

Cement

Group Executive Vice President Per Mejnert Kristensen



Agenda

- The Cement Division in FLSmidth
 - Key figures
 - Products and solutions
 - Customers
 - Competitive landscape
- Market drivers and outlook
- Strategy and perspective

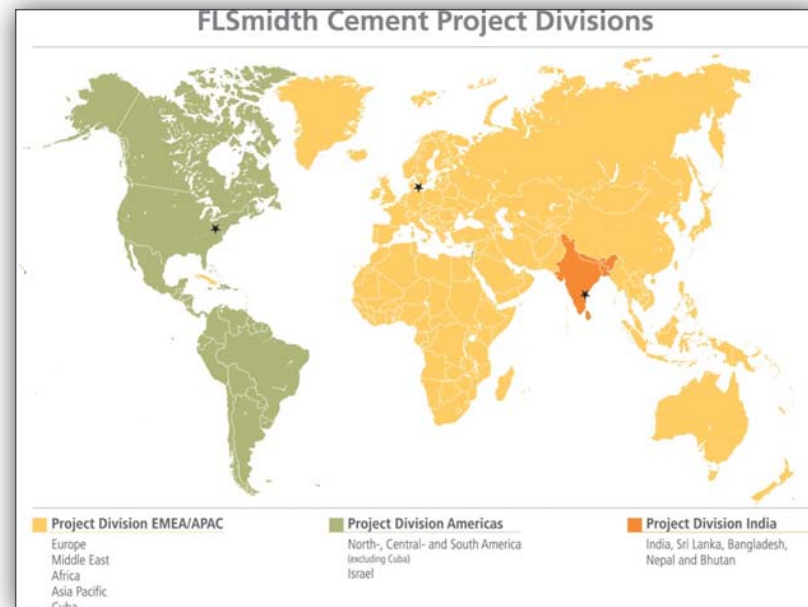


The Cement Division in FLSmidth

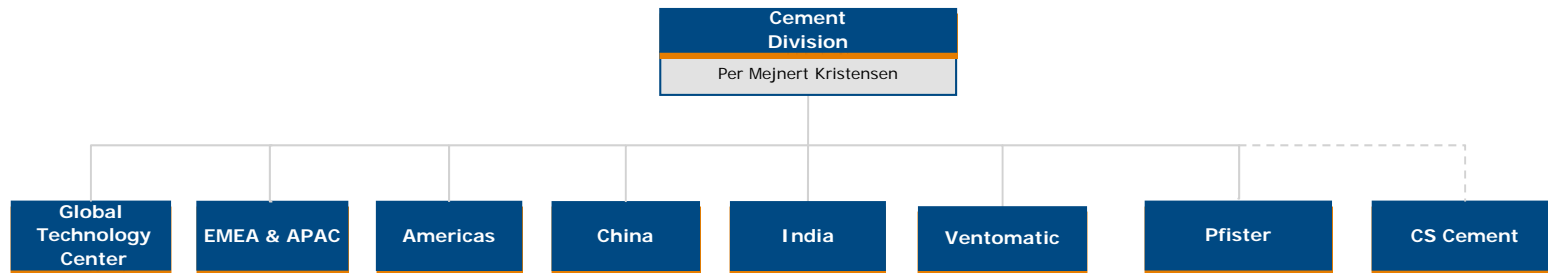


The Cement Division in brief

- Leading supplier of **complete cement plants, production lines**, single **machinery** and **know-how** to the global cement industry
- 2,725 employees
- Project divisions based in Denmark, USA and India
- Global technology center located in Copenhagen, Denmark



The new Cement division at a glance: Organizational Structure



Difference between "old" and "new" Cement division

Old Cement Division

- Cement projects
- Cement product companies
 - FLSmidth Ventomatic
 - FLSmidth Pfister
 - FLSmidth Airtech
 - FLSmidth Automation
 - FLSmidth MAAG Gear
- Cement Customer Services

- Order intake 2011: DKK 8.3bn
- Revenue 2011: DKK 8.2bn
- Employees end 2011: 6,619

New Cement Division

- Cement projects
- Cement product companies
 - FLSmidth Ventomatic
 - FLSmidth Pfister

- Order intake 2011: DKK 4.4bn
- Revenue 2011: DKK 4.4bn
- Employees end 2011: 2,725

