One Source

FLSmidth & Co. A/S

Annual Report 2009
Facts about FLSmidth & Co.

- a leading supplier of equipment and services to the global cement and minerals industries

- **A global company** with a **strong local presence** worldwide
- Head office in Denmark, major engineering centres in India and USA
- **10,664 employees** worldwide
- **Strong track record** and **128 years of experience**
Investing in FLSmidth & Co. A/S

- Total shareholder return: 104% (64%)
- Pay-out ratio: 22% (DKK 2.5 per share) 0%
- EPS (diluted): DKK 31.9 (28.8)
- Number of shareholders: 44,800 (42,000)
- Market Cap: DKK 19.5bn (DKK 9.6bn)

Classification of shareholders

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>ATP</td>
<td>12%</td>
</tr>
<tr>
<td>FLSmidth &amp; Co. A/S</td>
<td>6%</td>
</tr>
<tr>
<td>Foreign investors</td>
<td>6%</td>
</tr>
<tr>
<td>Danish (institutional)</td>
<td>1%</td>
</tr>
<tr>
<td>Danish (private)</td>
<td>7%</td>
</tr>
<tr>
<td>Danish (non-registered)</td>
<td>30%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>
Key messages in Annual Report 2009

- **Historically strong performance**
  - Cash flow from operations (DKK)
    - 2009: 2,470m
    - 2008: 2,324m
  - EBIT margin
    - 2009: 9.8%
    - 2008: 9.5%
  - Net profit (DKK)
    - 2009: 1,664m
    - 2008: 1,515m

- **Proposed dividend** DKK 5 per share (on top of DKK 2 already paid in 2009)

- **Order intake in 2010 is expected to increase** in both Cement and Minerals vs. 2009

- Expected **revenue in 2010: DKK 19-20bn**

- Expected **EBIT margin in 2010: 8-9%**
Asset light business model is working well

- Engineering house and technology provider
- Flexible cost structure (payroll)
- Most manufacturing is outsourced (~80-90%)
- Low working capital due to prepayments from customers (typically 10-25% of total contract amount upfront)
- Low maintenance CAPEX (~2% of revenue at present)
- Order related engineering off-shored to India
- Increased sourcing from competitive-cost-countries (~25% at present)
### Highlights 2009

<table>
<thead>
<tr>
<th>DKKm</th>
<th>2009</th>
<th>2008</th>
<th>change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>23,134</td>
<td>25,285</td>
<td>-9%</td>
</tr>
<tr>
<td>EBITDA (before special non-recurring items)</td>
<td>2,725</td>
<td>2,911</td>
<td>-6%</td>
</tr>
<tr>
<td>EBIT</td>
<td>2,261</td>
<td>2,409</td>
<td>-6%</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>1,664</td>
<td>1,515</td>
<td>+10%</td>
</tr>
<tr>
<td>Order intake</td>
<td>13,322</td>
<td>30,176</td>
<td>-56%</td>
</tr>
<tr>
<td>Order backlog</td>
<td>21,194</td>
<td>30,460</td>
<td>-30%</td>
</tr>
<tr>
<td>Net interest bearing receivables /(debt)</td>
<td>1,085</td>
<td>(574)</td>
<td></td>
</tr>
<tr>
<td>Working capital</td>
<td>21</td>
<td>207</td>
<td></td>
</tr>
<tr>
<td>CFFO</td>
<td>2,470</td>
<td>2,324</td>
<td>+6%</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>1,965</td>
<td>1,453</td>
<td>+35%</td>
</tr>
<tr>
<td>Investments in R&amp;D</td>
<td>315</td>
<td>268</td>
<td>+18%</td>
</tr>
<tr>
<td>Number of employees</td>
<td>10,664</td>
<td>11,510</td>
<td>-7%</td>
</tr>
</tbody>
</table>
Revenue 2009

- **Revenue in 2009: DKK 23,134m** down 9% vs. 2008

- **Strong order backlog** at the beginning of the year provided protection against weak business climate in 2009 **resulting in a soft landing**

- **Developing countries** accounted for **71%** of revenue in 2009 (2008: 67%) – of which **BRICs** accounted for **28%** (2008: 13%)

- **Cement** is still the largest business segment accounting for **56%** of revenue in 2009 (2008: 54%)
A strong financial platform

- **Equity ratio 30%-target reached in 2009**
- **No net debt** (End 2009: Net interest bearing receivables DKK 1,085m)
- Committed **credit facilities extended** to 2013
- **Working capital close to zero** (End 2009: DKK 21m)
- **New dividend policy**: DKK 7 per share per year
Key strategic focus areas in coming years

- **Stronger focus in Minerals**
  - Prioritize growth industries
  - Enhance customer intimacy
  - Focused technology portfolio

