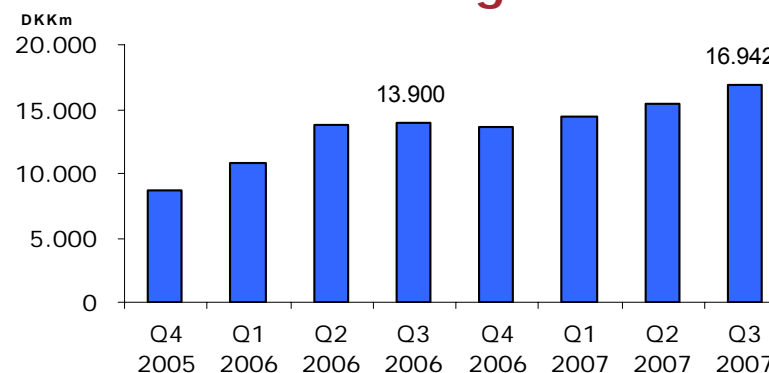
Q1-Q3 2007  
**8.361**  
**738**  
**8.8%**

## Order intake (DKKm)



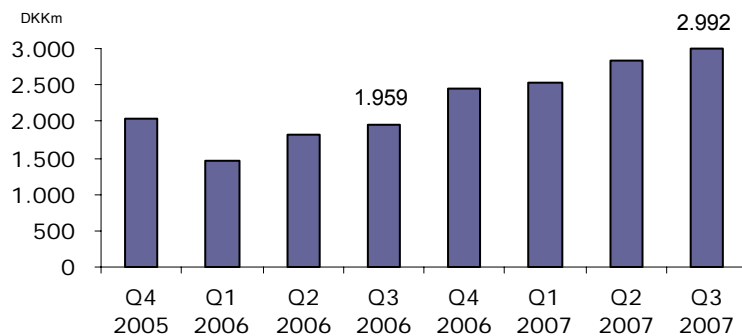
## Order backlog (DKKm)

**All time high**



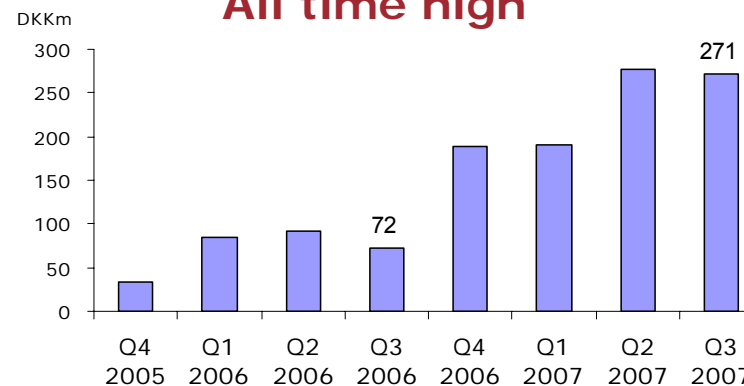
## Turnover (DKKm)

