Annual Report 2010

One Source

FLSmidth

Contents

Front page: A bucket-wheel stacker/reclaimer delivered by FLSmidth for coal-fired Power Plant in Turkey, capacity 2,500 t/h

Group financial highlights

5-year summary

DKKm	2006	2007	2008	2009	2010	2010 EUR [1]
INCOME STATEMENT						
Revenue	12,311	19,967	25,285	23,134	20,186	2,711
Gross profit	2,602	4,272	5,621	5,406	5,207	699
Earnings before non-recurring items, depreciation, amortisation and write-downs (EBITDA)	966	2,100	2,911	2,725	2,387	321
Earnings before interest and tax (EBIT)	775	1,824	2,409	2,261	1,990	267
Earnings from financial items, net	149	53	(286)	(153)	(118)	(16)
Earnings before tax (EBT)	924	1,877	2,123	2,108	1,872	251
Profit/loss for the year, continuing activities	**1,107**	**1,293**	**1,456**	**1,705**	**1,282**	**172**
Profit/loss for the year, discontinued activities	25	1	59	(41)	(4)	(1)
Profit/loss for the year	**1,132**	**1,294**	**1,515**	**1,664**	**1,278**	**171**
CASH FLOW						
Cash flow from operating activities	1,288	1,493	2,324	2,470	1,335	179
Acquisition and disposal of enterprises and activities	(190)	(3,409)	(210)	(286)	(45)	(6)
Acquisition of tangible assets	(249)	(386)	(627)	(210)	(473)	(63)
Other investments, net	52	(18)	(34)	(34)	(208)	(28)
Cash flow from investing activities	(387)	(3,813)	(871)	(530)	(726)	(97)
Cash flow from operating and investing activities of continuing activities	976	(2,448)	1,492	1,719	577	77
Cash flow from operating and investing activities of discontinued activities	(75)	128	(39)	221	32	4
WORKING CAPITAL	**(435)**	**665**	**207**	**21**	**878**	**118**
NET INTEREST-BEARING RECEIVABLES / (DEBT)	**2,847**	**(1,583)**	**(574)**	**1,085**	**1,254**	**168**
ORDER INTAKE, CONTINUING ACTIVITIES (GROSS)	**18,534**	**24,061**	**30,176**	**13,322**	**20,780**	**2,788**
ORDER BACKLOG, CONTINUING ACTIVITIES	**18,264**	**25,312**	**30,460**	**21,194**	**23,708**	**3,180**
BALANCE SHEET						
Non-current assets	2,347	7,791	8,234	8,464	9,240	1,240
Current assets	9,772	11,873	12,495	13,438	13,359	1,791
Assets held for sale	132	8	8	0	0	0
Total assets	**12,251**	**19,672**	**20,737**	**21,902**	**22,599**	**3,031**
Consolidated equity	3,192	4,214	5,035	6,627	8,139	1,092
Long-term liabilities	1,710	4,826	4,103	3,338	3,145	422
Short-term liabilities	7,344	10,632	11,599	11,937	11,315	1,517
Liabilities regarding assets held for sale	5	0	0	0	0	0
Total equity and liabilities	**12,251**	**19,672**	**20,737**	**21,902**	**22,599**	**3,031**
PROPOSED DIVIDEND TO THE SHAREHOLDERS	**372**	**372**	**0**	**372**	**479**	**64**
DIVIDEND PAID OUT DURING THE YEAR	**372**	**372**	**372**	**105**	**262**	**35**
FINANCIAL RATIOS						
Continuing activities						
Contribution ratio	*21.1%*	*21.4%*	*22.2%*	*23.4%*	*25.8%*	*25.8%*
EBITDA ratio	*7.8%*	*10.5%*	*11.5%*	*11.8%*	*11.8%*	*11.8%*
EBIT ratio	*6.3%*	*9.1%*	*9.5%*	*9.8%*	*9.9%*	*9.9%*
EBIT ratio before effect of purchase price allocations regarding GL&V Process	*6.3%*	*9.9%*	*10.6%*	*10.2%*	*10.3%*	*10.3%*
EBT ratio	*7.5%*	*9.4%*	*8.4%*	*9.1%*	*9.3%*	*9.3%*
Return on equity	39%	35%	33%	29%	17%	17%
Equity ratio	26%	21%	24%	30%	36%	36%
Number of employees at 31 December, Group	**6,862**	**9,377**	**11,510**	**10,664**	**11,229**	**11,229**
Number of employees in Denmark	1,508	1,657	1,871	1,650	1,564	1,564
Share and dividend figures, the Group						
CFPS (cash flow per share), DKK (diluted)	24.5	28.4	44.2	47.1	25.3	3.4
EPS (earnings per share), DKK (diluted)	21.6	24.6	28.8	31.9	24.4	3.3
EPS (earnings per share), DKK (diluted) before effect of purchase price allocations regarding GL&V Process	*21.6*	*26.4*	*32.5*	*33.1*	*25.5*	*3.4*
Net asset value per share, DKK (Group)	61	80	96	126	154	20.7
Dividend per share, DKK	7	7	0	7	9	1.2
Pay-out ratio	32%	29%	0%	22%	37%	37%
FLSmidth & Co. share price, DKK	359	522	181	367	532	71
Number of shares, 31 December (000s)	53,200	53,200	53,200	53,200	53,200	53,200
Average number of shares (000s) (diluted)	52,558	52,640	52,544	52,429	52,693	52,693
Market capitalisation	19,099	27,770	9,629	19,524	28,302	3,797

The financial ratios have been calculated in accordance with the guidelines issued by the Danish Society of Financial Analysts.

1) Income statement items are translated at average EUR exchange rate of 7.4472, and the balance sheet and cash flow items are translated at the year-end EUR exchange rate of 7.4544.

FLSmidth & Co. A/S in brief

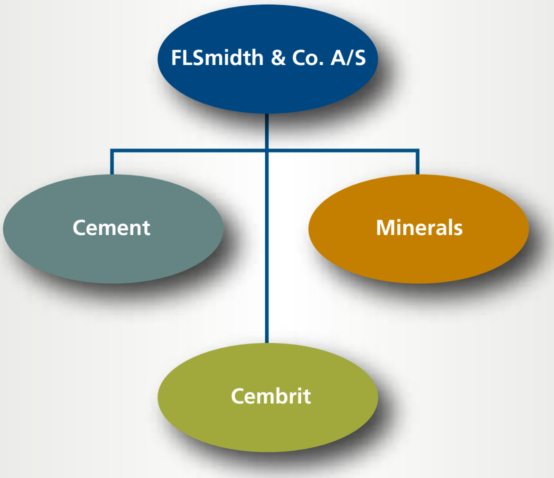
Company vision

FLSmidth is a leading supplier of equipment and services to the global cement and minerals industries. FLSmidth supplies everything from single machinery to complete cement plants and minerals processing solutions including services before, during and after the construction.

FLSmidth is a global company with a local presence in 50 countries including project and technology centres in Denmark, India, USA and Germany.

The Group's in-house resources are primarily engineers who develop, plan, design, install and service equipment, with most of the manufacturing being outsourced to subcontractors. This has proven to be both a robust and sustainable business model.

Over the past 129 years, FLSmidth has developed a business culture based on three basic values: competence, responsibility and cooperation, reflecting the way in which FLSmidth interacts with its stakeholders.



Strategic focus areas

The key strategic focus areas in 2011 will be to continue ongoing measures aimed at strengthening the Group's business platform, competitive position and opportunities for growth in selected segments and markets. These are in particular the expansion in Minerals and Customer Services, optimisation of the Group's global business model, local presence in China and India especially, and in other important markets.

Investing in FLSmidth

FLSmidth & Co. has been listed on NASDAQ OMX Nordic Exchange Copenhagen since 1968, and has due to its comprehensive product range and global presence obtained a unique global market position as a leading supplier to the cement and minerals industries. Solid results combined with a sustainable business model and healthy opportunities for growth make the FLSmidth share an interesting investment opportunity.

- The total return on the FLSmidth & Co. share in 2010 was 46% (2009: 104%)
- Earnings per share (diluted) before the effect of purchase price allocations regarding GL&V Process amounted to DKK 25.5 in 2010 (2009: DKK 33.1)
- The Board of Directors will propose at the Annual General Meeting that a dividend of DKK 9 per share (2009: DKK 7) corresponding to 37% of the year's profit be distributed for 2010. Management's objective is to maintain sufficient capital resources for the funding of future growth, including acquisitions that will strengthen the Group's commercial position through acquisition of complementary technologies and services.
- It is FLSmidth's new dividend policy to pay out 30-50% of the year's profit in dividend depending on the capital structure and investment opportunities.

Main conclusions 2010

- In 2010, FLSmidth & Co. delivered satisfactory results, corresponding to the expectations most recently announced, due to a solid order backlog and strong order execution.
- The order intake increased 56% in 2010 to DKK 20,780m (2009: DKK 13,322m)
- The order backlog increased 12% to DKK 23,708m at the end of 2010 (end of 2009: DKK 21,194m)
- Revenue decreased 13% in 2010 to DKK 20,186m (2009: DKK 23,134m)
- Earnings before interest and tax, depreciation and amortisation and special non-recurring items (EBITDA) decreased 12% to DKK 2,387m in 2010 (2009: DKK 2,725m)
- Earnings before interest and tax (EBIT) decreased 12% in 2010 to DKK 1,990m (2009: DKK 2,261m), corresponding to an EBIT ratio of 9.9% (2009: 9.8%)
- Earnings before tax (EBT) decreased 11% in 2010 to DKK 1,872m (2009: DKK 2,108m)
- Profit for the year decreased 23% in 2010 to DKK 1,278m (2009: DKK 1,664m)
- Cash flow from operating activities amounted to DKK 1,335m in 2010 (2009: DKK 2,470m).
- Cash flow from investing activities amounted to DKK -726m in 2010 (2009: DKK -530m).

Outlook for 2011

- In 2011, the global market for new contracted cement kiln capacity (exclusive of China) is expected to remain at approximately 65m tonnes per year, of which India is expected to account for approximately 20m tonnes per year. This will result in an increasing order intake regarding major cement projects in 2011 compared to 2010.
- Based on the current market prospects, 2011 is expected to see rising investments in the minerals industry, and this is expected to result in an increasing intake of both small and large orders plus customer services orders. However, the order flow is not necessarily expected to be evenly distributed across the year, which means that the quarterly order intake will vary. Particularly materials handling activities are expected to see positive development and become a growth market for FLSmidth.
- In 2011, FLSmidth & Co. expects consolidated revenue of DKK 21-22bn (2010: DKK 20,186m) and an EBIT ratio of 9-10% (2010: 9.9%)
- The prospects of the individual business areas in 2011 are as follows:

	Revenue	(2010)	EBIT ratio	(2010)
Cement	DKK 9-10bn	DKK 9.4bn	9-10%	10.9%
Minerals	DKK 10-11bn	DKK 9.6bn	10-11%	10.3%
Cembrit	approx. DKK 1.4bn	DKK 1.4bn	approx. 4%	2.0%

- The effect of purchase price allocations regarding GL&V Process is expected to be approximately DKK -90m, which is included in the above expectations.
- Investments (exclusive of acquisition and disposal of enterprises) are expected to be around DKK 900m in 2011 (2010: DKK 681m) as a result of investments in additional Service Super Centres and continued expansion of the activities in China and India.
- The effective tax rate is expected to be approximately 30%.

Market trends

In 2010, optimism and customer interest gradually returned after a marked slowdown in customers' investment plans in 2009.

In Cement, India was the prime market and accounted for 35% of global new contracted cement kiln capacity (exclusive of China) in 2010. In addition, activity has primarily been in the developing countries in Asia, Africa and South America which are currently experiencing high economic growth. In 2010, the global market for new contracted cement kiln capacity (exclusive of China) amounted to 65m tonnes per year (2009: 45m tonnes per year), FLSmidth & Co.'s share of the market being 36% (2009: 38%).

The demand for cement capacity depends on local economic growth and local conditions of supply and demand which means that demand for new cement capacity may exist locally irrespective of the overall global business cycles.

Mineral processing, on the other hand, is a global market with global pricing. The demand for new capacity for the extraction of minerals is therefore to a much larger extent than cement dependent on the overall global business cycles. Mineral prices rose to new record highs in 2010, which had a positive effect on the mining companies' plans for future investments. Accordingly, mineral processing investments increased considerably in 2010 compared to 2009.

Long-term growth and earnings prospects

It is still expected that particularly urbanisation and industrialisation in developing countries will generate increasing demand for cement and minerals. In addition, there are a number of other structural conditions which are expected to result in increasing investments in the minerals industry; they include underinvestment over a number of years, the fact that existing mines are being depleted, and the fact that the quality and accessibility of unexploited ore deposits are decreasing, thereby contributing to a higher demand for minerals handling and processing equipment.

The long-term sustainable level for addition of new global cement kiln capacity (exclusive of China) is expected to be 60-75m tonnes per year on average.

Earnings from Customer Services in both Cement and Minerals are expected over the coming years to account for a rising proportion of the Group's total earnings. This also applies to the Minerals segment as a whole. In the light of these facts the Group expects its EBIT ratio to be 10-12% in periods of high activity and 8-9% in periods of low activity, bearing in mind that FLSmidth's business is of a late cyclical nature.

The effect of purchase price allocations regarding GL&V Process is in future expected to be around DKK -100m per year.

Going forward, the annual investments (exclusive of acquisitions) are expected to be in the range of DKK 400-500m (previous expectation DKK 300-400m). In 2011, however, they are expected to amount to DKK 900m as a result of investments in Service Super Centres and manufacturing facilities in China and India.

Management's review

Market trends

In 2010, optimism and customer interest gradually returned after a marked slowdown in customers' investment plans in 2009. In 2011, continuing positive investment trends in both the cement and minerals industries are expected.

In Cement, India was the prime market and accounted for 35% of global new contracted cement kiln capacity (exclusive of China) in 2010. In addition, activity has primarily been in emerging markets in Asia, Africa and South America which are currently experiencing high economic growth. In 2010, the global market for new contracted cement kiln capacity (exclusive of China) amounted to 65m tonnes per year (2009: 45m tonnes per year), FLSmidth & Co.'s share of the market being 36% (2009: 38%).

The demand for cement capacity depends on local economic growth and local conditions of supply and demand which means that demand for new cement capacity exists locally irrespective of the overall global business cycles.

Minerals, on the other hand, is a global market with global pricing. The demand for new capacity for the extraction of minerals is therefore to a much larger extent than cement dependent on the overall global business cycles. Mineral prices rose to new record highs in 2010, which had a positive effect on the mining companies' plans for future investments. Accordingly, investments in the minerals industry increased noticeably in 2010 compared to 2009, which is expected to continue in 2011.

North Africa is an attractive and significant market for FLSmidth. The current situation in several North African countries may cause delays in ongoing projects, but this does not change FLSmidth's long-term expectations for the region.

Order intake and order backlog

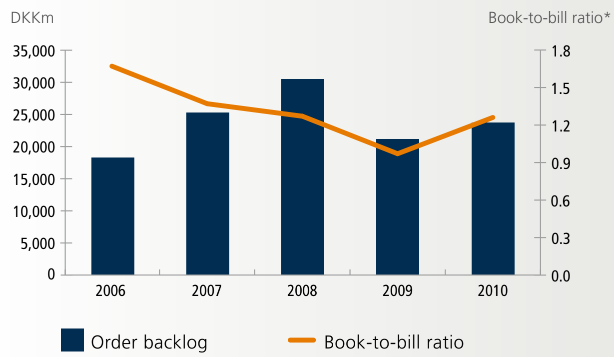
The total intake of orders amounted to DKK 20,780m in 2010, representing a 56% increase on the previous year (2009: DKK 13,322m) which is attributable to renewed willingness to invest among cement and minerals customers following the financial crisis.

In Cement, the largest orders in 2010 were received in Brazil, India and Tunisia. In addition, FLSmidth in 2010 achieved a real breakthrough in operation and maintenance contracts and won four five-year contracts in Angola, Tunisia and Egypt at a total value in excess of DKK 2.5bn.

In Minerals, major contracts were signed with customers in Canada, Chile, India, Jordan, Mauritania, Kuwait, Russia and the USA for gold, copper, coal, iron ore and phosphate accompanied by growing interest in product islands in both materials handling and minerals processing.

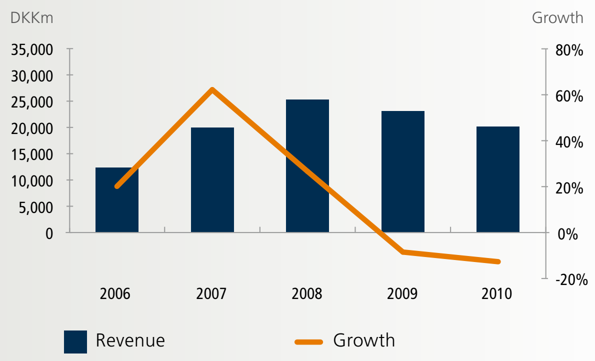
Order intake

Order backlog and book-to-bill ratio

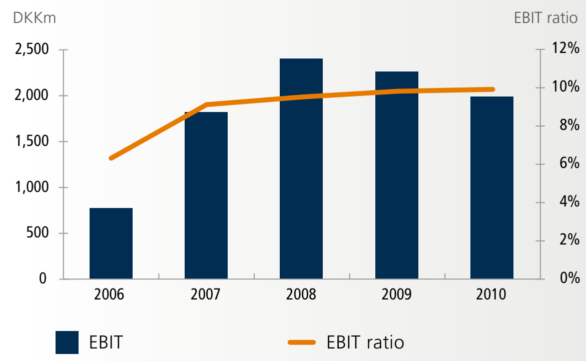


* Book-to-bill ratio definition: Order backlog in relation to revenue in Cement and Minerals

Revenue

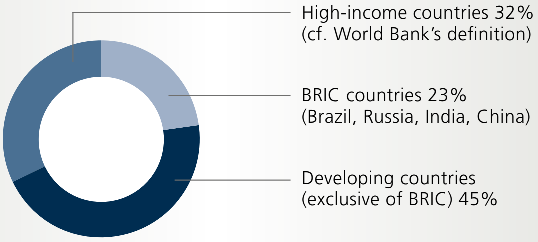


EBIT and EBIT ratio

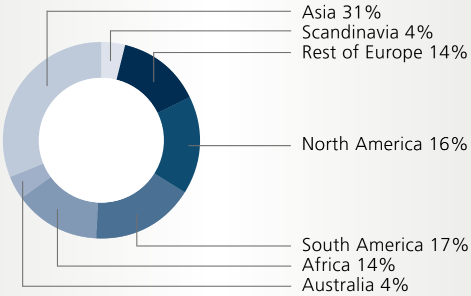


Management's review

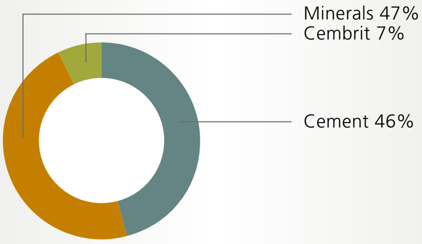
Revenue 2010 - classified by country category



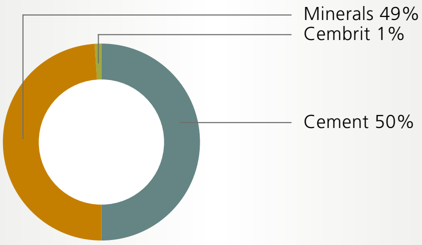
Revenue 2010 - classified geographically



Revenue 2010 - classified by segments



EBIT result 2010 - classified by segments



The backlog of orders at the end of 2010 amounted to DKK 23,708m, which represents an increase of 12% on the year before (end of 2009: DKK 21,194m). The order backlog at the end of 2010 amounted to 1.3 times the year's revenue in Cement and Minerals (2009: 1.0). For major projects, the order intake is converted into revenue over a period of approximately two years in line with the progress of the projects.

The order backlog reflects the fact that on signing major contracts, customers typically make a prepayment representing 10-25% of the total contract value, which makes the order backlog very robust. At the end of 2010, approximately DKK 1.5bn of the order backlog remained on hold following the financial crisis (end of 2009: approximately DKK 2.5bn). However, dialogue is ongoing with the customers concerned and there is general positive movement in the project plans, and most of the projects on hold are expected to be restarted in 2011.

Consolidated results

DKKm	2010	2009	Change (%)
Order backlog	**23,708**	**21,194**	12%
Order intake (gross)	**20,780**	**13,322**	**56%**
Cement and Minerals - Projects and products	11,949	8,235	45%
Cement and Minerals - Customer Services	8,831	5,087	74%
Revenue	**20,186**	**23,134**	**-13%**
Cement and Minerals - Projects and products	12,557	16,436	-24%
Cement and Minerals - Customer Services	6,246	5,455	15%
Cembrit	1,383	1,243	11%
EBITDA	**2,387**	**2,725**	**-12%**
EBITDA ratio	*11.8%*	*11.8%*	
EBIT	**1,990**	**2,261**	**-12%**
EBIT ratio	*9.9%*	*9.8%*	
Cash flow from operating activities	**1,335**	**2,470**	**-46%**

Revenue and earnings

In 2010, FLSmidth achieved satisfactory revenue, earnings and cash flow considering the fact that the order backlog at the beginning of the year was substantially lower than the previous year. Meanwhile, the quality of the order backlog was high, which combined with efficient order execution meant that the contribution ratio and EBIT ratio achieved in 2010 were higher than initially expected.



Revenue in 2010 amounted to DKK 20,186m, corresponding to the most recently announced expectations and 13% lower than the year before (2009: DKK 23,134m). Revenue was evenly distributed among the major continents, most activity taking place in Asia (primarily India) and least activity in Australia.

Overall, the foreign exchange effect of translating into DKK had a 6% positive impact on revenue in 2010.

The gross profit amounted to DKK 5,207m in 2010 (2009: DKK 5,406m), which corresponds to a contribution ratio of 25.8% (2009: 23.4%). The contribution ratio rose in both Cement and Minerals due to better order execution, increasing activity in Customer Services.

Sales, distribution and administrative costs, etc. amounted to DKK 2,820m in 2010 (2009: DKK 2,681m) corresponding to 14.0% of the revenue (2009: 11.6%). Sales, distribution and administrative costs accounted for a rising proportion of the revenue, but were unchanged compared to last year when adjusting for exchange rates. Rising sales and order activity has resulted in higher sales and distribution costs and will not generate revenue and earnings until at a later stage as delivery times extend up to two years. Moreover, Minerals sales, distribution and administrative costs in the second quarter of 2010 reflected the recognition of settlement and legal costs in connection with an intellectual property dispute that was mentioned in the 2010 half-yearly report.

FLSmidth's business model is based on the major part of the manufacturing of machinery and equipment being outsourced to subcontractors. The internal resources mainly consist of engineers and the organisation is continuously adjusted to the current level of business both up and downwards. A large part of the company's engineers are today based in India. The number of employees amounted to 11,229 at the end of 2010, representing a 4% increase exclusive of acquisitions (end of 2009: 10,664), primarily due to recruitment for operation and maintenance contracts.

Total investments in research and development amounted to DKK 281m (2009: DKK 315m), accounting for 1.4% of revenue (2009: 1.4%). This amount includes DKK 74m (2009: DKK 70m) which has been capitalised. In addition, project financed development is taking place in cooperation with customers.

Earnings before special non-recurring items, depreciation, amortisation and write-downs (EBITDA) amounted to DKK 2,387m (2009: DKK 2,725m), corresponding to an EBITDA ratio of 11.8% (2009: 11.8%).

Earnings from special non-recurring items amounted to DKK 39m (2009: DKK 8m), mainly deriving from the disposal of non-core Minerals activities in Germany.

Depreciation, amortisation and write-downs totalled DKK 436m in 2010 (2009: DKK 472m).

In 2010, the effect of purchase price allocations regarding GL&V Process amounted to DKK -90m (2009: DKK -97m) in the form of amortisation of intangible assets.

Earnings before interest and tax (EBIT) amounted to DKK 1,990m in 2010 (2009: DKK 2,261m) which represents an EBIT ratio of 9.9% (2009: 9.8%), corresponding to the most recently announced expectations. Adjusted for purchase price allocations regarding GL&V Process the EBIT result amounted to DKK 2,080m (2009: DKK 2,358m) corresponding to an EBIT ratio of 10.3% (2009: 10.2%).

Financial items in 2010 represented a net expense of DKK 118m (2009: DKK 153m) primarily reflecting foreign exchange adjustments of hedging contracts.

Earnings before tax (EBT) amounted to DKK 1,872m (2009: DKK 2,108m), which equals an EBT ratio of 9.3% (2009: 9.1%). Tax for the year amounted to DKK 590m (2009: DKK 403m) corresponding to an effective tax rate of 32% (2009: 19% which positively reflected recognition of a DKK 230m tax asset).

Management's review

The profit for the year of the continuing activities amounted to DKK 1,282m (2009: DKK 1,705m). The consolidated profit for the year including discontinued activities amounted to DKK 1,278m (2009: DKK 1,664m), corresponding to earnings per share (diluted) of DKK 24.4 (2009: DKK 31.9). The earnings per share before the effect of purchase price allocations regarding GL&V Process amounted to DKK 25.5 (2009: DKK 33.1).

Balance sheet

Total balance sheet amounted to DKK 22,599m at the end of 2010 (end of 2009: DKK 21,902m). The consolidated equity at the end of 2010 amounted to DKK 8,139m (end of 2009: DKK 6,627m) corresponding to an equity ratio of 36% (end of 2009: 30%). The return on equity in 2010 was to 17% (2009: 29%). The Group was net debt free at the end of 2010; net interest-bearing receivables amounting to DKK 1,254m (2009: DKK 1,035m).

Cash flow

Cash flow from operating activities amounted to DKK 1,335m in 2010 (2009: DKK 2,470m). The change in relation to 2009 reflects lower operating profit and higher working capital. Cash flow from investing activities amounted to DKK -726m in 2010 (2009: DKK -530m) including DKK -84m regarding acquisition of enterprises and activities (2009: DKK -286m) and DKK 39m (2009: DKK 0m) regarding disposal of enterprises and activities.

The level of investments was particularly high in 2010 due to investments in regional service centres and warehouses, the technology centre in Salt Lake City and the expansion of in-house manufacturing facilities in India and China.

Cash flow from operating and investing activities amounted to a total of DKK 609m in 2010 (2009: DKK 1,940m).

Working capital

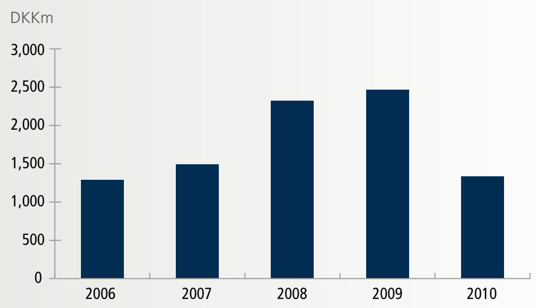
Working capital amounted to DKK 878m at the end of 2010 (end of 2009: DKK 21m). The increase on last year is primarily due to reduced prepayments from customers because cement projects, which typically provide the largest prepayments, are accounting for a lower share of the order backlog.

Outlook for 2011

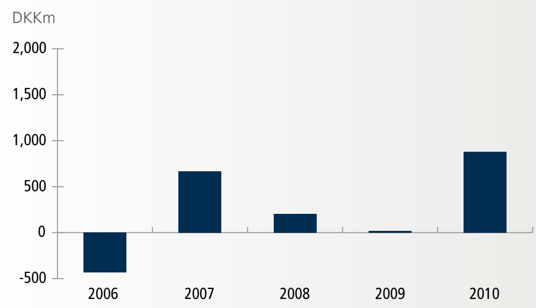
- In 2011, the global market for new contracted cement kiln capacity (exclusive of China) is expected to remain at approximately 65m tonnes per year, of which India is expected to account for approximately 20m tonnes per year. Everything else being equal, this is expected to result in an increasing order intake regarding major cement projects in 2011 compared to 2010. On the other hand, 2011 is not likely to generate the same high order intake of operation and maintenance contracts as 2010.

- Based on the current market prospects, 2011 is expected to see rising investments in the minerals industry, and this is expected to result in an increasing intake of both small and large orders as well as Customer Services orders. However, the order flow is not necessarily expected to be evenly distributed across the year, which means that the quarterly order intake will vary. Particularly material handling activities are expected to see positive development and become a growth market for FLSmidth.

Cash flow from operating activities



Working capital



- In 2011, FLSmidth & Co. expects consolidated revenue of DKK 21-22bn (2010: DKK 20,186m) and an EBIT ratio of 9-10% (2010: 9.9%)

- The prospects of the individual business areas in 2011 are as follows:

	Revenue	(2010)	EBIT ratio	(2010)
Cement	DKK 9-10bn	DKK 9.4bn	9-10%	10.9%
Minerals	DKK 10-11bn	DKK 9.6bn	10-11%	10.3%
Cembrit	approx. DKK 1.4bn	DKK 1.4bn	approx. 4%	2.0%

- The effect of purchase price allocations regarding GL&V Process is expected to be approximately DKK -90m, which is included in the above expectations.

- Investments (exclusive of acquisition and disposal of enterprises) are expected to be around DKK 900m in 2011 (2010: DKK 681m) as a result of investments in more Service Super Centres and continued expansion of the activities in China and India.

- The effective tax rate is expected to be approximately 30% (2010: 32%).

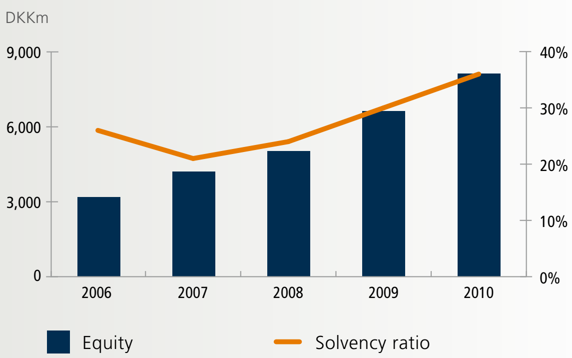
Strategic focus areas

The key strategic focus areas in 2011 will be to continue ongoing measures aimed at strengthening the Group's business platform, competitive position and opportunities for growth in selected segments and markets. These are in particular the expansion in Minerals and in Customer Services in both Cement and Minerals and optimisation of the Group's global business model and local presence in China, India and other important markets.

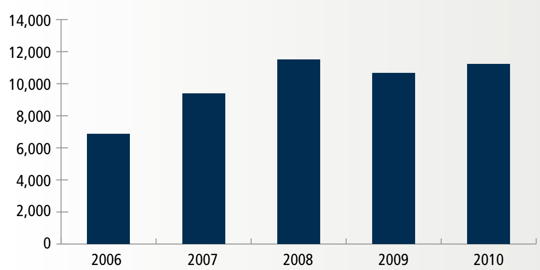
Expansion in Minerals

FLSmidth has in recent years moved from being a provider of equipment and single machine units to becoming a leading supplier of complete solutions and systems in a number of mineral segments. In 2010, the Group inaugurated its new global Mineral Processing Technology Centre in Salt Lake City, Utah, USA, consolidating all major mineral processing competencies including testing centre and laboratory under one roof and enabling FLSmidth to address the minerals industry as One Source. Due to its major expansion plans and lack of experienced project managers, the minerals industry is increasingly looking to its suppliers for strategic collaboration agreements and systems solutions.

Equity



Number of employees



In 2010, the structure and strategy of the Minerals business was adjusted and aimed at achieving an even higher degree of customer focus supported by market-leading technologies in a number of prioritised industries. The goal is to assist minerals customers to an even greater extent in lowering their capital investments, operating costs and lead times. As a consequence, the Minerals business is today structured around global technology and product centres and regional project centres supported by local sales units and back-office functions.

Focus in the coming years will be on an even stronger local presence in the major mining locations. In 2010, for example, Roymec, a material handling company in South Africa, was acquired and a bid was made for ESSA, an automation solutions provider in Australia. As announced on 17 February 2011, after the balance sheet date, FLSmidth has acquired control of ESSA Australia Limited.

Increasing activity in Customer Services

The activities in Customer Services in Cement and Minerals comprise all services before, during and after the construction of a new plant - from the initial feasibility study, via installation, staff training and commissioning to subsequent operation. Customer Services accounted for 33% of the total revenue of Cement and Minerals in 2010 (2009: 25%). The aim is to increase revenue by 10-15% per year as customers increasingly ask for assistance with conversion, optimisation and expansion projects for existing facilities which make them more competitive in terms of greater production reliability, higher availability and lower energy, operating and maintenance costs in addition to reduced environmental impact.

FLSmidth has been working systematically to develop concepts that support this aim, for example operation and maintenance contracts, Service Super Centres and increased in-house manufacturing of spare parts.

Operation and maintenance contracts

In 2006, FLSmidth launched a new concept of operation and maintenance contracts (O&M) for cement production lines. The first O&M contract in Cement was signed in 2007 in Egypt, and due to the successful results it was extended in 2010. In 2009, another contract was signed in Libya, but 2010 saw a real breakthrough with the signing of four five-year contracts in Africa of a total value exceeding DKK 2.5bn.

In Minerals, FLSmidth is responsible for day-to-day maintenance of machinery and buildings at the Collahuasi and Los Pelambres copper processing plants in Chile. In addition, FLSmidth is responsible for the maintenance of the Peñasquito lead and zinc processing plant in Mexico. Futhermore, a number of smaller maintenance contracts have been signed. In the long term, it is also being planned to offer operation and maintenance contracts (O&M) in Minerals. In order to do so it is necessary as a supplier to have a full range of products and complete process knowledge, capabilities which FLSmidth is currently developing within prioritised industrial segments.

Establishing Service Super Centres

In 2010, it was decided to invest in two so-called Service Super Centres, one in Peru and one in Australia, to be able to assist cement and minerals customers in these regions with critical spare parts and machinery repairs. The plan is to invest in 2-3 additional Service Super Centres in strategically important locations over the coming years.

More in-house manufacturing of spare parts

Sales of spare parts to existing cement plants and minerals plants

is a particular focus area in the Group. Experience shows that the Group holds a fair share of the spare parts market for relatively new plants, but that local machine producers and forge shops gain market share as the equipment becomes older. A higher market share in spare parts throughout the equipment life cycle will require a higher degree of vertical integration in terms of in-house manufacturing of spare parts in cost competitive countries. Consequently, investments are being made in expanding internal manufacturing facilities, notably in China and India, without this representing a major change in the Group's overall business model which is to outsource most of the actual manufacturing to subcontractors.

Optimising the Group's global business model and local presence

Being a supplier of equipment and services to the global cement and minerals industries, FLSmidth is active in practically the entire world and has a local presence in 50 countries. FLSmidth supplies everything from single machinery to complete cement plants and minerals solutions including services before, during and after the construction.

FLSmidth's business model is based on a flexible cost structure with most of the actual manufacturing (80-90%) being outsourced to subcontractors. About 40% of the Group's procurement is today sourced from cost competitive countries and the aim is to continuously increase this share.

The in-house resources primarily consist of engineers, a growing number of whom are employed in India. At the end of 2010, 29% of the Group's entire workforce was employed in India, and the Indian engineering centre will in future be responsible for most of the order-related engineering work in the Group.

Over the past few years, focused integration of the engineering activities and of the administrative functions of Cement and Minerals has taken place to obtain greater flexibility and better utilisation of resources. Consequently, a number of regional and global technical and administrative functions have been merged to make the organisation more of a unified global business.

Annual investments typically account for around 2% of revenue, normally corresponding to DKK 400-500m, but they are particularly high in 2010 and 2011 due to investments in expansion in China and India and the investments in strategically located Service Super Centres.

The Group's working capital is relatively limited and has at times even been negative due to large prepayments and milestone payments particularly in connection with the major cement projects. The working capital has in recent years typically been around DKK 0-500m, but will probably increase slightly in the coming years due to the changed business mix involving relatively higher activity in Minerals in general and ind Customer Services in both Cement and Minerals which typically require higher working capital than cement projects.

Local presence

Many mining and cement projects take place in developing countries which are increasingly demanding establishment of local production and job creation in connection with large investments in infrastructure projects and extraction of raw materials. This fully complies with FLSmidth's business model which is based on working with local subcontractors and on maximising local sourcing and manufacture provided both price and quality are acceptable. This applies not least to India and China, but also increasingly to other major emerging markets like Brazil and Russia.

Stronger focus on China and India

Within the next decades, China and India will most likely become the two largest economies in the world, and already today they are the world's largest consumers of cement and minerals, which is reflected in FLSmidth's growing activities in these countries.

China

The Chinese market for cement equipment has in recent years been very competitive and difficult to access for foreign suppliers. However, FLSmidth has been successful in selling selected machinery and equipment to Chinese customers and has in some years had a revenue above one billion Danish kroner.

In 2010, FLSmidth launched a China-strategy and is trying to establish a foothold in the Chinese cement market while gaining insight into Chinese cost structure and technical capability.

In Minerals, FLSmidth is also active in China in selected products and industries. The future strategy is to sell FLSmidth-designed machinery which is produced and procured in China. The year 2010 was the best so far in terms of Minerals order intake in China.

FLSmidth has been permanently represented in China since 1912, and in 2010 it consolidated the Chinese offices of its various Group companies under one roof and a common managerial structure in Beijing.

