FLSmidth

Annual Report 2014
Enhancing productivity

ROCE	EBITA margin	Cash flow from operations	Net profit
11%	7.7%	DKKm 1,298	DKKm 813
Up from 7%	Up from 4.1%	Up from DKK -157m	Up from DKK -784m

FLSmidth is a market-leading supplier of engineering, equipment and services to the global minerals and cement industries.

We provide our key industries with the full range of customer requirements, from single equipment to complete plants and from spare parts to full operation and maintenance services. We help customers increase capacity, reduce operating costs and lower environmental impact. We are the market-leading supplier of productivity enhancing services in each of our six key industries, which are copper, gold, coal, iron ore, fertilizers and cement. FLSmidth is a global company with headquarters in Denmark and a local presence in more than 50 countries.

Group financial highlights
5-year summary

DKKm	2010 [3]	2011 [3]	2012 [3]	2013 [3]	2014	2014 EUR [1]
INCOME STATEMENT						
Revenue	18,803	20,538	24,849	25,482	21,129	2,834
Gross profit	4,784	5,248	6,078	4,852	5,056	678
Earnings before non-recurring items, depreciation, amortisation and impairment (EBITDA)	2,284	2,528	2,759	1,308	1,931	259
Earnings before amortisation and impairment of intangible assets (EBITA)	2,148	2,347	2,502	1,042	1,627	218
Earnings before interest and tax (EBIT)	1,963	2,117	1,988	(270)	1,220	164
Financial income/costs, net	(93)	(79)	(61)	(256)	(118)	(16)
Earnings before tax (EBT)	1,870	2,038	1,927	(526)	1,102	148
Profit/(loss) for the year, continuing activities	**1,287**	**1,356**	**1,274**	**(728)**	**769**	**103**
Profit/(loss) for the year, discontinued activities	(9)	81	29	(56)	44	6
Profit/(loss) for the year	**1,278**	**1,437**	**1,303**	**(784)**	**813**	**109**
CASH FLOW						
Cash flow from operating activities	1,335	1,148	1,720	(157)	1,298	174
Acquisition and disposal of enterprises and activities	(45)	(915)	(2,508)	27	(184)	(25)
Acquisition of tangible assets	(473)	(497)	(739)	(524)	(366)	(49)
Other investments, net	(208)	(236)	(151)	(70)	(48)	(6)
Cash flow from investing activities	(726)	(1,648)	(3,398)	(567)	(598)	(80)
Cash flow from operating and investing activities of continuing activities	541	(470)	(1,642)	(733)	742	100
Cash flow from operating and investing activities of discontinued activities	68	(30)	(36)	9	(42)	(6)
NET WORKING CAPITAL (incl. Cembrit)	**878**	**1,620**	**1,950**	**2,382**	**2,404**	**323**
NET WORKING CAPITAL (excl. Cembrit)	**608**	**1,334**	**1,629**	**2,137**	**2,164**	**291**
NET INTEREST-BEARING DEBT (incl. Cembrit)	**(1,254)**	**98**	**3,084**	**4,718**	**4,499**	**604**
NET INTEREST-BEARING DEBT (excl. Cembrit)	**(1,209)**	**145**	**3,183**	**4,759**	**4,557**	**612**
ORDER INTAKE, CONTINUING ACTIVITIES	**20,780**	**24,044**	**27,727**	**20,911**	**17,761**	**2,386**
ORDER BACKLOG, CONTINUING ACTIVITIES	**23,708**	**27,136**	**29,451**	**22,312**	**19,017**	**2,555**
BALANCE SHEET						
Non-current assets	9,240	10,795	13,004	12,120	11,535	1,549
Current assets	13,359	14,745	17,327	15,208	13,421	1,803
Assets held for sale	0	0	1,544	0	1,396	188
Total assets	**22,599**	**25,540**	**31,875**	**27,328**	**26,352**	**3,540**
Equity	8,139	8,907	9,419	6,922	7,761	1,043
Long-term liabilities	3,145	3,533	6,178	7,284	5,868	788
Short-term liabilities	11,315	13,100	15,784	13,122	12,240	1,644
Liabilities directly associated with assets classified as held for sale	0	0	494	0	483	65
Total equity and liabilities	**22,599**	**25,540**	**31,875**	**27,328**	**26,352**	**3,540**
PROPOSED DIVIDEND TO SHAREHOLDERS	**479**	**479**	**479**	**106**	**461**	**62**
DIVIDEND PAID OUT DURING THE YEAR	**262**	**472**	**471**	**467**	**99**	**13**
FINANCIAL RATIOS						
Continuing activities						
Gross margin	*25.4%*	*25.6%*	*24.5%*	*19.0%*	*23.9%*	*23.9%*
EBITDA margin	*12.1%*	*12.3%*	*11.1%*	*5.1%*	*9.1%*	*9.1%*
EBITA margin	*11.4%*	*11.4%*	*10.1%*	*4.1%*	*7.7%*	*7.7%*
EBIT margin	*10.4%*	*10.3%*	*8.0%*	*-1.1%*	*5.8%*	*5.8%*
EBT margin	*9.9%*	*9.9%*	*7.8%*	*-2.1%*	*5.2%*	*5.2%*
Return on equity	17%	32%	14%	-10%	11%	11%
Equity ratio	36%	35%	30%	25%	29%	29%
ROCE (Return on capital employed) [2]	23%	21%	18%	7%	11%	11%
Net working capital ratio (end of period)	4.3%	7.4%	6.6%	8.4%	10.3%	10.3%
Net working capital ratio (average)	2.2%	5.7%	6.6%	7.4%	10.2%	10.2%
Capital employed end of period	10,259	12,498	15,184	15,173	15,140	2,034
Number of employees at 31 December, Group	**11,229**	**13,204**	**15,900**	**15,317**	**14,765**	**14,765**
Number of employees in Denmark	1,564	1,609	1,687	1,547	1,289	1,289
Share and dividend figures, Group						
CFPS (cash flow per share), (diluted)	25.3	21.8	33.0	(3.1)	26.3	3.5
EPS (earnings per share), (diluted)	24.4	27.1	25.1	(15.3)	16.4	2.2
Net asset value per share	154	169	181	139	158	21
Dividend per share	9	9	9	2	9	1.2
Pay-out ratio	37%	33%	36%	n/a	55%	55%
FLSmidth & Co. A/S share price	532.0	337.5	327.2	296.1	272.3	36.6
Number of shares (1,000), 31 December	53,200	53,200	53,200	53,200	51,250	51,250
Average number of shares (1,000) (diluted)	52,693	52,550	52,233	50,707	49,443	49,443
Market capitalisation	28,302	17,955	17,407	15,753	13,955	1,875

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

1) Income statement items are translated at the average EUR exchange rate of 7.4549 and the balance sheet and cash flow items are translated at the year-end EUR exchange rate of 7.4436.
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 discontinued activity.

Main conclusions

Revenue and earnings in line with group guidance. Highest free cash flow in five years. Record high revenue in Customer Services. Weak order intake, reflecting market conditions. Additional efficiency and business right-sizing initiatives. Order intake expected to grow in 2015, supported by the new divisional structure. Proposed divided 9 DKK per share.

Long-term financial targets

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

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

DKK	Guidance 2014	Realised 2014	Guidance 2015
Revenue	19.5-22.5bn*)	21.1bn	19-21bn
EBITA margin	7-9%	7.7%	9-10%
ROCE	11-13%	11%	12-14%
Tax rate	33-35%	30.2%	31-33%
CFFI**)	-0.5bn	-0.4bn	-0.4bn

*) Technically adjusted after the sale of Cembrit from previously DKK 21-24bn
**) Excl. acquisitions and divestments

2014 in numbers

Return on Capital Employed

11%

up from 7%

EBITA margin

7.7%

up from 4.1%

Order backlog (DKKm)

19,017

down from 22,312

Revenue
(DKKm)

21,129

down from 25,482

EBITA
(DKKm)

1,627

up from 1,042

CFFO
(DKKm)

1,298

up from -157

Order intake
(DKKm)

17,761

down from 20,911

Net interest-bearing
debt (DKKm)

4,499

down from 4,718m

Net working
capital

2,404

up from 2,382m

Investing in FLSmidth

FLSmidth & Co. A/S has been listed on NASDAQ OMX Copenhagen since 1968. FLSmidth is best characterised as a capital goods, an engineering or industrial company. FLSmidth excels in productivity improvements and eco-efficient technological solutions to process and handle cement and minerals. Based on 133 years of experience, FLSmidth has a proven ability to support the global minerals and cement industries to lower their environmental impact and improve efficiency.

FLSmidth has a sustainable business model and good growth opportunities. Minerals and cement are vital for continued global economic, societal and technological development. With two-thirds of revenue being generated in emerging markets, an investment in FLSmidth is an investment in emerging markets growth.

FACTS

The Board of Directors' priority for capital structure and allocation is the following:

1. Be well-capitalized (NIBD/EBITDA < 2)
2. Ensure stable dividends (30-50% of net profit)
3. Invest in organic growth
4. Value adding M&As (not actively seeking)
5. Share buyback or special dividend

Share and dividend figures 2014:

- Earnings per share (diluted) amounted to DKK 16.4 in 2014 (2013: DKK -15.3)
- The total return on the FLSmidth & Co. A/S share in 2014 was -8% (2013: -7%)
- The Board of Directors will propose to the Annual General Meeting that a dividend of DKK 9 per share (2013: DKK 2) be distributed for 2014. This is equivalent to a dividend yield of 3.3% (2013: 0.7%) and a pay-out ratio of 55% (2013:n/a)

Vision

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

Values

Over the past 133 years, FLSmidth has developed a business culture based on three fundamental values, which are firmly rooted in our Danish heritage:

> Cooperation
> Competence
> Responsibility

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

Contents:

Strategy and business model

FLSmidth is a leading full-service provider of sustainable technologies to six growth industries: copper, gold, coal, iron ore, fertilizers and cement. 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. 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.

Being a full service provider means supplying everything from single products and services to complete production lines and overall plant optimisation solutions.

In cement, we can supply the most complete array of products, systems and services, ranging from single engineered and customised equipment, such as a raw mill, to a complete cement plant on an EPC basis (engineering, procurement and construction) coupled with a full scale operation and maintenance contract.

In mining, we can also supply a complete array of products, systems and services, ranging from single engineered and customised equipment, such as a ball mill, to a bundled equipment solution, a full production plant, and operation and maintenance solutions. Within the mining value chain, FLSmidth is primarily active with material handling, comminution (crushing, grinding & sizing) and separation, supplemented by unique materials testing capabilities.

FACTS

New divisional structure 1 January 2015

As of 1 January 2015, FLSmidth will be organised in two project divisions: **Cement** and **Minerals**, a product division: **Product Companies**, and a service division: **Customer Services**. The new organisational structure will increase operational efficiency as each division will have a more homogeneous business model, same segmented customer approach and distinct growth opportunities.

The old Material Handling and Mineral Processing divisions will be merged into the Minerals division, focused on delivering full flow sheet solutions to our key industries: coal, copper, gold, iron ore and fertilisers.

The Cement division remains focused on delivering complete plants and product lines with the lowest total-cost of ownership to the global cement industry.

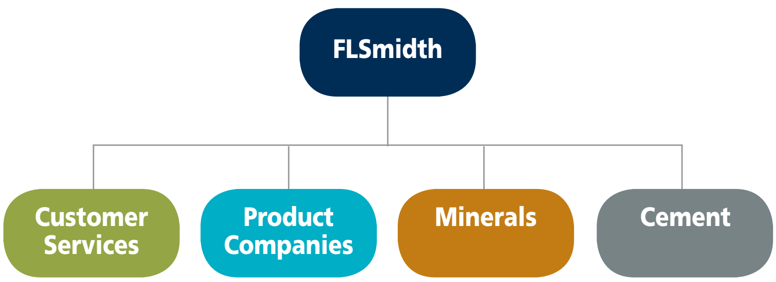
A number of product companies will be separated out from the other divisions to form a stand-alone Product Companies division in order to foster globalisation and growth of FLSmidth's unique product brands.

Customer Services will continue as a separate division to foster a strong service culture and mindset.

FLSmidth engages with its customers from a total-cost-of-ownership perspective with a focus on helping customers to reduce emissions, operating costs and enhance productivity based on FLSmidth's unique combination of key products, process know-how and service solutions.

Our strategic focus is 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 value for our customers by helping them to operate more efficiently and profitably.

Divisional structure 1 January 2015



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's primary value-proposition is based on a full service, total cost-of-ownership approach based on productivity improvements and eco-efficient technologies. FLSmidth has a proven ability to help customers increase capacity, reduce operating costs and lower environmental impact. Also, FLSmidth has an excellent track record of reliability, time to market and project follow-through.

As such, FLSmidth contributes to development of societies and liveable cities and helps to meet the growing demand for resources and infrastructure – a demand driven by GDP growth, fast-growing middle class, industrialisation and urbanisation, especially in developing countries and emerging economies.

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 large projects in both cement and minerals, and the project management skill set needed (risk and project management, procurement, process know-how) is very similar. The same applies for customer services in both industries. Customers are increasingly looking for productivity enhancing services, which require an extensive knowledge base and experience which can be shared across the industries. Also, FLSmidth has a unique shared services set-up in Chennai, India with more than 2,300 people servicing the global organisation with shared resources for engineering, IT, HR and Finance. Last, but not least, Cement and Minerals benefit from a shared global supply chain and joint production facilities. Thus, FLSmidth has the unique advantage and benefit of being able to transfer resources and best practices between the two industries.

Managing the cycle and preparing for the upturn

Organic growth opportunities

Apart from mid to long term structural growth opportunities, FLSmidth has several levers of organic growth.

FLSmidth is the leading supplier of operation and maintenance (O&M) contracts to the global cement industry. An O&M contract means that FLSmidth takes over the operation of a cement plant and guarantees the output of the plant. O&M offers an untapped growth potential, both as a standalone business, and also as a differentiator in combination with the supply of new cement plants, so-called Design-Build-Operate (DBO).

Both in Cement and Minerals, there is a trend and an increasing customer demand for systems sales and EPC solutions. We are prepared to do more EPC business in future, provided that the risk profile is right.

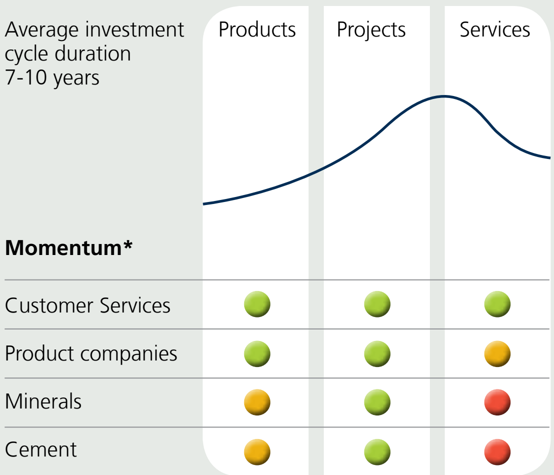
Additionally, the establishment of a new product companies division will enable us to fully leverage the sales potential of our specialised product companies. We will ensure that all the product companies have global reach and an optimised go-to-market model.

Today, FLSmidth is a supplier of premium technology for both cement and minerals, and we will continue to be so. In minerals, however, we will be investigating opportunities to enter the midmarket segment (products designed to cost), as we expect this market segment to have the fastest growth rates over the next 5-10 years.

Fit for cycle navigation and growth

The longer term outlook for cement and minerals is encouraging and FLSmidth is well positioned to benefit from both mid and long term structural growth opportunities. However, both industries are cyclical by nature – particularly with regard to investments in new capacity, although they don't follow exactly the same cycle. 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 (~50% of today's business) reduces the cyclicality of the entire Group as the service business is more resilient and stable by nature.

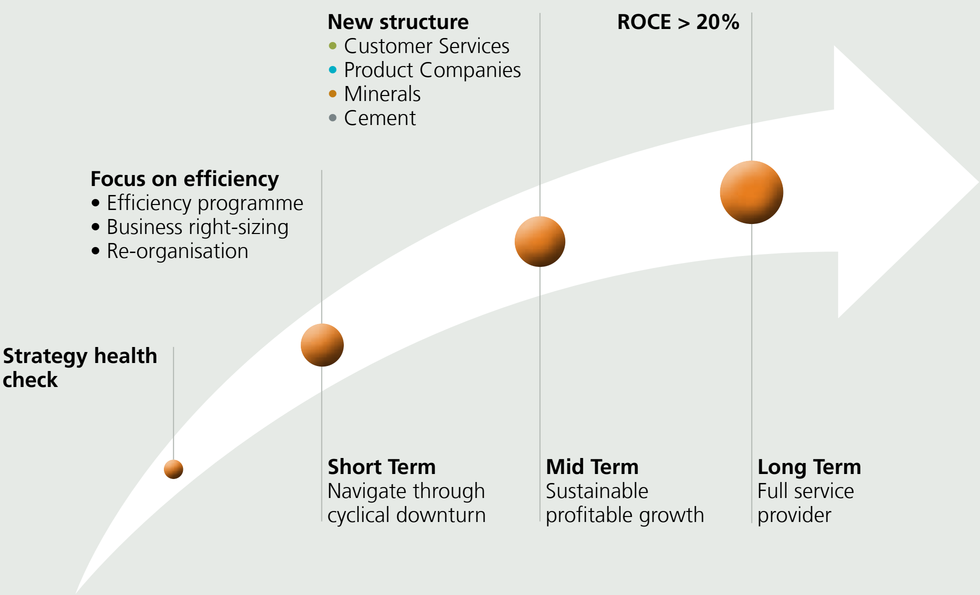
FLSmidth has a business model and an organisational structure that enables us to manage and leverage the full potential of the cycle. Each part of the cycle has a prime time for product business, project business or service business, and FLSmidth has a strong offering in each subpart of the cycle.



*Color code refers to momentum over the cycle

Management focus areas

The short-term management focus is to steer the Group safely through the current cyclical downturn and to ensure that the company is well positioned and fully efficient when growth returns. As part of this exercise, an efficiency programme was launched in August 2013, with the target to improve EBITA sustainably by DKK 750m from 2015 and onwards. The execution of the efficiency programme is progressing according to plans. Additionally, managing the cycle requires that the business is right-sized on an ongoing basis to ensure that capacity is adjusted to current market activity at any point in time. In the current part of the cycle, this means adjusting to lower market activity for the project business, while it means adjusting to higher activity for the service business. The overarching goal is to deliver sustainable profitable growth and a ROCE (Return on Capital Employed) of more than 20% over the cycle. In order to prepare for growth and to achieve a group structure which is fit for cycle navigation, a new divisional structure became operational on 1 January 2015. For more information on the new divisional structure, please see page 16-19.



Organising for growth

In 2013, FLSmidth verified its strategic course and launched an efficiency programme to streamline the organisation after years of acquisitions. In 2014, a new organisational structure was announced to better capture growth and counter the cyclical nature of the cement and minerals industries. From 1 January 2015, FLSmidth has four new divisions; two global project divisions, the Cement and Minerals divisions, and two cycle-resilient high margin businesses; the Product Companies division and the Customer Services division.

"FLSmidth has a balanced portfolio which enables us to leverage the full potential of our industries over the cycle. The target for FLSmidth is to be the preferred full-service provider of the global minerals and cement industries. Right now, however, market headwinds are tough and it is crucial for us to have the right team and structure to manage the cyclical downturn while also preparing for the upturn," Group CEO, Thomas Schulz states.

The two projects divisions, Minerals and Cement, serve industries wherein demand does not typically peak or trough simultaneously. In 2015, the mining industry will still be at the bottom of the cycle, whereas the upturn is now starting to take off in cement. Under our newly aligned organisation, FLSmidth is better prepared to anticipate and respond to customers' needs in all phases of the cycle.

"No matter how the market develops, we have some promissing organic growth opportunities. Besides globalising our product companies, we have good growth prospects within O&M, EPC solutions for both minerals and cement, as well as mid-market opportunities within mining equipment," Thomas Schulz comments.

"We have now set the team and are preparing the organisation for growth, while managing the downturn carefully"

Thomas Schulz
Group Chief Executive Officer

Preparing for the upturn

Revenue and earnings delivered in 2014 were in line with expectations, however weaker in the fourth quarter than anticipated. On the other hand, the fourth quarter saw a very strong improvement in operating cash flow and net working capital, and hence also in net interest bearing debt and financial gearing. The order intake did not meet expectations in 2014 and as a consequence, 2015 will be another tough year, but hopefully also the trough year.

"When you are going into the trough, it might seem brash to talk about the upturn, but since 2013, we have worked hard to gear the organisation to outperform the market in the next cyclical upturn. It takes time to thoroughly prepare for the upturn, and now is the time to ready ourselves," Chairman of the Board, Vagn Ove Sørensen says.

"It should be kept in mind that FLSmidth is working in industries with an attractive outlook for long-term growth. The growing global population with a need for more and bigger liveable cities and better infrastructure will drive investments in both cement and minerals. On top of that – due to declining quality and accessibility of ore bodies, the next mining cycle will not only be characterised by a capacity increase, but also by a clear stress on productivity improvements. Innovation, full service and process know-how are top of the agenda in the industry. And this is why FLSmidth has an outstanding competitive position; we add process knowledge and technological insight as a business partner, and that is what makes us unique. The barrier to entry is very high," Vagn Ove Sørensen says.

"We will deliver improved profitability in 2015 despite tough marked conditions"

Vagn Ove Sørensen
Board Chairman

We will ensure a ROCE of more than 20%

We will focus on organic growth

We will expand the product companies' global reach

We will maximise our customers' return on assets

We will develop O&M to be a key differentiator

Customer Services

Product Companies

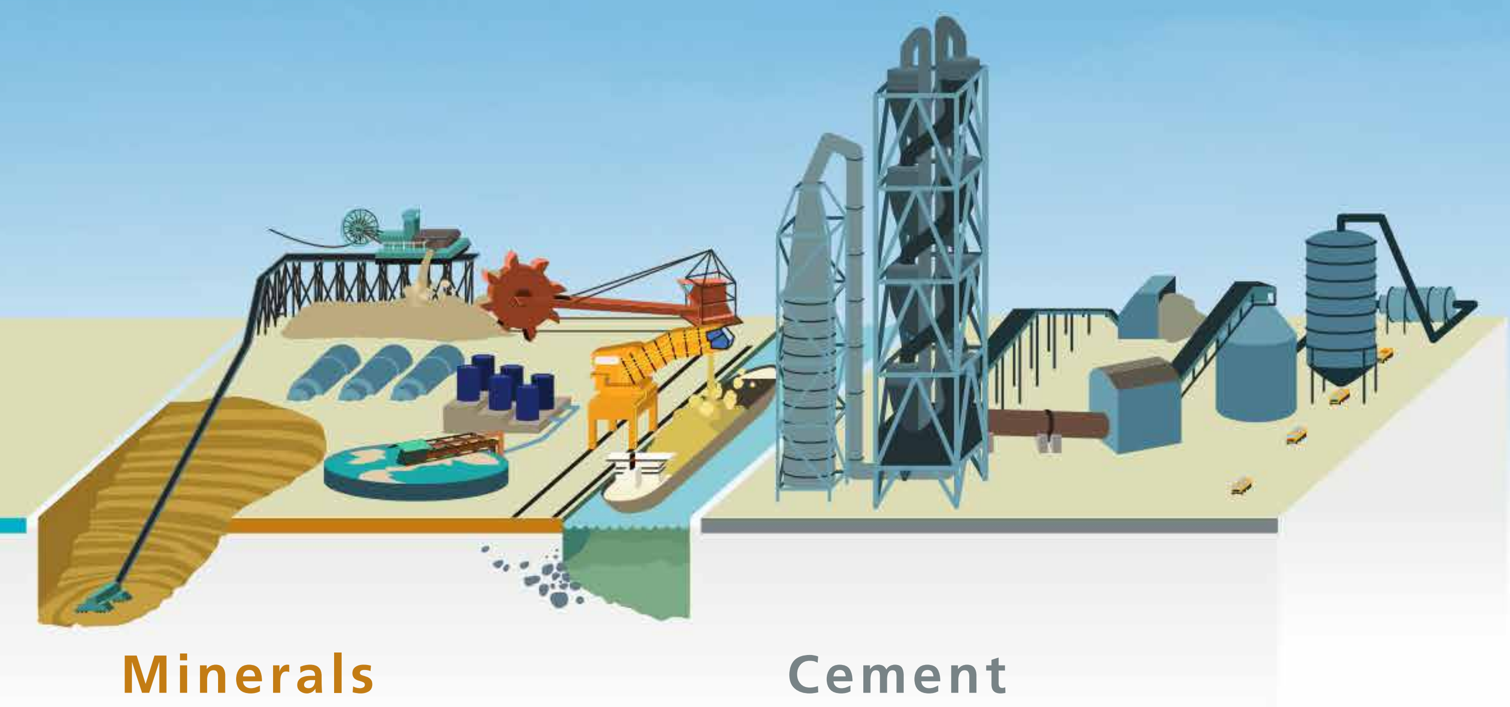
We will provide sustainable full flow sheet solutions

We will couple EPC solutions with O&M

We will offer the lowest total-cost-of-ownership

We will develop and bring products faster to the market

We will build strong and close relations to customers



Customer Services

The Customer Services Division provides a full suite of parts, services, and operation and maintenance solutions to the global cement and minerals industries. The go-to-market model is mainly local direct sales on the basis of more than 100 warehouses, service, and support centres worldwide. Customer intimacy is a top priority with most of the 6,400 employees in direct customer contact. This global set up allows FLSmidth to target and address different geographies and customer needs with specific skills and best practices and thereby supports the divisional vision of being best in class in maximising customers' productivity and return on assets.

With these endeavours in mind, a full array of services before, during and after delivery of new plants and equipment is offered - whether the plant and equipment are delivered by FLSmidth or its peers. The composition of the business is roughly 70% parts, 15% services and 15% operation and maintenance with most manufacturing outsourced.

The significance of the aftermarket is obvious as the initial investment in new equipment typically accounts for less than 20% of the total life cycle cost. The business is characterised by mainly smaller orders tied to customers' production volumes rather than new investments which makes it a resilient and growing business with stable high margins. While the ambitions to grow the service business have been fully outlived for a decade, the past years performance show a potential to slightly improve earnings, which is reflected in the division's long term financial targets. The means to improve profitability is a continued focus on efficiency and development of pricing models.

Inherent in the long-term growth target is an ambition to further expand the operation and maintenance business, and to grow the wear parts business to more than 10% of revenue and thereby close a gap in the interaction with customers. Another growth lever is to further promote and develop FLSmidth's unique Design, Build and Operate (DBO) offering in conjunction with the two project divisions (Minerals and Cement). FLSmidth is a leading provider of full operation and maintenance contracts to the global cement industry.

The key challenge in Customer Services is to run with an optimised level of net working capital to secure high speed deliveries of critical parts and services. FLSmidth will continue to develop its excellence in logistics and inventory management to maintain a strong competitive position versus other large suppliers and local workshops and to ensure satisfactory returns.

FACTS

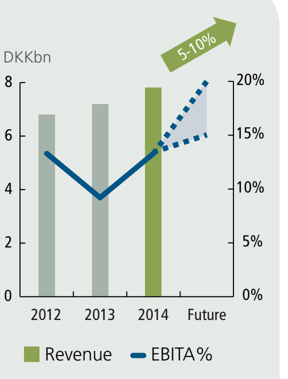
Long term financial targets:

5-10% annual revenue growth (over the cycle)

EBITA margin > 15%

NWC 15-20%

Financials



Product Companies

The Product Companies Division hosts a diverse portfolio of relatively standardised market leading product brands, applied in cement, minerals and adjacent industries. The division consists of nine product companies with similar, integrated business models. The 3,400 employees are located around the world with the majority in Australia, Denmark, Germany, Italy, South Africa, Switzerland and the USA. Most assembly and part of the manufacturing takes place in-house with primary production sites located in China, India and Poland. The division also hosts the Group's global centre of excellence for supply chain and quality.

Product Companies sell mostly local, direct to both internal and external customers (~80% external sales in 2012-2014). The share of internal sales depends on the volume of projects business throughout the different phases of the business cycle. Roughly speaking, sales are equally divided between minerals, cement, and adjacent industries.

Some product companies have been developed organically, while others have been acquired. However, the businesses as a whole have not fully realised their potential, and consequently, the vision is to expand the leading niche products to their full global potential.

