Stock Exchange Message
No. 3-2006

FROM INNOVATION TO NEW STANDARDS

Annual Report 2005 **FLSmidth & Co. A/S**

Contents

Group financial highlights
(5 year summary)

DKKm	2001 **	2002 **	2003 **	2004	2005	2005 EUR*
PROFIT AND LOSS ACCOUNT						
Net turnover	8,807	8,133	9,151	10,829	10,502	1,409
Gross profit	1,554	1,443	1,340	1,465	1,908	256
Earnings before int., tax, depr., amort. (EBITDA)	373	172	113	144	525	70
Earnings before interest and tax (EBIT)	109	(78)	(145)	(194)	353	47
Earnings before tax (EBT)	162	(115)	(140)	(206)	480	65
Profit/loss for the year, continuing activities	**241**	**(169)**	**(113)**	**(342)**	**498**	**67**
Profit/loss for the year, discontinuing activities	(222)	(1,280)	(2,435)	493	(9)	(1)
Profit/loss for the year	**19**	**(1,449)**	**(2,548)**	**151**	**489**	**66**
CASH FLOW						
Cash flow from operating activities	(415)	347	(209)	(297)	1,698	228
Acquisition of undertakings and activities	(47)	(29)	(33)	(3)	(47)	(6)
Acquisition of tangible assets	(174)	(147)	(172)	(148)	(176)	(24)
Other investements, net	160	82	2	26	279	37
Cash flow from investing activities	(61)	(94)	(203)	(125)	56	8
Cash flow from operating and investing activities of continuing activities	(476)	253	6	(422)	1,754	235
Cash flow from operating and investing activities of discontinuing activities	1,550	1,437	327	4,120	54	7
NET INTEREST-BEARING RECEIVABLES / (DEBT)	**(1,608)**	**(1,079)**	**(1,143)**	**1,191**	**2,600**	**349**
BALANCE SHEET						
Long-term assets	2,439	2,166	2,005	1,745	1,913	256
Short-term assets	4,381	4,726	4,105	6,448	7,664	1,027
Assets held for sale	12,008	8,744	5,268	0	0	0
Total assets	**18,828**	**15,636**	**11,378**	**8,193**	**9,577**	**1,283**
Consolidated shareholders' equity	6,970	5,729	2,916	2,585	2,648	355
Long-term liabilities	2,396	1,963	1,949	1,130	1,271	170
Short-term liabilities	3,341	3,815	3,139	4,478	5,658	758
Liabilities regarding assets held for sale	6,121	4,129	3,374	0	0	0
Total liabilities	**18,828**	**15,636**	**11,378**	**8,193**	**9,577**	**1,283**
PROPOSED DIVIDEND TO SHAREHOLDERS	**0**	**0**	**0**	**372**	**372**	**50**
RETURN ON CAPITAL EMPLOYED (ROCE)						
Adjusted net operating profit after tax (NOPAT)	169	(116)	(67)	(244)	260	35
Average capital employed	4,013	3,712	2,807	2,903	1,341	180
Return on capital employed (ROCE) continuing activities	**4%**	**(3%)**	**(2%)**	**(8%)**	**19%**	
FINANCIAL RATIOS						
Continuing activities						
Contribution margin	*17.6%*	*17.7%*	*14.6%*	*13.5%*	18.2%	
EBITDA ratio	*4.2%*	*2.1%*	*1.2%*	*1.3%*	5.0%	
EBIT ratio	*1.2%*	*(1.0%)*	*(1.6%)*	*(1.8%)*	3.4%	
EBT ratio	*1.8%*	*(1.4%)*	*(1.5%)*	*(1.9%)*	4.6%	
Return on equity	0%	(23%)	(59%)	5%	19%	
Equity ratio	37%	37%	26%	32%	28%	
Number of employees at 31 December	**5,586**	**5,832**	**5,479**	**5,625**	**5,849**	
Number of employees in Demark	1,757	1,950	1,696	1,642	1,463	
Share and dividend ratios, Group						
CFPS (Cash Flow per share), DKK (diluted)	27.2	13.8	(3.9)	(2.9)	32.8	4.4
EPS (Earnings per share), DKK (diluted)	(0.3)	(28.2)	(49.3)	2.8	9.2	1.2
Net asset value, DKK parent company, (diluted)	126	104	52	54	46	6.2
DPS (dividend per share), DKK	0	0	0	7	7	0.9
Pay-out ratio (%)	0%	0%	0%	236%	76%	76%
FLSB share price, DKK	71.5	55	68.7	102,4	186	24.9
Number of shares (000s), end of year	53,200	53,200	53,200	53,200	53,200	53,200
Average number of shares (000s) (diluted)	48,521	51,896	51,881	52,509	53,197	53,197
Market capitalisation, DKKm	3,804	2,926	3,655	5,448	9,895	1,326

The financial ratios have been computed in accordance with the Guidelines issued by the Danish Society of Financial Analysts. ROCE is defined in note 31 to the consolidated accounts.