China is also an important resource for internally and externally manufactured components and equipment. FLSmidth has manufacturing facilities in Qingdao which are expanding from 13,000m^2 to 36,000m^2, manufactuing core components and spare parts for the cement and minerals industries both in and outside China.

India

FLSmidth has supplied cement plants to India since 1904 and has had a local presence there since 1984. Over the past ten years the level of activities in India has expanded tremendously based on the Group's project centre in Chennai. Since 1 July 2010 Mr Bjarne Moltke Hansen, Group Executive Vice President in FLSmidth has been responsible for the cement activities in India.

The Group currently employs 29% of its entire workforce in India. Besides serving the local market, the engineering centre in India is responsible for an increasing share of the Group's order-related engineering work and for a rising proportion of the Group's administrative functions, including IT operations and services.

An increasing portion of the Group's manufacturing will in future take place in India and in 2009, FLSmidth opened its own foundry in India which produces spare parts. FLSmidth is also establishing workshop facilities in connection with the manufacturing plant of its subsidiary EEL India Limited, which is India's leading producer of cement handling and packing equipment.

It is the general impression that Indian customers appreciate FLSmidth's strong local base in the country and that this offers FLSmidth a competitive edge in the Indian market.

FLSmidth is also well placed in Minerals in India, particularly in coal, iron ore and bauxite.

Long-term growth and earnings prospects

It is still expected that particularly urbanisation and industrialisation in emerging markets will generate increasing demand for cement and minerals. In addition, there are a number of other structural conditions which are expected to result in increasing investments in the minerals industry. They include underinvestment over a number of years, the fact that existing mines are being depleted, and that the quality and accessibility of unexploited ore deposits are decreasing, thereby contributing to a higher demand for minerals handling and processing equipment.

The long-term sustainable level for addition of new global cement kiln capacity (exclusive of China) is expected to be around 60-75m tonnes per year on average.

Earnings from Customer Services in both Cement and Minerals are expected over the coming years to account for a rising proportion of the Group's total earnings. This also applies to the Minerals segment as a whole. In light of these facts, the Group still expects its EBIT ratio to be 10-12% in periods of high activity and 8-9% in periods of low activity, bearing in mind that FLSmidth's business is of a late cyclical nature.

Developments in the consolidated EBIT ratio have shown the following stable pattern over the past few years:

Ratio	2007	2008	2009	2010
EBIT (reported)	9.1%	9.5%	9.8%	9.9%
EBIT (exclusive of purchase price allocations regarding GL&V Process)	9.9%	10.6%	10.2%	10.3%
EBIT (exclusive of Cembrit and purchase price allocations regarding GL&V)	9.9%	11.1%	10.9%	10.9%

The effect of purchase price allocations regarding GL&V Process is in future expected to be around DKK -100m per year.

In years to come, the annual investments (exclusive of acquisitions) are expected to be in the range of DKK 400-500m (previous expectation DKK 300-400m). In 2011, however, they are expected to amount to DKK 900m as a result of investments in Service Super Centres, and manufacturing facilities in China and India.

Capital structure and dividend

It is the FLSmidth Group's aim at all times to have a suitable capital structure in relation to the underlying operating results to ensure that it is always possible to obtain the necessary and sufficient credit and guarantee facilities to support the commercial operations. The aim is to maintain an equity ratio of at least 30%. At the end of 2010, the equity ratio amounted to 36% (end of 2009: 30%).

At the end of 2010, the Group had net interest-bearing receivables of DKK 1,254m (end of 2009: DKK 1,085m).

Based on the positive developments in cash flow and capital structure in 2010, the Board of Directors proposes that the Annual General Meeting approves distribution of DKK 9 per share in dividend for 2010, corresponding to DKK 479m and 37% of the profit for the year (2009: 22%). FLSmidth's objective is to maintain capital resources to fund future growth and to strengthen the commercial position through complementary technologies and services. It is FLSmidth's new dividend policy in future to pay out 30-50% of the year's profit in dividend depending on the capital structure and investment opportunities.

Treasury shares

FLSmidth & Co. A/S's holding of treasury shares at the end of 2010 totalled 760,459 representing 1.4% of the share capital (31 December 2009: 755,298). The holding of treasury shares is adjusted from time to time to match the Group's incentive plan.

Incentive plan

As at 31 December 2010, there were a total of 635,904 unexercised options under the Group's share option plan, and the fair value of them was DKK 150m. The fair value is calculated by means of a Black-Scholes model based on a current share price of 532, a volatility of 35.77% and annual dividend of DKK 9 per share. The effect of the plan on the income statement for 2010 was DKK 21m (2009: DKK 19m). Please see note 9 in the consolidated financial statements for further information.

Granting of employee shares

In 2010, the Board of Directors of FLSmidth & Co. A/S decided on a trial basis to grant employee shares to all employees of the Group except the Management and other key staff who are included in the incentive plan mentioned above, based on the financial result achieved in 2010 and specific employment criteria. A total of 73,216 shares or equivalent cash amounts are being distributed. The carrying amount in 2010 is DKK -60m at EBIT level. The shares are taken from the FLSmidth & Co. A/S holding of treasury shares.

Corporate social responsibility

This Annual Report includes a statement of corporate social responsibility (pages 52-57) which summarises the FLSmidth progress report submitted to the UN Global Compact on 7 February 2011. The progress report replaces a statutory statement of corporate social responsibility pursuant to the exemption given in the Danish Financial Statements Act Section 99a and a full version of the report can be accessed on www.flsmidth.com/copreport.

Corporate governance

As to the corporate governance statement pursuant to the Financial Statements Act Section 107b, see pages 48-51.

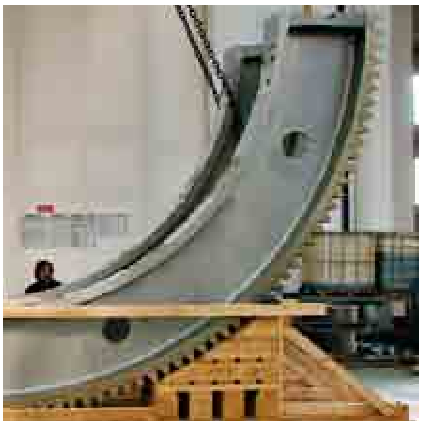
Events occurring after the balance sheet date

As announced on 3 January 2011, UBS AG has reduced its total holding of FLSmidth & Co. A/S shares to 4.98%.

As announced on 25 January 2011, UBS AG has increased its total holding of FLSmidth & Co. A/S shares to 5.05%.

As announced on 1 February 2011, UBS AG has reduced its total holding of FLSmidth & Co. A/S shares to 4.995%.

As announced on 17 February 2011, FLSmidth has acquired control of ESSA Australia Limited.



Statement by Management on the annual report

We have today presented the Annual Report of FLSmidth & Co. A/S for the financial year 1 January to 31 December 2010.

The consolidated financial statements are presented in conformity with the International Financial Reporting Standards, which are approved by the EU, and the parent company financial statements are presented in accordance with the Danish Financial Statements Act. The Annual Report is also presented in accordance with Danish disclosure requirements for listed companies.

In our opinion the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial standing at 31 December 2010 and of the financial results of the Group's and the parent company's activities and the Group's cash flow for the financial year 1 January to 31 December 2010.

We also consider the Management's review to give a true and fair account of the developments of the activities and financial affairs of the Group and the parent company, the earnings for the year and the Group's and the parent company's financial standing as a whole and to contain a description of the major risks and uncertainties facing the Group and the parent company.

We submit the Annual Report for approval by the Company in general meeting.

Copenhagen, 17 February 2011

Executive Management	Jørgen Huno Rasmussen *Group CEO*	Poul Erik Tofte *Group Executive* *Vice President (CFO)*	Bjarne Moltke Hansen *Group Executive* *Vice President*	Christian Jepsen *Group Executive* *Vice President*
Board of Directors	Jørgen Worning *Chairman*	Jens S. Stephensen *Vice Chairman*	Jens Palle Andersen	Torkil Bentzen
	Mette Dobel	Martin Ivert	Frank Lund	Jesper Ovesen
	Vagn Ove Sørensen			

Independent auditor's report

To the shareholders of FLSmidth & Co. A/S

Report on the consolidated financial statements and parent financial statements

We have audited the consolidated financial statements and parent financial statements of FLSmidth & Co. A/S for the financial year 1 January - 31 December 2010, which comprise the income statement, balance sheet, statement of changes in equity and notes, including the accounting policies, for the Group and the Parent, respectively, as well as the statement of comprehensive income and the cash flow statement of the Group. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the parent financial statements have been prepared in accordance with the Danish Financial Statements Act. Further, the consolidated financial statements and parent financial statements have been prepared in accordance with Danish disclosure requirements for listed companies.

Management's responsibility for the consolidated financial statements and parent financial statements

Management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies as well as the preparation and fair presentation of parent financial statements in accordance with the Danish Financial Statements Act and Danish disclosure requirements for listed companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility and basis of opinion

Our responsibility is to express an opinion on these consolidated financial statements and parent financial statements based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements and parent financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and parent financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and parent financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of consolidated financial statements and parent financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and parent financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2010, and of its financial performance and its cash flows for the financial year 1 January - 31 December 2010 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Further, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31 December 2010 , and of its financial performance for the financial year 1 January - 31 December 2010 in accordance with the Danish Financial Statements Act and Danish disclosure requirements for listed companies.

Statement on the management's review

Management is responsible for preparing a management's review that contains a fair review in accordance with Danish disclosure requirements for listed companies.

Our audit did not include the management's review, but we have read it pursuant to the Danish Financial Statements Act. We did not perform any procedures other than those performed during the audit of the consolidated financial statements and parent financial statements.

Based on this, we believe that the disclosures in the management's review are consistent with the consolidated financial statements and parent financial statements.

Copenhagen, 17 February 2011

Deloitte *Statsautoriseret Revisionsaktieselskab*	Anders Dons *State Authorised Public Accountant*	Jesper Jørgensen *State Authorised Public Accountant*

Board of Directors and Executive Management

Board of Directors

1 Martin Ivert
Member of the Board of Directors elected at the General Meeting since 2008, age 63, MSc (metallurgy). Managerial posts: Chairman of Swerea (Swedish Research) and Swedish Centre for Maintenance Management. Member of the Board of Directors of Åkers Group (Sweden) and Ovako (Sweden). Shareholding in FLSmidth & Co. A/S: 300 shares.

2 Jens S. Stephensen
Vice Chairman of the Board of Directors since 2002 and member of the Board of Directors elected at the General Meeting from 1995-2000, age 69, MSc (engineering). Managerial posts: Chairman of Holm & Grut A/S and Danish Airlease ApS. Member of the nomination committee and the remuneration committee Shareholding in FLSmidth & Co. A/S: 60,000 shares.

3 Mette Dobel
Employee-elected member of the Board of Directors since 2009, age 43, BSc (commercial engineering), Global Product Manager. Shareholding in FLSmidth & Co. A/S: 546 shares.

4 Frank Lund
Employee-elected member of the Board of Directors since 2006, age 49, MSc (elec.eng.), Grad.Dipl. EBA, Service sales engineer. Shareholding in FLSmidth & Co. A/S: 56 shares.

5 Jørgen Worning
Chairman of the Board of Directors since 2002, age 70, MSc (engineering).
Managerial posts: Chairman of the Board of Directors of Alk-Abelló A/S. Chairman of the nomination committee and the remuneration committee. Shareholding in FLSmidth & Co. A/S: 10,273 shares.

6 Vagn Ove Sørensen
Member of the Board of Directors elected at the General Meeting since 2009, age 51, MSc (Econ. and Bus.Admin.). Managerial posts: Chairman of the Boards of Directors of KMD A/S, Scandic Hotels AB (Sweden), Select Service Partner Plc (UK) and TDC A/S. Vice Chairman of the Boards of Directors or DFDS A/S. Member of the Boards of Directors of Lufthansa Cargo (Germany), CP Dyvig, Air Canada (Canada) and Braganza AS (Norway). Member of the remuneration committee.
Shareholding in FLSmidth & Co. A/S: 521 shares.

7 Jens Palle Andersen
Employee-elected member of the Board of Directors since 2006, age 60, BSc (elec.eng.), Project Manager, Power & Drives. Shareholding in FLSmidth & Co. A/S: 796 shares.

8 Jesper Ovesen
Member of the Board of Directors elected at the General Meeting since 2005, age 53, state-authorised public accountant, Senior Executive Vice President and Chief Financial Officer of TDC A/S. Managerial posts: Vice Chairman of the Board of Directors of YouSee A/S. Member of the Boards of Directors of Skandinaviska Enskilda Banken (Sweden), Orkla ASA (Norway) and Danisco A/S. Shareholding in FLSmidth & Co. A/S: 1,000 shares.

9 Torkil Bentzen
Member of the Board of Directors elected at the General Meeting since 2002, age 64, MSc (engineering). Managerial posts: Chairman of the Boards of Directors of Burmeister & Wain Scandinavian Contractor A/S, EUDP (Energy Development and Demonstration Programme) and Klimakonsortiet (the Climate Consortium). Member of the Boards of Directors of Mesco Denmark A/S and Siemens Aktieselskab, Denmark. Member of the remuneration committee.
Shareholding in FLSmidth & Co. A/S: 2,600 shares.

1 2 4 6 7 9
3 5 8

Executive Management

1 Bjarne Moltke Hansen
Group Executive Vice President of FLSmidth & Co. A/S since August 2002 with overall responsibility for Customer Services and Cement India, the Cement product companies and Cembrit, age 49, BSc (engineering).
Managerial posts: Vice Chairman of the Board of Directors of GEO. Member of the Board of Directors of RMIG A/S.

2 Jørgen Huno Rasmussen
Group Chief Executive Officer of FLSmidth & Co. A/S since January 2004 with overall responsiblity for Cement activities, age 58, MSc (engineering), Dipl.Bus.Admin. and PhD (techn.sc.).
Managerial posts: Member of the Boards of Directors of Vestas Wind Systems A/S, Lundbeckfonden and LFI A/S. Member of the Board of Representatives of Tryghedsgruppen smba and Vice Chairman since March 2010.

3 Christian Jepsen
Group Executive Vice President in FLSmidth & Co. A/S since October 2005 with overall responsibility for Minerals activities, age 52, MSc (econ. and bus.admin.).
Managerial posts: None

4 Poul Erik Tofte
Group Executive Vice President and CFO of FLSmidth & Co. A/S since January 2003, age 54, MSc (econ.) and Dipl.Bus.Admin.
Managerial posts: Member of the Board of Directors of Dansk Kapitalanlæg.

1 2 3 4

Cement

Since 1882, FLSmidth has been the leading supplier of complete cement plants, production lines, single machinery, spare parts, know-how, services and maintenance to the global cement industry.

FLSmidth's strength is a market leading product range, combined with the experience and the ability to implement projects and supply high-quality products and services around the globe.

The major cement projects are handled by three regional project divisions which each cover their particular geographical region. The project divisions are located in Denmark (Valby), USA (Bethlehem) and India (Chennai).

Global responsibility for technology, innovation and design of the Group's key machinery is concentrated in a global organisation to ensure that all projects worldwide maintain a consistent and high technological standard. The Indian centre increasingly serves as a subcontractor and partner for the project centres in Denmark and the USA in step with the transferring of standard engineering work to the Indian organisation and the development of competencies in India.

Most of the actual manufacturing of machinery and equipment is outsourced to subcontractors. However, FLSmidth operates its own manufacturing plant in Manheim, USA and a foundry in Chennai, India, both for the production of spare parts, and a manufacturing plant in Qingdao, China for the production of certain key components. In addition, there are manufacturing facilities in Germany, Czech Republic, Italy, Poland, India and the USA in connection with specialised product companies.

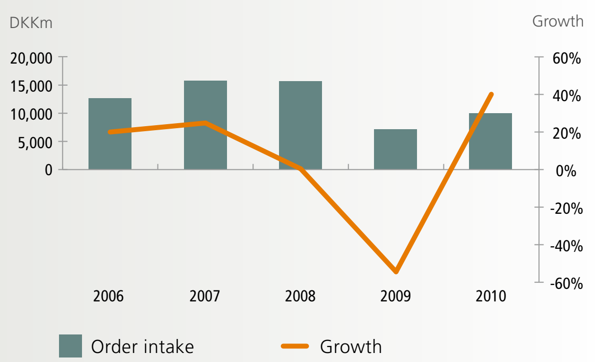
The number of employees in Cement totalled 5,686 at the end of 2010 (end of 2009: 5,553). The increasing number of employees is primarily due to growing activity within operation and maintenance (O&M).

The demand for cement and cement production capacity

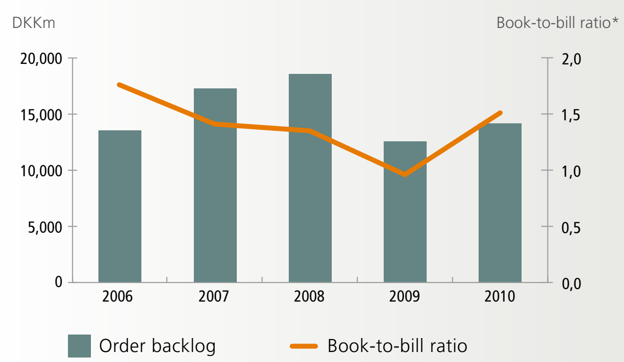
Global cement consumption amounted to more than 3bn tonnes in 2010 of which more than 50% took place in China and approximately 7% in India. The annual growth in global cement consumption is expected to be around 5% in the coming years.

Cement produced by means of modern technology is a relatively homogeneous product with price and quality being important sales parameters. It is also a heavy and voluminous product which is expensive to transport – especially by land. Generally speaking, it is therefore not profitable to transport cement by land over

Order intake

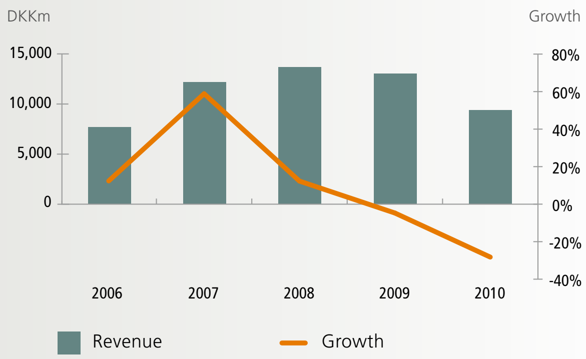


Order backlog and book-to-bill ratio

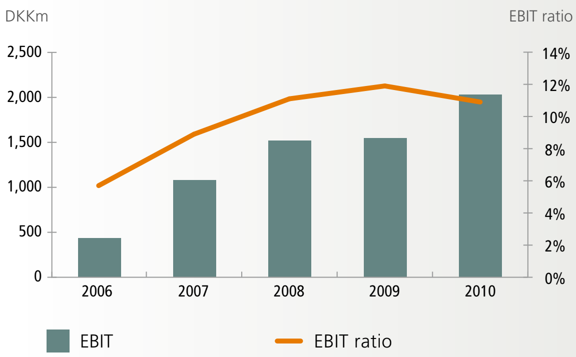


* Book-to-bill ratio definition: Order backlog in relation to revenue

Revenue



EBIT and EBIT ratio



distances greater than a few hundred kilometres. This means that cement production to a large extent is a local or a regional business in the vicinity of the end user. This is illustrated by the fact that only around 5 -10% of the world's cement production is traded internationally, and typically the cement plant is therefore located in connection with port terminals from which transport can take place in bulk. Freight rates play an important role for the profitability of international cement trade. Freight rates decreased noticeably during 2010, which, everything else being equal, means that import/export of cement has become more attractive.

The investment climate among cement producers depends on local and regional supply and demand. Typically, cement capacity within a country will be expanded if cement consumption exceeds the local production capacity and it is not considered profitable to import cement. Over time, the development in new capacity will follow the underlying increase in demand for cement, but whilst the underlying cement consumption develops continuously, the addition of new capacity happens incrementally. The demand for new production capacity is dependent on the underlying demand for cement, whereas the demand for single machinery and services for existing plants is less dependent on the current business cycles.

The sustainable level for global demand for cement kiln capacity (exclusive of China) is estimated to be around 60-75m tonnes per year, based on a global annual GDP growth (exclusive of China) of around 3-4%.

New contracted cement kiln capacity is used as an indicator of the development in the overall demand for equipment for the global cement industry. The kiln system which includes preheater, kiln and cooler accounts for only around 25% of the value of a cement production line, and the lifetime of a kiln is generally longer than the other equipment. Besides, there are large differences in the revenue generated by an order for the same kiln capacity in different regions. New contracted cement kiln capacity is therefore only to be considered as an indicator of the overall capital investments in the cement industry and FLSmidth's project-related order intake.

The cement producers are to a larger extent than previously beginning to focus on "Total Cost of Ownership" which means that not only the initial investment but also the total costs incurred over the investment's life time are taken into account. Factors such as shorter delivery times, lower energy consumption, higher effective production time, lower emissions and lower maintenance costs, environmental aspects, etc. are therefore important parameters in the purchase decision process.

Market position

FLSmidth's product range covers the total provision of equipment for a full-scale, modern cement plant. FLSmidth is the global provider offering the most complete and technologically advanced product range and therefore the market's best comprehensive and environmentally sustainable value proposition. FLSmidth is therefore able to provide particularly competitive products for reducing air, noise and flue gas pollution and for the use of alternative fuels. In addition, energy efficiency, heat recuperation and reduction of greenhouse gas emissions are action areas that are given top priority in connection with the Group's research and development activities.

FLSmidth also leads the way with regard to services to the global cement industry, which is a highly prioritised business segment for the Group. These services include all types of services before, during and after the supply of new plants. FLSmidth aims at increasing revenue within Customer Services by 10-15% per year with a view to creating stable and continuous earnings. A focused effort is thus being made to develop new business areas based on the customers' needs.

FLSmidth is strongly placed in all geographical regions outside China. The Chinese market for cement equipment has in recent years been very competitive and difficult to access for foreign suppliers. However, FLSmidth has been successful in selling selected machinery and equipment to Chinese customers and has in some years had a revenue in China above one billion Danish kroner.

In 2010, FLSmidth launched a China-strategy and is trying to establish a foothold in the Chinese cement market while gaining insight into Chinese cost structure and technical capability. The long-term goal is to become a competitive supplier of cement plants and services in China, based on a Chinese sales organisation, Chinese design and Chinese production.

Experience obtained from the efforts made to simplify and minimise cost of cement equipment for the Chinese market will to the extent it makes sense and complies with FLSmidth's international standards and quality be integrated in FLSmidth's global design.

In 2010, FLSmidth's market share was 36% (2009: 38%) in terms of global new contracted cement kiln capacity outside China. The competitive situation is largely unchanged compared to 2009.

O&M for safe, sustainable plant

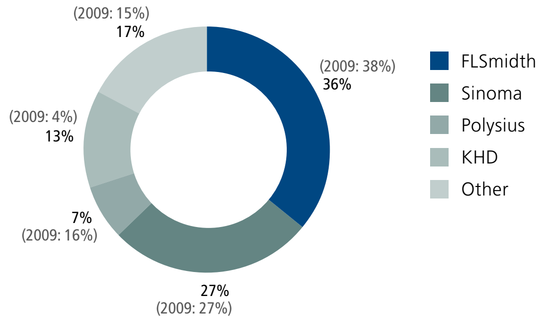
Even though cement production is a heavy industry, it doesn't have to harm the environment. FLSmidth Operation & Maintenance (O&M) services optimise cement plant operations and minimise their environmental impact.

I recently re-joined FLSmidth after a decade in cement manufacturing where I experienced the value of FLSmidth's know-how and global network first hand. Today, our customers are more concerned than ever with controlling dust, reducing emissions, and running their plant efficiently and safely. And that's exactly what our O&M teams aim to do, working onsite to optimise processes and performance, and establish best practice procedures and know-how. By meeting ISO standards and fostering sustainable upgrades, we help reduce the impact of cement plants on local environments – and the lives of local people.

Anders Peter Jørgensen, General Manager in Operations & Maintenance

Cement

Market share 2010 based on global contracted kiln capacity (exclusive of China)



Market trends in 2010

In 2010, the market for new contracted cement kiln capacity outside China amounted to 65 million tonnes per year (2009: 45m tonnes per year). The demand for new capacity, services and spare parts increased in 2010 compared to the year before which was affected by the global financial crisis, which combined with a high level of gearing among many of the major cement producers meant that many investments were put on hold and that optimisation of cash and tied up funds were given highest priority.

Many developing countries have in recent years seen an expansion of the middle classes, which has been the main driver of economic growth. The largest market for new cement capacity outside China in 2010 was India, which accounted for 35% of the market, supported by continuous high and solid economic growth. In addition, activity has been present in a number of different countries in particular North Africa, South America and the remaining parts of Asia. The Russian market is becoming more active again.

In India, cement consumption has increased by 8-9% per year on average during the last 15 years, which is due to the overall high economic growth in the country and in particular increased residential construction and major infrastructure projects.

In North Africa, cement consumption is mainly driven by high oil/gas prices and consequent increasing investments in infrastructure and residential construction as a result of new opportunities for mortgage financing. In South America, cement consumption is growing in a number of countries as a result of revenue from exports of oil and minerals and public infrastructure investments. In 2014, Brazil is set to host the FIFA World Cup and in 2016 the Olympic Games, two events that will boost cement consumption in the years ahead.

Both in Europe and in USA, activity is currently limited in the wake of the financial crisis. New and stricter environmental legislation in the USA, the socalled NESHAP (National Emission Standards for Hazardous Air Pollutants), which comes into force in 2013, may result in growing demand for emission reducing technology. FLSmidth has developed a mobile laboratory which is currently helping American customers analyse their emissions and identify the needs for reduction. The capacity of the mobile laboratory is sold out several months ahead. FLSmidth is in possession of technology that can help customers comply with the more stringent environmental standards.

In 2010, the five major global cement producers accounted for 11% of FLSmidth's total order intake in Cement (2009: 9%). Overall, local and regional cement producers are more focused on organic growth than the global cement producers who to a larger extent have grown through acquisitions and consolidation.

Pipe conveyors for cleaner, greener plants

Since 2004, we have been focused on perfecting our innovative pipe conveyor design. A rapidly evolving technology, pipe conveyors reduce pollution and power consumption while providing higher availability.

A belt rolled into a tube, pipe conveyors are more versatile than conventional conveyors – and they offer major environmental benefits. These conveyors keep material completely enclosed for 95 percent of the journey, ensuring no material is spilled or lost due to wind. They also protect the material from contamination, rain and theft – and save energy. One of our customers, has a plant located on two sides of a road, so they needed to get material from one side to the other – with guaranteed no spills. Our pipe conveyor was the answer – and they have has since installed four more.

Vivek Chaturvedi,
Head Design Engineer

Cement

Financial results for 2010

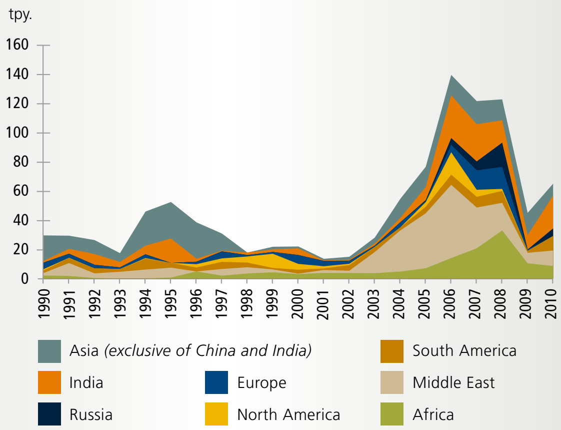
The total order intake in Cement amounted to DKK 10,036m in 2010, representing a 40% increase on the same period last year (2009: DKK 7,163m). The backlog of orders at the end of 2010 amounted to DKK 14,146m, which represents an increase of 13% on the year before (end of 2009: DKK 12,568m). The major cement project orders in 2010 came from Brazil, India, Tunisia and Uruguay.

The order intake from Customer Services amounted to DKK 5,662m in 2010, which is 95% higher than the year before (2009: DKK 2,900m). In 2010, activity in Customer Services was positively affected by the fact that FLSmidth achieved a real breakthrough in operation and maintenance contracts and received four five-year contracts in Angola, Tunisia and Egypt at a total value of more than DKK 2.5bn.

The total revenue in Cement amounted to DKK 9,372m in 2010, representing a 28% decrease compared to last year (2009: DKK 13,059m). The decrease in revenue is primarily due to the lower order backlog at the beginning of the year and deferred deliveries on projects which instead will have a positive impact on revenue in 2011. The revenue regarding Customers Services amounted to DKK 3,077 in 2010 representing an increase of 4% compared to the year before (2009: DKK 2,946m). Sales of spare parts are thus still affected by a relatively low level of construction activities in Europe and USA in the wake of the financial crisis.

Overall, the foreign exchange effect of translating into DKK has had a 3% positive impact on revenue in 2010.

Historical trend in global new contracted cement kiln capacity (exclusive of China)



The EBIT result for 2010 amounted to DKK 1,017m (2009: DKK 1,548m), which is a 34% decrease compared to the previous year. The realised EBIT ratio in 2010 was 10.9% (2009 11.9%) which should be viewed against markedly lower revenue than the year before and, consequently, lower operational gearing. The EBIT ratio, on the other hand, is positively affected by improved order execution.

Cement

DKKm	2010	2009	Change (%)
Order backlog	**14,146**	**12,568**	13%
Order intake (gross)	**10,036**	**7,163**	40%
Projects & products	4,374	4,263	3%
Customer Services	5,662	2,900	95%
Revenue	**9,372**	**13,059**	-28%
Projects & products	6,295	10,113	-38%
Customer Services	3,077	2,946	4%
EBITDA	**1,148**	**1,727**	-34%
EBITDA ratio	*12.2%*	*13.2%*	
EBIT	**1,017**	**1,548**	-34%
EBIT ratio	*10.9%*	*11.9%*	
Number of employees	5,686	5,553	2%

Outlook for 2011

Revenue in Cement for 2011 is expected to be DKK 9-10bn (2010: DKK 9.4bn) and the EBIT ratio approximately 9-10% (2010: 10.9%). The EBIT ratio is expected to be lower in 2011 due to the fact that the ratio in the previous years has been positively affected by a high volume and healthy contracts. On the other hand, a changed product mix in the form of more Customer Services will support a higher ratio.

The year 2011 is expected to see a higher level of investments in the cement industry compared to 2010, as access to credits and cash is expected to improve.

In 2011, the global market for new contracted cement kiln capacity (exclusive of China) is expected to amount to approximately 65m tonnes per year (tpy) (2010: 65m tpy). In the coming years, India is expected to contract approximately 20 million tpy of cement kiln capacity each year (2010: 23m tpy) notwithstanding posible temporary overcapacity in certain regions. There will therefore be a need for continuous addition of new cement capacity to meet the underlying growth in cement consumption following the overall economic growth which is around 8-9% in India.

Minerals

FLSmidth is among the leading suppliers of systems, process plants, single machinery, spare parts, know-how, services and maintenance to the global minerals industry.

FLSmidth has in recent years moved to become a leading provider of complete solutions and systems to the mineral processing industry based on a world-class product range combined with specialised process knowledge and engineering competencies.

The product range includes equipment for mining, processing and transport of a large number of different ores and minerals, base and precious metals, limestone, iron ore, phosphate and coal. FLSmidth is among the leading suppliers of crushers, mills, hydrocyclones, pumps, separation, calcining and material handling equipment.

Contact with customers is handled through three regional centres covering North and South America (AMER), Europe, the Middle East, Africa and China (EMEA) and India, Asia and the Pacific (APAC), respectively. The regional centres are supported by global technical and commercial competence centres and product companies, primarily in the USA and Germany, backed by local sales unit and back-offices.

The major offices are located in Australia, Brazil, Chile, Peru, India, China, Russia, Great Britain and South Africa.

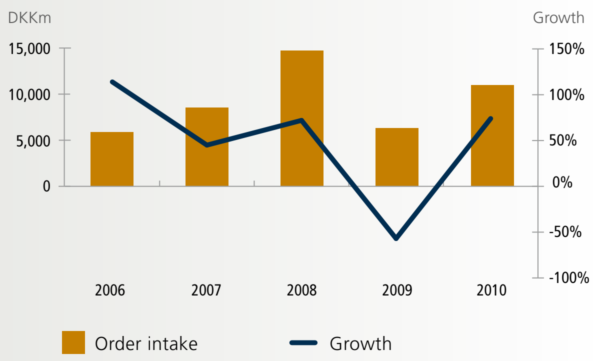
Most of the manufacturing has been outsourced to subcontractors. In-house manufacturing is limited to specific key products that are manufactured at the company's own workshops, notably in the USA, South Africa, Australia, China and Germany.

Demand for minerals and mineral processing equipment

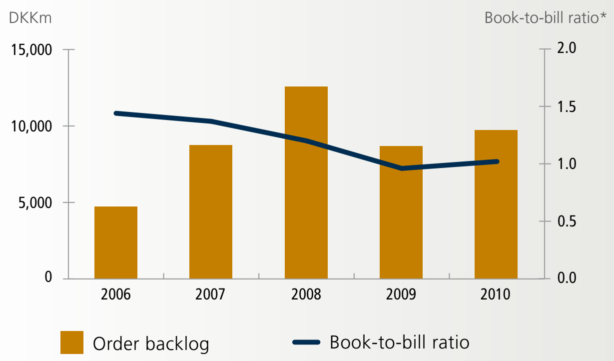
In recent years, the minerals market has seen massive growth resulting from societal changes in developing countries where the growing middle class has been created by a rising demand for infrastructure and mineral and metal based consumer goods. Rising purchasing power and an increasing number of global consumers are the primary drivers impacting the growing global demand for minerals. Other major drivers are increasing urbanisation and industrialisation as well as the investments by the Western world in production and human resources in India, China and other developing countries.

Minerals are characterised by being a global market with global pricing. Over time the development in production capacity will follow the underlying increase in demand for minerals, but whilst the underlying consumption grows continuously, the addition of new capacity happens incrementally.

Order intake

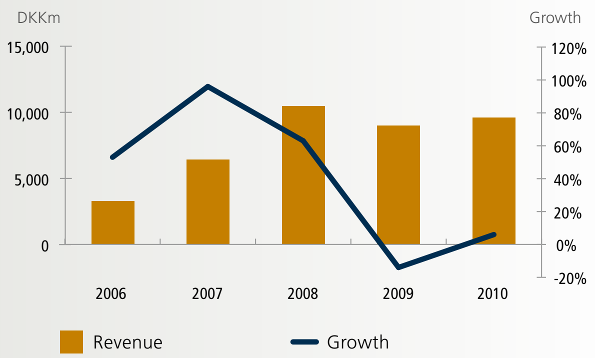


Order backlog and book-to-bill ratio

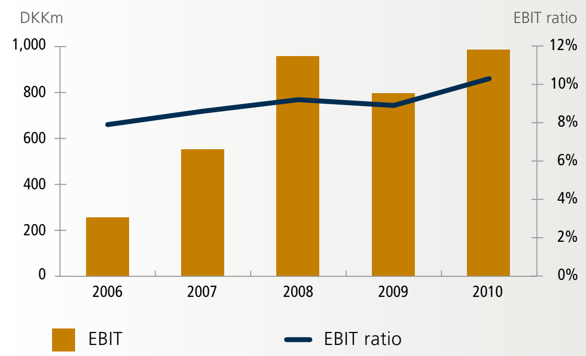


* Book-to-bill ratio definition: Order backlog in relation to revenue

Revenue



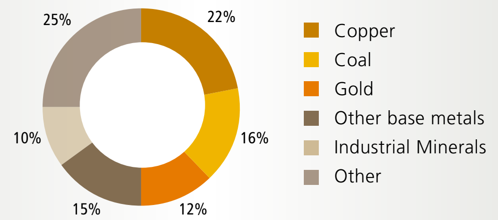
EBIT and EBIT ratio



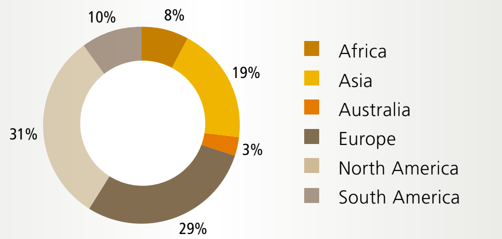
Minerals

Order intake 2010

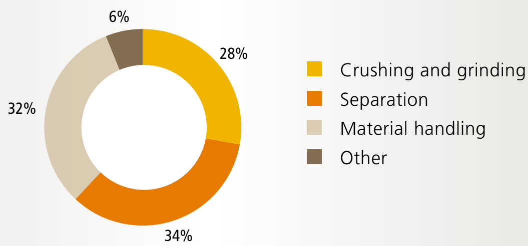
By type of mineral



By geography



By product type



As the quality of existing ore deposits depletes, continuously growing volumes of ore need to be processed merely to maintain the same output. This trend requires larger capacity processing plants and makes specialised expertise and know-how on super tonnage plants critically important. Moreover, the declining quality and accessibility of unexploited ore deposits is forcing the mining industry to explore more complex and deep-lying ore reserves, which boosts demand particularly for material handling equipment to remove the overburden.

Reduced environmental impact and, notably, reduced water consumption is key to obtaining government approval of new mines and expansions. This requires new methods and new technology and is one of the reasons why mining companies are ready to form closer relationships with their suppliers. Supplier Relationship Management has already become a widespread concept in the industry, involving closer long-term relationships to optimise the traditional methods of exploitation, reduce environmental impact and increase sustainability, all being requirements that are essential for today's mining industry.