The product companies' business consist of original equipment, spare parts and related services, making it less cyclical than the project divisions and with higher, more stable margins, which are reflected in the long term financial targets. Supporting these targets is an ambition to have a service share of more than 50% of revenue and a market leading position in all targeted segments.

In terms of earnings, the Product Companies Division has performed largely in line with the long-term margin target in the past three years. Rather, the challenge has been to grow sales and to manage net working capital while at the same time acknowledging that a certain level is a prerequisite to make business happen. Going forward, we will focus on sustaining product leadership positions, leveraging sales opportunities and obtaining global reach. This includes implementation of appropriate go-to-market models and pricing strategies, and a further expansion into adjacent industries such as power, alumina and rare earth. In terms of efficiency, the focus is on integration, capacity utilisation and synergies from combining the nine product companies.

FACTS

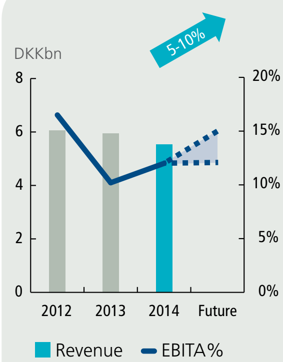
Long term financial targets:

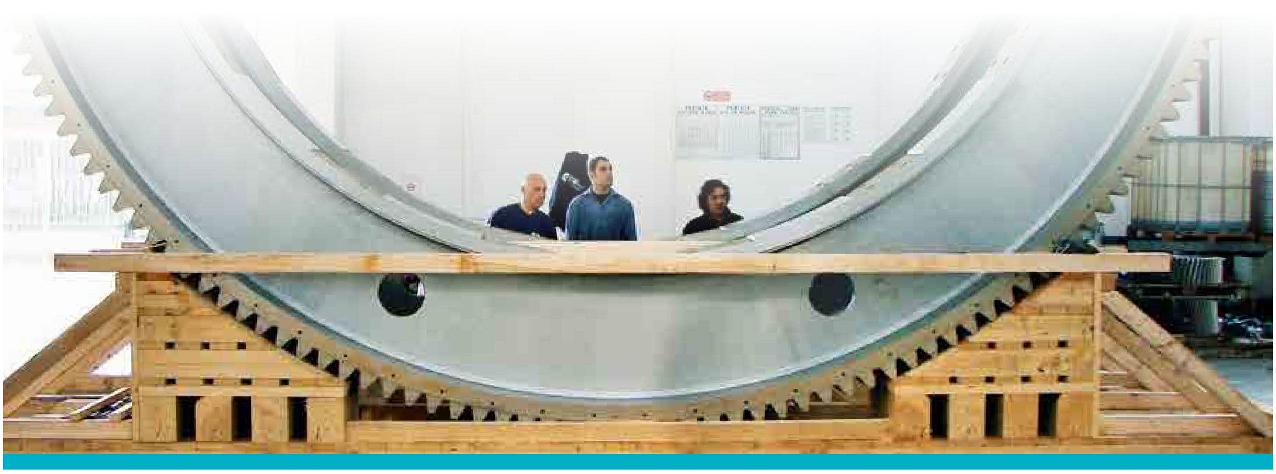
5-10% annual revenue growth (over the cycle)

EBITA margin 12-15%

NWC ~15%

Financials





Minerals

The Minerals Division is a leading provider of mineral processing and material handling technology and solutions to the global minerals industries served by 2,600 FLSmidth employees located in, or supported by, technology and project centres in USA, Germany, India, South Africa, Chile and Australia. The Minerals Division delivers premium engineered and customised single products, EPS (engineering, procurement, and supervision) projects, and EPC (engineering, procurement and construction) projects to global mining majors and smaller regional players, the latter accounting for the majority of sales today.

As an OEM (Original Equipment Manufacturer) supplier with a focus on large scale engineered products and projects, the business model is structured around regional sales, engineering, and execution hubs, while most manufacturing is outsourced. A strong set-up to pursue the vision of being our customers' preferred full-service provider of sustainable minerals technologies.

The financial performance of Minerals in the past three years has been unsatisfactory. The drop in business volume is mainly explained by the mining capex downturn and the cyclical nature of the business. However, the low and periodically negative margins are largely self-imposed stemming not least from inadequate project management in material handling in the past and insufficient integration of acquired minerals businesses. A thorough exercise to improve profitability of the division is ongoing with the ambition of a 3% EBITA margin by 2016. The exercise will involve both business right-sizing and sustainable efficiency improvements.

Engineering is by nature a low margin business, however with the potential for operational leverage when project business is predominant in the business cycle, and the business should run with negative net working capital, ensuring good returns. Additionally, Minerals generate business for the Product Companies Division and provide an installed base for the Customers Services Division. Linking the three divisions, FLSmidth can support customers with the ultimate productivity enhancing solutions and full flow sheet offerings, providing a strong competitive platform.

FLSmidth is strongly positioned to evolve the EPC business in minerals– a model which is expected to be increasingly in demand in the future as miners seek alternative ways to boost output, improve efficiency, and address supply challenges (see Key Industries page 20-24).

FACTS

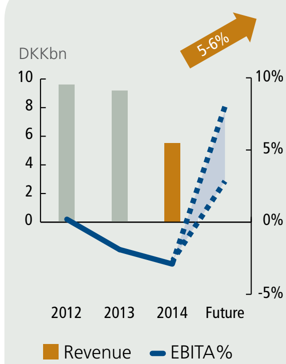
Long term financial targets:

5-6% annual revenue growth
(over the cycle)

EBITA margin
3-8%
(over a cycle)

Negative NWC

Financials



Cement

The Cement Division is the market leader of premium technology and process solutions to the global cement industry, and FLSmidth has delivered more cement plants in the world than anyone else. Accordingly, the division's 1,300 employees constitute a truly global organisation with local presence and technology centres in Denmark, USA and India.

All cement producers are potential customers, but the preferred target customer is a loyal, premium solution buyer with a "partner-seeking" behaviour. Both global cement majors and local or regional mid-sized players are typical customers to FLSmidth, though the latter account for the majority of sales.

Despite different customer segments, there are significant similarities (and synergies) between the Minerals- and the Cement Division. Both deliver premium engineered and customised single products, EPS (engineering, procurement and supervision) projects, and EPC (engineering, procurement and construction) projects. While the EPC model is evolving in minerals, it is already an industry standard in cement. As the characteristics of the Minerals and Cement business are similar, so is the business set-up, structured around global direct sales and in-house R&D and engineering with most manufacturing outsourced. However, a key difference is, that mining is a global business with most customers centred around the global mining clusters, whereas cement is mainly a local or regional business with customers scattered around the globe. FLSmidth's Cement Division is tailored to this structure in order to pursue the vision of being our customers' preferred full-service provider of sustainable cement technologies.

Minerals and Cement share the same long-term financial targets, the only difference being a slightly lower expected growth rate in Cement. Both divisions are cyclical by nature, with an emphasis on large engineered orders delivering low margins, however with the ability to run with negative net working capital and generate substantial returns. Cement has delivered an overall satisfactory financial performance (adjusted for non-recurring costs) over the past three years on the basis of sublime project execution, procurement excellence, and benefitting from the most complete product portfolio in the industry. However, growth has lacked as a consequence of trough market conditions and intense competition. In a market driven more and more by demand for full EPC projects, FLSmidth is expanding its EPC offerings and its unique Design, Build and Operate offering.

FACTS

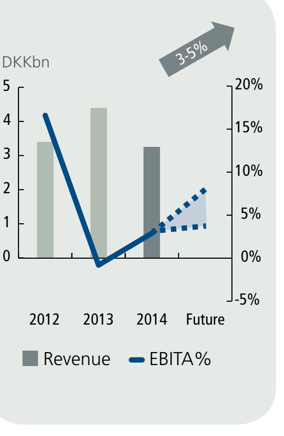
Long term financial targets:

3-5% **annual revenue growth**
(over the cycle)

EBITA margin
3-8%
(over the cycle)

Negative NWC

Financials



Industry
trends and drivers

As a market leading full service provider in six key industries, FLSmidth is exposed to and affected by a variety of macro, supply, and industry trends.

Macro trends

Macro trends are particularly important for the medium to long-term demand for minerals and cement. A rising world population, increasing urbanisation, growing wealth and increasing demand for energy and infrastructure all underpin the promising longer term prospects for FLSmidth's six key industries. It is estimated that the available cement market will grow 3-4% over the cycle, while the available minerals market should grow 4-5% over the cycle.[1]

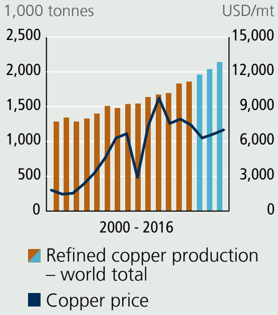
Supply trends

Supply trends relate primarily to FLSmidth's customers' access to, and processing of, raw material. Supply trends play a key role in determining the characteristics of the products, services and solutions requested by FLSmidth's customers. While the raw material for production of cement, limestone, is widely accessible, minerals customers have to cope with lower ore grades and mining at more remote locations both of which involves a higher degree of technical complexity. With its unique combination of projects, products and services, FLSmidth has the complete offering to address customers' supply challenges and benefit from the supply trends development.

1) Sources: Global Cement report; World Bank data; Bloomberg; Analysts reports, Companies annual reports and Capital Market Days presentations; FLSmidth research, FLSmidth analysis

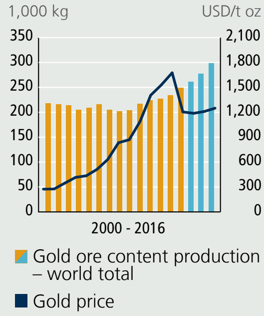
COPPER

Copper is used in building construction, power generation, consumables, and industrial machinery.



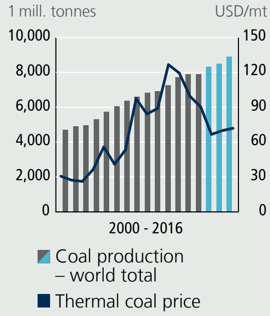
GOLD

Gold is used primarily for jewellery and investment, but also for industrial production.



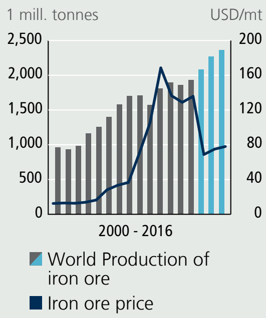
COAL

Coal is used for power generation, steel production, cement manufacturing, and as fuel.



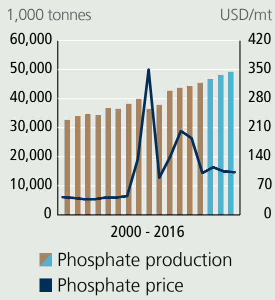
IRON ORE

Iron ore is the most used metal worldwide, primarily for construction, engineering, automotive, and machinery.



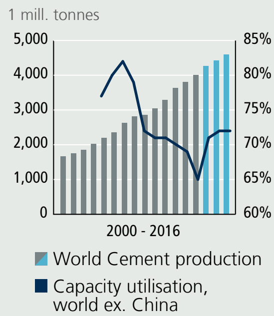
FERTILISER

Fertiliser minerals, such as potash and phosphate, are essential to meet the global demand for food.



CEMENT

Cement is one of the world's most widely used building materials.



Industry trends

Industry trends are the more immediate parameters that minerals and cement producers are faced with and pay close attention to. They are not necessarily connected to the supply and demand trends; however, they are in some instances linked to the present phase of the business cycle. For example, FLSmidth's customers currently keep a strong focus on productivity and energy efficiency, whilst focus in the past upturn was primarily on capacity expansion.

Another industry trend that is somewhat disconnected from the macro trends is health, safety and environment which are critical to obtain site or plant permits. Other trends again, such as the need and request for automation, innovation and customer intimacy to a large extend emanate from the supply trends. For example, the need to cope with lower ore grades and more remote locations drives a need for automation and innovation. FLSmidth is a front runner in identifying industry trends and developing solutions for customers accordingly. The unique and flexible business model ensures the competencies and agility necessary to develop the business as industry trends change over the business cycle.

Market trends

2014 was set to be a year of a firming world economy and a stabilising economic environment; however, the positive sentiment in the first half of the year gradually got overshadowed by renewed regional challenges and a surge in geopolitical tensions and instability. As a truly global company for more than a century, FLSmidth has a strong track record of working and executing in both stable and more unstable regions. That, of course, does not make the company immune to local or geopolitical events but rather than dwelling too much on temporary trends and single lost or gained opportunities, it is often more meaningful to retain focus on the overall business opportunities and dynamics. In fact, from time to time it may make even more sense to step up one level further and remind oneself of the overall industry trends and drivers supporting FLSmidth's core industries.

Stepping back again to the year just behind us, 2014 was marked by only a slow pick-up in global growth[2], and to some extent there is a link between this 'slow pick-up' and the correspondingly slow recovery in the global market for cement capacity (excluding China). An improvement in the market for new cement capacity seems to be underway. An intensification of the dialogue with customers on potential cement projects leads to the belief that we are slowly moving out of the trough. That said, it takes time to negotiate and finance new projects, and it is not apparent that customers' good intentions will be reflected already in the 2015 order intake. Growth in the market for new cement capacity should be more evident in 2016.

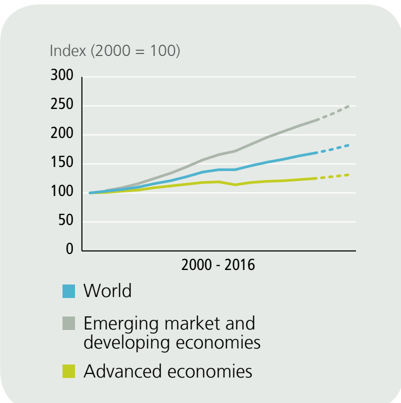
A mix of concerns for global economic prospects, expanding supply, and slowing Chinese investments in commodity intensive manufacturing, construction, and real estate has led to one of the world's driving forces in 2014, namely softening commodity prices, and according to the World Bank Group prices for metals such as copper and iron are expected to stay around this level over the period 2015-2016 as expanding supply is only gradually absorbed by rising demand.[2] The lower commodity prices impact FLSmidth's minerals customers. In a historic perspective, for example looking 10 years back, most commodity prices are still at reasonable levels, and bearing in mind that mining investments in general are long-term investments, the lower commodity prices are likely not an issue in itself. That said, they obviously influence miners' short-term cash generation and flexibility to invest. This is one of the reasons why no recovery is anticipated this year. 2015 is still expected to be a year of consolidation for the miners and a trough year for mining equipment CAPEX. Slow growth is expected for 2016 and the adjusted divisional structure should make it clearer to track if and when this will be the case. Since product business normally is first to benefit from an emerging upturn, growth should be evident initially in the Product Companies Division, whereas the upturn will need to gain more momentum to substantially impact the Minerals Division.

The market for services remains largely stable. Both cement and mining customers maintain a strict cost regime while at the same time expanding output and prioritising operational optimisation projects.

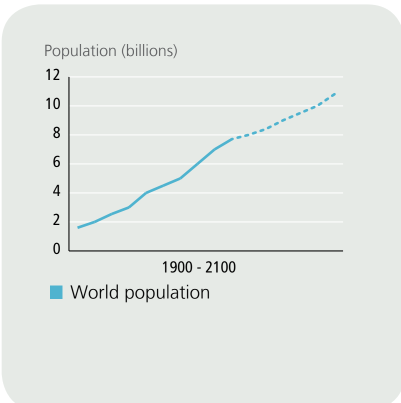
> "The past upturn was driven by capacity expansions. The next will be driven by productivity improvements"
>
> Thomas Schulz
> Group Chief Executive Officer

2) Source: World Bank Group, Global Economic Prospects, January 2015

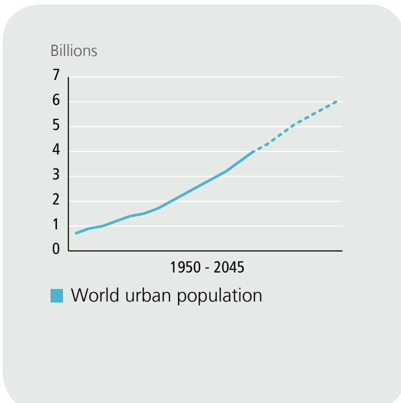
Real GDP



World population



World urban population



Engineering tomorrow's solutions

It is FLSmidth's vision to be our customers' preferred full-service provider of sustainable minerals and cement technologies. This is reflected in our focused research and development (R&D) efforts aimed at fulfilling customers' future needs in terms of timely, innovative and competitive new offerings.

Our strategic R&D focus continues to centre on increasing the return on our R&D investments, securing the right product portfolio aligned with customer needs and getting the product improvements and additions faster and more frequently to the market to meet FLSmidth's ambition of product and technology leadership. In our research and development investments, we place particular emphasis on minimising safety risk, lowering energy and water consumption, and increasing production, availability and operational efficiency.

2014 saw total R&D expenses at DKK 327m (2013: DKK 400m), accounting for 1.5% of revenue (2013: 1.6%). The total investment includes a capitalised amount of DKK 106m (2013: DKK 117m) and is supplemented by considerable project-financed developments in partnership with customers.

Product innovations 2014

The following section describes some of the most important product innovations and research initiatives within FLSmidth in 2014.

For our minerals customers, FLSmidth's research and development is focused on finding solutions to the significant structural challenges faced by the mining industry, including safety, increasing volumes, high energy costs, decreasing ore grades, complex mineralogy, water scarcity, difficult environmental permitting and increasing project CAPEX requirements.

In 2014, FLSmidth continued to develop thickening and filtration technologies that enable mining customers to increase their water recovery from production and maximize the dryness of the waste material from tailings in the mining process. Wet tailings are a waste product of the mining process and often pose severe environmental challenges. In an effort to reduce potential environmental issues, a number of concepts are being evaluated by the industry to dewater existing and new wet tailings. Amongst these is an FLSmidth method using dewatered sludge combined with rejected materials or overburden from the mine that produces a material that has adequate integral strength to allow for dry stacked tailings.

In gold processing, FLSmidth successfully commercialised a centrifuge system, the Knelson Concentrator Matrix and a separation table, the FLSmidth Mineral Table. These new products offer customers increased metallurgical performance and reduction in maintenance and consequential improvement in availability. In addition, the technologies has been incorporated into the fully automated Knelson concentrate upgrading system.

Our F360 High Pressure Grinding Roll (HPGR) was supplied to a 2,400 tonnes per day gold plant in Mexico, and is now the only operating heap leach plant in the world utilizing stage crushing in conjunction with HPGR. The operational results show a remarkable increase in their gold recovery

FACTS

Revolutionising new catalytic filter bags

On 25 January 2015, FLSmidth and global leader in catalysis, Haldor Topsøe, launched EnviroTex™ – a revolutionising new type of catalytic filter bags that enables customers to handle the removal of several critical emission compounds in one integrated process. The new technology will enable customers to meet a continuously stricter legislation at a fraction of both the operating cost and the initial investment compared with today's best available technologies.

rate as a result. This unit has performed admirably from a reliability perspective, with zero reported mechanical issues to date. Additionally, the wear rates of the studded roll tires have exceeded expectations and the customer is extremely pleased with this unit's overall performance.

After significant trial and test work at our Minerals Testing Centre in Salt Lake City, we have reached a breakthrough in fluidised bed separators, with the first orders for full-scale Reflux™ Classifier installations from iron ore customers in Australia, Canada and Sub-Saharan Africa. The results shown in pilot scale testing of iron ore indicate an increase in yield and grade when compared to other technologies.

The new millMAX-e™ high efficiency centrifugal slurry pump was successfully released in 2014. The new design sets new standards for slurry pumps via the patented millMAX suction side sealing system, lean design and unmatched power saving which reduce the total cost of ownership and increase productivity.

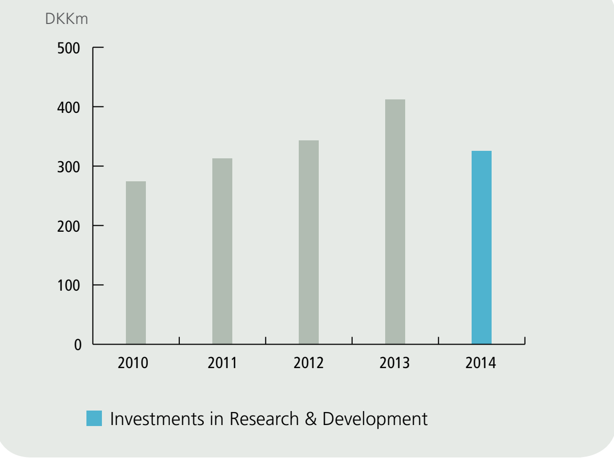
Priorities in cement R&D are driven by the industry's demands for lower costs and higher energy efficiency, as well as reduction of harmful substance emissions.

The Tribomax™ wear surface is an FLSmidth hard surfacing technology developed to address the need of customers with roll presses, primarily needing or wanting longer service life than is obtained with traditional welded hard facing techniques. A traditional welded hard facing will last 4-12,000 hours when crushing clinker for cement production. The Tribomax™ surface is guaranteed for 25,000 hours or more, depending on the thickness of wear layer applied. The Tribomax™ wear surface will be applied for both new installations and second time upgrades. The technology can also be applied to crushers for abrasive materials or vertical roller mills when grinding abrasive materials such as slag or raw materials with high quartz content. This technology is competitive on both performance and cost-basis when compared to other high tech surface solutions on the market. In contrast to other high tech solutions, the FLSmidth Tribomax™ can be repaired on site in case of damages.

FLSmidth has released the 8th generation og the automation platform, built on the latest technology in the industry. The improved platform supports the increasing and demanding automation needs within advanced process and quality control for our cement and minerals customers.

The advanced process control solutions within the ECS™ product range offer new approaches to how control solutions are designed, operated and used to optimise daily plant production through improved availability, performance, energy savings, quality and service ability. Besides improved usability, the solutions offer the market's best integration from single machine control to full plant control, with a unified user interface across the full product range. With this new 8th generation, FLSmidth brings to the market a very strong, reliable and competitive series of advanced process control solutions.

Investments in Research & Development



Regional
Data

North America
Revenue: **4,435**

Assets: **8,236**

Employees: **2,547**

Europe
Revenue: **2,487**

Assets: **9,300**

Employees: **3,815**

Africa
Revenue: **3,759**

Assets: **969**

Employees: **2,497**

South America
Revenue: **3,468**

Assets: **3,072**

Employees: **1,448**

Asia

Revenue: **5,282**

Assets: **2,694**

Employees: **3,846**

Australia

Revenue: **1,698**

Assets: **2,081**

Employees: **612**

Management's Review

Revenue and earnings in line with group guidance. Underlying EBITA margin 8.6%. Record high revenue in Customer Services. Highest free cash flow in five years. Weak order intake reflecting market conditions. Additional efficiency and business right-sizing initiatives. Order intake expected to grow in 2015.

In accordance with IFRS accounting standards, Cembrit has been reclassified as discontinued activities in the Annual Report for 2014, which means that all actual and historical numbers in the income statement have been restated.

Financial developments in Q4 2014

Cash flow from operations improved significantly as net working capital decreased in Q4. Revenue was in line with expectations, whereas margins declined sequentially in all divisions. Order intake disappointed due to global geo-political uncertainty.

Quarterly order intake and order backlog

Order intake in Q4 2014 amounted to DKK 3,775m representing a decrease of 33% compared to Q4 2013 (Q4 2013: DKK 5,616m), which is the lowest level seen since 2009 and 2010. All four divisions contributed to the decline, reflecting a quarter that was marked by increased geo-political risks and mounting global uncertainty, which inevitably has a detrimental impact on the desire to make investments.

Group (continuing activities)

DKKm	2014	2013	Change (%)	Q4 2014	Q4 2013	Change (%)
Order intake	**17,761**	**20,911**	-15%	**3,775**	**5,616**	-33%
Order backlog	**19,017**	**22,312**	-15%	**19,017**	**22,312**	-15%
Revenue	**21,129**	**25,482**	-17%	**5,911**	**7,046**	-16%
Gross profit	**5,056**	**4,852**	4%	**1,282**	**1,290**	-1%
Gross profit margin	*23.9%*	*19.0%*		*21.7%*	*18.3%*	
EBITDA	**1,931**	**1,308**	48%	**483**	**297**	63%
EBITDA margin	*9.1%*	*5.1%*		*8.2%*	*4.2%*	
EBITA	**1,627**	**1,042**	56%	**400**	**250**	60%
EBITA margin	*7.7%*	*4.1%*		*6.8%*	*3.5%*	
EBIT	**1,220**	**-270**	n/a	**255**	**89**	187%
EBIT margin	*5.8%*	*-1.1%*		*4.3%*	*1.3%*	
Number of employees	**13,723**	**14,248**	-4%	**13,723**	**14,248**	-4%

2014 in numbers

Order intake declined

15%

Revenue declined

17%

Underlying EBITA margin was

8.6%

Return on Capital Employed increased to

11%

Safety – LTIFR improved to

2.7

Order intake developments in Q4 2014

Order intake (vs. Q4 2013)	Customer Services	Material Handling	Mineral Processing	Cement	FLSmidth Group
Organic growth	-23%	-59%	-19%	-40%	-37%
Currency	4%	1%	5%	3%	4%
Total growth	**-19%**	**-58%**	**-14%**	**-37%**	**-33%**

Announced orders in Q4 2014 amounted to an undisclosed value of more than DKK 400m (Q4 2013: DKK 1.8bn) and included two cement orders from Cemex, in USA and Colombia, respectively.

The order backlog for the Group decreased 15% to DKK 19,017m compared to the same period last year (end of 2013: DKK 22,312m), and declined 11% relative to the previous quarter (end of Q3 2014: DKK 21,416m).

Quarterly revenue and earnings

Revenue decreased 16% to DKK 5,911m in Q4 (Q4 2013: DKK 7,046m). The negative developments were attributable to all segments but Customer Services, which delivered record high revenue in Q4.

Revenue developments in Q4 2014

Revenue (vs. Q4 2013)	Customer Services	Material Handling	Mineral Processing	Cement	FLSmidth Group
Organic growth	9%	-10%	-41%	-25%	-18%
Currency	3%	1%	2%	2%	2%
Total growth	**12%**	**-9%**	**-39%**	**-23%**	**-16%**

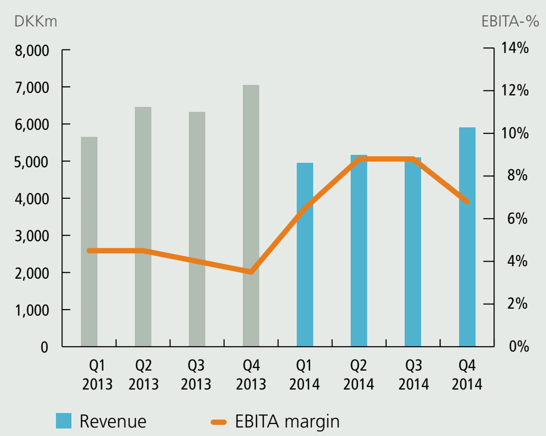
The *gross profit* amounted to DKK 1,282m (Q4 2013: DKK 1,290m), corresponding to a gross margin of 21.7%, which is up from last year (Q4 2013: 18.3%), primarily due to booking of one-off costs related to an arbitration award and the efficiency programme in Q4 2013, but sequentially down due to delayed O&M startup.

Q4 2014 saw total research and development expenditures of DKK 89m (Q4 2013: DKK 127m), representing 1.5% of revenue (Q4 2013: 1.8%), of which DKK 31m was capitalised (Q4 2013: DKK 50m) 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.

Distribution and administrative costs, etc. amounted to DKK 799m (Q4 2013: DKK 993m) equivalent to 13.5% of revenue (Q4 2013: 14.1%). The decrease of 20% compared to the same period last year is primarily related to the efficiency programme as well as business right-sizing.

Quarterly order intake

Quarterly revenue and EBITA margin



Earnings before interest, tax, depreciation and amortisation (EBITDA) increased 63% to DKK 483m (Q4 2013: DKK 297m) corresponding to an EBITDA margin of 8.2% (Q4 2013: 4.2%).

Depreciation and impairment of tangible assets amounted to DKK 77m (Q4 2013: DKK 67m), which is slightly up on last year.

