Annual Report 2011

Contents

Group financial highlights

5-year summary

DKKm	2007	2008	2009	2010	2011	2011 EUR [1]
INCOME STATEMENT						
Revenue	19,967	25,285	23,134	20,186	21,998	2,952
Gross profit	4,272	5,621	5,406	5,207	5,734	770
Earnings before non-recurring items, depreciation, amortisation and write-downs (EBITDA)	2,100	2,911	2,725	2,387	2,647	355
Earnings before interest and tax (EBIT)	1,824	2,409	2,261	1,990	2,171	291
Earnings from financial items, net	53	(286)	(153)	(118)	(101)	(14)
Earnings before tax (EBT)	1,877	2,123	2,108	1,872	2,070	278
Profit/loss for the year, continuing activities	**1,293**	**1,456**	**1,705**	**1,282**	**1,424**	**191**
Profit/loss for the year, discontinued activities	1	59	(41)	(4)	13	2
Profit/loss for the year	**1,294**	**1,515**	**1,664**	**1,278**	**1,437**	**193**
CASH FLOW						
Cash flow from operating activities	1,493	2,324	2,470	1,335	1,148	154
Acquisition and disposal of enterprises and activities	(3.409)	(210)	(286)	(45)	(915)	(123)
Acquisition of tangible assets	(386)	(627)	(210)	(473)	(497)	(67)
Other investments, net	(18)	(34)	(34)	(208)	(236)	(32)
Cash flow from investing activities	(3,813)	(871)	(530)	(726)	(1,648)	(222)
Cash flow from operating and investing activities of continuing activities	(2,448)	1,492	1,719	577	(496)	(67)
Cash flow from operating and investing activities of discontinued activities	128	(39)	221	32	(4)	(1)
WORKING CAPITAL	**665**	**207**	**21**	**878**	**1,620**	**218**
NET INTEREST-BEARING RECEIVABLES/(DEBT)	**(1,583)**	**(574)**	**1,085**	**1,254**	**(98)**	**(13)**
ORDER INTAKE, CONTINUING ACTIVITIES (GROSS) [2]	**24,061**	**30,176**	**13,322**	**20,780**	**24,044**	**3,233**
ORDER BACKLOG, CONTINUING ACTIVITIES [2]	**25,312**	**30,460**	**21,194**	**23,708**	**27,136**	**3,649**
BALANCE SHEET						
Non-current assets	7,791	8,234	8,464	9,240	10,795	1,452
Current assets	11,873	12,495	13,438	13,359	14,745	1,982
Assets held for sale	8	8	0	0	0	0
Total assets	**19,672**	**20,737**	**21,902**	**22,599**	**25,540**	**3.434**
Consolidated equity	4,214	5,035	6,627	8,139	8,907	1,198
Long-term liabilities	4,826	4,103	3,338	3,145	3,533	475
Short-term liabilities	10,632	11,599	11,937	11,315	13,100	1,761
Total equity and liabilities	**19,672**	**20,737**	**21,902**	**22,599**	**25,540**	**3,434**
PROPOSED DIVIDEND TO SHAREHOLDERS	**372**	**0**	**372**	**479**	**479**	**64**
DIVIDEND PAID OUT DURING THE YEAR	**372**	**372**	**105**	**262**	**472**	**63**
FINANCIAL RATIOS						
Continuing activities						
Gross margin	*21.4%*	*22.2%*	*23.4%*	*25.8%*	*26.1%*	*26.1%*
EBITDA ratio	*10.5%*	*11.5%*	*11.8%*	*11.8%*	*12.0%*	*12.0%*
EBITA ratio	*10.0%*	*10.4%*	*10.8%*	*10.8%*	*10.9%*	*10.9%*
EBIT ratio	*9.1%*	*9.5%*	*9.8%*	*9.9%*	*9.9%*	*9.9%*
EBT ratio	*9.4%*	*8.4%*	*9.1%*	*9.3%*	*9.4%*	*9.4%*
Return on equity	35%	33%	29%	17%	17%	17%
Equity ratio	21%	24%	30%	36%	35%	35%
Number of employees at 31 December, Group	**9,377**	**11,510**	**10,664**	**11,229**	**13,204**	**13,204**
Number of employees in Denmark	1,657	1,871	1,650	1,564	1,609	1,609
Share and dividend figures, the Group						
CFPS (cash flow per share), (diluted)	28.4	44.2	47.1	25.3	21.7	2.9
EPS (earnings per share), (diluted)	24.6	28.8	31.9	24.4	27.1	3.6
Net asset value per share, (Group)	80	96	126	154	169	22.7
Dividend per share	7	0	7	9	9	1.2
Pay-out ratio	29%	0%	22%	37%	33%	33%
FLSmidth & Co. share price	522	181	367	532	337.5	45
Number of shares (1,000), 31 December	53,200	53,200	53,200	53,200	53,200	53,200
Average number of shares (1,000) (diluted)	52,640	52,544	52,429	52,693	52,550	52,550
Market capitalisation	27,770	9,629	19,524	28,302	17,955	2,414

The financial ratios have been computed in accordance with the guidelines of the Danish Society of Financial Analysts from 2010.

1) Income statement items are translated at the average EUR exchange rate of 7.4507 and the balance sheet and cash flow items are translated at the year end EUR exchange rate of 7.4342.
2) Order intake and order backlog are exclusive of Cembrit.

FLSmidth & Co. A/S in brief

Business concept

FLSmidth is a market-leading supplier of equipment and services to the global minerals and cement industries. FLSmidth supplies everything from single machine units to complete minerals and cement flowsheets including associated services.

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

FLSmidth primarily focuses on the following industries: coal, iron ore, fertilizers, copper, gold and cement, and has the ambition of being among the leading and preferred suppliers in each of these industries.

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

FLSmidth, therefore, has relatively few tangible assets and depreciation costs leading to a flexible cost structure, which makes it possible to plan and adjust the resources.

Vision

We will be our customers' preferred full-service provider of services and sustainable minerals and cement technologies.

Fundamental values

Over the past 130 years, FLSmidth has developed a business culture based on three fundamental values: competence, responsibility and cooperation.

Investing in FLSmidth

FLSmidth & Co. A/S has been listed on NASDAQ OMX Copenhagen since 1968 and due to its global presence and comprehensive range of products and services it has obtained a unique market position as a leading supplier to the global minerals and cement industries. Solid results combined with a sustainable business model and good opportunities for growth make the FLSmidth & Co. share an interesting long term investment opportunity.

- Earnings per share (diluted) amounted to DKK 27.1 in 2011 (2010: DKK 24.4)
- The total return on the FLSmidth & Co. share in 2011 was -35% (2010: 46%)
- The Board of Directors will propose at the Annual General Meeting that a dividend of DKK 9 per share (2010: DKK 9) corresponding to 33% of the year's profit (2010: 37%) and a dividend yield of 3% (2010: 2%) be distributed for 2011
- FLSmidth takes a conservative approach to capital structure, which is reflected in low debt, gearing and financial risk. The aim is to achieve an equity ratio in excess of 30% and a net debt position with financial gearing up to 2 times EBITDA
- It is FLSmidth's dividend policy to pay out 30-50% of the year's profit in dividend depending on the capital structure and investment opportunities.

Strategy

"Market leader in six growth industries"

FLSmidth is launching a new global growth strategy that will unfold the Group's potential over the coming years.

FLSmidth will differentiate itself as the preferred full-service provider of products and solutions based on the best technology in the market.

Over the coming years, the Group will gradually develop its organisational structure in relation to six focus industries: **coal, iron ore, fertilizer minerals, copper, gold** and **cement.**

The operational themes of the strategy focus on 1) getting closer to the customer 2) considering service and innovation as an integral part of all products and 3) services and excel in processes and projects.

In step with increased focus and differentiation and the normalisation of markets, the goal is to generate above market average yearly growth in revenue in both products, projects and services. This growth target entails acquisition of businesses and activities, organic growth and higher market share as well as increased revenue in connection with EPC (Engineering, Procurement, Construction) contracts.

The aim is, in addition to higher revenue, to achieve an operating margin before amortisation and write-down of intangible assets (EBITA) of 10-13%.

FLSmidth is a learning organisation and our people are our most valuable resource. There will be stronger emphasis on developing, attracting and retaining the right people who can support value creation in the Group.

New Group structure

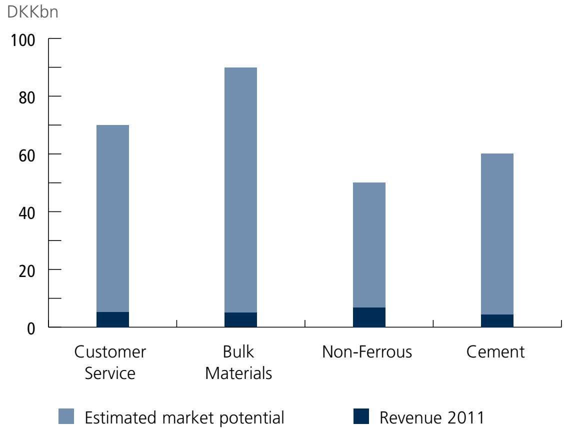
As a consequence of the new Group Strategy, FLSmidth will in future be structured in four divisions with **Customer Services** being separated from **Cement** and Minerals to form a separate division, and Minerals being divided up into **Bulk Materials** (notably coal, iron ore and fertilizers) and **Non-Ferrous** (non-ferrous metals such as copper and gold):

FLSmidth is also the owner of Cembrit Holding A/S, which is Europe's leading dedicated provider of fibre cement products.

New financial targets

Annual growth in revenue	above market average
EBITA ratio	10-13%
Tax rate	30-32%
Equity ratio	>30%
Financial gearing (NIBD/EBITDA)	<2
Pay-out ratio	30-50% of the profit for the year
Cash flow from investing activities (exclusive of acquisitions)	DKK -700m to -900m

Estimated market potential (DKKbn)



Main conclusions 2011

Financial results in Q4 2011

High activity and record high EBIT result

The order intake increased
32% to DKK 5,856m (Q4 2010: DKK 4,428m)

Revenue increased
32% to DKK 7,286m (Q4 2010: DKK 5,520m)

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased
57% to DKK 995m (Q4 2010: DKK 633m), corresponding to an EBITDA ratio of 13.7% (Q4 2010: 11.5%)

Earnings before amortisation and write-down of intangible assets (EBITA) increased
62% to DKK 938m (Q4 2010: DKK 579m), corresponding to an EBITA ratio of 12.9% (Q4 2010: 10.5%)

Earnings before interest and tax (EBIT) increased
62% to DKK 870m (Q4 2010: DKK 536m), corresponding to an EBIT margin of 11.9% (Q4 2010: 9.7%)

Earnings before tax (EBT) increased
64% to DKK 842m (Q4 2010: DKK 512m)

The profit for the period increased
72% to DKK 567m (Q4 2010: DKK 329m)

Financial results for 2011

Record year for Minerals, solid result in Cement despite difficult market

The order intake increased
16% to DKK 24,044m (2010: DKK 20,780m)

The order backlog has increased
14% to DKK 27,136m (end of 2010: DKK 23,708m)

Revenue increased
9% to DKK 21,998m (2010: DKK 20,186m)

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased
11% to DKK 2,647m (2010: DKK 2,387m) corresponding to an EBITDA ratio of 12.0% (2010: 11.8%)

Earnings before amortisation and write-down of intangible assets (EBITA) increased
10% to DKK 2,405m (2010: DKK 2,177m), corresponding to an EBITA ratio of 10.9% (2010: 10.8%)

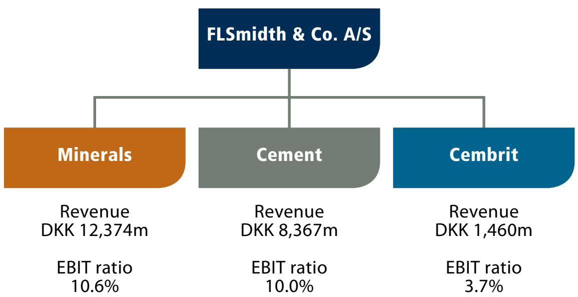
Earnings before interest and tax (EBIT) increased
9% to DKK 2,171m (2010: DKK 1,990m) corresponding to an EBIT ratio of 9.9% (2010: 9.9%)

Earnings before tax (EBT) increased
11% to DKK 2,070m (2010: DKK 1,872m)

Profit for the year increased
12% to DKK 1,437m (2010: DKK 1,278m)

Cash flow from operating activities
amounted to DKK 1,148m (2010: DKK 1,335m)

Net interest-bearing debt
by the end of 2011 amounted to DKK 98m (end of 2010: Net interest-bearing receivables DKK 1,254m)



Market trends

The market conditions for minerals equipment and services were favourable in 2011 despite great global macroeconomic uncertainty during the year. This reflects the fact that the minerals market continues to grow due to societal changes in the developing countries where the growing middle class is boosting demand for infrastructure and consumer goods based on minerals and metals.

Meanwhile, the supply of minerals is limited by the lack of investments by the mining industry in previous of years and the declining quality of existing ore bodies and accessibility of unexploited ore deposits. This means that mineral prices have generally remained at a relatively high level despite fluctuations during the year and that capacity utilisation in existing mines is very high.

In FLSmidth's prioritised industries, 2011 saw particularly high activity in copper, gold and coal.

Demand for equipment and services in the cement industry was relatively weak in 2011 due to the hard-pressed economies in the Western World, unrest in North Africa and a temporary growth pause in India. On the other hand, a positive trend was seen in demand from particularly Russia, Central Africa and South America. The global market for new contracted cement kiln capacity exclusive of China amounted to 46m tonnes per year in 2011 (2010: 65m tonnes per year), FLSmidth's share of the market representing 31% (2010: 36%).

Outlook for 2012

In 2012, FLSmidth & Co. A/S expects consolidated revenue of DKK 24-26bn exclusive of acquisitions (2011: DKK 22bn), an EBITA ratio of minimum 10% (2011: 10.9%) and an EBIT ratio of 9-10% (2011: 9.9%).

Cash flow from investing activities (exclusive of acquisitions) is expected to be around DKK -900m in 2012 (2011: DKK -733m) due to the investment in eight supercenters and the expansion of own manufacturing in India and China.

The effective tax rate is expected to be 30-32% in 2012 (2011: 31%) and payable tax slightly lower.

The effect of purchase price allocations (exclusive of acquisitions) is expected to be around DKK 220m in 2012 (2011: DKK 178m).

Each of the four new divisions and Cembrit are expected to see the following developments in 2012:

	Expected revenue* in 2012	Expected EBITA ratio trend in 2012	Expected order intake* trend in 2012
Customer Services	increasing (2011: DKK 5.3bn)	stable (2011: ~16%)	increasing (2011: DKK 5.3bn)
Bulk Materials	increasing (2011: DKK 5.0bn)	strongly increasing (2011: ~5%)	increasing (2011: DKK 5.5bn)
Non-Ferrous	increasing (2011: DKK 6.8bn)	slightly decreasing (2011: ~12%)	stable (2011: DKK 9.7bn)
Cement	slightly increasing (2011: DKK 4.4bn)	decreasing (2011: ~11%)	slightly increasing (2011: DKK 4.4bn)
Cembrit	slightly increasing (2011: DKK 1.5bn)	increasing (2011: ~4%)	n/a

*) Elimination in the form of inter-company trade is expected to amount to approximately DKK 1bn in both 2011 and 2012.
The new structure entails reclassification of revenue and order intake regarding product companies and Customer Services, see pages 16 and 17.
Restated segment information for the last 12 quarters will be published within one month from the publication of the Annual Report 2011.

"Market leader in six growth industries"

This annual report coincides with the launch of a new FLSmidth strategy that will assure customers continued support with the services and equipment they demand to optimise their operations. The strategy builds on FLSmidth's proud traditions and values.

FLSmidth has today presented a solid financial result, but that does not mean the Group will rest on its laurels.

"FLSmidth is well positioned for future growth. We have highly qualified employees, competent management and are strongly positioned in global growth industries. All this gives us a strong platform that only stimulates our appetite for further development," Board Chairman Vagn Sørensen says.

Customer intimacy

Based on a unique combination of technology, service and expertise, FLSmidth is able to fulfil the customers' total needs and requirements - from single machine units to complete plants and any type of service needed during the entire life cycle of the equipment. With its global organisation and local presence in more than 50 countries, FLSmidth remains close to the customers. Documented capability of assisting customers in building complex new plants, optimising existing plants and lowering their operating costs and environmental impact provides FLSmidth with a strong business concept.

"We shall retain our strong market position in cement and leverage our growth potential in minerals and services. FLSmidth will grow more than the market average, which will be achieved by expanding the present business and by acquiring new businesses," Group CEO Jørgen Huno Rasmussen says.

Growth in minerals

Minerals extraction is on a growth curve, and many minerals are already in limited supply, which in turn is causing higher prices. FLSmidth's minerals business experienced a record order intake in 2011, and the vast potential in minerals appears to continue.

"Having achieved our goal that the minerals business was to be equal in size to the cement business, it is natural for us to set new goals. It is our ambition that FLSmidth should be the market leader and preferred supplier in processing and handling of minerals in selected industries," Vagn Sørensen says.

The industries that are given top priority in addition to cement are coal, iron ore, fertilizers, copper and gold.

Focus on service

We shall continue to strengthen and grow customer services in all the chosen industries. This entails, for example, that FLSmidth will increase its own manufacture of strategic spare parts in India and China, operate and maintain our customers' plants and establish service supercenters close to the customers.

Stronger customer focus will enable FLSmidth to develop products that create customer value and differentiates FLSmidth from its competitors. The company will grow its market share and expand its capabilities and geographical footprint without diversifying its activities. Future development of the business will be based on its proven corporate values: competence, responsibility and cooperation.

"We are happy to present a solid annual report for 2011. And even better, we are also presenting a new Group strategy and structure that will release the FLSmidth Group's future potential over the coming years," Jørgen Huno Rasmussen concludes.

Vagn Ove Sørensen
Board Chairman

Jørgen Huno Rasmussen
Group Chief Executive Officer

New Group strategy

Focused full-service provider

Focused full service provider

At FLSmidth, our overall strategy is to differentiate ourselves within our focus areas in the minerals and cement industries, and at the same time continue to maintain and sharpen our competitive edge by fulfilling our customers' needs.

FLSmidth will be a focused company that differentiates itself from competitors by supplying full service solutions to our six focus industries – coal, iron ore, fertilizers, copper, gold and cement – and within our core technologies, from material handling in the quarry throughout processing to end product.

"Focused" means that we will concentrate on six industries. Within these focus industries, we will be able to supply the full flowsheet, thus enabling us to provide full service solutions within our core technologies. We experiment along the edges of our existing product portfolio and markets, but we do not pursue business activities that will not result in market leadership or are not core activities.

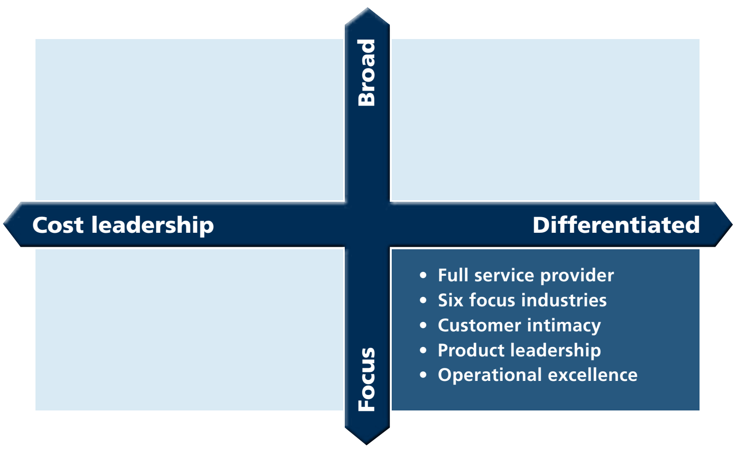
"Full service" means that we will be capable of supplying fully furnished complete solutions including service, operation and maintenance within our focus industries and flowsheet. In this way, we can differentiate from our competitors by building state-of-the-art technology with services to create the solutions our customers need most. We think service - products and technology are no longer regarded as "the end", but rather "the means" by which we supply full-service solutions to our customers.

We have selected six focus industries for our involvement. These industries were selected based on their technological fit with our capabilities and core competences, our market position and capacity for growth, and their overall long-term market potential. Through technological leadership and goal oriented R&D, we will support our customers' efforts to achieve sustainability and optimized production.

FLSmidth's Vision

We will be our customers' preferred full service provider of services and sustainable minerals and cement technologies

Focused and differentiated full-service provider




FLSMIDTH

New Group strategy

Three key strategic themes

As we work towards our goal, we will build our strategy around three themes:

- **Customer intimacy**
- **Product leadership**
- **Operational excellence**

What can really differentiate our competitive position is the interplay between our three strategic themes. We cannot win the customers if we invest solely in only one theme – we need to be balanced and interlinked in order to strike the ideal combination. We need to align our solutions with our customers' needs.

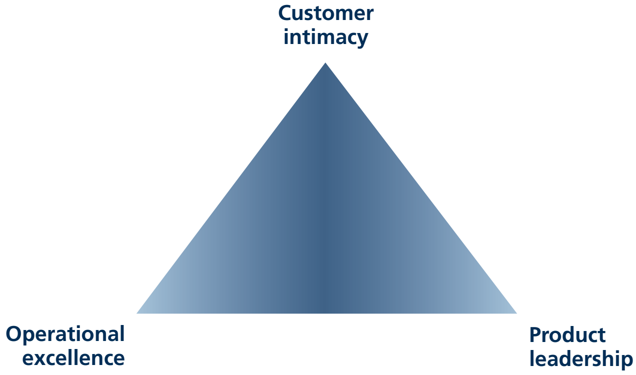
Drawing support from all three strategic themes while extending our scope, flowsheet and footprint within key industries, we can enjoy profitable growth and meet our target of annual growth above the market average.

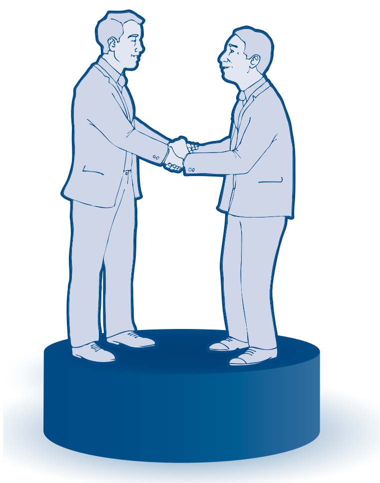
Customer intimacy

We will work proactively to build close long-term relations with our customers. We want to get closer in all aspects and build intimate relationships. This intimacy will help us make sure our solutions match customer needs, thus maximising customer value creation and loyalty. Knowledge about our customers enables us to highlight parameters where we have a strong competitive position.

To strengthen customer intimacy, we need to get closer, by being present in our markets, to create interdependencies, and to maintain effective, continuous communication. In short, we need to "live and breathe for and with our customers".

To support customer intimacy, our organisation will evolve towards even greater focus on customers. We will gather more intelligence on customers and industries, and develop and maintain a special focus on strategic customers with regard to technological preferences, collaboration models and so on. We will to a greater extent use Customer Relationship Management (CRM) and other strategic and operational systems and tools to further enhance customer intimacy.





Product leadership

Closely linked to our customers are the solutions we sell. We sustain and develop our product leadership via ambitious R&D work, greater focus on the core competences that support our business, and the close customer relations that fuel and direct our product development work.

Our product strategy focuses on two areas. The first area involves combining our core competences into service offerings or technologies that are tied to service offerings, as these are difficult for competitors to copy and they strengthen our close relationship with our customers.

The second area involves offering full service solutions that enable us to cover more of the product life-cycle, and besides, technologies also include complete solutions (EPC), services, operation and maintenance for the complete flow sheet. A one-stop-shop based on a One Source concept.

Our primary value proposition is based on a holistic life-cycle approach, where total cost of ownership is lower than our competitors' and based on more sustainable, cleaner and eco-efficient technologies.

We want to lead the market by creating partnerships with key customers, meeting their needs as a One Source supplier who bundles and combines offerings and supplies integrated products and capabilities based on our core competences.

In order to optimise sales to individual customers, our product portfolio must reflect our customers' life-cycle, and thus requires a strong bridge between capital projects and service offerings. Products and technology will no longer be regarded as "the end", but rather "the means" by which we supply services to our customers.

We will continue to standardise products and services to reduce cost, time-to-market and risks while increasing quality.

Operational excellence

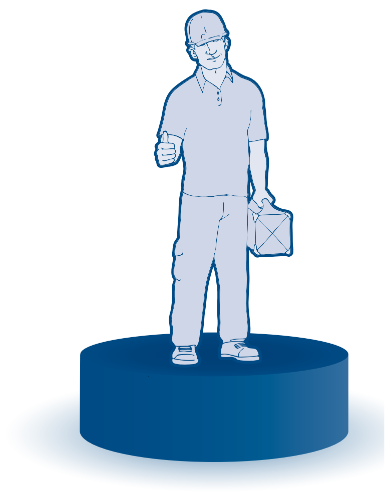
We are committed to seek excellence in the way we execute orders and build our business process operations, as it will be a significant contributor to our profitability and growth. We aim at a mindset of optimising customer value and supplying quality products through continuous improvements.

We will migrate to a fully transparent worldwide IS/IT platform, Helios. As a high-performance innovator, we maintain central knowledge databases and global communities of practice for information sharing.

Our customers must experience excellent delivery of promised quality on promised time, and the ultimate test will always be execution of projects completely on agreed and planned terms without any budget overruns.

We will continue to locate responsibility for sales and execution within the same business entity, and we will concentrate ownership of project management in profit centres.

To sustain our asset-light balance sheet, we will have limited in-house production. Any in-house production must be strategically justifiable, either to secure intellectual property rights (IPR), releasing ourselves from monopoly-like vendors, reducing lead times, or insourcing of strategic high margin spare and wear parts with steady demand. Regional warehouses will carry critical spares of strategic importance. We will develop and maintain strategic supplier relationships to obtain consistent high quality, reliable delivery, and competitive pricing for all products, while also protecting our IPR.



New Group strategy
Our employees

FLSmidth is a learning organisation, and our employees are our most valuable asset. As we continue to evolve, we will place even greater emphasis on performance and on attracting, developing and retaining people who can enhance our high-performance culture.

Over the past ten years, we have evolved from being a primarily Denmark/USA-based company into a truly global organisation. Today, approximately 30% of our workforce is in India, and as we work to become closer to our customers, we will grow even more geographically and become culturally diverse. As our success relies on meeting our customers as One Source, we must be able to swiftly integrate all new employees and entities into the FLSmidth family. To achieve this, we will invest in sustaining our deep-rooted partnership culture and shared values.

FLSmidth's values

For over a century our vision has been supported by a total commitment to our core business values:

Competence
- Professionalism, credibility and integrity

Co-operation
- Team spirit and openness

Responsibility
- Take ownership and will to change

In strict accordance with these values, we have earned the trust of our shareholders, customers, business partners, co-workers, suppliers, employees and the communities in which we live and work.

New Group strategy

Capital structure and growth

At FLSmidth, we take a conservative approach to capital structure, with an emphasis on low debt, gearing and risk. We protect our financial strength and freedom to determine the right mix of investments, M&A and dividends, and we continuously optimise our capital structure in a spirit of adaptability and urgency.

We pursue growth through complementary acquisitions when a company within our core business can add new value, has a proven track record financially and technologically, and can improve our group EBITA margins. We are taking action to increase the speed at which we acquire and integrate.

We pursue organic growth within our existing focus areas. However, all growth must contribute to value creation through sales and product synergies in accordance with our full service life-cycle strategy. In cement, our primary focus is market share retention and leveraging our large installed base. In minerals, we will focus on key industries that offer the greatest potential, optimising the flowsheet and capturing our share of market growth.

New Group structure

Creating value for the future

Over the past decade FLSmidth has developed from a diversified conglomerate into a specialised and focused business group supported by two equally strong business segments, Cement and Minerals. It is expected that future growth will primarily take place in Minerals, and the new Group strategy is therefore designed to support and exploit this growth potential.

Over the coming years the Group will gradually develop its organisational structure towards six selected industries: coal, iron ore, fertilizer minerals, copper, gold and cement, which each have the potential of growing just as big as Cement over the next decade.

To implement the strategy and highlight future value creation we shall initially structure the organisation around four business areas with Customer Services being separated from Cement and Minerals as a separate unit and Minerals being divided into Bulk Materials and Non-Ferrous.

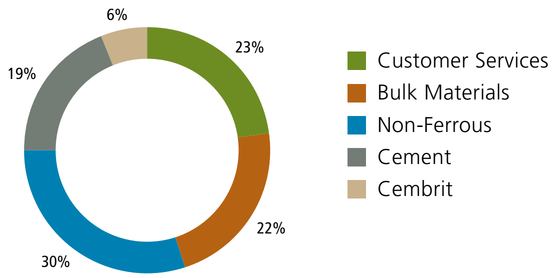
In future there will therefore be four business segments: **Customer Services, Bulk Materials, Non-Ferrous** and **Cement**. The split-up into four business segments makes it possible to give each segment full management attention, thereby releasing the growth potential of each of the segments. Today, the four business segments are comparable in size, but with fundamental differences in terms of market dynamics and business execution.

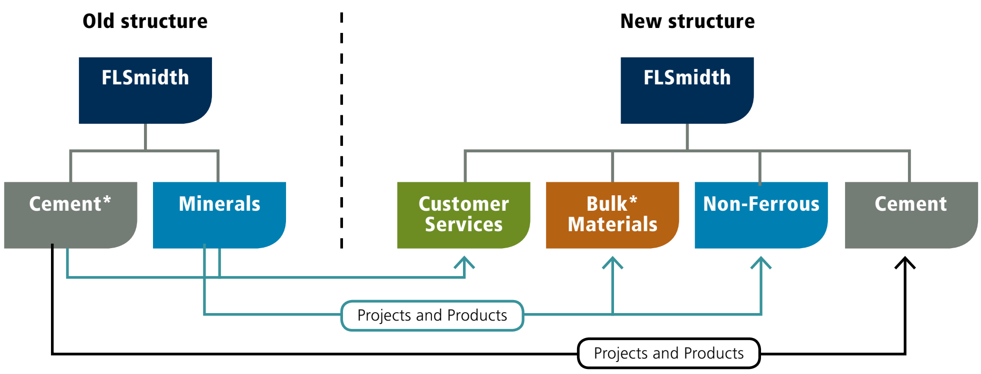
The new Group structure lays the foundation for gradually continuing the development of the business and the organisation, and the management of all six focus industries is already firmly in place.

FLSmidth controls Cembrit Holding A/S (Cembrit), which is Europe's leading dedicated provider of fibre cement products.

Proforma numbers for 2011 under the new Group structure show the following relative breakdown of revenue including Cembrit:

Revenue





*) Some product companies that previously belonged to Cement have under the new structure moved to Bulk Materials because a considerable part of their revenue is related to minerals.

New divisions	Customer Services	Bulk Materials *projects and products*	Non-Ferrous *projects and products*	Cement *projects and products*
Industries	**All focus industries**	**Coal, iron, fertilizers** and other bulk materials	**Copper, gold** and other base and precious metals and minerals	**Cement**
Main competitors	All OEM suppliers plus specialised services and parts suppliers as well as numerous small and local suppliers	Global equipment suppliers such as **ThyssenKrupp** (Germany), **Sandvik** (Sweden), **Takraf** (Germany), **FAM** (Germany) and **Metso** (Finland) plus small and medium-sized specialist suppliers	Global equipment suppliers such as **Metso** (Finland), **Outotec** (Finland), **ThyssenKrupp** (Germany), **Sandvik** (Sweden) and **Weir** (UK) plus small and medium-sized specialist suppliers	Global equipment suppliers such as **Sinoma** (China), **ThyssenKrupp Polysius** (Germany) and **KHD** (Germany) plus small and medium-sized specialist suppliers
Market potential p.a. *) (estimated)	DKK ~70bn	DKK ~90bn	DKK ~50bn	DKK ~60bn
Revenue 2011 **) (pro forma)	DKK 5.3bn	DKK 5.0bn	DKK 6.8bn	DKK 4.4bn
Revenue 2012 **) (expected)	increasing	increasing	increasing	slightly increasing
EBITA-% 2011 (pro forma)	~ 16%	~ 5%	~ 12%	~ 11%
EBITA-% 2012 (expected trend)	stable	strongly increasing	slightly decreasing	decreasing

*) Size of estimated market potential is associated with a high degree of uncertainty and is based on various assumptions

**) Elimination in the form of inter-company trade is expected to amount to approx. DKK 1bn in both 2011 and 2012.

The segments Bulk Materials, Non-Ferrous and Cement still include a total of DKK 1.9bn of revenue related to service. This is service revenue integrated into product companies that belong to the respective business segments. Total service revenue within the Group therefore amounts to DKK 7.2bn in 2011 representing 33% of revenue.

New divisions

Customer Services

There are two reasons for separating Customer Services from the projects business. First, it is a strategically important business that differs favourably from projects in that it is less cyclical and generates higher earnings. Secondly, forming a separate and dedicated Customer Services organisation that can serve all industries will improve the potential for synergies across the Group. Successful implementation of the strategy thus depends on close coordination and optimum use of joint strategic initiatives such as setting up super service centres, development of operation and maintenance concepts, etc.

Bulk Materials

Bulk Materials will primarily deal with coal, iron ore and fertilizer minerals projects. About two thirds of the revenue generated by these industries is related to material handling, which is different from the mineral processing industry in that it is more a local business often undertaken as EPC (Engineering, Procurement, Construction) basis. The business deals with bulk materials that are produced, conveyed and exported in large quantities.

Material handling equipment and systems have been part of FLSmidth's product range for many years and originate from the cement business. Several acquisitions over the past decade have given FLSmidth a strong position in the minerals industry and a complete range of products for transporting bulk materials from the mine to their final destination. Bulk materials like coal, iron ore and fertilizers need to be moved two or three times; from the mine to the process plant, from the process plant to a truck, train or ship, and again at the final destination. At all these points material handling equipment is needed.

Non-Ferrous

The Non-Ferrous segment comprises products and projects for primarily the copper and gold industry and other minerals, which are characterised by overlapping technologies and projects as gold is often a by-product in connection with extraction of copper. The business comprises minerals processing technology in terms of crushing, grinding, concentration and separation of base and precious metals. There are four primary types of flow sheet depending on the characteristics of the raw material. This is followed by tailings management.
The four process flow sheets are: ore sulphide process plants; hydrometallurgy for handling ore oxides; pyrometallurgy for handling ore oxides and other ore types; beneficiation.

Cement

Cement is retained as a separate business unit and will continue to be the largest of the Group's six focus industries. FLSmidth is the global cement industry's leading supplier of complete cement plants, production lines and single machine units. FLSmidth's strength is a complete world market-leading product range combined with the capability and experience needed to implement high-quality projects and products everywhere in the world.

Overall service activities

The Group's overall service activities consist of the Customer Services division and service-related activities that are integrated in the product companies in the other divisions. In total, overall service revenue amounted to DKK 7.2bn in 2011, representing 33% of revenue.

New Group structure

Group Executive Management enlarged

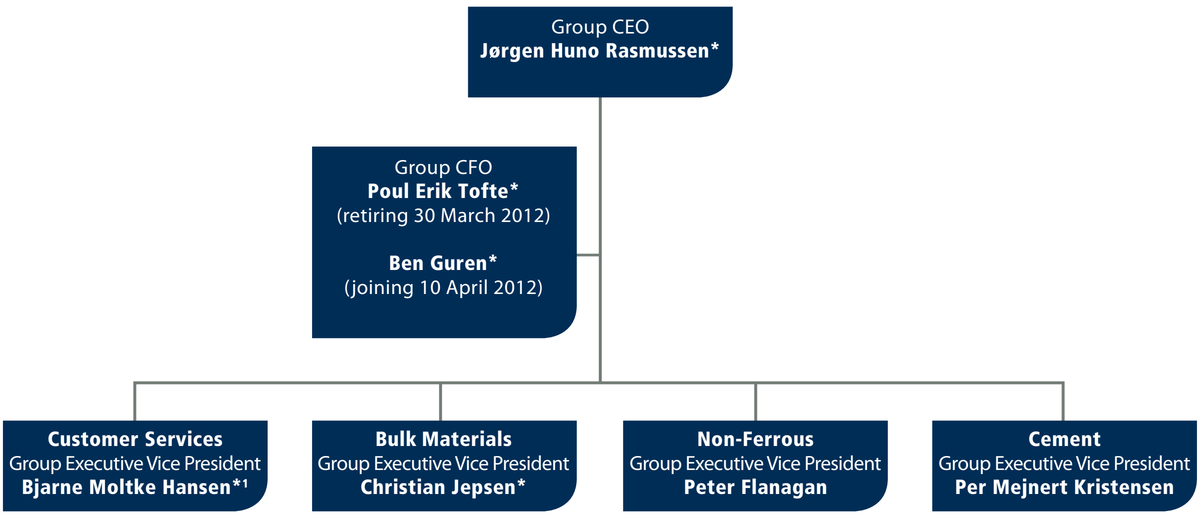
As a consequence of the new strategy and Group structure, as from 1 March 2012 Mr Per Mejnert Kristensen and Mr Peter Flanagan will join the Group Executive Management, thereby increasing its number from four to six persons. Per Mejnert Kristensen is an engineer, Danish, 44 years-old and based in Valby, Denmark, and has served the FLSmidth Group since 1992, most recently with overall responsibility for cement projects in EMEA and APAC. Peter Flanagan is an engineer, American and 46 years-old, and has served the FLSmidth Group for two periods. He rejoined FLSmidth in connection with the acquisition of GL&V Process in 2007, and has since then held responsibility for Minerals Processing, based in Salt Lake City, USA.