***** Profit and loss account items are translated at the average EUR exchange rate of 745.25, and the balance sheet and cash flow items are translated at the year-end EUR exchange rate of 746.05.

****** The financial highlights for 2004 and 2005 are prepared in accordance with IFRS, see section on Change of accounting policies, which is described on page 40 and page 47-49 of this Annual Report. The comparative figures for 2001 - 2003 have not been adjusted to the change in accounting policies. The presentation is adjusted so that the discontinuing activities are presented on a separate line.

FLSmidth – an outline

FLSmidth in brief

The FLSmidth Group is the global cement industry's leading supplier of complete plants, equipment and single machine units as well as spare parts and services. It has in recent years also grown to become among the leading providers of similar products to niche markets in the global minerals industry.

Vision

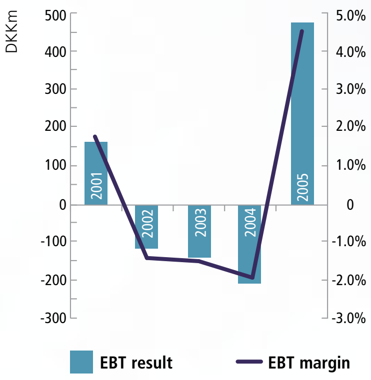
It is the vision of FLSmidth to continuously strengthen its position as the preferred partner and leading supplier of equipment and services to the global cement and minerals industries.

Investing in FLSmidth

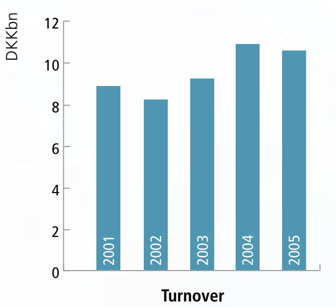
FLSmidth & Co. A/S is listed on the Copenhagen Stock Exchange and may be described as a project- and service-focused engineering business with a unique global market position and a relatively small amount of capital employed.

- The total return on the FLSmidth & Co. B share in 2005 was 89% (2004: 49%).
- Earnings per share (diluted) amounted to DKK 9.2 in 2005 (2004: DKK 2.8)
- The return on capital employed (ROCE) was 19% in 2005 (2004: -8%)

EBT – Historical trend



Turnover – Historical trend



Main conclusions 2005 (continuing activities)

Financial performance

- The turnover amounted to DKK 10,502m as against DKK 10,829m in 2004.
- Earnings before interest and tax (EBIT) rose to DKK 353m from DKK -194m in 2004.
- Earnings before tax (EBT) rose to DKK 480m from DKK -206m in 2004.
- Cash flow from operating activities rose to DKK 1,698m from DKK -297m in 2004.
- Order intake rose by 57% in 2005 to DKK 13.3bn, up from DKK 8.5bn in 2004.
- The order backlog amounted to DKK 10.8bn at 31 December 2005 (2004: DKK 6.5bn).

The market situation

- All business areas saw a high level of market activity in 2005, a situation that is expected to continue in 2006
- **Cement:** The global market for new contracted cement kiln capacity (exclusive of China) amounted to 75m tonnes per year in 2005 (2004: 53 mty), FLSmidth & Co.'s share of the market amounting to 33% (2004: 34%)
- **Minerals:** The level of investment in the minerals industry was particularly high in 2005 due to a sustained large global demand for minerals.

Prospects for 2006 (continuing activities)

- In 2006, FLSmidth & Co. expects to attain a consolidated turnover of some DKK 11bn, earnings before interest and tax (EBIT) at approximately DKK 525m and earnings before tax (EBT) at approximately DKK 550m. This corresponds to an EBT ratio of 5%, which means that this aim will be achieved one year before originally anticipated.

- Cash flows from operating activities in 2006 are expected to amount to approximately DKK 100m, and depreciation and investments in tangible assets are expected to total approximately DKK 200m. 2006 is expected to see a tax percentage on earnings before tax of approximately 30% and a paid tax percentage of approximately 20%. Research and development costs are expected to increase some 50% in 2006.