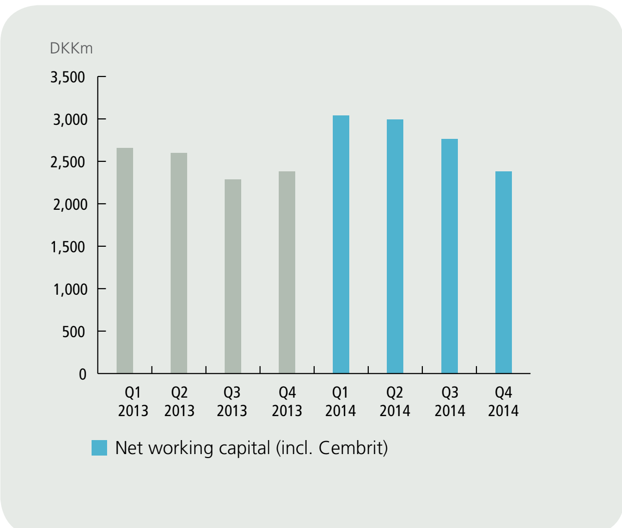
Earnings before amortisation and impairment of intangible assets (EBITA) amounted to DKK 400m (Q4 2013: DKK 250m), corresponding to an EBITA margin of 6.8% (Q4 2013: 3.5%).

The EBITA result in Q4 2014 was impacted by costs of non-recurring nature of DKK -156m. One-off costs amounted to DKK -66m and were mainly related to restructuring and ERP business system roll-out. In addition, Customer Services was negatively impacted by DKK -90m related to delayed start-up on an O&M contract in Nigeria. The underlying EBITA result in Q4 2014 was DKK 556m, equivalent to an underlying EBITA margin of 9.4% (Q4 2013: 8.9%).

It is estimated that the efficiency programme had a DKK 150m positive impact on EBITA in Q4 2014 before one-off costs. One-off costs related to the efficiency programme amounted to DKK 7m, and are included in the one-off costs mentioned above.

Amortisation and impairment of intangible assets amounted to DKK 145m (Q4 2013: DKK 161m) of which the effect of purchase price allocations related to acquisitions accounted for DKK 76m (Q4 2013: DKK 79m).

Net working capital (incl. Cembrit)



Earnings before interest and tax (EBIT) increased 187% to DKK 255m (Q4 2013: DKK 89m) corresponding to an EBIT margin of 4.3% (Q4 2013: 1.3%).

Financial income net amounted to DKK 59m (Q4 2013: DKK -151m). This amount includes foreign exchange and fair value adjustments of DKK 76m (Q4 2013: DKK -116m).

Earnings before tax (EBT) increased to DKK 314m (Q4 2013: DKK -62m), and tax for the period amounted to DKK -59m (Q4 2013: DKK -81m). Profit from discontinued activities amounted to DKK -9m (Q4 2013: DKK -36m), and profit for the period increased to DKK 246m (Q4 2013: DKK -179m).

Quarterly cash flow developments and net working capital

Q4 2014 saw a positive development in cash flow from operating activities, amounting to DKK 739m (Q4 2013: DKK 77m). Net working capital decreased by DKK 357m in the fourth quarter to DKK 2,404 (including Cembrit) (Q3 2014: DKK 2,761m) despite a positive currency effect of DKK 36m, which means that the underlying improvement was DKK 393m. The improvement originated predominantly from inventory and trade payables as well as "other" which is mainly related to net present value of financial instruments used to hedge commercial positions, which has no cash effect.

Cash flow from investing activities amounted to DKK -217m in Q4 2014 (Q4 2013: DKK -101m), and as a consequence, the free cash flow (cash flow from operating activities less cash flow from investing activities) amounted to DKK 522m in Q4 (Q4 2013: DKK -24m).

Financial results for 2014

Growth efficiency

FLSmidth saw a revenue decline of 17% in 2014 as a consequence of a low order backlog at the beginning of the year and due to low order intake within the year, as the mining industry continued to cut back on investments to focus on short-term cash and cost efficiency.

Order intake and order backlog

The *order intake* decreased 15% to DKK 17,761m (2013: DKK 20,911m). Foreign exchange translation effect had an adverse impact of -2%. Organic growth was -13%, which is primarily explained by declining order intake in Mineral Processing and Material Handling as a result of lower investments in the mining industry.

Order intake developments in 2014

Order intake (vs. 2013)	Customer Services	Material Handling	Mineral Processing	Cement	FLSmidth Group
Organic growth	-6%	-24%	-25%	2%	-13%
Currency	-2%	-2%	-2%	-1%	-2%
Total growth	**-8%**	**-26%**	**-27%**	**1%**	**-15%**

After an extended period of high investments in both acquisitive and organic growth, mining companies turned their focus to cost and capital efficiency already in 2013, continuing into 2014 and 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 neither 2013 nor 2014, apart from an engineering order in Q2 2014, whereas Material Handling actually received large orders in both years, but fewer and smaller orders in 2014.

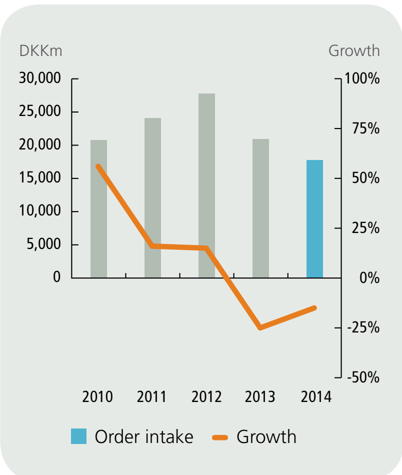
Material Handling is still applying a rigorous tender process to ensure a satisfactory risk/return on all new contracts as well as availability of sufficient and qualified resources. As a consequence, order intake has been relatively low compared to the available market in the past three years. Progress is still being made in relation to the legacy order backlog. Nine projects out of a total portfolio of 175 projects in the Material Handling business unit are still regarded as risky (end of Q3 2014: 12 projects). These projects accounted for DKK 208m or 5% of the backlog at the end of Q4 2014 (end of Q3 2014: DKK 251m or 6% of backlog).

The level of unannounced orders has been sliding during 2014 as the emergence of numerous geo-political risks created an increasing sense of uncertainty and instability which is detrimental to investment plans in both cement and mining. This came on top of the already declining trend in mining CAPEX.

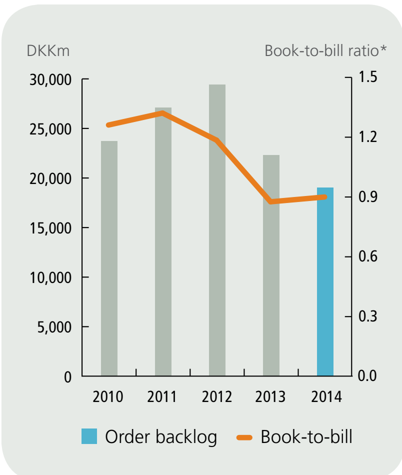
The order intake in Cement was largely unchanged in 2014. The cement industry is still challenged by low utilisation rates in certain regions, whereas economic growth is triggering demand for capacity additions in others. On a global scale, the signs of recovery are getting stronger.

The order intake in Customer Services declined 8% in 2014, which is primarily related to O&M contracts and the change in reporting practice in connection with new long-term operation and maintenance contracts which are included in

Order intake

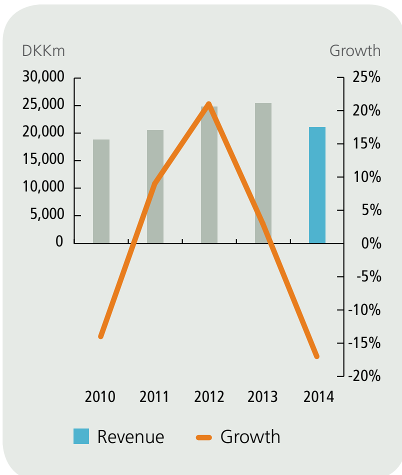


Order backlog and book-to-bill ratio



*) Book-to-bill ratio definition: order backlog relative to revenue

Revenue



the order intake and backlog with the expected revenue in the next 12 months only. However, the Customer Services division in general ended the year on a relatively weak note, which is due to increased market uncertainty related to declining oil and commodity prices as well as currency volatility.

The order backlog for the Group decreased 15% in 2014 to DKK 19,017m (end of 2013: DKK 22,312m). 71% of the backlog is expected to be converted to revenue in 2015, 18% in 2016, and 11% in 2017 and beyond. 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. From November 2013, new operation and maintenance contracts are included in the order backlog with the next 12 months' expected revenue only.

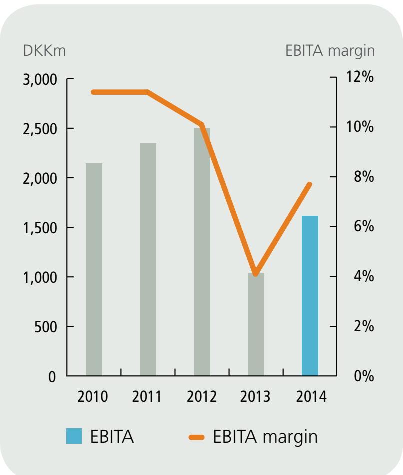
As an increasing share of orders come from service and product business, the conversion time from order intake to revenue gets shorter.

Revenue

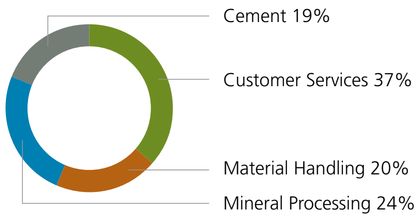
Revenue decreased by 17% to DKK 21,129m in 2014 (2013: DKK 25,842m), as a consequence of a lower order backlog at the beginning of the year, which was true for Mineral Processing and Cement in particular. Additionally, order intake during the year was also lower, resulting in a lower amount and value of orders that were both booked and billed in 2014.

The revenue in Customer Services was record high, now surpassing DKK 8bn.

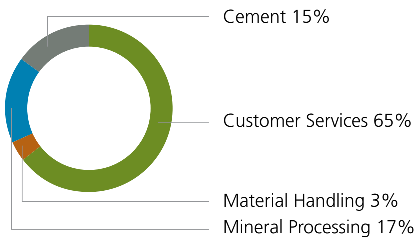
EBITA and EBITA margin



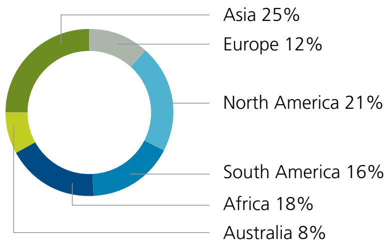
Revenue 2014 – by segment



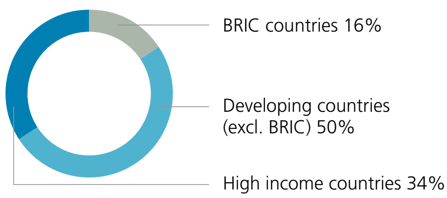
EBITA result 2014 – by segment



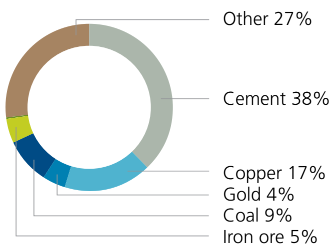
Revenue 2014 – by geography



Revenue 2014 – by country category



Order intake 2014 – by industry



Revenue developments in 2014

Revenue (vs. 2013)	Customer Services	Material Handling	Mineral Processing	Cement	FLSmidth Group
Organic growth	9%	-1%	-40%	-19%	-15%
Currency	-3%	-3%	-2%	-1%	-2%
Total growth	**6%**	**-4%**	**-42%**	**-20%**	**-17%**

Total service activities accounted for 49% of revenue in 2014 (2013: 36%). In addition to the Customer Services division, total service activities included service business embedded in product companies contained in the three capital divisions. From 1st January 2015, all product companies reside in the new Product Companies Division.

Profit efficiency

After six consecutive years of stable EBITA margins of around 10%, the EBITA margin took a deep dive in 2013 as a consequence of numerous special items. However, the EBITA margin adjusted for special items was still below the margin in previous years as the backlog had been emptied of high margin orders received before the global financial crisis. Despite a significantly declining top line in 2014, the EBITA margin increased to 7.7%, due to a lower level of one-off costs and a positive impact from the efficiency programme and business right-sizing. The underlying EBITA margin was 8.6%.

The *gross profit* amounted to DKK 5,056m (2013: DKK 4,852m), corresponding to a gross margin of 23.9%, which is considerably higher than last year (2013: 19.0%), primarily due to the special items and one-off costs that were booked in 2013.

2014 saw total research and development expenses of DKK 327m (2013: DKK 400m), representing 1.5% of revenue (2013: 1.6%), of which DKK 106m was capitalised (2013: DKK 117m) 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 operating income including some costs of one-off nature amounted to DKK 3,125m in 2014, which represents a cost percentage of 14.8% of revenue (2013: 13.9%) and a 12% decrease on 2013 (2013: DKK 3,544m).

Adjusted for one-off costs, the cost percentage was 14.3% (2013: 12.6%).

Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA) increased 48% to DKK 1,931m (2013: DKK 1,308m) corresponding to an EBITDA margin of 9.1% (2013: 5.1%).

The total one-off costs encountered in 2014 amounted to DKK 196m (excluding Cembrit), including DKK 72m related to the efficiency programme. Out of these, DKK 26m were reported as *special non-recurring items* in the income statement in relation to disposal of activities and close-down of facilities. A substantial part of the remaining one-off costs were related to the development and roll-out of the global ERP business system.

FACTS

Efficiency programme

The efficiency programme announced in August 2013 aiming at creating sustainable efficiency improvements was completed by the end of 2014 as planned. The programme was launched and executed irrespective of the underlying market developments and will result in Annual EBITA improvements of around DKK 750m with full-year effect in 2015. The estimated EBITA improvement in 2014 was DKK 505m. One-off restructuring costs related to the programme have amounted to DKK 500m in total, of which DKK 72m was booked in 2014 as both production costs and SG&A costs. Adjusted for one-off costs, the estimated net EBITA impact of the efficiency programme in 2014 was DKK 433m.

The EBITA improvements are related to the following six building blocks of the efficiency programme:

Cost optimisation	32%
Material Handling	20%
Profit boost	27%
Optimised sourcing	12%
Sales optimisation	8%
Leading technology	1%

The incremental EBITA improvement from 2014 to 2015 is estimated to be around DKK 245m or DKK 317m including the one-off costs related to the programme in 2014.

Respecting people and diversity

Depreciation and impairment of tangible assets amounted to DKK -278m (2013: DKK -272m).

Earnings before amortisation and impairment of intangible assets (EBITA) increased 56% to DKK 1,627m (2013: DKK 1,042m), corresponding to an EBITA margin of 7.7% (2013: 4.1%). Adjusted for one-off costs of DKK 196m, the underlying EBITA margin was 8.6% in 2014 (2013: 8.7%).

Amortisation and impairment of intangible assets amounted to DKK -407m (2013: DKK -1,312m). 2013 was extraordinarily high due to a DKK -901m impairment loss in connection with the acquisition of Ludowici, 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 -304m (2013: DKK -322m) and other amortisations to DKK -103m (2013: DKK -93m).

Earnings before interest and tax (EBIT) amounted to DKK 1,220m (2013: DKK -270m) corresponding to an EBIT margin of 5.8% (2013: -1.1%).

Net financial costs amounted to DKK -118m (2013: DKK -256m), of which foreign exchange and fair value adjustments amounted to DKK -31m (2013: DKK -127m). Net interest costs amounted to DKK -87m (2013: DKK -129m).

Earnings before tax (EBT) increased to DKK 1,102m (2013: DKK -526m).

The tax for the year amounted to DKK -333m (2013: DKK -202m) corresponding to an effective tax rate of 30.2%. The tax rate is lower than anticipated (guidance for 2014: 33-35%), due to the geographical distribution of the income.

Profit/loss for the year increased to DKK 813m (2013: DKK -784m) including discontinued activities of DKK 44m (2013: DKK -56m).

Capital efficiency

Capital employed increased significantly in the years up till 2013, mainly due to acquisitions and increasing net working capital. The increase in net working capital was a result of a change in business mix with relatively more product and service business and less project business, resulting in lower prepayments and higher inventory. However, as prepayments vanished, it also became evident that a much stronger focus on capital efficiency in general was needed, which has been a top priority for management in the past 2-3 years.

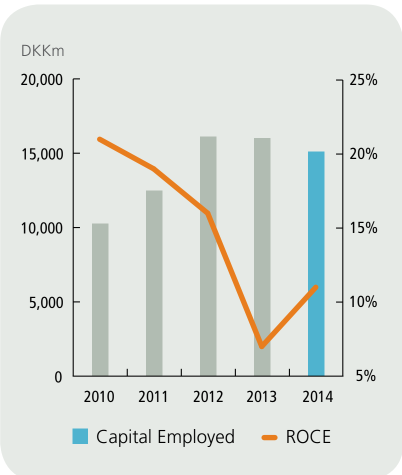
Capital employed and ROCE

Average Capital employed (excluding Cembrit) was unchanged at DKK 15.2bn in 2014 (2013: DKK 15.2bn), while EBITA increased to DKK 1,627m (2013: DKK 1,042m). As a consequence, ROCE increased to 11% (2013: 7%).

Capital employed consists primarily of intangible assets amounting to DKK 10.3bn which is mostly historical goodwill as well as patents and rights, and customer relations. Tangible assets account for DKK 2.7bn and net working capital for DKK 2.2bn, which leaves little room for significant reductions in Capital employed.

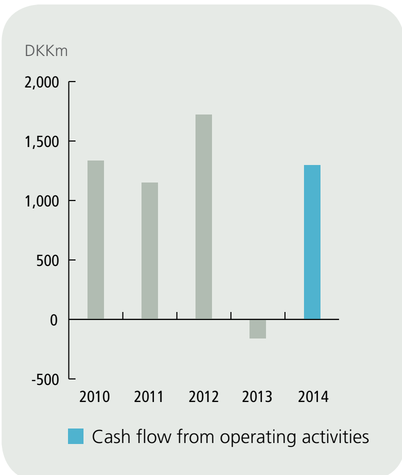
Consequently, reaching the target of more than 20% return on capital employed requires an increase in EBITA to around

Capital Employed and ROCE *)

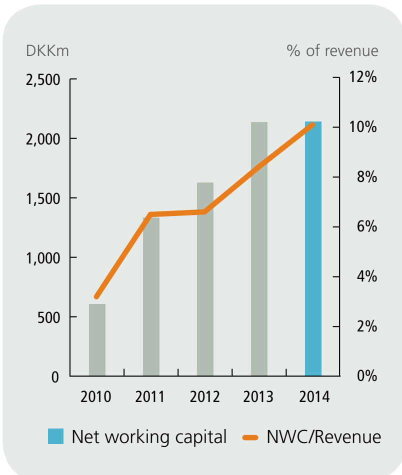


*) Excl. Cembrit

Cash flow from operating activities



Net working capital (NWC) *)



*) Excl. Cembrit

DKK 3bn through a combination of top-line growth and margin expansion.

Cash flow developments and net working capital

Cash flow from operating activities amounted to DKK 1,298m in 2014 (2013: DKK -157m). The improvement on last year is explained by higher operational earnings and less impact from change in net working capital as well as a positive contribution from financial payments and taxes paid.

Net working capital (including Cembrit) amounted to DKK 2,404m at the end of 2014, which represents a significant improvement in Q4 2014, although the level is almost unchanged from one year ago (end of 2013: DKK 2,382m) Underlying, net working capital actually declined by DKK 280m in 2014, however this was offset by a similar currency effect. Net working capital (excluding Cembrit) amounted to DKK 2,164m, representing 10.2% of revenue at the end of 2014 (2013: 8.4% of revenue). The ambition is that net working capital should not exceed 10% of sales at any point in the cycle, and in times where project business is predominant, net working capital should even be low single digit. Going forward, each of the new divisions have been given specific net working capital targets, reflecting the business model of each division. Please see page 16-19 for more information about the new divisions.

Even though the net working capital was unchanged in 2014 excluding Cembrit, the underlying constituents changed and were impacted by currency effects. Prepayments (net) declined by DKK 1.0bn, as a consequence of fewer large orders and execution of the order backlog, pulling up net working capital, however more than offset by an improvement in Work-in-Progress (net) of DKK 1.3bn pushing down net working capital. This means that net advance payments from customers increased by DKK 0.3bn in 2014. Trade receivables increased by DKK 134m to DKK 5.0bn, however mostly explained by a currency effect of DKK 322m. Trade payables decreased by 435m to DKK 2.7bn despite a positive currency effect of DKK 158m. Inventories increased by DKK 332m to DKK 2.6bn of which DKK 205m was explained by currency effects.

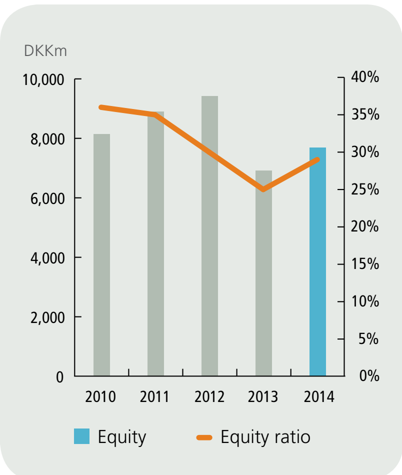
Overdue receivables are still a major focus area, and actions plans have been developed and implemented for all items above a certain threshold. Nevertheless, long overdue receivables (more than 60 days) increased to DKK 1.4bn (end of 2013: DKK 1.2bn) representing 28% of total receivables (end of 2013: 24%). On the other hand long overdue receivables (more than 6 months) declined to 12% of total receivables at the end of 2014 (end of 2013: 13%).

Investing in the business

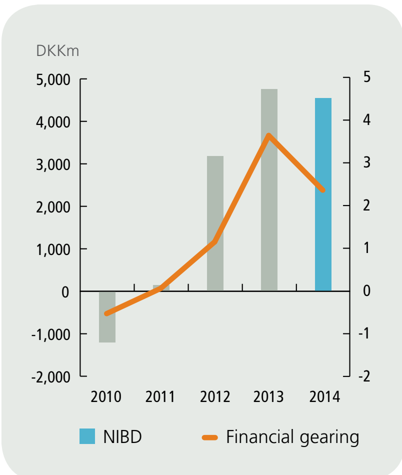
After a period of numerous acquisitions, investments were significantly reduced in 2013 and 2014 in response to changed market conditions and in order to consolidate the business.

Cash flow from investing activities amounted to DKK -598m (2013: DKK -567m) including cash flow related to acquisitions (made in previous years) of DKK- 200m. This is in line with the original guidance for 2014 of DKK -400m excluding acquisitions and below the most recent guidance of DKK -500m.

Equity and equity ratio

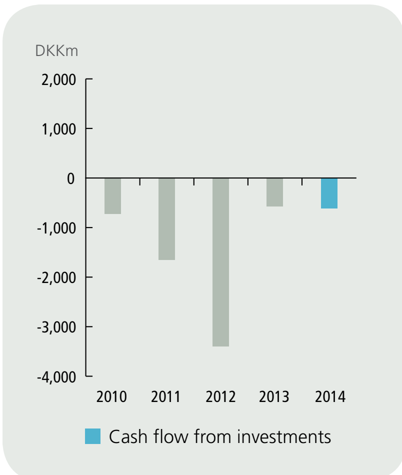


NIBD and financial gearing *)



*) Excl. Cembrit

Cash flow from investments



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), amounting to roughly DKK 400m in 2014.

Balance sheet, capital structure and dividend
The balance sheet total amounted to DKK 26,352m at the end of 2014 (end of 2013: DKK 27,328m). On the balance sheet at the end of 2014, Cembrit has been reclassified as assets held for sale.

Equity at the end of 2014 increased to DKK 7,761m (2013: DKK 6,922m), and the equity ratio increased to 29% at the end of 2014 (2013: 25%). Dividend to shareholders in 2014 amounted to DKK 106m.

Net interest-bearing debt by the end of 2014 amounted to DKK 4,499m (end of 2013: DKK 4,718m) and the Group's financial gearing (calculated as NIBD divided by 12-months trailing EBITDA) amounted to 2.3 at the end of 2014 (end of 2013: 3.6). The gearing is currently outside Management's targeted capital structure of maximum two times EBITDA, which is expected to normalise in early 2015, not least following the divestment of Cembrit.

The Group's capital resources currently consist of committed credit facilities of DKK 8.3bn (excluding mortgage) with a weighted average time to maturity of 4.0 years.

It is FLSmidth's policy to pay out 30-50% of the year's profit, however the Board of Directors proposes to the Annual General Meeting that a dividend of DKK 9 per share (2013: DKK 2) be distributed, corresponding to a total cash distribution of DKK 461m a pay-out ratio of 55% and a dividend yield of 3.3% (2013: 0.7%).

Corporate governance and organisation

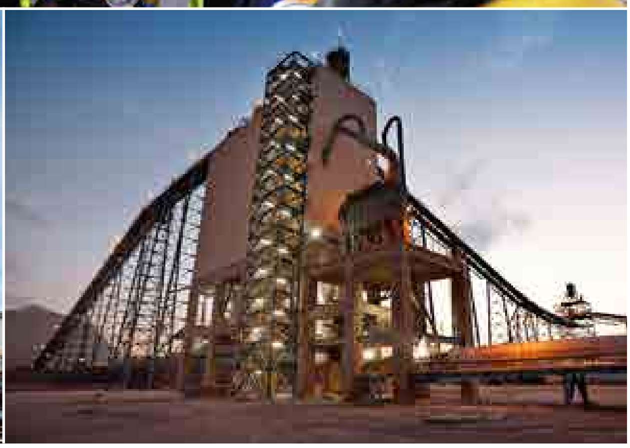
The following information is provided pursuant to Section 107a in the Danish Financial Act:

- The share capital amounts to DKK 1,025,000,000 consisting of 51,250,000 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 2,485,461 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 months' notice and shall receive up to 6 months' salary on the actual termination of their employment.

FACTS

The board of directors propose a dividend of 9 DKK per share for 2014, equivalent to a pay-out ratio of 55% and a dividend yield of 3.3%.

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 2014 are briefly mentioned here.



Group Executive Management
In the beginning of January 2014, it was decided to enlarge the Group Executive Management by a Business Development position in an effort to effectively strengthen the Group's competitiveness by focusing more on effectiveness, strategy development and integration. Consequently, on 9 January 2014, Mr. Eric Thomas Poupier was appointed Group Executive President, Business Development. Eric Thomas Poupier, age 39, is a French citizen and holds an MBA. He was formerly employed by Bain & Company and the Bosch Group.

On 1 April 2014, Mr. Lars Vestergaard was appointed Group Chief Financial Officer (CFO) of FLSmidth & Co. A/S. Lars Vestergaard, age 40, is a Danish citizen and holds an MSc in Economics and Management. He has previously been employed by Carlsberg, ISS and Jyske Bank. Lars Vestergaard succeeded Mr. Ben Guren in the Group Executive Management.

As a consequence of the new divisional structure announced on 13 August 2014, new divisional presidents for the Minerals division, the Product Companies division and the Customer Services Division have been appointed.

On 1 September 2014, Mr. Manfred Schaffer joined FLSmidth as Group Executive Manager and President of Mineral Processing. As of 1 January 2015, he became President of the new Minerals Division. Manfred Schaffer, age 56, is an Austrian citizen and a mechanical engineer. Previously, he worked for Sandvik and Voest Alpine. Manfred Schaffer succeeded Mr. Peter Flanagan in the Group Executive Management.

On 1 January 2014, Mr. Brian Day, joined the Group Executive Management as President of the Custom Services divisions succeeding Mr. Bjarne Moltke Hansen, who took up the position as President of the new Product Companies Division. Brian Day, age 58, is an American citizen and holds a Bachelor of Science degree from Syracuse University, USA along with leadership and business management education from Stanford University, USA. From 2007 to 2014, he has been heading FLSmidth's customer service activities in mining, first as Vice President and since 2012 as Senior Vice President of Global Customer Services, Mineral Processing.

As a consequence of the new organisational structure, Mr. Carsten Lund, exited Group Executive Management and took up the position as Country Head, India as of 1 January 2015.

Group Executive Management's trading in FLSmidth shares
In 2014, the Group Executive Management of FLSmidth increased their shareholding in FLSmidth & Co. A/S. Thus, Thomas Schulz acquired 1,500 shares (shareholding end of 2014: 2,510 shares), Lars Vestergaard acquired 800 shares (shareholding end of 2014: 1,030 shares) and Virve Meesak acquired 500 shares (shareholding end of 2014: 500 shares).