Integrated organisation structures with dedicated management teams will be formed in each of the business segments. At the same time the Group's global support functions will be extended to maintain and exploit the potential for synergies across the Group.

As previously announced Mr Poul Erik Tofte will retire on 30 March 2012. Mr Ben Guren has been appointed new CFO of FLSmidth & Co. A/S. Ben Guren, 51, a Norwegian and state-authorised public accountant, will take up the position on 10 April 2012.

For the first time in its 130 year history the FLSmidth Group will have not only one, but two non-Danish nationals in the Group Executive Management.

The division of responsibilities in the extended Group Executive Management will be as follows:



*) Executive officer registered with the Danish Business Authority

1) Bjarne Moltke Hansen is also responsible for Cembrit.

Management's review

FLSmidth achieved the expected results for the year 2011 due to the favourable market trends and earnings growth in Minerals as well as successful order execution in Cement. The prospects for 2012 are promising and revenue is expected to grow approximately 15%.

Developments in earnings in Q4 2011

Best quarterly EBIT result ever

The order intake increased
32% to DKK 5,856m (Q4 2010: DKK 4,428m), which is attributable to Minerals where the order intake alone increased 65% on the same quarter the year before

Revenue also increased
32% to DKK 7,286m (Q4 2010: DKK 5,520m), covering all segments although mainly Minerals

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased
57% to DKK 995m (Q4 2010: DKK 633m), which is a historical high. This corresponds to an EBITDA ratio of 13.7% (Q4 2010: 11.5%).

Group

DKKm	2011	2010	Change (%)	Q4 2011	Q4 2012	Change (%)
Order backlog	**27,136**	**23,708**	**14%**	**27,128**	**23,710**	**14%**
Order intake	**24,044**	**20,780**	**16%**	**5,856**	**4,428**	**32%**
Cement and Minerals - Products & projects	16,647	11,949	39%	3,924	2,381	65%
Cement and Minerals - Customer Services	7,397	8,831	-16%	1,932	2,047	-6%
Revenue	**21,998**	**20,186**	**9%**	**7,286**	**5,520**	**32%**
Cement and Minerals - Products & projects	13,294	12,557	6%	4,783	3,403	41%
Cement and Minerals - Customer Services	7,244	6,246	16%	2,128	1,767	20%
Cembrit	1,460	1,383	6%	375	350	7%
EBITDA	**2,647**	**2,387**	**11%**	**995**	**633**	**57%**
EBITDA ratio	*12.0%*	*11.8%*		*13.7%*	*11.5%*	
EBITA	**2,405**	**2,177**	**10%**	**938**	**579**	**62%**
EBITA ratio	*10.9%*	*10.8%*		*12.9%*	*10.5%*	
EBIT	**2,171**	**1,990**	**9%**	**870**	**536**	**62%**
EBIT ratio	*9.9%*	*9.9%*		*11.9%*	*9.7%*	
Cash flow from operating activities	**1,148**	**1,335**	**-14%**	**260**	**232**	**12%**
Number of employees	**13,204**	**11,229**	**18%**	**13,204**	**11,229**	**18%**

Earnings before interest, tax and amortisation and write-down of intangible assets (EBITA) increased
62% to DKK 938m (2010: DKK 579m) corresponding to an EBITA ratio of 12.9% (Q4 2010: 10.5%).

Earnings before interest and tax (EBIT) increased
62% to DKK 870m (Q4 2010: DKK 536m), which is also the best quarterly result ever, corresponding to an EBIT ratio of 11.9% (Q4 2010: 9.7%).

The relatively high operating margins reflect partly a favourable product mix and better-than-expected financial results of completed projects, partly operational gearing due to high revenue.

Earnings before tax (EBT) increased
64% to DKK 842m (Q4 2010: DKK 512m).

The profit for the period increased
72% to DKK 567m (Q4 2010: DKK 329m).

Financial results for 2011

EBIT margin 9.9% - between 9-10% through the cycle

Order intake and order backlog

The order intake increased 16% to DKK 24,036m (2010: DKK 20,780m), which is primarily due to strong market developments in Minerals, which in itself increased 45%. All segments in Minerals contributed positively to the higher results. *The order intake* decreased 18% in Cement, reflecting the fact that in 2011 no operating and maintenance contracts were awarded, whereas in 2010 such contracts at a total value in excess of DKK 2.5bn were signed. Exclusive of Customer Services *the order intake* in Cement increased 17%. The overall *order intake* in Cement reflected the fact that traditionally large cement markets were at a standstill for various reasons. In India, high growth has led to high inflation, which is being countered by high interest rates and a consequent slowdown in investments. In North Africa, the Arab Spring created uncertainty and unpredictability, which has temporarily curbed the willingness to invest as well as the consumption of cement. In the US and Europe, business has also been flat due to the financial crisis and low growth.

The order backlog has increased 14% to DKK 27,136m (end of 2010: DKK 23,708m).

It is expected that 62% of *the order backlog* at the end of 2011 will be converted to revenue in 2012 and 23% in 2013.

Revenue and earnings

Revenue increased 9% to DKK 21,998m in 2011 (2010: DKK 20,186m), which is primarily attributable to Minerals where *revenue* alone increased 29%.

Overall, the translating of foreign currency into DKK had a negative effect on *revenue* amounting to 2% in 2011 compared to 2010.

In 2011, FLSmidth acquired five enterprises having an overall effect on *revenue* amounting to DKK 221m and on *earnings after tax* amounting to DKK -2m in the limited period during which they have been consolidated in the Group. For further details regarding the enterprises acquired, please see note 15, page 102 in the consolidated financial statements.

The gross profit amounted to DKK 5,734m in 2011 (2010: DKK 5,207m), corresponding to a *gross margin* of 26.1% (2010: 25.8%). *The gross margin* has risen in Cement due to high Customer Services revenue and projects being completed with a better-than-expected financial result; this was also the case in Cembrit due to a favourable product mix. In Minerals, on the other hand, *gross margin* decreased marginally compared to last year, primarily as a result of two loss-making projects.

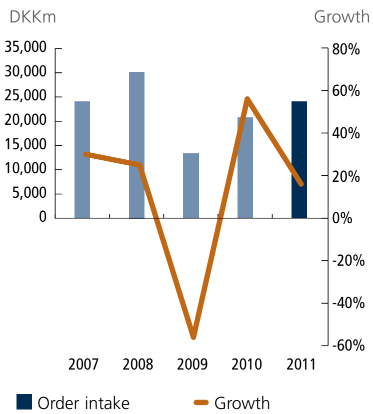
Sales, distribution and administrative costs, etc. amounted to DKK 3,087m in 2011, which represents a cost percentage of 14.0% of revenue (2010: 14.0%) and a 9% increase on 2010 (2010: DKK 2,820m). Consolidation of the five enterprises acquired resulted in a DKK 112m increase in *sales, distribution and administrative costs.*

Higher sales and order activity generally generates higher *sales and distribution costs* in the short term, but no *revenue* and earnings until at a later stage. This has particularly been the case in Minerals.

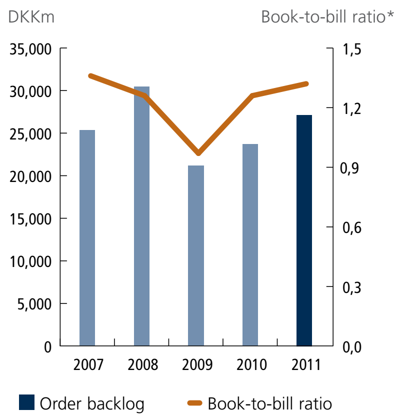
Earnings before interest, tax, depreciation and amortisation (EBITDA) increased 11% to DKK 2,647m (2010: DKK 2,387m) corresponding to an *EBITDA ratio* of 12.0% (2010: 11.8%).

Earnings before amortisation and write-down of intangible assets (EBITA) increased 10% to DKK 2,405m (2010: DKK 2,177m), corresponding to an *EBITA ratio* of 10.9% (2010: 10.8%).

Order intake

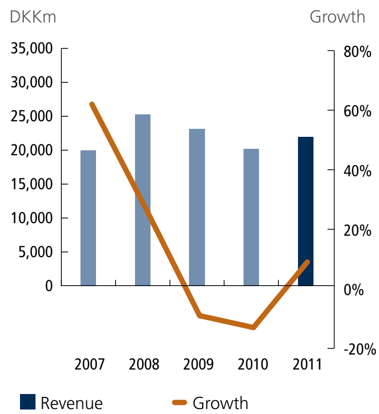


Order backlog and book-to-bill ratio



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

Revenue



Amortisation and write-down of intangible assets amounted to DKK 234m (2010: DKK 187m) of which the effect of purchase price allocations accounted for DKK 178m (2010: DKK 140m).

Earnings before interest and tax (EBIT) increased 9% to DKK 2,171m (2010: DKK 1,990m) corresponding to an *EBIT ratio* of 9.9% (2010: 9.9%).

This is the fifth year in succession that FLSmidth reports an *EBIT ratio* between 9-10%, which is unusual for a company operating in a cyclical industry - not least considering this has been a period of considerable cyclical fluctuation. The stable level of margins reflects the fact that FLSmidth's business model is based on a flexible cost structure that enables ongoing adjustment of resources to the prevailing level of activity.

Financial items amounted to DKK -101m, which is on a par with last year (2010: DKK -118m). This amount includes foreign exchange adjustments of DKK -82m (2010: DKK -86m).

Earnings before tax (EBT) increased 11% to DKK 2,070m (2010: DKK 1,872m).

The tax for the year amounted to DKK 646m (2010: DKK 590m) corresponding to an effective tax rate of 31% (2010: 32%).

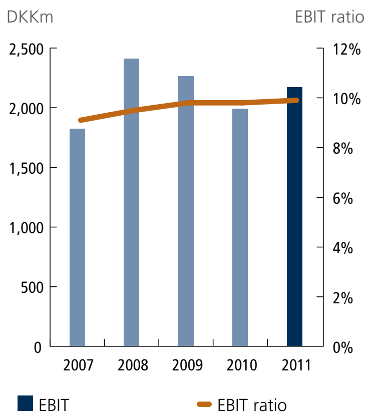
Profit for the year increased 12% to DKK 1,437m (2010: DKK 1,278m).

Earnings per share (diluted) amounted to DKK 27.1, which is an 11% increase on the year before (2010: DKK 24.4).

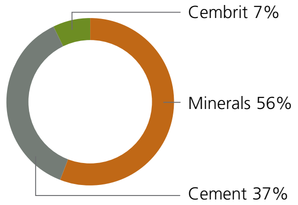
Cash flow developments and working capital

Cash flow from operating activities amounted to DKK 1,148m (2010: DKK 1,335m). Cash flow has primarily decreased due to an increase in working capital and taxes paid.

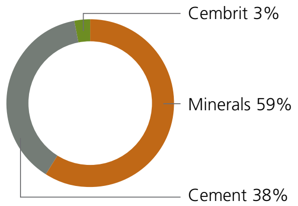
EBIT and EBIT ratio



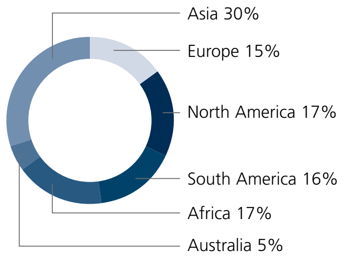
Revenue 2011 – by segment



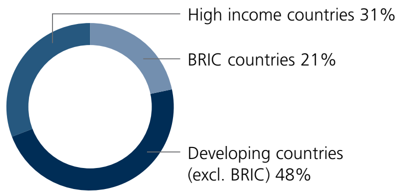
EBIT result 2011 – by segment



Revenue 2011 – by geography



Revenue 2011 – by geography



In 2011, taxes paid amounted to DKK 812m (2010: DKK 458m), which is markedly higher than the year before and also considerably higher than tax for the year in 2011, which amounted to DKK 646m (2010: DKK 590m). The increase in taxes paid is primarily due to intercompany sale of intellectual property rights to the Danish parent company, which has released tax payments abroad in 2011. In the coming years, payable tax is expected to be lower than the tax for accounting purposes.

Working capital amounted to DKK 1,620m at the end of 2011 (2010: DKK 878m). *Working capital* increased rapidly in Q4 2011 due to very high order execution and revenue, particularly in December, which meant a large number of invoices that are not yet due for payment. As a consequence *trade receivables* increased DKK 1,145m merely in Q4 2011. It is expected that the working capital will decrease again in step with the invoices becoming due for payment.

Prepayments have seen a net decrease to DKK 1,739m at end of 2011 from DKK 1,827m at end of 2010 (calculated as prepayments from customers less prepayments to subcontractors). Overall, the relatively higher activity in Minerals and Customer Services compared to cement projects means that the level of prepayments is declining, as cement projects generally account for the highest prepayments amounting to 15-25% of the total contract price.

Investing in the business

In 2011, FLSmidth made considerable investments in both acquisitive and organic growth.

Cash flow from investing activities amounted to DKK -1,648m (2010: DKK -726m). The total net cash flow effect of acquisition and disposal of enterprises amounted to DKK -915m (2010: DKK -45m), and investments before acquisitions consequently amounted to DKK 733m (2010: DKK 681m).

The high level of organic investment amounting to DKK 733m is primarily due to the following activities that have either been initiated or executed in 2011:

- Investment in service supercentres in Chile, Peru and Australia
- Extension of the workshop facilities in Qingdao, China to a total of 37,000 square metres.
- Extension of the production facilities in New Delhi, India

The investments are below the previously announced level of approximately DKK 900m, due to the fact that several investments have been postponed.

In 2011, FLSmidth acquired five enterprises, which had a total cash flow effect of DKK -926m.

The companies acquired are ESSA Australia Limited, which specialises in design, manufacture and servicing of sampling equipment for the minerals industries; Darimec S.r.L., a specialised gear producer based in Italy; US-based Phillips Kiln Services, which supplies kiln services to the global cement and minerals industries; Knelson Group, a Canadian company that specialises in the recovery of precious metals; and Transweigh India Limited, a supplier of gravimetric feeding equipment.

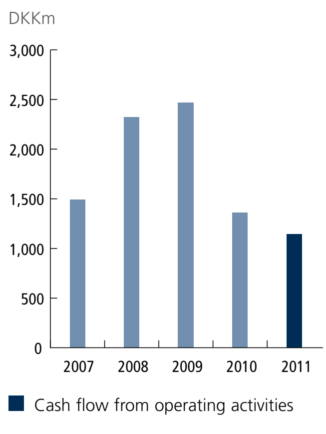
For further details regarding acquisitions please see note 15, page 102 in the consolidated financial statements.

Balance sheet, capital structure and dividend

The balance sheet total amounted to DKK 25,540m at the end of 2011 (2010: DKK 22,599m). The balance sheet total has increased due to acquired enterprises and a higher level of activity.

The equity at end of 2011 showed an increase to DKK 8,907m (2010: DKK 8,139m), whilst the equity ratio showed a decrease to 35% at end of 2011 (2010: 36%).

Cash flow from operating activities



FLSmidth takes a conservative approach to capital structure, which is reflected in relative low debt, gearing and financial risk.

The aim is to maintain an *equity* ratio of more than 30% and to have a net debt position with gearing up to 2 times EBITDA.

Net interest-bearing debt by the end of 2011 amounted to DKK 98m (end of 2010: Net interest-bearing receivables DKK 1,254m). The Group's gearing calculated as NIBD/EBITDA amounted to 0.04 at end of 2011 (end of 2010: -0.53).

Meanwhile, Management wishes to maintain capital resources to finance future expansion and to strengthen the Group's commercial position through acquisition and organic growth.

The capital resources currently consist of committed credit facilities in the form of a DKK 5bn club deal with a weighted time to maturity of 4.3 years, and mortgage financing and other long-term committed facilities amounting to additional DKK 1.2bn.

It is FLSmidth's policy to pay out 30-50% of the year's profit in dividend depending on the capital structure and investment opportunities.

The Board of Directors will propose at the Annual General Meeting that a dividend of DKK 9 per share (2010: DKK 9) corresponding to 33% of the year's profit (2010: 37%) and a dividend yield of 2.7% (2010: 1.7%) be paid out.

Macroeconomic trends

Demand for minerals and cement, and consequently equipment for producing and handling minerals and cement, is exposed to cyclical swings and dependent on global economic growth.

Global growth rates saw a downward trend in 2011. In its latest analysis dated January 2012, the IMF estimates that global growth in 2011 amounted to 3.8% (2010: 5.2%). The main explanations of the decline compared to the year before were the debt crisis in Europe and tighter monetary policies in several major developing countries.
The debt crisis in Europe has put a damper on growth in Europe and has had a negative spill-over effect on the rest of the world. The industrialised world including USA and Japan is generally struggling with high budget deficits and the need for structural reforms, which limits the scope for stimulating growth.

Several years of high growth and rising inflation, on the other hand, has necessitated tighter monetary policies in a number of developing countries, including China and India, which slowed growth in 2011.

According to IMF, China grew 9.2% in 2011 (2010: 10.4%) and the growth rate is expected to slow down further to 8-9% in the coming years, which may be characterised as a soft landing, but will still have far-reaching consequences.

According to IMF, growth in India was 7.4% in 2011 (2010: 9.9%) and is expected to remain around 7-8% over the coming years. The slowdown in growth is caused by high interest rates and political reluctance to enter into investment projects.

Besides, there continues to be great political uncertainty in the Middle East and North Africa.

The financial markets remain fragile, but avoided actually freezing up in 2011.

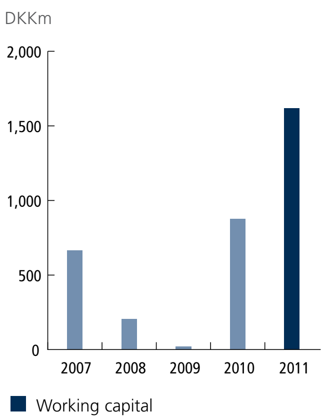
IMF expects global growth to remain subdued at 3.3% in 2012 and 3.9% in 2013.

Market trends in 2011

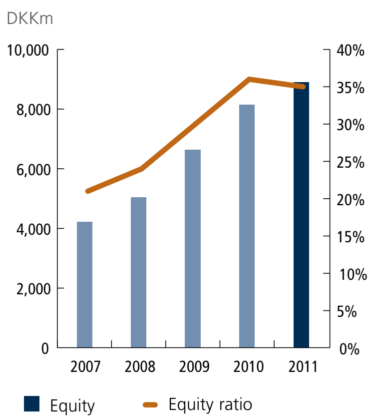
Minerals

The market conditions for minerals equipment and services were favourable in 2011 despite great global macroeconomic uncertainty

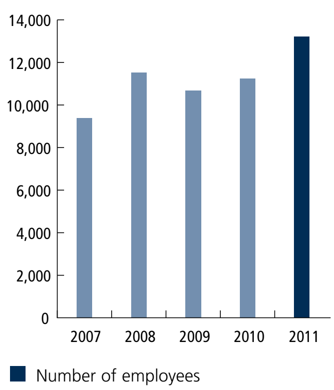
Working capital



Equity



Number of employees



during the year. This reflects the fact that the minerals market continues to grow due to societal changes in the developing countries where the growing middle class is boosting demand for infrastructure and consumer goods based on minerals and metals.

Meanwhile, the supply of minerals is suffering from several years' lack of investments in the mining industry and the declining quality of existing ore bodies and accessibility of unexploited ore deposits. This means that mineral prices have generally remained at a relatively high level despite fluctuations during the year and that capacity utilisation in existing mines is very high. In FLSmidth's prioritised industries, 2011 saw particularly high activity in copper, gold and coal.

Cement

Demand for equipment and services in the cement industry was relatively weak in 2011 due to the hard-pressed economies in the western world, political unrest in North Africa and a temporary economic slowdown in India. On the other hand, a positive trend was seen in demand from particularly Russia, Central Africa and South America. The global market for new contracted cement kiln capacity exclusive of China amounted to 46m tonnes per year in 2011 (2010: 65m tonnes per year), with FLSmidth's share of the market representing 31% (2010: 36%).

Research and Development

It is the FLSmidth Group's vision to be the customers' preferred full-service provider of sustainable minerals and cement technologies. This is reflected, for example, in focused research and development efforts aimed at fulfilling customers' future needs in terms of innovative technical solutions, high reliability and availability, minimum environmental impact and the lowest possible product lifecycle costs. The intention is that investments in research and development are to account for around 2% of revenue and that minimum one new invention or innovation regarding the most important machines and processes is to be launched every year.

2011 saw total investments in research and development at DKK 339m (2010: DKK 281m), accounting for 1.5% of revenue (2010: 1.4%). The total investment includes a capitalised amount of DKK 98m (2010: DKK 74m) and is supplemented by project-financed development in partnership with customers.

Among the most important product innovations in 2011 were the following:

In Cement, a new roller breaker for clinker coolers has been introduced. Besides, a new impact crusher for raw materials has been designed and released for sale, and the first static separators for roller press systems were commissioned. FLSmidth has filed a patent application for a catalytic abatement technique targeting emission of hydrocarbon components from the cement industry. The technology is ready to comply with NESHAP regulations in the USA.

In Minerals, 2011 saw great progress particularly in the use of High Pressure Grinding Rolls (HPGR) for minerals applications, and the product line has been released for sale. Related to separation, FLSmidth is focusing on a number of product developments, and in 2011 it released the reverse flow mixer settler design, and introduced and sold the new E-Volute Feedwell design and the C140P drive – the world's highest torque drive for large diameter paste thickeners.

Within the area of air pollution control, FLSmidth, in 2011, developed new fabric filter designs for both cement and minerals applications featuring up to 20% lower steel weight and a modular concept that greatly improves the design and production of the filter. Besides, further development and optimisation of the fabric filter cleaning system has reduced cleaning pressure and halved energy consumption.

For further details regarding research and development, please see the relevant sections of the segment reports on Cement and Minerals.

Employees

The number of employees increased 18% in 2011 to 13,204 (end of 2010: 11,229). Companies acquired in 2011 added a total of 813 new employees, representing 41% of the increase. Operation and maintenance contracts led to new recruitment of 333 hourly-paid employees. Besides, Minerals has seen a general expansion of its workforce to be able to handle the growing volume of business.

28% of the Group's workforce is employed in India, which is the location of an increasing share of the Group's engineering work, while only 12% of the Group's workforce is employed in Denmark. With the growing number of employees average service length is decreasing, and by the end of 2011, 61% of all employees had been with the company for less than five years (2010: 56%). Engineers and technicians represent more than half of the workforce, 57% as opposed to 62% in 2010, but their share is decreasing with the recruitment of more hourly-paid workers due to the ramp up of operation and maintenance contracts.

The order intake increased

16% in 2011 to DKK 24,036m
(2010: DKK 20,780m)

16% of the Group's permanently employed staff are females, which is explained by the fact that males continue to be over-represented in the engineering profession and among engineering students.

With the decrease in average length of service the workforce is gradually becoming younger. 2011, however, saw an opposite trend due to the current demand and need for experienced project managers and product specialists to handle the growing volume of orders and major projects. 56% of the Group's employees were below the age of 40 in 2011 (2010: 58%).

FLSmidth is a learning organisation and our people are our most valuable resource. The new Group strategy will entail stronger emphasis on selecting, attracting and retaining the right people who can support value creation in the Group.

Corporate governance and organisation

Reference is made to pages 64-69 in this Annual Report for the statutory statement on corporate governance pursuant to Section 107b of the Danish Financial Statements Act.

As a consequence of the new strategy and Group structure, which is described in further detail on pages 8-18, effective 1 March 2012 the Group Executive Management is being extended from four to six persons, with Mr Per Mejnert Kristensen and Mr Peter Flanagan joining the Executive Management, although without being registered with the Danish Business Authority.

As announced on 6 January 2012 Mr Poul Erik Tofte, Group Executive Vice President and CFO of FLSmidth & Co. A/S since 2003, has decided to seek new challenges outside FLSmidth and has therefore wished to resign by the end of March 2012.
The Board of Directors has appointed Mr Ben Guren new Group CFO of FLSmidth & Co. A/S and member of the Executive Management. Ben Guren, 51, a Norwegian national and state-authorised public accountant, will take up the position on 10 April 2012.

Treasury shares

FLSmidth's treasury share capital amounted to 927,425 shares at the end of 2011 (end of 2010: 760,459 shares) representing 1.7% of the total share capital (end of 2010: 1.4%). The holding of treasury shares is adjusted continously to match the Group's incentive plans.

At the end of 2011, the members of the Group Executive Management held a total of 60,338 shares (end of 2010: 40,210 shares).

At the end of 2011, the members of the FLSmidth & Co. A/S Board of Directors held a total of 69,246 shares (end of 2010: 76,092 shares).

Incentive plan

At the end of 2011, there were a total of 988,476 unexercised share options under the Group's incentive plan and the fair value of them was DKK 92m. The fair value is calculated by means of a Black & Scholes model based on a current share price of 337.5, a volatility of 42.69% and annual dividend of DKK 9 per share. The

effect of the plan on the income statement for 2011 was DKK 21m (2010: DKK 21m). Please see note 42 to the consolidated financial statements for further information.

Corporate social responsibility

This annual report contains a statement of corporate social responsibility (pages 76-79), which is a summary of FLSmidth's progress report submitted to the UN Global Compact on 21 February 2012. The progress report replaces a statutory statement of corporate social responsibility pursuant to the exemption given in the Danish Financial Statements Act Section 99a, and a full version of the report can be accessed on www.flsmidth.com/copreport.

Risk management

Reference is made to pages 60-63 in this annual report for a more detailed description of the company's commercial risks and risk management, which is part of the Management's Review.

New financial targets

In connection with the launching of a new Group strategy (see more detailed description on pages 8-18) new long-term financial goals for the FLSmidth Group subject to normalisation of the markets are being announced:

Annual growth in revenue	Above the market average
Operating profit before amortisation (EBITA margin)	10-13%
Tax rate	30-32%
Equity ratio	>30%
Financial gearing (NIBD/EBITDA)	<2
Pay-out ratio	30-50% of the profit for the year
Cash flow from investing activities (exclusive of acquisitions)	DKK -700m to -900m.

Operational objectives

It remains FLSmidth's intention that investments in research and development should account for around 2% of revenue (2011: 1.5%) and that ongoing strategic initiatives to increase off-shoring of the Group's activities to India should continue.

Over the coming years it is also the aim to increase Group procurement from competitive cost countries to 75% (2011: ~40%).

Outlook for 2012

In 2012, FLSmidth & Co. A/S expects consolidated revenue of DKK 24-26bn exclusive of acquisitions (2011: DKK 22bn), an EBITA ratio of minimum 10% (2011: 10.9%) and an EBIT ratio of 9-10% (2011: 9.9%). Please go to page 7 in this annual report for further details concerning the individual segments.

The effect of purchase price allocations (exclusive of acquisitions) is expected to be around DKK 220m in 2012 (2011: DKK 178m).

Cash flow from investing activities (exclusive of acquisitions) is expected to be around DKK -900m in 2012 (2011: DKK -733m) due to the investment in eight supercentres and the expansion of activities in India and China.

The effective tax rate is expected to be approximately 30-32% in 2012 (2011: 31%) and tax payable slightly lower.

Events occurring after the balance sheet date

As announced on 6 January 2012, FLSmidth has appointed a new Group Chief Financial Officer (CFO), Mr Ben Guren, who will take up his position on 10 April 2012.

As announced on 17 January 2012, FLSmidth has been awarded contracts at a total value of approximately DKK 500m for supplies of equipment for the expansion of a copper mine in South America.

As announced on 23 January 2012, FLSmidth is negotiating the acquisition of Ludowici, an Australian company. FLSmidth has submitted an offer to the Board of Directors of Ludowici to acquire all the shares in Ludowici at a price of AUD 7.20 per share corresponding to an enterprise value of approximately AUD 267m on cash and debt-free basis.

As announced on 16 February 2012, FLSmidth has entered into a Scheme Implementation Agreement with Ludowici under which FLSmidth offers to pay AUD 10 per share for all shares of Ludowici by way of a scheme of arrangement.

Ludowici is the world's leading provider of coal centrifuges, vibrating screens and complementary wear resistant products and services for the minerals industries. Ludowici is headquartered in Brisbane, Australia. The company employs approximately 1,000 people globally and is listed on the Australian Securities Exchange (Ticker: LDW, www.ludowici.com.au).

As announced on 7 February 2012, FLSmidth has received an order worth DKK 467m from Allied Nevada Gold Corp. to supply equipment and services to a goldmine.

As announced on 9 February 201,2 FLSmidth has been awarded a DKK 640m contract by MAK in Mongolia to supply a greenfield cement plant.

Forward-looking statements

FLSmidth & Co. A/S' financial reports, whether in the form of annual reports or interim reports, filed with the Danish Business Authority and/or announced via the company's website and/or NASDAQ OMX Copenhagen, as well as any presentations based on such financial reports, and any other written information released, or oral statements made, to the public based on this interim report or in the future on behalf of FLSmidth & Co. A/S, may contain

forward-looking statements. Words such as 'believe', 'expect', 'may', 'will', 'plan', 'strategy', 'prospect', 'foresee', 'estimate', 'project', 'anticipate', 'can', 'intend', 'target' and other words and terms of similar meaning in connection with any discussion of future operating or financial performance identify forward-looking statements. Examples of such forward-looking statements include, but are not limited to:

- statements of plans, objectives or goals for future operations, including those related to FLSmidth & Co. A/S markets, products, product research and product development
- statements containing projections of or targets for revenues, profit (or loss), capital expenditures, dividends, capital structure or other net financial items
- statements regarding future economic performance, future actions and outcome of contingencies such as legal proceedings and statements regarding the underlying assumptions or relating to such statements
- statements regarding potential merger & acquisition activities.

These forward-looking statements are based on current plans, estimates and projections. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, which may be outside FLSmidth & Co. A/S's influence, and which could materially affect such forward-looking statements. FLSmidth & Co. A/S cautions that a number of important factors, including those described in this report, could cause actual results to differ materially from those contemplated in any forward-looking statements.

Factors that may affect future results include, but are not limited to, global as well as local political and economic conditions, including interest rate and exchange rate fluctuations, delays or faults in project execution, fluctuations in raw material prices, delays in research and/or development of new products or service concepts, interruptions of supplies and production, unexpected breach or termination of contracts, market-driven price reductions for FLSmidth & Co. A/S' products and/or services, introduction of competing products, reliance on information technology, FLSmidth & Co. A/S' ability to successfully market current and new products, exposure to product liability and legal proceedings and investigations, changes in legislation or regulation and interpretation thereof, intellectual property protection, perceived or actual failure to adhere to ethical marketing practices, investments in and divestitures of domestic and foreign enterprises, unexpected growth in costs and expenses, failure to recruit and retain the right employees and failure to maintain a culture of compliance.

Unless required by law FLSmidth & Co. A/S is under no duty and undertakes no obligation to update or revise any forward-looking statement after the distribution of this annual report.

Statement by Management on the annual report

The Board of Directors and the Executive Management have today considered and approved the annual report of FLSmidth & Co. A/S for the financial year 1 January - 31 December 2011.

The consolidated financial statements are presented in accordance with International Financial Reporting Standards as adopted by the EU. The parent financial statements are presented in accordance with the Danish Financial Statements Act. Further, the annual report is prepared in accordance with Danish disclosure requirements for listed companies.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2011 as well as of their financial performance and their cash flow for the financial year 1 January - 31 December 2011.

We believe that the management commentary contains a fair review of the development and performance of the Group's and the Parent's business and of their position as well as the Parent's financial position and the financial position as a whole of the entities included in the consolidated financial statements, together with a description of the principal risks and uncertainties that the Group and the Parent face.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 21 February 2012

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

Independent auditor's report

To the shareholders of FLSmidth & Co. A/S

Report on the consolidated financial statements and parent financial statements

We have audited the consolidated financial statements and parent financial statements of FLSmidth & Co. A/S for the financial year 1 January - 31 December 2011, which comprise the 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 statement of comprehensive income and the cash flow statement of the Group. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies, and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

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

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies as well as the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2011, and of the results of its operations and cash flows for the financial year 1 January - 31 December 2011 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Further, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31 December 2011, and of the results of its operations for the financial year 1 January - 31 December 2011 in accordance with the Danish Financial Statements Act.

Statement on the management commentaryingen

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the consolidated financial statements and parent financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the consolidated financial statements and parent financial statements.

Copenhagen, 21 February 2012

Deloitte *Statsautoriseret Revisionspartnerselskab*	Anders Dons *State Authorised Public Accountant*	Erik Holst Jørgensen *State Authorised Public Accountant*

“Getting closer to customers with Supercenters”

“In Customer Services, we are always looking for ways to nurture our customer relationships but one of the biggest hurdles to maintaining a close partnership is physical distance” supercenter Director Romy Martin, says.

That’s why we developed the supercenter. Designed to support our customers when and where they need us, supercenters will provide customised services along with warehousing, workshops and testing and training facilities. The first supercenter is already up and running and another seven of these service hubs are now in development and will launch around the world over the next couple of years.

The Supercenters bring key FLSmidth parts and services right to our customers’ back doors. They will help us eliminate long lead times by ensuring that key components and parts are always kept in stock. It’s not a surprise that customers are excited about the possibilities. With quick turnaround times we’ll be able to deliver efficient equipment rebuilds and repairs – all while maximising uptime.

As the majority of our new supercenters are still under development, we are trying to get as much input from our customers as possible. What kind of services do they value most, and what kinds of support are they looking for from a partner? After all, this endeavour is all about their needs. By offering their preferred parts and services locally, our customers will be able to count on us for timely, high quality support and significant cost savings. And with FLSmidth experts close at hand, we will be able to provide comprehensive, targeted training programmes. Tailored courses will help our customers better understand the processes, systems and equipment they are operating, which will boost safety and give them a competitive advantage.

But our commitment to our customers doesn't end at great service. We are also working hard to ensure our new facilities exist in harmony with their local surroundings. We plan to feature environmentally-friendly waste management procedures for the proper disposal of all substances, solar panels for electricity generation, and rain water recycling for our landscaping needs. As a good neighbour, we will also contribute by creating jobs and providing training, sponsorships and other benefits. Our goal is to be a valuable member of our customers' business – and their local communities – for many years to come.

Romy Martin,
Supercenter Director,
Customer Services
(FLSmidth Salt Lake City, USA)

Minerals

FLSmidth is among the leading suppliers of systems, process plants, single machinery, spare parts, know-how, services and maintenance to the global minerals industries. 2011 proved to be a record year for Minerals – both in terms of order intake, revenue and earnings.

Business model in Minerals

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

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

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

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

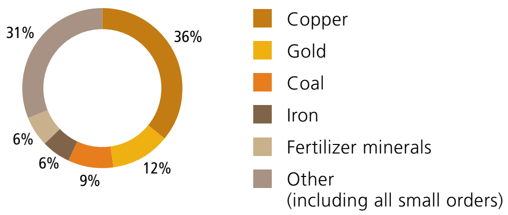
FLSmidth's main competitive advantage is the One Source offering, which entails that FLSmidth can offer a strong solution for each key product in the value chain in a number of focus industries. The One Source offering is supported by a global footprint in relation to customer services, which is further strengthened by the ongo-

Minerals

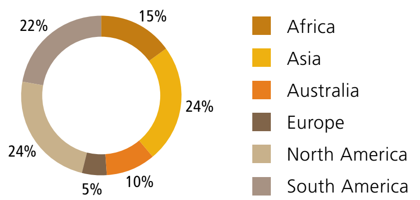
DKKm	2011	2010	Change (%)	Q4 2011	Q4 2010	Change (%)
Order backlog	**13,408**	**9,752**	37%	**13,408**	**9,752**	37%
Order intake	**15,900**	**10,982**	45%	**3,853**	**2,332**	65%
Products and Projects	11,603	7,760	50%	2,709	1,532	77%
Customer Services	4,297	3,222	33%	1,144	800	43%
Revenue	**12,374**	**9,587**	29%	**4,385**	**2,950**	49%
Products and Projects	8,440	6,361	33%	3,224	2,026	59%
Customer Services	3,934	3,226	22%	1,161	924	26%
EBITDA	**1,574**	**1,172**	34%	**652**	**357**	83%
EBITDA ratio	*12.7%*	*12.2%*		*14.9%*	*12.1%*	
EBITA	**1,479**	**1,124**	32%	**627**	**349**	80%
EBITA ratio	*12.0%*	*11.7%*		*14.3%*	*11.8%*	
EBIT	**1,306**	**987**	32%	**579**	**317**	83%
EBIT ratio	*10.6%*	*10.3%*		*13.2%*	*10.7%*	
Number of employees	5,525	4,457	24%	5,525	4,457	24%

Breakdown of order intake

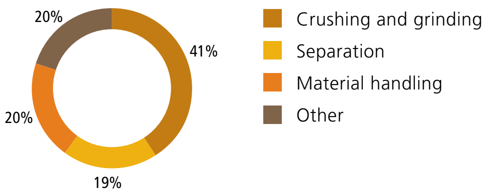
By industry



By geography



By product line



ing construction of eight supercenters around clusters of mines in key markets. Due to the entrepreneurial culture of its minerals business, FLSmidth is able to attract very talented and experienced people, which is a significant competitive advantage.

The number of employees in Minerals totalled 5,525 at the end of 2011 (end of 2010: 4,457).

