Annual Report 2013

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Customer Services | Material Handling | Mineral Processing | Cement

Group financial highlights

5-year summary

DKKm	2009 3)	2010 3)	2011 3)	2012 3)	2013	2013 EUR 1)
INCOME STATEMENT						
Revenue	23,134	20,186	21,998	26,284	26,923	3,610
Gross profit	5,406	5,207	5,734	6,526	5,209	698
Earnings before non-recurring items, depreciation, amortisation and impairment (EBITDA)	2,725	2,387	2,647	2,867	1,304	175
Earnings before amortisation and impairment of intangible assets (EBITA)	2,503	2,177	2,405	2,559	977	131
Earnings before interest and tax (EBIT)	2,261	1,990	2,171	2,041	(339)	(45)
Earnings from financial items, net	(153)	(118)	(101)	(80)	(261)	(35)
Earnings before tax (EBT)	2,108	1,872	2,070	1,961	(600)	(80)
Profit/loss for the year, continuing activities	**1,705**	**1,282**	**1,424**	**1,308**	**(786)**	**(105)**
Profit/loss for the year, discontinued activities	(41)	(4)	13	(5)	2	0
Profit/loss for the year	**1,664**	**1,278**	**1,437**	**1,303**	**(784)**	**(105)**
CASH FLOW						
Cash flow from operating activities	2,470	1,335	1,148	1,720	(157)	(21)
Acquisition and disposal of enterprises and activities	(286)	(45)	(915)	(2,508)	27	4
Acquisition of tangible assets	(210)	(473)	(497)	(739)	(524)	(71)
Other investments, net	(34)	(208)	(236)	(151)	(70)	(9)
Cash flow from investing activities	(530)	(726)	(1,648)	(3,398)	(567)	(76)
Cash flow from operating and investing activities of continuing activities	1,719	577	(496)	(1,642)	(720)	(96)
Cash flow from operating and investing activities of discontinued activities	221	32	(4)	(36)	(4)	(1)
WORKING CAPITAL	**21**	**878**	**1,620**	**1,950**	**2,382**	**319**
NET INTEREST-BEARING RECEIVABLES/(DEBT) (Including Cembrit)	**1,085**	**1,254**	**(98)**	**(3,084)**	**(4,718)**	**(632)**
ORDER INTAKE, CONTINUING ACTIVITIES	**13,322**	**20,780**	**24,044**	**27,727**	**20,911**	**2,803**
ORDER BACKLOG, CONTINUING ACTIVITIES	**21,194**	**23,708**	**27,136**	**29,451**	**22,312**	**2,991**
BALANCE SHEET						
Non-current assets	8,464	9,240	10,795	13,004	12,120	1,625
Current assets	13,438	13,359	14,745	17,327	15,208	2,038
Assets held for sale	0	0	0	1,544	0	0
Total assets	**21,902**	**22,599**	**25,540**	**31,875**	**27,328**	**3,663**
Equity	6,627	8,139	8,907	9,419	6,922	928
Long-term liabilities	3,338	3,145	3,533	6,178	7,284	976
Short-term liabilities	11,937	11,315	13,100	15,784	13,122	1,759
Liabilities directly associated with assets classified as held for sale	0	0	0	494	0	0
Total equity and liabilities	**21,902**	**22,599**	**25,540**	**31,875**	**27,328**	**3,663**
PROPOSED DIVIDEND TO SHAREHOLDERS	**372**	**479**	**479**	**479**	**106**	**14**
DIVIDEND PAID OUT DURING THE YEAR	**105**	**262**	**472**	**471**	**467**	**63**
FINANCIAL RATIOS						
Continuing activities						
Gross margin	*23.4%*	*25.8%*	*26.1%*	*24.8%*	*19.3%*	*19.3%*
EBITDA margin	*11.8%*	*11.8%*	*12.0%*	*10.9%*	*4.8%*	*4.8%*
EBITA margin	*10.8%*	*10.8%*	*10.9%*	*9.7%*	*3.6%*	*3.6%*
EBIT margin	*9.8%*	*9.9%*	*9.9%*	*7.8%*	*(1.3%)*	*(1.3%)*
EBT margin	*9.1%*	*9.3%*	*9.4%*	*7.5%*	*(2.2%)*	*(2.2%)*
Return on equity	29%	17%	17%	14%	(10%)	(10%)
Equity ratio	30%	36%	35%	30%	25%	25%
ROCE (Return on capital employed) 2)	29%	23%	21%	18%	6%	6%
Net working capital ratio	0.1%	4.3%	7.4%	7.4%	8.8%	8.8%
Capital employed (end of period)	8,407	10,259	12,498	16,129	16,013	2,146
Number of employees at 31 December, Group	**10,664**	**11,229**	**13,204**	**15,900**	**15,317**	**15,317**
Number of employees in Denmark	1,650	1,564	1,609	1,687	1,547	1,547
Share and dividend figures, the Group						
CFPS (cash flow per share), (diluted)	47.1	25.3	21.8	33.0	(3.1)	(0.4)
EPS (earnings per share), (diluted)	31.9	24.4	27.1	25.0	(15.6)	(2.1)
Net asset value per share, (Group)	126	154	169	181	139	18.6
Dividend per share	7	9	9	9	2	0.3
Pay-out ratio	22%	37%	33%	36%	n/a	n/a
FLSmidth & Co. share price	367.0	532.0	337.5	327.2	296.1	39.7
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)	52,429	52,693	52,550	52,233	49,891	49,891
Market capitalisation	19,524	28,302	17,955	17,407	15,753	2,112

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

1) Income statement items are translated at the average EUR exchange rate of 7.4579 and the balance sheet and cash flow items are translated at the year end EUR exchange rate of 7.4603.
2) ROCE (Return on capital employed) is calculated on a before tax basis as EBITA divided by average capital employed including goodwill.
3) The income statement figures have been restated as Cembrit is presented as continued activities.

FLSmidth & Co. in brief

Vision

It is FLSmidth's vision to be our customers' preferred full-service provider of sustainable minerals and cement technologies.

Business concept

FLSmidth is a market-leading supplier of equipment and services to the global minerals and cement industries. FLSmidth provides its key industries with core equipment, process know-how and an extended range of services.

FLSmidth is a global company with headquarter 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: copper, gold, coal, iron ore, fertilizers and cement, and is a leading and preferred supplier in each of these industries.

FLSmidth differentiates itself as the preferred full-service provider of sustainable products and solutions based on the best technology and services combined with a strong focus on safety and quality.

The Group's in-house resources are primarily engineers who develop, plan, design, commission and service equipment, with most of the manufacturing being outsourced to a global network of subcontractors. This has proven to be a robust and sustainable business model. FLSmidth, therefore, has a flexible cost structure, which makes it possible to plan and adjust resources to prevailing market conditions.

Fundamental values

Over the past 132 years, FLSmidth has developed a business culture based on three fundamental values, which are firmly rooted in our Danish heritage: cooperation, competence and responsibility.

Ensuring that safety stays on top of mind is part of FLSmidth's commitment to CSR and builds on our company culture of being a responsible employer, corporate citizen, and a reliable business partner.

Investing in FLSmidth

FLSmidth & Co. A/S has been listed on NASDAQ OMX Copenhagen since 1968. Today, it is best characterised as a capital goods or industrial company. Minerals and cement are vital for continued global economic, societal and technological development. FLSmidth excels in sustainable and eco-efficient technological solutions to produce cement and to process and handle minerals. FLSmidth has a proven ability to support the global minerals and cement industries' lower environmental impact, increase capacity and reduce operating costs.

FLSmidth has a sustainable business model and good growth opportunities. With two-thirds of revenue being generated in emerging markets, an investment in FLSmidth is an investment in the emerging markets' growth story.

Share and dividend figures:

- Earnings per share (diluted) amounted to DKK -15.6 2013 (2012: DKK 25.0)
- The total return on the FLSmidth & Co. A/S share in 2013 was -7% (2012: 0%)
- The Board of Directors will propose at the Annual General Meeting that a dividend of DKK 2 per share (2012: DKK 9) and a dividend yield of 0.7% (2012: 3%) be distributed for 2013
- The Board of Directors will propose to the Annual General Meeting that 1,950,000 shares acquired in connection with the share buy-back programme of DKK 521m in 2013 be cancelled, which will reduce the share capital to DKK 1,025,000,000 and the total number of issued shares to 51,250,000 after the Annual General Meeting.
- 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. However, there will be a deviation from this policy in 2013, as the year's profit was impacted by a number of special items.
- FLSmidth takes a conservative approach to capital structure, which is generally 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 maximum 2 times EBITDA. As a consequence of numerous special items in 2013, the capital structure is temporarily outside the targeted range, but is expected to have normalised by the end of 2014.

One Source

FLSmidth delivers a unique combination of technology, service and expertise to its customers. All from one source.

Strategy

To become the market leader in six growth industries

In 2012, FLSmidth launched a global growth strategy with a view to unfolding the Group's growth potential. FLSmidth differentiates itself by being a supplier of full-service solutions to six focus industries: copper, gold, coal, iron ore, fertilizers and cement. A complete portfolio of core technologies and extensive process know-how enables FLSmidth to be a single source of reliable full-service solutions and expertise.

FLSmidth combines more than a century of engineering and technological leadership with a strong commitment to life-cycle services and close cooperation with our customers. FLSmidth offers complete solutions that include single pieces of equipment, complete production lines, optimisation of existing plants including reduction of operating costs and environmental impact, and full scope operation and maintenance.

Adherence to FLSmidth's three core values enables us to remain strongly focused on matching our products and solutions closely with our customers' needs (**Customer intimacy**); on maintaining a commitment to product and technology innovation (**Product leadership**); and on providing a consistently high level of efficient execution (**Operational excellence**). All of which create future value for our customers by helping them operate more efficiently and profitably. In step with increased focus and differentiation, the goal is to generate above market average growth in revenue.

To support the realisation of the group's strategy, FLSmidth is structured in four divisions with a combined **Customer Services** division for both minerals and cement and a dedicated **Cement** project division, while the minerals project activities are divided in a **Material Handling** division (material handling technologies) and a **Mineral Processing** division (mineral processing technologies).

Long-term financial targets

Long-term financial goals for FLSmidth subject to normalised market conditions:

Annual growth in revenue	**Above the market average**
EBITA margin	**10-13%**
ROCE *)	**>20%**
Tax rate	**32-34%**
Equity ratio	**>30%**
Financial gearing	**(NIBD/EBITDA) <2**
Pay-out ratio	**30-50% of the profit for the year**

*) ROCE: Return on Capital Employed calculated on a before tax basis as EBITA divided by average Capital Employed including goodwill.

Guidance 2014

In 2014, FLSmidth & Co. A/S expects consolidated **revenue of DKK 21-24bn** (2013: DKK 26.9bn) and an **EBITA margin of 7-9%** (2013: 3.6%).

Cost associated with the efficiency programme is expected to amount to approximately DKK -70m in 2014, which is included in the guidance. The return on capital employed is expected to be 11-13% in 2014 (2013: 6%).

The effective tax rate is expected to be 33-35% in 2014. (2013: 35% estimated underlying).

Cash flow from investments is expected to be around DKK -0.4bn (2013: DKK -0.6bn).

The four divisions are expected to see the following developments in 2014:

	Expected revenue	Expected EBITA margin
Customer Services	DKK 7.5-8.5bn (2013: 7.6bn)	13-15% (2013: 9.1%)
Material Handling	DKK 3.5-4.5bn (2013: 4.6bn)	0-2% (2013: -11.2%)
Mineral Processing	DKK 5.5-6.5bn (2013: 9.3bn)	6-8% (2013: 8.2%)
Cement	DKK 3.5-4.5bn (2013: 5.2bn)	5-7% (2013: 2.4%)
Cembrit	DKK 1.4bn (2013: 1.4bn)	0-2% (2013: -4.4%)

Main conclusions 2013

2013 was a year marked by preemptive management decisions to prepare FLSmidth for the future and to manage the business cycle. Revenue was historically high despite currency headwind, while order intake declined due to the cyclical downturn of mining investments. Profitability and returns were significantly impacted by one-off costs related to management decisions and other issues. Group revenue and EBITA margin delivered as most recently guided.

Financial results in Q4 2013

Both revenue and order intake increased sequentially, but declined compared to Q4 last year. Planned costs related to the efficiency programme and the surprising Buxton arbitration award had an adverse impact on profitability in the quarter. The underlying EBITA margin was 8.7%.

The order intake decreased
8% to DKK 5,616m (Q4 2012: DKK 6,104m)

Revenue decreased
12% to DKK 7,420m (Q4 2012: DKK 8,395m)

Earnings before amortisation and impairment of intangible assets (EBITA) decreased
75% to DKK 222m (Q4 2012: DKK 893m), corresponding to an EBITA margin of 3.0% (Q4 2012: 10.6%)

Earnings before amortisation and impairment of intangible assets (EBITA) adjusted for special items amounted to DKK 643m, corresponding to an EBITA margin of 8.7%

Earnings before interest and tax (EBIT) decreased
92% to DKK 60m (Q4 2012: DKK 797m) corresponding to an EBIT margin of 0.8% (Q4 2012: 9.5%)

The profit
amounted to DKK -179m (Q4 2012: DKK 462m)

Cash flow from operating activities
amounted to DKK 77m (Q4 2012: DKK 1,532m)

Financial results for 2013

The order intake decreased
25% to DKK 20,911m (2012: DKK 27,727m)

The order backlog decreased
24% to DKK 22,312m (end of 2012: DKK 29,451m)

Revenue increased
2% to DKK 26,923m (2012: DKK 26,284m)

Earnings before amortisation and impairment of intangible assets (EBITA) decreased
62% to DKK 977m (2012: DKK 2,559m), corresponding to an EBITA margin of 3.6% (2012: 9.7%)

Earnings before amortisation and impairment of intangible assets (EBITA) adjusted for special items amounted to DKK 2,217m corresponding to an EBITA margin of 8.2%

Earnings before interest and tax (EBIT)
amounted to DKK -339m (2012: DKK 2,041m) corresponding to an EBIT margin of -1.3% (2012: 7.8%)

The profit
amounted to DKK -784m (2012: DKK 1,303m)

Cash flow from operating activities
amounted to DKK -157m (2012: DKK 1,720m)

Net interest-bearing debt
amounted to DKK -4,718m (end of 2012: DKK -3,084m)

Working capital
amounted to DKK 2,382m (end of 2012: DKK 1,950m)

Return on Capital Employed (ROCE)
declined to 6% (2012: 18%)

Outlook

In 2014, FLSmidth & Co. A/S expects consolidated revenue of DKK 21-24bn (2013: DKK 27bn) and an EBITA margin of 7-9% (2013: 3.6%).

Market trends

2013 has been a year of divergent macroeconomic trends. The world economy is steadily improving but the drivers of growth are changing, challenging both of FLSmidth's core industries, minerals and cement, in the short–term.

Most important to FLSmidth's minerals business is the widely discussed China rebalancing theme. The fear of a hard landing in China and a resulting commodity collapse led to declining commodity prices, especially in the first half of the year. Lately, the new Chinese leadership has announced an ambitious reform blueprint and there seems to be optimism in the market concerning the actual implementation. Therefore, the fear of a hard landing in China diminished somewhat in the second half of the year.

Most commodity prices declined in 2013, reducing miners' returns after a period of extensive capacity expansions. Consequently, miners are focusing on cost and capital efficiency, resulting in the present mining capex downturn. That said, most commodity prices are still well above cash costs and investment thresholds, whereas the short-term outlook for most bulk materials, and in particular coal, continue to be weak. Overall, the downturn is expected to continue throughout 2014 and to flatten out or slightly drop in 2015, before returning to slow growth in 2016. Long term, the positive outlook for mining capex remains encouraging.

FLSmidth's mining aftermarket has held up well. First of all, mines are running continuously causing wear and tear, and generally mines need to run at full, or close to full, speed in order for the equipment to work efficiently. Besides, there is an increasing demand for productivity enhancing services. The high degree of technology content in FLSmidth's products and services means that FLSmidth, in general, has managed to push back on concession requests.

In cement, the industry has been walking on the bottom of a cycle for a few years already. In 2013, the standstill of the Chinese market has clearly intensified competition outside of China. Capacity utilisation in the global cement industry excluding China remains relatively subdued around 70-75%, although with good local or regional opportunities. The struggling Indian economy is a weigh on global growth, while the continuation of the US recovery should entail renewed opportunities in North America. Medium to long term cement fundamentals are encouraging with expectations of a continued expansion of cement consumption and a renewed need for additional capacity. In 2014, the activity level is expected to be slightly higher or similar to 2013.

Productivity and efficiency improvements are increasingly requested by cement producers, and as the world's only provider of full scale operation and maintenance solutions to the global cement industry, FLSmidth helps its customers achieve productivity targets. Also, the composition of FLSmidth's service business with a high degree of spare parts, and less wear parts and consumables business makes it relatively resilient to pricing pressure.

The overall service business remains in relatively good shape with coal being the only notable exception. However, with lacking contribution from acquisitions and both the mining and cement industry in low gear, the past year's double digit growth rates are not expected to be repeated in the near future. Single digit growth rates are more realistic in the short term.

Financial results 2013

FLSmidth

Revenue DKK 26,923m
EBITA margin 3.6%
EBITA margin adjusted for special items 8.2%

	Customer Services	Material Handling	Mineral Processing	Cement
Revenue	DKK 7,565m	DKK 4,552m	DKK 9,256m	DKK 5,201m
EBITA margin	9.1%	(11.2%)	8.2%	2.4%
EBITA margin adjusted for special items	13.3%	0.0%	9.1%	7.5%

Preparing FLSmidth for **the next 130 years**

The short term focus is to manage the Group safely through the cyclical downturn and to ensure that the company is well positioned and fully efficient when growth returns.

New CEO

Late 2012, FLSmidth announced the upcoming retirement of Group CEO Jørgen Huno Rasmussen and the appointment of Thomas Schulz as new Group CEO from 1 May 2013. Thomas Schulz is a 48 year old German citizen, who earned his PhD in Minerals and Mining. Thomas Schulz carries with him more than 20 years of experience in the mining industry and comments on his first impressions of FLSmidth:

"FLSmidth has a compelling business model and is a top service provider into the cement and minerals industries. With its unique combination of engineering skills, in-house technology and value-added services, FLSmidth has an outstanding competitive position. Additionally, a high degree of outsourcing and off-shoring provides the company with a flexible cost structure. Last but not least, the customer focus and the social competences in the company, and in particular the value setting, firmly rooted in FLSmidth's Danish heritage, are on a very high level."

Preparing FLSmidth for the next 130 years

FLSmidth operates in cyclical industries, and always has done. The opportunity lies in managing the cycles and to ensure that the company is constantly prepared for change. In parallel with the initiatives launched under the Group's efficiency programme, we are responding to market developments through 'right-sizing', with the purpose of adjusting production capacity to market demand.

"It is my clear belief that one should always prepare for the downturn in the up-cycle, just as one should prepare for the upturn in the down-cycle, which is why I am so focused on optimising the business and preparing for the upturn right now," Thomas Schulz says.

As a consequence of important strategic decisions some 10 years ago, the business mix of FLSmidth has changed considerably over the last decade and turned the company from being predominantly an equipment supplier to the cement industry into a supplier of complete plants and solutions to the minerals and cement industries. At the same time, the service side of the business has grown from DKK 1-2bn to some DKK 8-9bn in revenue, and the growth potential is still huge. Operation & Maintenance, in particular, is seeing a constantly growing business volume.

"FLSmidth has been on a fantastic and transformational journey over the last 10 years. It has built a remarkable position in minerals in a very short time frame, which will be very difficult for anyone to replicate. More than 25 companies have been acquired in a period when the market was very active. After such a period, it is natural to focus on fully integrating the acquired businesses and consolidating the company's global footprint as well as on improving overall efficiency, which is exactly what we are doing with the efficiency programme that was launched in August 2013," Thomas Schulz comments.

The growth strategy and in particular the many acquisitions have had a short term adverse impact on profitability and especially on the return on capital employed.

"We have the strategic platform we want and in the coming years we will focus on organic growth. We will leverage and optimise our current business. It is our clear target to deliver top-tier financial performance and above-market organic growth. But most importantly, we want to increase the return on capital employed and to generate a higher free cashflow, which also necessitates a lower level of investments," Chairman of the Board of Directors, Vagn Sørensen emphasises.

Thomas Schulz
Group Chief Executive Officer

Vagn Ove Sørensen
Board Chairman

Results delivered in 2013 and outlook for 2014

Capital investments in the mining industry took a deep dive in 2013 after a prolonged period of growth in the preceding 7-8 years. As a consequence, the order intake in Mineral Processing dropped significantly in 2013.

"We believe that what we are witnessing is an ordinary mining capex cycle. A typical cycle lasts 10 years; 3-4 years down, and 6-7 years up. The cycle started to show the first signs of weakness in late 2011, and we believe the downturn will continue at least until late 2014. Recent budget announcements by mining companies suggest that it may continue into 2015. However, it is hard to see that our mining related order intake can become much lower, as long as existing mines are running at full capacity. In fact, we didn't announce any large orders in Mineral Processing in 2013, and we deliberately held back on taking orders in Material Handling, until we had the legacy backlog under control," says Thomas Schulz.

The financial results in 2013 were clearly not satisfactory, however impacted by a number of special items and one-off costs, most of which were announced in connection with the half-year results in August.

"Revenue booked in 2013 was at the lower end of the original guidance for the year, whilst the EBITA margin was clearly below the expectations due to the special items and one-off costs booked in 2013. It is of little comfort that the underlying EBITA margin was 8.2% and in line with the original guidance. Return on Capital Employed dropped to a disappointing 6%, which is far below our target of minimum 20%. As a consequence, we launched the efficiency programme and initiated significant right-sizing activities to adjust capacity to the current market situation," Vagn Sørensen comments.

"We expect Group revenue to drop to DKK 21-24bn and the Group EBITA margin to increase to 7-9% in 2014. At the same time, Return on Capital Employed is expected to increase to 11-13%. Our target is to reach our long term goals as set out in February 2012 in the not too distant future provided the market situation does not deteriorate further," Thomas Schulz concludes.


SAFETY FIRST

Business model

FLSmidth in cement and minerals

Cement and minerals are vital for economic, social and technological developments. Such developments need to be based on sustainable use of the world's resources. As a leading supplier of sustainable technologies and services to the global cement and minerals industries, FLSmidth contributes to sustainable world development and helps to meet the inevitable demand for resources – a demand driven by GDP growth, population growth, industrialisation and urbanisation, especially in developing countries.

Customer base and value proposition

FLSmidth's customer base is composed of global and regional cement and mining companies that invest in new capacity or in expanding, upgrading, maintaining and servicing existing production capacity. FLSmidth has a unique ability to meet the full range of customer requirements, from single equipment to complete plants and from spare parts to full operation and maintenance services. FLSmidth's primary value-proposition is based on a full service total-cost-of-ownership approach based on sustainable and eco-efficient technologies. FLSmidth has a proven ability to help customers increase capacity, reduce operating costs and lower environmental impact. FLSmidth has an excellent track record of reliability, time to market and project follow-through.

Navigating through cycles

The longer term outlook for cement and minerals is encouraging. However, both industries are cyclical by nature – particularly with regard to investments in new capacity. FLSmidth's business model is engineered to account for that. A dynamic business model with outsourced manufacturing and a flexible cost structure, resulting in a high cash conversion allows FLSmidth to manoeuvre safely through the cycles. Furthermore, a growing service business (~40% of today's business) reduces the cyclicality of the entire Group as services are more resilient and stable by nature. At the same time, FLSmidth has a scalable business model and is well positioned to benefit from mid and longer term structural growth opportunities.

Full service provider in six key industries

It is FLSmidth's strategy to be a full service provider in its six focus industries, which are copper, gold, coal, iron ore, fertilizers and cement. Being a full service provider means supplying everything from single products to complete flow sheets and overall plant optimisation solutions.

In cement that means supplying a complete array of equipment and systems ranging from, for example, a raw mill to a complete cement plant on an EP (engineering and procurement) or EPC (engineering, procurement and construction) basis to a full scale operation & maintenance solution. In mining, it means supplying, for example, a ball mill, a bundled equipment "island" a full production plant, a plant optimisation solution or a maintenance solution. In mining, full flow sheets are confined to the areas of material handling, comminution and separation.

FLSmidth sees products as "the means" to service customers rather than "the end". Typically the initial investment is only around 20% of the life-cycle costs, whereas the aftermarket makes up around 80% of the costs, which also is the reason why FLSmidth engages with its customers from a total cost of ownership perspective. Though the aftermarket offers great business potential, FLSmidth is convinced that servicing the aftermarket alone is not a viable path. FLSmidth believes that capturing the sizable aftermarket is best achieved via a unique combination of key products, systems knowledge and service solutions. A high degree of outsourced manufacturing makes it easier to adjust the cost structure to prevailing market conditions. However, internal manufacturing of key products is necessary for competitive and innovative reasons. Besides, product knowledge is important for optimising systems. Often, customers do not just request a product. Instead, they may ask: "How can you help me improve my copper recovery rate?" The answer lies in combining systems and product competencies.




Operation & Maintenance (O&M) concept

In FLSmidth's focus industries, O&M services are the ultimate proof of a full service provider. In cement, FLSmidth offers a full-scale O&M solution. FLSmidth is the only company globally who is able to issue a production guarantee and assure a minimum output over a longer period. In short, FLSmidth can offer the owner of a cement plant to run the plant with FLSmidth staff and to guarantee output levels for an agreed price per tonne. A typical contract has a duration of five years.

Risk sharing between FLSmidth and the customer is based on a rational division of responsibility. FLSmidth's responsibility is contained to risks within its control, i.e. the efficient running and professional upkeep of a facility. The plant owner accounts for fundamental supply issues relating to, for example, power, water, fuel and raw materials.

FLSmidth's O&M concept is offered to all plant owners but is especially an obvious option to producers who have limited operational expertise. FLSmidth helps the customer ensure optimal plant conditions, using a proprietary "autopilot" control and optimisation system to fine-tune processes and by incorporating a computerised maintenance management system into the plant. This not only increases uptime but also helps to diagnose problems accurately and find solutions in a timely manner. Finally, FLSmidth's advanced process simulators provide state-of-the-art staff training and raise skill levels.

A spin-off benefit from operating customers' plants is that it enables FLSmidth to shorten the 'innovative loop'. As a plant operator, FLSmidth obtains on-site, real-time experience of, for example, product or process inefficiencies or improvement potential which can be fed straight back into FLSmidth's innovation centres.

To date, FLSmidth has been awarded contracts to operate and maintain 15 cement production lines – delivered by FLSmidth as well as by peers. This is just a fraction of the installed capacity of some thousand cement production lines worldwide.

In mining, FLSmidth currently provides comprehensive maintenance solutions and it is our ambition to also offer operation in the future.

Synergies between Cement and Minerals

While cement and mining are distinct industries, there are meaningful similarities and synergies between the two. First of all, there is a significant technology overlap. Several of the products used in each of the industries are either identical or very similar, for example, crushers, mills and material handling equipment. Secondly, FLSmidth often works on larger projects in both cement and minerals, and there are many similarities in the project management skill set needed. This provides the benefit of being able to transfer resources and best practices between the two industries. A recent example is the transfer of competencies and best practices to the Material Handling division.

Global organisation

The head office of FLSmidth is located in Copenhagen, Denmark and FLSmidth & Co. A/S has been listed on the Copenhagen Stock Exchange since 1968. The Group has five major global engineering and technology centres; Chennai (India), Copenhagen (Denmark), Salt Lake City, UT (USA), Bethlehem, PA (USA) and Wadgassen (Germany). The biggest single location is FLSmidth in Chennai (India) totaling 2,075 employees, servicing the local Indian market and providing engineering, IT and financial shared services to the global organisation.

FLSmidth is present in more than 50 countries around the world with sales offices, workshops, service centres, technology centres, etc.

Most of the actual manufacturing of machinery and equipment (~80%) is outsourced to a global network of subcontractors and external partners.

The company is managed through a line organisation consisting of four divisions, which are supported by global functions.

□ **Main office - legal entity**
○ **Business locations**

■ ○ **Centre office**
■ ○ **Country office**
■ ○ **Product office**
■ ○ **Sales/service office/service supercenter**
■ ○ **Manufacturing/foundry/warehouse**
■ ○ **R&D/test centre, O&M office/O&M site, IT services**

Strategy health check

■ With the on-boarding of Thomas Schulz as Group CEO in May 2013, FLSmidth conducted a health check of its strategy. The conclusion was clear – FLSmidth's overall strategic direction as well as the long-term financial targets have been verified and confirmed.

Strategy health check

The health check on FLSmidth's Group Strategy was a natural step one year after its launch. Also, it was needed as a consequence of a significantly changed business environment. The conclusion was clear; there is no need to change the overall strategic direction including FLSmidth's focus on the six specific key industries (copper, gold, coal, iron ore, fertilisers and cement) and the fact that FLSmidth remains a Danish company based on Danish values. The long-term financial targets of growth above market average, an EBITA margin of 10-13% and Return on Capital Employed (ROCE) above 20% were also confirmed.

Strategy adjustments

FLSmidth has a strong foothold in our key industries and the divisional set-up of the organisation supports the strategic goals. However, the health check revealed that a few adjustments are needed. Going forward, we will focus even more on areas such as organic growth, integration, quality and safety, research and development, and human resource development.

Full service provider

To be the preferred, full service provider of sustainable minerals and cement technologies, FLSmidth will increase its focus on providing leading products and services. Leading products will be the means by which FLSmidth can provide customers with full-service solutions, full product flowsheets and subsequent service of technology.

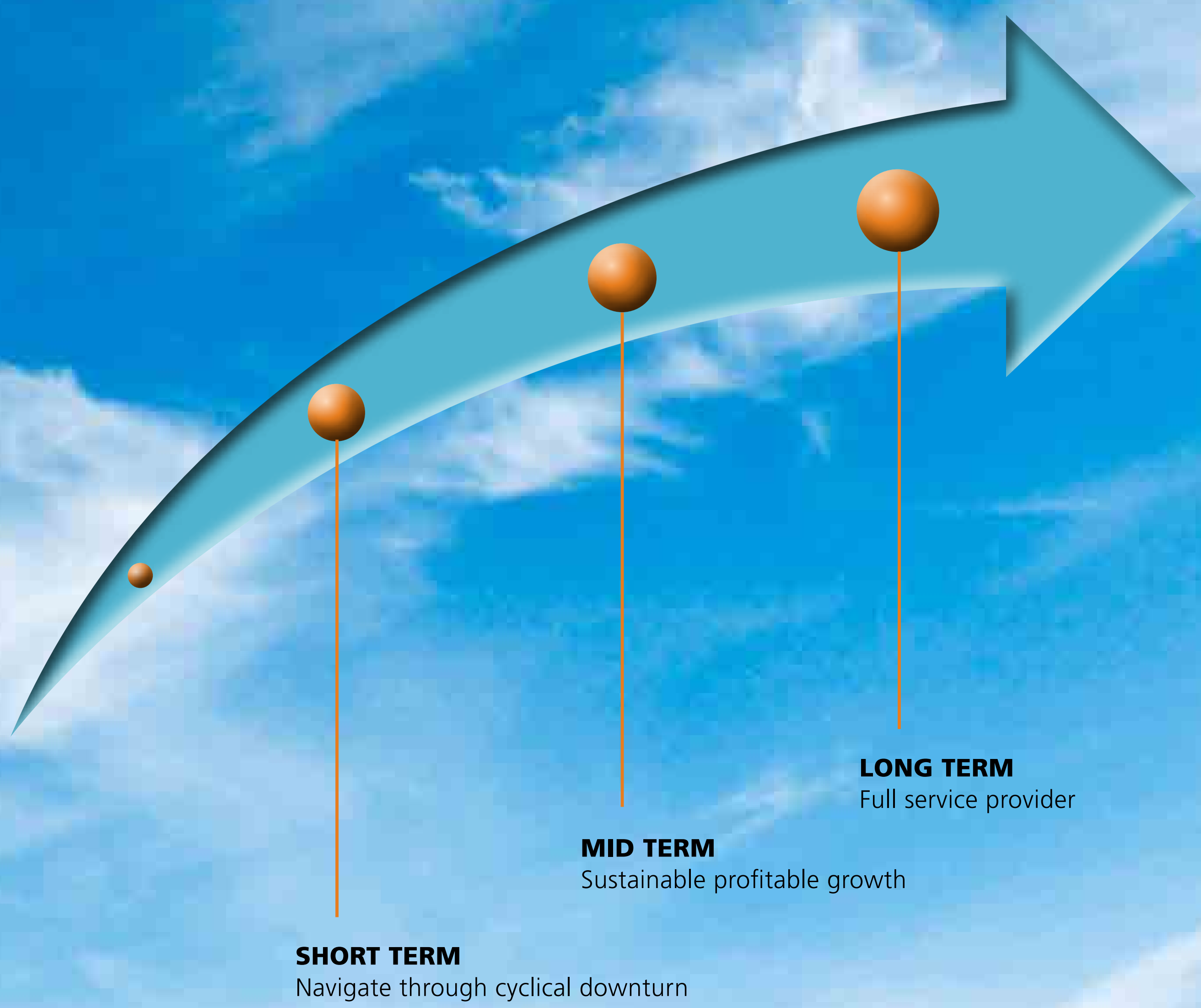
An important step in this direction was taken with the signing of two Operations & Maintenance (O&M) contracts with Dangote Cement PLC in November 2013 (see company announcement no. 27-2013). The orders are for servicing not only FLSmidth equipment, but also servicing competitors' equipment. In the future we will see more orders where FLSmidth not only supplies proprietary machinery and technology, but is also seen as a full service provider. FLSmidth will become the partner that customers can rely on to deliver expert service on minerals and cement technologies. We are called in to service and operate because FLSmidth has the most experience and best product knowledge to make a difference for customers' plants.

Preparing FLSmidth for the next 130 years

To achieve the long-term goal of being the preferred, full service supplier, FLSmidth will first focus on the short-term with the goal of navigating safely through the cyclical downturn, which is an inherent feature of the industries the company serves. Through the efficiency programme launched in August 2013 (see the following pages), FLSmidth is preparing for sustainable growth in the mid-term. Sustainable profitable growth with focus on organic growth, integration, quality and safety, research and development as well as a human resource development will secure a strong platform for FLSmidth's position as a full service provider.

Full Service

It is FLSmidth's vision to be our customers' preferred full-service provider of sustainable minerals and cement technologies. FLSmidth continuously strives to generate a profitable return for its owners through value creating growth.



Creating sustainable efficiency

In 2013, FLSmidth initiated a global efficiency programme to create sustainable efficiency improvements and profitable growth, which will secure the future of the company.

The efficiency programme was an outcome of disappointing financial performance in the beginning of 2013 and a strategy health check conducted in connection with the on-boarding of Thomas Schulz as new Group CEO. The programme runs irrespective of the underlying market developments.

The program was launched in August 2013 and is on track. Progress in the programme is monitored by Group Executive Management and progress will be reported continuously in the quarterly financial reports.

Background

Five years ago, FLSmidth was one of the most efficient players among its industry peers. However, in recent years, as part of its strategy to become a full service provider, FLSmidth has acquired a significant number of companies. All the acquisitions have been strategically important, but along with acquisitions come increased business complexity, a need to integrate, and a requirement to fully realise synergies. Consequently, FLSmidth is no longer an industry leader in terms of efficiency. It is FLSmidth's ambition to regain the position as one of the most efficient players among peers, which is the purpose of the efficiency programme.

Seven initiatives

The efficiency programme consists of seven initiatives, which will improve the company's efficiency and profitability. Currently, more than 400 actions have been identified within the seven initiatives. The initiatives have been put together by managers and employees across the Group, which has created a high commitment level throughout the organisation.

Cost optimisation aims at consolidating the business, making immediate cost reductions, and accelerating integration. It covers headcount reductions, closing of sites, accelerated integration, simplification of organisation and increased off-shoring of engineering and back-office functions.

As an example of efforts to optimise costs, the large number of operating legal entities in the US has been consolidated into two legal entities. Besides, a number of entities have merged offices, renegotiated lease contracts or are relocating to more cost efficient offices. An important part of the cost optimisation building block has also been headcount reductions throughout the Group.

In **Material Handling** the focus is on the turnaround and further improvements of the Material Handling division. It covers finalisation of unprofitable projects, alignment of global processes and building up a backlog of profitable projects.

In Material Handling, the many actions that are part of the division's short term strategy are progressing as planned. One example is to divest non-core businesses, and hence it has been decided to sell the workshop in Wadgassen, Germany since in-house manufacturing of the equipment currently handled at the workshop, is not a core activity for FLSmidth, and as such not part of the long term strategy.

Profit boost is focused on increasing profits. It covers focus on high margin products, pricing principles and supplier performance.

One example of a profit boost initiative is within the Mineral Processing division where work is being done to expand the range of standardised products and service offerings. Standardisation leads to a profit boost in two ways. First, it will lower execution costs by reducing the time consumed on custom engineering, project management, quality assurance, procurement and shipping. Second, the time saved will allow FLSmidth to utilise the resources more efficiently.

Optimised sourcing involves evaluating and improving sourcing and procurement, and adapting to best practice principles to bring down costs. It covers simplification and off-shoring of sourcing and increased sourcing from low cost countries.

It is within optimised sourcing that FLSmidth has the biggest potential for improvements. One of the many initiatives comes from the Mineral Processing division where engineering, sales, and procurement jointly and systematically review products to reduce the amount of commodities used and redesign them for improved transportation, assembly, and localised sourcing

Net working capital is about regaining our focus and excellence when it comes to working capital management, i.e. receivables, payables, inventory management, etc. This covers payment terms, invoicing processes and vendor financing.

As an example of regained focus on net working capital, some product companies have successfully negotiated better payment terms of trade payables, and key vendors have been approached in an effort to get better payment terms, most of whom have accepted. The key to implementing this change is good communication with vendors and ensuring they know exactly when they can expect payment.

In general, inventory management has been tightened in an effort to decrease stock levels related to slow moving and obsolete parts.

Sales optimisation involves meeting our clients' needs better, both in terms of pricing models, geographical footprint, services and aftermarket sales. It covers cross-selling, market strategies, investments in Customer Services and sales synergies throughout the Group.

Under the sales optimisation initiative, FLSmidth has for example established a sales office in Colombia in a region with increasing activity in both the cement and minerals industries. The FLSmidth service consultants and sales resources in this region will move into this office to facilitate One Source selling in Colombia.

In **leading technology** focus is on creating a stronger product portfolio through more efficient and focused research and development. Leading technology is also about product pruning, and divesting or discontinuing activities that are not sufficiently profitable. The building block covers adjustment of product portfolio, increased investments in R&D and new products faster to the market.

One example of a leading technology initiative is the Mineral Processing division's refocused research and development strategy, where spending will be increased on selected key areas. At the project launch stage, a more rigorous prioritisation of projects will be made, meaning resources will be allocated to fewer, more highly focused R&D projects that are more closely tied to the identified needs of the customers. This will lead to new technology being introduced to the market in a more timely fashion, thus increased revenue with the same overall spend level.

Financial impact

The aim of the efficiency programme is to create sustainable efficiency improvements, irrespective of the underlying market developments. The efficiency programme is expected to result in annual EBITA improvements of around DKK 750m with full-year effect in 2015. The implementation will entail one-off re-structuring costs of around DKK -500m of which DKK -428m were booked in 2013. The share of costs in 2013 were higher than estimated, due to a decision to discontinue two development projects in Customer Services.

As a consequence of the programme, the Group headcount will be reduced by some 1,100, equivalent to a 7% reduction in workforce, and the number of locations will be reduced by more than 20, a reduction of more than 10%.

At the end of 2013, implementation of the efficiency programme is progressing according to plan. A total of 1,102 employees have been given notice and 41 locations are in the process of being closed down.

The actions that are under implementation at the end of 2013 are expected to have a DKK 498m positive EBITA impact when fully implemented in 2015.

The EBITA improvement of DKK 498m is related to the following initiatives of the efficiency programme:

Cost optimisation	33%
Material Handling	23%
Profit boost	37%
Net Working capital	no EBITA effect
Optimised sourcing	6%
Sales optimisation	Started
Leading technology	1%

Management's Review

2013 was a year marked by preemptive management decisions to prepare FLSmidth for the future and to manage the business cycle. Revenue was historically high despite currency headwind, while order intake declined due to the cyclical downturn of mining investments. Profitability and returns were significantly impacted by one-off costs related to management decisions and other issues. Group revenue and EBITA margin delivered as most recently guided.

Financial developments in Q4 2013

Both revenue and order intake increased sequentially, but declined versus Q4 last year. Costs related to the efficiency programme and the Buxton arbitration award had an adverse impact on profitability in the quarter. The EBITA margin adjusted for special items was 8.7%.

Quarterly order intake and order backlog

Order intake in Q4 2013 amounted to DKK 5,616m representing a decrease of 8% compared to Q4 2012 (Q4 2012: DKK 6,104m), but a sequential increase of 21% on the previous quarter (Q3 2013: DKK 4,642m). The decrease in order intake is almost entirely explained by currency development, although the organic growth rates in the divisions differ significantly.