Treasury shares
FLSmidth's treasury share capital amounted to 2,412,491 shares at the end of 2014 (end of 2013: 3,739,783 shares) representing 4.8% of the total share capital (end of 2013: 7.0%). The holding of treasury shares is adjusted continuously to match FLSmidth's incentive plans. The holding of treasury shares at the end of 2013 included 1,950,000 shares that were cancelled at the Annual General Meeting in 2014. At the end of 2014, the members of the Group Executive Management held a total of 6,063 shares (end of 2013: 3,154 shares), and the members of the FLSmidth & Co. A/S Board of Directors held a total of 25,110 shares (end of 2013: 18,185 shares).

Incentive plan
At the end of 2014, there were a total of 2,485,461 unexercised share options under FLSmidth's incentive plan and the fair value of them was DKK 90m. The fair value is calculated by means of a Black & Scholes model based on a current share price of 272.3, a volatility of 27.53% and annual dividend of DKK 9 per share. The effect of the plan on the income statement for 2014 was DKK 43m (2013: DKK 37m). Please see note 39 to the consolidated financial statements for further information.

Corporate social responsibility
FLSmidth has submitted a progress report to the UN Global Compact on 12 February 2015. 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/CSRreport2014.

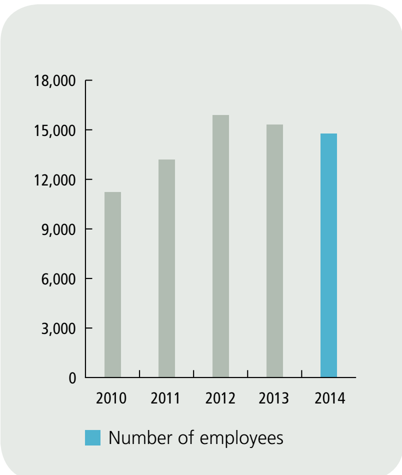
Employees

FLSmidth is a learning organisation, and our people are our most valuable resource. In 2014, we have continued to invest heavily in people development and leadership training with a strong emphasis on selecting, attracting, developing and retaining the right people to support value creation in the Group.

The global organisation has been heavily impacted by the cyclical downturn and the changed market conditions in 2013 and 2014, and the need for efficiency improvements and business right-sizing. Additionally, a divisional reorganisation was announced in August 2014, and a lot of efforts have been put into getting the organisation operational by 1st January 2015.

The number of employees (including Cembrit) amounted to 14,765 by the end of 2014, representing a decrease of 4% compared to last year (end 2013: 15,317). The decline is primarily explained by business right-sizing and efficiency improvements. Included in the numbers is an increase in permanent staff of 900 related to operation and maintenance contracts. The composition of the global workforce was more or less unchanged in 2014. 55% of FLSmidth's employees were below the age of 40 at the end of 2014 (end of 2013: 55%). 75% of the employees have more than 2 years' seniority (2013: 72%). 14% of FLSmidth's permanently employed staff is female (end of 2013: 14%). 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.

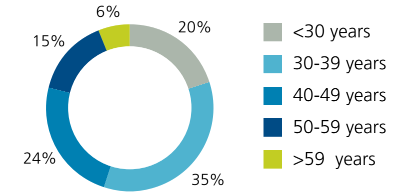
Number of employees *)



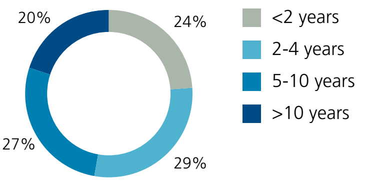
*) incl. Cembrit

Human resource data

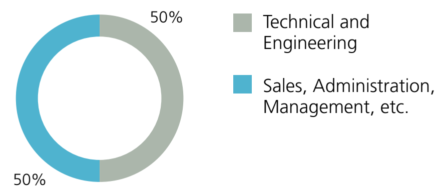
Age distribution



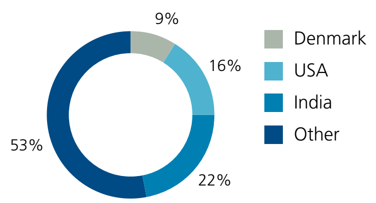
Length of service



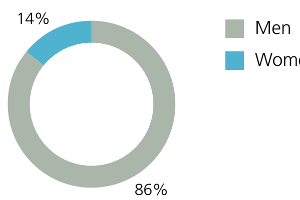
Job function



Geographical distribution



Gender



Risk management

Reference is made to pages 50-53 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.

Additional efficiency and business right-sizing initiatives

As a consequence of the lower level of order intake in the second half of 2014 as well as the need to improve profitability in the new Minerals division, additional efficiency and business right sizing initiatives have been initiated, which are expected to improve EBITA by DKK 200m in 2015, less one-off costs of DKK -100m.

Specifically, a Minerals EBITA improvement programme has been launched, which is expected to improve EBITA by DKK +150m in 2015 and to have a full-year EBITA impact of DKK +250m in 2016. The one-off costs associated with the EBITA improvement are DKK -90m in 2015. The aim is to reach an EBITA margin of minimum 3% in 2016 in the new Minerals division. Additionally, cost optimisation on country and group level are expected to improve EBITA by DKK 50m in 2015, involving one-off costs of around DKK -10m. The combined initiatives are expected to result in headcount reductions of around 300, of which 250 are related to Minerals.

Guidance for 2015

Guidance for 2015

In 2015, FLSmidth & Co. A/S expects a consolidated revenue of DKK 19-21bn*) (2014: DKK 21.1bn) and an EBITA margin of 9-10% (2014: 7.7%).**)

The return on capital employed is expected to be 12-14% in 2015 (2014: 11%).

The effective tax rate is expected to be 31-33% (2014: 30.2%) and cash flow from investments is expected to be around DKK -0.4bn excl. acquisitions and divestments. (2014: DKK -0.4bn).

*) At prevailing currency exchange rates

**) The effects of the additional efficiency and business right-sizing initiatives are included in the guidance for 2015.

With respect to the expected divisional performance, it is clear that 2015 will be a challenging year for the two project divisions, Minerals and Cement, considering the relatively low order backlog at the beginning of the year and the current cyclical downturn. Cement, however, is expected to see a pickup in order intake in 2015 and brighter times ahead.

The Product Companies and the Customer Services Divisions are expected to be on a growth trajectory with a potential to expand margins.

Long term financial targets

The long-term financial targets for the FLSmidth Group remain unchanged:

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 and EBITA margin are not expected to be achieved in 2015. It is, however, a clear target to reach the long-term targets within the foreseeable future by gradually improving profitability (EBITA margin) and capital efficiency (Revenue/Capital employed).

In addition to the Group targets, long-term financial targets for the new divisions were announced in connection with the Capital Markets Day on 11 December 2014:

	Growth (over the cycle)	**EBITA%** (over the cycle)	**Net working capital** (as pct. of revenue)
Customer Services	5-10%	>15%	15-20%
Product Companies	5-10%	12-15%	~15%
Minerals	5-6%	3-8%	Negative
Cement	3-5%	3-8%	Negative

The long-term financial targets will replace specific and detailed divisional guidance in the future.

Events occurring after the balance sheet data

On 12 January 2015, it was announced that FLSmidth had signed an agreement with a company in the Solix Group AB to sell all shares in Cembrit Holding A/S.

Cembrit is one of the leading distributors and manufacturers of fibre-cement products in Europe and has been part of the FLSmidth Group since 1927. The sale of Cembrit concludes FLSmidth's divestment of building materials companies, a process that started 10 years ago by the divestment of Aalborg Portland and Unicon.

The price of the shares had been agreed to DKK 1.1bn (Enterprise value on debt free basis). The transaction was close on 30 January 2015.

The sale of Cembrit is expected to have a positive impact of around DKK 100m on FLSmidth's profit from discontinued activities in Q1 2015. The purchase price will be paid in three tranches. The first and second tranches will be paid in Q1 2015, and the last tranche of DKK 125m will be paid 12 months after the closing date.

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' 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.

Corporate
social responsibility

FLSmidth has submitted a progress report to the UN Global Compact on 12 February 2015. 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/CSRreport2014.

Sustainability reporting at a glance

SOCIAL PERFORMANCE	2011	2012	2013	2014
Employees	13,204	15,900	15,317	14,765
Gender – % female employees	16%	16%	15%	14%
Gender – % female managers	7.2%	9.2%	10.5%	10.3%
Safety training hours (per employee)	2.5	5.7	7.6	10.0
Fatalities	0	1	2	0
Lost time injury frequency rate (LTIFR)	4.2	4.7	3.9	2.7
FLSmidth sites audited	Not reported	12	28	28

ENVIRONMENTAL PERFORMANCE	2011	2012	2013	2014
Scope 1 – CO_2 (tonnes)	23,000	27,600	24,000	12,700
Scope 2 – CO_2 (tonnes)	55,900	54,500	59,000	33,100
Scope 3 – CO_2 (tonnes)	34,000	39,800	37,400	32,200


FLSMIDTH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Divisional Performance in 2014

Customer Services

The service business in FLSmidth has been separated out to form an independent division to make growth of Customer Services a clear priority and to foster a strong service culture and mindset.

Offerings

The Customer Services division offers all kinds of services before, under and after the delivery of new equipment, including spare parts (~70%), services (~15%), operation & maintenance (~15%).

Market developments

The market for services remained relatively stable in 2014. Both cement and mining customers maintain a strict cost regime while at the same time expanding output and prioritising operational optimisation projects. This has increased the demand for productivity enhancing services.

Material Handling

FLSmidth is strongly placed in the material handling market, where bulk materials such as coal, iron ore and fertilisers are produced, conveyed and transported in large quantities.

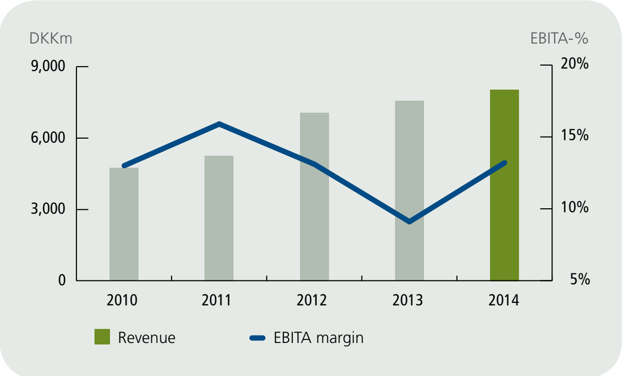
Offerings

The Material Handling division offers a complete range of products for transporting raw and bulk materials from the mine to their final destination, including in-pit crushing and conveying, stacking and reclaiming, loading and unloading systems.

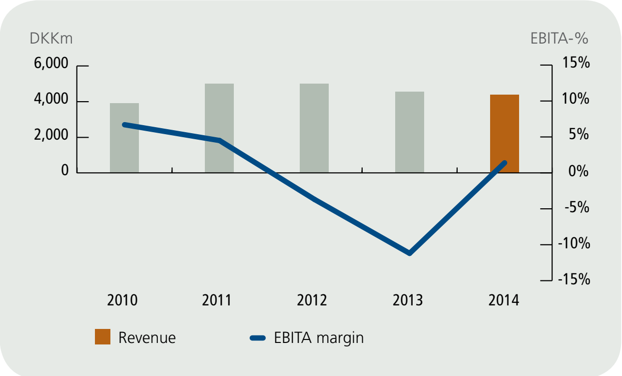
Market developments

The market for material handling remains subdued, impacted by the mining CAPEX downturn and the negative sentiment following 2014's steep drop in the price of iron ore, and a still soft coal market. Fertilizer prices have strengthened somewhat but on the back of a weak trend. Enquiries for larger greenfield projects remain few, whereas demand for plant optimisation and brownfield expansion is more stable.

Revenue and EBITA margin



Revenue and EBITA margin



Mineral Processing

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

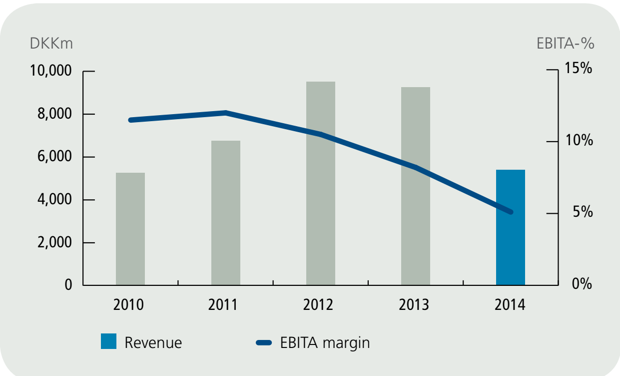
Offerings

The Mineral Processing division's offering ranges from 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 market for mineral processing has been difficult in 2014 and with mining capex expected to bottom in 2015 we are now just reaching the trough. The strengthened USD has put a downward pressure on most commodity prices which is cutting into miners' free cash flow. On the other hand, currency and the drop in oil price have moved down the cost curve for some producers. Customer focus is still on single equipment orders and upgrades and retrofits to improve productivity. Greenfield expansion is a priority in only very select pockets and larger projects continue to be pushed back.

Revenue and EBITA margin



Cement

For more than 130 years, FLSmidth has been the leading supplier of cement plants and specialised equipment to the global cement industry.

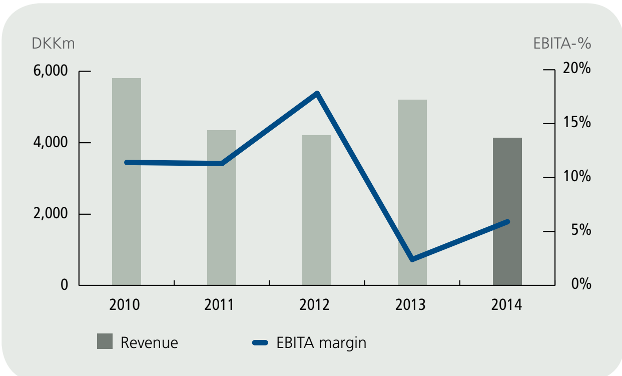
Offerings

The Cement division's offering includes unique process and engineering competences and the delivery of complete cement plants as well as production lines and single equipment.

Market developments

The market for new cement capacity has been at the bottom of the cycle for several years but now seems to be moving out of the trough, supported by an expected slow improvement in global capacity utilisation rates over the coming years. The recent plunge in oil prices is expected to have a short-term negative impact on business in oil-exporting countries, whereas business in oil-importing countries eventually could see a pick-up. Overall, the market is finishing the year stronger than it started.

Revenue and EBITA margin



Customer Services

Financial performance in 2014

Performance in the Customer Services division in 2014 was in line with expectations in terms of revenue, whereas order intake and EBITA ended the year on a weak note, however still within the guidance for the full year.
EBITA was negatively impacted by costs incurred in relation to delayed start-up on an O&M contract, whereas order intake was negatively impacted by market developments related to declining oil and commodity prices as well as currency volatility.

DKKm	2014	2013	Change (%)	Q4 2014	Q4 2013	Change (%)
Order intake	**7,386**	**8,005**	-8%	**1,639**	**2,032**	-19%
Order backlog	**7,130**	**8,046**	-11%	**7,130**	**8,046**	-11%
Revenue	**8,039**	**7,565**	6%	**2,234**	**2,000**	12%
Gross profit	**2,177**	**1,854**	17%	**507**	**480**	6%
Gross profit margin	*27.1%*	*24.5%*		*22.7%*	*24.0%*	
EBITDA	**1,162**	**768**	51%	**272**	**200**	36%
EBITDA margin	*14.5%*	*10.2%*		*12.2%*	*10.0%*	
EBITA	**1,058**	**691**	53%	**242**	**195**	24%
EBITA margin	*13.2%*	*9.1%*		*10.8%*	*9.8%*	
EBIT	**916**	**41**	2.134%	**195**	**151**	29%
EBIT margin	*11.4%*	*0.5%*		*8.7%*	*7.6%*	
Number of employees	**6,527**	**5,847**	12%	**6,527**	**5,847**	12%

Material Handling

Financial performance in 2014

In the Material Handling division, the revenue and EBITA slightly exceeded expectations in 2014, whereas order intake was negatively impacted by declining mining investments. Execution of the problematic legacy backlog is progressing according to plans. Another three contracts were finalised in Q4'14, leaving nine contracts yet to be concluded, representing 5% of the backlog.

DKKm	2014	2013	Change (%)	Q4 2014	Q4 2013	Change (%)
Order intake	**3,676**	**4,937**	-26%	**702**	**1,655**	-58%
Order backlog	**3,861**	**4,465**	-14%	**3,861**	**4,465**	-14%
Revenue	**4,379**	**4,552**	-4%	**1,332**	**1,472**	-9%
Gross profit	**824**	**335**	146%	**223**	**216**	3%
Gross profit margin	*18.8%*	*7.4%*		*16.7%*	*14.7%*	
EBITDA	**134**	**-455**	n/a	**46**	**-15**	n/a
EBITDA margin	*3.1%*	*-10.0%*		*3.5%*	*-1.0%*	
EBITA	**63**	**-511**	n/a	**26**	**-29**	n/a
EBITA margin	*1.4%*	*-11.2%*		*2.0%*	*-2.0%*	
EBIT	**0**	**-598**	n/a	**22**	**-67**	n/a
EBIT margin	*0.0%*	*-13.1%*		*1.7%*	*-4.6%*	
Number of employees	**2,948**	**3,306**	-11%	**2,948**	**3,306**	-11%

Mineral Processing

Financial performance in 2014

Performance in the Mineral Processing division did not meet expectations in 2014. No large orders were received and the base load of orders declined in line with investments in the mining industry. As a consequence, revenue fell short of expectations as did the gross profit and hence also the EBITA result. Business right-sizing initiatives have been implemented and more will follow to adjust capacity to the current business volume.

DKKm	2014	2013	Change (%)	Q4 2014	Q4 2013	Change (%)
Order intake	**4,048**	**5,559**	-27%	**877**	**1,025**	-14%
Order backlog	**3,710**	**4,993**	-26%	**3,710**	**4,993**	-26%
Revenue	**5,396**	**9,256**	-42%	**1,445**	**2,376**	-39%
Gross profit	**1,242**	**1,999**	-38%	**293**	**513**	-43%
Gross profit margin	*23.0%*	*21.6%*		*20.3%*	*21.6%*	
EBITDA	**361**	**850**	-58%	**92**	**174**	-47%
EBITDA margin	*6.7%*	*9.2%*		*6.4%*	*7.3%*	
EBITA	**273**	**757**	-64%	**69**	**153**	-55%
EBITA margin	*5.1%*	*8.2%*		*4.8%*	*6.4%*	
EBIT	**102**	**211**	-52%	**-10**	**88**	n/a
EBIT margin	*1.9%*	*2.3%*		*-0.7%*	*3.7%*	
Number of employees	**2,221**	**2,840**	-22%	**2,221**	**2,840**	-22%

Cement

Financial performance in 2014

Revenue and EBITA in the Cement division met expectations in 2014. The decline in revenue versus last year is a logical consequence of a lower order backlog at the beginning of the year. Order intake fell slightly short of expectations, however on a par with order intake last year.

DKKm	2014	2013	Change (%)	Q4 2014	Q4 2013	Change (%)
Order intake	**3,445**	**3,417**	1%	**723**	**1,150**	-37%
Order backlog	**4,873**	**5,389**	-10%	**4,873**	**5,389**	-10%
Revenue	**4,135**	**5,201**	-20%	**1,147**	**1,496**	-23%
Gross profit	**813**	**701**	16%	**260**	**102**	155%
Gross profit margin	*19.7%*	*13.5%*		*22.7%*	*6.8%*	
EBITDA	**280**	**161**	74%	**66**	**-35**	n/a
EBITDA margin	*6.8%*	*3.1%*		*5.8%*	*-2.3%*	
EBITA	**244**	**124**	97%	**56**	**-44**	n/a
EBITA margin	*5.9%*	*2.4%*		*4.9%*	*-2.9%*	
EBIT	**213**	**95**	124%	**43**	**-58**	n/a
EBIT margin	*5.2%*	*1.8%*		*3.7%*	*-3.9%*	
Number of employees	**2,020**	**2,251**	-10%	**2,020**	**2,251**	-10%

Risk Management

Risks and risk management are inherent parts of the nature of FLSmidth's business. The Group undertakes considerable risks within areas where it has established the competencies to identify, assess and manage 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. Through a simplified and standardized enterprise risk management practice 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 combined top-down/bottom-up approach with the underlying premise 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 managing of risks. The Board of Directors is ultimately responsible for this policy, including defining the Group's overall risk appetite and risk tolerance.

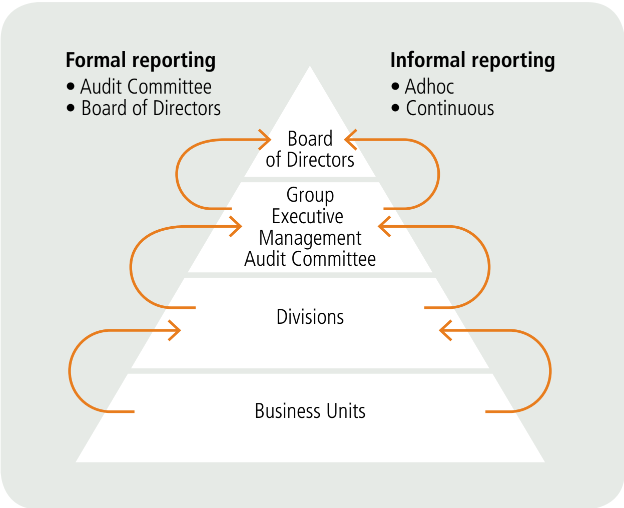
Each Division, Business Unit and Group Function has the responsibility to identify, assess and actively manage risks – this is a fundamental principle in FLSmidth's risk management philosophy that is executed at the following levels:

Group Executive Management: 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
Division: 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, operations and management, Supercenters, etc.
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 respon--sible for biannual reporting to the Audit Committee and the Board of Directors including Group Executive Management. This report includes identification of key risks and the relevant action plans.

Risk Reporting



Insurance

Mitigating the financial impact of certain types of risk allows FLSmidth to transfer some of the financial loss to an insurance partner, if an insured risk materialises.

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, which consists of a combination of global and local insurance policies.

The retention level of risk the Group chooses to take is evaluated on an annual basis, taking into consideration the Group's financial strength, the magnitude of the insured risk and the cost benefits that are based on current insurance market conditions.

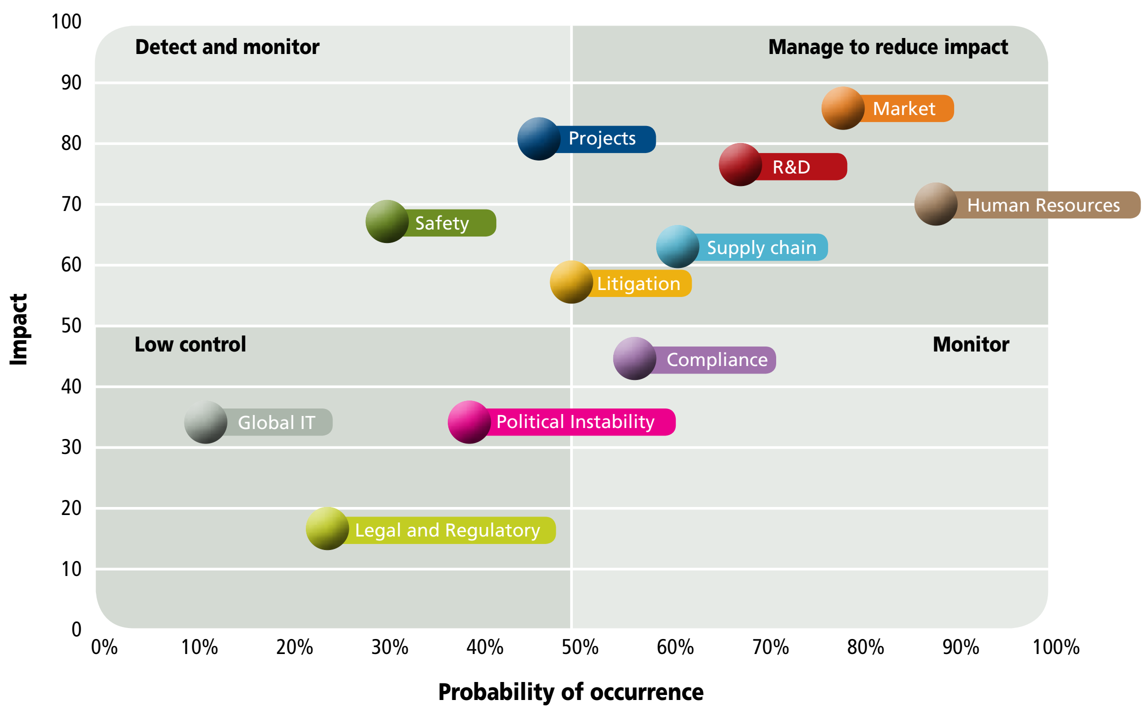
2014 Key risks

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: country, political, manufacturing, peer group, 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, the Group is prepared to accept considerable project-related risks within the areas where the Group has the competencies to manage such risks.

During the risk assessment process in 2014, the following key risks were identified in random order of priority:

- Supply Chain
- Market
- Compliance
- Human Resources
- Research and Development



Risk mitigation

RISK	CONTEXT	MITIGATION
Projects	A large part of FLSmidth's business consists of supplying equipment to customer-built, or in some cases managing the entire construction on an EPC basis for very large, complex processing plants. FLSmidth's projects are often located in remote locations with poor infrastructure, and in countries with challenging political, administrative and judicial structures in place.This can pose significant logistical, country-specific and political risks.	The Group focuses on projects that lie within its core competencies and match its strategic goals. Rigorous contract and project management play important roles in managing project-related risks. Large EPC projects must be reviewed and pre-approved by the Group's EPC Board, which consists of members from the Divisions, Business Units, the Group's General Counsel and Head of Turnkey Projects. The Group conducts monthly project reviews of all large projects which include risk assessments. The Group has also established project task forces with participants from selected areas of expertise, including Divisional CEO's/CFO's and relevant specialists to create a uniform platform for sparring on projects that are complex due to size, scope and/or geographical location.
Supply chain	Most of the manufacturing is outsourced to a global network of subcontractors and suppliers. This has proved to be a robust and sustainable business model suitable for cyclical industries.	The Group continues to broaden its supply base by building relations with new equipment manufacturers, as well as entering into long-term supplier master agreements with important suppliers. The Group controls the entire value chain from engineering to assembly for proprietary equipment and certain fast turning parts that are important to the Customer Services business. The Group applies standardised procedures for quality and health and safety for external suppliers and from the Group's own manufacturing units in order to ensure consistent, high quality and security of all supplies.
Market	The market is characterised by a high-degree of uncertainty and fierce competition in all markets with regard to product development and price.	The Group's flexible cost structure nature of the order backlog with a relatively long execution time means that it is able to adjust cost levels to mitigate the impact of changed business cycles and to cushion the effect of any market trends. Monitoring macroeconomic indicators in key markets and developing contingency plans in order to reduce costs helps to protect the Group's profitability.
Compliance	Compliance with regulatory requirements has top-priority in FLSmidth.	The Group's Compliance Department is responsible for ensuring that the company lives up to basic ethical standards and employs a range of policies including the global Code of Business Conduct, Anti-Bribery policy and Whistleblower Hotline.

RISK	CONTEXT	MITIGATION
Human Resources	In a knowledge-based company like FLSmidth, the employees are the 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 with regard to offering attractive employment conditions and further comprehensive training and development initiatives. The Group is also focused on building long-term relationships with universities and other higher educational institutions by sponsoring PhD programs and joint-development projects with individual scientific teams. For O&M projects, the Group secures the necessary labor by educating and developing the local labor force.
Research and Development	Research and Development is an integrated part of FLSmidth's Group Research and Product Review where key activities include scientific and engineering-based research and the continuous evaluation of new technologies and concepts.	It is the Group's vision to be the customers' One Source provider of sustainable minerals and cement technologies. Efforts are focused on research and development of technical solutions with high reliability and availability and minimum environmental impact.
Litigation	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.	Part of the Group's insurance for asbestos-related claims expired in 2014. The strategy for managing the ongoing exposure includes further investigations into potential insurance coverage from former insurance policies and a potential pool-sharing agreement.