Financial results for 2011

The order intake increased 45% to DKK 15,900m (2010: DKK 10,982m). This increase reflects positive developments in all segments of Minerals, but particularly sales of products and projects performed well, increasing 50% as a result of the mining companies currently implementing large investment programmes in connection with expansion of existing mines (brownfield) and development of new mines (greenfield).

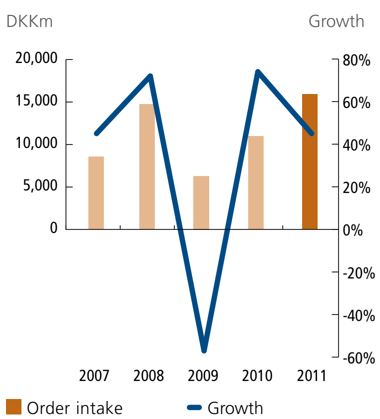
The order backlog has increased 37% to DKK 13,408m at the end of 2011 (end of 2010: DKK 9,752m). It is expected that 73% of the order backlog at the end of 2011 will be converted to revenue in 2012 and 20% in 2013.

Revenue increased 29% to DKK 12,374m in 2011 (2010: DKK 9,587m). Due to the fact that lead times for products and projects are up to two years, revenue in 2011 partly reflects the 74% increase in order intake in 2010 and partly reflects the 22% increase in order intake in 2011 attributable to Customer Services, whose rate of turnover is higher.

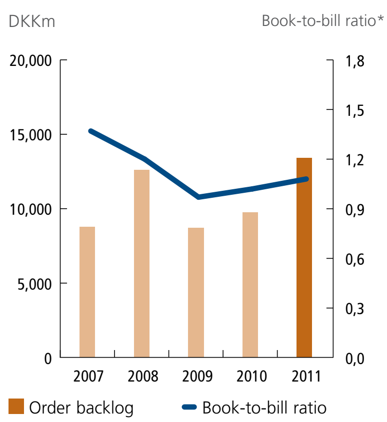
Customer Services accounted for 32% of revenue and 27% of the order intake in Minerals in 2011. Customer Services revenue increased 22% to DKK 3,934m (2010: DKK 3,226m), and the order intake increased 33% to DKK 4,297m (2010: DKK 3,222m).

Overall, the translating of foreign currency into DKK had a negative effect on revenue amounting to 3% in 2011 compared to 2010.

Order intake

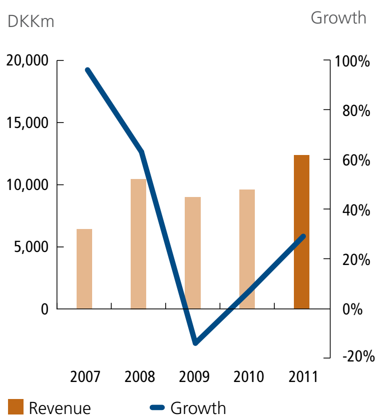


Order backlog and book-to-bill ratio



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

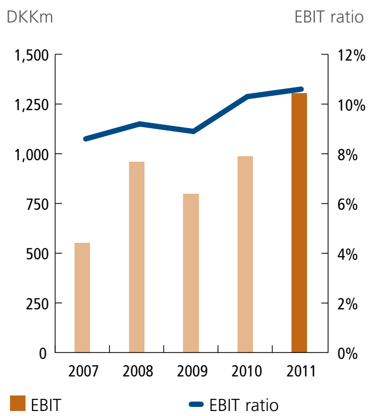
Revenue



The order intake in Minerals increased

45% in 2011 to DKK 15,900m
(2010: DKK 10,982m)

EBIT and EBIT ratio



In 2011, FLSmidth acquired two enterprises that are consolidated into Minerals. The enterprises acquired have affected revenue by DKK 129m and earnings after tax by DKK 6m during the limited period they have been consolidated in the Group. For further details regarding acquisitions please see note 15, page 102 in the consolidated financial statements.

The gross profit increased 25% to DKK 2,914m (2010: DKK 2,332m), whilst the gross margin decreased 0.8% points to 23.5% (2010: 24.3%). The lower gross margin is primarily due to the fact that in Q2 2011 losses on two projects were reported and that Customer Services' share of total revenue has decreased to 32% in 2011 from 34% in 2010.

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased 34% to DKK 1,574m (2010: DKK 1,172m) corresponding to an EBITDA ratio of 12.7% (2010: 12.2%). The EBITDA margin has increased despite the gross profit ratio having decreased, which is due to the fact that higher revenue in 2011 has resulted in operational gearing. The capacity costs have therefore not increased at the same rate as revenue, which means that the SG&A percentage has decreased from 12.1% to 10.8%.

Earnings before amortisation and write-down of intangible assets (EBITA) increased 32% to DKK 1,479m (2010: DKK 1,124m), corresponding to an EBITA ratio of 12.0% (2010: 11.7%).

Earnings before interest and tax (EBIT) increased 32% to DKK 1,306m (2010: DKK 987m) corresponding to an EBIT ratio of 10.6% (2010: 10.3%).

Market developments

Demand for mining equipment continued to expand in 2011, supported first and foremost by high minerals prices as a consequence of a continued high demand for most minerals. The mining industry currently generates sound earnings and for the most part, the mining companies have strong balance sheets and available funds to spend. Mining CAPEX increased in 2011– both related to expansions of existing operations and to develop new greenfield mines. The positive development could also be seen within customer services posting a record year measured in order intake, proving the fact that most mines are currently operating at full capacity. The mines that were shut down in 2009 are now up and running.

The minerals business in FLSmidth was able to take advantage of the improved market conditions, and measured on order intake, 2011 produced the highest bookings of new orders in our history. The industry is generally buoyant and the underlying growth drivers remain unchanged, namely industrialisation and urbanisation in emerging markets - and in China in particular – driving the global demand for particularly coal, iron ore, fertilizer minerals and copper.

Coal is an important source of energy and the most economical way to generate electricity on a large scale. In addition, high quality coking coal is used in the steel industry.

Iron is the world's most commonly used metal being the key ingredient of steel. Steel is used primarily in structural engineering applications and for maritime purposes, automobiles, and general industrial applications. Infrastructure development in emerging markets is the key driver of increased demand for iron ore and steel.

The demand for **fertilizers** is closely related to worldwide growth in population and income. Both these factors have a major impact on the demand for food and thereby fertilizers. Additionally, the bio fuel industry is boosting the fertilizer business, as bio fuel is produced from corn and cereals. Finally, the available arable land per capita continues to deteriorate as population grows. More fertilizers are required to produce the same amount of food from fewer square metres.

Copper blends easily with other metals to form alloys, does not rust and is an excellent conductor of electricity and heat. The macro trend for copper is very positive due to the deteriorating grades of the existing copper ore deposits, which means that more ore needs to be processed to maintain the same production.

Gold has completely different demand drivers than coal, copper and iron ore. Gold is recognised as a monetary asset and a secure means of investment. Additionally, gold is extensively used in the jewellery industry and has certain technology applications (electronics, dentistry, etc.).

In order to improve their competitive advantage, global mining companies are looking at consolidating spends and reducing the number of suppliers to 2-3 key suppliers in strategic areas.

Therefore the trend is for global mining companies to engage with global suppliers that can muster a broad range of products and services.

The mining companies will increasingly have to invest in remote locations to find head grades, leading to increased capital expenditure, and often, they will have to deal in more challenging environments. Furthermore, they are finding that they have to be more proactive in working with the local governments and the local community – to obtain their so-called "social licence to operate". The industry discussion on sustainability has never been higher than what we have seen in 2011 as there is increasing concern about the environmental impact of building new mines. The mining companies continue to be proactive in terms of hiring local people, training local people, building hospitals, being concerned about water consumption and how mining operations impact local people. Energy and water are two very important aspects and there is much focus on reducing energy and water consumption. The customers demand suppliers to partner with them locally to help providing more jobs to local people, etc.

The mining companies' expectations for service and innovation are also getting higher and they particularly have a need for skilled and experienced people. Resource nationalism is found to be somewhat of a problem as countries are becoming more protective of their resources. Mining companies are concerned about government permits, which are getting harder to achieve. In 2011, some projects were therefore simply never realised on account of permits not being granted.

The minerals industry is very competitive and mining equipment suppliers all seem to be aligning in similar strategies: focusing on service. Consequently, the service and training area is becoming increasingly competitive. However at the same time, there is a business growth in the industry, and there are no significant changes to the competitive landscape as such; it is still the same geographical areas and the same main major competitors.

Structural demand for minerals and minerals processing equipment

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

Minerals are characterised by being a global market with global pricing. Over time the development in production capacity will follow the underlying increase in demand for minerals, but whilst the underlying consumption grows continuously, the addition of new capacity happens incrementally. After several years of underinvestment the growth in the mining companies' investments is currently exceeding the growth in demand for minerals.

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

An increasing share of the World's minerals activities is located on the Southern hemisphere. Apart from reactivation of mines due to the high commodity prices, the only major development on the Northern hemisphere in the next ten years is expected to take place in Russia due to the country's large amount of natural resources.

Additionally, some new frontiers do not have a tradition nor infrastructure supporting large mining operations. An example of that is Mongolia. And most likely other countries like Kazakhstan and some countries in Africa will take their political stability to a point where they will become attractive mining frontiers.

"DML offers decades of industry know-how and a customised testing approach"

"As the industry leader in the testing of precious metals, base metals and industrial minerals, FLSmidth Dawson Metallurgical Laboratories (DML) in Salt Lake City works with mines and plants all over the world," says Philip Thompson, Director, FLSmidth Dawson Metallurgical Laboratories.

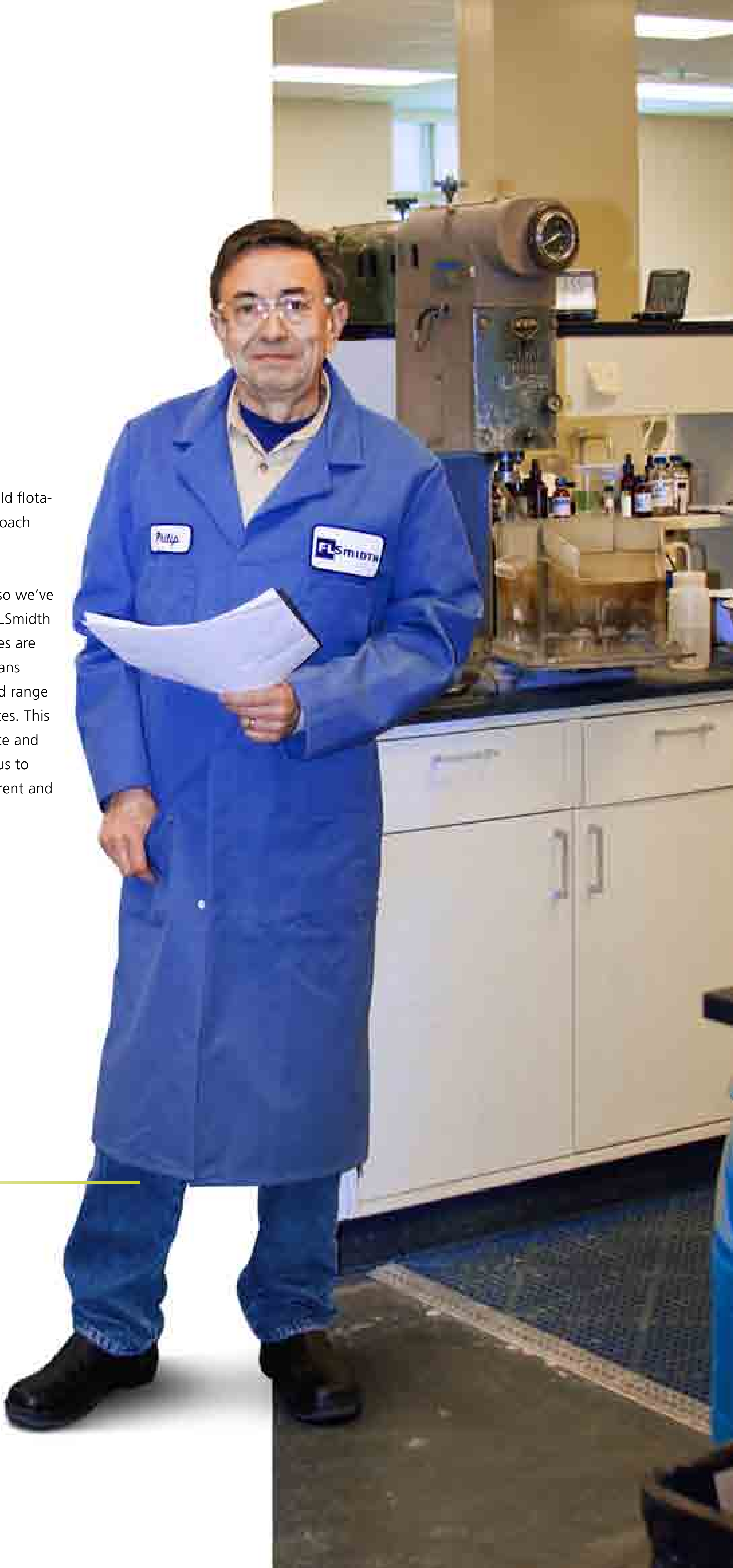
In my 30 years with DML, I've been a part of over 4,000 projects, and I've had the pleasure of providing extensive minerals processing testing and consulting services to over 100 mining companies. While much of my work involves flotation separation of a wide variety of metals and minerals, I'm also highly involved with our customers from the initial point of contact.

This past year I was presented with the Antoine M. Gaudin Award by The Society for Mining, Metallurgy and Exploration (SME). I was honoured to receive this prestigious award, which recognises contributions that further the understanding of minerals processing technologies. The committee specifically highlighted my role in developing, applying and optimising flotation techniques in the mining industry along with my "creative and dedicated leadership of DML."

I'm extremely proud of this distinction and of our whole team at DML. We have a unique business and we value both our customers and our proven processes. Our customers can be found in every corner of the globe, so our minerals processing systems need to be tailored to each individual plant. After our initial meeting, our process development laboratory develops a customised testing approach and a comprehensive proposal that takes into account the customer's specific situation and needs.

Today's minerals processing plants are increasing in size, ores are becoming more difficult to process and environmental regulations regarding water and land are shaping new requirements and equipment. So whether we're doing all the testing for a new copper-molybdenum flotation concentrator in southern Peru, or we're improving gold recovery in a copper-gold flotation concentrator in Chile, a customised approach really is key.

DML has been in operation since the 1940s, so we've amassed a wealth of expertise. As a part of FLSmidth since 2008, our testing and laboratory facilities are staffed with skilled metallurgists and technicians – the perfect complement to FLSmidth's broad range of systems, equipment and aftermarket services. This know-how combined with personalised service and tailored testing is what makes it possible for us to successfully address the mining industry's current and future challenges.



Philip Thompson,
Director,
FLSmidth Dawson
Metallurgical Laboratories
(FLSmidth Salt Lake City, USA)

Operational highlights 2011

One of the most important operational highlights from 2011 has been the planning and establishment of service supercenters in strategic locations. New service supercenters will soon be started up in Peru, Chile and Australia, and additional supercenters are being planned and established in South Africa, Mongolia and the USA. The supercenters are located close to mining clusters to provide localised services and to ensure timely delivery and support. Each supercenter will house highly competent world-class personnel to assist with customers' specific requirements, rebuild and repair capabilities as well as warehouses of strategic wear and spare parts. Additionally, the supercenters will house training facilities and local, small-scale laboratory services.

The volume of business reached in Minerals in 2011 was the highest ever – in terms of both order intake and revenue. FLSmidth received a number of remarkable orders throughout the year for minerals processing and material handling equipment from Australia, Indonesia, Mauretania, Morocco, Zambia and Uruguay, from customers within the coal, copper, gold, limestone, iron ore and phosphate industries.

And late in the year, FLSmidth received its first true One Source contract within Minerals with the order from the Mongolian company Mongolyn Alt (MAK) Group to supply a greenfield copper concentrator including proprietary FLSmidth technology for all processes in the plant.

Another important operational change in 2011 was the integration and transformation of the previously acquired engineering company, CEntry from a consulting engineering firm to a focused, engineering and project management group around FLSmidth technology.

Additionally, FLSmidth inaugurated a new Intelligent Collaboration Environment centre – in short ICE – in 2011, offering customers a direct link to the organization by providing them the best and fastest support from FLSmidth's technical centers.

Research and Development

FLSmidth is continuing its investments in research and development – both in relation to optimization of existing technologies and the development of new technologies, not least in relation to environmental considerations.

The major current Research focus areas in Minerals are related to:

- Comminution
- Materials and wear processes
- Minerals liberation
- Solids/Liquid separation
- Hydrometallurgical processing
- Material handling

In 2011, much effort, focus and progress has in particular been seen in the use of High Pressure Grinding Rolls (HPGR) in the minerals applications. These efforts have been focused on increased machine reliability and availability, reduced wear and operating costs, enhanced minerals liberations and lower energy consumption.

As a result, FLSmidth has now entered the minerals market for HPGRs. The first FLSmidth HPGR has been developed and successfully operated in a minerals application. The product line has been released for sale, and the first full commercial FLSmidth HPGR is currently in manufacturing.

On the separation side, FLSmidth is focusing on a number of product developments, including flotation enhancements to reduce energy consumption and increase recovery, introduction of a hydromet mixer settler technology, filtration enhancements to address the growing water recovery demands and to lower the energy consumptionas well as sedimentation developments to improve water recovery and lower the installed cost of the equipment.

FLSmidth has in 2011 released the Reverse Flow Mixer Settler design and sold the new E-Volute Feedwell design and the C140P drive – the world's highest torque drive for large diameter paste thickeners.

Within the area of air pollution control and power saving electrostatic precipitator high voltage supply (Coromax®), container based units have been built in China, to be tested in the iron & steel industry on sinter strand installations, demonstrating reduced emissions and operating costs.

Within the area of automation, the SAG mill process optimisation application, based on ECS/ProcessExpert®, has successfully been site tested and released for the market. Strategic focus on standardising and migrating sub control systems for FLSmidth machinery to the ECS® platform, have for minerals added value to the Candle filter, the Cone Crusher and the Gyratory Crusher. Two new products have entered the site test phase, which is the process optimisation application for Flotation Cells based on ECS/ProcessExpert and the new Froth Vision System for Flotation Cells, adding value by complex algorithm converting the Flotation surface of bubbles into valuable process information.

With respect to gearbox developments in FLSmidth MAAG Gear, the WA Parallel Shaft Gearbox for pinion driven ball mills has been released with subsequent sale of seven units. Additionally, the new "light" WPU type gearboxes for vertical coal mills have been released, resulting in a 20% weight reduction. Subsequently, one unit was sold in November 2011.

"Boosting mines' efficiency through outstanding technical service"

"As a Service and Parts Technician for FLSmidth's RAHCO® equipment, the most important part of my job is staying on top of our customers' needs," says Parts Sales Engineer Alexis Tapia Yañez, FLSmidth Chile.

I'm in constant contact with our customers onsite, always on hand to provide technical assistance with various aspects of operations and equipment maintenance. I also deliver the necessary support in terms of spare parts and services.

I started with FLSmidth as a project contractor in Chile and Mexico in 2007, and for the past year I've been working in the Customer Services division in our Antofagasta office in northern Chile. My position allows me to interact closely with our customers. As their partner, my job is to fully understand their technical issues and be on top of whatever projects they have in mind so that I can ensure improvements in productivity and efficiency. I also connect them to the people with the right expertise – the service area where I work is staffed with engineers who can provide support within mechanical, structural, electrical and hydraulic controls.

The Chilean mining industry is dynamic. Gold, copper and other metals have consistently high value in international markets, so we strive to help mines and mills boost efficiency through improving their processes and equipment. And when we spend time onsite with our customers, we also increase quality by providing exceptional service along with fast response and delivery of spare parts.

In 2010, we worked with a mine in Mexico to make major repairs to their FLSmidth RAHCO machinery. Substantial equipment damage and long stretches of downtime had resulted in major losses for the mine, but our team of specialists from the US and Chile worked with the plant's mechanics to make the necessary refurbishments and implement the right spare parts. Everything is now up and running smoothly and the happy customer is looking to FLSmidth to assist with its next big project.

This close customer relationship is what sets FLSmidth apart from our competitors. We make sure to address our customers' spare part requirements and maintenance issues well in advance – so we keep downtime to an absolute minimum. And customers appreciate our reliable solutions and expertise across the entire production process. I'm proud to work for such a strong player in the mining industry – and a company that values its customers.

Alexis Tapia Yañez,
Parts Sales Engineer,
Material Handling,
Customer Services
(FLSmidth, Chile)

Cement

For 130 years, FLSmidth has been the leading supplier of complete cement plants, production lines, single machinery, spare parts, know-how, services and maintenance to the global cement industry.

Business model in Cement

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

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

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

The number of employees in Cement totalled 6,619 at the end of 2011 (end of 2010: 5,686). The increase in number of employees reflects acquisitions and recruitment of hourly-paid employees in connection with the ramp-up of operation and maintenance contracts.

FLSmidth's main competitive advantages are a strong brand representing quality and reliability throughout many years, a large

Cement

DKKm	2011	2010	Change (%)	Q4 2011	Q4 2010	Change (%)
Order backlog	**13,838**	**14,146**	-2%	**13,838**	**14,146**	-2%
Order intake	**8,248**	**10,036**	-18%	**2,022**	**2,238**	-10%
Products and Projects	5,100	4,374	17%	1,222	977	25%
Customer Services	3,148	5,662	-44%	800	1,261	-37%
Revenue	**8,367**	**9,372**	-11%	**2,595**	**2,300**	13%
Products and Projects	5,005	6,295	-20%	1,614	1,438	12%
Customer Services	3,362	3,077	9%	981	862	14%
EBITDA	**985**	**1,148**	-14%	**362**	**253**	43%
EBITDA ratio	*11.8%*	*12.2%*		*13.9%*	*11.0%*	
EBITA	**894**	**1,064**	-16%	**342**	**226**	51%
EBITA ratio	*10.7%*	*11.4%*		*13.2%*	*9.8%*	
EBIT	**837**	**1,017**	-18%	**324**	**216**	50%
EBIT ratio	*10.0%*	*10.9%*		*12.5%*	*9.4%*	
Number of employees	6,619	5,686	16%	6,619	5,686	16%

organisation with global reach and local presence, which is an advantage both in project sales and customer services, our ability to execute large projects successfully, a complete product portfolio which means that we only have to include few products from external vendors and finally a strong focus on environmentally friendly solutions.

Financial results for 2011

The order intake decreased 18% to DKK 8,248m (2010: DKK 10,036m), reflecting the fact that in 2011 no operation and maintenance contracts were awarded, whereas in 2010 such contracts at a total value in excess of DKK 2.5bn were signed. Exclusive of Customer Services, the order intake in Cement increased 17%. The overall order intake in Cement negatively reflected the fact that traditionally large cement markets were at a standstill for various reasons. In India, high growth has led to high inflation, which is being countered by high interest rates and a consequent slowdown in investments. In North Africa, the Arab Spring created uncertainty and unpredictability, which has temporarily curbed the willingness to invest as well as the consumption of cement.

The order backlog decreased 2% in 2011 to DKK 13,838m (end of 2010: DKK 14,146m).

It is expected that 52% of the order backlog at the end of 2011 will be converted to revenue in 2012 and 26% in 2013. It should be noted that the order backlog in

Cement includes DKK 3.2bn worth of operation and maintenance contracts, which extend over periods up to five years.

Revenue decreased 11% to DKK 8,367m in 2011 (2010: DKK 9,372m). Overall, the translating of foreign currency into DKK had a negative effect on revenue amounting to 1% in 2011 compared to 2010.

In 2011, FLSmidth acquired three enterprises that are consolidated in the financial reporting for Cement. The enterprises acquired have affected revenue by DKK 92m and earnings after tax by DKK -8m during the limited period they have been consolidated in the Group. For further details regarding acquisitions please see note 15, page 102 in the consolidated financial statements.

The gross profit decreased 2% to DKK 2,561m (2010: DKK 2,620m), whilst the gross margin increased 2.6% points to 30.6% (2010: 28.0%). The higher gross margin ratio reflects a favourable business mix with a high proportion of services and better-than-expected results of a number of completed projects.

Earnings before interest, tax, depreciation and amortisation (EBITDA) decreased 14% to DKK 985m (2010: DKK 1,148m) corresponding to an EBITDA ratio of 11.8% (2010: 12.2%). The lower EBITDA ratio is due to higher capacity costs reflecting, inter alia, rising sales costs in connection with high tendering activity and the acquisition of enterprises, which means that the SG&A percentage increased to 19.3% in 2011, up from 15.9%.

Earnings before amortisation and write-down of intangible assets (EBITA) decreased 16% to DKK 894m (2010: DKK 1,064m), corresponding to an EBITA ratio of 10.7% (2010: 11.4%).

Earnings before interest and tax (EBIT) decreased 18% to DKK 837m (2010: DKK 1,017m) corresponding to an EBIT ratio of 10.0% (2010: 10.9%).

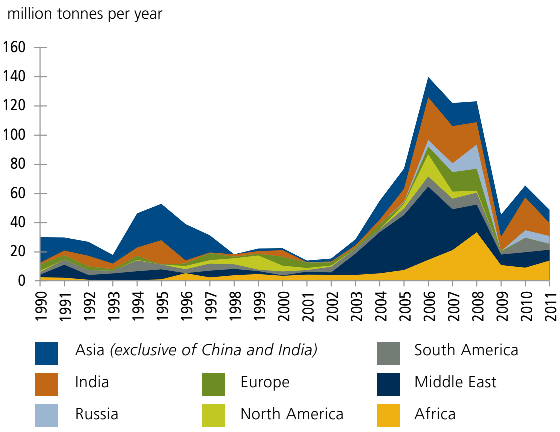
Customer Services accounted for 40% of revenue and 38% of the order intake in Cement in 2011. Customer Services revenue increased 9% to DKK 3,362m (2010: DKK 3,077m), whilst the order intake decreased 44% to DKK 3,148m (2010: DKK 5,662m) due to the fact, as mentioned above, that 2010 saw the signing of more than DKK 2.5bn worth of operation and maintenance contracts.

Market developments 2011

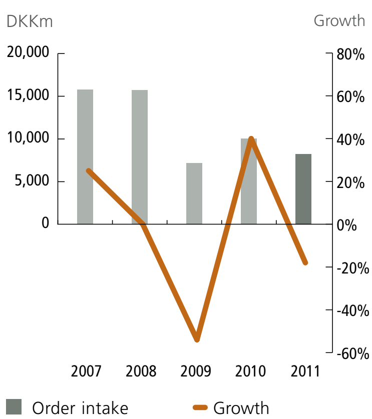
Global cement consumption amounted to around 3.6bn tonnes in 2011 of which China accounts for approximately 2.0bn and India approximately 0.2bn. The annual growth in global cement consumption is expected to be 3-4% in the coming years. Capacity utilisation on a global scale remains relatively subdued around 75% but is expected to increase in the coming years.

The global market for contracted new kiln capacity (excl. China) amounted to approximately 46m tonnes per year in 2011 (2010: 65m tonnes per year), of which FLSmidth achieved a market share of 31% (2010: 36%). The lower market share is due to the weak markets in two of FLSmidth's traditional strongholds: India and North Africa.

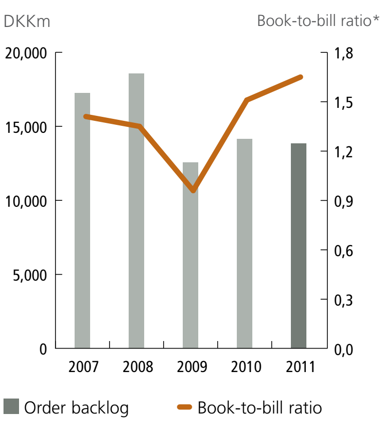
Historical contracted kiln capacity



Order intake

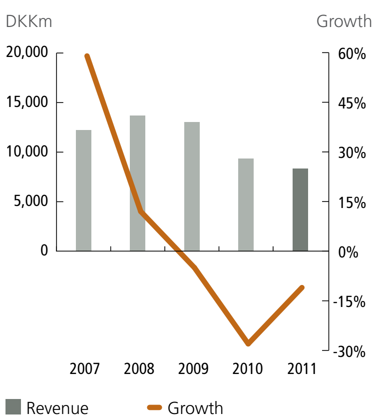


Order backlog and book-to-bill ratio

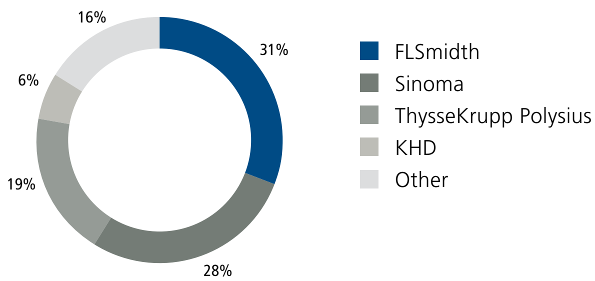


* Book-to-bill ratio definition: Order backlog in relation to revenue

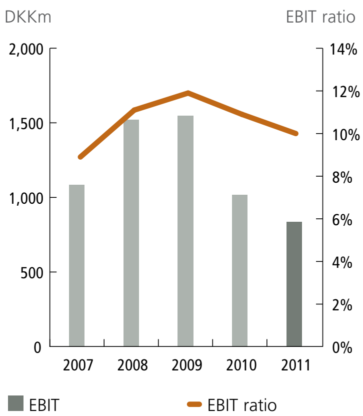
Revenue



Market share



EBIT and EBIT ratio



The global market for cement capacity remained very competitive and price sensitive with every project having multiple bidders. However, it varies from customer to customer whether price is the most important factor. In many cases, customers value FLSmidth technology and expertise higher. But the price still is an important selling point.

The overall demand for cement equipment and services in 2011 was affected by the financial crisis with regional differences. On the one hand, a number of oil rich countries with political stability grew their economies and investments while other countries were hit by overcapacity and/or political unrest. On a global level, significant overcapacity and thereby low utilisation rates persist. This, combined with economic uncertainty, has led to delay of investments in new capacity in a number of countries, which has impacted order intake for new plants, equipment and spare parts. As a consequence, overcapacity among equipment suppliers has led to tough competition and continued pricing pressure.

On the service side, the demand for service and spare parts is generally under pressure and competition is increasing. The capacity utilisation of many plants is relatively low, adversely impacting demand, as the wear rate goes down when fewer tonnes of cement go through the systems. Furthermore, customers have much more time on their hands to scout the market for good offers and are more willing to take risks in relation to new suppliers as the consequences of a possible failure are not so great.

An increasing number of EPC – Engineering, Procurement and Construction – projects are being put out for tender and there is strong focus on minimising cost of operations. This is the case both for major projects and the minor projects in Customer Services. The cement industry continues to shift its focus towards environmental issues, which creates opportunities within areas such as alternative fuels, waste heat recovery and clinker substitution.

Geographical developments

The picture in most parts of the world is one of low demand and increasing competition among equipment suppliers; this is particularly clear in Western Europe and North America where there is very low activity. Globally, order intake is lower than expected in most regions but there are also markets with positive developments.

Low growth and large overcapacity in the US persists, leading to few or no investments in new plants. There are, however, still opportunities in relation to environmental equipment and upgrades.

The low level of GDP growth in the US had an adverse impact on both Canada and Mexico. The housing industry is at a standstill in all three countries and government deficits are preventing investments in infrastructure. The outlook in North America for new cement capacity is not promising. However, Mexico and Canada are expected to rebound slightly faster than the US. Overall the outlook for North America is one of sporadic opportunities; it is not a consistent growth area.

South America experienced high growth and consequent expansion in the cement industry in 2011. South America, Peru, Bolivia and Ecuador are all experiencing political uncertainty. There will therefore be some demand but not very much. Colombia looks positive for the next couple of years, as the country is on a very positive trend which is believed to continue. But the real growth for FLSmidth is found in Brazil, Argentina and Chile – led far and away by Brazil which is seeing GDP growth and good infrastructure development. A continued high activity level in South America is expected for the next few years.

EMEA and APAC show in general a mixed picture with several markets disappointing while other markets seem to be coming back strongly.

The North African cement industry was hit hard by the political turmoil which led to a virtual stop in new cement investments in 2011. The long term prospects remain positive, but still a couple of years with subdued activity are expected.

Several oil rich countries in Africa and Middle East continue to show positive signs, offering interesting opportunities. Parts of Asia, not least Indonesia, also showed positive development.

Russia was the great positive surprise in 2011 as the country returned to more favourable developments after being affected strongly by the financial crisis in 2008-2009. FLSmidth remains the preferred player on the Russian market and the order intake was significant.

The Indian market suffered from overcapacity and a subdued investment mood due to high interest rates and low government spending, leading to lower than expected growth in cement demand. Low government spending combined with huge capacity additions the last couple of years has created a surplus situation, leading to approximately 75% capacity utilisation at present, which is delaying investments in new capacity.

In 2012, the overall cement market is expected to grow slightly compared to 2011. With respect to investment in new capacity, 2012 is expected to be a mixed picture. The trends from 2011 with relatively strong markets in, for example, Russia, parts of South America and Indonesia are expected to continue, while India is only expected to make slow recovery. Parts of the Middle East and Africa are expected to show good signs in 2012.

The US cement market is expected to be much the same in 2012 as in 2011 with the economy starting to rebound. However, the closed-down plants will be taken into use first so it will not be until towards the end of 2012 that meaningful opportunities appear.

Overall, 2012 is expected to see global demand for new cement kiln capacity (exclusive of China) at 50-60m tonnes per year (2011: 46m tonnes per year).

Structural 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 to a large extent is a local or a regional business in the vicinity of the end user. This is illustrated by the fact that only around 5 -10% of the world's cement production is traded internationally, and typically the cement plant is therefore located in connection with port terminals from which transport can take place in bulk. Freight rates play an important role for the profitability of international cement trade.

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

The order intake in Cement accruing from projects and products increased

17% in 2011 to DKK 5,100m (DKK 4,374m)





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

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

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

Operational highlights 2011

Mainly due to the strength of Russia, the overall order intake in 2011 has been as expected, and FLSmidth was able to keep its strength despite the very tough global competition. FLSmidth received four large cement orders in 2011, two of which were from Russia and the other two from Nigeria and Brazil.

In market terms, India was subdued in 2011, but contributed instead with other important achievements. In 2011, FLSmidth commissioned the largest kiln in the world, in India, with a capacity of 13,000 tonnes per day and the first cement project with liquid alternative fuels also took its beginning in India in 2011.

FLSmidth inaugurated a new Intelligent Collaboration Environment centre – in short ICE – in 2011, offering customers a direct link to the organisation with the best and fastest support from FLSmidth's technical centres.

Research and Development

R&D priorities in Cement are driven by global trends to reduce CO_2 and other emissions, as well as industry demands for lower costs and higher efficiency.

The current R&D Cement research focus areas are:

- Cement products (for example, replacing clinker with Supplementary Cementitious Materials)
- CO_2 and energy efficiency
- Harmful gaseous emissions
- Fuels and combustion
- Comminution
- Materials and wear processes

This has resulted in a number of mentionable R&D achievements in Cement in 2011.

Firstly, the two first industrial size FLSmidth® Cross-Bar™ coolers have shown very satisfying performance and both coolers have increased plant capacity, whilst the wear parts have worked very well. Customer feedback in both cases is very positive. In addition, a new and improved roller breaker for coolers has been introduced.

A new impact crusher for raw materials, for example limestone, was designed and released for sale, and the first static separators for roller press grinding systems were commissioned. Besides, the capacity of the HOTDISC™ for burning of alternative fuels was increased.
In Alternative Fuels, the technology packages introduced in 2010 have been developed to provide improved functionality with a broader scope of competitive new FLSmidth equipment, including:

1) A new fuel flexible reclaimer storage system for alternative fuels.

2) A docking station for alternative fuel increasing FLSmidth's offerings of equipment supplies in low investment solutions for handling alternative fuels.

3) A silo storage concept for small size alternative fuels, fulfilling needs for silo based storage needed for co-firing of dried sewage sludge.

Based on the promising results from our research facilities at Dania, FLSmidth has filed a patent application for a catalytic abatement technique targeting emission of hydrocarbon components with exhaust gases from cement kiln systems. The technology is ready to comply with coming tough NESHAP regulations in the USA.

A well-working Gas Suspension Absorber (GSA) was commissioned at a cement plant in Norway. The emission results show that the technology complies with NESHAP regulations for mercury and SO2 removal. The results were presented at IEEE in St Louis, US, and the presentation was selected as the best paper.

Additionally, a new fabric filter design for process dust filters was developed, where the main benefits are more than 20% lower steel weight and a modular design, which greatly improves the design and manufacture of the filter. Furthermore, development and optimisation of the bag cleaning system for fabric filters has reduced the cleaning pressure and halved the power consumption. This technology is applicable for both the cement and the minerals industries. Mobile units for emission measurements are now available in both North America and Europe, supporting R&D efforts to reduce emissions as well as enhancing our sales efforts and process design.

In Automation, there has been continued focus on migrating the software product portfolio to the 8th generation software platform for ECS® (process) & QCX® (quality) control solutions, based on the latest Microsoft.NET technologies. The ECS/ProcessExpert version 8 has now been released, together with an application for process optimisation of cement mills.

Strategic focus on standardising and migrating sub control systems for FLSmidth machinery to the ECS® platform, have added value to the Cross-Bar™ Cooler, the ATOX™ raw mill, the 2-way SK diverter gate and the Fluxo Pump.

FLSmidth MAAG Gear received performance goal verification approval for the new ”CEM Drive” 6.275 MW prototype.