- For the individual business areas, the prospects for 2006 are as follows:

Cement	Turnover approx. DKK 7.5bn	EBIT ratio	approx. 4.5%
Minerals	Turnover approx. DKK 2.4bn	EBIT ratio	approx. 5.5%
Dansk Eternit Holding	Turnover in excess of DKK 1.1bn	EBIT ratio	approx. 6%

- The prospects of the Cement business for 2006 are based on an unchanged market share and a total global market for new cement kiln capacity of approximately 50m tonnes per year (exclusive of China).

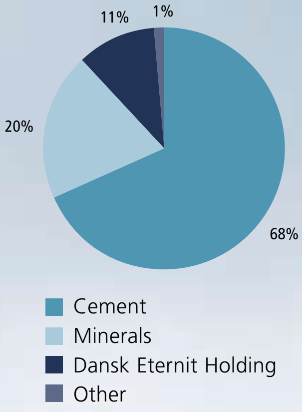
Goals for 2007

- 2007 is expected to see an increase in both turnover and EBT ratio compared to 2006.

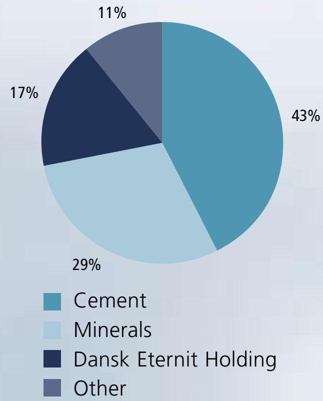
Long-term financial objectives

- The cement and minerals industries are cyclical markets in which turnover and earnings vary from year to year. In periods of low market activity the aim is to attain an EBT ratio of minimum 5%, and in periods of high activity an EBT ratio of 6-7%.

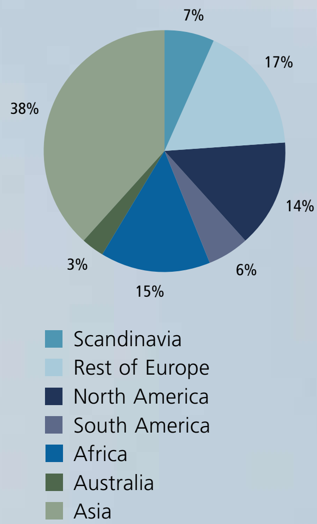
Turnover 2005 – segment breakdown



EBIT result 2005 – segment breakdown



Turnover 2005 – geographical breakdown



Group structure 2006

Business-oriented Group structure which differs from the legal corporate structure.

Management's review

The operating profit for 2005 is better than the latest announcement of prospects.

2005 saw positive market trends and earnings growth in all business units.

The global demand for new cement capacity reached a record high in 2005. On a global basis (exclusive of China) a total of 75 million tonnes per year new cement kiln capacity was ordered in 2005, and FLSmidth's market share was 33%. The higher order intake in 2005 will not be reflected in the turnover until in 2006 and 2007 because the orders are processed over a period of several years.

The level of investment in the minerals industry was particularly high in 2005 due to a sustained large global demand for minerals.

Profit and loss account and balance sheet developments in 2005 (continuing activities)

Turnover and gross profit

Turnover in 2005 amounted to DKK 10,502m, 3% lower than the year before (2004: DKK 10,829m). Turnover in Cement fell DKK 1.0bn in 2005, which was partly balanced by a DKK 0.5bn increase in Minerals and a DKK 0.2bn rise in Dansk Eternit Holding. The lower turnover in Cement mainly reflects the exceptionally high turnover in 2004 deriving from the processing of a large turnkey contract. Minerals in 2005 benefitted from a large order backlog at the beginning of the year and a high level of activity during the year. For Dansk Eternit Holding, the January storm meant an extraordinarily high turnover in the first half-year of 2005.

The gross profit amounted to DKK 1,908m in 2005 (2004: DKK 1,465m). Overall, Cement and Minerals improved their gross profit by DKK 151m on 2004, and the contribution ratio grew from 13% to 16% in both business areas. This development primarily stems from the fact that the restructuring of FLSmidth Airtech and the difficulties encountered in processing two FFE Minerals projects had a negative impact on 2004. 2005 saw a DKK 323m improvement of the gross profit of Dansk Eternit Holding whose results in 2004 were negatively impacted by a value adjustment of the company's net assets. Accordingly, the contribution ratio rose from 5% in 2004 to 33% in 2005.

