Annual Report 2008

The preferred partner of the cement and minerals industries

FLSmidth

Contents

Front cover: Preheater tower at the Platin Cement Works in Ireland owned by Irish Cement.

Group financial highlights
(5-year summary)

DKKm	2004	2005 [1]	2006 [1]	2007	2008	2008 EUR [2]
INCOME STATEMENT						
Revenue	10,597	10,250	12,311	19,967	25,285	3,391
Gross profit	1,412	1,908	2,602	4,272	5,621	754
Earnings before non-recurring items, depreciation, amortisation (EBITDA)	142	558	966	2,100	2,911	390
Earnings before interest and tax (EBIT)	(186)	398	775	1,824	2,409	323
Earnings before tax (EBT)	(196)	512	924	1,877	2,123	285
Profit/loss for the year, continuing activities	**(330)**	**530**	**1,107**	**1,293**	**1,456**	**195**
Profit/loss for the year, discontinuing activities	481	(54)	25	1	59	8
Profit/loss for the year	**151**	**476**	**1,132**	**1,294**	**1,515**	**203**
CASH FLOW						
Cash flow from operating activities	(299)	1,731	1,288	1,493	2,324	312
Acquisition of enterprises and activities	(3)	(47)	(190)	(3,409)	(210)	(28)
Acquisition of tangible assets	(148)	(176)	(249)	(386)	(627)	(84)
Other investments, net	26	279	52	(18)	(34)	(5)
Cash flow from investing activities	(125)	56	(387)	(3,813)	(871)	(117)
Cash flow from operating and investing activities of continuing activities	(424)	1.787	976	(2,448)	1,492	200
Cash flow from operating and investing activities of discontinuing activities	4,122	21	(75)	128	(39)	(5)
WORKING CAPITAL	**878**	**(240)**	**(435)**	**665**	**207**	**28**
NET INTEREST-BEARING RECEIVABLES/(DEBT)	**1,191**	**2,600**	**2,847**	**(1,583)**	**(574)**	**(77)**
ORDER INTAKE, CONTINUING ACTIVITIES (GROSS)	**8,459**	**13,289**	**18,534**	**24,061**	**30,176**	**4,050**
ORDER BACKLOG, CONTINUING ACTIVITIES	**6,506**	**10,834**	**18,264**	**25,312**	**30,460**	**4,088**
BALANCE SHEET						
Non-current assets	1,745	1,913	2,355	7,799	8,255	1,108
Current assets	6,448	7,664	9,764	11,865	12,474	1,674
Assets held for sale	0	0	132	8	8	1
Total assets	**8,193**	**9,577**	**12,251**	**19,672**	**20,737**	**2,783**
Consolidated equity	2,585	2,648	3,192	4,214	5,035	676
Long-term liabilities	1,130	1,271	1,710	4,826	4,103	550
Short-term liabilities	4,478	5,658	7,344	10,632	11,599	1,557
Liabilities regarding assets held for sale	0	0	5	0	0	0
Total equity and liabilities	**8,193**	**9,577**	**12,251**	**19,672**	**20,737**	**2,783**
PROPOSED DIVIDEND TO SHAREHOLDERS	**372**	**372**	**372**	**372**	**0**	**0**
FINANCIAL RATIOS						
Continuing activities						
Contribution ratio	*13.3%*	*18.6%*	*21.1%*	*21.4%*	*22.2%*	*22.2%*
EBITDA ratio	*1.3%*	*5.4%*	*7.8%*	*10.5%*	*11.5%*	*11.5%*
EBIT ratio	*(1.8%)*	*3.9%*	*6.3%*	*9.1%*	*9.5%*	*9.5%*
EBIT ratio before effect of purchase price allocations regarding GL&V Process	*(1.8%)*	*3.9%*	*6.3%*	*9.9%*	*10.6%*	*10.6%*
EBT ratio	*(1.9%)*	*5.0%*	*7.5%*	*9.4%*	*8.4%*	*8.4%*
Return on equity	5%	18%	39%	35%	33%	33%
Equity ratio	32%	28%	26%	21%	24%	24%
Number of employees at 31 December, Group	**5,625**	**5,849**	**6,862**	**9,377**	**11,510**	**11,510**
Number of employees in Denmark	1,642	1,463	1,508	1,657	1,871	1,871
Share and dividend ratios, Group						
CFPS (cash flow per share), (diluted)	(5.7)	33.0	24.5	28.4	44.2	5.9
EPS (earnings per share), (diluted)	2.8	9.1	21.6	24.6	28.8	3.9
EPS (earnings per share), (diluted) before effect of purchase price allocations regarding GL&V Process	-	-	-	*26.4*	*32.5*	*4.4*
Net asset value per share, (parent company)	50	46	38	46	49	6.6
Dividend per share	7	7	7	7	0	0.0
Pay-out ratio (%)	243%	77%	32%	29%	0%	0%
FLSmidth & Co. share price	102.4	186	359	522	181	24
Number of shares, 31 December (000s)	53,200	53,200	53,200	53,200	53,200	53,200
Average number of shares (000s) (diluted)	52,509	52,518	52,558	52,640	52,544	52,544
Market capitalisation	5,448	9,895	19,099	27,770	9,629	1,292

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

1) The financial highlights for 2005 to 2006 are prepared in accordance with the change in accounting policy in 2006 in respect of measurement of financial assets pursuant to the changed IAS 39. In accordance with the transition, provisions for the changed IAS 39 implementation has therefore taken place retroactively from 1 January 2005.
2) Income statement items are translated at the average EUR exchange rate of 745.55, and the balance sheet and cash flow items are translated at the year-end EUR exchange rate of 745.06.

FLSmidth & Co. A/S in brief

Company vision

It is FLSmidth's vision to continuously strengthen its position as the preferred partner and leading supplier of equipment and services to the global cement and minerals industries.

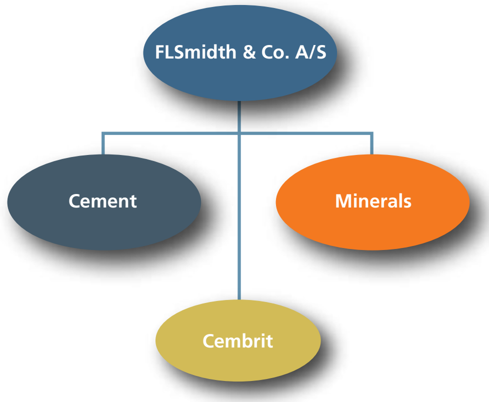
FLSmidth continuously strives to generate a profitable return for its owners through value creating growth. Alliances and acquisitions contribute to strengthening the market position.

FLSmidth is the 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 facilities including services before, during and after the supply.

FLSmidth is a global company with a local presence in more than 40 countries and major project centres in Denmark, the USA and India.

The Group's in-house resources are primarily engineers who develop, design, install and support equipment, with most of the manufacturing being delegated to subsuppliers.

Over the past 126 years, FLSmidth has developed a business culture based on three basic values; Competence, Responsibility and Cooperation, reflecting the way in which we interact with our partners.



Investing in FLSmidth

FLSmidth & Co. A/S is listed on NASDAQ OMX Copenhagen and may be characterised as a project and service focused engineering business with a unique global market position and strong potential for growth.

- The total return on the FLSmidth & Co. A/S share in 2008 was -64% (2007: 47%)
- Earnings per share (diluted) before the effect of purchase price allocations regarding GL&V Process amounted to DKK 32.5 in 2008 (2007: DKK 26.4)
- Viewed against the prospects of lower order intake and declining prepayments, financial flexibility will be reduced. Besides, attractive opportunities for acquisitions are expected in the near future. The Board of Directors therefore wishes to postpone the decision on payment of dividend for 2008. The Board will propose at the Annual General Meeting that it be authorised to pay out interim dividend at a later date.

Strategy

The key strategic focus areas of the Group are currently:

- Less cyclical business model through balanced revenue between Cement and Minerals' and 10-15% yearly revenue growth in Customer Services
- Leveraging FLSmidth Minerals' unique platform and process knowledge to address new business opportunities
- Strengthening technological leadership by increasing investments in research and development
- Streamlining of the organisation and optimising the cost structure
- Optimising the Group's liquidity situation by focusing on working capital and cash flow
- Global integration between Cement and Minerals to improve knowledge sharing and utilisation of resources.

Main conclusions 2008

Financial performance

- In 2008, FLSmidth posted record-high order intake, revenue and earnings and the fourth quarter alone was the best quarter ever achieved, measured in terms of revenue and earnings
- Revenue increased 27% in 2008 to DKK 25,285m (2007: DKK 19,967m)
- Earnings before special non-recurring items, depreciation and amortisation (EBITDA) increased 39% to DKK 2,911m in 2008 (2007: DKK 2,100m)
- Earnings before interest and tax (EBIT) increased 32% in 2008 to DKK 2,409m (2007: DKK 1,824m), corresponding to an EBIT ratio of 9.5% (2007: 9.1%)
- Earnings before tax (EBT) increased 13% in 2008 to DKK 2,123m (2007: DKK 1,877m)
- Cash flow from operating activities increased 56% in 2008 to DKK 2,324m (2007: DKK 1,493m)
- The order intake increased 25% (gross) in 2008 to DKK 30,176m (2007: DKK 24,061m)
- The order backlog increased 20% to DKK 30,460m at the end of 2008 (end of 2007: DKK 25,312m).

The market situation

Throughout most of 2008, the level of activity and the order intake were historically high in Cement and Minerals. However, there was a marked slowdown in the willingness to invest among customers during the 4th quarter of 2008.

- Cement: The global market for new contracted cement kiln capacity (excl. of China) amounted to 123m tonnes per year in 2008 (2007: 125m tonnes per year), FLSmidth's share of the market being 32% (2007: 29%)
- Minerals: 2008 saw a historically high level of investments in the minerals industry, due to insufficient investments in the preceding years combined with a growing demand for minerals, especially from China and other developing countries.

Prospects for 2009

- The level of investments both in the cement and minerals industries is expected to fall in 2009. This will, all things being equal, result in a declining order intake in both Cement and Minerals
- In 2009, the global market for new contracted cement kiln capacity (excl. of China) is expected to amount to 25-50m tonnes per year
- In 2009, FLSmidth expects a consolidated revenue of DKK 20-25bn and satisfactory earnings
- The prospects of the individual business areas in 2009 are as follows:

Cement	Slight decline in revenue compared to 2008 and satisfactory earnings
Minerals	Slight decline in revenue compared to 2008 and satisfactory earnings
Cembrit	Slight decline in revenue compared to 2008 and modest positive earnings

Long-term growth and earnings prospects

In the longer term, it is still expected that the structural market conditions will remain intact and that particularly urbanisation and industrialisation in developing countries will generate increasing demand for cement and minerals.

Earnings from Minerals and Customer Services are expected in the coming years to account for a larger share of the Group's total earnings, which will reduce the effect of cyclical market fluctuations in Cement. Against this background, the Group expects its EBIT ratio to be 10-12% in periods of high activity and slightly below that level (8-9%) in periods of low activity. Adjusted for purchase price allocations, the Group's EBIT ratio was 9.9% in 2007 and 10.6% in 2008.

Moving forward, the annual investments (excl. of acquisitions) are expected to be DKK 300-400m.

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

Market trends

Up until the end of the third quarter, the demand for equipment and services from both the cement and the minerals industries was at an all-time high. During the fourth quarter, the financial crisis and the effects of it sharply dampened the cement and minerals producers' willingness to invest and triggered a widespread tendency to maximise financial flexibility in the short term.

Faced with the prospects of lower commodity prices and the risk of surplus capacity, many plans to expand capacity have therefore been put on hold for the time being, which is reflected in the lower order intake in the fourth quarter for both Cement and Minerals - notably with regard to projects and to a lesser extent regarding sales of single machine units and Customer Services.

In 2008, the global market for new contracted cement kiln capacity (exclusive of China) totalled 123m tonnes per year (2007: 125m tonnes per year), down from the previous expectation of some 150m tonnes per year because contracted projects were cancelled during the fourth quarter of 2008. FLSmidth's market share in 2008 amounted to 32% (2007: 29%).

In the short term, the customers' willingness to invest is expected to decline because access to liquidity and credits has become tighter. The situation is expected to normalise during 2009 and the propensity to invest is expected to partially return, stabilising at a higher level than at present, albeit lower than in 2008.

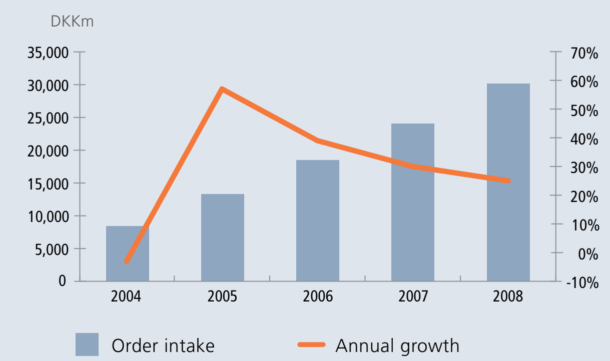
Order intake

The total intake of orders amounted to DKK 30,176m (gross) in 2008, representing a 25% increase on last year (2007: DKK 24,061m) which is attributable to growth in both Cement and Minerals. 2008 saw particularly high activity in Latin America, Russia, India and Africa. In the fourth quarter alone, the order intake dropped 35% on the same period the year before.

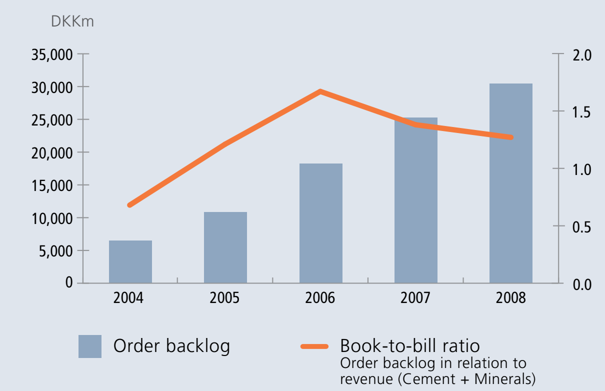
At the end of 2008, the total order backlog amounted to DKK 30,460m, which marks a 20% increase on the year before (31 December 2007: DKK 25,312m) but a 10% decline compared to the end of the third quarter (30 September 2008: DKK 33,731m). The order backlog at 31 December 2008 was 1.3 times the revenue for the year in Cement and Minerals (book-to-bill ratio) (2007: 1.4). For major projects, the order intake is reflected in the revenue over a period of two to three years in step 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 sum. This is part of the reason why, in the past, orders have not been cancelled, whereas in some cases for various reasons orders are temporarily deferred.

During the fourth quarter of 2008, orders representing a total of DKK 0.9bn have been cancelled, which is reflected in the order backlog at 31 December 2008, and approximately 10% of the order backlog is currently on hold because some customers are having difficulties obtaining the remaining financing and others are reconsidering their market prospects. Generally speaking, customers are currently asking for equipment deliveries to be deferred, which means that the processing of already signed contracts is being prolonged.

Order intake (gross)



Order backlog and book-to-bill ratio



Consolidated results

DKKm	2008	2007	Change (%)
Order backlog	**30,460**	**25,312**	20%
Order intake (gross)	**30,176**	**24,061**	**25%**
Projects	20,263	15,807	28%
Products	3,840	3,085	24%
Customer Services	6,073	5,169	17%
Revenue	**25,285**	**19,967**	**27%**
Projects	15,414	12,261	26%
Products	3,121	2,195	42%
Customer Services	5,360	3,929	36%
Cembrit	1,390	1,419	-2%
Other	0	163	
EBITDA	**2,911**	**2,100**	**39%**
EBITDA ratio	*11.5%*	*10.5%*	
EBIT	**2,409**	**1,824**	**32%**
EBIT ratio	*9.5%*	*9.1%*	
CFFO	**2,324**	**1,493**	**56%**

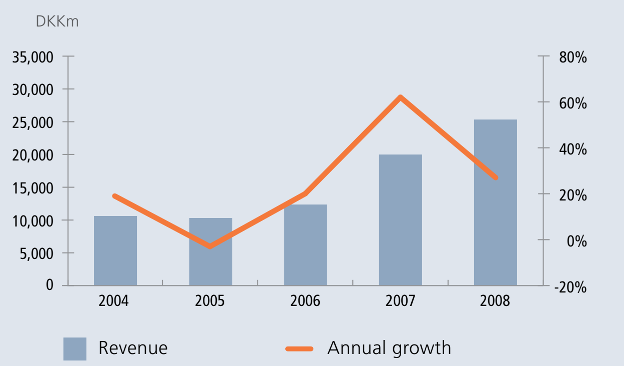
Revenue and earnings

In 2008, FLSmidth's revenue and earnings reached a record high, and the 2008 fourth quarter alone was the best quarterly period ever. The revenue in 2008 amounted to DKK 25,285m, representing a 27% increase on the previous year (2007: DKK 19,967m). The revenue grew 12% in Cement and 63% in Minerals. In the first three quarters of 2008, a strained supply chain caused by the high level of activity imposed limitations on the revenue. This led to a delay in revenue in both Cement and Minerals. In the fourth quarter, the pressure on the supply chain eased, but customers then began increasingly asking for delivery times to be extended.

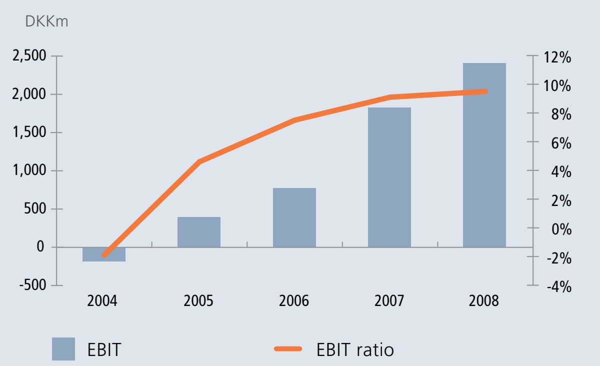
The gross profit amounted to DKK 5,621m in 2008 (2007: DKK 4,272m) corresponding to a contribution ratio of 22.2%, which is nearly one percentage point above that of the previous year (2007: 21.4%). In Cement and Minerals, the contribution ratio rose primarily due to improved order processing, whereas it fell in Cembrit due to exhange rate movements and a flagging market. Sales, distribution and administrative costs, etc. amounted to DKK 2,710m in 2008 (2007: DKK 2,172m) corresponding to 10.7% of the revenue (2007: 10.9%). Sales, distribution and administrative costs therefore account for a declining proportion of revenue, but rose in absolute terms by 25% on the same period last year. This increase is primarily due to the acquisition of GL&V Process in August 2007, to increasing investments in IT and to recruitment of more staff to handle the expanding volume of business. 2008 saw total investments in research and development at DKK 268m (2007: DKK 210m), accounting for 1.1% of the revenue (2007: 1.1%). This sum includes DKK 37m (2007: DKK 13m) which was capitalised as intangible assets. 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 2,911m (2007: DKK 2,100m), corresponding to an EBITDA ratio of 11.5% (2007: 10.5%). As mentioned earlier, the higher EBITDA margin reflects improved order processing and capacity utilisation in Cement and Minerals.

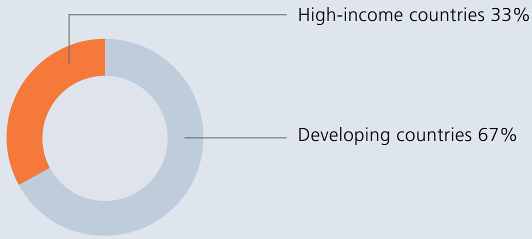
Revenue



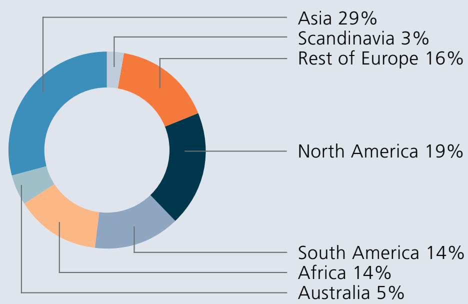
Operating profit (EBIT)



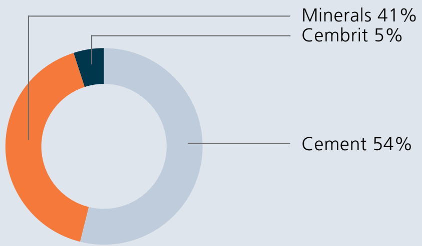
Revenue 2008 – classified by country category



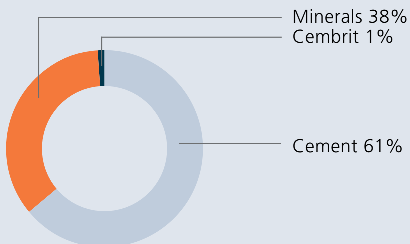
Revenue 2008 – classified geographically



Revenue 2008 – classified by segments



EBIT result 2008 – classified by segments



In 2008, the effect of purchase price allocations regarding GL&V Process amounted to DKK -278m (2007: DKK -143m) in the form of depreciation on tangible and amortisation of intangible assets of DKK 176m and special non-recurring items regarding inventories, etc. of DKK 102m. Depreciation, amortisation and write-downs totalled DKK 395m in 2008 (2007: DKK 282m).

Earnings before interest and tax (EBIT) amounted to DKK 2,409m in 2008 (2007: DKK 1,824m), which represents an EBIT ratio of 9.5% (2007: 9.1%). Adjusted for purchase price allocations, the EBIT result amounted to DKK 2,687m (2007: DKK 1,967m) corresponding to an EBIT ratio of 10.6% (2007: 9.9%). In the 2008 fourth quarter alone, the EBIT ratio was 11.5% (fourth quarter of 2007: 10.5%), which is due to the finalisation of a number of orders and reversal of contingencies in both Cement and Minerals.

Financial net costs in 2008 amounted to DKK 286m (2007: net income of DKK 53m) primarily reflecting foreign exchange rate adjustments regarding hedging transactions. The earnings before tax (EBT) amounted to DKK 2,123m (2007: DKK 1,877m), which equals an EBT ratio of 8.4% (2007: 9.4%). The tax for the year amounted to DKK 667m (2007: DKK 584m) corresponding to an effective tax rate of 31% (2007: 31%). The profit for the year of the continuing activities amounted to DKK 1,456m (2007: DKK 1,293m), corresponding to earnings per share (diluted) of DKK 28.8 (2007: DKK 24.6). The earnings per share before the effect of purchase price allocations regarding GL&V Process amount to DKK 32.5 (2007: DKK 26.4).

Balance sheet

The balance sheet total amounted to DKK 20,737m at the end of 2008 (end of 2007: DKK 19,672m). The consolidated equity at the end of 2008 amounted to DKK 5,035m (end of 2007: DKK 4,214m) corresponding to an equity ratio of 24% (end of 2007: 21%). The return on equity in 2008 amounted to 33% (2007: 35%). Investments and working capital are described below.

Cash flow from operating activities

Cash flow from operating activities (Group) amounted to DKK 2,324m in 2008 (2007: DKK 1,493m). The cash flow in 2008 was positively impacted by large prepayments on new projects. At the end of 2008, prepayments received from customers amounted to DKK 4.0bn (end of 2007: DKK 3.9bn).

Cash flow from investing activities (Group) amounted to DKK -871m in 2008 (2007: DKK -3,813m) including DKK -210m deriving from acquisition and disposal of enterprises and activities. The high level of investments in 2007 reflects the acquisition of GL&V Process which took place with effect from 10 August 2007.

Cash flow from operating and investing activities (Group) amounted to a total of DKK 1,453m in 2008, including DKK 1,492m from continuing activities and DKK -39m from discontinuing activities (2007: DKK -2,320m, including DKK -2,448m from continuing activities and DKK 128m from discontinuing activities).

Working capital

The working capital (Group) amounted to DKK 207m at the end of 2008 (end of 2007: DKK 665m), reflecting different developments in the various business segments with the working capital generally being negative in Cement due to prepayments from customers, but positive in Minerals and Cembrit. The working capital at the end of 2008 consisted of the following items: Cement: DKK -1,292m (end of 2007: DKK -736m), Minerals: DKK 1,106m (end of 2007: DKK 1,028m) and Cembrit: DKK 310m (end of 2007: DKK 226m).

Prospects for 2009

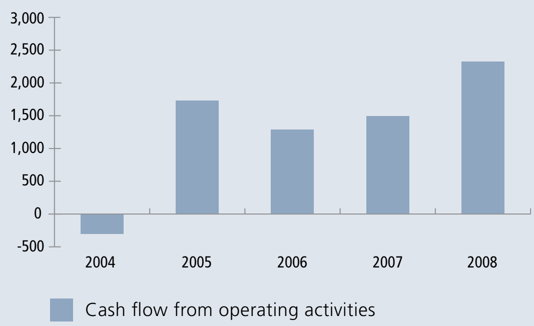
- The level of investments both in the cement and minerals industries is expected to fall in 2009. This will, all things being equal, result in a declining order intake in both Cement and Minerals
- In 2009, the global market for new contracted cement kiln capacity (excl. of China) is expected to amount to 25-50m tonnes per year
- In 2009, FLSmidth expects a consolidated revenue of DKK 20-25bn and satisfactory earnings
- The prospects of the individual business areas in 2009 are as follows:

Cement	Slight decline in revenue compared to 2008 and satisfactory earnings
Minerals	Slight decline in revenue compared to 2008 and satisfactory earnings
Cembrit	Slight decline in revenue compared to 2008 and modest positive earnings

Strategic focus areas in 2009

The main strategic focus area in 2009 will be to steer the Group safely through a period of difficult market conditions and growing uncertainty. Despite the unfavourable market prospects in the short term, the Group faces the immediate future well-prepared and well placed due to the solid order backlog and its strong financial, technological and commercial platform.

Cash flow from operating activities



Working capital

Growth potential in Minerals and Customer Services

The Group intends to work towards a less cyclical business model based on a more balanced revenue split between Cement and Minerals and revenue growth in Customer Services at 10-15% per year.

The last few years have seen a focused effort to widen the Group's technological capabilities and offerings in the minerals processing market and to transform FLSmidth Minerals from a single machinery supplier to a leading provider of solutions and systems. This development is not fully completed and there remains plenty of scope for utilising FLSmidth Minerals' unique product portfolio and process know-how to address new business opportunities. This applies, for example, to materials handling. These opportunities will be further pursued and developed in the coming years.

The past few years have also seen systematic growth of the activities in Customer Services which comprise all services before, during and after the installation of new plant - from the initial feasibility study, via installation, staff training and commissioning to subsequent operation. The customers are increasingly asking for assistance with conversion, optimisation and expansion projects for existing facilities which make them more competitive in terms of greater production stability, higher availability and lower energy, operating and maintenance costs in addition to reduced environmental impact.

Customer Services continues to develop new and innovative service concepts that add value to the customers and their production facilities, and there is particular focus on long-term operation and maintenance contracts (O&M).

Financial focus areas

It is essential for the Group to retain its financial flexibility at all times to undertake commercially appropriate and attractive business transactions, including acquisitions. Since the underlying business is to a large extent project and order-based, cash flow from operating activities is subject to considerable time variations, which in turn necessitates the availability of significant financial facilities. All things being equal, a lower order intake will lead to fewer prepayments from customers, which in turn has a negative impact on cash flow from operating activities. To compensate for this, 2009 will see extra focus on optimising the Group's working capital and cash flow in general.

Cost-efficiency focus areas

FLSmidth's business model is based on a flexible cost structure with most of the actual manufacturing being delegated to subsuppliers. The in-house resources consist primarily of engineers, a growing number of whom are employed in India. Over the past year, a focused integration of the engineering activities and the administrative functions of Cement and Minerals has taken place to attain 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. Besides, the merging of legal units has begun in Australia, Brazil, Canada, Chile, Denmark, India, South Africa and USA. In addition, LEAN is being implemented to enhance efficiency. This means that the Group as a whole is well prepared and well placed to operate in a declining market.

As the financial crisis grew worse in the autumn of 2008, several initiatives were taken to lower costs in step with the changed market outlook. These steps included termination of contract employees, a freeze on external recruitment, reduced travel activity and lower investments.

Besides, as announced on 19 January 2009, it was decided to proactively lay off approximately 600 employees, representing approximately 6% of the global workforce, to create the necessary flexibility and be better prepared for the future uncertain market conditions. The layoffs primarily affected the project centres in Valby (Denmark), Bethlehem (USA) and to a smaller extent Chennai (India).

2009 will see additional initiatives to reduce the Group's capacity costs.

Technological focus areas

The above-mentioned reduction of capacity costs does not include expenditure on research and development. On the contrary, these investments are being increased in 2009 to strengthen the Group's technological lead. Effective 1 January 2009, the Research and Development department was restructured to concentrate efforts on the critical development areas and to sharpen focus on intellectual property rights and university cooperation.

At the beginning of 2009, a major restructure took place in the Technical Division which holds global responsibility for technology, development and new design of the Group's main machinery,



including responsibility for detailed engineering of all cement and mineral products.

The organisational restructuring, the purpose of which is to increase flexibility and reduce costs, entails that back-office engineering for standard order processing will be transferred from Denmark and the USA to India. In addition, specialist product competencies will be concentrated at global competence centres, thereby eliminating duplicate functions at geographical project centres.

Long-term growth and earnings prospects

In the longer term, it is still expected that the structural market conditions will remain intact and that particularly urbanisation and industrialisation in developing countries will generate increasing demand for cement and minerals.

Earnings from Minerals and Customer Services are expected in the coming years to account for a larger share of the Group's total earnings, which will reduce the effect of cyclical market fluctuations in Cement. Against this background, the Group expects its EBIT ratio to be 10-12% in periods of high activity and slightly below that level (8-9%) in periods of low activity. Adjusted for purchase price allocations in connection with GL&V Process, the Group achieved an EBIT ratio of 9.9% in 2007 and 10.6% in 2008.

Moving forward, annual investments (exclusive of acquisitions) are expected to be around DKK 300-400m. The long-term average sustainable level for addition of new global cement kiln capacity (exclusive of China) is expected to be 60-75m tonnes per year.

Capital structure and dividend

It is the FLSmidth Group's aim at all times to have a sufficiently sound balance sheet in relation to the underlying operating results so that it is always possible to obtain the necessary and sufficient credit and guarantee facilities to support the commercial operations. In the longer term, the aim is to achieve an equity ratio in the range of 30% (end of 2008: 24%).

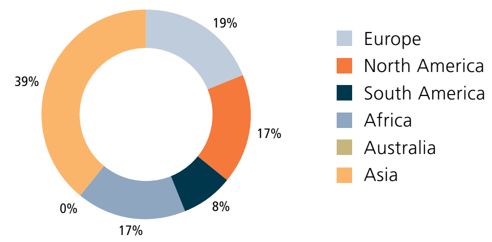
Due to the positive development in the Group's cash flow in 2008, the Group's interest-bearing net debt had fallen to DKK 574m at the end of 2008 (end of 2007: DKK 1,583m).

Viewed against the prospects of lower order intake and declining prepayments, financial flexibility will be reduced. Besides, attractive opportunities for acquisitions are expected in the near future. The Board of Directors therefore wishes to postpone the decision on payment of dividend for 2008. The Board will propose at the Annual General Meeting that it be authorised to pay out interim dividend at a later date.