FLSmidth Ventomatic has sold the first complete automated truck loader CARICAMAT 5x1C and increased the output capacity of the top class bag palletiser POLIMAT from 4,000 bags per hour to 4,500 bags per hour for 50kg bags.

FLSmidth Pfister has developed a new electronic controller for the high precision feeders. A complete web browser based on Man Machine Interface (MMI) was integrated, and the architecture is modern and modular, defining a new state-of-the-art in this industry segment.

“Helios: the one business system that supports One Source”

We are a diverse global organisation, so it’s no surprise that our companies and divisions use a number of different IT platforms. But to be the cement and minerals industries’ One Source supplier, we need the support of a truly unified IT system.

For the past two years, I’ve been involved in developing our new common Product Data Management system as part of our future IT platform called Helios. My role in the Helios team has been to define business requirements. Throughout the project, our team has kept two key factors top of mind: keeping our five Project Centers aligned and following standard industry practices as closely as possible.

In essence, Helios will eventually enable everyone in FLSmidth to collaborate across borders, divisions and business units. Throughout our entire organisation, we will all follow exactly the same procedures using the same systems. For example, we will use the same systems to make engineering bills of materials and proposals, and we will all benefit from the many advantages in terms of knowledge sharing and reduced double-work.

Despite the initial challenges, our new unified processes and procedures will help us achieve better results in many areas. In terms of our customers and suppliers, we will be able to deliver higher quality data and communicate our specifications in accordance with standards – no matter where the information originated. And from an FLSmidth perspective, we will capture more valuable intellectual property – and get easier access to it. Best of all, being able to handle our product data more efficiently will lead to improved product management.

Eventually, we will have all product information from all FLSmidth companies organised in one easily accessible place. Helios is set to bring us closer together than ever – an important step in truly becoming One Source for our customers.

Rathakrishnan Jayabalan,
Team Lead, Master Data Management, Engineering
(FLSmidth, India)

Cembrit

Cembrit is Europe's largest dedicated provider of fibre-cement products to the building materials industry. Cembrit increased both revenue and earnings in 2011 despite the market being in decline or stagnating.

Business model in Cembrit

Cembrit is a European building materials company that specialises in fibre cement products and is headquartered in Denmark.

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

Cembrit has production and sales companies in the Czech Republic, Finland, Poland, Hungary and Italy in addition to sales operations or representative offices in Denmark, the UK, France, Spain, Holland, Belgium, Germany, Norway, Sweden, Slovakia, the Baltic countries, Ukraine and Russia.

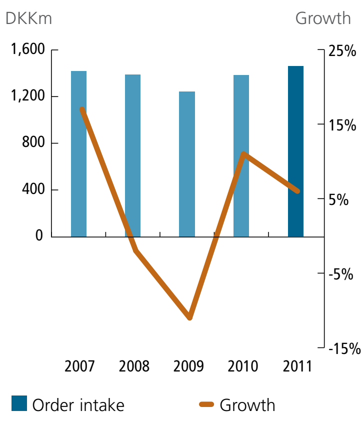
Most of the Cembrit's revenue is generated from activities outside Denmark and the majority of the nearly 1,100 staff members is employed in the Group's companies outside Denmark. It is an ongoing effort at Cembrit to be perceived as the leading fibre cement company through its branded quality products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

Market trends

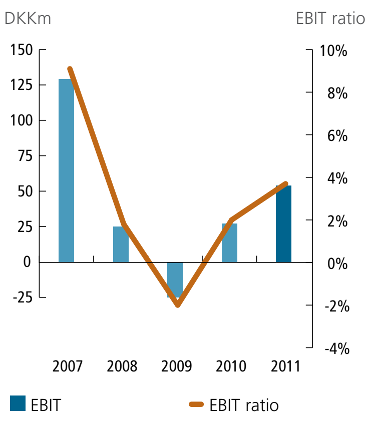
The moderately upward trend in 2010 continued into 2011, although the construction market throughout Europe suffered from hard winter conditions in the first months of the year. During the year, particularly the markets in Southern and Southeastern Europe experienced a low activity level, whereas Western, Central and Northern Europe generally saw more positive trends. During the Summer of 2011, the markets were in general affected by the uncertain situation in the financial and stock markets, but the year as a whole ended above the 2010 level. This is considered as satisfactory in a building materials industry which has been in decline or stagnating. Demand has primarily been driven by renovation and upgrading projects, rather than new construction.

Cembrit's focus in 2011 has been on maintaining or increasing its market share as well as expanding the fibre-cement category. Cembrit is also working on the development of a strong branding platform.

Revenue



EBIT and EBIT ratio



Exterior cladding
Again in 2011, Cembrit managed to grow sales in a constantly challenging project sales market for exterior cladding. Growth was primarily driven by the URBANNATURE product range in a great number of markets. Sales growth also reflected the general trend of fibre-cement winning market share from other building materials as well as the fact that especially Cembrit product design and functionality are being preferred.

Interior cladding
Despite increased competition from low-grade flat sheets, 2011 showed strong sales of interior cladding (flat sheets). High-end fibre-cement products again showed their strength in 2011 by gaining market share at the expense of substitutional materials, particularly for applications where fibre cement's higher strength and better resistance against notably moisture and rot ensure a pleasant indoor climate and longer service life.

Roofing materials
Sales of roofing materials (corrugated sheets, slates and accessories) were generally stable throughout 2011, however, markets and segments were strongly exposed to the fact that private new construction had a difficult year. Sales in the renovation segment saw a generally positive trend in 2011.

The European markets are still expected to offer considerable opportunities for long-term expansion of the fibre-cement segment in terms of higher market share for Cembrit roofing materials.

Financial results for 2011

In 2011, Cembrit recorded revenue of DKK 1,460m, representing a 6% increase on the year before (2010: DKK 1,383m). This growth was widely driven by most of the key markets and by practically all product lines.

Overall, the translation of foreign currency into DKK had a positive effect on revenue amounting to 1% in 2011 compared to 2010.

The EBIT result amounted to DKK 54m in 2011 (2010: DKK 27m), corresponding to an EBIT ratio of 4% (2010: 2%).

Outlook for 2012

Prospects for 2012 reflect the macro economic uncertainty that generally suggests a lengthy period of low growth. Cembrit therefore also expects this trend to affect developments in the building material industry, and it is anticipated that the shift in activities from new construction to renovation and upgrading projects will to some extent continue into 2012. The intensified competition on the European fibre-cement market and between the various material types is expected to continue in 2012.

Overall, Cembrit has come out strengthened of the last few years' global crises, particularly in the markets where the company has a leading position. It is Cembrit's strategy and ambition over the coming years to become a leading player in all the markets where it decides to be present. The company will continue to focus on profitability and growth in 2012 and expects revenue to increase slightly and the EBITA ratio to increase as well.

The overall focus in the coming years is on continued expansion of the fibre-cement segment, inter alia by strengthening Cembrit's brand and position in the individual markets - and by maintaining a competitive production platform.

"Innovative material handling solutions for a growing African market"

As a part of FLSmidth since 2010 and in operation since 1979, FLSmidth Roymec has amassed an impressive portfolio of domestic and international engineering and material handling projects.

Our deep commitment to the needs of the minerals and cement industries means we are always thinking outside the box in order to develop innovative, optimised and reliable solutions that will help our customers successfully grow their businesses.

We mostly deliver complete projects, so all stages of execution – from conceptual design to construction and commissioning – are performed in-house. This level of execution control ensures we meet delivery deadlines and the industry's increasingly rigorous safety and quality criteria. Our Material Handling Services group furthermore provides complete after sales parts, technical and engineering support to customers throughout the African continent. This may range from plant audit services to operating & maintaining entire material handling systems on an outsourced basis.

Being part of an esteemed global organisation gives us access to a wide range of expertise, resources and equipment. The right team of experts, a multi-disciplinary approach, top-notch products and excellent project execution capabilities are the key to a well-performing material handling system. Recently, we supplied the longest single-flight overland conveyor in Africa. A major engineering accomplishment, the coal travels 15.9 km from source to destination across several natural water bodies and through a number of horizontal and vertical curves.

Whether we're implementing an award-winning conveyer project or optimising a material handling system, our talented, committed team always does whatever it takes to meet and exceed customer expectations. This makes it possible for us to take advantage of the many opportunities presented by Africa's resources boom.

At FLSmidth Roymec, we believe mining in Africa has a bright future. We have activities in Botswana and Mozambique and we have our sights set on establishing in Zambia, where there is excellent growth potential. Our strong regional presence combined with FLSmidth's products and global expertise ensures that our customers get the best 'One Source' partner for all their material handling needs.

Johan Bisschoff,
General Manager,
Material Handling
(FLSmidth Roymec, South Africa)

Risk management

FLSmidth is basically prepared to undertake considerable risks within the Group's core competencies provided the risks are calculated and controllable.

Commercial risks

Being a supplier of single machine units, complete production plants and services to the global minerals and cement industries, FLSmidth is exposed to a number of different risks that need to be identified, handled and countered on an ongoing basis.

FLSmidth is basically prepared to undertake considerable risks within the Group's core competencies provided the risks are calculated and controllable.

FLSmidth's industrial focus and business model ensure a natural spread of risks. FLSmidth serves a broad spectre of industries in which the underlying conditions of supply and demand vary. Moreover, FLSmidth is active throughout the value chain, being involved in various engineering disciplines, proprietary production of key components and spare parts and operation and maintenance of customers' plants.

The Group's internal resources primarily consist of engineers, whilst most of the manufacturing is delegated to a global network of subcontractors. This has proved a both robust and sustainable business model that is highly suitable for a cyclical industry. FLSmidth, therefore, has relatively few tangible assets and a flexible cost structure, which makes it possible to plan and adjust the resources.

The Group's global presence also enables it to utilise any regional and local market opportunities that arise irrespective of global trends.

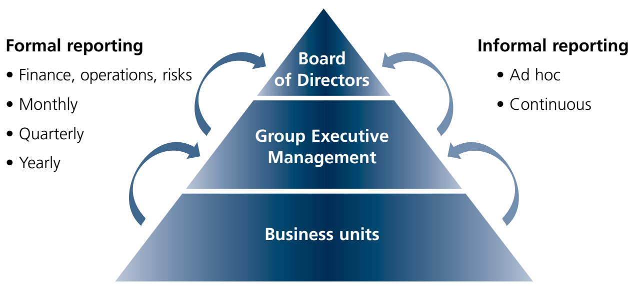
Risk management and reporting

FLSmidth's risk management policy describes how the organisation handles and reports risks and how responsibility for risk management is allocated.

Responsibility for continuously keeping abreast of operational risks lies locally with the individual business units, which are also responsible for addressing the risks. As an integral part of the Group's financial reporting system, the Group Executive Management is informed continuously about risks within the individual business segments.

Besides, a halfyearly risk report is submitted to the Group Executive Management and the Board of Directors in which the major risks are described and quantified. This report also includes plans of action for handling the risks concerned. This ensures that the company can continuously adapt its activities and organisation to an ever changing world.

Risk reporting



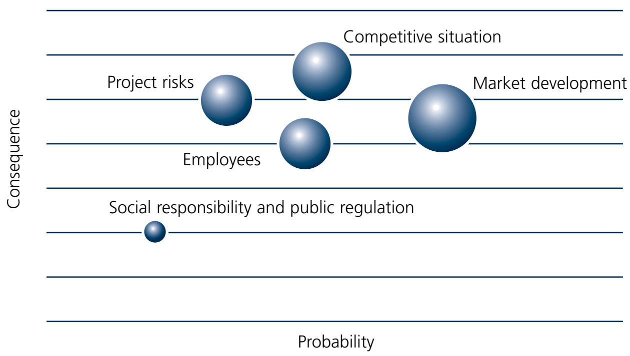
Insurance

An essential risk management tool is to transfer the financial risk of losses to a third party through insurance. This is a continuous process ensuring that the Group's insurance portfolio reflects the risks, which the Group's activities incur. This work is carried out by the FLSmidth Risk Management department in cooperation with a global insurance broker. It is FLSmidth's insurance policy to transfer the financial risk of large losses to insurance companies, which entails an element of own risk and self-financing. The level of self-financing is adjusted over time depending on the Group's financial strength and the options and prices offered by the global insurance market at a given time.

Current risk assessment

The current risk assessment of FLSmidth shows five major risk categories with estimated variable probability and consequence for the Group.

Risk map



Market trends and competition

The market situation is characterised by fierce competition in all markets with regard to both product development and price. FLSmidth focuses on being at the cutting edge of product development and is making a structured effort to optimise its supply chain in order to be competitive in terms of products, service and price.

FLSmidth is also continuously making an effort to find suitable partners that can contribute to FLSmidth's core competencies either through collaboration or acquisition. Acquisitions are managed by a decidated M&A department with great emphasis being placed on the subsequent integration process to achieve the anticipated synergies.

FLSmidth's flexible cost structure means that the Group is able to adjust in relation to changed business cycles and to cushion the effect of any negative market trends.

Employees

In a knowledge-based company like FLSmidth, the employees are the most important resource. It is an ongoing challenge to retain and attract employees with the competencies needed to continue to develop the Group's technological and geographical platform. The challenge is met by taking coordinated global, regional and local initiatives with regard to employment conditions, development and training.

Social responsibility and public regulation

Like many others, FLSmidth is facing growing interest from authorities, customers, subcontractors and NGO's regarding social responsibility and compliance with current standards and rules. FLSmidth has joined internationally recognised initiatives in this field and has also set up internal structures to handle these activities. This primarily concerns internal employee training programmes in order to act as one company with one set of standards and ethical guidelines anywhere in the world.

FLSmidth's global presence expose the Group's assets and earnings to political decisionmaking processes, such as trade barriers, taxes, currency restrictions, wars, etc. which could have a negative impact on the Group's performance. The Group monitors country risks including political risks and take the necessary actions to mitigate these risks.

Project risks

In terms of operational risks the main focus is on the projects. Due to the technical, commercial and geographical circumstances FLSmidth is exposed to considerable project risks. The project organisations therefore work systematically to identify and assess project risks in the various stages of tendering, selling and execution. Project risks are systematically assessed, and the various parts of the organisation are involved at different times during the process.

The primary goal of the process is to share relevant knowledge with the right persons at the right time. This makes sure that the Group is only involved in projects with an acceptable risk profile within its core competencies. During the initial phase, relevant projects are screened. FLSmidth wishes to focus its proposal activities on projects that lie within its core competencies and match the company's strategic goals. Moreover, customer or country specific issues may have an influence on the selection of projects. The selected projects then undergo a more detailed assessment of the technical and commercial possibilities of implementing the projects. This assessment takes place in a close dialogue with the company's specialists in fields like engineering, legal matters, finance, tax and, not least, project management who is eventually responsible for executing the projects. The risk assessment is evaluated and approved by the Executive Management before a proposal is submitted to the customer.

Assessment of project risks

Screening	Design/ layout	Equipment	Proposals
Customer	Quality	Subcontractors	Solution
Country	Standard	Labour	Exposure
Technical solution			Contract
Contract type			Price
Resources			
Strategic match			

Production and supply chain

The Group's production units have a different risk profile from that of the project organisation. In this part of the organisation it is important to ensure production and stable supplies both for the project organisation and for external customers. This is achieved through standardised procedures for health and safety and quality control. The maintaining of a consistent and high standard is measured via an inspection programme that is undertaken in collaboration with an external engineering firm specialising in risk management and loss prevention.

Financial risk management

The overall framework for managing financial risks in the Group is decided by the Board of Directors. It is Group policy that all major financial risks should be identified and appropriately hedged and that all significant commercial currency and interest rate risks should be hedged not later than at the effective date of contract.

The Group did not in 2011 nor in 2010 default on or fail to fulfil any loan agreements or other financial agreements.

Financial management comprises the Group's currency, interest, liquidity and credit risks as well as its capital structure and financial resources.

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

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

FLSmidth & Co. A/S controls the Group's overall currency risk by means of value at risk (VaR).

The translation of income statement and balance sheet items from the subsidiaries' functional currencies into DKK is affected by exchange rate changes, because translation risk is not hedged.

Interest rate risk
Interest rate risk concerns the interest-bearing financial assets and liabilities of the Group. The interest-bearing financial assets consist primarily of cash in financial institutions, and the interest-bearing financial liabilities mainly consist of mortgage debt and bank loans. Interest rate risk occurs when interest rate levels change and if the margins, which the Group has agreed with the financial institutions, change.

FLSmidth & Co. A/S controls the Group's overall interest rate risk by means of value at risk (VaR).

At the end of 2011, 100% of the Group's net interest-bearing debt (end of 2010: 100%) carried a variable rate of interest. Other

things being equal, a 1 percent increase in the interest rate will have a DKK 1m positive effect on the Group's net interest earnings (2010: DKK 13m).

Liquidity risks
The purpose of the Group's cash management is to ensure that the Group at all times has sufficient and flexible financial resources at its disposal. The Group manages its liquidity risk through cash pool systems in various currencies and by having short-term overdraft facilities with various financial institutions.

As part of its financial resources, the Group has entered into committed financial facility arrangements. At the end of 2011 these facilities amounted to more than DKK 5bn with weighted time to maturity being 4.3 years (exclusive of mortgage loans) and other committed credit facilities of another DKK 1.2bn. These facilities contain standard clauses such as pari passu, negative pledge and change of control.

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 revenue in 2011. The maximum credit risk related to financial assets corresponds to the carrying amount plus write-downs. In cases where there may be a risk of loss, a write-down will always be made based on individual assessment.

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

For further details on financial risks please see notes 31 and 32, pages 115-117 to the consolidated financial statements.

Corporate governance

The following statutory statement pursuant to the Danish Financial Statements Act Section 107b is part of the Management's Review in the 2011 Annual Report.

Capital and share structure

FLSmidth & Co. A/S is listed on NASDAQ OMX Copenhagen. No special rights are attached to any share and there are no restrictions on the transferability of the shares.

At the end of 2011, FLSmidth had about 56,800 registered shareholders, and no single shareholder had reported an investment exceeding 5%. For further details regarding shareholders please go to pages 80-82.

Management structure

According to general practice in Denmark, FLSmidth & Co. A/S maintains a clear division of responsibility and separation between the Board of Directors and the Executive Management. Tasks and responsibilities are defined at an overall level via rules of procedure for the Board of Directors and rules of procedure for the Executive Management. In addition, terms of reference apply to the Board committees.

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

The Board of Directors

Composition of the Board of Directors

The Board of Directors is elected at the Annual General Meeting apart from those Board members who are elected pursuant to the provisions of the Danish Companies Act on employee representation. Board members elected at the Annual General Meeting constitute not less than five and not more than eight members, currently six members, in order to maintain a small, competent and quorate Board. The members of the Board elected at the Annual General Meeting retire at each Annual General Meeting. Re-election may take place.

Pursuant to the provisions of the Danish Companies Act regarding employee representation, the Group's employees are represented on the Board by currently three members, a Group representative and two company representatives, who are elected for four years at a time. The last election took place in 2009.

Immediately after the Annual General Meeting the Board of Directors elects from its own number a Chairman and a Vice Chairman. A job and task description outlining the duties and responsibilities of the Chairman and the Vice Chairman has been drawn up.

Board meetings are called and held in accordance with the Board rules of procedure and its yearly plan plus from time to time when necessary. In principle between six and eight ordinary Board meetings are held every year. To enhance Board meeting efficiency, the Board chairmanship or the Chairman hold a planning meeting with the Executive Management prior to each Board meeting.

In 2011, six Board meetings took place and the most important issues dealt with were a new group strategy, product strategy, company acquisitions, management evaluation and compliance.

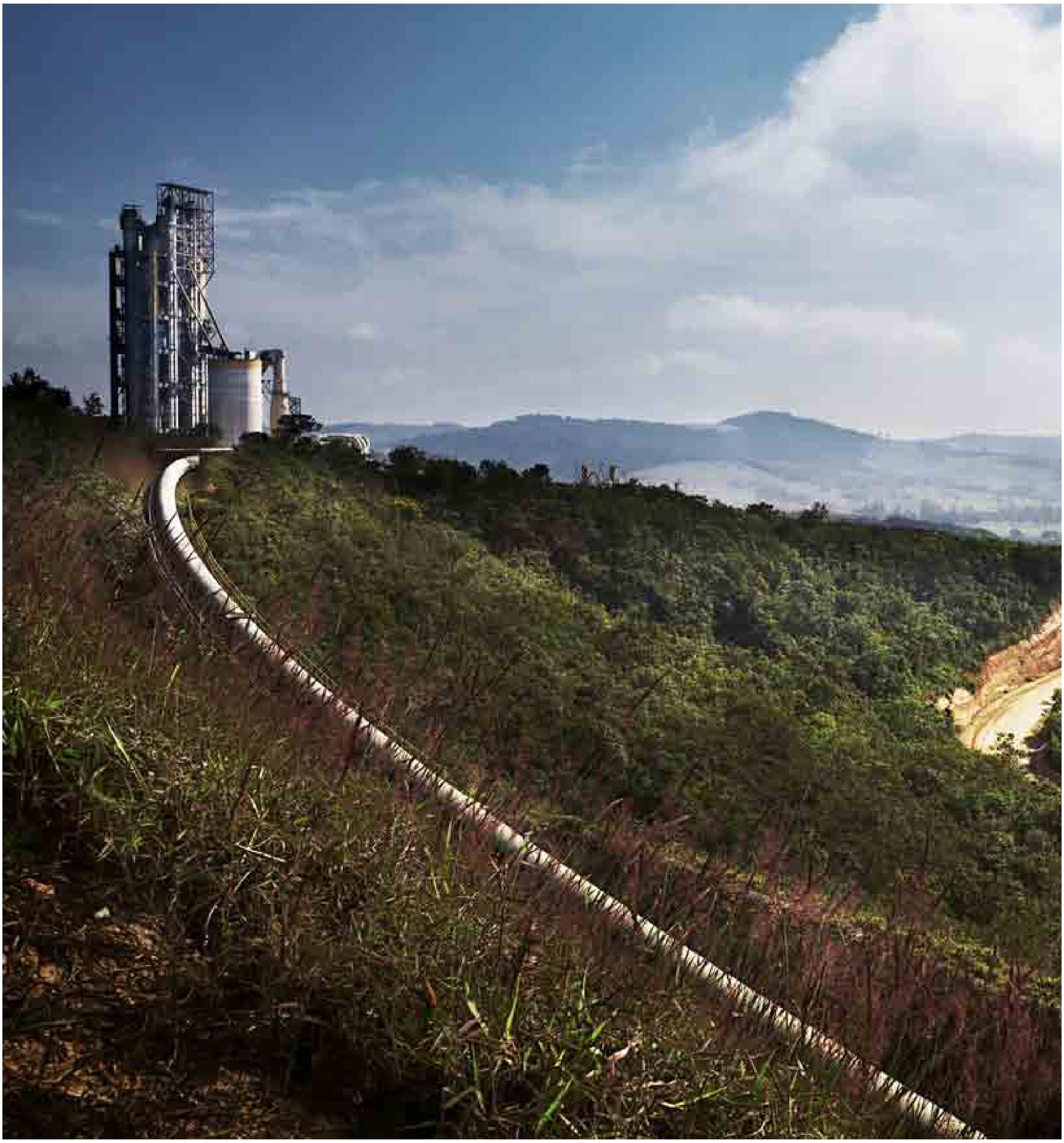
Composition of the Board

To achieve a highly informed debate with the Executive Management, a Board membership profile reflecting substantial managerial experience from internationally operating industrial companies is aimed at.

At least one member of the Board must have CFO experience from a major listed company, and all other members must have CEO experience from a major internationally operating and preferably listed company.

The composition of the Board of Directors reflects that all members elected at the Annual General Meeting hold competencies

FLSmidth has
13.204 employees worldwide and is represented in more than 50 countries



in acquisition and sale of companies, financing and stock market issues, international contracts and accounting. In addition, it is preferable that a majority of the Board members have a background in construction contracting and possess technical expertise on process plants and process technology, including preferably the cement and/or minerals industry.

All members of the Board elected at the Annual General Meeting, apart from the Vice Chairman, Mr Jens S. Stephensen, are independent as defined by the Committee on Corporate Governance, which is an independent Danish body that promotes corporate governance in Danish companies.

Pursuant to the rules of procedure of the Board of Directors, a Board member must retire at the first Annual General Meeting which is held after the member has passed the age of 70. This means that the Vice Chairman, Mr Jens S. Stephensen, will not stand for reelection at the coming Annual General Meeting.

As part of its yearly plan, the Board of Directors performs a yearly self-evaluation to evaluate the contribution, engagement and competencies of its individual members. The Chairman is responsible for the evaluation and sends out questionnaires to each member of the Board of Directors. The result of the questionnaire is discussed at a subsequent Board meeting.

Please go to pages 70-72 for an overall summary of the individual Board members and their respective competencies.

Remuneration of the Board

The Board of Directors' total remuneration consists of an annual cash payment which is recommended by the Board and adopted by the Annual General Meeting. The remuneration of the members of the Board does not include pension contribution. No retention nor severance programmes exist for members of the Board of Directors.

Until now, the Board of Directors has considered it most relevant and expedient for the shareholders to comply with the rules of the Danish Companies Act and general practice, according to which the remuneration of the Board is disclosed and approved together with the annual report at the close of the year. Information concerning the total remuneration of the Board of Directors appears from the consolidated financial statements note 43. In future, a proposal for remuneration of the Board of Directors for the current financial year will be submitted for approval at the Annual General Meeting. At the coming Annual General Meeting a proposal will be submitted for Board remuneration for both 2011 and 2012.

Board committees

The Board of Directors has appointed three committees: the nomination, remuneration and audit committees.

The nomination committee

The nomination committee consists of the Board chairmanship, which means the Chairman and the Vice Chairman, currently Mr Vagn O. Sørensen and Mr Jens S. Stephensen.

The chairmanship is elected each year by the entire Board at the initial Board meeting following the Annual General Meeting. The committee meets minimum three times every year.

The responsibilities of the nomination committee are to continuously evaluate the work and composition of the Board and the Executive Management and to initiate any changes.

The nomination committee bases its work on a profile description of the entire FLSmidth Board, including a profile of each Board member. The profile description is decided and updated by the Board of Directors.

In carrying out these duties, the nomination committee may choose to involve the remuneration committee. The present nomination committee was appointed on 14 September 2011 and held two meetings in 2011. Its main activities have been to consider and recommend new candidates for Board membership.

The remuneration committee

The remuneration committee consists of up to four Board members, currently Mr Vagn O. Sørensen, Mr Jens S. Stephensen and Mr Torkil Bentzen.

The remuneration committee is elected each year by the entire Board at the initial Board meeting following the Annual General Meeting. The committee meets minimum three times every year.

The purpose of the remuneration committee is to determine the salary and other terms of employment for members of the Group Executive Management. Besides, once a year the remuneration committee approves the overall principles of the Group's bonus and other short- or long-term incentive or retention plans. The remuneration committee also submits proposals to the Board for the size of the remuneration of the Board and the Board committees.

Once every year the Chief Executive Officer and the rest of the Executive Management must inform the remuneration committee about pay levels and performance evaluation for the Group Executive Management and managers reporting directly to the Group Executive Management.

The remuneration committee met three times in 2011, and the committee's main activities in 2011 were to consider and determine the Executive Management's pay and incentive plans plus a general extension of the use of incentive plans in the company.

The audit committee

The audit committee consists of Mr Jesper Ovesen (Chairman), Mr

Sten Jakobsson and Mr Vagn O. Sørensen who are all independent and have considerable insight and experience in financial matters and accounting and auditing in listed companies.

The committee was set up in its present form at the end of 2011, its functions having previously been undertaken by the entire Board of Directors. The audit committee meets at least three times per year.

The main tasks of the audit committee are to assist the Board of Directors in:

- monitoring the financial reporting process
- monitoring the efficiency of the company's internal control system and any internal auditing and risk management systems
- monitoring the statutory audit of the annual report
- appointing the Company's independent auditors and monitoring and checking the independence of the auditors, including, in particular, the delivery of non-audit services to the Company.

Besides, once a year the audit committee assesses the need for internal audit and submits recommendations for any steps considered necessary as a consequence of this.

So far, the audit committee and the Board of Directors have not considered it necessary to introduce internal audit in addition to the company's Group Control and Project Control functions and the external auditor.

The audit committee is also authorised to perform other tasks in connection with financial, accounting and auditing matters plus risk management in the Group as considered relevant by the committee.

The Executive Management

Composition of the Management

The Group Executive Management consists of four members who hold overall responsibility for the day-to-day operations of the Group. As from 1 March 2012, Group Executive Management is increased from four to six persons as a consequence of the new strategy and Group structure. The Executive Management consists of experienced business executives who each bring with them insight and hands-on experience that match the needs, challenges and practical issues currently facing the Group.

Remuneration of the Executive Management

The Board has adopted a remuneration policy for the Executive Management that establishes a framework for variable salary components in order to support the company's short- and long-term goals. The purpose is to ensure that the pay system does not lead to imprudence, short-term behaviour or unreasonable acceptance of risk on the part of the Executive Management.

The Board's remuneration committee considers from time to time the Executive Management's overall pay conditions.

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

- fixed salary ("gross salary") including pension
- usual accessory benefits such as car, telephone, newspaper, etc.
- cash bonus (up to 40% of the gross salary)
- share options (up to 25% of the gross salary)

Remuneration agreements for the Executive Management include a right for the company to demand full or partial repayment of variable pay components, which have been paid out based on information that is subsequently proved to be incorrect. Agreements regarding severance allowance shall not exceed two years' pay.

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

The incentive-based portion of the Executive Management's remuneration is presented at the company's Annual General Meeting pursuant to Section 139 of the Danish Companies Act, and the disclosure of it appears from the company's articles of association.

The individual member of the Executive Management may receive a yearly bonus which shall not exceed 40% of the member'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 attainment 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.

According to the remuneration policy members of the Executive Management may also be granted share options. The purpose of such options is to ensure value creation and fulfilment of the Company's long-term goals. The granting of options may take place once a year, normally on presenting the Company's half-yearly financial statements 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. In August 2011, members of the Executive Management were granted a total of 47,636 share options representing a total net present value of DKK 4.3m.

The net present value at the time of granting is calculated according to the Black & Scholes method. The Company will continuously cover the options granted through acquisition of treasury shares so that no capital increase is necessary to deliver the shares represented by the options granted. Options granted in accordance with the remuneration policy are normally exercisable not earlier than three years after being granted and will normally lapse if they have not been exercised six years after the grant date. The strike price must not be lower than the market price at the grant date. The strike price is adjusted for paid-out dividend. In connection with the latest granting of options to the Executive Management the share price was calculated as the average closing price during the first five days after the half-yearly report was presented.

Please go to notes 42 and 43 to the consolidated financial statements for information about the total remuneration of the Executive Management.

The Group CEO's remuneration is disclosed separately, whereas the remuneration of the rest of the Executive Management is stated as one total sum.

Presentation of financial statements and internal controls

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

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

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

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

Encouragement of active ownership

The Board and the Executive Management value and encourage shareholders' active participation in the company's affairs through the channels and means available to them, notably the Company's Annual General Meeting.

FLSmidth & Co. aims at maintaining seamless and efficient communication with its shareholders, for example through the internet. FLSmidth & Co. A/S provides information to shareholders in the form of interim reports, annual reports, company announcements and press releases, capital market days, general meetings, etc.

After the release of quarterly interim reports, investor meetings are held in Denmark and abroad, and teleconferences (live webcasts) are held during which questions can be put directly to members of the Executive Management.

In addition, investors have the possibility of directly contacting the Executive Management and the Board via the Company's shareholder secretariat and Investor Relations department whose task it is to maintain an ongoing dialogue between the Company and its present and future prospective shareholders.

Shareholders can exert influence by participating in and voting at general meetings. Besides, a shareholder has the right to address the Board of Directors and the other shareholders who participate in the general meeting, either verbally at the meeting or in writing before the Annual General Meeting.

Any shareholder is entitled to ask for specific and relevant topics and proposals to be considered at the Annual General Meeting. In order to be discussed and/or considered at the Annual General Meeting resolutions proposed by the shareholders must be submitted in writing to the Board of Directors within the statutory time limits.

The current practice in FLSmidth is to attend the Annual General Meeting through physical attendance. Meanwhile, the General Meeting is transmitted live via the Company's website. Shareholders may also attend by authorising by proxy the Board of Directors or other persons, or by submitting postal votes before the start of the general meeting. Together with the notice of the general meeting the Board of Directors sends out proxy forms that enable the shareholders to place their vote regarding each item on the agenda. Shareholders may also attend general meetings accompanied by a professional adviser.

Detailed information about holding, calling and attending general meetings is given in the Articles of Association available on the company's website (http://www.flsmidth.com/articlesofassociation).

Management principles in FLSmidth

The FLSmidth culture has always been characterised by the employees undertaking great and independent responsibility for assignments around the world. This means that employees and middle managers in FLSmidth experience a high level of freedom with responsibility and a high degree of trust and delegation.

Decentralised execution of assignments is supported by global policies, systems, manuals and processes that are continuously becoming more formalised in step with more demanding requirements being imposed both internally and externally.

In 2011, FLSmidth set up a new Corporate Governance & Compliance function to ensure that the Group's policies and rules are always up-to-date in relation to relevant legislation and that the Group's employees have been informed about the following policies and rules: code of conduct, anti-bribery and anti-corruption, anti-money laundering, competition legislation, export control, stock exchange legislation, insider rules, corporate law and filing of documents. In 2011, the Board of Directors received an update on the relevant policies and rules.

Compliance with recommendations for corporate governance

Pursuant to Section 4.3 of the rules for issuers of shares listed on NASDAQ OMX Copenhagen, Danish companies must explain in their annual report how they will address the recommendations of NASDAQ OMX Copenhagen for corporate governance based on the 'comply or explain' principle. Please follow the link below for a complete summary of FLSmidth's position on each specific recommendation (http://www.flsmidth.com/Compliance).

In the Board's opinion FLSmidth complies will all the recommendations apart from 6.2.3 which is only partially fulfilled:

Recommendation 6.2.3: It is recommended that the total remuneration granted to each member of the supreme governing body and the executive management by the company and other consolidated companies should be disclosed in the annual financial statements and that the linkage with the remuneration policy should be explained.

FLSmidth's explanation: The Company discloses the Group CEO's remuneration separately, whereas the remuneration of the rest of the Executive Management is stated as one total sum. Only the total remuneration of the Board is disclosed.

In the Board's opinion, shareholders have a right to know the Group CEO's pay, whilst the remuneration of each of the other members of the Executive Management and the Board is not relevant for shareholders.

In its updated recommendations of August 2011 the Committee for Corporate Governance has focused on greater diversity in terms of more women and more persons with international experience joining Danish Boards of Directors. According to the Committee, the selection of candidates for Board membership should take into consideration the objective of diversity in the Board and at various management levels in the company.

The Board of Directors of FLSmidth continuously evaluates the diversity of the Board and the Executive Management as well as among managers and employees, and in future recommendations and appointments, diversity will deliberately be taken into account when considering the profiles and qualifications of potential candidates.

At the end of 2011, women accounted for 16% of the total workforce, whilst only 8% of all managers were female. The aim is that the number of female managers should in the long term to a higher degree reflect the proportion of women among all employees.

The Board has defined a short-term goal of the number of female managers accounting for at least 10% in 2014 and that when filling management vacancies in future, a female candidate must be among those in the run-up.

Due to the FLSmidth Group's global presence in over 50 different countries the total workforce naturally reflects a multitude of cultures and nationalities.

The Board of Directors has set a long-term goal according to which global managers (top 100) should to a greater extent reflect the representation of nationalities among all employees and the geographical location of the Group's technology centres in Denmark, Germany and USA. Today, Danes account for 38% of the total number of global managers (top 100), but only 12% of the total number of employees.

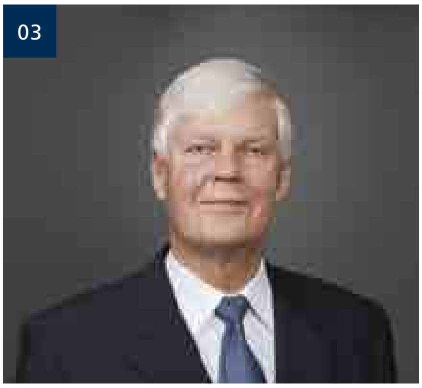
Board of Directors

01

Vagn Ove Sørensen

02

Jens S. Stephensen

03

Torkil Bentzen

04

Jesper Ovesen

05

Martin Ivert

06

Sten Jakobsson

07

Mette Dobel

08

Frank Lund

09

Jens Palle Andersen

01 **Vagn Ove Sørensen** (Chairman)
MSc (Econ. and Bus.Admin.), age 52, Danish and member of the Board of Directors elected at the Annual General Meeting since 2009, Chairman of the Board since 2011. Member of the audit, remuneration and nomination committees. Formerly CEO of Austrian Airlines (2001-2006) and Executive Vice President, etc., Scandinavian Airlines Systems (1984-2001).

Executive posts in Denmark: Chairman of the Boards of Directors of TDC A/S, KMD A/S, KMD Equity Holding A/S and KMD Holding A/S. Vice Chairman of the Board of Directors of DFDS A/S. Member of the Boards of Directors of CP Dyvig & Co. A/S, Det Rytmiske Musikhus' Fond and Koncertvirksomhedens Fond. CEO of GFKJUS 611 Aps and VOS Invest Aps. Senior adviser to EQT Partners.

Executive posts abroad: Chairman of the Boards of Directors of: Scandic Hotels AB (Sweden), Select Service Partner Plc (UK) and British Midland (UK). Member of the Boards of Directors of Lufthansa Cargo (Germany), Air Canada (Canada), Royal Carribbean Cruises Ltd. (USA) and Braganza AS (Norway). Senior adviser to Morgan Stanley.