Segmented key figures

Cement

Cement (DKK m)	Full-year 2009	Full-year 2010	Full-year 2011	Expected trend in 2012
Order intake	3,809	3,721	4,439	Slightly increasing
Revenue	9,472	5,803	4,354	Slightly increasing
EBITDA	1,027	710	531	
EBITA*	954	659	494	
EBITA-ratio	10.1%	11.4%	11.3%	Decreasing
EBIT	904	639	475	
EBIT-ratio	9.5%	11.0%	10.9%	

*) Definition of EBITA: Earnings before amortisation and write-down of intangible assets

Products and solutions to the cement industry

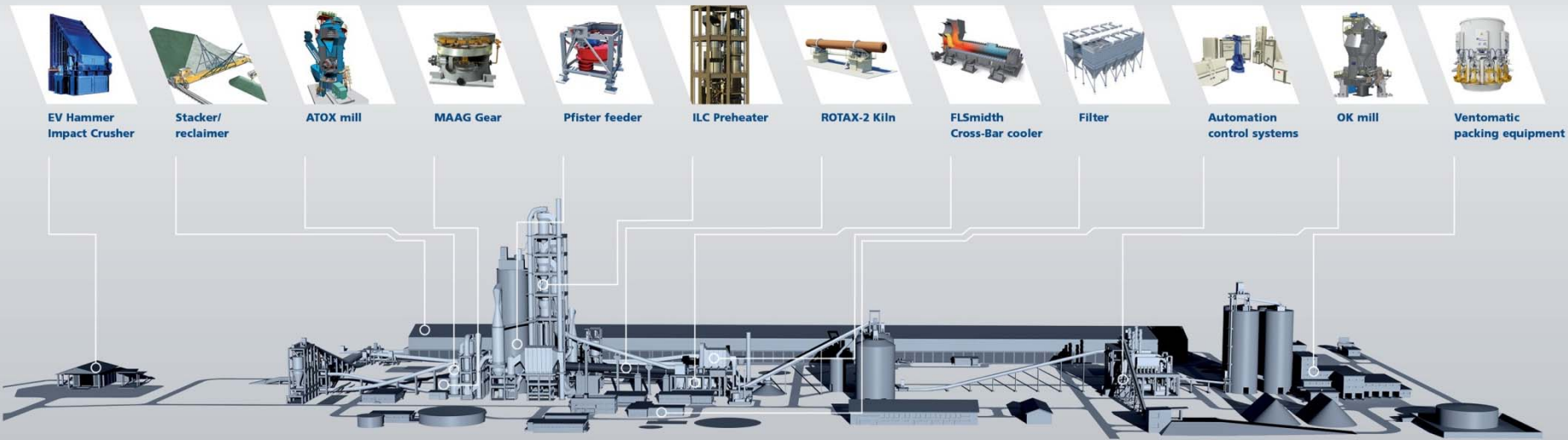


Leading supplier of complete cement plants

- **Unmatched track record**
 - More than 2000 cement kilns sold in total
 - More than 150 production lines sold within the last 10 years
 - Supply of all types of projects ranging from upgrades to complete EPC projects
- **Only supplier with complete range of products & services**
 - All main machines and many auxiliary products proprietary
 - Service capabilities ranging from sale of parts to complete operation and maintenance contracts



Cement processing solutions



Matching the strictest emissions standards

▪ Alternative energy solutions

- Rising energy costs and strict regulations calls for better alternative options
- Customer requirement assessment and recommendations
- Rapid return on long- and short-term investment



▪ Emissions solutions

- Sustainability is key concern and environmental regulations are a growing concern for cement processing
- FLSmidth research is unveiling next-generation solutions
- Broadest range of products with a focus on NO_x and SO₂ abatement solutions, SO₂ technology THC/VOC controls and mercury reduction



Customers



Customers

3 overall categories

- **Global cement producers** (e.g. Lafarge, Holcim, Heidelberg, Cemex, Italcementi)
- **Regional cement producers** (e.g. Votorantim, CRH, Titan, Cementir, Vicat, Buzzi, ASEC)
- **Local cement producers** (relatively small producers only operating in one country)

Large differences in customer preferences and behaviours

- Central vs. de-central decision process
- Focus on best-in-class technology vs. adequate technology
- Focus on environmental issues
- Focus on low initial investment costs vs. total cost of ownership
- Focus on partnership vs. pure buyer/seller relationship