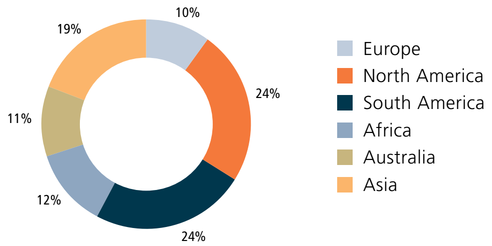
Global cement output totalled nearly 3 billion tonnes in 2008 and has tripled over the past 25 years

Geographical breakdown of revenue in 2008

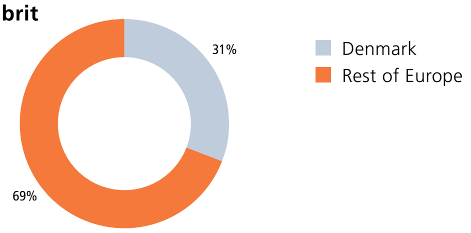
Cement



Minerals



Cembrit



Treasury shares

FLSmidth & Co. A/S' holding of treasury shares at the end of 2008 totalled 814,457 representing 1.5% of the share capital (31 December 2007: 844,486). The company's holding of treasury shares is continuously adapted to match the needs of the Group's incentive plan.

Incentive plan

As at 31 December 2008, there were a total of 572,800 unexercised share options under the Group's incentive plan, and the fair value of them was DKK 37m. The fair value is calculated by means of a Black-Scholes model based on a current share price of 181, and a volatility of 63.66%. The effect of the plan on the income statement for 2008 was DKK 14m (2007: DKK 10m). Please see note 8 to the consolidated financial statements for further information.

Corporate Social Responsibility

In 2008, the Board of Directors adopted a Corporate Social Responsibility (CSR) policy, the full version of which is accessible on www.flsmidth.com. Accordingly, FLSmidth & Co. A/S has joined the UN Global Compact. The CSR policy focuses on three major aspects of the Group's activities: business ethics, environmental policy and human resource policy.

Events occurring after the balance sheet date

On 19 January 2009, FLSmidth announced that it was necessary to proactively lay off approximately 6% of the staff to create the necessary flexibility and be better prepared for the future uncertain market conditions.

Some 11.6 million people are employed in the mining industry worldwide

Statement by the Board and Management on the Annual Report

We have today reviewed and adopted the Annual Report of FLSmidth & Co. A/S for the period 1 January to 31 December 2008.

The consolidated financial statements are presented in conformity with the International Financial Reporting Standards, as 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 additional Danish disclosure requirements for annual reports of listed companies.

We consider the accounting policies appropriate in order for the Annual Report to give a true and fair view of the Group and the parent company assets and liabilities and financial standing as of 31 December 2008 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 2008.

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, 26 February 2009

Group 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
	Martin Ivert	Frank Lund	Jesper Ovesen	Bo Steffensen
	Søren Vinther			

Independent auditor's report

To the shareholders of FLSmidth & Co A/S
We have audited the annual report of FLSmidth & Co A/S for the financial year 1 January - 31 December 2008, which comprises the statement by the Board and Management on the annual report, management's review, income statement, balance sheet, statement of changes in equity and notes, including the accounting policies, for the Group as well as the Parent and the consolidated cash flow statement. 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 and Danish Accounting Standards. Further, the annual report has been prepared in accordance with additional Danish disclosure requirements for annual reports of listed companies.

The Board and Management's responsibility for the annual report
The Board of Directors and Management is responsible for the preparation and fair presentation of an annual report in accordance with International Financial Reporting Standards as adopted by the EU in respect of the consolidated financial statements, in accordance with the Danish Financial Statements Act and Danish Accounting Standards in respect of the parent financial statements, and additional Danish disclosure requirements for listed companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report that is 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 this annual report based on our audit. We conducted our audit in accordance with Danish and International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual report, 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 an annual report 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 The Board of Directors and Management, as well as evaluating the overall presentation of the annual report.

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 annual report gives a true and fair view of the Group's financial position at 31-12-2008, and of its financial performance and its cash flows for the financial year 1 January - 31 December 2008 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

Further, in our opinion, the annual report gives a true and fair view of the Parent's financial position at 31-12-2008, and of its financial performance for the financial year 1 January - 31 December 2008 in accordance with the Danish Financial Statements Act, Danish Accounting Standards and additional Danish disclosure requirements for annual reports of listed companies.

Copenhagen, 26 February 2009

Deloitte *Statsautoriseret Revisionsaktieselskab*	Erik Holst Jørgensen *State authorised public accountant*	Anders Dons *State authorised public accountant*

Group Board and Management

Board of Directors

1 Jens Palle Andersen
Employee-elected member of the Board of Directors since 2006, age 58, BSc Elec.Eng., Project Manager, Power & Drives.
Shareholding in FLSmidth & Co. A/S: 742 shares.

2 Martin Ivert
Member of the Board of Directors elected at the General Meeting since 2008, age 61, MSc. Metallurgist.
Managerial posts: Chairman of Swerea (Swedish Research) and Swedish Centre for Maintenance Management. Member of the Board of Directors of Akers Group.
Shareholding in FLSmidth & Co. A/S: 300 shares.

3 Torkil Bentzen
Member of the Board of Directors elected at the General Meeting since 2002, age 62, MSc (engineering).
Managerial posts: Chairman of the Board of Directors of Burmeister & Wain Scandinavian Contractor A/S, EUDP (Energy Development and Demonstration Programme) and Klimakonsortiet (the Climate Consortium). Vice Chairman of Statens og Kommunernes Indkøbsservice A/S. 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: 1,600 shares.

4 Jesper Ovesen
Member of the Board of Directors elected at the General Meeting since 2005, age 51, MSc (Econ. and Bus.Adm.), state-authorised public accountant, Senior Executive Vice President and Chief Financial Officer of TDC A/S.
Managerial posts: Member of the Board of Directors of Skandinaviska Enskilda Banken.
Shareholding in FLSmidth & Co. A/S: 330 shares.

5 Jens S. Stephensen
Vice Chairman of the Board of Directors since 2002 and member of the Board of Directors elected at the General Meeting since 1995, age 68, MSc (engineering).
Managerial posts: Chairman of the Boards of Directors of BornholmsTrafikken A/S, Holm & Grut A/S and Danish Airlease ApS. Member of the Boards of Directors of Hedgeforeningen Mermaid Nordic, Nordic Ferry Service A/S and Valdemar Selmer Tranes fond. Member of the Remuneration Committee.
Shareholding in FLSmidth & Co. A/S: 142,800 shares.

6 Jørgen Worning
Chairman of the Board of Directors elected at the General Meeting since 2002, age 68, MSc (engineering).
Managerial posts: Chairman of the Board of Directors of Bang & Olufsen A/S and Alk-Abelló A/S. Member of the Remuneration Committee.
Shareholding in FLSmidth & Co. A/S: 14,345 shares.

7 Frank Lund
Employee-elected member of the Board of Directors since 2006, age 47, MSc Elec.Eng., Grad.Dipl.EBA, Service sales engineer.
Shareholding in FLSmidth & Co. A/S: 32 shares.

8 Søren Vinther
Member of the Board of Directors elected at the General Meeting since 2005, age 65, mechanical engineer, Dipl.Bus.Admin.
Shareholding in FLSmidth & Co. A/S: 411 shares.

9 Bo Steffensen
Employee-elected member of the Board of Directors since 2006, age 47, engineer, Chief Lean Officer.
Shareholding in FLSmidth & Co. A/S: 199 shares.

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Management:

1 Poul Erik Tofte
Group Executive Vice President and CFO of FLSmidth & Co. A/S since January 2003, age 52, MSc (Econ.) and Dipl.Bus.Admin. Managerial posts: Member of the Board of Directors of Dansk Kapitalanlæg.

2 Jørgen Huno Rasmussen
Group Chief Executive Officer of FLSmidth & Co. A/S since January 2004, with overall responsiblity for Cement activities, age 56, MSc (engineering), Dipl.Bus.Admin. and PhD (Techn.Sc.).
Managerial posts: Member of the Board of Directors of Vestas Wind Systems A/S, Lundbeckfonden, LFI A/S and SCION-DTU A/S. Member of the Board of Representatives of Tryghedsgruppen, of the Executive Committee of the Industrial Employers in Copenhagen and of the Central Board of the Confederation of Danish Industry.

3 Bjarne Moltke Hansen
Group Executive Vice President of FLSmidth & Co. A/S since August 2002 with overall responsibility for Customer Services, the product companies in Cement and Cembrit, age 47, BSc (engineering). Managerial posts: Vice Chairman of the Board of Directors of GEO. Member of the Board of Directors of Dreisler Invest A/S.

4 Christian Jepsen
Group Executive Vice President of FLSmidth & Co. A/S since October 2005, with overall responsibility for Minerals activities, age 50, MSc (Econ. and Bus.Admin.). Managerial posts: Chairman of the Board of Directors of Industrial Automation Group A/S.

1 2 3 4

Outline of the business

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

The major cement projects are handled by three regional FLSmidth Project Divisions which each cover their particular geographical region. Each project division has its own sales and proposal, procurement and project processing function. The project divisions are located in Denmark (Valby), USA (Bethlehem) and India (Chennai).

Global responsibility for technology, development and new design of the Group's key machinery is concentrated in a global organisation, Technical Division, to ensure that all projects worldwide maintain a consistent and high technological standard. The engineering work is carried out in the Technical Division's three centres in Valby, Bethlehem and Chennai through a common IT platform.

The Indian division increasingly serves as support for the project centres in Denmark and USA in step with the transferring of engineering work and know-how to the Indian organisation.

The global product divisions FLSmidth Customer Services, FLSmidth Automation and FLSmidth Airtech, supply specialised products and services both internally to FLSmidth's project business and externally to the cement and minerals industries.

The product companies Pfister, Ventomatic and MAAG Gear supply specialised equipment and services to the global cement industry.

Most of the actual manufacturing of machinery and equipment is outsourced to subsuppliers. 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 key components. Besides, Pfister has production facilities in Germany, Ventomatic in Italy and MAAG Gear in Poland.

The demand for cement and cement production capacity

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 distances greater than a few hundred kilometres. This means that cement production is to a large extent a local or a regional business in the vicinity of the end user.

One exception is cement plants located in connection with port terminals from which transport can take place by ship. Freight rates therefore play an important role for the profitability of importing and exporting cement. Freight rates fell markedly during 2008, which everything else being equal means that import/export of cement has become more profitable.

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 compensate for the lack of production by means of imports. 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.

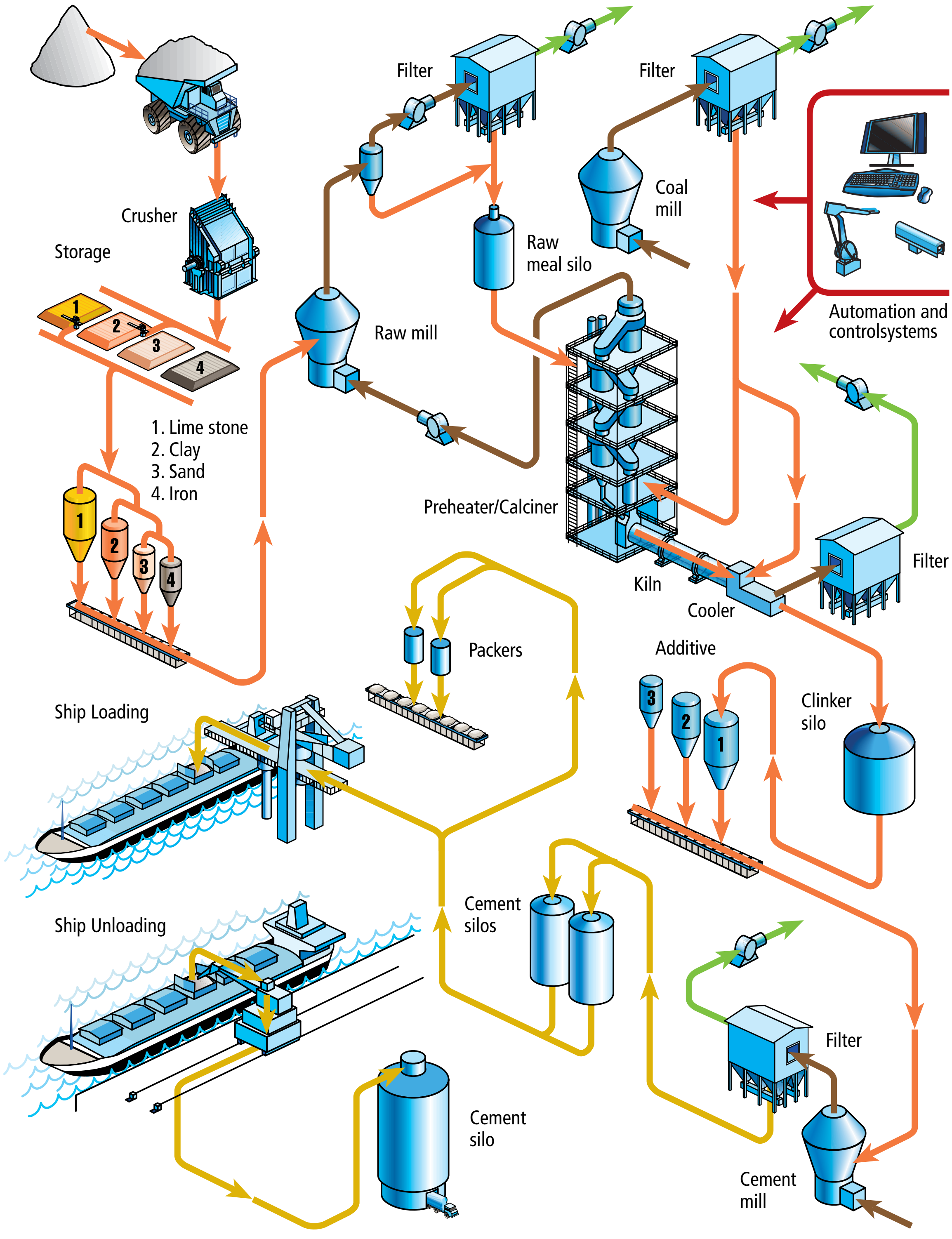
The demand for new cement plants is therefore highly dependent on the underlying demand for cement, whereas the demand for single machinery and service for existing plants to a lesser extent depends on the current business cycles.

FLSmidth's targeted market is the global cement industry outside China, as over the last decade, the Chinese market has in fact only been accessible for western suppliers providing a number of niches of advanced machine types of which FLSmidth is the leading supplier. FLSmidth is strongly placed in all geographical regions outside China.

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 cutting-edge product range and thus providing the best combined solution.

Market trends in 2008

In 2008, the market for new contracted cement kiln capacity outside China amounted to 123 million tonnes per year. In 2008, the demand for new capacity was highly geographically diversified. This is due to the fact that growing cement consumption and increasing demand for cement production capacity in different regions have been driven by various independent macroeconomic factors, for example high oil and commodity prices,



Outline of the cement production process

Limestone (or chalk) is the most important raw material involved in the cement production, and cement plants are therefore typically placed in the immediate vicinity of a limestone quarry. Limestone or chalk exists in the underground in practically all countries worldwide. At the cement plant, limestone or chalk is ground and mixed with the other raw materials involved in the cement production, i.e. sand, clay and iron. In the preheater, the raw materials are heated to approximately 1000 degrees celcius and subsequently burned in the rotary kiln at a temperature around 1500 degrees celcius which is necessary for the chemical reactions to take place. The product resulting from this process is called cement clinker.

After cooling, the cement clinker is transported to a clinker silo. The clinker is ground to cement powder in the cement mill and is then typically mixed with different additives, for example fly ash, slag, gypsum, etc. which are by-products from other industrial processes. The finished cement is then pumped to the storage silos and is ready for sale. Cement is distributed in bulk by dry bulk vessels and tankers or packed in bags. At a modern cement plant, the manufacturing process is controlled from a fully automated control room. A robot served laboratory continuously assures the quality and homogeneity of semi-manufactured and finished cement.

low interest rates, outsourcing of western production, population growth, industrialisation and urbanisation.

In recent years, many developing countries have seen an expanding middle class, which has been the main driver of their economic growth. In 2008, the largest markets for new capacity were Africa, Russia and India.

In Africa, the demand for cement and new capacity has primarily been driven by high oil prices which has resulted in an expanding gross domestic product and increasing cement consumption.

The high oil prices have also been the primary driver behind the strong economic growth in Russia. In India, high economic growth resulted in increasing demand for cement for both infrastructure and commercial and residential construction.

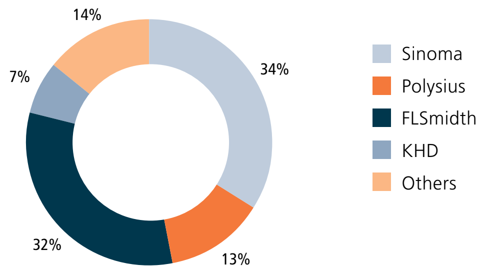
In 2008, the five major global cement producers accounted for 12% of FLSmidth's total order intake in Cement (2007: 16%). The cement producers are to a larger extent than previously beginning to focus on "Total Cost of Ownership" which means that not only the initial investment but also the total costs 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, are therefore important parameters in the purchase decision process.

In the fourth quarter of 2008, there was a decline in the demand for equipment for the global cement industry as a result of the global financial crisis which has put a damper on investments and led to a tightening of liquidity and available credits.

Competition

In 2008, FLSmidth's market share was 32% (2007: 29%) exclusive of China in terms of new contracted cement kiln capacity. The competitive situation is largely unchanged compared to 2007,

Market shares 2008 based on global contracted kiln capacity (excl. China)



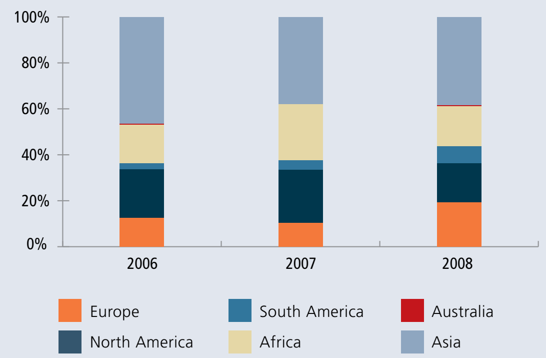
Financial results for 2008

The total order intake in Cement amounted to DKK 15,721m (gross) in 2008, which is largely unchanged compared to last year (2007: DKK 15,789m). By the end of 2008, the order backlog amounted to DKK 18,565m, corresponding to an increase of 8% on last year (end of 2007: DKK 17,265m).

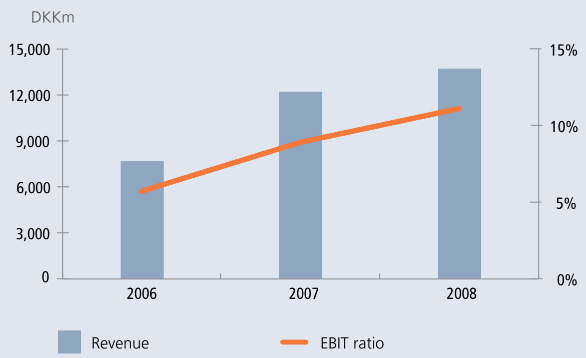
The order intake from Customer Services amounted to DKK 3,200m (gross) in 2008, which is 4% lower than last year (2007: DKK 3,323m), and is due to a major operation and maintenance contract (O&M) at the end of 2007.

The total revenue in Cement amounted to DKK 13,708m in 2008, representing a 12% increase on the same period last year (2007: DKK 12,210m).

Geographical breakdown of revenue



Developments in revenue and EBIT ratio



Creating value through spare part support

For 126 years, customer service has been the foundation of FLSmidth's business. Today, Customer Services ensures FLSmidth's lasting growth through continued great service and relationship management. We believe that the best advertisement is a satisfied customer.

As our customers increase their production efficiency to meet global demands, they experience a growing need for spare parts. That's where we come in. We talk to our customers on a daily basis, and we're keen to listen to their feedback and address their issues regarding orders, proposals, deliveries and payments. But the most satisfying part of our job is understanding our clients' business needs. We create value for them by offering innovative solutions and quick responses. Every year we set new goals for ourselves and our KPI is customer satisfaction.

P. Prasanna, Associate, Customer Services, Spare Parts, FLSmidth in Chennai, India

The revenue deriving from Customer Services amounted to DKK 3,060m in 2008, representing a 29% increase on the same period last year (2007: DKK 2,380m).

In 2008, the EBIT result for Cement amounted to DKK 1,521m (2007: DKK 1,084m), which is a 40% increase on the same period last year. In 2008, the realised EBIT ratio was 11.1% (2007: 8.9%), which is due to a change in product mix and improved order execution and more efficient use of capacity. In the 2008 fourth quarter alone, the EBIT ratio was 13.8% (fourth quarter of 2007: 9.0%), which is due to the finalisation of a number of orders and reversal of contingencies.

Cement

DKKm	2008	2007	Change (%)
Order backlog	**18,565**	**17,265**	8%
Order intake (gross)	**15,721**	**15,789**	0%
Projects	10,959	10,884	1%
Products	1,562	1,582	-1%
Customer Services	3,200	3,323	-4%
Revenue	**13,708**	**12,210**	12%
Projects	9,184	8,631	6%
Products	1,464	1,199	22%
Customer Services	3,060	2,380	29%
EBITDA	**1,629**	**1,215**	**34%**
EBITDA ratio	*11.9%*	*10.0%*	
EBIT	**1,521**	**1,084**	**40%**
EBIT ratio	*11.1%*	*8.9%*	
CFFO	**1,803**	**1,184**	**52%**

Prospects for 2009

With a historically high order backlog where the processing of parts of the order backlog - at the customers' request - is longer than originally agreed, a minor decline in revenue in 2009 compared to 2008 and satisfactory earnings are expected.

The level of investment in the cement industry is expected to drop markedly in 2009 compared to 2008 because access to liquidity and credits has become tighter and more expensive combined with a more uncertain market outlook. As a result, most of the cement producers are adopting a wait-and-see attitude in the current situation, and the majority of the large investments in new capacity are being put on hold or postponed.

The global market for new contracted cement kiln capacity outside China is expected to amount to 25-50m tonnes per year in 2009 depending on how deep and how long the global economic crisis becomes. This will have a profound impact on FLSmidth's intake of major orders in 2009.

Future outlook

In the longer term, the global demand for cement kiln capacity (exclusive of China) is expected to reach an anticipated future sustainable volume of approximately 60-75m tonnes per year, based on a global annual GDP growth (exclusive of China) of 3-4%.

The development in demand for new contracted kiln capacity is used as an indicator of the development in the overall demand for equipment and services for the global cement industry.

Building partnerships for tomorrow's plants

Working day and night with hundreds of cement plants across America, our Domestic Cement Parts Group is busy. But we manage to keep our customers at the centre of our business by building long-lasting relationships and providing great service and advanced technology. Close customer contact is the key to FLSmidth's success. We treat each customer as a partner, we add value to their businesses with our knowledge, and our team is always on call to handle service issues. We focus on sustainable, cost-effective technologies and parts – and for older plants, we improve operations and efficiency by upgrading equipment. This ensures we remain the cement industry's number one choice for cement plant development and maintenance. Everyone here in Domestic Cement Parts takes pride in helping each of our customers to be successful in their business.

Chris Sweeney, Customer Services Manager in Domestic Cement Parts, FLSmidth in Bethlehem, USA

To build a complete 5,000 tonnes per day cement plant typically requires shipping 15,000 tonnes of goods

There are large differences in the revenue of an order for the same kiln capacity between different regions. The average order volume, for example, is relatively low in India, whereas the opposite is the case in more developed economies.

Besides, the kiln system which includes preheater/calciner, kiln and cooler accounts for only around 25% of the value of a cement production line, and in addition, the lifetime of a kiln is generally longer than the other equipment due to lower wear. The demand for other equipment and services, spare parts, modernisation and upgrade projects, removal of bottlenecks, etc., does not necessarily follow the same demand curve. This means that the development in demand for cement kiln capacity is only an indicator of the overall capital investments in the cement industry.

These are some of the major reasons why the development in the realised order intake does not follow the same development as the order intake measured in kiln capacity.

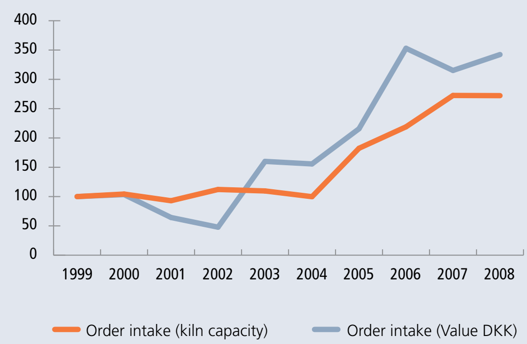
Streamlining of the organisation and optimising the cost structure

With a view to falling investments in the global cement industry, there is increased focus on streamlining the organisation and optimising the cost structure. This entails centralising of know-how in the western competence centres, reduction of duplicate functions in different geographical locations and accelerated transfer of standard engineering work to the Indian project centre.

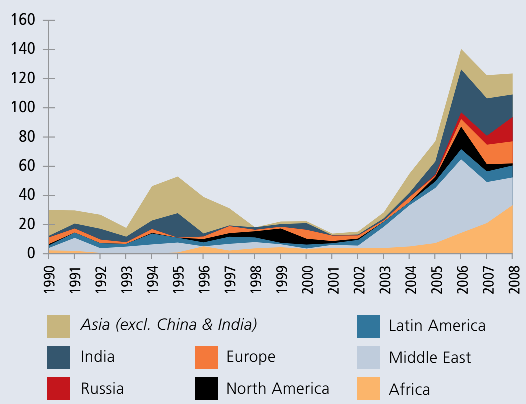
Increasing activity in Customer Services

It is FLSmidth's aim in the years ahead to increase revenue in Customer Services by 10-15% per year to create stable and continuous earnings. As a consequence, a focused effort is being made to develop new business areas based on the customers' needs, including operation and maintenance contracts and solutions for the use of alternative fuels.

Indexed development in order intake in Cement (Basis year 1999)



Historical trend in new kiln capacity (excl. China)



Minor upgrades that deliver big improvements

Customer Service Projects is dedicated to cement plant upgrades and modernisation projects. We're just 15 people, but our expertise spans cement, process engineering, alternative fuels, operations and more. Our department was put together with the customer in mind. Everyone involved in upgrades sits within just a few metres of one another, and we work closely with our customers to optimise the upgrade process and ensure that they maximise their return on investment. Whether a customer wants to reduce emissions, save on maintenance, expand production or improve efficiency with the latest equipment, we have the experience and know-how to quickly and accurately assess plants, estimate costs and execute projects. We're outselling some of our biggest competitors on their home turf because we have the best technology – and because we provide great service with our small, highly flexible workforce.

Søren Jakobsen, Customer Service Projects, FLSmidth in Valby, Denmark

Business area – Minerals

Outline of the business

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

Under the motto 'One Source - One Partner', FLSmidth Minerals has moved from being a product supplier to becoming the leading solutions and systems supplier within the minerals processing industry supported by a world class product range combined with core competencies in related engineering disciplines. This places FLSmidth Minerals in a unique position in relation to customers and competitors - a position which is expected to be further strengthened in the coming years.

The product range includes equipment for mining, processing and transport of a number of various ores and minerals, including base and precious metals, limestone, iron ore and coal, etc.

FLSmidth Minerals is among the leading suppliers of crushers, mills, hydrocyclones, pumps, separation, calcining and materials handling equipment. FLSmidth Minerals is up against a number of competitors in the various product and minerals segments; overall, however, FLSmidth Minerals is among the one or two market leaders in all the segments in which the company is active, i.e. typically within the framework of the minerals processing plant.

In 2008, the minerals industry processed 34 billion tonnes of coal, lime, bauxite, copper, zinc and iron ore

The contact with customers is handled through three regional divisions covering North and South America (AMER), Europe, Middle East and Africa (EMEA) and Asia Pacific (APAC), respectively, and a number of product companies. In addition, specialised competencies exist in a number of global product companies. The divisions are supported by global technical and commercial competence centres backed by locally integrated units and back offices.

The regions and the local entities employ a total of 4,060 persons in 30 countries. The company headquarters is located in Bethlehem, Pennsylvania, the USA with major representations in Australia, India, China, Russia, Denmark, Germany, the UK, Italy, South Africa, the USA, Canada, Brazil, Chile and Peru.

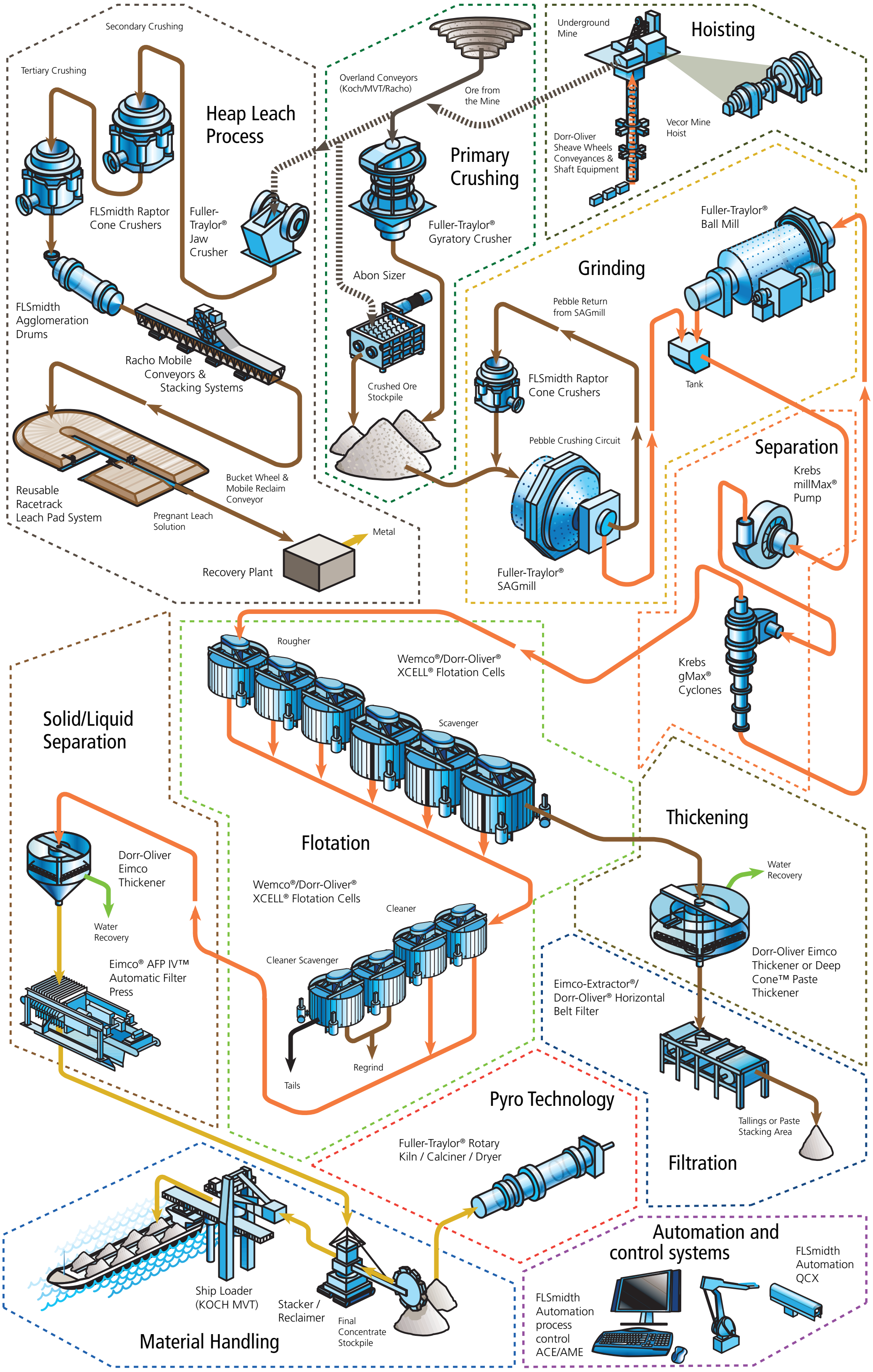
The majority part of manufacturing has been outsourced to sub-suppliers. The in-house production is limited to key products being manufactured through own workshops in countries such as USA, South Africa, Australia, China and Germany.

