

Core activities in FLS Industries

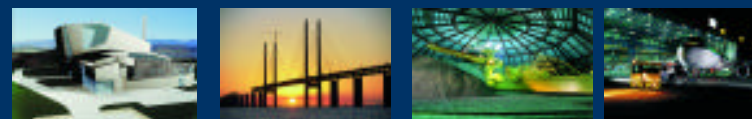
FLS INDUSTRIES A/S

Presented by

Frank Gad, CEO, F.L.Smidth Group

Bjarne Moltke Hansen, CEO, Building Materials

Enskilda Securities, 27 January 2003

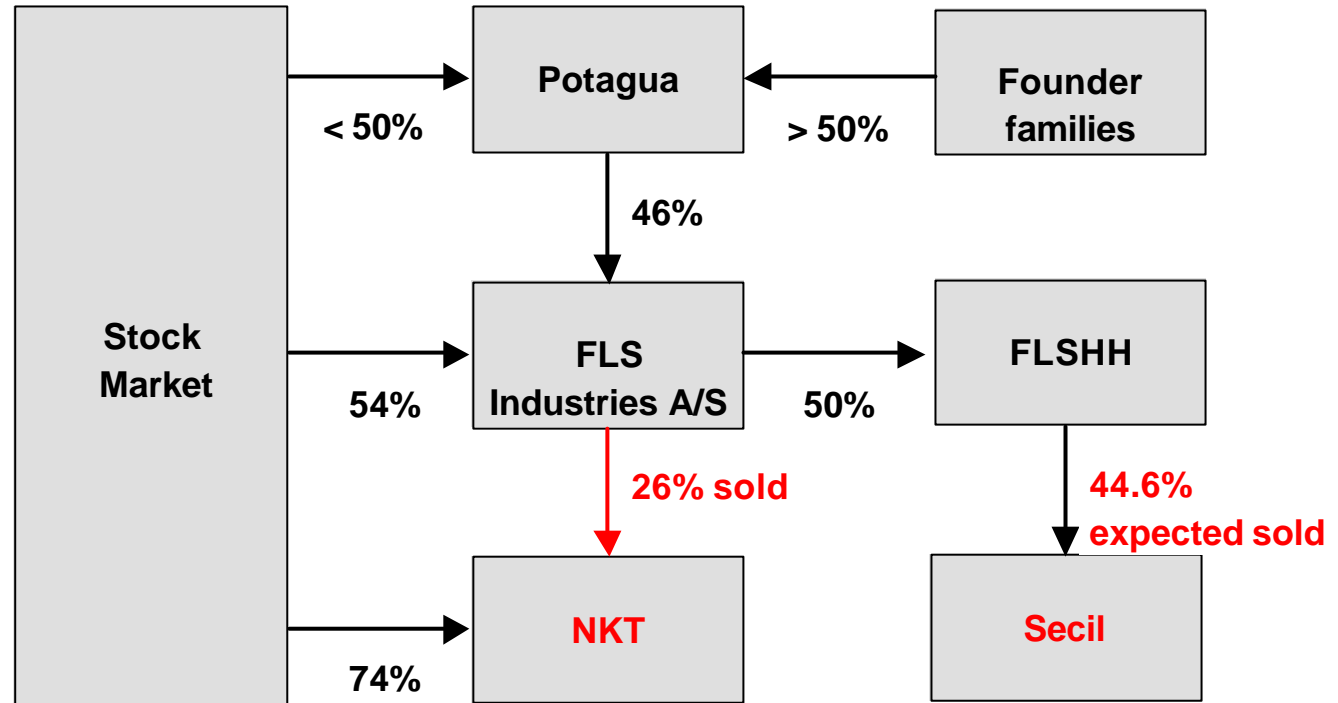


FLS Industries

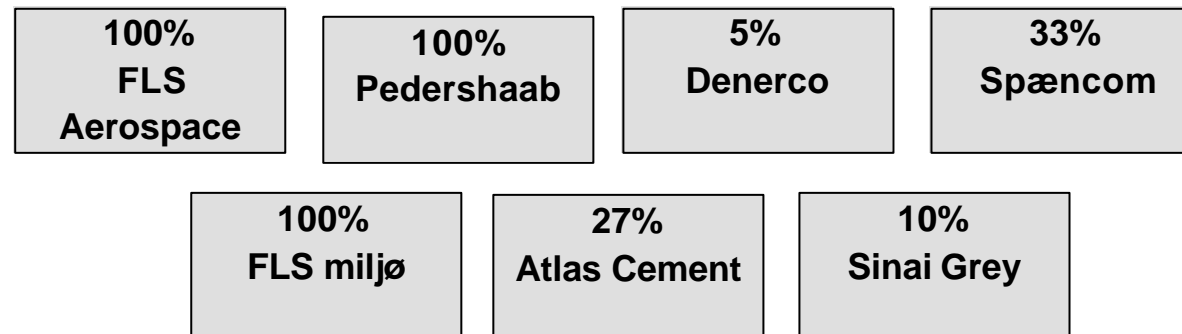


- ✍ FLS was established 120 years ago as a global supplier of cement making equipment. This forms the basis of the Group's technological key competencies as well as its process control and project management experience
- ✍ We employ approx. 13,500 employees in more than 50 countries. Our annual sales amount to EUR 2.7 billion
- ✍ FLS Industries is active in two core business areas:
 1. **F.L.Smith Group** (Engineering)
 2. **FLS Building Materials** (Aalborg Portland, Unicon, Densit and Dansk Eternit Holding)

FLS Industries



Other holdings



Restructuring for Growth and Profit

F.L.Smith Group – fact sheet



- ✍ The **world's No. 1** provider of equipment for **cement making** with annual sales of approx. EUR 1.0 billion
 - ✍ Global **market share +50%** in new kiln capacity (x.China)
 - ✍ Average market for new kiln capacity approximately 20-23 mill. TPY, currently around 13-15 mill. TPY