Market position

FLSmidth has moved from being a supplier of equipment and machine units to eventually becoming a leading solutions and systems supplier to the mineral processing industry based on a world class product range and supported by world-class laboratories and testing facilities. FLSmidth also offers all standard and specialised engineering services including construction, design and electrical engineering. Few other solid/liquid raw materials separation suppliers can offer such a broad range of proprietary equipment and processes for industrial and environmental applications.

The "One source" concept enables customers to optimise the individual process sections in relation to the subsequent processes and reduce the installation's total investment requirements, operating costs and environmental impact, as only world-class technology is applied in all processes and FLSmidth has extensive process knowledge throughout the entire value chain. Working with only one supplier also facilitates planning, designing and coordinating work, and the supplies with longer delivery times can be determined early in the process, which reduces the total planning and delivery time. Besides, the operation of the plant can be optimised through more effective training of the customer's staff and by automating and optimising the subsequent services, including operation and maintenance.

Lower environmental impact for cement and minerals plant

My career began in a South African coal mine 22 years ago. Surrounded by nature and wildlife, the mine tried hard not to affect the local environment. This made a deep impression on me, and still plays a central part in my work for FLSmidth's Material Handling team today.

The team's continuous handling systems deal with raw materials from the mine to the plant. Producing less noise, dust and fewer emissions and consuming much less energy than trucks, these systems help minimise environmental impact – and reduce costs. We're currently installing a massive conveyor at a mine in Peru that will replace dozens of trucks. And in Australia, we'll be replacing trucks with our new mobile sizing and conveying system, reducing emissions by more than 25,000 tonnes of CO_2 per year.

Sergio Zamorano, Material Handling, FLSmidth India

Minerals

FLSmidth is currently enjoying great interest in so-called "Island Solutions" that comprise a defined section of the total processing plant. The Island includes all process and standard equipment plus all standard and specialised engineering including the option of a turnkey solution.

There are a number of competitors in the various product and minerals segments; overall, however, FLSmidth is among the market leaders in all the segments in which the company is active, i.e. typically within the actual mineral processing plant.

In 2010, the Group inaugurated its new global Mineral Processing Technology Centre in Salt Lake City, Utah, USA, consolidating all major mineral processing competencies including testing centre and laboratory under one roof and in effect enabling FLSmidth to address the minerals industry as One Source.

In 2010, the structure and strategy of the Minerals business was adjusted and aimed at achieving an even higher degree of customer focus supported by market-leading technologies in a number of prioritised industries. The goal is to assist minerals customers to an even greater extent in reducing their investment requirements, operating costs, lead times and environmental impact. As a consequence, the Minerals business is today structured around global technology and product centres, as well as regional project centres supported by local sales units and back-office functions.

Focus in the coming years will be on an even stronger local presence in the major mining locations. In 2010, for example, Roymec, a material handling company in South Africa, was acquired and an offer was made for ESSA Australia Limited, an automation solutions provider.

Another of FLSmidth's focus areas is to continuously increase Customer Services-related activities, aiming at an annual growth rate of 10-15%. Several of the acquisitions made in the previous years have been targeted specifically on Customer Services. Locally, there is great demand for spare parts and services for most of the company's products, and the strategy is therefore to have local centres and offices that can provide the best possible customer support. Access to spare parts and workshop facilities for the repair of main machinery is vital to mining operators due to the high level of wear. The same applies to access to servicing, reconstruction, optimisation and expansion of existing processing plants that will sharpen the customer's competitive edge. The announced investments in Service Super Centres address these needs and support the ambition of moving closer to the customers.

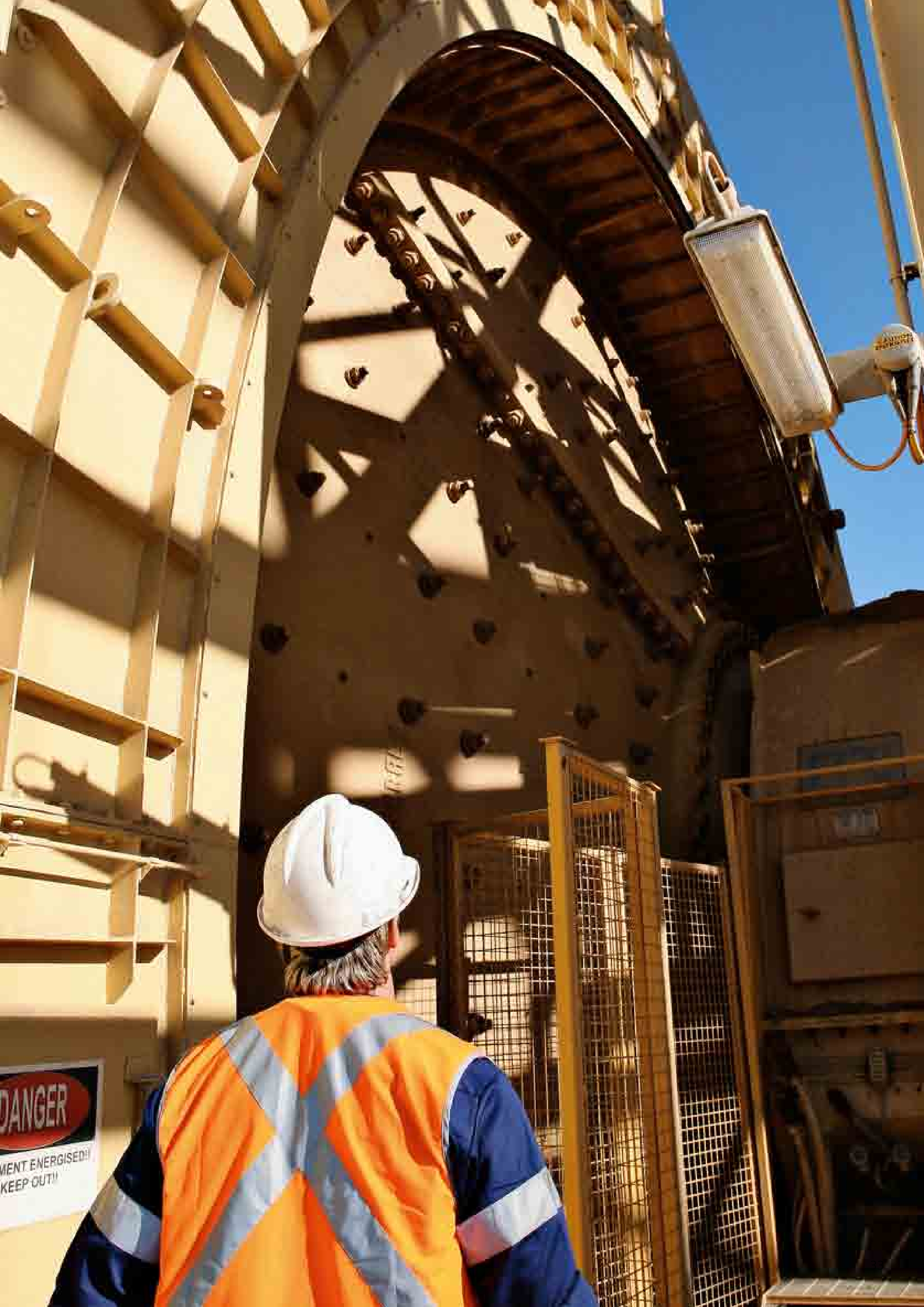
A potential growth area in Customer Services is comprehensive solutions for service and maintenance. FLSmidth is currently responsible for the day-to-day maintenance of machinery and buildings at the Collahuasi and Los Pelambres copper processing facilities in Chile and the maintenance of the Peñasquito lead and zinc processing plant in Mexico and a copper processing plant in Zambia.

Market trends in 2010

Mineral prices increased to new record highs in 2010, which had a positive effect on the mining companies' desire to invest. Accordingly, mineral processing investments increased considerably in 2010 compared to 2009, primarily in the copper, coal, gold, iron ore and phosphate industries.

Financial results for 2010

The Minerals order intake in 2010 amounted to DKK 10,982m (2009: DKK 6,294m), which represents a 74% increase compared to last year.


DANGER
MENT ENERGISED!!
KEEP OUT!!

Minerals

In 2010 major contracts were signed with customers in Canada, Chile, India, Jordan, Mauritania, Kuwait, Russia and the USA for gold, copper, coal, iron ore and phosphate processing technology accompanied by growing interest in systems solutions and product islands in both material handling and mineral processing.

By the end of 2010, the order backlog amounted to DKK 9,752m, representing an increase of 12% on the previous year (end of 2009: DKK 8,712m). With the sales mix moving from single machine units to systems and solutions, the Minerals order processing profile is gradually coming to resemble that of Cement with order processing and delivery extending over periods up to two years.

In 2010, the order intake in Customer Services amounted to DKK 3,222m, representing a 42% increase compared to last year (2009: DKK 2,266m) and reflecting the fact that capacity utilisation at existing mines is currently very high.

The total revenue in Minerals amounted to DKK 9,587m in 2010, representing a 6% increase on the same period last year (2009: DKK 9,037m). The total revenue in Customer Services amounted to DKK 3,226m in 2010, representing an increase of 26% on the year before (2009: DKK 2,555m).

Overall, the foreign exchange effect of translating into DKK has had a 10% positive impact on revenue.

The EBIT result amounted to DKK 987m in 2010 (2009: DKK 798m), corresponding to an EBIT ratio of 10.3% (2009: 8.8%).

Excluding the effect of purchase price allocations, the EBIT result was DKK 1,077m (2009: DKK 895m) and the EBIT ratio 11.2% (2009: 9.9%). The improved EBIT ratio is due to good order execution and the fact that Customer Services accounted for a larger share of the total revenue. In addition, the second-half earnings positively reflect a special non-recurring item of DKK 44m deriving from the disposal of a non-core business in Germany. Sales, distribution and administrative costs, on the other hand, were negatively impacted by the recognition of the settlement of an intellectual property dispute as mentioned in the half yearly report.

Global mining investments

Source: RMG, Stockholm

Minerals

DKKm	2010	2009	Change (%)
Order backlog	**9,752**	**8,712**	**12%**
Order intake (gross)	**10,982**	**6,294**	74%
Projects & products	7,760	4,028	93%
Customer Services	3,222	2,266	42%
Revenue	**9,587**	**9,037**	**6%**
Projects & products	6,361	6,482	-2%
Customer Services	3,226	2,555	26%
EBITDA	**1,172**	**1,022**	**15%**
EBITDA ratio	*12.2%*	*11.3%*	
EBIT	**987**	**798**	**24%**
EBIT ratio	*10.3%*	*8.8%*	
EBIT adj.	**1,077**	**895**	**20%**
EBIT ratio adj.	*11.2%*	*9.9%*	
Number of employees	*4,457*	*4,065*	*10%*

Outlook for 2011

Based on the current market prospects, 2011 is expected to see rising investments in the mining industry, and this is expected to result in an increasing intake of both small and large orders plus Customer Services orders. However, the order flow is not necessarily expected to be evenly distributed across the year, which means that the quarterly order intake may vary. Particularly material handling activities are expected to see positive development and become a promising market for FLSmidth.

Based on the increasing order intake, revenue is expected to grow in 2011 to approximately DKK 10-11bn (2010: DKK 9,587m) with an EBIT ratio of about 10-11% (2010: 10.3%). In 2011, the effect of the purchase price allocation regarding GL&V Process is expected to be approximately DKK -90m in the form of amortisation of intangible assets.

Filtration products fuel green revolution in Minerals

I've seen a shift toward more sustainable solutions in my 20 years at FLSmidth. Our flue gas desulphurisation (FGD) products help turn sulphur dioxide into gypsum for wallboard. And our latest filters recover most of the water from tailings so plants save water and money, and avoid leak-prone ponds.

Recently, a large US copper mine purchased 14 super-filters from FLSmidth. These filters are able to treat up to 100,000 tonnes of tailings per day. Now the mine uses less than half the water of a traditional mine. At the same time, the dry stack tailings area can be reclaimed and replanted while the mine is still productive. The customer chose us because we could guarantee results using leading technology at the right scale – and the right cost.

Todd Wisdom, Global Product Director, Filtration Products

Cembrit

Cembrit is Europe's largest dedicated distributor and Europe's second largest producer of fibre-cement products for the building materials industry.

Its main product lines are flat sheets for interior and exterior cladding of facades, walls and ceilings, as well as corrugated sheets and slates used primarily as roofing materials.

Cembrit is a European company headquartered in Denmark. The Group has production and sales operations in the Czech Republic, Finland, Poland, Hungary and Italy in addition to sales offices in Denmark, the UK, France, Spain, Holland, Belgium, Germany, Norway, Sweden, Slovakia, the Baltic countries, the Ukraine and Russia.

Most of Cembrit's revenue is generated from activities outside Denmark and the majority of the nearly 1,100 staff are employed in subsidiaries outside Denmark. It is an ongoing effort at Cembrit to be perceived as the leading fibre-cement company through its branded quality products and services, innovative designs and dedicated employees.

Market trends

The moderately positive trend in 2009 of sales picking up after the decline in 2008 continued in 2010 although the hard winter conditions in the first few months impacted building activities all over Europe. Over the year, particularly the markets in South and South Eastern Europe kept struggling, while Western Europe picked up in the last three quarters. The early winter in most European markets at the end of 2010 somewhat inhibited sales, however, 2010 as a whole ended above 2009, which is considered satisfactory in a building material industry that overall has been slightly declining or stagnating. Demand has primarily been driven by renovation and upgrading projects, rather than new construction.

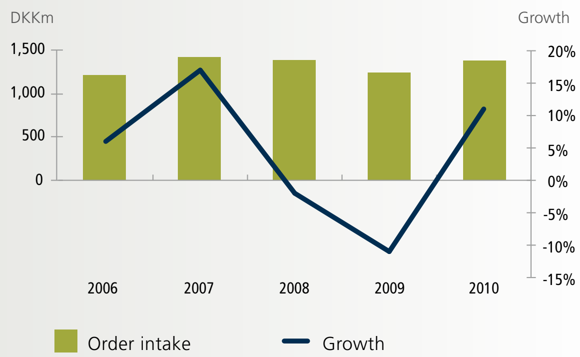
Cembrit's focus in 2010 has been on maintaining or growing its market share, and in selected markets also expanding the fibre cement category.

Exterior cladding

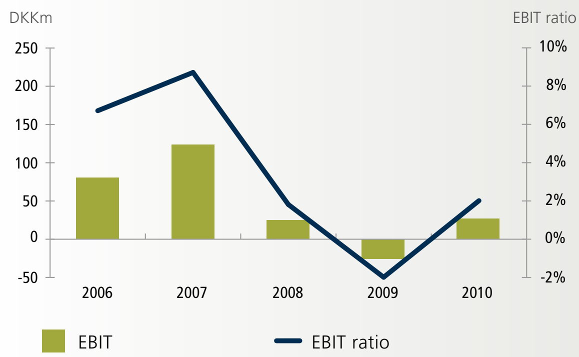
In a continued challenging project sales market for exterior cladding, Cembrit managed to grow sales. The growth was driven by expanding product offerings in several markets. Growth was assisted by expansion of the fibre-cement category, where Cembrit's fibre-cement designs and functional properties, as substitute for other building materials, showed continued positive development.

Sales of exterior cladding with significant exposure to private renovation recovered in 2010 and reached a strong level at the

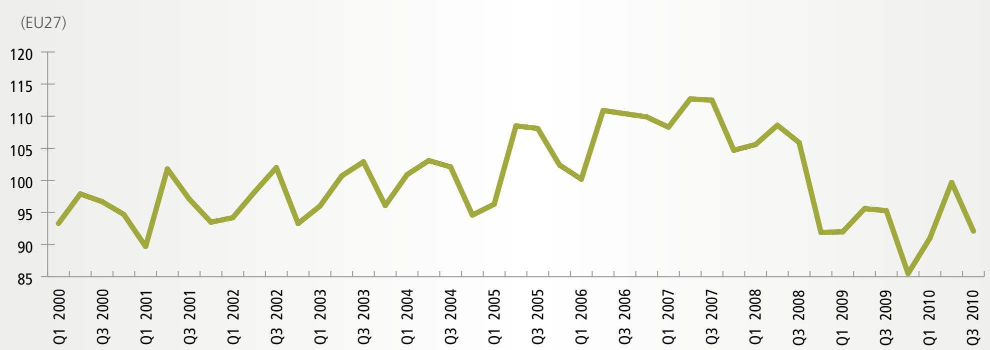
Revenue



EBIT and EBIT ratio



Production index – The European Building and Construction Industry (EU27)



Source: Eurostat

end of the year when considering the overall difficult market conditions. The launch in 2009 of URBANNATURE, a high-value exterior cladding product range, contributed positively to sales in 2010. Demand is growing for these high-end sheets from the new production line in Finland, which has resulted in an increase in capacity.

Interior cladding

Sales of interior cladding (flat sheets) were affected by the slow moving market and increased competition from imported low-quality flat sheets. However, high-quality fibre-cement products showed their strength in 2010 by continuing to gain market share at the expense of substitutable materials, particularly for applications where the higher strength and better moisture resistance of fibre cement ensures longer service life.

In 2010, new applications were launched in selected markets, and other markets will follow in 2011.

Roofing materials

Sales of roofing materials (corrugated sheets, slates and accessories) were less affected by the general market conditions. Markets with a pronounced exposure to new private construction were more difficult, and their performance was poorer than markets with a consistent level of activity in the renovation segment. This trend was more pronounced in the new EU countries and in Eastern Europe than in Western Europe. The European roofing markets are still expected to offer considerable opportunities for long-term expansion of the fibre cement segment in terms of higher market share for Cembrit roofing materials.

Financial results for 2010

In 2010, Cembrit recorded revenue of DKK 1,383m, representing an 11% increase on the year before (2009: DKK 1,243m). This growth was widely driven by most of the key markets and by the main product lines.

Overall, the foreign exchange effect of translating into DKK has had a 3% positive impact on revenue.

The EBIT result amounted to DKK 27m in 2010 (2009: DKK -25m), corresponding to an EBIT ratio of 2.0% (2009: -2.0%).

Outlook for 2011

Overall, Cembrit has come stronger out of the crisis, particularly in the markets where the company is a leader. It is Cembrit's strategy and ambition over the coming years to become a leading player in all the markets where it wishes to be present. The company will continue to focus on profitability and growth in 2011 and anticipates revenue slightly higher than in 2010 and an EBIT ratio of approximately 4%.

In 2011, the building material industry is expected to stabilise at a level on a par with 2010. It is estimated that the shift from new construction to renovation and upgrading projects will continue to some extent in 2011. The intensified competition on the European fibre cement market and between the various material types is expected to continue in 2011.

The overall focus in the coming years is on continued strengthening of Cembrit's brand and position in the individual markets - and on maintaining a competitive production platform.

Research & Development

FLSmidth pursues an active research and development programme which reflects the aim of being the preferred partner and leading supplier to the global cement and minerals industries. The goal is to launch at least one new main machinery, process invention, or improvement every year.

The Group's R&D activities take place centrally in Valby and Mariager (Denmark) and on a contract basis in Bethlehem and Salt Lake City (USA), in Chennai (India) and in the various product companies.

In 2010, overall R&D investments amounted to DKK 281m (2009: DKK 315m), corresponding to 1.4% of the revenue (2009: 1.4%). This sum includes DKK 74m (2009: DKK 70m) which is capitalised as intangible assets. In addition, project financed development takes place in cooperation with customers.

The overall development activity continued at a high level, with focus on enhancing the existing product portfolio, as well as the development of new technologies and solutions. During 2010 even more resources and projects were shared across the global organisation, and thus synergy of shared knowledge has been realised. Additionally, FLSmidth further strengthened its cooperation with several universities, covering research projects from both cement and minerals activities.

Cement activities

A new "Manufacturing of highly reactive Supplementary Cementitious Materials for low-CO_2 cement" (SCM) research project was started together with the Aarhus and Aalborg universities in Denmark. Aalborg Portland is an industrial partner in this (4-year, DKK 30m) project, which is receiving financial support from the Danish National Advanced Technology Foundation. The large (5-year, DKK 50m) research platform "New Cement Production Technology" with the Technical University of Denmark is now about halfway through reaching its gold. Several PhD projects have already given results that are being exploited in new projects.

Increasingly stringent emission regulation of SO_2, HCl and heavy metals, in particular mercury, call for even better emission abatement technologies. This is exemplified by the new US NESHAP (National Emissions Standards for Hazardous Air Pollutants) rules, which will become effective from 2013. To comply with these rules, most cement plants in the US must upgrade their air pollution control systems. FLSmidth has been enhancing its capabilities for conducting comprehensive emissions measurements and plant audits. In addition, FLSmidth has been preparing its product line to deal efficiently with the above-mentioned requirements. FLSmidth has obtained a US patent for a process for removing mercury as well as other heavy metals and dioxins/furans from cement and mineral kilns. The process utilises FLSmidth's semidry GSA technology.

A GSA installation for SO_2 removal was commissioned at Heidelberg Cement's Norcem Brevik plant in Norway. The excellent performance of the system led to the sales of three GSAs for three cement lines for Thungsong, Siam Cement in Thailand. Also, the first three fabric filter projects using 10 metre bags were sold after extensive R&D testing. Long bag technology allows for a more cost effective design that is more compact while maintaining the same high standards for particulate emission control and energy consumption.

Within Alternative Fuels, several technology packages have been successfully developed to meet typical market needs, both technologically and commercially. These packages integrate alternative fuel receiving stations, storage and handling systems with FLSmidth pyro technologies. The benefits achieved in one of the packages made it viable to install the first HOTDISC in India. Good progress has been made in combustion technologies, which improve fuel flexibility and alleviate common challenges experienced when utilising alternative fuels.

Due to the technological trend towards higher substitution rates, FLSmidth Pfister has developed a new alternative fuel feeder to feed up to 25 tonnes per hour refuse derived fuel. This feeder has been successfully installed and proven to operate as intended. Also, the demand for lower calorific coal is leading to the development of a new feeder for pulverised fuels, able to feed now more than 50 tonnes per hour.

Strong focus on grinding technology for cement and raw materials continued in 2010 in the form of multiple R&D projects. Important results have been reached in better utilisation of energy in the grinding process and in capacity and machine dynamics of Vertical Roller Mills. New concepts have been evaluated and are proceeding to an industrial size testing phase. The first recently designed, new and larger OK 42-4 mill was successfully commissioned in India.

In pyro technology, successful industrial testing of the new FLSmidth Cross-Bar Cooler at two cement plants was completed, and the product was officially launched in September. Introduction of this new main machinery improves FLSmidth's competitiveness and fits both greenfield and retrofit installations. The new design makes it possible for customers to also upgrade their existing SF Cross-Bar Cooler for additional throughput and reduced maintenance.

In packing technology, FLSmidth has recently optimised its palletisers, automatic truck loaders, bag applicators and is now able to propose a complete and fully automatic cost efficient packing line VENTOCOMPACT designed in a "civil works free" configuration with a minimal need for manpower.

In 2010, FLSmidth continued its investment in migrating the software product portfolio to the 8th generation software platform for ECS® (process) and QCX® (quality) control solutions. To strengthen the service concept and proactive response to our customers' needs, a data collection project from site equipment has been launched. The development of a new in-line XRF analyzer, OLX900, has reached the industrial testing phase.

Minerals activities

R&D activity during 2010 included finalisation of the test programme of the new 300 m^3 SuperCell flotation machines at Kennecott copper Mine in Utah, USA, along with continued research activities. A successful trial of the new cell technology was demonstrated in a 130 m^3 flotation cell in an iron ore application, leading to the purchase of that cell by the client at the conclusion of the test.

In hydrometallurgical processing, knowledge learned from the MaxR® technology project was instrumental in securing the impurities removal process design and equipment for a major copper/cobalt project. In addition, this technology will be used in a large nickel laterite project's impurities disposal scheme to enhance the project economics and reduce risk.

R&D projects focused on sedimentation products led to significant enhancements in 2010. The paste thickener floor slope project resulted in the ability to reduce the floor slope on high density and paste thickeners, leading to a lower installed cost and a higher value solution to our customers. The feedwell design and performance optimisation programme has lead to a new generation, self-diluting feedwell design that provides a much simpler, lower cost feedwell when compared to competition.

Based on the past 11 years of success in the slurry pump industry, the UMD (Ultimate Mill Discharge) pump line was introduced. The new pump line incorporates the best features found in our millMAX, gravelMAX and slurryMAX pumps.

The design, manufacture and shop testing has been completed on the RAPTOR® XL500 Cone Crusher, which is ideally suited for heavy duty mining applications. It is of similar design to the recently released XL2000 and XL1300 cone crushers.

The 2x2 AFP (Automatic Filter Press) was formally introduced to the market in 2010 and has been sold into two major tailings treatment applications: Copper tailings for Rosemount Copper

Company in Arizona (14 filters), Massey Coal (2 filters) and Mach Mining (1 filter) for coal refuse. These minerals-type automated filter presses are the largest in the world.

Further synergies between Cement and Minerals have been achieved with the transcendence of the FLSmidth Hydraulic Roller Press (HRP) from a cement duty piece of equipment to one that will exhibit the durability to operate in the hard ore arena of mineral processing. An extensive testing and development program has been conducted for the next generation grinding surface technologies for HRP machines, and is expected to result in new more durable surface solutions, enabling FLSmidth to become a premier player in the High Pressure Grinding Roll (HPGR) market for minerals applications.

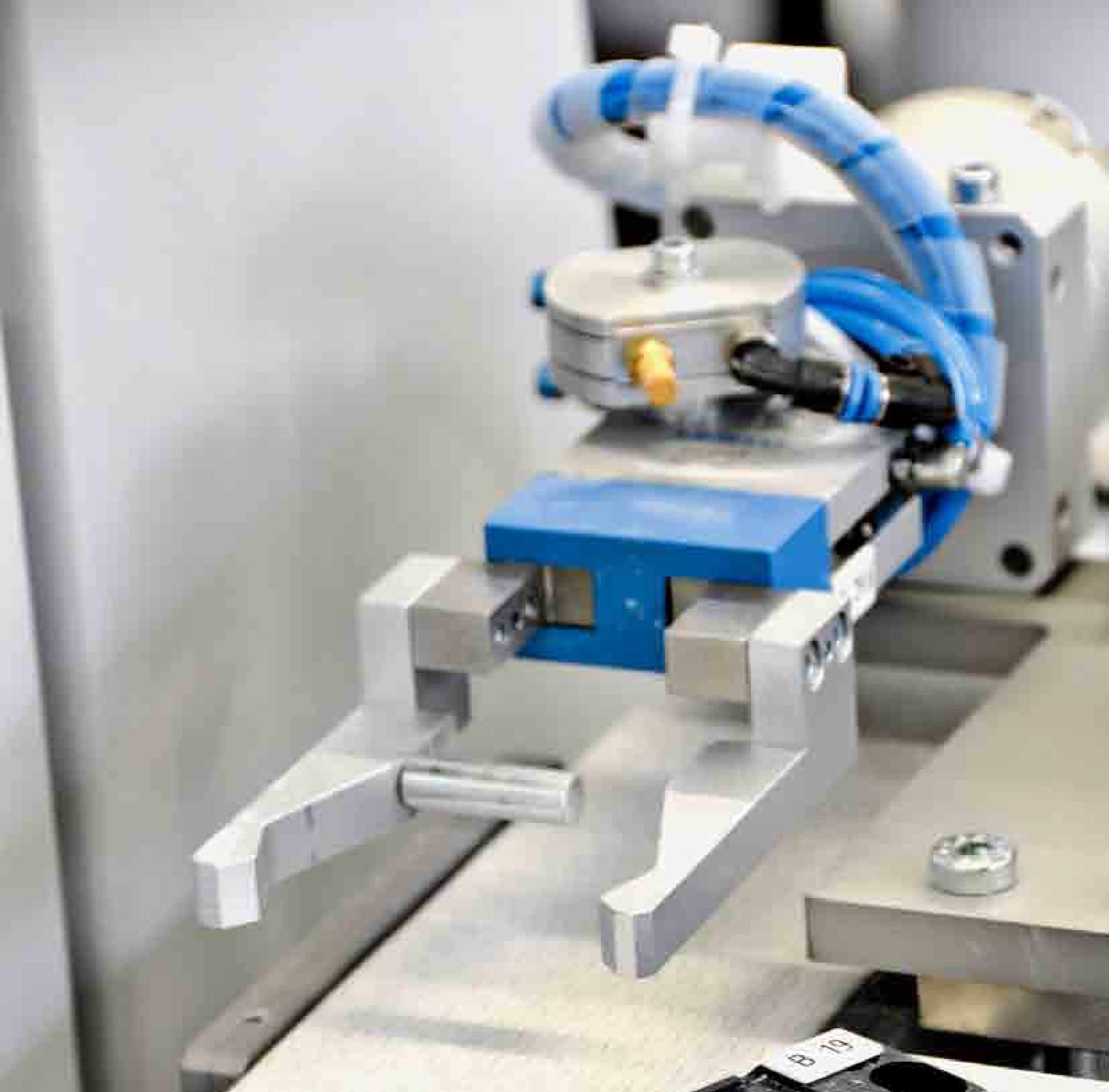
Expansion of laboratories and test facilities

To improve capabilities for characterising and testing alternative fuels, a separate laboratory section will be built at the FLSmidth R&D Centre Dania. This project was started in 2010, and the new facility will be operational by mid 2011.

In September 2010, the new Technology Center for Minerals Processing was inaugurated in Salt Lake City. The Technology Center brings the resources of the R&D organisation and Pilot testing facility, together with the process testing laboratory into a single facility. This powerful combination of resources and expertise will be the springboard where customers' processing issues will be solved and new solutions and products developed.

Patent activity

During 2010, FLSmidth filed for patent protection of 50 new inventions representing an impressive 19% increase from 2009. In addition, FLSmidth further strengthened its technological position by collaborating with other innovative companies to devise solutions to the toughest problems faced by its industries. FLSmidth is determined to remain an industry-leading technology company through increased R&D activities and through protecting its intellectual property rights.



High level control minimises emissions from alternative fuels

The last four years have seen a lot more focus on fuel optimisation. Not only are plants getting more out of their existing fuels, they are also burning alternative fuels to save money. One such alternative is to use waste as fuel in tandem with our ECS/ProcessExpert software to control the process and reduce emissions.

I'm using ECS/ProcessExpert with a plant in Pakistan to handle multiple fuel types and enhance their control systems. The ProcessExpert software monitors the entire process, ensuring optimum fuel consumption and keeping emissions under the limit. It's difficult for an operator to fine tune a plant and also stay within emissions limits. But, our automated systems can handle almost any fuel and bring significant savings, better quality and higher production.

Netta Rossing, Application Engineer, Automation

Commercial risks

Risk management in FLSmidth is considered an integral part of the organisation's administrative procedures and regular reporting takes place to the Board of Directors. Executive Management holds overall responsibility for risk management, and risk management officers have been appointed in all divisions and subsidiaries. All activities are supported by a risk management policy. The purpose of the risk management function is to systematically identify and manage risks deriving from the Group's activities, assets and employees. The responsibility for Risk Management is delegated to the individual divisions and subsidiaries.

General commercial risks

FLSmidth's markets depend on global and regional business cycles and are therefore characterised by highly fluctuating levels of activity over time.

A large part of FLSmidth's business consists of project sales to the cement and mineral industries and may be characterised as inherently late cyclical. This may result in great fluctuations in order intake and cash flow on a quarterly and yearly basis.

FLSmidth continuously tries to even out these fluctuations through structured diversification of its Cement and Minerals activities, focusing in particular on sales of single machinery and spare parts plus operation and maintenance contracts.

Project sales entail a number of risks depending on the scope and type of contract.

The projects are often undertaken in countries involving considerable political risks. FLSmidth has great experience in handling such risks and closely monitors developments in these countries.

FLSmidth handles overall project risks by making a structured risk assessment at all stages of a project, from invitation to tender and negotiation to implementation and warranty period. Assessments are made at all stages of a project regarding customer relations, geography, technology, commercial conditions and internal competencies. This assessment takes place in close cooperation between sales, project and legal staff.

Specific short-term risks

Competition is intense in most FLSmidth markets. Competition centres mainly on technology and price, but also on type of contract. The competition impacts FLSmidth's overall profit ratio.

Continuous focus on R&D helps to ensure that FLSmidth is able to supply the solutions which customers require and that FLSmidth maintains a technological edge. Besides, ongoing development of internal and external manufacturing facilities in competitive cost countries ensures that FLSmidth in the future will remain capable of supplying competitively priced solutions.

Meanwhile, FLSmidth is also focusing strongly on maintaining and protecting its intellectual property rights. The Group's intellectual property lawyers are making a systematic effort to apply for new patents and protect existing patents and trademarks. Besides, FLSmidth is actively fighting any violation of them by its competitors.

More customers tend to ask for projects to be handled on a turnkey basis (equipment supplies plus construction work). Generally speaking, this type of contract poses a higher risk for FLSmidth. FLSmidth ensures through careful selection of its partners that this type of project is implemented to the satisfaction of all parties involved.

The global financial crisis continues to affect our customers' possibilities of obtaining external financing. FLSmidth tries to a large extent to facilitate financing through its relations with banks and export credit institutions.

FLSmidth wishes to grow both organically and through acquisitions. This entails risks deriving from integration and achievement of the expected synergies. FLSmidth has set up a special function to maintain a systematic approach not only to the process of acquisition but also to the integration of the companies acquired.

Risk coverage

A large part of FLSmidth's risks can be covered through insurance plans. It is FLSmidth's policy to pass on the risk of disaster losses to insurance companies. The Group works closely with a global insurance adviser, who ensures that identified risk areas are optimally covered through the insurance market and that the plans are effected in compliance with prevailing rules.



The Group's major manufacturing units are systematically audited by external risk engineers in collaboration with the insurance companies. Reports have been drawn up containing risk descriptions and recommendations for minimising risk factors. The implementation of these recommendations is continuously monitored.

Insurance coverage is assessed once a year and is adjusted in accordance with exposure and the insurance products currently available in the insurance market.

Financial risk management

The overall framework for managing the Group's financial risks is decided by the Board of Directors. It is Group policy that all major financial risks should be identified and appropriately hedged. Financial management comprises the Group's currency, interest, liquidity and credit risks as well as its capital structure and financial resources. It is Group policy that all significant commercial currency and interest rate risks should be hedged once a contract becomes effective at the latest.

Currency risks

The Group's currency risks derive from the impact of exchange rates on future commercial payments and financial payments.

Most of the Group companies' revenue is order-based and consists mainly of sales in the functional currency used by the individual company. If this is not the case, the customer will typically bear the exchange rate risk until the order is closed due to the exchange rate clauses incorporated.

Production costs typically consist of internal costs and purchases in the company's functional currency. It is always aimed at settling purchasing in the company's functional currency; if this is not the case foreign exchange hedging takes place.

Net foreign exchange exposure on all major contracts is hedged not later than when the order becomes effective.

The Group generally hedges transaction risks and uses forward contracts and currency accounts to hedge foreign exchange exposure. The Group's main currencies for commercial purposes are EUR (Cement) and USD (Minerals).

The translation of income statement and balance sheet items from the currency in which subsidiaries report their financial results into DKK is also affected by exchange rate changes, as translation risk is not hedged.

Other things being equal, a five percent change in the exchange rate will affect the profit/loss for the year and the equity as follows:

	Profit/loss for the year	Equity
EUR	DKK 5m	DKK 39m
USD	DKK 3m	DKK 76m
INR	DKK 8m	DKK 42m
CLP	DKK 2m	DKK 10m
BRL	DKK 3m	DKK 12m
CNY	DKK 2m	DKK 12m

Movements in the Group's financial items primarily consist of realised and unrealised profit/loss on forward contracts and currency accounts plus receivables and payables.

Contracts with a currency position exceeding the equivalent of EUR 5m must be treated as hedge accounting which means that the exchange profit/loss is booked in conjunction with the project and the commercial transactions.

A Group company may have a currency position of up to 0.5% of the company's revenue, and not more than 50% of the currency position may be in one particular currency. Group companies must trade currency via FLSmidth & Co. A/S unless this is prevented by currency restrictions.

FLSmidth & Co. A/S manages the Group's overall currency position by means of value at risk (VaR). In practice, the VaR is converted into a maximum position for each currency. USD is the currency to which most VaR has been allocated, corresponding to a maximum currency position of USD 5m.

Commercial risks

Interest rate risks

Interest rate risk concerns the interest-bearing financial assets and liabilities of the Group. The interest-bearing financial assets consist primarily of cash in financial institutions and the interest-bearing financial liabilities mainly consist of mortgage debt and bank loans. Interest rate risk occurs when interest rate levels change or in the case of changes in the credit margins which the Group has agreed with the financial institutions. The interest rate risk is managed by means of VaR. As at 31 December 2010, 100% of the Group's interest-bearing debt (31 December 2009: 100%) carried a variable rate of interest. Other things being equal, a one percent increase in the interest rate will have a DKK 13m positive effect on the Group's net financial items (2009: DKK 11m). See also Note 29.

Credit risks

Credit risks incurred from trade receivables are generally managed by continuous credit rating of major customers and trading partners. No single customer accounted for more than 5% of the revenue in 2010. The maximum credit risk related to financial assets corresponds to the accounting value plus write-downs and warranties submitted. In cases where there may be a risk of loss, a write-down will always be made based on individual assessment. The use of financial instruments entails the risk that the counterparty may not be able to honour its obligations at maturity. The Group minimises this risk by limiting its use of financial institutions to those with a high credit rating. Besides, the Group has set a limit for the amount of receivables in any particular bank. Credit risks on other counterparties than banks are minimised through the use of prepayments, letters of credit, guarantees and continuous rating of customers.