**All time high**



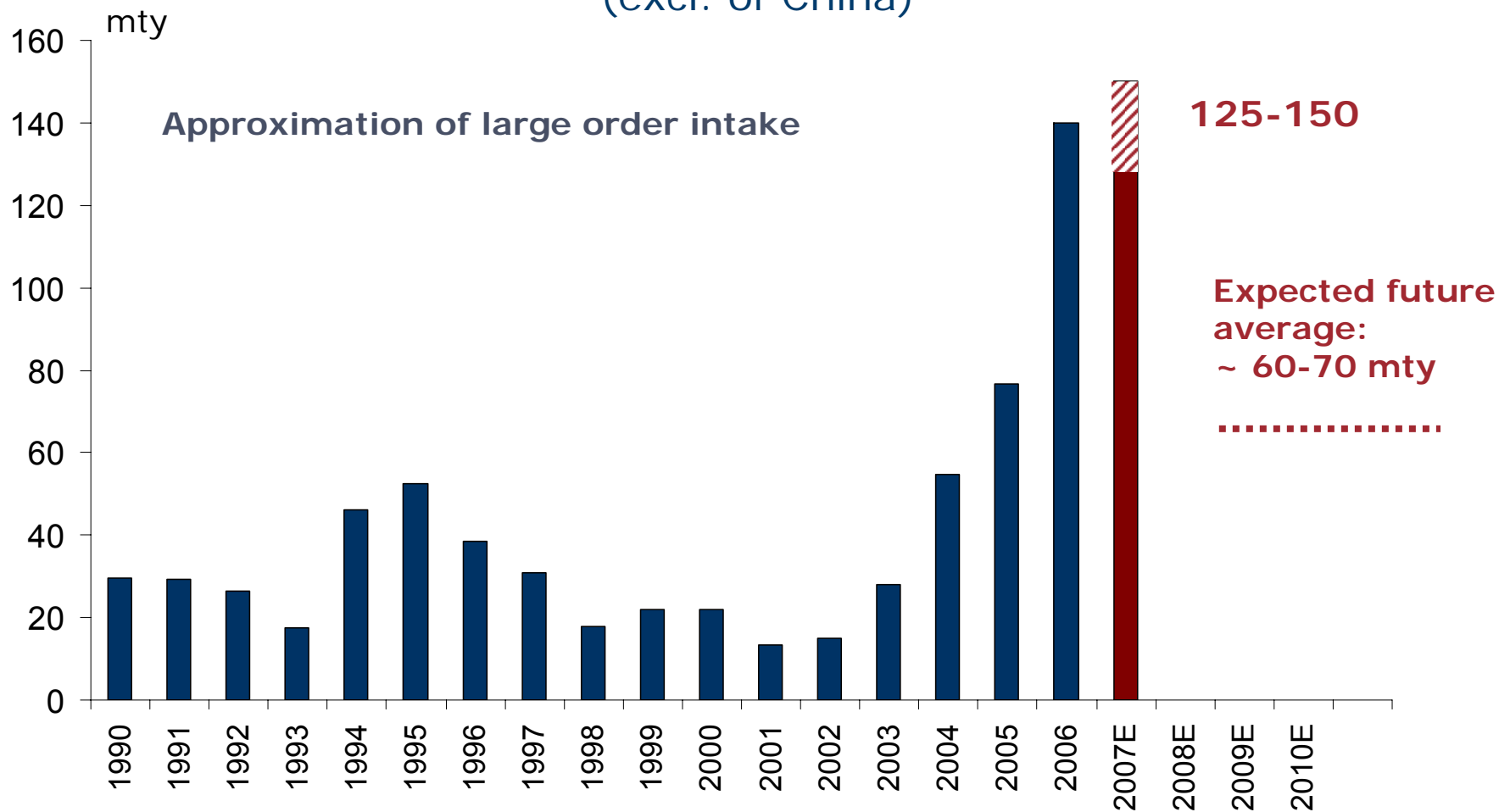
## EBIT (DKKm)