- ✍ Strong provider of equipment for the **mining industry**
 - ✍ Global **market share** around **10%**
- ✍ **Order backlog** around **EUR 0.9 billion (largest ever)**

Strategy for F.L.Smidth Group



F.L.Smidth has installed 35% of all running cement plants in the world (x.China and Russia), giving the company a strong client base

We want to:

- ✍ Maintain current strong market position in new kiln capacity, by continuing to be on the forefront in technology, continue to be the leading full process provider with the most efficient products in the industry
- ✍ Continue the organic growth in after sales and services by +10% p.a. and acquire special service companies in the cement and mining industry for additional growth
- ✍ Build further on capabilities in Minerals business and use the knowledge to gain market shares in the cement industry

Restructuring for Growth and Profit

F.L.Smith Group – financial targets

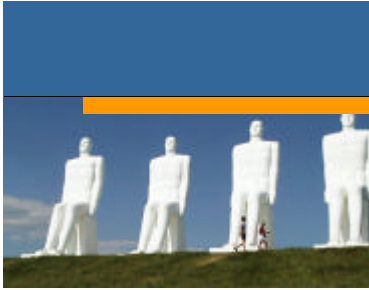


Financial targets and assumptions

- ✍ The F.L.Smith Group will over the strategy period increase the Return on Capital Employed (estimated to DKK 2.5-3.0 bill.) to 14%

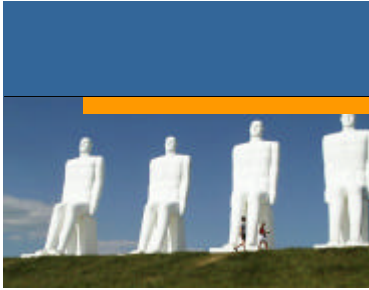
- ✍ The F.L.Smith Group will over the strategy period increase the Return (EBT) on Sales to 5%