Special competencies in relation to FLSmidth: former CEO, experience in acquisitions and disposals, financing and stock markets, international contracts and accounting

Shareholding in FLSmidth & Co. A/S: 1,301 shares.

02 **Jens S. Stephensen** (Vice Chairman)
MSc (engineering), age 70, Danish and member of the Board of Directors elected at the Annual General Meeting from 1995-2000 and 2002-2012. Vice Chairman of the Board since 2002. Member of the remuneration and nomination committees. Previously CEO of FLS Miljø (2000-2001), Scandlines A/S (1995-1998), Burmeister & Wain Skibsværft A/S (1993-1995) and Århus Flydedok A/S (1988-1993).

Executive posts in Denmark: Chairman of the Boards of Directors of Holm & Grut A/S and Danish Airlease ApS. CEO of OY Ejendom Nord ApS and member of Ann Birgitte og Niels Orskov Christensens Familiefond.

Special competencies in relation to FLSmidth: former CEO, experience in acquisitions and disposals, financing and stock markets, international contracts, building contracting and accounting.

Shareholding in FLSmidth & Co. A/S: 60,000 shares.

03 **Torkil Bentzen**
MSc (engineering), age 65, Danish and member of the Board of Directors elected at the Annual General Meeting since 2002. Member of the remuneration committee. Formerly CEO of ENERGI E2 A/S (2000-2006), i/s Sjællandske Kraftværker (1999-2000), Ludvigsen & Hermann A/S (1994-1999), Götaverken Energy AB (1988-1992) and Burmeister & Wain Scandinavian Contractor A/S (1981-1988)

Executive posts in Denmark: Chairman of the Board of Directors of Burmeister & Wain Scandinavian Contractor A/S, EUDP (Energy Development and Demonstration Programme) and Klimakonsortiet (the Climate Consortium). Member of the Boards of Directors of Mesco Danmark A/S and Siemens Aktieselskab.

Executive posts abroad: Senior adviser to the Board of Mitsui Engineering & Shipbuilding Ltd. (Japan).

Special competencies in relation to FLSmidth: former CEO, experience in acquisitions and disposals, financing and stock markets, international contracts, building contracting and accounting.

Shareholding in FLSmidth & Co. A/S: 3,600 shares.

04 **Jesper Ovesen**
State-authorised public accountant, age 54, Danish and member of the Board of Directors elected at the Annual General Meeting since 2005. Chairman of the audit committee. Formerly CEO of KIRKBI A/S (2007-2008) and CFO of TDC A/S (2008-2011), Lego A/S (2003-2006), Danske Bank A/S (1998-2003) and Novo Nordisk A/S (1994-1998).

Executive posts abroad: Chairman of the Board of Directors of Nokia Siemens Network (Germany). Member of the Boards of Directors of Skandinaviska Enskilda Banken (Sweden) and Orkla ASA (Norway).

Special competencies in relation to FLSmidth: former CEO and CFO in listed company, experience in acquisitions and disposals, financing and stock markets, international contracts, auditing and accounting.

Shareholding in FLSmidth & Co. A/S: 1,000 shares.

05 **Martin Ivert**
MSc (metallurgy), age 64, Swedish and member of the Board of Directors elected at the Annual General Meeting since 2008. Formerly CEO of LKAB (2002-2008), Division Manager, SKF (1998-2001), CEO, Ovaka Steel (1995-1998), and before then various managerial posts in SKF (1974-1995).

Executive posts abroad: Chairman of Swerea (Sweden), Member of the Boards of Directors of Åkers Group (Sweden) and Ovako (Sweden).

Special competencies in relation to FLSmidth: former CEO, experience from the minerals industry, experience in acquisitions and disposals, financing and stock markets, international contracts and accounting.

Shareholding in FLSmidth & Co. A/S: 300 shares.

06 **Sten Jakobsson**
MSc (mechanical engineering), age 63, Swedish and member of the Board of Directors elected at the Annual General Meeting since 2011. Formerly Regional Manager, North Europe, ABB ASEA Brown Boveri (2006-2011), CEO, ABB Sweden (2001-2011), and before then various managerial posts in ABB ASEA Brown Boveri (1973-2001).

Executive posts abroad: Chairman of the Board of Directors of Power Wind Partners AB (Sweden). Vice Chairman of the Board of Directors of SAAB. Member of the Boards of Directors of Stena Metall (Sweden) and Xylem Inc (USA).

Special competencies in relation to FLSmidth: former CEO, experience in acquisitions and disposals, financing and stock markets, international contracts, building contracting and accounting.

Shareholding in FLSmidth & Co. A/S: 1,500 shares.

07 **Mette Dobel**
BSc (commercial engineering), Global Product Manager, 44, Danish, employee-elected member of the Board of Directors since 2009.

Shareholding in FLSmidth & Co. A/S: 562 shares.

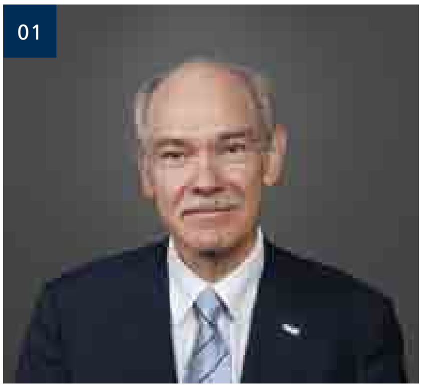
08 **Frank Lund**
MSc (elec.eng.), Grad.Dipl. EBA, Service Sales Engineer, age 50, Danish, employee-elected member of the Board of Directors since 2006.

Shareholding in FLSmidth & Co. A/S: 121 shares.

09 **Jens Palle Andersen**
BSc (elec.eng.), Project Manager, 61, Danish, employee-elected member of the Board of Directors since 2006.

Shareholding in FLSmidth & Co. A/S: 862 shares.

The Executive Management

01

Jørgen Huno Rasmussen

02

Poul Erik Tofte

03

Bjarne Moltke Hansen

04

Christian Jepsen

01 **Jørgen Huno Rasmussen**
MSc (engineering), Dipl.Bus.Admin. and PhD (techn.sc.), Group Chief Executive Officer of FLSmidth & Co. A/S since January 2004, with overall responsiblity for Cement activities, age 59, Danish

Formerly Group EVP of Veidekke ASA (2000-2003), CEO of Hoffmann A/S (1988-2003) and various managerial posts in Hoffmann & Sønner A/S (1983-1986), Chr. Islef & Co. A/S (1981-1983) and A. Jespersen & Søn A/S (1979-1981).

Executive posts in Denmark: Vice Chairman of the Boards of Directors of Lundbeckfonden and Tryghedsgruppen smba.

Member of the Boards of Directors of Vestas Wind Systems A/S and LFI A/S.

02 **Poul Erik Tofte**
MSc (econ.) and Dipl.Bus.Admin., Group Executive Vice President and CFO of FLSmidth & Co. A/S since January 2003, age 55, Danish.

Formerly CFO, Net Test A/S (2001-2002), GN Store Nord (1994-2000), Monberg & Thorsen A/S (1989-1994) and Carnegie A/S (1986-1989), and various managerial posts in Storno A/S (1980-1986).

Executive posts in Denmark: None

03 **Bjarne Moltke Hansen**
BSc (engineering), Group Executive Vice President, FLSmidth & Co. A/S since August 2002 with overall responsibility for Customer Services, Cement India, the product companies in Cement and Cembrit, age 50, Danish.

Formerly CEO, Aalborg Portland Holding A/S (2000-2002), Cembrit Holding A/S (1992-2000) and various managerial posts in Unicon A/S (1984-1995).

Executive posts in Denmark: Member of the Board of Directors of RMIG A/S.

04 **Christian Jepsen**
MSc (Econ. and Bus.Admin.), Group Executive Vice President in FLSmidth & Co. A/S since October 2005, with overall responsibility for Mineral activities, age 53, Danish.

President and CEO, FLSmidth Inc. since 2000, formerly CFO, FLSmidth Inc. (1995-2000) and FLSmidth-Fuller Engineering A/S (1992-1995), Vice President, FLS Finance A/S (1990-1992) and formerly employed at Danish-Turnkey Dairies A/S (1986-1987) and Pasilac A/S (1985-1986).

Executive posts abroad: Member of the Board of Directors of Nuna Minerals A/S (Greenland).

"ICE Center: empowering our clients anytime, anywhere"

"In October 2011, we established our new performance and diagnostic centre, called the ICE (Intelligent Collaboration Environment) Center," says Business Manager Jose Alejandro Delgado, FLSmidth Denmark.

A true One Source initiative between our Automation, Customer Services and Operations & Maintenance divisions, the ICE Center will make working with our customers all over the world easier and more rewarding than ever.

At its core, the ICE Center represents a unique opportunity to bridge the geographical distance between our customers working in FLSmidth-designed plants around the world and our technological centres. In this way we establish more direct and continuous communication with our customers and create value for our customers in the form of new products and exceptional customer service.

The ICE Center is equipped to monitor multiple plants simultaneously, 24 hours a day. Our process and product experts in our technology centers will see the same control screens that the plant

operators see, so we will be able to assist, advise and troubleshoot remotely. This guarantees exceptionally fast technical support and brings us closer to our clients than ever before.

As head of the ICE Centre, it's my goal to ensure that our technical expertise together with our advanced monitoring systems create value for our customers by reducing operations and maintenance costs, increasing production, improving availability, lowering energy consumption and reducing emissions. At the same time, we will foster stronger collaboration across the FLSmidth Group, and provide our product managers and Research & Development team with timely, quality feedback on our products. The ICE Centre will be the key to cultivating closer partnerships throughout our organisation.

Jose Alejandro Delgado,
Business Manager,
Operation & Maintenance,
(FLSmidth, Denmark)

Corporate social responsibility

The following statement of corporate social responsibility (CSR) is an extract of the progress report submitted to the UN Global Compact on 21 February 2012. FLSmidth's report can be seen in full on the FLSmidth website at www.flsmidth.com/copreport.

Strategic focus on sustainability in 2011

In 2011, FLSmidth planned an even more structured focus on strategic sustainability and corporate social responsibility by making it part of our new group strategy and vision that will guide the Group in the coming years.

Acknowledging that CSR is becoming increasingly important to FLSmidth's customers, communities, and employees, we have embraced CSR as part of a moral responsibility as well as business practices that serve our industries and stakeholders.

We live by our corporate responsibility every day through such actions as developing equipment and products that conserve energy and reduce water usage. Due to our sustainability commitment, we design and provide environmentally friendly equipment, produce sustainable projects and seek innovations and patents that take climate change into account. We partner with local universities to conduct research that leads to environmentally sustainable products for our customers. To build our local communities, we initiate partnerships with universities to increase student education in engineering and technical fields.

Caring for our environment

With business units servicing the minerals and cement industries, we know that we have a significant potential indirect environmental impact on the earth. However, as a company, we have always been aware of the need to care for the natural environment while fulfilling our mission and to be a part of the solution. FLSmidth is a supplier of equipment and technology and our strength and focus is on our technical leadership and knowledge that enables us to develop equipment and technologies that are — not only leading in the industries we serve — but also are developed with a concern for the environment.

One of our strengths as a company in the fight for a better environment is our strong research and development function. Our innovations have given many of our customers the solutions they can use to protect the environment while still being productive and offering products the world needs for infrastructure and modern conveniences.

Carbon footprint

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

In 2011, the FLSmidth Group's CO_2-emissions were approximately 79,000 tonnes CO_2 (2010: 76,000 tonnes) in scope 1 (direct emissions) and scope 2 (indirect emissions from electrical and district heating). Cembrit's production of fibre cement accounted for around 39,000 tonnes CO_2 of this amount (2010: 36,000 tonnes).

Code of Business Conduct – it's the way we work

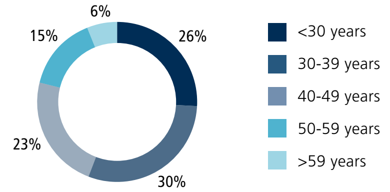
Every FLSmidth manager is responsible for helping his or her employees to understand and comply with our Code of Business Conduct policy. We are strengthening a culture of officers, executives and employees who embrace the Group's shared commitment to business ethics, integrity, credibility, and the preservation of our reputation.

In the autumn of 2011, FLSmidth created and announced a new Global Governance and Compliance department. This department will support operational managers who are responsible for enforcing the Group's Code of Business Conduct, as well as facilitate and

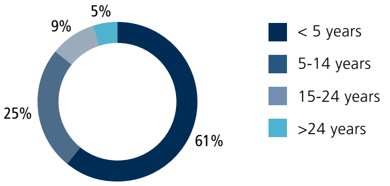
The FLSmidth Group's CO_2 emissions were
79,000 tonnes in 2011 (2010: 76,000 tonnes)

Human resource data

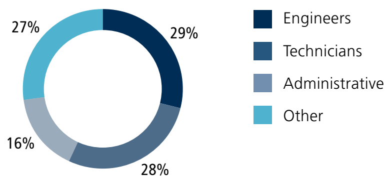
Age distribution



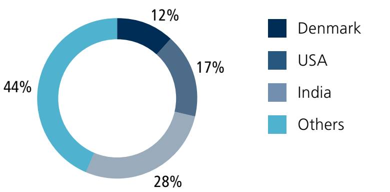
Length of service



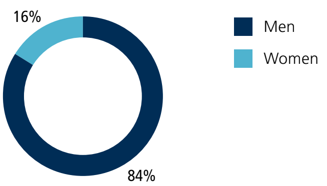
Education



Geographical distribution



Gender



support the employees' increased awareness of new international anti-bribery regulations and competition/anti-trust regulations.

Responsible sourcing

The world is changing rapidly, and FLSmidth is keeping pace by methodically and consistently incorporating social, ethical, environmental, and human considerations in our core business practices. We take our responsibility as a global corporation seriously and are well aware that our suppliers are an essential part of the way we do business.

In 2011, we continued to develop our responsible sourcing program. In today's world, human rights, labour standards, environment, and business ethics are growing to become just as important as the parameters of quality and price when a company selects a supplier. By entering into a dialogue with our suppliers, we acknowledge that improving their quality in a broad sense also embraces sustainability procedures. With this approach, we strive for mutual benefits for the customers, suppliers, communities, and for FLSmidth.

Managing a global workforce

We strive to attract, develop and retain the most qualified, innovative, and competent employees the industry has to offer. Through our highly skilled global workforce, FLSmidth is able to compete in the global marketplace and optimise our service to customers.

Employee surveys

Through our 2010 Employee Survey, we learned more about our employees' view of FLSmidth policies and practices and gleaned helpful suggestions and insights that we incorporated into our business in 2011.

Overall, the survey showed a high level of employee satisfaction, above international benchmarks, but also areas which we are working to improve.

In 2012, we will conduct another employee survey. The 2010 employee survey was translated into 17 languages. We expect to offer the 2012 survey in even more languages.

Compliance: What gets measured improves

We conduct compliance reviews to gauge the status of our human resources, safety and health, and CSR areas of our business efforts. The response to the reviews guides us as we analyze and improve company-wide compliance.

Our human resources department started conducting a compliance review in August 2011. The purpose is to ensure that FLSmidth is complying with local regulations and laws as well as adhering to our company policies, norms, standards, and ethical guidelines.

New diversity initiative announced

Through a diverse workforce, we are better able to relate to our customers and connect with the unique local communities that host our operations. In 2011, we announced a plan of action to increase the number of women in management at FLSmidth. Our focus is to increase the number of female managers from our current 8% to 10% by 2014.

Employee safety and health matters

We value our employees, customers, contractors, and partners. We show our commitment through safe and healthy working conditions, safe travel and finally by delivering safe products and services.

Safety is so important at FLSmidth that, in 2011, we increased our safety management staff companywide. The safety organisation continues to add structure to our approach and to our ability to develop our safety practices, training, and oversight.

Tracking safety and health to reach our goals

By quarter and year, our safety teams track the total number of FLSmidth injuries, the number of injuries with lost working days and the number of lost working days in total. The results can be seen in the table on this page.

Through investigations and evaluations, we learn how we can improve and make our workplaces safer. Today, all injuries must be investigated and corrective action plans implemented in order to avoid repeated occurrence.

Our new global safety program works toward a standardised global safety training programme for technical supervisors. FLSmidth regards training as one of the most important and best solutions for improving safety among our employees.

Looking to more safety as we grow, our target in 2015 is clear

In 2012, safety will be reinforced by making it central to management objectives and accountabilities linked to the managers' bonus targets. Looking ahead to 2015, we aim to ensure that our lost time injury frequency rate (that is injuries with lost time per million working hours) is not more than 3.0. This compares to a rate of 4.7 in 2010 and 4.2 in 2011.

Connecting with our communities

For FLSmidth, a local presence also means local responsibility. Our core business is knowledge intensive, so we believe in impacting the local societies with what we do best – offering knowledge improvement and development of people. Our philosophy is that when we are developing the local societies, we are also developing and improving our business.

Super service in our Supercenters

We have been investing time and resources to build eight service supercenters around the world that will open in 2012 and 2013. The centers will be in Mongolia, Peru, Australia, the US, South Africa, and Chile. These centers will offer warehouse parts, training, and equipment repair closer to our customers, which in turn supports their goals to run efficient and safe plants with more uptime. In the supercenters, we will provide safety training for our employees, customers, and the community. We will also give educational training related to using our products and increasing technical competencies.

Work-related injuries

	Number of injuries					Number of lost time injuries					Lost time injuries frequency rate*					Lost time injuries severity rate**				
	2011	2010	2009	2008	2007	**2011**	2010	2009	2008	2007	**2011**	2010	2009	2008	2007	**2011**	2010	2009	2008	2007
Engineering divisions and administration	**24**	46	34	45	44	**10**	19	9	19	10	**0.7**	1.3	0.6	1.5	0.9	**0.2**	0.3	0.2	0.3	0.3
Production units	**81**	90	107	135	157	**36**	44	51	68	62	**6.0**	9.0	7.3	11.7	12.5	**1.2**	2.0	0.8	1.9	1.1
Operation and maintenance	**46**	17	n/a	n/a	n/a	**16**	6	n/a	n/a	n/a	**4.1**	1.9	n/a	n/a	n/a	**1.8**	0.3	n/a	n/a	n/a
Cembrit	**53**	49	35	41	40	**48**	43	24	36	33	**25.8**	23.2	14.8	22.1	22.3	**3.7**	3.9	3.9	4.7	6.0
FLSmidth total	**204**	202	176	221	241	**110**	112	84	123	105	**4.2**	4.7	3.6	6.0	5.9	**0.9**	1.0	0.6	0.8	1.0

* Number of injuries causing absence per one million working hours
** Number of working hours lost due to injuries per 1,000 working hours

Shareholder information

Solid results combined with a sustainable business model and good opportunities for growth make the FLSmidth share an interesting investment opportunity. Through its global presence and comprehensive product and service offerings FLSmidth & Co. has achieved a unique global market position as the leading supplier to the minerals and cement industries.

Capital and share structure

FLSmidth & Co. A/S is listed on NASDAQ OMX Copenhagen. No special rights are attached to any share and there are no restrictions on the transferability of the shares.

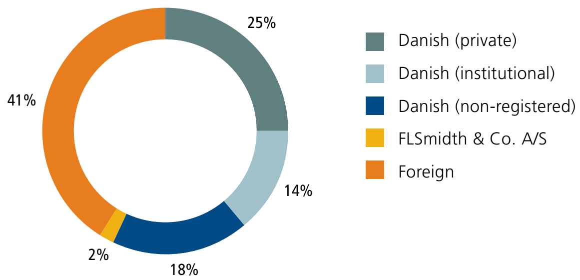
The share capital amounts to DKK 1,064,000,000 consisting of 53,200,000 issued shares at DKK 20 each. Each share entitles the holder to 20 votes.

The FLSmidth & Co. share is included in a number of share indices on NASDAQ OMX Copenhagen, including OMXC20, a leading share index. The FLSmidth & Co. share is also represented in a number of Nordic and European share indices including Dow Jones STOXX 600.

According to the FLSmidth & Co. A/S' share register, the company had approximately 56,800 shareholders at the end of 2011 (end of 2010: approximately 46,600). In addition, some 3,650 present and former employees hold shares in the company (end of 2010: some 3,600). No shareholders have reported a shareholding exceeding 5%, and the FLSmidth & Co. share has a free float of 98%.

2011 saw a decline in the proportion held by foreign investors to 41% (2010: 48%), which undoubtedly reflects sector rotation away from cyclical shares and lowering of risk in step with growing anxiety regarding the debt situation in Europe and waning global growth.

Classification of shareholders



Shares and share options held by Management

Members of the FLSmidth & Co. A/S Board of Directors own a total of 69,246 shares (2010: 76,092 shares). The holdings of the individual members appear from the table on pages 71-72.

The Group Executive Management holds a total of 60,338 shares (2010: 40,210 shares) and 155,686 share options (2010: 128,050).

Other key staff (150 persons in all) own a total of 832,790 share options (2010: 507,854 options).

Return on the FLSmidth share in 2011

The total return on the FLSmidth & Co. share in 2011 was -35% (2010: 46%). By comparison some of the leading share indices developed as follows in 2011: "OMXC20" decreased 14%, "Dow Jones STOXX600 Construction and Materials" decreased 20% and "Dow Jones STOXX 600 Basic Resource" decreased 30% in 2011.

The share price started the year at 532, which turned out to be the year's highest level. The share price decreased steadily during the spring, initially due to the developments in North Africa and later due to widespread concern over global economic growth and the European debt crisis. The price bottomed out at 267 in early October and closed the year at 337.5.

Capital structure and dividend for 2011

FLSmidth Management takes a conservative approach to capital structure, with an emphasis on relatively low debt, gearing and financial risk.

The aim is to maintain an equity ratio of more than 30% and to have a net debt position with gearing up to twice EBITDA.

Meanwhile, Management wishes to maintain capital resources to finance future expansion and to strengthen the Group's commercial position through acquisition and organic growth. The available capital resources consist of committed credit facilities at a total of DKK 6.2bn.

It is FLSmidth's policy to pay out 30-50% of the year's profit in dividend depending on the capital structure and investment opportunities.

The Board of Directors will propose at the Annual General Meeting that a dividend of DKK 9 per share (2010: DKK 9) corresponding to 33% of the year's profit (2010: 37%) and a dividend yield of 2.7% (2010: 1.7%) be distributed for 2011.

FLSmidth Investor Relations

Through the Investor Relations function, the Board of Directors maintains an ongoing dialogue between the company and the stock market and ensures that the positions and views of the shareholders are reported back to the Board.

The purpose of the FLSmidth & Co. Investor Relations function is to contribute to ensuring and facilitating that:

- all shareholders have equal and sufficient access to timely, relevant and price-sensitive information
- the share price reflects the Group's underlying financial results and a fair market value
- the liquidity and the day-to-day trading turnover of the FLSmidth share is sufficiently attractive for both short-term and long-term investors
- the shareholder structure is appropriately diversified in terms of geography, investment profile and time scale.

To achieve these goals an open and active dialogue is maintained with the stock market both through FLSmidth & Co.'s website and electronic communication service and via investor presentations, investor meetings, webcasts, teleconferences, roadshows, the Annual General Meeting and capital market days.

During the year FLSmidth & Co. attended some 430 investor meetings and presentations held in cities including Amsterdam, Beijing, Boston, Brussels, Chennai, Edinburgh, Frankfurt, Geneva, The Hague, Helsinki, Copenhagen, Las Vegas, London, Luxembourg, Milan, Moscow, New York, Paris, Philadelphia, Rotterdam, Santa Fe, Stockholm, San Francisco and Zurich.

In addition, the company participated in three events aimed at private Danish investors in Copenhagen, Næstved and Aalborg.

Share and dividend figures, the Group

	2007	2008	2009	2010	2011
CFPS (cash flow per share), DKK (diluted)	28.4	44.2	47.1	25.3	21.8
EPS (earnings per share), DKK (diluted)	24.6	28.8	31.9	24.4	27.1
Equity value per share, DKK (diluted)	80	96	126	154	169
DPS (dividend per share), DKK	7	0	7	9	9
Pay-out ratio	29	-	22	37	33
Dividend percentage (Dividend in relation to share price end of year) (%)	1.3	-	1.9	1.7	2.7
FLSmidth & Co. A/S share price, end of year, DKK	522	181	367	532	337.5
Number of shares (1,000), end of year	53,200	53,200	53,200	53,200	53,200
Average number of shares (1,000) (diluted)	52,640	52,544	52,429	52,693	52,550
Market capitalisation, DKKm	27,770	9,629	19,524	28,302	17,955

FLSmidth & Co. A/S is generally categorised as a capital goods, engineering or industrial company and is currently being covered by 16 stockbrokers including six abroad. Coverage by foreign analysts has increased significantly in 2011, resulting in stronger focus on FLSmidth & Co.'s position and relative strength in relation to comparable global providers of equipment and services to the mining industry.

For further details regarding analyst coverage, please go to the company website (http://www.flsmidth.com/analysts).

All investor relations material is available to all investors at the company website (http://www.flsmidth.com/investor).

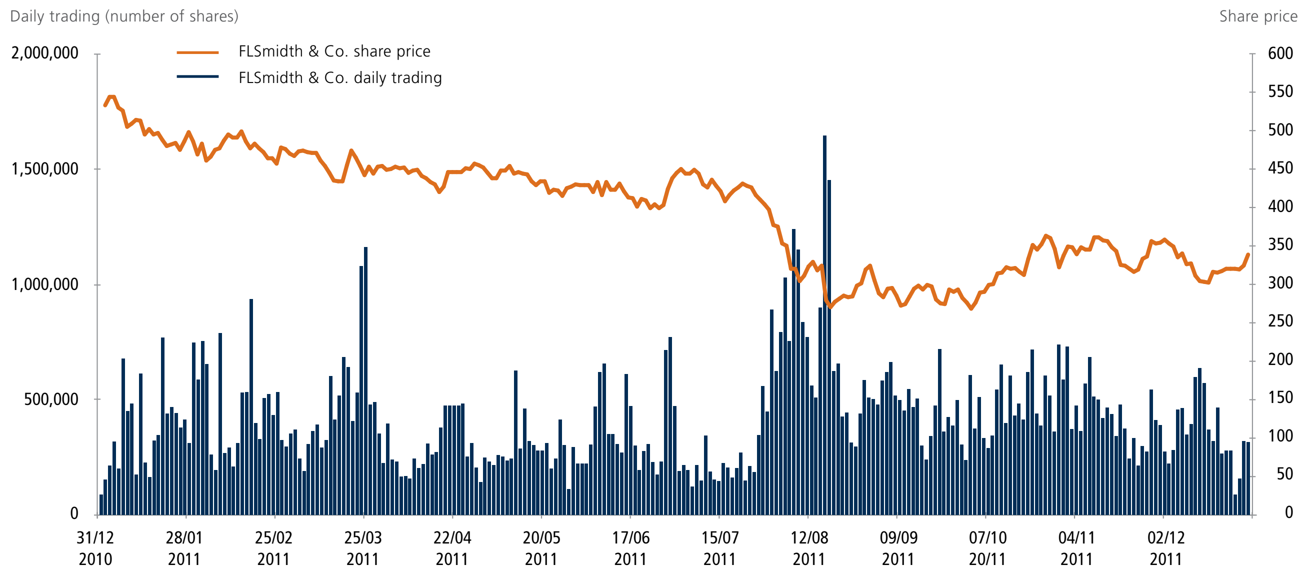
To contact the company's Investor Relations department, please go to the company website (http://www.flsmidth.com/en-US/Investor+Relations/Contact)

Financial calendar 2012

30 March 2012	Annual General Meeting
17 April 2012	Capital market day (Denmark)
15 May 2012	Q1 interim report
15 August 2012	Q2 interim report
26-27 September 2012	Investor visit to FLSmidth in the US
13 November 2012	Q3 interim report

The Annual General Meeting will take place on 30 March 2012 at 16.00 hours at Radisson BLU, Falconer Hotel and Conference Center, Falkoner Allé 9, DK-2000 Frederiksberg.

Development in share price and trading in 2011



Quarterly key figures

Quarterly key figures (unaudited)*

DKKm	2010				2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
INCOME STATEMENT								
Revenue	4,490	4,923	5,253	5,520	4,385	4,795	5,532	7,286
Gross profit	1,109	1,283	1,406	1,409	1,106	1,229	1,483	1,916
Earnings before special non-recurring items, depreciation, amortisation and write-downs (EBITDA)	462	585	707	633	427	508	717	995
Earnings before amortisation and write-downs of intangible assets (EBITA)	405	523	670	579	363	445	659	938
Earnings before interest and tax (EBIT)	359	478	617	536	305	404	592	870
Earnings before tax (EBT)	342	368	650	512	249	412	567	842
Tax for the period	(100)	(113)	(195)	(182)	(75)	(123)	(170)	(278)
Profit/loss on continuing activities for the period	**242**	**255**	**455**	**330**	**174**	**289**	**397**	**564**
Profit/loss on discontinued activities for the period	(9)	3	3	(1)	(1)	5	6	3
Profit/loss for the period	**233**	**258**	**458**	**329**	**173**	**294**	**403**	**567**
Gross margin	*24.7%*	*26.1%*	*26.8%*	*25.5%*	*25.2%*	*25.6%*	*26.8%*	*26.3%*
EBITDA ratio	*10.3%*	*11.9%*	*13.5%*	*11.5%*	*9.7%*	*10.6%*	*13.0%*	*13.7%*
EBITA ratio	*9.0%*	*10.6%*	*12.8%*	*10.5%*	*8.3%*	*9.3%*	*11.9%*	*12.9%*
EBIT ratio	*8.0%*	*9.7%*	*11.7%*	*9.7%*	*7.0%*	*8.4%*	*10.7%*	*11.9%*
CASH FLOW								
Cash flow from operating activities	349	387	367	232	(101)	426	563	260
Cash flow from investing activities	(93)	(70)	(129)	(434)	(257)	(148)	(846)	(397)
Order intake, continuing activities (gross)	5,195	7,521	3,636	4,428	4,964	6,048	7,176	5,856
Order backlog, continuing activities	22,883	26,621	23,613	23,708	24,033	25,011	27,492	27,136
SEGMENT REPORTING								
Cement								
Revenue	2,426	2,374	2,272	2,300	1,935	1,926	1,911	2,595
EBITDA	269	298	328	253	198	231	194	362
EBITA	248	276	314	226	176	204	172	342
EBIT	237	265	299	216	162	198	153	324
Gross margin	*25.2%*	*25.9%*	*29.4%*	*31.5%*	*27.1%*	*31.0%*	*31.4%*	*32.3%*
EBITDA ratio	*11.1%*	*12.6%*	*14.4%*	*11.0%*	*10.2%*	*12.0%*	*10.2%*	*13.9%*
EBITA ratio	*10.2%*	*11.6%*	*13.8%*	*9.8%*	*9.1%*	*10.6%*	*9.0%*	*13.2%*
EBIT ratio	*9.8%*	*11.2%*	*13.2%*	*9.4%*	*8.4%*	*10.3%*	*8.0%*	*12.5%*
Order intake (gross)	2,834	3,346	1,618	2,238	1,603	2,137	2,486	2,022
Order backlog	13,762	15,006	13,682	14,146	13,762	13,409	14,280	13,838
Minerals								
Revenue	1,836	2,183	2,618	2,950	2,199	2,519	3,271	4,385
EBITDA	200	252	363	357	226	233	463	652
EBITA	181	231	363	349	201	215	436	627
EBIT	147	198	325	317	158	181	388	579
Gross margin	*24.9%*	*26.2%*	*24.8%*	*22.2%*	*23.9%*	*21.7%*	*24.4%*	*23.8%*
EBITDA ratio	*10.9%*	*11.5%*	*13.9%*	*12.1%*	*10.3%*	*9.2%*	*14.2%*	*14.9%*
EBITA ratio	*9.9%*	*10.6%*	*13.9%*	*11.8%*	*9.1%*	*8.5%*	*13.3%*	*14.3%*
EBIT ratio	*8.0%*	*9.1%*	*12.4%*	*10.7%*	*7.2%*	*7.2%*	*11.9%*	*13.2%*
Order intake (gross)	2,382	4,197	2,071	2,332	3,375	3,944	4,728	3,853
Order backlog	9,234	11,688	10,065	9,752	10,430	11,746	13,362	13,408
Cembrit								
Revenue	250	380	403	350	290	394	401	375
EBITDA	1	42	49	11	8	43	50	18
EBITA	(15)	24	28	(7)	(8)	26	32	7
EBIT	(16)	23	28	(8)	(9)	25	32	6
Gross margin	*32.0%*	*34.5%*	*31.5%*	*24.3%*	*34.1%*	*35.3%*	*33.9%*	*29.9%*
EBITDA ratio	*0.4%*	*11.1%*	*12.2%*	*3.1%*	*2.8%*	*10.9%*	*12.5%*	*4.8%*
EBITA ratio	*(6.0%)*	*6.3%*	*6.9%*	*(2.0%)*	*(2.8%)*	*6.6%*	*8.0%*	*1.9%*
EBIT ratio	*(6.4%)*	*6.1%*	*6.9%*	*(2.3%)*	*(3.1%)*	*6.3%*	*8.0%*	*1.6%*

* Restated segment information for the last12 quarters will be published within one month from the publication of the Annual Report 2011.

Company announcements

released by Corporate Communications in 2011

Date		No.
3 Jan.	**Large shareholder announcement - UBS AG**	1/2011
25 Jan.	**Large shareholder announcement - UBS AG**	2/2011
1 Feb.	**Large shareholder announcement - UBS AG**	3/2011
17 Feb.	**Unconditional offer for ESSA**	4/2011
17 Feb.	**Annual Report 2010**	5/2011
25 Mar.	**DKK 700m minerals order in Indonesia**	6/2011
7 Apr.	**Notice of Annual General Meeting**	7/2011
26 Apr.	**Cooperation agreement with Russian customers**	8/2011
29 Apr.	**Summary of Annual General Meeting**	9/2011
12 May	**Q1 interim report**	10/2011
12 May	**DKK 400m cement order in Russia**	11/2011
31 May	**Rumours in Nigerian media**	12/2011
22 Jun.	**Cement order in Nigeria**	13/2011
29 Jun.	**DKK 260m minerals order in Zambia**	14/2011
29 Jun.	**Large shareholder announcement - ATP**	15/2011
29 Jun.	**DKK 670m minerals order in Morocco**	16/2011
30 Jun.	**Minerals order in Latin America**	17/2011
3 Aug.	**Large shareholder announcement - UBS AG**	18/2011
4 Aug.	**Large shareholder announcement - UBS AG**	19/2011

Date		No.
18 Aug.	**Q2 interim report**	20/2011
29 Aug.	**Granting of share options**	21/2011
6 Sep.	**Cooperation agreement with Russian customer**	22/2011
9 Sep.	**DKK 1bn cement order in Russia**	23/2011
16 Sep.	**Large shareholder announcement - UBS AG**	24/2011
27 Sep.	**DKK 1.2bn minerals order in Middle East**	25/2011
2 Nov.	**DKK 200m minerals order in Uruguay**	26/2011
3 Nov.	**Large shareholder announcement - UBS AG**	27/2011
10 Nov.	**Q3 interim report**	28/2011
10 Nov.	**Financial calendar 2012**	29/2011
17 Nov.	**DKK 350m minerals order in Latin America**	30/2011
8 Dec.	**DKK 270m minerals order in Australia**	31/2011
13 Dec.	**Granting of share options**	32/2011
20 Dec.	**Revised financial calendar 2012**	33/2011
23 Dec.	**DKK 600m minerals order in Mongolia**	34/2011
29 Dec.	**DKK 750m cement order in Brazil**	35/2011

Consolidated financial statements 2011

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Consolidated financial statements

Parent company financial statements

Consolidated income statement

Notes	DKKm	2011	2010
2+3+4	Revenue	21,998	20,186
	Production costs	(16,264)	(14,979)
	Gross profit	**5,734**	**5,207**
	Sales and distribution costs	(1,500)	(1,346)
	Administrative costs	(1,679)	(1,552)
5	Other operating income	108	110
5	Other operating costs	(16)	(32)
	Earnings before special non-recurring items, depreciation, amortisation and write-downs (EBITDA)	**2,647**	**2,387**
7	Special non-recurring items	16	39
17	Amortisation and write-downs of intangible assets	(234)	(187)
18	Depreciation and write-downs of tangible assets	(258)	(249)
	Earnings before interest and tax (EBT)	**2,171**	**1,990**
28	Financial income	861	989
28	Financial costs	(962)	(1,107)
	Earnings before tax (EBT) of continuing activities	**2,070**	**1,872**
26	Tax for the year, continuing activities	(646)	(590)
	Profit/loss for the year, continuing activities	**1,424**	**1,282**
2	Profit/loss for the year, discontinued activities	13	(4)
	Profit/loss for the year	**1,437**	**1,278**
	To be distributed as follows:		
	FLSmidth & Co. A/S shareholders' share of profit/loss for the year	1,427	1,284
8	Minority shareholders' share of profit/loss for the year	10	(6)
		1,437	**1,278**
9	Earnings per share (EPS):		
	Continuing and discontinued activities	27.2	24.4
	Continuing and discontinued activities, diluted	27.1	24.4
	Continuing activities	27.0	24.5
	Continuing activities, diluted	26.9	24.4

Consolidated statement of comprehensive income

Notes	DKKm	2011	2010
	Profit/loss for the year	1,437	1,278
	Other comprehensive income for the year		
	Foreign exchange adjustment regarding enterprises abroad	(115)	450
	Foreign exchange adjustment of loans classified as equity in enterprises abroad	23	75
	Foreign exchange adjustment, liquidation of company	(10)	0
	Value adjustments of hedging instruments:		
	Value adjustments for the year	(15)	1
	Value adjustments transferred to revenue	(9)	(6)
	Value adjustments transferred to production costs	0	(3)
	Value adjustments transferred to financial income and costs	2	22
	Value adjustments transferred to balance sheet items	(2)	-
38	Actuarial gains/(losses) on defined contribution plans	(38)	21
	Value adjustments of securities available for sale	31	(1)
26	Tax on other comprehensive income	10	(59)
	Other comprehensive income for the year after tax	**(123)**	**500**
	Comprehensive income for the year	**1,314**	**1,778**
	Comprehensive income for the year attributable to:		
	FLSmidth & Co. A/S shareholders' share of comprehensive income for the year	1,313	1,784
	Minority shareholders' share of comprehensive income for the year	1	(6)
		1,314	**1,778**

Consolidated cash flow statement

Notes	DKKm	2011	2010
	Earnings before special non-recurring items, depreciation, amortisation, write-downs (EBITDA), continuing activities	2,647	2,387
	Earnings before special non-recurring items, depreciation, amortisation, write-downs (EBITDA), discontinued activities	14	4
	Earnings before special non-recurring items, depreciation, amortisation and write-downs (EBITDA)	**2,661**	**2,391**
	Adjustment for profits/losses on sale of tangible and intangible assets and foreign exchange adjustments	56	168
	Adjusted earnings before special non-reccurring items, depreciation, amortisation and write-downs (EBITDA)	**2,717**	**2,559**
11	Change in provisions	(156)	(82)
12	Change in working capital	(583)	(616)
	Cash flow from operating activities before financial items and tax	**1,978**	**1,861**
13	Financial payments received and made	(18)	(68)
26	Taxes paid	(812)	(458)
	Cash flow from operating activities	**1,148**	**1,335**
15	Acquisition of enterprises and activities	(926)	(84)
17	Acquisition of intangible assets	(292)	(153)
18	Acquisition of tangible assets	(497)	(473)
19	Acquisition of financial assets	0	(75)
16	Disposal of enterprises and activities	11	39
	Disposal of intangible assets	0	3
	Disposal of tangible assets	52	17
	Disposal of financial assets	4	0
	Cash flow from investing activities	**(1,648)**	**(726)**
	Dividend	(482)	(262)
	Addition of minority shares	(3)	(16)
	Acquisition of treasury shares	(100)	(137)
	Disposal of treasury shares	10	38
14	Change in other interest-bearing net receivables/(debt)	83	(433)
	Cash flow from financing activities	**(492)**	**(810)**
	Change in cash and cash equivalents	**(992)**	**(201)**
30	Cash and cash equivalents at 1 January	2,398	2,389
	Foreign exchange adjustment, cash and cash equivalents *	(4)	210
30	Cash and cash equivalents at 31 December	1,402	2,398

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

* Foreign exchange adjustment, cash and cash equivalents in 2011 primarily consists of positive changes in the exchange rate of USD (DKK 17m) and CNY (DKK 15m) and negative changes in the exchange rate of ZAR (DKK 19m) and INR (DKK 12m) in relation to Danish kroner.