Capital structure and financial resources

It is the FLSmidth Group's aim to have a suitable capital structure in relation to the underlying operating results to ensure that it is always possible to obtain the necessary and sufficient credit and bonding facilities to support the commercial operations. The goal is therefore to maintain an equity ratio in excess of 30%. At 31 December 2010 the equity ratio amounted to 36% (31 December 2009: 30%).

The financial gearing measured as NIBD in relation to EBITDA amounted to -0.5 at the end of 2010 due to the Group being free from debt (31 December 2009: -0.4). As the underlying business is to a large extent based on projects and orders, there may be major variations in the cash flow from operating activities. It is therefore necessary to have adequate and flexible financial resources in the form of cash and/or credit facilities to cushion any major fluctuations of cash and cash equivalents.

As part of its financial resources, the Group has entered into committed financial arrangements. These arrangements contain standard clauses such as pari passu, negative pledge and change of control. As at 31 December 2010, the Group had drawn EUR 50m (31 December 2009: EUR 50m) on facilities with a change of control clause. The clause entails that the debt must be repaid by the next interest payment date, however not later than six months after the lender has notified change of control, which must take place at 45 days' notice. The Group has also entered into overdraft arrangements which can be terminated by either party at short notice. Again in 2010, the Group did not default on any loan agreements.



The next generation of sustainable cement technology

As a research and development engineer, I focus on evaluating new ideas and turning our most promising concepts into commercial products or processes. Our customers look to us for the latest in green technologies – and our mercury roasters and waste heat recovery systems are two crucial products in this ever-expanding field.

Our innovative mercury roaster takes advantage of the excess heat in a cement plant to remove mercury from the materials used in the system, allowing plants to control their mercury emissions in a way that's cheaper and produces less waste than traditional methods. We're also involved in a number of waste heat recovery (WHR) projects. WHR systems use heat from the plant itself to generate electricity and reduce the plant's carbon footprint. They can supply up to 30% of a plant's power needs, and we're working on designs that will significantly increase the amount of electricity generated.

John Salmento, Senior Development Engineer

Corporate governance

The following statement pursuant, to the Danish Financial Statements Act Section 107b, is part of the Management's Review in the 2010 Annual Report.

Capital and share structure

FLSmidth & Co. A/S is listed on NASDAQ OMX Nordic Exchange Copenhagen. No special rights are attached to any share and there are no restrictions on the transferability of the shares. At the end of 2010, FLSmidth had about 44,600 shareholders, and two shareholders, ATP and UBS, had reported a shareholding in excess of 5%. See page 58 for further details on shareholders and the company's dialogue with the stock market.

Division of responsibility between Board of Directors and Executive Management

According to general practice in Denmark, FLSmidth & Co. A/S maintains clear division of responsibility and separation between Board of Directors and Executive Management. Tasks and responsibilities are defined at an overall level via rules of procedure for the Board of Directors and rules of procedure for the Executive Management. There is no other specific description of the duties and tasks of the Board of Directors.

The Executive Management is responsible for the day-to-day management of the Company, and the Board of Directors oversees the Executive Management and handles overall managerial issues of a strategic nature. The Chairman is the Board of Directors' primary liaison with the Executive Management.

The Board of Directors

Composition of the Board of Directors

The Board of Directors is elected at the General Meeting apart from those Board members who are elected pursuant to the provisions of the Danish Companies Act on representation of employees. Board members elected at the General Meeting constitute not less than five and not more than eight members, currently six members in order to maintain a small, yet competent Board.

The members of the Board elected at the General Meeting retire at each Annual General Meeting. Re-election may take place. Pursuant to Danish legislation, the Group's employees are represented on the Board of Directors by currently three members who are elected for four years at a time.

Immediately after the Annual General Meeting, the Board of Directors elects from its own number a Chairman and a Vice Chairman. In general, between six and eight ordinary Board meetings are held every year and extraordinary Board meetings are held when needed.

To achieve a highly informed debate with the Executive Management, the Board membership profile reflects substantial managerial experience from internationally operating industrial companies. At least one member of the Board must have CFO experience from a major listed company, and all other members must have CEO experience from a major internationally operating and preferably listed company.

The Board of Directors is composed so that all members elected at the General Meeting bring with them competencies in acquisition and disposal of enterprises, financing and stock markets, international contracts, accounting and preferably experience in civil contracting and technical expertise on the cement and/or minerals industries.

Table showing the composition of the Board of Directors

	Member of the Board since	Nationality	Age	Independent	Committees	Special competencies
Jørgen Worning, Chairman	2002	Danish	70	Yes	• Chairman of the nomination committee • Chairman of the remuneration committee	• Former CEO • Acquisitions and disposals • Financing and stock markets • International contracts • Civil contracting • Accounting and auditing
Jens Stephensen, Vice Chairman	1995-2000 2002	Danish	69	No	• Member of the nomination committee • Member of the remuneration committee	• Former CEO • Acquisitions and disposals • Financing and stock markets • International contracts • Civil contracting • Accounting
Torkil Bentzen	2002	Danish	64	Yes	• Member of the remuneration committee	• Former CEO • Acquisitions and disposals • Financing and stock markets • International contracts • Civil contracting • Accounting
Jesper Ovesen	2005	Danish	53	Yes		• CFO in listed company • Acquisitions and disposals • Financing and stock markets • International contracts • Auditing and accounting
Martin Ivert	2008	Swedish	63	Yes		• Former CEO • Acquisitions and disposals • Financing and stock markets • International contracts • Technical expertise on minerals industry • Accounting
Vagn Ove Sørensen	2009	Danish	51	Yes	• Member of the remuneration committee	• Former CEO • Acquisitions and disposals • Financing and stock markets • International contracts • Accounting
Mette Dobel	2009	Danish	43	Elected by the employees		• Technical expertise on cement and minerals industries
Frank Lund	2006	Danish	49	Elected by the employees		• Technical expertise on cement industry
Jens Palle Andersen	2006	Danish	60	Elected by the employees		• Technical expertise on cement industry

All Board members elected at the General Meeting are considered independent apart from Jens Stephensen who was a member of the Board from 1995 to 2000 and again since 2002.

Pursuant to the rules of procedure of the Board of Directors, a Board member must retire at the first Annual General Meeting held after the member has passed the age of 70. This means that Mr Jørgen Worning, who is chairman of the Board of Directors, will not stand for reelection at the coming Annual General Meeting to be held on 29 April 2011.

After the General Meeting, the Board expects to elect Vagn Ove Sørensen as new Chairman and Jens S. Stephensen to continue as Deputy Chairman provided the present Board, except Jørgen Worning, is reelected.

Board committees

Since 2002 the Board of Directors has in practical terms structured its work around the following committees and responsibilities (see www.flsmidth.com/governance for information on the terms of reference of the Board committees).

Chairmanship and nomination committee

The nomination committee consists of the chairman and the vice chairman of the Board of Directors. The nomination committee is elected each year by the entire Board at the initial Board meeting following the Annual General Meeting. The responsibilities of the nomination committee are to continuously evaluate the work and composition of the Board and initiate any changes and suggest candidates for new Board members, cf. the membership profile outlined in the section describing the composition of the Board. In carrying out these duties, the nomination committee has chosen to involve the remuneration committee.

Remuneration committee

The remuneration committee normally consists of three Board members who meet four to six times a year. The remuneration committee is responsible for negotiations of pay and remuneration of the Executive Management and managers reporting directly to the Executive Management. On behalf of the entire Board, the committee also handles appointments within the latter category. The committee currently consists of the chairmanship plus Torkil Bentzen and Vagn Ove Sørensen.

Audit committee

Due to the fact that the number of Board members elected at the General Meeting is limited to six, it has been decided that the whole Board shall serve as audit committee. The audit committee is responsible for monitoring the financial reporting process in the company and the effectiveness of its internal control systems. Besides, the audit committee monitors the statutory audit of the financial statements and the independence of the auditor. The audit committee carries out its business like any other Board activity. The audit committee continuously evaluates the level of internal controls in the Group and how this is monitored in cooperation with day-to-day management. No independent internal audit function has been established as this is mainly undertaken by the controllers of the parent company and of the subsidiaries.

Board of Directors remuneration and shareholdings

The members of the Board of Directors receive a fixed fee in cash which is approved by the Annual General Meeting. The Board of Directors does not receive incentive pay and has not done so since 2002. Information concerning the total remuneration of the Board of Directors appears from the consolidated financial statements note 36. The Board members' individual investments in FLSmidth & Co. A/S shares appear from the table in note 37.

The Executive Management

Composition of the Executive Management

The Executive Management currently consists of four members who hold overall responsibility for the day-to-day operations of the Group. Mr Jørgen Huno Rasmusssen, CEO with overall responsibility for the Group's cement activities, and Mr Poul Erik Tofte, CFO, are both based at the Danish headquarters in Valby. Mr Christian Jepsen holds overall responsibility for the Group's minerals activities. Mr Bjarne Moltke Hansen, whose overall responsibilities include Customer Services, Cembrit and the Cement product companies, is also responsible for the Group's cement activities in India.

The Executive Management consists of experienced business executives who each bring with them insight and hands-on experience that match the challenges and practical issues currently facing the Group.

Remuneration of the Executive Management

The Board of Directors has set up a remuneration committee which continuously assesses the Executive Management's compensation. In the opinion of the Board, a combination of fixed and performance-based pay to the Executive Management helps to ensure that the Group can attract and retain key persons whilst partially incentive-based pay further encourages the Management



to create value to the benefit of shareholders. The complete guidelines for the incentive programme are accessible on the company website www.flsmidth.com/IncentivePay. Exhaustive information about incentive pay to the Executive Management pursuant to the Financial Statements Act also appears from Notes 9 and 36 to the consolidated financial statements. At 31 December 2010, the Executive Management held a total of 128,050 share options in FLSmidth & Co. A/S and their total investments in FLSmidth & Co. A/S amounted to 40,210 shares.

Presentation of financial statements and internal control

To ensure a high quality of the Group's financial reporting systems, the Board and Management have adopted policies, procedures and guidelines for presentation of the financial statements and internal controls which the subsidiaries and reporting units must adhere to, including:

- Continuous monitoring of goals and results achieved viewed against approved budgets
- Continuous monitoring of projects including handling of risks and accounting for them
- Policies for use of IT, insurance, cash management, procurement, etc.
- Reporting instructions and manual
- Finance manual
- Closing procedure manual

Responsibility for maintaining sufficient and effective internal controls and risk management in connection with financial reporting lies with the Executive Management.

The audit committee consists of all members of the Board and continuously monitors the process of financial reporting and the adequacy and effectiveness of the internal control systems established, including new accounting standards, accounting policies and accounting estimates. Besides, the Board of Directors monitors and checks the independence of the external auditor and monitors the planning, execution and conclusions of the external audit.

General Meeting

The general meeting is the company's highest authority, and detailed information about holding, convening and attending of general meetings appears from the Articles of Association on the company website (URL-address: http://www.flsmidth.com/articles association).

Code of conduct

In the autumn of 2008, the Board of Directors adopted a Code of Business Conduct which describes how the company and its employees are to act and respond in various business contexts and which is mostly a codification of the practices already adopted by the company. In the years since then, a series of training sessions have been held for the staff to ensure that all employees in the Group are acquainted and comply with the code of conduct. The Code of Business Conduct is also incorporated in the employment contracts signed with new employees. It is planned in future to introduce a web-based training programme to ensure that all the Group's employees are kept up-to-date regarding the Group's Code of Business Conduct.

Recommendations for corporate governance

Pursuant to Section 4.3 of the rules for issuers of shares listed on NASDAQ OMX Nordic Exchange Copenhagen, Danish companies must explain in their annual report how they will address the recommendations of NASDAQ OMX Nordic Exchange Copenhagen for corporate governance based on the 'comply or explain' principle. The recommendations were revised in 2010, and in the Board's opinion FLSmidth essentially complies with the recommendations, however, currently with the following exceptions:

- The Board has not adopted a structured process of self-evaluation as the nomination committee handles this task on an ad-hoc basis.
- Since the entire Board serves as audit committee, the Chairman of the Board also chairs the audit committee.
- Management remuneration agreements on variable pay do not establish a right for the company to claim full or partial repayment.
- No information is given about the individual remuneration of Board or Management members, as the Board of Directors does not consider this relevant.

Corporate social responsibility

The following statement of corporate social responsibility (CSR) is an extract of the progress report submitted to the UN Global Compact on 7 February 2011. The progress report replaces a statutory corporate social responsibility statement pursuant to the exemption given in the Financial Statements Act Section 99a.

Corporate governance and corporate social responsibility

In 2010, several important steps were made towards more structured and visible management of FLSmidth's CSR activities.

One initiative was to formalise FLSmidth's CSR activities by forming a separate CSR function in the spring of 2010. The CSR function heads the global coordination of the Group's CSR activities with the purpose of strengthening the incorporation of social and environmental aspects in the day-to-day operations of the Group.

Another initiative was to establish a central CSR Board in the FLSmidth Group. The purpose of the CSR Board is to maintain focus on the CSR commitment and have a forum for discussion of and decisions on CSR matters across organisational functions and business areas. The Group CEO is a member of the CSR Board.

The scope of the CSR activities was further increased in 2010 to include responsible supply chain management.

CSR focus areas

Aligning corporate social responsibility with business operations is an ongoing assessment of relevance and opportunities in line with the overall business strategy. The journey has started, well knowing that it will be a long-term and ongoing effort, since CSR will only continue to grow and develop.

Having signed the UN Global Compact in November 2008, FLSmidth has committed itself to supporting the United Nations' ten principles regarding human rights, labour, environment and anti-corruption and reporting on the progress made.

FLSmidth's CSR reporting focuses on the areas in which FLSmidth has real influence and can make an important difference.

These areas are:

- Environment
- Business ethics (Code of Business Conduct)
- Supply chain management
- Employees (HR)
- Safety (occupational health and safety)

FLSmidth's progress report to the UN Global Compact was submitted on 7 February 2011 and can be seen in its full length on the FLSmidth website:www.flsmidth.com/copreport

Environment

Environmental policy (abstract)

The environmental policy covers areas such as compliance with environmental regulations for products and services, customers' expectations and requirements for sustainable technological solutions and life cycle assessment of products and services. Focus is on reducing consumption of energy and natural resources, and to the extent possible, on reducing or eliminating emissions and other pollution.

Furthermore, FLSmidth has committed itself to ascertaining its own direct environmental impact by collecting data on energy consumption and setting goals and creating action plans for continued optimisation of the Group's environmental impact.

For more details visit ***www.flsmidth.com/policies***

Environmental concern and considerations are playing an ever increasing role in the cement and minerals industries, and these issues are high on the FLSmidth agenda.

FLSmidth's declared strategic goal is to be the preferred partner and the leading supplier to the global cement and minerals industries – and this requires high focus on continuous development of technology and solutions that will minimise environmental impact.

It is FLSmidth's aim to contribute to environmental improvements and work towards sustainability in the areas where the Group has significant influence on the protection of the environment. The most important action area is therefore in the field of products, processes and system solutions supplied to customers.

Another focus area is internal energy usage i.e. the overall carbon footprint of the global organisation.



Research management

A considerable amount of FLSmidth's R&D investment is allocated to activities that generate new knowledge and technologies based on both technical, economic and environmental considerations. The environmental focus is an integrated element of the research activities. Moreover, dialogue with customers and alignment with their priorities is integrated into the Group's R&D management procedures.

Even higher focus on carbon emissions, energy costs, recycling of water, and increasingly stringent emission standards is one of the key parameters for FLSmidth's research and development to meet the customers' current and future requirements.

Carbon footprint

In FLSmidth's opinion, the Group's most important contribution to environmental improvement is through research into and development of machinery and technologies for the cement and minerals industries. Parallel with these efforts, however, since 2010, FLSmidth has reported on its CO_2 consumption (also called carbon footprint) to the Carbon Disclosure Project (CDP).

Having primarily office buildings and relatively few manufacturing sites, FLSmidth's main consumption of resources is related to energy used for heating and airconditioning. Consequently, the first phase of the Carbon Disclosure Project reporting has been on CO_2, CO_2e and other greenhouse gasses.

In 2010, the FLSmidth Group's CO_2-emissions were approximately 76,000 tonnes CO_2 (2009: 73,000 tonnes) in scope 1 (direct emissions) and scope 2 (indirect emissions from electrical and district heating). Cembrit's production of fibre cement accounted for around 36,000 tonnes CO_2 of this amount (2009: 34,000 tonnes CO_2).

In 2011, the procedures for collection of data on carbon emissions will be reviewed, and efforts to set emission targets and develop a formalised action plan are continuing.

Business ethics

Code of Business Conduct (abstract)

The Code of Business Conduct is the FLSmidth commitment to business ethics, integrity, credibility and preservation of the company's reputation and brands, defining what is expected of the FLSmidth Group's employees at all levels in the global organisation

The Code of Business Conduct covers three main areas:

Compliance with local laws and regulations such as accounting and reporting, anticorruption regulations, competition/antitrust laws, export control and trade restriction laws.

Business practices and behaviour cover areas such as conflicts of interest, bribery, extortion, corruption, gifts and entertainment and anti-competitive practices, contracting with third-parties, intellectual property rights, government relations and lobbying, and cultural, religious and political tolerance.

Company assets and financial integrity concern the standards for accurate and complete data, records, reporting and accounting, protection of assets, IT policy and record management.

For more details visit ***www.flsmidth.com/policies***

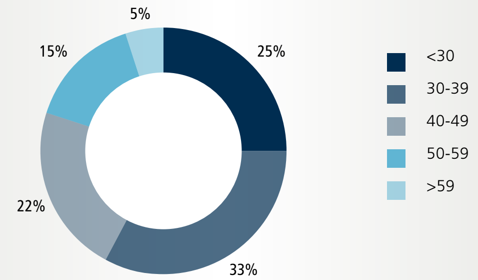
The FLSmidth Code of Business Conduct was introduced in 2008. Through it, the company's long lasting commitment to business ethics and integrity is formalised and communicated to all FLSmidth employees, who are expected to adhere to it.

Since the introduction of the Code of Business Conduct in 2008, it has been the obligation of all managers to ensure that employees know it and comply with it, and to introduce new employees to the Code and the overall CSR policy.

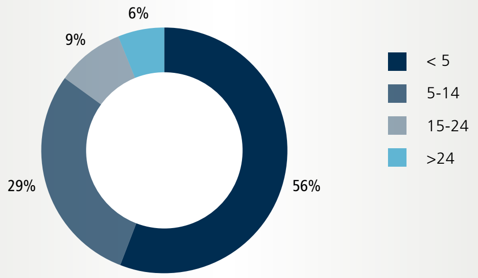
FLSmidth has established a procedure whereby all employees may report violations or suspected violations of the Code of

Human resource data

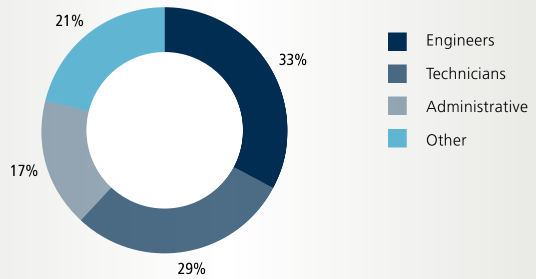
Age distribution



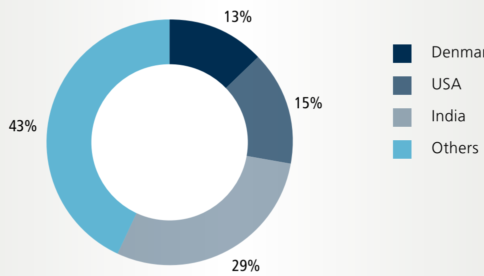
Length of service



Education



Geographical distribution



Business Conduct directly to their superior manager or, at the employee's discretion, to the FLSmidth Group General Counsel and/or Global HR Manager. Reported incidents are investigated internally by the Group General Counsel – where possible under full discretion. If investigations confirm violations, they will be reported to Executive Management, who will decide on the appropriate sanctions.

Besides, the Group will introduce e-learning for its employees to enhance their capability of translating the Code into practical operations. Accordingly, the Code of Business Conduct will be translated to more languages than the present eight.

Responsible supply chain management

In 2010, the Group started a project under the headline of responsible supply chain management. FLSmidth is an engineering based company with limited in-house manufacturing and most production of equipment is outsourced to subcontractors worldwide. It is therefore a comprehensive and complex project which primarily affects the Group's global procurement and inspection functions.

The elements of the project range from risk assessment and evaluation of FLSmidth's existing supplier base, criteria for selection in alignment with the UN Global Compact and evaluation of potential new suppliers to designing in-house training material and training sessions for employees.

General supervision of supplier manufacturing facilities is carried out by a team of inspectors who regularly visit all the main suppliers. If and when unacceptable working conditions or other serious issues are observed, the standing procedure is to report to the procurement or inspection department responsible which then takes the necessary action.

A structured review took place in 2010 with the aim of streamlining the Group's procurement and inspection procedures on a global basis.

As a first step, 90 suppliers (accounting for roughly 30% of global procurement) were informed, in September 2010, about FLSmidth's views on responsible supply chain management including basic human rights, labour standards, environmental standards, business ethics and CSR policies and activities.

Improved air pollution control for any industry

Contributing to a better environment is very satisfying. At Air Pollution Control, I'm responsible for all system and plant design proposals. Our customers want greener operations, so we constantly improve our systems to handle increasingly tough regulations and the latest alternative fuels.

Waste fuels can reduce fuel costs for plants and keep toxins out of landfills. But each fuel produces a different gas, so we adapt our products to keep up with new fuels and their emissions. Our fabric dust filters, electrostatic precipitators and gas suspension absorbers (GSA) keep dust particles in plant emissions to a minimum, and GSA also reduces acids and other toxins. Now, we're adapting our air pollution control system to the needs of a wider spectrum of industries.

Hans Henrik Holm, Lead – System Design Proposals, Air Pollution Control

Corporate social responsibility

As the latest initiative, CSR requirements have been incorporated in the Group's General Conditions of Purchase as of 1 January 2011.

Employees

HR policy (abstract)

FLSmidth's most valuable asset is its employees.

The HR policy outlines FLSmidth's overall objective of providing its employees with an attractive place of work that offers opportunities for personal and professional development and ensuring that they carry out their work in accordance with FLSmidth's Code of Business Conduct.

The HR policy supports areas such as diversity, equal opportunities, employee development and training, healthy and flexible working environment, competitive pay and employment conditions, and recognition of the right to be organised and bargain collectively. Finally, it supports human rights, including refraining from any use of forced labour and respect of the UN Convention on use of child labour.

For more details visit ***www.flsmidth.com/policies***

The HR vision of FLSmidth is to be seen as an employer of choice, no matter where in the world the Group operates. The HR and health & safety policies set the scene for the employees and their working conditions around the world.

Responsibility for implementing and enforcing the HR policy lies with the global HR organisation and the management teams around the world.

Annual review

A formal dialogue between each employee and his or her manager takes place at least once a year in the form of a Performance and Development Review (PDR), focusing on performance assessment and continuous professional and personal development. The PDR also provides the employees with an opportunity to evaluate the working environment, their direct manager and to influence their own personal development.

The PDR procedures were improved in 2010 and these efforts will continue in 2011.

Employee development

Each year, FLSmidth allocates considerable resources to employee development programmes as this is considered essential in order to recruit and retain the right people with the right qualifications.

An addition was made to the Group's HR systems in 2010 with the introduction of a Workplace Learning Toolbox providing guidelines for learning and development, to be used by both employees and managers.

Since 2007, 50 leadership talents have completed the FLSmidth Global Talent Program. The purpose of this two-year intensive training programme is to identify and develop the leaders of tomorrow, assuring the Group of the necessary competencies to continue its growth and success, whilst offering the employees opportunities for development.

Parallel with the Leadership Talent Programme, a global Product Forum Specialist was launched in 2010 to focus on the opportunities for a specialist career. This initiative recognises the need for

Work-related injuries

	Number of injuries			Number of lost time injuries			Lost time injuries frequency rate*			Lost time injuries severity rate**		
	2010	2009	2008	**2010**	2009	2008	**2010**	2009	2008	**2010**	2009	2008
Engineering divisions and administration	**45**	34	45	**18**	9	19	**1.3**	0.6	1.5	**0.3**	0.2	0.3
Production units	**90**	107	135	**44**	51	68	**9.0**	7.3	11.7	**2.0**	0.8	1.9
Operation and maintenance	**17**	n/a	n/a	**6**	n/a	n/a	**1.9**	n/a	n/a	**0.3**	n/a	n/a
Cembrit	**49**	35	41	**43**	24	36	**23.2**	14.8	22.1	**3.9**	3.9	4.7
FLSmidth total	**201**	**176**	**221**	**111**	**84**	**123**	**4.7**	**3.6**	**6.0**	**1.0**	**0.6**	**0.8**

* Number of injuries causing absence per one million working hours

** Number of working hours lost due to injuries per 1000 working hours continuous career development that meets the requirements of increasingly specialised professional knowledge and competencies.

Employee engagement survey

The questions in the 2010 survey were very similar to the ones used in 2008 to ensure comparability of the results. The 2010 survey was translated into 17 different languages and distributed to all employees globally. The response rate was 88%, which marks an increase on the 2008 survey whose return rate was 84%.

The 2010 survey showed an overall employee engagement of 71 points, which is satisfactory compared with the international benchmarks of 64 points. On the other hand, the survey showed a 2-point decline on the 2008 survey compared to both FLSmidth and international benchmarks. The reasons for this are currently being analysed.

Following the 2008 survey, a total of 1,742 actions were reported in order to improve employee engagement in the Group. Action points resulting from the 2010 survey are being prepared and will be ready in the first half of 2011.

Safety

Health & safety policy (abstract)

FLSmidth's health and safety policy outlines the guidelines for a safe and healthy working environment for the employees and addresses the division of responsibility to ensure same.

The policy covers areas such as complying with laws and regulations, standards and procedures, proactively assessing and striving to reduce work-related injuries, continuing efforts to improve, implementing documented management systems, providing appropriate training, and taking measures and evaluating security risks related to travelling and working abroad.

For more details visit ***www.flsmidth.com/policies***

The FLSmidth health and safety actions and initiatives are about ensuring that the company's work and operations are conducted in ways that provide the right conditions for a safe and healthy working environment for all employees, partners, and end-users of the Group's products and services.

The global health and safety organisation is responsible for determining and implementing the global standards and guidelines, including conducting safety training and auditing the FLSmidth manufacturing locations and site activities.

One of the main focus areas in 2010 has been to address "safety on location" by providing a large number of safety training programmes for technical advisors and other employees travelling to construction and manufacturing sites.

To continuously improve health and safety at work, all types of industrial injuries are reported systematically on a quarterly basis. The quarterly reporting allows coordinated global follow-up on the trend in injuries and taking necessary actions in order to reduce the level of work-related injuries.

FLSmidth's aim is to make continuous improvements to employee health and safety in order to reduce both the lost time injuries frequency rate and the lost time injuries severity rate. Despite the systematic efforts to enhance safety, unfortunately four fatalities occurred among FLSmidth employees in 2010.

Fatalities are highly regrettable, and FLSmidth will make sure that each incident is analysed to find the causes and review working and safety procedures for the purpose of avoiding similar situations in the future.

There has been a negative trend in 2010 compared to 2009. This is not satisfactory although both the lost time injuries frequency rate and the lost time injuries severity rate are markedly below the Danish industrial level in general.

Being represented on many different sites around the world which are often not under FLSmidth's direct responsibility, it is important that FLSmidth is also able to support and advise customers on safety matters.

Going forward, safety will therefore continue to receive high priority, both in relation to the company's own employees but also in relation to customers and other stakeholders. Especially the operation and maintenance (O&M) business will receive high attention due to its growing number of operations and employees and the need to ensure common high safety standards.

Shareholder information

FLSmidth & Co. A/S has been listed on NASDAQ OMX Nordic Exchange Copenhagen (formerly Copenhagen Stock Exchange) since 1968.

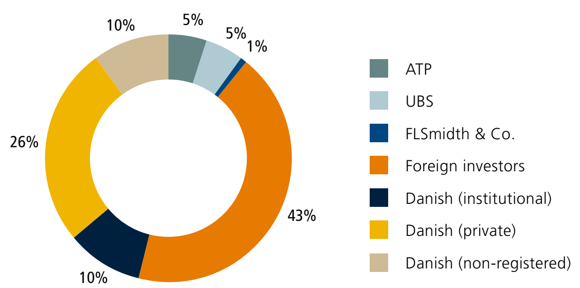
Capital and votes

The share capital amounts to DKK 1,064,000,000 consisting of 53,200,000 issued shares at DKK 20 each. Each share entitles the holder to 20 votes and there are no special rights attached to any of the shares. According to the FLSmidth & Co. A/S share register the company has about 46,600 shareholders (31 December 2009: about 44,800). In addition, some 3,600 present and former employees hold shares in the company (31 December 2009: some 4,100). The FLSmidth & Co. share has a free float of 99%.

The shareholder structure is largely unchanged compared to the end of 2009, albeit with a minor drop in the ownership interest of Danish private shareholders (from 30% to 26%) and a similar increase in the proportion held by foreign investors (from 44% to 48%).

At the end of 2010, two shareholders had reported a participating interest that exceeds five per cent of the share capital. The shareholders are: ATP, Kongens Vænge 8, DK-3400 Hillerød and UBS AG, Bahnhofstrasse 45, 8001 Zurich and Aeschenvorstadt 1, 4051 Basel, Switzerland.

Classification of shareholders



FLSmidth & Co. shares and share options held by the Board of Directors, the Executive Management and key staff

Members of the FLSmidth & Co. A/S Board of Directors hold a total of 76,092 shares (2009: 79,562 shares). The Executive Management holds 40,210 shares (2009: 40,210 shares) and 128,050 share options (2009: 146,350). Other key staff hold 507,854 share options (2009: 512,960).

Share indices

The FLSmidth & Co. share is included in a number of share indices on NASDAQ OMX Nordic Exchange, including OMX Copenhagen 20 (OMX20) which consists of the 20 most traded shares on NASDAQ OMX Nordic Exchange Copenhagen. The FLSmidth & Co. share is also included in a number of Nordic and European share indices including "Dow Jones STOXX 600".

Share price developments 2010

At the beginning of the year, the FLSmidth & Co. share was priced at 367 and ended the year at 532. The share price dropped temporarily both in February and August in connection with global macroeconomic uncertainty and increased noticeably in the year's last months as a result of increased optimism in relation to the mining industry's investment needs.

The total return on the FLSmidth & Co. share in 2010 was 46% including dividend. (2009:104%). By comparison the OMXC20 index increased 37%, MSCI European Construction & Engineering 1%, and Dow Jones STOXX Basic Resource 29% in 2010.

In 2010, FLSmidth & Co. was among the 5-10 most traded shares on NASDAQ OMX Nordic Stock Exchange Copenhagen with an average daily trading volume of some 502,000 shares (2009: approximately 500,000 shares) corresponding to approximately DKK 202m (2009: DKK 112m).

Dividend

Based on the positive developments in cash flow and capital structure in 2010, the Board of Directors proposes that the Annual General Meeting approves distribution of DKK 9 per share in dividend for 2010, corresponding to DKK 479m and 37% of the year's profit. Management wishes to maintain capital resources to finance future growth and to strengthen the commercial position through complementary technologies and services. It is FLSmidth's & Co. A/S new dividend policy to pay out 30-50% of the year's profit in dividend depending on the capital structure and investment opportunities.

Investor relations policy

Via company announcements and briefing sessions plus updated information about the Group's activities on the company website, www.flsmidth.com, the Group seeks to maintain regular contact with the stock market to ensure a development of the share price that reflects the underlying financial performance of the Group.



By subscribing to the electronic communication service at www.flsmidth.com/subscription, shareholders and other interested parties have swift and seamless access to the latest company announcements. Pursuant to the FLSmidth & Co. A/S communication policy, the full version of which is available at the company website www.flsmidth.com/policies, procedures have been drawn up for timely disclosure of all significant information in accordance with the stock exchange rules. All company announcements are published and distributed in both Danish and English (translated version) by the Hugin/Thomson Reuters news distribution service and appear simultaneously on the company website www.flsmidth.com/announcements.

According to the FLSmidth & Co. A/S policy for announcing new contracts, contracts valued at more than DKK 200m are announced to the public once the order becomes effective, which means when both parties have signed the contract, guarantees have been exchanged and the customer has paid the prepayment.

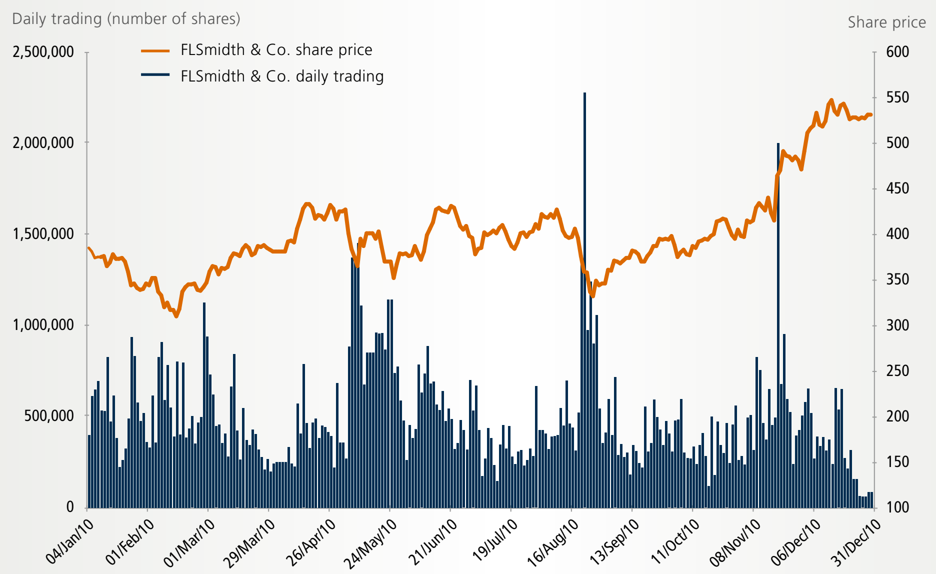
The objective of FLSmidth's Investor Relations function is to contribute at all times to:

- the share price reflecting the company's results and a fair market value based on open and active communication with the stock market.
- all shareholders having equal and sufficient access to timely, relevant and price-sensitive information.

As a matter of principle, FLSmidth maintains a three week quiet period before the release of financial statements during which it does not comment on financial goals nor guidance and does not take part in meetings nor presentations with analysts or investors. As a principle, FLSmidth only comments on factual information and not on guidance given in analyst reports.

Registration of shares is effected via one's own bank. In the case of shares registered in the name of the holder, general meetings shall be called by electronic or written communication to all

Developments in share price and trading in 2010



Shareholder information

shareholders who have so requested. General Meetings shall be called via the Company website, www.flsmidth.com and the IT system of the Danish Commerce and Companies Agency.

A printed version of the Annual Report can be obtained from the shareholder's secretariat or by e-mail: corpir@flsmidth.com.

Analyst coverage

The FLSmidth & Co. share is currently covered by 13 stockbrokers:

Stockbroker	Analyst
ABG Sundal Collier	
Alm. Brand Markets	Brian Rathje
CA Cheuvreux	Johan Eliason
Carnegie	Lars Topholm
Danske Bank	Kenneth Leiling
Exane BNP Paribas	Su Zhang
Goldman Sachs	Sam Edmunds
Handelsbanken	Fasial Ahmed Kalim
Jyske Bank	Christian Nagstrup
Nordea	Patrik Setterberg
Nykredit	Klaus Kehl
SEB Enskilda	Daniel Patterson
Sydbank	Jacob Pedersen

See www.flsmidth.com/analysts for contact details:

Investor Relations activities 2010

During the year under review, FLSmidth & Co. has taken part in about 420 investor meetings and presentations attended by some 1,500 investors in Amsterdam, Edinburgh, Frankfurt, Geneve, Helsinki, Copenhagen, London, Milan, New York, Paris, Stockholm, Vienna and Zurich.

In 2010, the company participated in five events held for private investors in Copenhagen, Ikast, Vejle and Års with a total attendance of some 1,300 private investors.

The material handed out in connection with these meetings is available at www.flsmidth.com/irpresentations.

Financial calendar 2011

29 April 2011:	Annual General Meeting
12 May 2011:	Q1 Interim Report 2011
18 August 2011:	Q2 Interim Report 2011
10 November 2011:	Q3 Interim Report 2011

The Annual General Meeting will take place on 29 April 2011 at 16.00 hours at Radisson BLU, Falconer Hotel and Conference Center, Falkoner Allé 9, DK-2000 Frederiksberg.