- ✍ The assumptions are:
 - ✍ The total market for new kiln capacity normalises around 23 mill. TPY during the strategy period
 - ✍ The market for After-market and Services has a CAGR of 10%



FLS Building Materials – fact sheet

- ✍ The **world's No. 1** exporter of white cement
 - ✍ Global **market share** around **10%**
 - ✍ Exporting to more than 70 countries and 100 years experience in exports
 - ✍ New plant investments in Egypt and Malaysia on steam and soon at full capacity production
- ✍ Strong local position in Denmark for grey cement and Scandinavia's largest ready-mix concrete supplier
- ✍ Europe's No. 2 producer of fibre-cement roofing material, and flat sheets, with strong presence in Eastern Europe
- ✍ World's leading producer of specialty mortar, especially suited for wear protection/flooring, the off-shore sector and sea-based wind turbines

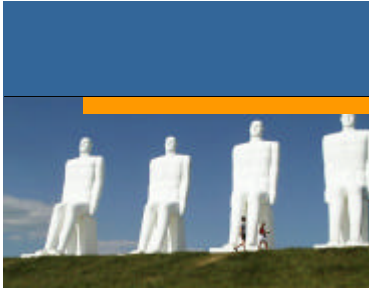


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Strategy for FLS Building Materials

- ✍ By the end of 2002: Doubled production capacity in white cement, gained market shares and developed new markets
- ✍ Maintain strong Scandinavian position in ready-mix through long-term customer relationships and value-added services
- ✍ Maintain leading European position in fibre-cement by optimising production facilities
- ✍ Organically grow speciality mortar business by continued focus on the off-shore industry
- ✍ Divest all non-ready mix concrete activities to improve cash flow generation and minimizing invested capital



FLS Building Materials - financial targets

Financial targets and assumptions

- ✍ FLS Building Materials will over the strategy period increase the Return on Capital Employed (estimated to DKK 5.5-6.5 bill.) to 11%

- ✍ FLS Building Materials will over the strategy period increase the Return (EBT) on Sales to 11%














- ✍ The assumptions are:
 - ✍ Stable market for cement and RMC in Scandinavia
 - ✍ The worldwide CAGR of White Cement is growing by 4 to 6%



Fact sheet on core activities



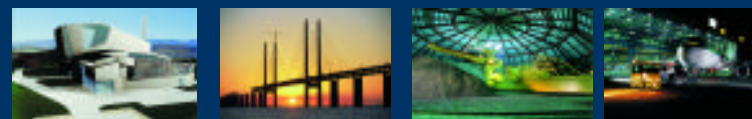
FLS Industries core activities

-  Annual turnover DKK12-13 bill.
-  2003 EBIT expected to be DKK 500 mill.
-  More than 7.000 employees
-  Q302 Balance sheet of DKK 11 bill., CE DKK 8.4 bill.
-  **F.L.Smith Group**
 -  Worlds leading supplier to the cement industry
 -  By 3Q02 historically high order book in F.L.Smith Group
 -  Largest R&D budget in the industry
-  **FLS Building Materials**
 -  Worlds largest exporter of white cement
 -  Cement plants in Denmark, Egypt and Malaysia
 -  Strong Scandinavian presence in ready mix concrete
 -  Europe's no. 2 in fiber cement

Core activities in FLS Industries

FLS INDUSTRIES A/S

Financial highlights





3rdQ financial highlights



Core activities

- ✍ F.L.Smidth Group and FLS Building Materials have improved EBIT y-o-y by DKK 93 mill. to DKK 305 mill.
- ✍ Turnover DKK 7.9bn, F.L.Smidth Group account for DKK 5bn, and the order intake totalled DKK 6.7bn.
- ✍ Order backlog DKK 8.3bn
- ✍ F.L.Smidth Group and FLS Building Materials recorded a positive operating cash flow of DKK 536m, a DKK 817m improvement on the same period last year.
- ✍ The core activities have reduced their net debt by DKK1.6bn since the same period last year.