**All time high**





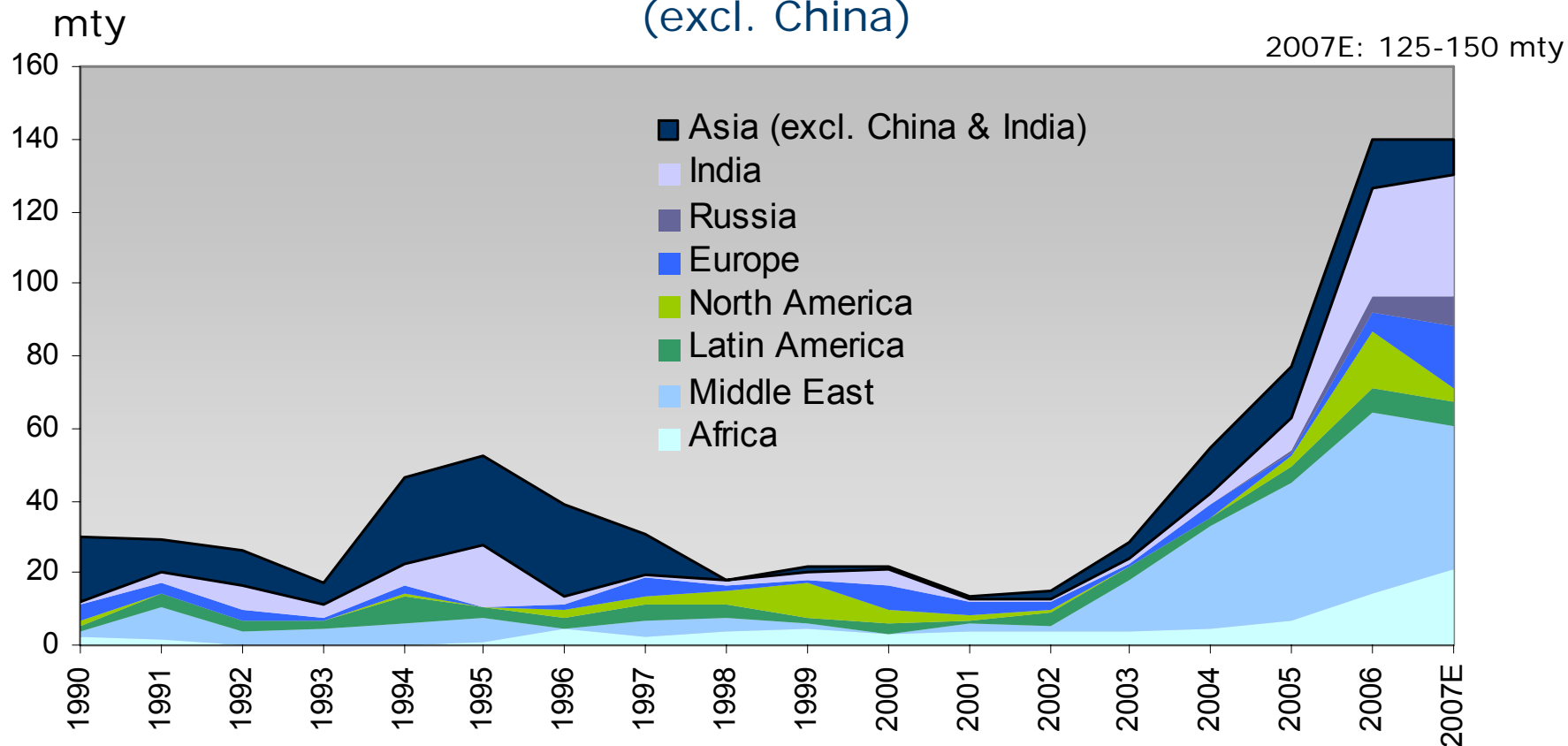
## New global contracted cement kiln capacity (excl. of China)





# Geographical distribution of new global contracted cement kiln capacity<sup>\*)</sup>

(excl. China)