Demand for minerals and minerals processing equipment

In recent years, the minerals market has seen massive growth resulting from social changes in developing countries where the expansion of the middle classes has been accompanied by a rising demand for infrastructure and mineral and metal based consumer goods.

Increasing purchasing power and a growing number of global consumers continue to be the primary drivers impacting the growing global demand for minerals. Major secondary drivers are increasing urbanisation and industrialisation and the investment by the western world in human resources in India, China and the remaining parts of Asia. Today, China is clearly the world's largest consumer of raw materials with a share of around 30% of total global demand for many minerals. The political and financial situation in China therefore has a major impact on the future demands. The world's second largest consumer of raw materials is the USA which, however, in recent years has become a less important driver of global demand.

Over time, the development in new capacity will follow the underlying increase in demand for minerals, but whilst the underlying minerals consumption develops continuously, the addition of new capacity happens incrementally. The demand for new capacity is therefore dependent on the underlying demand for minerals, whereas the demand for single machinery and services for existing plants is less dependent on the current business cycles.



Outline of the minerals production process

The typical minerals process is launched by the ore being extracted by underground mining or in an open pit mine and then transported to the closest minerals processing plant (concentrator). Here further crushing and grinding of the ore takes place either in the form of wet grinding or dry crushing depending on the subsequent process. Then the valuable minerals are separated from the worthless materials depending on ore type, by leaching or solid/liquid separation process in which the minerals are separated from the stone slurry by a combined aeration and chemical process. The waste material (tailings) are then concentrated and the water is recovered, if possible, after which the waste material is transported and deposited in areas designated for this purpose.

Business area – Minerals

As the existing ore deposits are being depleted and the quality and availability of unexploited ore deposits is deteriorating, there will be a growing demand for investing in new plants offering greater capacity and new technology. To support this trend, FLSmidth Minerals has allocated significant research and development resources to further support and develop state-of-the-art technology that will be able to meet this demand and add value to customers' mining operations. The development activities are especially focused on the following factors such as production stability, uptime, lower emissions, increased recovery rate, lower energy, maintenance and operating costs, and environmentally sustainable solutions in general.

Market trends in 2008

2008 was an extremely active year for investments in the minerals industry due to the growing demand and the historically high prices of minerals, combined with insufficient investments in exploration and mining of minerals over a number of years.

In 2008, the demand for FLSmidth Minerals products and services covered a wide geographical area with South America as the largest market. FLSmidth Minerals in particular received major orders for equipment for the extraction of copper, iron ore, gold, coal and alumina. The customers were primarily medium-size regional mining companies and only to a lesser extent minor and newly established junior mining companies and large global mining companies.

During the fourth quarter of 2008, there was a slowdown in the demand for minerals, resulting in decreasing prices of minerals and a declining level of investments among the minerals producers. Due to the mining companies' long-term planning horizon, their decision-making regarding investments, however, takes place at a slower pace. In many cases, several billions have been invested in developing mining and infrastructure, but no orders for equipment for the minerals processing plant have yet been placed. In the short term, the mining companies have a clear incentive to postpone the supply of equipment and new installations, as increasing prices of raw materials are their first priority and this can only be achieved by improving the balance between supply and demand. The list of potential new projects remains long, however, the timing with regard to contracting processing equipment has become more difficult to predict than previously.

Financial results for 2008

The total order intake in Minerals amounted to DKK 14,730m in 2008 (2007: DKK 8,543m) representing a 72% increase compared to last year, which reflects organic growth and the acquisition of RAHCO and GL&V Process in April and August 2007, respectively. In 2008, FLSmidth Minerals received more than 50 major orders worldwide for a number of various minerals and technologies with a predominance of copper in South America.

By the end of 2008, the order backlog amounted to DKK 12,606m, representing an increase of 44% since the previous year (end of 2007: DKK 8,777m). Due to the fact that sales are moving from individual machine units to systems and solutions, the Minerals order processing profile is gradually coming to resemble that of Cement with order processing and delivery periods nearing 2 - 3 years.

In 2008, FLSmidth Minerals saw positive response to its "One Source – One Partner" concept and has further strengthened its position as a process provider through three minor acquisitions in the USA.



One-stop shop for excellent crusher service

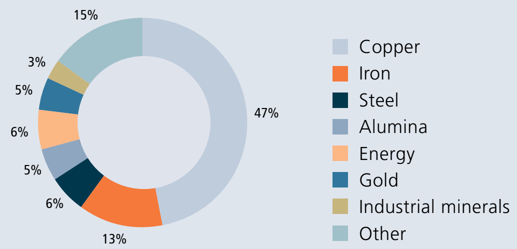
FLSmidth leads the industry in the supply of minerals processing and handling equipment. Customers are our number one priority – so that's why we give our customers what they want, "one stop shopping." Our team's comprehensive approach to customer service includes manufacturing, testing, shipping, installation, repairing and service support for FLSmidth Excel's highly competitive Raptor crushers. Onsite or over the phone, our whole team provides excellent technical support and around-the-clock service.
And we're always prepared to take on new challenges – whether it's a high-altitude installation in Peru or installing eight Raptors at an iron mine in the Australian desert. In everything we do, we're mindful that customer support is crucial to our success and growth in the mining industry. We like to sum it up with an old saying: "Service is our best salesman."

Ken Olson, Manager, FLSmidth Excel manufacturing facility in Pekin, USA

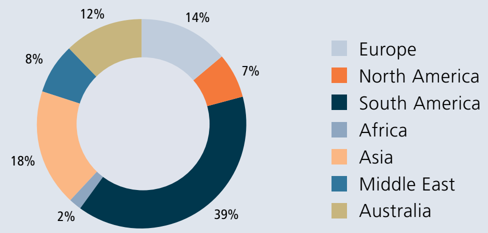
Business area – Minerals

Order intake 2008 (Orders > DKK 50m)

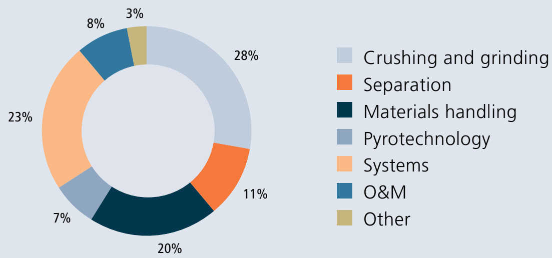
Classified by type of mineral



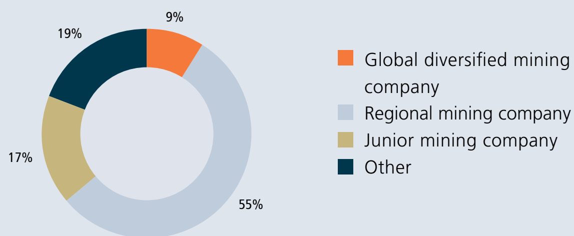
Classified by geography



Classified by product area



Classified by type of customer



In 2008, the order intake (gross) regarding Customer Services amounted to DKK 2,954m, representing a 54% increase compared to last year (2007: DKK 1,924m).

The total revenue in Minerals amounted to DKK 10,470m in 2008, representing a 63% increase on the same period last year (2007: DKK 6,430m). The higher revenue compared to last year is attributable to the higher order backlog at the beginning of the period and the acquisition of RAHCO and GL&V Process in 2007. The revenue in Customer Services amounted to DKK 2,371m in 2008, representing a 47% increase compared to last year (2007: DKK 1,609m).

The EBIT result amounted to DKK 960m in 2008 (2007: DKK 553m), corresponding to an EBIT ratio of 9.2% (2007: 8.6%). Exclusive of the effect of purchase price allocations, the EBIT result amounted to DKK 1,238m (2007: DKK 696m) and the EBIT ratio was 11.8% in 2008 (2007: 10.8%). The growing earnings from operating activities reflect improved order processing, more efficient use of capacity and resulting operational gearing. In the 2008 4th quarter alone, the EBIT ratio was 12.2% (fourth quarter of 2007: 7.5%), which is due to the finalisation of a number of orders and reversal of contingencies.

Minerals

DKKm	2008	2007	Change (%)
Order backlog	**12,606**	**8,777**	44%
Order intake (gross)	**14,730**	**8,543**	**72%**
Projects	9,304	4,923	89%
Products	2,472	1,696	46%
Customer Services	2,954	1,924	54%
Revenue	**10,470**	**6,430**	**63%**
Projects	6,230	3,630	72%
Products	1,869	1,191	57%
Customer Services	2,371	1,609	47%
EBITDA	**1,312**	**747**	**76%**
EBITDA ratio	*12.5%*	*11.6%*	
EBIT	**960**	**553**	**74%**
EBIT ratio	*9.2%*	*8.6%*	
EBIT adjusted for purchase price allocations regarding GL&V Process	**1,238**	**696**	**78%**
EBIT ratio adjusted for purchase price allocations regarding GL&V Process	*11.8%*	*10.8%*	
CFFO	**724**	**180**	**302%**

One source and one partner for turnkey projects and upgrades

Our Process and Commissioning team is made up of problem solvers. We oversee separation and settling technology, plant upgrades, and new plant construction. And we manage the process from the start, handling everything from piping and instrumentation diagrams to testing. We're unique because we have full engineering capabilities and all the equipment and expertise needed to go from concept to completed plant. We assist our customers using the most powerful tool we have – the combined know-how of the whole FLSmidth Group. We also provide turnkey solutions, such as the Lanjigarh mineral processing plant with its full range of integrated equipment. Our philosophy is "One Source - One Partner" because our services cover all aspects of mineral technology. We can do it all – and that makes for satisfied customers and a reputation that precedes us around the globe.

Surath Chakravorty, Process and Commissioning team, FLSmidth Minerals, India



Prospects for 2009

With a historically high order backlog where the processing of parts of the order backlog - at the customers' request - is longer than originally agreed, a minor decline in revenue in 2009 compared to 2008 and satisfactory earnings are expected.

In 2009, the effect of the purchase price allocations regarding GL&V Process is expected to amount to around DKK -100m in the form of amortisation of intangible assets.

The minerals producers expect that 2009 will see a dramatic drop in the level of investments compared to 2008. Based on FLSmidth Minerals' ongoing discussions with its customers and the opportunities for addressing new business segments, in particular in materials handling - a lower order intake than in 2008 is expected, however, not dramatically lower as forecast by the mining producers at the start of 2009.

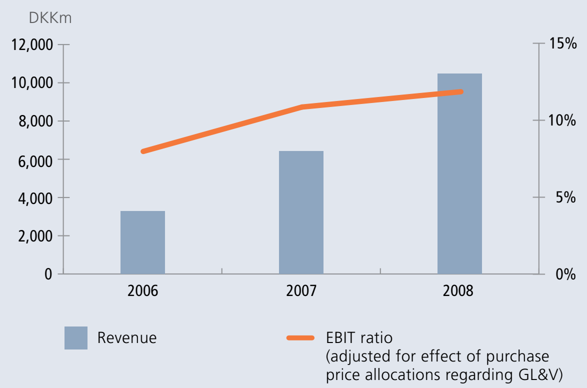
In 2009, it is predicted that the minerals market will see a demand for production capacity in particular in coal, copper, gold and other base and industrial minerals and that material handling will account for the largest segment.

Transformation from product supplier to systems supplier

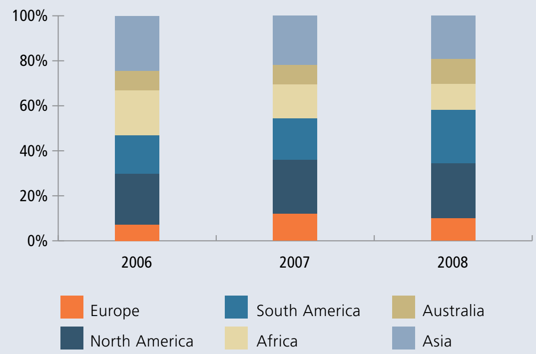
Under the motto 'One source - One Partner' FLSmidth Minerals has moved from being a product supplier to becoming a leading solutions and systems supplier in the minerals processing industry supported by a world class product range.

2007 was the year when FLSmidth embarked on its largest acquisition ever, GL&V Process. Experience from the first 1½ years has shown that GL&V has been exactly as strategically perfect a match to FLSmidth Minerals as expected, because of the complementary state-of-the-art technology and geographic and cultural

Historical trend in revenue and EBIT ratio (adjust.)



Geographical breakdown of revenue



fit that it represents. The integration process has progressed according to plan. The anticipated synergies have been attained.

FLSmidth Minerals has traditionally been an expert in crushing, grinding and pyro technologies, whilst the former GL&V Process, now FLSmidth Dorr-Oliver Eimco and FLSmidth Krebs, have specialised in the downstream separation processes. Having FLSmidth Dorr-Oliver Eimco and FLSmidth Krebs join FLSmidth Minerals' global operations, provides customers with an enhanced range of products, technologies, and services unmatched in the processing industries. Few other liquid/solid separation suppliers can offer such a broad range of equipment and processes for industrial and environmental applications.

To complete its technology and product portfolio within wet and dry process solutions for the minerals industry, on 15 May 2008, FLSmidth acquired the pressure filter activities from the American company Pneumapress Inc., which offers a state-of-the-art multi-module tower press which has rapidly captured market share in mineral slurries, including iron ore applications where the filter is now considered the industry standard. This unique technology applies pressurised air versus the more conventional approach of vacuum and mechanical pressures. The advantage of this is higher throughput and higher productivity. It can often reduce moisture of the processed materials to less than 5% and in many cases eliminate costly dryer installations and thus supports the mineral producers in addressing environmental challenges in relation to water consumption.

To have the leading and largest product range is one thing, to have an in-depth process knowledge across the entire value chain is yet another. To strengthen the Group's cross-organisational competencies in minerals processing, FLSmidth Minerals made two more strategically important acquisitions in 2008, which means that FLSmidth within the Group now holds all significant process knowledge and engineering know-how related to minerals processing.

Effective 4 August 2008, FLSmidth thus acquired Dawson Metallurgical Laboratories in Salt Lake City, USA. With a staff of qualified metallurgists and technicians, Dawson offers testing of base and precious metals as well as industrial minerals.

Effective 1 October 2008, FLSmidth Minerals also acquired all activities of the engineering consultancy CEntry based in Utah, USA. CEntry is a leading consultant in the construction of industrial plants, expansion projects, upgrades and specialised maintenance packages for the mining and industrial sectors. CEntry's expertise can be combined directly with FLSmidth's proprietary technologies to provide complete integrated solutions for many types of production in the minerals processing industry.

The "One Source - One Partner" concept enables customers to optimise the individual process sections in relation to the subsequent processes and to reduce the installation's total investment, operating costs and environmental impact, as only world-class technology is used in all processes and as FLSmidth Minerals has extensive process knowledge throughout the entire value chain. Working with only one supplier also facilitates planning, design and coordination work, and the supplies with longer delivery times can be determined early in the process, reducing the total planning and delivery time. Besides, the operation of the plant can be improved through more efficient training of the customer's staff and optimising the subsequent services.

Business area – Minerals

To illustrate the strength of the "One Source – One Partner" concept, in April 2008, FLSmidth Minerals entered into a long-term strategic partnership agreement with Xstrata Copper and Bechtel with the objective of advancing the development of Xstrata's pipeline of copper projects. It is a letter of award for the provision of crushing and milling equipment and engineering services to be used to expedite the possible development and implementation of six world class copper facilities.

Increasing activity in Material handling

A number of acquisitions in latter years, including FLSmidth RAHCO and FLSmidth KOCH, have also positioned FLSmidth Minerals among the leading providers in material handling solutions for the minerals industries in all the phases of the process, including warehousing and seaport facilities and ship unloading and loading cranes. FLSmidth Minerals has the ability to offer large-scale customised and energy-efficient mobile crushing and conveying equipment, which is a technological, economic and environmental alternative to traditional conveying methods, including trucks, in the minerals and mining industries.

FLSmidth Minerals' strategy is thus to develop new, innovative and integrated material handling solutions based on proprietary and acquired technology which has seen keen interest from customers. It is still a relatively newly prioritised business area in the Group and in the opinion of the Board and Management, it offers large potential for growth and development. Material handling alone is therefore expected to be the largest business area based on order intake for FLSmidth Minerals in 2009.

Increasing activity in Customer Services

It is a focus area for FLSmidth Minerals to continuously increase Customer Services related activities and the objective is an annual growth rate of 10-15%. Several of the acquisitions made in latter years have been targeted specifically at Customer Services. Locally, there is therefore a great demand for spare parts and services for most of the FLSmidth Group's products, and the strategy is to have local centres and representative offices that can provide the best possible customer support. The access to spare parts is a vital factor in mining due to a high level of wear and tear and this also applies to conversions, optimisation and extension of existing production facilities, which can strengthen the customers' competitive position.

Another potential growth area in Customer Services is comprehensive solutions for service and maintenance. FLSmidth Minerals is at present responsible for the day-to-day maintenance of machinery and buildings at the Collahuasi and Los Pelambres copper processing plants in Chile, and in 2008 received a 5-year contract for maintenance of a lead and zinc processing plant at the Peñasquito mine in Mexico.

One Source - One Partner for all plant maintenance services

Safety and high quality maintenance is key to a successful mining operation. Ensuring optimal working conditions for both people and machinery requires dedicated teamwork, thorough planning and solid mining experience. That's why the Los Pelambres mine in Chile turned to FLSmidth Minerals to handle onsite maintenance and safety.

Our team has provided Los Pelambres with quality service, covering everything from risk analysis to machine maintenance, since 1999. Our ability to draw on the wealth of FLSmidth Minerals resources ensures that grinders, flotation cells and pumps are always in optimal running condition – and we are always working to increase our efficiency and maximise uptime.

As a One Source – One Partner supplier, we have successfully taken over tasks previously outsourced to other companies so we can guarantee Los Pelambres mine operates safely and at full capacity.

Cesar Alonso Tapia Donoso, Mechanical Maintenance,
Los Pelambres mine (Minera Los Pelambres), FLSmidth Minerals in Chile

Business area – Cembrit

Cembrit is Europe's largest dedicated distributor and Europe's second largest producer of fibre cement products. Its main product lines are flat sheets for interior and exterior cladding of facades, walls and ceilings and corrugated sheets and slates used primarily as roofing materials. Cembrit is a European company headquartered in Aalborg, 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, Holland, Norway, Sweden, Slovakia, Belgium, Germany, Romania and Russia. Most of the Group's revenue is generated from activities outside Denmark (in Europe), and the majority of the nearly 1,200 staff are employed in the Group's foreign companies. Cembrit continuously strives to be conceived as the leading fibre cement company in Europe through its quality products, services, design and dedicated employees.

Financial performance in 2008

In 2008, Cembrit recorded a revenue of DKK 1,390m (2007: DKK 1,419m) and earnings before interest and tax (EBIT) of DKK 25m (2007: DKK 124m), corresponding to an EBIT ratio of 1.8% (2007: 8.7%).

The first half of 2008 was largely a continuation of 2007, with a very high level of activity in all product segments and in practically all markets and a remaining high pressure on the production capacity. The third quarter saw a significant slowdown in demand, a trend which accelerated in the fourth quarter. The flagging demand which started in the private construction sector spread during the fourth quarter to other segments, albeit with the largest drop in new private construction. Overall, most of the markets were flagging in the second half of 2008, although the trend was more pronounced in the new EU countries and Eastern Europe than in Western Europe.

The sudden stop in demand in practically all product areas made it difficult to obtain optimal use of capacity. As from the third quarter, steps were taken to adjust the production capacity to the present and expected level of demand. In the second half of 2008, the company recorded unsatisfactory earnings, thus attaining a total financial result for 2008 which fell short of previously announced expectations.

Cembrit has actively taken part in consolidating and streamlining the European fibre cement industry and has during the year acquired the controlling interest of the production and sales offices in Hungary and Italy and of sales companies in Belgium and Romania.

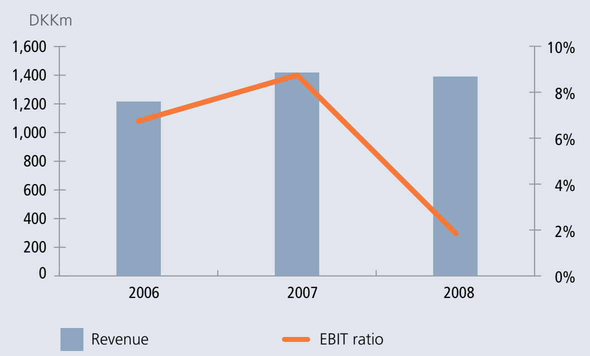
Facade cladding

Sales of facade cladding (flat sheets) continued the positive trend in 2008, although the development in the second half was markedly weaker than in the first half. 2008 saw the completion of a development programme for facade cladding, and the new product portfolio to be launched in 2009, will play a significant role in growing this business segment.

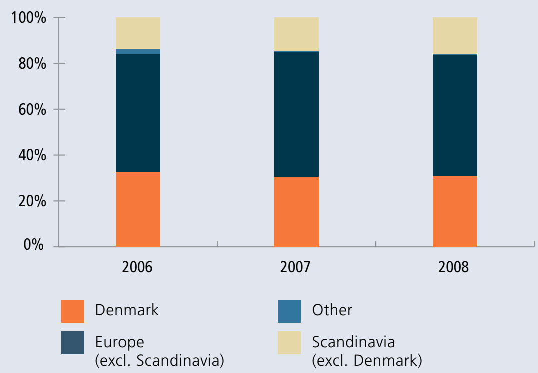
Interior cladding

Sales of interior claddings (flat sheets) also saw positive development, albeit with lower growth rates than achieved in previous years. Particularly in 2008, the fibre cement products showed their strength by continuously winning market share at the expense of substitutable materials, particularly for applications

Developments in revenue and EBIT ratio



Geographical breakdown of revenue



where the higher strength and better moisture resistance of fibre cement ensure longer service life and cause fewer problems.

Roofing materials

Sales of roofing materials (corrugated sheets, slates and accessories) stagnated on a yearly basis after having posted reasonable results in the first half, but declining results in the second half. The overall pattern was similar for the major part of the markets, albeit the development was more pronounced in the new EU countries and Eastern Europe than in Western Europe. The European roofing markets are seen to offer considerable opportunities for long-term expansion of the fibre cement segment in terms of higher market share for this type of products. In the short term, however, the general economic setback in the markets will to a larger extent be impacting developments.

Prospects for 2009

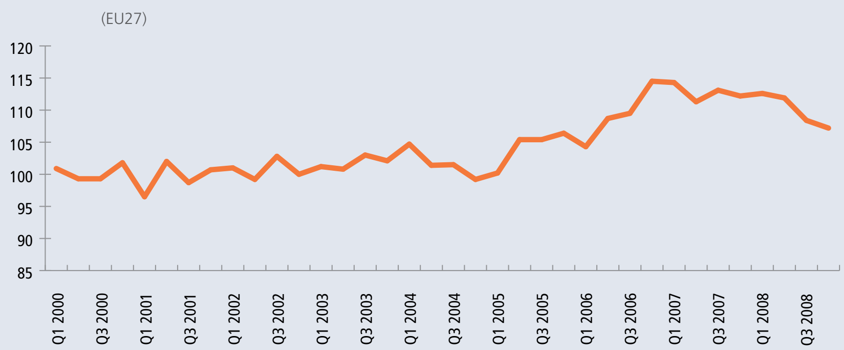
Cembrit's strategy is unchanged: profitable and controlled growth. The company will primarily focus on profitability in 2009, and revenue on a par with 2008 and a modest, albeit a positive EBIT result is expected.

In 2008, Cembrit initiated an adjustment of its production base to the expected level of activity, a process which is continuing in 2009. With regard to marketing, the company will focus on launching the high-value product range for facades and profitably exploiting the market opportunities which remain available now and in future, including developing the fibre cement segment. Throughout 2008, competition intensified on the European fibre cement market, a trend which is expected to continue unabated in 2009, and market developments have also led to a steadily increasing intense competition between the various material types which will continue in the years ahead.

Building activity, in particular in the private construction sector (housing), but also in other segments is under pressure in all the European countries. There is profound uncertainty regarding the level at which activity will stabilise, and this also applies to predictions for when and to what extent growth will resume. Cembrit still expects organic growth in market share in existing and new markets. Apart from completing selected investments initiated in 2008, no major investments are expected in 2009.

The adjustment of the company structure and cost base to the new market conditions in the short and medium terms is proceeding according to plan and Cembrit expects to emerge stronger from the coming years.

Production index – The European Building and Construction Industry (Base year 2000)



Source: Eurostat

Commercial risks

Risk Management

The Group has established a central Risk Management department and appointed risk management officers in all divisions and subsidiaries.

This function is supported by a Risk Management policy approved by the Board of Directors. The purpose of the Risk Management function is to systematically identify and control risks affecting the Group's activities, assets and employees. Responsibility for this function is placed within the individual divisions and subsidiaries.

Cement and minerals operations

Market risks

Most of the FLSmidth Group's revenue and earnings is order-based, so the intake and processing of orders received from the cement and mineral industries have a decisive effect on developments in cash flow and earnings.

As both these markets are cyclical, there may be considerable fluctuations in order intake and cash flow over time. Developments in the local and global conditions of supply and demand, and the access to capital, are decisive macroeconomic factors underlying the demand for cement and minerals production equipment.

Major cement and mineral projects are the more cyclical types of business, whereas sales of single machine units and services are less dependent on the underlying cyclical developments.

Generally speaking there is a risk of increased competition from low-cost countries, and currently there is a risk of intensified competition among the established machinery suppliers due to the prospects of lower economic growth.

The time of processing major projects may vary and sometimes extends up to 2-3 years. Developments in order intake, revenue, earnings and cash flow in each quarterly period, therefore, do not necessarily reflect the underlying general trend.

Project risks

As part of the Group's systematic risk management effort, sales, project and legal staff work closely together in assessing the contractual aspects of the project before a proposal is submitted. In all major projects, risk analysis takes place both at the proposal and at the implementation stages to continuously identify, control and report on any risks related to the projects.

Political risks

The Group operates on a global basis, often in developing countries and in countries that pose considerable political risks. The Group has many years of experience in handling the consequent exposure and closely monitors the projects and the external factors that affect them. In the event of emergencies, contingency plans have been drawn up to protect the safety of the employees. In cases where it is considered necessary and feasible, insurance is taken out to cover political risks.

Sourcing

Project costs depend on world market commodity prices, primarily those of steel and copper. These risks are hedged by coordinating, wherever possible, the duration and terms and conditions of offers submitted to and by FLSmidth. The risks are shared with the customers where possible.

The Group outsources most of the manufacturing of machinery and equipment to subcontractors. The Group's lead times are therefore highly dependent on the capacity of the subcontractors and their access to raw materials. Close contact is therefore maintained with our subcontractors to ensure both security of supply and the shortest possible lead times. The financial consequences of delays cannot always be fully transferred to the subcontractors responsible.

Quality assurance

FLSmidth has implemented a quality assurance system that complies with the international ISO 9001:2000 standard. The system is continuously maintained and improved. The system has been certified by Lloyds Register Quality Assurance who also audit the system twice a year.

The system describes the measurement and analysis of customer satisfaction, processes and products and gives guidelines for description and management of discrepancies, improvements and preventive and corrective action.

Quality assurance of supplies from subcontractors is also maintained by a team of FLSmidth inspectors who systematically call on selected subcontractors.

Human Resources

The FLSmidth Group is dependent upon an organisation with a considerable number of specialists. The Group continuously attempts to attract and retain such employees through attractive assignments and good working conditions. The Group systemati-



cally undertakes employee engagement surveys, the results of which are used for making continuous improvements.

Technological risks

The FLSmidth Group is dependent on being constantly at the forefront of technological development in both the cement and minerals industries. This position is maintained through ongoing investments in research and product development. FLSmidth has established key development centres for both Cement and Minerals.

Legal risks

An effort is made to avoid legal disputes by ensuring that contracts are as elaborate and precise as possible. In cases where disputes do occur, they are handled by FLSmidth's legal department in consultation with external specialists where necessary. Provisions for disputes are made based on own and external experts' assessments.

Cembrit

The Group's revenue in Cembrit is highly dependent upon the trading conditions in the European construction sector. All production units apply certified quality management systems and a systematic effort is made to lower the risk incurred by the units.

Cembrit makes provisions for anticipated warranty liabilities within the warranty periods for various products in the respective markets. Because warranty periods are lengthy and specific for each industry, the provision is subject to some uncertainty and is based on the best possible estimate from time to time.

Insurance

It is Group policy to pass on the risk of disaster losses to insurance companies. Insurance against risks has also been taken out in cases where this is statutory.

Insurance coverage is a function of the loss scenarios that have been identified in collaboration with the Group's insurance consultant and of the insurance products available on the market.

As part of the insurance contract, relevant production units have been audited by external risk engineers. Reports have been drawn up containing risk descriptions and recommendations for risk improvements. The implementation of these risk improvements is continuously monitored. The size of the deductible under insurance plans is based on optimising the balance between the insurance premium and FLSmidth & Co.'s risk aversion and financial strength.

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. Again in 2008, the Group did not fail to comply with any loan agreements.

Currency risks

The Group's currency risks derive from the impact of exchange rates on future commercial payments and financial payments. The Group is exposed to the risk of exchange rate changes from the time when a contract becomes effective, the customer bearing the exchange rate risk until that date as stipulated by exchange rate clauses incorporated in the proposal documents. The Group generally hedges transaction risks and uses forward contracts and currency options to hedge the exposure on contracts. The Group also manages currency risks by means of VaR and scenario analyses. The Group's main currencies for commercial purposes are EUR (Cement) and USD (Minerals). Other things being equal, a 1% EUR and a 10% USD exchange rate change will impact equity by DKK 30m (2007: DKK 25m) and DKK 301m (2007: DKK 254m), respectively, and the profit for the year by DKK 4m (2007: DKK 2m) and DKK 44m (2007: DKK 21m), respectively. 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.

Interest rate risk

The Group's interest rate risk consists of the sensitivity of interest bearing items to changes in the level of interest and the effect of interest rate changes on the market value of consolidated balance sheet items. The interest rate risk is managed by means of VaR and scenario analyses and is calculated on the basis of the different maturity intervals and is hedged by means of financial instruments. As at 31 December 2008, 98% of the Group's net interest-bearing debt (31 December 2007: 97%) carried a variable rate of interest. Other things being equal, a one percent increase in the interest rate will have a DKK 6m effect on the Group's net interest costs (2007: net interest cost of DKK 14m).