- **Stronger focus on China and India**
  - Growing regional markets
  - **India**: internal sourcing of engineering and back-office
  - Group Management to be represented in India from 1 July 2009 by Bjarne Moltke Hansen
  - **China**: internal and external sourcing of manufactured components and equipment

- **Increased activity in Customer Services**
  - New and innovative service concepts
  - O&M contracts

- **One Company – One Name – “One Source”**
  - Subsidiaries and product companies to be named FLSmidth
  - Branding platform being launched
Optimisation of the cost structure

- **Cost reduction measures in 2009**
  - Prudent spending
  - Reduced travel activity and increased use of video conferencing
  - Workforce reduced by ~10% (excl. acquisitions)
  - Restructuring of Technical Division and transfer of order related engineering work to India
  - Continued global integration of functions and physical offices

- **LEAN Engineering**
  - Lead time for design reduced by 40% in departments where introduced
  - To be applied in the global organisation
Satisfactory revenue and margins in 2009

- **Revenue down 9% yoy**
  - Customer Services revenue up 2% yoy
  - Traditional seasonal quarterly pattern repeated in 2009

- **EBIT ratio 9.8%** vs. 9.5% in 2008, exceeding own expectations
  - Positively impacted by improved order execution, higher than expected revenue and finalisation of projects
  - Our asset light business model is working!

### Revenue (quarterly)

- **-14% vs. Q4 2008**

### EBIT adj.* (quarterly)

- **-10% vs. Q4 2008**

*) Adjusted for effect of purchase allocation regarding GL&V Process
Development in Cement & Minerals EBITA ratio
(Group EBIT excl. Cembrit and purchase price allocations related to GL&V)

Revenue
(Cement & Minerals)

EBITA ratio
(Cement & Minerals)
Order intake and order backlog

- Focus on securing new orders on **satisfactory terms and conditions**
- Signs of slightly **increased optimism** and customer interest in Q409
- **Quarterly order intake** down 7% vs. Q408, however up 13% vs. Q309
- **Order backlog** down 30% vs. End 2008
- Approx. DKK 2.5bn of current order backlog is still **on hold**, but developing positively

**Order intake** gross (quarterly)

-7% vs. Q4 2008

**Order backlog**

-30% vs. Q4 2008

**Book-to-bill ratio**
Cash management in 2009
Strong cash-flow generation and working capital under control

- Dedicated effort throughout 2009 to reduce trade receivables and inventories, and to optimise trade creditors

- Increasing trend in working capital reversed in Q3 and Q4
Cash management focus areas

**Work-in-progress** (net asset)

- **Prepayments** (net liability *)
  - **-5% vs. End 2008**

**Trade receivables**
- **-16% vs. End 2008**

**Trade creditors**
- **-12% vs. End 2008**

*Prepayments from customers less Prepayments to sub-suppliers*
Highlights 2009

- **Revenue** down by 5%, while **EBIT** was up by 2%, and as such, **record high** - due to higher than expected revenue, improved order execution and finalisation of projects

- Acquisition of **EEL Limited India**

- **The largest cement plant** in the world, Holcim’s Ste. Genevieve, USA, was successfully **commissioned** in 2009

Current business environment

- **Market outlook** remains somewhat **weak**, resulting in intensified price competition

- **Local business opportunities prevail**, particularly in:
  - North Africa
  - India
  - Indonesia
  - Latin/South America

<table>
<thead>
<tr>
<th>DKKm YTD</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>13,708</td>
<td>13,059</td>
</tr>
<tr>
<td>EBIT</td>
<td>1,521</td>
<td>1,548</td>
</tr>
<tr>
<td>EBIT ratio</td>
<td>11.1%</td>
<td>11.9%</td>
</tr>
</tbody>
</table>
Holcim, Ste. Genevieve, Missouri, USA
The world’s largest cement production line with a capacity of 12,000 tonnes clinker per day

Designed and delivered by FLSmidth

Facts about Ste. Genevieve
- Commissioned in 2009
- State-of-the art technology
- Largest capacity in the world
- Lowest OPEX per tonne ordinary portland cement produced
- Complies with most stringent environmental regulations
Large cement orders received in 2009

21 July 2009  Uruguay  DKK 225m
30 July 2009  Indonesia  DKK 420m
31 July 2009  Indonesia  DKK 420m
22 Sep. 2009  Libya (O&M)  DKK 330m
14 Oct. 2009  Libya  DKK 970m
**Order intake (gross)**
+15% vs. Q4 2008

**Order backlog**
-32% vs. Q4 2008

**Revenue**
-9% vs. Q4 2008

**EBIT**
+2% vs. Q4 2008
New global contracted cement kiln capacity (excl. of China)

Expected future average of 60-75 mty is based on an assumption of 3-4% global GDP (excl. China) and a conservative replacement need of 10 mty per annum.