Siam City, Thailand

2 x 10,000 tpd lines



AUCC, Libya

Line 1 and 2



> 150 mills sold in China



Conch, China

2 x 10,000 tpd lines & 1 x 12,000 tpd line



Halong Cement, Vietnam Inauguration 2010



Hoang Tach, Vietnam Inauguration 2010



Cement

Ongoing major projects sold in 2009-2012



Competitive landscape



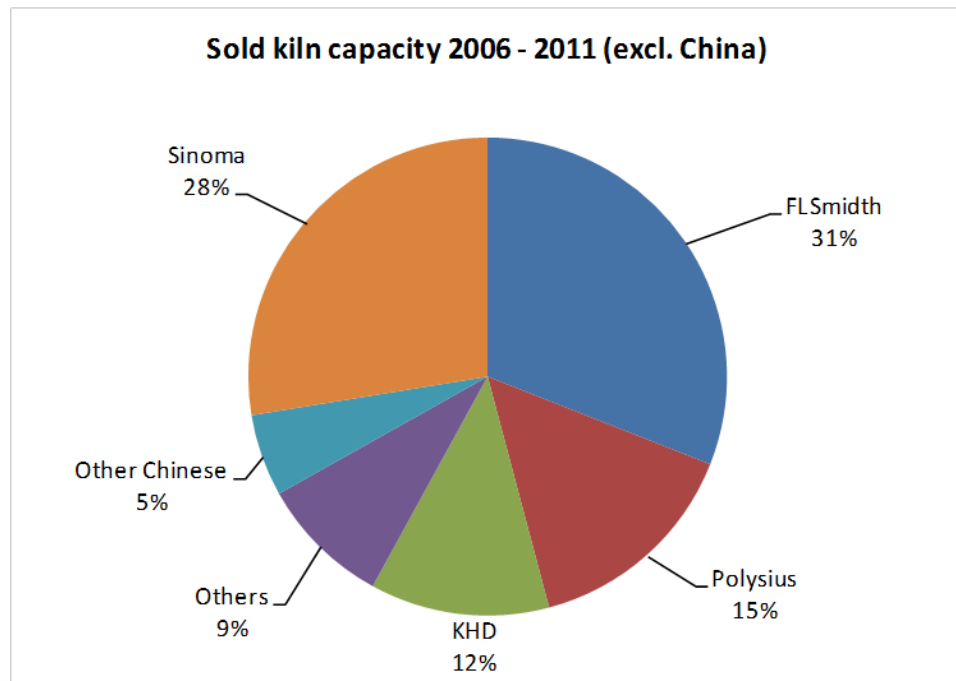
Historical development

- The market for cement technology has **traditionally** been dominated by a number of **European companies**, several of these being more than 100 years old
- Emergence of **Chinese competitors** on the international market started 6-7 years ago. The largest of the Chinese cement equipment and plant suppliers is Sinoma, which consists of all the largest cement design institutes and plant installation companies in China

Competitive landscape

The key players on the international market:

- **FLSmidth**, Denmark
- **Polysius**, Germany
- **KHD**, Germany (now partly owned by CATIC, China)
- **Sinoma**, China
- **FCB**, France
- **CNBM**, China



Specialized equipment suppliers

In addition to the major project and kiln suppliers, a number of specialized equipment suppliers are present in the market. The largest and most significant of these are:

- **Loesche**, Germany (vertical mills)
- **Pfeiffer**, Germany (vertical mills)
- **Claudius Peters**, Germany (coolers, silos, pneumatic conveying)
- **IKN**, Germany (clinker coolers)
- **Koepfern**, Germany (roller presses)
- **Aumund**, Germany (conveying equipment)

Market drivers and outlook



Cement consumption growth drivers

Key factors:

- Economic growth
- GDP per capita
- Population growth
- Investments in infrastructure
- High energy prices
- Increasing level of environmental protection legislation