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 order intake in 2008. 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 owed to it by any particular bank. Credit risks on other counterparties than banks are minimised through the use of letters of credit, guarantees and rating of customers from time to time.

Capital structure and financial resources

It is the Group's aim at all times to have a sufficiently sound balance sheet in relation to the underlying operating results so that it is always possible to provide sufficient and the necessary credit and guarantee facilities to support the commercial operations. The long-term goal is therefore to attain an equity ratio in excess of 30%. At 31 December 2008 the equity ratio amounted to 24% (31 December 2007: 21%). At 31 December 2008, the financial gearing, measured as NIBD in relation to EBITDA amounted to 0.2 (31 December 2007: 0.9).If guarantees issued are added to NIBD, the gearing at 31 December 2008 amounted to 2.7 (31 December 2007: 3.9).

As the underlying business is to a large extent based on projects and orders, there may be major time lags in the cash flow from operating activities. It is therefore necessary to have financial resources in the form of cash and/or credit facilities to cushion any fluctuations.

The purpose of the Group's cash management is therefore 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 2008, the Group had drawn EUR 144m (31 December 2007: EUR 245m) on facilities containing 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 two major changes in 2008 regarding corporate governance in FLSmidth have been the approval of "Guidelines for incentive programme" at the Annual General Meeting in the spring of 2008 and the approval and implementation by the Board of Directors of a Code of Business Conduct in the autumn of 2008.

Guidelines for incentive pay

The Board of Directors has set up a remuneration committee which assesses the Management's terms of pay from time to time.

In the opinion of the Board, a combination of fixed and performance-based pay to the Management helps to ensure that the Group can attract and retain key persons whilst partially incentive-based pay also helps encourage the Management to create value to the benefit of shareholders.

The purpose of the general guidelines is to set the framework for the variable portion of the pay whilst taking into account the Group's short- and long-term goals, thus ensuring that the pay system does not cause imprudent or unreasonable behaviour nor acceptance of risk.

The members of the Board of Directors receive a fixed remuneration in cash which is approved each year at the Annual General Meeting. They do not, therefore, receive incentive pay and have not done so since 2002.

The guidelines therefore only apply to members of the Corporate Management who have been registered with the Danish Commerce and Companies Agency. According to the Articles of Association, the registered Management shall comprise at least two and not more than six members; currently it consists of four members. The terms of employment and remuneration of the Management are agreed specifically between the individual management executive and the Board of Directors and the remuneration will normally consist of a fixed salary including pension, a cash bonus, share options and the usual benefits such as car, telephone, newspaper, etc.

The complete guidelines for incentive pay are accessible on the company website www.flsmidth.com. Exhaustive information about incentive pay to the Management also appears from Notes 8 and 38 to the consolidated financial statements in the Annual Report.

Information regarding the Management's and the Board's holding of shares and share options in FLSmidth & Co. appears from the chapter on Shareholder information on pages 48-50.

Code of Business Conduct

In the autumn of 2008, the Board of Directors adopted a Code of Business Conduct, the purpose of which is to help to ensure that customers and other business relations perceive the members of the FLSmidth Group to be providers of consistently high standards of quality, service and integrity when doing business with the Group - regardless of when, where, how and with whom they interact.

The Code of Business Conduct covers three major aspects of the Group's activities:

Compliance with rules which includes (i) financial statements and accounting, (ii) stock exchange regulations, (iii) company law, (iv) competition and antitrust laws, (v) money laundering and (vi) trade restrictions, export control and boycott and anti-boycott laws.

Business practices, which includes (i) conflicts of interest, (ii) bribery, kickbacks and corruption, (iii) facilitation payments, (iv) receiving and giving gifts and entertainment, (v) competition and antitrust, (vi) branding and use of brand, (vii) contracting with



third parties, (viii) product and services quality, (ix) market intelligence, (x) intellectual property rights, (xi) culture, religion and politics, (xii) government relations and (xiii) lobbying.
Company assets and financial integrity, which includes (i) accurate and complete data, records, reporting and accounting, (ii) protection of assets (iii) email, network and internet access, and (iv) records management.

In 2009, a series of training programmes will be held to ensure that all employees in the Group are aware of and comply with the Code of Business Conduct.

Recommendations for corporate governance

Pursuant to Section 36 of the Disclosure Requirements for issuers of shares listed on NASDAQ OMX Copenhagen, Danish companies must explain in their annual report how they will address the recommendations of the NASDAQ OMX Copenhagen for good corporate governance based on the 'comply or explain' principle.

The FLSmidth Group generally complies with the recommendations for good corporate governance, but with one exception: The Board of Directors has not adopted a formalised structure for self-evaluation as recommended, but the Chairman and the Vice Chairman from time to time evaluate the work of the Board of Directors.

Capital and share structure

FLSmidth & Co. A/S is listed on NASDAQ OMX Copenhagen. The share capital has a nominal value of DKK 1,064,000,000 and consists of 53,200,000 issued shares based on one class of shares, each DKK 20 share entitling the holder to one vote. No special rights are attached to any share and there are no restrictions on the transferability of the shares. The Company's share register is kept by VP Investor Services A/S (VP Services A/S). The shares are issued electronically via VP Securities Services through whom dividend is paid out.

At 31 December 2008, FLSmidth had approximately 42,000 shareholders and some 75% of the capital was registered in the name of the holder. See the chapter on Shareholder information for further details regarding the shareholder structure at the end of 2008.

Annual General Meeting

Pursuant to the Company Articles of Association, the Annual General Meeting must be held in Greater Copenhagen before the end of April of each year and the agenda must comprise the following items:

1. Management's review
2. Submission and approval of the Annual Report
3. Distribution of profits or covering of losses in accordance with the approved Annual Report
4. Election of members to the Board of Directors
5. Appointment of auditor(s)
6. Other business proposed by the Board and/or by shareholders
7. Any other business.

In order to be considered at the Annual General Meeting, business proposed by shareholders must be submitted to the Board of Directors in writing by 1 March of the year in question.

The General Meeting is presided over by a chairman of the meeting elected by the Board of Directors.

All business transacted at a General Meeting shall be decided by a simple majority of votes unless statutory provisions or the Articles of Association require a qualified majority of votes.

Any amendment of the Articles of Association requires that the resolution is passed by not less than two thirds of the votes cast as well as of the share capital represented and entitled to vote at the General Meeting.

Convening the Annual General Meeting

Pursuant to the Company Articles of Association a notice convening the Annual General Meeting and the agenda of the meeting must be distributed not less than eight days and not more than four weeks prior to such meetings and must be published in at least one national newspaper. If a qualified majority is required for adoption of a resolution, all essential aspects of the resolution must be included in the notice, and if a resolution is proposed to amend the Articles of Assocation the full wording of the resolution must appear from the notice convening the meeting. Not later than eight days prior to the General Meeting, a complete and exhaustive agenda must be available at the Company's office and submitted to the registered shareholders who have so requested.

Attending the Annual General Meeting

Shareholders who wish to use their influence at the general meeting must be entered in the company's share register and have requested admission cards and voting papers not later than five days prior to the general meeting.

Shareholders who are not entered in the company's share register and who wish to receive an admission card must produce a



not more than five days old account statement from VP Securities Services or their account-holding bank as documentation for share ownership.

Shareholders have the right to be represented by proxy at the general meeting and may be accompanied by an adviser. The proxy must present a written and dated power of attorney which may not be given for more than one year at a time.

Registered shareholders also have the option of electronically requesting admission cards and voting or giving a proxy to the Board of Directors via the company website www.flsmidth.com.

The Board of Directors

Duties and responsibilities of the Board of Directors

According to general practice in Denmark, FLSmidth & Co. A/S maintains a clear division of responsibility and separation between Board and Management. Tasks and responsibilities are defined at an overall level via rules of procedure for the Board of Directors and a set of instructions from the Board to the Management. There is no other specific description of the duties and tasks of the Chairman. The Management is responsible for the day-to-day business of the Company, whilst the Board of Directors oversees the Management and handles overall managerial issues of a strategic nature. The Chairman is the Board of Directors' primary liaison with the Management.

A remuneration committee has been set up to handle negotiations of pay to the Management and Board. The members of the committee appear from pages 14.

The Board of Directors generally meets in ordinary sessions six to eight times a year and additional meetings are held on an ad hoc basis. Immediately after the Annual General Meeting the Board of Directors elects from its own number a Chairman and a Vice Chairman.

Composition of the Board of Directors

The Board of Directors is elected by 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. The members of the Board elected at the Annual General Meeting sit for one year at a time. Re-election may take place.

The Board of Directors 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. Information about the executive posts held by the individual members of the Management and Board of Directors is available on pages 14. Of the six members elected at the general meeting, one is not independent. This is Mr Søren Vinther, who has been in the Group's employ within the past five years.

According to the rules of procedure for the Board of Directors, a Board member must retire at the first Annual General Meeting which is held after the member in question has passed the age of 70. Pursuant to Danish legislation, members representing the Group's employees are elected to the Board of Directors for four years at a time.

It takes about 1,000 km of electric cables to build a modern cement plant.

Research and 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 or process invention or improvement every year.

With the increasing focus on CO_2, higher energy prices and the increasingly stringent emissions standards in the world markets, FLSmidth deploys considerable resources to develop new solutions to meet the important future challenges faced by our customers.

The Group's research and development activities take place both at a central level in Valby and Mariager (Denmark), Bethlehem and Salt Lake City (USA), and Chennai (India), and at a local level in the various product companies. Development activities are being complemented by acquisition of companies that possess new and fully developed technologies.

During 2008, multiple coordination and integration activities have taken place to strengthen the research and development programme in both Cement and Minerals, thereby securing that maximum synergy is achieved. The R&D organisation has been structured to ensure concentration on the critical research focus areas, as well as to emphasise focused protection of intellectual property rights and university cooperation.

In 2008, overall research and development investments amounted to DKK 268m (2007: DKK 210m), corresponding to 1.1% of the revenue (2007: 1.1%). This sum includes DKK 37m (2007: DKK 13m) which is capitalised as intangible assets. In addition, project financed development takes place in cooperation with customers.

R&D Cement

The overall development activity continues at a high level, with focus on enhancing the existing product portfolio, as well as investments in the development of new technologies and solutions.

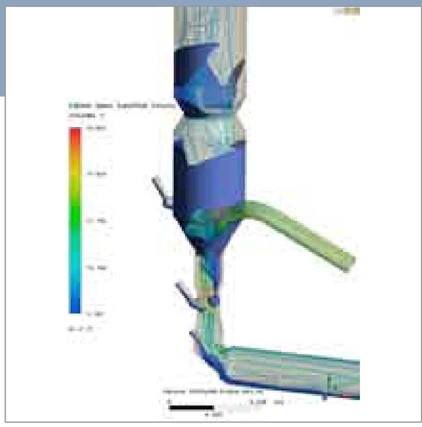
"New Cement Production Technology" is a 5-year research programme in cooperation with the Department of Chemical Engineering at the Technical University of Denmark (DTU) and financially supported by the Danish National Advanced Technology Foundation. The cooperation programme started in 2008 with several PhD projects, all of which support the common target of developing more environmentally friendly cement manufacturing processes, where the main focus areas are the reduction of energy consumption and improved emission control.

In the areas of pyro processing and alternative fuels, FLSmidth continued to advance along two fronts; one being the release and integration of new products into FLSmidth's standard systems, and the other being our innovation in business development. FLSmidth's strong focus on complete alternative fuel solutions has been demonstrated during 2008 by successful commissioning of a project in Germany, signing of a project in Finland, and pre-engineering agreements on several other new projects. A more efficient kiln bypass system has now been released to be used especially in conjunction with increased alternative fuel firing.

With regards to emissions, in addition to already providing equipment for low NO_x, CO and SO_2, FLSmidth has also developed solutions for other hazardous air pollutants, such as a mercury roaster. Furthermore, as a part of the air pollution control program FLSmidth Airtech has investigated solutions for reduction of harmful fine particulate emissions and developed conceptual solutions. CO_2 emissions reduction is an increasingly important field of research, in which close cooperation with universities and industrial partners is anticipated.

Grinding of raw materials and cement continue to play an important role in FLSmidth's market, and much effort has been expended in this area as shown in the continued strength of sales of vertical roller mills. Following the design of the large OK 42-4 mill in 2007, an even larger OK 45-4 mill was designed and released for sale in August 2008 to accommodate the market's increasing demand for very large roller mills. New solutions to upgrade existing vertical roller mills by hydraulic roller presses have been successfully proven in industrial trials during 2008, and have now been released to the market.

In 2008, FLSmidth Automation released a new control philosophy for sub-control systems enabling total integration of FLSmidth's machinery from equipment level to supervisory systems. Priorities have been given to strengthen automation solutions within the minerals sector, in which also a new full control standard and high level application for grinding and flotation cells was released; all these are products which will enable more productivity and profitability for the customer. A new generation of a combined laboratory mill and powder tablet press, named Centaurus™, was released at the IEEE-IAS/PCA Cement Industry Technical Conference.


R&D Minerals

In Minerals, the research and development activities have been increased, due to higher corporate investments and greater attention on new technologies. A refocusing of the minerals development activities was initiated, with the creation of a Global Minerals R&D function. The coordination of minerals development projects across the full range of company products will result in synergies in product development across the FLSmidth Group companies.

Several new developments moved from the R&D phase into commercial application, with many of the newly developed products being successfully commissioned.

2008 was an eventful year for FLSmidth Minerals. The first large cone crusher continued to operate well at Xstrata's Tintaya mine in Peru. In addition, a total of eight large major cone crushers were successfully started up at the new Fortesque Cloudbreak iron mine in the Pilbara region of Australia. The large cone crushers at Fortesque feature FLSmidth Automation control systems.

The first two 40 m diameter paste thickeners are now being installed in China, each having capacity to process 36,000 million tonnes per day of copper ore tailings, with a 70% by weight solids underflow. This high underflow density will provide the plant with an additional 28,100 m^3/day of recovered process water over conventional technology, thus providing a significant environmental benefit. The higher mud strength will allow above-ground tailings disposal with minimal cost of installing a containment dam structure and maintaining it.

FLSmidth Minerals continues to invest heavily in the development of the next generation flotation cell technology, resulting in the design and first sales of the 300 cubic metre SuperCell™ flotation machine. The 300 SuperCell™ is the world's largest flotation cell and was started up in January 2009 at a copper concentrator in Utah, USA. A second cell will be installed in early 2009 to use as a test site to test other types of FLSmidth flotation technologies.

FLSmidth Minerals' investment in Research and Development in the flotation field helps us maintain market leadership with 60-70% of the world's flotation market. Research continues into developing even more efficient technologies for the future.

Expansion of laboratories and test facilities

The level of activity in the Dania laboratory at Mariager, Denmark remains very high, supporting the continued high level of sample testing for new plant proposals to the global cement and minerals customers, as well as the increasing level of research and development activity in the pilot testing facilities. In 2008, the facilities at R&D Centre Dania were expanded with a new pilot hall mainly dedicated to the test requirements of FLSmidth Airtech. Tests on the newly installed full scale pilot rig were completed and as a result, the first commercial order for the "long filter bag - low pressure cleaning" concept was secured.

A state-of-the-art laboratory information management system (LIMS) was installed in 2008 to support the operation of the Dania laboratory as well as the new laboratory in Chennai, India. Some additional investments have been made to further improve the equipment and operations in the Chennai laboratory, and an extensive personnel training program has been carried out.

In August, Dawson Metallurgical Laboratories (DML) in Salt Lake City, USA was acquired by FLSmidth. DML's extensive testing and analytical capability complements the existing FLSmidth Minerals testing competencies, and it will serve as an expert resource supporting the hydrometallurgical and systems development works.

Patent activity

In 2008, FLSmidth filed for patent protection of 39 new inventions, which is the highest number on record in the Group's history and reflects the strong focus and determination on remaining an industry-leading technology company through increased investment and development activities and through protecting its intellectual property rights. FLSmidth currently has a portfolio of approximately 1,100 granted or pending patents globally.

Corporate Social Responsibility

In 2008, FLSmidth adopted a Corporate Social Responsibility policy.

FLSmidth is conscious of its social responsibility as an employer, a supplier, a customer, a consumer of natural resources and as a contributor to business and the local community. We have therefore chosen to formalise and clarify the principles for socially responsible behaviour which we already comply with. We have decided to focus on the fields in which we think we can make a real difference. This comprises support to environmental sustainability, HR-related issues and business ethics, three areas which together make up FLSmidth's Corporate Social Responsibility policy.

FLSmidth is a global Group whose activities take place within a wide range of different cultures. No matter where in the world we operate, we do so based on the Group's set of values and rules, which helps to ensure that we show respect and consideration in our actions and consistently deliver a high-quality product or service.

Over the past 126 years, FLSmidth has developed a business culture based on three fundamental values: Competence (professionalism, credibility and integrity), Responsibility (ownership and willingness to change) and Cooperation (team spirit and openness). The values represent and reflect the ways in which we interact with our stakeholders - whether they are shareholders, employees, partners, customers, suppliers or their or our surroundings.

UN Global Compact

2008 also saw the Group sign the UN Global Compact. This means that we have agreed to support the ten UN principles on human rights, labour, environment and anti-corruption. We wish to support these principles in fields where we have an influence, and we undertake to report on the progress we have made within two years after having signed the Global Compact and subsequently every year.

Business ethics

FLSmidth's Code of Business Conduct reflects the Group's focus on business ethics, integrity, credibility and protection of our long-term reputation. The guidelines will help to ensure that customers and other business relations perceive all members of FLSmidth to be providers of consistently high standards of quality, service and integrity when doing business with the Group - regardless of when, where, how and with whom they interact. See Page 39 for further details.

Environmental policy

It is FLSmidth's aim to contribute to environmental sustainability in fields where the Group has significant influence on the protection of the environment.

Being an engineering company and supplier of products and services with limited in-house production, we strive primarily to attain our environmental goals through the development of processes, equipment and services that help our customers set ambitious standards for their own production processes.

FLSmidth therefore invests considerable resources in developing new solutions that may contribute to reducing energy consumption and lowering the emissions of NOx, CO, SO_2, etc.

FLSmidth's environmental policy is reflected in the following declaration of intent:

- Products and services supplied by FLSmidth must comply with current environmental standards
- FLSmidth's products and services are to be designed so that they support the Group's image as being a responsible, reliable and professional supplier who meets the market's expectations and demands in terms of new sustainable technology
- When FLSmidth develops new products and services, their full life cycle must be taken into account, and an effort must be made to reduce the consumption of energy and natural resources whilst as far as possible reducing or eliminating emissions and noise nuisance
- Considering the environmental aspects, FLSmidth will aim towards training and motivating customers to ensure optimum usage of our products and services
- FLSmidth will collect data in order to document the Group's direct environmental impact and on this basis formulate environmental goals and plans of action.

We are therefore working on reducing the energy consumption of and emissions from our own offices and production facilities. For example, our Indian project centre in Chennai has invested in a wind turbine that is connected to the local power grid which means that the office in Chennai is more than self-sufficient in green energy.

HR policy

Based on our values we wish to ensure that in carrying out their work, our employees show involvement, integrity and professionalism.

Our aim is to attract, develop and retain a highly qualified, competent and innovative staff that can support our vision and retain our competitiveness in the global market. Our HR philosophy is to nurture a learning and knowledge-sharing culture that will ensure continuous innovation and development.

The competencies of our employees are of strategic importance. We aim to help our employees reach their full potential and therefore spend considerable resources on ongoing training of our staff.

In view of the fact that FLSmidth is a company that thinks and acts globally, we consider diversity a business necessity which helps us serve our customers even better, thereby ensuring FLSmidth's future success.

We offer equal opportunities to all present and coming employees, regardless of sex, age, ethnic affiliation and religious belief, handicap, political or sexual orientation and family status. We support our employees in playing an active role in their local communities, but since we respect the diversity of our staff, FLSmidth remains neutral in terms of politics and religion and we expect the same of our employees during working hours and when acting on behalf of the company.

We offer an attractive and challenging workplace and a culture that is based on our core values and global business goals. We are determined to create a healthy, flexible and creative working environment that enables our employees to pursue challenging careers whilst maintaining the all-important work-life balance.

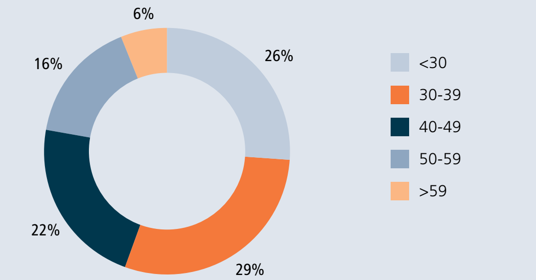
FLSmidth offers competitive conditions of employment and pay, and it recognises the rights of its employees to organise themselves and negotiate collectively. We support human rights and do not use child or forced labour.

Knowledge resources

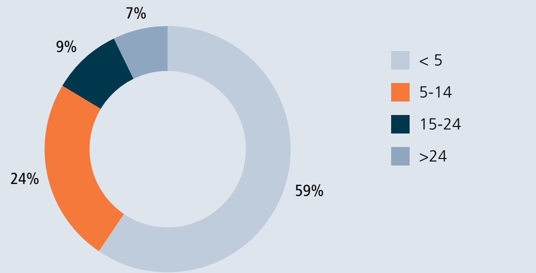
The most significant development on the HR scene in 2008, as was the case in 2007, has been the growth in workforce from 9,377 at the beginning of the year to 11,510 at the end of the year. However, a general freeze on external recruitment was introduced at the beginning of the fourth quarter due to global economic developments, and the growth in employee numbers then ceased.

Human resource data (regular employees)

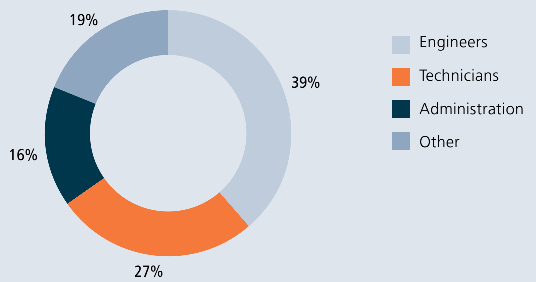
Age distribution



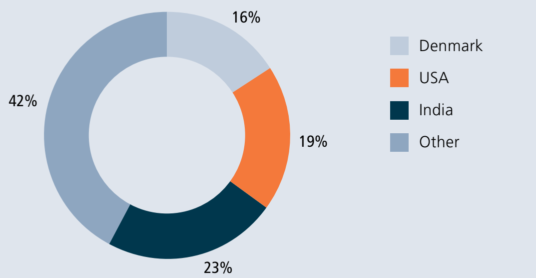
Length of service



Education



Geographical distribution



Internal recruitment, meanwhile, is continuing at full strength, which is supported by the focus on increasing integration of Cement and Minerals and exchanging knowledge and know-how among the project and competence centres.

Integration and harmonisation

2008 saw an effort to integrate and generally harmonise staff benefits, incentives and employment conditions across the global organisation.

At the end of 2008, a so-called HR compliance review took place throughout the Group to ensure that FLSmidth is following working procedures and is operating safely and in accordance with current legislation and rules related to HR. This review took place in close cooperation with the local business units to ensure that local legislation and rules as well as the Group's HR policy, standards and ethical guidelines are complied with. A follow-up on this review will take place in 2009.

Global employee engagement survey

The engagement and motivation of employees and managers have a decisive impact on the ability and the prospects of the Group for achieving its business goals. For the first time, in 2008 a global employee engagement survey of the Group took place, with no less than 84% of the staff responding. Compared to previous surveys in various parts of FLSmidth in 2005 and 2006, the overall results showed progress on all parameters.

The survey showed a very high level of engagement and motivation and an even higher degree of loyalty towards the company. The results of the survey were very satisfactory compared to global benchmarks.

The purpose of the employee survey was to attain a tool that can assist the dialogue between managers and employees and to focus on the scope for continued improvement of employee engagement.

Development activities

At Group level, three career and talent development programmes have been set up to address the development needs of the typical career paths in the Group: general manager, project manager and technical specialist.

In 2007, a global talent programme was launched. The purpose of the talent programme is to strengthen integration and networking across the Group and to develop the managerial skills of tomorrow's managers in the Group. The first team will complete the programme in 2009 and, having worked on five projects of strategic importance to FLSmidth, will present their recommendations to the Group Management in 2009. The second team started up in the spring of 2008 and will finish in 2010.

During the past 13 years, the American part of the organisation has successfully run a professional career development programme which is now being rolled out globally. The career development programme started up in Denmark in 2007 and in India in 2008.

To address the development needs of technical specialists, a framework for collaboration with the Technical University of Denmark and with Indian Institutes of Technology has been established which focuses on issues like acceleration of formal and informal career development and transfer of knowledge from experienced to junior specialists.

Work-related injuries 2008

	Number of injuries		Number of lost time injuries		Lost time injuries frequency rate*		Lost time injuries severity rate**	
	2007	**2008**	*2007*	**2008**	*2007*	**2008**	*2007*	**2008**
Minerals (excl. product companies)	13	**11**	3	**4**	0.8	**1.0**	0.2	**0.2**
Minerals product companies	105	**92**	28	**33**	8.0	**9.0**	0.5	**1.2**
Cement (excl. product companies)	31	**34**	7	**15**	0.9	**1.6**	0.3	**0.3**
Cement product companies	52	**43**	34	**35**	23.1	**16.6**	2.5	**3.0**
Cembrit	40	**41**	33	**36**	22.3	**22.1**	6.0	**4.7**
The FLSmidth Group	**241**	**221**	**105**	**123**	**5.9**	**6.0**	**1.0**	**0.6**

* Number of injuries causing absence per one million working hours

** Number of working hours lost due to injuries per 1000 working hours

Safety and health

FLSmidth is experiencing growing attention to safety and health, particularly among its major international clients in both Minerals and Cement. With its knowledge of equipment, technology and process design in minerals processing and cement production, FLSmidth is able to contribute to enhancing the working environment of its customers.

The FLSmidth Safety and Health policy is part of the Group's new Corporate Social Responsibility policy. The main aspects of the policy are strengthening leadership and competence in safety and health issues, safety training and instruction, and ongoing improvement of safety. 2009 will see a follow-up of the new Safety and Health policy in the form of guidelines for overall management of the working environment in FLSmidth and strengthening of the global teamwork regarding safety. The Safety and Health staff has been expanded to provide sufficient resources for supporting the new policy.

Most of the work-related injuries recorded take place in the product companies and at Cembrit, 79%. 26 of the injuries in 2008 may be characterised as severe involving major personal injury (for example bone fractures) or lengthy absence. The reduction of severe injuries is a high-priority issue for FLSmidth.

The total number of work-related injuries fell slightly, but lost time injuries have risen. The number of reported working hours has increased, which means that the lost time injuries frequency rate is practically unchanged. The decline in lost time injuries severity rate is primarily related to Cembrit.

A traffic accident in October 2008 with a minibus unfortunately resulted in one death and several injured persons. The accident highlights the problem of traffic safety being poor in many countries and has led to a general tightening of the rules regarding personal transportation.

Some employees undertake advisory and inspection assignments for customers. This takes place at construction sites and in industrial plants where the risk of work-related injuries is generally greater than at the FLSmidth project centres. Therefore, particular focus is on employees posted abroad. As an example of this, more than 700 employees attended one to three days of safety instruction in FLSmidth's US project centre. The experience gained from this programme will be included in the upgrading of safety training for employees in other parts of FLSmidth.

FLSmidth continues to work on enhancing employee security during travel abroad. Based on analyses, country monitoring, training and security briefings, efforts are being made to counter or minimise risks in connection with travelling and working abroad, where possible.

Psychosocial working environment

Safety and health also includes the psychosocial risks, and in this context the global employee engagement survey has provided input and tools to address the issues of stress and psychosocial working environment.

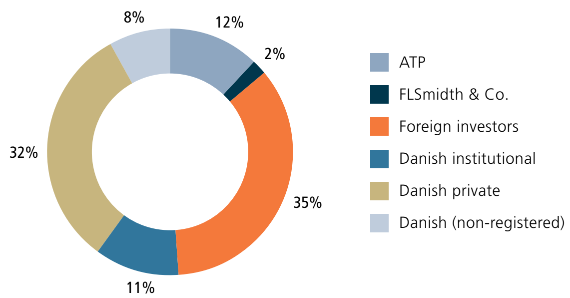
Shareholder information

Share capital and votes

FLSmidth & Co. A/S has been listed on the NASDAQ OMX Copenhagen (formerly Copenhagen Stock Exchange) since 1968. The share capital amounts to DKK 1,064,000,000 consisting of 53,200,000 issued shares at DKK 20 each. According to the FLSmidth & Co. A/S share register the company has about 42,000 shareholders (31 December 2007: about 23,800). In addition, some 4,200 present and former employees hold shares in the company (31 December 2007: some 4,500). The FLSmidth & Co. A/S share has a free float of 98%. The proportion of foreign investors, which has risen markedly over the last couple of years, fell in 2008 from over 50% at 1 January 2008 to about 35% at 31 December 2008. Private shareholders, on the other hand, have increased in number and ownership and now account for about 33% of the capital as against approximately 12% at 1 January 2008.

One shareholder has reported a participating interest that exceeds five per cent of the share capital: This is ATP (Danish Labour Market Supplementary Pension Fund), Kongens Vænge 8, DK-3400 Hillerød. ATP's shareholding in FLSmidth & Co. A/S at 31 December 2008 accounted for some 12% of the share capital.

Classification of shareholders



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

Members of the FLSmidth & Co. A/S Board of Directors hold a total of 160,759 shares. The Corporate Management holds 40,210 shares and 141,750 share options. Other key staff hold 431,050 share options.

Share indices

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

Market developments 2008

At the beginning of the year, the FLSmidth & Co. A/S share was priced at 522 and after a turbulent year it ended at 181. The share price reached a historic high at 598 on 3 June, but dropped drastically until October when the price stabilised at around 150 - 200 for the rest of the year. The FLSmidth & Co. A/S share has generally followed the price trends of comparable international companies in the capital goods sector and indices related to infrastructure and emerging markets.

The total return on the FLSmidth & Co. A/S B share in 2008 was -64% including dividend. By comparison the OMXC20 index declined 46%, MSCI European Construction & Engineering dropped 47%, and Dow Jones STOXX Basic Resource slumped by 64% in 2008.

In 2008, FLSmidth & Co. A/S was among the 5-10 most traded shares on NASDAQ OMX Copenhagen with an average daily trading volume of 515,500 shares corresponding to some DKK 200m.

Dividend

Viewed against the prospects of lower order intake and declining prepayments, financial flexibility will be reduced. Besides, attractive opportunities for acquisitions are expected in the near future. The Board of Directors therefore wishes to postpone the decision on payment of dividend for 2008. The Board will propose at the Annual General Meeting that it be authorised to pay out interim dividend at a later date.

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, 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, procedures have been drawn up for timely disclosure of all significant information in accordance with the stock exchange rules of ethics. All company announcements are published and distributed in both Danish and English (translated version) by the Hugin news distribution service and appear simultaneously on the company website www.flsmidth.com.

