

Presentation

of

FLSmidth & the African Cement Market

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Historical presence in Africa

- First supplies to Pretoria Portland Cement, South Africa in 1906
- In Egypt since 1930, at times as part owner/operator. Partly handled from FLSmidth London to British overseas plants
- FLSmidth has built more than 120 cement plants in Africa since 1906
- Today, the African market is serviced out of Copenhagen



Present activities in Africa

- Recently strong in Egypt, Algeria, Libya, Nigeria, and South Africa
- Reestablished in Morocco, Angola, and Sudan
- Targeting Tunisia, Libya, Algeria, South Africa, Morocco, and Angola for further growth
- Monitoring rest of Africa for opportunities
- Foothold in Operations & Maintenance (O&M) in Egypt
- Exploring synergies between projects sales and O&M, especially for new operators





★ **FLSmidth orders in Africa over the past 3-4 years**

Chairman Sadek el Sewedy negotiating new plant in 2008



Recent FLSmidth orders in Africa

- ACC, Ramliya I, **Egypt**, Turnkey, completed
- Sinai Grey II, **Egypt**, FOB, completed
- Sinai White II, **Egypt**, FOB, soon to be commissioned
- El Sewedy, **Egypt**, FOB, ongoing order
- Wadi el Nile, **Egypt**, FOB, ongoing order
- ACC Ramliya II, **Egypt**, FOB, ongoing order
- El Takamol, **Sudan**, FOB, ongoing order
- AUCC II, **Libya**, semi-turnkey, ongoing order
- Djelfa I & II, **Algeria**, FOB, ongoing order
- Ait Baha, **Morocco**, FOB, ongoing order
- Calabar, **Nigeria**, Turnkey, ongoing order
- Obajana I & II, **Nigeria**, FOB, completed
- Natal Simuma, **South Africa**, FOB, mostly completed
- Dwaalboom, **South Africa**, FOB, commissioning ongoing
- FCKS, **Angola**, FOB to Turnkey contractor, ongoing order