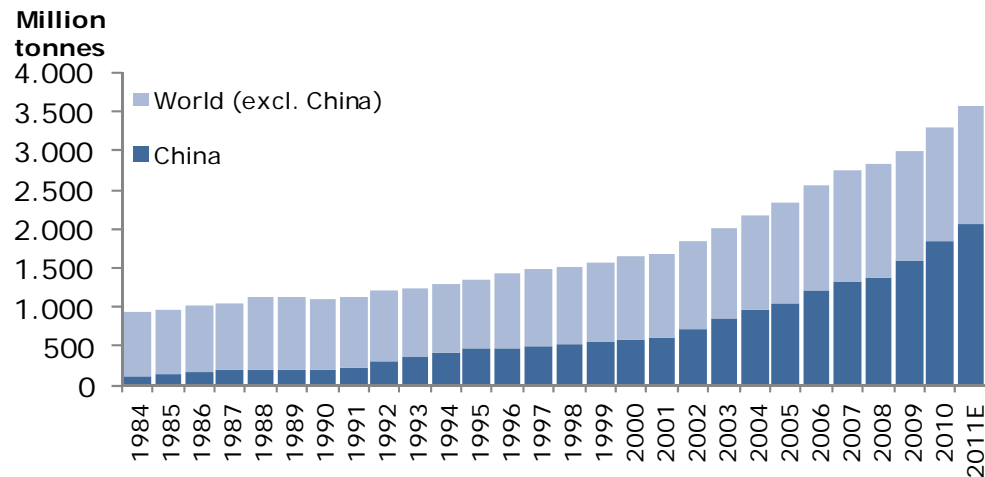
Structural demand for cement

- Cement is a relatively homogeneous product with **price** and **quality** being important sales parameters
- **Expensive to transport** – especially by land. Therefore it is not profitable to transport cement by land over distances greater than a few hundred kilometres
- Cement production to a large extent is a **local or a regional business**. Only around 5 -10% of the world's cement production is traded internationally
- **Freight rates** play an important role for the profitability of international cement trade.
- The investment climate among cement producers **depends on** local and **regional supply and demand**
- **Estimated total industry CAPEX** p.a. (excl. China): DKK ~60bn

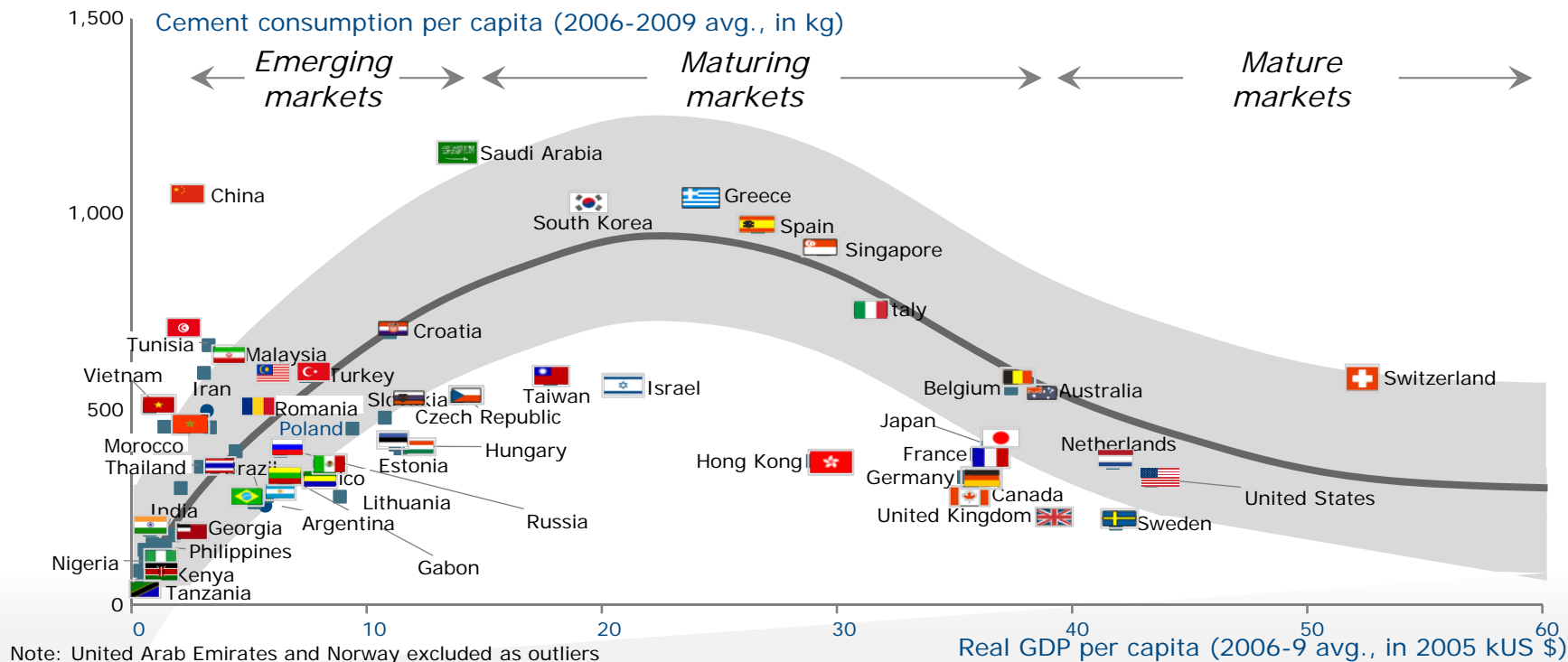
Global cement consumption

Annual growth since 1984 (CAGR)