Group

DKKm	2013	2012	Change (%)	Q4 2013	Q4 2012	Change (%)
Order intake	**20,911**	**27,727**	-25%	**5,616**	**6,104**	-8%
Order backlog	**22,312**	**29,451**	-24%	**22,312**	**29,451**	-24%
Revenue	**26,923**	**26,284**	2%	**7,420**	**8,395**	-12%
Gross profit	**5,209**	**6,526**	-20%	**1,380**	**1,975**	-30%
Gross margin	*19.3%*	*24.8%*		*18.6%*	*23.5%*	
EBITDA	**1,304**	**2,867**	-54%	**286**	**971**	-70%
EBITDA margin	*4.8%*	*10.9%*		*3.9%*	*11.6%*	
EBITA	**977**	**2,559**	-62%	**222**	**893**	-75%
EBITA margin	*3.6%*	*9.7%*		*3.0%*	*10.6%*	
EBIT	**-339**	**2,041**	-117%	**60**	**797**	-92%
EBIT margin	*-1.3%*	*7.8%*		*0.8%*	*9.5%*	
Number of employees	**15,317**	**15,900**	-4%	**15,317**	**15,900**	-4%

Financial results for 2013

Order intake declined by

25%

Revenue increased by

2%

EBITA margin adjusted for special items was

8.2%

Return of Capital Employed (ROCE) decreased to

6%

Safety – LTIFR (lost time injury frequency rate) decreased to

3.9

Order intake growth in Q4 2013

Order intake growth (vs. Q4 2012)	Customer Services	Material Handling	Mineral Processing	Cement	FLSmidth Group
Organic growth	-10%	157%	-52%	92%	-1%
Acquisitions	0%	0%	0%	0%	0%
FX effect	-7%	-11%	-6%	-5%	-7%
Total growth	**-17%**	**146%**	**-58%**	**87%**	**-8%**

Organic growth declined significantly in Mineral Processing, while order intake in Cement and Material Handling increased as large orders were received in Q4.

Quarterly order intake related to projects is inherently volatile. Announced orders in Q4 2013 amounted to DKK 1.8bn (Q4 2012: DKK 1.9bn) and included a DKK 1bn Material Handling order in Qatar, a DKK 515m Cement order in Qatar and a DKK 300m Cement order in Indonesia. Additionally, FLSmidth announced receipt of the largest order in the company's history related to a five year operation and maintenance contract for five cement production lines for Dangote Cement in Nigeria. However, the value of the contract is undisclosed and the order intake will be recognised based on 12 months' rolling revenue. The contract will ramp up during 2014. The two first cement production lines are expected to start up in May 2014 and the remaining three production lines towards the end of 2014. The contract value included in the Q4 order intake and backlog is DKK 360m.

The level of unannounced orders amounted to DKK 3.8bn in Q4 (Q4 2012: DKK 4.2bn). Unannounced orders in Mineral Processing declined from the level seen in the previous three quarters of around DKK 1.5bn per quarter to around DKK 1.0bn in Q4. The level of order intake in Mineral Processing in 2014 is expected to be similar to 2013. Quarterly variations may occur.

The order backlog for the Group decreased 24% to DKK 22,312m compared to the same period last year (end of 2012: DKK 29,451m), and declined 9% relative to the previous quarter (end of Q3 2013: DKK 24,595m) as a consequence of higher revenue than order intake in Q4 2013. Foreign exchange translation had a negative impact of 2% on the backlog.

Quarterly revenue and earnings

Revenue decreased 12% to DKK 7,420m in Q4 (Q4 2012: DKK 8,395m) based on tough comparison as revenue in Q4 2012 was record high, and due to a negative foreign exchange translation effect of 7%. The negative developments were attributable to all segments but Material Handling, where the quarterly revenue was the highest in two years.

Revenue growth in Q4 2013

Revenue growth (vs. Q4 2012)	Customer Services	Material Handling	Mineral Processing	Cement	FLSmidth Group
Organic growth	2%	22%	-22%	3%	-5%
Acquisitions	0%	0%	0%	0%	0%
FX effect	-8%	-11%	-7%	-3%	-7%
Total growth	**-6%**	**11%**	**-29%**	**0%**	**-12%**

The *gross profit* amounted to DKK 1,380m (Q4 2012: DKK 1,975m), corresponding to a gross margin of 18.6%, which is considerably down from last year (Q4 2012: 23.5%), primarily due to booking of one-off costs related to an arbitration award and the efficiency programme in Q4. The costs realised in the quarter exceeded expectations, primarily due to discontinuation of two development projects in Customer Services. Additionally, an ICC (International Chamber of Commerce) arbitration was concluded on 2 December 2013 in a case between MT Højgaard A/S and FLSmidth A/S dating back to 2004. Contrary to expectations, the ICC arbitration award rendered FLSmidth liable to pay a significantly higher compensation than expected and reserved for. As a consequence, DKK -160m is booked as production costs in the Cement division in Q4.

Q4 2013 saw total research and development expenditures of DKK 129m (Q4 2012: DKK 108m), representing 1.7% of revenue (Q4 2012: 1.3%), of which DKK 46m was capitalised (Q4 2012: DKK 53m) and the balance reported as production costs. In addition, project financed developments are taking place in cooperation with customers and reported as regular production costs.

Sales, distribution and administrative costs, etc. amounted to DKK 1,094m (Q4 2012: DKK 1,004m) equivalent to 14.7% of revenue

Special items impacting earnings in Q4

DKKm	Customer Services	Material Handling	Mineral Processing	Cement	Cembrit	FLSmidth Group
Efficiency programme	-97m	-72m	-15m	-36m	-41m	-261m
Buxton arbitration award				-160m		-160m
Total EBITA impact	**-97m**	**-72m**	**-15m**	**-196m**	**-41m**	**-421m**
Reported EBITA margin	9.8%	-2.0%	6.4%	-2.9%	-7.0%	3.0%
EBITA margin adjusted for special items	14.6%	2.9%	7.1%	10.2%	4.0%	8.7%

(Q4 2012: 11.9%). The increase of 9% compared to the same period last year is primarily related to one-off costs in connection with the efficiency programme.

Earnings before interest, tax, depreciation and amortisation (EBITDA) decreased 70% DKK 286m (Q4 2012: DKK 971) corresponding to an EBITDA margin of 3.9% (Q4 2012: 11.6%) as a consequence of the decrease in gross margin and increase in cost ratio as explained above.

Depreciation and impairment of tangible assets amounted to DKK 83m (Q4 2012: DKK 80m), which is slightly higher than last year.

Earnings before amortisation and impairment of intangible assets (EBITA) amounted to DKK 222m (Q4 2012: DKK 893m), corresponding to an EBITA margin of 3.0% (Q4 2012: 10.6%). Adjusted for one-off costs booked in Q4 (efficiency programme DKK 261m, Buxton arbitration award DKK 160m), the EBITA margin adjusted for special items in Q4 2013 was 8,7%.

Amortisation and impairment of intangible assets amounted to DKK 162m (Q4 2012: DKK 96m) of which the effect of purchase price allocations related to acquisitions accounted for DKK 79m (Q4 2012: DKK 88m). The increase is primarily related to amortisations in connection with the gradual roll-out of the ERP/business system.

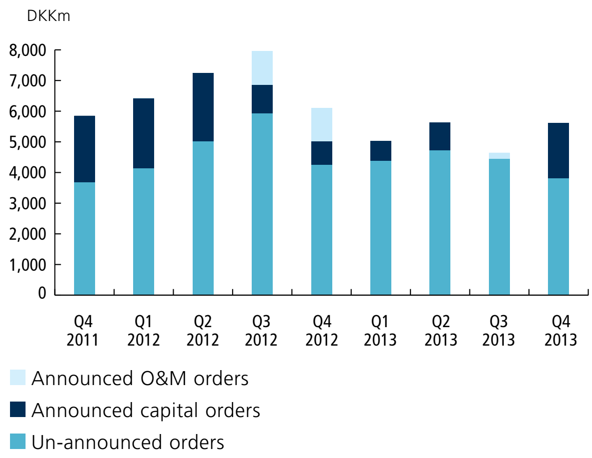
Earnings before interest and tax (EBIT) decreased 92% to DKK 60m (Q4 2012: DKK 797m) corresponding to an EBIT margin of 0.8% (Q4 2012: 9.5%).

Financial items amounted to DKK -150m (Q4 2012: DKK -37m). This amount includes foreign exchange and fair value adjustments of DKK -124m (Q4 2012: DKK -21m).

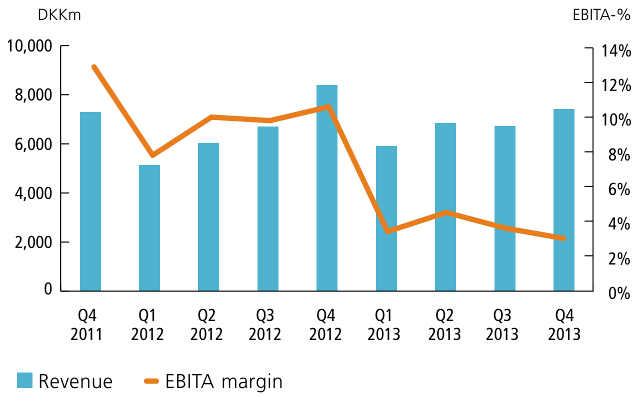
Earnings before tax (EBT) decreased to DKK -90m (Q4 2012: DKK 760m), but even so tax for the period amounted to DKK -94m (2012: DKK -283m), as local taxes are paid regardless of the Group result. As a consequence, profit for the period including discontinued activities decreased to DKK -179m (Q4 2012: DKK 462m).

Quarterly cash flow developments and working capital
Q4 2013 saw a positive development in cash flow from operating activities, amounting to DKK 77m (Q4 2012: DKK 1,532m). The cash flow was negatively impacted by to one-off costs in connection with the efficiency programme and the Buxton arbitration award. Additionally, working capital increased by DKK 97m in the fourth quarter to DKK 2,382m (Q3 2013: DKK 2,285m). The net amount of advance payments (prepayments and work-in-progress) declined by DKK 933m in the quarter as a consequence of delayed payments by customers and high activity late in the year but no invoicing yet, which is pushing

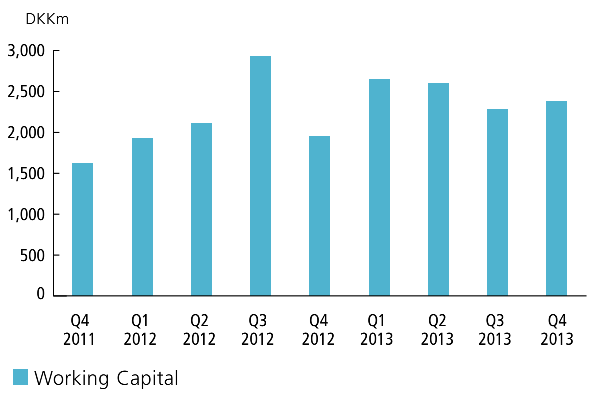
Quarterly order intake



Quarterly revenue and EBITA margin



Working capital



up working capital. On the other hand, trade payables increased by DKK 353m and inventories declined by DKK 122m, both pulling working capital down.

Cash flow from investing activities amounted to DKK -101m in Q4 2013 (Q4 2012: DKK -382m), and as a consequence, the free cash flow (cash flow from operating activities less cash flow from investing activities) amounted to DKK -24m in Q4 (Q4 2012: DKK 1,150m).

Financial results for 2013

Changes to the reporting in 2013

As a consequence of the decision to stop the sale of Cembrit, the company is reported as continuing business and profit and loss comparative figures for 2012 have been adjusted accordingly. In the 2012 Annual Report, Cembrit was reported as discontinued activities.

A decision was taken in Q3 2013 to change how the order intake and order backlog in connection with operation and maintenance contracts are recognised. As from 7 November 2013, new operation and maintenance contracts are included in the order backlog with 12 months rolling revenue only. Previously, operation and maintenance contracts were included in the order backlog with the expected full revenue over the lifetime of the contract.

In 2013, it has been decided to apply a more stringent approach to capitalisation of internal costs in relation to R&D development projects, including the ERP/business system. Capitalisation will apply to fewer, larger R&D development projects, and only to costs related to IT employees on the ERP/business system.

As from the third quarter of 2013, it was decided to apply a more stringent assessment of ageing inventory items, which resulted in an inventory write-down in the third quarter 2013.

Growth efficiency

Despite currency headwind, FLSmidth executed record high revenue in 2013 on the back of a high order backlog at the beginning of the year. While revenue increased 2%, order intake declined 25% as the mining industry cut back on investments to focus more on short term cash and cost efficiency. The decline in order intake will have an adverse impact on revenues in 2014 and 2015.

Order intake and order backlog

The *order intake* decreased 25% to DKK 20,911m (2012: DKK 27,727m). Acquisitive growth of 5% was almost offset by a foreign exchange translation effect of -4%. Organic growth was -26%, which is primarily explained by declining order intake in Mineral Processing and Cement.

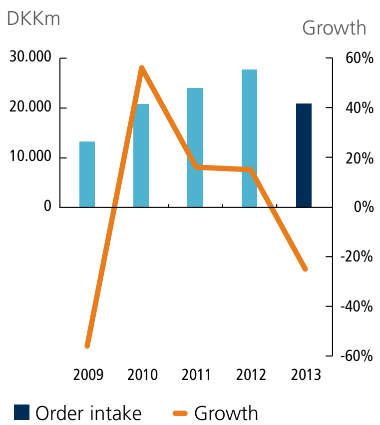
Order intake growth in 2013

Order intake growth (vs. 2012)	**Customer Services**	**Material Handling**	**Mineral Processing**	**Cement**	**FLSmidth Group**
Organic growth	-16%	14%	-44%	-24%	-26%
Acquisitions	7%	0%	2%	0%	5%
FX effect	-4%	-6%	-4%	-2%	-4%
Total growth	**-13%**	**8%**	**-46%**	**-26%**	**-25%**

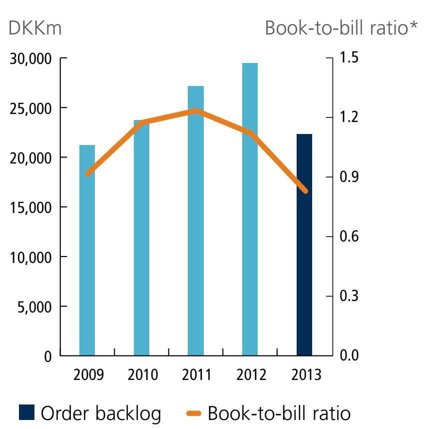
After an extended period of high investments in both acquisitive and organic growth, mining companies turned their focus to cost and capital efficiency in 2013, resulting in significantly reduced capex plans and hence, postponement of large capital projects. As a consequence, Mineral Processing did not receive any large orders in 2013. The level of unannounced orders has been relatively stable throughout the year, except for what is believed to be a temporary dip in the fourth quarter.

The order intake in Cement declined 26% due to fewer large orders as a consequence of prolonged decision making by customers and

Order intake

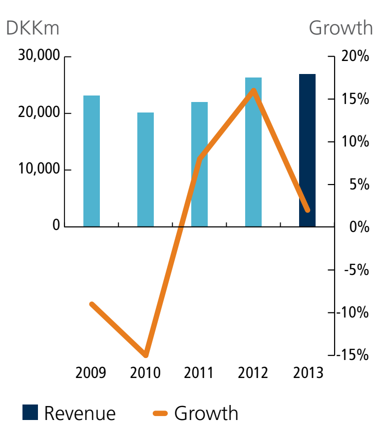


Order backlog and book-to-bill ratio



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

Revenue



more time required to raise project financing. The cement industry is still challenged by low utilisation rates in certain regions, whereas economic growth is triggering demand for capacity additions in others. On a global scale, the market for new cement capacity is still relatively subdued, although signs of recovery are getting stronger.

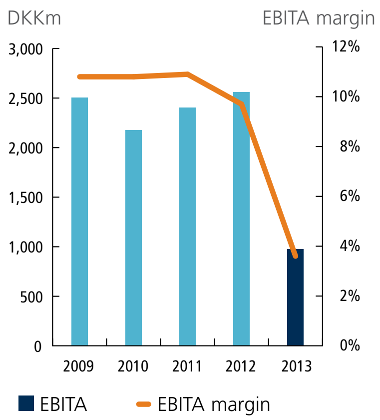
The order intake in Customer Services declined 13% in 2013. However, the decline is solely explained by the change in reporting practice in connection with new long-term operation and maintenance contracts which are included in the order intake and backlog with 12 months' trailing revenue only. Adjusted for announced operation and maintenance contracts and foreign exchange effect, the growth was above 10%.

Customer Services is expected to continue its growth trend, however at single digit growth rates. The operation and maintenance business is driving the growth, as is demand for value-added services and spares.

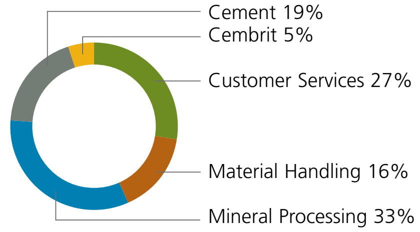
Material Handling has applied a rigorous tender process throughout the last 18 months to ensure a satisfactory risk/return on all new contracts and that sufficient and qualified resources are available to handle same. As a consequence, order intake has been relatively low compared to the available market in both 2012 and 2013. Towards the end of 2013, significant progress had been made in relation to the legacy backlog, and new large orders were taken in, resulting in an increase in order intake in Material Handling in 2013 of 8%.

The order backlog for the Group decreased 24% in 2013 to DKK 22,312m (end of 2012: DKK 29,451m), of which -8% was attributable to foreign exchange translation effects. 65% of the backlog is expected to be converted to revenue in 2014, 20% in 2015, and 15% in 2016 and beyond. Long term operation and mainte-

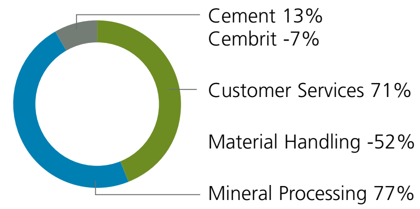
EBITA and EBITA margin



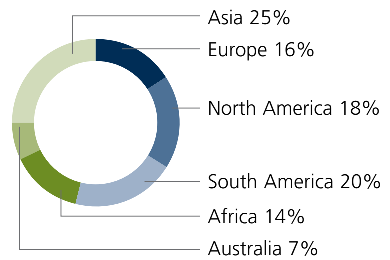
Revenue 2013
– by segment



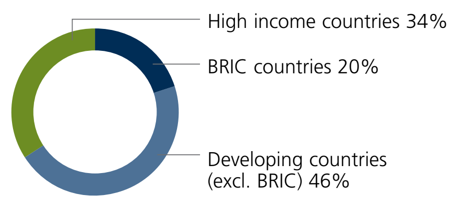
EBITA result 2013
– by segment



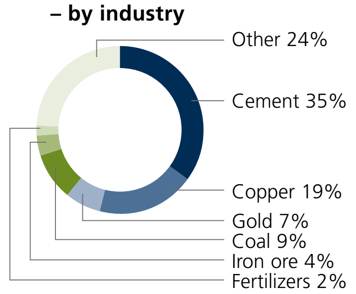
Revenue 2013
– by geography



Revenue 2013
– by country category



Order intake 2013
– by industry



nance contracts accounted for DKK 5.1bn of the order backlog at the end of 2013, equivalent to 23%. The conversion time from order intake to revenue is 12-18 months on average – ranging from over-the-counter sale of consumables to capital projects with 2-3 years' execution time and up to 7-year operation and maintenance contracts. As previously mentioned, operation and maintenance contracts received after the beginning of November will only be included in the order backlog with expected 12 months' trailing revenue.

Revenue

Revenue increased by 2% to DKK 26,923m in 2013 (2012: DKK 26,284m), despite a negative foreign exchange translation effect of -6%. Acquisitions accounted for 6% growth, and hence, the organic growth was 2% in 2013.

Revenue growth in 2013

Revenue growth (vs. 2012)	Customer Services	Material Handling	Mineral Processing	Cement	FLSmidth Group
Organic growth	3%	-3%	1%	26%	2%
Acquisitions	9%	0%	2%	0%	6%
FX effect	-5%	-6%	-6%	-3%	-6%
Total growth	**7%**	**-9%**	**-3%**	**23%**	**2%**

Organic growth amounted to 26% in the Cement division, which is explained by high conversion of order backlog to revenue in 2013.

Total service activities accounted for 36% of revenue in 2013 (2012: 35%). In addition to the Customer Services division, total service activities consist of service business that is embedded in product companies contained in the three capital divisions. Product companies (excluding these service activities) accounted for a total of 12% of revenue in 2013 in cement and minerals (2012: 13%). Product companies are characterised by having an integrated business model including manufacturing and aftermarket services in relation to a specialised product portfolio. An increasing share of revenue related to product companies has a positive mix effect on margins, but an adverse impact on capital employed.

Profit efficiency

After six consecutive years of stable EBITA margins of around 10%, the EBITA margin took a deep dive in 2013 to 3.6% as a consequence of numerous special items. The EBITA margin adjusted for special items declined to 8.2% as the backlog was emptied of high margin orders received before the global financial crisis.

Special items impacting profits in 2013

Profitability in 2013 was significantly impacted by special items, affecting both production costs, SG&A costs and impairment of intangible assets, and as such, filter through the whole profit and loss account.

Material Handling reassessment

In connection with the on-boarding of Thomas Schulz as new Group CEO, a reassessment and cross risk analysis of the order backlog in Material Handling was undertaken. The principles were unchanged, however with a more prudent evaluation of time to complete the projects. This resulted in one-off costs of DKK -323m being recognised in Q2 to reflect the risk of future negative surprises. The provisions were primarily related to 6 projects (out of 15 risky projects) in Material Handling.

Special items impacting earnings in 2013

DKKm	Customer Services	Material Handling	Mineral Processing	Cement	Cembrit	FLSmidth Group
Inventory write-down (Q3)	-114	-30	-29	-30	0	-203
Efficiency programme (Q3+Q4)	-149	-118	-50	-52	-59	-428
Material Handling risk assessment of order backlog (Q2)		-323				-323
Buxton arbitration award (Q4)				-160		-160
Other costs of non-recurring nature included in the original guidance for 2013 (related to ERP system, restructuring, integration) (Q1+Q2)	-53	-41	-46	-23		-163
Sale of assets (Q3)			37			37
Total EBITA impact	**-316**	**-512**	**-88**	**-265**	**-59**	**-1,240**
Ludowici impairment loss (Q3)	-539	0	-362	0	0	-901
Total EBIT impact	**-855**	**-512**	**-450**	**-265**	**-59**	**-2,141**
Reported EBITA margin	9.1%	-11.2%	8.2%	2.4%	-4.4%	3.6%
EBITA margin adjusted for special items above	13.3%	0.0%	9.1%	7.5%	-0.3%	8.2%

Efficiency programme

As announced at the end of August 2013, an efficiency programme was launched to create sustainable efficiency improvements, irrespective of the underlying market developments. The efficiency programme will result in annual EBITA improvements of around DKK 750m with full-year effect in 2015. The implementation will entail one-off restructuring costs of around DKK -500m of which DKK -428m was booked in 2013, impacting both production costs and SG&A costs. For more information about the efficiency programme, please see pages 18-19.

Inventory write-down

As a consequence of a thorough inventory review and a more stringent assessment of ageing inventory items, an inventory write-down of DKK -203m was recognised in Q3. The inventory write-down is accounted for as production costs.

Ludowici impairment loss

In Q3, an impairment loss of DKK -901m in relation to Ludowici was booked as a consequence of a deteriorating outlook for mining investments in general and for the Australian coal industry in particular. The amount has been adjusted from previously reported DKK -880m as a consequence of changes in the average year-to-date currency rate used to translate profit and loss items into Danish Kroner. The impairment loss is impacting the EBIT line.

Buxton arbitration award

An ICC (International Chamber of Commerce) arbitration was concluded on 2 December 2013 in a case between MT Højgaard A/S and FLSmidth A/S dating back to 2004. Contrary to expectations, the ICC arbitration award rendered FLSmidth liable to pay a significantly higher compensation than expected and reserved for. This resulted in DKK -160m one-off production costs being booked in the Cement division in Q4.

Sale of assets

Sales, distribution and administrative costs, etc. included operating income of a non-recurring nature of DKK 37m related to the disposal of assets in the Mineral Processing division.

Other costs of a non-recurring nature

The profits for 2013 are impacted by costs of a non-recurring nature amounting to DKK -163m, related to roll-out of an ERP business system and the integration and restructuring of acquired businesses in 2012. These costs were included in the original guidance for 2013 and booked in Q1 and Q2, prior to the launch of the efficiency programme in August.

The *gross profit* amounted to DKK 5,209m (2012: DKK 6,526m), corresponding to a gross margin of 19.3%, which is considerably down from last year (2012: 24.8%), primarily due to special items and one-off costs as described above, but also as a consequence of lower margins in the backlog compared to previous years, particularly in Cement and Material Handling. In 2012, the Cement division benefitted from high gross margins originating from good order execution as well as reversal of contingencies and provisions in relation to orders taken before the global financial crisis.

2013 saw total research and development expenses of DKK 419m (2012: DKK 367m), representing 1.6% of revenue (2012: 1.4%), of which DKK 117m was capitalised (2012: DKK 104m) and the balance reported as production costs. In addition, project financed developments are taking place in cooperation with customers. In accordance with international accounting standards, research costs are expensed, whereas development costs are to be capitalised if substantiated by an underlying business case.

Sales, distribution and administrative costs and other operation income including costs of a one-off nature amounted to DKK 3,905m in 2013, which represents a cost percentage of 14.5% of revenue (2012: 13.9%) and a 7% increase on 2012 (2012: DKK 3,659m). Adjusted for one-off costs, the cost percentage was 13.7%.

Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA) decreased 53% to DKK 1,304m (2012: DKK 2,867m) corresponding to an EBITDA margin of 4.8% (2012: 10.9%).

Special non-recurring items reported as a separate line item and specified in note 7 in the consolidated financial accounts (profit and loss on disposal of enterprises and run-off on purchase price allocations to inventories in connection with acquisitions), amounted to DKK 6m (2012: DKK -9m).

Depreciation and impairment of tangible assets amounted to DKK -333m (2012: DKK 299m). The increase is a consequence of high capital investments in the past three years and increased depreciation related to the roll out of a new ERP system.

Earnings before amortisation and impairment of intangible assets (EBITA) decreased 62% to DKK 977m (2012: DKK 2,559m), corresponding to an EBITA margin of 3.6% (2012: 9.7%).

Amortisation and impairment of intangible assets amounted to DKK -1,316m (2012: DKK -518m), DKK -901m of which was related to impairment loss in connection with the acquisition of Ludowici assets as a consequence of a deteriorating outlook for mining investments in general and for the Australian coal industry in particular. The effect of purchase price allocations amounted to DKK -322m (2012: DKK 270m) and other amortisations to DKK -93m (2012: DKK -224m).

The comparison number for 2012 included a one-off impairment loss of DKK 188m (capitalised development costs and decommissioning costs) related to a development project, pertaining to Cement, Mineral Processing and Customer Services.

Earnings before interest and tax (EBIT) decreased to DKK -339m (2012: DKK 2,041m) corresponding to an EBIT margin of -1.3% (2012: 7.8%).

Net financial items amounted to DKK -261m (2012: DKK -80m), of which foreign exchange and fair value adjustments amounted to DKK -134m (2012: DKK -18m). Net interest costs amounted to DKK 127m (2012: DKK 62m) and increased as a consequence of increasing net interest bearing debt.

Earnings before tax (EBT) decreased to DKK -600m (2012: DKK 1,961m).

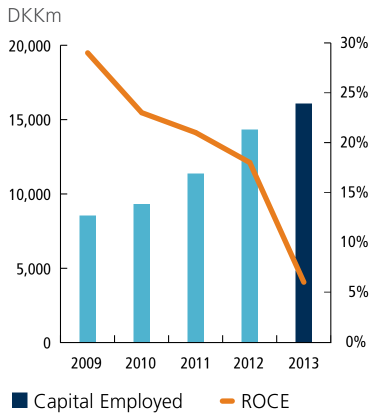
The tax for the year amounted to DKK -186m (2012: DKK -653m). As a consequence of the special items' impact on profits in 2013, the tax rate is heavily distorted. It is estimated that the underlying effective tax rate in 2013 was 35%.

Profit/loss for the year decreased to DKK -784m (2012: DKK 1,303m) including discontinued activities of DKK 2m (2012: DKK -5m).

Capital efficiency

While FLSmidth has been efficient in delivering both growth and profitability in previous years, capital efficiency has been under pressure due to acquisitions and a change in business mix leading to increasing working capital. Return on Capital Employed (ROCE) has fallen from a peak of 44% in 2007 to 6% in 2013. Increased capital efficiency is Management's top priority. ROCE is expected to increase in 2014 and to get close to the long term target of minimum 20% in 2015.

Capital Employed and ROCE



Customer intimacy

FLSmidth works to build close, long-term relationships with our customers. We build solutions to match customer needs, which in term create value and loyalty.

Capital Employed and ROCE

Definition of Capital Employed and ROCE

Capital Employed represents the capital investment made by FLSmidth to conduct its business.

Return on Capital Employed (ROCE) measures the efficiency and profitability of FLSmidth's capital investments.

FLSmidth defines Capital Employed as net working capital plus the carrying amount of tangible assets and the cost price of intangible assets including acquired goodwill.

The Return on Capital Employed (ROCE) is calculated on a before-tax-basis as EBITA divided by average Capital Employed including goodwill:

$$\text{ROCE} = \frac{\text{EBITA}}{\text{Net working capital} + \text{Tangible assets (carrying amount)} + \text{Intangible assets (cost price)}}$$

ROCE will primarily be impacted by developments in revenue, gross margin, SG&A costs, non-current assets and net working capital. SG&A costs and net working capital are the parameters that are most manageable in the short term. The efficiency programme launched in August 2013 is targeting both. Please see page 18-19 for more information.

Average Capital Employed increased by 12% in 2013 to DKK 16.0bn (2012: DKK 14.3bn) due to full year effects of acquisitions made in 2012, while EBITA decreased 62% to DKK 977m (2012: DKK 2,559m). As a consequence, ROCE decreased to 6% (2012: 18%).

Acquisitions - and in particular acquired goodwill - are the main explanation behind the increased Capital Employed in FLSmidth over the last couple of years. Additionally, several of the acquired businesses are product companies with more in-house manufacturing and inventories. The level of prepayments has fallen, as the business mix has shifted to relatively less cement and relatively more minerals and customer services. Cement projects generally account for the highest prepayments amounting to 15-25% of the total contract price. In minerals, the down payments on projects are typically smaller and in customer services, there are typically no down payments.

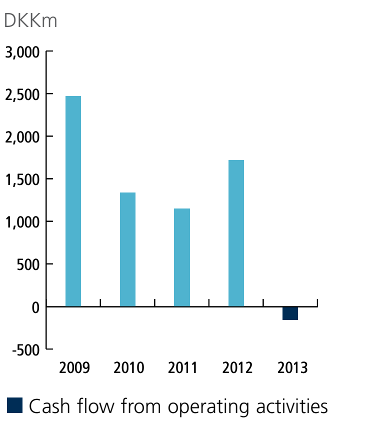
Cash flow developments and working capital

Cash flow from operating activities amounted to DKK -157m in 2013 (2012: DKK 1,720m). The negative developments were primarily attributable to the numerous one-off costs and special items booked in 2013, of which several had significant cash effect, including the one-off costs associated with the efficiency programme, the reassessment of the order backlog in Material Handling as well as the Buxton arbitration award. Additionally, working capital increased by DKK 432m in 2013, as described below.

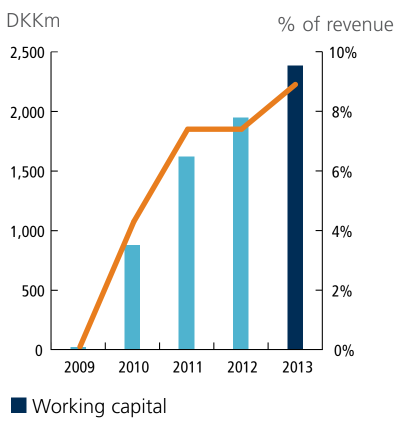
Working capital amounted to DKK 2,382m at the end of 2013 (end of 2012: DKK 1,950m), representing 8.8% of revenue (2012: 7.4% of revenue). Advance payments (the net of prepayments and work-in-progress) declined by DKK 2.2bn, as a consequence of fewer large orders and execution of the order backlog, pulling working capital up, whereas trade receivables declined by DKK 816m, pushing working capital down.

Working capital increased significantly in 2011 and 2012 as a consequence of acquisitions and a changing business mix from cement projects to more customer services and more minerals products and projects. As such, the increase in working capital was healthy and a proof that FLSmidth has succeeded in delivering on its strategy to grow both the minerals and customer services businesses.

Cash flow from operating activities



Working capital



Today, a major part of the Group's working capital is tied up in product companies. Thus, product companies accounted for 70% of total working capital at the end of 2013 compared to 23% of group revenue (including service part). Typically, product companies have in-house manufacturing and a material portion (20-50%) of their revenue tied up in working capital, particularly in inventories. On the other hand, profit levels are also significantly higher than in the project business.

Working capital management is part of the efficiency programme. The first phase of the programme has been to go for the quick wins, and to make up for the shortfall of advance payments. The next and present phase is to go deeper into the business and to have workshops in all relevant business units with particular focus on accounts receivable days and accounts payable days as well as on inventory management and project cash flow.

The ambition is to reduce working capital from the present level both in value and percent of revenue.

Investing in the business

In 2013, FLSmidth reduced investments significantly compared to previous years in response to changed market conditions, negative effect on operating cash flow from one-off costs and special items, and in order to consolidate the business after a period of numerous acquisitions.

Cash flow from investing activities amounted to DKK -567m (2012: DKK -3,398m) and was significantly lower than both the original guidance of DKK 1bn and the most recent guidance of DKK 0.8bn.

The total net cash flow effect of acquisition and disposal of enterprises amounted to DKK 27m (2012: DKK -2,508m). For further details regarding acquisitions and disposals please see note 15 and 16, page 108-111 in the consolidated financial statements.

In future, particularly in times when the industries served are in a cyclical downturn, the level of cash flow from investments will be more aligned with the level of depreciation and amortisation (excluding amortisation related to purchase price allocations),

Balance sheet, capital structure and dividend

The balance sheet total amounted to DKK 27,328m at the end of 2013 (end of 2012: DKK 31,875m).

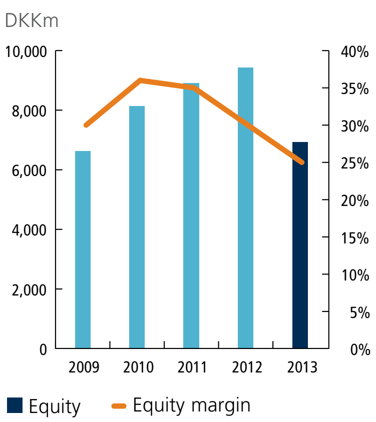
Equity at the end of 2013 decreased to DKK 6,922m (2012: DKK 9,419m), and the equity ratio temporarily decreased to 25% at the end of 2013 (2012: 30%). The decline in equity ratio is a consequence of the realised loss of DKK -784m in 2013 and other comprehensive income of DKK -624, primarily related to foreign exchange adjustments to foreign enterprises. Additionally, the total distribution to shareholders amounted to DKK 1bn in 2013 (dividend DKK 467m, share buyback programme of DKK 521m).

Net interest-bearing debt by the end of 2013 amounted to DKK 4,718 (end of 2012: DKK 3,084m) and the Group's financial gearing (calculated as NIBD divided by 12 months trailing EBITDA) amounted to 3.6 at the end of 2013 (end of 2012: 1.1). The gearing is temporarily impacted by the many one-off costs booked in 2013, and the gearing is currently outside Management's targeted capital structure of maximum two times EBITDA. It is Management's expectation that the financial gearing will be back on target by the end of 2014.

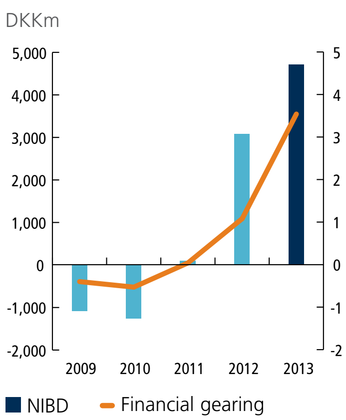
The capital resources currently consist of committed credit facilities of DKK 8.3bn (excluding mortgage) with a weighted average time to maturity of 2.8 years.

Although it is FLSmidth's policy to pay out 30-50% of the year's profit, which is nil for 2013, the Board of Directors proposes to the Annual General Meeting that a dividend of DKK 2 per share (2012:

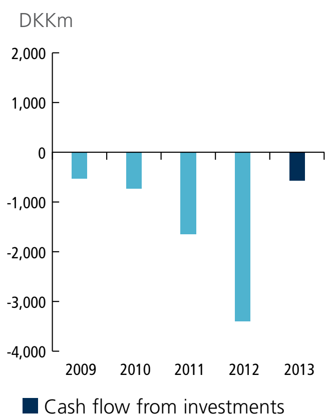
Equity and equity margin



NIBD and financial gearing



Cash flow from investments



DKK 9) be distributed, corresponding to a total cash distribution of DKK 106m and a dividend yield of 0.7% (2012: 2.8%).

Corporate governance and organisation

The following information is provided pursuant to Section 107a in the Danish Financial Act:

- 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. No special rights are attached to any share and there are no restrictions on the transferability of the shares
- The members of the Board elected at the Annual General Meeting retire at each Annual General Meeting. Re-election may take place. The Nomination Committee identifies and recommends candidates to the Board of Directors
- The Board of Directors is authorised until 1 March 2017 to increase the share capital by issuing new shares in one or more tranches at a total nominal value of DKK 100,000,000 – with or without pre-emption rights for the company's existing shareholders.
- The Board of Directors is authorised until the next Annual General Meeting to let the Company acquire treasury shares up to a total nominal value of 10 per cent of the Company's share capital pursuant to Section 12 of the Danish Companies Act
- The adoption of a resolution to amend the Company's Articles of Association or to wind up the Company requires that the resolution is passed by not less than two thirds of the votes cast as well as of the share capital represented at the General Meeting
- The Executive Management and a number of key employees in the Group have been granted options to purchase 1,771,603 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
- In the event of dismissal, the Group Executive Management has 18 month's notice and shall receive up to 6 months' salary on the actual termination of their employment

The statutory statement on corporate governance pursuant to Section 107b of the Danish Financial Statements Act is available on the company's website: http://www.flsmidth.com/governance_statement

The most important changes in relation to management and corporate governance in 2013 are briefly mentioned here.

Group Executive Management

A couple of management changes were planned and implemented in 2013.

In December 2012, it was announced that Jørgen Huno Rasmussen, Group CEO since 2003, had decided to retire mid 2013, 10 years after agreeing to join FLSmidth as Group CEO. Thomas Schulz took up the position as Group CEO of FLSmidth on 1 May 2013.

In 2013, it was decided to extend the Group Executive Management by a strategic Human Resource position in an effort to effectively strengthen the Group's competitiveness. As a consequence, Virve Elisabeth Meesak was appointed Group Executive Vice President, Global Human Resources on 1 September 2013.

After the balance sheet date, in the beginning of January 2014, it was decided to enlarge the Group Executive Management by a Business Development position in an effort to strengthen the Group's competitiveness by focusing more on effectiveness, strategy development and integration. Consequently, Eric Thomas Poupier was appointed Group Executive President, Business Development on 9 January 2014.

Four out of eight members of the Group Executive Management have been with FLSmidth for more than 10 years. The eight members represent six different nationalities and are aged between 37 and 53. One out of eight is female.

Treasury shares

FLSmidth's treasury share capital amounted to 3,739,783 shares at the end of 2013 (end of 2012: 1,359,884 shares) representing 7.0% of the total share capital (end of 2012: 2.6%). The holding of treasury shares is adjusted continuously to match FLSmidth's incentive plans.

The Board of Directors will propose to the Annual General Meeting that 1,950,000 shares are cancelled as a consequence of the DKK 521m share buy-back programme that was executed in 2013.

At the end of 2013, the members of the Group Executive Management held a total of 3,154 shares (end of 2012: 4,225 shares), and the members of the FLSmidth & Co. A/S Board of Directors held a total of 18,185 shares (end of 2012: 17,524 shares).

Incentive plan

At the end of 2013, there were a total of 1,771,603 unexercised share options under FLSmidth's incentive plan and the fair value of them was DKK 97m. The fair value is calculated by means of a Black & Scholes model based on a current share price of 296.1, a volatility of 29,76% and annual dividend of DKK 9 per share. The effect of the plan on the income statement for 2013 was DKK 37m (2012: DKK 29m). Please see note 40 to the consolidated financial statements for further information.

Corporate social responsibility

FLSmidth has submitted a progress report to the UN Global Compact on 13 February 2013. The progress report replaces a statutory statement of corporate social responsibility pursuant to the exemption given in the Danish Financial Statements Act Section 99a. The report can be accessed on http://www.flsmidth.com/CSRreport2013.