Board of **Directors**

				
Name	Vagn Ove Sørensen Chairman	Torkil Bentzen Vice chairman	Martin Ivert	Sten Jakobsson
Age	55	68	67	66
Nationality	Danish	Danish	Swedish	Swedish
Gender	Male	Male	Male	Male
Member of the board since	2009, Chairman since 2011 (elected at the AGM). Member of the Audit, Compensation and Nomination Committees.	2002, Vice Chairman since 2012 (elected at the AGM). Chairman of the Technology Committee. Member of the Nomination and Compensation Committees.	2008 (elected at the AGM). Member of the Technology Committee.	2011 (elected at the AGM). Member of the Audit Committee.
Number of shares in FLSmidth	4,191	5,000	300	2,000
Executive positions in Denmark	Chairman of the Boards of Directors of TDC A/S and TIA Technologies A/S. Vice Chairman of the Board of Directors of DFDS A/S. Chairman of the Board of Directors of Bureau van Dijk BV. 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.	Chairman of the Board 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.	None	None
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.	Senior Advisor to the Board of Mitsui Engineering & Shipbuilding Ltd. (Japan).	Chairman of the Board of Directors of Åkers (Sweden), Bergteamet (Sweden). Member of the Board of Directors of Ovako (Sweden).	Chairman of the Boards of Directors of Power Wind Partners AB (Sweden), LKAB (Sweden). Vice Chairman of the Board of Directors of SAAB (Sweden). Member of the Boards of Directors of Stena Metall (Sweden), Xylem Inc (USA).
CEO experience	●	●	●	●
M&A	●	●	●	●
Financing & stock markets	●		●	●
International contracts	●	●	●	●
Accounting	●		●	●
Technology management		●		
Minerals and process industry			●	
Building contracting				●
Cement industry				

				
Tom Knutzen	Caroline Grégoire Sainte Marie	Mette Dobel	Søren Quistgaard Larsen	Jens Peter Koch
52	57	47	36	32
Danish	French	Danish	Danish	Danish
Male	Female	Female	Male	Male
2012 (elected at the AGM). Chairman of the Audit Committee.	2012 (elected at the AGM). Member of the Technology Committee.	2009 (elected by the employees)	2013 (elected by the employees)	2013 (elected by the employees)
12,500	150	864	65	40
None	None	None	None	None
CEO of Jungbunzlauer Suisse AG (Switzerland). Member of the Board of Directors and Chairman of the Board Audit Committee for Nordea Bank AB (publ) (Sweden).	Member of the Boards of Directors of Safran SA (France), Groupama SA (France), and Eramet (France). Investor and Member of the Board of Directors of CALYOS (Belgium).	None	None	None
●	●			
●	●			
●	●			
●	●			
●	●			
●				
	●			

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. Born 1965, German.

Formerly various managerial positions in Sandvik since 2001: Member of Group Executive Management (2011-2013), Chairman of SJL Shan Bao (2011-2012), President of the Business Area Construction (2011-2012), President, Construction, and SVP, Mining and Construction (2005-2011), Regional President Mining and Construction Central Europe (2001-2002). With Svedala, Germany (1998-2001). PhD from Technical University of Aachen (1999).

02 **Lars Vestergaard**

MSc (Economics and Management), Group Executive Vice President and CFO, with FLSmidth since April 2014. Born 1974, Danish.

Formerly with Carlsberg: Vice President and Chief Information Officer (2013-2014), Chief Financial Officer Carlsberg UK (2009-2013), Vice President, Treasury (2005-2009) and Director, Treasury (2004-2005). With ISS: Vice President, Treasury (2004) and Assistant Treasurer (2000-2003). With Jyske Bank: Fixed Income Analyst (1997-2000).

03 **Bjarne Moltke Hansen**

BSc (Engineering), Group Executive Vice President, Product Companies Division since January 2015, with FLSmidth since 1984. Born 1961, Danish.

Formerly Group Executive Vice President, Customer Services Division, FLSmidth (2002-2015), 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 **Virve Elisabeth Meesak**

BSc (Psychology and Behaviourism), Group Executive Vice President, Global Human Resources, with FLSmidth since 2013. Born 1960, Swedish.

Formerly independent human resource consultant, since 2010, Human Resource Director, Alstom 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.

05 **Brian M. Day**

BSc, Sales recruiting and training, Leadership and business management, Group Executive Vice President, Customer Services Division since 1 January 2015. Born 1956, American.

Formerly various managerial positions in FLSmidth in the period 2007-2015: Senior Vice President, Global Customer Services, Minerals (2012-2015), Vice President, Global Customer Services, Minerals (2007-2012). With GL&V-Dorr Oliver Eimco, Vice President Aftermarket (2002-2007), Baker Hughes Inc., Aftermarket Manager (1991-2002), EIMCO Process Equipment Company, Product Engineer / Process Engineer (1980-1991).

06 **Manfred Schaffer**

Mechanical Engineering degree, IFL Executive Education, IMD People Development and Business Strategy, Group Executive Vice President, Minerals Division since January 2015. Born 1958, Austrian.

Formerly Group Executive Vice President, Mineral Processing Division, FLSmidth (2014-2015). Various managerial positions in Sandvik in the period 2003-2013: Most recently as President, Mining Systems (2012-2013) and President, Surface Mining (2006-2012). With Voest-Alpine in the period 1979-2003 in various managerial positions.

07 **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. Born 1967, 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).

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. Born 1976, French.

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

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.

Following the execution of a share buyback programme of DKK 521m in 2013, it was decided at the Annual General Meeting in 2014 to cancel 1,950,000 shares which reduced the share capital to DKK 1,025,000,000 (end of 2013: DKK 1,064,000,000) and the total number of issued shares to 51,250,000 (end of 2013: 53,200,000). Each share entitles the holder to 20 votes.

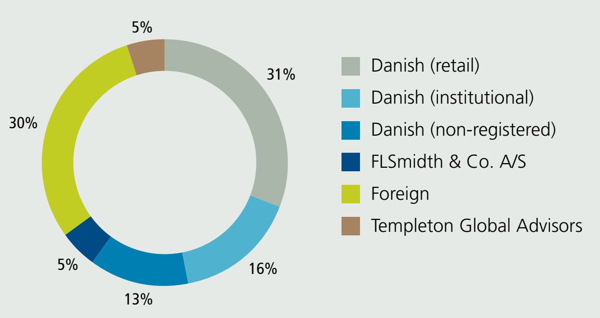
The FLSmidth & Co. A/S share is included in a number of share indices on NASDAQ OMX Copenhagen, including OMXC20, a leading share index. In total, the FLSmidth & Co. A/S share is included in 120 Danish, Nordic, European and global share indices.

According to the FLSmidth & Co. A/S share register, the company had approximately 52,000 shareholders at the end of 2014 (end of 2013: approximately 56,600). In addition, some 2,000 present and former employees hold shares in the company (end of 2013: some 3,500).

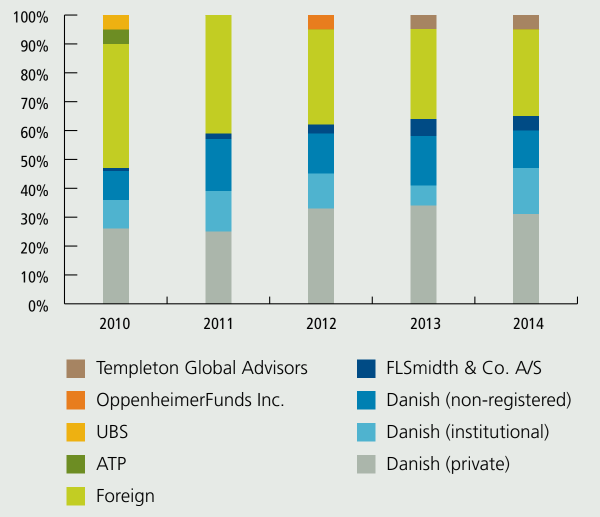
The FLSmidth & Co. A/S share has a free float of 95%. Two shareholders have reported a shareholding exceeding 5%: Franklin Resources Inc. and Templeton Global Advisors Limited (part of Franklin Resources, Inc.).

2014 saw a slight decrease in the share of foreign investors to approximately 35% including Templeton Global Advisors Limited, USA (2013: 36%), while Danish institutional investors increased their share to 16% (2013: 7%). In 2014, FLSmidth's holding of treasury shares decreased to 5% (2013: 7%) as a consequence of the cancellation of shares as mentioned above.

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 25,110 FLSmidth shares (2013: 18,185 shares). The holdings of the individual members appear on the pages 54-55.

The Group Executive Management holds a total of 6,063 FLSmidth shares (2013: 3,154 shares) and 217,162 share options (2013: 169,519 share options). Other key staff (305 persons) own a total of 2,268,299 share options (2013: 1,771,603 share options).

Return on the FLSmidth share in 2014

The total return on the FLSmidth & Co. A/S share in 2014 was -8% (2013: -7%). By comparison, the leading Danish stock index "OMXC20 CAP" increased 18% and "Dow Jones STOXX 600 Basic Resource" index decreased 6% in 2014. The share price started the year at 296.1 and ended the year at 272.3, having ranged between 246 and 333 during the year.

Capital structure and dividend for 2014

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

The Board of Directors' priority for capital structure and capital allocation is the following:

1. Be well-capitalized (NIBD/EBITDA < 2)
2. Ensure stable dividends (30-50% of net profit)
3. Invest in organic growth
4. Value adding M&As (not actively seeking)
5. Share buyback or special dividend

The Board of Directors will propose at the Annual General Meeting that a dividend of DKK 9 per share (2013: DKK 2) corresponding to a dividend yield of 3.3% (2013: 0.7%) and a pay-out ratio of 55% (2013: n/a negative result) be distributed for 2014.

The available capital resources consist of committed credit facilities at a total of DKK 8.3bn (end of 2013: DKK 8.3bn) with a weighted average maturity of 4.0 years (end of 2013: 2.8 years).

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.

Share and dividend figures, the Group

	2010	2011	2012	2013	2014
CFPS (Cash flow per share), DKK (diluted)	25.3	21.8	33.0	(3.1)	26.3
EPS (earnings per share), DKK (diluted)	24.4	27.1	25.1	(15.3)	16.4
Equity value per share, DKK (diluted)	154	169	181	139	158
DPS (dividend per share), DKK	9	9	9	2	9
Pay-out ratio (%)	37	33	36	n/a	55
Dividend yield (dividend as pct. of shareprice end of year)	1.7	2.7	2.8	0.7	3.3
FLSmidth & Co. A/S' share price end of year, DKK	532	337.5	327.2	296.1	272.3
Number of shares (1,000), end of year	53,200	53,200	53,200	53,200	51,250
Average number of shares (1,000) (diluted)	52,693	52,550	52,233	50,707	49,443
Market capitalisation, DKKm	28,302	17,955	17,407	15,753	13,955

Shareholder **information**

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.

Management and Investor Relations attended some 350 investor meetings and presentations (2013: 410) held in cities including Boston, Copenhagen, Frankfurt, London, New York, Paris and Stockholm. Additionally, FLSmidth hosted a Capital Market Day in Copenhagen on 11 December 2014 to present the new divisional structure as of 1 January 2015.

FLSmidth & Co. A/S is generally categorised as a capital goods, engineering or industrial company and is currently being covered by 17 stockbrokers including seven international. 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).

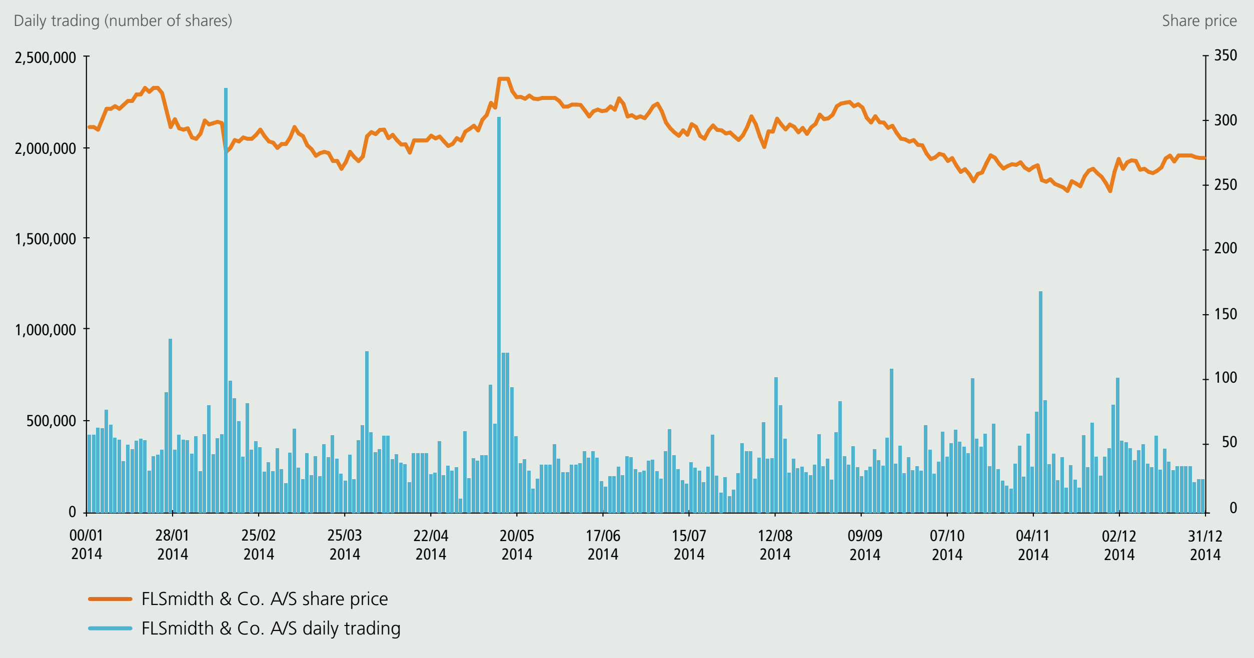
To contact the company's Investor Relations department, please see the company website (http://www.FLSmidth.com/IR_contacts).

Financial calendar 2015

26 March	Annual General Meeting
8 May	Q1 interim report
25 August	Q2 interim report
12 November	Q3 interim report

The Annual General Meeting will take place on 26 March 2016 at 16.00 hours at Tivoli Congress Center, Arni Magnussons gade 2, DK-1577 Copenhagen.

Development in share price and trading in 2014



Statement by Management **on the annual report**

The Board of Directors and the Executive Board have today considered and approved the annual report for the financial year 1 January - 31 December 2014.

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 2014 as well as of the results of their operations and cash flows for the financial year 1 January - 31 December 2014.

In our opinion, the management commentary contains a fair review of the development of the Group's and the Parent's business and financial matters, the results for the year and of 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, 12 February 2015

Group Executive Management

Thomas Schulz
Group Chief Executive Officer

Lars Vestergaard
Group Executive Vice President and CFO

Bjarne Moltke Hansen
Group Executive Vice President

Virve Elisabeth Meesak
Group Executive Vice President

Brian M. Day
Group Executive Vice President

Manfred Schaffer
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

Martin Ivert

Sten Jakobsson

Tom Knutzen

Caroline Grégoire Sainte Marie

Mette Dobel

Søren Quistgaard Larsen

Jens Peter Koch

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 2014, 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 2014 , and of the results of its operations and cash flows for the financial year 1 January - 31 December 2014 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 2014, and of the results of its operations for the financial year 1 January - 31 December 2014 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 performed any further procedures in addition to the audit of the consolidated financial statements and parent financial statements.

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

Copenhagen, 12 February 2015

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	2012	2013				2014			
Cembrit reclassified as discontinued activities	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
INCOME STATEMENT									
Revenue	8,051	5,651	6,456	6,329	7,046	4,949	5,167	5,102	5,911
Gross profit	1,883	1,236	1,181	1,145	1,290	1,176	1,322	1,276	1,282
Sales, distr. and admin. costs and other operating items	(917)	(909)	(813)	(829)	(993)	(788)	(792)	(746)	(799)
Earnings before special non-recurring items, depreciation, amortisations and write downs (EBITDA)	966	327	368	316	297	388	530	530	483
Special non-recurring items	(11)	(5)	(10)	1	20	0	(6)	(14)	(6)
Depreciation and impairment of tangible assets	(65)	(68)	(71)	(66)	(67)	(66)	(67)	(68)	(77)
Earnings before amortisations and impairment on intangible assets (EBITA)	890	254	287	251	250	322	457	448	400
Amortisation and impairment of intangible assets	(94)	(88)	(92)	(971)	(161)	(86)	(89)	(87)	(145)
Earnings before interests and tax (EBIT)	796	166	195	(720)	89	236	368	361	255
Financial income/costs, net	(29)	(38)	14	(81)	(151)	(62)	(31)	(84)	59
Earnings before tax (EBT)	767	128	209	(801)	(62)	174	337	277	314
Tax for the period	(294)	(43)	(78)	-	(81)	(56)	(117)	(101)	(59)
Profit/loss on continuing activities for the period	**473**	**85**	**131**	**(801)**	**(143)**	**118**	**220**	**176**	**255**
Profit/loss on discontinued activities for the period	(11)	(50)	12	18	(36)	(3)	17	39	(9)
Profit/loss for the period	**462**	**35**	**143**	**(783)**	**(179)**	**115**	**237**	**215**	**246**
Effect of purchase price allocation	(88)	(81)	(81)	(81)	(79)	(76)	(76)	(76)	(76)
Gross margin	*23.4%*	*21.9%*	*18.3%*	*18.1%*	*18.3%*	*23.8%*	*25.6%*	*25.0%*	*21.7%*
EBITDA margin	*12.0%*	*5.8%*	*5.7%*	*5.0%*	*4.2%*	*7.8%*	*10.3%*	*10.4%*	*8.2%*
EBITA margin	*11.1%*	*4.5%*	*4.4%*	*4.0%*	*3.5%*	*6.5%*	*8.8%*	*8.8%*	*6.8%*
EBIT margin	*9.9%*	*2.9%*	*3.0%*	*-11.4%*	*1.3%*	*4.8%*	*7.1%*	*7.1%*	*4.3%*
CASH FLOW									
Cash flow from operating activities	1,532	(466)	(51)	283	77	(552)	224	887	739
Cash flow from investing activities	(382)	(108)	(166)	(192)	(101)	(72)	(157)	(152)	(217)
Order intake, continuing activities	6,104	5,027	5,626	4,642	5,616	4,841	4,643	4,502	3,775
Order backlog, continuing activities	29,451	28,583	26,983	24,595	22,312	22,152	21,713	21,416	19,017
SEGMENT REPORTING									
Customer Services									
Revenue	2,129	1,809	2,020	1,736	2,000	1,770	1,954	2,081	2,234
Gross profit	614	489	569	316	480	503	600	567	507
EBITDA	317	195	320	53	200	251	323	316	272
EBITA	293	169	298	29	195	228	300	288	242
EBIT	259	144	277	(531)	151	197	268	256	195
Effect of purchase price allocation	(40)	(25)	(21)	(28)	(27)	(29)	(29)	(29)	(29)
Gross margin	*28,8%*	*27.0%*	*28.2%*	*18.2%*	*24.0%*	*28.4%*	*30.7%*	*27.3%*	*22.7%*
EBITDA margin	*14,9%*	*10.8%*	*15.8%*	*3.1%*	*10.0%*	*14.2%*	*16.5%*	*15.2%*	*12.2%*
EBITA margin	*13,8%*	*9.3%*	*14.8%*	*1.7%*	*9.8%*	*12.9%*	*15.4%*	*13.8%*	*10.8%*
EBIT margin	*12,2%*	*8.0%*	*13.7%*	*-30.6%*	*7.6%*	*11.1%*	*13.7%*	*12.3%*	*8.7%*
Order intake	2,442	1,964	1,900	2,109	2,032	2,066	1,801	1,880	1,639
Order backlog	8,159	8,236	7,979	8,325	8,046	8,341	8,169	7,977	7,130
Material Handling									
Revenue	1,326	1,055	944	1,081	1,472	1,040	960	1,047	1,332
Gross profit	29	125	(169)	163	216	187	228	186	223
EBITDA	(167)	(65)	(356)	(19)	(15)	(16)	57	47	46
EBITA	(177)	(79)	(369)	(34)	(29)	(28)	39	26	26
EBIT	(203)	(98)	(387)	(46)	(67)	(48)	20	6	22
Effect of purchase price allocation	(10)	(12)	(12)	(12)	(12)	(16)	(16)	(16)	(4)
Gross margin	*2.2%*	*11.8%*	*-17.9%*	*15.1%*	*14.7%*	*18.0%*	*23.8%*	*17.9%*	*16.7%*
EBITDA margin	*-12.6%*	*-6.2%*	*-37.7%*	*-1.8%*	*-1.0%*	*-1.5%*	*5.9%*	*4.5%*	*3.5%*
EBITA margin	*-13.3%*	*-7.5%*	*-39.1%*	*-3.1%*	*-2.0%*	*-2.7%*	*4.1%*	*2.5%*	*2.0%*
EBIT margin	*-15.3%*	*-9.3%*	*-41.0%*	*-4.3%*	*-4.6%*	*-4.6%*	*2.1%*	*0.6%*	*1.7%*
Order intake	675	1,616	1,028	638	1,655	1,056	836	1,082	702
Order backlog	4,773	5,126	4,976	4,465	4,465	4,445	4,334	4,501	3,861

Quarterly key figures (unaudited)

DKKm	2012	2013				2014			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Mineral Processing									
Revenue	3,358	2,010	2,477	2,393	2,376	1,416	1,355	1,180	1,445
Gross profit	829	432	544	510	513	295	311	343	293
EBITDA	483	151	292	233	174	89	81	99	92
EBITA	457	130	259	215	153	68	59	77	69
EBIT	426	88	212	(177)	88	38	28	46	(10)
Effect of purchase price allocation	(35)	(42)	(46)	(39)	(38)	(29)	(29)	(29)	(38)
Gross margin	*24.7%*	*21.5%*	*22.0%*	*21.3%*	*21.6%*	*20.8%*	*23.0%*	*29.0%*	*20.3%*
EBITDA margin	*14.4%*	*7.5%*	*11.8%*	*9.7%*	*7.3%*	*6.3%*	*6.0%*	*8.3%*	*6.4%*
EBITA margin	*13.6%*	*6.5%*	*10.5%*	*9.0%*	*6.4%*	*4.8%*	*4.4%*	*6.4%*	*4.8%*
EBIT margin	*12.7%*	*4.4%*	*8.6%*	*-7.4%*	*3.7%*	*2.7%*	*2.1%*	*3.8%*	*-0.7%*
Order intake	2,467	1,345	1,679	1,510	1,025	1,041	1,321	809	877
Order backlog	9,589	9,057	7,891	6,749	4,993	4,635	4,685	4,319	3,710
Cement									
Revenue	1,498	1,016	1,304	1,385	1,496	963	1,087	938	1,147
Gross profit	409	201	237	161	102	192	182	179	260
EBITDA	317	48	101	47	(35)	72	66	76	66
EBITA	307	39	91	38	(44)	63	58	67	56
EBIT	304	37	85	31	(58)	57	52	61	43
Effect of purchase price allocation	(3)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(5)
Gross margin	*27.3%*	*19.8%*	*18.2%*	*11.6%*	*6.8%*	*19.9%*	*16.7%*	*19.1%*	*22.7%*
EBITDA margin	*21.2%*	*4.7%*	*7.7%*	*3.4%*	*-2.3%*	*7.5%*	*6.1%*	*8.1%*	*5.8%*
EBITA margin	*20.5%*	*3.8%*	*7.0%*	*2.7%*	*-2.9%*	*6.5%*	*5.3%*	*7.1%*	*4.9%*
EBIT margin	*20.3%*	*3.6%*	*6.5%*	*2.2%*	*-3.9%*	*5.9%*	*4.8%*	*6.6%*	*3.7%*
Order intake	615	308	1,335	624	1,150	928	878	916	723
Order backlog	7,585	6,808	6,847	5,706	5,389	5,348	5,146	5,234	4,873

Quarterly
key figures

Quarterly key figures (restated and unaudited)

DKKm	2012	2013				2014			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SEGMENT REPORTING									
Customer Services									
Revenue	2,037	1,744	1,893	1,654	1,910	1,725	1,899	2,024	2,156
Gross profit	601	478	547	309	466	504	588	557	488
EBITDA	304	192	307	49	194	259	318	307	257
EBITA	281	167	284	25	188	236	296	279	227
EBIT	247	142	263	(535)	145	206	263	247	180
Gross margin	*29.5%*	*27.4%*	*28.9%*	*18.7%*	*24.4%*	*29.2%*	*31.0%*	*27.5%*	*22.6%*
EBITDA margin	*14.9%*	*11.0%*	*16.2%*	*3.0%*	*10.1%*	*15.0%*	*16.7%*	*15.2%*	*11.9%*
EBITA margin	*13.8%*	*9.6%*	*15.0%*	*1.5%*	*9.8%*	*13.7%*	*15.6%*	*13.8%*	*10.5%*
EBIT margin	*12.1%*	*8.1%*	*13.9%*	*-32.3%*	*7.6%*	*11.9%*	*13.8%*	*12.2%*	*8.3%*
Order intake	2,429	1,873	1,866	2,083	2,016	2,016	1,773	1,832	1,618
Order backlog	7,593	7,645	7,486	7,897	7,699	7,990	7,850	7,667	6,881
Product Companies									
Revenue	1,714	1,284	1,567	1,498	1,608	1,356	1,370	1,349	1,463
Gross profit	611	382	447	365	401	387	412	388	378
EBITDA	373	139	226	161	174	150	241	218	158
EBITA	354	117	205	137	151	128	214	188	134
EBIT	349	98	185	117	129	109	195	169	116
Gross margin	*35.7%*	29.8%	*28.5%*	*24.4%*	*24.9%*	28.5%	*30.1%*	*28.7%*	*25.8%*
EBITDA margin	*21.8%*	10.8%	*14.5%*	*10.8%*	*10.8%*	11.0%	*17.6%*	*16.2%*	*10.8%*
EBITA margin	*20.6%*	9.1%	*13.1%*	*9.2%*	*9.4%*	9.5%	*15.6%*	*13.9%*	*9.2%*
EBIT margin	*20.4%*	7.6%	*11.8%*	*7.8%*	*8.0%*	8.0%	*14.2%*	*12.5%*	*7.9%*
Order intake	1,319	1,454	1,542	1,224	1,191	1,516	1,344	1,163	1,178
Order backlog	3,691	3,861	3,712	3,400	2,981	3,174	3,124	3,026	2,705
Minerals									
Revenue	3,293	2,096	2,210	2,286	2,594	1,387	1,242	1,217	1,683
Gross profit	345	265	32	379	425	170	206	220	241
EBITDA	11	(14)	(226)	93	42	(36)	(54)	(22)	24
EBITA	(10)	(30)	(254)	79	27	(51)	(71)	(39)	2
EBIT	(63)	(73)	(301)	(306)	(56)	(83)	(103)	(72)	(65)
Gross margin	*10.5%*	*12.6%*	*1.4%*	*16.6%*	*16.4%*	*12.3%*	*16.6%*	*18.1%*	*14.3%*
EBITDA margin	*0.3%*	*-0.6%*	*-10.2%*	*4.1%*	*1.6%*	*-2.6%*	*-4.3%*	*-1.8%*	*1.4%*
EBITA margin	*-0.3%*	*-1.4%*	*-11.5%*	*3.5%*	*1.0%*	*-3.7%*	*-5.7%*	*-3.2%*	*0.1%*
EBIT margin	*-1.9%*	*-3.5%*	*-13.6%*	*-13.4%*	*-2.2%*	*-6.0%*	*-8.3%*	*-5.9%*	*-3.9%*
Order intake	2,087	1,790	1,463	1,195	1,783	858	1,077	1,024	626
Order backlog	11,683	11,324	10,078	8,698	7,349	6,765	6,707	6,650	5,570
Cement									
Revenue	1,285	820	1,098	1,207	1,272	726	880	750	894
Gross profit	324	121	155	97	18	118	114	111	176
EBITDA	261	11	49	12	(86)	23	22	33	37
EBITA	255	6	44	6	(91)	19	17	28	31
EBIT	253	6	39	1	(103)	14	12	24	19
Gross margin	*25.2%*	*14.8%*	*14.1%*	*8.0%*	*1.4%*	*16.2%*	*13.0%*	*14.8%*	*19.7%*
EBITDA margin	*20.3%*	*1.4%*	*4.4%*	*1.0%*	*-6.7%*	*3.2%*	*2.4%*	*4.4%*	*4.1%*
EBITA margin	*19.9%*	*0.7%*	*4.0%*	*0.5%*	*-7.1%*	*2.5%*	*1.9%*	*3.8%*	*3.5%*
EBIT margin	*19.7%*	*0.7%*	*3.5%*	*0.1%*	*-8.1%*	*1.9%*	*1.4%*	*3.2%*	*2.1%*
Order intake	415	135	1,087	410	954	702	677	704	547
Order backlog	7,182	6,413	6,437	5,275	4,990	4,957	4,771	4,820	4,546