Share and dividend figures, the Group

	2006	2007	2008	2009	2010
CFPS (cash flow per share), DKK (diluted)	24.5	28.4	44.2	47.1	25.3
EPS (earnings per share), DKK (diluted)	21.6	24.6	28.8	31.9	24.4
Equity value per share, DKK (diluted)	61	80	96	126	154
DPS (dividend per share), DKK	7	7	0	7	9
Pay-out ratio	32	29	-	22	37
FLSmidth & Co. A/S share price	359	522	181	367	532
Number of shares (000s), 31 December	53,200	53,200	53,200	53,200	53.200
Average number of shares (000's) (diluted)	52,558	52,640	52,544	52,429	52,693
Market capitalisation DKKm	19,099	27,770	9,629	19,524	28,302

Quarterly key figures

Quarterly key figures (unaudited)

DKKm	2009				2010			
	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter
INCOME STATEMENT								
Revenue	5,173	5,593	5,833	6,535	4,490	4,923	5,253	5,520
Gross profit	1,210	1,271	1,205	1,720	1,109	1,283	1,406	1,409
Earnings before special non-recurring items, depreciation, amortisation and write-downs (EBITDA)	578	627	603	917	462	585	707	633
Earnings before interest and tax (EBIT)	474	548	475	764	359	478	617	536
Earnings before interest and tax (EBIT) before effect of purchase price allocation regarding GL&V Process	*498*	*573*	*499*	*788*	*381*	*500*	*639*	*560*
Earnings before tax (EBT)	372	616	495	625	342	368	650	512
Tax for the period	119	(192)	(137)	(193)	(100)	(113)	(195)	(182)
Profit/loss on continuing activities for the period	**491**	**424**	**358**	**432**	**242**	**255**	**455**	**330**
Profit/loss on discontinued activities for the period	(24)	13	(6)	(24)	(9)	3	3	(1)
Profit/loss for the period	**467**	**437**	**352**	**408**	**233**	**258**	**458**	**329**
Contribution ratio	*23.4%*	*22.7%*	*20.7%*	*26.3%*	*24.7%*	*26.1%*	*26.8%*	*25.5%*
EBITDA ratio	*11.2%*	*11.2%*	*10.3%*	*14.0%*	*10.3%*	*11.9%*	*13.5%*	*11.5%*
EBIT ratio	*9.2%*	*9.8%*	*8.1%*	*11.7%*	*8.0%*	*9.7%*	*11.7%*	*9.7%*
EBIT ratio before effect of purchase price allocation regarding GL&V Process	*9.6%*	*10.2%*	*8.6%*	*12.1%*	*8.5%*	*10.2%*	*12.2%*	*10.1%*
CASH FLOW								
Cash flow from operating activities	192	416	939	923	349	387	367	232
Cash flow from investing activities	(128)	(91)	(211)	(100)	(93)	(70)	(129)	(434)
Order intake, continuing activities (gross)	3,111	2,500	3,620	4,091	5,195	7,521	3,636	4,428
Order backlog, continuing activities	28,945	25,963	23,307	21,194	22,883	26,621	23,613	23,708
SEGMENT REPORTING								
Cement								
Revenue	2,959	3,072	3,423	3,605	2,426	2,374	2,272	2,300
EBITDA	367	365	360	635	269	298	328	253
EBIT	331	348	308	561	237	265	299	216
Contribution ratio	*22.7%*	*25.0%*	*19.3%*	*28.0%*	*2.2%*	*25.9%*	*29.4%*	*31.5%*
EBITDA ratio	*12.4%*	*11.9%*	*10.5%*	*17.6%*	*11.1%*	*12.6%*	*14.4%*	*11.0%*
EBIT ratio	*11,2%*	*11.3%*	*9.0%*	*1.6%*	*9.8%*	*11.2%*	*13.2%*	*9.4%*
Order intake, gross	1,406	1,249	2,260	2,248	2,834	3,346	1,618	2,238
Order backlog	16,991	14,919	13,774	12,568	13,762	15,006	13,682	14,146
Minerals								
Revenue	2,009	2,289	2,081	2,658	1,836	2,183	2,618	2,950
EBITDA	229	231	245	317	200	252	363	357
EBIT	176	182	187	253	147	198	325	317
EBIT before effect of purchase price allocation regarding GL&V Process	200	207	211	277	169	220	347	341
Contribution ratio	*23.3%*	*20.9%*	*23.0%*	*26.7%*	*24.9%*	*26.2%*	*24.8%*	*22.2%*
EBITDA ratio	*11.4%*	*10.1%*	*11.8%*	*11.9%*	*10.9%*	*11.5%*	*13.9%*	*12.1%*
EBIT ratio	*8.8%*	*8.0%*	*9.0%*	*9.5%*	*8.0%*	*9.1%*	*12.4%*	*10.7%*
EBIT ratio before effect of purchase price allocation regarding GL&V Process	*10.0%*	*9.0%*	*10.1%*	*10.4%*	*9.2%*	*10.1%*	*13.3%*	*11.6%*
Order intake (gross)	1,736	1,281	1,370	1,907	2,382	4,197	2.071	2.332
Order backlog	12,106	11,139	9,615	8,712	9,234	11,688	10.065	9.752
Cembrit								
Revenue	247	313	354	329	250	380	403	350
EBITDA	(4)	20	33	(15)	1	42	49	11
EBIT	(18)	7	16	(30)	(16)	23	28	(8)
Contribution ratio	*29.1%*	*32.9%*	*31.9%*	*22.8%*	*32.0%*	*34.5%*	*31,5%*	*24,3%*
EBITDA ratio	*(1.6%)*	*6.4%*	*9.3%*	*(4.6%)*	*0.4%*	*11.1%*	*12,2%*	*3,1%*
EBIT ratio	*(7.3%)*	*2.2%*	*4.5%*	*(9.1%)*	*(6.4%)*	*6.1%*	*6,9%*	*(2,3%)*

Contact with Company

Investor Relations & Corporate Communications
Pernille Friis Andersen
Tel.: +45 36 18 18 87
E-mail: pefa@flsmidth.com

Corporate Communications
Jesper B. Larsen
Tel.: +45 36 18 18 77
E-mail: jebl@flsmidth.com

Shareholders secretariat
Hanne Falshøj
Tel.: +45 36 18 18 99
Solvej Gosmer
Tel.: +45 36 18 18 76
E-mail: corpir@flsmidth.com

Website
www.flsmidth.com

Company announcements

issued by Corporate Communications 2010

Date		
22 Feb.	**FLSmidth A/S** Contracts for supply of mineral processing equipment in Canada	**01/2010**
25 Feb.	**FLSmidth & Co. A/S** Annual Report 2009	**02/2010**
26 Feb.	**FLSmidth A/S** FLSmidth signs contract to supply equipment to Heidelberg Cement India Limited	**03/2010**
11 Mar.	**FLSmidth A/S** FLSmidth awarded multimillion operation & maintenance contract in Angola	**04/2010**
15 Mar.	**FLSmidth A/S** FLSmidth receives order for material handling project in India	**05/2010**
26 Mar.	**FLSmidth & Co. A/S** Notice of Annual General Meeting	**06/2010**
9 Apr.	**FLSmidth A/S** Reports of letter of award from Detour Gold	**07/2010**
16 Apr.	**FLSmidth & Co. A/S** Summary of FLSmidth & Co. A/S Annual General Meeting	**08/2010**
16 Apr.	**FLSmidth & Co. A/S** Articles of association of FLSmidth & Co. A/S	**09/2010**
28 Apr.	**FLSmidth A/S** Rumours concerning supply of cement plant project in Russia	**10/2010**
3 May	**FLSmidth A/S** FLSmidth signs contract with Detour Gold for equipment supplies	**11/2010**
5 May	**FLSmidth A/S** Operation and maintenance contract in Egypt	**12/2010**
6 May	**FLSmidth A/S** Afcons Infrastructure Limited, India, awards contract to supply phosphate terminal	**13/2010**
7 May	**FLSmidth A/S** FLSmidth wins contract for copper project in the Middle East	**14/2010**
12 May	**FLSmidth A/S** Major copper contract awarded by Minera Lumina Copper, Chile	**15/2010**
18 May	**FLSmidth & Co. A/S** Interim Report Q1 2010	**16/2010**
21 May	**FLSmidth A/S** FLSmidth to supply complete cement plant to Carthage Cement in Tunisia	**17/2010**
21 May	**FLSmidth A/S** Operation and maintenance contract with Carthage Cement in Tunisia	**18/2010**
26 May	**FLSmidth A/S** Kuwait Cement company places material handling order	**19/2010**
28 May	**FLSmidth A/S** FLSmidth wins contract with ANCAP to modernise existing cement plant	**20/2010**

Date		
2 June	**FLSmidth A/S** Order for supply of equipment for Russian gold processing plant	**21/2010**
8. June	**FLSmidth & Co. A/S** Intellectual property dispute settled in the USA	**22/2010**
10 June	**FLSmidth A/S** Order for supply and installation of coal handling plant in India	**23/2010**
10 June	**FLSmidth & Co. A/S** 2010 FLSmidth & Co. A/S financial calendar changed	**24/2010**
2 July	**FLSmidth A/S** Reports in Brazilian media	**25/2010**
13 July	**FLSmidth A/S** FLSmidth signs contract to supply five pyro lines in Brazil	**26/2010**
19 Aug.	**FLSmidth & Co. A/S** Interim Report Q2 2010	**27/2010**
17 Sep.	**FLSmidth & Co. A/S** FLSmidth acquires share majority in Roymec (Pty) Limited	**28/2010**
27 Oct.	**FLSmidth & Co. A/S** FLSmidth acquitted of violating principle of disclosure of information under Securities Trading Act	**29/2010**
2 Nov.	**FLSmidth & Co. A/S** Large shareholder announcement - UBS AG	**30/2010**
4 Nov.	**FLSmidth A/S** Order for equipment for iron ore processing plant	**31/2010**
11 Nov.	**FLSmidth A/S** Operation and maintenance contract with Arabian Cement Company, Egypt	**32/2010**
18 Nov.	**FLSmidth & Co. A/S** Interim Report Q3 2010	**33/2010**
18 Nov.	**FLSmidth & Co. A/S** Financial calender for 2011	**34/2010**
5 Dec.	**FLSmidth & Co. A/S** Offer to acquire ESSA Australia Limited	**35/2010**
10 Dec.	**FLSmidth A/S** Order to supply equipment for cement production line in Russia	**36/2010**

Financial statements 2010

Contents

List of notes

Consolidated financial statements

Parent company financial statements

Consolidated income statement

Notes	DKKm	2010	2009
3+4	Revenue	20,186	23,134
	Production costs	(14,979)	(17,728)
	Gross profit	**5,207**	**5,406**
	Sales and distribution costs	(1,346)	(1,200)
	Administrative costs	(1,552)	(1,642)
6	Other operating income / (costs)	78	161
	Earnings before non-recurring items, depreciation, amortisation and write-downs (EBITDA)	**2,387**	**2,725**
10	Special non-recurring items	39	8
18	Depreciation and write-downs of tangible assets	(249)	(242)
17	Amortisation and write-down of intangible assets	(187)	(230)
	Earnings before interest and tax (EBIT)	**1,990**	**2,261**
7	Financial income	989	1,101
7	Financial costs	(1,107)	(1,254)
	Earnings before tax (EBT) of continuing activities	**1,872**	**2,108**
11	Tax for the year, continuing activities	(590)	(403)
	Profit/loss for the year, continuing activities	**1,282**	**1,705**
2	Profit/loss for the year, discontinued activities	(4)	(41)
	Profit/loss for the year	**1,278**	**1,664**
	To be distributied as follows:		
	FLSmidth & Co. A/S shareholders' share of profit/loss for the year	1,284	1,670
	Minority shareholders' share of profit/loss for the year	(6)	(6)
		1,278	**1,664**
34	Earnings per share (EPS):		
	Continuing and discontinued activities	24.4	31.9
	Continuing and discontinued activities, diluted	24.4	31.9
	Continuing activities	24.5	32.6
	Continuing activities, diluted	24.4	32.6

Other notes to the income statement:

5 Fee to parent company auditor appointed at the Annual General Meeting
8 Staff costs
9 Share-based payment
35 Income statement classified by function
36 Related party transactions

Consolidated statement of comprehensive income

Notes	DKKm	2010	2009
	Profit/loss for the year	1,278	1,664
	Other comprehensive income for the year		
	Foreign exchange adjustment regarding enterprises abroad	450	(3)
	Foreign exchange adjustment of loans classified as equity in enterprises abroad	75	(16)
	Value adjustment of hedging instruments:		
	Value adjustments for the year	1	(5)
	Value adjustments transferred to revenue	(6)	5
	Value adjustments transferred to production costs	(3)	0
	Value adjustments transferred to financial income / costs	22	(2)
	Value adjustments transferred to balance sheet items	-	(3)
27	Actuarial gains / (losses) on defined contribution plans	21	(40)
	Value adjustments of securities available for sale	(1)	(1)
	Other adjustments of value in use	-	(7)
11	Tax on other comprehensive income	(59)	50
	Other comprehensive income for the year after tax	**500**	**(22)**
	Comprehensive income for the year	**1,778**	**1,642**
	Comprehensive income for the year attribuable to:		
	FLSmidth & Co. A/S shareholders' share of comprehensive income for the year	1,784	1,648
	Minority shareholders' share of comprehensive income for the year	(6)	(6)
		1,778	**1,642**

Consolidated cash flow statement

Notes	DKKm	2010	2009
	Earnings before special non-recurring items, depreciation, amortisation, write-downs (EBITDA), continuing activities	2,387	2,725
	Earnings before special non-recurring items, depreciation, amortisation, write-downs (EBITDA), discontinued activities	4	(45)
	Earnings before special non-recurring items, depreciation and amortisation (EBITDA)	**2,391**	**2,680**
	Adjustment for profits/losses on sale of tangible and intangible assets and foreign exchange adjustments, etc.	168	87
	Adjusted earnings before special non-recurring items, depr., amort. and write-downs (EBITDA)	**2,559**	**2,767**
12	Change in provisions	(82)	45
13	Change in working capital	(616)	305
	Cash flow from operating activities before financial items and tax	**1,861**	**3,117**
14	Financial payments received and made	(68)	(236)
11	Corporation taxes paid	(458)	(411)
	Cash flow from operating activities	**1,335**	**2,470**
15	Acquisition of enterprises and activities	(84)	(286)
17	Acquisition of intangible assets	(153)	(126)
18	Acquisition of tangible assets	(473)	(210)
19	Acquisition of financial assets	(75)	(5)
16	Disposal of enterprises and activities	39	-
	Disposal of intangible assets	3	-
	Disposal of tangible assets	17	43
	Disposal of financial assets	0	54
	Cash flow from investing activities	**(726)**	**(530)**
	Dividend	(262)	(105)
	Addition of minority shares	(16)	7
	Acquisition of treasury shares	(137)	0
	Disposal of treasury shares	38	8
	Changes in other interest-bearing net receivables/(debt)	(433)	(358)
	Cash flow from financing activities	**(810)**	**(448)**
	Changes in cash and cash equivalents	**(201)**	**1,492**
29	Cash and cash equivalents at 1 January	2,389	784
	Foreign exchange adjustment, cash and cash equivalents	210	113
29	Cash and cash equivalents at 31 December	2,398	2,389

The cash flow statement cannot be derived from the published financial information only

Consolidated balance sheet

Assets

Noter	DKKm	2010	2009
	Goodwill	3,663	3,369
	Patents and rights acquired	1,021	1,016
	Customer relations	1,006	954
	Other intangible assets	156	188
	Completed development projects	62	13
	Intangible assets under development	240	149
17	**Intangible assets**	**6,148**	**5,689**
	Land and buildings	1,269	971
	Plant and machinery	710	691
	Operating equipment, fixtures and fittings	234	222
	Tangible assets in course of construction	70	68
18	**Tangible assets**	**2,283**	**1,952**
19	Investments in associates	3	3
19	Other securities and investments	63	29
27	Pension assets	15	0
20	Deferred tax assets	728	791
	Financial assets	**809**	**823**
	Total non-current assets	**9,240**	**8,464**
21	**Inventories**	**1,960**	**1,760**
23	Trade receivables	4,238	4,270
22	Work-in-progress for third parties	3,120	3,617
	Prepayments to subcontractors	364	369
23	Other receivables	1,046	840
	Prepayments	97	118
	Receivables	**8,865**	**9,214**
	Bonds and listed shares	**136**	**75**
29	**Cash and cash equivalents**	**2,398**	**2,389**
	Total current assets	**13,359**	**13,438**
	TOTAL ASSETS	**22,599**	**21,902**

Equity and liabilities

Notes	DKKm	2010	2009
	Share capital	1,064	1,064
	Foreign exchange adjustments regarding translation of investments	235	(290)
	Foreign exchange adjustments regarding hedging transactions	10	(4)
	Reserve for actuarial profit/loss	(237)	(258)
	Reserve for securities available for sale	(31)	(30)
	Retained earnings	6,565	5,856
	Proposed dividend	479	266
	FLSmidth & Co. AS shareholders' share of equity	**8,085**	**6,604**
	Minority shareholders' share of equity	54	23
	Total equity	**8,139**	**6,627**
20	Deferred tax liabilities	813	682
27	Pension liabilities	219	246
24	Other provisions	602	739
25	Mortgage debt	346	358
25	Bank loans	812	813
25	Finance lease commitments	8	8
25	Prepayment from customers	218	306
25+26	Other liabilities	127	186
	Long-term liabilities	**3,145**	**3,338**
	Mortgage debt	0	17
	Bank loans	4	7
	Finance lease commitments	2	3
	Prepayments from customers	1,973	3,087
22	Work-in-progress for third parties	3,846	3,666
	Trade payables	2,192	2,421
	Corporation tax payable	340	211
26	Other liabilities	1,510	1,288
24	Other provisions	1,404	1,199
	Deferred income	44	38
	Short-term liabilities	**11,315**	**11,937**
	Total liabilities	**14,460**	**15,275**
	TOTAL EQUITY AND LIABILITIES	**22,599**	**21,902**

Other notes to the balance sheet:

15 Acquisition of enterprises and activities
16 Disposal of enterprises and activities
28 Maturity structure of financial liabilities
29 Net interest-bearing assets/(debt)
30 Contingent assets and liabilities
31 Charged assets
32 Financial risks and financial instruments
33 Financial assets and liabilities as defined in IAS 39

Consolidated equity

DKKm	Share capital	Foreign exchange adjustments re translation of investments	Foreign exchange adjustments re hedging transactions	Reserve for actuarial losses/gains	Reserve for securities available for sale	Retained earnings	Proposed dividend	FLSmidth & Co. A/S' shareholders' share	Minority interests' share	Total
Equity at 1 January 2009	**1,064**	**(271)**	**1**	**(218)**	**(29)**	**4,466**	**0**	**5,013**	**22**	**5,035**
Profit/loss for the year						1,670		1,670	(6)	1,664
Comprehensive income for the year after tax		(19)	(5)	(40)	(1)	43		(22)		(22)
Comprehensive income for the year	0	(19)	(5)	(40)	(1)	1,713	0	1,648	(6)	1,642
Capital increase, minority shares									7	7
Dividend distributed						(105)		(105)		(105)
Share-based payment, share options						19		19		19
Share-based payment, employee shares						21		21		21
Proposed dividend						(266)	266	0		0
Disposal of treasury shares						8		8		8
Equity at 31 December 2009	**1,064**	**(290)**	**(4)**	**(258)**	**(30)**	**5,856**	**266**	**6,604**	**23**	**6,627**
Profit/loss for the year						1,284		1,284	(6)	1,278
Comprehensive income for the year after tax		525	14	21	(1)	(59)		500		500
Comprehensive income for the year	0	525	14	21	(1)	1,225	0	1,784	(6)	1,778
Aquisition and disposal of minority interests								0	37	37
Dividend distributed						4	(266)	(262)		(262)
Share-based payments, share options						21		21		21
Share-based payment, employee shares 2010						39		39		39
Share-based payment, employee shares 2009						(2)		(2)		(2)
Proposed dividend						(479)	479	0		0
Disposal of treasury shares						38		38		38
Addition of treasury shares						(137)		(137)		(137)
Transferred between reserves								0		0
Equity at 31 December 2010	**1,064**	**235**	**10**	**(237)**	**(31)**	**6,565**	**479**	**8,085**	**54**	**8,139**

See the parent company equity, page 104, regarding capital structure

The year's movements in holding of treasury shares (number of shares):

	2010	2009
Treasury shares at 1 January	755,298 shares	814,457 shares
Acquisition of treasury shares	285,385 shares	841 shares
Share options, settled	(186,600) shares	(60,000) shares
Treasury shares in connection with FLS Global Incentive Programme 2009	(93,624) shares	
Employee shares at 31 December	760,459 shares	755,298 shares
Reserved for employee shares in connection with FLS Global Incentive Programme for the year	(73,216) shares	(126,696) shares

Representing 1.4% (2009: 1.4%) of the share capital.

See the Management's review page 16 regarding the use of treasury shares.

Notes to the consolidated financial statements

1. Significant estimates and assessments by management and significant accounting policies

When preparing the Annual Report in accordance with the Group's accounting policies, it is necessary that Management makes estimates and lays down assumptions that affect the recognised assets and liabilities, including the disclosures made regarding contingent assets and liabilities.

Management bases its estimates on historical experience and other assumptions considered relevant at the time in question. These estimates and assumptions form the basis of the recognised carrying amounts of assets and liabilities and the derived effects on the income statement. The actual results may deviate.

Management considers the following estimates and assessments and the relevant accounting policies essential for preparing the consolidated financial statements.

Revenue and work-in-progress for third parties
Revenue is recognised in the income statement on delivery and passing of the risk to the buyer and when the revenue can be measured reliably. The consolidated revenue consists of the following products and services:

- Project and product sales
- Services, spare parts sales, etc.
- Building materials

Most of the Group's project and product sales plus service sales are recognised in the revenue as work-in-progress for third parties. Work-in-progress for third parties is measured at the sales value of the work performed and recognised as revenue in the income statement based on the percentage of completion of the work performed. The stage of completion is primarily based on the costs incurred measured in proportion to the total expected costs. Total expected costs are partly based on an estimate; for example, total expected costs include provisions for unforeseen cost deviations in future supplies of raw materials, subcontractor products and services plus construction and handing over. Provisions for warranties on work-in-progress are based on Management estimates for each project, while taking underlying contracts into account.

The contract value of services in the form of O&M contracts are in a few cases dependent upon the productivity of the plant serviced. In such cases, income recognition of the contracts includes the Management estimate of the productivity of the plant concerned.

Major projects are often sold to a number of politically unstable countries. In the opinion of Management, the results of these estimates and uncertainties are reflected in the Annual Report based on the information and assumptions available.

Impairment test
At least once every year the Group tests for impairment of goodwill and trademarks of indefinite useful life. Other non-current assets that are systematically depreciated are tested for impairment when events or changed conditions indicate that the carrying amount may not be recoverable. Value in use as an expression of recoverable amount is calculated by discounting expected future cash flow which is estimated based on Management estimate and a discounting factor and growth rates estimated by Management.

Deferred tax liabilities and tax assets
Based on the balance sheet liability method the Group calculates deferred tax on all temporary differences between accounting value and tax value except initially recognised goodwill exclusive of tax value. Deferred tax on foreign investments is only allocated if disposal is likely. Deferred tax assets are included if it is likely that in the future there will be taxable income against which timing differences or tax loss carryforwards may be used. For this purpose, Management estimates the coming years' earnings based on budgets and forecasts.

Receivables
Receivables are measured at amortised cost and written down to provide for losses if there are indications thereof. In connection with write-downs for losses on receivables, Management makes an estimate on the basis of the information and indications available.

Warranties and other provisions
Provisions are recognised in cases where, due to an event occurring before the balance sheet date, the Group has a legal or constructive obligation which is probable and can be measured reliably. Warranties and other provisions are measured on the basis of empirical information covering several years as well as legal opinions which together with estimates by Management of future trends form the basis for warranty provisions and other provisions. In the case of long-term warranties and other provisions discounting to net present value takes place based on the future cash flow expected by Management and an estimated discounting factor.

Acquisition of enterprises and activities including determination of purchase price allocations and amortisation hereof
In connection with acquisition of enterprises and activities acquisition price allocations are made at fair value of identifiable assets, liabilities and contingent liabilities. Purchase price allocations mainly relate to intangible assets, work-in-progress and inventories and deferred tax hereof. The statement of fair value is related to Management estimates which are based on the expected future earnings of the assets. Management also makes estimates of the asset's useful life and its depreciation and amortisation profile which is systematically based on the expected break-down of the assets' future economic benefits.

2. Breakdown of the Group by segments for 2010

DKKm	Cement	Minerals	Cembrit	Other companies etc.[1]	Continuing activities	Discon-tinued activities [2]	The FLSmidth Group
INCOME STATEMENT							
External revenue	9,241	9,562	1,383	0	20,186	0	20,186
Internal revenue	131	25	0	(156)	0	0	0
Revenue	**9,372**	**9,587**	**1,383**	**(156)**	**20,186**	**0**	**20,186**
Production costs	(6,752)	(7,255)	(960)	(12)	(14,979)	0	(14,979)
Gross profit	**2,620**	**2,332**	**423**	**(168)**	**5,207**	**0**	**5,207**
Sales, distr. and admin. costs and other operating items	(1,472)	(1,160)	(320)	132	(2,820)	4	(2,816)
Earnings before special non-recurring items, depreciation, amortisation and write-downs (EBITDA)	**1,148**	**1,172**	**103**	**(36)**	**2,387**	**4**	**2,391**
Special non-recurring items	(2)	39	2	0	39	0	39
Depreciation, amortisation and write-downs of tangible and intangible assets	(129)	(224)	(78)	(5)	(436)	0	(436)
Earnings before interest and tax (EBIT)	**1,017**	**987**	**27**	**(41)**	**1,990**	**4**	**1,994**
Earnings before interest and tax (EBIT) before effect of purchase price allocations regarding GL&V Process	*1,017*	*1,077*	*27*	*(41)*	*2,080*	*4*	*2,084*
ORDER INTAKE (GROSS)	**10,036**	**10,982**	**n/a**	**(238)**	**20,780**	**0**	**20,780**
ORDER BACKLOG	**14,146**	**9,752**	**n/a**	**(190)**	**23,708**	**11**	**23,719**
FINANCIAL RATIOS							
Contribution ratio	*28.0%*	*24.3%*	*30.6%*	*n/a*	*25.8%*	*n/a*	*25.8%*
EBITDA ratio	*12.2%*	*12.2%*	*7.4%*	*n/a*	*11.8%*	*n/a*	*11.8%*
EBIT ratio	*10.9%*	*10.3%*	*2.0%*	*n/a*	*9.9%*	*n/a*	*9.9%*
EBIT ratio before effect of purchase price allocations regarding GL&V Process	*10.9%*	*11.2%*	*2.0%*	*n/a*	*10.3%*	*n/a*	*10.3%*
Number of employees at 31 December	**5,686**	**4,457**	**1,083**	**2**	**11,228**	**1**	**11,229**
Reconciliation of the year's profit/loss							
Segment earnings before interest and tax (EBIT) of reportable segments					1,990	4	
Financial income					989	2	
Financial costs					(1,107)	(10)	
Earnings for the year before tax (EBT)					**1,872**	**(4)**	
Tax for the year					(590)	0	
Profit/loss for the year					**1,282**	**(4)**	
Major revenue in individual countries:							
- Denmark (the Group's domicile country)					470		
- USA					2,140		
- Russia					663		
- India					2,528		
Major non-current assets in individual countries:							
- Denmark (the Group's domicile country)					1,759		
- USA					1,551		

[1] *Other companies consist of companies with no activities, real estate companies, eliminations and the parent company.*
[2] *Discontinued activities consist of run-off on activities sold in previous years.*
Cash flow of discontinued activities derives from operating activities DKK 32m., investing activities DKK 0 and financing activities DKK -23m.

2. Breakdown of the Group by segments for 2009

DKKm	Cement	Minerals	Cembrit	Other companies etc.[1]	Continuing activities	Discon- tinued activities[2]	The FLSmidth Group
INCOME STATEMENT							
External revenue	12,905	8,986	1,243	0	23,134	19	23,153
Internal revenue	154	51	0	(205)	0	0	0
Revenue	**13,059**	**9,037**	**1,243**	**(205)**	**23,134**	**19**	**23,153**
Production costs	(9,949)	(6,903)	(880)	4	(17,728)	(73)	(17,801)
Gross profit	**3,110**	**2,134**	**363**	**(201)**	**5,406**	**(54)**	**5,352**
Sales, distr. and admin. costs and other operating items	(1,383)	(1,112)	(329)	143	(2,681)	9	(2,672)
Earnings before special non-recurring items, depreciation, amortisation and write-downs (EBITDA)	**1,727**	**1,022**	**34**	**(58)**	**2,725**	**(45)**	**2,680**
Special non-recurring items	(2)	(4)	14	0	8	0	8
Depreciation, amortisation and write-downs of tangible and intangible assets	(177)	(220)	(73)	(2)	(472)	0	(472)
Earnings before interest and tax (EBIT)	**1,548**	**798**	**(25)**	**(60)**	**2,261**	**(45)**	**2,216**
Earnings before interest and tax (EBIT) before effect of purchase price allocations regarding GL&V Process	*1,548*	*895*	*(25)*	*(60)*	*2,358*	*(45)*	*2,313*
ORDER INTAKE (GROSS)	**7,163**	**6,294**	**n/a**	**(135)**	**13,322**	**4**	**13,326**
ORDER BACKLOG	**12,568**	**8,712**	**n/a**	**(86)**	**21,194**	**11**	**21,205**
FINANCIAL RATIOS							
Contribution ratio	*23.8%*	*23.6%*	*29.2%*	*n/a*	*23.4%*	*n/a*	*23.1%*
EBITDA ratio	*13.2%*	*11.3%*	*2.7%*	*n/a*	*11.8%*	*n/a*	*11.6%*
EBIT ratio	*11.9%*	*8.8%*	*(2.0%)*	*n/a*	*9.8%*	*n/a*	*9.6%*
EBIT ratio before effect of purchase price allocations regarding GL&V Process	*11.9%*	*9.9%*	*(2.0%)*	*n/a*	*10.2%*	*n/a*	*10.0%*
Number of employees at 31 December	**5,553**	**4,065**	**1,041**	**3**	**10,662**	**2**	**10,664**
Reconciliation of the year's profit/loss							
Segment earnings before interest and tax (EBIT) of reportable segments					2,261	(45)	
Financial income					1,101	11	
Financial costs					(1,254)	(8)	
Earnings for the year before tax (EBT)					**2,108**	**(42)**	
Tax for the year					(403)	1	
Profit/loss for the year					**1,705**	**(41)**	
Major revenue in individual countries:							
- Denmark (the Group's domicile country)					430		
- USA					2,829		
- Russia					2,713		
- India					1,907		
Major non-current assets in individual countries:							
- Denmark (the Group's domicile country)					1,430		
- USA					1,393		

[1] *Other companies consist of companies with no activities, real estate companies, eliminations and the parent company.*

[2] *Discontinued activities consist of activities for which it has been announced that they are discontinued in the Group. Discontinued activities also consist of run-off on activities sold in previous years.*
Cash flow of discontinued activities derives from operating activities DKK 221m, investing activities DKK 0m and financing activities DKK -237m.

3. Segment reporting, geographical

DKKm	2010	2009
Revenue		
Denmark	470	430
Scandinavia exclusive of Denmark	299	301
Rest of Europe	2,744	5,179
Asia	6,203	5,573
North America	3,325	3,835
South America	3,461	3,037
Africa	2,927	3,931
Australia	757	848
	20,186	**23,134**
Assets		
Denmark	6,758	8,641
Scandinavia exclusive of Denmark	326	73
Rest of Europe	2,880	2,646
Asia	2,671	2,203
North America	6,389	5,204
South America	1,383	1,271
Africa	975	762
Australia	1,217	1,102
	22,599	**21,902**

4. Revenue

DKKm	2010	2009
Project and product sales	12,557	16,436
Sales of parts and services, etc.	6,246	5,455
Building materials	1,383	1,243
	20,186	**23,134**
Income recognition criteria		
Income recognised when delivered	6,642	5,979
Income recognised according to the percentage-of-completion method	13,544	17,155
	20,186	**23,134**

5. Fee to parent company auditors appointed at the Annual General Meeting

DKKm	2010	2009
Deloitte		
Statutory audit	20	21
Other assurance engagements	1	1
Tax and VAT consultancy	6	6
Other services	4	2
	31	**30**

6. Other operating income/(costs)

DKKm	2010	2009
Other operating income		
Government subsidies and other grants	10	9
Rent income	15	17
Royalties, etc.	26	57
Profit on disposal of tangible assets	6	15
Other income	53	106
	110	**204**
Other operating costs		
Loss on disposal of tangible assets	(8)	(11)
Royalties, etc.	(13)	(5)
Other costs	(11)	(27)
	(32)	**(43)**
Total other operating income and costs	**78**	**161**

In 2009, the profit on disposal of tangible assets included the profit from sale of buildings in India and Canada at at DKK 9m and DKK 5m, respectively.

7. Financial income and costs

DKKm	2010	2009
Financial income		
Interest income from banks and receivables	28	19
Other financial income	9	20
Interest income from financial assets that is not measured at fair value via the profit/loss	**37**	**39**
Interest income from bonds	5	4
Fair value adjustment of derivatives	98	162
Foreign exchange gains, realised	613	705
Foreign exchange gains, unrealised	230	156
Dividend from shares	6	15
Fair value adjustment of other securities and investments	0	20
	989	**1,101**
Financial costs		
Interest payable on bank loans and mortgage debt	55	52
Other financial costs	14	14
Interest costs from financial liabilities that is not measured at fair value via the profit/loss	**69**	**66**
Fair value adjustment of derivatives	165	145
Foreign exchange losses, realised	508	828
Foreign exchange losses, unrealised	356	197
Interest element discounted liabilities	6	6
Fair value adjustment of other securities and investments	3	12
	(1,107)	**(1,254)**

8. Staff costs

DKKm	2010	2009
Wages, salaries and fees	3,248	3,014
Defined contribution plans and other social security costs, etc.	368	378
Defined benefit plans	15	20
Share-based payment, option plans	21	19
Share-based payment, employee plan	37	21
Cash-based payment, employee plan	24	19
Other staff costs	260	328
	3,973	**3,799**
The amounts are included in the items:		
Production costs	2,297	2,274
Sales and distribution costs	786	735
Administrative costs	890	790
	3,973	**3,799**

For further details concerning the remuneration of the Executive Management and Board of Directors, see Note 36 regarding related parties.

9. Share-based payment, option plans

Share options
The Executive Management and a number of key employees in the Group have been granted options to purchase 633,304 shares in the company at a set price (strike price).

The Group's share option plan includes a "change of control" clause giving the holders the right to immediately exercise their options in connection with an acquisition offer.

Share-based plans (2003-2005 plan and 2006-2010 plan)
The share option plans for 2003-2005 and 2006-2010 are share-based payment arrangements. The value of the options is recognised in the income statement under staff costs on a linear basis from the time of allocation to the initial time of acquisition, which means that at the time of exercising the option no further recognition in the income statement takes place.

Specification of outstanding options:

Number of options	**Executive Management**	**Key staff**	**Total**
Outstanding options 1 January 2009	140,950	431,850	572,800
Exercised of 2005 plan	(20,000)	(20,000)	(40,000)
Exercised of 2006 plan		(20,000)	(20,000)
Lapsed		(14,700)	(14,700)
Allocated for 2009 (issued 20 August 2009)	25,400	135,810	161,210
Outstanding options 31 December 2009	**146,350**	**512,960**	**659,310**
Exercised of 2005 plan	(20,000)	(30,000)	(50,000)
Exercised of 2006 plan	(28,000)	(93,000)	(121,000)
Exercised of 2007 plan		(15,600)	(15,600)
Lapsed		(7,506)	(7,506)
Allocated for 2010 (issued 19 August 2010)	29,700	141,000	170,700
Outstanding options 31 December 2010	**128,050**	**507,854**	**635,904**
Number of options that are exercisable at 31 December 2010	52,800	133,900	186,700
Total fair value of outstanding options DKKm			
At 31 December 2010	33	117	150
At 31 December 2009	27	83	110

DKK	2010	2009
Average weighted fair value per option	236.40	169.22
Average weighted strike price per option	321,13	299.15
Average price per share at the time of exercising the option	455.14	309.30

In 2010, the recognised fair value of share options in the consolidated income statement amounts to DKK 21m (2009: DKK 19m).

The calculation of average weighted fair value and strike price per option is based on a dividend of DKK 9 (2009: DKK 7) in the exercise period.

Year of allocation, strike price and exercise period of the individual allocations are as follows:

Year of allocation	Strike price	Exercise period	Allocated	Lapsed	Exercised	Not exercised
2005	99.92	2010-2011	380,000	0	(350,000)	30,000
2006	200.00	2010-2011	206,000	(10,000)	(151,000)	45,000
	191.00	2011-2012				
2007	441.00	2010-2011	145,500	(15,600)	(18,200)	111,700
	432.00	2011-2012				
	423.00	2012-2013				
2008	426.00	2011-2012	129,100	(9,000)	0	120,100
	417.00	2012-2013				
	408.00	2013-2014				
2009	220.00	2012-2013	161,210	(2,806)	0	158,404
	211.00	2013-2014				
	202.00	2014-2015				
2010	373.00	2013-2014	170,700	0	0	170,700
	364.00	2014-2015				
	355.00	2015-2016				

The calculated fair values in connection with allocation are based on the Black-Scholes model for valuation of options.