Employees

FLSmidth is a learning organisation, and our people are our most valuable resource. And to put action behind the words, it was decided in 2013 to enlarge the Group Executive Management by a strategic Human Resource position in an effort to effectively strengthen the Group's competitiveness and to put even stronger emphasis on selecting, attracting, developing and retaining the right people to support value creation in the Group.

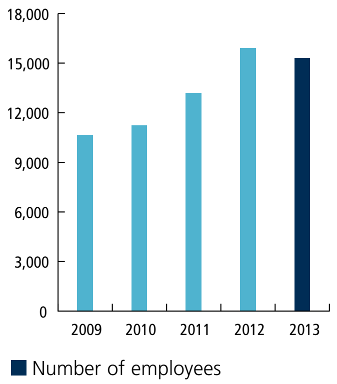
The global organisation was heavily impacted by the changed market conditions in 2013 and by a need for efficiency improvements and business right-sizing.

Thus, 2013 saw a need to intensify the integration of acquired activities, to increasingly use shared services and to simplify the organisation.

The number of employees amounted to 15,317 by the end of 2013, representing a decrease of 4% compared to last year (end 2012: 15,900). The decline is primarily explained by execution of the efficiency programme and by business right-sizing. Included in the numbers is an increase in permanent staff of several hundreds related to operation and maintenance contracts, which is the fastest growing business area in the Group. The full effect of the efficiency programme and business right-sizing actions in 2013 will show in 2014.

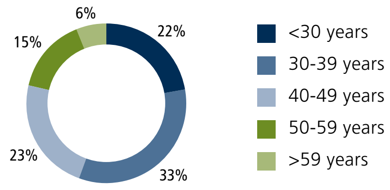
The composition of the global workforce was relatively unchanged in 2013. 55% of FLSmidth's employees were below the age of 40 at the end of 2013 (end of 2012: 56%). 72% of the employees have more than 2 years' seniority (2012: 67%). 14% of FLSmidth's permanently employed staff is female (end of 2012: 15%). The relatively low proportion of females is explained by the fact that males continue to be overrepresented in the engineering profession and among engineering students. However, it is a specific focus area for 2014 to look into how more female employees can be attracted and retained. Female mangers accounted for 10.5% of all managers at the end of 2013, and the target for 2014 has thus been achieved one year ahead of time. A new target for female

Number of employees

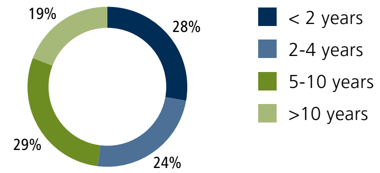


Human resource data

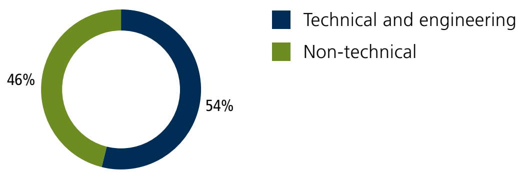
Age distribution



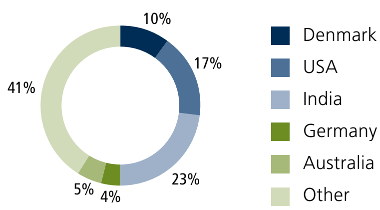
Length of service



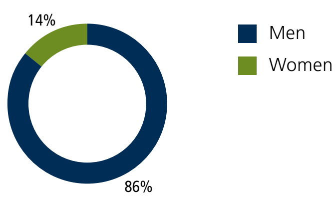
Job function



Geographical distribution



Gender



managers will be evaluated and set by the Board of directors and Group Executive Management in early 2014.

Risk management

Reference is made to pages 62-67 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.

Long term financial targets

In connection with the health-check of the strategy over the summer of 2013, the long-term financial targets for the FLSmidth Group were reiterated:

Annual growth in revenue	Above the market average
EBITA margin	10-13%
ROCE	>20%
Tax rate	32-34%
Equity ratio	>30%
Financial gearing (NIBD/EBITDA)	<2
Pay-out ratio	30-50% of the profit for the year

The long term target for ROCE will not be achieved in 2014. It is a clear target to reach the long term goal within the foreseeable future by gradually improving profitability (EBITA margin) and capital efficiency (Revenue/Capital Employed "TOCE").

Operational objectives

It remains FLSmidth's intention that investments (expensed and capitalised) in research and development should account for around 2% of revenue (2013: 1.7%) and that ongoing strategic initiatives to increase off-shoring of the Group's activities to India should continue. The ambition is that 90% of all standard order engineering should be handled out of India. The implementation of an FLSmidth financial shared services center in Chennai, India is progressing as planned and is expected to be completed by the end of 2014. In 2013, the main focus has been to strengthen the leadership capabilities and financial skills, and to improve on standardization and transparency in relation to financial processes and control environment. Certain finance activities for the Group's largest entities have either been moved to Chennai in 2013 or are currently under transition. At the end of 2013, the staff strength of the financial shared service center had reached some 170 people. Over the coming years, it is also the aim to increase the Group procurement from cost competitive countries to 75% (2013: ~42%).

Events occurring after the balance sheet date

As announced on 9 January 2014, Eric Thomas Poupier has been appointed Group Executive Vice President, Business Development.

As announced on 16 January 2014, FLSmidth received an order worth USD 38m (approximately DKK 205m) from Omani cement producer Oman Cement Company (SAOG) for the supply of milling equipment.

World-class customer services

FLSmidth's service offerings are customised to each customer's level of need and expectation. Our global network of support personnel coupled with our local customer service teams means that we are right there when our customers need us.

Cembrit

Cembrit has been part of the FLSmidth Group since 1927 and it is the only remaining Building Materials company in the Group. It has been clear for a number of years that Cembrit is not part of FLSmidth's long-term strategy, and a sales process was initiated in August 2012.

However, despite interest from various parties in the market, it was not possible for FLSmidth to reach a satisfactory sales price. In addition, the process as such, did reveal a need for various efficiency improvements and investments in Cembrit. As a consequence, the sales process has stopped and a significant improvement programme has been initialed. A potential sales process will start again when the improvement program has generated substantial and sustainable results and the market situation in the European building materials industry has improved.

FLSmidth will develop Cembrit as a stand-alone business, including optimising the production facilities, developing the product portfolio and further optimising the cost structure in order for Cembrit to retain its position as the leading distributor and producer of fiber cement products in Europe.

Martin Jermiin has been appointed President and CEO of the Cembrit Group and Kaspar R. Kristiansen has been appointed CFO. Additionally, an independent Board of Directors with in-depth industry experience has been appointed in order to ensure dedicated focus, knowledge and resources. The following external members have been appointed to the Board of directors of Cembrit: Ingemar Tärnskär (Chairman), EVP, Nobia Supply Chain Operations; Niels Peter Møller, retired VD of Icopal Sweden; Jan Warrer, Group Director Grundfos Holding A/S.

As a consequence of the decision to stop the sales process, Cembrit is reported as continuing activities in FLSmidth, but is kept operationally as a separate non-core business unit.

Cembrit is exposed to the developments in the European building materials industry, which remains relatively subdued. Cembrit generated a revenue of DKK 1.441m in 2013 (2012: DKK 1.435m) and an EBITA margin of -4.4% (2012: 4.0%). Please see note 2 page 99-100 for further information.

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 annual 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.

Customer Services
Deliver performance

FLSmidth's service activities consist of the Customer Services division and service-related activities that are integrated in product companies in the other divisions. Customer Services has been separated from the projects business to make growth of Customer Services a clear priority within FLSmidth and to foster a strong service culture and mindset. Additionally, a separate and dedicated Customer Services organisation improves the potential for synergies across FLSmidth.

Market developments

Overall, the market for Customer Services has seen a high degree of resilience throughout 2013.

The need for cement spare and wear parts is highly correlated with the rate of utilisation at cement producers' plants which remains relatively subdued from a global perspective. As such, the basis for cement services was largely unchanged in 2013 versus the previous year. Still, the global base of installed cement capacity continues to grow, expanding the potential aftermarket. In general, parts activity is good. However, competition for the upgrade business is intense with many bidders on all projects. At the same time, FLSmidth is opening new doors via its innovative and sustainable approach to servicing the market, founded on a total cost of ownership approach to address customers' ongoing need to improve operational efficiency and increase profits. The ultimate solution is FLSmidth's Operation & Maintenance model that continues to gain traction with the largest ever order in Q4 2013 and a retained promising pipeline.

From a regional perspective, the most favourable development is seen in the U.S. where business activity is driven by both increasing

Customer Services

DKKm	2013	2012	Change (%)	Q4 2013	Q4 2012	Change (%)
Order intake	**8,005**	**9,202**	-13%	**2,032**	**2,442**	-17%
Order backlog	**8,046**	**8,159**	-1%	**8,046**	**8,159**	-1%
Revenue	**7,565**	**7,073**	7%	**2,000**	**2,129**	-6%
Gross profit	**1,854**	**1,997**	-7%	**480**	**614**	-22%
Gross margin	*24.5%*	*28.2%*		*24.0%*	*28.8%*	
EBITDA	**768**	**1,012**	-24%	**200**	**317**	-37%
EBITDA margin	*10.2%*	*14.3%*		*10.0%*	*14.9%*	
EBITA	**691**	**930**	-26%	**195**	**293**	-34%
EBITA margin	*9.1%*	*13.1%*		*9.8%*	*13.8%*	
EBIT	**41**	**787**	-95%	**151**	**259**	-42%
EBIT margin	*0.5%*	*11.1%*		*7.6%*	*12.2%*	
Number of employees	**5,847**	**6,003**	-3%	**5,847**	**6,003**	-3%

Bjarne Moltke Hansen
Group Executive Vice President

The purpose is to improve the performance of customers' plants in a safe and sustainable manner to the highest possible standard.

Financial results for 2013

Order intake decreased

13%

Revenue increased

7%

EBITA decreased

26%

EBITA margin adjusted for special items was

13.3%

The order backlog decreased

1%

utilisation rates and to some degree the NESHAP regulation. The contrast is the sluggish Indian market with no signs of a short term recovery. Latin America remains a good market. Activity is high in North Africa and the Middle East. Also Russia and the CIS countries offer interesting opportunities.

In minerals, the service business remains in good shape with coal being the notable exception, which led to an impairment loss on Ludowici related activities in Q3. Throughout the year, miners have announced programmes and progress on reducing operational expenditures, which may explain the appreciable destocking witnessed among customers.

Still, the key driver for mining services is production and mines are running non-stop while new capacity ordered a few years back is coming on stream. In addition, the tight market conditions experienced in Mineral Processing are creating opportunities for increased service offerings to help customers enhance the operational efficiency of their plants. The strong attention drawn to production efficiency provides opportunities to help customers evaluate their operations with plant and process audits and other services.

In recent years, miners invested heavily in new equipment, but following a year of declining commodity prices, their return on investment has fallen. A short-lived way of re-establishing returns is of course to cut expenditures, but a more sustainable path is to increase productivity by improving the performance of existing equipment. Miners realise this and accordingly, there has been an increased level of requests for solutions to boost productivity.

The mix and nature of FLSmidth's Customer Services business makes it – not immune – but less affected by pricing pressure. Spare and wear parts represent the majority of the service business and are often either difficult to substitute or insufficient in scale to make it worthwhile for a peer to start up a production. Another part of the business is Operation & Maintenance with stable contracts of typically a five-year duration. Standardised services and consumables are most exposed to competition and price pressure, but make up a relatively small part of the total Customer Services business. The minor part of standard services, and the much higher share of high-tech services, also explains why FLSmidth services rarely are at risk of being insourced by customers.

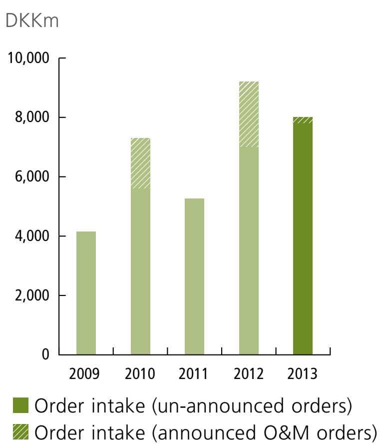
Undeniably, both cement and minerals customers at present have a strong focus on cost and cash flow, however, a strong value proposition and modernisation of existing equipment to increase production efficiency is equally important to customers in a slower market.

There were no major market shifts in the market for Customer Services in the fourth quarter.

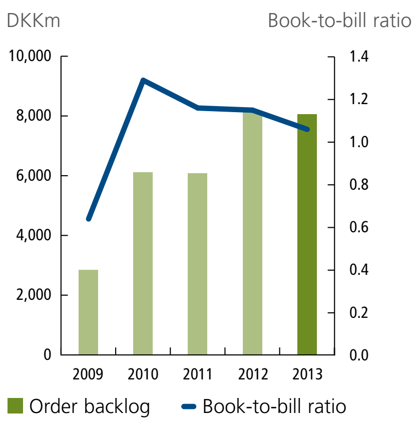
Financial results for 2013

The order intake decreased 13% to DKK 8,005m in 2013 (2012: DKK 9,202m). In Q4 2013, the order intake decreased 17% to DKK 2,032m (Q4 2012: DKK 2,442m). However, the numbers are not like-for-like. From and including Q4 2013, the practice for recognition of operation and maintenance (O&M) contracts in the order backlog was changed. In 2012, FLSmidth received new O&M contracts totalling DKK 2.1bn which were fully recognised in the order intake and order backlog, whereas the largest O&M contract ever, received in Q4 2013, was included in the order intake and order backlog on a 12 months' rolling basis only. As FLSmidth expects to take over the five production lines gradually throughout 2014, the 12 months' expected revenue recognized in the order backlog does not express the full run rate once the contract is fully operational. Adjusted for this changed accounting principle, the order intake in 2013 would be significantly higher than in 2012. Accordingly, the order intake reflects continued good market conditions and high capacity utilisation throughout the Mineral Processing industries and in certain regions of the cement business.

Order intake



Order backlog and book-to-bill ratio



The order backlog decreased 1% to DKK 8,046m at the end of 2013 (end of 2012: DKK 8,159m). The order backlog related to long-term operation and maintenance contracts amounted to DKK 5.1bn at the end of 2013 (end of 2012: DKK 5.1bn).

Revenue increased 7% to DKK 7,565m in 2013 (2012: DKK 7,073m) as a consequence of a continued strong order intake and an increasing contribution from O&M contracts. Overall, the translating of foreign currency into DKK had a negative effect on revenue amounting to 5% in 2013 compared to 2012. Going forward, the changed principles for recognition of O&M contracts, as described above, should result in a closer match between revenue and order backlog. In Q4 2013, revenue decreased 6% to DKK 2,000m (Q4 2012: DKK 2,129m) due to lower basic order business in cement and lower activity in businesses participating in the coal market.

The gross profit decreased 7% to DKK 1,854m in 2013 (2012: DKK 1,997m), whilst the gross margin decreased 3.7% points to 24.5% (2012: 28.2%). The gross margin in 2013 was impacted by the inventory write-down in Q3 (DKK -114m) and one-off costs in relation to the efficiency programme in Q3-Q4. The gross profit decreased 22% to DKK 480m in Q4 2013 (Q4 2012: DKK 614m), equivalent to a gross margin of 24.0% (Q4 2012: 28.8%).

Earnings before amortisation and impairment of intangible assets (EBITA) decreased 26% to DKK 691m in 2013 (2012: DKK 930m), corresponding to an EBITA margin of 9.1% (2012: 13.1%). EBITA decreased 34% to DKK 195m in Q4 2013 (Q4 2012: DKK 293m), equivalent to an EBITA margin of 9.8% (Q4 2012: 13.8%).

Adjusted for special items, the EBITA margin was 13.3% in 2013 and 14.6% in Q4 2013. Underlying margin levels in Customer Services' mining related business held up well despite a highly competitive business environment with most major customers asking for concessions.

Operational highlights 2013

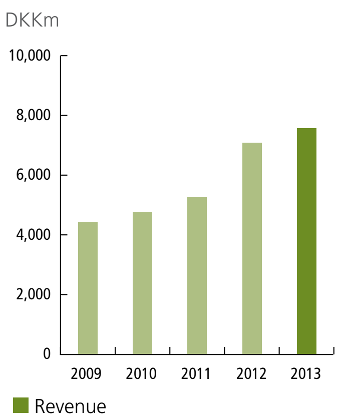
In 2013, FLSmidth received the largest operation and maintenance (O&M) order ever, comprising a number of cement production lines with the Nigerian cement producer, Dangote Cement PLC. Dangote is the largest cement producer in Nigeria with over 60 percent market share and the fastest growing cement producer in Africa. The five year contract is for the full scope operation and maintenance of five production lines, two of which were supplied by FLSmidth. The contract covers operation and maintenance of all production from crusher to packaging a fully automated control system for the plant mill. With a particular emphasis on the use of local manpower, the workforce of around 1,000 people will be trained via FLSmidth Institute.

Including this order, FLSmidth will be operating and maintaining a total of 15 cement production lines. Mobilisation of the Dangote O&M project is well in progress, and FLSmidth expects to take over operation of the first two lines in the spring of 2014, and the last three lines towards the end of 2014.

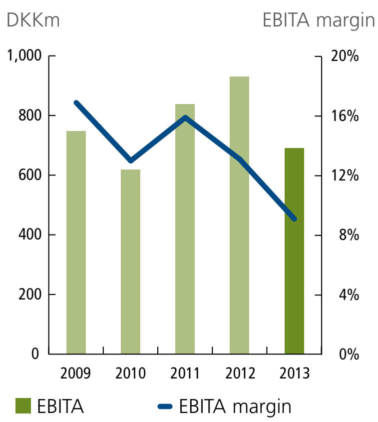
FLSmidth is progressing well on existing operation and maintenance contracts and in the past year successfully established new business units in Tunisia and Angola where some 500 new and dedicated employees have been recruited. Both cement plants are now in the final commissioning phase and entering normal production.

Also in 2013, FLSmidth was awarded a 5-year maintenance contract from SCM Minera Lumina Copper for supply of maintenance services to their copper plant located in Chile. The contract includes a mechanical maintenance organisation of some 110 persons which will provide the customer with a reduction in their overall maintenance costs and at the same time increase the production through higher reliability of the equipment, while keeping a strong focus on health and safety. With this contract, FLSmidth

Revenue



EBITA and EBITA margin



is undertaking two large maintenance contracts in Chile, together providing a strong foothold in the Chilean mining industry.

Safety is deeply embedded in everything FLSmidth does, and in 2013, the bar has been raised even higher. It is very satisfactory to report that FLSmidth's global Operation & Maintenance team in 2013 achieved the best ever LTIFR (Lost Time Injury Frequency Rate) of 2.2 (Number of lost time injuries per million working hours).

Already in 2012, FLSmidth started expanding its global reach by building its first three Supercenters, strategically located close to both mining and cement operations, and undertaken in an effort to create a true partnership with both customers and local communities. In 2013, an additional three Supercenters were opened, and customers present at the opening events expressed a high degree of satisfaction with the new facilities and the available capabilities close to their operations. The inauguration of the Antofagasta Supercenter in Chile was done by the Danish Crown Prince and Princess in the presence of many other distinguished guests.

A total of six Supercenters are now in operation, located in Tucson, Arizona, USA; Perth, Australia; Arequipa, Peru; Antofagasta and Santiago, Chile; and Delmas, South Africa. The Supercenters are geared not only to offer warehousing, rebuild and repair capabilities, but also specifically to support plant efficiency and safety.

The successes of the Supercenters are already obvious in the interactions with customers. For example, a customer had concerns about a gear purchased from a competitor. The gear was therefore brought to FLSmidth's Supercenter which had the space, cranage and Customer Services staff to assess and report on the faults in the manufacturing. This saved the customer from a potential catastrophic failure had they installed the gear and then found it defective.

In addition to the Supercenters, FLSmidth expanded its local footprint in 2013 by establishing Local Service Units in Vietnam, Turkey and Colombia, and expanding or improving local service capabilities in Russia, Indonesia, Egypt, UAE and Brazil.

Another strong focus in 2013 has been on integration of recent acquisitions. Including Ludowici, MIE Enterprises, DeCanter and Teutrine.

Outlook for 2014

It is expected that revenue in 2014 will be in the range of DKK 7.5bn to 8.5bn (2013: DKK 7.6bn).

It is expected that the EBITA margin in 2014 will be in the range of 13% to 15% (2013: 9.1%) dependent on the business mix within Customer Services.


ROLL

Material Handling
Sustainable solutions

FLSmidth is strongly placed in the material handling market and offers a complete range of products for transporting raw and bulk materials from the mine to their final destination. Bulk materials such as coal, iron ore and fertilizers are produced, conveyed and transported in large quantities.

Market developments

The market for Material Handling, especially larger projects, has been impacted by the deterioration in mining capex throughout 2013. In general, the market has been weak, but even more so, the order intake reflects a very prudent tender approach as a consequence of the project execution challenges experienced in this division. However, the market for bulk materials such as coal and iron ore is huge, and even a subdued market offers meaningful business opportunities, as illustrated by the awarding of a large coal project in Mozambique at the beginning of the year, and a large pipe conveyor order for transport of iron ore later in the year.

The outlook for coal deteriorated in 2013. Conditions in Australia were strained by political issues. In the US, coal is increasingly being replaced by shale gas. Hydropower growth and a strengthening of the convergence between natural gas and coal prices weigh on the coal market. Altogether, coal prices have faced downward pressure in 2013 and, despite a slight improvement in the second half of the year, a sizeable part of the production is loss-making. Nonetheless, while the US is shuttering coal plants they are not closing coal mines and coal unwanted at home is finding its place overseas. The export of US coal is creating an oversupply of coal elsewhere, triggering a gas-to-coal switch in other markets. Simultaneously, the increased shipping of coal fosters opportunities for FLSmidth's Material Handling division since new port facilities are needed.

Material Handling

DKKm	2013	2012	Change (%)	Q4 2013	Q4 2012	Change (%)
Order intake	**4,937**	**4,565**	8%	**1,655**	**675**	146%
Order backlog	**4,465**	**4,773**	-6%	**4,465**	**4,773**	-6%
Revenue	**4,552**	**4,997**	-9%	**1,472**	**1,326**	11%
Gross profit	**335**	**604**	-45%	**216**	**29**	645%
Gross margin	*7.4%*	*12.1%*		*14.7%*	*2.2%*	
EBITDA	**-455**	**-140**	-225%	**-15**	**-167**	-91%
EBITDA margin	*-10.0%*	*-2.8%*		*-1.0%*	*-12.6%*	
EBITA	**-511**	**-186**	n/a	**-29**	**-177**	n/a
EBITA margin	*-11.2%*	*-3.7%*		*-2.0%*	*-13.3%*	
EBIT	**-598**	**-247**	n/a	**-67**	**-203**	n/a
EBIT margin	*-13.1%*	*-4.9%*		*-4.6%*	*-15.3%*	
Number of employees	**3,306**	**3,435**	-4%	**3,306**	**3,435**	-4%

Carsten R. Lund
Group Executive Vice President

"The Material Handling division brings to FLSmidth the complete range of technologies allowing our customers to convey raw and bulk materials while minimising environmental impact and reducing operating costs."

Financial results for 2013

Order intake increased

8%

Revenue decreased

9%

EBITA totalled

DKK -511m

EBITA margin adjusted for special items was

0.0%

The order backlog decreased

6%

Iron ore is first and foremost challenged by a supply-driven downcycle, but also the slowing Chinese economy put a pressure on iron ore prices, especially in the first half of 2013. Most export of iron ore goes to China where the quality of iron ore is poor, and the plants therefore have to rely on imports of high quality ore. Prices held up well in the second half of 2013 and ended the year at a level seen in both 2010 and 2012.

The fertilizer market has been characterised by declining prices throughout the year. Phosphate and potash prices are easing primarily due to lower Indian and Chinese demand and changing market dynamics, but cost of production is decreasing as well. In particular potash prices have been under pressure since Uralkali, the world's biggest potash supplier, decided to end production restrictions that underpinned global prices. Subsequently, China's sovereign wealth fund acquired a 12.5% stake in Uralkali and with the anticipation of a push for a continuation of Uralkali's volume-before-price strategy, potash prices declined sharply in Q4 2013.

Growth within material handling in the cement industry will be directly proportional to FLSmidth's overall growth in this industry.

Despite a weakening short-term outlook, primary focus on improved operational excellence and a prudent tender approach, the list of potential projects contains promising opportunities.

The mid- to long-term outlook for Material Handling remains encouraging and Material Handling is among FLSmidth's biggest potential growth areas. There is a large structural demand for material handling equipment. All production of minerals and cement includes a material handling stage in any mine or plant in any part of the world. As ore grades of mined materials continue to decline, the quantities to be moved and processed increase rapidly. And as ore deposits become less accessible, typically more overburden material has to be removed to get down to the ore body – up to 10 times the tonnage of ore produced. Bulk materials are often exported and imported in large quantities, requiring additional material handling equipment at both ends.

The fertilizer business (potash and phosphates) is influenced by four main market drivers. Firstly, population and income growth, especially in developing countries such as China and India, drive an increasing demand for food and fertilizer in the longer term. Secondly, improved social conditions lead to a change in diet which means an increase in the use of grain and fertilizer. Thirdly, bio fuel especially in the USA is boosting the fertilizer business. Last but not least, the available arable land pro capita continues to fall as the population grows. To produce the same amount of food from fewer square metres, production is boosted by the use of more fertilizer.

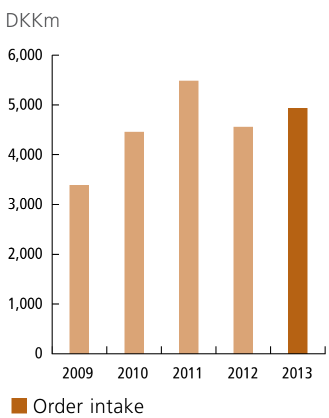
Financial results for 2013

The order intake increased 8% to DKK 4,937m in 2013 (2012: DKK 4,565m), supported by a few large orders booked at the beginning and the end of the year. Even so, the market was weak, and Material Handling continued its prudent tender approach. Following the large order in Qatar, the order intake in Q4 2013 increased 146% to DKK 1,655m (Q4 2012: DKK 675m). The QPMC contract entered in Q4 was a clear sign of the strength of the new material handling organisation.

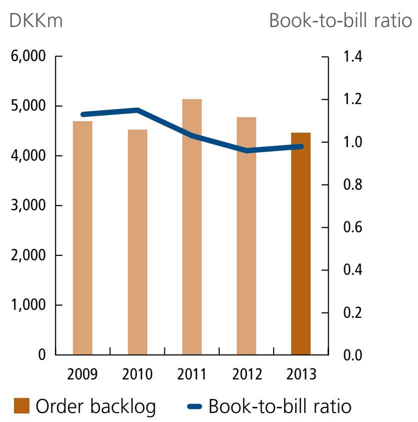
The order backlog decreased 6% to DKK 4,465m at the end of 2013 (end of 2012: DKK 4,773m) due to modest order intake in Q1-Q3. Despite a strong order intake in Q4, the order backlog was unchanged from Q3 due to high order execution and foreign exchange adjustments of the order backlog in Q4.

Revenue decreased 9% in 2013 to DKK 4,552m (2012: DKK 4,997m) following a period of challenging market conditions. Overall, the translating of foreign currency into DKK had a negative effect on revenue amounting to 7% in 2013 compared to 2012.

Order intake



Order backlog and book-to-bill ratio



Revenue increased 11% to DKK 1,472m in Q4 2013 (Q4 2012: DKK 1,326m). The high order execution in Q4 is explained by increasing income recognition, mainly on the Material Handling projects booked in South Africa at the beginning of 2013.

The gross profit decreased 45% to DKK 335m in 2013 (2012: DKK 604m), and the gross margin decreased 4.7% points to 7.4% (2012: 12.1%). The decline is a result of Material Handling executing a problematic legacy order backlog, as well as the inventory write-down in Q3 and one-off costs in relation to the efficiency programme in Q3-Q4. The gross profit increased 645% to DKK 216m in Q4 2013 (Q4 2012: DKK 29m), equivalent to a gross margin of 14.7% (Q4 2012: 2.2%), reflecting a reduced negative impact from risky projects in the backlog.

Earnings before amortisation and impairment of intangible assets (EBITA) totalled DKK -511m in 2013 (2012: DKK -186m), corresponding to an EBITA margin of -11.2% (2012: -3.7%). The 2013 result was impacted by provisions and incurred costs in connection with project execution challenges experienced by the Material Handling division. As accounted for throughout the year, the execution challenges are related to underestimated risks on orders received in previous years combined with lack of timely handling and mitigation hereof. The consequence has been extended time schedules and liquidated damages, as well as cost overruns related to extended stay on site, quality issues and correction of engineering errors on site, as well as underestimated costs related to material and manpower. 14 projects out of a total of 182 material handling projects are currently regarded as risky (end of Q3 2013: 15 projects). These projects accounted for DKK 481m or 11% of the backlog at the end of Q4 2013. The majority of the risky projects are expected to be finalised by end of 2014. The one-off costs of DKK 323m realised in Material Handling in Q2 are still expected to sufficiently cover future losses related to the risky projects. However, the projects will contribute with a zero contribution margin until they are executed.

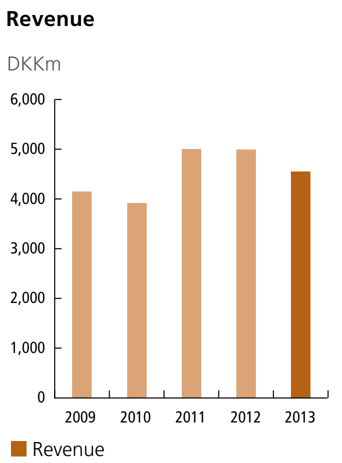
EBITA amounted to DKK -29m in Q4 2013 (Q4 2012: DKK -177m), equivalent to an EBITA margin of -2.0% (Q4 2012: -13.3%).

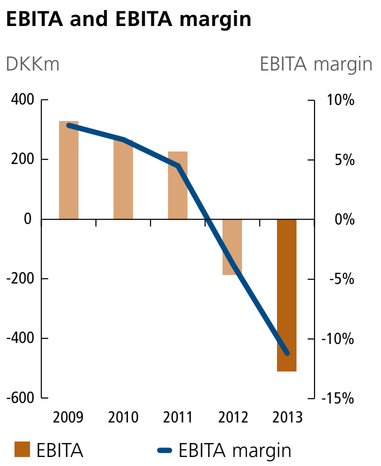
Adjusted for special items, the EBITA margin was 0.0% in 2013 and 2.9% in Q4 2013.

Operational highlights 2013

Resolving execution of the problematic order backlog in Material Handling has been of paramount importance in 2013, but just as important is it to make sure that no new problematic projects appear in the future. In recognition of insufficient integration of acquired Material Handling companies in the past, a number of initiatives were put in place already in 2012 to enhance operational excellence, including transfer of project management know-how and best practices from other divisions as well as strengthening of the divisional Management Group. A specific strategy has been developed to globalise and align the business approach in the division. Implementation of this strategy has been a key focus in 2013. For example, a Bid Assessment Process has been implemented to enhance focused sales efforts and a global Project Review Board has been established. Also tools and processes to ensure a unified approach to engineering across the division were implemented in 2013.

In Q4 2013, FLSmidth was awarded a DKK 1 billion order for a material handling stockyard system in Qatar. The order placed by Qatar Primary Materials Co. covered supply of conveying and stacking systems for a terminal expansion. The complete system for building materials will have a capacity of 30 million tonnes per year. The scope of supply includes a large high capacity conveying system, a complete integrated instrumentation and control system, complete stockyard equipment including six stackers and all electrical equipment and an advanced stockyard and truck management system as well as training of client staff. The installation of the conveying systems will reduce the environmental impact caused by the current transportation system, while the FLSmidth automated





stockyard management system will allow for an increased and optimised throughput of the terminal.

Earlier in the year, a large order was received from a leading Indian steel producer, Tata Steel to supply two pipe conveyors for transport of iron ore over a distance of 9 km from the customer's mine to the railway loading point.

At the beginning of the year, a DKK 658 million coal project in Mozambique was awarded to FLSmidth by the long term Brazilian customer, Vale. The order was for the supply of material handling as well as mineral processing equipment. The process equipment included FLSmidth Ludowici reflux classifiers and horizontal belt filters and illustrated the benefit of Ludowici in the FLSmidth minerals portfolio. The order also exemplified that the very sizeable coal market continues to offer interesting opportunities despite a generally soft market.

Also in 2013, FLSmidth cemented its green profile through a breakthrough order in the highly specialised niche market for air pollution control technology in China. The order from the Shenzhen Energy Company entailed delivery of an advanced dust emission technology for their two coal fired power plants in Southern China. More than 50% of the coal fired power plants in the world are located in China and they are a major contributor to air pollution. As part of its current 5-year plan, the Chinese Government has given top priority to environmental protection and has introduced new stricter emission legislation.

FLSmidth's supply of 36 units of its advanced COROMAX™ dust emission technology to Shenzhen Energy Company will contribute to achieving record low dust emissions and enable the customer to fulfil the strict Chinese emission controls.

Another project for environmental control commissioned in the past year enabled the customer to reduce emissions with zero downtime. In just 10 months, dust emissions from the ACC Limited (Holcim Group) Gagal Cement Plant in India have been successfully reduced. Utilising FLSmidth's unique long-bag technology and efficient cleaning system ensures compliance with environmental regulations now and in the future. The Engineering Procurement and Construction (EPC) project was commissioned with emission measurements at 1.75 mg/Nm3 which is well below the local environmental regulations.

A milestone in the past year was the commissioning of a major plant in Indonesia for processing overburden overlying a coal mine. This plant combines Abon® sizers with Material Handling apron feeders, discharge conveyors, overland conveyors, and an MSC (Mobile Stacking Conveyor) with a mobile spreading conveyor. This technology eliminates a large part of the truck fleet that would be required otherwise. It also reduces the operating cost of the mine, although requiring a somewhat higher initial investment.

A breakthrough product launched in 2013 was the BulkExpert™, a new fully automated and highly sophisticated stockyard system that increases throughput by up to 10-15% and delivers consistent and precise data from the stockyard. The system is 100% automated and uses 3D laser scanning and GPS navigation, enabling 3D visualisation of the stockyard's interior. In addition, this leading solution for stockyard management enables FLSmidth's customers to increase safety and minimise the use of staff.

FLSmidth continuously develops its product portfolio to meet the changing demands and has designed and manufactured the world's largest traditional gearbox for vertical roller mills which was shipped to a client in the Middle East in 2013. Back in 2012, FLSmidth was requested to quote for a very large capacity vertical cement mill. FLSmidth opted for their large OK54-6 requiring a 7.8 MW gearbox drive. A competitor solution for a new type of non-traditional drive of such size was considered, but due to time and price a traditional vertical mill gearbox had to be considered. So far, none of the gearbox suppliers had ever designed or supplied a traditional vertical mill gearbox above 6.5 MW. FLSmidth MAAG Gear took up the challenge and designed and manufactured a new 3-stage WPV-5000 7.8 MW 200 ton gearbox for this project – being the world's largest traditional gearbox for vertical roller mills. FLSmidth MAAG gear has just received a new challenge to design and manufacture a similar gearbox – this time an even larger 8.7 MW gearbox.

Outlook for 2014

It is expected that revenue in 2014 will be in the range of DKK 3.5bn to 4.5bn (2013: DKK 4.6bn) reflecting a weak short-term market outlook and a continued prudent tender approach.

It is expected that the EBITA margin in 2014 will be 0-2% (2013: -11.2%). Though provisions have been made in 2013 for anticipated losses in relation to challenging projects, these projects will proceed with a zero-margin contribution until executed, which means that the margin is expected to improve gradually as the projects are finalised.

Mineral Processing
A global structure

FLSmidth's Mineral Processing division encompasses all the technologies, products, processes and systems used to separate commercially viable minerals from their ores. The division's solutions range from process optimisation services and the supply of single machines to the design and delivery of complete plants for concentrating and refining copper, gold, coal, iron ore, fertilisers and other minerals.

Market developments

The mining capital expenditures downturn has been a prevailing theme in 2013 and the market for Mineral Processing has deteriorated throughout the year and remains soft. After a period of acquisitions and strong expansion among miners, mining companies turned their focus to cost and capital efficiency. In addition, slowing growth in China and declining commodity prices have contributed to a slow market for mining projects and equipment. Accordingly, tendering activity has been at a lower level than 2012, and large announced orders have been lacking. Development continues for the higher return projects, and FLSmidth had some expectations for announced orders in the second half of 2013, but these orders lacked for several reasons. Investment decisions take longer than anticipated and industry delivery times have shortened considerably post the mining boom, providing customers with an extended time frame to decide on equipment purchase. Also, customer financing takes time, making it more difficult to predict when potential orders materialise.

Mineral Processing

DKKm	2013	2012	Change (%)	Q4 2013	Q4 2012	Change (%)
Order intake	**5,559**	**10,318**	-46%	**1,025**	**2,467**	-58%
Order backlog	**4,993**	**9,589**	-48%	**4,993**	**9,589**	-48%
Revenue	**9,256**	**9,512**	-3%	**2,376**	**3,358**	-29%
Gross profit	**1,999**	**2,196**	-9%	**513**	**829**	-38%
Gross margin	*21.6%*	*23.1%*		*21.6%*	*24.7%*	
EBITDA	**850**	**1,079**	-21%	**174**	**483**	-64%
EBITDA margin	*9.2%*	*11.3%*		*7.3%*	*14.4%*	
EBITA	**757**	**1,000**	-24%	**153**	**457**	-67%
EBITA margin	*8.2%*	*10.5%*		*6.4%*	*13.6%*	
EBIT	**211**	**773**	-73%	**88**	**426**	-79%
EBIT margin	*2.3%*	*8.1%*		*3.7%*	*12.7%*	
Number of employees	**2,840**	**2,833**	0%	**2,840**	**2,833**	0%

Peter Flanagan
Group Executive Vice President

In Mineral Processing we aim to be our customers' One Source supplier for unlocking their mineral resources safely, efficiently and sustainably.

Financial results for 2013

Order intake decreased

46%

Revenue decreased

3%

EBITA decreased

24%

EBITA margin adjusted for special items was

9.1%

The order backlog decreased

48%

The smaller unannounced orders declined at the beginning of the year but stayed at a stable and healthy level in the subsequent quarters, although softening somewhat in Q4. However, a sound pipeline of mid-size projects and plant modifications aimed at increasing capacity and, in particular, improving efficiency remains in the tendering queue, while greenfield exploration is on hold for most miners.

The weakness first seen in coal and iron ore showed signs of spreading into gold and copper in 2013. Even so, the copper spot price stayed above nearly all mines' cash cost of production throughout the year, and unlike coal and iron ore, copper demand tends to grow in line with GDP. Despite Chinese growth trending away from double digits, the country's consumption of copper is expected to double in the next decade, and going forward new investments will likely be supported by China expanding its international mining operations to become more self-sufficient in copper – a development which is likely to take place regardless of the copper price trend.

Copper is the largest mineral segment for FLSmidth. The Group has a strong market share in copper concentration and sees growing opportunities in hydrometallurgical and other downstream copper production processes, as further competencies are developed.

The gold market remains rather active though gold miners find it increasingly difficult to cover their all-in-costs in the lower gold price environment. Like copper, gold is an important commodity to FLSmidth who has the most complete flow sheet in the business where customers are increasingly looking for one source suppliers with extended scope capabilities. A special focus has been put on developing gold to hedge the other minerals activities due to its countercyclical tendencies and ability to absorb overhead in active projects in lean economic times.

FLSmidth has a complete coal preparation flow sheet and is well positioned to take a significant share of new coal preparation plant capex once the current excess coal production capacity is absorbed by the market. Iron ore and fertilizers, primarily potash and phosphate, are currently less important commodities for the Mineral Processing division but the intention is to grow in these industries through further flow sheet development.

Longer term, the positive outlook for mining capex is unchanged. The demand for minerals will continue to grow, reflecting societal changes in the developing countries where the growing middle class is boosting demand for infrastructure and consumer goods. Decreasing ore grades are also creating additional demand for more production capacity; especially for copper, gold and to a lesser extent iron ore.

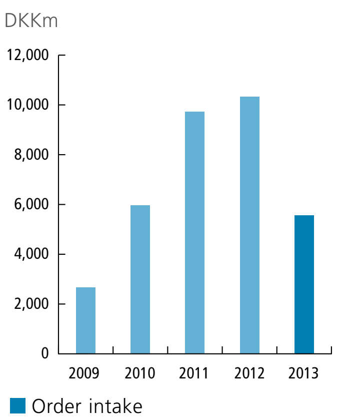
Financial results for 2013

The order intake decreased 46% to DKK 5,559m in 2013 (2012: DKK 10,318m), reflecting the deteriorated mining capex market. The order intake in Q4 2013 amounted to DKK 1,025m representing a decrease of 58% compared to Q4 2012 (Q4 2012: DKK 2,467m) and a sequential decrease of 32% (Q3 2013: DKK 1,510m), implying a softening of the market for Mineral Processing in Q4, following three quarters showing a stable level of unannounced orders. The level of order intake in 2014 is expected to be similar to 2013. Quarterly variations may occur.