Company Announcements 2014

Date	Description	No.
09-Jan	**New member of Group Executive Management – Eric Thomas Poupier, Group Executive Vice President** New Group Executive Vice President, Business Development	**1/2014**
16-Jan	**FLSmidth wins cement order in Oman** DKK 205m cement order in Oman	**2/2014**
13-Feb	**Annual Report for FLSmidth & Co. A/S 1 January – 31 December 2013** Annual Report 2013	**3/2014**
17-Feb	**FLSmidth wins large cement order in Indonesia** DKK 310m cement order in Indonesia	**4/2014**
03-Mar	**NOTICE of the Annual General Meeting of FLSmidth & Co. A/S** Notice of Annual General Meeting	**5/2014**
07-Mar	**FLSmidth appoints new Group Financial Officer** New Group Financial Officer Lars Vestergaard appointed	**6/2014**
27-Mar	**Summary of FLSmidth & Co. A/S Annual General Meeting** Summary of Annual General Meeting	**7/2014**
30-Apr	**FLSmidth penalty on former subsidiary upheld** Penalty imposed on FLSmidth & Co. A/S in March 2012 upheld	**8/2014**
30-Apr	**Reduction of the share capital** Reduction of company's share capital	**9/2014**
30-Apr	**Change in share capital and voting rights** Change in share capital	**10/2014**
07-May	**FLSmidth receives third large order from Mongolian customer** DKK 231m EPC order in Mongolia	**11/2014**
14-May	**Interim Report for FLSmidth & Co. A/S 1 January – 31 March 2014** Q1 Interim Report	**12/2014**
19-Jun	**FLSmidth penalty on former subsidiary upheld** Liability obligation imposed on FLS Plast A/S in March 2012 upheld	**13/2014**
11-Jul	**FLSmidth receives material handling order in Vietnam** DKK 302m material handling order in Vietnam	**14/2014**

Date	Description	No.
13-Aug	**Interim Report for FLSmidth & Co. A/S 1 January – 31 June 2014** Q2 Interim Report	**15/2014**
13-Aug	**FLSmidth optimises organisational structure** Change in FLSmidth organisation structure	**16/2014**
13-Aug	**FLSmidth adjusts Group Executive Management** Appointment of new divisional presidents for the Minerals division, the Product Companies division and the Customer Services division	**17/2014**
20-Aug	**FLSmidth to supply cement plant in the Democratic Republic of Congo** DKK 507m cement order in Democratic Republic of Congo	**18/2014**
22-Aug	**New share option plan** New share options to the Executive Management and key staff	**19/2014**
07-Nov	**Interim Report for FLSmidth & Co. A/S 1 January – 30 Septem-ber 2014** Q3 Interim Report	**20/2014**
07-Nov	**FLSmidth & Co. A/S financial calendar 2015** Financial calendar 2015	**21/2014**
18-Nov	**Granting of share options** Discretionary allocation of share options	**22/2014**
25-Nov	**FLSmidth signs contract for large cement project** EPC Contract for cement plant in US	**23/2014**
25-Nov	**Reports in the Bolivian media** Reports in Bolivian media	**24/2014**
11-Dec	**FLSmidth Capital Market Day 2014** Capital Market Day in Denmark	**25/2014**
23-Dec	**FLSmidth to supply cement production line in Colombia** Cement order in Colombia	**26/2014**

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Consolidated income statement

Notes	DKKm	2014	2013
2+3	Revenue	21,129	25,482
	Production costs	(16,073)	(20,630)
	Gross profit	**5,056**	**4,852**
	Sales and distribution costs	(1,461)	(1,619)
	Administrative costs	(1,706)	(2,075)
4	Other operating income	83	207
4	Other operating costs	(41)	(57)
	Earnings before special non-recurring items, depreciation, amortisation and impairment (EBITDA)	**1,931**	**1,308**
6	Special non-recurring items	(26)	6
18	Depreciation and impairment of tangible assets	(278)	(272)
	Earnings before amortisation and impairment of intangible assets (EBITA)	**1,627**	**1,042**
17	Amortisation and impairment of intangible assets	(407)	(1,312)
	Earnings before interest and tax (EBIT)	**1,220**	**(270)**
27	Financial income	1,421	1,408
27	Financial costs	(1,539)	(1,664)
	Earnings before tax (EBT)	**1,102**	**(526)**
25	Tax for the year	(333)	(202)
	Profit/(loss) for the year, continuing activities	**769**	**(728)**
16	Profit/(loss) for the year, discontinued activities	44	(56)
	Profit/(loss) for the year	**813**	**(784)**
	To be distributed as follows:		
	FLSmidth & Co. A/S shareholders' share of profit/loss for the year	812	(776)
7	Minority shareholders' share of profit/loss for the year	1	(8)
		813	**(784)**
8	Earnings per share (EPS):		
	Continuing and discontinued activities per share	16.4	(15.3)
	Continuing and discontinued activities, diluted, per share	16.4	(15.3)
	Continuing activities per share	15.6	(14.2)
	Continuing activities, diluted, per share	15.5	(14.2)

Consolidated statement of comprehensive income

Notes	DKKm	2014	2013
	Profit/(loss) for the year	813	(784)
	Other comprehensive income for the year		
	Items that will not be reclassified to profit or loss		
	Actuarial gains/(losses) on defined benefit plans	(123)	114
	Tax on items that will not be reclassified to profit or loss	19	(35)
	Items that are or may be reclassified subsequently to profit or loss		
	Foreign exchange adjustments regarding enterprises abroad	295	(522)
	Foreign exchange adjustments of loans classified as equity in enterprises abroad	107	(208)
	Foreign exchange adjustments regarding liquidation of company		(3)
	Value adjustments of hedging instruments:		
	Value adjustments for the year	(153)	20
	Value adjustments transferred to financial income and costs	107	(13)
	Value adjustments transferred to other operating items	6	(34)
25	Tax on items that are or may be reclassified subsequently to profit or loss	4	57
	Other comprehensive income for the year after tax	**262**	**(624)**
	Comprehensive income for the year	**1,075**	**(1,408)**
	Comprehensive income for the year attributable to:		
	FLSmidth & Co. A/S shareholders' share of comprehensive income for the period	1,073	(1,392)
	Minority shareholders' share of comprehensive income for the period	2	(16)
		1,075	**(1,408)**

Consolidated cash flow statement

Notes	DKKm	2014	2013
	Earnings before special non-recurring items, depreciation, amortisation and impairment (EBITDA), continuing activities	1,931	1,308
	Earnings before special non-recurring items, depreciation, amortisation and impairment (EBITDA), discontinued activities	115	(2)
	Earnings before special non-recurring items, depreciation, amortisation and impairment (EBITDA)	**2,046**	**1,306**
	Adjustment for profits/losses on sale of tangible and intangible assets and special non-recurring items etc.	12	32
	Adjusted earnings before special non-recurring items, depreciation, amortisation and impairment (EBITDA)	**2,058**	**1,338**
10	Change in provisions	(431)	203
11	Change in net working capital	168	(893)
	Cash flow from operating activities before financial items and tax	**1,795**	**648**
12	Financial items received and paid	(86)	(123)
25	Taxes paid	(411)	(682)
	Cash flow from operating activities	**1,298**	**(157)**
14	Acquisition of enterprises and activities	(200)	(50)
17	Acquisition of intangible assets	(141)	(173)
18	Acquisition of tangible assets	(366)	(524)
	Acquisition of financial assets	0	(5)
15	Disposal of enterprises and activities	16	77
	Disposal of intangible assets	10	0
	Disposal of tangible assets	77	90
	Disposal of financial assets	6	18
	Cash flow from investing activities	**(598)**	**(567)**
	Dividend	(104)	(467)
	Acquisition of treasury shares	(195)	(668)
	Disposal of treasury shares	10	8
13	Change in net interest-bearing debt	(514)	1,444
	Cash flow from financing activities	**(803)**	**317**
	Change in cash and cash equivalents	**(103)**	**(407)**
29	Cash and cash equivalents at 1 January	1,077	1,638
	Foreign exchange adjustment, cash and cash equivalents*	47	(154)
29	Cash and cash equivalents at 31 December (including Cembrit)	1,021	1,077

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

*Foreign exchange adjustment, cash and cash equivalents in 2014 primarily consists of positive changes in the rate of USD (DKK 19m) and INR (DKK 17m) in relation to Danish kroner. In 2013 the foreign exchange rate adjustment primarily consist 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	2014	2013
	Goodwill	4,275	4,094
	Patents and rights	1,490	1,606
	Customer relations	1,207	1,254
	Other intangible assets	109	125
	Completed development projects	336	115
	Intangible assets under development	336	542
17	**Intangible assets**	**7,753**	**7,736**
	Land and buildings	1,707	1,737
	Plant and machinery	693	972
	Operating equipment, fixtures and fittings	191	235
	Tangible assets in course of construction	111	231
18	**Tangible assets**	**2,702**	**3,175**
	Investments in associates	8	9
32+33	Other securities and investments	90	59
36	Pension assets	3	10
26	Deferred tax assets	979	1,131
	Financial assets	**1,080**	**1,209**
	Total non-current assets	**11,535**	**12,120**
23	**Inventories**	**2,628**	**2,575**
24	Trade receivables	5,026	5,099
22	Work-in-progress for third parties	3,289	4,491
	Prepayments to subcontractors	279	414
24	Other receivables	1,215	1,511
	Prepaid expenses and accrued income	20	34
	Receivables	**9,829**	**11,549**
33	**Bonds and listed shares**	**1**	**7**
29	**Cash and cash equivalents**	**963**	**1,077**
20	**Assets classified as held for sale**	**1,396**	**0**
	Total current assets	**14,817**	**15,208**
	TOTAL ASSETS	**26,352**	**27,328**

Equity and liabilities

Notes	DKKm	2014	2013
	Share capital	1,025	1,064
	Foreign exchange adjustments	(332)	(733)
	Value adjustments of hedging transactions	(63)	(23)
	Retained earnings	6,629	6,474
	Proposed dividend	461	106
	FLSmidth & Co. A/S' shareholders' share of equity	**7,720**	**6,888**
	Minority shareholders' share of equity	41	34
	Total equity	**7,761**	**6,922**
26+35	Deferred tax liabilities	552	541
35+36	Pension liabilities	263	159
34+35	Other provisions	551	688
35	Mortgage debt	352	352
35	Bank loans	3,777	5,023
35	Finance lease	3	4
35	Prepayments from customers	229	327
35	Other liabilities	141	190
	Long-term liabilities	**5,868**	**7,284**
36	Pension liabilities	6	11
34	Other provisions	1,047	1,421
	Bank loans	1,401	178
	Finance lease	3	6
	Prepayments from customers	1,602	2,632
22	Work-in-progress for third parties	3,223	3,138
	Trade payables	2,736	3,283
	Current tax liabilities	261	523
	Other liabilities	1,928	1,890
	Deferred revenue	33	40
	Short-term liabilities	**12,240**	**13,122**
20	**Liabilities directly associated with assets classified as held for sale**	**483**	**0**
	Total liabilities	**18,591**	**20,406**
	TOTAL EQUITY AND LIABILITIES	**26,352**	**27,328**

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 shareholders' share of equity	Total
Equity at 1 January 2014	**1,064**	**(733)**	**(23)**	**6,474**	**106**	**6,888**	**34**	**6,922**
Comprehensive income for the year								
Profit/(loss) for the year				812		812	1	813
Other comprehensive income								
Actuarial gains/losses on defined benefit plans				(123)		(123)		(123)
Foreign exchange adjustments regarding enterprises abroad		294				294	1	295
Foreign exchange adjustments of loans classified as equity in enterprises abroad		107				107		107
Value adjustments of hedging instruments:								
Value adjustments for the year			(153)			(153)		(153)
Value adjustments transferred to financial income and costs			107			107		107
Value adjustments transferred to other operating items			6			6		6
Tax on other comprehensive income*				23		23		23
Other comprehensive income total	**0**	**401**	**(40)**	**(100)**	**0**	**261**	**1**	**262**
Comprehensive income for the year	**0**	**401**	**(40)**	**712**	**0**	**1,073**	**2**	**1,075**
Dividend distributed					(99)	(99)	(5)	(104)
Dividend treasury shares				7	(7)	0		0
Share-based payment, share options				43		43		43
Proposed dividend				(461)	461	0		0
Disposal treasury shares				10		10		10
Acquisition treasury shares				(195)		(195)		(195)
Cancellation of treasury shares	(39)			39		0		0
Addition of minority interests						0	14	14
Reduction of minority interests						0	(4)	(4)
Equity at 31 December 2014	**1,025**	**(332)**	**(63)**	**6,629**	**461**	**7,720**	**41**	**7,761**

* For specification of tax on other comprehensive income see note 25 in the consolidated financial statement.

Dividend distributed in 2014 consists of DKK 2 per share (2013: DKK 9).
Proposed dividend for 2014 amounts to DKK 9 per share (2013: DKK 2).

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 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)
Reduction of 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 25 in the consolidated financial statement.

Segment information

Accounting policy

Segmentation of the Group is according to business, i.e. Customer Services, Material Handling, Mineral Processing and Cement and forms the basis of Management's day-to-day control. Customer services include service, part supply and upgrades carried out before, while and after FLSmidth installs a plant and commissions it.

Additionally Customer Services include 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.

Other companies etc. consist of companies with no activities, real estate companies, eliminations and the parent company, while discontinued activities consist of Cembrit and 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 includes transactions between segments. Such transactions are determined on market terms. The transactions are eliminated in connection with the consolidation.

1. Breakdown of the Group by segments for 2014

DKKm	Customer Services	Material Handling	Mineral Processing	Cement	Other companies etc.	Continuing activities	Discon-tinued activities[1]	FLSmidth Group
INCOME STATEMENT								
External revenue	7,929	3,802	5,284	4,114	0	21,129	1,535	22,664
Internal revenue	110	577	112	21	(820)	0	0	0
Revenue	**8,039**	**4,379**	**5,396**	**4,135**	**(820)**	**21,129**	**1,535**	**22,664**
Production costs	(5,862)	(3,555)	(4,154)	(3,322)	820	(16,073)	(1,123)	(17,196)
Gross profit	**2,177**	**824**	**1,242**	**813**	**0**	**5,056**	**412**	**5,468**
Sales, distr. and admin. costs and other operating items	(1,015)	(690)	(881)	(533)	(6)	(3,125)	(297)	(3,422)
Earnings before special non-recurring items, depreciation, amortisation and impairment (EBITDA)	**1,162**	**134**	**361**	**280**	**(6)**	**1,931**	**115**	**2,046**
Special non-recurring items	(9)	(17)	0	0	0	(26)	1	(25)
Depreciation and impairment of tangible assets	(95)	(54)	(88)	(36)	(5)	(278)	(57)	(335)
Earnings before amortisation and impairment of intangible assets (EBITA)	**1,058**	**63**	**273**	**244**	**(11)**	**1,627**	**59**	**1,686**
Amortisation and impairment of intangible assets	(142)	(63)	(171)	(31)	0	(407)	(3)	(410)
Earnings before interest and tax (EBIT)	**916**	**0**	**102**	**213**	**(11)**	**1,220**	**56**	**1,276**
ORDER INTAKE (GROSS)	**7,386**	**3,676**	**4,048**	**3,445**	**(794)**	**17,761**	**n/a**	**17,761**
ORDER BACKLOG	**7,130**	**3,861**	**3,710**	**4,873**	**(557)**	**19,017**	**n/a**	**19,017**
FINANCIAL RATIOS								
Gross margin	*27.1%*	*18.8%*	*23.0%*	*19.7%*	*n/a*	*23.9%*	*n/a*	*24.1%*
EBITDA margin	*14.5%*	*3.1%*	*6.7%*	*6.8%*	*n/a*	*9.1%*	*n/a*	*9.0%*
EBITA margin	*13.2%*	*1.4%*	*5.1%*	*5.9%*	*n/a*	*7.7%*	*n/a*	*7.4%*
EBIT margin	*11.4%*	*0.0%*	*1.9%*	*5.2%*	*n/a*	*5.8%*	*n/a*	*5.6%*
Number of employees at 31 December	**6,527**	**2,948**	**2,221**	**2,020**	**7**	**13,723**	**1,042**	**14,765**

Reconciliation of the year's profit/(loss)	Continuing activities	Discon-tinued activities
Segment earnings before interest and tax (EBIT) of reportable segments	1,220	56
Financial income	1,421	13
Financial costs	(1,539)	(16)
Earnings before tax (EBT)	**1,102**	**53**
Tax for the year	(333)	(9)
Profit/(loss) for the year	**769**	**44**

[1] Discontinued activities consist of Cembrit activities (see note 16 in the consolidated financial statement) and run-off on activities sold in previous years.

Cembrit was sold as of 30 January 2015. As the sales process was initiated during December 2014, Cembrit is reclassified as discontinued activities. Profit and loss comparative figures for 2013 have been adjusted accordingly.

1. Breakdown of the Group by segments for 2013

DKKm	Customer Services	Material Handling	Mineral Processing	Cement	Other companies etc,	Continuing activities	Discontinued activities	FLSmidth Group
INCOME STATEMENT								
External revenue	7,464	3,770	9,063	5,185	-	25,482	1,445	26,927
Internal revenue	101	782	193	16	(1,092)	0	0	0
Revenue	**7,565**	**4,552**	**9,256**	**5,201**	**(1,092)**	**25,482**	**1,445**	**26,927**
Production costs	(5,711)	(4,217)	(7,257)	(4,500)	1,055	(20,630)	(1,088)	(21,718)
Gross profit	**1,854**	**335**	**1,999**	**701**	**(37)**	**4,852**	**357**	**5,209**
Sales, distr. and admin. costs and other operating items	(1,086)	(790)	(1,149)	(540)	21	(3,544)	(359)	(3,903)
Earnings before special non-recurring items, depreciation, amortisation and impairment (EBITDA)	**768**	**(455)**	**850**	**161**	**(16)**	**1,308**	**(2)**	**1,306**
Special non-recurring items	3	0	0	0	3	6	0	6
Depreciation and impairment of tangible assets	(80)	(56)	(93)	(37)	(6)	(272)	(61)	(333)
Earnings before amortisation and impairment of intangible assets (EBITA)	**691**	**(511)**	**757**	**124**	**(19)**	**1,042**	**(63)**	**979**
Amortisation and impairment of intangible assets	(650)	(87)	(546)	(29)	0	(1,312)	(4)	(1,316)
Earnings before interest and tax (EBIT)	**41**	**(598)**	**211**	**95**	**(19)**	**(270)**	**(67)**	**(337)**
ORDER INTAKE (GROSS)	**8,005**	**4,937**	**5,559**	**3,417**	**(1,007)**	**20,911**	**n/a**	**20,911**
ORDER BACKLOG	**8,046**	**4,465**	**4,993**	**5,389**	**(581)**	**22,312**	**n/a**	**22,312**
FINANCIAL RATIOS								
Gross margin	*24.5%*	*7.4%*	*21.6%*	*13.5%*	*n/a*	*19.0%*	*n/a*	*19.3%*
EBITDA margin	*10.2%*	*-10.0%*	*9.2%*	*3.1%*	*n/a*	*5.1%*	*n/a*	*4.9%*
EBITA margin	*9.1%*	*-11.2%*	*8.2%*	*2.4%*	*n/a*	*4.1%*	*n/a*	*3.6%*
EBIT margin	*0.5%*	*-13.1%*	*2.3%*	*1.8%*	*n/a*	*-1.1%*	*n/a*	*-1.3%*
Number of employees at 31 December	**5,847**	**3,306**	**2,840**	**2,251**	**4**	**14,248**	**1,069**	**15,317**

Reconciliation of the year's profit/(loss)	Continuing activities	Discontinued activities
Segment earnings before interest and tax (EBIT) of reportable segments	(270)	(67)
Financial income	1,408	27
Financial costs	(1,664)	(31)
Earnings before tax (EBT)	**(526)**	**(71)**
Tax for the year	(202)	15
Profit/(loss) for the year	**(728)**	**(56)**

2. Geographical information

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

DKKm	2014	2013
Revenue (continuing activities)		
Europe	2,487	2,973
Asia	5,282	6,638
North America	4,435	4,812
South America	3,468	5,394
Africa	3,759	3,727
Australia	1,698	1,938
	21,129	**25,482**
Significant revenue in individual countries (more than 5% of total revenue):		
- Denmark (the Group's domicile country)	50	96
- USA	3,171	3,030
- Australia	1,679	1,929
- India	1,201	1,685
- Chile	1,523	2,038
- Canada	758	1,196
- Brazil	674	1,752
- Russia	904	1,482
The geographical breakdown of assets is based on the location of the assets. The location largely coincides with the domiciles of the Group companies.		
Assets (Group)		
Europe	9,300	10,063
Asia	2,694	2,685
North America	8,236	8,877
South America	3,072	2,909
Africa	969	809
Australia	2,081	1,985
	26,352	**27,328**
Significant non-current assets in individual countries:		
- Denmark (the Group's domicile country)	2,228	2,371
- USA	3,440	3,276
- Australia	1,015	1,045
- Canada	738	733
- India	479	458

Geographical location of the Group's employees:	2014	2013
Employees at 31 December		
Europe	3,815	4,114
Asia	3,846	4,375
North America	2,547	2,998
South America	1,448	1,303
Africa	2,497	1,832
Australia	612	695
	14,765	**15,317**

Income statement

3. Revenue

Accounting policy

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 estimated 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 17 in the consolidated financial statement 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 related to sales activities.

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

Significant estimates and assessments by Management

Total expected costs related to work-in-progress for third parties 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 as well as collected historical provision and warranty data 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 companies located in politically unstable countries and therefore entail risks and uncertainties related to project execution, delivery and payments.

DKKm	2014	2013
Project sales	8,262	12,467
Product sales	2,552	3,332
Sales of spare parts and services, consumables, etc.	10,315	9,683
	21,129	**25,482**
Income recognition criteria		
Income recognised when delivered	8,281	7,822
Income recognised in accordance with the percentage-of-completion method	12,848	17,660
	21,129	**25,482**

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.

4. 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	2014	2013
Other operating income		
Government subsidies and other grants	7	7
Rent income	5	6
Royalties, etc.	11	12
Profit on disposal of tangible assets	8	12
Other income	52	170
	83	**207**
Other operating costs		
Loss on disposal of tangible assets	(3)	(10)
Other costs	(38)	(47)
	(41)	**(57)**
Total other operating income and costs	**42**	**150**

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

5. Staff costs

Accounting policy

Staff costs consist of direct wages and salaries, remuneration, pension, share-based payments, training, etc. related to the continuing activities.

DKKm	2014	2013
Wages, salaries and other remuneration	4,020	4,441
Contribution plans and other social security costs, etc.	443	470
Defined benefit plans	8	11
Share-based payment, option plans	43	37
Other staff costs	352	542
	4,866	**5,501**
The amounts are included in the items:		
Production costs	2,924	3,301
Sales and distribution costs	981	1,097
Administrative costs	961	1,103
	4,866	**5,501**

The average number of employees in the continuing activities was in 2014 13,841 (2013: 14,532).

For further details concerning the remuneration of the Executive Management and Board of Directors, see note 42 in the consolidated financial statement regarding related parties.

Redundancy costs incurred in 2014 amount to DKK 48m (2013: DKK 152m).

6. 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 true and fair view of the Group's operational activities.

DKKm	2014	2013
Close down of work-shop related to divisional headquarters	(18)	0
Profit/(loss) on disposal of enterprises and activities	(8)	6
	(26)	**6**

7. 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	2014	2013
Roymec (Proprietary) Limited	7	(8)
Phillips Kiln Service Ltd.	0	2
FLSmidth SEPEC*	(1)	(2)
FLSmidth South Africa (Pty.) Ltd.	(5)	0
	1	**(8)**

* FLSmidth SEPEC was sold on 18 November 2014.

8. 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 allocated to the shareholders of FLSmidth A/S divided by the total average number of shares outstanding during the year. In the diluted earnings per share adjustment is made for share options in-the-money.

DKKm	2014	2013
Earnings		
FLSmidth & Co. A/S shareholders' share of profit/(loss) for the year	812	(776)
FLSmidth & Co. A/S profit/loss from discontinued activities	44	(56)
Number of shares, average		
Number of shares issued	52,150,000	53,200,000
Adjustment for treasury shares	(2,778,225)	(2,600,855)
Potential increase of shares in circulation, share options in-the-money	70,864	108,091
Average number of shares	49,442,639	50,707,236
Earnings per share		
Continuing and discontinued activities per share	16.4	(15.3)
Continuing and discontinued activities, diluted, per share	16.4	(15.3)
Continuing activities per share	15.6	(14.2)
Continuing activities, diluted, per share	15.5	(14.2)

Non-diluted earnings per share in respect of discontinued activities amount to DKK 0.8 (2013: DKK 1.1) and diluted earnings per share in respect of discontinued activities amount to DKK 0.9 (2013: DKK 1.1).

The calculation of diluted earnings per share is inclusive of 70,864 share options (2013: 108,091), which are in-the-money and may potentially dilute the earnings per share in the future.

9. Income statement classified by function

The Group present the income statement based on a 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	2014	2013
Revenue	21,129	25,482
Production costs, including depreciation, amortisation and impairment	(16,289)	(21,071)
Gross profit	**4,840**	**4,411**
Sales and distribution costs, including depreciation, amortisation and impairment	(1,490)	(1,626)
Administrative costs, including depreciation, amortisation and impairment	(2,146)	(3,211)
Other operating income and costs	42	150
Special non-recurring items	(26)	6
Earnings before interest and tax (EBIT)	**1,220**	**(270)**
Depreciation, amortisation and impairment consist of:		
Impairment of intangible assets	0	901
Amortisation of intangible assets	407	411
Depreciation of tangible assets	278	272
	685	**1,584**
Depreciation, amortisation and impairment are divided into:		
Production costs	216	441
Sales and distribution costs	29	7
Administrative costs	440	1,136
	685	**1,584**

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 net 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 net working capital and 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.

10. Change in provisions

DKKm	2014	2013
Pensions and similar obligations	(12)	(16)
Other provisions	(419)	219
	(431)	**203**

The changes in provisions consist of changes in defined benefit pensions, long-term employee liabilities, guarantees and other provisions.

11. Change in net working capital

DKKm	2014	2013
Inventories	(142)	85
Trade receivables	193	388
Trade payables	(557)	488
Work-in-progress for third parties and prepayments from customers	89	(2,137)
Prepayments to subcontractors	149	30
Other receivables and other liabilities	332	343
Foreign exchange adjustment	104	(90)
	168	**(893)**

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

12. Financial items received and paid

DKKm	2014	2013
Interest received	33	36
Interest paid	(119)	(159)
	(86)	**(123)**

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

13. Change in net interest-bearing debt

DKKm	2014	2013
Bank loans	(437)	1,491
Finance lease	(4)	(9)
Other liabilities	(62)	(62)
Contingent consideration	6	24
Foreign exchange adjustments	(17)	0
Net changes	**(514)**	**1,444**

For further details please refer to note 29 of the consolidated financial statement.

Acquisition and disposal of enterprises and activities

14. Acquisition of enterprises and activities in 2014

Accounting policy

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 end of the acquisition year plus 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 end of the year of 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.

Significant estimates and assessments by Management

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 end of the year of 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.

There has been no acquisitions of enterprises and activities in 2014.

Enterprises acquired in 2012 and impact in 2014

	Cost
Knelson Canada	103
Australia Company M.I.E Enterprises Pty. Ltd.	97
Total	**200**

Contingent considerations (earn-out and deferred payment)
DKK 103 million relates to an earn-out agreement regarding the acquisition of Knelson Canada in 2012. DKK 97 million relates to a deferred payment in relation to the acquisition of the Australian Company M.I.E Enterprises Pty. Ltd. in 2012. There is no profit and loss effect in 2014.

14. Acquisition of enterprises and activities (continued)

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.