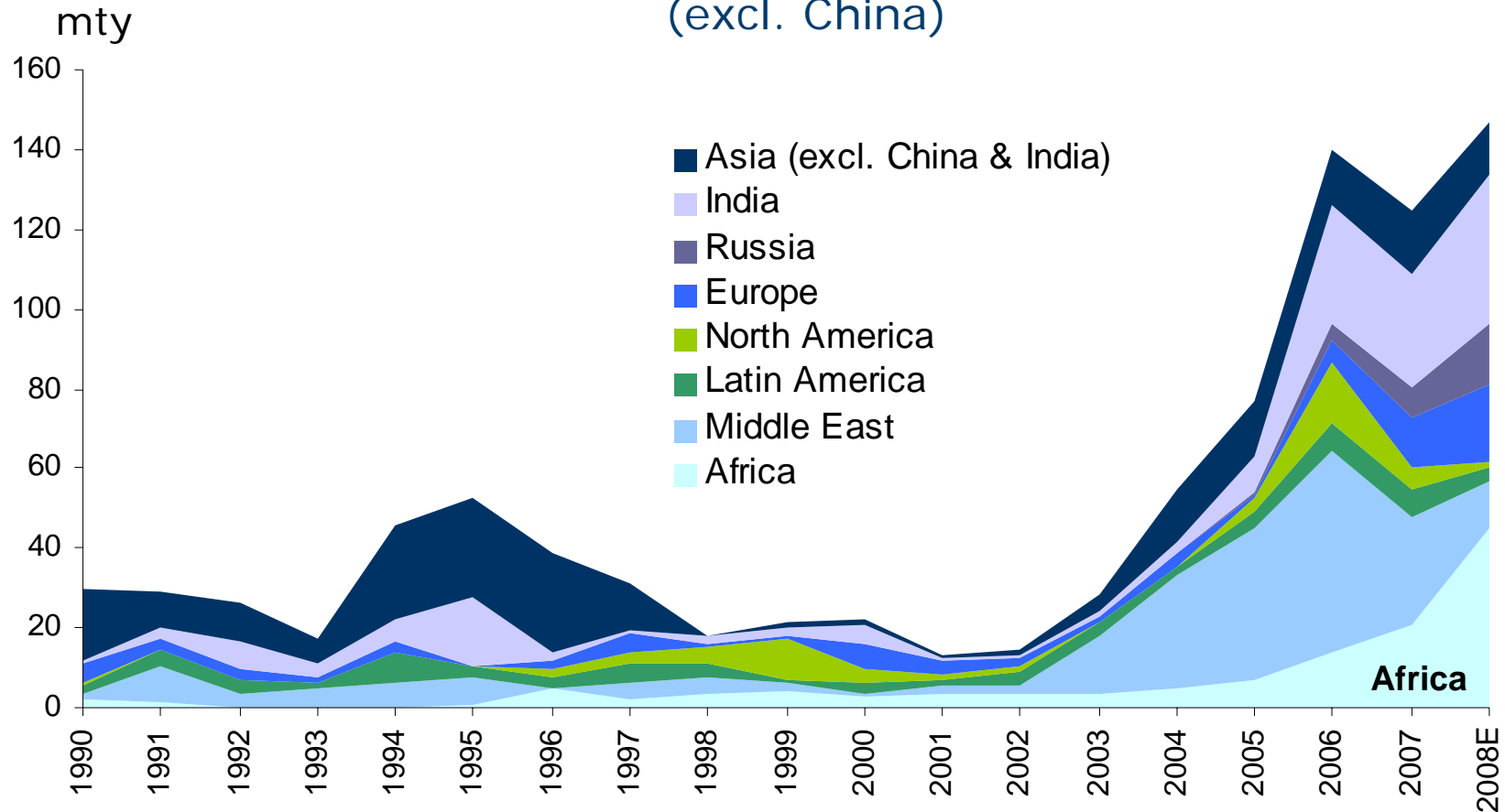




Recent competitor orders in Africa

- Misr Beni Suef, **Egypt**, semi-turnkey, ongoing, **Polysius**
- Beni Suef, **Egypt**, Turnkey, ongoing, **FCB**
- Army Sinai I & II, **Egypt**, Turnkey, ongoing, **Sinoma**
- Southern Valley, **Egypt**, Turnkey, ongoing, **KHD, Chinese** etc.
- Ynna Group, **Morocco**, Semiturnkey, **FCB**
- Ciment d'Atlas I & II, **Morocco**, **Polysius**
- Settat Ciment, **Morocco**, **Sinoma**
- Tetouan, **Morocco**, **Kawasaki**
- Sotacib, **Tunisia**, **Polysius**
- Dangote Group, various, **Nigeria** and other, **Sinoma**
- Lichtenburg, **South Africa**, **Sinoma**
- Sococim, **Senegal**, **Polysius**
- Kirene II, **Senegal**, **Polysius**
- Namibia, **Polysius**
- Mughher, **Ethiopia**, **Sinoma**
- Tanzania Portland, **Tanzania**, **Sinoma**
- Etc.

Geographical distribution of new global contracted cement kiln capacity^{*)} (excl. China)

