

General guidelines for incentive pay

Pursuant to Section 69b, Subsection 1 of the Danish Companies Act, the Board of Directors must fix general guidelines for incentive pay before signing concrete agreements on such pay to members of the Company Board of Directors or Management. The guidelines must be reviewed and approved at the Company's General Meeting, and this information must be included in the Company's Articles of Association.

The guidelines approved cover variable pay which is agreed after 17 April 2008, this being the date of the Company's first general meeting held after the rules came into force.

1. General principles

In the opinion of the Board, a combination of fixed and performance-based pay to the Management helps to ensure that the Company can attract and retain key persons whilst partially incentive-based pay also encourages 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 Company's short- and long-term goals, thus ensuring that the pay system does not cause imprudent or unreasonable behaviour nor acceptance of risk.

2. Persons affected

a. The Board of Directors

The members of the Board of Directors receive a fixed fee in cash which is approved by the Annual General Meeting. The Board of Directors is therefore not covered by any incentive-based remuneration and has not been so since 2002.

b. The Management

These general guidelines for incentive pay therefore only apply to the executive officers who are registered with the Commerce and Companies Agency at any given time, as other staff categories outside the scope of these guidelines may have bonus or other incentive pay included in their respective terms of employment. 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 between the individual executive officer and the Board of Directors and the pay shall normally include all the elements mentioned in section 3 below.

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

3. Remuneration elements

The total remuneration of the executive officer consists of the following components:

- a. fixed salary ("Gross Salary") including pension
- b. usual accessory benefits such as car, telephone, newspaper, etc.
- c. cash bonus, see section 4 below, and
- d. share options, see section 5 below.

4. Cash bonus

The individual member of the Management may receive a yearly bonus which shall not exceed 30% of the person's Gross Salary for the year in question. The purpose of this cash bonus is to ensure fulfilment of the Company's short-term goals. The payment and size of the bonus will therefore depend on the fulfilment of the goals that are agreed for one year at a time. The goals are primarily related to the fulfilment of the Company's budgeted results or achievement of financial ratios or other measurable personal results of a financial or non-financial nature.

5. Share options

The members of the Management may be granted options. The purpose of such options is to ensure value creation and fulfilment of the Company's long-term goals. The option plan is share-based. The granting of options may take place once a year, normally on presenting the Company's half-yearly accounts in August. For each year options may be granted up to a maximum net present value at the time of granting commensurate with 25% of the Gross Salary of the individual concerned at the grant date. The net present value at the time of granting is calculated according to the Black & Scholes method.

The options are normally exercisable three years after being granted and will normally lapse if they have not been exercised six years after the grant date.

The exercise price of the options must not be less than the market price of the Company's shares at - or immediately prior to - the time of granting. The strike price for the share options will be adjusted for dividend paid out.

The Company will continuously cover the options granted through acquisition of own shares so that no capital increase is necessary to deliver the shares represented by the options granted.

Granting of options may be subject to taxation rules which imply lower taxation of the recipient's gain than would otherwise be the case against the Company waiving the right to deduct costs.

At 31 December 2007, the four members of the Management had a total of 150,800 outstanding options that will be exercisable from 2008 to 2013. Their total estimate value amounted to DKK 55m, see also note 7 to the 2007 consolidated accounts.

6. Approval

These general guidelines are presented at the Company's Annual General Meeting on 17 April 2008. Subject to approval by the General Meeting, the following provision will be included as Article 14 in the Company's Articles of Association:

"The Company has adopted guidelines for incentive pay to the members of the Management pursuant to section 69b of the Danish Companies Act. The guidelines have been approved by the General Meeting and are accessible on the Company website."

7. Disclosure

Pursuant to Section 69b, Subsection 2 of the Danish Companies Act, the general guidelines for incentive pay in force at any time will be accessible at the Company website ("www.flsmidth.com") stating when the General Meeting approved the guidelines.

A list of outstanding options will at all times be published on the Company website. The notes to the Company accounts will include a summary of the total remuneration of the Management, and granted and outstanding options will be stated and valued.

Chairman of the meeting:

Klaus Søgård