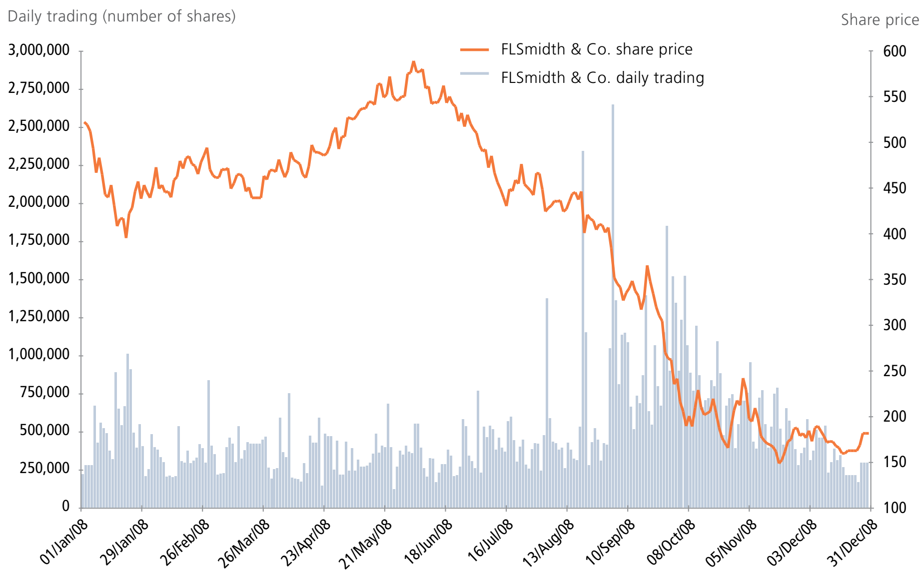
According to the FLSmidth policy for announcing new contracts, contracts valued at more than DKK 200m are announced to the public once the order becomes effective, which means when both parties have signed the contract, guaranties have been exchanged and the customer has paid the prepayment.

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

- 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 principle, the Group maintains a three week quiet period before the planned 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, the Group only comments on factual information and not on guidance given in analyst reports.

Developments in share price and trading in 2008



Shareholder information

Registration of shares is effected via one's own bank. Registered shareholders automatically receive an invitation to general meetings. A printed version of the Annual Report can be obtained from the shareholder's secretariat or via e-mail: corpir@flsmidth.com.

Analyst coverage

The FLSmidth & Co. share is currently covered by 14 stockbrokers: See www.flsmidth.com for contact details:

Stockbroker	Analyst
ABG Sundal Collier	Stig Frederiksen
Alm. Brand Henton	Thomas Hundebøl
Carnegie	Lars Topholm
CA Cheuvreux	Johan Eliasson
Danske Bank	Daniel Patterson
Exane BNP Paribas	Su Zhang
Jyske Bank	Lars Terp Paulsen
Goldman Sachs	Roger Merz
Nordea	Carsten Warren Petersen / Bo Andresen
Handelsbanken	Kitty Grøn
LD Markets	Torsten Bech
SEB Enskilda	Niels Granholm-Leth
Sydbank	Jacob Pedersen

Investor Relations activities 2008

During the year under review, FLSmidth has taken part in about 400 investor meetings and presentations attended by over 2,000 investors in Amsterdam, Boston, Brussels, Chicago, Dublin, Edinburgh, Frankfurt, Helsinki, Copenhagen, London, Luxemburg, New York, Paris, Stockholm, St. Petersburg, Toronto and Vienna. In addition, the company participated in two events aimed at private investors in Copenhagen and Aalborg.
The material handed out in connection with these meetings is available at www.flsmidth.com.

Financial calendar 2009

16 March 2009:	Capital market day
17 April 2009	Annual General Meeting
28 May 2009:	1st quarter 2009 Interim Report
20 August 2009:	1st half 2009 Interim Report
17 November 2009:	1st - 3rd quarter 2009 Interim Report

The Annual General Meeting will take place on 17 April 2009 at 16.00 hours at Radisson SAS, Falconer Center, Falkoner Allé 9, DK-2000 Frederiksberg.

Share and dividend figures, the Group

	2004	2005	2006	2007	2008
CFPS (cash flow per share), DKK (diluted)	(5.7)	33.0	24.5	28.4	44.2
EPS (earnings per share), DKK (diluted)	2.8	9.1	21.6	24.6	28.8
Equity value per share, DKK parent company (diluted)	50	46	38	46	49
DPS (dividend per share), DKK	7	7	7	7	0
Dividend percentage	243	77	32	29	-
FLSmidth & Co. A/S share price	102,4	186	359	522	181
Number of shares (000s), 31 December	53,200	53,200	53,200	53,200	53,200
Average number of shares (1,000) (diluted)	52,509	52,518	52,558	52,640	52,544
Market capitalisation DKKm	5,448	9,895	19,099	27,770	9,629

Income statement specified by quarter (unaudited)

DKKm	2007				2008			
	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter
INCOME STATEMENT								
Revenue	3,764	4,504	5,220	6,479	5,322	5,903	6,486	7,574
Gross profit	785	978	1,134	1,375	1,196	1,318	1,302	1,805
Earnings before special non-recurring items, depreciation and amortisation (EBITDA)	354	480	608	658	598	699	703	911
Earnings before interest and tax (EBIT)	305	433	506	580	436	541	583	849
Earnings before interest and tax (EBIT) before effect of purchase price allocation regarding GL&V Process	*305*	*433*	*549*	*680*	*539*	*636*	*639*	*873*
Earnings before tax (EBT)	319	481	486	591	469	531	456	667
Tax for the period	96	170	164	154	141	160	134	232
Profit/loss on continuing activities for the period	**223**	**311**	**322**	**437**	**328**	**371**	**322**	**435**
Profit/loss on discontinuing activities for the period	(5)	10	3	(7)	2	1	4	52
Profit/loss for the period	**218**	**321**	**325**	**430**	**330**	**372**	**326**	**487**
Contribution ratio	*20.9%*	*21.7%*	*21.7%*	*21.2%*	*22.5%*	*22.3%*	*20.1%*	*23.8%*
EBITDA ratio	*9.4%*	*10.7%*	*11.6%*	*10.2%*	*11.2%*	*11.8%*	*10.8%*	*12.0%*
EBIT ratio	*8.1%*	*9.6%*	*9.7%*	*9.0%*	*8.2%*	*9.2%*	*9.0%*	*11.2%*
EBIT ratio before effect of purchase price allocation regarding GL&V Process	*8.1%*	*9.6%*	*10.5%*	*10.5%*	*10.1%*	*10.8%*	*9.9%*	*11.5%*
CASH FLOW								
Cash flow from operating activities	268	250	476	499	717	613	1,281	(287)
Cash flow from investing activities	(87)	(92)	(3,780)	146	(122)	(278)	(217)	(254)
Order intake, continuing activities (gross)	4,192	6,061	7,080	6,728	9,054	8,224	8,504	4,394
Order backlog, continuing activities	18,854	21,055	24,940	25,312	28,601	31,355	33,781	30,460
SEGMENT REPORTING								
Cement								
Revenue	2,540	2,829	2,992	3,849	2,921	3,379	3,435	3,973
EBITDA	214	299	303	399	304	400	362	563
EBIT	190	277	271	346	275	369	327	550
Contribution ratio	*18.6%*	*20.9%*	*18.3%*	*19.0%*	*20.0%*	*21.3%*	*19.3%*	*24.2%*
EBITDA ratio	*8.4%*	*10.6%*	*10.1%*	*10.4%*	*10.4%*	*11.8%*	*10.5%*	*14.2%*
EBIT ratio	*7.5%*	*9.8%*	*9.1%*	*9.0%*	*9.4%*	*10.9%*	*9.5%*	*13.8%*
Order intake (gross)	2,920	3,813	4,741	4,315	4,502	4,667	4,591	1,961
Order backlog	14,348	15,360	16,942	17,265	18,527	19,715	20,864	18,565
Minerals								
Revenue	936	1,287	1,875	2,332	2,105	2,197	2,754	3,414
EBITDA	84	142	222	299	250	264	325	473
EBIT	76	132	170	175	133	154	256	417
EBIT before effect of purchase price allocation regarding GL&V Process	76	132	213	275	236	249	312	441
Contribution ratio	*18.9%*	*19.0%*	*22.5%*	*22.9%*	*22.8%*	*21.3%*	*20.1%*	*23.1%*
EBITDA ratio	*9.0%*	*11.0%*	*11.8%*	*12.8%*	*11.9%*	*12.0%*	*11.8%*	*13.9%*
EBIT ratio	*8.1%*	*10.3%*	*9.1%*	*7.5%*	*6.3%*	*7.0%*	*9.3%*	*12.2%*
EBIT ratio before effect of purchase price allocation regarding GL&V Process	*8.1%*	*10.3%*	*11.4%*	*11.8%*	*11.2%*	*11.3%*	*11.3%*	*12.9%*
Order intake (gross)	1,266	2,387	2,426	2,464	4,643	3,583	3,960	2,544
Order backlog	5,271	6,420	8,744	8,777	10,857	12,387	13,588	12,606
Cembrit								
Revenue	338	366	367	348	334	389	370	297
EBITDA	37	41	54	5	27	50	16	(35)
EBIT	25	28	42	29	12	33	0	(20)
Contribution ratio	*34.3%*	*32.8%*	*36.5%*	*29.9%*	*33.2%*	*34.2%*	*28.6%*	*18.5%*
EBITDA ratio	*10.9%*	*11.2%*	*14.7%*	*1.4%*	*8.1%*	*12.9%*	*4.3%*	*(11.8%)*
EBIT ratio	*7.4%*	*7.7%*	*11.4%*	*8.3%*	*3.6%*	*8.5%*	*0.0%*	*(6.7%)*

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Tel.: +45 36 18 18 76
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Website
www.flsmidth.com

Company announcements
issued by Corporate Communications 2008

Date		
02 Jan.	**FLSmidth A/S** Contract for supplies of equipment and engineering to OOO Kurskaya stroitelnaya companiya, Russia	**01/2008**
09 Jan.	**FLSmidth A/S** Contract for expansion of cement production line at the Grupa Ozarow cement plant in Poland	**02/2008**
17 Jan.	**FLSmidth A/S** Contract for new cement production line for customer in Russia	**03/2008**
21 Jan.	**FLSmidth A/S** Information on contract signing in Algeria following press reports in the Middle East.	**04/2008**
25 Jan.	**FLSmidth A/S** Letter of award for complete minerals plant in Australia	**05/2008**
31 Jan.	**FLSmidth Minerals** Contracts with Antofagasta Minerals S.A. for crushing and grinding equipment for the production of copper, gold and molydenum at Esperanza, Chile	**06/2008**
14 Feb.	**FLSmidth Minerals** Contract for suppy of complete minerals plant to Aurox Resources Limited, Australia	**07/2008**
28 Feb.	**FLSmidth & Co. A/S** Annual Report 2007	**08/2008**
28 Feb.	**FLSmidth Inc.** Contract for six vertical mills for Votorantim Cimentos, Brazil	**09/2008**
04 Mar.	**FLSmidth Inc.** FLSmidth wins contract for modernisation project at Ash Grove Cement Company's Foreman plant, USA	**10/2008**
13 Mar.	**FLSmidth Minerals** Long-term strategic partnership signed with Xstrata Copper, Australia & Bechtel, USA	**11/2008**
13 Mar.	**FLSmidth A/S** Contracts with Italian Buzzi Unicem S.p.A. and its German subsidiary Dyckerhoff AG for two cement projects in Russia and Ukraine	**12/2008**
18 Mar.	**FLSmidth & Co. A/S** Case of intellectual property dispute at Excel	**13/2008**
18 Mar.	**FLSmidth A/S** FLSmidth wins contract for new 5000 tpd line for El Sewedy Cement Company, Egypt	**14/2008**
03 Apr.	**FLSmidth & Co. A/S** Notice of Annual General Meeting	**15/2008**
04 Apr.	**FLSmidth & Co. A/S** Appendix to notice of Annual General Meeting	**16/2008**
17 Apr.	**FLSmidth Minerals** FLSmidth signs maintenance contract with Minera Penesquito, Mexico	**17/2008**
17 Apr.	**FLSmidth A/S** Contract for new cement plant for Wadi El Nile, Egypt	**18/2008**
17 Apr.	**FLSmidth & Co. A/S** Summary of Annual General Meeting	**19/2008**
17 Apr.	**FLSmidth & Co. A/S** Articles of association of FLSmidth & Co. A/S	**20/2008**
30 Apr.	**FLSmidth & Co. A/S** Changes in voting rights	**21/2008**
16 May	**FLSmidth Minerals** Acquisition of Pneumapress Inc., USA	**22/2008**
16 May	**FLSmidth Minerals** Information regarding acquisition of Pneumapress Inc., USA	**23/2008**
22 May	**FLSmidth & Co. A/S** Interim Report for 1st quarter 2008	**24/2008**
27 May	**FLSmidth Minerals** Contract for calciner and coal treatment plant for Utkal Alumina International Limited, India	**25/2008**
30 May	**FLSmidth A/S** Confirmation of agreement with LLC Tambov-cement, Russia, on supplies of equipment and machinery	**26/2008**
04 Jun.	**FLSmidth A/S** Contract with FLSmidth for expansion of existing cement plant in Kuwait. The contract was signed with Kuwait Cement Company	**27/2008**

Date		
11 Jun.	**FLSmidth A/S** Contract for expansion project for Arabian Cement Company, Egypt	**28/2008**
19 Jun.	**FLSmidth A/S** FLSmidth signs contract for supplies of machinery and equipment for new production line in Angola	**29/2008**
26 Jun.	**FLSmidth A/S** Confirmation of rumours of agreement with Modern Cement & Minerals, Jordan	**30/2008**
27 Jun.	**FLSmidth A/S** FLSmidth wins contract for 6,200 tpd production line for Verhnebakanskiy Cement Plant, Russia	**31/2008**
30 Jun.	**FLSmidth Minerals** FLSmidth wins major copper project in Peru	**32/2008**
08 Jul.	**FLSmidth A/S** Order for 2 x 4,500 tpd production lines for ASEC Algeria Cement Company, Algeria	**33/2008**
23 Jul.	**FLSmidth A/S** Contract for 3,500 tpd line for Modern Cement and Mining, Jordan	**34/2008**
04 Aug.	**FLSmidth Minerals** Contract for equipment for copper molybdenum plant in Armenia	**35/2008**
05 Aug.	**FLSmidth MVT** Order for materials handling system for cement plant in Russia	**36/2008**
08 Aug.	**FLSmidth KOCH MVT** Contract for materials handling equipment for power station in Germany	**37/2008**
21 Aug.	**FLSmidth & Co. A/S** Half-yearly report 2008	**38/2008**
18 Sep.	**FLSmidth KOCH MVT** FLSmidth wins contract from Austrian MFL maschinenfabrik Liezen und Giesserei for equipment for Russian roller mill	**39/2008**
23 Sep.	**FLSmidth A/S** Order from Prism Cement for machinery and equipment for new production line in India	**40/2008**
30 Sep.	**FLSmidth A/S** Contract for production line for LLC SGMK Group, Russia	**41/2008**
15 Oct.	**FLSmidth** FLSmidth signs contract with Skye Resources Guatemala (BVI) Inc., Guatemala	**42/2008**
28 Oct.	**FLSmidth & Co. A/S** Earlier release of interim report	**43/2008**
31 Oct.	**FLSmidth Minerals** Order from Canadian Copper Mountain Mining Corp. for copper project	**44/2008**
10 Nov.	**FLSmidth A/S** Additional order to Announcement No. 01/2008	**45/2008**
11 Nov.	**FLSmidth Minerals** FLSmidth signs equipment contract with Minera Chinalco Peru for copper mine in Peru	**46/2008**
19 Nov.	**FLSmidth & Co. A/S** Interim report for 1 Jan. to 30 Sep. 2008	**47/2008**
19 Nov.	**FLSmidth & Co. A/S** Financial calendar 2009	**48/2008**
30 Dec.	**FLSmidth Minerals** FLSmidth receives order from Tata Steel for drying and grinding plant in Indian	**49/2008**
31 Dec.	**FLSmidth Minerals** Contract for equipment for a sulphide copper project in the CIS region	**50/2008**

See page 12 for announcements issued in 2009

Financial Statements 2008

Accounting policies

General comments

The Annual Report of the Group is 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 enterprises listed on the Stock Exchange, as fixed by the NASDAQ OMX Copenhagen as well as the IFRS executive order issued in compliance with the Danish Financial Statements Act.

In previous years, the parent company FLSmidth & Co A/S' financial statements were presented in compliance with IFRS as approved by the EU. As from 2008, the parent company's financial statements are presented in conformity with the provisions of the Danish Financial Statements Act for reporting class D enterprises. This means a change in the parent company's accounting policies compared to 2007, and the instances in which the parent company's accounting policies deviate from those of the Group have been separately described on page 64. The cumulative effect on equity caused by the change to the Danish Financial Statements Act is DKK 5m, due to a change in residual values when calculating depreciation on real estate.

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 for the consolidated financial statements are unchanged from 2007. However, minor reclassifications compared to 2007 have been made.

Implementation of new and changed standards and interpretations

The Annual Report for 2008 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 2008 or later. These standards and interpretations are:

- Changes to IAS 39 *Financial Instruments: Recognition and Measurement* and *IFRS 7 Financial Instruments: Disclosures* applicable as at 1 July 2008.
- IFRIC 11: IFRS 2 Group and Treasury Share Transactions

The implementation of the revised standards IAS 39 and IFRS 7 addresses the reclassification of certain financial assets in particular circumstances. This implementation has not affected the reclassification of financial assets in the 2008 Annual Report.

The new interpretation IFRIC 11 prescribes the accounting treatment for transactions whereby a parent company grants rights to its equity instruments to employees of its subsidiary and a subsidiary grants rights to equity instruments to employees of its parent company.

FLSmidth already treats Group transactions concerning share-based payments in accordance with the principles stipulated in IFRIC 11. The implementation has therefore not had any impact on recognition and measurement in the Annual Report for 2008.

Standards and interpretations which have been approved for use in EU but which have not yet come into force

At the date of the publication of this Annual Report, the following material new or amended standards and interpretations have not yet entered into force and are therefore not incorporated in this Annual Report:

- Revised IAS 1, *Presentation of Financial Statements*. The revised standard comes into force with effect from financial years beginning 1 January 2009 or later. The standard requires a change in the presentation of the primary statements in 2009, for example that the "statement of comprehensive income" be presented in either one single income statement or in two statements (a separate income statement and a statement of comprehensive income). The consolidated statement of changes in equity may no longer contain items from the statement of comprehensive income.

- Revised IAS 23, *Borrowing Costs*. The revised standard comes into force with effect from financial years beginning 1 January 2009 or later. The change means that the Group as of and including the financial year 2009 is required to recognise borrowing costs in the cost for qualifying assets in the form of intangible and tangible assets and inventories with longer production periods. Until now, the Group has exclusively recognised borrowing costs in the cost of tangible assets. Based on the Group's present project financing, the change to IAS 23 is not expected to materially affect the financial reporting.

- IFRS 8, *Operating Segments*. The standard comes into force with effect from financial years beginning on 1 January 2009 or later. The standard will affect the presentation of Group segments. Pursuant to the new standard, an enterprise is required to provide information about the business segments, which the management uses to report and control the Group internally. In accordance with the new standard, Management maintain the current segmentation, however, segmentation of balance sheet and cash flow will be reduced due to internal restructurings. Geographical segmentation will in future be provided in accordance with the standard's reduced disclosure requirements, i.e. geographical segmentation of revenue and assets of the major individual countries.

- Revised IFRS 2, *Share-based Payment*. The revised standard comes into force with effect from financial years beginning 1 January 2009 or later. The amendment specifies the definition of vesting conditions and the accounting treatment of cancellation of a share-based payment programme by the opposite party. The Group will implement the change as at 1 January 2009. The change is not expected to materially affect the financial reporting for 2009.

In May 2008, "Improvements to IFRS" have been made which results in changes to a considerable number of the standards. The revised standards come into force as of 1 January 2009. The improvements involve minor changes which are not expected to materially affect the financial reporting for 2009.

IFRIC 14: IAS 19 *Plan assets*. The interpretation comes into force with effect from financial years beginning on 1 January or later 2009. The Group has no post-employment benefit plans or the like which are restricted by the asset ceiling and for which there is a minimum funding requirement. IFRIC 14 is not expected to have any impact on the financial reporting for 2009.

The following revised standards and interpretations have also been approved in the EU and have not yet come into force, but are not expected to have any impact on the financial reporting for 2009:

- Revised IAS 27, *Consolidated and Separate Financial Statements*
- Revised IAS 32, *Financial Instruments, Disclosure and Presentation*
- Revised IFRS 1, *First-time Adoption of IFRS*
- Revised IFRS 2, *Share-based Payment*
- IFRIC 12, *Service Concession Arrangements*
- IFRIC 13, *Customer Loyalty Programmes*

Standards and interpretations which have not been approved for use in the EU and which have therefore not yet come into force

- Revised IAS 39, *Financial Instruments: Recognition and Measurement*
- Revised IFRS 3, *Business Combinations, IAS 27, IAS 28 and IAS 31*
- IFRIC 15, *Agreements for the Construction of Real Estate*
- IFRIC 16, *Hedging of the foreign currency risk arising from investments in foreign operations*

The standards and interpretations mentioned above will have no impact on the financial reporting for 2009.

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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 Company and the value of the liability can be measured reliably.

When recognised for the first time, assets and liabilities are measured at cost. Subsequent measurements are based on value adjustments as described below.

Estimates by Management

In preparing the Annual Report pursuant to generally applicable rules, it is necessary that Management make estimates and lay down assumptions that affect the recognised assets and liabilities including the disclosures made regarding contingent assets and liabilities.

Management base their estimates on historical experience and other assumptions considered relevant at the time in question. These estimates and assumptions form the basis of the carrying values of assets and liabilities and the derived effects on the income statement included in this Annual Report. The actual results may deviate.

Management of the Group consider the following aspects of the assets and liabilities in the Annual Report to be particularly affected:

- Work-in-progress for third parties
- Other provisions
- Deferred tax assets
- Disposal of enterprises and activities
- Acquisition of enterprises and activities including fixing of purchase price allocations and amortisation hereof
- Receivables

Work-in-progress for third parties

Work-in-progress for third parties is measured according to the percentage of completion at sales value. The percentage of completion is based on the costs defrayed measured in proportion to the total expected costs. These costs are partially based on an estimate. Besides, major projects are often sold to a number of politically unstable countries. In the opinion of the Board and Management, the results of these estimates and uncertainties are reflected in the annual report viewed against the information and assumptions available.

Other provisions
Guarantees and other provisions are measured based on empirical information covering several years as well as legal opinions which together with management estimates of future trends form the basis for warranty provisions and other provisions. For long term warranties and other provisions discounting to net present value is made.

Deferred tax assets
The Group recognises deferred tax assets if it is probable that there will be taxable income in the future against which timing differences or tax loss carryforwards may be used. For this purpose, Management estimate the coming years' earnings based on budgets and forecasts.

Disposal of enterprises and activities
In connection with disposal or closure of enterprises and activities normal management estimates are made to remedy contractual guarantees.

Acquisition of enterprises and activities including fixing of purchase price allocations and amortisation hereof
In connection with the acquisition of enterprises and activities purchase price allocations are made at fair value of identifiable assets, liabilities and contingent liabilities. Purchase price allocations mainly relate to intangible assets 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 make 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.

Receivables
In connection with write-downs on receivables, Management make an estimate based on the present information and indications.

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 a controlling influence. Enterprises in which the Group holds between 20% and 50% of the voting rights or in some other way has significant influence, but not a controlling interest, 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 inter company income, costs, accounts 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.

Statement of costs
The costs of an enterprise include the fair value of the acquisition price with addition of the costs which are directly related to the acquisition. If the amount's final fixing is based on one or more future events, these adjustments are only recognised in the cost price if the said event is likely and the impact on the cost can be measured reliably.

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 measurement of acquired identifiable assets, liabilities and contingent liabilities at the date of acquisition, initial recognition is based on provisional fair values. If it subsequently appears that the fair value of identifiable assets, liabilities and contingent liabilities at the date of acquisition differs from that first assumed, goodwill is adjusted until 12 months after the acquisition. The effect of the adjustments is adjusted in goodwill. Subsequently, goodwill is only adjusted in the event of changes in the estimate of the contingent purchase consideration unless the error is material. However, subsequent realisation of the acquired enterprise's deferred tax assets, which were not recognised at the date of acquisition, will cause the tax advantage to be recognised in the income statement and cause a write-down of the carrying value of goodwill to the amount that would have been recognised if the deferred tax asset had been stated as an identifiable asset at the date of acquisition.

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

Translation of foreign currency

A functional currency is fixed for each of the reporting enterprises of the Group. The functional currency is the currency used in the primary financial environment in which the individual reporting enterprises operate. Transactions in another currency than the functional currency are considered to be 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 at the transaction date 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 proportionately consolidated joint ventures are translated at average exchange rates while their balance sheet items are translated at the exchange rates prevailing 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 exchange rate adjustment of receivables from or debt to subsidiaries which are considered to be part of the parent company's total investment in the said subsidiary, is directly recognised in the equity in the consolidated financial statements.

The assets and liabilities of a foreign business unit acquired are translated at the exchange rate prevailing at the date of the transaction (acquisition date).

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 prevailing 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 that fulfil the criteria for hedging the fair value of already recognised assets or liabilities or binding agreements 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 hedging of future cash flow 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 directly in *the equity* until the net investment is sold.

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 incurred in percentage of the total budgeted costs.

Grants

Grants related to the acquisition of assets are recognised under 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 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 costs are charged to *Production costs* in the income statement for the financial year in which they are incurred.

Development costs are mainly recognised in the income statement for the period during which they were 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.

Administrative costs

Administrative costs comprise the costs of administrative staff and management and other indirect 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 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, interest 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. Foreign exchange 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 adjustment of tax 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 directly in the *Equity*.

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 calculated 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. 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 companies based on the principles described above. The jointly taxed Danish enterprises are included in the Danish tax paid on account scheme.

Discontinuing activities

Discontinuing 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 measurement of profit/loss.

Balance sheet

Intangible assets

Goodwill

Goodwill is recognised in the balance sheet at cost in connection with initial recognition. Subsequently, goodwill is measured at cost less accumulated write-downs. There is no amortisation of goodwill. When recognising goodwill, it is allocated to the cash generating units as defined by 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 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 flow 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, depreciation 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 usefulness 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, selling 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 over 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 are 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 inventory are measured at cost less accumulated depreciation and write-downs.

The cost of self-constructed assets includes the cost of materials, direct labour costs and an appropriate proportion of production overheads.

Depreciation is done 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 on 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 self-constructed assets are depreciated from the time they come into use. Land is not depreciated. Costs of repair and maintenance of property, plant and equipment are recognised in the income statement.

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 and a part of the cost of the asset concerned, respectively.

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.

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 inter-company profits and losses, and goodwill is added.

The proportionate share of the enterprises' earnings after tax and elimination of unrealised proportionate internal profits and losses and deduction of amortisation of goodwill, if any, is recognised in the income statement. The proportionate share of all transactions and events entered directly in the associate's equity is recognised in the Group's 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 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.

Shares in cement plants acquired in connection with orders received are classified under *Financial assets held 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 directly in the equity 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 entered 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 cases 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 percentage of completion at the balance sheet date and the total expected earnings from the individual contract.

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

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

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

Costs deriving from sales work 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 classified as 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 price. Depreciation 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 measured and recognised at fair value on the balance sheet date. Value adjustments are recognised in the income statement as financial items.

Bonds and listed shares are classified under financial assets held for sale. *Financial assets held for sale* are financial assets which are not derivatives, and which are either classified as available for sale or which can neither be classified as loans or receivables, financial assets which are measured at fair value through the income statement or financial assets held to maturity.

Impairment of long-term assets

Goodwill and Other intangible assets of indefinite useful life are tested for impairment annually, 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 or 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. The write-down of impairment is 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*.

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 and where the hedged transaction has not yet been realised.

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 (plan 2003-2005 and plan 2006-2007) 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 the Management and key 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.

Option plans categorised as cash-settled share options (plan 1998-1999) are measured at the time of allocation and subsequently at fair value. Fair value adjustments in the exercise period are recognised in the income statement under financial items. The counter item is recognised under *Liabilities*.

Employee shares granted in connection with the Group's 125th anniversary are considered earned at the time of allocation. The favourable element of these shares is recognised in the income statement under the heading of staff costs and is set off directly against the Equity. The discount is measured at the time of subscription as the difference between the fair value and the subscription price for the subscribed shares.

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 benefit-based post-employment 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 benefit-based 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. Net present value 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 *Plan assets and liabilities*.

Differences between the expected development of plan assets and liabilities and the realised values are described as actuarial gains or losses. Actuarial gains and losses are recognised directly in the *Equity*.

Changes in benefits concerning the employees' former employment in the enterprise 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 directly in the *Equity.*

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

Provisions for warranties

Where after closing the accounts of an order, additional minor supplies, etc. remain to be effected to complete the order, an allowance is made for this in the accounts. A portion of the allowance is transferred to liabilities covering the part of the outstanding subsupplies 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 subsuppliers. 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 redundancy costs are charged to the income statement when decided and announced.

Other provisions

Other provisions also include 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 and 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 discontinuing activities

Assets held for sale and *Discontinuing activities* consist of activities or companies for which it has been announced that the activities or companies have been discontinued or are discontinuing in the Group or closure has been initiated.

Earnings and value adjustments after tax of assets held for sale and discontinuing activities are presented on a separate line in the income statement and with comparative figures. In the notes, revenue, costs and tax of the discontinuing 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 discontinuing activities appear from note 1.

Cash flow statement

The consolidated and parent company cash flow statements are presented according to the indirect method and show 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 and loans a distinction is made between interest-bearing and non-interest-bearing items plus 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 comprise 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 comprise 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 and geographical markets. The segment information complies with the Group's accounting policies, risks and internal financial control. The business segments are the Group's primary basis of segmentation, and the geographical markets are the secondary basis of segmentation.

Long-term assets in the business segment comprise the *Long-term assets*, used directly in the operations of the segment, including Intangible assets, *Tangible assets* and *Investments in associates.*

Revenue is distributed according to the customers' geographical location. In the geographical segment, assets are distributed according to their physical location.

Short-term assets in the business comprise the *Short-term assets* used directly in the operations of the segment, including *Inventories, Trade receivables, Other receivables, Prepayments* and *Cash and cash equivalents*.
Segment liabilities consist of liabilities deriving from the operations of the segment concerned, including *Trade payables* and *Other liabilities*.

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.

Financial highlights

Financial highlights are defined and calculated in accordance with the Danish Society of Financial Analysts' "Recommendations and Financial Ratios 2005".

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 the 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 creditors (exclusive of interest-bearing items).

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

Accounting policies of the parent company

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.

In previous years, the parent company's financial statements were presented in accordance with the provisions of IFRS as adopted by the EU. The cumulative effect on equity of the change to the Danish Financial Statements Act is DKK 5m, due to a change in residual values when calculating depreciation on real estate. The cumulative effect is recognised in the equity as of 1 January 2007 and the comparative figures have been adjusted accordingly.

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.