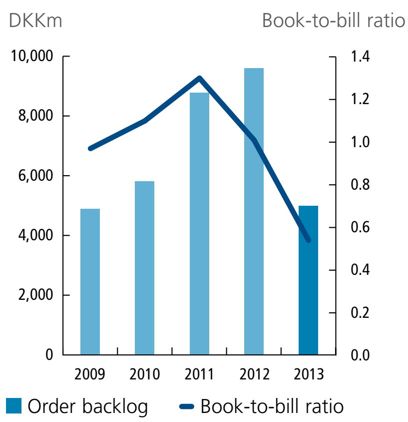
The order backlog decreased 48% to DKK 4,993m at the end of 2013 (end of 2012: DKK 9,589m) reflecting the weaker order intake in 2013.

Revenue decreased 3% to DKK 9,256m in 2013 (2012: DKK 9,512m), holding up well due to the strong order intake in 2011 to mid 2012, since lead times for products and projects are up to

Order intake



Order backlog and book-to-bill ratio



two years. Overall, the translating of foreign currency into DKK had a negative effect on revenue amounting to 6% in 2013 compared to 2012. Revenue decreased 29% to DKK 2,376m in Q4 2013 (Q4 2012: DKK 3,358m) due to decreasing contribution from orders received in the previous two years.

The gross profit decreased 9% to DKK 1,999m in 2013 (2012: DKK 2,196m), and the gross margin decreased 1.5% points to 21.6% (2012: 23.1%), attributable to the inventory write-down in Q3 and one-off costs in relation to the efficiency programme in Q3-Q4. The gross profit decreased 38% to DKK 513m in Q4 2013 (Q4 2012: DKK 829m), equivalent to a gross margin of 21.6% (Q4 2012: 24.7%).

Earnings before amortisation and impairment of intangible assets (EBITA) decreased 24% to DKK 757m in 2013 (2012: DKK 1,000m), corresponding to an EBITA margin of 8.2% (2012: 10.5%). EBITA decreased 67% to DKK 153m in Q4 2013 (Q4 2012: DKK 457m), equivalent to an EBITA margin of 6.4% (Q4 2012: 13.6%).

Adjusted for special items, the EBITA margin was 9.1% in 2013 and 7.1% in Q4 2013.

Operational highlights 2013

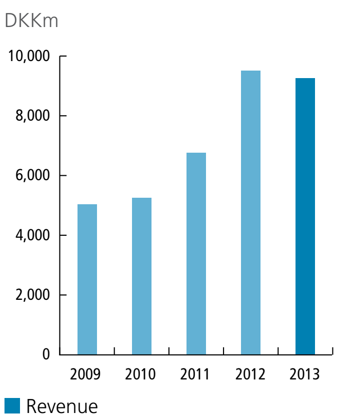
As a consequence of the prevailing mining capex downturn, no Mineral Processing orders above the announcement threshold of DKK 200m were booked in 2013. However, the division maintained a stable flow of smaller unannounced orders most of the year, and the business activity in terms of project execution has been historically high.

In 2013, FLSmidth completed engineering of its first mid capacity 40,000 metric tonnes per day copper concentrator located in the South Gobi Desert of Mongolia. This is a complete copper concentrator including a 60" gyratory crusher, a 36' diameter SAG mill, two 22' diameter ball mills, 300 cu.m SuperCell™ flotation machines, a 60m diameter tailings thickener, Pneumapress filters, Krebs gMAX cyclones and millMAX pumps, a VXP regrind mill and Ludowici screens.

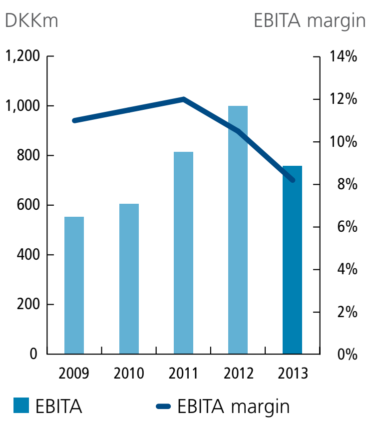
A trend in the mining industry is to 'go big' meaning that miners request larger and larger equipment to obtain scale and process more material to cope with declining ore grades. FLSmidth is continuously developing its product portfolio to meet the changing demands and designed and supplied the largest cone crusher in the world for Osisko Mines in Canada which went into operation in 2013. The XL2000, delivering 2500 HP, jumped ahead of competition by stepping up nearly 100% in size over the previous largest cone crushers that offered only 1300 HP. Not only will this change flowsheet designs in the future, the XL2000 cone crusher was taken from concept stage to delivery in less than two years. Previously using a competitor's product, Osisko's gold plant production was less than half of nameplate design and required new conceptual changes in order to economically achieve nameplate production. FLSmidth's XL2000 was the answer, and due to instalment of this new large scale technology ahead of Osisko's existing SAG mill installation, the plant exceeded rated production in 2013.

The year also encompassed shipment of the largest flotation cell in the world. The 600 series SuperCell™, with an active volume of 660 m^3, was designed by FLSmidth and is now under construction for operations with both self-aspirated and forced air mechanisms. To answer market demands, FLSmidth will install and test this world's largest flotation cell at the Robinson Mine in Nevada. The 600 Series SuperCell™ will be used as a rougher-scavenger in the copper flotation circuit. The combination of validated CFD modeling, empirical correlations, and years of operating experience

Revenue



EBITA and EBITA margin



provides the confidence to initiate the largest ever step change in flotation design by producing the upcoming 600 series.

Since the acquisition of Knelson in 2011, FLSmidth has taken one of its lesser known product lines and grown the VXP mill technology over 2.5 times in size, making it an excellent economical alternate technology to existing competition regrind mill applications for all commodities. Shipment of the first VXP 5000, 1500 KW regrind mills, for two copper concentrators in 2013 will provide the foundation for significant growth of this market previously 100% controlled by our competition. When started, each of the VXP 5000 vertical regrind mills will process between 25 to 55 tonnes per hour of copper concentrate, providing the concentrator with additional copper output prior to concentrate shipment. This milestone event positions the Group well for increased sales opportunities and fills a previously vacant product in our copper flow sheet.

At the end of 2013 FLSmidth successfully commissioned an ECS/ ProcessExpert advanced process control system in the grinding circuit at cia. Minera Antapaccay (a Glencore company) in Peru. A significant milestone for FLSmidth's Automation Business Unit as this blue chip minerals processing reference on the largest volumetric capacity SAG mill operational in the world today adds to our growing global list of advanced minerals process control references. The process control application is based on FLSmidth's proprietary software for grinding circuit process control and is integrated together with FLSmidth's Impactmeter which is a patented proprietary software based instrument, specifically developed to optimise energy efficiency and provide mill liner protection in semi-autogenous grinding mills.

For more than 30 years, FLSmidth has been delivering robotic laboratories to the cement and, more recently to the mining industries. FLSmidth's expansion into supply of ore characterisation and process mineralogy services means that FLSmidth can make good use of the advantages of laboratory automation in its own facility in Salt Lake City, Utah, USA. Therefore, the FLSmidth® QCX/RoboLab® system has been installed at FLSmidth's own ore Characterization & Process Mineralogy labs in Salt Lake City. The first samples were processed by the system in July 2013 as part of the commissioning process. Full commissioning of the system was completed in September 2013. The addition of the QCX/RoboLab facility expands the capabilities of the newly established state-of-the-art Ore Characterization and Process Mineralogy (OCPM) laboratory in the FLSmidth Minerals Testing and Research Center. This lab serves internal FLSmidth projects, and also directly supports mining customers around the world. In the first 18 months of operation, the OCPM lab has completed approximately 200 projects for more than 30 clients. The lab decided to automate key processes, which allowed it to greatly expand its capacities without the need for significant staff increases. The QCX/ RoboLab system will allow the OCPM lab to take on large-scale projects (hundreds to thousands of samples) that are often part of exploration, feasibility and geometallurgical studies, and be able to complete these projects in a short time period for its clients. All software and sample preparation equipment in the laboratory is manufactured by FLSmidth.

Also, in 2013 FLSmidth commissioned the first HPGR pilot test at Cerro Prieto in Mexico. After successful operation in Q2, we expect this to lead to our first commercial order for this emerging technology in gold processing.

Outlook for 2014

Given the weaker order intake in 2013, it is expected that revenue in 2014 will be in the range of DKK 5.5bn to 6.5bn (2013: DKK 9.3bn).

It is expected that the EBITA margin in 2014 will be in the range of 6-8% (2013: 8.2%) as the order backlog will be emptied of the very profitable pre-crisis orders. Additionally, margins will be impacted by one-off costs related to the ongoing efficiency programme and the right-sizing of the division's resources to the expected lower business volume in 2014. The level of order intake in 2014 is expected to be similar to 2013.

Cement
Quality & reliability

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

Market developments

Global market for new cement capacity

The market for new cement kiln capacity has been on the bottom of the cycle since 2009. A similar or slightly higher level of activity is expected for 2014, whereas any real recovery is not expected until 2015, depending on overall global economic growth and business sentiment.

The market for cement capacity remains very competitive and price sensitive with every project having multiple bidders. However, it varies from project to project whether price is the most important factor, especially for projects offered on an EP – Engineering and Procurement – basis, where FLSmidth in recent years managed to significantly reduce the price gap to emerging market competitors. In many cases, customers value FLSmidth technology and expertise higher. That said, the current trend is towards larger scope and orders being placed with fewer or only one supplier, and a large number of projects today are being put out for tender on an EPC – Engineering, Procurement and Construction – basis.

In the course of 2013, the Chinese domestic market for new cement capacity almost completely vanished, leading emerging market competitors to aggressively pursue EPC projects outside of China, often on terms and conditions that are unacceptable to FLSmidth. FLSmidth takes on EPC projects only when risks can be mitigated to a reasonable extent and acceptable contract terms can be obtained.

The global market for contracted new kiln capacity (exclusive of China) amounted to an estimated 50m tonnes per year in 2013 (2012: 40m tonnes per year), which continues to be at a low level following in the wake of the global financial crisis. The primary

Cement

DKKm	2013	2012	Change (%)	Q4 2013	Q4 2012	Change (%)
Order intake	**3,417**	**4,599**	-26%	**1,150**	**615**	87%
Order backlog	**5,389**	**7,585**	-29%	**5,389**	**7,585**	-29%
Revenue	**5,201**	**4,214**	23%	**1,496**	**1,498**	0%
Gross Profit	**701**	**1,269**	-45%	**102**	**409**	-75%
Gross margin	*13.5%*	*30.1%*		*6.8%*	*27.3%*	
EBITDA	**161**	**788**	-80%	**-35**	**317**	-111%
EBITDA margin	*3.1%*	*18.7%*		*-2.3%*	*21.2%*	
EBITA	**124**	**752**	-84%	**-44**	**307**	-114%
EBITA margin	*2.4%*	*17.8%*		*-2.9%*	*20.5%*	
EBIT	**95**	**669**	-86%	**-58**	**304**	-119%
EBIT margin	*1.8%*	*15.9%*		*-3.9%*	*20.3%*	
Number of employees	**2,251**	**2,554**	-12%	**2,251**	**2,554**	-12%

Per Mejnert Kristensen
Group Executive Vice President

Global responsibility for technology, innovation and design of the Group's key machinery is centralised in a global organisation to ensure that all projects worldwide maintain a consistent and high technological standard.

Financial results for 2013

Order intake decreased
26%

Revenue increased
23%

EBITA decreased
84%

EBITA margin adjusted for special items was
7.5%

The order backlog decreased
29%

reasons are that decision making is dragging out and that India is at a very low level with respect to investments in new cement capacity.

On a global level, significant overcapacity and consequently low utilisation rates persist, resulting in delay of investments in new capacity in a number of countries. Nonetheless, a number of oil rich countries with political stability continue to grow their economies and invest. Proposal activity remains stable and relatively high in many parts of the world, most notably in the Middle East, parts of Africa, Russia, South America and parts of Asia.

In early 2013, the Indian market saw signs of inquiry levels and tender activity picking up, but the market has softened again as a result of a sluggish Indian economy. FLSmidth continues to have a leading position in India and is ready to capture the market once investments return.

In the US, FLSmidth remains in a market leading position. Cement producers' utilisation rates are increasing, but the level is still below the typical threshold for investments in new plants. The NESHAP regulatory requirements to be enforced from September 2015 continue to create opportunities, but until US cement producers' utilisation rates increase further, many potential orders will likely be smaller in size.

Global cement consumption

Global cement consumption amounted to around 4.0bn tonnes in 2013 (2012: 3.7bn tonnes) of which China accounted for approximately 2.4bn (2012: 2.2bn tonnes) and India approximately 0.2bn tonnes (2012: 0.2bn tonnes). Annual growth in global cement consumption ex-China is expected to be 3-5% in the coming years.

Cement consumption dropped dramatically after the global financial crisis in 2008 in most parts of the world, however mostly in the developed part of the world. North America is seeing a recovery, while there are no signs of a bounce in European cement consumption despite a slowly improving economy.

In Africa, many countries continue to see growing cement consumption, but parts of North Africa are still impacted by the "Arab Spring", especially Egypt with a fragile political situation and production restrictions due to gas supply shortages. Sub-Saharan Africa as a whole is experiencing high economic growth and increasing cement consumption due to income from natural resources. The order for a greenfield plant in Equatorial Guinea and the largest ever Operation & Maintenance contract in Nigeria prove FLSmidth's strong presence in this region.

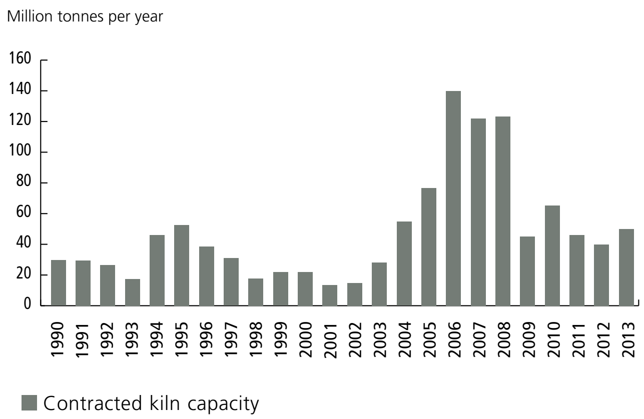
Parts of the Middle East are still booming and though it is a difficult environment, FLSmidth received a large order in Qatar just before year end. Also, Russia offers opportunities, but potential projects are dragging out.

The overall cement consumption growth slowed in South Asia, partly driven by Indonesia. Despite a slower growth, the growth drivers in Indonesia remain intact and FLSmidth was awarded a large order for supply of equipment for a production line in Indonesia just before year end.

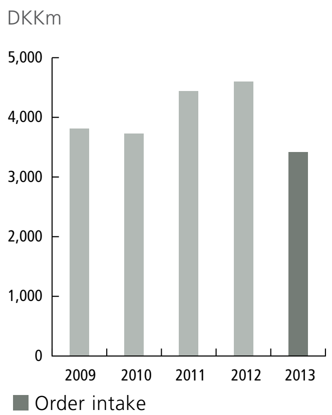
In South America, Brazil is growing at a lower level but still offers interesting opportunities.

In India, cement consumption growth is at a lower level than recent years and insufficient to make up for the significant overcapacity built up prior to 2012. The country's structural economic problems do not point to any short-term recovery, but longer term the potential for the world's second largest cement market is vast. The population is almost comparable to China in size, but the

Estimated global contracted kiln capacity (excl. China)



Order intake



cement consumption is roughly one eighth of the Chinese cement consumption per capita and the lowest consumption per capita among the world's 10 largest cement producing countries.

Financial results for 2013

The order intake decreased 26% to DKK 3,417m in 2013 (2012: DKK 4,599m) reflecting challenging market conditions as described above. The order intake increased 87% in Q4 2013 to DKK 1,150m (Q4 2012: DKK 615m) following two large orders close to year end in Qatar and Indonesia respectively.

The order backlog decreased 29% in 2013 to DKK 5,389m (end of 2012: DKK 7,585m). The order backlog has suffered from a significant reduction in the market for new cement capacity since the 2008 financial crisis. A gradual rebuilding of the order backlog is expected as the recovery of the global cement industry gathers speed.

Revenue increased 23% to DKK 5,201m in 2013 (2012: DKK 4,214m). Overall, the translating of foreign currency into DKK had an impact of DKK 111m on revenue in 2013 compared to 2012. Revenue was unchanged at DKK 1,496m in Q4 2013 (Q4 2012: DKK 1,498m). The foreign exchange effect of translating into DKK had a negative impact on revenue of 3% compared to 2012.

The gross profit decreased 45% to DKK 701m in 2013 (2012: DKK 1,269m), and the gross margin decreased 16.6% points to 13.5% in 2013 (2012: 30.1%). The gross profit in Q4 decreased 75% to DKK 102m (Q4 2012: DKK 409m), equivalent to a gross margin of 6.8% (Q4 2012: 27.3%). The gross margin in 2012 was exceptionally high due to better than expected order execution and reversal of contingencies and provisions in connection with finalisation of projects taken in pre-crisis years. The gross margin in 2013 was impacted by the inventory write-down in Q3 and one-off costs in relation to the efficiency programme in Q3-Q4, however the main impact was from the outcome of the arbitration case related to the English cement plant Buxton in 2004, which impacted EBITA in Q4 with approximately DKK -160m.

Earnings before amortisation and impairment of intangible assets (EBITA) decreased 84% to DKK 124m in 2013 (2012: DKK 752m), corresponding to an EBITA margin of 2.4% (2012: 17.8%). EBITA amounted to DKK -44m in Q4 2013 (Q4 2012: DKK 307m), equivalent to an EBITA margin of -2.9% (Q4 2012: 20.5%). In 2013, EBITA was impacted by costs related to the efficiency programme, an inventory write-down as well as the Buxton arbitration award as described above. The EBITA margin in 2012 was extraordinarily high for the same reasons as stated above in relation to the gross margin.

In 2012, the order book consisted partly of very attractive pre-crisis orders. As highlighted in the 2012 Annual Report, the order backlog was exhausted for the attractive pre-crisis orders entering 2013, and orders taken in the midst of the financial crisis were executed in 2013.

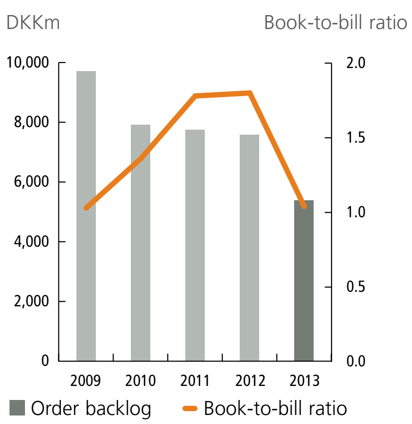
Adjusted for special items, the EBITA margin was 7.5% in 2013 and 10.2% in Q4 2013.

Operational highlights 2013

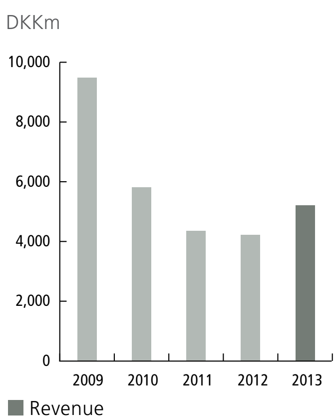
In 2013, the importance of FLSmidth's presence on the African continent was manifested with the booking of a large order for the supply of a greenfield plant in Equatorial Guinea. The order placed by Grupo Abayak AKOGA Cemento S.A. amounted to DKK 505m and the plant will have a capacity of 3,000 tonnes per day.

In spite of a sluggish Indian cement market, the past year entailed a large order for the supply of main equipment for a greenfield cement plant in India. The plant was ordered by Orient Cement Limited and will have a capacity of 6,000 tonnes per day.

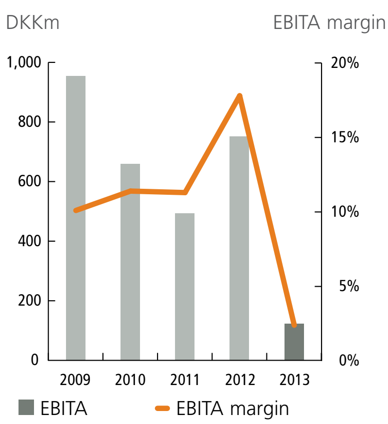
Order backlog and book-to-bill ratio



Revenue



EBITA and EBITA margin



The year ended with the receipt of two larger cement orders. FLSmidth was awarded a DKK 515m order from Al Khalij Cement covering supply of a cement production line in Qatar. The production line will be a duplicate of the existing line, which was supplied by FLSmidth in 2007, and is being supplied in cooperation with CNBM International Engineering, which is part of China National Building Materials (CNBM) – the largest building materials group in China and a global supplier of integrated EPC (Engineering, Procurement and Construction) projects. FLSmidth's role in the cooperation is to engineer the plant and supply the main equipment. CNBM is the turnkey contractor and received the order from Al Khalij Cement in cooperation with FLSmidth. The FLSmidth and CNBM offering combines environmentally cutting-edge process know-how, engineering and equipment supply from FLSmidth with a cost efficient EPC contract.

Further, FLSmidth received a DKK 300m order in Indonesia from PT Semen Padang for a cement production line with a capacity of 8,000 tonnes per day. This new line will be the sixth line at the plant site and FLSmidth supplied four of the other five lines.

A significant achievement in 2013 was the completion of the Djebel Ressas cement production line in Tunisia with a capacity of 5,800 tonnes per day. The plant has now been handed over to the Operation & Maintenance staff at FLSmidth's Customer Services division who will run the plant for at least the next 5 years. This clearly illustrates FLSmidth's unique ability to offer and successfully execute complete projects and subsequently run plants on behalf of customers.

Another milestone in 2013 was the sale of the first OK vertical raw mill. This newly developed product is expected to gradually replace the Atox mill as FLSmidth's leading raw mill design.

Outlook for 2014

It is expected that revenue in 2014 will be in the range of DKK 3.5bn to 4.5bn (2013: DKK 5.2bn) reflecting a relatively solid backlog going into the year and a view that the market for new cement capacity most likely will increase slightly in the coming year.

It is expected that the EBITA margin in 2014 will be in the range of 5% to 7% (2013: 2.4%).

Risk Management

■ Risks and risk management play an inherent role in most of FLSmidth's business. The Group undertakes considerable risks within areas in which it has established the competencies to identify, assess, manage and where relevant mitigate the risks.

Risk taking is an intrinsic, necessary and accepted part of FLSmidth's business and effectively managing risk has a high priority within the Group's business model as it is considered a competitive parameter as well as a fundamental part of creating value to its shareholders. Through good business practices designed to ensure that FLSmidth achieves its strategic, business and governance objectives, the Group continuously strives to protect its corporate reputation, values and integrity.

FLSmidth's risk management framework and process

FLSmidth's approach to risk management is based on a top-down approach with the underlying assumption that all divisions, business units and Group functions exist to provide value for the Group's stakeholders.

The risk management framework is set out in the Group's risk management policy, which describes the purpose, scope, principles, expectations, roles and responsibilities, policy authority and the monitoring and reviewing of risks – both potential and actual. The Board of directors is ultimately responsible for this policy, which includes defining the Group's overall risk appetite and risk tolerance, that and continuously assessed, managed and monitored by the Group's Executive Management and the day-to-day management of the business units and Group functions.

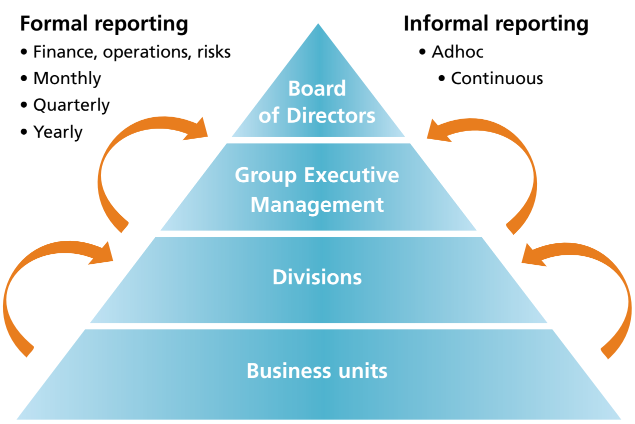
The business units and Group functions have the responsibility to identify, assess, manage and mitigate both internal and external risks as they are close to the source of the risk and are responsible for or affected by the activity or area from which the risk emerges. This is a fundamental principle in FLSmidth's risk management philosophy that is executed at the following levels:

- **Group:** covering all group level risks, including major external risks that may impact the Group's ability to achieve its strategic objectives on a sustainable basis;
- **Divisions:** covering general risks related to the respective focus industries, as well as risks related to the interaction between the business units and Group functions;
- **Business units:** covering specific risks related to their specific business activities, e.g. projects, products, services, own manufacturing, operation and maintenance, Supercenters, etc., and
- **Group functions:** such as legal, tax, treasury, governance and compliance, IP, strategic supply chain, research and development, health and safety, travel security and IT covering all global risk areas that function across the divisions and business units.

Risk reporting

FLSmidth's Global Risk Management Department is responsible for preparing a report for the Board of Directors and Group Executive Management. This report includes action plans for managing the relevant risks.

Risk reporting



Everything needed to maintain plants

FLSmidth's portfolio of support services is dedicated to helping plants keep availability to an absolute maximum while meeting tough cost and performance targets.

Operational Excellence

FLSmidth is developing and maintaining strategic supplier relationships to ensure consistent high-quality, reliable delivery and competitive pricing for all products, while protecting our intellectual property.

Insurance

Mitigating the financial impact of certain types of risk is an essential risk management tool, which allows FLSmidth to transfer whole or parts of the financial loss to an insurer, if an insured risk materials.

FLSmidth's Global Insurance Department is an integrated part of the Global Risk Management Department, and is responsible for the Group's asset risk management and the placement and coordination of its insurance programme, which consists of a combination of global and local insurance policies.

Generally, FLSmidth accepts to retain a certain level of risk. The level of this retention is continuously evaluated and adjusted, taking into consideration the Group's financial strength, the magnitude of the insured risk and the cost-benefit evaluation based on the options and prices available in the global insurance market.

Current risk assessment

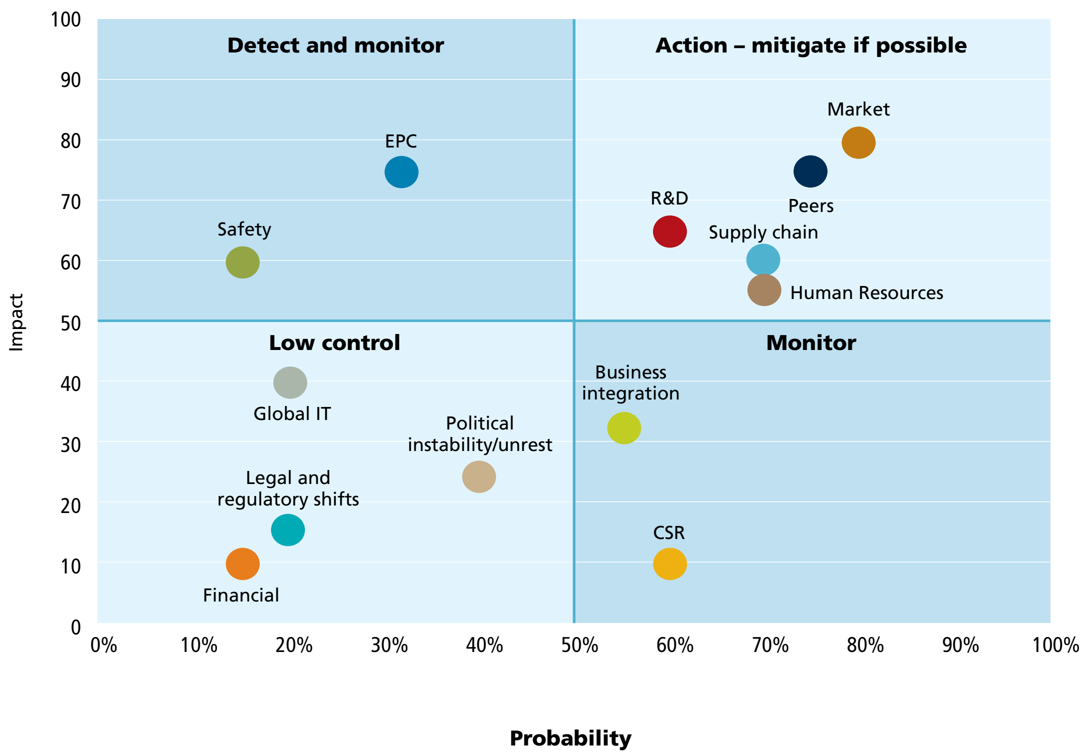
Being a supplier of single machine units, complete complex production plants and services to the global minerals and cement industries, FLSmidth is exposed to a vast array of strategic, operational, financial and hazardous risks that must be identified, evaluated and managed on an ongoing basis. These risks include, but are not limited to the following: country, political, manufacturing, competitors, supply chain, logistical, shortage of skilled labor, raw material price fluctuations, currency, counterpart, design, technology/product, theft of intellectual property rights, business integration, IT, legal, compliance, tax, natural disasters and environmental.

While FLSmidth has a low risk appetite for certain types of risk such as: safety, currency, theft of intellectual property rights, business integration, IT, legal, compliance and tax, it is prepared to accept considerable project-related risks within the areas where the Group has the competencies to manage such risks, provided however, that the risks can be managed or mitigated to a reasonable extent.

During the risk assessment process in 2013, FLSmidth - in addition to project-related risk and litigation – identified the following key risks in random order of priority:

- Supply chain
- Market and competition
- Business integration
- Human resources
- Research and development

The most significant risks have been identified through a risk mapping of probability and consequence, as illustrated below:



Risk assessment and mitigating actions

RISK	CONTEXT	MITIGATION
Projects	A large part of FLSmidth's business consists of supplying equipment to customer-built plants, or in some cases to be responsible for the entire construction on an engineering procurement and construction (EPC) basis of very large, complex processing plants. FLSmidth's projects are often located in remote locations with poor infrastructure, and often in countries with poor political, administrative and judicial structures in place. This can pose significant logistical challenges as well as country-specific and political risks. Diligent project execution is vital to secure delivery on time and according to the budget and specifications. Lack of the same can cause significant cost overruns.	FLSmidth focuses its proposal activities on projects that lie within its core competencies and match the Group's strategic goals. By doing so, FLSmidth ensures that it is only involved in projects with an acceptable risk profile. All large EPC projects must be reviewed and approved by the Group's EPC Approval Board, which consists of members from the divisions, the Group's General Councel and the Head of Group EPC Support. FLSmidth conducts monthly project reviews of all large projects including a risk analysis of the relevant scenarios and the opportunities/possibilities for the mitigation of these risks. Where relevant, the Group has established project task forces with participants from selected areas of expertise across FLSmidth including divisional COOs/CFOs and relevant specialists to create a uniform platform for sparring on projects that are complex due to size and/or geographical location.
Supply chain	Most of the manufacturing is delegated to a global network of subcontractors and suppliers. This has proved both a robust and sustainable business model that is highly suitable for a cyclical industry.	To mitigate supply chain risks, FLSmidth continues to broaden its supply base by building relations with new equipment manufacturers, as well as entering into long-term master agreements with important suppliers, or by acquiring suppliers/manufacturers of important equipment. Additionally, in terms of proprietary equipment and certain fast turning parts that are important to its Customer Services business, FLSmidth controls the entire value chain by being involved in the engineering, production and assembly of such equipment in our own workshops. To provide security of supply and consistent and high quality of the supplies, whether from external suppliers or from the Group's own manufacturing units, FLSmidth applies standardised procedures for health and safety and quality control. Quality is controlled via the Group's comprehensive inspection programme for the locations where manufacturing of key items takes place.
Market and competition	In the short-term, the market is characterised by a high-degree of uncertainty and fierce competition in all markets with regard to both product development and price.	FLSmidth's flexible cost structure and the nature of its backlog with a relatively long execution time means that the Group is able to adjust cost levels to mitigate the impact of changed business cycles and to cushion the effect of any market trends. In order to mitigate the effect of such situations, FLSmidth monitors macroeconomic indicators in key markets and develop contingency plans in order to reduce costs if needed, thereby protecting the Group's profitability.
Business integration	In 2013, FLSmidth continued the integration process of the businesses acquired in 2012.	FLSmidth is conscious of the fact that growth through acquisitions is a faster and riskier way of growing our business. FLSmidth continues to focus on harvesting sales and cost synergies through clear dedication of responsibilities for every part of the integration process – a thorough integration plan concept that covers all areas of the acquired businesses.

RISK	CONTEXT	MITIGATION
Human resources	In a knowledge-based company like FLSmidth, the employees are our most important resource. It is an ongoing challenge to attract and retain 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 to offer attractive employment conditions, as well as comprehensive training and development initiatives. FLSmidth is also focused on building long-term relationships with future key-players in the industry by working closely with universities and other educational institutions, for example our sponsorship of PhD programs and joint-development projects with scientific teams from relevant universities. For O&M projects, FLSmidth secures the necessary manpower by training and developing the local labour force.
Research and development	Research and development is an integrated part of FLSmidth's Group research and product review where key activities include science and engineering based research and the continuous evaluation of new technologies and concepts.	The Group's efforts are focused on the research and development of technical solutions with high reliability and availability with a minimum environmental impact and the lowest possible lifecycle costs.
Litigation	European Commission's investigation into the alleged participation of the formerly owned FLSmidth company, Silvallac S.A. in an illegal cartel, see FLSmidth Company Announcement 13-2012. (6 March, 2012).	The claims are exclusively related to the liability deriving from FLSmidth's ownership of Silvallac during the period concerned. The final decision is expected during the course of 2014.
	FLSmidth is a defendant in a large number of pending lawsuits in the United States that seek to recover damages for personal injury allegedly caused by exposure to asbestos-containing products manufactured and /or distributed by FLSmidth in the past.	The Group's strategy for managing this ongoing exposure includes a combination of dedicated in-house resources focused on insuring early settlement intervention and thereby keeping cost and settlement amounts as low as possible, insurance coverage and indemnification agreements.
	FLSmidth operates in a large number of countries with very differing tax systems both in terms of complexity, predictability professionalism and objectivity. As a consequence, FLSmidth is occasionally faced with situations where local tax authorities are seeking to enforce an increase in corporate tax and taxable income without the necessary statutory authority.	To minimise this exposure, FLSmidth has a close collaboration with internationally reputable accounting and legal firms via their local representation in the respective countries.

Innovation

Engineering tomorrow's solutions

It is FLSmidth's vision to be the customers' preferred full-service provider of sustainable minerals and cement technologies. This is reflected in focused research and development (R&D) efforts aimed at fulfilling customers' future needs in terms of timely and competitive new offerings, safety, innovative technical solutions, high reliability and availability, minimum environmental impact and the lowest possible product lifecycle costs.

Going forward focus will be on increasing the return on R&D investments, securing the right product portfolio aligned with customer needs, and getting the product improvements and additions quickly and more frequently to the market to meet FLSmidth's ambition of product and technology leadership.

In its research and development investments, FLSmidth places particular emphasis on the use of alternative fuels, reduced emissions and waste, improved heat recovery, lower power consumption, minimised water consumption, increased plant capacity, availability and operating efficiency and minimum safety risk.

2013 saw total research and development expenses at DKK 419m (2012: DKK 347m), accounting for 1.6% of revenue (2012:1.4%). The total investment includes a capitalised amount of DKK 117m (2012: DKK 104m) and is supplemented by considerable project-financed developments in partnership with customers.

In 2013, FLSmidth signed a loan agreement totalling EUR 125m with the European Investment Bank (EIB) for an R&D earmarked loan.

The 5-year loan will finance parts of FLSmidth's global research and development programme within the cement industry during the period 2013-2016. This research and development programme will focus primarily on development of increased capacity, general design for more compact installation and lower demands on the civil part of projects, new replacement parts for aftermarket sales, developments within storage facility systems for raw materials, optimisation of energy efficiency and use of materials and fuel in the production process as well as reduction of harmful emissions.

Re-organisation of research and development in 2013

As with all other segments of FLSmidth's business, research and development is part of the global efficiency programme and adjustments have been carried out during the autumn of 2013 in order to streamline and optimise the R&D deliverables. During the coming quarters, a product pruning will be exercised whereby technology and profitability will be scrutinised for all the Group's product categories, and the R&D efforts will also – once the efficiency programme has generated financial improvements – receive increased funding from the programme in order to support the long term ambition of FLSmidth to have leading technologies. The coming quarters will also see a reorganisation of the R&D setup in FLSmidth to reflect the ambitious R&D targets.

Product innovations 2013

Below are some of the most important product innovations and research initiatives within FLSmidth in 2013.

FLSmidth's research and development related to the minerals industries focuses on solutions to some of the challenges miners face. These are safety, increasing volumes of raw materials and energy costs, decreasing ore grades, complex mineralogy, water scarcity, difficult environmental permitting and increasing project capex requirements.

In 2013, FLSmidth continued to develop thickening and filtration technologies that enable mining customers to increase their water recovery, and to maximise the dryness of the waste material from

Fast, reliable and accurate analysis

The QCX/RoboLab® is fully automated, robotics based laboratory concept. With more than 50 systems supplied globally, FLSmidth is considered a leader in this field.

tailings in the mining process. FLSmidth's newly designed Colossal™ filter press has been engineered to be twice as wide as previous filter presses to efficiently capture more water for recirculation at minerals plants. When combined, FLSmidth's thickened paste and advanced filtered dry tailings stacking technologies, supplied by the Material Handling Division, contribute to a far more environmentally friendly mining site.

Higher throughput and lower energy consumption in the flotation cells used in the minerals industries have also been focus areas in 2013. In 2013, the revolutionary 600 Series SuperCell™ flotation machine began installation at a site in Nevada, USA, this being the new record-holder in competitive size. The new SuperCell provides for a larger universal tank that is the largest and most efficient flotation cell available. It also comes with optional mechanisms, including FLSmidth's new design rotor that offers lower energy consumption than smaller cells.

In addition to new, large-throughput plants, these cells are especially attractive in a situation where there is limited room for expansion in existing large-capacity plants and will reduce installed costs by up to 25%.

For the material handling industry, FLSmidth in 2013 launched a new fully automated and highly sophisticated stockyard system that increases troughput by up to 10-15% and provides consistent and precise data from the stockyard. The system is 100% automated and based on 3D laser scanning and GPS navigation, enabling 3D visualisation of the stockyard's interior. The FLSmidth BulkExpert system can be integrated with both existing and new FLSmidth or 3rd party stockyard equipment. Combined with stockyard equipment from the Material Handling division this constitutes the leading solution in stockyard management.

A joint minerals and cement technology research project was started in May 2013 in collaboration with other Danish companies and The Danish Technological University of Denmark (DTU). It is a DKK 63m research project supported by The Danish National Advanced Technology Foundation. The research project will focus on process technology for the cement, minerals and metal industries.

During 2013, a number of minor developments and new products for the minerals industries were concluded and introduced to the world market. Among these are a number of cone crushers, a gyratory crusher and a new belt press. New sizes of screens were designed and all in all 3 new product lines of screens were introduced to the market.

In response to the industry quest for improved performance, better techniques and the reduction of subsequent CO_2 emissions during the pyro metallurgical stages of lime processing, FLSmidth has developed the Multiple Cassette Preheater (MCP™).

The MCP™ preheater offers improved heat transfer with reduced power consumption, reduced stone degradation and lower build-up potential. Thanks to the unique geometry of the MCP™ Preheater, hot gases leaving the burning kiln are drawn equally around the full circumference of each cassette for solids and gas to efficiently interact. Raw material is also delivered to the cassettes in a more uniform distribution and in counter-current to the hot kiln gases, increasing the efficiency of preheating and precalcining of the lime.

The MCP™ preheater features superior heat transfer and can operate for longer periods of time without requiring maintenance. The MCP™ preheater saves 55 kcal/kg of lime produced over FLSmidth's previous preheater model. This equates to approximately 7,000 tons/year less CO_2 emitted for each plant where the equipment is installed. It also saves 4 gigawatt-hours of electricity annually per plant.

Priorities in cement research and development are driven by global trends to reduce CO_2 and other harmful emissions as well as industry demands for lower costs and higher energy efficiency.