The calculation of fair values of outstanding share options at the time of allocation is based on the following assumptions:

	Allocated in 2010	**Allocated in 2009**
Average price per share	400.00	245.00
Strike price per share	400.00	245.00
Expected volatility	36.76%	70.10%
Expected life	4 1/2 år	4 1/2 år
Expected dividend per share	DKK 7	DKK 3
Risk-free interest	1.1-1.8%	3.2-3.6%
Number of share options allocated	170,700	161,210
Fair value per option, DKK	127.58	135.00
Total fair value, DKKm	22	22

The expected volatility is based on the historical volatililty in the preceding 12 months. The expected life is the weighted average residual life of the share options allocated.

The strike prices for allocations in 2003 - 2005 are increased annually by 6 per cent. The annual increase, however, is limited by the dividend declared at the latest Annual General Meeting prior to the half-yearly report in question so that each dividend krone is deducted from the calculated 6 per cent increase. Non-exercised options lapse if the holder ceases to be employed by the Company.

10. Special non-recurring items

DKKm	2010	2009
Recognised negative goodwill	0	14
Run-off on purchase price allocations to inventories in connection with business acquisitions	(3)	(6)
Costs in connection with acquisitions	(4)	-
Profit/(loss) on sale of enterprises and activities	46	-
	39	**8**

Profit/(loss) from disposal of enterprises and activities includes DKK 44m from the disposal of a non-core activity in Germany.

In connection with the acquisition of enterprises, fair value adjustments are made of inventories and work-in-progress. In connection with the subsequent realisation of these inventories and work in progress, recognition of fair value adjustments in the income statement are separated from production costs and expensed as special non-recurring items.

11. Tax for the year

DKKm	2010	2009
Current tax on the profit/loss for the year	**389**	**421**
Withholding tax	44	35
Adjustment of deferred tax	220	163
Adjustment of tax rate on deferred tax	(2)	10
Adjustments regarding previous years, deferred taxes	(26)	(23)
Adjustments regarding previous years, current taxes	(19)	(230)
Other adjustments	(16)	27
Tax for the year, continuing activities	**590**	**403**
Earnings before tax on continuing activities	1,872	2,108
Earnings before tax on discontinued activities	(4)	(42)
	1,868	**2,066**
Reconciliation of tax		
Tax according to Danish tax rate	519	527
Differences in the tax rates in foreign subsidiaries relative to 25%	88	76
Non-taxable income and non-deductible costs	(2)	40
Primary dividend taxes	(5)	(3)
Non-taxable profits on sale of assets	0	(8)
Written-off purchase costs	(15)	(37)
Differences in tax assets valued at nil	24	(11)
Differences due to adjustment of tax rate	(2)	10
Adjustments regarding previous years, deferred taxes	(26)	(23)
Adjustments regarding previous years, current taxes	(19)	(230)
Withholding taxes	44	35
Other adjustments	(16)	27
Tax for the year	**590**	**403**

Tax paid in 2010 amounts to DKK 458m (2009: DKK 411m).

Adjustment regarding previous years, current taxes include recognition of tax losses used, see Note 20.

Tax on other comprehensive income

DKKm	2010			2009		
	Before tax	**Tax income /cost**	**After tax**	**Before tax**	**Tax income /cost**	**After tax**
Foreign exchange adjustment of loans classified as equity in enterprises abroad	75	(18)	57	(16)	4	(12)
Foreign exchange adjustment of hedging instruments	14	(1)	13	(5)	1	(4)
Actuarial gains/ (lossses) on defined benefit plans	21	(10)	11	(40)	13	(27)
Adjustment concerning previous years	0	(30)	(30)	0	32	32
	110	**(59)**	**51**	**(61)**	**50**	**(11)**

12. Change in provisions

DKKm	2010	2009
Pensions and similar obligations	(30)	7
Other provisions	(52)	38
	(82)	**45**

13. Change in working capital

DKKm	2010	2009
Inventories	(42)	159
Trade receivables	230	1.410
Trade payables	(286)	(862)
Work-in-progress and prepayments	(595)	(790)
Change in other receivables and other liabilities	77	388
	(616)	**305**

14. Financial payments received and made

DKKm	2010	2009
Financial payments received	1,033	972
Financial payments made	(1,101)	(1,208)
	(68)	**(236)**

15. Acquisition of enterprises and activities in 2010

Name of enterprise acquired	Primary activity	Acquisition date	Ownership acquired	Voting share acquired	Ownership interest	Voting share
Summit Valley (acquisition of net assets)	Minerals	15 December 2009	-	-	-	-
Roymec (Proprietary) Limited	Minerals	30 November 2010	74%	74%	74%	74%
ESSA Australia Limited*	Minerals	17 February 2011	> 90%	> 90%	> 90%	> 90%

DKKm	Roymec Limited			Other			Total
	Carrying amount before adjustment	Adjustments at fair value	Fair value adjusted opening balance sheet	Carrying amount before adjustment	Adjustment at fair value	Fair value adjusted opening balance sheet	Acquisitions fair value adjusted opening balance sheet in 2010
Completed development projects	-	-	-	-	-	-	-
Patents and rights acquired	-	27	27	-	-	-	27
Customer relations	-	47	47	-	-	(3)	44
Other intangible assets	-	12	12	-	-	(1)	11
Tangible assets	13	-	13	-	-	-	13
Financial assets including deferred tax	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	(1)	(1)
Receivables	31	-	31	-	-	-	31
Work-in-progress	5	-	5	-	-	-	5
Cash and cash equivalents	66	-	66	-	-	-	66
Minority interests	(9)	(44)	(53)	-	-	-	(53)
Provisions including deferred tax	(24)	-	(24)	-	-	-	(24)
Loans	-	-	-	-	-	-	-
Other liabilities	(55)	-	(55)	-	-	-	(55)
Net assets	**27**	**42**	**69**	**0**	**0**	**(5)**	**64**
Goodwill			82			5	87
Equity adjusted goodwill			-			0	0
Cost			**151**			**0**	**151**
Cash and cash equivalents acquired			(67)			-	(67)
Contingent consideration			-			-	-
Net cash effect, acquisitions			**84**			**0**	**84**
Other specifications regarding transactions:							
Direct acquisition costs			1			0	1

Roymec (Proprietary) Limited
Based in South Africa, Roymec (Proprietary) Limited is a member of the FLSmidth & Co. Group and included in the Minerals segment as a provider of material handling systems for the metal and mineral industries. The activities were consolidated at 30 November 2010. The non-allocated purchase price amounts to DKK 82m and is recognised as goodwill reflecting expected synergies. The activities are included in the consolidated financial statements with revenue of DKK 14m and earnings after tax of DKK 2m. The minority share (NCI) is measured at fair value.

Other

Summit Valley
Summit Valley was acquired in December 2009 and reference is made to the comparative figures in this note for further details concerning this acquisition. In 2010, the fair value adjustment of the opening balance sheet was completed, resulting in net adjustments of DKK -5m.

Revenue and earnings on a full-year basis
If the enterprises acquired in 2010 had been consolidated with effect from 1 January 2010, revenue and the earnings after tax of these enterprises and activities would have been included in the consolidated financial statements at DKK 167m and DKK 9m, respectively.

***Acquisition of enterprises after the balance sheet date**
On 17 February, FLSmidth took control of ESSA Australia Limited, a company specialising in design, manufacture, service and support of sampling equipment for the mineral and mining industries. The consideration for the company amounts to approximately DKK 178m in cash. Due to the short time span between the acquisition and the disclosure of the Annual Report, it was not practically possible to allocate the consideration to assets and liabilities acquired before the Annual Report was released. It is expected that a provisional allocation of the consideration will be included in the Q1 2011 Interim Report. For the period 1 July 2009 to 30 June 2010, ESSA Australia posted revenue of DKK 148m and earnings of DKK 8m.

15. Acquisitions of enterprises and activities in 2009

Name of enterprise acquired	Primary activity	Acquisition date	Ownership acquired	Voting share acquired	Ownership interest	Voting share
Pneumapress Filter Corporation	Minerals	15 May 2008	100%	100%	100%	100%
Dawson Metallurgical Laboratories (acquisition of net assets))	Minerals	4 August 2008	-	-	-	-
Conveyor Engineering Inc.	Minerals	1 March 2009	100%	100%	100%	100%
ID-Tecnologia (acquisition of net assets)	Minerals	3 April 2009	-	-	-	-
Cardwell Geo Chemical Inc. (acquisition of net assets))	Minerals	12 June 2009	-	-	-	-
EEL India Limited	Cement	28 July 2009	100%	100%	100%	100%
Summit Valley (acquisition of net assets)	Minerals	15 December 2009	-	-	-	-

DKKm	EEL India Limited			Other			Total
	Carying amount before adjustment	Adjustments at fair value	Fair value adjusted opening balance sheet	Carrying amount before adjustment	Adjustmenst at fair value	Fair value adjusted opening balance sheet	Acquisitions fair value adjusted opening balance sheet in 2009
Patents and rights acquired	-	7	7	-	20	20	27
Customer relations	-	48	48	-	102	102	150
Other intangible assets	-	-	-	1	33	34	34
Tangible assets	54	14	68	14	-	14	82
Financial assets including deferred tax	20	-	20	-	-	-	20
Inventories	16	2	18	-	4	4	22
Receivables	26	-	26	17	-	17	43
Cash and cash equivalents	3	-	3	28	-	28	31
Provisions including deferred tax	(4)	(25)	(29)	-	(29)	(29)	(58)
Loans	-	-	-	(4)	-	(4)	(4)
Other liabilities	(29)	-	(29)	(25)	-	(26)	(55)
Net assets	**86**	**46**	**132**	**31**	**130**	**161**	**293**
Goodwill			47			86	133
Recognised negative goodwill			-			(14)	(14)
Cost			**179**			**233**	**412**
Cash and cash equivalents acquired			(3)			(29)	(32)
Contingent consideration			0			(94)	(94)
Net cash effect, acquisitions			**176**			**110**	**286**
Specification of net effect:							
Purchase price			176			110	286
Direct acquisition costs			0			0	0
Net cash effect			**176**			**110**	**286**

EEL India Limited: Based in India, EEL is a member of the FLSmidth & Co. Group and included in its Cement segment as a provider of cement handling and packing systems. The activities were consolidated at 28 July 2009. The non-allocated purchase price amounts to DKK 47m and is recognised as goodwill reflecting expected synergies. The activities are included in the consolidated financial statements with a revenue of DKK 55m and earnings after tax of DKK 4m.

Other

Pneumapress Filter Corporation: Pneumapress was acquired in May 2008 and reference is made to the 2009 Annual Report Note 15 for further details concerning this acquisition. In 2009, the fair value adjustment of the opening balance sheet was completed, resulting in a few adjustments.

Dawson Metallurgical Labaratories: Dawson was acquired in August 2008 and reference is made to the 2009 Annual Report Note 15 for further details concerning this acquisition. In 2009, the fair value adjustment of the opening balance sheet was completed, resulting in a few adjustments.

Conveyor Engineering Inc.: Based in the USA,Conveyor Engineering is a member of the FLSmidth & Co. Group and included in the Minerals segment as a provider of material handling systems for the metal and mineral industries. The activities were consolidated at 1 March 2009. The non-allocated purchase price amounts to DKK 99m and is recognised as goodwill reflecting expected synergies. The activities are included in the consolidated accounts with revenue of DKK 173m and earnings after tax of DKK 12m.

ID-Tecnologia: Based in Chile, ID-Tecnologia is a member of the FLSmidth & Co. Group and included in the Minerals segment in the field of separation systems for the metal and minerals industries. The activities were consolidated at 3 April 2009. No purchase price allocation has been made on recognition, because in the opinion of the Group the carrying amounts reflect the market value of identified assets and liabilities. The activities are included in the consolidated accounts with a revenue of DKK 8m and earnings after tax of DKK 1m.

Cardwell Geo Chemical Inc.: Based in the USA, Cardwell is a member of the FLSmidth & Co. Group and included in the Minerals segment in the field of separation systems for the metal and mineral industries. The activities were consolidated at 12 June 2009. No purchase price allocation has been made on recognition, because in the opinion of the Group the carrying amounts reflect the market value of identified assets and liabilities. The activities are included in the consolidated financial statements with revenue of DKK 1m and earnings after tax of DKK 0m.

Summit Valley: Based in the USA, Summit Valley is a member of the FLSmidth & Co. Group and included in the Minerals segment in the field of separation systems for the metal and mineral industries. The activities were consolidated at 15 December 2009. The non-allocated purchase price amounts to DKK 12m and is recognised as goodwill reflecting expected synergies. The activities are included in the consolidated financial statements with a revenue of DKK 0m and earnings after tax of DKK 0m.

Revenue and earnings on a full-year basis: If the enterprises acquired in 2009 had been consolidated with effect from 1 January 2009, revenue and earnings after tax of these enterprises and activities would have been included in the consolidated financial statements at DKK 423m and DKK 39m, respectively.

16. Disposal of enterprises and activities

DKKm	2010	2009
Intangible assets	6	-
Tangible assets	7	-
Inventories	1	-
Receivables	3	-
Cash and cash equivalents	(5)	-
Liabilities	(3)	-
Carrying amount of net assets disposed of	**9**	**-**
Transactions costs	0	
Profit/(loss) on sale of enterprises and activities	46	
Cash sales value	39	-
Contingent consideration	16	-
Cash sales value	**55**	**-**
Cash and cash equivalents disposed of, see above	**1**	
Net cash effect including contingent consideration	**54**	**-**
Profit on sale of enterprises and activities	**46**	**-**

Profit/loss on disposal of enterprises and activities recognised in the income statement is stated at an average exchange rate and cannot therefore be reconciled directly with the above figures.

Profit/loss on disposal of enterprises and activities concerns both continuing activities and special non-recurring items.

Disposal of enterprises and activities mainly consists of the disposal of a non-core activity in Germany.

17. Intangible assets

DKKm	Goodwill	Patents and rights acquired	Customer relations	Other intangible assets	Completed development projects	Intangible assets under development	Total
Cost at 1 January 2010	3,374	1,179	1,099	579	54	153	6,438
Foreign exhange adjustment	213	34	97	27	1	1	373
Acquisition of Group enterprises	87	27	44	11			169
Disposal of Group enterprises			(6)	0			(6)
Additions		1		7	1	144	153
Disposals				(5)	(17)		(22)
Transferred between categories					53	(53)	0
Other adjustments	(8)	3		1	(3)		(7)
Cost at 31 December 2010	**3,666**	**1,244**	**1,234**	**620**	**89**	**245**	**7,098**
Amortisation and write-downs at 1 January 2010	5	163	145	391	41	4	749
Foreign exchange adjustments		6	12	16	1	1	36
Disposals		0		(4)	(17)		(21)
Annual amortisation		52	72	60	4		188
Other adjustments	(2)	2	(1)	1	(2)		(2)
Amortisation and write-downs at 31 December 2010	**3**	**223**	**228**	**464**	**27**	**5**	**950**
Carrying amount at 31 December 2010	**3,663**	**1,021**	**1,006**	**156**	**62**	**240**	**6,148**

DKKm	Goodwill	Patents and rights acquired	Customer relations	Other intangible assets	Completed development projects	Intangible assets under development	Total
Cost at 1 January 2009	3,271	1,083	973	537	63	50	5,977
Foreign exchange adjustments	(24)	(8)	(24)	(7)	0	5	(58)
Acquisition of Group enterprises	133	27	150	33	0	0	343
Additions	0	4	0	24	0	98	126
Disposals	(6)	(3)	0	(6)	0	0	(15)
Other adjustments	0	76	0	(2)	(9)	0	65
Cost at 31 December 2009	**3,374**	**1,179**	**1,099**	**579**	**54**	**153**	**6,438**
Amortisation and write-downs at 1 January 2009	8	24	80	304	39		455
Foreign exchange adjustments	(3)	(1)	(4)	(5)	0	0	(13)
Disposals	0	0	0	(6)	0		(6)
Annual depreciation	0	65	69	73	7		214
Annual write-downs	0	0	0	27	0	4	31
Other adjustments	0	75	0	(2)	(5)		68
Amortisation and write-downs at 31 December 2009	**5**	**163**	**145**	**391**	**41**	**4**	**749**
Carrying amount at 31 December 2009	**3,369**	**1,016**	**954**	**188**	**13**	**149**	**5,689**

17. Intangible assets (continued)

Amortisation and write-downs in the income statement are stated at the average rates of exchange and therefore cannot be directly reconciled with the intangible asset note stated above in which amortisation and write-downs are stated at year-end exchange rates. For allocation of amortisation and write-downs to Production costs, Sales and Distribution costs and Administrative costs, see note 35.

For acquisition of Group enterprises, see Note 15. Translation of acquisitions to DKK, cf. Note 15, is stated at the transaction date exchange rate and cannot, therefore, be directly reconciled with the intangible asset note above in which acquisitions are stated at year-end exchange rates.

Much of the knowledge generated in the Group originates from work performed for customers. In 2010, the Group's research and development costs totalled DKK 281m (2009: DKK 315m) which are included in production costs. As these costs mainly relate to improvements of already existing products, capitalised development costs merely account for a total of DKK 74m (2009: DKK 70m) in respect of R&D development projects. The total addition of intangible assets includes internal capitalisation at DKK 144m (2009: DKK 98m).

The consolidated capitalised goodwill and trademarks deriving from acquisition of enterprises and activities are allocated to cash generating units by the Executive Management in connection with recognition. At least once every year, an impairment test of goodwill and trademarks of indefinite useful life is carried out.

Value in use as an expression of the recoverable amount is calculated for each cash generating unit (CGU) by discounting the expected future cash flow to net present value. Expected future cash flow is based on Management estimates including expected growth rates, etc. The discounting factor is also calculated on the basis of Management estimates which include both general capital market conditions and a specific risk profile (currently 9-10%).

The value in use calculations are composed of discounted expected cash flow for the next five years and a calculated terminal value of cash flow for the subsequent period. In calculating the terminal value, a growth rate (0-1%) which is conservatively estimated by Management is adopted for each of the cash generating units.

There have been no write-downs in 2010. Software systems were written down in 2009 at a total amount of DKK 31m. The write-downs are recognised in the income statement in the Cement segment.

Intangible assets are amortised over their economic life. Of the intangible assets, goodwill and trademarks acquired regarding GL&V Process are considered to have indefinite useful life. The carrying amount of these intangible assets of indefinite useful life is shown in the following divided into segments:

Intangible assets of indefinite useful life

DKKm	Cement	Minerals	Cembrit	2010
Goodwill	79	3,537	47	3,663
Patents and rights (trademarks) acquired	0	403	0	403
Carrying amount at 31 December 2010	**79**	**3,940**	**47**	**4,066**

Intangible assets indefinite useful life

DKK mio.	Cement	Minerals	Cembrit	2009
Goodwill	73	3,250	46	3,369
Patents and rights (trademarks) acquired	0	403	0	403
Carrying amount at 31 December 2009	**73**	**3,653**	**46**	**3,772**

18. Tangible assets

DKKm	Land and buildings	Plant and machinery	Operating equipment, fixtures and fittings	Tangible assets in course of construction	Total
Cost at 1 January 2010	1,546	1,469	647	68	3,730
Foreign exchange adjustment	77	89	41	4	211
Acquisition of Group enterprises		12	1	0	13
Disposal of Group enterprises	(7)	(5)	0	0	(12)
Additions	223	79	74	97	473
Disposals	(17)	(10)	(29)	0	(56)
Transferred between categories	74	8	14	(96)	0
Other adjustments	0	0	2	0	2
Cost at 31 December 2010	**1,896**	**1,642**	**750**	**73**	**4,361**
Amortisation and write-downs at 1 January 2010	575	778	425		1.778
Foreign exchange adjustments	18	49	23		90
Disposal of Group enterprises	(3)	(4)	0		(7)
Disposals	(4)	(10)	(22)		(36)
Annual depreciation	42	119	89		250
Annual write-downs/(reversals)	0	0	0	3	3
Other adjustments	(1)	0	1		0
Depreciation and write-downs at 31 December 2010	**627**	**932**	**516**	**3**	**2,078**
Carrying amount at 31 December 2010	**1,269**	**710**	**234**	**70**	**2,283**
Assets held under a finanse lease					
Carrying amount at 31 December 2010	0	0	3		3

DKKm	Land and buildings	Plant and machinery	Operating equipment, fixtures and fittings	Tangible assets in course of construction	Total
Cost at 1 January 2009	1,399	1,202	603	256	3,460
Foreign exchange adjustment	12	12	17	5	46
Acquisition of Group enterprises	61	20	6	0	87
Additions	34	74	62	40	210
Disposals	(17)	(24)	(29)	(1)	(71)
Transferred between categories	59	175	(6)	(228)	0
Other adjustments	(2)	10	(6)	(4)	(2)
Cost at 31 December 2009	**1,546**	**1,469**	**647**	**68**	**3,730**
Depreciation and write-downs at 1 January 2009	541	655	369		1,565
Foreign exchange adjustment	0	4	11		15
Disposals	(7)	(13)	(24)		(44)
Annual depreciation	38	113	81		232
Other adjustments	3	19	(12)		10
Depreciation and write-downs at 31 December 2009	**575**	**778**	**425**		**1,778**
Carrying amount at 31 December 2009	**971**	**691**	**222**	**68**	**1,952**
Assets held under a finanse lease					
Carrying amount at 31 December 2009	10	0	5	0	15

Depreciation and write-downs in the income statement are stated at the average rates of exchange and cannot therefore be directly reconciled with the tangible asset note above in which depreciation and write-downs are stated at year-end exchange rates. For allocation of depreciation and write-downs to Production costs, Sales and distribution costs and Administrative costs, see note 35.

For acquisition of Group enterprises, see Note 15. Translation of acquisitions to DKK is stated at the transaction date and cannot, therefore, be directly reconciled with the tangible asset note above in which acquisitions are stated at year-end exchange rates.

19. Financial assets

DKKm	Investments in associates	Other securities and investments	Total
Cost at 1 January 2010	1	80	81
Foreign exchange adjustment		2	2
Additions		75	75
Disposals			0
Other adjustments			0
Cost at 31 December 2010	**1**	**157**	**158**
Adjustments at 1 January 2010	2	(51)	(49)
Foreign exchange adjustment		(2)	(2)
Disposals			0
Profit/loss shares		0	0
Value and other adjustments		(41)	(41)
Adjustments at 31 December 2010	**2**	**(94)**	**(92)**
Carrying amount at 31 December 2010	**3**	**63**	**66**

DKKm	Investments in associates	Other securities and investments	Total
Cost at 1 January 2010	2	113	115
Foreign exchange adjustment	0	0	0
Additions	0	5	5
Disposals	0	(26)	(26)
Other adjustments	(1)	(12)	(13)
Cost at 31 December 2009	**1**	**80**	**81**
Adjustments at 1 January 2009	1	(75)	(76)
Disposals	0	14	14
Profit/loss shares	0	10	10
Value and other adjustments	1	0	1
Adjustments at 31 December 2009	**2**	**(51)**	**(49)**
Carrying amount at 31 December 2009	**3**	**29**	**32**

Investments in associates consist of LFC International Engineering JSC (Vietnam), NLS-SSBIL (United Arab Emirates), LV Technology Public Company Ltd. (Thailand), Transweigh India Ltd. (India).

DKKm	2010	2009
Key figures for associates (aggregate):		
Total assets	234	260
Total liabilities	(114)	(102)
Total net assets	**120**	**158**
Share of net assets	18	23
Total revenue	**178**	**399**
Total profit/loss for the year	**(33)**	**30**
Share of the year's profit/loss	(4)	5

Joint Ventures
The Group has made the following investment in joint ventures:
FLS EurAsia AG (Switzerland), ownership interest 33%.

The amounts below represent the Group's share of assets and liabilities, revenue and comprehensive income in the pro rata consolidated enterprises which appear from the list of Group companies. These amounts are recognised in the consolidated balance sheet and income statement.

DKKm	2010	2009
Current assets	-	-
Non-current assets	3	-
Short-term liabilities	-	-
Long-term liabilities	-	-
Equity	3	-
Revenue	-	-
Costs	-	-
Comprehensive income for the year	**0**	**0**

20. Deferred tax assets and liabilities

DKKm	2010							
	Opening balance 1 January	Foreign currency translation	Adjustment to previous years, etc.	Acquisitions	Changed tax rates	Included in other comprehensive income	Included in the profit/loss	Closing balance 31 December
Deferred tax consists of								
Intangible assets	(426)	(7)	13	0	1	0	(54)	(473)
Tangible assets	225	(3)	(29)	0	1	0	(69)	125
Current assets	282	3	(3)	(6)	0	(1)	(46)	229
Liabilities	(561)	36	(4)	0	0	(48)	149	(428)
Tax loss carry-forwards, etc.	723	11	40	(7)	0	0	(144)	623
Share of tax assets valued at nil	(134)	(7)	29	7	0	0	(56)	(161)
Net deferred tax assets/liabilities	**109**	**33**	**46**	**(6)**	**2**	**(49)**	**(220)**	**(85)**

DKKm	2009							
	Opening balance 1 January	Foreign currency translation	Adjustment to previous years, etc.	Acquisitions	Changed tax rates	Included in other comprehensive income	Included in the profit/loss	Closing balance 31 December
Deferred tax consists of								
Intangible assets	(593)	1	94	(49)	(1)	0	122	(426)
Tangible assets	132	1	92	(6)	(1)	0	7	225
Current assets	157	2	(14)	(1)	(2)	0	140	282
Liabilities	319	10	(717)	1	(5)	47	(216)	(561)
Tax loss carry-forwards, etc.	495	5	461	(5)	(1)	0	(232)	723
Share of tax assets valued at nil	(364)	(1)	218	(3)	0	0	16	(134)
Net deferred tax assets/liabilities	**146**	**18**	**134**	**(63)**	**(10)**	**47**	**(163)**	**109**

DKKm	2010	2009
Deferred tax assets	728	791
Deferred tax liabilities	(813)	(682)
	(85)	**109**
Maturity profile of tax assets valued at nil		
Within one year	0	14
Between one and five years	48	46
More than five years	728	631
	776	**691**
Tax value	**161**	**134**
Deferred tax assets not recognised in the balance sheet consist of		
Temporary differences	111	131
Tax losses	665	560
	776	**691**

The Group's deferred tax assets are recognised to the extent that they are expected to be used in the future.

Where companies in the Group have deferred tax liabilities, they are valued independently of the time when the tax, if any, becomes payable.

In 2009, the National Tax Tribunal held in favour of FLSmidth & Co. A/S that the company's permanent establishment in the UK ceased before 31 December 2004. This means that a tax loss of approximately DKK 0.9bn was carried forward and included in the Danish joint taxation for 2009, which is reflected in the comparative figures for 2009.

Temporary differences regarding investment in Group enterprises are estimated at a tax liability of DKK 400-450m. The amount is not included because the Group is able to control whether the liability is released and it is considered likely that the liability will not be released in a foreseeable future.

21. Inventories

DKKm	2010	2009
Raw materials and consumables	413	345
Work-in-progress	317	297
Finished goods and goods for resale	1,211	1,093
Prepayments for goods	19	25
Inventories at 31 December	**1,960**	**1,760**
Inventories valued at net realisable value	50	22
Write-down of inventories		
Write-down at 1 January	71	33
Foreign exchange adjustment	4	3
Additions	49	38
Disposals	(9)	(3)
Reversals	(1)	0
Write-downs at 31 December	**114**	**71**

22. Work-in-progress for third parties

DKKm	2010	2009
Total costs defrayed	33,992	36,745
Profit recognised as income, net	6,450	6,466
Work-in-progress for third parties	40,442	43,211
Invoicing on account to customers	41,168	43,260
	(726)	**(49)**
of which work-in-progress for third parties is stated under Assets	3,120	3,617
and under Liabilities	(3,846)	(3,666)
	(726)	**(49)**

Profit/loss included in the year's financial result is recognised in the gross profit in the inccome statement.

23. Receivables

Trade receivables falling due after more than one year total DKK 11m (2009: DKK 66m).

The booked trade receivables include retentions on contractual terms and conditions at DKK 716m (2009: DKK 711m).

DKKm	2010	2009
Specification of changes in write-downs of trade receivables		
Write-down at 1 January	142	83
Foreign exchange adjustment	10	3
Change in write-down for the year	(26)	56
Write-down, trade receivables at 31 December	**126**	**142**

Trade receivables from gross sales are specified according to maturity as follows:

DKKm	2010	2009
Maturity period:		
Not due for payment	2,558	2,578
Up to two months	935	1,132
Between two and six months	505	349
Between six and twelve months	170	107
Over twelve months	70	104
	4,238	**4,270**

Other receivables include amounts deriving from the sale of enterprises and activities, positive fair value of derivatives and receivable corporation taxes.

24. Other provisions

DKKm	2010	2009
Provisions at 1 January	1,938	1,852
Exchange rate and other adjustments	115	41
Disposal of Group enterprises	(1)	0
Provision for the year	1,040	1,007
Application for the year	(702)	(716)
Reversals	(350)	(239)
Discounting of provisions	6	6
Reclassification to other liabilities	(40)	(13)
Provisions at 31 December	**2,006**	**1,938**
The maturity of provisions is specified as follows:		
Short-term liabilities	1,404	1,199
Long-term liabilities	602	739
	2,006	**1,938**

When assessing completed work-in-progress for third parties in the Cement segment, including the Buxton project, and in the Minerals segment, a number of project-related risks, including performance guarantees and operation and maintenance contracts, have been taken into account, for which allowances have been made on the basis of Management estimates. A few issues are pending in respect of previously supplied projects. Provisions have been made to counter any losses which may possibly occur when handling the claims.

Other provisions consist of:
• Estimated warranty claims in respect of goods or services already delivered
• Restructuring
• Guarantees and liabilities resulting from disposal of enterprises and activities
• Provisions for loss-making contracts
• Provisions for losses resulting from disputes and lawsuits

As in 2009, the year's movements mainly consist of changes in warranty liabilities and other contract risks.

In order not to interfere in the process of ongoing projects and resulting disputes, the Group does not comment on specific project matters.

25. Long-term liabilities

DKKm	2010	2009
Maturity structure of long-term liabilities		
Mortgage debt	0	3
Bank loans	812	811
Finance lease liabilities	8	5
Prepayments received from customers	218	306
Other liabilities	96	170
Within one to five years	**1,134**	**1,295**
Mortgage debt	346	355
Bank loans	0	2
Finance lease liabilities	0	3
Other liabilities	31	16
After five years	**377**	**376**
	1,511	**1,671**

Finance lease liabilities:

DKKm	2010		
	Minimum lease payments	**Interest element**	**Carrying amount**
Due within one year	1	0	2
Maturity between one and five years	2	0	8
Due after five years	0	0	0
	3	**0**	**10**

DKKm	2009		
	Minimum lease payments	**Interest element**	**Carrying amount**
Due within one year	3	1	3
Maturity between one and five years	8	2	5
Due after five years	4	1	3
	15	**4**	**11**

Finance lease applies to lease of vehicles, whilst in 2009 it was mainly lease of properties.

26. Other liabilities

Other long-term liabilities consist of employee bonds and other employee liabilities such as length of service liabilities and bonuses.

Other short-term liabilities include due holiday pay, public taxes, interest payable, bonuses and negative value of derivatives.

27. Pension assets and liabilities

The pension liabilities incumbent on the Danish Group enterprises are funded through insurance plans. The pension liabilities of certain foreign Group enterprises are also funded through insurance plans. Foreign enterprises whose pension liabilities are not - or only partially - funded through insurance (defined benefit plans) state the unfunded pension liabilities on an actuarial basis at the present value at the balance sheet date. These pension plans are partly covered by assets in pension funds. The Group's defined benefit plans were DKK 204m underfunded at 31 December 2010 (2009: DKK 246m) for which a provision has been made as pension liabilities.

In the consolidated income statement DKK 368m (2009: DKK 378m) has been recognised as costs of plans funded through insurance (defined contribution plans). In the case of plans not funded through insurance (defined benefit plans), DKK 15m (2009: DKK 20m) is recognised as a cost in the consolidated income statement.

The actuarial profit for the year at DKK 21m (2009: loss at DKK 40m) is recognised in the statement of comprehensive income.

DKKm	2010	2009
Present value of defined benefit plans	(580)	(540)
Fair value of the plan assets	376	294
Total	**(204)**	**(246)**
Change in recognised liability		
Net liability at 1 January	(246)	(198)
Other adjustments including foreign exchange adjustments	(8)	1
Acquisition of Group enterprises	0	(1)
Net amount recognised in the income statement	(15)	(20)
Actuarial profits and losses recognised in the statement of comprehensive income	21	(40)
Payments	36	9
Paid-out benefits	8	3
Net liability at 31 December	**(204)**	**(246)**
Stated as assets	**15**	**0**
Stated as liabilities	**(219)**	**(246)**
	(204)	**(246)**
Recognised in the income statement		
Pension costs	(11)	(9)
Calculated interest on liabilities	(31)	(30)
Expected return on the plan assets	27	23
Effect of freezing of plans	0	(4)
Recognised in the income statement regarding defined benefit plans	**(15)**	**(20)**
The amounts are included in the items: Production costs, Sales and distribution costs and Administrative costs		
Adjustments for the year of defined benefit plans based on experience (pension liabilities), gains/(losses)	7	(61)
Return on plan assets		
Expected return on the plan assets	(27)	(23)
Actual return on the plan assets	41	44
Actuarial profits/(losses) for the year on the plan assets	**14**	**21**
The expected return is fixed on the basis of the weighted return on the plan assets.		
The assumptions on which the actuarial computations at the balance sheet date are based are as follows, on average (weighted):		
Average discounting rate applied	5,7%	5,3%
Expected return on tied-up assets	7,9%	8,6%
Expected future pay increase rate	1,3%	1,1%

DKKm	2010	2009
Present value of defined benefit plans		
Present value at 1 January	(540)	(488)
Reclassification to other staff liabilities	(13)	(1)
Foreign exchange adjustments	(33)	(1)
Acquisition of Group enterprises	0	(2)
Pension costs	(11)	(9)
Calculated interest on liabilities	(31)	(30)
Paid-out benefits	41	56
Actuarial gains and losses	7	(61)
Effect of freezing of plans	0	(4)
Present value at 31 December	**(580)**	**(540)**
Fair value of the plan assets		
Fair value of the plan assets at 1 January	294	290
Reclassification to other staff liabilities	13	0
Foreign exchange adjustments	24	3
Acquisition of Group enterprises	0	1
Expected return on the plan assets	27	23
Payments	36	9
Paid-out benefits	(32)	(53)
Actuarial gains and losses	14	21
Fair value of the plan assets at 31 December	**376**	**294**
Specification of the fair value of the plan assets		
Equity instruments	199	164
Debt instruments	144	107
Other assets	33	23
Total fair value of the plan assets	**376**	**294**
Specification of the fair value of the plan assets in per cent		
Equity instruments	53%	56%
Debt instruments	38%	36%
Other assets	9%	8%
Defined benefit plan liabilities specified by country		
USA	69%	70%
Germany	17%	18%
India	5%	4%
Italy	4%	4%
Canada	5%	3%
Mexico	0%	1%

Reclassification of other staff liabilities than pension has been to other liabilities.

	2010	2009	2008	2007	2006
Present value of defined benefit plans	(580)	(540)	(488)	(505)	(752)
Fair value of the plan assets	376	294	290	385	657
Over-/underfunded	**(204)**	**(246)**	**(198)**	**(120)**	**(95)**
Actuarial gains / (losses), liabilities	7	(61)	49	(17)	(27)
Actuarial gains / (losses), assets	14	21	(138)	(8)	32
Actuarial gains / (losses), total	**21**	**(40)**	**(89)**	**(25)**	**5**

In 2011, the Group expects to pay a contribution of DKK 19m into its defined benefit plans.

28. Maturity profile of financial liabilities

DKKm	2010	2009
Time to maturity:		
Within one year	3,680	3,713
Within one to five years	896	981
After five years	368	363
Total	**4,944**	**5,057**

See note 33 for further details.

29. Net interest-bearing receivables/(debt)

	Currency	2010 DKKm	Effective interest rate	Interest rate - life in per cent			2009 DKKm
				< 1 year	1-5 years	> 5 years	
Mortgage debt	EUR	(346)	1.2%	100%			(351)
Mortgage debt	USD	0		100%			(16)
Mortgage debt	Other	0					(8)
Bank loans	EUR	(812)	1.8%	100%			(811)
Bank loans	Other	(4)		100%			(9)
Leasing	CLP	(10)		100%			(11)
Other liabilities	Other	(151)		100%			(238)
Total debt		**(1,323)**					**(1,444)**
Cash and cash equivalents	EUR	853	0.4%	100%			474
Cash and cash equivalents	USD	282	0.0%	100%			190
Cash and cash equivalents	DKK	266	0.2%	100%			1,226
Cash and cash equivalents	CHF	221	0.1%	100%			5
Cash and cash equivalents	CNY	176	0.9%	100%			100
Cash and cash equivalents	GBP	112	0.5%	100%			5
Cash and cash equivalents	INR	97	2.6%	100%			142
Cash and cash equivalents	AUD	92	2.9%	100%			54
Cash and cash equivalents	ZAR	84	2.5%	100%			24
Cash and cash equivalents	CZK	52	0.5%	100%			2
Cash and cash equivalents	CAD	39	0.0%	100%			35
Cash and cash equivalents	SEK	29	1.0%	100%			6
Cash and cash equivalents	BRL	28	9.2%	100%			49
Cash and cash equivalents	CLP	18	0.0%	100%			68
Cash and cash equivalents	Other	49		100%			9
Total cash and cash equivalents		**2,398**					**2,389**
Bonds and listed shares	INR	122	5.7%				58
Bonds and listed shares	Other	14					17
Total bonds and listed shares		**136**					**75**
Other net interest-bearing receivables/ (debt)		**43**					**65**
Net interest-bearing receivables/(debt)		**1,254**					**1,085**

Cash and cash equivalents consist of bank deposits and operating cash.