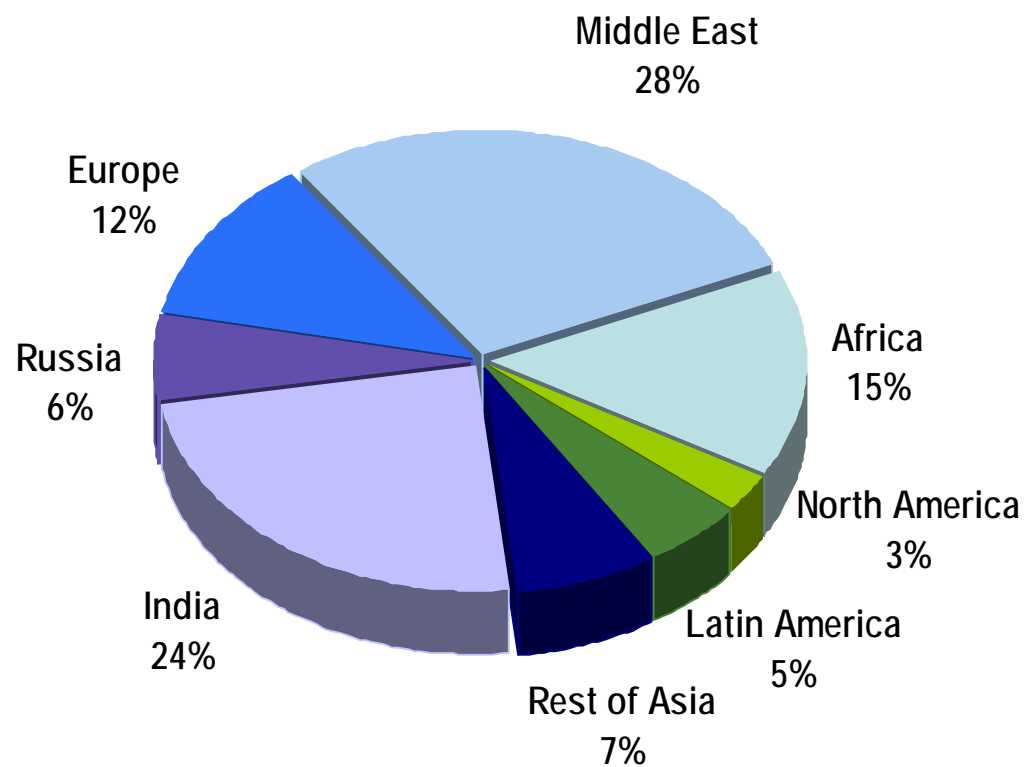


\*) 2007E geographical distribution is based on year-to-date distribution



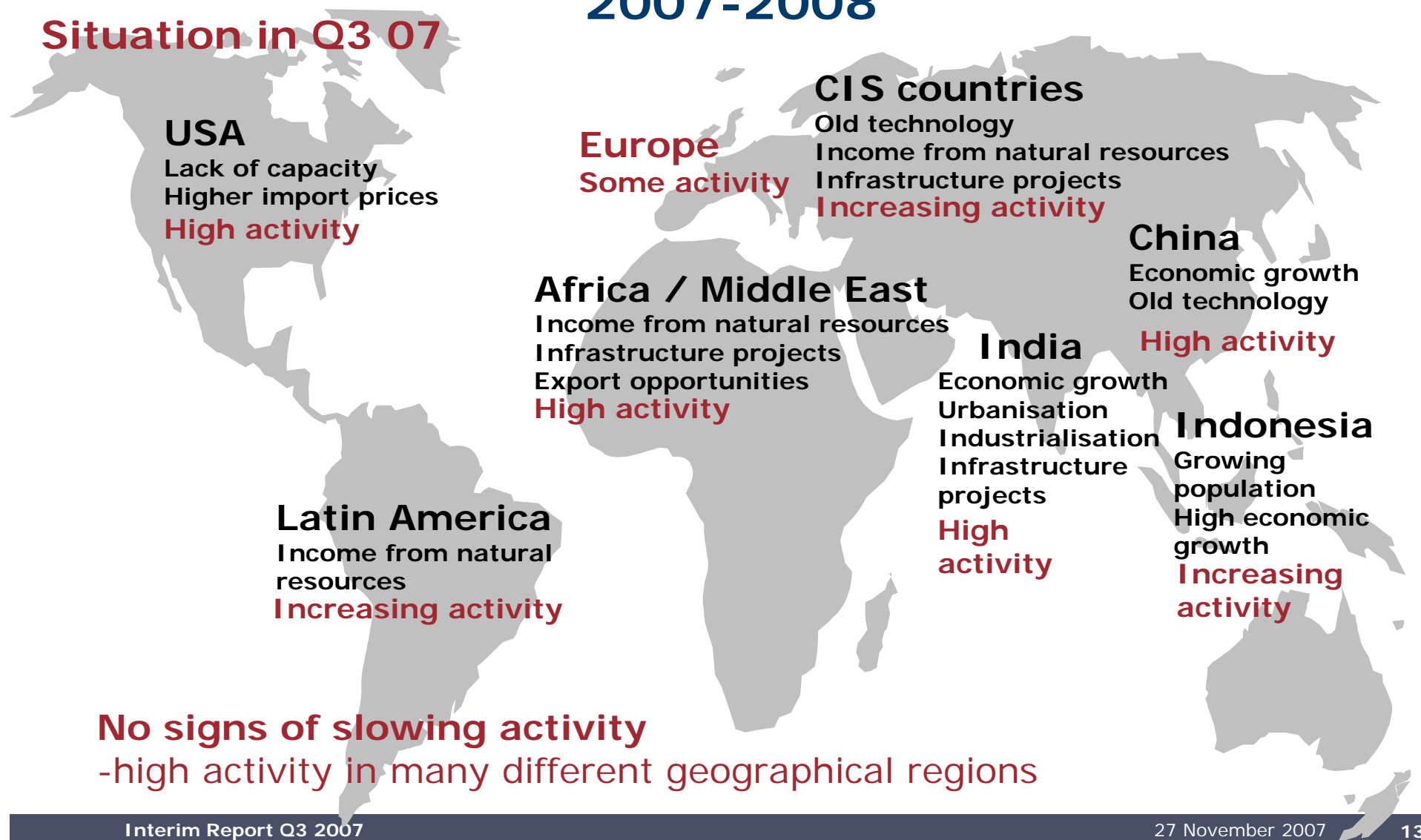
# Geographical distribution of cement market January-November 2007