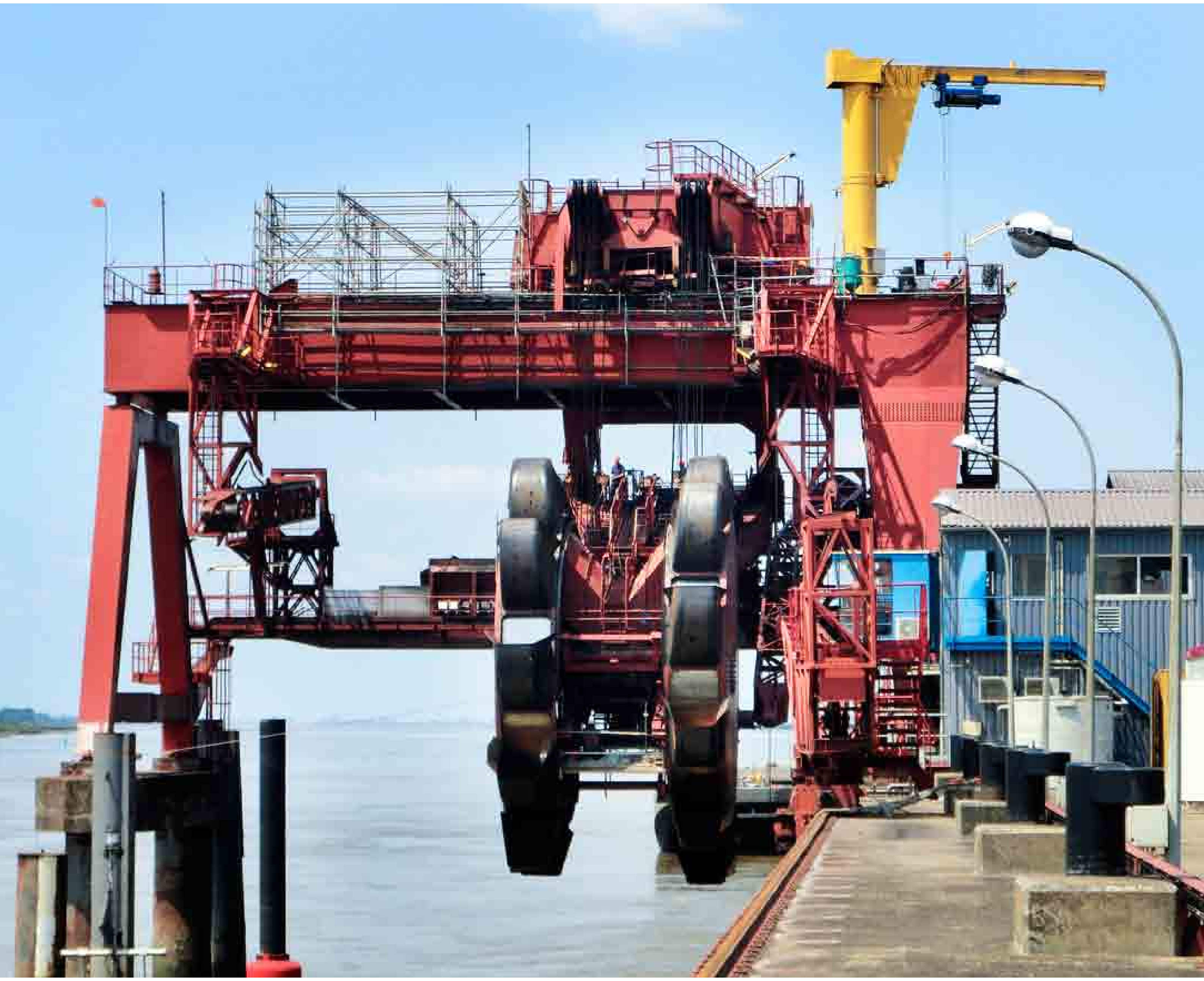
The large research project "New Cement Production Technology" carried out in cooperation with the Technical University of Denmark (DTU) and financially supported by the Danish National Advanced Technology Foundation was concluded in 2013.

The project has provided fundamental new and science-based knowledge which can be used to upgrade cement production technology for the present market and to develop new concepts that are more efficient to operate and may show the way to lower emissions of harmful compounds and CO_2.

The main outcomes are models for improving and designing alternative fuel firing in cement kilns and a new concept for increased efficiency of SO_2 reduction. Additionally, these achievements have so far resulted in a number of patent applications.

The four year research project "Manufacturing of highly reactive Supplementary Cementitious Materials for low-CO_2 cement" (SCM) is being carried out in cooperation with Aarhus and Aalborg Universities and the cement producer Aalborg Portland in Denmark, who is an industrial partner in this project. The project that has made good progress in 2013, focuses on flash calcinations of clay raw materials for SCM production and is receiving financial support from the Danish National Advanced Technology Foundation.

In order to gain hands-on experience with the new SCM technologies and to start using it locally at cement plants around the globe, FLSmidth has developed a mobile, 5 tonnes per day SCM plant that can easily be fitted into a 40-foot container and shipped to customer sites. The mobile plant is fully integrated and self-contained.



With its simple setup and operation, it is easy to integrate into customers' production.

Concerns regarding the strength of early blended cements are being addressed by another research project, which is beginning to show promising results. Research shows that the performance of blended cements with calcined clay is comparable to, and even better than, that of other blended cements using, for example, fly ash.

The STAR cement plant in Ras Al Khaimah in the United Arab Emirates is one of the front runners in sustainable cement production, operating with exceptionally low costs. The plant is an FLSmidth-supplied 6,850 tonnes per day production line. STAR Cement's 4.8 MWe waste heat recovery project is currently under commissioning. The project utilises excess clinker cooler air to make the plant more energy-efficient.

Board of Directors

01 **Vagn Ove Sørensen (Chairman)**
MSc (Econ. (Economics and Business Administration) and Bus. Admin.), age 54, Danish, male 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, Scandinavian Airlines Systems (1984-2001).

Executive positions in Denmark: Chairman of the Board of Directors of TDC 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, Nordic Aviation Capital A/S. CEO of CFKJUS 611 Aps. Senior Advisor to EQT Partners.

Executive positions outside Denmark: Chairman of the Boards of Directors of Scandic Hotels AB (Sweden), Select Service Partner Plc (UK), Automic Software GmbH (Austria). Member of the Boards of Directors of Lufthansa Cargo (Germany), Air Canada (Canada), Royal Caribbean Cruises Ltd. (USA), Braganza AS (Norway). Senior Advisor to Morgan Stanley.

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

Shareholding in FLSmidth & Co. A/S: 2,466 (2012: 1,316).

02 **Torkil Bentzen (Vice Chairman)**
MSc (Engineering), age 67, Danish, male and member of the Board of Directors elected at the Annual General Meeting since 2002. Vice Chairman of the Board since 2012. Chairman of the Technology Committee and member of the Nomination and Remuneration Committees.

Former 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), Burmeister & Wain Scandinavian Contractor A/S (1981-1988).

Executive positions in Denmark: Chairman of the Boards of Directors of Burmeister & Wain Scandinavian Contractor A/S, EUDP (Energy Development and Demonstration programme), State of Green Consortium. Member of the Boards of Directors of Mesco Danmark A/S and Siemens A/S Danmark.

Executive positions outside Denmark: Senior Advisor to the Board of Mitsui Engineering & Shipbuilding Ltd. (Japan).

Special competencies in relation to FLSmidth: former CEO, experience in technology management, mergers and acquisitions, and international contracts.

Shareholding in FLSmidth & Co. A/S: 5,000 (2012: 5,000).

03 **Martin Ivert**
MSc (Metallurgy), age 66, Swedish, male, and member of the Board of Directors elected at the Annual General Meeting since 2008. Member of the Technology Committee.

Formerly CEO of LKAB (2002-2008), Division Director, SKF (1998-2001), CEO of Ovako Steel (1995-1998), and before that various managerial posts in SKF (1974-1995).

Executive positions outside Denmark: Chairman of the Board of Directors of Åkers (Sweden). Member of the Board of Directors of Ovako (Sweden).

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

Shareholding in FLSmidth & Co. A/S: 300 (2012: 300).

Vagn Ove Sørensen

Torkil Bentzen

Martin Ivert

Sten Jakobsson

Tom Knutzen

Caroline Grégoire Sainte Marie

Mette Dobel

Søren Quistgaard Larsen

Jens Peter Koch

04 **Sten Jakobsson**
MSc (Mechanical Engineering), age 65, Swedish, male and member of the Board of Directors elected at the Annual General Meeting since 2011. Member of the Audit Committee.

Formerly Regional Manager, North Europe, ABB ASEA BROWN BOVERI (2006-2011), CEO, ABB Sweden (2001-2011), various managerial posts in ABB ASEA BROWN BOVERI (1973-2001).

Executive positions outside Denmark: Chairman of the Board of Directors of Power Wind Partners AB (Sweden). Vice Chairman of the Board of Directors of SAAB (Sweden). Member of the Boards of Directors of LKAB (Sweden), Stena Metall (Sweden), 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: 2,000 (2012: 1,500).

05 **Tom Knutzen**
MSc (Economics) in Finance and Strategic Planning, age 51, Danish, male and member of the Board of Directors elected at the Annual General Meeting since 2012. Chairman of the Audit Committee.

CEO of Jungbunzlauer Suisse AG, Switzerland since 2012.

Formerly CEO of Danisco A/S (2006-2011), and CEO (2000-2006) and CFO (1996-2000) of NKT Holding A/S.

Executive positions outside Denmark: member of the Board of Directors and the Board Risk Committee for Nordea Bank AB (publ) (Sweden).

Special competencies in relation to FLSmidth: CEO, former CFO, experience in global high technology manufacturing companies, technology development, acquisitions and disposals, financing and stock markets, international contracts, and accounting.

Shareholding in FLSmidth & Co. A/S: 7,300 (2012: 7,300).

06 **Caroline Grégoire Sainte Marie**
BA Commercial Law, Institut d'Etudes Politiques de Paris, age 56, French, female and member of the Board of Directors elected at the Annual General Meeting since 2012. Member of the Technology Committee.

Formerly President and CEO of Frans Bonhomme. Various managerial positions at Groupe Lafarge (1997-2006) including CEO of Lafarge Germany and Czech Republic, Senior Vice President of Mergers & Acquisitions in Lafarge's Cement Division, CFO of Lafarge Speciality Products.

Executive positions outside Denmark: member of the Boards of Directors of Safran SA (France), Groupama SA (France), and Eramet (France).

Special competencies in relation to FLSmidth: former CEO and CFO, experience in acquisitions and disposals, financing and stock markets, international contracts and accounting, and extensive knowledge of the cement industry.

Shareholding in FLSmidth & Co. A/S: 150 (2012: 50).

07 **Mette Dobel**
BSc (Commercial Engineering) PgC in Management, Global Product Manager, age 46, Danish, female and employee-elected member of the Board of Directors since 2009.

Shareholding in FLSmidth & Co. A/S: 864 (2012: 864).

08 **Søren Quistgaard Larsen**
BSc (Electrical Engineering), Proposal Manager, age 35, Danish, male and employee-elected member of the Board of Directors since 2013.

Shareholding in FLSmidth & Co. A/S: 65 (2012: N/A).

09 **Jens Peter Koch**
MSc (Electrical Engineering) and Grad. Dipl. BA (HD International Business), Business Developer, age 31, Danish, male and employee-elected member of the Board of Directors since 2013.

Shareholding in FLSmidth & Co. A/S: 40 (2012: N/A).

The Executive **Management**

01 **Thomas Schulz**
MSc (Engineering), PhD Mining Engineering (Dissertation in Mineral Mining and Quarrying), Group Chief Executive Officer, with FLSmidth since May 2013. Age 48, German.

Formerly Chairman of SJL Shan Bao (2011-2012) and various managerial positions in Sandvik since 2001: President of the Business Area Construction (2011-2012), President, Construction, and SVP, Mining and Construction (2005-2011), Managing Director, Mining and Construction Southeast Asia Ltd. (2009-2012), Regional President Mining and Construction Central Europe (2001-2002). With Svedala, Germany: Business Area Manager (1999-2001), Product Support Manager (1998-1999). With Technical University of Aachen: Assistance of Science (1994-1998), International Consultant for Mining (1994-1998).

02 **Virve Elisabeth Meesak**
BSc (Psychology and Behaviourism), Group Executive Vice President, Global Human Resources, with FLSmidth since 2013. Age 53, Swedish.

Formerly independent human resource consultant, specialised since 2010, Human Resource Director, Alstrom Power Services, North East Europe (2008-2010), Vice President, Human Resources Sandvik Mining and Construction AB (2005-2008). Before 2005 different positions within sales, marketing, and HR with Ericsson, Nokia, Electrolux, Philips, Perstorp. She has been based in Singapore, USA, France, and Sweden before relocating to Denmark for FLSmidth.

03 **Bjarne Moltke Hansen**
BSc (Engineering), Group Executive Vice President, Customer Services Division since March 2002, with FLSmidth since 1984. Age 52, Danish.

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

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

04 **Per Mejnert Kristensen**
MSc (Mechanical Engineering), Bachelor of Commerce degree, International Trade, Graduate Diploma (Bus. Admin.), International Trade, GMP, CEDEP (INSEAD), Group Executive Vice President, Cement Division since March 2012, with FLSmidth since 1992. Age 46, Danish.

Formerly Vice President, Head of Project Division EMEA/APAC, FLSmidth (2009-2012), Vice President, Head of Project Division 1, FLSmidth (2005-2008), General Manager, FLSmidth China (2000-2005), Chief Representative, Thailand, FLSmidth (1996-1999).

05 **Peter Flanagan**
B.S. (Mechanical Engineer), Group Executive Vice President, Mineral Processing Division since March 2012, with FLSmidth over two periods: 1990-1998 and 2007-present. Age 48, American.

Formerly Vice President, Americas Minerals and Global Minerals Processing, FLSmidth (2007-2012), Vice President, Global Chemical, Industrial and Hydromet Markets, Various managerial positions in GL&V/DORR-OLIVER EIMCO (1998-2007) including Director (Technology), Director (Industrial Marketing), Global Market Manager (Pulp & Paper). Country Manager (Canada) and District Manager, Fuller-FLSmidth (1995-1998).

06 **Ben Guren**
Chartered Accountant and State-authorised Accountant, Group Executive Vice President and CFO, with FLSmidth since April 2012. Age 53, Norwegian.

Formerly Group Vice President Finance, IT & Legal of Jotun Group (2007-2012), CFO of Helly Hansen Group (2005-2007). Partner in KPMG International (1989-2005).

07 **Carsten R. Lund**
MSc (Engineering) & e-MBA, Group Executive Vice President, Material Handling Division since July 2012, with FLSmidth since 1988. Age 51, Danish.

Formerly Global ERP Programme Director, Vice President FLSmidth (2011-2012), CEO FLSmidth Airtech, Vice President FLSmidth (2007-2011), Business Unit Manager, Gas Cleaning Systems, FLSmidth Airtech (2004-2007), Vice President, Global Products and Technology, FLSmidth Airtech (2002-2004).

Executive posts in Denmark
Member of the Board of Directors of Union Engineering A/S and DINEX A/S.

08 **Eric Thomas Poupier**
MBA, Finance & Strategic Management, Specialised Master, Supply Chain Management, Mechanical Engineer, Group Executive Vice President, Business Development, with FLSmidth since January 2014. Age 37, French.

Formerly with Bain & Company: Strategy Consulting Manager (2011-2014), Strategy Consulting Consultant (2007-2011). With Bosch Group: Purchasing Manager, Bosch Rexroth, Changzhou, China (2005), Strategic Purchaser, Corporate Purchasing, Bosch Rexroth (2002-2005), Germany, Purchasing Rotational Program, Robert Bosch GmbH, Germany (2000-2002).

Corporate social **responsibility**

FLSmidth has submitted a progress report to the UN Global Compact on 13 February 2014. The progress report replaces a statutory statement of corporate social responsibility pursuant to the exemption given in the Danish Financial Statements Act Section 99a. The report is available on www.FLSmidth.com/CSRreport2013.

An overview

SOCIAL PERFORMANCE	2011 REPORT	2012 REPORT	2013 REPORT
EMPLOYEES	13,204	15,900	15,317
GENDER – % FEMALE MANAGERS	7.2%	9.2%	10.5%
EMPLOYEE ENGAGEMENT (satisfaction rate)	71	72	n/a
SAFETY – LTIFR	4.2	4.7	3.9
SAFETY TRAINING HOURS	2.5	5.7	7.6
FLSmidth SITES AUDITED	Not reported	12	28

ENVIRONMENTAL PERFORMANCE	2011 REPORT	2012 REPORT	2013 REPORT
SCOPE 1 – CO_2 eg IN TONNES	23,000	27,550	24,050
SCOPE 2 – CO_2 eg IN TONNES	55,900	54,450	58,950
SCOPE 3 – CO_2 eg IN TONNES	34,000	39,800	37,400

Shareholder information

FLSmidth has a sustainable business model and good growth opportunities. With two-thirds of revenue being generated in emerging markets, an investment in FLSmidth is an investment in the emerging markets' growth story.

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 Board of Directors will propose to the Annual General Meeting that 1,950,000 shares acquired in connection with a share buy-back programme of DKK 521m in 2013 be cancelled, which will reduce the share capital to DKK 1,025,000,000 and total number of issued shares to 51,250,000 after the Annual General Meeting.

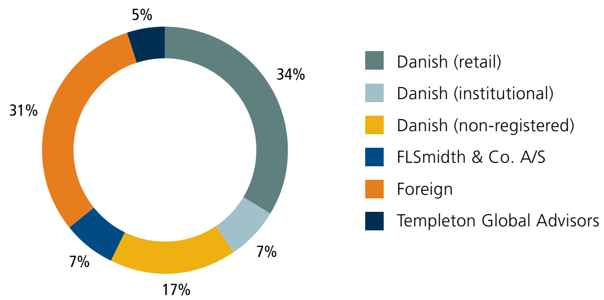
The FLSmidth & Co. A/S share is included in a number of share indices on NASDAQ OMX Copenhagen, including OMXC20, a leading share index. In total, the FLSmidth & Co. share is included in 87 Danish, Nordic, European and global share indices.

According to the FLSmidth & Co. A/S share register, the company had approximately 56,600 shareholders at the end of 2013 (end of 2012: approximately 58,000). In addition, some 3,500 present and former employees hold shares in the company (end of 2012: some 3,600).

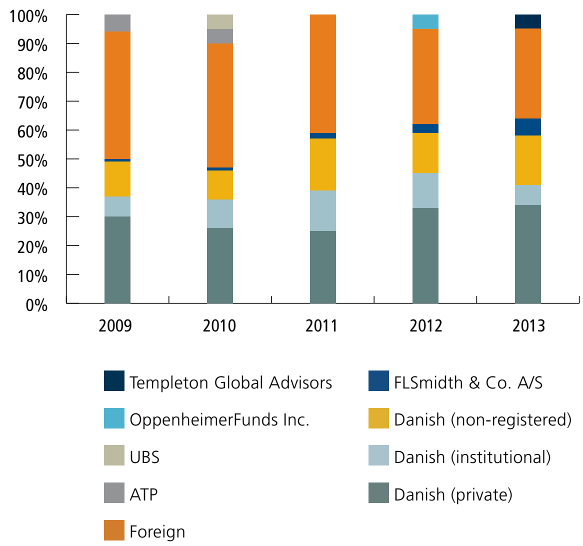
The FLSmidth & Co. share has a free float of 93%. Two shareholders have reported a shareholding exceeding 5%: Franklin Resources Inc. and Templeton Global Advisors Limited (part of Franklin Resources, Inc.).

2013 saw a slight decrease in shares held by foreign investors to approximately 35% including Templeton Global Advisors Limited, USA (2012: 38%), while Danish retail investors increased their share to 34% (2012: 33%). As a consequence of the share buy-back programme executed in 2013, FLSmidth's holding of treasury shares increased to 7% (2012: 2.6%)

Shareholder structure



Historical development in shareholder structure



Shares and share options held by the Board and Management.

The Board of Directors holds a total of 18,185 FLSmidth shares (2012: 17,524 shares). The holdings of the individual members appear on the pages 72-74.

The Group Executive Management holds a total of 3,154 FLSmidth shares (2012: 4,225 shares) and 169,519 share options (2012: 165,982 share options). Other key staff (249 persons) own a total of 1,771,603 share options (2012: 1,178,698 share options).

Return on the FLSmidth share in 2013

The total return on the FLSmidth & Co. A/S share in 2013 was -7% (2012: 0%). By comparison, the leading Danish stock index "OMXC20 CAP" increased 34% and "Dow Jones STOXX 600 Basic Resource" index decreased 11% in 2013. The share price started the year at 327.2 and ended the year at 296.1, having ranged between 249 and 397 during the year.

Capital structure and dividend for 2013

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 maximum 2 times EBITDA. As a consequence of a number of special items booked in 2013, the capital structure is temporarily outside the desired range, which is expected to have normalised by the end of 2014.

The available capital resources consist of committed credit facilities at a total of DKK 8.3bn (end of 2012: DKK 7.8bn) with a weighted average maturity of 2.8 years (end of 2012: 3.3 years)

The Board of Directors will propose at the Annual General Meeting that a dividend of DKK 2 per share (2012: DKK 9) corresponding to a dividend yield of 0.7% (2012: 3%) be distributed for 2013

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. A/S 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 FLSmidth'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's website and electronic communication service and via investor presentations, investor meetings, webcasts, teleconferences, roadshows, the Annual General Meeting and capital market days.

Share and dividend figures, the Group

	2009	2010	2011	2012	2013
CFPS (cash flow per share), DKK (diluted)	47.1	25.3	21.8	33.0	(7.9)
EPS (earnings per share), DKK (diluted)	31.9	24.4	27.1	25.0	(15.6)
Equity value per share, DKK (diluted)	126	154	169	181	139
DPS (dividend per share), DKK	7	9	9	9	2
Pay-out ratio (%)	22	37	33	36	n/a
Dividend percentage (Dividend in relation to share price end of year) (%)	1.9	1.7	2.7	2.8	0.7
FLSmidth & Co. A/S share price, end of year, DKK	367	532	337.5	327.2	296.1
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)	52,429	52,693	52,550	52,136	49,891
Market capitalisation, DKKm	19,524	28,302	17,955	17,407	15,753

Management and Investor Relations attended some 410 investor meetings and presentations (2012: 325) held in cities including Amsterdam, Beijing, Boston, Brussels, Chennai, Chicago, Copenhagen, Edinburgh, Frankfurt, Hong Kong, London, Moscow, New York, Paris, Singapore and Stockholm.

FLSmidth & Co. A/S is generally categorised as a capital goods, engineering or industrial company and is currently being covered by 19 stockbrokers including nine international. Coverage by foreign analysts continued to increase in 2013, resulting in stronger focus on FLSmidth & Co. A/S'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 see the company website (http://www.FLSmidth.com/analysts).

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

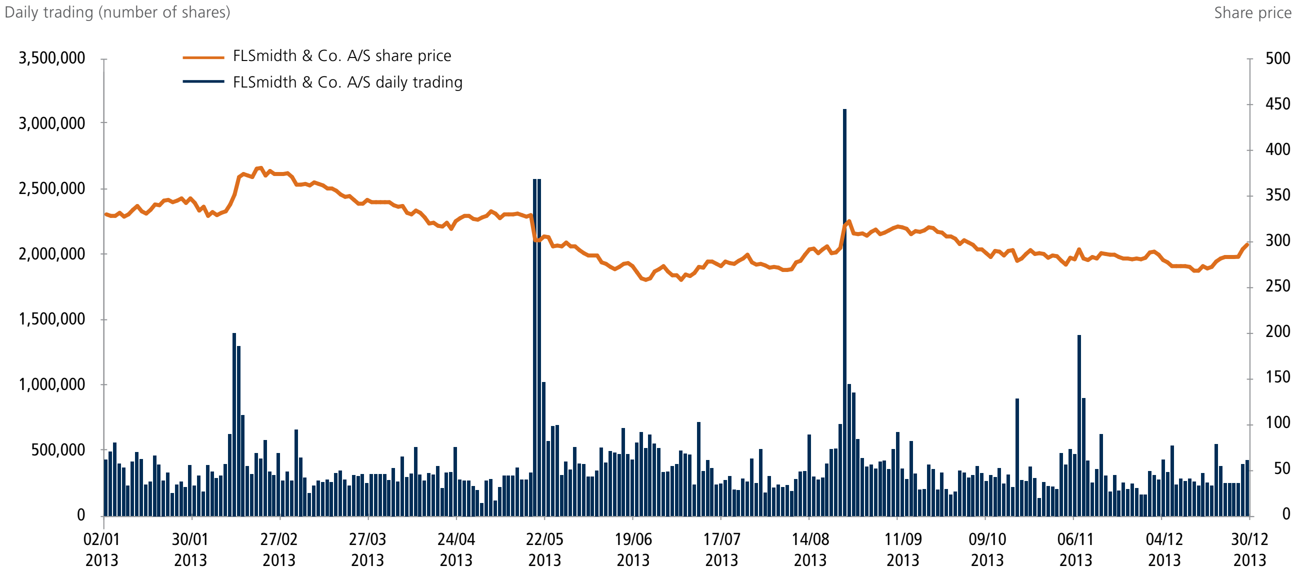
To contact the company's Investor Relations department, please see the company website (http://www.FLSmidth.com/IR_contacts).

Financial calendar 2014

27 March 2014	Annual General Meeting
14 May 2014	Q1 interim report
13 August 2014	Q2 interim report
7 November 2014	Q3 interim report

The Annual General Meeting will take place on 27 March 2014 at 15.00 hours at Radisson BLU, Falconer Hotel and Conference Center, Falkoner Allé 9, DK-2000 Frederiksberg.

Development in share price and trading in 2013



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 2013.

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 2013 as well as of their financial performance and their cash flow for the financial year 1 January - 31 December 2013.

We believe that the management's review 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, 13 February 2014

Group Executive Management

Thomas Schulz
Group Chief Executive Officer

Ben Guren
Group Executive Vice President and CFO

Bjarne Moltke Hansen
Group Executive Vice President

Virve Elisabeth Meesak
Group Executive Vice President

Carsten R. Lund
Group Executive Vice President

Peter Flanagan
Group Executive Vice President

Per Mejnert Kristensen
Group Executive Vice President

Eric Thomas Poupier
Group Executive Vice President

Board of Directors

Vagn Ove Sørensen
Chairman

Torkil Bentzen
Vice Chairman

Mette Dobel

Caroline Grégoire Saint Marie

Martin Ivert

Sten Jakobsson

Tom Knutzen

Jens Peter Koch

Søren Quistgaard Larsen

Independent auditor's reports

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 2013, 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 2013, and of the results of its operations and cash flows for the financial year 1 January - 31 December 2013 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 2013, and of the results of its operations for the financial year 1 January - 31 December 2013 in accordance with the Danish Financial Statements Act.

Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not per-formed any further procedures in addition to the audit of the consolidated financial statements and parent finan-cial 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, 13 February 2014

Deloitte
Statsautoriseret Revisionspartnerselskab

Erik Holst Jørgensen
State Authorised Public Accountant

Lars Siggaard Hansen
State Authorised Public Accountant

Quarterly key figures

Quarterly key figures (unaudited)

DKKm	2011	2012				2013			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
INCOME STATEMENT									
Revenue	7,286	5,145	6,036	6,708	8,395	5,920	6,853	6,730	7,420
Gross profit	1,916	1,309	1,500	1,742	1,975	1,277	1,298	1,254	1,380
Earnings before special non-recurring items, depreciation, amortisation and impairment (EBITDA)	995	469	670	757	971	288	406	324	286
Earnings before amortisation and impairment of intangible assets (EBITA)	938	402	605	659	893	200	310	245	222
Earnings before interest and tax (EBIT)	870	334	349	561	797	111	217	(727)	60
Earnings before tax (EBT)	842	346	326	529	760	66	226	(802)	(90)
Tax for the period	(278)	(105)	(103)	(162)	(283)	(31)	(80)	19	(94)
Profit/loss on continuing activities for the period	**564**	**241**	**223**	**367**	**477**	**35**	**146**	**(783)**	**(184)**
Profit/loss on discontinued activities for the period	3	-	-	10	(15)	-	(3)	-	5
Profit/loss for the period	**567**	**241**	**223**	**377**	**462**	**35**	**143**	**(783)**	**(179)**
Effect of purchase price allocation	(48)	(58)	(58)	(88)	(88)	(81)	(81)	(81)	(79)
Gross margin	*26.3%*	*25.4%*	*24.9%*	*26.0%*	*23.5%*	*21.6%*	*18.9%*	*18.6%*	18.6%
EBITDA margin	*13.7%*	*9.1%*	*11.1%*	*11.3%*	*11.6%*	*4.9%*	*5.9%*	*4.8%*	3.9%
EBITA margin	*12.9%*	*7.8%*	*10.0%*	*9.8%*	*10.6%*	*3.4%*	*4.5%*	*3.6%*	3.0%
EBIT margin	*11.9%*	*6.5%*	*5.8%*	*8.4%*	*9.5%*	*1.9%*	*3.2%*	*-10.8%*	0.8%
CASH FLOW									
Cash flow from operating activities	260	(117)	333	(28)	1,532	(466)	(51)	283	77
Cash flow from investing activities	(397)	(209)	(386)	(2,421)	(382)	(108)	(166)	(192)	(101)
Order intake, continuing activities	5,856	6,421	7,246	7,956	6,104	5,027	5,626	4,642	5,616
Order backlog, continuing activities	27,136	28,736	30,803	31,766	29,451	28,583	26,983	24,595	22,312
SEGMENT REPORTING									
Customer Services									
Revenue	1,551	1,368	1,608	1,968	2,129	1,809	2,020	1,736	2,000
Gross profit	452	393	433	557	614	489	569	316	480
EBITDA	260	193	244	258	317	195	320	53	200
EBITA	256	180	231	226	293	169	298	29	195
EBIT	255	174	155	199	259	144	277	(531)	151
Effect of purchase price allocation	-	(4)	(15)	(18)	(40)	(25)	(21)	(28)	(27)
Gross margin	*29.1%*	*28.7%*	*26.9%*	*28.3%*	28.8%	*27.0%*	*28.2%*	*18.2%*	*24.0%*
EBITDA margin	*16.8%*	*14.1%*	*15.2%*	*13.1%*	14.9%	*10.8%*	*15.8%*	*3.1%*	*10.0%*
EBITA margin	*16.5%*	*13.2%*	*14.4%*	*11.5%*	13.8%	*9.3%*	*14.8%*	*1.7%*	*9.8%*
EBIT margin	*16.4%*	*12.7%*	*9.6%*	*10.1%*	12.2%	*8.0%*	*13.7%*	*-30.6%*	*7.6%*
Order intake	1,288	1,846	1,569	3,345	2,442	1,964	1,900	2,109	2,032
Order backlog	6,081	6,679	6,708	7,909	8,159	8,236	7,979	8,325	8,046
Material Handling									
Revenue	1,772	1,060	1,271	1,340	1,326	1,055	944	1,081	1,472
Gross profit	326	193	199	183	29	125	(169)	163	216
EBITDA	165	28	28	(29)	(167)	(65)	(356)	(19)	(15)
EBITA	139	16	17	(42)	(177)	(79)	(369)	(34)	(29)
EBIT	115	4	12	(60)	(203)	(98)	(387)	(46)	(67)
Effect of purchase price allocation	(15)	(11)	(10)	(10)	(10)	(12)	(12)	(12)	(12)
Gross margin	*18.4%*	*18.2%*	*15.7%*	*13.7%*	*2.2%*	11.8%	*-17.9%*	*15.1%*	*14.7%*
EBITDA margin	*9.3%*	*2.6%*	*2.2%*	*-2.2%*	*-12.6%*	-6.2%	*-37.7%*	*-1.8%*	*-1.0%*
EBITA margin	*7.8%*	*1.5%*	*1.3%*	*-3.1%*	*-13.3%*	-7.5%	*-39.1%*	*-3.1%*	*-2.0%*
EBIT margin	*6.5%*	*0.4%*	*0.9%*	*-4.5%*	*-15.3%*	-9.3%	*-41.0%*	*-4.3%*	*-4.6%*
Order intake	1,232	943	1,272	1,675	675	1,616	1,028	638	1,655
Order backlog	5,145	5,023	5,230	5,514	4,773	5,124	4,976	4,465	4,465

Quarterly key figures (unaudited)

DKKm	2011	2012				2013			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Mineral Processing									
Revenue	2,503	1,722	2,057	2,375	3,358	2,010	2,477	2,393	2,376
Gross profit	521	376	433	558	829	432	544	510	513
EBITDA	362	147	209	240	483	151	292	233	174
EBITA	349	135	193	215	457	130	259	215	153
EBIT	316	94	89	164	426	88	212	(177)	88
Effect of purchase price allocation	(31)	(41)	(30)	(57)	(35)	(42)	(46)	(39)	(38)
Gross margin	20.8%	*21.8%*	21.1%	23.5%	24.7%	21.5%	22.0%	21.3%	21.6%
EBITDA margin	14.5%	*8.5%*	10.2%	10.1%	14.4%	7.5%	11.8%	9.7%	7.3%
EBITA margin	13.9%	*7.8%*	9.4%	9.1%	13.6%	6.5%	10.5%	9.0%	6.4%
EBIT margin	12.6%	*5.5%*	4.3%	6.9%	12.7%	4.4%	8.6%	-7.4%	3.7%
Order intake	2,507	2,445	2,808	2,598	2,467	1,345	1,679	1,510	1,025
Order backlog	8,779	9,482	10,362	10,529	9,589	9,057	7,891	6,749	4,993
Cement									
Revenue	1,333	859	952	905	1,498	1,016	1,304	1,385	1,496
Gross profit	394	230	300	330	409	201	237	161	102
EBITDA	232	102	155	214	317	48	101	47	(35)
EBITA	229	93	144	208	307	39	91	38	(44)
EBIT	221	85	74	206	304	37	85	31	(58)
Effect of purchase price allocation	(2)	(2)	(3)	(3)	(3)	(2)	(2)	(2)	(2)
Gross margin	29.6%	26.8%	31.5%	36.5%	27.3%	19.8%	18.2%	11.6%	6.8%
EBITDA margin	17.4%	11.9%	16.3%	23.6%	21.2%	4.7%	7.7%	3.4%	-2.3%
EBITA margin	17.2%	10.8%	15.1%	23.0%	20.5%	3.8%	7.0%	2.7%	-2.9%
EBIT margin	16.6%	9.9%	7.8%	22.8%	20.3%	3.6%	6.5%	2.2%	-3.9%
Order intake	1,113	1,415	1,902	667	615	308	1,335	624	1,150
Order backlog	7,749	8,208	9,240	8,579	7,585	6,808	6,847	5,706	5,389
Cembrit									
Revenue	375	316	383	392	344	270	395	402	374
Gross profit	112	108	124	124	92	41	117	109	91
EBITDA	18	13	46	44	5	(39)	38	8	(10)
EBITA	8	(6)	33	27	3	(54)	23	(7)	(26)
EBIT	6	(7)	32	27	2	(55)	22	(8)	(27)
Gross margin	*29.9%*	*34.2%*	*32.4%*	*31.6%*	*26.7%*	*15.2%*	*29.6%*	*27.1%*	*24.3%*
EBITDA margin	*4.8%*	*4.1%*	*12.0%*	*11.2%*	*1.5%*	*-14.4%*	*9.6%*	*2.0%*	*-2.7%*
EBITA margin	*2.1%*	*-1.9%*	*8.6%*	*6.9%*	*0.9%*	*-20.0%*	*5.8%*	*-1.7%*	*-7.0%*
EBIT margin	*1.6%*	*-2.2%*	*8.4%*	*6.9%*	*0.6%*	*-20.4%*	*5.6%*	*-2.0%*	*-7.2%*

Company announcements 2013

Date		No.
11-Jan	**FLSmidth wins large coal project in Mozambique** DKK 658m coal order in Mozambique	**1/2013**
16-Jan	**FLSmidth's revised financial calendar 2013** Revised financial calendar 2013	**2/2013**
12-Feb	**Annual report for FLSmidth & Co. A/S 1 January – 31 December 2012** Annual Report 2012	**3/2013**
11-Mar	**Notice of the Annual General Meeting of FLSmidth & Co. A/S** Notice of Annual General Meeting	**4/2013**
03-Apr	**FLSmidth to supply large material handling system** DKK 200m iron ore order in India	**5/2013**
05-Apr	**Summary of FLSmidth & Co. A/S Annual General Meeting** Summary of Annual General Meeting	**6/2013**
14-May	**FLSmidth receives order for cement plant in Equatorial Guinea** DKK 505m cement order in Equatorial Guinea	**7/2013**
17-May	**Interim report for FLSmidth & Co. A/S 1 January – 31 March 2013** Q1 Interim Report	**8/2013**
21-May	**FLSmidth initiates share buyback programme** Share buyback programme of up to DKK 521 million	**9/2013**
30-May	**Transactions in connection with share buyback programme in FLSmidth & Co. A/S** Accumulated purchase of shares	**10/2013**
31-May	**Reports in the media** Report in World Cement magazine	**11/2013**
5-June	**FLSmidth to supply cement plant in India** DKK 200m cement order in India	**12/2013**
11-Jun	**Transactions in connection with share buyback programme in FLSmidth & Co. A/S** Accumulated purchase of shares	**13/2013**
20-Jun	**Large shareholder announcement – OppenheimerFunds, Inc.** Large shareholder announcement – OppenheimerFunds, Inc.	**14/2013**
20-Jun	**Transactions in connection with share buyback programme in FLSmidth & Co. A/S** Accumulated purchase of shares	**15/2013**
1-July	**Transactions in connection with share buyback programme in FLSmidth & Co. A/S** Accumulated purchase of shares	**16/2013**
8-July	**Conclusion of share buyback programme in FLSmidth & Co. A/S** Conclusion of share buyback programme	**17/2013**
6-Aug	**Large shareholder announcement – Franklin Resources, Inc.** Large shareholder announcement – Franklin Resources, Inc	**18/2013**
7-Aug	**5-year maintenance contract at copper plant in Chile awarded to FLSmidth** Maintenance contract in Chile	**19/2013**
23-Aug	**Interim Report for FLSmidth & Co. A/S 1 January – 30 June 2013** Q2 interim report	**20/2013**
23-Aug	**New member of Group Executive Management – Virve Elisabeth Meesak, Group Executive Vice President** New Group Executive VP, Global Human Resources	**21/2013**
26-Aug	**Reports in media regarding new order** Reports in Qatari media	**22/2013**
2-Sep	**New share option plan** New share options to the Executive Management and key staff	**23/2013**
2-Oct	**Reports in media regarding new order** Reports in Oman media	**24/2013**
15-Oct	**Reports in media regarding new order** Reports in Qatari media	**25/2013**
23-Oct	**Large shareholder announcement – Templeton Global Advisors Limited** Large shareholder announcement – Templeton Global Advisors Limited	**26/2013**
4-Nov	**FLSmidth wins large operation and maintenance contracts in Nigeria** Operations and maintenance contracts in Nigeria	**27/2013**
6-Nov	**Interim Report for FLSmidth & Co. A/S 1 January – 30 September 2013** Q3 interim report	**28/2013**
6-Nov	**FLSmidth & Co. A/S financial calendar 2014** Financial calendar 2014	**29/2013**
6-Nov	**Revised financial calendar FLSmidth & Co. A/S** Revised financial calendar 2014	**30/2013**
13-Nov	**FLSmidth receives order for material handling stockyard system in Qatar** 1b DKK order for material handling stockyard at Doha, Qatar	**31/2013**
13-Nov	**Reports in media regarding new order** Reports in South Africa and Australian media	**32/2013**
22-Nov	**Granting of share options** Allocation of shares to key employees	**33/2013**
29-Nov	**Reports in Qatari Media** Reports in Qatari Media	**34/2013**
4-Dec	**Arbitration award received** Arbitration award received in case between MT Højgaard A/S and FLSmidth A/S	**35/2013**
16-Dec	**Reports in Oman media** Reports in Oman media	**36/2013**
27-Dec	**FLSmidth to supply cement production line in Qatar** DKK 515m cement order in Qatar	**37/2013**
30-Dec	**FLSmidth receives large cement order in Indonesia** DKK 300m cement order in Indonesia	**38/2013**

Consolidated financial statements 2013

Contents

List of notes

Consolidated financial statements

FLSmidth Co. A/S company financial statements

Consolidated income statement

Notes	DKKm	2013	2012
2+3+4	Revenue	26,923	26,284
	Production costs	(21,714)	(19,758)
	Gross profit	**5,209**	**6,526**
	Sales and distribution costs	(1,848)	(1,797)
	Administrative costs	(2,193)	(1,968)
5	Other operating income	207	145
5	Other operating costs	(71)	(39)
	Earnings before special non-recurring items, depreciation, amortisation and impairment (EBITDA)	**1,304**	**2,867**
7	Special non-recurring items	6	(9)
19	Depreciation and impairment of tangible assets	(333)	(299)
	Earnings before amortisation and impairment of intangible assets (EBITA)	**977**	**2,559**
18	Amortisation and impairment of intangible assets	(1,316)	(518)
	Earnings before interest and tax (EBIT)	**(339)**	**2,041**
28	Financial income	1,423	1,007
28	Financial costs	(1,684)	(1,087)
	Earnings before tax (EBT)	**(600)**	**1,961**
26	Tax for the year	(186)	(653)
	Profit/loss for the year, continuing activities	**(786)**	**1,308**
17	Profit/loss for the year, discontinued activities	2	(5)
	Profit/loss for the year	**(784)**	**1,303**
	To be distributed as follows:		
	FLSmidth & Co. A/S shareholders' share of profit/loss for the year	(776)	1,306
8	Minority shareholders' share of profit/loss for the year	(8)	(3)
		(784)	**1,303**
9	Earnings per share (EPS):		
	Continuing and discontinued activities per share	(15.6)	25.1
	Continuing and discontinued activities, diluted, per share	(15.6)	25.0
	Continuing activities per share	(15.6)	25.2
	Continuing activities, diluted, per share	(15.6)	25.1

Consolidated statement of comprehensive income

Notes	DKKm	2013	2012
	Profit/loss for the year	(784)	1,303
	Other comprehensive income for the year		
	Items that will not be reclassified to profit or loss		
	Actuarial gains/losses on defined benefit plans	114	(102)
	Items that are or may be reclassified subsequently to profit or loss:		
	Foreign exchange adjustments regarding enterprises abroad	(522)	(111)
	Foreign exchange adjustments of loans classified as equity in enterprises abroad	(208)	(30)
	Foreign exchange adjustments regarding liquidation of company	(3)	(12)
	Value adjustments of hedging instruments:		
	Value adjustments for the year	20	5
	Value adjustments transferred to revenue	0	15
	Value adjustments transferred to production costs	0	4
	Value adjustments transferred to financial income and costs	(13)	(6)
	Value adjustments transferred to other operating items	(34)	0
26	Tax on other comprehensive income	22	33
	Other comprehensive income for the year after tax	**(624)**	**(204)**
	Comprehensive income for the year	**(1,408)**	**1,099**
	Comprehensive income for the year attributable to:		
	FLSmidth & Co. A/S shareholders' share of comprehensive income for the period	(1,392)	1,105
	Minority shareholders' share of comprehensive income for the period	(16)	(6)
		(1,408)	**1099**

Consolidated cash flow statement

Notes	DKKm	2013	2012
	Earnings before special non-recurring items, depreciation, amortisation and impairment (EBITDA), continuing activities	1,304	2,867
	Earnings before special non-recurring items, depreciation, amortisation and impairment (EBITDA), discontinued activities	2	(20)
	Earnings before special non-recurring items, depreciation, amortisation and impairment (EBITDA)	**1,306**	**2,847**
	Adjustment for profits/losses on sale of tangible and intangible assets and special non-recurring items etc.	32	(38)
	Adjusted earnings before special non-recurring items, depreciation, amortisation and impairment (EBITDA)	**1,338**	**2,809**
11	Change in provisions	203	(206)
12	Change in working capital	(893)	(226)
	Cash flow from operating activities before financial items and tax	**648**	**2,377**
13	Financial payments received and made	(123)	51
26	Taxes paid	(682)	(708)
	Cash flow from operating activities	**(157)**	**1,720**
15	Acquisition of enterprises and activities	(50)	(2,513)
18	Acquisition of intangible assets	(173)	(366)
19	Acquisition of tangible assets	(524)	(739)
	Acquisition of financial assets	(5)	(22)
16	Disposal of enterprises and activities	77	5
	Disposal of intangible assets	0	0
	Disposal of tangible assets	90	165
	Disposal of financial assets	18	72
	Cash flow from investing activities	**(567)**	**(3,398)**
	Dividend	(467)	(471)
	Addition of minority shares	0	8
	Acquisition of treasury shares	(668)	(175)
	Disposal of treasury shares	8	22
14	Change in other interest-bearing debt	1,444	2,567
	Cash flow from financing activities	**317**	**1,951**
	Change in cash and cash equivalents	**(407)**	**273**
30	Cash and cash equivalents at 1 January	1,638	1,402
	Foreign exchange adjustment, cash and cash equivalents *	(154)	(37)
30	Cash and cash equivalents at 31 December	1,077	1,638

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

* Foreign exchange adjustment, cash and cash equivalents in 2013 primarily consists of negative changes in the exchange rate of ZAR (DKK 67m), AUD (DKK 30m) and INR (DKK 19m) in relation to Danish kroner.