2009: 45 mty
2010E: ~50 mty
Geographical distribution of new global contracted cement kiln capacity (excl. China)
Market share 2009
Contracted new kiln capacity globally excl. China

- FLSmidth: 38%
- Sinoma: 27%
- Polysius: 16%
- KHD: 15%
- Other: 4%
Relationship between cement consumption and GDP per capita

- **Emerging markets**: Steep increase in cement consumption per capita as urbanisation and industrialisation increase.
- **Developed countries**: Declining cement consumption per capita as the economy matures.

![Cement consumption vs GDP per capita graph](image-url)

**Cement consumption per capita**
- (kg per year)

**GDP per capita**
- (USD per year)
Highlights 2009

- **Order intake** considerably lower, although improvement seen in Q409
- **Revenue** down by 14% and **EBIT** by 17% in 2009
- **Management focus in 2009:**
  1. Stabilise the business
  2. Prepare for the future
  3. Redefine our strategic roadmap

Current business environment

- Supported by improved market conditions, the mining industry is taking a more optimistic view on 2010 activities, although still cautious
- Announced **2010 Capex budgets** are supporting increased business activity
- **Large inquiry list** and improved customer interaction, particularly in coal, iron ore, gold, phosphate and copper

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<tr>
<th>DKKm YTD</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>10,470</td>
<td>9,037</td>
</tr>
<tr>
<td>EBIT</td>
<td>960</td>
<td>798</td>
</tr>
<tr>
<td>EBIT adj.</td>
<td>1,238</td>
<td>895</td>
</tr>
<tr>
<td>EBIT ratio</td>
<td>9.2%</td>
<td>8.8%</td>
</tr>
<tr>
<td>EBIT ratio adj.</td>
<td>11.8%</td>
<td>9.9%</td>
</tr>
</tbody>
</table>
1) Stabilise the business

**Order intake and backlog development**

- Mining companies focused on balance sheet optimisation and cash preservation
- Only few large projects became contracts
- Intensified price competition as a result

**Order intake (gross)**

-25% vs. Q4 2008

**Order backlog**

-31% vs. Q4 2008
1) Stabilise the business

Order intake in 2009

- Activity has primarily been within coal and alumina

- Demand has primarily been for material handling and separation equipment

- India has been the most active market

- Major contracts in Q409
  - India, coal DKK 262m
  - Vietnam, coal DKK 201m
1) Stabilise the business

Backlog execution in 2009
- Some contracts and shipments were postponed or put on hold, resulting in delayed income recognition.
- Some normalisation in Q4, resulting in the highest levels of revenue and EBIT compared to previous quarters 2009.
- Several contracts on hold are in process of being revitalized.

Revenue
-22% vs. Q4 2008

EBIT adj.
-37% vs. Q4 2008

2) Prepare for the future

Actions to reduce costs in 2009 and protect margins going forward

- Reduction in force
- Reduced working week
- Monitor operational costs
- Improved utilisation of resources in India
- Improved sourcing in cost competitive countries
- Continued integration with Cement

Acquisitions in 2009
Enhanced flowsheet coverage through acquisition of:

- **Conveyor Engineering**, USA
  (supplier of major bulk material handling systems)
- **Summit Valley Equipment & Engineering**, USA
  (modular gold and silver extraction plants and equipment)
3) Redefine our strategic roadmap

Strategic review with aligned focus and management attention towards

- Improved customer intimacy
- Selected growth industries
- Key technologies
- Grow Customer Services segment
- R&D activities directed towards growth industries and key technologies
- Acquisitions directed towards growth industries
- Further develop supply chain management
- Improved internal coordination and communication through delayering and simplified management structure in place February 2010
### Mining equipment suppliers

#### Typical mining site plant

<table>
<thead>
<tr>
<th>Exploration</th>
<th>Development</th>
<th>Extraction</th>
<th>Material Handling</th>
<th>Crushing, Grinding &amp; Sizing</th>
<th>Separation</th>
<th>Refining</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exploration for mineral resources</td>
<td>Drilling and modeling of the ore body</td>
<td>Mining of the ore body</td>
<td>Mined minerals transported to processing site</td>
<td>Materials are crushed and ground to achieve finer particles</td>
<td>Flotation, leaching, sedimentation and filtration are used to increase the mineral content to an economic level</td>
<td>Refining to increase concentration of minerals further</td>
</tr>
<tr>
<td>• Remote sensing</td>
<td>• Geophysical / geochemical tests</td>
<td>Rock breaking</td>
<td>Use of loaders, trucks, trains, at the face mining systems and conveyors</td>
<td>Particles sized for optimum recovery of minerals specie</td>
<td>Key techniques:</td>
<td></td>
</tr>
<tr>
<td>• Samples</td>
<td>• Selection of appropriate mining technique</td>
<td>Surface mining</td>
<td></td>
<td></td>
<td>• Pyro-metallurgy</td>
<td></td>
</tr>
<tr>
<td>Feasibility studies</td>
<td>Capital investment in mine infrastructure</td>
<td>Underground mining</td>
<td></td>
<td></td>
<td>• Electro-winning</td>
<td></td>
</tr>
</tbody>
</table>