Consolidated balance sheet

Assets

Notes	DKKm	2011	2010
	Goodwill	4,119	3,663
	Patents and rights acquired	1,159	1,021
	Customer relations	1,130	1,006
	Other intangible assets	185	156
	Completed development projects	47	62
	Intangible assets under development	511	240
17	**Intangible assets**	**7,151**	**6,148**
	Land and buildings	1,365	1,269
	Plant and machinery	699	710
	Operating equipment, fixtures and fittings	213	234
	Tangible assets in course of construction	284	70
18	**Tangible assets**	**2,561**	**2,283**
19+20	Investments in associates	1	3
19+34	Other securities and investments	59	63
38	Pension assets	9	15
27	Deferred tax assets	1,014	728
	Financial assets	**1,083**	**809**
	Total non-current assets	**10,795**	**9,240**
24	**Inventories**	**2,292**	**1,960**
25	Trade receivables	5,554	4,238
23	Work-in-progress for third parties	3,633	3,120
	Prepayments to subcontractors	467	364
25	Other receivables	1,112	1,046
	Prepayments	181	97
	Receivables	**10,947**	**8,865**
30	**Bonds and listed shares**	**104**	**136**
30	**Cash and cash equivalents**	**1,402**	**2,398**
	Total current assets	**14,745**	**13,359**
	TOTAL ASSETS	**25,540**	**22,599**

Equity and liabilities

Notes	DKKm	2011	2010
	Share capital	1,064	1,064
	Foreign exchange adjustments	142	235
	Value adjustments of hedging transactions	(14)	10
	Reserve for financial assets available for sale	0	(31)
	Retained earnings	7,189	6,328
	Proposed dividend	479	479
	FLSmidth & Co. A/S shareholders' share of equity	**8,860**	**8,085**
	Minority shareholders' share of equity	47	54
	Total equity	**8,907**	**8,139**
27	Deferred tax liabilities	886	813
38	Pension liabilities	207	219
35	Other provisions	530	602
36	Mortgage debt	352	346
36	Bank loans	825	812
36	Finance lease liabilities	10	8
36	Prepayments from customers	435	218
36+37	Other liabilities	288	127
	Long-term liabilities	**3,533**	**3,145**
38	Pension liabilities	19	0
35	Other provisions	1,384	1,404
	Bank loans	126	4
36	Finance lease liabilities	8	2
	Prepayments from customers	1,771	1,973
23	Work-in-progress for third parties	4,760	3,846
	Trade payables	2,682	2,192
	Current tax liabilities	398	340
37	Other liabilities	1,917	1,510
	Deferred revenue	35	44
	Short-term liabilities	**13,100**	**11,315**
	Total liabilities	**16,633**	**14,460**
	TOTAL EQUITY AND LIABILITIES	**25,540**	**22,599**

Consolidated equity

DKKm	Share capital	Foreign exchange adjustments	Value adjustments of hedging transactions	Reserve, financial assets available for sale	Retained earnings	Proposed dividend	FLSmidth & Co. A/S' shareholders' share	Minority interests' share	Total
Equity at 1 January 2011	**1,064**	**235**	**10**	**(31)**	**6,328**	**479**	**8,085**	**54**	**8,139**
Comprehensive income for the year									
Profit/loss for the year					1,427		1,427	10	1,437
Other comprehensive income									
Foreign exchange adjustments regarding enterprises abroad		(106)					(106)	(9)	(115)
Foreign exchange adjustments of loans classified as equity in enterprises abroad		23					23		23
Foreign exchange adjustment, liquidation of company		(10)					(10)		(10)
Value adjustments of hedging instruments:									
Value adjustments for the year			(15)				(15)		(15)
Value adjustments transferred to revenue			(9)				(9)		(9)
Value adjustments transferred to financial income and costs			2				2		2
Value adjustments transferred to balance sheet items			(2)				(2)		(2)
Actuarial gains/(losses) on defined benefit plans					(38)		(38)		(38)
Value adjustments of securities available for sale				31			31		31
Tax on other comprehensive income *					10		10		10
Other comprehensive income total	**0**	**(93)**	**(24)**	**31**	**(28)**	**0**	**(114)**	**(9)**	**(123)**
Comprehensive income for the year	**0**	**(93)**	**(24)**	**31**	**1,399**	**0**	**1,313**	**1**	**1,314**
Dividend distributed						(472)	(472)	(10)	(482)
Dividend treasury shares					7	(7)	0		0
Share-based payment, share options					21		21		21
Proposed dividend					(479)	479	0		0
Disposal of treasury shares					10		10		10
Acquisition of treasury shares					(100)		(100)		(100)
Acquisition minority interests					3		3	4	7
Disposal minority interests								(2)	(2)
Equity at 31 December 2011	**1,064**	**142**	**(14)**	**0**	**7,189**	**479**	**8,860**	**47**	**8,907**

Dividend distributed in 2011 consists of DKK 9 per share (2010: DKK 9).
Proposed dividend for 2011 amounts to DKK 9 per share.

The year's movements in holding of treasury shares (number of shares):	**2011**	**2010**
Treasury shares at 1 January	760,459 shares	755,298 shares
Acquisition of treasury shares	271,573 shares	285,385 shares
Employee shares in connection with the FLSmidth Global Incentive Programme 2009 + 2010	(58,468) shares	(186,600) shares
Share options settled	(27,806) shares	(93,624) shares
Disposal of treasury shares to employees	(18,333) shares	0 shares
Treasury shares at 31 December	927,425 shares	760,459 shares

Representing 1.7% (2010: 1.4%) of the share capital

See the Management's review on page 28 regarding the use of treasury shares.

* For specification of tax on other comprehensive income, see note 26.

DKKm	Share capital	Foreign exchange adjustments	Value adjustments of hedging transactions	Reserve, financial assets available for sale	Retained earnings	Proposed dividend	FLSmidth & Co. A/S' shareholders' share	Minority interests' share	Total
Equity at 1 January 2010	**1,064**	**(290)**	**(4)**	**(30)**	**5,598**	**266**	**6,604**	**23**	**6,627**
Comprehensive income for the year									
Profit/loss for the year					1,284		1,284	(6)	1,278
Other comprehensive income									
Foreign exchange adjustments regarding enterprises abroad		450					450		450
Foreign exchange adjustments of loans classified as equity in enterprises abroad		75					75		75
Value adjustments of hedging instruments:									
Value adjustments for the year			1				1		1
Value adjustments transferred to revenue			(6)				(6)		(6)
Value adjustments transferred to production costs			(3)				(3)		(3)
Value adjustments transferred to financial income and costs			22				22		22
Value adjustments transferred to balance sheet items			0				0		0
Acutarial gains / (losses) on defined benefit plans					21		21		21
Value adjustments of securities available for sale				(1)			(1)		(1)
Tax on other comprehensive income					(59)		(59)		(59)
Other comprehensive income total	**0**	**525**	**14**	**(1)**	**(38)**	**0**	**500**	**0**	**500**
Comprehensive income for the year	**0**	**525**	**14**	**(1)**	**1,246**	**0**	**1,784**	**(6)**	**1,778**
Dividend distributed						(262)	(262)		(262)
Dividend treasury shares					4	(4)	0		0
Share-based payment, share options					21		21		21
Share-based payment, employee shares 2010					39		39		39
Share-based payment, employee shares 2009					(2)		(2)		(2)
Proposed dividend					(479)	479	0		0
Disposal of treasury shares					38		38		38
Acquisition of treasury shares					(137)		(137)		(137)
Acquisition minority interests							0	37	37
Equity at 31 December 2010	**1,064**	**235**	**10**	**(31)**	**6,328**	**479**	**8,085**	**54**	**8,139**

Estimates by Management

1. Significant estimates and assessments by Management

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

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

The estimates made and the underlying assumptions are reconsidered from time to time.

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

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

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

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

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

Major projects are often sold to politically unstable countries and therefore entail uncertainties.

In the opinion of Management, the results of these estimates and uncertainties are reflected in the Annual Report based on the information and assumptions available.

Impairment test
At least once every year the Group tests for impairment of goodwill and trademarks of indefinite useful life and working capital. Other non-current assets that are systematically depreciated are tested for impairment when events or changed conditions indicate that the carrying amount may not be recoverable. When testing for impairment of the assets an estimate is made of how the parts of the Group (cash generating units) to which the assets are related will be able to generate sufficient positive cash flows in the future to support the value of the assets in the cash generating unit concerned.

Management defines the cash generating units based on the smallest group of identifiable assets which together generate incoming cash flow from continued use of the assets and which are independent of cash flow from other assets or groups of assets. The definition of the cash generating units is reconsidered once a year.

An estimate is made of the future free net cash flow based on budgets and the strategy for the coming five years and projections for the subsequent years (the terminal value). Significant parameters in this estimate are revenue development, gross margin, expected investments and growth expectations for the period after the five years.

The recoverable amount is calculated by discounting expected future cash flow.

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

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

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

Defined benefit plans
In stating the value of the Group's defined benefit plans, the statement is based on essential actuarial assumptions such as discount rate, expected return on the plan assets, expected increases in salaries and pension, inflation and mortality.
The measurement of the Group's pension plans is based on assessments by external actuaries.

Acquisition of enterprises and activities including statement of fair values
In connection with acquisition of enterprises and activities the fair value of identifiable assets, liabilities and contingent liabilities is measured. Statement of fair value mainly applies to intangible assets, work-in-progress, 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. For a significant portion of the assets and liabilities there is no active market that can be used for determining the fair value. This applies particularly to intangible assets acquired such as rights and trademarks. The statement of fair value is based on an estimate and may therefore be subject to uncertainty and may subsequently be adjusted up to one year after the acquisition.

Management also makes an estimate of the useful life, and the asset is then depreciated systematically over the expected future useful life.

Segment information

Segmentation of the Group is according to business, ie. Cement, Minerals and Cembrit, and forms the basis of Management's day-to-day control. The segmentation adopted matches the segmentation in the internal reporting to the Group Executive Management and the Board of Directors.

2. Breakdown of the Group by segments for 2011

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

DKKm	Cement	Minerals	Cembrit	Other companies etc.[1]	Continuing activities	Discon-tinued activities [2]	FLSmidth Group
INCOME STATEMENT							
External revenue	8,179	12,359	1,460	0	21,998	12	22,010
Internal revenue	188	15	0	(203)	0	0	0
Revenue	**8,367**	**12,374**	**1,460**	**(203)**	**21,998**	**12**	**22,010**
Production costs	(5,806)	(9,460)	(974)	(24)	(16,264)	(5)	(16,269)
Gross profit	**2.561**	**2,914**	**486**	**(227)**	**5,734**	**7**	**5,741**
Sales, distr. and admin. costs and other operating items	(1,576)	(1,340)	(367)	196	(3,087)	7	(3,080)
Earnings before special non-recurring items, depreciation, amortisation and write-downs (EBITDA)	**985**	**1,574**	**119**	**(31)**	**2,647**	**14**	**2,661**
Special non-recurring items	0	0	6	10	16	0	16
Depreciation and write-downs of tangible assets	(91)	(95)	(67)	(5)	(258)	0	(258)
Earnings before amortisation and write-downs of intangible assets (EBITA)	**894**	**1,479**	**58**	**(26)**	**2,405**	**14**	**2,419**
Amortisation and write-downs of intangible assets	(57)	(173)	(4)	0	(234)	0	(234)
Earnings before interest and tax (EBIT)	**837**	**1,306**	**54**	**(26)**	**2,171**	**14**	**2,185**
ORDER INTAKE (GROSS)	**8,248**	**15,900**	**n/a**	**(104)**	**24,044**	**0**	**24,044**
ORDER BACKLOG	**13,838**	**13,408**	**n/a**	**(110)**	**27,136**	**0**	**27,136**
FINANCIAL RATIOS							
Gross margin	*30.6%*	*23.5%*	*33.3%*	*n/a*	*26.1%*	*n/a*	*26.1%*
EBITDA ratio	*11.8%*	*12.7%*	*8.2%*	*n/a*	*12.0%*	*n/a*	*12.1%*
EBITA ratio	*10.7%*	*12.0%*	*4.0%*	*n/a*	*10.9%*	*n/a*	*11.0%*
EBIT ratio	*10.0%*	*10.6%*	*3.7%*	*n/a*	*9.9%*	*n/a*	*9.9%*
Number of employees at 31 December	**6,619**	**5,525**	**1,058**	**2**	**13,204**	**0**	**13,204**
Reconciliation of the year's profit/loss							
Segment earnings before interest and tax (EBIT) of reportable segments					2,171	14	
Financial income					861	10	
Financial costs					(962)	(11)	
Earnings for the year before tax (EBT)					**2,070**	**13**	
Tax for the year					(646)	0	
Profit/loss for the year					**1,424**	**13**	

[1] *Other companies consist of companies with no activities, real estate companies, eliminations and the parent company.*
[2] *Discontinued activities consist of run-off on activities sold in previous years. Cash flow of discontinued activities derives from operating activities DKK -4m, investing activities DKK 0m and financing activities DKK -52m.*

2. Breakdown of the Group by segments for 2010

Segment income and costs consist of transactions between the segments, which take place on market terms. The transactions are eliminated in connection with the consolidation.

DKKm	Cement	Minerals	Cembrit	Other companies etc.[1]	Continuing activities	Discon-tinued activities[2]	FLSmidth Group
INCOME STATEMENT							
External revenue	9,241	9,562	1,383	0	20,186	0	20,186
Internal revenue	131	25	0	(156)	0	0	0
Revenue	**9,372**	**9,587**	**1,383**	**(156)**	**20,186**	**0**	**20,186**
Production costs	(6,752)	(7,255)	(960)	(12)	(14,979)	0	(14,979)
Gross profit	**2,620**	**2,332**	**423**	**(168)**	**5.207**	**0**	**5,207**
Sales, distr. and admin. costs and other other operating items	(1,472)	(1,160)	(320)	132	(2,820)	4	(2,816)
Earnings before special non-recurring items, depreciation, amortisation and write-downs (EBITDA)	**1,148**	**1,172**	**103**	**(36)**	**2,387**	**4**	**2,391**
Special non-recurring items	(2)	39	2	0	39	0	39
Depreciation and write-downs of tangible assets	(82)	(87)	(75)	(5)	(249)	0	(249)
Earnings before amortisation and write-downs of intangible assets (EBITA)	**1,064**	**1,124**	**30**	**(41)**	**2,177**	**4**	**2,181**
Amortisation and write-downs of intangible assets	(47)	(137)	(3)	0	(187)	0	(187)
Earnings before interest and tax (EBIT)	**1,017**	**987**	**27**	**(41)**	**1,990**	**4**	**1,994**
ORDER INTAKE (GROSS)	**10,036**	**10,982**	**n/a**	**(238)**	**20,780**	**0**	**20,780**
ORDER BACKLOG	**14,146**	**9,752**	**n/a**	**(190)**	**23,708**	**11**	**23,719**
FINANCIAL RATIOS							
Gross margin	*28.0%*	*24.3%*	*30.6%*	*n/a*	*25.8%*	*n/a*	*25.8%*
EBITDA ratio	*12.2%*	*12.2%*	*7.4%*	*n/a*	*11.8%*	*n/a*	*11.8%*
EBITA ratio	*11.4%*	*11.7%*	*2.2%*	*n/a*	*10.8%*	*n/a*	*10.8%*
EBIT ratio	*10.9%*	*10.3%*	*2.0%*	*n/a*	*9.9%*	*n/a*	*9.9%*
Number of employees at 31 December	**5,686**	**4,457**	**1,083**	**2**	**11,228**	**1**	**11,229**
Reconciliation of the year's profit/loss							
Segment earnings before interest and tax (EBIT) of reportable segments					1,990	4	
Financial income					989	2	
Financial costs					(1,107)	(10)	
Earnings for the year before tax (EBT)					**1,872**	**(4)**	
Tax for the year					(590)	0	
Profit/loss for the year					**1,282**	**(4)**	

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

2) *Discontinued activities consist of run-off on activities sold in previous years. Cash flow of discontinued activities deriving from operating activities DKK 32m, investing activities DKK 0m and financing activities DKK -23m.*

3. Segment reporting, geographical

The geographical breakdown of revenue is based on the location of the activity or the location where the equipment is delivered.

DKKm	2011	2010
Revenue		
Europe	3,393	3,513
Asia	6,604	6,203
North America	3,665	3,325
South America	3,613	3,461
Africa	3,636	2,927
Australia	1,087	757
	21,998	**20,186**
Significant revenue in individual countries (more than 5% of total revenue):		
- Denmark (the Group's domicile country)	498	470
- USA	2,001	2,140
- India	2,473	2,528
- Chile	1,382	1,295

The geographical breakdown of assets is based on the location of the assets.
The location largely coincides with the domiciles of the Group companies.

DKKm	2011	2010
Assets		
Europe	9,573	9,964
Asia	3,111	2,671
North America	8,056	6,389
South America	1,898	1,383
Africa	1,311	975
Australia	1,591	1,217
	25,540	**22,599**
Significant non-current assets in individual countries:		
- Denmark (the Group's domicile country)	2,833	1,759
- USA	3,023	2,781
- Canada	879	371
- Australia	714	603

Income statement

4. Revenue

DKKm	2011	2010
Project and product sales	13,294	12,557
Sales of parts and services, etc.	7,244	6,246
Building materials	1,460	1,383
	21,998	**20,186**
Income recognition criteria		
Income recognised when delivered	7,521	6,642
Income recognised according to the percentage-of-completion method	14,477	13,544
	21,998	**20,186**

5. Other operating income and costs

Other operating income and costs consist of income and costs of secondary importance to the Group's activities, including certain grants, rent income and royalties, fees, etc. plus profits and loss on disposal of individual assets, land and buildings, which is not considered part of the disposal of a complete operation.

DKKm	2011	2010
Other operating income		
Government subsidies and other grants	9	10
Rent income	13	15
Royalties, etc.	18	26
Profit on disposal of tangible assets	21	6
Other income	47	53
	108	**110**
Other operating costs		
Loss on disposal of tangible assets	(7)	(8)
Royalties, etc.	(3)	(13)
Other costs	(6)	(11)
	(16)	**(32)**
Total other operating income and costs	**92**	**78**

In 2011, the profit on disposal of tangible assets included the profit from sale of buildings in India and Denmark at DKK 11m and DKK 3m, respectively.

6. Staff costs

DKKm	2011	2010
Wages, salaries and fees	3,633	3,248
Defined contribution plans and other social security costs, etc.	383	368
Defined benefit plans	16	15
Share-based payment, option plans (cf. note 42)	21	21
Share-based payment, employee share plan	0	37
Cash-based payment, employee share plan	(16)	24
Other staff costs	257	260
	4,294	**3,973**
The amounts are included in the items:		
Production costs	2,511	2,297
Sales and distribution costs	880	786
Administrative costs	903	890
	4,294	**3,973**

Staff costs consist of direct wages and salaries, fees, pension payments, etc. to the Group's 13,204 employees (2010: 11,228) who contribute to the Group's production, sales and administration.

For further details concernng the remuneration of the Executive Management and Board of Directors, see note 43 regarding related parties.

7. Special non-recurring items

Special non-recurring items consist of costs and income of a one-off nature in relation to the Group's primary activities.

DKKm	2011	2010
Compensation for purchase of loss-making activity	6	0
Effect of foreign exchange adjustment in connection with liquidation of company	10	0
Run-off on purchase price allocations to inventories in connection with acquisition of enterprises	0	(7)
Profit/(loss) on disposal of enterprises and activities	0	46
	16	**39**

Profit/(loss) from disposal of enterprises and activities in 2010 includes DKK 44m from the disposal of a non-core activity in Germany.

8. Minority interests

Minority interests' share of the profit for the year concerns the following companies:

DKKm	2011	2010
Roymec (Proprietary) Limited	9	2
Phillips Kiln Service Ltd.	1	0
Cembrit S.p.A.	0	(8)
	10	**(6)**

9. Earnings per share (EPS)

Non-diluted earnings per share are calculated as the earnings for the year after tax from continuing and discontinued activities and from continuing activities divided by the total average number of shares. In the diluted earnings per share adjustment is made for options in-the-money.

DKKm	2011	2010
Earnings		
FLSmidth & Co. A/S shareholders' share of profit/loss for the year	1,427	1,284
FLSmidth & Co. Group profit/loss from discontinued activities	13	(4)
Number of shares, average		
Number of shares issued	53,200,000	53,200,000
Adjustment for treasury shares	(877,775)	(627,554)
Potential increase of shares in circulation, options in-the-money	227,669	120,595
	52,549,894	52,693,041
Earnings per share		
• Continuing and discontinued activities per share DKK	27.2	24.4
• Continuing and discontinued activities, diluted, per share DKK	27.1	24.4
• Continuing activities per share DKK	27.0	24.5
• Continuing activities, diluted, per share DKK	26.9	24.4

Non-diluted earnings per share in respect of discontinued activities amount to DKK 0.2 (2010: DKK -0.1) and diluted earnings per share in respect of discontinued activities amount to DKK 0.2 (2010: DKK -0.1). These earnings are calculated based on the Group's earnings from discontinued activities which amount to DKK 13m (2010: DKK -4m).

The calculation of diluted earnings per share is inclusive of 227,669 share options (2010: 120,595), which are in-the-money that may potentially dilute the earnings per share in the future.

10. Income statement classified by function

It is Group policy to prepare the income statement based on an adapted classification of the costs by function in order to show the earnings before special non-recurring items, depreciation, amortisation and write-downs (EBITDA). Depreciation, amortisation and write-downs of tangible and intangible assets are therefore separated from the individual fucntions and presented on separate lines. The table below shows an extract of the income statement adapted to show depreciation, amortisation and write-downs classified by function.

DKKm	2011	2010
Revenue	21,998	20,186
Production costs	(16,488)	(15,177)
Gross profit	**5,510**	**5,009**
Sales and distribution costs	(1,507)	(1,358)
Administrative costs	(1,940)	(1,778)
Other operating income and costs	92	78
Special non-recurring items	16	39
Earnings before interest and tax (EBIT)	**2,171**	**1,990**
Depreciation, amortisation and write-downs consist of:		
Amortisation of intangible assets	234	187
Depreciation of tangible assets	258	246
Write-down of tangible assets/(reversals)	0	3
	492	**436**
Depreciation, amortisation and write-downs consist of:		
Production costs	224	197
Sales and distribution costs	7	13
Administrative costs	261	226
	492	**436**

Cash flow statement

11. Change in provisions

The change in provisions consists of changes in defined benefit pensions, long-term employee liabilities, guarantees and other provisions that have an effect on cash flow in the financial year.

DKKm	2011	2010
Pensions and similar obligations	(49)	(30)
Other provisions	(107)	(52)
	(156)	**(82)**

12. Change in working capital

The change in the Group's working capital consists of the changes in the items that have an effect on cash flow in the financial year.

DKKm	2011	2010
Inventories	(233)	(42)
Trade receivables	(1,462)	230
Trade payables	700	(286)
Work-in-progress and prepayments from customers	323	(595)
Change in other receivables and other liabilities	89	77
	(583)	**(616)**

13. Financial payments received and made

The following financial payments received and made consist of interest earnings and interest costs received or paid in the financial year.

DKKm	2011	2010
Financial payments received	818	1,033
Financial payments made	(836)	(1,101)
	(18)	**(68)**

14. Change in net interest-bearing receivables/(debt)

The following is a specification of the change in the Group's net interest-bearing receivables.

DKKm	2011	2010
Addition of Group enterprises	(55)	0
Financial assets	30	(60)
Other receivables	50	24
Mortgage debt	6	(29)
Bank loans	135	(4)
Finance lease liabilities	8	(1)
Other liabilities	(73)	(207)
Hedging instruments	9	(10)
Foreign exchange adjustments	(27)	(146)
	83	**(433)**

Acquisition and disposal of enterprises and activities

15. Acquisition of enterprises and activities

On acquisition of undertakings and activities, the purchase method is applied. The date of acquisition is the date when the Group in fact gains control of the enterprise or activity acquired. Enterprises and activities acquired are included in the consolidated financial statements from the date of acquisition.

The cost of an enterprise or an activity consists of the fair value of the consideration paid for the enterprise or activity acquired. If the final consideration is dependent on future events (contingent consideration), it is stated at fair value on the date of acquisition.

Transaction costs that are related to the acquisition are recognised in the income statement among administrative costs.

Acquisition of enterprises and activities in 2011

Name of enterprise acquired	Primary activity	Date of acquisition	Ownership acquired	Voting share acquired	Ownership interest	Voting share
Roymec (Proprietary) Limited	Minerals	30 November 2010	74%	74%	74%	74%
ESSA Australia Limited	Minerals	17 February 2011	100%	100%	100%	100%
Darimec S.r.L.	Cement	29 July 2011	100%	100%	100%	100%
Phillips Kiln Service Ltd.	Cement	18 August 2011	100%	100%	100%	100%
Knelson Group (acquisition of net assets)	Minerals	21 September 2011	-	-	-	-
Transweigh India Ltd.	Cement	20 October 2011	76%	76%	100%	100%

DKKm	Carrying amount before adjustment	Adjustments at fair value	Fair value adjusted opening balance sheet
Patents and rights acquired	-	199	199
Customer relations	-	217	217
Other intangible assets	-	77	77
Tangible assets	127	-	127
Financial assets including deferred tax	29	-	29
Inventories	115	-	115
Receivables	278	-	278
Cash and cash equivalents	104	-	104
Minority interests	(5)	-	(5)
Provisions including deferred tax	(10)	(17)	(27)
Loans	(30)	-	(30)
Other liabilities	(311)	-	(311)
Net assets	**297**	**476**	**773**
Goodwill			458
Adjustment of fair value of previous ownership interest			(18)
Cost			**1,213**
Cash and cash equivalents acquired			(104)
Contingent consideration			(183)
Net cash effect, acquisitions			**926**
Other specifications regarding transactions:			
Direct transaction costs			20

ESSA Australia Limited
ESSA Australia Limited based in Perth, Australia, is a company specialising in design, manufacture, servicing and support of sample equipment for the mineral and mining industries. The activities were consolidated at 17 February 2011. The non-allocated purchase consideration amounts to DKK 22m and is recognised as goodwill reflecting expected synergies. The activities are included in the consolidated financial statements with revenue of DKK 56m and earnings after tax of DKK 5m. The minority share is measured at fair value. If the acquisition of Essa Australia Limited in 2011 had been consolidated as at 1 January 2011, revenue and earnings after tax from the enterprise would be included in the consolidated financial statements at the aggregate amounts of DKK 80m and DKK 3m, respectively.

Darimec S.r.L.
Darimec S.r.L., based in Milan, Italy designs and manufactures girth gears, pinions and custom-made reducers mainly for the cement and mineral industries. The activities were consolidated at 29 July 2011. The non-allocated purchase consideration amounts to DKK 75m and is recognised as goodwill reflecting expected synergies. The activities are included in the consolidated financial statements with revenue of DKK 16m and earnings after tax of DKK -13m. If the acquisition of Darimec in 2011 had been consolidated as at 1 January 2011, revenue and earnings after tax from the enterprise would be included in the consolidated financial statements at DKK 52m and DKK -15m, respectively.

Phillips Kiln Service Ltd.
Phillips Kiln Service Ltd., based at South Sioux City, USA, supplies kiln services to the cement and mineral industries. The activities were consolidated at 18 August 2011. The non-allocated purchase consideration amounts to DKK 16m and is recognised as goodwill reflecting expected synergies. The activities are included in the consolidated financial statements with revenue of DKK 61m and earnings after tax of DKK 4m. If the acquisition of Phillips in 2011 had been consolidated as at 1 January 2011, revenue and earnings after tax from the enterprise would be included in the consolidated financial statements at DKK 97m and DKK 5m, respectively. Tax deduction for goodwill acquired amounts to DKK 8m.

Knelson Group
Knelson Group based in Vancouver, Canada, manufactures and instals equipment for the recovery of precious metals such as gold and platinum, as well as the enhanced gravity separation of base metals and industrial minerals. The activities were consolidated at 21 September 2011. The non-allocated purchase consideration amounts to DKK 357m and is recognised as goodwill reflecting expected synergies. The activities are included in the consolidated financial statements with revenue of DKK 73m and earnings after tax of DKK 1m. If the acquisition of Knelson in 2011 had been consolidated as at 1 January 2011, revenue and earnings after tax from the enterprise would be included in the consolidated financial statements at DKK 210m and DKK 35m, respectively. Tax deduction for goodwill acquired amounts to DKK 357m.

Roymec (Proprietary) Limited
In 2011 an adjustment was made in the opening balance sheet by allocating DKK 49m to parents and rights acquired, and non-allocated purchase consideration hence amounts to DKK 33m.

Conveyor Engineering Inc.
Conveyor Engineering Inc. was acquired in March 2009 and the purchase consideration included a contingent consideration. In 2011 a final statement of the consideration was made, and this has led to a DKK 5m adjustment of the fair value, which is recognised in the appertaining goodwill.

Step acquisition of enterprises:

Transweigh India Limited
In 2011, the Group gained control of Transweigh Ltd., which had previously been recognised based on the equity method. The minority interest (24%) in Transweigh is recognised at fair value on the date of acquisition, equivalent to DKK 18m. Based in Mumbai India, Transweigh India Limited supplies gravimetric feeding equipment mainly to the steel, iron and cement industries. The company also markets and sells FLSmidth Pfister's market-leading fuel feeder products to the growing Indian market. The non-allocated purchase consideration amounts to DKK 32m and is recognised as goodwill reflecting expected synergies. The activities are included in the consolidated financial statements with revenue of DKK 15m and earnings after tax of DKK 1m. If the acquisition of Transweigh India Limited in 2011 had been consolidated as at 1 January 2011, revenue and earnings after tax from the enterprise would be included in the consolidated financial statements at the aggregate amounts of DKK 73m and DKK -10m, respectively.

Acquisition of enterprises and activities in 2010

Name of enterprise acquired	Primary activity	Date of acquisition	Ownership acquired	Voting share acquired	Ownership interest	Voting share
Summit Valley (acquisition of net assets)	Minerals	15 December 2009	-	-	-	-
Roymec (Proprietary) Limited	Minerals	30 November 2010	74%	74%	74%	74%

DKKm	Carrying amount before adjustment	Adjustments at fair value	Fair value adjusted opening balance sheet
Patents and rights acquired	-	27	27
Customer relations	-	44	44
Other intangible assets	-	11	11
Tangible assets	13	-	13
Inventories	-	(1)	(1)
Receivables	31	-	31
Work-in-progress	5	-	5
Cash and cash equivalents	66	-	66
Minority interests	(9)	(44)	(53)
Provisions including deferred tax	(24)	-	(24)
Other liabilities	(55)	-	(55)
Net assets	**27**	**37**	**64**
Goodwill			87
Cost			**151**
Cash and cash equivalents acquired			(67)
Contingent consideration			-
Net cash effect, acquisitions			**84**

Other specification regarding transactions:

Direct transaction costs	1

Roymec (Proprietary) Limited
Based in South Africa, Roymec (Proprietary) Limited is a member of the FLSmidth & Co. Group and included in the Minerals segment as a provider of material handling systems for the metal and mineral industries. The activities were consolidated at 30 November 2010. The non-allocated consideration amounts to DKK 82m and is recognised as goodwill reflecting expected synergies. The activities are included in the consolidated financial statements with revenue of DKK 14m and earnings after tax of DKK 2m. The minority share (NCI) is measured at fair value. If Roymec (Proprietary) Limited in 2010 had been consolidated as at 1 January 2010, revenue and earnings after tax from the enterprise would be included in the consolidated financial statements at the aggregate amounts of DKK 167m and DKK 9m, respectively.

Summit Valley
Summit Valley, USA, was acquired in December 2009. In 2010, the fair value adjustment of the opening balance sheet was completed, resulting in the above net adjustment of DKK -5m.

16. Disposal of enterprises and activities

When selling enterprises and activities the difference between the selling price and the carrying amount of the net assets at the date of disposal is recognised in the income statement among special non-recurring items. If the final consideration is dependent on future events (contingent consideration), it is stated at fair value at the time of sale.

Enterprises and activities sold are included in the consolidated financial statements until the date of disposal.

DKKm	2011	2010
Intangible assets	4	6
Tangible assets	2	7
Inventories	1	1
Receivables	7	3
Cash and cash equivalents	1	0
Liabilities	(3)	(8)
Carrying amount of net assets disposed of	**12**	**9**
Profit/(loss) on disposal of enterprises and activities	0	46
Cash sales value	12	39
Contingent consideraton in a business combination	0	16
Total selling price	**12**	**55**
Cash and cash equivalents disposed of, see above	**(1)**	**0**
Net cash effect including contingent consideration in a business combination	**11**	**55**
Profit on disposal of enterprises and activities	**0**	**46**

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

Disposal of enterprises and activities in 2011 consists of sale of non-complementary part of ESSA Australia Limited.

Disposal of enterprises and activities in 2010 mainly consists of the disposal of a non-core activity in Germany.

Non-current assets and investments

17. Intangible assets

The following shows non-physical assets that generate earnings in the Group and consist of goodwill, rights acquired, customer relations and development projects.

DKKm	Goodwill	Patents and rights acquired	Customer relations	Other intangible assets	Completed development projects	Intangible assets under development	Total
Cost at 1 January 2011	3,666	1,244	1,234	620	89	245	7,098
Foreign exchange adjustment	0	0	4	2	0	(1)	5
Acquisition of Group enterprises	458	200	217	77			952
Disposal of Group enterprises	(2)	(1)	(3)	0			(6)
Additions		3		12	1	276	292
Disposals		(5)		(14)	(1)		(20)
Transferred between categories				5	0	(5)	0
Other adjustments	7	1		(9)	0	(1)	(2)
Cost at 31 December 2011	**4,129**	**1,442**	**1,452**	**693**	**89**	**514**	**8,319**
Amortisation and write-downs at 1 January 2011	3	223	228	464	27	5	950
Foreign exchange adjustment		0	2	2	0	(2)	2
Disposal of Group enterprises			(2)	0			(2)
Disposals		(6)		(14)	(1)		(21)
Annual amortisation and write-downs		64	94	57	16		231
Other adjustments	7	2	0	(1)			8
Amortisation and write-downs at 31 December 2011	**10**	**283**	**322**	**508**	**42**	**3**	**1,168**
Carrying amount at 31 December 2011	**4,119**	**1,159**	**1,130**	**185**	**47**	**511**	**7,151**

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

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 10.