Consolidated balance sheet

Assets

Notes	DKKm	2013	2012
	Goodwill	4,094	4,852
	Patents and rights	1,606	1,587
	Customer relations	1,254	1,801
	Other intangible assets	125	314
	Completed development projects	115	40
	Intangible assets under development	542	593
18	**Intangible assets**	**7,736**	**9,187**
	Land and buildings	1,737	1,614
	Plant and machinery	972	757
	Operating equipment, fixtures and fittings	235	221
	Tangible assets in course of construction	231	175
19	**Tangible assets**	**3,175**	**2,767**
	Investments in associates	9	9
33	Other securities and investments	59	64
37	Pension assets	10	7
27	Deferred tax assets	1,131	970
	Financial assets	**1,209**	**1,050**
	Total non-current assets	**12,120**	**13,004**
24	**Inventories**	**2,575**	**2,602**
25	Trade receivables	5,099	5,915
23	Work-in-progress for third parties	4,491	5,276
	Prepayments to subcontractors	414	487
25	Other receivables	1,511	1,408
	Prepaid expenses and accrued income	34	73
	Receivables	**11,549**	**13,159**
34	**Bonds and listed shares**	**7**	**26**
30	**Cash and cash equivalents**	**1,077**	**1,540**
21	**Assets classified as held for sale**	**0**	**1,544**
	Total current assets	**15,208**	**18,871**
	TOTAL ASSETS	**27,328**	**31,875**

Equity and liabilities

Notes	DKKm	2013	2012
	Share capital	1,064	1,064
	Foreign exchange adjustments	(733)	(8)
	Value adjustments of hedging transactions	(23)	4
	Retained earnings	6,474	7,831
	Proposed dividend	106	479
	FLSmidth & Co. A/S' shareholders' share of equity	**6,888**	**9,370**
	Minority shareholders' share of equity	34	49
	Total equity	**6,922**	**9,419**
27	Deferred tax liabilities	541	882
36+37	Pension liabilities	159	289
35	Other provisions	688	515
36	Mortgage debt	352	352
36	Bank loans	5,023	3,465
36	Finance lease	4	15
36	Prepayments from customers	327	275
36	Other liabilities	190	385
	Long-term liabilities	**7,284**	**6,178**
36+37	Pension liabilities	11	11
35	Other provisions	1,421	1,123
	Bank loans	178	538
	Finance lease	6	8
	Prepayments from customers	2,632	2,714
23	Work-in-progress for third parties	3,138	6,138
	Trade payables	3,283	3,092
	Current tax liabilities	523	600
	Other liabilities	1,890	1,471
	Deferred revenue	40	89
	Short-term liabilities	**13,122**	**15,784**
21	**Liabilities directly associated with assets classified as held for sale**	**0**	**494**
	Total liabilities	**20,406**	**22,456**
	TOTAL EQUITY AND LIABILITIES	**27,328**	**31,875**

Consolidated equity

DKKm	Share capital	Foreign exchange adjustments	Value adjustments of hedging transactions	Retained earnings	Proposed dividend	FLSmidth & Co. A/S' shareholders' share of equity	Minority sharehol-ders' share of equity	Total
Equity at 1 January 2013	**1,064**	**(8)**	**4**	**7,831**	**479**	**9,370**	**49**	**9,419**
Comprehensive income for the year								
Profit/loss for the year				(776)		(776)	(8)	(784)
Other comprehensive income								
Actuarial gains/losses on defined benefit plans				114		114		114
Foreign exchange adjustments regarding enterprises abroad		(514)				(514)	(8)	(522)
Foreign exchange adjustments of loans classified as equity in enterprises abroad		(208)				(208)		(208)
Foreign exchange adjustment regarding liquidation of company		(3)				(3)		(3)
Value adjustments of hedging instruments:								
Value adjustments for the year			20			20		20
Value adjustments transferred to production costs			0			0		0
Value adjustments transferred to financial income and costs			(13)			(13)		(13)
Value adjustments transferred to other operating items			(34)			(34)		(34)
Tax on other comprehensive income *				22		22		22
Other comprehensive income total	**0**	**(725)**	**(27)**	**136**	**0**	**(616)**	**(8)**	**(624)**
Comprehensive income for the year	**0**	**(725)**	**(27)**	**(640)**	**0**	**(1,392)**	**(16)**	**(1,408)**
Dividend distributed					(467)	(467)		(467)
Dividend treasury shares				12	(12)	0		0
Share-based payment, share options				37		37		37
Proposed dividend				(106)	106	0		0
Disposal treasury shares				8		8		8
Acquisition treasury shares				(668)		(668)		(668)
Acquisition minority interests				0		0	1	1
Equity at 31 December 2013	**1,064**	**(733)**	**(23)**	**6,474**	**106**	**6,888**	**34**	**6,922**

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

Dividend distributed in 2013 consists of DKK 9 per share (2012: DKK 9).
Proposed dividend for 2013 amounts to DKK 2 per share (2012: DKK 9).

DKKm	Share capital	Foreign exchange adjustments	Value adjustments of hedging transactions	Retained earnings	Proposed dividend	FLSmidth & Co. A/S' shareholders' share of equity	Minority shareholders' share of equity	Total
Equity at 1 January 2012	**1,064**	**142**	**(14)**	**7,189**	**479**	**8,860**	**47**	**8,907**
Comprehensive income for the year								
Profit/loss for the year				1,306		1,306	(3)	1,303
Other comprehensive income								
Foreign exchange adjustments regarding enterprises abroad		(108)				(108)	(3)	(111)
Foreign exchange adjustments of loans classified as equity in enterprises abroad		(30)				(30)		(30)
Foreign exchange adjustment regarding liquidation of company		(12)				(12)		(12)
Value adjustments of hedging instruments:								
Value adjustments for the year			5			5		5
Value adjustments transferred to revenue			15			15		15
Value adjustments transferred to production costs			4			4		4
Value adjustments transferred to financial income and costs			(6)			(6)		(6)
Actuarial gains/(losses) on defined benefit plans				(102)		(102)		(102)
Tax on other comprehensive income *				33		33		33
Other comprehensive income total	**0**	**(150)**	**18**	**(69)**	**0**	**(201)**	**(3)**	**(204)**
Comprehensive income for the year	**0**	**(150)**	**18**	**1,237**	**0**	**1,105**	**(6)**	**1,099**
Dividend distributed					(471)	(471)		(471)
Dividend treasury shares				8	(8)	0		0
Share-based payment, share options				29		29		29
Proposed dividend				(479)	479	0		0
Disposal treasury shares				22		22		22
Acquisition treasury shares				(175)		(175)		(175)
Acquisition minority interests						0	8	8
Equity at 31 December 2012	**1,064**	**(8)**	**4**	**7,831**	**479**	**9,370**	**49**	**9,419**

Estimates by Management

1. Significant estimates and assessments by Management

The preparation of the Annual Report requires that Management makes estimates and assumptions that affect the recognised assets and liabilities, including the disclosures made regarding contingent assets and liabilities, when applying the Group's accounting policies.

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

The estimates made and the underlying assumptions are reconsidered on an ongoing basis.

Management considers the following estimates and assessments and the relevant accounting policies essential for preparing the consolidated financial statements. In the opinion of Management, the results of these estimates and uncertainties are reflected in the Annual Report based on the information available and assumptions made.

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 sales
Product sales
Services sales, spare parts sales, consumables, etc.

The majority of the Group's project and product sales plus service sales are recognised in revenue as sales from work-in-progress for third parties.

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 based on costs incurred in percentage of the total estimate costs (percentage of completion). 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 for third parties are based on Management estimates for each project, while taking underlying contracts into account.

The contract value of services in the form of Operation & Maintenance contracts is in some cases dependent upon the productivity of the plant serviced. In such cases, revenue 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 risks and uncertainties.

Impairment test
Goodwill and Other intangible assets of indefinite useful life are tested for impairment at least once a year and when there is indication of impairment, the first time being before the end of the year of acquisition. Ongoing development projects are also tested at least once a 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.

In performing the annual impairment test of assets, an assessment is made as to whether the individual units of the Group (cash generating units) to which assets are allocated will be able to generate sufficient positive net cash flow in the future to support the value of the 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 seven years and projections for the subsequent years (the terminal value). Significant parameters in this estimate are discount rate, revenue development, EBITA margin, expected investments and growth expectations for the period after the seven years.

The recoverable amount is calculated by discounting expected future cash flow. The impairment test is disclosed in note 20.

Deferred tax liabilities and assets
Deferred tax assets are recognised if it is likely that there will be taxable income in the future against which timing differences or tax loss carry forwards may be used. For this purpose, Management estimates the coming years' earnings based on budgets. Deferred tax is disclosed in note 27.

Trade receivables
Trade receivables are measured at amortised cost, and bad debt losses are recognised if there are indications thereof. Estimates are used in determining the level of receivables that will not, in the opinion of Management, be collected. When evaluating the adequacy of the allowance for doubtful receivables, Management analyses trade receivables and examines changes in customer creditworthiness, customer payment patterns and current economic trends. Trade receivables are disclosed in note 25.

Inventories
The net realisable value of inventories is calculated as selling price less costs of completion and costs necessary to make the sale. The net realisable value is determined, taking into account marketability, obsolescence and development in expected selling prices. Following the economic downturn in the market, the individual entities in the Group and Management have given special attention to inventory turnover, when determining net realisable value. Inventories are disclosed in note 24.

Warranties, restructuring 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.

Management assesses provisions and the likely outcome of pending and probable lawsuits ect. on an ongoing basis. The outcome depends on future events, which are by nature uncertain. In assessing the likely outcome of lawsuits and tax disputes Management bases its assessment on external legal assistance and established precedents. Tax provisions are made to cover expected additional future tax liabilities related to financial year or previous years. Provisions are disclosed in note 35.

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 and discount rate expected by Management.

In connection with restructuring, Management reassesses useful life and residual values for non-current assets used in the business undergoing restructuring. The extent and amount of onerous contracts as well as employee and other obligations arising in connection with the restructuring are also estimated.

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

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 for third parties, 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 and amortised systematically over the expected future useful life.

Segment information

Accounting policy
Segmentation of the Group is according to business, ie. Customer Services, Material Handling, Mineral Processing, Cement and Cembrit and forms the basis of Management's day-to-day control. Customer Services, Material Handling, Mineral Processing and Cement together are considered the main business of the Group, while Cembrit is the only remaining Building Material company in the Group.

Customer Services include service, parts supply and upgrades carried out before, while and after FLSmidth installs a plant and commissions it. Additionally Customer Services includes operating and maintenance of cement and minerals plants.

Material Handling includes a full range of material handling technologies for transporting raw and bulk materials and spare parts.

Mineral Processing encompasses all the technologies, products, processes and systems used to separate commercially viable minerals from their ores.

Cement includes complete cement plants, production lines, single machinery, spare parts, knowhow, services and maintenance to the global cement industry.

Cembrit provides fibre-cement products to the building materials industry.

Other companies etc. consist of companies with no activities, real estate companies, eliminations and the parent company, while discontinued activities consist of run-off on activities sold in previous years.

Geographical information is presented for revenue and non current assets for the most important countries.

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

2. Breakdown of the Group by segments for 2013

DKKm	Customer Services	Material Handling	Mineral Processing	Cement	Cembrit	Other companies etc.	Continuing activities	Discon-tinued activities	FLSmidth Group
INCOME STATEMENT									
External revenue	7,464	3,770	9,063	5,185	1,441	-	26,923	4	26,927
Internal revenue	101	782	193	16	0	(1,092)	0	0	0
Revenue	**7,565**	**4,552**	**9,256**	**5,201**	**1,441**	**(1,092)**	**26,923**	**4**	**26,927**
Production costs	(5,711)	(4,217)	(7,257)	(4,500)	(1,083)	1,054	(21,714)	(4)	(21,718)
Gross profit	**1,854**	**335**	**1,999**	**701**	**358**	**(38)**	**5,209**	**0**	**5,209**
Sales, distr. and admin. costs and other operating items	(1,086)	(790)	(1,149)	(540)	(361)	21	(3,905)	2	(3,903)
Earnings before special non-recurring items, depreciation, amortisation and impairment (EBITDA)	**768**	**(455)**	**850**	**161**	**(3)**	**(17)**	**1,304**	**2**	**1,306**
Special non-recurring items	3	0	0	0	0	3	6	0	6
Depreciation and impairment of tangible assets	(80)	(56)	(93)	(37)	(61)	(6)	(333)	0	(333)
Earnings before amortisation and impairment of intangible assets (EBITA)	**691**	**(511)**	**757**	**124**	**(64)**	**(20)**	**977**	**2**	**979**
Amortisation and impairment of intangible assets	(650)	(87)	(546)	(29)	(4)	0	(1,316)	0	(1,316)
Earnings before interest and tax (EBIT)	**41**	**(598)**	**211**	**95**	**(68)**	**(20)**	**(339)**	**2**	**(337)**
ORDER INTAKE (GROSS)	**8,005**	**4,937**	**5,559**	**3,417**	**n/a**	**(1,007)**	**20,911**	**n/a**	**20,911**
ORDER BACKLOG	**8,046**	**4,465**	**4,993**	**5,389**	**n/a**	**(581)**	**22,312**	**n/a**	**22,312**
FINANCIAL RATIOS									
Gross margin	*24.5%*	*7.4%*	*21.6%*	*13.5%*	*24.8%*	*n/a*	*19.3%*	*n/a*	*19.3%*
EBITDA margin	*10.2%*	*(10.0%)*	*9.2%*	*3.1%*	*(0.2%)*	*n/a*	*4.8%*	*n/a*	*4.9%*
EBITA margin	*9.1%*	*(11.2%)*	*8.2%*	*2.4%*	*(4.4%)*	*n/a*	*3.6%*	*n/a*	*3.6%*
EBIT margin	*0.5%*	*(13.1%)*	*2.3%*	*1.8%*	*(4.7%)*	*n/a*	*(1.3%)*	*n/a*	*(1.3%)*
Number of employees at 31 December	**5,847**	**3,306**	**2,840**	**2,251**	**1,069**	**4**	**15,317**	**0**	**15,317**

Reconciliation of the year's profit/loss		
Segment earnings before interest and tax (EBIT) of reportable segments	(339)	2
Financial income	1,423	12
Financial costs	(1,684)	(12)
Earnings before tax (EBT)	**(600)**	**2**
Tax for the year	(186)	0
Profit/loss for the year	**(786)**	**2**

As a consequence of the decision to stop the sale of Cembrit, Cembrit is reported as continuing business and profit and loss comparative figures for 2012 have been adjusted accordingly.

2. Breakdown of the Group by segments for 2012

DKKm	Customer Services	Material Handling	Mineral Processing	Cement	Cembrit	Other companies etc.	Continuing activities	Discon-tinued activities	FLSmidth Group
INCOME STATEMENT									
External revenue	6,984	4,323	9,345	4,197	1,435	-	26,284	(5)	26,279
Internal revenue	89	674	167	17	0	(947)	0	0	0
Revenue	**7,073**	**4,997**	**9,512**	**4,214**	**1,435**	**(947)**	**26,284**	**(5)**	**26,279**
Production costs	(5,076)	(4,393)	(7,316)	(2,945)	(987)	959	(19,758)	5	(19,753)
Gross profit	**1,997**	**604**	**2,196**	**1,269**	**448**	**12**	**6,526**	**0**	**6,526**
Sales, distr. and admin. costs and other operating items	(985)	(744)	(1,117)	(481)	(340)	8	(3,659)	(20)	(3,679)
Earnings before special non-recurring items, depreciation, amortisation and impairment (EBITDA)	**1,012**	**(140)**	**1,079**	**788**	**108**	**20**	**2,867**	**(20)**	**2,847**
Special non-recurring items	(15)	5	(7)	0	8	0	(9)	15	6
Depreciation and impairment of tangible assets	(67)	(51)	(72)	(36)	(59)	(14)	(299)	(10)	(309)
Earnings before amortisation and impairment of intangible assets (EBITA)	**930**	**(186)**	**1,000**	**752**	**57**	**6**	**2,559**	**(15)**	**2,544**
Amortisation and impairment of intangible assets	(143)	(61)	(227)	(83)	(4)	0	(518)	0	(518)
Earnings before interest and tax (EBIT)	**787**	**(247)**	**773**	**669**	**53**	**6**	**2,041**	**(15)**	**2,026**
ORDER INTAKE (GROSS)	**9,202**	**4,565**	**10,318**	**4,599**	**n/a**	**(957)**	**27,727**	**n/a**	**27,727**
ORDER BACKLOG	**8,159**	**4,773**	**9,589**	**7,585**	**n/a**	**(655)**	**29,451**	**n/a**	**29,451**
FINANCIAL RATIOS									
Gross margin	*28.2%*	*12.1%*	*23.1%*	*30.1%*	*31.2%*	*n/a*	*24.8%*	*n/a*	*24.8%*
EBITDA margin	*14.3%*	*(2.8%)*	*11.3%*	*18.7%*	*7.5%*	*n/a*	*10.9%*	*n/a*	*10.8%*
EBITA margin	*13.1%*	*(3.7%)*	*10.5%*	*17.8%*	*4.0%*	*n/a*	*9.7%*	*n/a*	*9.7%*
EBIT margin	*11.1%*	*(4.9%)*	*8.1%*	*15.9%*	*3.7%*	*n/a*	*7.8%*	*n/a*	*7.7%*
Number of employees at 31 December	**6,003**	**3,435**	**2,833**	**2,554**	**1,073**	**2**	**15,900**	**0**	**15,900**

Reconciliation of the year's profit/loss	Continuing activities	Discontinued activities
Segment earnings before interest and tax (EBIT) of reportable segments	2,041	(15)
Financial income	1,007	13
Financial costs	(1,087)	(3)
Earnings before tax (EBT)	**1,961**	**(5)**
Tax for the year	(653)	0
Profit/loss for the year	**1,308**	**(5)**

3. Geographical information

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

DKKm	2013	2012
Revenue (continuing activities)		
Europe	4,410	3,951
Asia	6,638	6,187
North America	4,816	5,054
South America	5,394	4,896
Africa	3,727	3,883
Australia	1,938	2,313
	26,923	**26,284**
Significant revenue in individual countries (more than 5% of total revenue):		
- Denmark (the Group's domicile country)	574	509
- USA	3,034	2,661
- Chile	2,038	1,936
- Australia	1,929	2,293
- Brazil	1,752	1,454
- India	1,685	1,916
- Russia	1,508	1,347
- Canada	1,196	1,596

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	2013	2012
Assets (Group)		
Europe	10,063	10,130
Asia	2,685	3,152
North America	8,877	9,264
South America	2,909	3,554
Africa	809	1,962
Australia	1,985	3,813
	27,328	**31,875**
Significant non-current assets in individual countries:		
- Denmark (the Group's domicile country)	2,371	1,920
- USA	3,276	3,570
- Australia	1,045	2,630
- Canada	733	908

Geographical location of the Group's employees:	2013	2012
Employees 31 December		
Europe	4,114	4,197
Asia	4,375	4,473
North America	2,998	3,176
South America	1,303	1,310
Africa	1,832	1,836
Australia	695	908
	15,317	**15,900**

Income statement

Accounting policy
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 based on costs incurred in percentage of the total estimate costs (percentage of completion).

Income from the supply of services is recognised as revenue in line with the services agreed being supplied, so that the revenue corresponds to the sales value of the work completed in the financial year.

Production costs include raw materials, consumables, direct labour costs and production overheads such as Operation & Maintenance of production plant as well as administration and factory management. Production costs for Work-in-progress for third parties are recognised in step with the completion of the individual contract.

Research and development costs are charged to Production costs in the income statement for the financial year in which they are incurred. Development costs related to certain products or processes are recognised as assets to the extent that such costs are likely to generate future earnings. See note 18 for further specification.

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 comprise the costs of administrative staff and management as well as other indirect administrative costs.

4. Revenue

DKKm	2013	2012
Project sales	12,467	12,173
Product sales	3,332	3,391
Sales of spare parts and services, consumables etc.	9,683	9,285
Building materials	1,441	1,435
	26,923	**26,284**
Income recognition criteria		
Income recognised when delivered	9,263	9,586
Income recognised in accordance with the percentage-of-completion method	17,660	16,698
	26,923	**26,284**

Sales of spare parts and services consumables etc. include services and spare parts sales in product companies that are included in the segmental reporting of Material Handling, Mineral Processing and Cement.

5. Other operating income and costs

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

DKKm	2013	2012
Other operating income		
Government subsidies and other grants	7	8
Rent income	6	11
Royalties, etc.	12	3
Profit on disposal of tangible assets	12	41
Other income	170	82
	207	**145**
Other operating costs		
Loss on disposal of tangible assets	(10)	(5)
Other costs	(61)	(34)
	(71)	**(39)**
Total other operating income and costs	**136**	**106**

In 2013, other income included income of non-recurring nature of DKK 37m related to the disposal of assets in the mineral processing division.

In 2012, the profit on disposal of tangible assets included the profit from sale of buildings in Denmark and Australia at DKK 32m and DKK 8m, respectively.

6. Staff costs

Accounting policy
Staff costs consist of direct wages and salaries, remuneration pension, share-based payments, training, etc. related to the continuing activities that contribute to the Group´s production, sales and administration.

DKKm	2013	2012
Wages, salaries and fees	4,675	4,324
Contribution plans and other social security costs, etc.	530	448
Defined benefit plans	11	17
Share-based payment, option plans	37	29
Other staff costs	580	355
	5,833	**5,173**
The amounts are included in the items:		
Production costs	3,458	2,976
Sales and distribution costs	1,206	1,144
Administrative costs	1,169	1,053
	5,833	**5,173**

The average number of employees was 15,600 in 2013 (2012: 14,433).

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

Redundancy costs incurred in 2013 amount to DKK 178m.

7. Special non-recurring items

Accounting policy
Special non-recurring items consist of costs and income of a special nature in relation to the main 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 operational activities.

DKKm	2013	2012
Run-off on purchase price allocations to inventories in connection with acquisition of enterprises	0	(21)
Profit/loss on disposal of enterprises and activities	6	12
	6	**(9)**

8. Minority interests

Accounting policy
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.

The minority shareholders' share of profit/loss for the year is based on the specific company's shareholder agreement.

Minority shareholders' share of profit/loss for the year concerns the following companies.

DKKm	2013	2012
Roymec (Proprietary) Limited	(8)	(5)
Phillips Kiln Service Ltd.	2	4
FLSmidth SEPEC	(2)	(2)
	(8)	**(3)**

9. Earnings per share (EPS)

Accounting policy
Earnings per share (EPS) and diluted earnings per share (EPS, diluted) are measured according to IAS 33. Non-diluted earnings per share are calculated as the earnings for the year after tax from continuing and discontinued activities divided by the total average number of shares. In the diluted earnings per share adjustment is made for options in-the-money.

DKKm	2013	2012
Earnings		
FLSmidth & Co. A/S shareholders' share of profit/loss for the year	(776)	1,306
FLSmidth & Co. Group profit/loss from discontinued activities	2	(5)
Number of shares, average		
Number of shares issued	53,200,000	53,200,000
Adjustment for treasury shares	(3,433,298)	(1,170,096)
Potential increase of shares in circulation, options in-the-money	124,632	203,558
Average number of shares	49,891,334	52,233,462
Earnings per share		
Continuing and discontinued activities per share	(15.6)	25.1
Continuing and discontinued activities, diluted, per share	(15.6)	25.0
Continuing activities per share	(15.6)	25.2
Continuing activities, diluted, per share	(15.6)	25.1

Non-diluted earnings per share in respect of discontinued activities amount to DKK 0.0 (2012: DKK -0.1) and diluted earning per share in respect of discontinued activities amount to DKK 0.0 (2012: DKK -0.1).

The calculation of diluted earnings per share is inclusive of 124,632 share options (2012: 203,558), which are in-the-money that may potentially dilute the earnings per share in the future.

10. Income statement classified by function

The Group 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 impairment (EBITDA). Depreciation, amortisation and impairment of tangible and intangible assets are therefore separated from the individual functions and presented on separate lines.

DKKm	2013	2012
Revenue	26,923	26,284
Production costs, including depreciation, amortisation and impairment	(22,209)	(20,196)
Gross profit	**4,714**	**6,088**
Sales and distribution costs, including depreciation, amortisation and impairment	(1,863)	(1,809)
Administrative costs, including depreciation, amortisation and impairment	(3,332)	(2,335)
Other operating income and costs	136	106
Special non-recurring items	6	(9)
Earnings before interest and tax (EBIT)	**(339)**	**2,041**
Depreciation, amortisation and impairment consist of:		
Impairment of intangible assets	901	188
Amortisation of intangible assets	415	330
Depreciation of tangible assets	333	299
	1,649	**817**
Depreciation, amortisation and impairment are divided into:		
Production costs	495	438
Sales and distribution costs	15	12
Administrative costs	1,139	367
	1,649	**817**

The impairment of goodwill is divided into sales and distribution costs by (DKK 2m) and administrative costs by (DKK 703m).

The impairment of customer relations is recognised among variable costs at DKK 196m.

Cash flow statement

Accounting policy
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.

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

In working capital and net interest bearing debt 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.
- Interest-bearing debt items are 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, amortisation and impairment (EBITDA) adjusted for non-cash operating 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, the acquisition and disposal of assets and prepayments of assets.

Cash flow from financing activities comprises changes in the size of the share capital and related costs as well as acquisitions and disposal of non-controlling interests, treasury shares and payment of dividends to shareholders. The Group's cash and cash equivalents mainly consist of money deposited with banks.

11. Change in provisions

DKKm	2013	2012
Pensions and similar obligations	(16)	35
Other provisions	219	(241)
	203	**(206)**

12. Change in working capital

DKKm	2013	2012
Inventories	85	(210)
Trade receivables	388	(403)
Trade payables	488	224
Work-in-progress for third parties and prepayments from customers	(2,137)	458
Other receivables and other liabilities	373	(295)
Foreign exchange adjustment	(90)	0
	(893)	**(226)**

The change in working capital include, DKK 250m in foreign exchange adjustments of the opening balance of the working capital items.

13. Financial items received and paid

The financial items received and paid consist of interest income and interest costs received or paid in the financial year.

DKKm	2013	2012
Interest received	36	545
Interest paid	(159)	(494)
	(123)	**51**

14. Change in net interest-bearing debt

DKKm	2013	2012
Bank loans	1,491	2,508
Finance lease	(9)	1
Other liabilities	(62)	(173)
Contingent consideration	24	231
Net changes	**1,444**	**2,567**

For further details please refer to note 30.

Acquisition and disposal of enterprises and activities

Accounting policy
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 controls the enterprise acquired.

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.

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 as administration costs 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. At the time of acquisition or not later than 12 months afterwards, 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 value at the time of acquisition if the information had been known.

15. Acquisition of enterprises and activities in 2013

There has been no acquisitions of enterprises and activities in 2013. However, adjustments to fair value regarding acquisitions made in 2012 have been necessary based on final purchase price allocation reports.

	2012	2013			
DKKm	**Fair value adjusted opening balance sheet made in 2012**	**Adjustment to fair value made in 2013**	**Reclassification made in 2013**	**Sum of movements 2013**	**Fair value adjusted opening balance sheet 2012-2013**
Patents and rights	422	58	150	208	630
Customer relations	808	(31)		(31)	777
Other intangible assets	243	(7)	(150)	(157)	86
Tangible assets	454	11		11	465
Financial assets including deferred tax	76	(3)		(3)	73
Inventories	487	(1)		(1)	486
Receivables	399	(133)		(133)	266
Work-in-progress for third parties	16	-		-	16
Cash and cash equivalents	114	-		-	114
Provisions including deferred tax	(164)	(125)		(125)	(289)
Loans	(551)	29		29	(522)
Other liabilities	(455)	70		70	(385)
Net assets	**1,849**	**(132)**	**0**	**(132)**	**1,717**
Goodwill	830			125	955
Cost	**2,679**			**(7)**	**2,672**
Cash and cash equivalents acquired	(114)			(1)	(115)
Contingent consideration (earn out)	97			17	114
Deferred payment	(149)			41	(108)
Net cash effect, acquisitions	**2,513**			**50**	**2,563**

In 2013 direct transaction costs amount to DKK 2m.

Contingent consideration (earn out)
Cash flow from acquisitions in 2013 is affected by the last part of the earn out of Summit Valley that was acquired in 2009 at the amount of DKK 17m. In addition, FLSmidth has paid part of the deferred payment related to the acquisition of MIE Enterprises Pty. Ltd of DKK 41m. FLSmidth still has to pay additional DKK 88m related to MIE Enterprises Pty. Ltd., which amounts to DKK 30m in 2014 and DKK 58m in 2015. In addition, Ludowici Limited paid DKK 3m of earn out regarding an acquisition which was done prior to the take over of Ludowici Limited by FLSmidth.

Cash and cash equivalents acquired
FLSmidth received a payment of DKK 1m from the sellers of TEUTRINE GmbH Industrie Technik in connection with the finalised assessment of acquisition balance net working capital. This payment was already reflected in the acquisition price in the 2012 financial statements.

Enterprises acquired in 2012 and affected in 2013	Included in the consolidated financial statements	
	Cost	Non allocated cost price (goodwill)
Knelson Russia (acquisition of net assets)	-	-
Process Engineering Resources Inc.	-	4
Ludowici Limited	-	120
TEUTRINE GmbH Industrie-Technik	-	-
MIE Enterprises Pty. Ltd.	(2)	10
Mayer Bulk Pty. Ltd.	-	(4)
Decanter Machine Inc.	(5)	(5)
Total	**(7)**	**125**

Ludowici Limited
In 2013, the fair value adjustments of the opening balance were completed, which mainly resulted in adjustments to deferred tax liability and goodwill. In addition, DKK 150m in other intangible assets were reclassified to Patents and rights.

Other completion of opening balances
In 2013, the fair value adjustments of the opening balances of Process Engineering Resources Inc., MIE Enterprises Pty Ltd., Mayer Bulk Pty Ltd. and Decanter Machine, Inc. were completed, resulting in minor opening balance adjustments.

15. Acquisition of enterprises and activities in 2012

Enterprise acquired	Primary activity	Date of acquisition/ consolidated from	Ownership interest	Voting share
Knelson Russia (acquisition of net assets)	Mineral Processing	24 January 2012	-	-
Process Engineering Resources Inc.	Mineral Processing	6 June 2012	100%	100%
Ludowici Limited	Mineral Processing/Customer Services	3 July 2012	100%	100%
TEUTRINE GmbH Industrie-Technik	Customer Services	3 September 2012	100%	100%
MIE Enterprises Pty. Ltd.	Customer Services	4 September 2012	100%	100%
Mayer Bulk Pty. Ltd.	Customer Services	4 September 2012	100%	100%
Decanter Machine Inc.	Mineral Processing	18 September 2012	100%	100%

DKKm	Carrying amount before adjustment	Adjustments at fair value	Fair value adjusted opening balance sheet
Patents and rights	1	421	422
Customer relations	-	808	808
Other intangible assets	9	234	243
Tangible assets	431	23	454
Financial assets including deferred tax	76	-	76
Inventories	408	79	487
Receivables	399	-	399
Work-in-progress for third parties	16	-	16
Cash and cash equivalents	114	-	114
Provisions including deferred tax	(96)	(68)	(164)
Loans	(551)	-	(551)
Other liabilities	(455)	-	(455)
Net assets	**352**	**1,497**	**1,849**
Goodwill			830
Cost			**2,679**
Cash and cash equivalents acquired			(114)
Contingent consideration (earn out)			97
Deferred payment			(149)
Net cash effect, acquisitions			**2,513**
Other specifications regarding transactions:			
Direct transaction costs			45

15. Acquisition of enterprises and activities in 2012 (continued)

Enterprise acquired	Included in the consolidated financial statements 2012: Revenue	Included in the consolidated financial statements 2012: Earnings after tax	Revenue for 2012	Earnings after tax for 2012	Number of employees	Non allocated cost price (goodwill)
Knelson Russia (acquisition of net assets)	21	1	21	1	12	0
Process Engineering Resources Inc.	7	0	17	2	7	17
Ludowici Limited	701	(22)	1,351	(100)	958	594
TEUTRINE GmbH Industrie Technik	13	(2)	60	4	51	20
MIE Enterprises Pty. Ltd.	52	(5)	153	7	85	41
Mayer Bulk Pty. Ltd.	5	(2)	24	(1)	17	0
Decanter Machine Inc.	60	0	246	18	127	94

Knelson Russia
In September 2011, the Canadian activities of Knelson Group based in Vancouver, Canada, were acquired. An agreement to acquire Knelson's Russian activities, based in Irkutsk, Russia, was also signed at that time. Not until 24 January 2012 did FLSmidth receive regulatory approval from the Russian authorities to acquire the Russian activities of Knelson Group.

Process Engineering Resources Inc.
Process Engineering Resources Inc. based in Salt Lake City, USA, is a company specialising in the development, manufacturing, and installation of on-line slurry analysis systems in the mining and minerals industries. The non-allocated purchase consideration reflects expected synergies.

Ludowici Limited
Australia-based Ludowici Limited is the world's leading provider of coal centrifuges, vibrating screens and complementary wear resistant products and services for the minerals industries. The non-allocated purchase consideration reflects expected synergies.

TEUTRINE GmbH Industrie-Technik
German-based Teutrine GmbH Industrie-Technik is a company specialising in on-site maintenance and repair, and replacement and upgrade services to cement and minerals customers in Europe and the Middle East. The non-allocated purchase consideration reflecting expected synergies.

MIE Enterprises Pty. Ltd.
Australian-based MIE Enterprises Pty Ltd. is a company specialising in maintenance and repair services to mining customers in Australia and South-East Asia. The activities were consolidated at 4 September 2012. The non-allocated purchase consideration reflecting expected synergies.

Mayer Bulk Pty. Ltd.
Australian-based Mayer Bulk Pty Ltd. is a company specialising in the design of mobile machines, cranes and material handling structures to mining customers in Australia and South-East Asia.

Decanter Machine Inc.
US-based Decanter Machine Inc. is a manufacturer and supplier of centrifugal technology to the global minerals industries. The non-allocated purchase consideration reflects expected synergies.

16. Disposal of enterprises and activities

Accounting policy
When selling enterprises and activities 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 disposals 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, and classified as financial assets.

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

DKKm	2013	2012
Intangible assets	25	0
Tangible assets	21	0
Inventories	36	0
Liabilities	(10)	0
Carrying amount of net assets disposed	**72**	**0**
Profit/loss on disposal of enterprises and activities	5	5
Cash sales value	77	5
Contingent consideraton	0	0
Total selling price	**77**	**5**
Cash and cash equivalents disposed of, see above	0	0
Net cash effect including contingent consideration in a business combination	**77**	**5**

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 2013 consists of disposal of non-core activities gained through the acquisition of Lucowici.

Disposal of enterprises and activities in 2012 consists of disposal of non-core activities in Denmark.

17. Discontinued activities

Accounting policy
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 activities.

In the consolidated cash flow statement cash flow from discontinued activities is included in cash flow from operating, investing and financing activities together with cash flow from continuing activities.

The financial highlights and key ratios of discontinued activities are as follows:

DKKm	2013	2012
Revenue	4	(5)
Costs	(2)	0
Earnings before tax	2	(5)
Tax for the year (EBT)	0	0
Profit/loss for the year, discontinued activities	**2**	**(5)**
Cash flow statement:		
Cash flow from operating activities	(4)	(3)
Cash flow from investing activities	0	0
Cash flow from financing activities	(13)	1
Earnings per share (EPS), discontinued activities	0.0	(0.1)
Diluted earnings per share (EPS, diluted), discontinued activities	0.0	(0.1)

As a consequence of the decision to stop the sale of Cembrit, Cembrit is reported as continuing business and profit and loss comparative figures for 2012 have been adjusted accordingly.

Non-current assets and investments

18. Intangible assets

Accounting policy
Goodwill
Goodwill is measured in the balance sheet at cost in connection with initial recognition. Subsequently, goodwill is measured at cost less accumulated impairment losses. When recognising goodwill, it is allocated to the cash flow generating units as defined by the Management. The determination of cash generating units complies with the managerial structure and the internal financial control and reporting in the Group.

Other intangible assets
Other intangible assets with a finite useful life are measured at cost less accumulated amortisation and impairment losses. 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 except from software is charged on a straight line basis during their estimated useful life. Development projects are written down for impairment 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.

Amortisation of software is based on consumption (units of production methods) of users over the estimated useful life of the assets, and the timing of implementation.

The amortisation profile is systematically based on the expected useful life of the assets. The basis of amortisation is reduced by impairment, 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

DKKm	Goodwill	Patents and rights	Customer relations	Other intangible assets	Completed development projects	Intangible assets under development	Total
Cost at 1 January 2013	4,852	1,975	2,227	879	97	740	10,770
Reclassification from assets held for sale	51	18	5	10	0	1	85
Foreign exchange adjustments	(343)	(8)	(229)	(45)	0	(1)	(626)
Acquisition of Group enterprises	125	208	(31)	(157)	0	0	145
Additions	0	2	0	3	5	163	173
Disposals	(4)	(7)	(13)	(39)	(6)	(3)	(72)
Transferred between categories	57	(70)	4	99	103	(193)	0
Transfer to tangible assets	0	0	0	0	0	(20)	(20)
Other adjustments	0	0	0	0	0	0	0
Cost at 31 December 2013	**4,738**	**2,118**	**1,963**	**750**	**199**	**687**	**10,455**
Amortisation and impairment at 1 January 2013	0	(388)	(426)	(565)	(57)	(147)	(1,583)
Reclassification from assets held for sale	(1)	(13)	(3)	(9)	0	(1)	(27)
Foreign exchange adjustments	60	15	65	21	0	4	165
Disposals	0	6	13	17	6	0	42
Amortisation and impairment	(705)	(135)	(341)	(101)	(33)	(1)	(1,316)
Transferred between categories	0	3	(15)	12	0	0	0
Other adjustments	2	0	(2)	0	0	0	0
Amortisation and impairment at 31 December 2013	**(644)**	**(512)**	**(709)**	**(625)**	**(84)**	**(145)**	**(2,719)**
Carrying amount at 31 December 2013	**4,094**	**1,606**	**1,254**	**125**	**115**	**542**	**7,736**

DKKm	Goodwill	Patents and rights	Customer relations	Other intangible assets	Completed development projects	Intangible assets under development	Total
Cost at 1 January 2012	4,129	1,442	1,452	693	89	514	8,319
Reclassification to assets held for sale	(50)	(15)	(4)	(10)	0	0	(79)
Foreign exchange adjustments	(56)	(7)	(29)	(14)	0	0	(106)
Acquisition of Group enterprises	830	422	808	243	0	0	2,303
Additions	0	104	0	4	1	257	366
Disposals	0	0	0	(35)	0	0	(35)
Transferred between categories	0	22	0	0	6	(28)	0
Other adjustments	(1)	7	0	(2)	1	(3)	2
Cost at 31 December 2012	**4,852**	**1,975**	**2,227**	**879**	**97**	**740**	**10,770**
Amortisation and impairment at 1 January 2012	(10)	(283)	(322)	(508)	(42)	(3)	(1,168)
Reclassification to assets held for sale	2	11	3	11	0	0	27
Foreign exchange adjustments	0	1	6	4	0	0	11
Disposals	0	0	0	13	0	0	13
Amortisation and impairment	0	(114)	(111)	(83)	(18)	(188)	(514)
Other adjustments	8	(3)	(2)	(2)	3	44	48
Amortisation and impairment at 31 December 2012	**0**	**(388)**	**(426)**	**(565)**	**(57)**	**(147)**	**(1,583)**
Carrying amount at 31 December 2012	**4,852**	**1,587**	**1,801**	**314**	**40**	**593**	**9,187**

For allocation of amortisation and impairment to production costs, sales and distribution costs and administrative costs, see note 10.