#### FLSmidth Minerals

- Metso Minerals
- Outotec

#### Typical mining site plant

- Sandvik
- Atlas Copco
- Boart Longyear
- Furukawa
- Terex
- Astec
- Astec
- Bucyrus
- Joy Global
- CAT

Source: Morgan Stanley, FLSmidth
Customer Services showed signs of improvement in Q4 (included in Cement & Minerals)

**Cement**
Customer Services revenue (quarterly)
-19% vs. Q4 2008

Cement Customer Services revenue (12M trailing)
-4% vs. Q4 2008

**Minerals**
Customer Services revenue (quarterly)
+10% vs. Q4 2008

Minerals Customer Services revenue (12M trailing)
+8% vs. Q4 2008
Operation & Maintenance contracts (O&M)

- Dedicated work over the past 3 years to establish **operation & maintenance** of cement and minerals processing plants as a **new business area**

- **First Cement O&M contract** in Egypt has been in operation for 1 year with **very satisfying results**

- **First Minerals Maintenance contract** at Los Pelambres in Chile has just celebrated 10 year-anniversary

- **Negotiations ongoing** with several other interested customers

**Current contracts**

**Cement (O&M)**
- Egypt (contracted in 2007)
- Libya (contracted in 2009)

**Minerals (M)**
- Los Pelambres, Chile (prolonged in 2008)
- Collahuasi, Chile (prolonged in 2008)
- Peñasquito, Mexico (contracted in 2008)
Highlights 2009

- Revenue down 11% and negative EBIT of DKK 25m
- Very weak first half followed by signs of improvement in second half
- Production capacity rightsized to lower demand and number of employees reduced by 15%

Current business environment

- Market outlook still weak, although some signs of stabilisation
- Eastern Europe particularly hard hit by slowdown
- Aggressive competition

<table>
<thead>
<tr>
<th>DKKm YTD</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>1,390</td>
<td>1,243</td>
</tr>
<tr>
<td>EBIT</td>
<td>25</td>
<td>(25)</td>
</tr>
<tr>
<td>EBIT ratio</td>
<td>1.8%</td>
<td>(2.0%)</td>
</tr>
</tbody>
</table>
Quarterly developments

- Signs of improvement in second half of 2009
- Revenue up 11% in Q4 vs. last year
- Q1 and Q4 are typically low season

**Turnover (DKKm)**

**EBIT (DKKm)**
## Guidance 2010

### Group

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>New cement kiln capacity</td>
<td>50mty</td>
<td>45mty</td>
</tr>
<tr>
<td>Revenue</td>
<td>DKK 19-20bn</td>
<td>DKK 23,134m</td>
</tr>
<tr>
<td>EBIT-ratio</td>
<td>8-9%</td>
<td>9.8%</td>
</tr>
<tr>
<td>Tax rate</td>
<td>30%</td>
<td>19%</td>
</tr>
<tr>
<td>CFFI (excl. acquisitions)</td>
<td>DKK -400m</td>
<td>DKK -244m</td>
</tr>
</tbody>
</table>

- Order intake in both Cement and Minerals is expected to increase in 2010 vs. 2009

### Segments

<table>
<thead>
<tr>
<th>Segment</th>
<th>Revenue</th>
<th>EBIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cement</td>
<td>DKK 9-10bn</td>
<td>~9%</td>
</tr>
<tr>
<td>Minerals</td>
<td>DKK 8-9bn</td>
<td>~9%</td>
</tr>
<tr>
<td>Cembrit</td>
<td>DKK ~1.2bn</td>
<td>~2%</td>
</tr>
</tbody>
</table>
Unchanged long term growth and earnings prospects

- **Urbanisation** and **industrialisation** in developing countries are expected to continue to generate increasing demand for cement and minerals in future.

- In periods of **high activity**: Expected **EBIT ratio: 10-12%**

- In periods of **low activity**: Expected **EBIT ratio: 8-9%**
Concluding remarks

- **71% of revenue** generated in **emerging markets**
- **Record high CFFO, EBIT ratio** and **profits** in 2009
- **Asset light business model** is working well
- **Increased optimism** among customers
- **Strong financial position** allows **dividend payment** to be **increased** in 2010
- **New dividend policy**: DKK 7 per share per year
- A number of **strategic initiatives** are ongoing to further enhance the competitive and financial position of FLSmidth
Questions