Other interest-bearing receivables/(debt) include an amount of DKK 30m (2009: DKK 51m), which a buyer has deposited in connection with sale of real property.

Bank deposits and operating cash placed in countries with currency restrictions amount to DKK 551m (2009: DKK 549m).

30. Contingent assets and liabilities

DKKm	2010	2009
Minimum rent and operating lease commitments		
Within one year	47	36
Maturity between one and five year	151	109
Maturity after five years	18	36
	216	**181**
Guarantees	106	103
Other contractual obligations	70	66
	176	**169**

Rent liabilities are mainly related to business leases and equipment.

In connection with the disposal of enterprises, guarantees, etc. are issued to the acquiring enterprise. Provisions are made for estimated losses on such items.

When assessing work in progress for third parties, a number of project-related risks such as performance, quality and delay of projects are taken into consideration, and estimates and allowances are made based on Management estimates. The Group's financial partners have provided usual security in the form of performance guarantees, etc. for contracts and supplies. At the end of 2009, the total number of performance and payment guarantees issued amounted to DKK 6.9bn (2009: DKK 6.8bn). In cases where a guarantee is expected to materialise, a provision for this amount is made in the Annual Report under the heading of Other provisions.

In addition, the Group is from time to time involved in disputes that are normal for its business. The outcome of the disputes is expected to have no significant impact on the Group's financial position.

31. Charged assets

DKKm	2010		2009	
	Carrying amount of charged assets	Charge	Carrying amount of charged assets	Charge
Trade receivables, etc.	124	124	59	59
Real estate	143	402	149	377
	267	**526**	**208**	**436**

32. Financial risks and financial instruments

Financial risk management
The overall framework for managing financial risks is decided by the Board of Directors. It is Group policy that all major financial risks should be identified and appropriately hedged. Financial management comprises the Group's currency, interest, liquidity and credit risks as well as its capital structure and financial resources. It is Group policy that all significant commercial currency and interest rate risks should be hedged once a contract becomes effective at the latest.

The Group did not in 2010 nor in 2009 default on or fail to fulfil any loan agreements.

Currency risks
The Group's currency risks derive from the impact of exchange rates on future commercial payments and financial payments Most of the Group companies' revenue is order-based and consists mainly of sales in the functional currency used by the individual company. If this is not the case, the customer will typically bear the exchange risk until the order is closed due to the exchange rate clauses incorporated. Production costs typically consist of internal costs and purchases in the company's functional currency. It is always attempted to settle purchasing in the company's functional currency; if this is not the case foreign exchange hedging takes place. Net foreign exchange exposure on all major contracts is hedged not later than at the time of closing an order.

The Group generally hedges transaction risks and uses forward contracts and currency accounts to hedge foreign exchange exposure. The Group's main currencies for commercial purposes are EUR (Cement) and USD (Minerals). Movements in the Group's financial items primarily consist of realised and unrealised loss/profit on forward contracts and currency accounts. Unrealised loss/profit may occur, for example, if a future purchase is hedged, but the invoice is not received until later. Contracts with a currency position exceeding the equivalent of EUR 5m must be treated as hedge accounting which means that the exchange losses/profits are booked in connection with the project and the commercial entries. A Group company may have a currency position of up to 0.5% of the company's revenue, and not more than 50% of the currency position may be in one particular currency. Group companies must trade currency via FLSmidth & Co. A/S unless this is prevented by currency restrictions.

FLSmidth & Co. A/S controls the Group's overall currency position by means of value at risk (VaR). In practice the VaR is converted into a maximum position for each currency. USD is the currency to which most VaR has been allocated, corresponding to a maximum currency position of USD 5m. Cash receivables and financial liabilities per currency appear in Note 31.

The translation of income statement and balance sheet items from the currency in which subsidiaries report their financial results into DKK is also affected by exchange rate changes, because translation risk is not hedged.

Sensitivity analysis

	When exchange rates changes %	Hypothetical effect on profit/loss for the year (DKKm)	Hypothetical effect on equity (DKKm)
EUR	5%	5	39
USD	5%	3	76
INR	5%	8	42
CLP	5%	2	10
BRL	5%	3	12
CNY	5%	2	12

Interest rate risks
Interest rate risk concerns the interest-bearing financial assets and liabilities of the Group. The interest-bearing financial assets consist primarily of cash in financial institutions and the interest-bearing financial liabilities mainly consist of mortgage debt and bank loans. Interest rate risk occurs when interest rate levels change and if the margins change which the Group has agreed with the financial institutions. The interest rate risk is controlled by means of VaR. As at 31 December 2010, 100% of the Group's net interest-bearing debt (31 December 2009: 100%) carried a variable rate of interest. Other things being equal, a one percent increase in the interest rate will have a DKK 13m positive effect on the Group's net interest earnings (2009: DKK 11m).

Liquidity risks
The purpose of the Group's cash management is to ensure that the Group at all times has sufficient and flexible financial resources at its disposal. The Group manages its liquidity risk through cash pool systems in various currencies and by having short-term overdraft facilities with various financial institutions. As part of its financial resources, the Group has entered into committed financial facililty arrangements. These facilities contain standard clauses such as pari passu, negative pledge and change of control. As at 31 December 2010, the Group had drawn EUR 50m (31 December 2009: EUR 50m) on facilities with change of control clause. The clause entails that the debt must be repaid by the next interest payment date, however not later than six months after the lender has notified change of control, which must take place at 45 days' notice.

Credit risks
Credit risks incurred from trade receivables are generally managed by continuous credit rating of major customers and trading partners. No single customer accounted for more than 5% of the revenue in 2010. The maximum credit risk related to financial assets corresponds to the accounting value plus write-downs. In cases where there may be a risk of loss, a write-down will always be made based on individual assessment.

The use of financial instruments entails the risk that the counterparty may not be able to honour its obligations on reaching maturity. The Group minimises this risk by limiting its use of financial institutions to those with a high degree of creditworthiness. Besides, the Group has set a limit for the amount of receivables from any particular bank. Credit risks on other counterparties than banks are minimised through the use of letters of credit, guarantees and rating of customer relationships from time to time.

Currency hedging
In order to hedge currency risks on the Group companies' underlying contractual and budgeted payments and currency risks on loans and investments, Corporate Treasury uses forward exchange contracts and currency options. 97% of the open forward exchange contracts at 31 December 2010 had a life of less than one year. The life of the remaining open forward exchange contracts is up to two years. There were no open currency options at 31 December 2010.

DKKm	2010	2009
Profits/(losses) on hedging instruments when hedging fair value	(13)	7

Due to the effectiveness of hedging instruments the net gain and loss on the hedged items matches the net loss and gain on the hedging instruments.

Interest risk hedging
The Group hedges interest rate risks using derivatives such as interest swaps, forward rate agreements (FRA) and interest rate options.
There were no open interest rate swaps, forward rate agreements (FRA) nor interest rate options at 31 December 2010.

The figures below show the principals and the fair values of pending financial transactions at 31 December, which have been made to hedge currency risks. Fair values are based on officially fixed quotations, if available, alternatively on prices quoted by banks. Principals are translated at balance sheet date rates of exchange.

DKKm	2010	2009
Forward exchange contracts		
Principal of contracts, net*		
AUD	(390)	(369)
CZK	207	233
EUR	1,310	1,312
USD	(1,006)	(1,529)
ZAR	(260)	(123)
Other currencies	230	30
	91	**(446)**
Fair value of contracts	**(49)**	**(37)**

*) In the case of forward exchange contracts, negative principals indicate net sale of the currency concerned and positive principals indicate net purchase of the currency concerned.

32. Financial risks and financial instruments (continued)

DKKm	2010	2009
The fair value of financial contracts is related to the following hedge types		
Hedge of fair value of recognised assets and liabilities, net	8	(2)
Hedge of future expected cash flow	10	(4)
Total	18	(6)

Fair value of financial assets and liabilities not measured at fair value
The carrying amount of receivables and payables at 31 December 2010 largely corresponds to the fair value.

Fair value hierachy of financial instruments that are measured at fair value in the balance sheet

DKKm 2010	Quoted prices Level 1	Obser-vable input Level 2	Non-obser-vable input Level 3	Total
Financial assets				
Financial assets available for sale:				
Other securities and investments	24	39		63
Financial assets measured at fair value via the income statement:				
Bonds and listed shares	136			136
Derived financial instruments used to hedge the fair value of recognised assets and liabilities		64		64
Deferred contingent consideration in a business combination in connection with disposal of activity			16	16
Total financial assets	**160**	**103**	**16**	**279**
Financial liabilities				
Financial liabilities measured at fair value via the income statement:				
Derivatives used to hedge the fair value of recognised assets and liabilities		113		113
Contingent consideration in a business combination			73	73
Total financial liabilities	**0**	**113**	**73**	**186**

There have been no significant transfers between level 1 and level 2 in 2010.

DKKm 2009	Quoted prices Level 1	Obser-vable input Level 2	Non-obser-vable input Level 3	Total
Financial assets				
Financial assets available for sale:				
Other securities and investments	27	2		29
Financial assets measured at fair value via the income statement:				
Bonds and listd shares	75			75
Derivatives used to hedge the fair value of recognised assets and liabilities		64		64
Contingent consideration in a business combination in connection with disposal of activity				
Total financial assets	**102**	**66**	**0**	**168**
Financial liabilities				
Financial liabilities measured at fair value via the income statement:				
Derivatives used to hedge the fair value of recognised assets and liabilities		104		104
Derivatives used to hedge future cash flow				
Contingent consideration in a business combination			121	121
Total financial liabilities	**0**	**104**	**121**	**225**

There have been no significant transfers between level 1 and level 2 in 2009.

Financial instruments measured at fair value in the balance sheet are based on valuation methods where significant input, if any, was not based on observable market data (level 3).

The only financial liability subsequently measured at fair value in accordance with level 3 is contingent considerations in a business combination in connection with the acquisitions of Conveyor Engineering Inc. and Summit Valley. No profit/loss on the contingent consideration is included in the statement of comprehensive income. Fair value adjustments are recognised via the appertaining goodwill.

Contingent consideration in a business combination in connection with disposal of activity is measured at fair value in accordance with level 3 and and concerns the disposal of a non-core activity in Germany. A DKK 16m profit is included with the contingent consideration in special non-recurring items in the income statement.

33. Financial assets and liabilities as defined in IAS 39

DKKm	2010	2009
Financial assets:		
Non-current assets:		
Other securities and investments	63	29
Available for sale	**63**	**29**
Current assets:		
Trade receivables	4,238	4,270
Work-in-progress for third parties	3,120	3,617
Prepayments to subcontractors	364	369
Other receivables	737	667
Cash and cash equivalents	2.398	2.389
Receivables measured at amortised cost	**10,857**	**11,312**
Contingent consideration in a business combination	16	0
Derivatives	64	64
Bond and listed shares	136	75
Financial assets measured at fair value via the income statement	**216**	**139**
Financial liabilities:		
Long-term liabilities:		
Mortgage debt	346	358
Bank loans	812	813
Finance lease liabilities	8	8
Other liabilities	68	35
Financial liabilities measured at amortised cost	**1,234**	**1,214**
Short-term liabilities:		
Mortgage debt	0	17
Bank loans	4	8
Finance lease liabilities	2	3
Trade payables	2,193	2,421
Other liabilities	1,326	1,169
Financial liabilities measured at amortised cost	**3,525**	**3,618**
Contingent considerations in a business combination	73	121
Derivatives	113	104
Financial liabilities measured at fair value via the income statement	**186**	**225**

34. Earnings per share (EPS)

DKKm	2010	2009
Earnings		
FLSmidth & Co. A/S shareholders' share of profit/loss for the year	1,284	1,670
FLSmidth & Co. Group profit/loss from discontinuing activities	(4)	(41)
Net effect after tax of purchase price allocations regarding GL&V Process	63	68
Number of shares average		
Number of shares issued	53,200,000	53,200,000
Adjustment for treasury shares	(627,554)	(770,586)
Potential increase of shares in circulation, options in-the-money	120,595	0
	52,693,041	52,429,414
Earnings per share:		
• Continuing and discontinued activities, per share, DKK	24.4	31.9
• Continuing and discontinued activities, diluted, per share, DKK	24.4	31.9
• Continuing and discontinued activities, diluted, before effect of purchase price allocations regarding GL&V Process, per share, DKK	25.6	33.1
• Continuing activities, per share, DKK	24.5	32.6
• Continuing activities, diluted, per share, DKK	24.4	32.6

Non-diluted earnings per share in respect of discontinued activities amount to DKK 0.1 (2009: DKK 0.7) and diluted earnings per share in respect of discontinued activities amount to DKK 0.1 (2008: DKK 0.7). These earnings are calculated based on the Group's earnings from discontinued activities which amount to DKK -4m (2009: DKK -41m).

The calculation of diluted earnings per share is exclusive of 120,595 share options (2009: 0), which are out of the money, but may potentially dilute the earnings per share in the future.

Notes to the consolidated financial statements

35. Income statement classified by function

DKKm	2010	2009
Revenue	20,186	23,134
Production costs	(15,177)	(17,916)
Gross profit	**5,009**	**5,218**
Sales and distribution costs	(1,358)	(1,214)
Administrative costs	(1,778)	(1,912)
Other operating income and costs	78	161
Special non-recurring items	39	8
Earnings before interest and tax (EBIT)	**1,990**	**2,261**
Depreciation, amortisation and write-downs consist of:		
Amortisation of other intangible assets	187	211
Write-down of other intangible assets	0	31
Depreciation of tangible assets	246	230
Write-down of tangible assets/(reversals)	3	0
	436	**472**
Depreciation, amortisation and write-downs are allocated as follows:		
Production costs	197	188
Sales and distribution costs	13	14
Administrative costs	226	270
	436	**472**

The Group has adapted the consolidated income statement format classified by function to show depreciation, amortisation and write-downs of tangible and intangible assets not allocated to the individual function but stated on separate lines. The table above shows an extract of the income statement adapted to show depreciation, amortisation and write-downs classified by function.

36. Related party transactions

Transactions between the consolidated Group enterprises are eliminated in these consolidated financial statements. In 2009 and 2010 there were no transactions between related parties not part of the Group.

DKKm	2010	2009
Remuneration of Board of Directors		
Board of Directors fees	5	5
Total remuneration of Board of Directors	**5**	**5**
Remuneration of the Executive Management		
Wages and salaries	20	16
Share-based payment	3	3
Total remuneration of the Executive Management	**23**	**19**

In the event of dismissal the Chief Executive Officer has two years' notice and shall receive one year's salary on the actual termination of his employment.

The rest of the Executive Management has eighteen months' notice in the event of dismissal and shall receive up to six months' salary on the actual termination of their employment.

37. Board of Directors and Executive Management

The members of the FLSmidth & Co. A/S Board and Group Management hold shares in FLSmidth & Co. A/S and other managerial positions in Danish public limited companies as specified below:

	Nominal shareholding		Managerial positions in other companies
	31 December 2010 Number of shares	31 December 2009 Number of shares	
Board of Directors			
Jesper Ovesen	1,000	1,000	Vice Chairman of the Board of Directors of YouSee A/S. Member of the Boards of Directors of Skandinaviska Enskilda Banken (Sweden), Orkla ASA (Norway) and Danisco A/S. Senior Executive Vice President and Chief Financial Officer of TDC A/S.
Jens Palle Andersen	796	742	None.
Mette Dobel	546	22	None.
Martin Ivert	300	300	Chairman of Swerea (Swedish Research) and Swedish Centre for Maintenance Management. Member of the Board of Directors of Åkers Group (Sweden) and Ovako (Sweden).
Jens S. Stephensen	60,000	60,000	Chairman of Holm & Grut A/S and Danish Airlease ApS.
Jørgen Worning	10,273	14,345	Chairman of the Board of Directors of Alk-Abelló A/S.
Torkil Bentzen	2,600	2,600	Chairman of the Boards of Directors of Burmeister & Wain Scandinavian Contractor A/S, EUDP (Energy Development and Demonstration Programme) and Klimakonsortiet (the Climate Consortium). Member of the Boards of Directors of Mesco Denmark A/S and Siemens Aktieselskab, Denmark.
Vagn Ove Sørensen	521	521	Chairman of the Boards of Directors of KMD A/S, Scandic Hotels AB (Sweden), Select Service Partner Plc (UK) and TDC A/S. Vice Chairman of the Boards of Directors or DFDS A/S and ST Global (Austria). Member of the Boards of Directors of Lufthansa Cargo (Germany), CP Dyvig, Air Canada (Canada) and Braganza AS (Norway).
Frank Lund	56	32	None.
Executive Management			
Jørgen Huno Rasmussen			Member of the Boards of Directors of Vestas Wind Systems A/S, Lundbeckfonden and LFI A/S. Member of the Board of Representatives of Tryghedsgruppen smba and Vice Chairman since March 2010.
Poul Erik Tofte			Member of the Board of Directors of Dansk Kapitalanlæg.
Christian Jepsen			None.
Bjarne Moltke Hansen			Vice Chairman of the Board of Directors of GEO. Member of the Board of Directors of RMIG A/S.

38. Events occuring after the balance sheet date

As announced on 3 January 2011, UBS AG has reduced its total holding of FLSmidth & Co. A/S shares to 4.98%.

As announced on 25 January 2011, UBS AG has reduced its total holding of FLSmidth & Co. A/S shares to 5.05%.

As announced on 1 February 2011, UBS AG has reduced its total holding of FLSmidth & Co. A/S shares to 4.995%.

As announced on 17 February 2011, FLSmidth now controls ESSA Australia Limited.

39. Approval of the Annual Report for publication

At its meeting on 17 February 2011 the Board of Directors has approved this Annual Report for publication. The Annual Report will be presented to the shareholders of FLSmidth & Co. A/S for approval at the Annual General Meeting on 29 April 2011.

40. Shareholders

One shareholder has reported a participating interest that exceeds five per cent of the share capital as at 17 February 2011: This is ATP (Danish Labour Market Supplementary Pension Fund), Kongens Vænge 8, DK-3400 Hillerød.

Notes to the consolidated financial statements

41. Accounting policies

General comments
The consolidated financial statements are presented in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The Annual Report is also presented in accordance with Danish disclosure requirements for annual reports published by listed companies as determined by NASDAQ OMX Copenhagen as well as the IFRS executive order issued in compliance with the Danish Financial Statements Act.

The financial statements of the parent company FLSmidth & Co A/S are presented in conformity with the provisions of the Danish Financial Statements Act for reporting class D entreprises. The instances in which the parent company's accounting policies deviate from those of the Group have been separately described on page 108.

The Annual Report is presented in Danish kroner (DKK) which is the presentation currency of the activities of the Group and the functional currency of the parent company.

The accounting policies are unchanged for the consolidated and parent financial statements compared to 2009. However, a few reclassifications in the comparative figures for 2009 have been made.

Implementation of new and changed standards and interpretations
The Annual Report for 2010 is presented in conformity with the new and revised standards (IFRS/IAS) and new interpretations (IFRIC) approved by the EU which apply to financial years beginning on 1 january 2010 or later. These standards and interpretations are:

- Revised IFRS 2, *Share-based payment*, applicable as at 1 January 2010.
- Revised IFRS 3, *Business combinations*, applicable as at 1 July 2009.
- Revised IAS 27, C*onsolidated and Separate Financial Statements*, applicable as at 1 July 2009.
- Revised IAS 39 *Financial instruments*: Recognition and Measurement, applicable as at 1 July 2009.
- Parts of "Improvements to IFRSs April 2009", applicable as at 1 July 2009 and 1 January 2010, respectively, including changes to IFRS 8 only to provide information about total segment assets, if such information is included in the internal reporting to the Group Management, in addition to consequential changes from the revised standards IFRS 3 and IAS 27.
- IFRIC 17, *Distribution of Non-cash Assets*, applicable as at 1 July 2009.

The change to IFRS 2 prescribes how to recognise the accounting treatment for share-based payment in the subsidiary's financial statements, when the subsidiary receives goods or services which the parent company or another group enterprise is obliged to settle. The change to IFRS 2 has not had any impact on recognition and measurement in the 2010 Annual Report, as the Group's share-based payment and settlement takes place through the parent company.

The changes to IFRS 3 mean that acquisition costs and changes to contingent considerations on acquisitions must be recognised directly in the income statement. Up to now, it has been Group accounting policy to include acquisition costs in the cost of the enterprise acquired, whereas contingent considerations were included in the cost of the business combination if the adjustment was likely to take place and it could be measured reliably. Subsequent adjustments to the contingent consideration were made in the cost of the business combination. The change also means that there is a choice with regard to recognition of goodwill related to minority interests' share of the enterprise required. The choice is made from transaction to transaction.

In addition, IFRS 3 has been changed for recognition of gradual acquisitions which entail value adjustment directly in the income statement of the previously owned investments.

In agreement with the provisions for coming into force the changed standard has been adopted with forward effect for business combinations where the date of acquisition is 1 January 2010 or later.
The change has entailed that acquisition costs of DKK 1m have been recognised directly in the income statement for 2010.

The change of IAS 27 means that the standard now dictates how to treat acquisition and sale of investments in subsidiaries (which do not lead to loss of control). According to the changed IAS 27, such transactions must be treated as equity transactions which do not cause recognition of goodwill nor income statement transactions. This clarification has no significant effect on the equity amounts.

Apart from the adoption of IFRS 3 and IAS 27, the adoption of the new and changed standards and interpretations has not affected recognition and measurement.

General principles for recognition and measurement
Assets are recognised in the balance sheet when it is likely that future economic benefits will accrue to the Group and the value of the asset can be measured reliably. Liabilities are recognised in the balance sheet when it is likely that future economic benefits will depart from the Group and the value of the liability can be measured reliably. In case of initial recognition, assets and liabilities are measured at cost. Subsequent measurements are based on value adjustments as described below.

Consolidated financial statements
The consolidated financial statements comprise the parent company, FLSmidth & Co. A/S, and all enterprises in which the Group holds the majority of the voting rights or in which the Group in some other way holds control. Enterprises in which the Group holds between 20% and 50% of the voting rights or in some other way holds significant influence, but not control, are regarded as associates. Investments in jointly controlled entities are recognised as joint ventures by using the pro-rata method.

The consolidated financial statements are based on the financial statements of the parent company and the individual subsidiaries which are drawn up in accordance with the Group accounting policies. All items of a uniform nature are combined, while intercompany income, costs, balances and shareholdings are eliminated. Unrealised gains and losses on transactions between consolidated enterprises are also eliminated.

The items in the financial statements of subsidiaries are included one hundred per cent in the consolidated financial statements. The proportionate share of the earnings attributable to the minority interests is included in the Group's profit/loss for the year and as a separate portion of the Group's equity.

Business combinations
On acquisition of enterprises the purchase method is applied, and the assets, liabilities and contingent liabilities of the enterprises acquired are measured at fair value on the date of acquisition. The date of acquisition is the time when the Group effectively takes control of the enterprise acquired.

Restructuring costs are only recognised in the acquisition balance sheet if they are a liability for the enterprise acquired on the date of acquisition. The tax effect of the revaluations made is taken into account. Enterprises acquired are included in the consolidated financial statements from the date of acquisition. The comparative figures for the enterprises acquired are not corrected.

If the Group acquires control in several steps (gradual acquisition) the investments held by the Group immediately before the last transaction when the control is acquired are considered sold and immediately repurchased at fair value at the date of acquisition. Any difference between the sales price and the carrying amount of these investments will result in profit or loss on the investment already held. Profit/loss is recognised in the income statement as financial items.

Statement of cost
The cost of an enterprise consists of the fair value of the acquisition price of the enterprise acquired. If the final determination of the acquisition price is subject to one or more future events or fulfilment of terms agreed, these are recognised at fair value hereof at the date of acquisition and classified as a financial liability or equity according to its contents. Contingent considerations which are classified as a financial liability are continuously remeasured at fair value and is adjusted directly in the income statement.

Costs which are related to the acquisition are recognised in the income statement at the time of occurrence.

In the case of business combinations, positive balances between the cost of the enterprise and the fair value of the identifiable assets, liabilities and contingent liabilities acquired are recognised as goodwill under the heading of intangible assets. Goodwill is not amortised, but is tested annually for impairment. On the acquisition, goodwill is allocated to the cash generating units which subsequently form the basis of the impairment test.

Negative balances (negative goodwill) are recognised in the income statement at the date of acquisition.

If there is any uncertainty regarding the identification or measurement of acquired assets, liabilities and contingent liabilities or the determination of the consideration at the date of acquisition, initial recognition is based on provisional values. The provisional values can be adjusted or additional assets or liabilities included until 12 months after the acquisition, if new information has appeared regarding circumstances that existed at the time of acquisition which would have affected the statement of the values at the time of acquisition had the information been known.

Subsequent realisation of the acquired enterprise's deferred tax assets which were not recognised at the time of acquisition lead to recognition of the tax advantage in the income statement.

Enterprises disposed of are consolidated until the date of disposal. The difference between the selling price and the carrying amount of the net assets at the date of disposal including remaining goodwill less expected costs of disposal is recognised in the income statement.

Minority interests

On initial recognition minority interests are measured at fair value or at their proportionate share of the fair value of the identifiable assets, liabilities and contingent liabilities of the enterprise acquired. If the fair value method is used, goodwill related to the share of minority interests is recognised in the enterprise acquired. If the net asset method is used, goodwill related to minority interests is not recognised. Measurement of minority interests is selected from transaction to transaction and the method is stated in the notes in connection with the description of the enterprises acquired.

Translation of foreign currency

The functional currency is determined for each of the reporting enterprises. The functional currency is the currency used in the primary economic environment in which the individual reporting enterprises operate. Transactions in another currency than the functional currency are transactions in foreign currency.

Transactions in another currency than the Group's functional currency are translated at the exchange rate of the day of transaction. Financial assets and liabilities in foreign currency are translated at the exchange rates prevailing at the balance sheet date. Any foreign exchange differences between the rates prevailing at the date of the transaction and the payment date or the balance sheet date, as the case may be, are recognised in the income statement as financial items.

Non-monetary assets and liabilities in foreign currency are recognised at the rate of exchange prevailing at the date of the transaction. Non-monetary items that are measured at fair value (shares) are translated at the exchange rate prevailing at the date of the latest fair value adjustment.

The income statements of foreign subsidiaries with a functional currency that differs from Danish kroner and of foreign associates and pro rata consolidated joint ventures are translated at average exchange rates while their balance sheet items are translated at the exchange rates quoted at the balance sheet date. The differences deriving from the translation of the income statements of foreign business units at average exchange rates and of their balance sheet items at the rate of exchange at the balance sheet date are adjusted in the equity.

The foreign exchange adjustment of receivables from or debt to subsidiaries which are considered to be part of the parent company's total investment in the subsidiary concerned, is recognised in the statement of comprehensive income in the consolidated financial statements.

If the financial statements of a foreign business unit are presented in a currency in which the accumulated rate of inflation over the past three years exceeds 100 per cent, adjustments for inflation are made. The adjusted financial statements are translated at the exchange rate quoted on the balance sheet date.

Derivatives

Derivatives are initially recognised in the balance sheet at cost and subsequently measured according to fair value at the balance sheet date. The fair value of derivatives is included in Other receivables (positive fair value) or Other liabilities (negative fair value) as the case may be. Positive fair values are only set off against negative fair values if the enterprise is entitled to and intends to make a net settlement of several financial instruments (cash settlement). The fair values of derivatives are measured on the basis of market data and recognised valuation methods.

Changes in the fair value of derivatives that are classified as and fulfil the criteria for hedging the fair value of already recognised assets or liabilities or binding agreements (fair value hedge) are recognised in the income statement together with changes in the value of the assets and liabilities hedged as far as the hedged portion is concerned. Hedging of future cash flow in accordance with an agreement signed, including exchange rate hedging of sales or purchase contracts in connection with orders, is treated as hedging of the fair value of a recognised asset or a recognised liability.

Changes in the fair value of derivatives that are classified as and fulfil the criteria for hedging of future cash flow (cash flow hedge) are recognised directly in the equity until the hedged item is realised. When the item is realised the changes in value are recognised in the same accounting entry as the hedged item.

Derivatives that do not fulfil the criteria for hedge accounting are regarded as trading portfolio and recognised in the balance sheet at fair value on the balance sheet date. Value adjustments are recognised in the income statement as financial items.

Changes in the fair value of loans and derivatives that are considered a currency hedge of the foreign business units or parts of them, are recognised in the statement of comprehensive income until the net investment is sold.

Certain contracts contain conditions which correspond to derivatives. In case the embedded derivatives deviate significantly from the overall contract, they are recognised and measured as separate instruments at fair value, unless the contract concerned as a whole is recognised and measured at fair value.

Income statement

Revenue

Revenue is recognised in the income statement on delivery and passing of the risk to the buyer and when the income can be measured reliably.

Work-in-progress for third parties is recognised in revenue based on the value of the work completed at the balance sheet date, whereby the revenue corresponds to the sales value of the year's completed work (production method). The general rule is to base percentage of completion on the costs incurred. The value of Work-in-progress for third parties is based on the costs defrayed in percentage of the total budgeted costs.

Income from the supply of services is recognised as revenue in step with the services agreed being supplied, so that the revenue corresponds to the sales value of the work completed in the financial year (production method), see above.

Grants

Grants related to the acquisition of assets are recognised under equity and liabilities and recognised in the income statement in step with spending and depreciation on the assets concerned.

Grants received to cover costs are recognised under equity and liabilities and recognised in the income statement in step with the costs being incurred. Repayment obligations that become relevant if the conditions for receiving the grants are not fulfilled are stated in the notes as contingent liabilities.

Production costs

Production costs include raw materials, consumables, direct labour costs and production overheads such as maintenance and operation of production plant as well as administration and factory management.

Production costs for Work-in-progress for third parties are recognised in step with the completion of the individual contract.

Research and development costs are charged to Production costs in the income statement for the financial year in which they are incurred. Development costs related to certain products or processes are recognised as assets to the extent that such costs are likely to generate future earnings.

Sales and distribution costs

Sales and distribution costs comprise direct distribution and marketing costs, salaries for the sales and marketing functions as well as other indirect costs.

41. Accounting policies (continued)

Administrative costs
Administrative costs comprise the costs of administrative staff and management and other indirect administrative costs.

Other operating income and costs
Other operating income and costs comprise income and costs of a secondary nature in relation to the activities of the Group, including certain grants, rentals and royalties, fees, etc.

Profit and loss from the disposal of specific assets, sites and buildings which cannot be considered part of the disposal of a complete activity is included in Other operating income and costs.

Special non-recurring items
Special non-recurring items consist of costs and income of a special nature in relation to the activities of the Group, including profit and loss on disposal of enterprises and run-off on purchase price allocations to inventories in connection with acquisitions. These items are classified as special non-recurring items in order to give a true and fair view of the Group's other operational activities.

Profits/losses of associates
A proportionate share of the profits and losses of the associates after tax is recognised after adjustment for unrealised internal profits/losses and write-down, if any, of goodwill.

Financial items
Financial items comprise interest income and costs, the interest portion of finance leases, realised and unrealised exchange gains and losses on securities, liabilities and transactions in foreign currency, addition or deduction of amortisation related to mortgage debt, etc.

Interest income and costs are accrued on the basis of the principal amount and the effective interest rate. The effective interest rate is the discount rate used to discount the anticipated future payments which are related to the financial asset or the financial liability so that the present value of the payments corresponds to the accounting value of the asset and the liability, respectively.

Tax
Tax for the year which comprises current tax and the change in deferred tax is recognised in the income statement with the share attributable to the profit/loss of the year, and directly in the equity with the share attributable to items entered directly in the equity. Exchange rate adjustments of deferred tax are included as part of the year's adjustments of deferred tax.

Current tax comprises tax calculated on the basis of the expected taxable income for the year, using the applicable tax rates for the financial year, and any adjustments of taxes for previous years.

Deferred tax is calculated using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except differences relating to initial recognition of goodwill not deductible for tax purposes. Deferred tax is calculated based on the applicable tax rates for the individual financial years. The effect of changes in the tax rates is stated in the income statement unless they are items previously entered in the statement of comprehensive income.

A deferred tax provision is made to cover retaxation of losses in foreign enterprises if shares in the enterprises concerned are likely to be sold. No deferred tax liabilities regarding investments in subsidiaries are recognised if the shares are unlikely to be sold in the short term.

The tax value of losses that are expected with adequate certainty to be available for utilisation against future taxable income in the same legal tax unit and jurisdiction is included in the measurement of deferred tax.

FLSmidth & Co. A/S is jointly taxed with all Danish subsidiaries, FLSmidth & Co. A/S being the administrator of Danish joint taxation. All the Danish subsidiaries provide for the Danish tax based on the current rules with full distribution. Recognition of deferred tax assets and tax liabilities is made in the individual Danish enterprises based on the principles described above. The jointly taxed Danish enterprises are included in the Danish tax payable on account scheme.

Discontinued activities
Discontinued activities are stated as a separate item in the income statement and consist of the operating income after tax from the activity concerned and any profits or losses from fair value adjustment or disposal of the assets related to the activity. Costs attributable to the disposal are included in the statement of profit and loss.

Balance sheet

Intangible assets
Goodwill
Goodwill is measured in the balance sheet at cost in connection with intial recognition. Subsequently, goodwill is measured at cost less accumulated write-downs. When recognising goodwill, it is allocated to the cash flow generating units as defined by Group Management. The determination of cash generating units complies with the managerial structure and the internal financial control and reporting in the Group.

The carrying value of goodwill is tested for impairment at least once a year together with the other long-term assets in the cash flow generating unit to which the goodwill is allocated, and it is written down to recoverable amount via the income statement if the accounting value exceeds the recoverable amount, this representing the higher of the fair value of the asset less expected disposal costs and the value in use. The recoverable amount is generally determined as the present value of the expected future net cash flows from the cash generating unit to which the goodwill is allocated. Write-down of goodwill is stated in the income statement on the line *Amortisation and write-down of intangible assets.*

Other intangible assets
Other intangible assets with a finite useful life are measured at cost less accumulated amortisation and write-downs. Other intangible assets with indefinite useful life are not amortised, but are tested for impairment at least once a year. Development costs consist of salaries, amortisation and other costs that are directly attributable to development activities.

Clearly defined and identifiable development projects, for which the technical rate of utilisation, sufficient resources and a potential future market or application in the Group can be demonstrated and which are intended to be manufactured, marketed or used, are recognised as Completed development projects, if the cost can be determined reliably, and if it is sufficiently certain that the future earnings or the net selling price will cover production, sales and administrative costs plus the development costs. Other development costs are recognised in the income statement as the costs are incurred.

Amortisation of completed development projects is charged on a straight line basis during their estimated useful life. Development projects are written down to recoverable amount if lower. Development projects in progress are tested for impairment at least once a year.

Amortisation of patents, rights, customer relations and other intangible assets is charged over the remaining patent or agreement period or useful life if shorter. The amortisation profile is systematically based on the expected distribution of the assets' future economic benefits. The basis of amortisation is reduced by write-downs if any.

Amortisation takes place systematically over the estimated useful life of the assets which is as follows:
- Development costs, up to 5 years.
- Software applications, up to 5 years.
- Patents, rights and other intangible assets, up to 20 years.
- Customer relations, up to 30 years.

Tangible assets
Land and buildings, production facilities and machinery and other facilities, operating equipment and tools and equipment are measured at cost less accumulated depreciation and write-downs.

The cost of self-constructed assets includes the cost of materials and direct labour costs.

Depreciation is charged on a straight line basis over the estimated useful life of the assets until they reach the estimated residual value. Estimated useful life is as follows:
- Buildings, 20 – 40 years.
- Plant and machinery, operating equipment and other tools and equipment, 3 -10 years.
- Fitting up rented premises, up to 5 years.

The period of depreciation of buildings used for administrative purposes may exceed 40 years.

Assets of low acquisition value or short life are expensed to the income statement in the year of acquisition.

Newly acquired assets and assets of own construction are depreciated from the time they come into use. Land is not depreciated.

Where acquisition or use of the asset places the Group under an obligation to incur the costs of pulling down or re-establishing the asset, the estimated costs for this purpose are recognised as a provision or part of the cost of the asset concerned, respectively, and are depreciated during the asset's useful life.

Assets held under a finance lease are measured in the balance sheet at fair value or the present value of future lease payments at the time of acquisition, if lower. In calculating the present value, the internal interest rate of the lease agreement is used as a discounting factor or as the Group's alternative borrowing rate. Assets held under a finance lease are depreciated like other tangible assets of the Group.

The capitalised residual lease commitment is recognised in the balance sheet as debt whilst the interest component of the lease payment is recognised in the income statement as a financial item.

For operating leases, the lease payments are recognised in the income statement on a straight line basis over the lease term.

Financial assets
Investments in associates
Investments in associates are measured according to the equity method. The proportionate share of the net worth of associates for accounting purposes is adjusted for unrealised intercompany profits and losses, and goodwill is added.

The proportionate share of all transactions and events entered directly in the associate's equity is recognised in the consolidated equity.

Associates with a negative equity value are measured at DKK 0. The latter is recognised under provisions if the Group has a present legal or constructive obligation to cover the associate's negative balance.