As a consequence of the transition to the Danish Financial Statements Act, the parent company has adjusted the presentation in the income statement based on the format requirements of the Danish Financial Statements Act to the company's main activity by presenting income from Group enterprises first in the income statement under revenue. The comparative figures for 2007 have been adjusted accordingly.

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 directly recognised in the parent company income statement.

Revenue

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 date of the approval in general meeting of the distribution from the said company. To the extent the dividend distributed exceeds the accumulated earnings after the date of acquisition, the dividend will not be recognised as dividend in the income statement but be recognised as a write down of the equity investment's cost.

Tangible assets

Depreciation takes place on a straight line basis over the estimated useful life of the assets until they reach the estimated residual value. Pursuant to IFRS compliance, 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.

Investments in subsidiaries and associates

Investments in subsidiaries and associates 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, dividend is recognised as a write-down of the investment's cost.

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.

Consolidated income statement

Notes	DKKm	2008	2007
3	Revenue	25,285	19,967
7	Production costs	19,664	15,695
	Gross profit	**5,621**	**4,272**
7	Sales and distribution costs	1,257	1,025
4+7	Administrative costs	1,579	1,216
5	Other operating income and costs	126	69
	Earnings before special non-recurring items, depreciation and amortisation (EBITDA)	**2,911**	**2,100**
9	Special non-recurring items	(107)	6
18	Depreciation and write-down of tangible assets	168	119
17	Amortisation and write-down of intangible assets	227	163
	Earnings before interest and tax (EBIT)	**2,409**	**1,824**
6	Financial income	1,474	1,031
6	Financial costs	1,760	978
	Earnings before tax of continuing activities (EBT)	**2,123**	**1,877**
10	Tax for the year, continuing activities	667	584
	Profit/loss for the year, continuing activities	**1,456**	**1,293**
1	Profit/loss for the year, discontinuing activities	59	1
	Profit/loss for the year	**1,515**	**1,294**
	To be distributed as follows:		
	FLSmidth & Co. A/S shareholders' share of profit/loss for the year	1,515	1,294
	Minority shareholders' share of profit/loss for the year	0	0
		1,515	**1,294**
36	Earnings per share (EPS)		
	Continuing and discontinuing activities	28.9	24.7
	Continuing and discontinuing activities, diluted	28.8	24.6
	Continuing activities	27.8	24.7
	Continuing activities, diluted	27.7	24.6
37	Income statement classified by function, depreciation and write-downs classified by function		

Consolidated cash flow statement

Notes	DKKm	2008	2007
	Earnings before special non-recurring items, depreciation and amortisation (EBITDA), continuing activities	2,911	2,100
	Earnings before special non-recurring items, depreciation and amortisation (EBITDA), discontinuing activities	44	(20)
	Earnings before special non-recurring items, depreciation and amortisation (EBITDA)	**2,955**	**2,080**
	Adjustment for profits/losses on sale of tangible assets and foreign exchange adjustments, etc.	(197)	(93)
	Adjusted earnings before special non-recurring items, depreciation and amortisation (EBITDA)	**2,758**	**1,987**
11	Change in provisions	36	113
12	Change in working capital	313	(254)
	Cash flow from operating activities before financial items and tax	**3,107**	**1,846**
13	Financial payments received and made	(119)	46
10	Corporation taxes paid	(664)	(399)
	Cash flow from operating activities	**2,324**	**1,493**
14	Acquisition of enterprises and activities	(208)	(3,615)
17	Acquisition of intangible assets	(158)	(62)
18	Acquisition of tangible assets	(627)	(386)
19	Acquisition of financial assets	(17)	(12)
15	Disposal of enterprises and activities	(2)	206
	Disposal of tangible assets	115	37
	Disposal of financial assets	26	19
	Cash flow from investing activities	**(871)**	**(3,813)**
	Dividend	(366)	(366)
	Acquisition of treasury shares	(12)	(16)
	Disposal of treasury shares	10	28
16	Change in other interest-bearing net receivables/(debt)	(1,121)	832
	Cash flow from financing activities	**(1,489)**	**478**
	Changes in cash and cash equivalents	**(36)**	**(1,842)**
24	Cash and cash equivalents at 1 January	957	2,766
	Foreign exchange adjustment of cash and cash equivalents 1 January	(137)	33
24	Cash and cash equivalents at 31 December	784	957

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

Consolidated balance sheet

Assets

Notes	DKKm	2008	2007
	Goodwill	3,263	3,191
	Patents and rights acquired	1,059	1,091
	Customer relations	893	914
	Other intangible assets	233	184
	Completed development projects	24	26
	Intangible assets in progress	50	19
17	**Intangible assets**	**5,522**	**5,425**
	Land and buildings	858	760
	Plant and machinery	547	477
	Operating equipment, fixtures and fittings	234	200
	Tangible assets in course of construction	256	109
18	**Tangible assets**	**1,895**	**1,546**
19	Investments in associates	3	4
19	Other securities and investments	38	58
19	Other financial assets	21	8
29	Pension assets	2	6
20	Deferred tax assets	774	752
	Financial assets	**838**	**828**
	Total non-current assets	**8,255**	**7,799**
21	**Inventories**	**1,802**	**1,463**
23	Trade receivables	5,063	4,939
22	Work-in-progress for third parties	3,501	3,072
23	Other receivables	946	1,070
	Prepayments	236	120
	Receivables	**9,746**	**9,201**
	Securities	**142**	**244**
24	**Cash and cash equivalents**	**784**	**957**
25	**Assets held for sale**	**8**	**8**
	Total current assets	**12,482**	**11,873**
	TOTAL ASSETS	**20,737**	**19,672**

Equity and liabilities

Notes	DKKm	2008	2007
	Share capital	1,064	1,064
	Foreign exchange adjustments regarding translation of investments	(271)	(24)
	Foreign exchange adjustments regarding hedging transactions	1	14
	Retained earnings	4,219	2,778
	Proposed dividend	0	372
	FLSmidth & Co. A/S shareholders' share of equity	**5,013**	**4,204**
	Minority interests' share of equity	**22**	**10**
	Total equity	**5,035**	**4,214**
20	Deferred tax liabilities	628	688
29	Pension liabilities	200	126
26	Other provisions	710	1,077
27	Mortgage debt	376	386
27	Bank loans	1,074	1,829
27	Finance lease commitments	8	10
27	Prepayments from customers	1,054	681
28	Other liabilities	53	29
	Long-term liabilities	**4,103**	**4,826**
	Mortgage debt	6	7
	Bank loans	86	481
	Finance lease commitments	2	3
	Prepayments from customers	2,899	3,178
22	Work-in-progress for third parties	3,323	2,206
	Trade payables	2,748	2,464
	Corporation tax payable	248	299
28	Other liabilities	1,106	1,259
26	Other provisions	1,142	699
	Deferred income	39	36
	Short-term liabilities	**11,599**	**10,632**
	Total liabilities	**15,702**	**15,458**
	TOTAL EQUITY AND LIABILITIES	**20,737**	**19,672**

Consolidated equity

DKKm	Share capital	Exchange rate adjustments re translation of investments	Exchange rate adjustments re hedging transactions	Retained earnings	Proposed dividend	FLSmidth & Co. A/S' shareholders' share	Minority interests share	Total
Equity at 1 January 2007	**1,064**	**(85)**	**(2)**	**1,839**	**372**	**3,188**	**4**	**3,192**
Total income for the year		61	16	1,281		1,358	6	1,364
Dividend paid					(366)	(366)		(366)
Dividend, treasury shares				6	(6)	0		0
Share-based payment, share options				10		10		10
Share-based payment, employee shares				2		2		2
Proposed dividend				(372)	372	0		0
Disposal of treasury shares				28		28		28
Acquisition of treasury shares				(16)		(16)		(16)
Equity at 31 December 2007	**1,064**	**(24)**	**14**	**2,778**	**372**	**4,204**	**10**	**4,214**
Total income for the year		(247)	(13)	1,424		1,164	12	1,176
Dividend paid					(367)	(367)		(367)
Dividend, treasury shares				5	(5)	0		0
Share-based payments, share options				14		14		14
Proposed dividend						0		0
Disposal of treasury shares				10		10		10
Acquisition of treasury shares				(12)		(12)		(12)
Equity at 31 December 2008	**1,064**	**(271)**	**1**	**4,219**	**0**	**5,013**	**22**	**5,035**

See the parent company equity page 94 regarding capital structure.

The total income for the year is specified as follows:	Share capital	Exchange rate adjustments re translation of investments	Exchange rate adjustments re hedging transactions	Retained earnings	Proposed dividend	FLSmidth & Co. A/S' shareholders' share	Minority interests share	Total
Exchange rate adjustments regarding translation of investments		61				61		61
Transferred to work-in-progress regarding hedging of purchase and sales orders			16			16		16
Additions and disposals of minority interests						0	6	6
Recognised actuarial gains and losses on defined benefit plans*				(25)		(25)		(25)
Value adjustment of securities available for sale, unrealised				(4)		(4)		(4)
Other equity adjustments				(4)		(4)		(4)
Tax on equity movements, net				20		20		20
Recognised directly in the equity	**0**	**61**	**16**	**(13)**	**0**	**64**	**6**	**70**
Profit/loss for the year				1,294		1,294		1,294
Total income for the year 2007	**0**	**61**	**16**	**1,281**	**0**	**1,358**	**6**	**1,364**
Exchange rate adjustments regarding translation of investments		(247)				(247)		(247)
Disposal (effective part) of hedging instruments recognised as:								
- Production costs			(14)			(14)		(14)
Disposal (ineffective part) of hedging instruments			1			1		1
Additions and disposals of minority interests						0	12	12
Recognised actuarial gains and losses on defined benefit plans*				(89)		(89)		(89)
Value adjustment of securities available for sale, realised				1		1		1
Value adjustment of securities available for sale, unrealised				(12)		(12)		(12)
Other equity adjustments				(34)		(34)		(34)
Tax on equity movements, net				43		43		43
Recognised directly in the equity	**0**	**(247)**	**(13)**	**(91)**	**0**	**(351)**	**12**	**(339)**
Profit/loss for the year				1,515		1,515		1,515
Total income for the year 2008	**0**	**(247)**	**(13)**	**1,424**	**0**	**1,164**	**12**	**1,176**

*At 31 December 2008 accumulated actuarial losses of DKK 218m have been recognised directly in the equity (at 31 December 2007: DKK 129m)

List of notes

Consolidated financial statements

Parent company financial statements

1. Breakdown of the Group by segments for 2008

DKKm	Cement	Minerals	Cembrit	Other companies etc.[1]	Continuing activities	Discon-tinuing activities[2]	FLSmidth Group
INCOME STATEMENT							
Denmark	52	1	426	0	479	0	479
Scandinavia exclusive of Denmark	24	127	220	0	371	1	372
Rest of Europe	2,529	906	737	0	4,172	23	4,195
Asia	5,233	2,021	0	0	7,254	14	7,268
North America	2,316	2,397	7	0	4,720	0	4,720
South America	1,023	2,492	0	0	3,515	4	3,519
Africa	2,360	1,205	0	0	3,565	0	3,565
Australia	51	1,158	0	0	1,209	0	1,209
External revenue	13,588	10,307	1,390	0	25,285	42	25,327
Internal revenue	120	163	0	(283)	0	0	0
Revenue	**13,708**	**10,470**	**1,390**	**(283)**	**25,285**	**42**	**25,327**
Production costs	10,782	8,181	985	(284)	19,664	11	19,675
Gross profit	**2,926**	**2,289**	**405**	**1**	**5,621**	**31**	**5,652**
Sales, distr. and admin. costs and other operating items	1,297	977	347	89	2,710	(13)	2,697
Earnings before special non-recurring items, depreciation and amortisation (EBITDA)	**1,629**	**1,312**	**58**	**(88)**	**2,911**	**44**	**2,955**
Special non-recurring items	0	(102)	1	(6)	(107)	5	(102)
Depreciation of tangible assets	81	52	64	3	200	0	200
Write-downs of tangible assets/(reversal)	0	0	(32)	0	(32)	0	(32)
Amortisation of intangible assets	27	198	2	0	227	0	227
Earnings before interest and tax (EBIT)	**1,521**	**960**	**25**	**(97)**	**2,409**	**49**	**2,458**
Earnings before interest and tax (EBIT) before the effect of purchase price allocations regarding GL&V Process	*1,521*	*1,238*	*25*	*(97)*	*2,687*	*49*	*2,736*
Net financial income and costs	(130)	(24)	(14)	(118)	(286)	7	(279)
Earnings before tax (EBT)	**1,391**	**936**	**11**	**(215)**	**2,123**	**56**	**2,179**
Tax for the year	377	324	(81)	47	667	(3)	664
Profit/loss for the year	**1,014**	**612**	**92**	**(262)**	**1,456**	**59**	**1,515**
CASH FLOW							
Cash flow from operating activities	**1,803**	**724**	**(70)**	**(93)**	**2,364**	**(40)**	**2,324**
Acquisition and disposal of enterprises and activities	(27)	(179)	(2)	(2)	(210)	0	(210)
Acquisition of tangible assets	(168)	(155)	(218)	(86)	(627)	0	(627)
Other investments, net	(347)	219	1	92	(35)	1	(34)
Cash flow from investing activities	**(542)**	**(115)**	**(219)**	**4**	**(872)**	**1**	**(871)**
Cash flow from operating and investing activities	**1,261**	**609**	**(289)**	**(89)**	**1,492**	**(39)**	**1,453**
Cash flow from financing activities	**(1,117)**	**(17)**	**196**	**(721)**	**(1,659)**	**170**	**(1,489)**
WORKING CAPITAL	**(1,292)**	**1,106**	**310**	**12**	**136**	**71**	**207**
NET INTEREST-BEARING RECEIVABLES/(DEBT)	**286**	**23**	**(409)**	**(602)**	**(702)**	**128**	**(574)**
ORDER INTAKE (GROSS)	**15,721**	**14,730**	**n/a**	**(275)**	**30,176**	**3**	**30,179**
ORDER BACKLOG	**18,565**	**12,606**	**n/a**	**(711)**	**30,460**	**25**	**30,485**
BALANCE SHEET							
Intangible assets	485	4,964	55	18	5,522		5,522
Tangible assets	653	400	672	170	1,895		1,895
Financial assets	395	209	114	120	838		838
Current assets	12,151	7,447	786	(7,910)	12,474		12,474
Assets held for sale	8	0	0	0	8		8
Total assets	**13,692**	**13,020**	**1,627**	**(7,602)**	**20,737**		**20,737**
Equity	1,476	5,515	349	(2,305)	5,035		5,035
Liabilities	12,216	7,505	1,278	(5,297)	15,702		15,702
Total equity and liabilities	**13,692**	**13,020**	**1,627**	**(7,602)**	**20,737**		**20,737**
FINANCIAL RATIOS							
Contribution ratio	*21.3%*	*21.9%*	*29.1%*	*n/a*	*22.2%*	*n/a*	*22.3%*
EBITDA ratio	*11.9%*	*12.5%*	*4.2%*	*n/a*	*11.5%*	*n/a*	*11.7%*
EBIT ratio	*11.1%*	*9.2%*	*1.8%*	*n/a*	*9.5%*	*n/a*	*9.7%*
EBIT ratio before the effect of purchase price allocations regarding GL&V Process	*11.1%*	*11.8%*	*1.8%*	*n/a*	*10.6%*	*n/a*	*10.8%*
EBT ratio	*10.1%*	*8.9%*	*0.8%*	*n/a*	*8.4%*	*n/a*	*8.6%*
Number of employees, 31 December	**6,223**	**4,060**	**1,223**	**3**	**11,509**	**1**	**11,510**

1) Other companies etc. consist of companies with no activities, real estate companies, eliminations and the parent company.

2) Discontinuing activities consist of activities for which it has been announced that they are discontinued or are being discontinued in the Group and where closure has been initiated. Discontinuing activities consist of run-off on activities sold in previous years.

1. Breakdown of the Group by segments for 2007

DKKm	Cement	Minerals	Cembrit	Other companies etc.[1]	Continuing activities	Discon-tinuing activities[2]	FLSmidth Group
INCOME STATEMENT							
Denmark	67	3	433	38	541	1	542
Scandinavia exclusive of Denmark	56	137	207	20	420	0	420
Rest of Europe	1,120	617	770	56	2,563	52	2,615
Asia	4,566	1,414	0	16	5,996	42	6,038
North America	2,803	1,446	9	6	4,264	0	4,264
South America	500	1,190	0	2	1,692	6	1,698
Africa	2,937	969	0	1	3,907	1	3,908
Australia	29	551	0	4	584	1	585
External revenue	12,078	6,327	1,419	143	19,967	103	20,070
Internal revenue	132	103	0	(235)	0	0	0
Revenue	**12,210**	**6,430**	**1,419**	**(92)**	**19,967**	**103**	**20,070**
Production costs	9,865	5,054	945	(169)	15,695	93	15,788
Gross profit	**2,345**	**1,376**	**474**	**77**	**4,272**	**10**	**4,282**
Sales, distr. and admin. costs and other operating items	1,130	629	337	76	2,172	30	2,202
Earnings before special non-recurring items, depreciation and amortisation (EBITDA)	**1,215**	**747**	**137**	**1**	**2,100**	**(20)**	**2,080**
Special non-recurring items	0	(63)	0	69	6	63	69
Depreciation of tangible assets	64	37	49	5	155	4	159
Write-downs of tangible assets/(reversal)	0	0	(36)	0	(36)	52	16
Amortisation of intangible assets	67	94	0	2	163	0	163
Earnings before interest and tax (EBIT)	**1,084**	**553**	**124**	**63**	**1,824**	**(13)**	**1,811**
Earnings before interest and tax (EBIT) before the effect of purchase price allocations regarding GL&V Process	*1,084*	*696*	*124*	*63*	*1,967*	*(13)*	*1,954*
Net financial income and costs	92	(99)	(17)	77	53	12	65
Earnings before tax (EBT)	**1,176**	**454**	**107**	**140**	**1,877**	**(1)**	**1,876**
Tax for the year	371	179	10	24	584	(2)	582
Profit/loss for the year	**805**	**275**	**97**	**116**	**1,293**	**1**	**1,294**
CASH FLOW							
Cash flow from operating activities	**1,184**	**180**	**55**	**31**	**1,450**	**43**	**1,493**
Acquisition and disposal of enterprises and activities	(13)	(3,602)	0	121	(3,494)	85	(3,409)
Acquisition of tangible assets	(188)	(77)	(107)	(14)	(386)	0	(386)
Other investments, net	(44)	2	(2)	26	(18)	0	(18)
Cash flow from investing activities	**(245)**	**(3,677)**	**(109)**	**133**	**(3,898)**	**85**	**(3,813)**
Cash flow from operating and investing activities	**939**	**(3,497)**	**(54)**	**164**	**(2,448)**	**128**	**(2,320)**
Cash flow from financing activities	**(454)**	**5,201**	**72**	**(4,304)**	**515**	**(37)**	**478**
WORKING CAPITAL	**(736)**	**1,028**	**226**	**96**	**614**	**51**	**665**
NET INTEREST-BEARING RECEIVABLES/(DEBT)	**3,102**	**(381)**	**(128)**	**(4,397)**	**(1,804)**	**221**	**(1,583)**
ORDER INTAKE (GROSS)	**15,789**	**8,543**	**n/a**	**(271)**	**24,061**	**70**	**24,131**
ORDER BACKLOG	**17,265**	**8,777**	**n/a**	**(730)**	**25,312**	**49**	**25,361**
BALANCE SHEET							
Intangible assets	124	5,240	53	8	5,425		5,425
Tangible assets	598	318	477	153	1,546		1,546
Financial assets	464	136	46	182	828		828
Current assets	10,240	6,830	804	(6,009)	11,865		11,865
Assets held for sale	8	0	0	0	8		8
Total assets	**11,434**	**12,524**	**1,380**	**(5,666)**	**19,672**		**19,672**
Equity	2,488	5,301	269	(3,844)	4,214		4,214
Liabilities	8,946	7,223	1,111	(1,822)	15,458		15,458
Total equity and liabilities	**11,434**	**12,524**	**1,380**	**(5,666)**	**19,672**		**19,672**
FINANCIAL RATIOS							
Contribution ratio	*19.2%*	*21.4%*	*33.4%*	*n/a*	*21.4%*	*n/a*	*21.3%*
EBITDA ratio	*10.0%*	*11.6%*	*9.7%*	*n/a*	*10.5%*	*n/a*	*10.4%*
EBIT ratio	*8.9%*	*8.6%*	*8.7%*	*n/a*	*9.1%*	*n/a*	*9.0%*
EBIT ratio before the effect of purchase price allocations regarding GL&V Process	*8.9%*	*10.8%*	*8.7%*	*n/a*	*9.9%*	*n/a*	*9.7%*
EBT ratio	*9.6%*	*7.1%*	*7.5%*	*n/a*	*9.4%*	*n/a*	*9.3%*
Number of employees, 31 December	**4,975**	**3,290**	**1,098**	**3**	**9,366**	**11**	**9,377**

1) Other companies etc. consist of Densit, companies with no activities, real estate companies, eliminations and the parent company.
2) Discontinuing activities consist of activities for which it has been announced that they are discontinued or are being discontinued in the Group and where closure has been initiated. Discontinuing activities consist of the turbo and machine activities in MAAG Gear and run-off on activities sold on previous years.

2. Segment reporting, geographical

DKKm	2008	2007
Revenue		
Denmark	479	541
Rest of Scandinavia	371	420
Rest of Europe	4,172	2,563
Asia	7,254	5,996
North America	4,720	4,264
South America	3,515	1,692
Africa	3,565	3,907
Australia	1,209	584
	25,285	**19,967**
Assets		
Denmark	4,597	6,085
Rest of Scandinavia	61	92
Rest of Europe	4,949	3,599
Asia	1,025	1,356
North America	8,651	7,456
South America	489	327
Africa	446	392
Australia	519	365
	20,737	**19,672**
Capital expenditures		
Denmark	237	110
Rest of Scandinavia	1	2
Rest of Europe	270	143
Asia	90	111
North America	135	78
South America	37	4
Africa	17	4
Australia	17	8
	804	**460**

3. Revenue

DKKm	2008	2007
Project and product sales	18,535	14,470
Sales of parts and services	5,360	3,929
Building materials	1.390	1,568
	25,285	**19,967**
Income recognition criteria		
Income recognised when invoiced	6,671	6,853
Income recognised according to the percentage-of-completion method	18,614	13,114
	25,285	**19,967**

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

DKKm	2008	2007
Deloitte		
Auditing	19	16
Other services	15	38
	34	**54**

Other services consist of due diligence in connection with company acquisitions (2007) and other assistance in accounting and tax matters.

5. Other operating income and costs

DKKm	2008	2007
Other operating income		
Government subsidies and other grants	8	6
Rent income	17	15
Royalties, etc.	24	25
Profit on disposal of tangible assets	38	31
Other income	86	31
	173	**108**
Other operating costs		
Losses on disposal of tangible assets	4	3
Royalties, etc.	4	3
Other costs	39	33
	47	**39**
Total other operating income and costs	**126**	**69**

The profit on disposal of tangible assets includes the profit from the sale of real property in Aalborg at DKK 30m (2007: DKK 21m) and sale of an office building in Canada at DKK 5m. Other income consists of income deriving from secondary activities in the form of fees, etc.

6. Financial income and costs

DKKm	2008	2007
Financial income		
Interest income from banks and receivables	58	92
Interest income from financial assets measured at fair value via the income statement	16	18
Capital gains from derivative financial instruments	131	146
Foreign exchange gains	1,244	746
Other financial income	25	29
	1,474	**1,031**
Financial costs		
Interest payable on bank and mortgage debt	111	75
Capital losses on derivative financial instruments	296	8
Foreign exchange losses	1,314	868
Other financial costs	39	27
	1,760	**978**

7. Staff costs

DKKm	2008	2007
Wages and salaries and fees	3,068	2,328
Pension contributions and social security costs, etc.	400	300
Share-based payment, option plans	14	10
Share-based payment, employee share plan	0	2
Other staff costs	233	242
	3,715	**2,882**
The amounts are included in the items:		
Production costs	2,223	1,709
Sales and distribution costs	703	523
Administrative costs	789	650
	3,715	**2,882**
For further details concerning the remuneration of the Management and Board of Directors, see note 38 regarding related parties		
Number of employees at 31 December	**11,509**	**9,366**

8. Share-based payment

Share options
The Management and a number of key employees in the Group have been granted options to purchase 572,800 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.

Equity-settled plans (Plan 2003-2005 and plan 2006-2008)
The share option plans for 2003-2005 and 2006-2008 are equity-settled share-based payment plans. 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	**Management**	**Key staff**	**Total**
Outstanding options 1 January 2007	126,000	480,000	606,000
Exercised 2005 plan		(240,000)	(240,000)
Allocated for 2007 (issued 22 August 2007)	24,800	120,700	145,500
Outstanding options 31 December 2007	150,800	360,700	511,500
Exercised of 2004 plan	(20,000)		(20,000)
Exercised of 2005 plan	(10,000)	(10,000)	(20,000)
Exercised of 2006 plan		(10,000)	(10,000)
Exercised of 2007 plan		(2,600)	(2,600)
Lapsed		(15,200)	(15,200)
Allocated for 2008 (issued 21 August 2008)	20,150	108,950	129,100
Outstanding options 31 December 2008	**140,950**	**431,850**	**572,800**
Number of options that are exercisable at 31 December 2008	60,000	60,000	120,000
Total fair value of outstanding options DKKm			
At 31 December 2008	10	27	37
At 31 December 2007	55	109	164

DKK	**2008**	**2007**
Average weighted fair value per option	64.11	320.78
Average weighted strike price per option	298.64	229.44
Average price per share at the time of exercising the option	483.80	394.66

In 2008, the recognised fair value of share options in the consolidated income statement amounts to DKK 14m (2007: DKK 10m).

The calculation of average weighted fair value and strike price per option is based on a dividend of DKK 0 (2007: DKK 7) per annum in the exercise period.

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

Year of allocation	**Strike price**	**Exercise period**	**Allocated**	**Lapsed**	**Exercised**	**Not exercised**
2004	59.92	2007-2008	500,000	(20,000)	(480,000)	0
2005	95.27	2008-2009	380,000	0	(260,000)	120,000
	100.98	2009-2010				
	107.04	2010-2011				
2006	216.00	2009-2010	206,000	(10,000)	(10,000)	186,000
	216.00	2010-2011				
	216.00	2011-2012				
2007	448.00	2010-2011	145,500	(5,200)	(2,600)	137,700
	448.00	2011-2012				
	448.00	2012-2013				
2008	442.00	2011-2012	129,100	0	0	129,100
	442.00	2012-2013				
	442.00	2013-2014				

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 2008	**Allocated in 2007**
Average price per share	442.00	455.00
Strike price per share	442.00	455.00
Expected volatility	40.56%	26,15%
Expected life	4 1/2 years	4 1/2 years
Expected dividend per share	DKK 7	DKK 3
Risk-free interest rate	5.0%	4.4%
Number of share options allocated	129,100	145,500
Fair value per option, DKK	170.32	135.60
Total fair value, DKKm	22	20

The expected volatility is based on the historical volatility (calculated as the weighted average residual life of share options allocated) adjusted for expected changes due to publically available information.

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.

Cash-settled plan (1998-1999)
The share option plan for 1998-1999 is categorised as a cash-settled plan as it entitles employees to choose differential settlement in cash. The value of options calculated according to the Black-Scholes model is recognised in the income statement under *Financial items* and a provision is made in the balance sheet under *Other payables*. The amount is adjusted for actual exercise value. The year's cost amounted to DKK -4m (2007: DKK -1m).

Specification of outstanding options:

Number of options	**Management**	**Key staff**	**Total**
Options allocated 1 January 2007	0	42,083	42,083
Exercised	0	(7,729)	(7,729)
Lapsed	0	(17,152)	(17,152)
Outstanding options 31 December 2007	0	17,202	17,202
Exercised		(8,061)	(8,061)
Lapsed		(9,141)	(9,141)
Outstanding options 31 December 2008	**0**	**0**	**0**
Number of options that are exercisable at 31 December 2008	0	0	0
Total fair value of outstanding options DKKm			
At 31 December 2008	0	0	0
At 31 December 2007	0	7	7

DKK per option	**2008**	**2007**
Average weighted fair value per option	0,0	381.96
Average weighted strike price per option	0,0	139.00
Average price per share at the time of exercising the option	451.68	456.71

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

Year of allocation	**Strike price**	**Exercise period**	**Allocated**	**Lapsed**	**Exercised**	**Not exercised**
1998	135	2002-2007	236,797	(58,295)	(178,502)	0
1999	139	2003-2008	152,580	(45,974)	(106,606)	0

9. Special non-recurring items

DKKm	2008	2007
Recognised negative goodwill	1	5
Run-off on purchase price allocations to inventories in connection with business acquisitions	(102)	(68)
Profit/(loss) from disposal of enterprises and activities	(6)	69
	(107)	**6**

In connection with the acquisition of enterprises, fair value adjustments of inventories and work-in-progress are made. 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. Income recognition in 2008 and 2007 consists primarily of fair value adjustment regarding the acquisition of GL&V Process. For a statement of profit/loss from disposal of enterprises and activities, please see note 15.

10. Tax for the year

DKKm	2008	2007
Tax for the year		
Current tax on the profit/loss for the year	643	419
Withholding taxes	47	15
Deferred tax adjustments	28	50
Adjustment of tax rate on deferred tax	3	60
Adjustments regarding previous years, deferred taxes	(19)	28
Adjustments regarding previous years, permanent taxes	(49)	(4)
Other adjustments	14	16
Tax for the year on continuing activities	**667**	**584**
Earnings before tax of continuing activities	2,123	1,877
Earnings before tax of discontinuing activities	56	(1)
	2,179	**1,876**
Reconciliation of tax		
Tax according to Danish tax rate	531	469
Variance in the tax rates in non-Danish subsidiaries relative to 25%	83	121
Non-taxable income and non-deductible costs	14	(9)
Primary dividend taxes	(1)	(30)
Non-taxable profits from sale of assets	2	(13)
Acquisition costs written off immediately	9	(11)
Variance in tax assets valued at nil	33	(58)
Variance due to adjustment of tax rate	3	60
Adjustments regarding previous years, deferred tax	(19)	28
Adjustments regarding previous years, permanent taxes	(49)	(4)
Withholding taxes	47	15
Other adjustments	14	16
	667	**584**

Tax paid in 2008 amounts to DKK 690m (2007: DKK 399m).