## Contracted new kiln capacity globally excl. China



## Global demand for new cement kiln capacity 2007-2008

### Situation in Q3 07



## Highlights Q1-Q3 2007

- **Markets very active** across all business segments and geographical territories
- **Record high** order intake, order backlog, sales and earnings
- **Dorr-Oliver EIMCO and Krebs Engineers** consolidated from 10 August 2007
- **EBIT-effect** of purchase price allocation and one-offs in connection with the acquisition in Q3 2007 **DKK -43m**

## Focus / Actions

- **Integration** of Dorr-Oliver Eimco and Krebs
- **Controlled growth**
- Initiatives to **increase capacity**
- Develop from **product** to **systems** supplier



**DKKm YTD**  
 Net turnover  
 EBIT  
 EBIT ratio

Q1-Q3 2006  
 2,178  
 140  
 6.4%

Q1-Q3 2007  
**4.098**  
**378**  
**9.2%**

## GL&V Process transaction details

- Purchase price (shares): CAD 840m
  - Net interest bearing debt: CAD 110m
  - Future Liabilities: CAD 33m
  - Transaction costs: CAD 15m
  - **Total purchase price:** CAD 998m (=DKK 5.2bn)
- 
- **Transaction multiples** (excl. synergies) : **1.7 x Sales**  
 Based on estimated 2007 full year proforma **14.4 x EBIT**  
 (Sales DKK 3bn, EBIT-ratio 12%)



## GL&V Process impact on 2007 Financial Results

### Estimated impact on FLSmidth Minerals 2007 Results:

• Consolidated from 10 August 2007	
• <b>Turnover</b>	<b>DKK 1.2bn</b>
• <b>EBITDA</b> (before special items)	<b>DKK 150m</b>
• EBIT-ratio (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
• <b>EBIT-effect</b> *)	<b>DKK 0m</b>
• Net financial income (Group level)	DKK -100m
• <b>EBT-effect</b> (Group level)	<b>DKK-100m</b>