For 70% of patents and rights acquired the estimated useful life is between 10-20 years and for 70% of Customer Relations the estimated useful life is between 0-10 years.

Much of the knowledge generated in the Group originates from work performed for customers. In 2013, the Group's research and development costs totalled DKK 419m (2012: DKK 363m). Research and development costs not capitalised 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 117m (2012: DKK 104m) in respect of R&D development projects and other intangible assets. The total addition of intangible assets includes internal capitalisation at DKK 67m (2012: DKK 128m).

Completed development projects and intangible assets under development consists of software projects of DKK 392m (2012: DKK 393m) and R&D projects of DKK 265m (2012: DKK 240m), hereof capitalised in 2013 DKK 42m (2012: DKK 149m).

Goodwill and trademarks acquired through acquisitions are considered to have indefinite useful life. The carrying amounts of goodwill and trademarks are shown in the following divided into segments.

Intangible assets of indefinite useful life

DKKm	Customer Services	Material Handling	Mineral Processing	Cement	Cembrit	2013
Goodwill	1,964	211	1,810	62	47	4,094
Trademarks	188	151	442	36	0	817
Carrying amount at 31 December 2013	**2,152**	**362**	**2,252**	**98**	**47**	**4,911**

Addition of goodwill comprises:

DKKm	Customer Services	Material Handling	Mineral Processing	Cement	2013
Conveyer Engineering Inc. (contingent consideration adjustment)					
Knelson Canada					
Process Engineering Resources Inc.			4		4
Ludowici Limited	60		60		120
TEUTRINE GmbH Industrie-Technik					
MIE Enterprises Pty. Ltd.	10				10
Mayer Bulk Pty. Ltd.	(4)				(4)
Decanter Machine Inc.			(5)		(5)
Darimec S.r.L.					
	66		**59**		**125**

19. Tangible assets

Accounting policy
Land and buildings, production facilities and machinery and other facilities, operating equipment and tools and equipment are measured at cost less accumulated depreciation and impairment losses. 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, 3 – 10 years
- Operating equipment and other tools and equipment, 3 – 10 years
- Lease hold improvements, up to 5 years
- Land is not depreciated

Assets of low acquisition value or short life are expensed in 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.

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 part of the cost of the asset concerned, 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 period.

DKKm	Land and buildings	Plant and machinery	Operating equipment, fixtures and fittings	Tangible assets in course of construction	Total
Cost at 1 January 2013	2,185	1,388	764	185	4,522
Reclassification from assets held for sale	291	1,027	58	17	1,393
Foreign exchange adjustments	(176)	(137)	(50)	(9)	(372)
Acquisition of Group enterprises	11	0	0	0	11
Additions	124	172	75	153	524
Disposals	(72)	(47)	(67)	(30)	(216)
Transferred between categories	78	(29)	44	(93)	0
Transfer from intangible assets				20	20
Other adjustments	0		0	0	0
Cost at 31 December 2013	**2,441**	**2,374**	**824**	**243**	**5,882**
Depreciation and impairment at 1 January 2013	(571)	(631)	(543)	(10)	(1,755)
Reclassification from assets held for sale	(119)	(691)	(46)	(4)	(860)
Foreign exchange adjustments	22	54	31	2	109
Disposals	29	40	63	0	132
Depreciation	(65)	(176)	(91)	(1)	(333)
Transferred between categories	0	2	(3)	1	0
Other adjustments	0	0	0	0	0
Depreciation and impairment at 31 December 2013	**(704)**	**(1,402)**	**(589)**	**(12)**	**(2,707)**
Carrying amount at 31 December 2013	**1,737**	**972**	**235**	**231**	**3,175**

DKKm	Land and buildings	Plant and machinery	Operating equipment, fixtures and fittings	Tangible assets in course of construction	Total
Cost at 1 January 2012	2,030	1,864	756	287	4,937
Reclassification to assets held for sale	(274)	(993)	(55)	(51)	(1,373)
Foreign exchange adjustments	(35)	(14)	(10)	(1)	(60)
Acquisition of Group enterprises	257	182	15	0	454
Additions	141	282	68	232	723
Disposals	(93)	(12)	(29)	(29)	(163)
Transferred between categories	159	61	1	(221)	0
Other adjustments	0	18	18	(32)	4
Cost at 31 December 2012	**2,185**	**1,388**	**764**	**185**	**4,522**
Depreciation and impairment at 1 January 2012	(665)	(1,165)	(543)	(3)	(2,376)
Reclassification to assets held for sale	106	645	42	3	796
Foreign exchange adjustments	3	3	6		12
Disposals	24	3	26		53
Depreciation	(51)	(107)	(82)		(240)
Transferred between categories	(1)	(5)	6		0
Other adjustments	13	(5)	2	(10)	0
Depreciation and impairment at 31 December 2012	**(571)**	**(631)**	**(543)**	**(10)**	**(1,755)**
Carrying amount at 31 December 2012	**1,614**	**757**	**221**	**175**	**2,767**

For plant and machinery 60% of the assets are depreciated based on estimated useful life between 7-10 years. For operating equipment, fixtures and fittings 90% are depreciated based on estimated useful life between 3-6 years.

Depreciation and impairment 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 impairment are stated at the year-end exchange rates. For allocation of depreciation and impairment to production costs, sales and distribution costs and administrative costs, see note 10.

For acquisition of Group enterprises, see note 15.

20. Impairment test

Accounting policy
Goodwill and Other intangible assets of indefinite useful life are tested for impairment at least once a year and when there is indication of impairment, the first time being before the end of the year of acquisition. Ongoing development projects are also tested for impairment at least once per year. 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. Impairment of goodwill is not reversed. Recognition of impairment of other assets is reversed to the extent that changes have taken place in the assumptions and estimates that led to the recognition of impairment.

Loss on impairment is only reversed to the extent that 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 for impairment.

Procedure for impairment test
Intangible assets are primarily related to acquisition of enterprises and activities, software and R&D projects.

Management defines the cash-generating units (CGU) 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.

The recoverable amount of a CGU is based on value in use calculations and is calculated by discounting expected future cash flow.

An estimate is made of the future free net cash flow based on budgets for the coming seven years and projections for the subsequent years (the terminal value). Significant parameters in this estimate are discount rate, revenue development for the next seven years, EBITA margins, expected investments and growth expectations for the period after the seven years.

20. Impairment test (continued)

Impairment test Q3 2013 based on indications
Since the acquisition of the Ludowici Group in July 2012, Management has experienced a deteriorating outlook for mining investments in general and for the Australian coal industry in particular. Coal mining capex has come under significant downward pressure and coal production has declined. This will affect both future project and services sales. Besides, pricing pressure from major miners in Australia has become imminent.

As a consequence of the continuously deteriorating outlook in 2013, Management has considered indications of impairment of assets belonging to the Ludowici Group and carried out an impairment test in Q3 2013 of the intangible assets acquired in Australia and the entire goodwill relating to the Ludowici acquisition before the final allocation of goodwill.

The impairment tests resulted in an impairment loss of DKK 901m in total on the following assets of the Ludowici Group:
- Goodwill: DKK 705m
- Customer relations in Australia: DKK 196m

The recoverable amount of the Ludowici cash generating unit (CGU) as well as separate intangible assets have been determined based on value in use calculations which include cash flow forecasts approved by Management covering a 7 year period (2013-2019).

The key assumptions used in the calculation of value in use of Ludowici Group are the following:
- Discount rate: 12% (17% before tax)
- Growth rate in the terminal period: 2.5%
- Growth rate for revenue in the budget period: 2.4% (average of the next seven years)

The discount rate used in determining the value in use is based on the weighted average cost of capital (WACC) formula and reflects the risk specific related to the Ludowici Group. The WACC is determined based on an equity ratio of 82% and a risk free rate of 3.8% based on a 10 year Australia government bond.

The terminal growth rate is based on the expected growth in the world economy as indicated by the WTO and global banks.

The growth rate in revenue during the budget period is based on Management's assessment of the coal mining industry's capex for the next 7 years and includes the impact of the expected pricing pressure from major miners in Australia.

The EBITA margins in the budget period and the terminal period are estimated based on historical levels for the Ludowici Group, expected effects of efficiency initiatives implemented after the acquisition and pricing pressure from miners.

The impairment loss is recognised in the income statement as "Amortisation and impairment of intangible assets" and is presented based on the initial allocation within the following segments:
- Customer Services: DKK 541m
- Mineral Processing: DKK 360m

If the WACC was estimated 0.5% higher, the impairment loss would be DKK 942m. If the growth rate in the terminal period was estimated 0.5% lower, the impairment loss would be DKK 920m.

Annual impairment test
As at 31 December 2013, the carrying amount of goodwill and other intangible assets of indefinite useful life were tested for impairment.

At the annual test, impairment was based on Customer Services, Material Handling, Mineral Processing, Cement and Cembrit, these being the lowest level of cash-generating unit as defined by Management. The definition of CGUs is based on the certainty by which the carrying amount of the intangible assets can reasonably be allocated and monitored. The level of allocating and monitoring the Group's intangible assets among cash-generating units should also be seen in conjunction with the Group strategy.

Carrying amounts of goodwill and other intangible assets included in the cash-generating units for impairment test of those assets are specified below:

	Carrying amount				
DKKm	**Goodwill**	**Patents and rights acquired**	**Customer relations**	**Development projects and software**	**Other intangible assets**
Customer Services	1,964	1,172	432	95	54
Material Handling	211	188	102	195	19
Mineral Processing	1,810	206	691	223	36
Cement	62	35	27	144	15
Cembrit	47	5	1	0	1

The key assumptions in assessing the recoverable amount are annually growth rate in budget period, discount rate, long-term growth in the terminal period and investments.

		Key assumptions			
Cash Generating Unit (CGU)	**Investments**	**Annually average growth rate in budget period**	**Growth rate in the terminal period**	**Discount rate after tax**	**Discount rate before tax**
Customer Services	2.5% of revenue	4.5%	2.40%	8%	12%
Material Handling	2.5% of revenue	5%	2.40%	8%	12%
Mineral Processing	2.5% of revenue	6%	2.40%	8%	12%
Cement	1.5% of revenue	6.5%	2.40%	8%	12%
Cembrit	2.5% of revenue	3%	1.0%	9.5%	14%

The Group expects an EBITA margin of 7-9% in 2013 and a long-term EBITA margin of 10-13%.

Management determines the expected annual growth in the budget period and the expected margins based on historical experience and assumptions of expected market developments.

The discount rate has been revised for each CGU to reflect the latest market assumptions for the risk free rate based on a 10-year Danish government bond, the equity risk premium and the cost of debt.

The long term growth rate for the terminal period is based on the expected growth in the world economy of 2.4% as expressed from WTO and global banks.

Investments are expected at a level of 2.5 percent of revenue of the CGU's Customer Services, Material Handling, Mineral Processing and Cembrit. For Cement the expected level is 1.5 percent of revenue. This reflects both maintenance and expectations of organic growth.

Customer Services: Growth is based on expected increased activity, especially in the Operation & Maintenance business. A large portion of this business is expected from established installed bases with the remaining coming from measured capital growth. Mining companies are expected to pursue sustainable cost management and right-sized production rather than taking a "wait it out" approach to market swings. A big push to improving brownfield performance instead of grand greenfield projects will not only create a demand for bread and butter aftermarket business but also the need for innovation in service deliveries for production optimisation and improved shareholder returns.

Material Handling: Growth is based on a downturn in the coming years, but an expected long-term increase in activity in the mining industry. Also orders in the construction industry rate expected to be part of growth.

Mineral Processing: Growth is based on a downturn in the coming years, but an expected long-term increase in activity, and going forward in the mining industry due to the expectation that coal and iron ore will pick up again in the medium to long-term.

Cement: Growth is based on an expected return to activity, although not to the level before the crisis. It is expected that India and US will improve and urbanisation will continue to drive infrastructure development.

Cembrit: Growth is based on developing Cembrit as a stand-alone business and strengthening its position as the leading distributor and producer of fibre-cement products in Europe.

The impairment test as at 31 December 2013 showed no further indication of impairment for 2013 (2012: DKK 180m). Management believes that currently no changes in the key assumptions are reasonably likely to reduce the headroom in any of the CGU's to zero.

A sensitivity analysis has been made of the main assumptions in the impairment test to identify the lowest and/or the highest discount rate and the lowest growth rate for each cash generating unit. A summary of the sensitivity analysis is shown below:

DKKm	**Long-term growth rate in terminal period**	**Minimum growth***	**Discount rate applied**	**Maximum discount rate**
Customer Services	2.4%	n/a	8%	20%
Material Handling	2.4%	n/a	8%	21%
Mineral Processing	2.4%	n/a	8%	11%
Cement	2.4%	n/a	8%	8%
Cembrit	1%	n/a	8%	10%

* With a growth of zero there are no indications of impairment.

21. Specification of assets and liabilities classified as held for sale

Accounting policy
Non-current assets as well as assets and liabilities expected to be sold as a group (disposal group) in a single transaction are reclassified to assets and liabilities classified as held for sale if their carrying value is likely to 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 they are classified as 'held for sale'.

DKKm	2013	2012
Intangible assets	0	59
Tangible assets	0	555
Deferred tax assets	0	127
Inventories	0	356
Trade receivables	0	223
Cash and cash equivalents	0	99
Other assets	0	125
Assets classified as held for sale total	**0**	**1,544**
Provisions	0	175
Trade payables	0	119
Other liabilities	0	200
Liabilities directly associated with assets classified as held for sale total	**0**	**494**

As a consequence of the decision to stop the sale of Cembrit, Cembrit is reported as continuing business and profit and loss comparative figures for 2012 have been adjusted accordingly.

Assets and liabilities classified as held for sale in 2012 include Cembrit and non-core activities sold in 2013, gained through the acquisition of Ludowici Limited.

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	2013	2012
Inventories	2,575	2,602
Trade receivables	5,099	5,915
Work-in-progress for third parties, asset	4,491	5,276
Prepayments to subcontractors	414	487
Other receivables	732	881
Prepaid expenses and accrued income	34	73
Financial instruments for hedging assets defined as working capital	189	67
	13,534	**15,301**
Prepayments from customers	2,959	2,989
Trade payables	3,283	3,092
Work-in-progress for third parties, liability	3,138	6,138
Other liabilities	1,470	1,306
Deferred revenue	40	89
Financial instruments for hedging liabilities defined as working capital	262	95
	11,152	**13,709**
Working capital	**2,382**	**1,592**
Net assets held for sale	0	358
Working capital of the Group	**2,382**	**1,950**

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

Accounting policy
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 based on costs incurred in percentage of the total estimate costs (percentage of completion).

The stage of completion for the individual project is calculated as the ratio between the resources spent at the balance sheet date and the total estimated 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. All direct or indirect cost that relates directly to the completion of the contract is included in the calculation. Costs deriving from sales work and winning of contracts are not included in the calculation, but are instead recognised in the income statement in the financial year during which they are incurred.

When invoicing on account exceeds the value of the work completed, the liability is recognised as Work-in-progress for third parties under short-term liabilities. Contractual prepayments are recognised as prepayment received from customers among the Long-term and Short-term liabilities based on when they are expected to become effective.

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

When projects are expected to result in a loss, the loss is recognised immediately in the income statement. Costs not yet incurred are provided for as other provisions. Provisions are based on individual assessment of the estimated loss until the work is completed.

23. Work-in-progress for third parties (continued)

DKKm	2013	2012
Total costs incurred	34,565	36,446
Profit recognised as income, net	5,647	6,661
Work-in-progress for third parties	40,212	43,107
Invoicing on account to customers	(38,859)	(43,969)
Net work-in-progress for third parties	**1,353**	**(862)**
of which work-in-progress for third parties is stated under assets	4,491	5,276
and under liabilities	(3,138)	(6,138)
Net work-in-progress for third parties	**1,353**	**(862)**

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

In connection with the on-boarding of Thomas Schulz as new Group CEO, a reassessment and cross risk analysis of the order backlog in Material Handling was undertaken. The principles were unchanged, however with a more prudent evaluation of time to complete the projects. This resulted in one-off costs of DKK 323m was recognised in Q2 2013 to minimise the risk of future negative surprises. The project delays and provisions were primarily related to 6 projects (out of 15 risky projects) in Material Handling.

24. Inventories

Accounting policy
Inventories are measured at cost based on weighted average prices with the exception of Cembrit where inventories are measured using the FIFO principle.

In the event that cost of inventories exceeds the expected selling price less completion and selling costs, the inventories are written down to lower net realisable value. 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.

Write down assessment is performed item by item including:
- Test for slow moving inventory
- Test for aging of inventory
- Assessment of expected market (pricing and market potential)

Obsolete items are written down to zero and disposed of.

Work-in-progress and Finished goods and goods for resale 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, an impairment loss to such lower net realisable value is recognised.

DKKm	2013	2012
Raw materials and consumables	598	415
Work-in-progress	426	594
Finished goods and goods for resale	1,532	1,590
Prepayments for goods	19	3
Inventories net of write downs at 31 December	**2,575**	**2,602**
Inventories valued at net realisable value	213	24
Write down of inventories		
Write down at 1 January	(94)	(96)
Reclassification to/from assets classified as held for sale	(40)	27
Foreign exchange adjustments	12	(2)
Additions	(272)	(31)
Disposals	16	6
Reversals	0	2
Write down at 31 December	**(378)**	**(94)**

As a consequence of a thorough inventory review and a more stringent assessment of ageing inventory items, an inventory write-down of DKK 203m was recognised in 2013. The inventory write-down is accounted for as production costs.

25. Trade and other receivables

Accounting policy
Receivables comprise trade receivables, receivables from construction contracts and other receivables.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost. A write down loss is recognised when there is an indication that an individual receivable has been impaired. The assessment of bad debt are carried out for individual receivables and includes:

- Evaluation of the customers ability to pay
- Ageing of receivable
- Possibility to offset assets against claims
- Access to other securities

The bad debt loss are deducted from the carrying amount of trade receivables and the amount of the loss is recognised in the income statement under administration costs.

DKKm	2013	2012
Write down of trade receivables:		
Write down at 1 January	121	117
Reclassification to/from assets classified as held for sale	10	(10)
Foreign exchange adjustments	(12)	(3)
Additions	98	57
Reversals	(20)	(8)
Realised	(18)	(32)
Write down at 31 December	**179**	**121**

Trade receivables net write downs are specified according to maturity as follows:

DKKm	2013	2012
Maturity period:		
Not due for payment	2,650	3,223
Overdue up to one month	798	935
Overdue between one and two months	436	534
Overdue between two and three months	183	226
Overdue between three and six months	391	416
Overdue more than six months	641	581
	5,099	**5,915**

Recognised trade receivables include retentions on contractual terms at DKK 554m (2012: DKK 232m), not yet due for payment.

In 2013 other receivables amounted to DKK 1,511m (2012: DKK 1,408m) and included primarily fair value of derivatives and corporation taxes receivable.

Tax

26. Tax for the year

Accounting policy
Tax for the year comprises current tax and the change in deferred tax and is recognised in the income statement with the share attributable to the profit/loss of the year, and in the other comprehensive income with the share attributable to items recognised in other comprehensive income. 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.

DKKm	2013	Effective tax rate	2012	Effective tax rate
Current tax on the profit/loss for the year	**521**		**724**	
Withholding tax	63		41	
Adjustment of deferred tax	(466)		(132)	
Adjustment of tax rate on deferred tax	16		5	
Adjustments regarding previous years, deferred taxes	(83)		13	
Adjustments regarding previous years, current taxes	51		(22)	
Other adjustments	84		24	
Tax for the period, continuing activities	**186**	**(31.1%)**	**653**	**33.9%**
Earnings before tax on continuing activities	(600)		1,961	
Earnings before tax on discontinued activities	2		(5)	
	(598)		**1,956**	
Reconciliation of tax				
Tax according to Danish tax rate	25.0%		25.0%	
Differences in the tax rates in foreign subsidiaries relative to 25%	(2.9%)		4.4%	
Non-taxable income and non-deductible costs	(25.0%)		1.6%	
Non-deductible loss on shares	(0.5%)		(0.2%)	
Differences in tax assets valued at nil	(4.0%)		(0.2%)	
Differences due to adjustment of tax rate	(2.6%)		0.3%	
Adjustments regarding previous years, deferred tax	13.8%		0.7%	
Adjustments regarding previous years, current taxes	(8.5%)		(1.1%)	
Withholding taxes	(10.5%)		2.1%	
Other adjustments	(15.9%)		1.2%	
Effective tax rate	**(31.1%)**		**33.9%**	
Corporate income tax paid in 2013 for continuing activities amounts to DKK 682m (2012: DKK 694m) of which the main part is attributable to group companies in the following countries:				
Denmark	88		122	
USA	185		219	
Germany	(13)		37	
India	31		43	
South Africa	56		62	
Chile	78		43	
Italy	30		24	
Australia	66		72	

Besides corporate income tax, the activities of the Group generates sales taxes, custom duty, personal income taxes paid by the employees, etc.

Tax on other comprehensive income DKKm	2013 Deferred tax	2013 Current tax	2013 Tax income/ cost	2012 Deferred tax	2012 Current tax	2012 Tax income/ cost
Foreign exchange adjustment of loans classified as equity in enterprises abroad	0	52	52	0	8	8
Value adjustments of hedging instruments	5	0	5	(5)	3	(2)
Actuarial gains/losses on defined benefit plans	(35)	0	(35)	30	(3)	27
	(30)	**52**	**22**	**25**	**8**	**33**

27. Deferred tax assets and liabilities

Accounting policy
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 are 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 and to cover expected additional future tax liabilities related to financial year or previous years. 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 the 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.

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

DKKm 2013	Balance sheet 1 January	Assets held for sale	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	(110)	33	45	37	(124)	(11)	0	126	(4)
Tangible assets	133	4	2	12	(24)	(33)	1	52	147
Current assets	433	8	(7)	6	(45)	22	10	334	761
Liabilities	(411)	38	(36)	1	71	8	(42)	(202)	(573)
Tax loss carry-forwards, etc.	111	114	(6)	24	(3)	(10)	(6)	179	403
Share of tax asset valued at nil	(68)	(71)	0	3	0	8	7	(23)	(144)
Net deferred tax assets/ (liabilities)	**88**	**126**	**(2)**	**83**	**(125)**	**(16)**	**(30)**	**466**	**590**

27. Deferred tax assets and liabilities (continued)

DKKm 2012	Balance sheet 1 January	Assets held for sale	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	(493)	4	6	254	(63)	(3)	0	185	(110)
Tangible assets	91	(11)	1	35	(13)	(1)	0	31	133
Current assets	367	(9)	2	(3)	38	(6)	0	44	433
Liabilities	(231)	(54)	(13)	(55)	8	5	25	(96)	(411)
Tax loss carry-forwards, etc.	512	(174)	2	(227)	35	0	0	(37)	111
Share of tax asset valued at nil	(118)	79	(2)	(17)	(15)	0	0	5	(68)
Net deferred tax assets/ (liabilities)	**128**	**(165)**	**(4)**	**(13)**	**(10)**	**(5)**	**25**	**132**	**88**

DKKm	2013	2012
Deferred tax assets	1,131	970
Deferred tax liabilities	(541)	(882)
	590	**88**
Maturity profile of tax assets valued at nil		
Within one year	0	0
Between one and five years	195	0
After five years	453	309
	648	**309**
Tax value	**144**	**68**
Deferred tax assets not recognised in the balance sheet consist of		
Temporary differences	102	110
Tax losses	546	199
	648	**309**

Temporary differences regarding investments in Group enterprises are estimated as a tax liability of DKK 400-450m (2012: DKK 600-650m). 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

Accounting policy
Financial income and costs 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, 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.

DKKm	2013	2012
Financial income		
Interest income from banks and receivables	21	18
Other financial income	15	24
Interest income from financial assets that is not measured at fair value in the income statement	**36**	**42**
Interest income from bonds	0	2
Fair value adjustment of derivatives, realised	373	330
Fair value adjustment of derivatives, unrealised	105	45
Foreign exchange gains, realised	778	494
Foreign exchange gains, unrealised	123	83
Dividend from shares	8	11
Fair value adjustment of other securities and investments	0	0
Financial income	**1,423**	**1,007**
Financial costs		
Interest payable on bank loans and mortgage debt	(110)	(77)
Other financial costs	(52)	(24)
Interest payable, trade creditors	(1)	(3)
Interest cost from financial liabilities that is not measured at fair value in the income statement	**(163)**	**(104)**
Fair value adjustment of derivative financial instruments, realised	(318)	(527)
Fair value adjustment of derivative financial instruments, unrealised	(126)	(3)
Foreign exchange losses, realised	(960)	(395)
Foreign exchange losses, unrealised	(115)	(54)
Interest element discounted provisions	(2)	(4)
Financial costs	**(1,684)**	**(1,087)**

29. Maturity structure of financial liabilities

DKKm	2013	2012
Time to maturity:		
Within one year	5,144	5,127
Between one and five years	4,331	2,817
After five years	1,201	1,305
Total	**10,676**	**9,249**

30. Specification of net interest-bearing receivables/(debt)

	Currency	2013 DKKm	Effective interest rate	Interest period			2012 DKKm	Effective interest rate
				< 1 year	1-5 years	> 5 years		
Mortgage debt	EUR	(352)	0.7%	100%	0%	0%	(352)	0.6%
Bank loans	USD	(2,517)	1.1%	82%	18%	0%	(2,065)	1.0%
Bank loans	EUR	(2,275)	1.4%	88%	12%	0%	(1,807)	1.6%
Bank loans	Other	(409)		100%	0%	0%	(131)	
Lease liabilities	Other	(10)		100%	0%	0%	(23)	
Other liabilities	Other	(239)		100%	0%	0%	(371)	
Total debt		**(5,802)**					**(4,749)**	
Total cash and cash equivalents		**1,077**					**1,540**	
Total securities		**7**					**26**	
Net interest-bearing receivables/ (debt)		**(4,718)**					**(3,183)**	

The Group has entered into an AUD interest rate swap agreement fixing the interest rate on AUD 36m related to a loan until June 2015.

Bank deposits and operating cash which are placed in countries with currency restrictions or are difficult to repatriate to Denmark are attributable to the following countries:

DKKm	**2013**	**2012**
South Africa	221	315
China	174	158
Chile	141	71
India	106	124
Russia	33	45
Angola	33	0
Brazil	27	32
Mexico	15	9
Indonesia	13	49
Peru	12	60
Other	52	75
	827	**938**

Development in net interest-bearing receivables/(debt):

DKKm	**2013**	**2012**
Net interest bearing receivables/(debt) at 1 January	(3,183)	(98)
Transfer to/from assets held for sale	99	(24)
Cash flow from operating activities	(157)	1,707
Acquisition of enterprises and activities	7	(2,679)
Net interest bearing debt from acquired enterprises and activities	70	(551)
Net investments in intangible, tangible and financial assets	(516)	(851)
Paid dividend	(467)	(471)
Acquisition/disposal of treasury shares	(660)	(153)
Currency adjustments etc.	89	(63)
Interest bearing receivables/(debt) at 31 December	**(4,718)**	**(3,183)**
Net assets held for sale	0	99
Net interest bearing receivables/(debt) for the Group	**(4,718)**	**(3,084)**

31. Financial risks

Introduction
The Group's financial risks comprise currency, interest, liquidity and credit risks.
The overall framework for managing financial risks is recorded in a Group Financial Policy approved by the Board of Directors. Most of the FLSmidth Group's financial transactions are carried out through FLSmidth's in-house bank, Group Treasury, located in Denmark. Group Treasury creates value by utilising economies of scale, ensuring cost-effective management of financial facilities, daily loans/deposits, currency and interest exposure and by optimising cash management.

Group Treasury negotiates both global and local credit and guarantee facilities. Group Treasury acts as a financial advisor to Group companies on financial risks and wording of export letters of credit, bank and corporate guarantees and finance packages for customers.

The assessment of financial risks is illustrated in the table below:

Financial risk	Impact (Low, Medium or High)	Policy	Mitigation
Currency risk	Low	Limit set-out in Group Financial Policy and managed by VaR (Value at Risk) at Group level on a daily basis Limited to a fixed percentage of revenue in subsidiaries and managed at subsidiary level	• Hedging not later than when sales contract or purchase order becomes effective • Currency exposure hedged by using, for example, forward contracts
Credit risk	Medium	Credit risks on customers and partners/suppliers are mainly managed by the different business entities The Board of Directors has approved settlement limits and counterpart limits on bank for Group Treasury	• Continuous credit assessment of customers and trading partners/ suppliers. Credit risks are mainly managed by the four business divisions. Credit risk is reduced by receiving prepayments and export letters of credit or other kind of security instruments • Group Treasury uses financial institutions with acceptable credit ratings
Liquidity risk	Low	Keep a minimum amount of undrawn committed financial facilities in place, as determined by the Board of Directors, and a minimum weighted time to maturity on committed financial facilities	• FLSmidth has signed long-term committed financial facilities with multilateral banks and four core commercial banks • FLSmidth has raised short-term un-committed overdraft facilities with its core commercial banks • Cash management is optimised by operating cash pool systems in USD, EUR, AUD, GBP and DKK
Interest risk	Low	Managed via VaR at Group level. Subsidiaries restricted to interest periods up to max. 12 months on deposits outside Group Treasury	• Interest periods on deposits in banks outside Group Treasury are less than 12 months and all part of interest periods on debt is fixed for less than 12 months • Group Treasury has entered into USD, EUR, AUD interest rate swap agreements.

Group Treasury uses a treasury system for monitoring and calculating currency and interest risk exposure and cash position on a daily basis.

Currency risk
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 consist mainly of sales in the functional currency used by the individual company.

Production costs typically consist of internal costs and procurement in the company's functional currency and other currencies. It is always attempted to settle procurement 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 an order becomes effective. The Group's main currencies for commercial purposes are USD, EUR and AUD.

Group Treasury manages the Group's overall currency position by means of value at risk (VaR). VaR must not exceed DKK 4m per day and was DKK 1.2m as of 31.12.2013. The currency position allowed in subsidiaries is limited to maximum 0.5% of the entity's revenue, but not more than 50% of the currency position may be in one particular currency.

31. Financial risks (continued)

A 5% increase in a given exchange rate against the Danish krone would in 2013 have had the following impact on the consolidated profit for the year and the consolidated equity:

Impact:

DKKm	EUR	USD	INR	AUD	BRL	CNY	ZAR	CAD
Profit and loss	+4	+40	+26	+11	+1	+1	+17	+2
Equity	+38	+96	+69	+11	+13	+20	+44	+26

The sensitivity analysis only includes currency exposures arising from financial instruments and, thus, the analysis does not include the hedged commercial transactions.

Interest 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 liabilities mainly consist of bank and mortgage debt. Interest rate risks occur when interest rate levels change and/or if the spread which the Group has agreed with the financial institutions changes. The spread on committed financial facilities is fixed until the facility expires. As at 31 December 2013, 69% of the Group's interest-bearing debt (31 December 2012: 91%) carried a floating rate. Other things being equal, a 1% increase in the interest rate will have a DKK 29m negative effect on the Group's interest income (2012: DKK 23m negative).

Group Treasury manages the Group's overall interest position by means of value at risk (VaR). VaR must not exceed DKK 5m per day and was DKK 1m as of 31 December 2013.

Liquidity and refinancing risks
The purpose of the Groups cash management is to ensure that the Group at all times has sufficient and flexible financial resources at its disposal and is able to honor its obligations when due. The Group manages its short-term liquidity risks through cash pool systems in various currencies and by having short-term overdraft facilities in place with a number of financial institutions and manages its long-term liquidity risk through committed financial facility agreements.

At the end of 2013, FLSmidth & Co. A/S had entered into the following committed financial facilities excluding mortgage debt:

DKKm

Commitment expiry	0 - 12 months	12 - 60 months	> 60 months
Multilateral banks:			
European Investment Bank (EUR) (fully drawn)		526	821
Nordic Investment Bank (EUR) (fully drawn)		932	
Commercial banks:			
Core relationship banks	1,000	5,000	

Weighted time to maturity for committed financial facilities is 2.8 years, which is above the minimum number of years approved by the Board of Directors. The financing strategy of FLSmidth is to maintain a well-balanced maturity profile for liabilities to reduce refinancing risk.

The committed facilities contain standard clauses such as pari passu, negative pledge, change of control and two financial covenants. The Group did not default on or fail to fulfill any financial facilities in neither 2012 nor 2013.

Please see note 29 for maturity structure of financial liabilities.

Credit risk

Financial counterpart risk
The use of financial instruments entails the risk that the counterparty may not be able to honour its obligations. The Group minimises this risk by limiting its use of financial institutions to those with an acceptable credit rating.

Financial credit risk
The FLSmidth Group's financial assets are mainly managed or approved by Group Treasury.

Commercial credit risk
The credit risk incurred from trade receivables is generally managed by continuous credit evaluation of major customers and trading partners.
Credit risks on counterparties other than banks are minimised through the use of export letters of credit and guarantees and evaluation of customer relationships as and when necessary.

No single customer accounted for more than 5% of the revenue in neither 2013 nor 2012. The maximum credit risk related to financial assets corresponds to the accounting value plus write-downs.

32. Derivatives

Accounting policy
Derivatives are initially recognised in the balance sheet at fair value 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 other comprehensive income 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 (hedge accounting disregarded) 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.

Fair value of hedge instruments not qualifying for hedge accounting (economic hedge)
Fair value adjustments recognised in financial items in the income statement amounted to DKK 42m in 2013 (2012: DKK -137m). At 31 December 2013, the fair value of the Group's hedge agreements that are not recognised as hedge accounting amounted to DKK -26m (2012: DKK -26m)

Fair value hedge
To minimise the foreign currency exposure arising from trade receivables, financial liabilities and firm commitments, the Group uses forward exchange contracts. The change in the fair value is specified below:

DKKm	2013	2012
Fair value recognised in hedged items	(4)	2
Included in the income statement	(4)	(21)

At 31 December 2013 the fair value of the Group's fair value hedge instruments amounted to DKK 3m (2012: DKK 2m).

Hedging of forecast transactions (cash flow hedge)
The Group uses forward exchange contracts to hedge currency risks regarding expected future cash flows that meet the criteria for cash flow hedging. The fair value reserve of the derivatives is recognised in other comprehensive income until the hedged items are included in the income statement. In addition, unrealised fair value of derivatives is recognised in other receivables and other liabilities.

DKKm	2013	2012
Cash flow hedge reserve recognised in other comprehensive income	20	2
Reclassified from other comprehensive income into income statement	(47)	(20)
Inefficiency reflected in the income statement	0	0

At 31 December 2013, the fair value of the Group's cash flow hedge instruments amounted to DKK -50m (2012: DKK -4m)

33. Categories of financial instruments

The carrying amount of financial instruments for each category is specified in the table below:

DKKm	2013	2012
Available for sale	59	64
Receivables measured at amortised cost including cash and cash equivalents	11,837	14,099
Financial assets measured at fair value in the income statement	196	93
Financial liabilities measured at amortised cost	10,466	9,028
Financial liabilities measured at fair value in the income statement	364	221

The fair value of financial assets and financial liabilities measured at amortised cost is approximately equal to the carrying amount.

34. 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	**2013**			
	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	15	44		59
Financial assets measured at fair value via the income statement:				
Bonds and listed shares	7			7
Derivative financial instruments used to hedge the fair value of recognised assets and liabilities		189		189
Total financial assets	**22**	**233**	**0**	**255**
Financial liabilities				
Financial liabilities measured at fair value via the income statement:				
Derivative financial instruments used to hedge the fair value of recognised assets and liabilities		262		262
Contingent consideration in a business combination			103	103
Total financial liabilities	**0**	**262**	**103**	**365**

There has been no significant transfers between level 1 and level 2 in 2013.

DKKm	**2012**			
	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	25	39		64
Financial assets measured at fair value via the income statement:				
Bonds and listed shares	26			26
Derivative financial instruments used to hedge the fair value of recognised assets and liabilities		67		67
Contingent consideration in a business combination in connection with disposal of activity				0
Total financial assets	**51**	**106**	**0**	**157**
Financial liabilities				
Financial liabilities measured at fair value via the income statement:				
Derivative financial instruments used to hedge the fair value of recognised assets and liabilities		95		95
Contingent consideration in a business combination			126	126
Total financial liabilities	**0**	**95**	**126**	**221**

There have been no significant transfers between level 1 and level 2 in 2012.

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 Knelson Group. During 2013, the contingent consideration in connection with Knelson has been affected by DKK 13m in currency adjustment and DKK 4m in value adjustment. In 2013, FLSmidth has paid 17m in contingent considerations related to Summit Valley. 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.

Liabilities

35. Provisions

Accounting policy
Provisions are recognised it an event occurring 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 warranty claims are estimated on a project-by-project basis based on historical realised cost related to claims in the past. The provision covers estimated own costs of completion, subsequent warranty supplies and unsettled claims from customers or subcontractors. Provision regarding disputes and lawsuits are based on Management's assessment of the likely outcome settling the cases based on the information on hand at the balance sheet date.

The cost of loss-making projects covering projects expected to result in a loss, is recognised immediately in the income statement. Costs not yet incurred are provided for as other provisions.

Provisions for restructuring costs is based on Management's best estimate. 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 consist of:

- Estimated warranty claims in respect of goods or services already delivered
- Restructuring including the provision for costs related to the efficiency programme
- Guarantees and liabilities resulting from disposal of enterprises and activities (included in Other provisions)
- Provisions for loss-making contracts (included in Other provisions)
- Provisions for losses resulting from disputes and lawsuits (included in Other provisions)
- Provisions for tax risks (included in Other provisions)

When assessing work-in-progress for third parties, 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 are estimated to occur in settling the cases.

DKKm	**2013**			
	Warranties	**Restructuring**	**Other provisions**	**Total**
Provisions at 1 January	703	0	935	1,638
Transfer from assets held for sale	168	0	7	175
Exchange rate and other adjustments	(24)	(4)	(52)	(80)
Provision for the year	665	209	534	1,408
Used during the year	(415)	(18)	(326)	(759)
Reversals	(185)	0	(128)	(313)
Discounting of provisions	2	0	0	2
Reclassification to/from other liabilities	5	0	33	38
Provisions at 31 December	**919**	**187**	**1,003**	**2,109**
The maturity of provisions is specified as follows:				
Short-term liabilities				1,421
Long-term liabilities				688
				2,109

35. Provisions (continued)

DKKm	2012			
	Warranties	Restructuring	Other	Total
Provisions at 1 January	1,054	0	860	1,914
Transfer to assets held for sale	(226)	0	(5)	(231)
Exchange rate and other adjustments	(2)	0	(11)	(13)
Acquisition of enterprises	64	0	16	80
Provision for the year	366	0	576	942
Used during the year	(293)	0	(356)	(649)
Reversals	(261)	0	(173)	(434)
Discounting of provisions	1	0	0	1
Reclassification to/from other liabilities	0	0	28	28
Provisions at 31 December	**703**	**0**	**935**	**1,638**

The maturity of provisions is specified as follows:	
Short-term liabilities	1,123
Long-term liabilities	515
	1,638

As announced at the end of August 2013, an efficiency programme was launched to create sustainable efficiency improvements, irrespective of the underlying market developments. The Efficiency Programme will result in annual EBITA improvements of around DKK 750m with full-year effect in 2015. The implementation will entail one-off restructuring costs of around DKK -500m of which DKK 428m was booked in 2013, impacting both production costs and SG&A costs. For more information about the Efficiency Programme, please see page 18.