11. Change in provisions

DKKm	2008	2007
Pensions and similar obligations	(44)	(23)
Other provisions	80	136
	36	**113**

12. Change in working capital

DKKm	2008	2007
Inventories	(405)	(209)
Trade receivables	(616)	(2,224)
Work-in-progress and prepayments	903	1,193
Trade payables	554	1,026
Change in other receivables and other payables	(123)	(40)
	313	**(254)**

13. Financial payments received and made

DKKm	2008	2007
Financial payments received	1.406	1,014
Financial payments made	(1,525)	(968)
	(119)	**46**

14. Acquisition of enterprises and activities in 2008

Name of enterprise acquired	Primary activity	Acquisition date	Share acquired	Voting share acquired	Ownership interest	Voting share
GL&V Process	Minerals	10 August 2007	100%	100%	100%	100%
Pneumapress Filter Corporation	Minerals	15 May 2008	100%	100%	100%	100%
Dawson Metallurgical Laboratories (acquisition of net assets)	Minerals	4 August 2008	-	-	-	-
CEntry (acquisition of net assets)	Minerals	1 October 2008	-	-	-	-
FLS Automation Italy	Cement	15 December 2008	40%	40%	100%	100%
Eternit South Eastern Europe Holding GmbH	Cembrit	21 April 2008	50%	50%	100%	100%
Cembrit Pro-Tile	Cembrit	1 May 2008	51%	51%	51%	51%
Cembrit SpA	Cembrit	12 November 2008	67%	67%	67%	67%

DKKm	**GL&V Process**			**Other**			**Total**
	Fair value adjusted opening balance sheet (31 Dec. 2007)	**Adjustments at fair value adjusted in 2008**	**Fair value adjusted opening balance sheet**	**Carrying amount before adjustment**	**Adjustments at fair value**	**Fair value adjusted opening balance sheet**	**Addition fair value adjusted opening balance sheet 2008**
Completed development projects	5	-	5	-	-	-	-
Patents and rights acquired	1,058	-	1,058	17	-	17	17
Customer relations	926	-	926	4	40	44	44
Other intangible assets	124	-	124	1	29	30	30
Tangible assets	86	-	86	27	-	27	27
Financial assets, including deferred tax	71	-	71	5	-	5	5
Inventories	459		459	7	8	15	15
Receivables	1,095	(5)	1,090	42	-	42	37
Cash and cash equivalents	1,562		1,562	27	-	27	27
Minority interests	-	-	-	(12)	-	(12)	(12)
Provisions including deferred tax	(800)	(13)	(813)	(11)	(9)	(20)	(33)
Loans	(1,758)		(1,758)	(12)	-	(12)	(12)
Other liabilities	(810)	(41)	(851)	(24)	-	(24)	(65)
Net assets	**2,018**	**(59)**	**1,959**	**71**	**68**	**139**	**80**
Goodwill	3,004	(23)	2,981			97	74
Recognised negative goodwill	0	0	-			(1)	(1)
Cost	**5,022**	**(82)**	**4,940**			**235**	**153**
Cash and cash equivalents acquired	(1,562)	0	(1,562)			(27)	(27)
Net cash effect, acquisitions	**3,460**	**(82)**	**3,378**			**208**	**126**
Specification of net cash effect:							
Purchase price	3,385	(82)	3,303			208	126
Direct acquisition costs	75	0	75			0	0
Net cash effect	**3,460**	**(82)**	**3,378**			**208**	**126**

GL&V Process (FLSmidth Dorr-Oliver Eimco and FLSmidth Krebs)
Groupe Lapièrre & Verreault Inc. (GL&V Process) was acquired in August 2007 and reference is made to the comparative figures in this note for further details regarding this acquisition. In 2008, the fair value adjustment of the opening balance sheet was finalised, resulting in the above net adjustments of DKK 82m.

Pneumapress Filter Corporation
Based in the USA, Pneumapress is a member of the FLSmidth & Co. Group and is included in the Minerals segment, as a provider of separation technology for the metal and mineral industries. The activities are consolidated as at 15 May 2008. Non-allocated purchase price amounts to DKK 49m and is recognised as goodwill expressing anticipated synergies. The activities are included in the consolidated financial statements with a revenue of DKK 23m and earnings after tax of DKK 2m.

Dawson Metallurgical Laboratories
Based in the USA, Dawson is a member of the FLSmidth & Co. Group and is included in the Minerals segment, as a provider of separation technology for the metal and mineral industries. The activities are consolidated as at 4 August 2008. Non-allocated purchase price amounts to DKK 2m and is recognised as goodwill representing anticipated synergies. The activities are included in the consolidated financial statements with a revenue of DKK 6m and earnings after tax of DKK 0m.

CEntry (FLSmidth CEntry)
Based in the USA, CEntry is a member of the FLSmidth & Co. Group and is included in the Minerals segment, as a provider of separation technology for the metal and mineral industries. The activities are consolidated as at 1 October 2008. Non-allocated purchase price amounts to DKK 34m and is recognised as goodwill representing anticipated synergies. The activities are included in the consolidated financial statements with a revenue of DKK 21m and earnings after tax of DKK -2m.

FLS Automation Italy
Based in Italy, FLS Automation Italy is a member of the FLSmidth & Co. Group and is included in its Cement segment, as a provider electrical systems, etc. Since the Group acquired a controlling interest in the company in 2007, it has been fully consolidated in the financial statements. No purchase price allocation took place in connection with the acquisition of additional interests in 2008, because in the Group's opinion the book values express the market value of identifiable assets and liabilities. Goodwill amounting to DKK 9m has been recognised, representing anticipated synergies. The company is included in the consolidated financial statements with a revenue of DKK 6m and earnings after tax of DKK 0m.

Eternit South Eastern Europe Holding GmbH
Based in Austria, Eternit South Eastern Europe Holding GmbH is a member of the FLSmidth & Co. Group and is a production unit in the Cembrit segment. Until now the company has been 50 percent owned and consolidated pro rata. After the acquisition of the remaining 50 percent, the company has been fully consolidated in the financial statements. No purchase price allocation took place in connection with the acquisition of the remaining 50 percent of the companies assets and liabilities, because in the Group's opinion the book values express the market value of identifiable assets and liabilities. Goodwill amounting to DKK 3m has been recognised, representing anticipated synergies. The company is included in the consolidated financial statements with a revenue of DKK 45m and earnings after tax of DKK -19m.

Cembrit Pro-Tile
Based in Belgium, Cembrit CZ is a member of the FLSmidth & Co. Group and is a sales unit in the Cembrit segment. The company has been consolidated with effect from 1 May 2008. No purchase price allocation took place in connection with the acquisition, because in the Group's opinion the book values express the market values of identifiable assets and liabilities. The company is included in the consolidated financial statements with a revenue of DKK 21m and earnings after tax of DKK 0m.

Cembrit SpA
Based in Italy, Cembrit SpA is a member of the FLSmidth & Co. Group and is a production unit in the Cembrit segment. The company was consolidated as at 12 November 2008. No purchase price allocation took place in connection with the recognition, because in the Group's opinion the book values express the market value of identifiable assets and liabilities. The company is included in the consolidated financial statements with a revenue of DKK 8m and earnings after tax of DKK 0m.

Revenue and earnings on a full-year basis
If the enterprises acquired in 2008 had been consolidated at 1 January 2008, the revenue and the earnings after tax of these enterprises and activities would have been included in the consolidated financial statements at DKK 299m and DKK -20m, respectively.

14. Acquisition of enterprises and activities in 2007

Name of undertaking acquired	Primary activity	Acquisition date	Share acquired	Voting share acquired	Ownership interest	Voting share
GL&V Process	Minerals	10 August 2007	100%	100%	100%	100%
KOCH Transporttechnik	Minerals	1 January 2007	100%	100%	100%	100%
RAHCO International Inc.	Mineraler	2 April 2007	100%	100%	100%	100%
FLS Automation Italy	Cement	1 July 2007	20%	60%	60%	60%
Autec Spol. S.r.o.	Cement	9 November 2007	65%	65%	100%	100%
Cembrit CZ	Cembrit	31 January 2007	5%	5%	96%	96%

DKKm	GL&V Process			Other			Total
	Carrying amount before adjustment	Adjustments at fair value	Fair value adjusted opening balance sheet	Carrying amount before adjustment	Adjustments at fair value	Fair value adjusted opening balance sheet	Addition fair value adjusted opening balance sheet 2007
Completed development projects	5	-	5	-	-	-	5
Patents and rights acquired	697	361	1,058	5	52	57	1,115
Customer relations	-	926	926	-	5	5	931
Other intangible assets	-	124	124	-	4	4	128
Tangible assets	86	-	86	20	1	21	107
Financial assets,including deferred tax	71	-	71	-	-	-	71
Inventories	298	161	459	13	6	19	478
Receivables	1,095	-	1,095	34	-	34	1,129
Cash and cash equivalents	1,562	-	1,562	13	-	13	1,575
Minority interests	-	-	-	(6)	-	(6)	(6)
Provisions,including deferred tax	(246)	(554)	(800)	(9)	(6)	(15)	815)
Loans	(1,758)	-	(1,758)	(5)	-	(5)	(1,763)
Other liabilities	(810)	-	(810)	(15)	-	(15)	(825)
Net assets	**1,000**	**1,018**	**2,018**	**50**	**62**	**112**	**2,130**
Goodwill			3,004			64	3,068
Recognised negative goodwill			-			(5)	(5)
Equity transferred from investments in associates			-			(3)	(3)
Cost			**5,022**			**168**	**5,190**
Cash and cash equivalents acquired			(1,562)			(13)	(1,575)
Net cash effect, acquisitions			**3,460**			**155**	**3,615**
Specification of net cash effect:							
Purchase price			3,385			155	3,540
Direct purchase costs			75			0	75
Net cash effect			**3,460**			**155**	**3,615**

GL&V Process (FLSmidth Dorr-Oliver Eimco and FLSmidth Krebs)
Groupe Lapièrre & Verreault Inc. (GL&V Process) is a member of the FLSmidth & Co. Group and is included in its Minerals segment, as a provider of separation technology for the metal and minerals industries. GL&V Process consists of the companies Dorr-Oliver Eimco and Krebs Engineers. GL&V Process was consolidated effective 10 August 2007. Adjustments of intangible assets at fair value consist of customer relations, trade marks, technology, order backlog and inventories. Non-allocated purchase price amounting to DKK 3,004m is recognised as goodwill and represents expected sales and cost synergies. The GL&V Process business is included in the consolidated financial statements with a revenue of DKK 1,199m and earnings after tax of DKK -129m.

KOCH Transporttechnik (FLSmidth KOCH)
Based in Germany KOCH Transporttechnik is a member of the FLSmidth & Co. Group and is included in its Minerals segment, as a provider of material handling systems. The company was consolidated effective 1 January 2007. Goodwill after fair value adjustments amounts to DKK -5m which is recognised under special non-recurring items. The company is included in the consolidated financial statements with a revenue of DKK 486m and earnings after tax of DKK -22m.

RAHCO International Inc. (FLSmidth RAHCO)
Based in the USA RAHCO International Inc. is a member of the FLSmidth & Co. Group and is included in its Minerals segment, as a provider of materials handling systems. The company was consolidated effective 2 April 2007. Non-allocated acquisition price amounting to DKK 51m is recognised as goodwill and represents expected synergies. The company is included in the consolidated financial statements with a revenue of DKK 214m and earnings after tax of DKK 23m.

FLS Automation Italy
Based in Italy, FLS Automation Italy is a member of the FLSmidth & Co. Group and is included in its Cement segment, as a provider of electrical systems, etc. The company has until now been recognised as an associate, and following the acquisition it is fully consolidated in the financial statements. No purchase price allocation has taken place when consolidating the assets and liabilities, because in the Group's opinion the book values express the market value of identifiable assets and liabilities. The company is included in the consolidated financial statements with a revenue of DKK 6m and earnings after tax of DKK -2m.

Autec Spol. S.r.o.
Based in the Czech Republic, Autec Spol. S.r.o. is a member of the FLSmidth & Co. Group and is included in its Cement segment, as a provider of electrical systems, etc. The company has until now been recognised as an associate, and following the acquisition it is fully consolidated in the financial statements. No purchase price allocation has taken place when consolidating the assets and liabilities, because in the Group's opinion the book values express the market value of identifiable assets and liabilities. The company is included in the consolidated financial statements with a revenue of DKK 0m and earnings after tax of DKK -3m.

Cembrit CZ
Based in the Czech Republic, Cembrit CZ is a member of the FLSmidth & Co. Group and is a production unit in the Cembrit Holding segment.The acquisition consists of a unilateral capital increase by Cembrit Holding. The capital increase has raised goodwill by DKK 5m. The company is included in the consolidated financial statements with a revenue of DKK 127m and earnings after tax of DKK 24m.

Revenue and earnings on a full-year basis
If the enterprises acquired in 2007 had been consolidated at 1 January 2007, the revenue and the earnings after tax of these enterprises would have been included in the consolidated financial statements at DKK 3,900m and DKK -200m, respectively.

Other activities
Eternit South Eastern Europe Holding GmbH, which is a member of the FLSmidth & Co. Group and is a production unit in the Cembrit segment was included proportionately at 50% in the consolidated financial statements for 2006. Since the company's opening balance sheet was provisional at the time of presenting the financial statements, in the 2007 financial year some minor adjustments were made in the opening balance sheet. No goodwill has been included.

15. Disposal and discontinuation of enterprises and activities

DKKm	2008	2007
Intangible assets	-	2
Tangible assets	-	28
Financial assets	-	1
Inventories	-	18
Receivables	-	69
Cash and cash equivalents	-	4
Liabilities	-	(48)
Net assets	**-**	**74**
Profit/(loss) on disposal of enterprises and activities	**(2)**	**132**
Sales amount in cash	**(2)**	**206**
Profit on disposal of enterprises and activities	**-**	**136**
Loss on disposal of enterprises and activities	**-**	**(4)**
Profit/(loss) adjustment for disposals in previous years	**(2)**	**0**
Effect on income statement	**(2)**	**132**

Profit/loss on disposal of enterprises and activities shown in the income statement is stated at the average rate of exchange and cannot therefore be directly reconciled. Profit and loss on disposal of enterprises and activities is not subject to tax. Tax for the year is affected by the dissolution of tax items regarding disposal of enterprises which have previously been recognised in equity.

Profit and loss on disposal of enterprises and activities is included in both continuing and discontinuing activities.

16. Changes in net interest-bearing receivables/(debt)

DKKm	2008	2007
Net interest-bearing receivables/(debt), 1 January	(1,583)	2,847
Addition of Group enterprises	134	(249)
Disposal of Group enterprises	0	4
Changes in interest-bearing cash and cash equivalents	(36)	(1,842)
Changes in other interest-bearing receivables/(debt)	1,121	(2,302)
Exchange rate adjustments, etc.	(210)	(41)
Net interest-bearing receivables/(debt), 31 December	**(574)**	**(1,583)**

17. Intangible assets

DKKm	Goodwill	Patents and rights acquired	Customer relations	Other intangible assets	Completed development projects	Intangible assets in progress	Total
Cost at 1 January 2008	3,193	1,146	930	384	68	19	5,740
Exchange rate adjustments	2	0	0	1	1	0	4
Acquisition of Group enterprises	75	17	43	29	0	0	164
Additions	1	2	0	38	0	119	160
Disposals	0	0	0	0	(10)	0	(10)
Other adjustments	0	(82)	0	85	4	(88)	(81)
Cost at 31 December 2008	**3,271**	**1,083**	**973**	**537**	**63**	**50**	**5,977**
Amortisation and write-downs at 1 January 2008	2	55	16	200	42		315
Exchange rate adjustments	6	(1)	0	(1)	1		5
Disposals	0	0	0	0	(11)		(11)
Annual amortisation	0	51	64	105	7		227
Other adjustments	0	(81)	0	0	0		(81)
Amortisation and write-downs at 31 December 2008	**8**	**24**	**80**	**304**	**39**		**455**
Book value at 31 December 2008	**3,263**	**1,059**	**893**	**233**	**24**	**50**	**5,522**

DKKm	Goodwill	Patents and rights acquired	Customer relations	Other intangible assets	Completed development projects	Intangible assets in progress	Total
Cost at 1 January 2007	138	33	0	188	66	47	472
Exchange rate adjustments	(17)	(2)	(1)	(4)	(1)	0	(25)
Acquisition of Group enterprises	3,068	1,115	931	116	5	12	5,247
Disposal of Group enterprises	0	(1)	0	(2)	(5)	0	(8)
Additions	8	1	0	30	6	17	62
Disposals	(19)	0	0	0	(3)	0	(22)
Other adjustments	15	0	0	56	0	(57)	14
Cost at 31 December 2007	**3,193**	**1,146**	**930**	**384**	**68**	**19**	**5,740**
Amortisation and write-downs at 1 January 2007	7	27	0	92	37		163
Exchange rate adjustments	0	3	0	0	0		3
Disposal of Group enterprises	0	(1)	0	(2)	(3)		(6)
Disposals	(19)	0	0	0	(3)		(22)
Annual amortisation	0	26	16	110	11		163
Other adjustments	14	0	0	0	0		14
Amortisation and write-downs at 31 December 2007	**2**	**55**	**16**	**200**	**42**		**315**
Book value at 31 December 2007	**3,191**	**1,091**	**914**	**184**	**26**	**19**	**5,425**

Amortisation and write-downs in the income statement are stated at the average rates of exchange and cannot therefore 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 37.

For acquisition of Group enterprises, see Note 14. Translation of acquisitions to DKK, cf. Note 14, is stated at the transaction date exchange rate and cannot, therefore, be directly reconciled with the fixed asset note above in which acquisitions are stated at year-end exchange rates.

Much of the knowledge generated in the Group is based on the work performed for customers. In 2008, the Group's research and development costs totalled DKK 268m (2007: DKK 210m). As these costs mainly relate to improvements of already existing products, capitalised development costs merely account for a total of DKK 37m (2007: DKK 13m) in respect of development projects. The total addition of intangible assets includes internal capitalisation at DKK 119m (2007: DKK 19m).

The Group's capitalised goodwill from acquisition of enterprises and activities is allocated by the Group management to the cash generating units in connection with recognition. Goodwill is tested for impairment at least once a year.

Value in use as an expression of the recoverable amount is calculated for each cash generating unit 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 the Management's estimate which includes 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 three to five years and a calculated terminal value of cash flow for the subsequent period. In calculating the terminal value a growth rate (0%) conservatively estimated by the Management is adopted for each of the cash flow generating units.

Intangible assets are amortised over their useful life. Of the intangible assets, GL&V Process goodwill and trade marks acquired are considered to have indefinite useful life. The carrying amount of these intangible assets of indefinite useful life is shown in the following.

17. Intangible assets (continued)

Intangible assets of indefinite useful life

DKKm	Cement	Minerals	Cembrit	Other companies	2008 Total	2007
Goodwill	26	3,191	46	0	3,263	3,191
Patents and rights acquired (trademarks)	0	403	0	0	403	403
Carrying amount at 31 December 2008	**26**	**3,594**	**46**	**0**	**3,666**	**3,594**

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 2008	1,287	1,275	562	109	3,233
Exchange rate adjustments	(26)	(9)	(35)	(6)	(76)
Acquisition of Group enterprises	4	17	7	0	28
Additions	185	207	110	125	627
Disposals	(63)	(168)	(42)	(12)	(285)
Other adjustments	12	(120)	1	40	(67)
Cost at 31 December 2008	**1,399**	**1,202**	**603**	**256**	**3,460**
Depreciation and write-downs at 1 January 2008	527	798	362		1,687
Exchange rate adjustments	(3)	5	(19)		(17)
Disposals	(3)	(167)	(40)		(210)
Annual depreciation	35	94	66		195
Annual write-downs/(reversal)	(3)	(29)	0		(32)
Other adjustments	(12)	(46)	0		(58)
Depreciation and write-downs at 31 December 2008	**541**	**655**	**369**		**1,565**
Book value 31 December 2008	**858**	**547**	**234**	**256**	**1,895**
Assets held under finance lease					
Book value at 31 December 2008	9	0	5	0	14

DKKm	Land and buildings	Plant and machinery	Operating equipment, fixtures and fittings	Tangible assets in course of construction	Total
Cost at 1 January 2007	1,151	1,213	485	105	2,954
Exchange rate adjustments	(17)	(8)	(2)	1	(26)
Acquisition of Group enterprises	59	19	27	2	107
Disposal of Group enterprises	0	(17)	(5)	0	(22)
Additions	79	82	74	151	386
Disposals	(34)	(61)	(61)	(3)	(159)
Other adjustments	49	47	44	(147)	(7)
Cost at 31 December 2007	**1,287**	**1,275**	**562**	**109**	**3,233**
Depreciation and write-downs at 1 January 2007	546	818	371		1,735
Exchange rate adjustments	(8)	(9)	(1)		(18)
Disposal of Group enterprises	0	0	(4)		(4)
Disposals	(27)	(58)	(57)		(142)
Annual depreciation	22	82	53		157
Annual write-downs/(reversal)	(6)	(31)	1		(36)
Other adjustments	0	(4)	(1)		(5)
Depreciation and write-downs at 31 December 2007	**527**	**798**	**362**		**1,687**
Book value at 31 December 2007	**760**	**477**	**200**	**109**	**1,546**
Assets held under finance lease					
Book value at 31 December 2007	11	0	6	0	17

Depreciation and write-downs in the income statement are stated at the average rates of exchange and cannot therefore be directly reconciled with the fixed 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 37.

For acquisition of Group enterprises, see Note 14. Translation of acquisitions, cf. Note 14, is stated at the transaction date exchange rate and cannot, therefore, be directly reconciled with the fixed asset note above in which acquisitions are stated at year-end exchange rates.

A reversal of DKK 32m in respect of buildings (DKK 3m) and plant and machinery (DKK 29m) has been made in Cembrit. The reversal is due to the changed statement of warranty liabilities in the impairment test and the changed definition of cash generating units whereby Cembrit as a whole is considered one cash generating unit. Previously, each Cembrit company was defined as a cash generating unit. This change reflects the fact that production has become considerably more integrated during the past year, with products and sales being to a large extent complementary. As a result, cash flows from each Cembrit company can no longer be considered independent. The recoverable amount is based on the value in use of the cash generating unit. A discounting factor of 10% per annum is used to calculate the value in use.

19. Financial assets

DKKm	Investments in associated undertakings	Other securities and investments	Other financial assets	Total
Cost at 1 January 2008	2	125	32	159
Exchange rate adjustments	0	1	0	1
Additions	0	3	14	17
Disposals	0	(8)	0	(8)
Other adjustments	0	(8)	0	(8)
Cost at 31 December 2008	**2**	**113**	**46**	**161**
Adjustments at 1 January 2008	2	(67)	(24)	(89)
Exchange rate adjustments	0	0	0	0
Disposals	0	3	0	3
Profit/(loss) shares	0	(7)	0	(7)
Value and other adjustments	(1)	(4)	(1)	(6)
Adjustments at 31 December 2008	**1**	**(75)**	**(25)**	**(99)**
Book value at 31 December 2008	**3**	**38**	**21**	**62**

DKKm	Investments in associated undertakings	Other securities and investments	Other financial assets	Total
Cost at 1 January 2007	4	97	31	132
Exchange rate adjustments	0	(1)	0	(1)
Addition of Group enterprises	0	11	0	11
Disposal of Group enterprises	(2)	0	0	(2)
Additions	0	12	0	12
Disposals	0	(10)	(4)	(14)
Other adjustments	0	16	5	21
Cost at 31 December 2007	**2**	**125**	**32**	**159**
Adjustments at 1 January 2007	3	(50)	(22)	(69)
Exchange rate adjustments	0	0	0	0
Disposal of Group enterprises	(1)	0	0	(1)
Disposals	0	4	0	4
Value and other adjustments	0	(21)	(2)	(23)
Adjustments at 31 December 2007	**2**	**(67)**	**(24)**	**(89)**
Book value at 31 December 2007	**4**	**58**	**8**	**70**

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

20. Deferred tax assets and liabilities

DKKm	Opening balance 2008	Foreign exchange adjustment	Adjust-ment to previous year	Acquisition and disposal of enterprises	Effect of changed tax rates	Recognised directly in equity	Movements of the year	Closing balance 2008
Deferred tax consists of								
Intangible assets	(611)	0	(6)	(1)	(2)	0	27	(593)
Tangible assets	168	2	32	9	0	0	(79)	132
Financial assets	(7)	0	0	0	0	0	7	0
Current and non-current assets	16	0	3	2	2	(2)	136	157
Short- and long-term liabilities	344	(8)	7	(1)	(2)	34	(55)	319
Tax loss carry-forwards, etc.	561	(6)	(17)	(3)	(1)	0	(39)	495
Share of tax assets valued at nil	(407)	4	67	(3)	0	0	(25)	(364)
Net deferred tax assets/liabilities	**64**	**(8)**	**86**	**3**	**(3)**	**32**	**(28)**	**146**

DKKm	Opening balance 2007	Foreign exchange adjustment	Adjust-ment to previous year	Acquisition and disposal of enterprises	Effect of changed tax rates	Recognised directly in equity	Movements of the year	Closing balance 2007
Deferred tax consists of								
Intangible assets	3	3	(1)	(524)	0	0	(92)	(611)
Tangible assets	292	1	(1)	(5)	(29)	0	(90)	168
Financial assets	0	0	(1)	(6)	0	0	0	(7)
Current and non-current assets	40	1	11	(57)	(9)	0	30	16
Short- and long-term liabilities	346	(10)	(46)	30	(9)	8	25	344
Tax loss carry-forwards, etc.	578	(2)	14	(17)	(31)	0	19	561
Share of tax assets valued at nil	(525)	(2)	(4)	48	18	0	58	(407)
Net deferred tax assets/liabilities	**734**	**(9)**	**(28)**	**(531)**	**(60)**	**8**	**(50)**	**64**

DKKm	2008	2007
Specification of deferred tax assets/liabilities		
Deferred tax assets	774	752
Deferred tax liabilities	(628)	(688)
	146	**64**
Maturity profile of tax assets valued at nil		
Within one year	25	55
Between one and five years	209	200
More than five years	1,359	1,451
	1,593	**1,706**
Tax value	364	407

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 continuation of the Danish Act of 6 June 2005 (L121), the Danish tax authorities have objected to the possibility of tax loss carry-forwards under Danish joint taxation of FLSmidth & Co. A/S's permanent establishment in the UK, the amount involved being some DKK 0.9bn. FLSmidth & Co. A/S has appealed this objection to the National Tax Tribunal and asked the Tribunal to refer the basic issues related to EU law to the European Court of Justice. It is considered that the tax loss carry-forward cannot be limited due to the fact that the loss derives from closure of operations in 2004 before the new rules came into force and pursuant to the decision by the European Court on 13 December 2005 in the case regarding Marks & Spencer. The tax value of the loss not used is approximately DKK 230m and is included in the above specification of the Group's total gross tax assets. A negative outcome of the appeal will not affect the Group's capitalised tax asset.

Temporary differences regarding investments in Group enterprises and associates are insignificant and are not recognised, 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	2008	2007
Raw materials and consumables	377	287
Work-in-progress	313	234
Finished goods and goods for resale	1,041	867
Prepayments for goods	71	75
Inventories at 31 December	**1,802**	**1,463**
Inventories are valued at net realisable value.	26	20
Write-down of inventories		
Write-down at 1 January	32	33
Exchange rate adjustments	1	0
Additions	26	7
Disposals	(25)	(8)
Reversal	(1)	0
Write-down at 31 December	**33**	**32**

22. Work-in-progress for third parties

DKKm	2008	2007
Total costs incurred	34,588	27,331
Profit recognised as income, net	5,987	4,273
Work-in-progress for third parties	40,575	31,604
Invoicing on account to customers	40,397	30,738
	178	**866**
Of which work-in-progress for third parties is stated under assets	3,501	3,072
and under liabilities	(3,323)	(2,206)
	178	**866**

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

23. Receivables

Receivables falling due after more than one year total DKK 95m (2007: DKK 107m). The booked receivables include retentions on contractual terms and conditions at DKK 871m (2007: DKK 810m).

DKKm	2008	2007
Specification of changes in write-downs of receivables:		
Write-down at 1 January	65	55
Change in write-down for the year	18	10
Write-down at 31 December	**83**	**65**

Trade receivables maturity specification:

DKKm	2008	2007
Maturity period:		
Not due	3,092	3,220
Up to two months	1,156	1,052
Between two and six months	578	494
Between six and twelve months	142	97
Over twelve months	95	76
	5,063	4,939

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

24. Cash and cash equivalents

Cash and cash equivalents consist of bank deposits and cash. The Group's cash and cash equivalents include DKK 321m (2007: DKK 483m) which is subject to restrictions for contractual reasons or due to being placed in countries with exchange control.

25. Assets held for sale and liabilities regarding same

DKKm	2008	2007
Tangible assets	8	8
Assets held for sale	**8**	**8**
Provisions regarding assets held for sale	0	0
Net assets held for sale	**8**	**8**

26. Other provisions

DKKm	2008	2007
Provisions at 1 January	1,776	1,464
Exchange rate and other adjustments	(18)	(11)
Addition of Group enterprises	5	175
Disposal of Group enterprises	0	(1)
Additions	967	542
Application	(364)	(139)
Reversals	(514)	(262)
Discounting of provisions	8	8
Reclassification to other liabilities	(8)	0
Provisions at 31 December	**1,852**	**1,776**
Consisting of:		
Short-term liabilities	1,142	699
Long-term liabilities	710	1,077
	1,852	**1,776**

When assessing 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 the Management's estimates. A few claims 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 also include:
- 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

As in 2007, 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 prefers not to comment specific project matters.

27. Long-term liabilities

DKKm	2008	2007
Maturity structure of long-term liabilities:		
Mortgage debt	22	32
Bank debt	1,072	1,827
Finance lease commitment	4	5
Prepayments received from customers	1,054	681
Other liabilities	43	29
Within one to five years	**2,195**	**2,574**
Mortgage debt	354	354
Bank debt	2	2
Finance lease commitment	4	5
Other liabilities	10	-
After five years	**370**	**361**
	2,565	**2,935**

DKKm	2008	2007
Finance lease liability		
Total minimum charges:		
Maturity within one year	2	4
Maturity between one and five years	6	7
Maturity after five years	6	6
	14	**17**
Accounting value (present value):		
Maturity within one year	2	2
Maturity between one and five years	4	5
Maturity after five years	4	5
	10	**12**
Book value of finance lease assets	**14**	**17**

Finance lease mainly applies to properties.

Amortisation addition to future cost recognition amounts to DKK 4m (2007: DKK 5m).

28. Other liabilities

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

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

29. Pension assets and liabilities

The pension obligations incumbent on the Danish Group enterprises are funded through insurance plans. The pension obligations of certain foreign Group enterprises are also funded through insurance plans. Foreign enterprises whose pension obligations are not - or only partly - funded through insurance (defined benefit plans), state the unfunded pension obligations 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 198m underfunded at 31 December 2008 (2007: DKK 120m) for which a provision has been made as pension liabilities.

In the consolidated income statement, DKK 403m (2007: DKK 311m) 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 3m (2007: DKK 11m) is recognised as income in the consolidated financial statement.

The actuarial loss for the year at DKK 89m (2007: DKK 25m) is recognised in the equity.