### 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

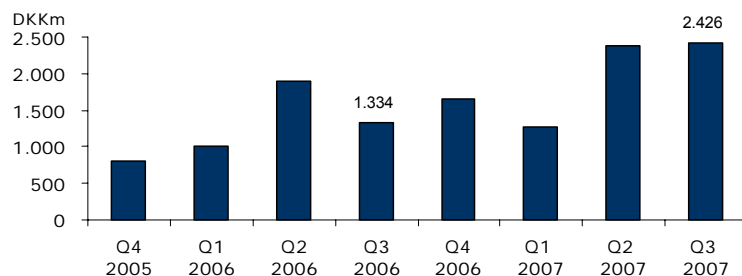


## Minerals Financial Results 2007

DKK	Q1-Q3 2007	Full year 2007 (estimated)
Sales	4.098m	7.000m
EBITDA (before special items)	448m	N/A
<b>EBIT-ratio</b> (excl. effect of purchase price allocation and special items)	<b>10.3%</b>	<b>10-11%</b>
Effect of purchase price allocation and special items	-43m*)	-140m
<b>EBIT-ratio</b>	<b>9.2%</b>	<b>8%-9%</b>
EBIT	378m	560m-630m

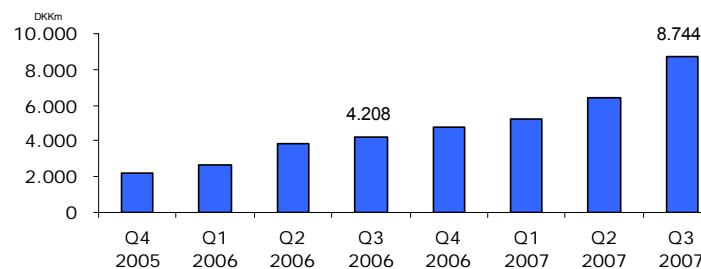
## Order intake (DKKm)

**All time high**



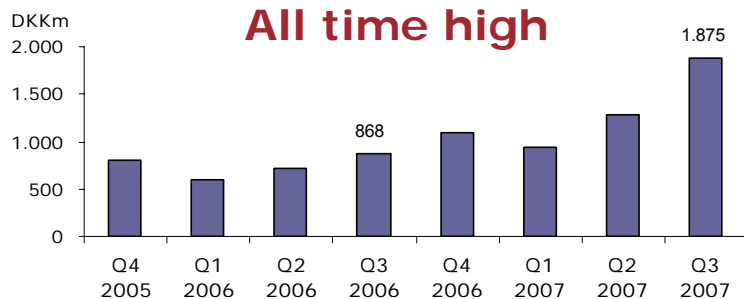
## Order backlog (DKKm)

**All time high**



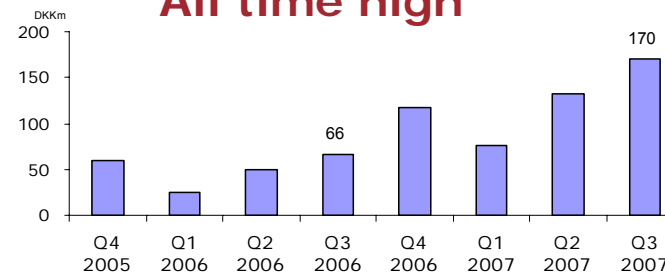
## Turnover (DKKm)