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	2013	2012
Maturity structure of long-term liabilities:		
Deferred tax liability	194	527
Other provisions	646	468
Pension liabilities	96	227
Bank loans	4,202	2,543
Finance lease liability	4	2
Prepayments from customers	327	275
Other liabilities	161	370
Within one to five years	**5,630**	**4,412**
Deferred tax liability	347	355
Other provisions	42	47
Pension liabilities	63	62
Mortgage debt	352	352
Bank loans	821	922
Finance lease liability	0	13
Other liabilities	29	15
After five years	**1,654**	**1,766**
	7,284	**6,178**

Other long-term liabilities consist of employee bonds and other employee liabilities such as service liabilities and bonuses.
Other short-term liabilities include due holiday pay, public taxes, interest payable, bonuses and negative value of derivatives.

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	2013			2012		
	Minimum lease payments	Interest element	Carrying amount	Minimum lease payments	Interest element	Carrying amount
Maturity within one year	7	(1)	6	9	(1)	8
Maturity between one and five years	4	0	4	16	(1)	15
Maturity after five years	0	0	0	0	0	0
	11	**(1)**	**10**	**25**	**(2)**	**23**

Finance lease primarily applies to lease of transport vehicles.

37. Pension assets and liabilities

Accounting policy
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 their 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. Fair value 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

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 in 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 160m underfunded at 31 December 2013 (2012: DKK 293m) for which a provision has been made as pension liabilities.

In the consolidated income statement, DKK 530m (2012: DKK 448m) has been recognised as cost of plans funded through insurance (defined contribution plans). In the case of plans not funded through insurance (defined benefit plans), DKK 4m is recognised as a cost (2012: DKK 16m) in the consolidated income statement.

The actuarial result for the year at DKK 114m (2012: loss DKK -102m) is recognised in the statement of other comprehensive income.

DKKm	**2013**	**2012**
Present value of defined benefit plans	(786)	(893)
Fair value of the plan assets	626	600
Total	**(160)**	**(293)**
Change in recognised liability		
Net liability at 1 January	(293)	(217)
Transfer to/from assets held for sale	(3)	4
Net amount recognised in the income statement	(4)	(16)
Actuarial gains and losses recognised in the statement of comprehensive income	114	(102)
Payments	14	30
Paid-out benefits	8	7
Settlements	4	1
Net liability at 31 December	**(160)**	**(293)**
Stated as assets	**10**	**7**
Stated as liabilities	**(170)**	**(300)**
	(160)	**(293)**
Recognised in the income statement		
Pension costs	(11)	(17)
Calculated interest on liabilities	(28)	(34)
Interest on the plan assets	35	35
Recognised in the income statement regarding defined benefit plans	**(4)**	**(16)**

37. Pension assets and liabilities (continued)

DKKm	2013	2012
The amounts are included in production costs, sales and distribution costs and administrative costs.		
Adjustments for the year of defined benefit plans based on experience (pension liabilities), gains/losses	**71**	**(119)**
Return on plan assets		
Interest on the plan assets	(35)	(35)
Actual return on the plan assets	78	52
Actuarial gains/losses for the year on the plan assets	**43**	**17**
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	3.0%	2.9%
Salary growth	1.4%	0.8%
Present value of defined benefit plans		
Present value at 1 January	(893)	(784)
Transferred to/from assets held for sale	(4)	6
Foreign exchange adjustments	31	6
Pension costs	(12)	(18)
Interest on liabilities	(28)	(34)
Paid-out benefits	49	53
Actuarial gains and losses*	71	(119)
Membership contributions	(4)	(4)
Settlements	4	1
Present value at 31 December	**(786)**	**(893)**
Fair value of the plan assets		
Fair value of the plan assets at 1 January	600	567
Reclassification from other liabilities	0	0
Foreign exchange adjustments	(29)	(6)
Interest on the plan assets	35	35
Payments	21	34
Paid-out benefits	(44)	(47)
Actuarial gains and losses	43	17
Fair value of the plan assets at 31 December	**626**	**600**
Specification of the fair value of the plan assets		
Equity instruments	274	250
Debt instruments	204	200
Other assets	148	150
Total fair value of the plan assets	**626**	**600**
Specification of the fair value of the plan assets in per cent		
Equity instruments	44%	42%
Debt instruments	32%	33%
Other assets	24%	25%
Defined benefit plan liabilities specified by country		
USA	55%	42%
Germany	15%	38%
Switzerland	21%	13%
India	3%	0%
Italy	2%	6%
Canada	3%	1%
Mexico	1%	0%

* Actuarial gain and losses relates primarily to changes in financial assumptions.

DKKm	2013	2012	2011	2010	2009
Present value of defined benefit plans	(786)	(893)	(784)	(580)	(540)
Fair value of the plan assets	626	600	567	376	294
Over-/underfunded	**(160)**	**(293)**	**(217)**	**(204)**	**(246)**
Actuarial gains/losses, liabilities	71	(119)	(32)	7	(61)
Actuarial gains/losses, assets	43	17	(6)	14	21
Actuarial gains/losses, total	**114**	**(102)**	**(38)**	**21**	**(40)**

In 2014, the Group expects to pay a contribution of DKK 24m into its defined benefit plans.

Sensitivity analysis defined benefit plans:
When determining the defined obligation, significant actuarial assumptions are discount rate, salary growth and mortality. Below is showed a sensitivity analysis based on possible changes in the assumptions defined at the balance sheet date, while other assumptions are held constant.

Change in defined benefit obligation

DKKm	2013
Discount rate - 1%	(99)
Discount rate + 1%	85
Salary Increase - 0,25%	3
Salary Increase + 0,25%	(2)
Mortality improvement by one year	(2)

38. 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	2013	2012
Minimum rent and operating lease commitments, time to maturity		
Within one year	37	38
Between one and five years	175	207
After five years	33	42
	245	**287**
Guarantees	92	93
Other contractual obligations	110	69
	202	**162**

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 2013, the total number of performance and payment guarantees issued amount to DKK 6.2bn (2012: DKK 6.4bn). In cases where a guarantee is expected to materialise, a provision for this amount is made under the heading of Other provisions. The Group has non-committed guarantee facilities in financial institutions exceeding DKK 11.0bn.

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.

FLSmidth has received two notices from Indian authorities regarding indirect taxes. The Indian tax authorities have raised claims against FLSmidth relating to the period 2007/08-2012/13. It is Management's assessment that the claims are not documented, that the Group has strongly defendable cases, and that the outcome of the two cases could not currently be determined reliably. As this is a matter of State taxation, on appeal FLSmidth will be required to pay cash up-front as security based on normal practice in India, which could be up to DKK 350m affecting the Group cash flow in 2014.

Equity

Accounting policy

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 retained earnings.

Foreign exchange adjustments
Reserve for foreign exchange adjustments 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. On full or partial realisation of the net investment, the foreign exchange adjustments are recognised in the income statement in the same item as the gain/loss.

Value adjustments regarding hedging transactions
Fair value adjustments comprise changes in the fair value of hedging transactions that qualify for recognition as cash flow hedges and where the hedged transaction has not yet been realised.

39. Treasury shares

The year's movements in holding of treasury shares (number of shares):	2013	2012
Treasury shares at 1 January	1,359,884 shares	927,425 shares
Acquisition of treasury shares, in connection with share buyback programme	1,950,000 shares	0
Acquisition of treasury shares	465,924 shares	518,397 shares
Share options exercised	(36,025) shares	(55,925) shares
Disposal of treasury shares to employees	0 shares	(30,013) shares
Treasury shares at 31 December	3,739,783 shares	1,359,884 shares

Representing 7.0% (2012: 2.6%) of the share capital.

See the Management's review on page 32 regarding the use of treasury shares.

40. Share-based payment, option plans

Accounting policy
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 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.

The Executive Management and a number of key employees in the Group have been granted options to purchase 1,771,603 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.

Share-based plans (2007-2013 plan)
The share option plans for 2007-2013 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 takes place in the income statement.

Specification of outstanding numbers:

Number of shares	Executive Management	Key employees	Total number
Outstanding options 1 January 2012	155,686	832,790	988,476
Terminations, member of Executive Management	(61,309)	61,309	0
Additions, other managerial staff	39,908	(39,908)	0
Exercised of 2006 plan	(8,000)	(27,000)	(35,000)
Exercised of 2009 plan	(9,725)	(11,200)	(20,925)
Lapsed	0	(14,165)	(14,165)
Allocated for 2012 (issued 22 August 2012)	49,422	262,310	311,732
Allocated for 2012 (issued 20 November 2012)	0	114,562	114,562
Outstanding options 31 December 2012	**165,982**	**1,178,698**	**1,344,680**
Terminations, member of Executive Management	(60,784)	60,784	0
Exercised of 2009 plan	0	(36,025)	(36,025)
Lapsed	(7,800)	(98,700)	(106,500)
Allocated for 2013 (issued 22 August 2013)	72,121	368,327	440,448
Allocated for 2013 (issued 15 November 2013)	0	129,000	129,000
Outstanding options 31 December 2013	**169,519**	**1,602,084**	**1,771,603**
Number of options that are exercisable at 31 December 2013	39,825	322,175	362,000
Number of options that are exercisable at 31 December 2012	31,475	312,100	343,575
Total fair value of outstanding options DKKm			
At 31 December 2013	9	88	97
At 31 December 2012	11	88	99

	2013	2012
Average weighted fair value per option	55.05	73.96
Average weighted strike price per option	285.87	303.40
Average price per share at the time of exercising the option	341.59	359.66

In 2013, the recognised fair value of share options in the consolidated income statement amounts to DKK 37m (2012: DKK 29m).
The calculation of average weighted fair value and strike prices per option is based on a dividend of DKK 9 (2012: DKK 9) in the exercise period.

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

40. Share-based payment, option plans (continued)

Year of allocation	Strike price	Exercise period	Allocated	Lapsed	Exercised	Not exercised
2007	414.00	2012-2013	145,500	(127,300)	(18,200)	0
2008	399.00	2013-2014	129,100	(18,000)	0	111,100
2009	202.00 193.00	2013-2014 2014-2015	161,210	(11,504)	(59,756)	89,950
2010	364.00 355.00 346.00	2013-2014 2014-2015 2015-2016	170,700	(9,750)	0	160,950
2011 allocated in August	242.00 233.00 242.00	2014-2015 2015-2016 2016-2017	340,390	(6,579)	0	333,811
2011 allocated in November	319.00 310.00 301.00	2014-2015 2015-2016 2016-2017	80,050	0	0	80,050
2012 allocated in August	320.00 311.00 302.00	2015-2016 2016-2017 2017-2018	311,732	0	0	311,732
2012 allocated in November	275.00 266.00 257.00	2015-2016 2016-2017 2017-2018	114,562	0	0	114,562
2013 allocated in August	277.00 268.00 259.00	2016-2017 2017-2018 2018-2019	440,448	0	0	440,448
2013 allocated in November	243.00 234.00 225.00	2016-2017 2017-2018 2018-2019	129,000	0	0	129,000

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

	Allocated in November 2013	Allocated in August 2013	Allocated in November 2012	Allocated in August 2012
Average price per share	279.00	313.00	311.00	356.00
Strike price per share	279.00	313.00	311.00	356.00
Expected volatility	29.33%	29.79%	35.48%	40.98%
Expected life	4 1/2 years	4 1/2 years	4 1/2 years	4 1/2 years
Expected dividend per share	DKK 9	DKK 9	DKK 9	DKK 9
Risk-free interest	0.0-0.6%	0.0-0.6%	0.0-0.6%	0.0-0.6%
Number of share options allocated	129,000	440,448	114,562	311,732
Fair value per option, DKK	69.65	79.18	86.81	109.53
Total fair value, DKKm	9	35	10	34

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

Other notes

41. Charged assets

DKKm	2013		2012	
	Carrying amount of charged assets	Charge	Carrying amount of charged assets	Charge
Trade receivables, etc.	107	107	173	173
Real estate	109	388	215	489
	216	**495**	**388**	**662**

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

In addition to statutory audit, Deloitte, the Group auditors appointed at the Annual General Meeting, provides audit opinions and other consultancy services to the Group.

DKKm	2013	2012
Deloitte		
Statutory audit	21	23
Other assurance engagements	1	1
Tax and VAT consultancy	9	6
Other services	10	21
	41	**51**

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 2012 and 2013 there were no transactions between related parties not part of the Group apart from the below mentioned.

DKKm	2013	2012
Remuneration of Board of Directors		
Board of Directors fees	5	5
Total remuneration of Board of Directors	**5**	**5**
Remuneration of the Group Executive Management		
Salaries	26	29
Termination benefit	0	7
Share-based payment	4	4
Total remuneration of the Group Executive Management	**30**	**40**
This includes remuneration of the Group Chief Executive Officer, Mr. Thomas Schulz/ Mr Jørgen Huno Rasmussen	9	10

The remuneration includes seven Group Executive Management members, six of which are registered with Erhvervsstyrelsen (The Danish Business Authority).

The Group 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:

	Remuneration		Nominal shareholding		Executive positions in other enterprises*
Board of Directors	**2013 DKK (1,000)**	**2012 DKK (1,000)**	**31 Dec. 2013 Number of shares**	**31 Dec. 2012 Number of shares**	
Vagn Ove Sørensen (Chairman)	1,200	1,200	2,466	1,316	Chairman of the Board of Directors of TDC 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, Nordic Aviation Capital A/S, CEO of GFKJUS 611 ApS. Senior adviser to EQT Partners. Chairman of the Board of Directors of: Scandic Hotels AB (Sweden), Select Service Partner PlC (UK) Automac software GmbH (Austria). Member of the Board of Directors of Lufthansa Cargo (Germany), Air Canada (Canada), Royal Caribbean Cruises Ltd. (USA) and Braganza AS (Norway). Senior adviser Morgan Stanley.
Torkil Bentzen	800	725	5,000	5,000	Chairman of the Boards of Directors of Burmeister & Wain Scandinavian Contractor A/S, EUDP (Energy Development and Demonstration Programme) and State of Green Consortium. Member of the Boards of Directors of Mesco Danmark A/S and Siemens Aktieselskab. Senior adviser to the Board of directors of Mitsui Engineering & Shipbuilding Ltd. (Japan).
Mette Dobel (employee-elected)	400	400	864	864	None
Caroline Grégoire Sainte Marie	500	375	150	50	Member of the Boards of Directors of Safran SA (France), Groupama SA (France) and Eramet (France).
Martin Ivert	500	475	300	300	Chairman of the Board of Directors of Åkers (Sweden), Member of the Board of Directors of Ovako (Sweden).
Sten Jakobson	500	500	2,000	1,500	Chairman of the Board of Directors of Power Wind Partners AB (Sweden). Vice Chairman of the Board of Directors of SAAB (Sweden). Member of the Boards of Directors of LKAB (Sweden), Stena Metall (Sweden) and Xylem Inc (USA).
Tom Knutzen	600	450	7,300	7,300	CEO of Jungbunzlauer Group, Switzerland. Member of the Board of Directors and the Board Risk Committee for Nordea Bank AB (publ) (Sweden).
Søren Qvistgaard Larsen (employee-elected)	300	n/a	65	n/a	None
Jens Peter Koch (employee-elected)	300	n/a	40	n/a	None
Jens Palle Andersen (employee-elected)	100	400	n/a	930	Retired
Frank Lund (employee-elected)	100	400	n/a	264	Retired
Executive Management					
Thomas Schulz					None
Ben Guren					None
Bjarne Moltke Hansen					Member of the Board of Directors of RMIG A/S.
Carsten R. Lund					Member of the Board of Directors of Union Engineering A/S (Denmark)
Peter Flanagan					None
Per Mejnert Kristensen					None
Virve Elisabeth Meesak					None
Erik Thomas Poupier					None

* apart from 100% owned FLSmidth & Co. A/S subsidiaries

45. Events occurring after the balance sheet date

As announced on 9 January 2014, Mr. Eric Thomas Poupier was appointed to a newly created position in Group Executive Management as Group Executive Vice President, Business Development and took up his new position 15 January 2014.

As announced on 16 January 2014, FLSmidth received an order worth USD 38m (approximately DKK 205m) from Omani cement producer Oman Cement Company (SAOG) for the supply of milling equipment for a cement plant located in Rusayl Industrial Area, 60 km from Port Sultan Qaboos, Muscat.

46. Approval of the Annual Report for publication

At its meeting on 13 February 2014 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 27 March 2014.

47. Shareholders

Two shareholders have reported a participating interest that exceeds 5% of the share capital:
Franklin Resources Inc.
Templeton Global Advisors Limited (part of Franklin Resources, Inc.)

48. Accounting policies

This note sets out the Group´s accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates.

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 153.

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 2012. However, a few reclassifications have taken place in the comparative figures for 2012.

As a consequence of the decision to stop the sales process of Cembrit, Cembrit is again reported as continuing business in FLSmidth and comparative figures relating to income statement has been adjusted accordingly.

Implementation of new and changed standards and interpretations
The Annual Report for 2013 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 2013 or later. These standards and interpretations are:
- Amendments to IAS 1, Presentation of Financial Statements
- Amendments to IFRS 7, Financial instruments
- Amendments to IAS 19, Employee Benefits
- IFRS 13, Fair Value Measurements.

The implementation of the changed IAS 1 entails that the items in other comprehensive income are divided into items that may subsequently be reclassified to profit and loss and items that may not be reclassified to profit and loss.

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits and require all actuarial gains and losses to be recognised immediately through other comprehensive income. As the Group, before the amended IAS 19, recognised all actuarial gains and losses immediately through other comprehensive income the removal of the accounting policy option for recognition of actuarial gains and losses has no impact on the Group. Furthermore, interest costs and the expected return on plan assets are replaced with a "net-interest" amount, which is calculated by applying the discount rate to the net defined liability or asset. This change has no material impact on financial reporting for 2013. In addition, the revised IAS 19 requires certain changes in the presentation of the defined benefit obligation together with more extensive disclosures.

Implementation of the change to IFRS 7, Financial instruments: Disclosures, does not impact the Annual Report 2013 since the Group has not made material offsetting of financial instruments.

The implementation of the new standard IFRS 13 has caused further disclosures of fair value of financial instruments.

48. Accounting policies (continued)

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.

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 that are considered 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.

Group 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 special non-recurring items, depreciation, amortisation and impairment) is defined as the operating income (EBIT) with addition of the year's amortisation, depreciation and impairment 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).

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

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

The new standard IFRS 10, Consolidated Financial Statements, replaces parts of IAS 27, Consolidated and Separate Financial Statements. According to IFRS 10 only one basis for consolidation exists, that is control. Further IFRS 10 includes a new definition of control.

IFRS 11, Joint Arrangements, replaces IAS 31 Interests in Joint Ventures. Under IFRS 11 Joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligation of the parties to the arrangements. IFRS 11 requires joint ventures to be accounted for using the equity method, where jointly controlled entities according to IAS 31, could be pursuing the method or proportional consolidation.

The above 2 standards are applicable in the EU from 1 January 2014 and they are not expected to have material impact on the financial reporting.

The new standard IFRS 12 is a standard covering disclosures for entities having interests in subsidiaries, joint arrangements, associates etc. The diclosure requirements are more extensive than current standards, which means further disclosures, that are not considered to have material impact on the financial reporting. The standard becomes applicable on 1 January 2014.

In addition, the below standards have been approved in the EU and are not expected to have material impact on the financial statements for 2014:

- Amendments to IAS 32, Financial Instruments Presentation
- Improvements to IFRS 2009-2011

Standards and interpretations which have not been approved for use in the EU and have therefore not yet come into force
At the time of releasing this Annual Report, the following new or amended standards and interpretations were not incorporated in the 2013 Annual Report as they were not in force and not approved for use in the EU.

- IFRS 9, Financial instruments: Classification and Measurement and Hedge Accounting
- Amendments to IAS 19, Employee Benefits
- Improvements to IFRS 2010-2012
- Improvements to IFRS 2011-2013

The new standards are not expected to have material impact on the financial reporting for the coming financial years.

50. List of Group companies

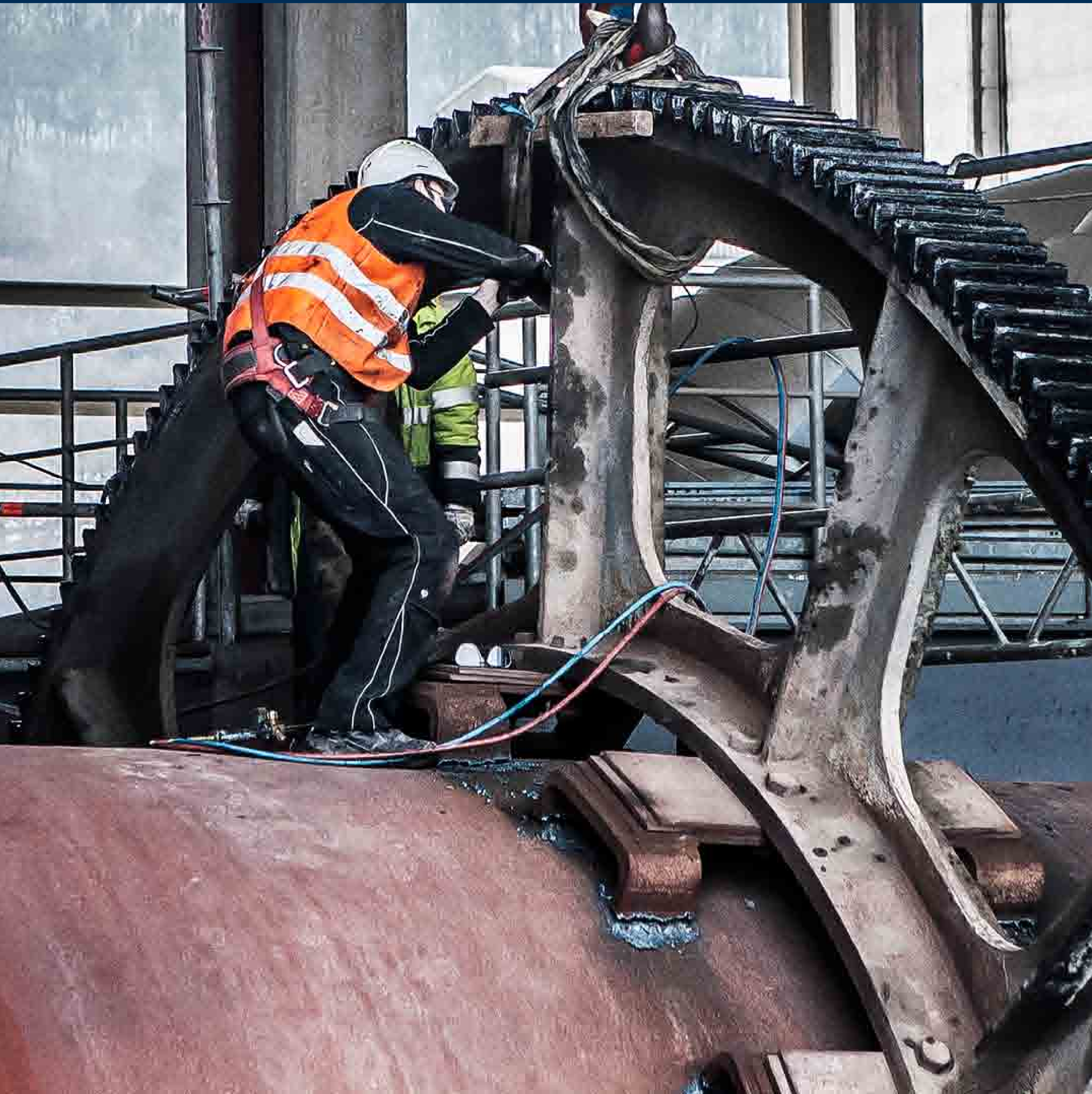
Company name	Country	Direct Group holding (pct.)
FLSmidth & Co. A/S	Denmark	100
Aktieselskabet af 1. januar 1990, Valby	Denmark	100
DEF 1994 A/S	Denmark	100
FLS Plast A/S	Denmark	100
FLS Real Estate A/S	Denmark	100
FLSmidth (Beijing) Ltd.	China	100
FLSmidth Finans A/S	Denmark	100
FLSmidth Dorr-Oliver Eimco S.A. de C.V.	Mexico	100
FLSmidth Dorr-Oliver Eimco Venezuela S.R.L.	Venezuela	100
FLSmidth S.A.C.	Peru	100
Redep A/S	Denmark	100
SLF Romer XV ApS	Denmark	100
NL Supervision Company A/S	Denmark	100
NLS-SSBIL *	UAE	50
NLSupervision Company Angola, LDA.	Angola	100
NL Supervision Company Nigeria LLC	Nigeria	100
NL Supervision Company Tunisia	Tunisia	100
NL Supervision DRC Sarl	Democratic Republic of Congo	100
Cembrit Holding A/S	Denmark	100
Cembrit A/S	Denmark	100
Cembrit as	Norway	100
Cembrit a.s.	Czech Republic	100
NASS B.V.	Netherlands	100
Cembrit Export ApS	Denmark	100
Cembrit B.V.	Netherlands	100
Cembrit GmbH	Germany	100
Cembrit Kft.	Hungary	100
Cembrit Ltd.	United Kingdom	100
Cembrit Production Oy	Finland	100
Cembrit Oy	Finland	100
Cembrit Sp. z o.o.	Poland	100
Cembrit NV/SA	Belgium	100
Cembrit Production S.A.	Poland	100
Cembrit S.r.l.	Italy	100
Cembrit Roof S.r.l.	Italy	100
Cembrit AB	Sweden	100
DKCF ApS	Denmark	100
Cesider SAS	France	100
Cembrit SAS	France	100
LLC Cembrit	Russia	100
Interfer S.A.S.	France	100
FLSmidth A/S	Denmark	100
FLS EurAsia AG **	Switzerland	33
FLSmidth AB	Sweden	100
FLSmidth Argentina S.A.	Argentina	100
FLSmidth Co. Ltd.	Vietnam	100
FLSmidth LLC	Moldova	100
FLSmidth S.A.	Spain	100
FLSmidth SAS	Colombia	100

50. List of Group companies (continued)

Company name	Country	Direct Group holding (pct.)
FLSmidth (Private) Ltd.	Pakistan	100
FLSmidth Solutions ApS	Danmark	100
FLSmidth Milano S.R.L.	Italy	100
FLSmidth (UK) Limited	United Kingdom	100
FLSmidth (Jersey) Limited	United Kingdom	100
FLSmidth Ireland Limited	Ireland	100
FLSmidth Ltd.	United Kingdom	100
FLSmidth Ltda.	Brazil	100
FLSmidth MAAG Gear AG	Switzerland	100
FLSmidth MAAG Gear Sp. z o.o.	Poland	100
FLSmidth Sp. z.o.o.	Poland	100
Reset Holding AG	Switzerland	100
Teutrine GmbH	Switzerland	100
FLSmidth Krebs GmbH	Austria	100
FLSmidth Machinery Industry (Qingdao) Co. Ltd.	China	100
FLSmidth Machinery Trade Co. Ltd.	China	100
FLSmidth Mongolia	Mongolia	100
FLSmidth Qingdao Ltd.	China	100
FLSmidth Rusland Holding A/S	Denmark	100
OOO Cembrit	Russia	100
FLSmidth Rus OOO	Russia	100
Cement & Minerals Consulting Group "CMCG" LLC	Russia	100
FLSmidth Sales and Services Limited	Nigeria	100
FLSmidth Sales and Services Limited	Turkey	100
FLSmidth SAS	France	100
FLSmidth SEPEC Environmental Engineering Co., Ltd	China	62
FLSmidth Shanghai Ltd.	China	100
FLSmidth Spol. s.r.o.	Czech Republic	100
FLSmidth Ventomatic SpA	Italy	100
FLSmidth MAAG Gear S.p.A	Italy	100
IDA S.r.L.	Italy	100
FLSmidth Zambia Ltd.	Zambia	100
LFC International Engineering JSC *	Vietnam	40
MAAG Gear Systems AG	Switzerland	100
Phillips Kiln Services International F.Z.E.	UAE	100
Pfister Holding GmbH	Germany	100
PT FLSmidth Indonesia	Indonesia	100
P.T. FLSmidth Construction Indonesia	Indonesia	67
The Pennies and Pounds Holding, Inc.*	Philippines	33
FLSmidth Tyskland A/S	Denmark	100
FLS Germany Holding GmbH	Germany	100
FLSmidth Real Estate GmbH	Germany	100
FLSmidth Pfister GmbH	Germany	100
FLSmidth Pfister Ltda.	Brazil	100
FLSmidth Hamburg GmbH	Germany	100
Möller Materials Handling GmbH	Germany	100
FLSmidth Wiesbaden GmbH	Germany	100
FLSmidth Wadgassen GmbH	Germany	100
FLSmidth GmbH	Austria	100
FLSmidth Wuppertal GmbH	Germany	100
Pfaff Maschinenbau GmbH	Germany	100
FLSmidth Oelde GmbH	Germany	100
Fuller Offshore Finance Corp. B.V.	Netherlands	100
FLSmidth Kovako B.V.	Netherlands	100
FLSmidth Minerals Holding ApS	Denmark	100
FLSmidth Ltd.	Canada	100
4424972 Canada Inc.	Canada	100
9189-6175 Quebec Inc.	Canada	100
4437845 Canada Inc.	Canada	100
Phillips Kiln Services Ltd.	Canada	100
FLSmidth Pty. Ltd.	Australia	100
DMI Holdings Pty. Ltd.	Australia	100
DMI Australia Pty. Ltd.	Australia	100
ESSA Australia Limited	Australia	100
ESSA International Pty. Ltd.	Australia	100
Fleet Rebuild Pty. Ltd.	Australia	100
Mayer Bulk Group Pty. Ltd.	Australia	100
FLSmidth Mayer Pty. Ltd.	Australia	100
Mayer International Machines South Africa Pty. Ltd.	South Africa	100
FLSmidth ABON Pty. Ltd.	Australia	100
FLSmidth Krebs Australia Pty. Ltd.	Australia	100
FLSmidth M.I.E. Enterprises Pty. Ltd.	Australia	100
Ludowici Pty. Limited	Australia	100
Hicom Technologies Pty. Ltd.	Australia	100
Ludowici Australia Pty. Ltd.	Australia	100
Ludowici Mauritius Holding Ltd.	Mauritius	100
Ludowici China Pty Limited	Australia	100
Ludowici Beijing Ltd.	China	100
Ludowici Hong Kong Limited	Hong Kong	100
Yantai Ludowici Mineral Processing Equipment Limited	China	100
Rojan Advanced Ceramics Pty. Ltd.	Australia	100
Ludowici Hong Kong Investments Ltd.	Hong Kong	100
Qingdao Ludowici Mining Equipment Ltd.	China	100
J.C. Ludowici & Son Pty. Limited	Australia	100
Ludowici Packaging Australia Pty. Ltd.	Australia	100
Ludowici Technologies Pty. Ltd.	Australia	100
Ludowici Plastics Limited	New Zealand	100
Ludowici Packaging Limited	New Zealand	100
FLSmidth S.A.	Chile	100
FLSmidth S.A. de C.V.	Mexico	100
FLSmidth Private Limited	India	100
FLSmidth Pfister India Limited	India	100
Ludowici India Private Limited	India	100
Ludowici Mining Process India PVT Ltd.	India	100
FLSmidth (Pty.) Ltd.	South Africa	100
FLSmidth Buffalo (Pty.) Ltd.	South Africa	100
FLSmidth Mozambique Limitada	Mozambique	100
FLS Automation South Africa (Pty.) Ltd.	South Africa	100
FLSmidth Roymec (Pty) Ltd.	South Africa	74
Figure Out (Pty) Ltd.	Botswana	74
Euroslot KDSS (South Africa) (Pty.) Ltd.**	South Africa	50
FLS US Holdings, Inc.	United States	100
FLSmidth USA, Inc.	United States	100
FLSmidth Dorr-Oliver Eimco SLC Inc.	United States	100
FLSmidth Dorr-Oliver Inc.	United States	100
FLSmidth Dorr-Oliver International Inc.	United States	100
FLSmidth Krebs (Beijing) Ltd.	China	100
Phillips Kiln Services (India) Pvt. Ltd.	India	50
Phillips Kiln Services Europe Ltd.	United Kingdom	50
SLS Corporation	United States	100
FLSmidth Inc.	United States	100
Fuller Company	United States	100

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

FLSmidth Co. A/S
financial statement 2013



Income statement

Notes	DKKm	2013	2012
1	Dividend from Group enterprises	1,013	555
2	Other operating income	20	15
3	Staff costs	(6)	(14)
4	Other operating costs	(21)	(18)
8	Depreciation, amortisation and impairment	(7)	(3)
	Earnings before interest and tax (EBIT)	**999**	**535**
5	Financial income	1,344	942
6	Financial costs	(1,487)	(1,277)
	Earnings before tax (EBT)	**856**	**200**
7	Tax for the year	46	(10)
	Profit/loss for the year	**902**	**190**
	Distribution of profit for the year:		
	Retained earnings	902	190
		902	**190**
	Distribution of dividend:		
	Proposed dividend	106	479
		106	**479**

The Board of Directors recommends that the Annual General Meeting approves a dividend of DKK 2 per share (2012: DKK 9 per share).

Parent company balance sheet

Assets

Notes	DKKm	2013	2012
	Land and buildings	60	48
	Operating equipment, fixtures and fittings	0	0
8	**Tangible assets**	**60**	**48**
9	Investments in Group enterprises	3,006	3,352
9	Other securities and investments	22	37
10	Deferred tax assets	49	51
	Financial assets	**3,077**	**3,440**
	Total non-current assets	**3,137**	**3,488**
	Receivables from Group enterprises	10,098	7,960
	Other receivables	313	179
11	**Receivables**	**10,411**	**8,139**
	Other securities and investments	**1**	**1**
11	**Cash and cash equivalents**	**1**	**0**
	Total current assets	**10,413**	**8,140**
	TOTAL ASSETS	**13,550**	**11,628**

Equity and liabilities

Notes	DKKm	2013	2012
	Share capital	1,064	1,064
	Retained earnings	1,249	1,095
	Proposed dividend	106	479
	Equity	**2,419**	**2,638**
12	Provisions	127	125
	Provisions	**127**	**125**
13	Mortgage debt	307	307
13	Other liabilities	48	82
13	Bank loans	5,013	3,417
	Long-term liabilities	**5,368**	**3,806**
13	Bank loans	149	524
13	Debt to Group enterprises	5,257	4,366
13+14	Other liabilities	230	169
	Short-term liabilities	**5,636**	**5,059**
	Liabilities	**11,004**	**8,865**
	TOTAL EQUITY AND LIABILITIES	**13,550**	**11,628**

Parent company equity

DKKm	Share capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2012	**1,064**	**1,522**	**479**	**3,065**
Retained earnings		190		190
Dividend paid		9	(479)	(470)
Proposed dividend		(479)	479	0
Share-based payment, share options		3		3
Disposal of treasury shares		25		25
Acquisition of treasury shares		(175)		(175)
Equity at 31 December 2012	**1,064**	**1,095**	**479**	**2,638**
Retained earnings		902		902
Dividend paid		12	(479)	(467)
Proposed dividend		(106)	106	0
Share-based payment, share options		2		2
Disposal of treasury shares		12		12
Acquisition of treasury shares		(668)		(668)
Equity at 31 December 2013	**1,064**	**1,249**	**106**	**2,419**

DKKm	2013	2012	2011	2010	2009
Movements in 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):	2013	2012
Treasury shares at 1 January	1,359,884 shares	927,425 shares
Acquisition of treasury shares in connection with share buyback programme	1,950,000 shares	0 shares
Acquisition of treasury shares	4,659,924 shares	518,397 shares
Share options settled	(36,025) shares	(55,925) shares
Disposal of treasury shares to employees	0 shares	(30,013) shares
Treasury shares at 31 December	3,739,783 shares	1,359,884 shares

Representing 7.0% (2012: 2.6%) of the share capital.

Please see the Management's review on page 32 regarding the use of treasury shares.

Notes to the parent company financial statements

Income statement

1. Dividend from Group enterprises

DKKm	2013	2012
Dividend from Group enterprises	1,032	555
Dividend from Group enterprises set off against cost	(19)	0
	1,013	**555**

2. Other operating income

DKKm	2013	2012
Management fee etc.	20	15
	20	**15**

3. Staff costs

DKKm	2013	2012
Salaries and fees	4	4
Termination benefit	0	7
Share-based payment	2	3
	6	**14**
Average number of employees	**4**	**2**

Remuneration of the Board of Directors for 2013 amounts to DKK 5m (2012: DKK 5m), including DKK 1m (2012: DKK 1m), which was incurred by the parent company. The total remuneration of the parent company Executive Management amounted to DKK 26m (2012: DKK 36m), of which DKK 3m (2012: DKK 10m) was incurred by the parent company.

4. Fee to auditors appointed at the Annual General Meeting

DKKm	2013	2012
Deloitte		
Statutory audit	2	2
Other services	4	7
	6	**9**

5. Financial income

DKKm	2013	2012
Interest receivable and other financial income from financial assets not measured at fair value	1	1
Interest received from Group enterprises	201	100
Foreign exchange gains	1,142	841
	1,344	**942**

6. Financial costs

DKKm	2013	2012
Write down of investments and receivables in Group enterprises	0	300
Write-down of investments in other securities and investments	15	0
Adjustment to previous years' disposal of enterprises	3	35
Interest receivable and other financial costs from financial liabilities not measured at fair value	93	69
Interest to Group companies	31	12
Foreign exchange losses	1,345	861
	1,487	**1,277**

7. Tax for the year

DKKm	2013	2012
Tax for the year		
Current tax on the profit/loss for the year	(57)	(1)
Withholding tax	9	1
Adjustments regarding previous years, permanent taxes	0	22
Adjustments, deferred tax	2	(12)
Tax for the year	**(46)**	**10**

Tax paid in 2013 amounts to DKK 3m (2012: DKK 34m).

Balance sheet

8. Tangible assets

DKKm	Land and buildings	Operating equipment, fixtures and fittings	Total
Cost at 1 January 2013	231	2	233
Acquisition/disposal	19	0	19
Cost at 31 December 2013	**250**	**2**	**525**
Depreciation and impairment at 1 January 2013	(183)	(2)	(185)
Depreciation and impairment	(7)	(0)	(7)
Depreciation and impairment at 31 December 2013	**(190)**	**(2)**	**(192)**
Carrying amount at 31 December 2013	**60**	**0**	**60**

9. Financial assets

DKKm	Investments in Group enterprises	Other securities and investments	Total
Cost at 1 January 2013	3,719	37	3,756
Acquisitions	0	0	0
Disposals	(27)	0	(27)
Adjustments regarding dividend	(19)	0	(19)
Cost at 31 December 2013	**3,673**	**37**	**3,710**
Impairment at 1 January 2013	(367)	0	(367)
Write-downs	0	(15)	(15)
Transferred write-downs from receivables	(300)	0	(300)
Disposals	0	0	0
Impairment at 31 December 2013	**(667)**	**(15)**	**(682)**
Carrying amount at 31 December 2013	**3,006**	**22**	**3,028**

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 12-14% before tax (2012: 12-15%)).

The calculations of value in use consist of discounted expected cash flow for the next seven 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 (1-2.4%) for each of the cash generating units.

10. Deferred tax assets and liabilities

DKKm	2013	2012
Deferred tax consists of the following items:		
Tangible assets	41	43
Liabilities	8	8
Net value of deferred tax assets/(liability)	**49**	**51**

11. Receivables, cash and cash equivalents

Debtors falling due after more than one year total DKK 2,848m (2012: DKK 1,308m). Other receivables include fair value of derivatives (positive value) and tax on account for the Danish jointly taxed enterprises. Cash and cash equivalents consist of bank deposits.

12. Provisions

DKKm	2013	2012
Provisions at 1 January	125	121
Additions	2	35
Disposals	0	(31)
Provisions at 31 December	**127**	**125**

13. Maturity structure of liabilities

DKKm	2013	2012
Maturity structure of liabilities:		
Bank loans	149	524
Debt to Group enterprises	5,257	4,366
Other liabilities	230	169
Within one year	**5,636**	**5,059**
Bank loans	5,013	3,417
Other liabilities	48	82
Within one to five years	**5,061**	**3,499**
Mortgage debt	307	307
After five years	**307**	**307**
Total	**11,004**	**8,865**

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	2013		2012	
	Carrying amount of charged assets	Charge	Carrying amount of charged assets	Charge
Real estate	46	307	33	307

16. Contractual liabilities and contingent liabilities

The Company has provided guarantees to financial institutions at an amount of DKK 6,247m (2012: DKK 6,516m).

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.

The Company is the administration company for Danish joint taxation. According to the Danish corporate tax rules, from 1 July 2012 the Company is liable for the obligation to withhold taxes on interest, royalty and dividend for all companies in the Danish joint taxation.

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

See also note 38 to the consolidated financial statements.

17. Related party transactions

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

In 2013 and 2012, there were no transactions with related parties, apart from Group Executive Management remuneration stated in note 3, which were not included in the consolidation of the Group, nor were there any transactions 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 47 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:

- Reset Holding AG, Switzerland
- Teutrine GmbH, Switzerland

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, dividend from Group enterprises, is presented first in the income statement.

Description of accounting policies
Translation of foreign currency
The foreign exchange adjustment of receivables from subsidiaries that 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 impairment of 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 impairment. Where the cost exceeds the recoverable amount, an impairment loss is recognised 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 impairment 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, see the exemption provision, section 86 of the Danish Financial Statements Act.

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