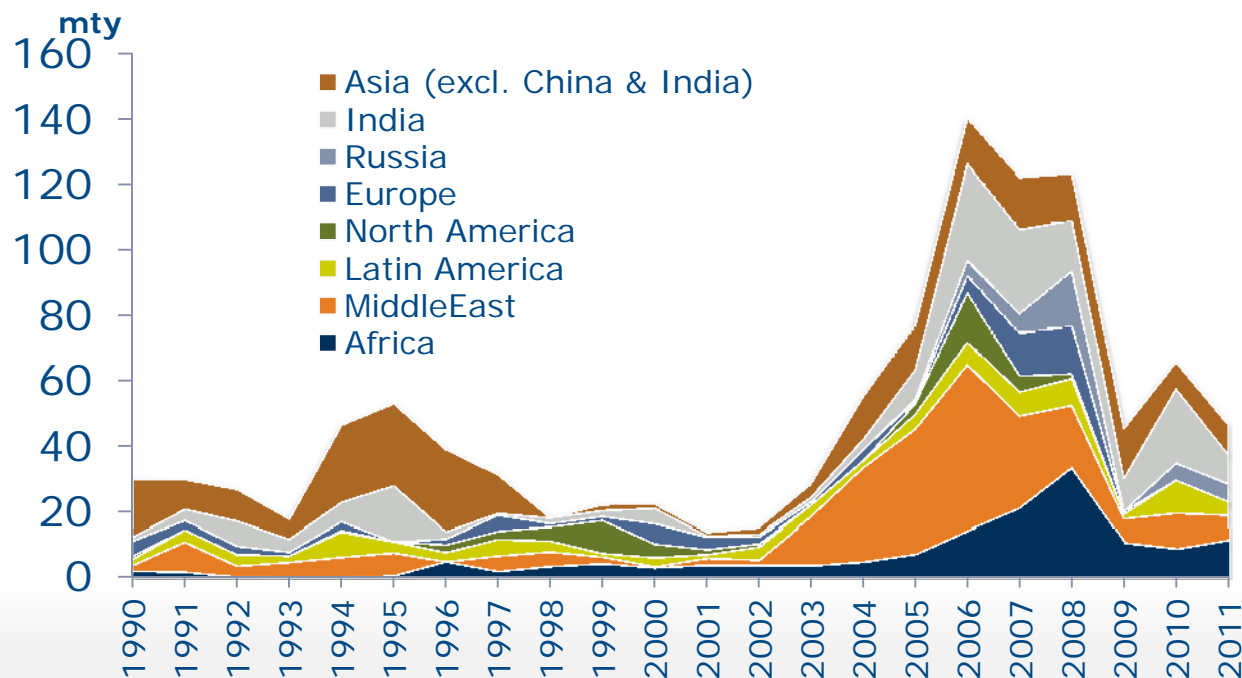
- World: 5.0 %
- World excl. China: 2.4 %
- China: 11 %



Cement plants are needed where GDP grows...



Global contracted new kiln capacity (excl. China)



Global contracted new kiln capacity in 2011:

46 mty (2010: 65 mty)

2012 estimate:

50-60 mty

Strategy and perspective



Strategic goals

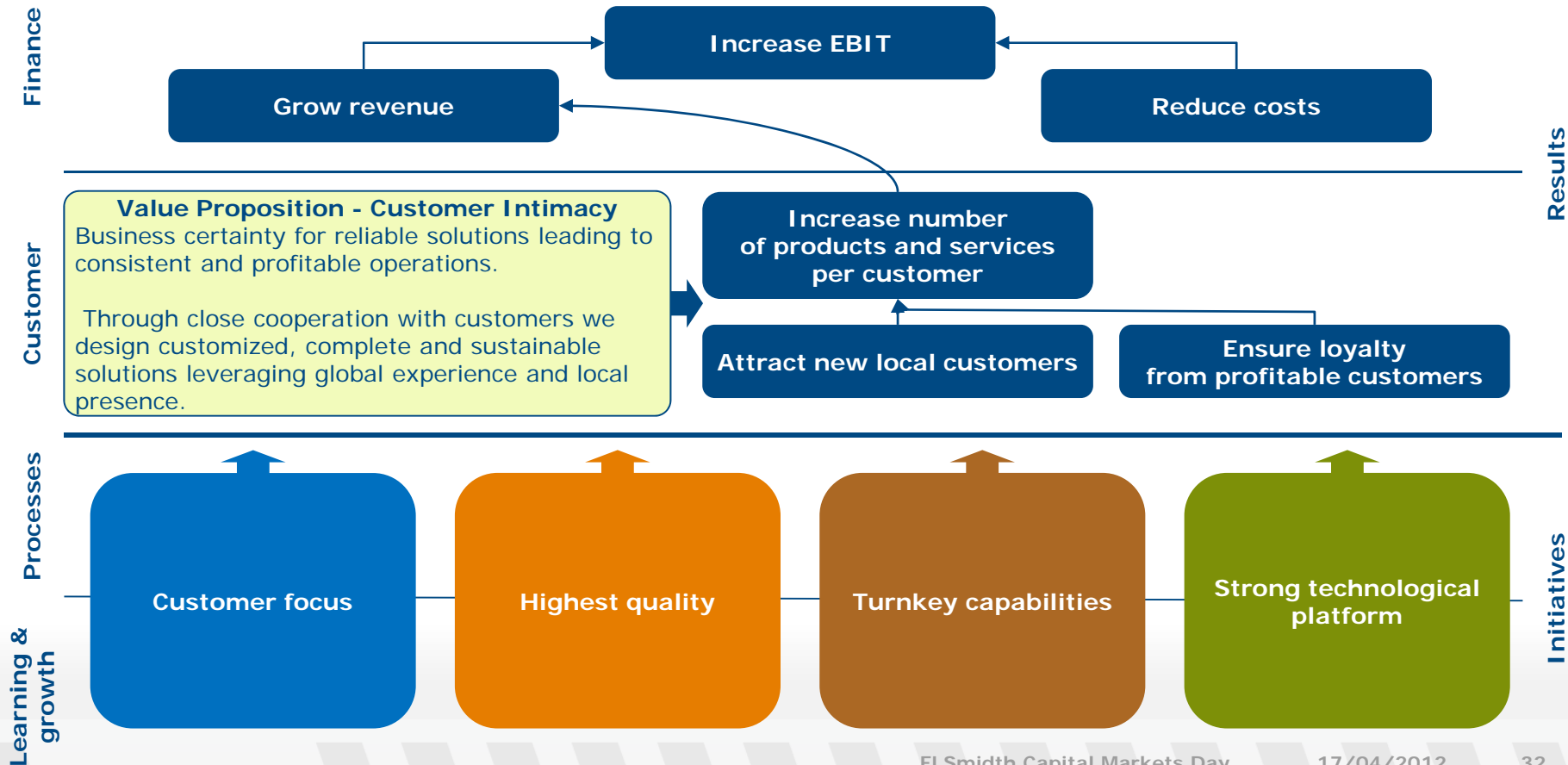
- Continued strong EBIT-margin for projects and products
- Continued strong market share in growing, but highly competitive market
- Worldwide EPC capabilities in place
- Expand our position as the supplier of best possible technology and trustworthy partner
- "Our customers preferred full service provider" in Cement in co-operation with Customer Services and O&M

Five main strategic levers

- Customer focus
- Consistent high quality
- Turnkey (EPC) capabilities
- Strong technological platform
- Support and benefit from cross-functional strategic initiatives, such as:
 - Global strategic sourcing
 - Shared best in class engineering capabilities
 - Full service provider incl. O&M



A sustainable business



Value proposition



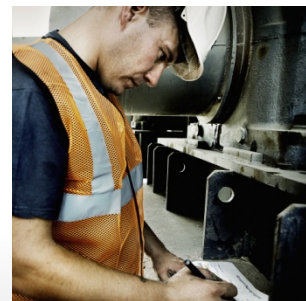
When we build it,
it works



Competitive advantages

- Strong brand representing quality and reliability
- Global reach with local presence
- Ability to execute large projects successfully
- Complete product portfolio
- Strong focus on environmentally friendly solutions
 - Most advanced alternative fuels solutions
 - Most efficient waste heat recovery systems
 - Best in class emission control systems

...and our focused global sourcing strategy and engineering off-shoring strategy has significantly improved our price competitiveness...



Questions