In 2005, DKK 143m (2004: DKK 145m) was spent on research and development, and DKK 5m (2004: DKK 14m) of this amount was capitalised.

Capacity costs and earnings

Sales and administrative costs in 2005 amounted to DKK 1,480m (2004: DKK 1,383m), representing 14.1% of the turnover (2004: 12.8%). The higher cost percentage in 2005 compared to 2004 is due to the fact that 2004 saw an exceptionally high volume of turnkey-related turnover.

Depreciation and write-downs amounted to DKK 172m (2004: DKK 338m), which is a more normal level of depreciation since depreciation and write-downs in 2004 was negatively impacted by the value adjustment in Dansk Eternit Holding.

Earnings before interest and tax (EBIT) amounted to DKK 353m (2004: DKK -194m).

In Cement, the 2005 earnings before interest and tax (EBIT) amounted to DKK 151m (2004: DKK 143m). The EBIT result for 2004 was positively impacted by an IFRS-related DKK 62m non-recurring adjustment of pension obligations. FLSmidth (including the Project Divisions and the Customer Services and Automation divisions) achieved the same EBIT ratio in 2005 as in 2004, when adjusting for the abovementioned non-recurring adjustment of pension obligations. FLSmidth Airtech posted a positive result in 2005, having undergone a major restructuring and readjustment process in 2004. Pfister achieved a satisfactory result in 2005. As anticipated, earnings were lower than in 2004 which was an exceptionally good year for the company. Ventomatic recorded its best ever result in 2005, whereas MAAG Gear both in 2004 and in 2005 suffered negative results.

Minerals in 2005 posted earnings before interest and tax (EBIT) of DKK 103m (2004: DKK 21m), and all business segments produced earnings that exceeded previous records and historical averages. The two major projects which caused problems and had a negative impact on results in 2004, were completed in 2005 as expected.

Dansk Eternit Holding in 2005 achieved an EBIT result of DKK 61m (2004: DKK -391m) which is a DKK 52m improvement on 2004, when taking into account that the earnings for 2004 reflected the DKK 400m downward adjustment of the values in the company.

Financial net income in 2005 amounted to DKK 127m (2004: DKK -12m) and positively reflects net capital gains of DKK 123m (2004: DKK 32m), primarily deriving from the shares in Sinai Cement Company and Denerco Oil.

Earnings before tax (EBT) amounted to DKK 480m (2004: DKK -206m), corresponding to an EBT ratio of 4.6% (2004: -1.9%).

Tax for the year amounted to DKK -18m (income) (2004: DKK 136m) due to changed valuation and recognition of the Group's deferred tax asset, which has a DKK 193m positive effect on the tax for the year. Paid tax in 2005 amounted to DKK 76m (2004: DKK 65m).

The profit for the year of the continuing activities amounted to DKK 498m (2004: DKK -342m).

Changes in major balance sheet items
The balance sheet total amounted to DKK 9,577m at 31 December 2005, up from DKK 8,193m at 31 December 2004. This is mainly due to a marked increase in prepayments from customers, which has improved the Group's cash funds.

Assets
Long-term assets amounted to DKK 1,913m at 31 December 2005 (31 December 2004: DKK 1,745m). The increase on last year is primarily due to Financial assets, because Deferred tax assets rose by DKK 193m due to changed valuation and recognition of the Group's deferred tax asset, whilst other securities and investments declined by DKK 79m primarily due to the disposal of the shares in Denerco Oil and Sinai Cement Company.

Short-term assets amounted to DKK 7,664m at the end of 2005 (end of 2004: DKK 6,448m). The change in 2005 is primarily due to the DKK 1,567m increase in cash funds and securities deriving from prepayments from customers, whilst other debtors fell by DKK 328m, mainly consisting of lower amounts receivable in connection with the disposal of undertakings.

Liabilities
Liabilities amounted to DKK 6,929m at the end of 2005 (end of 2004: DKK 5,608m). This change is mainly attributable to the DKK 755m increase in prepayments from customers, a DKK 242m increase in work-in-progress for third parties and a DKK 235m increase in other provisions. The high level of activity has increased the provisions made by the Group, which consist of normal provisions for work in the warranty period, etc.