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

Much of the knowledge generated in the Group originates from work performed for customers. In 2011, the Group's research and development costs totalled DKK 339m (2010: DKK 281m) which are included in production costs. As these costs mainly relate to improvements of already existing products, capitalised development costs merely account for a total of DKK 98m (2010: DKK 74m) in respect of R&D development projects and other intangible assets. The total addition of intangible assets includes internal capitalisation at DKK 72m (2010: DKK 48m).

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

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 Management estimates, which include both general capital market conditions and a specific risk profile (currently 12-15% before tax (2010: 12-14% before tax)).

The value in use calculations are composed of discounted expected cash flow for the next five years and a calculated terminal value of cash flow for the subsequent period based on budgets. Important parameters in the calculations are developments in revenue, gross margin ratio, reinvestments in plant and growth expectations beyond the coming five years. The budgets do not include the effect of restructuring. In calculating terminal value, a growth rate of 1% (2010: 0-1%), which is conservatively estimated by Management, is adopted for each of the cash generating units.

17. Intangible assets (continued)

In the impairment test for the cash flow generating units the recoverable amount commensurate with the discounted value of the expected future cash flow is compared with the carrying amount of the individual units.

Sensitivity analyses have been made to identify the lowest and/or highest discount rate for each cash flow generating unit without necessitating a write-down. There have been no write-downs in 2010 and 2011.

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

Intangible assets of indefinite useful life

DKKm	Cement	Minerals	Cembrit	2011
Goodwill	202	3,870	47	4,119
Patents and rights (trademarks) acquired	65	537	0	602
Carrying amount at 31 December 2011	**267**	**4,407**	**47**	**4,721**

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

Addition of goodwill comprises:

DKKm	Cement	Minerals	Cembrit	Total
ESSA Australia Limited		22		22
Darimec S.r.L	75			75
Phillips Kiln Service Ltd.	16			16
Knelson Group		357		357
Transweigh India Ltd.	32			32
Conveyor Engineering Inc.		5		5
Roymec (Proprietary) Limited (adjustment)		(49)		(49)
	123	**335**	**0**	**458**

18. Tangible assets

Tangible assets consist of physical assets that generate income in the Group and comprise land and buildings, plant and machinery, operating equipment, fixtures and fittings and tangible assets in course of construction. The assets are measured at cost less accumulated depreciation and write-downs.

DKKm	Land and buildings	Plant and machinery	Operating equipment, fixtures and fittings	Tangible assets in course of construction	Total
Cost at 1 January 2011	1,896	1,642	750	73	4,361
Foreign exchange adjustment	(35)	(41)	(30)	(3)	(109)
Acquisition of Group enterprises	61	57	21	0	139
Disposal of Group enterrprises	0	(2)	(1)	0	(3)
Additions	96	75	62	264	497
Disposals	(19)	(24)	(52)	0	(95)
Transferred between categories	31	12	4	(47)	0
Other adjustments	0	145	2	0	147
Cost at 31 December 2011	**2,030**	**1,864**	**756**	**287**	**4,937**
Depreciation and write-downs at 1 January 2011	627	932	516	3	2,078
Foreign exchange adjustment	(5)	(17)	(14)		(36)
Disposal of Group enterprises	0	(1)	0		(1)
Disposals	(5)	(20)	(47)		(72)
Annual depreciation	48	125	86		259
Annual write-downs/(reversals)	0	0	0	0	0
Other adjustments	0	146	2		148
Depreciation and write-downs at 31 December 2011	**665**	**1,165**	**543**	**3**	**2,376**
Carrying amount at 31 December 2011	**1,365**	**699**	**213**	**284**	**2,561**
Assets held under a finance lease					
Carrying amount at 31 December 2011	0	11	5		16

Tangible assets in course of construction consist primarily of construction of production, storage and development facilities in China (DKK 84m), USA (DKK 35m) and India (DKK 23m).

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

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 10.

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

19. Financial assets

Financial assets consist of investments in associates that are measured according to the equity method and other securities and investments including shares in cement plants that are acquired in connection with the signing of contracts and are stated at fair value where possible.

DKKm	Investments in associates	Other securities and investments	Total
Cost at 1 January 2011	1	157	158
Foreign exchange adjustment		1	1
Additions of Group enterprises	1	4	5
Transfer to other asset groups when including step acquisition	(1)	0	(1)
Disposals		(1)	(1)
Other adjustments		(7)	(7)
Cost at 31 December 2011	**1**	**154**	**155**
Adjustments at 1 January 2011	2	(94)	(92)
Foreign exchange adjustment		(1)	(1)
Transfer to other asset groups when including step acquisition	(2)		(2)
Adjustments at 31 December 2011	**0**	**(95)**	**(95)**
Carrying amount at 31 December 2011	**1**	**59**	**60**

19. Financial assets (continued)

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

Investments in associates 31 December 2011: LFC International Engineering JSC (Vietnam), NLS-SSBIL (the United Arab Emirates), LV Technology Public Company Ltd. (Thailand), The Pennies and Pounds Holding Inc. (the Philippines).

Transfer to other asset groups consists of the carrying value of investments in associates, which are fully consolidated once the Group gains control of the enterprise.

20. Associates

Enterprises in which the Group holds between 20% and 50% of the voting rights or in some other way exerts significant influence, but is not in control, are regarded as associates.

Associates are included with a proportionate share of the earnings after tax.

DKKm	2011	2010
Key figures for associates (aggregate)		
Assets	358	133
Liabilities	(349)	(114)
Net assets	**9**	**19**
Share of net assets	1	3
Revenue	**439**	**178**
Profit/loss for the year	**3**	**(33)**
Share of the year's profit/loss	0	0

21. Joint ventures

Joint ventures are jointly controlled enterprises. The Group's share of assets and liabilities, revenue and comprehensive income is included in the consolidated financial statements.

The Group has made the following investments in joint ventures, which are included pro rata in the consolidated financial statements:

FLS EurAsia AG (Switzerland), ownership interest 33%
Phillips Kiln Services Europe Ltd. (United Kingdom), ownership interest 50%
Phillips Kiln Services Pvt. Ltd. (India) ownership interest 50%

DKKm	2011	2010
Current assets	13	0
Non-current assets	2	3
Short-term liabilities	8	0
Long-term liabilities	1	0
Equity	6	3
Revenue	**5**	**0**
Costs	5	0
Profit/loss for the year	**0**	**0**

Working capital

22. Specification of working capital

Notes 23, 24 and 25 show additional specification of selected working capital items. The Group's working capital is specified as follows:

DKKm	2011	2010
Inventories	2,292	1,960
Trade receivables	5,554	4,238
Work-in-progress for third parties, asset	3,633	3,120
Prepayments to subcontractors	467	364
Other receivables	848	703
Prepayments	181	97
	12,975	**10,482**
Prepayments from customers	2,206	2,191
Trade payables	2,682	2,192
Work-in-progress for third parties, liability	4,760	3,846
Other liabilities	1,672	1,331
Deferred revenue	35	44
	11,355	**9,604**
Working capital	**1,620**	**878**

The change in working capital in the above table cannot be reconciled with note 12 Change in working capital because note 12 does not include working capital from opening values of enterprises acquired as they are presented among Acquisition of enterprises and activities in the cash flow statement.

23. Work-in-progress for third parties

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

DKKm	2011	2010
Total costs defrayed	35,646	33,992
Profit recognised as income, net	6,811	6,450
Work-in-progress for third parties	42,457	40,442
Invoicing on account to customers	(43,584)	(41,168)
	(1,127)	**(726)**
of which work-in-progress for third parties is stated under assets	3,633	3,120
and under liabilities	(4,760)	(3,846)
	(1,127)	**(726)**

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

24. Inventories

Inventories are measured at weighted average prices. In the case of goods where the cost exceeds the expected selling price less completion and selling costs, a write-down has been made to the lower net realisation value.

DKKm	2011	2010
Raw materials and consumables	402	413
Work-in-progress	430	317
Finished goods and goods for resale	1,445	1,211
Prepayments for goods	15	19
Inventories at 31 December	**2,292**	**1,960**
Inventories valued at net realisable value	21	50
Write-down of inventories		
Write-down at 1 January	114	71
Foreign exchange adjustment	(2)	4
Additions	9	49
Disposals	(23)	(9)
Reversals	(2)	(1)
Write-downs at 31 December	**96**	**114**

The increase in inventories is mainly due to the general increase in activity in the Minerals segment.

25. Receivables

In 2011 other receivables amount to DKK 1,112m (2010: DKK 1,046m) and include fair value of derivatives and receivable corporation taxes.

DKKm	2011	2010
Specification of changes in write-downs of trade receivables:		
Write-down at 1 January	126	142
Foreign exchange adjustment	(1)	10
Addition during the year	64	42
Reversed during the year	(47)	(60)
Realised during the year	(25)	(8)
Write-down, trade receivables at 31 December	**117**	**126**

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

DKKm	2011	2010
Maturity period:		
Not due for payment	3,689	2,558
Up to two months	1,044	935
Between two and six months	454	505
Between six and twelve months	195	170
Over twelve months	172	70
	5,554	**4,238**

Trade receivables not due for payment include DKK 54m (2010: DKK 11m) that fall due after more than one year.

Recognised trade receivables include retentions on contractual terms at DKK 604m (2010: DKK 716m).

Tax

26. Tax for the year

Tax for the year, which consists of current tax for the year and the change in deferred tax, is included in the income statement with the portion attributable to the profit for the year. Current tax is calculated on the basis of the expected taxable income for the year, using the applicable tax rates for the tax year, and any adjustments of taxes for previous years.

DKKm	2011	2010
Current tax on the profit/loss for the year	**759**	**389**
Withholding tax	51	44
Adjustment of deferred tax	(148)	220
Adjustment of tax rate on deferred tax	(5)	(2)
Adjustments regarding previous years, deferred taxes	(13)	(26)
Adjustments regarding previous years, current taxes	(18)	(19)
Other adjustments	20	(16)
Tax for the period, continuing activities	**646**	**590**
Earnings before tax on continuing activities	2,070	1,872
Earnings before tax on discontinued activities	13	(4)
	2,083	**1,868**
Reconciliation of tax		
Tax according to Danish tax rate	517	519
Differences in the tax rates in foreign subsidiaries relative to 25%	127	88
Non-taxable income and non-deductible costs	(16)	(2)
Primarily dividend taxes	5	(5)
Non-deductible loss on shares	17	0
Written-off purchase costs	0	(15)
Differences in tax assets valued at nil	(39)	24
Differences due to adjustment of tax rate	(5)	(2)
Adjustments regarding previous years, deferred tax	(13)	(26)
Adjustments regarding previous years, current taxes	(18)	(19)
Withholding taxes	51	44
Other adjustments	20	(16)
Tax for the year	**646**	**590**

Tax paid in 2011 amounts to DKK 812m (2010: DKK 458m).

Tax on other comprehensive income **DKKm**	**Deferred tax**	**Current tax**	**2011 Tax income/ cost**	**Deferred tax**	**Current tax**	**2010 Tax income/ cost**
Foreign exchange adjustment of loans classified as equity in enterprises abroad	0	(6)	(6)	0	(18)	(18)
Value adjustments of hedging instruments	4	(1)	3	(20)	19	(1)
Actuarial gains / (losses) on defined benefit plans	11	2	13	(29)	19	(10)
Adjustment concerning previous years	0	0	0	0	(30)	(30)
	15	**(5)**	**10**	**(49)**	**(10)**	**(59)**

27. Deferred tax assets and liabilities

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.

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.

DKKm	2011							
	Balance sheet 1 January	**Foreign exchange translation**	**Adjustment to previous years, etc.**	**Acquisitions**	**Changed tax rate**	**Included in other comprehensive income**	**Included in the profit/loss**	**Balance sheet 31 December**
Deferred tax consists of								
Intangible assets	(473)	2	(11)	(25)	6	0	8	(493)
Tangible assets	125	3	12	(2)	0	0	(47)	91
Current assets	229	6	11	6	0	0	115	367
Liabilities	(428)	3	14	3	(1)	15	163	(231)
Tax loss carry-forwards, etc.	623	(3)	21	2	0	0	(131)	512
Share of tax asset valued at nil	(161)	3	0	0	0	0	40	(118)
Net deferred tax assets/liabilities	**(85)**	**14**	**47**	**(16)**	**5**	**15**	**148**	**128**

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

DKKm	2011	2010
Deferred tax assets	1,014	728
Deferred tax liabilities	(886)	(813)
	128	**(85)**
Maturity profile of tax assets valued at nil		
Within one year	0	0
Between one and five years	72	48
After five years	466	728
	538	**776**
Tax value	**118**	**161**
Deferred tax assets not recognised in the balance sheet consist of		
Temporary differences	56	111
Tax losses	482	665
	538	**776**

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

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

Temporary differences regarding investments in Group enterprises are estimated at a tax liability of DKK 700-750m. The amount is not included because the Group is able to control whether the liability is released and it is considered likely that the liability will not be released in a foreseeable future.

Financial items

28. Financial income and costs

Financial items consist of interest income, interest costs, realised and unrealised foreign exchange adjustments and interest costs from finance leases.

DKKm	2011	2010
Financial income		
Interest income from banks and receivables	31	28
Other financial income	34	9
Interest income from financial assets that is not measured at fair value via the income statement	**65**	**37**
Interest income from bonds	8	5
Fair value adjustment of derivatives	133	98
Foreign exchange gains, realised	257	613
Foreign eschange gains, unrealised	378	230
Dividend from shares	2	6
Fair value adjustment of other securities and investments	18	0
	861	**989**
Financial costs		
Interest payable on bank loans and mortgage debt	(53)	(55)
Other financial costs	(49)	(14)
Interest income from financial assets that is not measured at fair value via the income statement	**(102)**	**(69)**
Fair value adjustment of derivative financial instruments	(204)	(165)
Foreign exchange losses, realised	(444)	(508)
Foreign exchange losses, unrealised	(206)	(356)
Interest element discounted provisions	(6)	(6)
Fair value adjustment of other securities and investments	0	(3)
	(962)	**(1,107)**

29. Maturity structure of financial liabilities

The maturity profile of financial liabilities specified by time to maturity is specified as follows:

DKKm	2011	2010
Time to maturity:		
Within one year	4,700	3,680
Between one and five years	1,076	896
After five years	368	368
Total	**6,144**	**4,944**

Note 34 explains how the financial liabilities are measured.

30. Net interest-bearing receivables/(debt)

	Currency	2011 DKKm	Effective interest rate	Interest rate - life in per cent < 1 year	1-5 years	> 5 years	2010 DKKm
Mortgage debt	EUR	(352)	1.6%	100%			(346)
Bank loans	EUR	(825)	2.5%	100%			(812)
Bank loans	DKK	(108)	1.4%	100%			0
Bank loans	Other	(18)		100%			(4)
Lease liabilities	ZAR	(18)		100%			(10)
Other liabilities	Other	(283)		100%			(108)
Total debt		**(1,604)**					**(1,280)**
Cash and cash equivalents	EUR	220	0.0%	100%			853
Cash and cash equivalents	USD	197	0.0%	100%			282
Cash and cash equivalents	DKK	132	0.3%	100%			266
Cash and cash equivalents	CHF	42	0.0%	100%			221
Cash and cash equivalents	CNY	133	1.4%	100%			176
Cash and cash equivalents	GBP	18	0.1%	100%			112
Cash and cash equivalents	INR	144	3.0%	100%			97
Cash and cash equivalents	AUD	97	2.4%	100%			92
Cash and cash equivalents	ZAR	161	3.6%	100%			84
Cash and cash equivalents	CZK	5	0.0%	100%			52
Cash and cash equivalents	CAD	72	0.4%	100%			39
Cash and cash equivalents	RUB	44	1.2%	100%			4
Cash and cash equivalents	SEK	16	1.8%	100%			29
Cash and cash equivalents	BRL	33	11.1%	100%			28
Cash and cash equivalents	MAD	17	0.0%	100%			0
Cash and cash equivalents	PLN	19	2.9%	100%			8
Cash and cash equivalents	CLP	4		100%			18
Cash and cash equivalents	Other	48		100%			37
Total cash and cash equivalents		**1,402**					**2,398**
Securities	INR	77		5.6%			122
Securities	Other	27					14
Total securities		**104**					**136**
Net interest-bearing receivables/(debt)		**(98)**					**1,254**

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

Bank deposits and operating cash placed in countries with currency restrictions are distributed among the following countries:

DKKm	2011	2010
South Africa	239	119
China	146	228
India	145	98
Russia	47	22
Indonesia	40	7
Chile	36	19
Brazil	32	28
Morocco	17	0
Peru	16	13
Mexico	7	17
Other	18	0
	743	**551**

31. Financial risks

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 not later than when a contract becomes effective.

The Group did not in 2011 nor in 2010 default on or fail to fulfil any loan agreements.

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

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

FLSmidth & Co. A/S manages the Group's overall currency position by means of value at risk (VaR). In practice the VaR is converted into a maximum position for each currency. CHF and USD are the currencies to which most VaR has been allocated, corresponding to a maximum currency position of CHF 5m and USD 5m, respectively. Cash receivables and financial liabilities per currency appear in note 30.

The translation of income statement and balance sheet items from the subsidiaries' functional currencies into DKK is also affected by exchange rate changes, because translation risk is not hedged. A 5% change in a given exchange rate in relation to Danish kroner would in 2011 have had the following impact on the consolidated profit for the year and the consolidated equity.

Sensivity analysis

	When exchange rate changes +/- 5%	Hypothetical effect on profit/loss for the year (DKKm)	Hypothetical effect on equity (DKKm)
EUR	5%	11	47
USD	5%	46	134
INR	5%	15	50
AUD	5%	9	38
BRL	5%	2	14
CNY	5%	3	15
ZAR	5%	12	20
CAD	5%	1	24

Interest rate risks
Interest rate risks concern the interest-bearing financial assets and liabilities of the Group. The interest-bearing financial assets consist primarily of cash in financial institutions and the interest-bearing financial liabilities mainly consist of mortgage debt and bank loans. Interest rate risks occur when interest rate levels change and if the margins, which the Group has agreed with the financial institutions, change. The interest rate risks are managed by means of VaR. As at 31 December 2011, 100% of the Group's net interest-bearing debt (31 December 2010: 100%) carried a variable rate of interest. Other things being equal, a 1%increase in the interest rate will have a DKK 1m positive effect on the Group's net interest earnings (2010: DKK 13m).

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 risks 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 facility arrangements. At 31 December 2011 these facilities amounted to more than DKK 6.2bn with weighted time to maturity being 4.3 years (exclusive of mortgage loans). The facilities contain standard clauses such as pari passu, negative pledge and change of control.

Credit risks
Credit risks incurred from trade receivables are generally managed by continuous credit rating of major customers and trading partners. No single customer accounted for more than 5% of the revenue in neither 2010 nor 2011. The maximum credit risk related to financial assets corresponds to the accounting value plus write-downs. In cases where there may be risks of losses, a write-down will always be made based on individual assessment.

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

32. Financial instruments

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. 80% of the open forward exchange contracts at 31 December 2011 have a life of up to one year. The life of the remaining open forward exchange contracts is up to six years. There are no open currency options as at 31 December 2011. The fair value is based on offficially fixed quotations, if available, alternatively on prices quoted by banks. Principals are translated at balance sheet date.

Hedging of assets and liabilities (fair value hedge)
As part of hedging recognised assets and liabilities, the Group uses hedge instruments in the form of forward exchange contracts and options. The hedging of recognised assets and liabilities mainly consists of receivables and financial liabilities.

As at 31 December 2011, the fair value of the Group's derived financial instruments used for hedges of recognised financial assets and liabilities amounts to DKK -25m (2010: DKK 9m).

The fair value of the derived financial instruments is included in other receivables and other debt, and in the statement of comprehensive income it is set off against the foreign exchange adjustments of the hedged assets and liabilities. Fair value included in the income statement amounts to DKK 15m (2010: DKK -13m).

The table below shows the fair value of the Group's fair value hedges divided into main currencies:

DKKm	**2011**	**2010**
Forward exchange contract in currency:	**Fair value 31 December**	**Fair value 31 December**
AUD	6	34
CAD	1	95
CHF	10	33
CZK	16	0
DKK	24	61
EUR	436	328
GBP	141	223
JPY	0	35
USD	(600)	(772)
ZAR	12	73
INR	(71)	(104)
SEK	0	3
	(25)	**9**

Hedging of forecast transactions (cash flow hedge)
The Group uses forward currency contracts to hedge currency risks regarding expected future revenue and costs. The fair value of the financial instruments that meet the criteria for being treated as cash flow hedge is included in other comprehensive income until the hedged items are included in the profit and loss account. Fair value adjustment recognised in other comprehensive income amounts to DKK -25m (2010: DKK -14m).

Inefficiency regarding foreign currency hedging is reflected in the income statement for 2011 at DKK 1m (2010: DKK 2m).

At 31 December 2011 the fair value of the Group's future cash flow amounted to DKK -15m (2010: DKK 10m).

The table below shows the fair value of the Group's cash flow hedges divided into main currencies:

DKKm	**2011**	**2010**
Forward exchange contract in currency:	**Fair value 31 December**	**Fair value 31 December**
AUD	(77)	
CAD	0	3
CZK	242	161
DKK	446	(130)
EUR	299	7
GBP	(57)	(68)
JPY	41	34
USD	(434)	45
PLN	37	0
ZAR	(487)	0
INR	(24)	(42)
	(14)	**10**

Fair value of hedge instruments not qualifying for hedge accounting (economic hedge)
When hedging fair value that does not meet the criteria for hedge accounting, recognition at fair value takes place in the balance sheet and value adjustments are recognised in the income statement as financial items. Fair value adjustment recognised in financial items in the income statement amounts to DKK -110m (DKK 2010: DKK -32m).

At 31 December 2011 the fair value of the Group's hedge that is not recognised as hedge accounting amounted to DKK -70m (2010: DKK -68m).

The table below shows the fair value of the Group's hedges of fair value, classified as economic hedging, divided into main currencies.

DKKm	**2011**	**2010**
Foreign exchange contract in currency:	**Fair value 31 December**	**Fair value 31 December**
AUD	(315)	(424)
CAD	(254)	74
CHF	173	(36)
CZK	95	46
DKK	387	(71)
EUR	992	975
GBP	119	6
USD	(1,313)	(280)
ZAR	(3)	(341)
Other	49	(17)
	(70)	**(68)**

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 2011.

33. Fair value hierarchy of financial instruments

The table below shows the classification of financial instruments that are measured at fair value, specified in accordance with the fair value hierarchy:
- Quoted prices in an active market for the same type of instrument (level 1)
- Quoted prices in an active market for similar assets or liabilities or other valuation methods, where all significant inputs are based on observable market data (level 2)
- Valuation methods where any significant inputs are not based on observable market data (level 3)

DKKm	2011			
	Quoted prices Level 1	Observable input Level 2	Non-observable input Level 3	Total
Financial assets				
Financial assets available for sale:				
Other securities and investments	20	39		59
Financial assets measured at fair value via the income statement:				
Bonds and listed shares	104			104
Derived financial instruments used to hedge the fair value of recognised assets and liabilities		38		38
Contingent consideration in a business combination in connection with disposal of activity			3	3
Total financial assets	**124**	**77**	**3**	**204**
Financial liabilities				
Financial liabilities measured at fair value via the income statement:				
Derived financial instruments used to hedge the fair value of recognised assets and liabilities		148		148
Derived financial instruments used to hedge future cash flow				
Contingent consideration in a business combination			212	212
Total financial liabilities	**0**	**148**	**212**	**360**

There have been no significant transfers between level 1 and level 2 in 2011.

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

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

The only financial liability which is subsequently measured at fair value in accordance with level 3 is contingent consideration in a business combination in connection with the acquisition of Summit Valley in 2009 and Knelson Group in 2011. No profit/loss from the contingent consideration has been recognised in the statement of comprehensive income. Adjustments at fair value of contingent consideration in a business combination for Summit Valley is recognised in the appertaining goodwill due to changed estimates of the financial developments.

Contingent consideration in a business combination in connection with disposal of activity is measured at fair value in accordance with level 3 and concerns the disposal of a non-core activity in Germany in 2010.

34. Financial assets and liabilities

Financial assets and liabilities as defined in IAS 39 are presented below in accordance with how the financial assets and liabilities are measured.

DKKm	2011	2010
Financial assets:		
Non-current assets:		
Other securities and investments	59	63
Available for sale	**59**	**63**
Current assets:		
Trade receivables	5,554	4,238
Work-in-progress for third parties	3,633	3,120
Prepayments to subcontractors	467	364
Other receivables	846	737
Cash and cash equivalents	1,402	2,398
Receivables measured at amortised cost	**11,902**	**10,857**
Contingent consideration in a business combination	3	16
Derivatives	38	64
Bonds and listed shares	104	136
Financial assets measured at fair value via the income statement	**145**	**216**
Financial liabilities:		
Long-term liabilities		
Mortgage debt	352	346
Bank loans	825	812
Finance lease liabilities	10	8
Other liabilities	156	68
Financial liabilities measured at amortised cost	**1,343**	**1,234**
Short-term liabilities:		
Bank loans	126	4
Finance lease liabilities	8	2
Trade payables	2,682	2,193
Other liabilities	1,625	1,326
Financial liabilities measured at amortised cost	**4,441**	**3,525**
Contingent considerations in a business combination	212	73
Derivatives	148	113
Financial liabilities measured at fair value via the income statement	**360**	**186**

Liabilities

35. Other provisions

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

When assessing work-in-progress for third parties in the Cement and Minerals segments a number of project related risks have been taken into account, including performance guarantees and operation and maintenance contracts for which allowances are made based on Management estimates. A few cases are pending before the court in connection with previously supplied projects. Provisions have been made to counter any losses that may eventually occur in settling the cases.

DKKm	2011	2010
Provisions at 1 January	2,006	1,938
Exchange rate and other adjustments	(11)	115
Acquisition of Group enterprises	14	0
Provision for the year	891	1,039
Spent during the year	(533)	(702)
Reversals	(400)	(350)
Discounting of provisions	6	6
Reclassification to other liabilities	(59)	(40)
Provisions at 31 December	**1,914**	**2,006**
The maturity of provisions is specified as follows:		
Short-term liabilities	1,384	1,404
Long-term liabilities	530	602
	1,914	**2,006**

As in 2010, the year's movements mainly consist of changes in warranty liabilities and other contract risks. To facilitate the process of ongoing projects and related disputes, the Group does not disclose project-specific information.

36. Long-term liabilities

The table below shows long-term liabilities divided into liabilities within one to five years and liabilities where time to maturity is more than five years.

DKKm	2011	2010
Maturity structure of long-term liabilities:		
Bank loans	814	812
Finance lease liability	10	8
Prepayments from customers	405	218
Other liabilities	274	96
Within one to five years	**1,503**	**1,134**
Mortgage debt	352	346
Bank loans	11	0
Prepayments from customers	30	0
Other liabilities	14	31
After five years	**407**	**377**
	1,910	**1,511**

Finance lease liabilities
Finance lease liabilities comprise the capitalised residual lease commitment of finance lease assets, the interest portion being recognised in the income statement under financial items.

DKKm	2011			2010		
	Minimum lease payments	**Interest element**	**Carrying amount**	**Minimum lease payments**	**Interest element**	**Carrying amount**
Maturity within one year	7	1	8	1	0	2
Maturity between one and five years	10	1	10	2	0	8
Maturity after five years	0	0	0	0	0	0
	17	**2**	**18**	**3**	**0**	**10**

Finance lease primarily applies to lease of transport vehicles.

37. Other liabilities

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

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

38. Pension assets and liabilities

The pension liabilities incumbent on the Danish Group enterprises are funded through insurance plans. The pension liabilities of certain foreign Group enterprises are also funded through insurance plans. Foreign enterprises, primarily USA, Switzerland and Germany, whose pension liabilities are not - or only partially - funded through insurance plans (defined benefit plans) state the unfunded liabilities on an actuarial basis at the present value at the balance sheet date. These pension plans are partly covered by assets in pension funds. The Group's defined benefit plans were DKK 217m underfunded at 31 December 2011 (2010: DKK 204m) for which a provision has been made as pension liabilities.

In the consolidated income statement DKK 383m (2010: DKK 368m) 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 16m is recognised as a cost (2010: DKK 15m as cost) in the consolidated income statement.

The actuarial loss for the year at DKK 38m (2010: gain DKK 21m) is recognised in the statement of comprehensive income.

DKKm	2011	2010
Present value of defined benefit plans	(784)	(580)
Fair value of the plan assets	567	376
Total	**(217)**	**(204)**
Change in recognised liability		
Net liability at 1 January	(204)	(246)
Other adjustments including foreign exchange adjustments	(23)	(8)
Acquisition of Group enterprises	(1)	0
Net amount recognised in the income statement	(16)	(15)
Actuarial profits and losses recognised in the statement of comprehensive income	(38)	21
Payments	59	36
Paid-out benefits	6	8
Net liability at 31 December	**(217)**	**(204)**
Stated as assets	**9**	**15**
Stated as liabilities	**(226)**	**(219)**
	(217)	**(204)**
Recognised in the income statement		
Pension costs	(18)	(11)
Calculated interest on liabilities	(33)	(31)
Expected return on the plan assets	35	27
Recognised in the income statement regarding defined benefit plans	**(16)**	**(15)**
The amounts are included in the items:		
Production costs, sales and distribution costs and administrative costs		
Adjustments for the year of defined benefit plans based on experience (pension liabilities), gains/(losses)	**32**	**7**
Return on plan assets		
Expected return on the plan assets	(35)	(27)
Actual return on the plan assets	29	41
Actuarial profits / (losses) for the year on the plan assets	**(6)**	**14**
The expected return is fixed on the basis of the weighted return on the plan assets		
The assumptions on which the actuarial computations at the balance sheet date are based are as follows on average (weighted):		
Average discounting rate applied	4.0%	5.7%
Expected return on tied-up assets	5.9%	7.9%
Expected future pay increase rate	0.8%	1.3%

38. Pension assets and liabilities (continued)

DKKm	2011	2010
Present value of defined benefit plans		
Present value at 1 January	(580)	(540)
Reclassification from other liabilities	(148)	(13)
Foreign exchange adjustment	(5)	(33)
Acquisition of Group enterprises	(3)	0
Pension costs	(18)	(11)
Calculated interest on liabilities	(33)	(31)
Paid-out benefits	39	41
Actuarial gains and losses	(32)	7
Membership contributions	(4)	0
Present value at 31 December	**(784)**	**(580)**
Fair value of the plan assets		
Fair value of the plan assets at 1 January	376	294
Reclassification from other liabilities	129	13
Foreign exchange adjustment	1	24
Acquisition of Group enterprises	1	0
Expected return on the plan assets	35	27
Payments	63	36
Paid-out benefits	(32)	(32)
Actuarial gains and losses	(6)	14
Fair value of the plan assets at 31 December	**567**	**376**
Specification of the fair value of the plan assets		
Equity instruments	363	199
Debt instruments	186	144
Other assets	18	33
Total fair value of the plan assets	**567**	**376**
Specification of the fair value of the plan assets in per cent		
Equity instruments	64%	53%
Debt instruments	33%	38%
Other assets	3%	9%
Defined benefit plan liabilities specified by country		
USA	55%	69%
Switzerland	21%	0%
Germany	13%	17%
India	4%	5%
Italy	3%	4%
Canada	3%	5%
Mexico	1%	0%

	2011	2010	2009	2008	2007
Present value of defined benefit plans	(784)	(580)	(540)	(488)	(505)
Fair value of the plan assets	567	376	294	290	385
Over-/underfunded	**(217)**	**(204)**	**(246)**	**(198)**	**(120)**
Actuarial gains / (losses), liabilities	(32)	7	(61)	49	(17)
Actuarial gains / (losses), assets	(6)	14	21	(138)	(8)
Actuarial gains / (losses), total	**(38)**	**21**	**(40)**	**(89)**	**(25)**

In 2012, the Group expects to pay a contribution of DKK 19m into its defined benefit plans.

39. Contractual liabilities and contingent liabilities

The Group leases properties and operating equipment under operating leases: the lease period is primarily one to five years with an option for extension after the period expires.

DKKm	2011	2010
Minimum rent and operating lease commitments:		
Maturity within one year	58	47
Maturity between one and five years	167	151
Maturity after five years	9	18
	234	**216**
Guarantees	78	106
Other contractual obligations	79	70
	157	**176**

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 financial partners of the Group provide usual security in the form of performance guarantees, etc. for contracts and supplies. At the end of 2011, the total number of performance and payment guarantees issued amounted to DKK 5.9bn (2010: DKK 6.9bn). 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. The Group has no committed guarantee facilities in financial institutions exceeding DKK 11.5bn.

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

Other notes

40. Charged assets

DKKm	2011		2010	
	Carrying amount of charged assets	Charge	Carrying amount of charged assets	Charge
Trade receivables, etc.	146	146	124	124
Real estate	177	425	143	402
	323	**571**	**267**	**526**

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

In addition to statutory auditing, Deloitte, the Group auditors appointed at the Annual General Meeting, provides audit opinions and other consultancy services to the Group.

DKKm	2011	2010
Deloitte		
Statutory audit	21	20
Other assurance engagements	0	1
Tax and VAT consultancy	6	6
Other services	11	4
	38	**31**

42. Share-based payment, option plans

The Executive Management and a number of key employees in the Group have been granted options to purchase 988,476 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.

Share-based plans (2003-2005 plan and 2006-2011 plan)
The share option plans for 2003-2005 and 2006-2011 are share-based payment arrangements. The value of the options is recognised in the income statement under staff costs on a linear basis from the time of allocation to the initial time of acquisition, which means that at the time of exercising the option no further recognition in the income statement takes place.

Specification of outstanding options:

Number of shares	Executive Management	Key employees	Total number
Outstanding options 1 January 2010	146,350	512,960	659,310
Exercised of 2005 plan	(20,000)	(30,000)	(50,000)
Exercised of 2006 plan	(28,000)	(93,000)	(121,000)
Exercised of 2007 plan	0	(15,600)	(15,600)
Lapsed	0	(7,506)	(7,506)
Allocated for 2010 (issued 19 August 2010)	29,700	141,000	170,700
Outstanding options 31 December 2010	**128,050**	**507,854**	**635,904**
Exercised of 2005 plan	(20,000)	0	(20,000)
Exercised of 2006 plan	0	(5,000)	(5,000)
Exercised of 2009 plan	0	(2,806)	(2,806)
Lapsed	0	(40,062)	(40,062)
Allocated for 2011 (issued 18 August 2011)	47,636	292,754	340,390
Allocated for 2011 (issued 10 November 2011)	0	80,050	80,050
Outstanding options 31 December 2011	**155,686**	**832,790**	**988,476**
Number of options that are exercisable at 31 December 2011	52,950	201,900	254,850
Number of options that are exercisable at 31 December 2010	52,800	133,900	186,700
Total fair value of outstanding options DKKm			
At 31 December 2011	13	79	92
At 31 December 2010	33	117	150

DKKm	2011	2010
Average weighted fair value per option	92.81	236.40
Average weighted strike price per option	298.64	321.13
Average price per share at the time of exercising the option	389.16	455.14

In 2011, the recognised fair value of share options in the consolidated income statement amounts to DKK 21m (2010: DKK 21m).
The calculation of average weighted fair value and strike price per option is based on a dividend of DKK 9 (2010: DKK 9) 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
2005	99.92	2011	380,000	(10,000)	(370,000)	0
2006	191.00	2011-2012	206,000	(15,000)	(156,000)	35,000
2007	423.00	2011-2012	145,500	(20,800)	(18,200)	106,500
	414.00	2012-2013				
2008	417.00	2011-2012	129,100	(15,750)	0	113,350
	408.00	2012-2013				
	399.00	2013-2014				
2009	211.00	2012-2013	161,210	(8,418)	(2,806)	149,986
	202.00	2013-2014				
	193.00	2014-2015				
2010	364.00	2013-2014	170,700	(7,500)	0	163,200
	355.00	2014-2015				
	346.00	2015-2016				
2011 allocated in August	242.00	2014-2015	340,390	0	0	340,390
	233.00	2015-2016				
	224.00	2016-2017				
2011 allocated in November	319.00	2014-2015	80,050	0	0	80,050
	310.00	2015-2016				
	301.00	2016-2017				

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 November 2011	Allocated in August 2011	Allocated in 2010
Average price per share	355.00	278.00	400.00
Strike price per share	355.00	278.00	400.00
Expected volatility	43.07%	37.75%	36.76%
Expected life	4 1/2 years	4 1/2 years	4 1/2 years
Expected dividend per share	DKK 9	DKK 9	DKK 7
Risk-free interest	0.7-1.3%	1.3-1.8%	1.1-1.8%
Number of share options allocated	80,050	340,390	170,700
Fair value per option, DKK	123.17	89.93	127.58
Total fair value, DKKm	10	31	22

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

43. Related party transactions

Related parties with significant influence consist of the Group's Board of Directors and Executive Management plus close relatives of these persons. Related parties also include companies on which these persons exert considerable influence.

Transactions between the consolidated Group enterprises are eliminated in these consolidated financial statements. In 2010 and 2011 there were no transactions between related parties not part of the Group apart from the below mentioned.

DKKm	2011	2010
Remuneration of Board of Directors		
Board of Directors fees	5	5
Total remuneration of Board of Directors	**5**	**5**
Remuneration of the Executive Management		
Wages and salaries	21	20
Share-based payment	4	3
Total remuneration of the Executive Management	**25**	**23**
This includes remuneration of the Group Chief Executive Officer, Mr Jørgen Huno Rasmussen	9	9

In the event of dismissal the Chief Executive Officer has two years' notice and shall receive one year's salary on the actual termination of his employment.
The rest of the Executive Management has 18 months' notice in the event of dismissal and shall receive up to six months' salary on the actual termination of their employment.