Other securities and investments
Other securities and investments, including shares in cement plants acquired in connection with orders received are classified under *Financial assets available for sale* which are measured at fair value. If the fair value is not immediately ascertainable, the shares are measured at a prudently assessed value. Value adjustments are recognised in the equity via the statement of comprehensive income until the shares are sold or a need for write-down is ascertained. Positive value adjustments are not recognised in the income statement under financial items until realisation takes place.

Inventories
Inventories are measured at cost according to the FIFO principle or at net realisable value, if it is lower. The net realisable value of inventories is measured as the sales price less costs of completion and costs incurred to implement the sale and is fixed on the basis of the expected sales price.

Work-in-progress and *Finished goods* are recognised at manufacturing cost including materials consumed and labour costs plus an allowance for production overheads. Production overheads include operating costs, maintenance and depreciation of production plant plus administration and factory management.

In the case of finished goods where the cost or the production price exceeds the estimated sales price less completion and selling costs, a write-down is made to such lower net realisable value.

Work-in-progress for third parties
Work-in-progress for third parties is measured according to the percentage of completion method at the sales value of the portion of the contract completed less partial invoicing and invoicing on account. The sales value is measured on the basis of the stage of completion at the balance sheet date and the total expected earnings from the individual contract.

The stage of completion for the individual project is normally calculated as the ratio between the resources spent and the total budgeted resource requirements. In some projects, where resource requirements cannot be used as a basis, the ratio between completed subactivities and the total project is used instead.

Work-in-progress for third parties where invoicing on account exceeds the value of the work completed is recognised as *Work-in-progress for third parties* under *Short-term liabilities.*

Contractual prepayments are recognised as Prepayments received from customers among Long-term and Short-term liabilities.

Prepayments to subcontractors consist of prepayments to subcontractors in connection with work-in-progress for third parties and are measured at amortised cost.

Write-downs are made for losses on *Work-in-progress for third parties*. Allowances are based on individual assessment of the estimated loss until the work is completed.

Costs deriving from sales work and winning of contracts are recognised in the income statement in the financial year during which they are incurred.

Receivables
Receivables comprise trade receivables, receivables from construction contracts and other receivables. Receivables are categorised under loans and receivables, which are financial assets with fixed or definable payments which are not quoted in an active market and which are not derivative financial instruments.

Receivables are measured at amortised cost. Write-down to cover losses is made when there is an objective indication that a receivable has been impaired.

Bonds and listed shares
Bonds and listed shares are classified under financial assets listed shares are classified as financial assets, which are measured at fair value through the income statement. In particular circumstances where the value quoted on the stock exchange is considered not to represent the actual fair value, the shares concerned are carried at an estimated fair value. Value adjustments are recognised in the income statement as financial items.

Impairment of long-term assets
Goodwill and other intangible assets of indefinite useful life are tested for impairment at least once a year, the first time being before the end of the year of acquisition. Ongoing development projects are also tested at least once per year for impairment. The carrying amounts of other *Long-term assets* are reviewed each year to determine whether there is any indication of impairment. If any such indication exists, the recoverable value of the asset is calculated. The recoverable amount is the higher of the fair value of the asset less expected disposal costs and value in use.

Loss on impairment is recognised if the carrying amount of an asset or a cash generating unit exceeds the recoverable amount of the asset or the cash generating unit. Impairment losses are recognised in the income statement under the same heading as the related amortisation and depreciation. Write-down of goodwill is not reversed. Write-down on other assets is reversed to the extent that changes have taken place in the assumptions and estimates that led to the write-down.

Write-downs are only reversed where the new carrying amount of the asset does not exceed the carrying amount the asset would have had after depreciation or amortisation if the asset had not been written down.

Deferred tax assets are annually assessed and are only recognised to the extent that it is probable that they will be used.

Equity

Dividend
Dividend is provided for in the accounts at the time when it is decided at the Annual General Meeting, the company thereby having incurred a liability. The dividend which is proposed for distribution is stated separately in the equity.

Treasury shares
Treasury shares are recognised in the balance sheet at zero value. When buying or selling Treasury shares, the purchase or selling amount, as the case may be, plus any dividend is recognised directly in the Equity among *Other reserves.*

41. Accounting policies (continued)

Reserve for foreign exchange adjustment
Reserve for foreign exchange adjustment comprises exchange rate differences arising during the conversion of the financial statements for entities with a functional currency other than Danish kroner, foreign exchange adjustments regarding assets and liabilities which account for a portion of the Group's net investment in such entities, and foreign exchange adjustments regarding hedging transactions which hedge the Group's net investment in such entities.

In case of realisation of the net investment, the foreign exchange adjustments are recognised in the income statement.

Reserve for hedging transactions
Reserve for hedging transactions includes the accumulated net change of the fair value of hedging transactions which fulfil the criteria for hedging future cash flow, save for hedging of net investments, and where the hedged transaction has not yet been realised.

Reserve for actuarial gains and losses
Differences between the expected development of pension assets and liabilities and the realised values are described as actuarial gains or losses. Actuarial gains and losses are recognised in the statement of comprehensive income.

Reserve for value adjustments of securities available for sale
Shares in cement plants acquired in connection with orders received are classified under *Financial assets available for sale* which are measured at fair value. Value adjustments are recognised in the equity via the statement of comprehensive income until the shares are sold or a need for write-down is ascertained.

Share-based payment
The Corporate Management and a number of key staff are entitled to share option plans. Plans classified as equity-settled share options are measured at fair value at the time of allocation and are recognised in the income statement as staff costs within the period in which the final entitlement to the options is attained. The counter item is recognised directly in the Equity.

In connection with initial recognition of share options, an estimate is made of the number of options to which Management and the executive staff are expected to become entitled. Subsequent adjustment is made for changes in the estimate of the number of option entitlements so that the total recognition is based on the actual number of option entitlements.

The fair value of the options allocated is estimated by means of the Black Scholes model. The calculation takes into account the terms and conditions under which the share options are allocated.

Share-based incentive plans under which the employees can only choose to receive shares in the parent company (equity plans) are measured at the fair value of the equity instruments at the time of allocation and are recognised in the income statement among staff costs for the period in which the employees become entitled to the shares. The counter item is recognised direct in the equity.

Share-based incentive plans under which the employees may only choose to receive the value in cash are measured at fair value at the time of allocation and are recognised in the income statement among staff costs for the period in which the final entitlement to the cash amount is achieved. The incentive plans are subsequently remeasured on each balance sheet date and at the time of final settlement. The changes in the fair value of the plans are recognised in the income statement among staff costs in relation to the past period during which the employees achieved final entitlement to settlement in cash. The counter item is recognised under liabilities.

Pension liabilities / plan assets
The Group has signed post-employment benefit plans and similar contracts with most of its employees.

Under defined contribution plans, the employer is required to contribute a certain amount (for example a fixed sum or a fixed percentage of the pay). Under a defined contribution plan, the employees usually bear the risk with regard to future developments in the rates of interest, inflation, mortality and disability. Payments by an enterprise into defined contribution plans are recognised in the income statement for the period to which they apply and any outstanding payments are recognised in the balance sheet under *Other payables.*

Under defined benefit plans, the employer is required to contribute a certain amount (for example a retirement pension as a fixed sum or a fixed percentage of the final pay). Under a defined benefit plan, the enterprise usually bears the risk with regard to future developments in the rates of interest, inflation, mortality and disability. Changes in the computation basis result in a change in the actuarial net present value of the benefits which the enterprise is to pay in the future under this plan. Value in use is only calculated for benefits to which the employees have become entitled through their employment with the company so far. The actuarial net present value less the fair value of any assets related to the plan is stated in the balance sheet under the heading of *Pension assets and liabilities.*

Differences between the expected development of pension assets and liabilities and the realised values are described as actuarial gains or losses. Actuarial gains and losses are recognised in the statement of comprehensive income.

Changes in benefits concerning the employees' former employment in the undertaking result in a change in the actuarial net present value, which is considered a historical cost. Historical costs are charged immediately to the income statement if the employees have already acquired a right to the changed benefit. Otherwise, the historical costs are recognised in the statement of comprehensive income.

Provisions
Provisions are recognised when the Group due to an event occuring before or at the balance sheet date has a legal or constructive obligation and it is probable that financial benefits must be waived to settle the obligation.

Provisions are measured according to Management's best estimate of the amount whereby the obligation is expected to be settled.

Provisions for warranties
In cases where an order has been closed and additional minor supplies, etc. remain to be effected to complete the order, provisions are made for this purpose. A portion of the allowance is transferred to liabilities covering the part of the outstanding supplies whose price and scope is agreed. The balance of the allowance is transferred to *provisions*. The provision covers estimated own costs of completion, subsequent warranty supplies and unsettled claims from customers or subcontractors. Any *long-term liabilities* are discounted to net present value.

Provisions for restructuring
In the event of planned restructuring of the Group, provision is only made for liabilities deriving from restructuring which has been decided at the balance sheet date in accordance with a specific plan and provided the parties involved have been informed about the overall plan.

Provisions for redundancies
Provisions for redundancies are recognised in the income statement when decided and announced.

Other provisions
Other provisions consist of allowances for loss-making contracts and legal disputes, etc.

Mortgage debt and bank loans, etc.
Mortgage debt and bank loans, etc. are recognised when raising the loan at the proceeds received less transaction costs. Subsequent measurement is made at amortised cost so that the difference between the proceeds and the nominal value is recognised in the income statement during the period of the loan.

Other liabilities
Other liabilities include holiday pay obligations, taxes and dues and interest payable.

Assets held for sale
Assets held for sale consist of assets and disposal groups that are held for the purpose of sale. Disposal groups are a group of assets that are to be disposed of by sale or otherwise, together in a single transaction, and associated liabilities that are transferred through the transaction.

Assets are classified as 'held for sale' if their carrying value will primarily be recovered by sale within 12 months in accordance with a formal plan rather than by continued use.

Assets or disposal groups held for sale are measured at the lower of the carrying value and the fair value less selling costs. Assets are not depreciated from the time when they are classified as 'held for sale'.

Impairment losses arising from the initial classification as 'held for sale' and gains or losses from subsequent measurement at the lower of carrying value or fair value less selling costs are recognised in the income statement among the items to which they belong. Gains and losses are disclosed in the notes.

Presentation of assets held for sale and discontinued activities
Assets held for sale and Discontinued activities consist of activities or companies for which is has been announced that the activities or companies have been discontinued in the Group.

Earnings and value adjustments after tax of assets held for sale and discontinued activities are presented on a separate line in the income statement and with comparative figures. In the notes, revenue, costs and tax of the discontinued activities are disclosed. Assets held for sale, are presented on a separate line in the balance sheet as short term assets. Liabilities directly associated to the assets concerned are presented on a separate line in the balance sheet.

Cash flow from operating, investing and financing activities for assets held for sale and discontinued activities appear from note 1.

Cash flow statement
The consolidated cash flow statement is presented according to the indirect method and shows the composition of cash flow divided into operating, investing and financing activities, respectively, and the changes in cash and cash equivalents during the year between 1 January and 31 December.

The cash flow statement is based on earnings before special non-recurring items, depreciation and amortisation (EBITDA).

In the statement of working capital/loans a distinction is made between interest-bearing and non-interest-bearing items, and cash and cash equivalents.

- Cash and cash equivalents consist of cash and bank deposits.
- Loans represent total interest-bearing debt items less interest-bearing receivables.
- All other non-interest-bearing receivables and debt items are regarded as working capital.

Cash flow from operating activities consists of earnings before special non-recurring items, depreciation and amortisation (EBITDA) adjusted for non-cash and non-paid items, changes in working capital and payments in respect of provisions, corporation tax and financial items.

Cash flow from investing activities comprises payments made in connection with the acquisition and disposal of enterprises and activities and the acquisition and disposal of assets.

Cash flow from financing activities comprises payments to and contributions from owners as well as the raising and repayment of loans. The Group's cash and cash equivalents mainly consist of money deposited with banks.

Segment information
The information is based on business segments which Management uses to report and control the group internally. The segment information complies with the Group's accounting policies, risks and internal financial control.

Geographical segmentation is provided for revenue and non-current assets of the major individual countries and revenue of important individual customers.

Segment income and costs consist of transactions between the segments. Such transactions are determined on market terms. The transactions are eliminated in connection with the consolidation.

No information on the segmentation of the balance sheet and the cash flow is disclosed as a result of internal restructurings including stronger integration between Cement and Minerals. In addition, Management does not use this to report and control the Group internally.

Financial highlights
Financial highlights and key ratios are defined and calculated in accordance with the Danish Society of Financial Analysts' "Recommendations and Financial Ratios 2010".

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) is defined as the operating income (EBIT) with addition of the year's amortisation, depreciation and write-down of intangible and tangible assets and special non-recurring items.

The working capital cannot be directly derived from the published balance sheet figures. The principal items included in the calculation of working capital are: Inventories, Trade receivables, Other receivables (exclusive of interest-bearing items), Work-in-progress for third parties (both assets and liabilities), Prepayments from customers, Trade payables, and Other liabilities (exclusive of interest-bearing items).

Earnings per share (EPS) and diluted earnings per share (EPS diluted) are measured according to IAS 33.

42. Standards and interpretations that have not yet come into force

Standards and interpretations which have been approved for use in the EU but have not yet come into force are not expected to have any impact on the financial statements for 2011:
- Revised IFRS 1, *First-time adoption of IFRS*
- Revised IAS 24, *Related parties*
- Revised IAS 32 *Financial instruments: Presentation*
- Amendment to IFRIC 14,*"IAS 19 Plan Assets"*
- Amendment to IFRIC 19 *"Extinguishing financial liabilities with equity instruments"*
- Improvements to IFRS May 2010

Standards and interpretations which have not been approved for use in the EU and which have not yet come into force
- IFRS 9 *Financial instruments: Classification and Measurement*
- Amendments to IFRS 7, *Financial instruments: Disclosures*

In Management's opinion the above-mentioned standards and interpretations will not have a material impact on the financial statements for 2011.

43. List of Group companies

Company name	Country	Currency	Nominal share capital (000s)	Direct Group Holding (pct.)
FLSmidth & Co. A/S	Denmark	DKK	1,064,000	100
Aktieselskabet af 1. januar 1990, Valby	Denmark	DKK	500	100
Igrene MP A/S	Denmark	DKK	500	100
DEF 1994 A/S	Denmark	DKK	1,000	100
FFE Invest A/S	Denmark	DKK	25,000	100
FLS miljø a/s	Denmark	DKK	500	100
FLS miljo Inc.	United States	USD	0	100
FLS miljo Ltd.	UK	GBP	3,753	100
FLS Plast A/S	Denmark	DKK	1,500	100
FLS Real Estate A/S	Denmark	DKK	3,100	100
FLSmidth (Beijing) Ltd.	China	CNY	5,462	100
FLSmidth Finans A/S	Denmark	DKK	10,000	100
FLSmidth Dorr-Oliver Eimco Management Hungary Kft.	Hungary	USD	3	100
FLSmidth Dorr-Oliver Eimco Mexico S.A. de C.V.	Mexico	MXN	599	100
FLSmidth Dorr-Oliver Eimco Venezuela S.R.L.	Venezuela	VEF	2	100
FLSmidth S.A.C.	Peru	PEN	1	100
Redep A/S	Denmark	DKK	500	100
SLF Romer XV ApS	Denmark	DKK	125	100
VA77 af 25. november 2004 ApS	Denmark	DKK	250	100
NL Supervision Company A/S	Denmark	DKK	500	100
NLS-SSBIL *	UAE	DKK	300	50
Cembrit Holding A/S	Denmark	DKK	83,000	100
Cembrit A/S	Denmark	DKK	21,000	100
Cembrit as	Norway	NOK	500	100
Cembrit a.s.	Czech Republic	CZK	1,126,240	100
Cembrit B.V.	Netherlands	EUR	31	100
Cembrit IBS B.V.	Netherlands	EUR	18	100
Cembrit GmbH	Germany	EUR	79	100
Cembrit Kft.	Hungary	HUF	401,100	100
Cembrit Ltd.	UK	GBP	500	100
Cembrit Oy	Finland	EUR	1,682	100
Cembrit FB Sp. z o.o.	Poland	PLN	150	100
Cembrit NV/SA	Belgium	EUR	1,388	100
Cembrit S.A.	Poland	PLN	24,806	100
Cembrit S.p.A.	Italy	EUR	3,002	67
Cembrit s.r.o.	Slovakia	EUR	207	100
Cembrit Tepro AB	Sweden	SEK	600	100
DKCF ApS	Denmark	DKK	125	100
FASS S.a.r.l.	France	EUR	1	100
Cesider S.a.r.l.	France	EUR	100	100
Cembrit SAS	France	EUR	700	100
OOO Cembrit	Russia	RUB	10	100
Interfer S.A.S.	France	EUR	336	100
FLSmidth A/S	Denmark	DKK	500,000	100
FLS EurAsia AG **	Switzerland	CHF	1,500	33
FLSmidth Argentina S.A.	Argentina	USD	12	100
FLSmidth d.o.o.	Croatia	HRK	20	100
FLSmidth S.A.	Spain	EUR	5,417	100
FLSmidth (Private) Ltd.	Pakistan	PKR	94,556	100
FLSmidth Dorr-Oliver Eimco Denmark ApS	Denmark	EUR	1,417	100
FLSmidth Milano S.R.L.	Italy	EUR	10	100
FLSmidth Dorr-Oliver Eimco Spain S.L.	Spain	EUR	380	100
FLSmidth (UK) Limited	UK	GBP	5,337	100
FLSmidth (Jersey) Limited	UK	EUR	80	100
FLSmidth Ireland Limited	Ireland	EUR	0	100
FLSmidth Ltd.	UK	GBP	1,500	100
FLSmidth Ltda.	Brazil	BRL	9,763,000	100
FLSmidth MAAG Gear AG	Switzerland	CHF	1,000	100
FLSmidth MAAG Gear Sp. z.o.o.	Poland	PLN	31,449	100
FLSmidth Krebs GmbH	Austria	EUR	36	100
FLSmidth Machinery Industry (Qingdao) Co. Ltd.	China	CNY	40,434	100
FLSmidth Machinery Trade Co. Ltd.	China	CNY	2,000	100
FLSmidth Oy	Finland	EUR	125	100
FLSmidth Qingdao Ltd.	China	CNY	33,346	100
FLSmidth Rusland Holding A/S	Denmark	DKK	450	100
FLSmidth Rus OOO	Russia	RUB	400	100
FLSmidth Shanghai Ltd.	China	CNY	33,368	100
FLSmidth Sp. z.o.o.	Poland	PLN	800	100
FLSmidth Spol. s.r.o.	Czech Republic	CZK	13,362	100
FLSmidth Ventomatic SpA	Italy	EUR	181	100
FLSmidth Zambia Ltd.	Zambia	ZMK	5,000	100
LFC International Engineering JSC *	Vietnam	USD	600	40
LV Technology Public Company Ltd. *	Thailand	THB	228,513	13
MAAG Gear Systems AG	Switzerland	CHF	8,000	100
Pfister Holding GmbH	Germany	EUR	1,023	100
PT FLSmidth Indonesia	Indonesia	IDR	3,500,000	100

Company name	Country	Currency	Nominal share capital (000s)	Direct Group Holding (pct.)
FLSmidth Materials Handling A/S	Denmark	DKK	12,000	100
FLS Germany Holding GmbH	Germany	EUR	31	100
Pfister Data GmbH	Germany	EUR	26	100
FLSmidth Holding GmbH	Germany	EUR	260	100
FLSmidth Pfister GmbH	Germany	EUR	3,962	100
Pfister Latino Americana Ltda.	Brazil	BRL	100	100
FLSmidth Pfister, Inc.	United States	USD	1	100
Transweigh India Ltd. *	India	INR	26,200	24
FLSmidth Hamburg GmbH	Germany	EUR	1,023	100
Möller Materials Handling GmbH	Germany	EUR	25	100
Möller-Fuller Sp. z.o.o.	Poland	PLN	25	100
FLSmidth Wiesbaden GmbH	Germany	EUR	1,176	100
FLSmidth S.A.R.L.	France	EUR	50	100
FLSmidth Wadgassen GmbH	Germany	EUR	25	100
FLSmidth GmbH	Austria	EUR	509	100
FLSmidth Wuppertal GmbH	Germany	EUR	359	100
Pfaff Machinenbau GmbH	Germany	EUR	77	100
Fuller Offshore Finance Corp. B.V.	Netherlands	EUR	2,269	100
FLSmidth Kovako B.V.	Netherlands	EUR	16	100
Öresund Unloader Design Bureau Holding AB	Sweden	SEK	2,200	100
Öresund Unloader Design Bureau AB	Sweden	SEK	1,800	100
FLSmidth Minerals Holding ApS	Denmark	DKK	200	100
FLSmidth Ltd.	Canada	CAD	84,783	100
4424972 Canada Inc.	Canada	CAD	1	100
9189-6175 Quebec Inc.	Canada	CAD	0	100
4437845 Canada Inc.	Canada	CAD	0	100
FLSmidth Pty. Ltd.	Australia	AUD	52,100	100
FLSmidth ABON Pty. Ltd.	Australia	AUD	6	100
FLSmidth Dorr-Oliver Eimco Pty Limited	Australia	AUD	5,859	100
FLSmidth Krebs Australia Pty. Ltd.	Australia	AUD	1,648	100
FLS Automation Australia Pty. Ltd.	Australia	AUD	1	100
FLSmidth S.A.	Chile	CLP	4,879,503	100
FLSmidth Krebs Chile Limitada	Chile	CLP	74,650	100
FLSmidth S.A. de C.V.	Mexico	MXN	15,050	100
FLSmidth Private Limited	India	INR	258,433	100
EEL India Private Limited	India	INR	58,500	100
FLSmidth (Pty.) Ltd.	South Africa	ZAR	25	100
FLSmidth Buffalo (Pty.) Ltd.	South Africa	ZAR	41	100
FLSmidth Krebs Africa (Pty.) Ltd.	South Africa	ZAR	0	100
FLS Automation South Africa (Pty.) Ltd.	South Africa	ZAR	1,250	100
FLSmidth Dorr-Oliver Eimco Africa (Pty.) Ltd.	South Africa	ZAR	0	100
Roymec (Pty) Ltd.	South Africa	ZAR	5	74
Figure Out (Pty) Ltd.	Botswana	BWP	100	100
FLS US Holdings, Inc.	United States	USD	0	100
FLS Automation Inc.	United States	USD	10	100
FLSmidth Airtech Inc.	United States	USD	1	100
FLSmidth DOE Acquisition USA Inc.	United States	USD	46,000	100
FLSmidth Krebs Inc.	United States	USD	6	100
FLSmidth Krebs (Beijing) Ltd.	China	USD	2,413	100
FLSmidth DOE Holdings Inc	United States	USD	8,642	100
FLSmidth Salt Lake City, Inc.	United States	USD	655	100
FLSmidth Dorr-Oliver Eimco SLC Inc.	United States	USD	1	100
FLSmidth Dorr-Oliver Inc.	United States	USD	3,501	100
FLSmidth Dorr-Oliver International Inc.	United States	USD	0	100
FLSmidth Inc.	United States	USD	1,000	100
Excel Foundry & Machine Inc.	United States	USD	0	100
FLSmidth Boise, Inc.	United States	USD	28,102	100
FLSmidth Pekin LLC	United States	USD	865	100
FLSmidth Spokane, Inc.	United States	USD	0	100
Fuller Company	United States	USD	1	100
Fuller International Inc.	United States	USD	1	100
Fuller International Trading Corp.	United States	USD	1	100
General-Fuller International Corp.	United States	USD	1	100
SLS Corporation	United States	USD	1	100
Smith & Co.	United States	USD	9,000	100

* Associate
** Joint venture
All other undertakings are Group enterprises

Parent company financial statements 2010

Parent company income statement

Notes	DKKm	2010	2009
1	Dividend from Group enterprises	500	0
2	Other operating income	25	33
3	Staff costs	(21)	(20)
4	Other operating income	(14)	(27)
8	Depreciation, amortisation and write-downs	(3)	(6)
	Earnings before interest and tax (EBIT)	**487**	**(20)**
5	Financial income	542	677
6	Financial costs	(429)	(485)
	Earnings before tax (EBT)	**600**	**172**
7	Tax for the year	(22)	104
	Profit/loss for the year	**578**	**276**
	Distribution of profit for the year:		
	Retained earnings	578	276
		578	**276**
	Distribution of dividend:		
	Extraordinary dividend during the year	0	105
	Proposed dividend	479	266
		479	**371**

The Board of Directors recommends that the Annual General Meeting approves a dividend of DKK 9 per share (2009: DKK 7 per share)

Parent company balance sheet

Assets

DKKm		2010	2009
Notes			
	Land and buildings	46	49
	Operating equipment, fixtures and fittings	0	0
8	**Tangible assets**	**46**	**49**
9	Investments in Group enterprises	3,357	3,361
9	Other securities and investments	37	0
10	Deferred tax assets	101	120
	Financial assets	**3,495**	**3,481**
	Total non-current assets	**3,541**	**3,530**
	Receivables from Group enterprises	4,407	3,899
	Other receivables	197	201
11	**Receivables**	**4,604**	**4,100**
	Bonds and listed shares	**1**	**1**
11	**Cash and cash equivalents**	**1,544**	**1,670**
	Total current assets	**6,149**	**5,771**
	TOTAL ASSETS	**9,690**	**9,301**

Equity and liabilities

DKKm		2010	2009
Notes			
	Share capital	1,064	1,064
	Retained earnings	1,570	1,472
	Proposed dividend	479	266
	Equity	**3,113**	**2,802**
12	Provisions	121	121
	Provisions	**121**	**121**
13	Mortgage debt	302	311
13	Other liabilities	35	35
13	Bank loans	813	811
	Long-term liabilities	**1,150**	**1,157**
	Debt to Group enterprises	5,090	4,792
13+14	Other liabilities	216	429
	Short-term liabilities	**5,306**	**5,221**
	Liabilities	**6,456**	**6,378**
	TOTAL EQUITY AND LIABILITIES	**9,690**	**9,301**

Other notes to the balance sheet:

15 Charges

16 Contingent assets and liabilities

Parent company equity

DKKm	Share capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2009	**1,064**	**1,519**	**0**	**2,583**
Retained earnings		276		**276**
Dividend paid		(105)		**(105)**
Proposed dividend		(266)	266	**0**
Share-based payment, share options		19		**19**
Share-based payments, employee shares, subsidiaries		21		**21**
Disposal of treasury shares		8		**8**
Equity at 31 December 2009	**1,064**	**1,472**	**266**	**2,802**
Retained earnings		578		**578**
Dividend paid		4	(266)	**(262)**
Proposed dividend		(479)	479	**0**
Share-based payment, share options		21		**21**
Share-based payments, employee shares, subsidiaries		39		**39**
Disposal of treasury shares		38		**38**
Disposal of treasury shares, employee shares, subsidiaries adjustment 2009		34		**34**
Acquisition of treasury shares		(137)		**(137)**
Equity at 31 December 2010	**1,064**	**1,570**	**479**	**3,113**

DKKm	2010	2009	2008	2007	2006
Movements on share capital (number of shares):					
Share capital at 1 January	53,200,000	53,200,000	53,200,000	53,200,000	53,200,000
Capital increase in connection with exchange of shares					23,853,048
Cancellation of share capital by use of treasury shares					(23,853,048)
Share capital at 31 December	**53,200,000**	**53,200,000**	**53,200,000**	**53,200,000**	**53,200,000**

Each share entitles the holder to 20 shares and there are no special rights attached to the shares.

The year's movements in holding of treasury shares (number of shares):

	2010	2009
Treasury shares at 1 January	755,298 shares	814,457 shares
Acquisiton of treasury shares	285,385 shares	841 shares
Share options settled	(186,600) shares	(60,000) shares
Employee shares in connection with FLS Global Incentive Programme 2009	(93,624) shares	
Disposal of treasury shares to subsidiaries	(41,112) shares	
Treasury shares at 31 December	719,347 shares	755,298 shares
Reserved for employee shares in connection with FLS Global Incentive Programme for the year	(73,216) shares	(126,696) shares

Representing 1.4% (2009: 1.4%) of the share capital.

See also the Management's review on page 6 regarding the use of treasury shares.

A few subsidiaries hold treasury shares for the purpose of the Group's employee share plan.

Notes to the parent company financial statements

1. Dividend from Group enterprises

DKKm	2010	2009
Dividend received from Group enterprises	523	270
Dividend received from Group enterprises set off against costs	(23)	(270)
	500	**0**

2. Other operating income

DKKm	2010	2009
Management fee etc.	25	33
	25	**33**

3. Staff costs

DKKm	2010	2009
Wages, salaries and fees	18	17
Share-based payment	3	3
	21	**20**
Average number of employees	**3**	**3**

Remuneration of the Board of Directors for 2010 amounts to DKK 4m (2009: DKK 4m).

The total remuneration of the parent company Management amounted to DKK 20m (2009: DKK 16m), of which DKK 14m (2009: DKK 13m) was incurred by the parent company.

4. Fee to auditors appointed at the Annual General Meeting

DKKm	2010	2009
Deloitte		
Statutory audit	1	1
Other services	2	1
	3	**2**

5. Financial income

DKKm	2010	2009
Reversal of write-down of investments in Group enterprises	23	240
Interest receivable and other financial income from financial assets that are not measured at fair value	10	7
Interest from Group enterprises	114	142
Foreign exchange gains	395	288
	542	**677**

6. Financial costs

DKKm	2010	2009
Write-down of investments in Group enterprises	39	51
Interest payable and other financial income from financial liabilities that are not measured at fair value	81	100
Interest to Group enterprises	6	47
Foreign exchange losses	303	287
	429	**485**

7. Tax for the year

DKKm	2010	2009
Tax for the year		
Current tax on the profit/loss for the year	0	(2)
Withholding tax	1	1
Adjustments regarding previous years, permanent taxes	2	17
Adjustments, deferred tax	19	(120)
Tax for the year	**22**	**(104)**

Tax paid in 2010 amounts to DKK 4m (2009: DKK -149m)

8. Tangible assets

DKKm	Land and buildings	Operating equipment, fixtures and fittings	Total
Cost at 1 January 2010	223	2	225
Additions and disposals	0	0	0
Cost at 31 December 2010	**223**	**2**	**225**
Depreciation and writedowns at 1 January 2010	174	2	176
Disposals	0	0	0
Annual depreciation and write-downs	3	0	3
Depreciation and write-downs at 31 December 2010	**177**	**2**	**179**
Carrying amount at 31 December 2010	**46**	**0**	**46**

9. Financial assets

DKKm	Investments in Group enterprises	Other securities and investments	Total
Cost at 1 January 2010	5,612	0	5,612
Additions	3	37	40
Adjustments regarding dividend	(23)	0	(23)
Cost at 31 December 2010	**5,592**	**37**	**5,629**
Write-down at 1 January 2010	2,251	0	2,251
Write-downs	7	0	7
Reversal of write-downs	(23)	0	(23)
Write-down at 31 December 2010	**2,235**	**0**	**2,235**
Carrying amount at 31 December 2010	**3,357**	**37**	**3,394**

Reversal of write-downs in 2010 concerns FLS miljø and matches a corresponding adjustment regarding dividend at cost. The reversal is included in financial income.

Annual write-downs amount to DKK 39m. Due to the fact that write-downs exceed the carrying amount, a corresponding sum is transferred to Other provisions.

Value in use, expressing recoverable amount, is calculated by discounting expected future cash flow to net present value. Expected future cash flow is based on Management estimates including expected growth rates, etc. The discounting factor is also based on Management estimates which include both general capital market conditions and a specific risk profile (currently 9-10%).

The calculations of value in use consist of discounted expected cash flow for the next five years and a calculated terminal value of cash flow for the subsequent period. The calculation of teminal value is based on Management's conservative growth rate estimate (0-1%)

For Investments in Group enterprises see note 43 to the consolidated financial statements.

10. Deferred tax assets and liabilities

DKKm	2010	2009
Deferred tax consists of the following items:		
Tangible assets	43	56
Liabilities	6	64
Tax loss carry-forwards	52	0
Net value of deferred tax	**101**	**120**

11. Receivables, cash and cash equivalents

Receivables falling due after more than one year total DKK 985m (2009: DKK 911m). No write-downs have been made in financial receivables.

Other receivables include fair value of financial contracts (positive value) and tax on account for the Danish jointly taxed enterprises.

Cash and cash equivalents consist of bank deposits.

12. Other provisions

DKKm	2010	2009
Other provisions at 1 January	121	304
Additions	32	51
Disposals	(32)	(234)
Other provisions at 31 December	**121**	**121**

Other provisions consist of guarantees and liabilities in connection with disposal of enterprises and activities and write-down of investments in Group enterprises.

13. Liabilities

DKKm	2010	2009
Maturity structure of liabilities:		
Debt to Group enterprises	5,090	4,792
Other liabilities	216	429
Within one year	**5,306**	**5,221**
Mortgage debt	0	2
Bank loans	813	811
Other liabilities	35	35
Within one to five years	**848**	**848**
Mortgage debt	302	309
After five years	**302**	**309**
Total	**6,455**	**6,378**

14. Other liabilities

Other liabilities include provision for risk management and fair value of financial contracts (negative value) and tax on account for Danish enterprises participating in joint taxation.

15. Charged assets

DKKm	2010		2009	
	Carrying amount of charged assets	**Charge**	**Carrying amount of charged assets**	**Charge**
Real estate	38	302	49	311

16. Contingent assets and liabilities

The Company has provided guarantees to financial institutions at an amount of DKK 6,437m (2009: DKK 6,498m).

In connection with the disposal of enterprises, normal guarantees, etc. are issued to the acquiring enterprise. Provisions are made for estimated losses on such items.

There are no significant contingent assets or liabilities apart from the above.

See also Note 30 to the consolidated financial statements.

17. Related party transactions

Related parties include the parent company's Board of Directors and Executive Management and the Group companies and associates that are part of the FLSmidth & Co. Group.

In 2010 and 2009, there were no transactions with related parties which were not included in the consolidation of the Group, nor were there any transactions with associates.

Parent company sale of services consists of managerial services and insurance services. These transactions are carried out on market terms and at market prices. The parent company purchase of services mainly consists of legal and tax assistance from FLSSmidth A/S.

Financial income and costs are attributable to the FLSmidth & Co. Group's in-house Treasury function which is performed by the parent company FLSmidth & Co. A/S. Receivables and payables are mainly attributable to this activity.

For guarantees provided by the parent company for related parties, please see note 16 above.

18. Shareholders

See page 58 for information about company shareholders who control more than five percent of the voting rights or nominal value of the total share capital.

19. Other auditors for subsidiaries

The following Group companies have their financial statements audited by an accountant different from that of the parent company:

- Cembrit N.V., Belgium
- FLSmidth Roymec (Pty.) Ltd., South Africa
- PT FLSmidth Indonesia

20. Accounting policies

The financial statements of the parent company (FLSmidth & Co A/S) are presented in conformity with the provisions of the Danish Financial Statements Act for reporting class D enterprises.

To ensure uniform presentation the terminology used in the consolidated financial statements has as far as possible also been applied in the parent company's financial statements. The parent company's accounting policies on recognition and measurement are generally consistent with those of the Group. The instances in which the parent company's accounting policies deviate from those of the Group have been described below.

The company's main activity, income from Group enterprises, is presented first in the income statement under revenue.

Description of accounting policies
Translation of foreign currency
The foreign exchange adjustment of receivables from subsidiaries which are considered to be part of the parent company's total investment in the said subsidiary, is recognised in the parent company income statement.

Dividend from Group enterprises
Dividend from investments in subsidiaries is recognised as income in the parent company income statement in the financial year in which the dividend is declared. This will typically be at the time of the approval in Annual General Meeting of distribution from the company concerned. However, where the dividend distributed exceeds the accumulated earnings after the date of acquisition, the dividend is not recognised in the income statement but is stated as a write-down on the cost of the investment.

Tangible assets
Depreciation is charged on a straight line basis over the estimated useful life of the assets until they reach the estimated residual value. Pursuant to the provisions of IFRS the residual value is revalued annually. In the parent company's financial statements the residual value is determined at the date of the entry into service and is not subsequently adjusted.

Financial assets
Investments in Group enterprises
Investments in Group enterprises are measured at cost less write-downs. Where the cost exceeds the recoverable amount, a write-down is made to this lower value.

To the extent that the distributed dividend exceeds the accumulated earnings after the date of acquisition, that dividend is recognised as a write-down of the investment's cost.

Other securities and investments consist of shares in cement plants that are acquired in connection with the signing of contracts and are measured at fair value. If the fair value is not immediately ascertainable, the shares are measured at a prudently assessed value. Value adjustments are recognised in the income statement as financial items.

Cash flow statement
As the consolidated financial statements include a cash flow statement for the whole Group, no individual statement for the parent company has been included, cf. the exemption provision, section 86 of the Danish Financial Statements Act.

One Source

FLSmidth & Co. A/S
Vigerslev Allé 77
DK-2500 Valby
Denmark
Tel.: +45 36 18 18 00
Fax: +45 36 44 18 30
corppr@flsmidth.com
www.flsmidth.com
CVR No. 58180912

This Annual Report by FLSmidth & Co. A/S is an English translation of the original Report in Danish which was adopted by the Board of Directors of FLSmidth & Co. A/S. Whereas all possible care has been taken to ensure a true and faithful translation into English, differences between the English and the Danish versions may occur in which case the original Danish version shall prevail.

FLSMIDTH