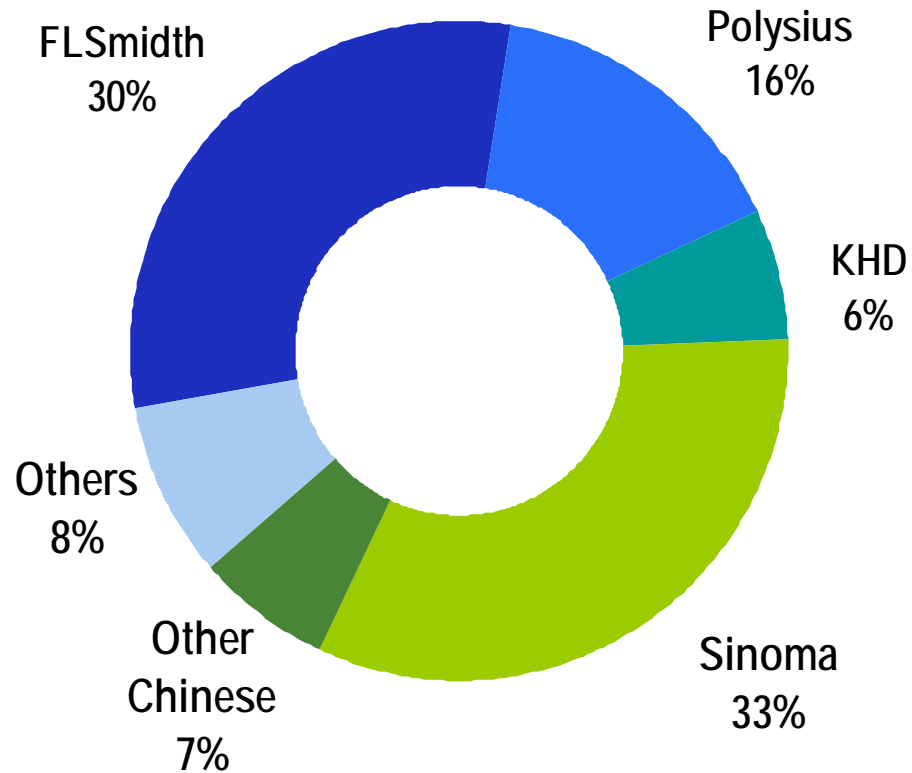


*) 2008E geographical distribution based on year-to-date distribution August 2008



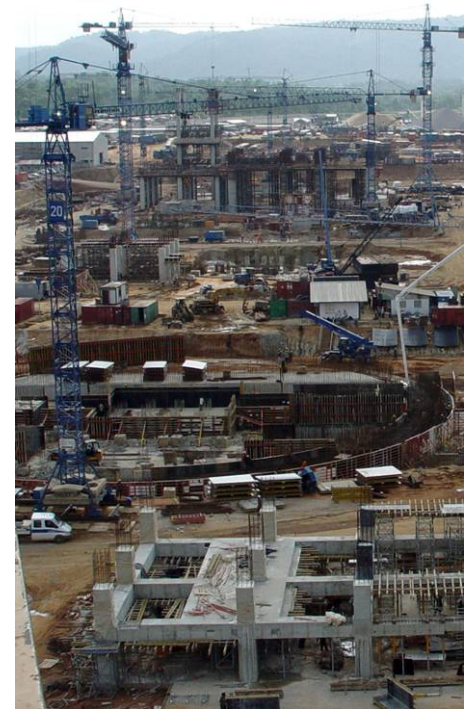
Market shares in Africa

New kiln capacity ordered 2004-2008 (year to date)



Growth prospects in Africa

- **Raw material boom** provides funds for GDP growth
- **Expanding populations** are in need of housing, infrastructure etc.
- **Emerging industries** need building materials
- **Mining boom** requires building materials



Growth prospects in Africa (continued)

- **Political improvement** in several countries such as Angola, Mozambique, Algeria, Libya create stability enabling growth
- **Political instability** hamper growth in countries such as Sudan, Somalia, Kenya, Nigeria, and Zimbabwe
- **Chinese investment** in infrastructure and mining creates conditions for more growth
- Recent **financial crisis** makes credit harder to get and more expensive, at least short term





Drivers of demand for new cement capacity in Africa

Northern Africa

- Oil income
- Economic liberalization
- Infrastructure projects
- Tourism
- Export opportunities
- Population growth



Sub-Saharan Africa

- Increasing political and macro-economic stability
- Economic reforms
- Increasing government spending
- Income from natural resources
- Population growth

South Africa

- Income from natural resources
- Sound economic growth
- Public infrastructure investments
- 2010 Soccer World Cup