Highlights

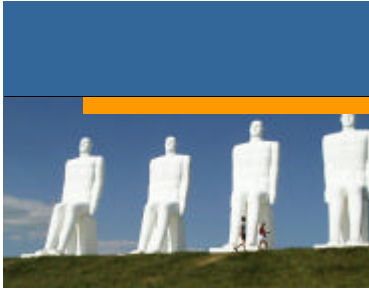


F.L.Smidth Group

- ✂ EBIT DKK 14 mill., DKK 38 mill. better than last year
- ✂ Gross profit improved by 1.3 pct. point
- ✂ Strong development in operating cash flow, improved by DKK 870 mill. y-o-y
- ✂ Strong order backlog – DKK 8.3bn – improved by DKK 2.2bn y-o-y
- ✂ Market outlook still difficult – estimated market at 50-60% of normal market (20-23 mill. TPY)
- ✂ Important orders received from Algeria, Libya, South Africa, China, UK and El Salvador

| | <u>Q3 2001</u> | <u>Q3 2002</u> |
|--|----------------|----------------|
| Net turnover | 5,299 | 5,074 |
| Gross profit | 942 18% | 973 19% |
| EBIT | (24) | 14 |
| Cash flows from operating activities | (661) | 209 |
| Cash flows from operating and investing activities | (735) | 176 |

Restructuring for Growth and Profit



Highlights



FLS Building materials

- ✂ EBIT DKK 291 mill. – DKK 51 mill. better than last year
- ✂ EBIT to Sales improved from 5.5% to 9.7%
- ✂ Total cash flow improved by DKK 608 mill. incl. divestments
- ✂ Balance sheet reduced by DKK 1.3bn
- ✂ White strategy progressing well – strong market position in Egypt, Malaysia up and running
- ✂ Unicon challenged by regional competition
- ✂ Unicon Inc. divested – proceeds DKK 580 mill. in December
- ✂ FLSHH (Secil) divestment - deadline March 25th 2003– Proceeds DKK 1.125bn.

| | <u>Q3 2001</u> | <u>Q3 2002*</u> |
|--|----------------|-----------------|
| Net turnover | 4,322 | 3,004 |
| Gross profit | 1,825 | 1,231 |
| EBIT | 240 | 291 |
| Cash flows from operating activities | 380 | 327 |
| Cash flows from operating and investing activities | 75 | 334 |

* Corrected for non-strategic activities



Financial highlights – core activities



| | Q3 2001 | Q3 2002 |
|--------------|---------|---------------|
| Net turnover | 9,621 | 8,088 |
| Gross profit | 2,767 | 2,204 |
| | 28% | 27% |
| EBIT | 216 | 305 |
| Net result | 83 | 416 |
| CFFO | (281) | 536 |
| CFFI | (379) | (26) |
| NIBD | 3,045 | 1,442 |
| CE | 9,990 | 8,690 |
| Balance | 13,999 | 12,550 |

Restructuring for Growth and Profit



Focusing in progress

- ✍ **The FLS Group has divested assets of close to DKK 1.1bn in the first 9 months :**
 - ✍ Højslev Teglværk
 - ✍ Ships in Aalborg Portland
 - ✍ Shares in NKT Holding
 - ✍ Real Estate in DK and UK
 - ✍ Pavingstone activities in Poland and DK
 - ✍ Dansk Træemballage

- ✍ **Accounting effect Q3:**
 - ✍ EBIT DKK 93 mill.
 - ✍ EBT DKK (596) mill. (predominantly NKT shares)
 - ✍ CFFI DKK 1.1bn

- ✍ **Divestments executed in Q4**
 - ✍ Unicon Inc. (DKK 580 mill.)
 - ✍ Caroline Concrete pumping (DKK 100 mill.)

- ✍ **Divestments in pipeline**
 - ✍ FLSHH/Secil (DKK 1,125 mill.)