**All time high**



## EBIT (DKKm)

**All time high**



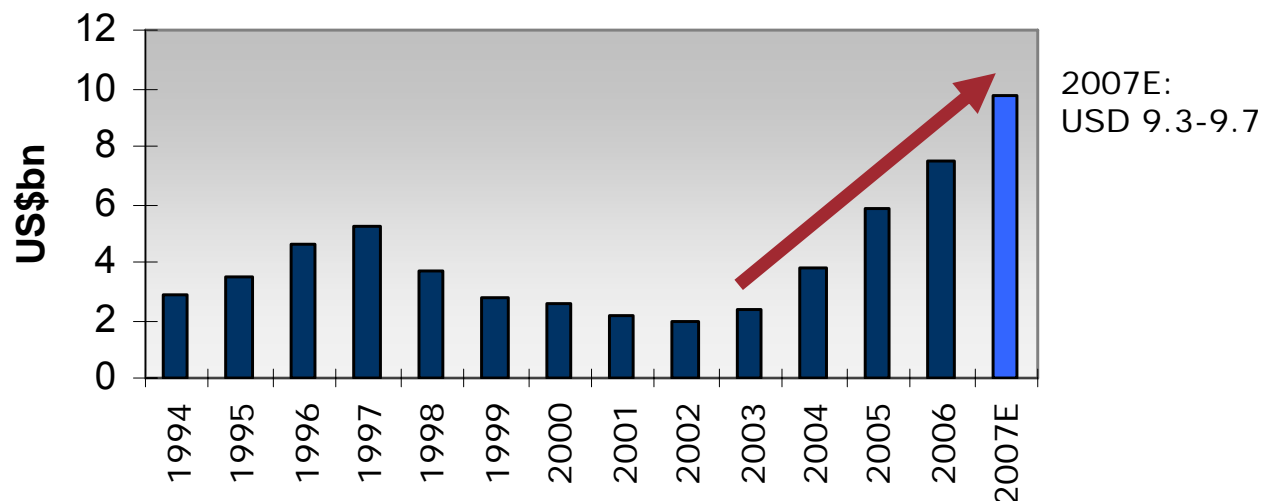
## Global exploration trends

- Investments in exploration is an **early indicator** of investments in metals and minerals processing equipment
- Investments in exploration have **increased 4-fold since 2002**
- A **continued increase** in worldwide exploration spending is expected **in 2007** – although the rate of growth may be constrained more by the availability of equipment, services, and personnel than by a lack of available capital.

*Source: Metals Economics Group*

### Global investments in exploration of non-ferrous metals

*Source: Metals Economics Group*



## Highlights Q1-Q3 2007

- **High activity in Q3** due to 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**



### DKKm YTD

Net turnover  
EBIT  
EBIT ratio

### Q1-Q3 2006

889  
74  
8.3%

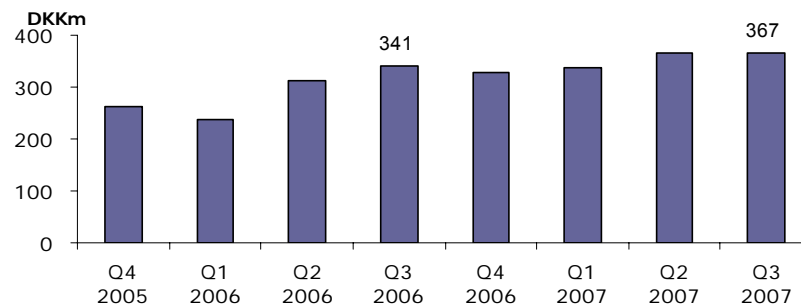
### Q1-Q3 2007

**1.071**  
**95**  
**8.9%**

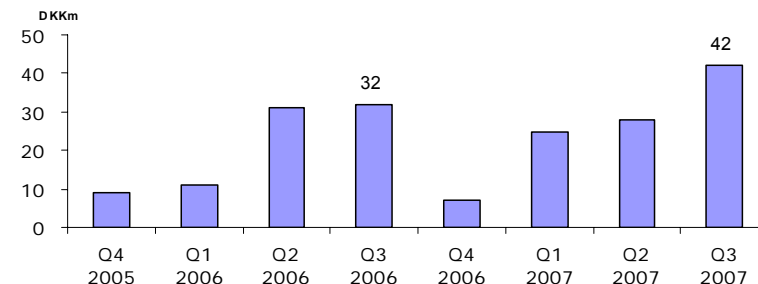
## Quarterly developments

- Record high quarterly turnover in Q3 - capped by current capacity
- Typical seasonal pattern less pronounced this year due to mild winter in Europe

### Turnover (DKKm)



### EBIT (DKKm)





## Business area guidance 2007

Expectations for 2007 (DKK)		Previously	(2006)
■ <b>Cement</b>			
Turnover	~ 12bn	~ 11.5-12bn	(7.7bn)
EBIT ratio	~ 8-9%	~ 7-8%	(5.7%)
■ <b>Minerals</b>			
Turnover	~ 7bn	~ 6.7bn	(3.3bn)
EBIT ratio	~ 10-11% *)	~ 10%*)	(7.9%)
■ <b>Dansk Eternit Holding</b>			
Turnover	~ 1.4bn	~ 1.4bn	(1.2bn)
EBIT ratio	~ 9%	~ 9%	(6.7%)
■ <b>Overheads etc.</b>			
EBIT	~ -15m	~ -15m	(-18m)