Shareholders' equity
The consolidated shareholders' equity at the end of 2005 amounted to DKK 2,648m (end of 2004: DKK 2,585m), representing an equity ratio of 28% (2004: 32%). The equity ratio dropped in 2005 due to the higher balance sheet total and payment of dividend at DKK 372m. The return on shareholders' equity in 2005 amounted to 19% (2004: 5%).

Management's review

Development in cash flow in 2005

Cash flow from operating activities amounted to DKK 1,698m in 2005 (2004: DKK -297m) primarily as a result of considerable prepayments under new contracts and a reduction in work-in-progress.

The major projects generally entail prepayments in the range of 15-20% of the contract value, and as the project progresses additional payments are received in step with shipments taking place, so that projects typically generate a positive net cash flow from start to end.

During periods like the present when the influx of new orders is growing, the cash flows from operating activities in the project business temporarily benefit from increasing prepayments – the opposite being the case during periods of declining order intake. The prepayments received this year will be used to pay subsuppliers and to pay for operations over the next one or two years. In 2005, the order backlog rose by DKK 4.3bn and prepayments received from customers increased by DKK 0.8bn.

Cash flow and funds tied up in the product companies, in FFE Minerals and in Dansk Eternit Holding, reflect more the pattern of a traditional production company in which tied-up capital rises in periods of rising activity as was the case in 2005.

As a consequence of the large prepayments, the working capital was negative at the end of 2005, amounting to DKK -240m (2004: DKK 880m). Within the respective business segments, the working capital at the end of 2005 amounted to: Cement: DKK -617m (2004: DKK 600m), Minerals: DKK 202m (2004: DKK 119m) and Dansk Eternit Holding: DKK 175m (2004: DKK 161m).

Cash flow from investing activities were positive and amounted to DKK 56m in 2005 (2004: DKK -125m). Cash flows from the sale of financial assets amounted to DKK 225m (2004: DKK 33m) and primarily consist of the shares in Spæncom, Denerco Oil and Sinai Cement Company. Investments in tangible assets amounted to DKK -176m in 2005 (2004: DKK -148m), which is on a par with depreciation and write-downs on tangible assets in 2005. This is estimated to be a good indication of the future level of investment exclusive of any acquisitions.

Cash flow from operating and investing activities amounted to a total of DKK 1,754m in 2005 (2004: -422m).

Net interest-bearing receivables amounted to DKK 2,600m at 31 December 2005 (31 December 2004: DKK 1,191m).

Order intake and order backlog

The booming activity in the Cement and Minerals markets was reflected in a record flow of orders received in 2005. The total order intake amounted to DKK 13,289m in 2005, which represents a 57% increase on 2004 (2004: DKK 8,458m). Orders received for services and spare parts totalled DKK 2,325m in 2005, which is an increase of 18% on 2004. The total order backlog amounted to DKK 10,834m at the end of 2005 (end of 2004: DKK 6,506m).

In the product companies and in FLSmidth and FFE Minerals operations with a relatively short order turnaround time, the present order intake will typically be reflected in the turnover after 3 – 6 months. In the major projects business, the order intake will manifest itself continuously in the turnover within a time frame of 6–24 months.

Developments in order intake and order backlog 2004 and 2005

Order intake (DKKm) from:	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Q1 2005	Q2 2005	Q3 2005	Q4 2005
Cement industry	1,764	1,622	1,410	967	2,603	2,410	1,576	3,433
Mineral industry	539	475	490	482	571	662	673	700
Other industries	231	249	108	121	137	136	280	108
Total	2,534	2,346	2,008	1,570	3,311	3,208	2,529	4,241
- of which services and spares	493	533	519	431	595	587	583	560

Order backlog (DKKm) related to:	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Q1 2005	Q2 2005	Q3 2005	Q4 2005
Cement industry	6,235	6,372	6,103	4,644	5,815	6,748	6,924	8,491
Mineral industry	1,066	1,202	1,431	1,326	1,544	1,778	1,896	1,851
Other industries	871	706	654	536	523	453	550	492
Total	8,172	8,280	8,188	6,506	7,882	8,979	9,370	10,834
- of which services and spares	517	611	666	552	688	730	757	700

Capital employed and return on capital employed (ROCE)
Capital employed averaged DKK 1,341m in 2005 (2004: DKK 2,903m) and the return on capital employed (ROCE) in 2005 was 19% (2004: -8%).

Capital structure and dividend
As a result of the positive cash flow development in 2005, the Group's financial resources were further strengthened during the past year.