DKKm	Fair value adjusted opening balance sheet made in 2012	Adjustment to fair value made in 2013	Reclassification to opening balance sheet 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	0		0	16
Cash and cash equivalents	114	0		0	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 impact 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.

Completion of other 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. Disposal of enterprises and activities

Accounting policy

On disposal of 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 and adjusted directly in the income statement.

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

DKKm	2014	2013
Intangible assets	0	25
Tangible assets	13	21
Inventories	5	36
Work-in-progress for third parties	12	0
Other assets	28	0
Cash and cash equivalents	4	0
Liabilities	(34)	(10)
Carrying amount of net assets disposed	**28**	**72**
Profit/loss on disposal of enterprises and activities	(8)	5
Cash sales value	**20**	**77**
Contingent consideration	0	0
Total selling price	**20**	**77**
Cash and cash equivalents disposed of, see above	(4)	0
Net cash effect including contingent consideration in a business combination	**16**	**77**

Disposal of enterprises and activities in 2014 consists of disposal of non-core activities in Germany, China and France.

Disposal of enterprises and activities in 2013 consists of disposal of non-core activities gained through the acquisition of Lucowici.

16. Discontinued activities

Accounting policy

Discontinuing activities are presented 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	2014	2013
Revenue	1,535	1,445
Costs	(1,482)	(1,516)
Earnings before tax (EBT)	53	(71)
Tax for the year	(9)	15
Profit/loss for the year, discontinued activities	**44**	**(56)**
Cash flow statement		
Cash flow from operating activities	120	60
Cash flow from investing activities	(162)	(51)
Cash flow from financing activities	(31)	(118)
Earnings per share		
Discontinued activities per share	0.8	-1.1
Discontinued activities, diluted, per share	0.9	-1.1

Cembrit was sold as of 30 January 2015. As the sales process was initiated during December 2014, Cembrit is reclassified as discontinued activities. Profit and loss, presentation of cash flow and comparative figures for 2013 have been adjusted accordingly.

Non-current assets and investments

17. 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. Goodwill is tested for impairment at least once a year.

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 estimates by Management and consumption (units of production methods) of users at the time of the implementation over the estimated useful life of the assets.

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

Significant estimates and assessments by Management

Management makes an estimate of the useful life, expected users of software systems and the asset is then depreciated and amortised systematically over the expected future useful life.

In connection with restructuring, Management reassesses useful life and residual values for non-current assets used in the business undergoing restructuring.

For further information please refer to note 19 of the consolidated financial statement.

17. Intangible assets (continued)

DKKm	Goodwill	Patents and rights	Customer relations	Other intangible assets	Completed development projects	Intangible assets under development	Total
Cost at 1 January 2014	4,738	2,118	1,963	750	199	687	10,455
Reclassification to assets held for sale	(49)	(20)	(5)	(11)	0	0	(85)
Foreign exchange adjustments	270	25	148	22	0	0	465
Additions	0	1	0	0	2	130	133
Disposals	(654)	0	(184)	(42)	(10)	0	(890)
Transferred between categories	0	0	0	21	316	(337)	0
Transfer from tangible assets	0	0	0	12	0	0	12
Cost at 31 December 2014	**4,305**	**2,124**	**1,922**	**752**	**507**	**480**	**10,090**
Amortisation and impairment at 1 January 2014	(644)	(512)	(709)	(625)	(83)	(144)	(2,717)
Reclassification to assets held for sale	2	16	4	9	0	0	31
Foreign exchange adjustments	(42)	(10)	(56)	(19)	0	0	(127)
Disposals	654	0	184	42	0	0	880
Amortisation and impairment	0	(131)	(138)	(50)	(88)	0	(407)
Other adjustments	0	3	0	0	0	0	3
Amortisation and impairment at 31 December 2014	**(30)**	**(634)**	**(715)**	**(643)**	**(171)**	**(144)**	**(2,337)**
Carrying amount at 31 December 2014	**4,275**	**1,490**	**1,207**	**109**	**336**	**336**	**7,753**

Cembrit is reported as discontinued business in 2014. In accordance with IFRS profit and loss comparative figures for 2013 have been adjusted accordingly, while balance sheet comparative figures for 2013 are not adjusted. Figures in the Income Statement, the Balance Sheet and cash flow may therefore not be directly comparable.

17. Intangible assets (continued)

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
Transferred to tangible assets	0	0	0	0	0	(20)	(20)
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**

For allocation of amortisation and impairment to production costs, sales and distribution costs and administrative costs, see note 9.

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 2014, the Group's research and development costs totalled DKK 327m (2013: DKK 400m). 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 106m (2013: DKK 117m) in respect of R&D development projects and other intangible assets. The total addition of intangible assets includes internal capitalisation at DKK 58m (2013: DKK 67m).

Completed development projects and intangible assets under development consists of software projects of DKK 436m (2013: DKK 392m) and R&D projects of DKK 236m (2013: DKK 265m), hereof capitalised in 2014 DKK 130m (2013: DKK 42m).

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 considered to have indefinite useful life

DKKm	Customer Services	Material Handling	Mineral Processing	Cement	2014
Goodwill	2,008	214	1,984	69	4,275
Trademarks	188	151	442	36	817
Carrying amount at 31 December 2014	**2,196**	**365**	**2,426**	**105**	**5,092**

18. 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.

Significant estimates and assessments by Management

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

In connection with restructuring, Management reassesses useful life and residual values for non-current assets used in the business undergoing restructuring.

For further information please refer to note 19 of the consolidated financial statement.

DKKm	Land and buildings	Plant and machinery	Operating equipment, fixtures and fittings	Tangible assets in course of construction	Total
Cost at 1 January 2014	2,441	2,374	824	243	5,882
Reclassification to assets held for sale	(284)	(1,003)	(58)	(31)	(1,376)
Foreign exchange adjustments	155	132	38	4	329
Disposals of Group enterprises	(5)	(8)	0	0	(13)
Additions	20	90	45	38	193
Disposals	(18)	(36)	(37)	(1)	(92)
Transferred between categories	76	45	17	(138)	0
Transfer to intangible assets	(12)	0	0	0	(12)
Other adjustments	1	6	(3)	2	6
Cost at 31 December 2014	**2,374**	**1,600**	**826**	**117**	**4,917**
Depreciation and impairment at 1 January 2014	(704)	(1,402)	(589)	(12)	(2,707)
Reclassification to assets held for sale	119	701	48	4	872
Foreign exchange adjustments	(27)	(82)	(30)	3	(136)
Disposals	6	0	31	0	37
Depreciation	(62)	(127)	(89)	0	(278)
Transferred between categories	0	4	(4)	0	0
Other adjustments	1	(1)	(2)	(1)	(3)
Depreciation and impairment at 31 December 2014	**(667)**	**(907)**	**(635)**	**(6)**	**(2,215)**
Carrying amount at 31 December 2014	**1,707**	**693**	**191**	**111**	**2,702**

Cembrit is reported as discontinued busines in 2014. In accordance with IFRS profit and loss comparative figures for 2013 have been adjusted accordingly, while balance sheet comparative figures for 2013 are not adjusted. Figures in the Income Statement, the Balance Sheet and cash flow may therefore not be directly comparable.

18. Tangible assets (continued)

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	0	0	0	20	20
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
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**

19. Impairment test

Accounting policy

Goodwill and Other intangible assets with 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 impaired.

19. Impairment test (continued)

Significant estimates and assessments by Management

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 nine 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 nine years.

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

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 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 cash-generating units 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 nine years and projections for the subsequent years (the terminal value). Significant parameters in this estimate are discount rate, revenue development for the next nine years, EBITA margins, expected investments and growth expectations for the period after the nine years.

Annual impairment test
As at 31 December 2014, 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 cash-generating units 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. The impairment test is based on the divisional structure used in 2014.

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 2014				
DKKm	**Goodwill**	**Patents and rights acquired**	**Customer relations**	**Development projects and software**	**Other intangible assets**
Customer Services	2,007	1,265	675	30	103
Material Handling	213	163	91	74	61
Mineral Processing	1,983	36	416	261	106
Cement	70	26	26	86	59
Cembrit	46	4	0	0	6

19. Impairment test (continued)

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	**Investments % of revenue**	**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%	7.5%	1.5%	8%	12%
Material Handling	2.0%	6.5%	1.5%	8%	12%
Mineral Processing	2.0%	5.5%	1.5%	8%	12%
Cement	1.5%	6.0%	1.5%	8%	12%

The recoverable amount for Cembrit is based on the enterprise value in connection with the sale in January 2015, so no assumptions have been made in the valuation of Cembrit.

The Group expects an EBITA margin of 9-10% in 2015 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 cash-generating units 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 as well as input from current long term inflation swaps. Due to the current low interest rate environment a conservative approach regarding the long term growth rate for the terminal period has been applied. This methodology has been applied to ensure consistency with the level of the risk free rate applied as a basis of the estimation of WACC and the long term growth rate. Based on these factors a long term terminal period growth rate of 1.5% is applied.

Investments are expected at a level of 2.5% of revenue of the cash-generating units Customer Services, 2% for Material Handling and Mineral Processing. For Cement the expected level is 1.5% of revenue. This reflects both maintenance and expectations of organic growth.

Customer Services: Growth is based on servicing the installed base and expected increased activity in both minerals and cement, not least in the Operation & Maintenance business. In minerals, miners' production is expanding despite a CAPEX downturn and declining commodity prices which entails a need for spare parts and other services. In cement, global plant utilisation rates are on the rise which should trigger a growing demand for parts and services. An additional growth lever is expansion of the wear parts business.

Once capital growth picks up in the project business, this will have an additional positive impact in terms of a larger installed base to service. 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 productivity enhancing and cost efficient solutions.

Material Handling: Growth is based on a trough in mining CAPEX in 2015, slight growth from 2016, and an expected long-term increase in activity in the mining industry. Also orders in the construction industry are expected to be part of growth.

Mineral Processing: Growth is based on a trough in mining CAPEX in 2015, slight growth from 2016, and an expected long-term increase in activity. Shorter term fundamentals are strongest for copper which historically made up the biggest part of FLSmidth's minerals business. Whereas coal and iron ore will pick up again in the medium to long-term. An additional growth lever is an expected increased demand for EPC business.

Cement: Growth is based on a rising world population, increasing urbanisation, growing wealth and increasing demand for energy and infrastructure. The cement market is currently moving out of the trough with a rise in global plant utilisation rates and the US market is already improving. An internal growth lever is FLSmidth's unique Design, Build and Operate offering.

The impairment test as at 31 December 2014 showed no indication of impairment for 2014 (2013: DKK 901m). Management believes that currently no changes in the key assumptions are reasonably likely to reduce the headroom in any of the cash-generating units 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	Average growth rate in the budget	Minimum growth	Discount rate applied	Maximum discount rate
Customer Services	7.5%	n/a*)	8%	20%
Material Handling	6.5%	3%	8%	13%
Mineral Processing	5.5%	n/a*)	8%	15%
Cement	6.0%	n/a*)	8%	n/a

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

20. 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 costs to sell. Assets are not depreciated from the time they are reclassified as held for sale.

DKKm	2014	2013
Intangible assets	56	0
Tangible assets	608	0
Deferred tax assets	72	0
Inventories	286	0
Trade receivables	217	0
Cash and cash equivalents	58	0
Other assets	99	0
Assets classified as held for sale total	**1,396**	**0**
Provisions	160	0
Trade payables	158	0
Other liabilities	165	0
Liabilities directly associated with assets classified as held for sale total	**483**	**0**

Cembrit was been sold as of 30 January 2015. As the sales process was initiated during December 2014, Cembrit is reclassified as discontinued activities. Therefore Cembrit assets and liabilities are reclassified as held for sale.

Net working capital

21. Specification of net working capital

Notes 22, 23 and 24 show additional specification of selected working capital items. The Group's net working capital is specified as follows:

DKKm	2014	2013
Inventories	2,628	2,575
Trade receivables	5,026	5,099
Work-in-progress for third parties, asset	3,289	4,491
Prepayments to subcontractors	279	414
Other receivables	507	732
Prepaid expenses and accrued income	20	34
Financial instruments for hedging assets defined as working capital	115	189
	11,864	**13,534**
Prepayments from customers	1,831	2,959
Trade payables	2,736	3,283
Work-in-progress for third parties, liability	3,223	3,138
Other liabilities	1,587	1,470
Deferred revenue	33	40
Financial instruments for hedging liabilities defined as working capital	290	262
	9,700	**11,152**
Net working capital	**2,164**	**2,382**
Net assets held for sale	240	0
Net working capital of the Group	**2,404**	**2,382**

22. 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 and 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. 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.

Significant estimates and assessments by Management

Total expected costs related to work-in-progress for third parties 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.

DKKm	**2014**	**2013**
Total costs incurred	40,683	34,565
Profit recognised as income, net	7,483	5,647
Work-in-progress for third parties	48,166	40,212
Invoicing on account to customers	(48,100)	(38,859)
Net work-in-progress for third parties	**66**	**1,353**
of which work-in-progress for third parties is stated under assets	3,289	4,491
and under liabilities	(3,223)	(3,138)
Net work-in-progress for third parties	**66**	**1,353**

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

23. Inventories

Accounting policy

Inventories are measured at cost based on weighted average prices.

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.

Significant estimates and assessments by Management

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.

DKKm	2014	2013
Raw materials and consumables	336	598
Work-in-progress	346	426
Finished goods and goods for resale	1,916	1,532
Prepayments for goods	30	19
Inventories net of write downs at 31 December	**2,628**	**2,575**
Inventories valued at net realisable value	182	213
Write down of inventories		
Write down at 1 January	(378)	(94)
Reclassification to/from assets classified as held for sale	61	(40)
Foreign exchange adjustments	(14)	12
Additions	(41)	(272)
Disposals	33	16
Reversals	14	0
Write down at 31 December	**(325)**	**(378)**

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.

24. 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 is deducted from the carrying amount of trade receivables and the amount of the loss is recognised in the income statement under administration costs.

Significant estimates and assessments by Management

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

DKKm	2014	2013
Write down of trade receivables:		
Write down at 1 January	(179)	(121)
Reclassification to/from assets classified as held for sale	14	(10)
Foreign exchange adjustments	(13)	12
Additions	(130)	(98)
Reversals	40	20
Realised	24	18
Write down, trade receivables at 31 December	**(244)**	**(179)**

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

DKKm	2014	2013
Maturity period:		
Not due for payment	2,491	2,650
Overdue up to one month	830	798
Overdue between one and two months	319	436
Overdue between two and three months	298	183
Overdue between three and six months	472	391
Overdue more than six months	616	641
	5,026	**5,099**

Trade receivables include retentions on contractual terms of DKK 343m (2013: DKK 554m), not yet due for payment.

Other receivables

In 2014, other receivables amounted to DKK 1,215m (2013: DKK 1,511m) which includes the fair value of derivatives of DKK 115m, corporation taxes receivable of DKK 480m and VAT of DKK 200m.

Tax

25. 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	2014	Effective tax rate	2013	Effective tax rate
Current tax on the profit/loss for the year	**(335)**		**(506)**	
Withholding tax	(11)		(63)	
Adjustment of deferred tax	5		442	
Adjustment of tax rate on deferred tax	4		(9)	
Adjustments regarding previous years, deferred taxes	(65)		51	
Adjustments regarding previous years, current taxes	68		(33)	
Other adjustments	1		(84)	
Tax for the period, continuing activities	**(333)**	**30.2%**	**(202)**	**-38.4%**
Earnings before tax on continuing activities	1,102		(526)	
Earnings before tax on discontinued activities	53		(71)	
	1,155		**(597)**	
Reconciliation of tax				
Tax according to Danish tax rate	24.5%		25.0%	
Differences in the tax rates in foreign subsidiaries relative to 24.5% (2013: 25%)	3.4%		-3.1%	
Non-taxable income and non-deductible costs	1.1%		-28.7%	
Non-deductible loss on shares	-0.3%		-0.6%	
Differences in tax assets valued at nil	1.3%		-2.8%	
Differences due to adjustment of tax rate	-0.4%		-1.6%	
Adjustments regarding previous years, deferred tax	5.9%		9.6%	
Adjustments regarding previous years, current taxes	-6.2%		-6.3%	
Withholding taxes	1.0%		-12.0%	
Other adjustments	-0.1%		-17.9%	
Effective tax rate	**30.2%**		**-38.4%**	
Corporate income tax paid in 2014 amounts to DKK 411m (2013: DKK 682m) of which the main part is attributable to group companies in the following countries:				
Denmark	79		88	
USA	77		185	
Switzerland	39		4	
India	29		31	
South Africa	39		56	
Chile	(12)		78	
Italy	35		30	
Australia	(24)		66	

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

25. Tax for the year (continued)

Tax on other comprehensive income DKKm	2014 Deferred tax	2014 Current tax	2014 Tax income/ cost	2013 Deferred tax	2013 Current tax	2013 Tax income/ cost
Foreign exchange adjustment of loans classified as equity in enterprises abroad	0	(28)	(28)	0	52	52
Value adjustments of hedging instruments	32	0	32	5	0	5
Actuarial gains/losses on defined benefit plans	19	0	19	(35)	0	(35)
	51	**(28)**	**23**	**(30)**	**52**	**22**

26. 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.

Significant estimates and assessments by Management

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.

DKKm 2014	Balance sheet 1 January	Assets held for sale	Foreign exchange translation	Adjustment to previous years, etc.	Changed tax rate	Included in other comprehensive income	Included in the profit/ loss	Balance sheet 31 December
Deferred tax consists of								
Intangible assets	(4)	(26)	(27)	(20)	(16)	0	83	(10)
Tangible assets	147	0	(6)	(56)	(6)	(24)	(28)	27
Current assets	761	(5)	21	(35)	5	0	(128)	619
Liabilities	(573)	(41)	27	46	14	75	130	(322)
Tax loss carry-forwards, etc.	403	(170)	4	1	0	0	(39)	199
Share of tax asset valued at nil	(144)	65	0	(1)	7	0	(13)	(86)
Net deferred tax assets/(liabilities)	**590**	**(177)**	**19**	**(65)**	**4**	**51**	**5**	**427**

26. Deferred tax assets and liabilities (continued)

DKKm	2013								
	Balance sheet 1 January	**Assets held for sale**	**Foreign exchange trans-lation**	**Adjust-ment to previous years, etc.**	**Acquisi-tions**	**Changed tax rate**	**Included in other compre-hensive 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**

DKKm	2014	2013
Deferred tax assets	979	1,131
Deferred tax liabilities	(552)	(541)
	427	**590**
Maturity profile of tax assets valued at nil		
Within one year	0	0
Between one and five years	83	195
After five years	284	453
	367	**648**
Tax value	**86**	**144**
Deferred tax assets not recognised in the balance sheet consist of		
Temporary differences	82	102
Tax losses	285	546
	367	**648**

Temporary differences regarding investments in Group enterprises are estimated at a tax liability of DKK 300-350m (2013: DKK 400-450m). The amount is not included because the Group is able to control whether the liability is released and it is considered likely that the liability will not be released in a foreseeable future.

Financial items

27. 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	2014	2013
Financial income		
Interest income from banks and receivables	16	20
Other interest income	16	15
Interest income from financial assets that are not measured at fair value in the income statement	**32**	**35**
Fair value adjustment of derivatives, realised	236	373
Fair value adjustment of derivatives, unrealised	64	104
Foreign exchange gains, realised	907	766
Foreign exchange gains, unrealised	163	122
Dividend from shares	19	8
Financial income	**1,421**	**1,408**
Financial costs		
Interest costs on bank loans and mortgage debt	(118)	(111)
Other interest costs	0	(52)
Interest costs, trade payables	(1)	(1)
Interest cost from financial liabilities that are not measured at fair value in the income statement	**(119)**	**(164)**
Fair value adjustment of derivative financial instruments, realised	(287)	(318)
Fair value adjustment of derivative financial instruments, unrealised	(144)	(126)
Foreign exchange losses, realised	(860)	(942)
Foreign exchange losses, unrealised	(128)	(112)
Interest element discounted provisions	(1)	(2)
Financial costs	**(1,539)**	**(1,664)**

28. Maturity structure of financial liabilities

DKKm	2014	2013
Time to maturity:		
Within one year	5,939	5,144
Between one and five years	2,003	4,331
After five years	2,232	1,201
Total	**10,174**	**10,676**

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

	Currency	2014 DKKm	Effective interest rate	Interest period < 1 year	Interest period 1-5 years	Interest period > 5 years	2013 DKKm	Effective interest rate
Mortgage debt	EUR	(352)	0.5%	100%			(352)	0.7%
Bank loans	USD	(2,234)	0.9%	100%			(2,517)	1%
Bank loans	EUR	(2,944)	1.0%	100%			(2,275)	1.4%
Bank loans	Other	0		100%			(409)	
Lease liabilities	Other	(6)		100%			(10)	
Other liabilities	Other	15		100%			(239)	
Total debt		**(5,521)**					**(5,802)**	
Total cash and cash equivalents, excl. net asset held for sale		**963**					**1,077**	
Bonds and listed shares		**1**					**7**	
Net interest-bearing receivables/(debt)		**(4,557)**					**(4,718)**	

Cash and cash equivalents consist of bank deposits less than 3 months and operating cash.

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	2014	2013
India	211	106
South Africa	126	221
Chile	97	141
China	90	174
Brazil	50	27
Angola	37	33
Peru	32	12
Nigeria	25	0
Indonesia	25	13
Egypt	23	7
Russia	15	33
Mexico	6	15
Other	54	45
	791	**827**

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

DKKm	2014	2013
Net interest bearing receivables/(debt) at 1 January	(4,718)	(3,183)
Transfer to/from assets held for sale	-	99
Cash flow from operating activities	1,298	(394)
Acquisition of enterprises and activities	(200)	7
Net interest bearing debt from acquired enterprises and activities	0	29
Net investments in intangible, tangible and financial assets	(412)	(516)
Paid dividend	(104)	(467)
Acquisition/disposal of treasury shares	(185)	(660)
Other items	(17)	-
Earn-out value adjustment	(6)	-
Currency adjustments, etc.	(155)	367
Interest bearing receivables/(debt) at 31 December, Group	**(4,499)**	**(4,718)**
Net assets held for sale	(58)	**-**
Net interest bearing receivables/(debt), excl. Cembrit	**(4,557)**	**(4,718)**

30. Financial risks

Introduction
FLSmidth is exposed to financial risks due to its international operations. The 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 in-house bank, Group Treasury, located in Denmark. Group Treasury creates value by utilising economies of scale and ensures cost-effective management of financial facilities, daily loans/deposits, currency and interest exposure and optimising cash management.

Group Treasury negotiates both global and local credit and guarantee facilities. Group Treasury acts as 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 below table:

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 at a fixed percentage of revenue in subsidiaries and managed at subsidiary level	• Hedging not later than when sales contract or purchase order become effective • Currency exposure hedged by using for example forward contracts
Credit risk	Medium	Credit risks on customers and part-ners/suppliers are mainly managed by the different business units The Board of Directors has approved settlement limits and counterpart limits on banks 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 determined by the Board of Directors of undrawn committed financial facilities in place 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 uncommitted 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 FLS 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 AUD, USD and EUR 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 Groups overall currency position by means of value at risk (VaR). VaR must not exceed DKK 4m per day and was DKK 1m as of 31 December 2014. 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.

30. Financial risks (continued)

A 5% increase in a given exchange rate against the Danish krone would in 2014 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	+3	+84	-32	+25	0	+2	+15	0
Equity	+104	+199	+24	+104	+11	+18	+39	+54

Interest rate risks
Interest rate risks concern the interest-bearing financial assets and liabilities of the Group. The interest-bearing financial assets consist primarily of cash in financial institutions and the interest-bearing liabilities mainly consist of bank and mortgage debt. Interest rate risks occur when interest rate levels change and/or if the pricing, which the Group has agreed with the financial institutions changes. The pricing on committed financial facilities is fixed until the facility expires. As at 31 December 2014, 100% of the Group's interest-bearing debt (31 December 2013: 69%) carried a floating rate, defined as duration more than one year. Other things being equal, a 1% increase in the interest rate will have a DKK 46m negative effect on the Group's interest earnings (2013: DKK 29m negative).

Group Treasury manages the Group's overall interest position through a fixed/float ratio. The fixed/float ratio must not be higher than 75% and not lower than 0%. As of 31 December 2014 the fixed/float ratio was close to 0%

Liquidity and Refinancing Risks
The purpose of the Group´s cash management is to ensure that the Group at all times has sufficient and flexible financial resources at its disposal 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 2014, 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)		930	
Nordic Investment Bank (EUR) (fully drawn)	372	968	
Commercial banks:			
Core relationship banks	1,000		5,000

Weighted time to maturity for committed financial facilities is 4,0 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 a leverage financial covenant. The Group did not in 2014 or in 2013 default on or fail to fulfill any financial facilities.

Please see note 28 in the consolidated financial statement 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 honor its obligations. The Group minimises this risk by limiting its use of financial institution 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 are 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 2014 nor 2013. The maximum credit risk related to financial assets corresponds to the carrying value plus write-downs.

31. 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 -35m in 2014 (2013: DKK 42m).
At 31 December 2014, the fair value of the Group's hedge agreements that are not recognised as hedge accounting amounted to DKK -43m (2013: 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	2014	2013
Fair value recognised in hedged items	(2)	(4)
Included in the income statement	2	(4)

At 31 December 2014 the fair value of the Group's fair value hedge instruments amounted to DKK -1m (2013: DKK 3m).

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	2014	2013
Cash flow hedge reserve recognised in other comprehensive income	(153)	20
Reclassified from other comprehensive income into income statement	113	(47)

At 31 December 2014, the fair value of the Group's cash flow hedge instruments amounted to DKK -128m (2013: DKK -50m)

32. Categories of financial instruments

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

DKKm	2014	2013
Available for sale	90	59
Receivables measured at amortised cost including cash and cash equivalents	10,878	11,837
Financial assets measured at fair value through the income statement	116	196
Financial liabilities measured at amortised cost	9,950	10,466
Financial liabilities measured at fair value through the income statement	290	365

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

33. Fair value hierarchy of financial instruments

The table below shows the classification of financial instruments that are measured at fair value, specified in accordance with the fair value hierarchy:
- Quoted prices in an active market for the same type of instrument (level 1)
- Quoted prices in an active market for similar assets or liabilities or other valuation methods, where all significant inputs are based on observable market data (level 2)
- Valuation methods where any significant inputs are not based on observable market data (level 3)

DKKm	2014			
	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	66	24		90
Financial assets measured at fair value through the income statement:				
Bonds and listed shares	1			1
Derivative financial instruments used to hedge the fair value of recognised assets and liabilities and future cash flow		115		115
Total financial assets	**67**	**139**	**0**	**206**
Financial liabilities				
Financial liabilities measured at fair value through the income statement:				
Derivative financial instruments used to hedge the fair value of recognised assets and liabilities and future cash flow		290		290
Contingent consideration in a business combination				0
Total financial liabilities	**0**	**290**	**0**	**290**

There have been no significant transfers between level 1 and level 2 in 2014.

33. Fair value hierarchy of financial instruments (continued)

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	35	24		59
Financial assets measured at fair value through the income statement:				
Bonds and listed shares	7			7
Derivative financial instruments used to hedge the fair value of recognised assets and liabilities and future cash flow		189		189
Total financial assets	**42**	**213**	**0**	**255**
Financial liabilities				
Financial liabilities measured at fair value through the income statement:				
Derivative financial instruments used to hedge the fair value of recognised assets and liabilities and future cash flow		262		262
Contingent consideration in a business combination			103	103
Total financial liabilities	**0**	**262**	**103**	**365**

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

Contingent consideration in a business combination of DKK 103 million relates to an earn-out agreement regarding the acquisition of Knelson Canada in 2012, which has been paid in 2014.

Liabilities

34. Provisions

Accounting policy

Provisions are recognised when the Group, due to 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 at 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.

Significant estimates and assessments by Management

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 internal and external legal assistance and established precedents. Tax provisions are made to cover expected additional future tax liabilities related to financial year or previous years.

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.