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

### Comments

- GL&V Process included in Minerals from 10 August 2007



## Guidance 2007

(Incl. GL&V Process )

	<u>2007</u>	<u>Previously</u>	<u>2006</u>
■ New cement kiln capacity	125-150mty	125-150mty	140mty.
■ Turnover	DKK approx. 20.5bn	19.5-20bn	12.3bn
■ EBITDA (before special items)	DKK 2.05-2.2bn	1.85-2.0bn	966m
■ EBIT	DKK 1.75-1.9bn	1.55-1.7bn	775m
■ EBT	DKK 1.75-1.9bn	1.55-1.7bn	924m
■ CFFO	DKK approx. 1.0bn	600m	1.4bn
■ CFFI (excl. acquisitions)	DKK approx. -450m	-500m	-249m
■ Effective tax rate	33%	33%	26%
■ Cash tax rate	20%	20%	19%

### Comments

- Based on preliminary purchase price allocation of GL&V Process
- Extraordinary high level of investments (excl. acquisitions) due to capacity increase



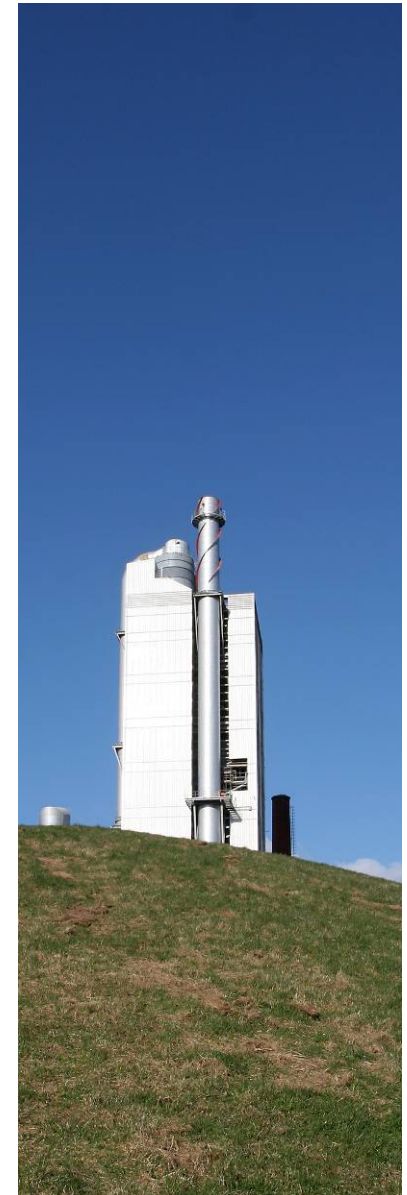
## FLSmidth & Co. Financial Results 2007

DKK	Q3 2007	Q1-Q3 2007	Full year 2007 (estimated)
Sales	5,220m	13,448m	20,500m
EBITDA (before special items)	608m	1,442m	2,050-2,200m
EBITDA-ratio	11.6%	10.7%	10.0-10.7%
EBIT-ratio (excl. effect of purchase price allocation and special items)	10.5%	9.6%	9.2-10.0%
Effect of purchase price allocation and special items (stock, order backlog)	-43m	-43m	-140m
EBIT-ratio	9.7%	9.2%	8.5%-9.3%
EBIT	506m	1,244m	1,750m-1,900m
EBT	486m	1,286m	1,750m-1,900m
Earnings (continuing business)	322m	856m	1,170m-1,270m
EPS (continuing business, diluted)	6.1	16.3	22.2-24.2
EPS (continuing business, diluted) excl. effect of purchase price allocation and special items	6.7	16.8	24.0-26.0



## 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 **better positioned** than the competition to take advantage of excellent market conditions





# Questions