DKKm	2008	2007
Present value of defined benefit plans	488	505
Fair value of the plan assets	290	385
Total	**198**	**120**
Change in recognised liability		
Net liability at 1 January	120	95
Other adjustments including exchange rate adjustments	10	(18)
Addition of Group enterprises	6	53
Net amount recognised in the income statement	(3)	(11)
Actuarial profits and losses recognised direct in the equity	89	25
Payments	(18)	(24)
Benefits paid out	(6)	0
Net liability at 31 December	**198**	**120**
Stated as asset	**2**	**6**
Stated as liability	**200**	**126**
	198	**120**
Recognised in the income statement		
Pension costs	3	1
Calculated interest on liability	28	24
Expected return on the plan assets	(34)	(30)
Effect of freezing of plans	0	(6)
Recognised in the income statement regarding defined benefit plans	**(3)**	**(11)**
The amounts are included in the items: Production costs, Sales and distribution costs and Administrative costs.		
Adjustments of defined benefit plans based on experience (pension liabilities), profits/(losses)	49	(17)
Return on plan assets		
Expected return on the plan assets	34	30
Actual return on the plan assets	(104)	22
Actuarial profits / (losses) for the year on the plan assets	**(138)**	**(8)**
The expected return is fixed on the basis of the weighted return on the plan assets.		
The assumptions on which the actuarial computations are based at the balance sheet date are as follows, on average:		
Average discounting rate applied	6.0-6.5%	5.5-6.0%
Expected return on tied-up assets	8.0-8.5%	8.0-8.5%
Expected future pay increase rate	1.0-1.5%	3.0-3.5%

DKKm	2008	2007
Present value of defined benefit plans		
Present value at 1 January	505	752
Reclassification to other staff liabilities	27	(20)
Exchange rate adjustment	(1)	(49)
Addition of Group enterprises	6	98
Pension costs	3	1
Calculated interest on liabilities	28	24
Benefits paid out	(31)	(312)
Actuarial profits and losses	(49)	17
Effect of freezing of plans	0	(6)
Present value at 31 December	**488**	**505**
Fair value of the plan assets		
Fair value of the plan assets at 1 January	385	657
Reclassification to other staff liabilities	16	(4)
Exchange rate adjustment	0	(47)
Addition of Group enterprises	0	45
Expected return on the plan assets	34	30
Contributions	18	24
Benefits paid out	(25)	(312)
Actuarial profits and losses	(138)	(8)
Fair value of the plan assets at 31 December	**290**	**385**
Specification of the fair value of the plan assets		
Equity instruments	109	187
Debt instruments	105	114
Other assets	76	84
Total fair value of the plan assets	**290**	**385**
Specification of the fair value of the plan assets in %		
Equity instruments	38%	48%
Debt instruments	36%	30%
Other assets	26%	22%

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

	2008	2007	2006	2005	2004
Present value of defined benefit plans	488	505	752	761	670
Fair value of the plan assets	290	385	657	623	523
Over-/underfunded	198	120	95	138	147
Actuarial profits/(losses), liabilities	49	(17)	(27)	(25)	(7)
Actuarial profits/(losses), plan assets	(138)	(8)	32	(2)	(1)
Actuarial profits/(losses), total	(89)	(25)	5	(27)	(8)

30. Maturity structure of financial liabilities

DKKm	2008	2007
Time to maturity:		
Within one year	3,936	3,883
Within one to five years	1,117	1,864
After five years	361	361
Total	**5,414**	**6,108**

See Note 35 for further details.

31. Net interest-bearing receivables/(debt)

Net interest-bearing receivables/(debt) by currency and interest rate structure:

Principal in DKKm/rate of interest p.a.		**USD/interest**		**EUR/interest**		**DKK/interest**		**Other/interest**		**2008 Total**	**2007 Total**
Within one year	Assets	682	0.1-3.3%	3,210	1.8-6.2%	2,407	2.0-5.8%	986	0.0-13.8%	7,285	6,878
	Liabilities	(2,016)	0.8-6.5%	(3,801)	2.6-6.2%	(1,553)	3.0-6.8%	(476)	0.1-15.0%	(7,846)	(8,418)
Total		**(1,334)**		**(591)**		**854**		**510**		**(561)**	**(1,540)**
Between one and five years	Assets										
	Liabilities	(10)	3.0-6.0%							(10)	0
Total		**(10)**								**(10)**	**0**
After more than five years	Assets										
	Liabilities	(3)	3.8-5.5%							(3)	(43)
Total		**(3)**		**0**		**0**		**0**		**(3)**	**(43)**
Total		**(1,347)**		**(591)**		**854**		**510**		**(574)**	**(1,583)**

The table above shows a breakdown of the Group's net interest bearing debt in terms of assets, liabilities and life. This includes intercompany balances in order to reflect the Group's underlying exposure.

32. Contingent assets and liabilities

DKKm	**2008**	**2007**
Minimum rent and operating lease liabilities:		
Maturity within one year	39	27
Maturity between one and five years	100	39
Maturity after more than five years	42	1
	181	**67**
Guarantees	31	21
Other contractual obligations	33	39
	64	**60**

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 companies in the Group provide usual security in the form of performance guarantees, etc. for contracts and supplies. At the end of 2008, the total number of performance and payment guarantees issued amounted to DKK 7.3bn (2007: DKK 6.4bn). 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 usual for its business. The outcome of the disputes is expected to have no significant impact on the Group's financial position.

33. Charges

DKKm	**2008**		**2007**	
	Book value of charged assets	**Charge**	**Book value of charged assets**	**Charge**
Trade receivables, etc.	3	3	5	5
Real estate	106	356	96	356
	109	**359**	**101**	**361**

34. 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 fail to perform nor default on loan agreements in 2008 and 2007.

Currency risks
The Group's currency risks derive from the impact of exchange rates on future commercial payments and financial payments. The Group is exposed to the risk of exchange rate changes from the date when a contract becomes effective, the customer bearing the exchange rate risk until that date as stipulated by exchange rate clauses incorporated in the proposal documents. The Group generally uses forward contracts and currency options to hedge the exposure on contracts. The Group also controls currency risks by means of Value at Risk (VaR) techniques and scenario analyses. The Group's main currencies for commercial purposes are EUR and USD. Other things being equal, a 1% EUR and a 10% USD exchange rate change will have an impact on equity amounting to DKK 30m (2007: DKK 25m) and DKK 301m (2007: 254m), respectively, and an impact on the profit amounting to DKK 4m (2007: DKK 2m) and DKK 44m (2007: DKK 21m), respectively.

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.

Interest rate risk
The Group's interest rate risk consists of the sensitivity of the interest items to changes in the level of interest and the effect of interest rate changes on the market value of consolidated balance sheet items. The interest rate risk is controlled by means of VaR techniques and scenario analyses and is hedged by the use of financial instruments. 98% of the Group's net interest-bearing debt at 31 December 2008 carried a variable rate of interest (31 December 2007: 97%). Other things being equal, a one percent increase in the interest rate will have a DKK 6m effect on the Group's net interest costs (2007: DKK 14m).

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 corporate account 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 facility arrangements. These facilities contain standard clauses such as pari passu, negative pledge and change of control. At 31 December 2008, the Group had withdrawn EUR 144m (31 December 2007: EUR 245m) from Change of Control clause facilities. 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 accounts for more than 5% of the order intake. The maximum credit risk related to financial assets corresponds to the accounting value including write-downs. In cases where there may be a risk of loss, a write-down will 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 degree of creditworthiness. Besides, the Group has set an upper limit for amounts owed by any particular bank. Credit risks on other counterparties than banks are minimised through the use of letters of credit, guarantees and rating of the customers 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. 84% of the open forward exchange contracts at 31 December 2008 had a life of less than one year. The life of the remaining open forward exchange contracts is up to three years. There were no open currency options at 31 December 2008.

DKKm	2008
Profits/(losses) on hedging instruments when hedging fair value	6
Profits/(losses) on hedged items when hedging fair value	(6)
	0

Interest rate 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 2008.

Reference is made to the description of the Group's financial risk management and financial risks, see page 37.

The table below shows the principals and fair values of pending financial transactions at 31 December which have been entered into to hedge currency exposure. All 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	2008
Forward exchange contracts	
Principal of contracts net*	
USD	(1,669)
EUR	4,658
DKK	(2,645)
Other currencies	(361)
	(17)
Fair value of contracts	**(25)**

*) In the case of forward exchange contract principals, a negative value indicates net sale of the currency concerned and a positive value indicates net purchase of the currency concerned.

Fair value of financial assets and liabilities not measured at fair value
The book value of receivables and debt at 31 December largely corresponds to the fair value.

Fair value of other financial assets and liabilities
The fair value of securities, investments and other financial assets recognised under short and long-term assets corresponds to their carrying value. The carrying value of these assets appears from Note 35. The fair value of derivatives appears from the information above.

35. Financial assets and liabilities as defined in IAS 39

DKKm	2008	2007
Financial assets:		
Non-current assets:		
Other securities and investments	38	58
Other financial assets	21	8
Available for sale	**59**	**66**
Current assets:		
Trade receivables	5,063	4,939
Work-in-progress for third parties	3,501	3,072
Other receivables	658	490
Cash and cash equivalents	784	957
Receivables measured at amortised cost	**10,006**	**9,458**
Derivatives	197	74
Bonds and listed shares	142	244
Financial assets measured at fair value via the income statement	**339**	**318**
Financial liabilities:		
Long-term liabilities:		
Mortgage debt	376	386
Bank loans	1,074	1,829
Finance lease liability	8	10
Other liabilities	20	0
Financial liabilities measured at amortised cost	**1,478**	**2,225**
Short-term liabilities:		
Mortgage debt	6	7
Bank loans	86	481
Finance lease liability	2	3
Trade payables	2,748	2,464
Other payables	872	926
Financial liabilities measured at amortised cost	**3,714**	**3,881**
Derivatives	222	2
Financial liabilities measured at fair value via the income statement	**222**	**2**

36. Earnings per share (EPS)

DKKm	2008	2007
Earnings		
FLSmidth & Co. shareholders' share of profit/loss for the year	1,515	1,294
FLSmidth & Co. Group earnings from discontinuing activities	59	1
Net effect after tax of purchase price allocations regarding GL&V Process	195	94
Number of shares, average		
Number of shares issued	53,200,000	53,200,000
Adjustment for own shares	(822,142)	(838,921)
Potential increase of shares in circulation, options in the money	166,152	278,504
	52,544,010	52,639,583
Earnings per share		
• Continuing and discontinuing activities per share, DKK	28.9	24.7
• Continuing and discontinuing activities, diluted, per share, DKK	28.8	24.6
• Continuing and discontinuing activities, diluted, before the effect of purchase price allocations regarding GL&V Process, per share, DKK	32.5	26.4
• Continuing activities per share, DKK	27.8	24.7
• Continuing activities, diluted, per share, DKK	27.7	24.6

36. Earnings per share (EPS) (continued)

Non-diluted earnings per share in respect of discontinuing activities amount to DKK 1.1 (2007: DKK 0.0) and diluted earnings per share in respect of discontinuing activities amount to DKK 1.1 (2007: DKK 0.0). These earnings are calculated based on the Group's earnings from discontinuing activities which amount to DKK 59m (2007: DKK 1m).

37. Income statement classified by function

DKKm	2008	2007
Revenue	25,285	19,967
Production costs	19,896	15,839
Gross profit	**5,389**	**4,128**
Sales and distribution costs	1,266	1,030
Administrative costs	1,733	1,349
Other operating income and costs	126	69
Special non-recurring items	(107)	6
Earnings before interest and tax (EBIT)	**2,409**	**1,824**
Depreciation, amortisation and write-downs consist of:		
Amortisation of other intangible assets	227	163
Depreciation on tangible assets	200	155
Write-down of tangible assets/(reversals)	(32)	(36)
	395	**282**
Depreciation, amortisation and write-downs are allocated as follows:		
Production costs	232	144
Sales and distribution costs	9	5
Administrative costs	154	133
	395	**282**

The consolidated income statement format classified by function is adapted 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.

38. Related party transactions

Transactions between the consolidated Group enterprises are eliminated in these financial statements. In 2007 and 2008 there were no transactions between related parties not part of this Group.

DKKm	2008	2007
Remuneration of Board of Directors		
Board of Directors fees	4	4
Total remuneration of Board of Directors	**4**	**4**
Remuneration of Management		
Wages and salaries	18	18
Share-based payment	2	2
Total remuneration of Management	**20**	**20**

In the event of dismissal of the Group Chief Executive Officer, two years' salary plus, for an interim period, an additional two years' salary shall be paid. The additional salary was reduced by four months per year from 2005 until 2007 after which it shall amount to one year's salary.

39. List of Group companies

Company name	Country	Currency	Nominal share capital (000's)	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 Plast A/S	Denmark	DKK	1,500	100
FLS Real Estate A/S	Denmark	DKK	3,100	100
FLSmidth Minerals Equipment (Beijing) Ltd.	China	CNY	2,468	100
FLSmidth Dorr-Oliver Eimco Africa (Pty.) Ltd.	South Africa	ZAR	0	100
FLSmidth Dorr-Oliver Eimco Management Hungary Kft.	Hungary	USD	3	100
FLSmidth Dorr-Oliver Eimco Mexico S.A. de C.V.	Mexico	MXN	597	100
FLSmidth Dorr-Oliver Eimco Pty Limited	Australia	AUD	5,859	100
FLSmidth Dorr-Oliver Eimco Venezuela S.R.L.	Venezuela	VEB	1,880	100
FLSmidth Minerals S.A.C.	Peru	PEN	1	100
NL Supervision Company A/S	Denmark	DKK	500	100
NLS-SSBIL	UAE	DKK	300	50
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
FLSmidth Finans A/S	Denmark	DKK	10,000	100
FLS miljø a/s	Denmark	DKK	12,000	100
FLS miljo Inc.	United States	USD	0	100
FLS miljo Ltd.	UK	GBP	3,753	100
FLSmidth Minerals A/S	Denmark	DKK	11,000	100
FLSmidth Minerals Holding ApS	Denmark	DKK	200	100
FLSmidth ABON Pty. Ltd.	Australia	AUD	6	100
FLSmidth Designs Private Limited	India	INR	1,000	100
FLSmidth Minerals Ltd.	Canada	CAD	1	100
FLSmidth Minerals Private Limited	India	INR	10,000	100
FLSmidth Minerals Pty. Ltd.	Australia	AUD	100	100
FLSmidth Minerals S.A.	Chile	CLP	4,389,378	100
FLSmidth Minerals S.A. de C.V.	Mexico	MXN	50	100
FLSmidth (Pty.) Ltd.	South Africa	ZAR	40	100
FLSmidth Buffalo (Pty.) Ltd.	South Africa	ZAR	41	100
FLSmidth Minerals (Pty.) Ltd.	South Africa	ZAR	33	100
FLSmidth DOE (Canada) Inc.	Canada	CAD	50,389	100
FLSmidth DOE Financing Inc.	Canada	CAD	0	100
FLSmidth DOE Global Inc.	Canada	USD	4,987	100
4424972 Canada Inc.	Canada	CAD	0	100
9189-6175 Quebec Inc.	Canada	CAD	0	100
GL&V Acquisition Inc.	Canada	CAD	0	100
4437845 Canada Inc.	Canada	CAD	0	100
GLV NS Company	Canada	CAD	0	100
FLSmidth Private Limited	India	INR	120,000	100
FLSmidth Infotech Pvt. Ltd.	India	INR	2,503	100
Cembrit Holding A/S	Denmark	DKK	83,000	100
Cembrit A/S	Denmark	DKK	2,000	100
Cembrit B.V.	Netherlands	EUR	31	100
Cembrit Ltd.	UK	GBP	500	100
Cembrit a.s.	Czech Republic	CZK	1,126	96
Cembrit SAS	France	EUR	37	100
Cembrit B.V.	Netherlands	EUR	18	100
Cembrit Polska Sp. z.o.o.	Poland	PLN	150	100
Cembrit s.r.o.	Slovakia	SKK	210	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 OOO	Russia	RUB	10	100
Eternit South Eastern Europe Holding GmbH	Austria	EUR	35	100
Cembrit Kft.	Hungary	HUF	400,000	100
Eternit Distributie s.r.l.	Romania	RON	5	100
Cembrit GmbH	Germany	EUR	79	100
Interfer S.A.S.	France	EUR	336	100
Izopol S.A.	Poland	PLN	24,806	100
Kotlownia Izopol Zaklad Gospodarki Cieplnej i Woodnej Sp. z.o.o.	Poland	PLN	4,587	100
Cembrit as	Norway	NOK	500	100
Cembrit Oy	Finland	EUR	1,682	100
Minerit Prime Oy	Finland	EUR	8	100
Cembrit Tepro AB	Sweden	SEK	600	100
Cembrit Pro-tile	Belgium	EUR	1,388	51
Cembrit S.p.A.	Italy	EUR	3,002	67
FLSmidth A/S	Denmark	DKK	400,000	100
Autec Spol. s.r.o.	Czech Republic	CZK	13,362	100
LFC International Engineering JSC *	Vietnam	USD	600	40
FLS Automation Australia Pty. Ltd.	Australia	AUD	1	100
FLSmidth Automation Italia s.r.l.	Italy	EUR	99	100
FLS Automation Pvt. Ltd.	South Africa	ZAR	1,250	100
FLS US Holdings, Inc.	United States	USD	0	100
FLSmidth DOE Holdings Inc	United States	USD	654	100
FLSmidth Dorr-Oliver Eimco Inc.	United States	USD	655	100
Pneumapress Filter Corporation	United States	USD	0	100
J & M Industrial Supply Company	United States	USD	10	100
FLSmidth Dorr-Oliver Eimco SLC Inc.	United States	USD	1	100
FLSmidth Dorr-Oliver Inc.	United States	USD	0	100
Dorr-Oliver de Chile Ltda.	Chile	CLP	0	100
FLSmidth Dorr-Oliver International Inc.	United States	USD	1	100
FLSmidth Airtech Inc.	United States	USD	1	100
FLS Automation Inc.	United States	USD	10	100
FLSmidth DOE Acquisition USA Inc.	Unites States	USD	0	100
FLSmidth Krebs Inc.	United States	USD	6	100
FLSmidth Krebs Africa (Pty.) Ltd.	South Africa	ZAR	0	100
FLSmidth Krebs Australia Pty. Ltd.	Australia	AUD	0	100
FLSmidth Krebs (Beijing) Ltd.	China	USD	300	100
FLSmidth Krebs Chile S.A.	Chile	CLP	74,650	100
FLSmidth Krebs Europe GmbH	Austria	EUR	36	100
FLSmidth Inc.	United States	USD	10	100
FBH, LLC	United States	USD	0	100
FLSmidth S.A. de C.V.	Mexico	MXN	10,012	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
Fuller Middle East Limited	United States	USD	1	100
General Fuller International Corp.	United States	USD	1	100
HTPT Corporation	United States	USD	1	100
SLS Corporation	United States	USD	1	100
FLSmidth Minerals Holding Corporation	United States	USD	1	100
FLSmidth Minerals Inc.	United States	USD	1	100
Excel Foundry & Machine Inc.	United States	USD	0	100
FLSmidth Excel LLC	United States	USD	4	100
FLSmidth RAHCO Inc.	United States	USD	1	100
Smidth & Co.	United States	USD	90	100
FLSmidth Airloq A/S	Denmark	DKK	500	100
FLSmidth d.o.o.	Croatia	HRK	20	100
FLSmidth Dorr-Oliver Eimco Denmark ApS	Denmark	DKK	1,417	100
FLSmidth Dorr-Oliver Eimco Italy S.R.L.	Italy	EUR	10	100
FLSmidth Dorr-Oliver Eimco Spain S.L.	Spain	EUR	380	100
FLSmidth Dorr-Oliver Eimco 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	5,725	100
FLSmidth Machinery Industry (Qingdao) Ltd.	China	CNY	39,962	100
FLSmidth Machinery Trade Co. Ltd.	China	CNY	2,000	100
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 KOCH GmbH	Germany	EUR	25	100
FLSmidth KOCH GmbH	Austria	EUR	509	100
FLSmidth MVT GmbH	Germany	EUR	1,499	100
FLSmidth Möller GmbH	Germany	EUR	1,023	100
Möller Materials Handling GmbH	Germany	EUR	25	100
Möller-Fuller Sp. z.o.o.	Poland	PLN	25	99
Pfaff AQS GmbH	Germany	EUR	359	100
Pfaff Machinebau GmbH	Germany	EUR	77	100
Pfister GmbH	Germany	EUR	3,962	100
Pfister Latino Americana Ltda.	Brazil	BRL	100	100
Pfister North America Inc.	United States	USD	1	100
Transweigh India Ltd. *	India	INR	26,200	24
FLSmidth Dorr-Oliver Eimco GmbH	Germany	EUR	1,176	100
FLSmidth Dorr-Oliver Eimco France S.A.R.L.	France	EUR	50	100
Fuller Offshore Finance Corp. BV.	Netherlands	EUR	2,269	100
Kovako Materials Handling BV.	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 Polska Sp. z.o.o.	Poland	PLN	800	100
FLSmidth Portugal Lda.	Portugal	EUR	15	100
FLSmidth (Pty.) Ltd.	South Africa	ZAR	50	100
FLSmidth Rusland Holding A/S	Denmark	DKK	500	100
FLSmidth Rus OOO	Russia	RUB	400	100
FLSmidth S.A.	Spain	EUR	5,417	100
FLSmidth Slovakia s.r.o.	Slovakia	EUR	5	100
Ventomatic SpA	Italy	EUR	181	100
FLSmidth (Thailand) Ltd. A/S	Denmark	DKK	500	100
LV Technology Public Company Ltd. *	Thailand	THB	228,513	19
International Holding Company A/S	Denmark	DKK	7,500	100
FLS Pakistan (Pvt.) Ltd.	Pakistan	PKR	94,556	100
MAAG Gear AG	Switzerland	CHF	1	100
MAAG Gear Zamech Sp. z.o.o.	Poland	PLN	18,000	100
MAAG Gear Systems AG	Switzerland	CHF	8,000	100
Pfister Holding GmbH	Germany	EUR	1,023	100
PT Fajar Laksana Sejahtera	Indonesia	IDR	3,500,000	100
Eumops Sp. Z.o.o.	Poland	PLN	50	100

* Associated enterprise
All other undertakings are Group enterprises

Parent company financial statements 2008

Parent company income statement

DKKm		2008	2007
Notes			
1	Dividend from Group enterprises	625	675
2	Profit/loss from disposal of enterprises and activities	1	93
3	Other operating income	43	41
4	Staff costs	20	20
	Other operating costs	19	20
	Depreciation, amortisation and write-downs	7	7
	Earnings before interest and tax (EBIT)	**623**	**762**
6	Financial income	1,073	748
7	Financial costs	1,230	764
	Earnings before tax (EBT)	**466**	**746**
8	Tax for the year	(51)	(24)
	Profit/loss for the year	**517**	**770**
	Distribution of profit for the year		
	Retained earnings	517	770
		517	**770**
	Proposed dividend	0	372

The Board of Directors recommends that the Annual General Meeting approves a dividend for the year of DKK 0 per share (2007: DKK 7 per share).

Parent company balance sheet

Assets

Notes	DKKm	2008	2007
	Land and buildings	55	48
9	**Tangible assets**	**55**	**48**
10	Investments in Group enterprises	3,801	4,630
	Financial assets	**3,801**	**4,630**
	Total non-current assets	**3,856**	**4,678**
	Receivables from Group enterprises	6,392	6,019
	Other receivables	639	229
12	**Receivables**	**7,031**	**6,248**
	Investments and other securities	**1**	**1**
12	**Cash and cash equivalents**	**33**	**9**
	Total current assets	**7,065**	**6,258**
	TOTAL ASSETS	**10,921**	**10,936**

Equity and liabilities

Notes	DKKm	2008	2007
	Share capital	1,064	1,064
	Retained earnings	1,519	985
	Proposed dividend	0	372
	Equity	**2,583**	**2,421**
13	Other provisions	304	181
	Mortgage debt	311	311
	Other liabilities	19	0
	Bank loans	1,073	1,827
14	**Long-term liabilities**	**1,707**	**2,319**
	Mortgage debt	0	0
	Other credit institutions	0	447
	Debt to Group enterprises	6,226	5,564
15	Other liabilities	405	185
14	**Short-term liabilities**	**6,631**	**6,196**
	Liabilities	**8,338**	**8,515**
	TOTAL EQUITY AND LIABILITIES	**10,921**	**10,936**

Parent company equity

DKKm	Share capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2007	**1,064**	**562**	**372**	**1,998**
Effect of changed accounting policies		(5)		**(5)**
Retained earnings		770		**770**
Dividend paid			(366)	**(366)**
Dividend treasury shares		6	(6)	**0**
Proposed dividend		(372)	372	**0**
Share-based payment		12		**12**
Disposal of treasury shares		28		**28**
Acquisition of treasury shares		(16)		**(16)**
Equity 31 December 2007	**1,064**	**985**	**372**	**2,421**
Retained earnings		517		**517**
Dividend paid			(367)	**(367)**
Dividend treasury shares		5	(5)	**0**
Share-based payment		14		**14**
Disposal of treasury shares		10		**10**
Acquisition of treasury shares		(12)		**(12)**
Equity 31 December 2008	**1,064**	**1,519**	**0**	**2,583**

DKKm	2008	2007	2006	2005	2004
Movement 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 one vote and there are no special rights attached to the shares.

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

Treasury shares at 1 January 2008	844,486
Acquisition of treasury shares	30,632
Settled share options	(60,661)
Treasury shares at 31 December 2008	814,457

Representing 1.5% of the share capital.

See also the Management's review on page 12 regarding the use of treasury shares.

1. Dividend from Group enterprises

DKKm	2008	2007
Dividend received from Group enterprises	1,977	772
Dividend received from Group enterprises set off against cost	(1,352)	(97)
	625	**675**

2. Profit/loss from disposal of enterprises and activities

DKKm	2008	2007
Profit from disposal of enterprises	1	93
	1	**93**

3. Other operating income

DKKm	2008	2007
Management fee etc.	43	41
	43	**41**

4. Staff costs

DKKm	2008	2007
Wages, salaries and fees	18	19
Share-based payment	2	1
	20	**20**
Average number of employees	**3**	**3**

Remuneration of the Board of Directors for 2008 amounts to DKK 3m (2007: DKK 4m).

The total remuneration of the parent company Management amounted to DKK 18m (2007: DKK 18m), DKK 15m of which (2007: DKK 15m) was defrayed by the parent company.

5. Fees to auditors appointed at the Annual General Meeting

DKKm	2008	2007
Deloitte		
Auditing	1	1
Other services	1	11
	2	**12**

6. Financial income

DKKm	2008	2007
Reversal of write-down of investments in Group enterprises	60	27
Interest receivable and other financial income from financial assets not measured at fair value	7	117
Interest from Group enterprises	281	186
Foreign exchange gains	725	418
	1,073	**748**

7. Financial costs

DKKm	2008	2007
Write-down of investments in Group enterprises	125	58
Interest payable and other financial costs from financial liabilities that are not measured at fair value	101	62
Interest to Group enterprises	220	144
Exchange losses	784	500
	1,230	**764**

8. Tax for the year

DKKm	2008	2007
Tax for the year		
Current tax on the profit/loss for the year	(52)	(24)
Withholding taxes	2	9
Adjustments in respect of previous years, permanent taxes	(1)	(9)
Tax for the year	**(51)**	**(24)**

Tax paid in 2008 amounts to DKK 95m (2007: DKK 6m)

9. Tangible assets

DKKm	Land and buildings	Operating equipment, fixtures and fittings	Total
Cost at 1 January 2008	212	2	214
Additions	14	0	14
Disposals	(3)	0	(3)
Cost at 31 December 2008	**223**	**2**	**225**
Depreciation and write-downs at 1 January 2008	153	2	155
Effect of changed accounting policies from IFRS to Danish Financial Statements Act	11		11
Adjusted Danish Financial Statements Act at 1 January 2008	164	2	166
Disposals	(3)	0	(3)
Annual depreciation and write-down	7	0	7
Depreciation and write-downs at 31 December 2008	**168**	**2**	**170**
Book value at 31 December 2008	**55**	**0**	**55**

Public land assessment value at 1 January 2008 amounted to DKK 421m.

10. Financial assets

DKKm	Investments in Group enterprises
Cost at 1 January 2008	7,181
Additions	577
Disposals	(114)
Adjustment regarding dividend	(1,352)
Cost at 31 December 2008	**6,292**
Write-down at 1 January 2008	2,551
Write-downs	0
Reversal of write-downs	(60)
Write-down at 31 December 2008	**2,491**
Book value at 31 December 2008	**3,801**

Reversal of write-downs in 2008 concerns FLS miljø and matches a corresponding adjustment regarding dividend at cost. The reversal is included in financial income.

Write-downs for the year amount to DKK 125m. Due to the fact that the write-down exceeds the book value, a corresponding amount is transferred to Other provisions.

The individual subsidiary is considered an independent cash generating unit.

The value in use, expressing the recoverable amount, is calculated for each cash generating unit by discounting expected future cash flow to net present value. Expected future cash flow is based on the Management's estimate which includes anticipated growth rates, etc. The discounting factor is also based on the Management's estimate which includes 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 three years and a calculated terminal value of cash flow in the subsequent period. In calculating the terminal value a prudent growth rate (0%) based on Management estimate is applied for each of the cash generating units.

Investments in Group enterprises consist of:

See also Note 39 to the consolidated financial statements.

11. Deferred tax assets and liabilities

DKKm	2008	2007
Deferred tax consists of the following items:		
Tangible assets	31	43
Liabilities	51	30
Tax loss carry-forwards	0	22
Portion of tax asset valued at nil	(82)	(95)
Net value of deferred tax	**0**	**0**

12. Receivables, cash and cash equivalents

Receivables falling due after one year total DKK 918m (2007: DKK 1,428m). 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.

13. Other provisions

DKKm	2008	2007
Other provisions at 1 January	181	94
Transferred from other liabilities	0	28
Additions	125	111
Disposals	(2)	(52)
	304	**181**

Other provisions consist of guarantees and liabilities in connection with disposals of enterprises and activities and write down of investments in group enterprises.

14. Liabilities

DKKm	2008	2007
Maturity structure of liabilities		
Debt to banks	0	447
Debt to Group enterprises	6,226	5,564
Other liabilities	405	185
Within one year	**6,631**	**6,196**
Debt to banks	1,073	1,827
Mortgage debt	2	2
Other liabilities	19	0
Within one to five years	**1,094**	**1,829**
Mortgage debt	309	309
After five years	**309**	**309**
Total	**8,034**	**8,334**

15. Other liabilities

Other liabilities include provisions for risk management and fair value of financial contracts (negative value).

16. Charges

DKKm	2008		2007	
	Book value of charged assets	Charge	Book value of charged assets	Charge
Real estate	55	311	48	311

17. Contingent assets and liabilities

FLSmidth & Co. A/S has provided a guarantee for the supply and operating liabilities of its subsidiary, FLS miljø, in connection with the West Burton and Eggborough desulphurisation projects in the UK.

The Company has provided guarantees to financial institutions at an amount of DKK 6,462m (2007: DKK 3,513m).

In connection with the disposal of enterprises normal guarantees, etc. are issued to the acquiring enterprise. A provision is made for estimated losses on such transactions.

There are no significant contingent assets or liabilities apart from the above.

See also Note 32 to the consolidated financial statements.

18. Related party transactions

Related parties include the parent company's Board of Directors and Management and the subsidiaries and associates that are members of the FLSmidth & Co. Group.

In 2008 and 2007, 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 FLSmidth 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.

19. Shareholders

See page 48 for information about company shareholders who control more than five percent of the voting rights or nominal value of the total share capital

20. Other auditors for subsidiaries

The following Group companies have their financial statements audited by an accountant different from that of the parent company:

- Cembrit Pro-tile, Belgium
- Cembrit S.p.A., Italy
- FLSmidth Minerals Equipment ltd., China
- PT Fajar Laksana Sejahtera, Indonesia

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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.