Facts about targeted markets

	GDP growth (2008E)	GDP per capita (2008E)	Population (2008E)	Urbanisation	Cement consumption (2008E)	Cement consumption per capita (2008E)
Algeria	5%	4,922 USD	34.8m	49%	17.4 mty	500 kg
Angola	16%	5,709 USD	17.3m	33%	2.5 mty	145 kg
Libya	7%	17,468 USD	6.2m	86%	5.0 mty	806 kg
Morocco	6%	2,901 USD	31.3m	57%	12.1 mty	387 kg
Nigeria	6%	1,490 USD	151.9m	44%	11.6 mty	76 kg
Tunisia	5%	4,032 USD	10.5m	65%	7.3 mty	695 kg

Source; IMF, Global Cement Report 7th edition, 2007



FLSmidth Strategy for Africa

- Utilize strength of FLSmidth **brand**
- Focus on building solid **relations** based on **reliability**
- Focus on **performance strengths**:
 - Low energy consumption
 - Low emissions of harmful components
 - Safe and well-documented projects (adheres to ISO, EU Machinery Directives etc.)
 - Reputation for exceeding promised performance
 - Reputation for well-designed equipment with low cost of maintenance and higher availability
 - First class Customer Services
- **Lower price** through low-cost procurement, off-shoring of engineering to India, and flexibility with regard to Customer manufacture of simple parts



FLSmidth Strategy for Africa

- Focus on **total-cost-of-ownership**:
 - Capex for equipment
 - Construction costs
 - Operating costs (fuel, power, labor, raw materials, parts, etc.)
- FLSmidth plant-design optimised for **lower construction costs**
- Generally, FLSmidth plants are **quicker to produce at full capacity**, enabling quicker pay-back
- FLSmidth offers world class **operations and maintenance services** for Customers without own competence for this
- The FLSmidth reputation with financial institutions make **financing** easier than with less reputable suppliers



Doing business in Africa

- The typical **customer** does not exist:
 - Government corporations
 - Industrialists
 - Black empowerment investors (South Africa)
 - Global cement producers
 - Regional groups
 - Newcomers with venture capital

- **Investment decision** is opportunistic or long term

- Important **buying criteria** are delivery time, quality (real and perceived) and price

- **Negotiation process** varies from short and decisive to protracted and bureaucratic (Governments and global producers)

- **Competitive landscape** is dominated by Chinese and at times also European competitors. The Chinese enjoys an advantage if turnkey is a requirement due to lower cost



Africa & Financing



- **Multilateral financial institutions**
 - IFC (World Bank) – equity and loans
 - EIB (European Investment Bank) – loans
 - African Development Bank – loans
 - Nordic Investment Bank – loans tied to Nordic interests
- **European Development Finance Institutions**
 - DEG (Germany) – untied loan and equity
 - FMO (Netherlands) – untied loan and equity
 - IFU (Denmark) – tied to Danish co-investors
- **Regional Equity Funds e.g.**
 - EMP Africa. Investing in private African infrastructure companies
 - Aureos. Investing in existing small-medium private comp.
- **Danida Mixed Credits** – tied and untied loan facilities
- **Export Credit Agencies** – guarantees according to OECD rules





Chinese financing of exports & overseas activities

1. **Export-Import Bank of China** (China Exim)

- Imp.& exp. of capital goods. Offices in Abidjan & Johannesburg. Part of government policy with developing countries – i.e. strong government link.

2. **China Development Bank** (CDB)

- Infrastructure development in- and outside of China
- Follows development of large Chinese corporations overseas
- Strong government link

3. **Sinosure** (Export Credit Agency). Non-OECD country

- Long-term insurance cover for export. Similar to other ECAs. Becoming more commercial. Largest customer is China Exim

4. **China-Africa Development Fund** (USD 5 billion).

Goal: to secure oil, gas & minerals to China in return for support of infrastructure overseas (Two-way trade) and bring China to the World

Concluding remarks

- Considerable **business opportunities in Africa** in the coming years driven by:
 - Demography
 - Economic growth (even if uneven and cyclical)
 - Low starting point
 - Intrinsic value drivers like raw materials, oil, improving standards for education and physical infrastructure
 - Growing recognition of quality and its meaning for long term value creation

- **Market indicators** to look for are:
 - GDP growth
 - political stability
 - Raw materials and fuel prices
 - better education



Questions

Building cement and minerals plants since 1882