44. Board of Directors and Executive Management

The members of the FLSmidth & Co. A/S Board and Executive Management hold shares in FLSmidth & Co. A/S and other executive positions in Danish and foreign commercial enterprises as specified below:

	Nominal shareholding		Executive positions in other commercial enterprises *
	31 December 2011 Number of shares	31 December 2011 Number of shares	
Board of Directors			
Jesper Ovesen	1,000	1,000	Chairman of the Board of Nokia Siemens Network (Germany). Member of the Boards of Skandinaviska Enskilda Banken (Sweden) and Orkla ASA (Norway).
Jens Palle Andersen (elected by the employees)	862	796	None.
Mette Dobel (elected by the employees)	562	546	None.
Martin Ivert	300	300	Chairman of Swerea (Sweden). Member of the Boards of Åkers Group (Sweden) and Ovako (Sweden).
Jens S Stephensen (Vice Chairman)	60,000	60,000	Chairman of the Boards of Holm & Grut A/S and Danish Airlease ApS. CEO of OY Ejendom Nord ApS and member of Ann Birgitte og Niels Orskov Christensens Familiefond.
Torkil Bentzen	3,600	2,600	Chairman of the Boards of Directors of Burmeister & Wain Scandinavian Contractor A/S, EUDP (Energy Development and Demonstration Programme) and Klimakonsortiet (the Climate Consortium). Member of the Boards of Directors of Mesco Danmark A/S and Siemens Aktieselskab.
Vagn Ove Sørensen (Chairman)	1,301	521	Chairman of the Boards of Directors of TDC A/S and KMD A/S. Vice Chairman of the Board of Directors of DFDS A/S. Member of the Board of Directors of CP Dyvig & Co. A/S. Chairman of the Boards of Directors of: Scandic Hotels AB (Sweden), Select Service Partner Plc (UK) and British Midland (UK). Member of the Boards of Directors of Lufthansa Cargo (Germany), Air Canada (Canada), Royal Carribbean Cruises Ltd. (USA) and Braganza AS (Norway).
Sten Jakobsson	1,500	500	Chairman of the Board of Directors of Power Wind Partners AB (Sweden). Vice Chairman of the Board of Directors of SAAB. Member of the Boards of Directors of Stena Metall (Sweden) and Xylem Inc (USA).
Frank Lund (elected by the employees)	121	56	None.
Executive Management			
Jørgen Huno Rasmussen			Vice Chairman of the Boards of Directors of Lundbeckfonden and Tryghedsgruppen smba. Member of the Boards of Directors of Vestas Wind Systems A/S and LFI A/S.
Poul Erik Tofte			None.
Christian Jepsen			Member of the Board of Directors of Nuna Minerals A/S (Greenland).
Bjarne Moltke Hansen			Member of the Board of Directors of RMIG A/S.

* apart from 100% owned FLSmidth & Co. A/S subsidiaries

45. Events occurring after the balance sheet date

As announced on 6 January 2012, FLSmidth has appointed a new Group Chief Financial Officer (CFO), Mr Ben Guren, who will take up his position on 10 April 2012.

As announced on 17 January 2012, FLSmidth has been awarded contracts at a total value of approximately DKK 500m for supplies of equipment for the expansion of a copper mine in South America.

As announced on 23 January 2012 FLSmidth is negotiating the acquisition of Ludowici, an Australian company. FLSmidth has submitted an offer to the Board of Directors of Ludowici to acquire all the shares in Ludowici at a price of AUD 7.20 per share corresponding to an enterprise value of approximately AUD 267m on cash and debt-free basis.

As announced on 16 February 2012, FLSmidth has entered into a Scheme Implementation Agreement with Ludowici under which FLSmidth offers to pay AUD 10 per share for all shares of Ludowici by way of a scheme of arrangement.

Ludowici is the world's leading provider of coal centrifuges, vibrating screens and complementary wear resistant products and services for the minerals industries. Ludowici is headquartered in Brisbane, Australia. The company employs approximately 1,000 people globally and is listed on the Australian Securities Exchange (Ticker: LDW, www.ludowici.com.au).

As announced on 7 February FLSmidth has received an order worth DKK 467m from Allied Nevada Gold Corp. for equipment and services for the customer's gold mine about 200 kilometres northeast of Reno in the state of Nevada, USA.

As announced on 9 February FLSmidth has been awarded a DKK 640m contract by Mongolyn Alt (MAK) in Mongolia for a greenfield cement plant.

46. Approval of the Annual Report for publication

At its meeting on 21 February 2012 the Board of Directors has approved this Annual Report for publication.
The Annual Report will be presented to the shareholders of FLSmidth & Co. A/S for approval at the Annual General Meeting on 30 March 2012.

47. Shareholders

No shareholders have reported a participating interest that exceeds 5% of the share capital.

48. Primary exchange rates

In translating the figures of the Group's companies, the following exchange rates have been used.

	2011		2010	
	Average rate	**Closing rate**	**Average rate**	**Closing rate**
AUD	5.53	5.84	5.17	5.70
BRL	3.21	3.08	3.20	3.36
CAD	5.42	5.63	5.46	5.62
CHF	6.05	6.12	5.40	5.98
CNY	0.83	0.91	0.83	0.85
CZK	0.30	0.29	0.29	0.30
EUR	7.45	7.43	7.45	7.45
GBP	8.59	8.90	8.69	8.67
HUF	0.03	0.02	0.03	0.03
IDR	0.00	0.00	0.00	0.00
INR	0.12	0.11	0.12	0.13
MXN	0.43	0.41	0.45	0.45
NOK	0.96	0.96	0.93	0.95
PHP	0.12	0.13	0.00	0.00
PLN	1.81	1.67	1.86	1.88
RUB	0.18	0.18	0.19	0.18
SEK	0.83	0.83	0.78	0.83
USD	5.36	5.75	5.62	5.61
ZAR	0.74	0.71	0.77	0.85

49. Accounting policies

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

The financial statements of the parent company FLSmidth & Co A/S are presented in conformity with the provisions of the Danish Financial Statements Act for reporting class D enterprises. The instances in which the parent company's accounting policies deviate from those of the Group have been separately described on page 145.

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 and for the parent company are unchanged from 2010. However, a few reclassifications have taken place in the comparative figures for 2010.

Implementation of new and changed standards and interpretations
The Annual Report for 2011 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 2011 or later. These standards and interpretations are:

- Amended IFRS 24, *Related parties, applicable as at 1 January 2011*.
- Amended to IFRS 32, *Financial instruments: Presentation, applicable as at 1 February 2010*.
- Amendment to IFRIC 14, "IAS 19 Employee benefits", applicable as at 1 January 2011. The amendment means that prepayments of minimum contributions can be recognised as an asset.
- IFRIC 19 *"Extinguishing financial liabilities with equity instruments", applicable as at 1 July 2010.* IFRIC 19 addresses the accounting procedure in cases where it is agreed with the creditor to fully or partically convert a financial liability to shares or other equity instruments in the enterprise.
- Parts of Improvements to IFRS May 2010, applicable as at 1 January 2011.

The amended standards and interpretations have not affected recognition and measurement in the 2011 Annual Report. Nor have the amendments affected presentation and disclosure.

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

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

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

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

Business combinations
On acquisition of enterprises, the purchase method is applied, and the assets, liabilities and contingent liabilities of the enterprises acquired are measured at fair value on the date of acquisition. The date of acquisition is the date when the Group in fact gains 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.

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

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

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

In the case of business combinations, positive variances 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 at least once a year for impairment. On the acquisition, goodwill is allocated to the cash generating units which subsequently form the basis of the impairment test. Negative variances (negative goodwill) are recognised in the income statement at the date of acquisition.

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

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

If the final determination of the selling price is subject to one or more future events or fulfilment of terms agreed, the price is recognised at fair value at the date of disposal and classified as a financial asset.

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

Translation of foreign currency
The functional currency is determined for each of the reporting enterprises. The functional currency is the currency primarily used by the individual reporting enterprises in connection with day-to-day operations.Transactions in another currency than the functional currency are transactions in foreign currency.

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

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

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

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

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

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

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

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

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

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

Income statement

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

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

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

Grants
Grants related to the acquisition of assets are recognised as a liability and recognised in the income statement in step with spending and depreciation on the assets concerned.

Grants received to cover costs are recognised as a liability 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.

49. Accounting policies (continued)

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

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

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

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

Other operating income and costs
Other operating income and costs consist of income and costs of secondary nature to the Group's activities, including certain grants, rent income and royalties, fees, etc. plus profits and loss on disposal of individual assets, land and buildings, which is not considered part of the disposal of a complete operation.

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 more true and fair view of the Group's other operational activities.

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

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

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

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

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

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

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

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

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

Discontinued activities
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 profit and loss statement.

Balance sheet

Intangible assets
Goodwill
Goodwill is measured in the balance sheet at cost in connection with initial recognition. Subsequently, goodwill is measured at cost less accumulated write-downs. When recognising goodwill, it is allocated to the cash flow generating units as defined by the Group Executive 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 non-current assets in the cash flow generating unit to which the goodwill is allocated, and it is written down to recoverable amount via the income statement if the carrying value exceeds the recoverable amount, this representing the higher of the fair value of the asset less expected disposal costs or value in use. The recoverable amount is determined as the present value of the expected future net cash flows from the cash generating unit to which the goodwill is allocated. Write-down of goodwill is stated in the income statement on the line *Amortisation and write-down of intangible assets*.

Other intangible assets
Other intangible assets with a finite useful life are measured at cost less accumulated amortisation and write-downs. Other intangible assets with indefinite useful life are not amortised, but are tested for impairment at least once a year.

Development costs consist of salaries, amortisation and other costs that are directly attributable to development activities.

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

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

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

Amortisation takes place systematically over the estimated useful life of the assets which is as follows:

- Development costs, up to 5 years.
- Software applications, up to 5 years.
- Patents, rights and other intangible assets, up to 20 years.
- Customer relations, up to 30 years.

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

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

Depreciation is charged on a straight line basis over the estimated useful life of the assets until they reach the estimated residual value.
Estimated useful life is as follows:

- Buildings, 20 – 40 years.
- Plant and machinery, operating equipment and other tools and equipment, 3 -10 years.
- Fitting up rented premises, up to 5 years.

The period of depreciation 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 assets of own construction are depreciated from the time they are available for use. Land is not depreciated.

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

Assets held under a finance lease are measured in the balance sheet at fair value or the present value of future lease payments at the time of acquisition, if lower.

In calculating the present value, the internal interest rate of the lease agreement is used as a discounting factor or as the Group's alternative borrowing rate. Assets held under a finance lease are depreciated like other tangible assets of the Group.

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

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

Financial assets
Investments in associates are measured according to the equity method. The proportionate share of the equity value of associates is adjusted for by adding or deducting, as the case may be, proportionate intercompany profits and losses and the carrying amount of goodwill is added.

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

Inventories
Inventories are measured at cost based on weighted average prices for some operational segments and for other operational segments stated according to the FIFO principle. In the case of a lower net realisable value, writedown to this lower value is made. The net realisable value of inventories is measured as the sales price less costs of completion and costs incurred to implement the sale and is fixed on the basis of the expected sales price.

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

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

49. Accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

Impairment of non-current assets
Goodwill and Other intangible assets of indefinite useful life are tested for impairment at least once a year, the first time being before the end of the year of acquisition. Ongoing development projects are also tested at least once per year for impairment. The carrying amounts of other Non-current 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. Impairment losses are recognised in the income statement under the same heading as the related amortisation and depreciation. Write-down of goodwill is not reversed. Write-down on other assets is reversed to the extent that changes have taken place in the assumptions and estimates that led to the write-down.

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

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

Equity

Dividend
Dividend is allocated in the financial statements 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 Equity among Other reserves.

Foreign exchange adjustments
Reserve for foreign exchange adjustment comprises exchange rate differences arising during the translation 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.

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

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

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

In connection with initial recognition of share options, an estimate is made of the number of options to which Management and the 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.

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

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

Pension liabilities / plan assets
The Group has signed post-employment benefit plans or similar arrangements with a large part of the Group's employees.

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

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

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

Changes in benefits concerning the employees' former employment in the 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 in the statement of comprehensive income.

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

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

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

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

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

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

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

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

Assets held for sale
Assets held for sale consist of assets and disposal groups that are held for the purpose of sale. Disposal groups are a group of assets that are to be disposed of by sale or otherwise, together in a single transaction, and associated liabilities that are transferred through the transaction. Assets are classified as 'held for sale' if their carrying value will primarily be recovered by sale within 12 months in accordance with a formal plan rather than by continued use.

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

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

49. Accounting policies (continued)

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

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

Cash flow from operating, investing and financing activities for assets held for sale and discontinued activities appear from note 2.

Assets held for sale, are presented on a separate line in the balance sheet as current assets. Liabilities directly associated to the assets concerned are presented on a separate line in the balance sheet.

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

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

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

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

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

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

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

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

Geographical segmentation is presented for revenue and non current assets for the most important countries. Besides, revenue for important customers which account for more than 10% of the total revenue is stated.

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

No information is given concerning segmentation of balance sheet and cash flow, as Management does not use this for internal reporting and control.

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

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

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

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

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

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

At the time of releasing this Annual Report, the following important new or amended standards and interpretations were not incorporated in the 2011 Annual Report as they were not in force and not approved for use in the EU.

- IFRS 9, Financial instruments: Classification and Measurement
- Amendments to IFRS 7, Financial instruments: Disclosures
- IFRS 10, *Consolidated financial statements*
- IFRS 11, *Joint Arrangements*
- IFRS 12, *Disclosure of Interests in Other Entities*
- IFRS 13, *Fair Value Measurements*
- Amended IAS 1, *Presentation of Financial Statements*
- Amended IAS 27, *Consolidated and Separate Financial Statements*
- Amended IAS 28, *Investments in Associates and Joint Ventures*
- Amended IAS 19, *Employee Benefits*
- Amended IAS 12, *Income Taxes*

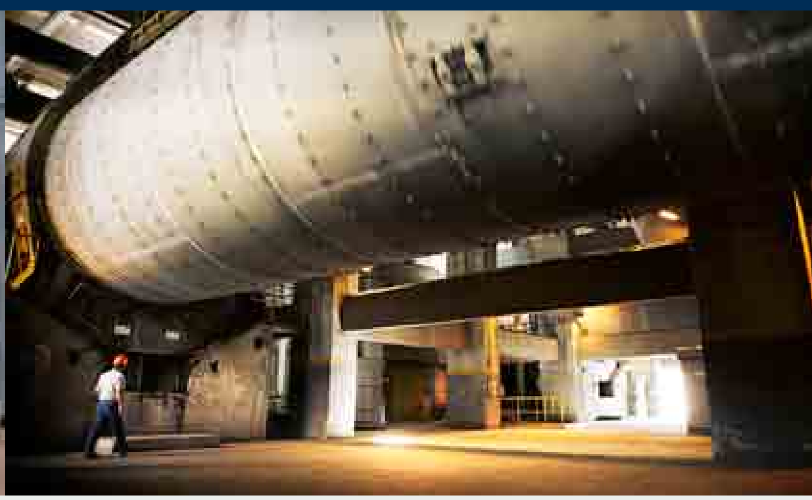
The above standards are not espected to have a material impact on the financial reporting for the coming financial years.

51. List of Group companies

Company name	Country	Currency	Nominal share capital (000s)	Direct Group holding (pct.)
FLSmidth & Co. A/S	Denmark	DKK	1,064,000	100
Aktieselskabet af 1. januar 1990, Valby	Denmark	DKK	500	100
Igrene MP A/S	Denmark	DKK	500	100
DEF 1994 A/S	Denmark	DKK	1,000	100
FFE Invest A/S	Denmark	DKK	25,000	100
FLS miljø a/s	Denmark	DKK	500	100
FLS miljo Ltd.	UK	GBP	3,753	100
FLS Plast A/S	Denmark	DKK	1,500	100
FLS Real Estate A/S	Denmark	DKK	3,100	100
FLSmidth (Beijing) Ltd.	China	CNY	5,462	100
FLSmidth Finans A/S	Denmark	DKK	10,000	100
FLSmidth Dorr-Oliver Eimco Mexico S.A. de C.V.	Mexico	MXN	599	100
FLSmidth Dorr-Oliver Eimco Venezuela S.R.L.	Venezuela	VEF	2	100
FLSmidth S.A.C.	Peru	USD	0	100
Redep A/S	Denmark	DKK	500	100
SLF Romer XV ApS	Denmark	DKK	125	100
VA77 af 25. november 2004 ApS	Denmark	DKK	250	100
NL Supervision Company A/S	Denmark	DKK	500	100
NLS-SSBIL*	UAE	UAE	150	50
NL Supervision Company Tunisia	Tunisia	TND	0	100
Cembrit Holding A/S	Denmark	DKK	83,000	100
Cembrit A/S	Denmark	DKK	21,000	100
Cembrit as	Norway	NOK	500	100
Cembrit a.s.	Czech Republic	CZK	1,126,240	100
Cembrit B.V.	Netherlands	EUR	31	100
Cembrit IBS B.V.	Netherlands	EUR	18	100
Cembrit GmbH	Germany	EUR	79	100
Cembrit Kft.	Hungary	HUF	402,000	100
Cembrit Ltd.	UK	GBP	500	100
Cembrit Oy	Finland	EUR	1,682	100
Cembrit FB Sp. z o.o.	Poland	PLN	250	100
Cembrit NV/SA	Belgium	EUR	1,388	100
Cembrit S.A.	Poland	PLN	24,806	100
Cembrit S.p.A.	Italy	EUR	3,002	100
Cembrit s.r.o.	Slovakia	EUR	207	100
Cembrit Tepro AB	Sweden	SEK	600	100
DKCF ApS	Denmark	DKK	125	100
FASS S.a.r.l.	France	EUR	1	100
Cesider SAS	France	EUR	100	100
Cembrit SAS	France	EUR	700	100
OOO Cembrit	Russia	RUB	10	100
Interfer S.A.S.	France	EUR	336	100
FLSmidth A/S	Denmark	DKK	500,000	100
FLS EurAsia AG **	Switzerland	CHF	1,500	33
FLSmidth Argentina S.A.	Argentina	USD	12	100
FLSmidth d.o.o.	Croatia	HRK	20	100
FLSmidth S.A.	Spain	EUR	4,246	100
FLSmidth (Private) Ltd.	Pakistan	PKR	94,556	100
FLSmidth Dorr-Oliver Eimco Denmark ApS	Denmark	DKK	10,561	100
FLSmidth Milano S.R.L.	Italy	EUR	250	100
FLSmidth (UK) Limited	UK	GBP	5,337	100
FLSmidth (Jersey) Limited	UK	EUR	80	100
FLSmidth Ireland Limited	Ireland	EUR	0	100
FLSmidth Ltd.	UK	GBP	1,500	100
FLSmidth Ltda.	Brazil	BRL	9,763,000	100
ESSA Do Brasil Ltda.	Brazil	BRL	3,772	99
FLSmidth MAAG Gear AG	Switzerland	CHF	1,000	100
FLSmidth MAAG Gear Sp. z o.o.	Poland	PLN	31,449	100
FLSmidth Krebs GmbH	Austria	EUR	36	100
FLSmidth Machinery Industry (Qingdao) Co. Ltd.	China	CNY	40,434	100
FLSmidth Machinery Trade Co. Ltd.	China	CNY	2,000	100
FLSmidth Mongolia	Mongolia	MNT	1,261	100
FLSmidth Oy	Finland	EUR	125	100
FLSmidth Qingdao Ltd.	China	CNY	33,346	100
FLSmidth Rusland Holding A/S	Denmark	DKK	450	100
FLSmidth Rus OOO	Russia	RUB	400	100
FLSmidth SAS	France	EUR	200	100
FLSmidth Shanghai Ltd.	China	CNY	33,368	100
FLSmidth Sp. z.o.o.	Poland	PLN	800	100
FLSmidth Spol. s.r.o.	Czech Republic	CZK	13,362	100
FLSmidth Ventomatic SpA	Italy	EUR	181	100
Darimec S.r.L.	Italy	EUR	1,000	100
IDA S.r.L.	Italy	EUR	10	100
FLSmidth Zambia Ltd.	Zambia	USD	0	100
LFC International Engineering JSC *	Vietnam	USD	600	40
LV Technology Public Company Ltd. *	Thailand	THB	37,043	9
MAAG Gear Systems AG	Switzerland	CHF	8,000	100
Phillips Kiln Services International F.Z.E.	UAE	USD	55	100
Pfister Holding GmbH	Germany	EUR	1,023	100
PT FLSmidth Indonesia	Indonesia	IDR	3,500,000	100
The Pennies and Pounds Holding, Inc.*	The Philippines	PHP	8,485	33
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 Pfister GmbH	Germany	EUR	3,962	100
FLSmidth Pfister Ltda.	Brazil	BRL	100	100
FLSmidth Pfister, Inc.	USA	USD	1	100
FLSmidth Hamburg GmbH	Germany	EUR	1,023	100
Möller Materials Handling GmbH	Germany	EUR	25	100
Möller-Fuller Sp. z.o.o.	Poland	PLN	25	100
FLSmidth Wiesbaden GmbH	Germany	EUR	1,176	100
FLSmidth Wadgassen GmbH	Germany	EUR	25	100
FLSmidth GmbH	Austria	EUR	509	100
FLSmidth Wuppertal GmbH	Germany	EUR	359	100
Pfaff Maschinenbau GmbH	Germany	EUR	77	100
Fuller Offshore Finance Corp. B.V.	Netherlands	EUR	2,269	100
FLSmidth Kovako B.V.	Netherlands	EUR	16	100
Öresund Unloader Design Bureau Holding AB	Sweden	SEK	2,200	100
Öresund Unloader Design Bureau AB	Sweden	SEK	1,800	100
FLSmidth Minerals Holding ApS	Denmark	DKK	200	100
FLSmidth Ltd.	Canada	CAD	84,783	100
4424972 Canada Inc.	Canada	CAD	1	100
9189-6175 Quebec Inc.	Canada	CAD	0	100
4437845 Canada Inc.	Canada	CAD	0	100
7963840 Canada Inc.	Canada	CAD	0	100
Phillips Kiln Services Ltd.	Canada	CAD	350	100
FLSmidth Pty. Ltd.	Australia	AUD	52,100	100
ESSA Australia Limited	Australia	AUD	9,978	100
ESSA International Pty. Ltd.	Australia	AUD	0	100
ESSA Europe GmbH	Germany	EUR	0	100
FLSmidth ABON Pty. Ltd.	Australia	AUD	6	100
FLSmidth Dorr-Oliver Eimco Pty Limited	Australia	AUD	5,859	100
FLSmidth Krebs Australia Pty. Ltd.	Australia	AUD	1,648	100
FLS Automation Australia Pty. Ltd.	Australia	AUD	1	100
FLSmidth S.A.	Chile	USD	10,423	100
FLSmidth Krebs Chile Limitada	Chile	CLP	74,650	100
FLSmidth S.A. de C.V.	Mexico	MXN	15,050	100
FLSmidth Private Limited	India	INR	258,433	100
EEL India Private Limited	India	INR	58,500	100
Transweigh India Ltd.	India	INR	23,995	100
FLSmidth (Pty.) Ltd.	South Africa	ZAR	25	100
FLSmidth Buffalo (Pty.) Ltd.	South Africa	ZAR	41	100
FLSmidth Krebs Africa (Pty.) Ltd.	South Africa	ZAR	0	100
FLS Automation South Africa (Pty.) Ltd.	South Africa	ZAR	1,875	100
FLSmidth Dorr-Oliver Eimco Africa (Pty.) Ltd.	South Africa	ZAR	0	100
Roymec (Pty) Ltd.	South Africa	ZAR	5	74
Figure Out (Pty) Ltd.	Botswana	BWP	0	100
FLS US Holdings, Inc.	United States	USD	0	100
FLS Automation Inc.	United States	USD	10	100
FLSmidth DOE Acquisition USA Inc.	United States	USD	46,000	100
FLSmidth Krebs Inc.	United States	USD	6	100
FLSmidth Krebs (Beijing) Ltd.	China	CNY	2,413	100
FLSmidth DOE Holdings Inc	United States	USD	3,924	100
FLSmidth Salt Lake City, Inc.	United States	USD	1,520	100
FLSmidth Dorr-Oliver Eimco SLC Inc.	United States	USD	1	100
FLSmidth Dorr-Oliver Inc.	United States	USD	991	100
FLSmidth Dorr-Oliver International Inc.	United States	USD	0	100
FLSmidth Inc.	United States	USD	1,000	100
Excel Foundry & Machine Inc.	United States	USD	0	100
FLSmidth Boise, Inc.	United States	USD	0	100
FLSmidth Spokane, Inc.	United States	USD	0	100
Fuller Company	United States	USD	0	100
Fuller International Inc.	United States	USD	0	100
Fuller International Trading Corp.	United States	USD	0	100
General-Fuller International Corp.	United States	USD	0	100
SLS Corporation	United States	USD	0	100
Phillips Kiln Services Ltd.	United States	USD	70	100
Phillips Kiln Services (India) Pvt. Ltd.**	India	INR	3,054	50
Phillips Kiln Services Europe Ltd.**	UK	GBP	0	50
FLSmidth USA Inc.	United States	USD	0	100
Smidth & Co.	United States	USD	0	100

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

Parent company financial statements 2011



Income statement

Notes	DKKm	2011	2010
1	Dividend from Group enterprises	500	500
2	Other operating income	14	14
3	Staff costs	(6)	(10)
4	Other operating costs	(30)	(14)
8	Depreciation, amortisation and write-downs	(3)	(3)
	Earnings before interest and tax (EBIT)	**475**	**487**
5	Financial income	707	542
6	Financial costs	(650)	(429)
	Earnings before tax (EBT)	**532**	**600**
7	Tax for the year	(10)	(22)
	Profit/loss for the year	**522**	**578**
	Distribution of profit for the year:		
	Retained earnings	522	578
		522	**578**
	Distribution of dividend:		
	Proposed dividend	479	479
		479	**479**

The Board of Directors recommends that the Annual General Meeting approves a dividend of DKK 9 per share (2010: DKK 9 per share).

Parent company balance sheet

Assets

Notes	DKKm	2011	2010
	Land and buildings	43	46
	Operating equipment, fixtures and fittings	0	0
8	**Tangible assets**	**43**	**46**
9	Investments in Group enterprises	3,351	3,357
9	Other securities and investments	37	37
10	Deferred tax assets	40	101
	Financial assets	**3,428**	**3,495**
	Total non-current assets	**3,471**	**3,541**
	Receivables from Group enterprises	4,538	4,407
	Other receivables	258	197
11	**Receivables**	**4,796**	**4,604**
	Other securities and investments	**1**	**1**
11	**Cash and cash equivalents**	**263**	**1,544**
	Total current assets	**5,060**	**6,149**
	TOTAL ASSETS	**8,531**	**9,690**

Equity and liabilities

Notes	DKKm	2011	2010
	Share capital	1,064	1,064
	Retained earnings	1,522	1,570
	Proposed dividend	479	479
	Equity	**3,065**	**3,113**
12	Provisions	121	121
	Provisions	**121**	**121**
13	Mortgage debt	307	302
13	Other liabilities	35	35
13	Bank loans	810	813
	Long-term liabilities	**1,152**	**1,150**
13	Bank loans	108	0
13	Debt to Group enterprises	3,858	5,090
13+14	Other liabilities	227	216
	Short-term liabilities	**4,193**	**5,306**
	Liabilities	**5,345**	**6,456**
	TOTAL EQUITY AND LIABILITIES	**8,531**	**9,690**

Parent company equity

DKKm	Share capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2010	**1,064**	**1,472**	**266**	**2,802**
Retained earnings		578		578
Dividend paid		4	(266)	(262)
Proposed dividend		(479)	479	0
Share-based payment, share options		3		3
Share-based payment, employee shares, subsidiaries		39		39
Disposal of treasury shares		56		56
Disposal of treasury shares, employee shares, subsidiaries adjustment 2009		34		34
Acquisition of treasury shares		(137)		(137)
Equity at 31 December 2010	**1,064**	**1,570**	**479**	**3,113**
Retained earnings		522		522
Dividend paid		7	(479)	(472)
Proposed dividend		(479)	479	0
Share-based payment, share options		2		2
Disposal of treasury shares		13		13
Disposal of treasury shares, employee shares, subsidiaries adjustment 2010		(13)		(13)
Acquisition of treasury shares		(100)		(100)
Equity at 31 December 2011	**1,064**	**1,522**	**479**	**3,065**

DKKm	2011	2010	2009	2008	2007
Movements on share capital (number of shares)					
Share capital at 1 January	53,200,000	53,200,000	53,200,000	53,200,000	53,200,000
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 twenty votes, and there are no special rights attached to the shares.

The year's movements in holding of treasury shares (number of shares):	2011	2010
Treasury shares at 1 January	719,347 shares	755,298 shares
Acquisition of treasury shares	271,573 shares	285,385 shares
Share options settled	(27,806) shares	(186,600) shares
Employee shares in connection with the FLSmidth global incentive programme 2009 and 2010	(58,468) shares	(93,624) shares
Disposal of treasury shares to employees	(18,333) shares	0 shares
Acquisition/disposal of treasury shares to/from subsidiaries	41,112 shares	(41,112) shares
Treasury shares at 31 December	927,425 shares	719,347 shares
Reserved for employee shares in connection with FLSmidth Global Incentive Programme for the year	0 shares	(73,216) shares

Representing 1.7% (2010: 1.4%) of the share capital.

Please see the Management's review on page 28 regarding the use of treasury shares.

In 2010, a few subsidiaries in the Group held treasury shares for the Group's employee share programme.

Notes to the parent company financial statements

Income statement

1. Dividend from Group enterprises

DKKm	2011	2010
Dividend from Group enterprises	500	523
Dividend received from Group enterprises set off against cost	0	(23)
	500	**500**

2. Other operating income

DKKm	2011	2010
Management fee etc.	14	14
	14	**14**

3. Staff costs

DKKm	2011	2010
Wages, salaries and fees	4	7
Share-based payment	2	3
	6	**10**
Average number of employees	**2**	**3**

Remuneration of the Board of Directors for 2011 amounts to DKK 5m (2010: DKK 5m), including DKK 1m (2010: DKK 1m), which was incurred by the parent company. The total remuneration of the parent company Management amounted to DKK 25m (2010: DKK 23m), DKK 5m of which (2010: DKK 9m) was incurred by the parent company.

4. Fee to auditors appointed at the Annual General Meeting

DKKm	2011	2010
Deloitte		
Statutory audit	2	1
Other services	2	2
	4	**3**

5. Financial income

DKKm	2011	2010
Reversal of write-down of investments in Group enterprises	0	23
Interest receivable and other financial income from financial assets not measured at fair value	6	10
Interest received from Group enterprises	104	114
Foreign exchange gains	597	395
	707	**542**

6. Financial costs

DKKm	2011	2010
Write-down of investments in Group enterprises	0	39
Interest receivable and other financial costs from financial liabilities not measured at fair value	46	81
Interest to Group companies	17	6
Foreign exchange losses	587	303
	650	**429**

7. Tax for the year

DKKm	2011	2010
Tax for the year		
Current tax on the profit/loss for the year	(2)	0
Withholding tax	1	1
Adjustments regarding previous years, permanent taxes	0	2
Adjustments, deferred tax	11	19
Tax for the year	**10**	**22**

Tax paid in 2011 amounts to DKK -39m (2010: DKK 4m).

Balance sheet

8. Tangible assets

DKKm	Land and buildings	Operating equipment, fixtures and fittings	Total
Cost at 1 January 2011	223	2	225
Acquisition/disposal	0	0	0
Cost at 31 December 2011	**223**	**2**	**225**
Depreciation and write-downs at 1 January 2011	177	2	179
Annual depreciation and write-downs	3	0	3
Depreciation and write-downs at 31 December 2011	**180**	**2**	**182**
Carrying amount at 31 December 2011	**43**	**0**	**43**

9. Financial assets

DKKm	Investments in Group enterprises	Other securities and investments	Total
Cost at 1 January 2011	5,592	37	5,629
Disposals	(13)	0	(13)
Cost at 31 December 2011	**5,579**	**37**	**5,616**
Write-down at 1 January 2011	2,235	0	2,235
Disposals	(7)	0	(7)
Write-down at 31 December 2011	**2,228**	**0**	**2,228**
Carrying amount at 31 December 2011	**3,351**	**37**	**3,388**

Value in use of Group companies, expressing their recoverable amount, is calculated by discounting expected future cash flow to net present value. Expected future cash flow is based on Management estimates including expected growth rates, etc. The discounting factor is also based on Management estimates which include both general capital market conditions and a specific risk profile (currently 12-15% before tax (2010: 12-14%)).

The calculations of value in use consist of discounted expected cash flow for the next five years and a calculated terminal value of cash flow for the subsequent period. The calculation of teminal value is based on Management's conservative growth rate estimate (1%) for each of the cash generating units.

For investments in Group enterprises see note 51 to the consolidated financial statements.

10. Deferred tax assets and liabilities

DKKm	2011	2010
Deferred tax consists of the following items:		
Tangible assets	31	43
Liabilities	9	6
Tax loss carry-forwards, etc.	0	52
Net value of deferred tax	**40**	**101**

11. Receivables, cash and cash equivalents

Debtors falling due after more than one year total DKK 1,008m (2010: DKK 985m). No write-downs have been made in financial receivables. Other receivables include fair value of financial contracts (positive value) and tax on account for the Danish jointly taxed enterprises. Cash and cash equivalents consist of bank deposits.

12. Provisions

DKKm	2011	2010
Provisions at 1 January	121	121
Additions	0	32
Disposals	0	(32)
Provisions at 31 December	**121**	**121**

Provisions consist of guarantees and liabilities in connection with disposal of enterprises and activities and write-down of investments in Group enterprises.

13. Maturity structure of liabilities

DKKm	2011	2010
Maturity structure of liabilities:		
Bank loans	108	0
Debt to Group enterprises	3,858	5,090
Other liabilities	227	216
Within one year	**4,193**	**5,306**
Bank loans	810	813
Other liabilities	35	35
Within one to five years	**845**	**848**
Mortgage debt	307	302
After five years	**307**	**302**
Total	**5,345**	**6,456**

14. Other liabilities

Other liabilities include provisions for insurance and fair value of financial contracts (negative value) and tax on account for Danish enterprises participating in joint taxation.

Others

15. Charges

DKKm	2011		2010	
	Carrying amount of charged assets	Charge	Carrying amount of charged assets	Charge
Real estate	36	307	38	302

16. Contractual liabilities and contingent liabilities

The Company has provided guarantees to financial institutions at an amount of DKK 5,668m (2010: DKK 6,437m).

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

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

See also note 39 to the consolidated financial statements.

17. Related party transactions

Related parties include the parant company's Board of Directors and Executive Management and the Group companies and associates that are part of the FLSmidth & Co. Group.

In 2011 and 2010, there were no transactions with related parties, apart from Management remuneration stated in note 3, which were not included in the consolidation of the Group, nor were there any trasactions with associates.

Parent company sales of services consist of managerial services and insurance services. 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 the activity.

These transactions are carried out on market terms and at market prices.

For guarantees provided by the parent company for related parties, please see note 16 above.

18. Shareholders

See page 80 for information about company shareholders who control more than five percent of the voting rights or nominal value of the total share capital.

19. Other auditors for subsidiaries

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

- Cembrit N.V., Belgium
- Cembrit S.p.A., Italy

20. Accounting policies (parent)

The financial statements of the parent company (FLSmidth & Co. A/S) are presented in conformity with the provisions of the Danish Financial Statements Act for reporting class D enterprises.

To ensure uniform presentation the terminology used in the consolidated financial statements has as far as possible also been applied in the parent company's financial statements. The parent company's accounting policies on recognition and measurement are generally consistent with those of the Group. The instances in which the parent company's accounting policies deviate from those of the Group have been described below.

The company's main activity, income from Group enterprises, is presented first in the income statement under revenue.

Description of accounting policies
Translation of foreign currency
The foreign exchange adjustment of receivables from subsidiaries which are considered to be part of the parent company's total investment in the said subsidiary, is recognised in the parent company income statement.

Dividend from Group enterprises
Dividend from investments in subsidiaries is recognised as income in the parent company income statement in the financial year in which the dividend is declared. This will typically be at the time of the approval in Annual General Meeting of distribution from the company concerned. However, where the dividend distributed exceeds the accumulated earnings after the date of acquisition, the dividend is not recognised in the income statement but is stated as a write-down on the cost of the investment.

Tangible assets
Depreciation is charged on a straight line basis over the estimated useful life of the assets until they reach the estimated residual value. Pursuant to the provisions of IFRS the residual value is revalued annually. In the parent company's financial statements the residual value is determined at the date of the entry into service and is not subsequently adjusted.

Financial assets
Investments in Group enterprises
Investments in Group enterprises are measured at cost less write-downs. Where the cost exceeds the recoverable amount, a write-down is made to this lower value.

To the extent that the distributed dividend exceeds the accumulated earnings after the date of acquisition, that dividend is recognised as a write-down of the investment's cost.

Other securities and investments
Other securities and investments consist of shares in cement plants that are acquired in connection with the signing of contracts and are measured at fair value. If the fair value is not immediately ascertainable, the shares are measured at a prudently assessed value. Value adjustments are recognised in the income statement as financial items.

Cash flow statement
As the consolidated financial statements include a cash flow statement for the whole Group, no individual statement for the parent company has been included, cf. the exemption provision, section 86 of the Danish Financial Statements Act.

One Source

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