34 Provisions (continued)

DKKm	2014			
	Warranties	Restructuring	Other provisions	Total
Provisions at 1 January	919	187	1,003	2,109
Transfer to assets held for sale	(149)	(27)	(20)	(196)
Exchange rate and other adjustments	35	9	23	67
Disposal of Group enterprises	0	(8)	(1)	(9)
Provision for the year	287	23	473	783
Used during the year	(164)	(120)	(402)	(686)
Reversals	(179)	(15)	(244)	(438)
Discounting of provisions	1	0	0	1
Reclassification to/from other liabilities	(13)	0	(20)	(33)
Provisions at 31 December	**737**	**49**	**812**	**1,598**
The maturity of provisions is specified as follows:				
Short-term liabilities				1,047
Long-term liabilities				551
				1,598

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. Long-term liabilities

The table below shows the maturity structure of long-term liabilities divided into liabilities between one and five years and liabilities where time to maturity is more than five years.

DKKm	2014	2013
Maturity structure of long-term liabilities:		
Deferred tax liability	535	194
Other provisions	537	646
Pension liabilities	123	96
Mortgage debt	4	0
Bank loans	1,912	4,202
Finance lease liability	3	4
Prepayments from customers	229	327
Other liabilities	123	161
Between one and five years	**3,466**	**5,630**
Deferred tax liability	17	347
Other provisions	14	42
Pension liabilities	140	63
Mortgage debt	348	352
Bank loans	1,865	821
Other liabilities	18	29
After five years	**2,402**	**1,654**
	5,868	**7,284**

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

Finance lease liabilities
Finance lease liabilities comprise the capitalised residual lease commitment of finance lease assets, the interest portion is recognised in the income statement under financial items.

DKKm	2014			2013		
	Minimum lease payments	**Interest element**	**Carrying amount**	**Minimum lease payments**	**Interest element**	**Carrying amount**
Maturity within one year	4	(1)	3	7	(1)	6
Maturity between one and five years	3	0	3	4	0	4
Maturity after five years	0	0	0	0	0	0
	7	**(1)**	**6**	**11**	**(1)**	**10**

Finance lease primarily applies to lease of transport vehicles.

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

36. 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 other 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 other comprehensive income.

Significant estimates and assessments by Management

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.

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 266m underfunded at 31 December 2014 (2013: DKK 160m) for which a provision has been made as pension liabilities.

In the consolidated income statement, DKK 443m (2013: DKK 470m) 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 7m is recognised as a cost (2013: DKK -4m) in the consolidated income statement.

The actuarial result for the year at DKK -123m (2013: DKK 114m) is recognised in the statement of other comprehensive income.

36. Pension assets and liabilities (continued)

DKKm	2014	2013
Present value of defined benefit plans	(974)	(786)
Fair value of the plan assets	708	626
Total	**(266)**	**(160)**
Change in recognised liability		
Net liability at 1 January	(160)	(293)
Transfer to/from assets held for sale	0	(3)
Other adjustments including foreign exchange adjustments	(6)	0
Net amount recognised in the income statement	7	(4)
Actuarial gains and losses recognised in other comprehensive income	(123)	114
Contributions	13	14
Paid-out benefits	10	8
Settlements	(7)	4
Net liability at 31 December	**(266)**	**(160)**
Presented as assets	**3**	**10**
Presented as liabilities	**(269)**	**(170)**
	(266)	**(160)**
Recognised in the income statement		
Pension costs	(8)	(11)
Calculated interest on liabilities	(31)	(28)
Calculated interest on the plan assets	46	35
Recognised in the income statement regarding defined benefit plans	**7**	**(4)**
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	**(123)**	**71**
Return on plan assets		
Calculated interest on the plan assets	(46)	(35)
Actual return on the plan assets	46	78
Actuarial gains/losses for the year on the plan assets	**0**	**43**
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%	3.0%
Expected return on tied-up assets	2.0%	4.4%
Expected future pay increase rate	1.2%	1.4%
Present value of defined benefit plans		
Present value at 1 January	(786)	(893)
Transferred to/from assets held for sale	0	(4)
Foreign exchange adjustments	(70)	31
Pension costs	(9)	(12)
Calculated interest on liabilities	(31)	(28)
Paid-out benefits	54	49
Actuarial gains and losses*	(123)	71
Membership contributions	(4)	(4)
Settlements	(5)	4
Present value at 31 December	**(974)**	**(786)**

36. Pension assets and liabilities (continued)

DKKm	2014	2013
Fair value of the plan assets		
Fair value of the plan assets at 1 January	626	600
Foreign exchange adjustments	64	(29)
Calculated interest on the plan assets	46	35
Contribution	(6)	21
Paid-out benefits	(22)	(44)
Actuarial return on plan assets	0	43
Fair value of the plan assets at 31 December	**708**	**626**
Specification of the fair value of the plan assets		
Equity instruments	328	274
Debt instruments	232	204
Other assets	148	148
Total fair value of the plan assets	**708**	**626**
Specification of the fair value of the plan assets in per cent		
Equity instruments	46%	44%
Debt instruments	33%	32%
Other assets	21%	24%
Defined benefit plan liabilities specified by country		
USA	59%	55%
Switzerland	17%	15%
Germany	15%	21%
India	4%	3%
Italy	2%	2%
Canada	2%	3%
Mexico	1%	1%

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

DKKm	2014	2013	2012	2011	2010
Present value of defined benefit plans	(974)	(786)	(893)	(784)	(580)
Fair value of the plan assets	708	626	600	567	376
Over-/(underfunded)	**(266)**	**(160)**	**(293)**	**(217)**	**(204)**
Actuarial gains/losses, liabilities	(123)	71	(119)	(32)	7
Actuarial gains/losses, assets	0	43	17	(6)	14
Actuarial gains/losses, total	**(123)**	**114**	**(102)**	**(38)**	**21**

In 2015, 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 shown 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	2014
Discount rate - 1%	(138)
Discount rate + 1%	117
Salary Increase - 0,25%	2
Salary Increase + 0,25%	(2)
Mortality improvement by one year	(2)

37. 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	2014	2013
Minimum rent and operating lease commitments, time to maturity		
Within one year	8	37
Between one and five years	151	175
After five years	1	33
	160	**245**
Guarantees	32	92
Other contractual obligations	306	110
	338	**202**

Rent commitments are mainly related to commercial leases and equipment.

In connection with the disposal of enterprises, guarantees, etc. are issued to the acquirer 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 2014, the total number of performance and payment guarantees issued amounted to DKK 5.9bn (2013: DKK 6.2bn). 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 11.2bn.

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.

Equity

38. Treasury shares

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.

The year's movements in holding of treasury shares (number of shares):	2014	2013
Treasury shares at 1 January	3,739,783 shares	1,359,884 shares
Cancellation of shares	(1,950,000) shares	0 shares
Acquisition of treasury shares, in connection with share buyback programme	0 shares	1,950,000 shares
Acquisition of treasury shares, other	664,485 shares	465,924 shares
Share options exercised	(41,777) shares	(36,025) shares
Treasury shares at 31 December	**2,412,491 shares**	**3,739,783 shares**

The holding of treasury shares reprecent 4.7% (2013: 7.0%) of the share capital.

The holding of treasury shares is adjusted continuously to match FLSmidth´s incentive plans. The holding of treasury shares at the end of 2013 included 1,950,000 shares that were cancelled at the Annual General Meeting in 2014.

39. Share-based payment, option plans

Accounting policy

Plans classified as equity-settled share options are measured at fair value at grant date 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 2,485,461 shares in the company at a set price (strike price).

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

Share-based plans (2008-2014 plan)
The share option plans for 2008-2014 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 time of acquisition, which means that at the time of exercising the option no further recognition in the income statement takes place.

Specification of outstanding numbers:

Number of shares	Executive Management	Key employees	Total number
Outstanding options 1 January 2013	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**
Allocated for 2013 (issued 15 November 2013)		6,000	6,000
Terminations, member of Executive Management	(46,918)	46,918	0
Exercised of 2009 plan	0	(19,600)	(19,600)
Exercised of 2011 plan	0	(22,177)	(22,177)
Lapsed	(8,650)	(102,450)	(111,100)
Allocated for 2014 (issued 22 August 2014)	103,211	490,574	593,785
Allocated for 2014 (issued 15 November 2014)	0	266,950	266,950
Outstanding options 31 December 2014	**217,162**	**2,268,299**	**2,485,461**
Number of options that are exercisable at 31 December 2014	42,183	580,801	622,984
Number of options that are exercisable at 31 December 2013	39,825	322,175	362,000
Total fair value of outstanding options DKKm			
At 31 December 2014	8	82	90
At 31 December 2013	9	88	97

39 Share-based payment, option plans (continued)

	2014	2013
Average weighted fair value per option	36.40	55.05
Average weighted strike price per option	279.78	285.87
Average price per share at the time of exercising the option	305.54	341.59

In 2014, the recognised fair value of share options in the consolidated income statement amounts to DKK 43m (2013: DKK 37m).
The calculation of average weighted fair value and strike prices per option is based on a dividend of DKK 9 (2013: DKK 9) in the exercise period.

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

Year of allocation	Strike price	Exercise period	Allocated	Lapsed	Exercised	Outstanding
2008	399,00	2013-2014	129,100	(129,100)	0	0
2009	200,00	2014-2015	161,210	(11,504)	(79,356)	70,350
	193,00	2014-2015				
2010	362,00	2014-2015	170,700	(9,750)	0	160,950
	353,00	2015-2016				
2011 allocated in August	249,00	2014-2015	340,390	(6,579)	(22,177)	311,634
	240,00	2015-2016				
	231,00	2016-2017				
2011 allocated in November	326,00	2014-2015	80,050	0	0	80,050
	317,00	2015-2016				
	308,00	2016-2017				
2012 allocated in August	327,00	2015-2016	311,732	0	0	311,732
	318,00	2016-2017				
	309,00	2017-2018				
2012 allocated in November	282,00	2015-2016	114,562	0	0	114,562
	273,00	2016-2017				
	264,00	2017-2018				
2013 allocated in August	284,00	2016-2017	440,448	0	0	440,448
	275,00	2017-2018				
	266,00	2018-2019				
2013 allocated in November	250,00	2016-2017	135,000	0	0	135,000
	241,00	2017-2018				
	232,00	2018-2019				
2014 allocated in August	289,20	2017-2018	593,785	0	0	593,785
	280,20	2018-2019				
	271,20	2019-2020				
2014 allocated in November	242,00	2017-2018	266,950	0	0	266,950
	233,00	2018-2019				
	224,00	2019-2020				

The calculated fair values in connection with allocation are based on the Black & Scholes model for valuation of options.
The calculation of the fair value of share options at the time of allocation is based on the following assumptions:

	Allocated in November 2014	Allocated in August 2014	Allocated in November 2013	Allocated in August 2013
Average price per share	278.00	325.20	279.00	313.00
Strike price per share	278.00	325.20	279.00	313.00
Expected volatility	26.42%	29.50%	29.33%	29.79%
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	266,950	593,785	129,000	440,448
Fair value per option, DKK	39.33	55.93	69.65	79.18
Total fair value, DKKm	10	33	9	35

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

40. Charged assets

DKKm	2014		2013	
	Carrying amount of charged assets	Charge	Carrying amount of charged assets	Charge
Trade receivables, etc.	0	0	107	107
Land and buildings	68	352	109	388
	68	**352**	**216**	**495**

41. 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	2014	2013
Deloitte		
Statutory audit	20	21
Other assurance engagements	2	1
Tax and VAT consultancy	10	9
Other services	2	10
	34	**41**

42. 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 2013 and 2014 there were no transactions between related parties not part of the Group apart from the below mentioned.

DKKm	2014	2013
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		
Wages and salaries	28	25
Bonus etc.	4	1
Termination benefit	5	0
Share-based payment	4	4
Total remuneration of the Group Executive Management	**41**	**30**
This includes remuneration of the Group Chief Executive Officer, Mr. Thomas Schulz/ Mr Jørgen Huno Rasmussen (2013 only)	9	9

The remuneration includes eight Group Executive Management members, five of which are registered with Erhvervsstyrelsen (The Danish Business Authority).

The members of 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.

43. Board of Directors and Executive Management

The members of the FLSmidth & Co. A/S Board and Executive Management hold shares per 31 December 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	**2014 DKK (1,000)**	**2013 DKK (1,000)**	**31 Dec. 2014 Number of shares**	**31 Dec. 2013 Number of shares**	
Vagn Ove Sørensen (Chairman)	1,200	1,200	4,191	2,466	Chairman of the Boards of Directors of TDC A/S and TIA Technologies A/S. Vice Chairman of the Board of Directors of DFDS A/S.Chairman of the Board of Directors of Bureau van Dijk BV. 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.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.
Torkil Bentzen	800	800	5,000	5,000	Chairman of the Board 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. Senior Advisor to the Board of Mitsui Engineering & Shipbuilding Ltd. (Japan).
Mette Dobel (employee-elected)	400	400	864	864	None
Caroline Grégoire Sainte Marie	500	500	150	150	Member of the Boards of Directors of Safran SA (France), Groupama SA (France), and Eramet (France). Investor and Member of the Board of Directors of CALYOS (Belgium).
Martin Ivert	500	500	300	300	Chairman of the Board of Directors of Åkers (Sweden), Bergteamet (Sweden). Member of the Board of Directors of Ovako (Sweden).
Sten Jakobson	500	500	2,000	2,000	Chairman of the Boards of Directors of Power Wind Partners AB (Sweden), LKAB (Sweden). Vice Chairman of the Board of Directors of SAAB (Sweden). Member of the Boards of Directors of Stena Metall (Sweden), Wylem Inc (USA).
Tom Knutzen	600	600	12,500	7,300	CEO of Jungbunzlauer Suisse AG (Switzerland). Member of the Board of Directors and Chairman of the Board Audit Committee for Nordea Bank AB (publ) (Sweden).
Søren Qvistgaard Larsen (employee-elected)	400	300	65	65	None
Jens Peter Koch (employee-elected)	400	300	40	40	None
Jens Palle Andersen (employee-elected)	0	100	n/a	n/a	Retired
Frank Lund (employee-elected)	0	100	n/a	n/a	Retired
Executive Management					
Thomas Schulz**			2,510	1,010	None
Lars Vestergaard**			1,030	233	None
Bjarne Moltke Hansen**			177	177	Member of the Board of Directors of RMIG A/S.
Brian M. Day			0	0	None
Carsten R. Lund**			141	141	n/a
Manfred Schaffer			0	0	None
Per Mejnert Kristensen**			1,705	1,705	None
Virve Elisabeth Meesak			500	0	None
Eric Thomas Poupier			0	0	None

* Apart from 100% owned FLSmidth & Co. A/S subsidiaries.
** Registered with Erhvervsstyrelsen (The Danish Business Authority).

44. Events occurring after the balance sheet date

As announced on 12 January 2015, FLSmidth has signed an agreement with a company in the Solix Group AB to sell all shares in Cembrit Holding A/S.

The price of the shares had been agreed to DKK 1.1bn (Enterprise value on debt free basis). The sale of Cembrit was closed on 30 January 2015.

45. Approval of the Annual Report for publication

At its meeting on 12 February 2015 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 26 March 2015.

46. 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.)

47. List of Group companies

Company name	Country	Direct Group holding (pct.)
FLSmidth & Co. A/S	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
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

Company name	Country	Direct Group holding (pct.)
Cembrit S.r.l.	Italy	100
Cembrit Roof S.r.l.	Italy	100
Cembrit AB	Sweden	100
DKCF ApS	Denmark	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
FLS Maroc	Morocco	100
FLSmidth A/S Armenia limited liability company (LLC)	Armenia	100
FLSmidth AB	Sweden	100
FLSmidth Argentina S.A.	Argentina	100
FLSmidth Co. Ltd.	Vietnam	100
FLSmidth S.A.	Spain	100
FLSmidth SAS	Colombia	100
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	Jersey	100
FLSmidth, Inc.	Philippines	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
Reset Holding AG	Switzerland	100
Teutrine GmbH	Switzerland	100
FLSmidth Kenya Limited	Kenya	100
FLSmidth Krebs GmbH	Austria	100
FLSmidth Machinery Industry (Qingdao) Co. Ltd.	China	100
FLSmidth Mongolia	Mongolia	100

47. List of Group companies (continued)

Company name	Country	Direct Group holding (pct.)
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 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
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 Hamburg GmbH	Germany	100
Möller Materials Handling GmbH	Germany	100
FLSmidth Wiesbaden GmbH	Germany	100
FLSmidth Wadgassen GmbH	Germany	100
FLSmidth Wuppertal 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
9189-6175 Quebec Inc.	Canada	100
4437845 Canada Inc.	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

Company name	Country	Direct Group holding (pct.)
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 (Pty.) Ltd.	South Africa	100
FLSmidth Buffalo (Pty.) Ltd.	South Africa	100
FLSmidth Mozambique Limitada	Mozambique	100
FLSmidth South Africa (Pty.) Ltd.	South Africa	75
FLSmidth Roymec (Pty) Ltd.	South Africa	74
FLSmidth (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

Basis of preparation

48. Significant accounting estimates and assessments by management

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

The management accounting estimates, assumptions and judgments are based on historical experience, available information and other assumptions considered relevant and reliable at the time, in order to fairly present the Groups financial position and results of operations.

The estimates made and the underlying assumptions are reconsidered on an ongoing basis. These estimates and assumptions form the basis of the recognized 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 significant accounting estimates and assessments essential for preparing the consolidated financial statements are presented in the Annual Report, as follows:
- Revenue: note 3
- Acquisition of enterprises and activities: note 14
- Intangible assets: note 17
- Tangible assets: note 18
- Impairment test: note 19
- Work-in-progress for third parties: note 22
- Inventories: note 23
- Trade receivable: note 24
- Deferred tax assets and liabilities: note 26
- Provisions: note 34
- Defined benefit plans: note 36

Please refer to the specific notes for further information on the accounting estimates, assumptions and judgments made by management.

49. 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 financial statement item, 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 140.

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 2013. However, a few reclassifications have taken place in the comparative figures for 2013.

As a consequence of Cembrit division being in a sales process in December 2014, this division is reported as discontinued activity as from Q4 2014. Earnings after tax of discontinued activities are presented on the separate line of the income statement "Profit/loss for the period, discontinued activities" with restated comparative figures.

The assets and the related liabilities of the discontinued activity, Cembrit, are presented in the separate lines "Assets classified as held for sale" and "Liabilities regarding assets classified as held for sale" in the balance sheet without restatement of comparative figures. The main items of assets and liabilities classified as held for sale are specified in the notes.

Implementation of new and changed standards and interpretations
The Annual Report for 2014 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 2014 or later.

These standards and interpretations are:
- IFRS 10, Consolidated Financial Statements
- IFRS 11, Joint Arrangements
- IFRS 12, Disclosure of Interests in Other Entities
- Amendments to IAS 36, Impairment of assets

49. Accounting policies (continued)

The new standard IFRS 10 replaces parts of IAS 27, Consolidated and Separate Financial Statements.. IFRS 10 includes a new definition of control. The new standard has no impact on the financial reporting.

The new standard IFRS 11 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 obligations 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 Group only has 2 minor Joint arrangements defined as joint ventures and as a consequence the standard has impact on almost all items, but the impact on result and equity are insignificant.

The new standard IFRS 12 is a standard covering disclosures for entities having interests in subsidiaries, joint arrangements, associates etc. The disclosure requirements are more extensive than current standards, which mean further disclosures that are not considered to have material impact on the financial reporting.

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.

49. Accounting policies (continued)

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).

50. 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

- Amendments to IAS 19, Defined Benefit Plans: Employee Contributions

The amendment to IAS 19 clarifies the accounting treatments for contribution made by employees and third parties to defined benefit plans. The amendment is not expected to have any impact on the financial statements.

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 2014 Annual Report as they were not in force and not approved for use in the EU.

- IFRS 15, Revenue from contracts with customers
- IFRS 9, Financial instruments: Classification and Measurement and Hedge Accounting
- Amendments to IAS 16 and IAS 38
- Amendments to IFRS 10 and IAS 28
- Amendments to IFRS 11
- Annual Improvements to IFRS 2010-2012
- Annual Improvements to IFRS 2011–2013
- Annual Improvements to IFRS 2012-2014

The implementation of the new IFRS 15 in year 2017 is expected to have impact on the revenue recognition and disclosures in the Group financial reporting, but currently it is not possible to provide a reasonable estimate of the effect before the detailed review and investigations are completed.

The other new standards and amendments are not expected to have material impact on the financial reporting for the coming financial years.

FLSmidth & Co. A/S financial statements 2014

Income statement

Notes	DKKm	2014	2013
1	Dividend from Group enterprises	200	1,013
2	Other operating income	19	20
3	Staff costs	(9)	(6)
4	Other operating costs	(25)	(21)
8	Depreciation, amortisation and impairment	(6)	(7)
	Earnings before interest and tax (EBIT)	**179**	**999**
5	Financial income	1,708	1,344
6	Financial costs	(1,459)	(1,487)
	Earnings before tax (EBT)	**428**	**856**
7	Tax for the year	(77)	46
	Profit/loss for the year	**351**	**902**
	Distribution of profit for the year:		
	Retained earnings	351	902
		351	**902**
	Distribution of dividend:		
	Proposed dividend	461	106
		461	**106**

The Board of Directors recommends that the Annual General Meeting approves a dividend of DKK 9 per share (2013: DKK 2 per share).

Parent company balance sheet

Assets

Notes	DKKm	2014	2013
	Land and buildings	54	60
	Operating equipment, fixtures and fittings	0	0
8	**Tangible assets**	**54**	**60**
9	Investments in Group enterprises	2,996	3,006
9	Other securities and investments	22	22
10	Deferred tax assets	32	49
	Financial assets	**3,050**	**3,077**
	Total non-current assets	**3,104**	**3,137**
	Receivables from Group enterprises	10,754	10,098
	Other receivables	401	313
11	**Receivables**	**11,155**	**10,411**
	Other securities and investments	**1**	**1**
11	**Cash and cash equivalents**	**0**	**1**
	Total current assets	**11,156**	**10,413**
	TOTAL ASSETS	**14,260**	**13,550**

Equity and liabilities

Notes	DKKm	2014	2013
	Share capital	1,025	1,064
	Retained earnings	1,005	1,249
	Proposed dividend	461	106
	Equity	**2,491**	**2,419**
12	Provisions	0	127
	Provisions	**0**	**127**
13	Mortgage debt	307	307
13	Other liabilities	110	48
13	Bank loans	3,770	5,013
	Long-term liabilities	**4,187**	**5,368**
13	Bank loans	1,373	149
13	Debt to Group enterprises	5,921	5,257
13+14	Other liabilities	288	230
	Short-term liabilities	**7,582**	**5,636**
	Liabilities	**11,769**	**11,004**
	TOTAL EQUITY AND LIABILITIES	**14,260**	**13,550**

Parent company equity

DKKm	Share capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2013	**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**
Retained earnings		351		351
Dividend paid		7	(106)	(99)
Proposed dividend		(461)	461	0
Share-based payment, share options		2		2
Disposal of treasury shares		12		12
Acquisition of treasury shares		(194)		(194)
Cancellation of shares	(39)	39		0
Equity at 31 December 2014	**1,025**	**1,005**	**461**	**2,491**

DKKm	2014	2013	2012	2011	2010
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
Cancellation of shares	(1,950,000)				
Share capital at 31 December	**51,250,000**	**53,200,000**	**53,200,000**	**53,200,000**	**53,200,000**

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

The year's movements in holding of treasury shares (number of shares):	2014	2013
Treasury shares at 1 January	3,739,783 shares	1,359,884 shares
Cancellation of shares	(1,950,000) shares	0 shares
Acquisition of treasury shares in connection with share buyback programme	0 shares	1,950,000 shares
Acquisition of treasury shares, others	664,485 shares	465,924 shares
Share options settled	(41,777) shares	(36,025) shares
Treasury shares at 31 December	**2,412,491 shares**	**3,739,783 shares**

The holding of treasury shares reprecent 4.7% (2013: 7.0%) of the share capital.

The holding of treasury shares is adjusted continuously to match FLSmidth´s incentive plans. The holding of treasury shares at the end of 2013 included 1,950,000 shares that were cancelled at the Annual General Meeting in 2014.

Income statement

1. Dividend from Group enterprises

DKKm	2014	2013
Dividend from Group enterprises	210	1,032
Dividend from Group enterprises set off against cost	(10)	(19)
	200	**1,013**

2. Other operating income

DKKm	2014	2013
Management fee, etc.	19	20
	19	**20**

3. Staff costs

DKKm	2014	2013
Salaries and and other remuneration	(4)	(4)
Termination benefit	(3)	0
Share-based payment	(2)	(2)
	(9)	**(6)**
Average number of employees	**7**	**4**

Remuneration of the Board of Directors for 2014 amounts to DKK 5m (2013: DKK 5m), including DKK 1m (2013: DKK 1m), which was incurred by the parent company. The total remuneration of the parent company´s Executive Management amounted to DKK 41m (2013: 30m), of which DKK 8m (2013: 5m) was incurred by the parent company.

4. Fee to auditors appointed at the Annual General Meeting

DKKm	2014	2013
Deloitte		
Statutory audit	(2)	(2)
Other services	(1)	(4)
	(3)	**(6)**

5. Financial income

DKKm	2014	2013
Profit from disposal of enterprises and activities	10	0
Interest receivable and other financial income from financial assets not measured of fair value	2	1
Interest received from Group enterprises	229	201
Foreign exchange gains	1,467	1,142
	1,708	**1,344**

6. Financial costs

DKKm	2014	2013
Write-down of investments in other securities and investments	0	(15)
Adjustment to previous years' disposal of enterprises	0	(3)
Interest receivable and other financial costs from financial liabilities not measured at fair value	(109)	(93)
Interest to Group companies	(70)	(31)
Foreign exchange losses	(1,280)	(1,345)
	(1,459)	**(1,487)**

7. Tax for the year

DKKm	2014	2013
Tax for the year		
Current tax on the profit/loss for the year	(41)	57
Withholding tax	9	(9)
Adjustments regarding previous years, permanent taxes	(18)	0
Adjustments, deferred tax	(27)	(2)
Tax for the year	**(77)**	**46**

Tax received in 2014 amounts to DKK 52m (2013: paid DKK 3m).

Balance sheet

8. Tangible assets

DKKm	Land and buildings	Operating equipment, fixtures and fittings	Total
Cost at 1 January 2014	250	2	252
Cost at 31 December 2014	**250**	**2**	**252**
Depreciation and impairment at 1 January 2014	(190)	(2)	(192)
Depreciation	(6)	0	(6)
Depreciation and impairment at 31 December 2014	**(196)**	**(2)**	**(198)**
Carrying amount at 31 December 2014	**54**	**0**	**54**

9. Financial assets

DKKm	Investments in Group enterprises	Other securities and investments	Total
Cost at 1 January 2014	3,673	37	3,710
Disposals	(228)	0	(228)
Dividend set off against cost	(10)	0	(10)
Cost at 31 December 2014	**3,435**	**37**	**3,472**
Impairment at 1 January 2014	(667)	(15)	(682)
Disposals	228	0	228
Impairment at 31 December 2014	**(439)**	**(15)**	**(454)**
Carrying amount at 31 December 2014	**2,996**	**22**	**3,018**

Value in use of Group companies 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 (2013: 12-14%)).

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 terminal 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	2014	2013
Deferred tax consists of the following items:		
Tangible assets	25	41
Liabilities	7	8
Net value of deferred tax assets/(liability)	**32**	**49**

11. Receivables, cash and cash equivalents

Debtors falling due after more than one year DKK 1,725m (2013: DKK 2,848m). 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	2014	2013
Provisions at 1 January	127	125
Additions	0	2
Used during the year	(127)	0
Provisions at 31 December	**0**	**127**

The European Court of Justice ruled that the liability obligation imposed on FLS Plast A/S is upheld at EUR 14.45m. The amount was paid in Q2 2014.

13. Maturity structure of liabilities

DKKm	2014	2013
Maturity structure of liabilities:		
Bank loans	1,373	149
Debt to Group enterprises	5,921	5,257
Other liabilities	288	230
Within one year	**7,582**	**5,636**
Bank loans	1,905	5,013
Other liabilities	110	48
Within one to five years	**2,015**	**5,061**
Bank loans	1,865	0
Mortgage debt	307	307
After five years	**2,172**	**307**
Total	**11,769**	**11,004**

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	2014		2013	
	Carrying amount of charged assets	Charge	Carrying amount of charged assets	Charge
Land and buildings	40	307	46	307

16. Contractual liabilities and contingent liabilities

The Company has provided guarantees to financial institutions at an amount of DKK 5,585m (2013: 6,247m).

In connection with 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 the 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 37 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. A/S. Group.

In 2014 and 2013, 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. A/S. 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.

18. Shareholders

See note 46 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 (company)

Accounting policy

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 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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