The Board of Directors will propose at the Annual General Meeting that for 2005 a dividend of DKK 7 per share be distributed, consisting of DKK 4 extraordinary dividend and DKK 3 ordinary dividend.

Strategy

Cement and Minerals
All research and development activities are now consolidated in Denmark, and a new high-technology laboratory and research centre is practically finished at FLSmidth's existing research facility at Dania in Denmark.

The engineering activities in India grew considerably in 2005 and are ahead of the plans to double human resources there within a three year period. By the end of 2005, there were 1,000 employees in India, an increase of 52% since the end of 2004. As the many new employees join the organisation in India, they are being trained by experts from the project centres in Denmark and USA. A new office complex is being built near the present office in Chennai to accommodate the growing workforce.

Overall, the global division of work and transfer of knowledge between the project centres in Denmark, USA and India in 2005 has been supported by growing interaction among the centres, which includes implementation and use of the same IT tools globally.

A new and highly advanced 3-D design system is being implemented which will enable efficiency improvement of the design process.

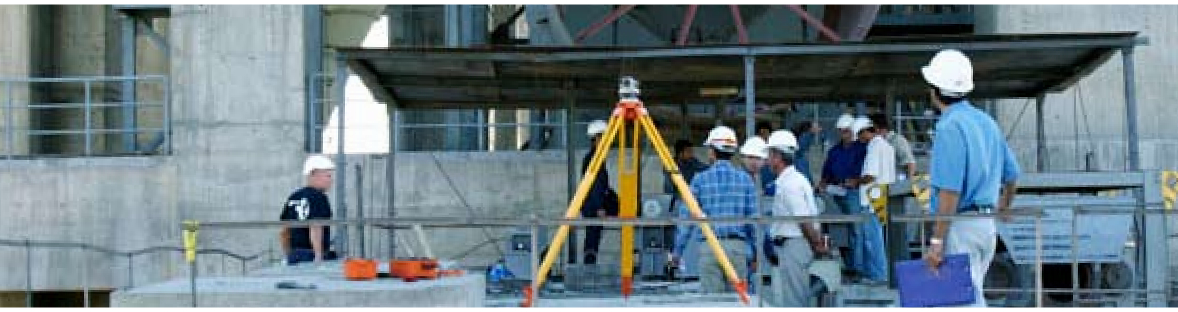
A structured effort is being made to identify and check the quality of new suppliers in low-cost countries, and in step with growing customer acceptance FLSmidth is ready to offer products of non-western origin.

The workshop in Qingdao in China doubled its capacity in 2004, and the manufacturing plant in Allentown, USA was sold. Capacity in China will be more than doubled in 2006 with a brand new 10,800 square metre factory building currently under construction.

Other activities
Dansk Eternit Holding and Densit will not in the longer term be part of the Group's core business, but they will remain in the Group until satisfactory results have been achieved and the companies are ready for sale. Both companies saw positive development in 2005. The developments in Dansk Eternit Holding are described in further detail on page 28. In 2005, Densit posted a turnover of DKK 132m (2004: DKK 111m) and an EBIT result of DKK 10m (2004: DKK 0m).

Discontinuing activities
The last FLS miljø projects have been completed, and the two desulphurisation plants in the UK, Eggborough and West Burton, have been handed over to and settled financially with the respective customers. Both facilities are now successfully in operation. A final settlement with FLS miljø's consortium partner, Mitsubishi Heavy Industries, is still pending and negotiations are expected to take place over the next few years. No further provisions or costs are expected in this context. In 2005, FLS miljø posted a turnover of DKK 6m (2004: DKK 198m) and an EBIT result of DKK 1m (2004: DKK -19m).

Management's review



Prospects for 2006

In 2006, FLSmidth & Co. expects a consolidated turnover of some DKK 11bn, earnings before interest and tax (EBIT) at approximately DKK 525m and earnings before tax (EBT) at approximately DKK 550m. This corresponds to an EBT ratio of 5%, which means that this aim will be achieved one year before originally anticipated.

For the individual business areas, the prospects for 2006 are as follows:

Cement	Turnover approx. DKK 7.5bn	EBIT ratio	approx. 4.5%
Minerals	Turnover approx. DKK 2.4bn	EBIT ratio	approx. 5.5%
Dansk Eternit Holding	Turnover in excess of DKK 1.1bn	EBIT ratio	approx. 6%

Cash flows from operating activities in 2006 are expected to amount to approximately DKK 100m, and depreciation and investments in tangible assets are expected to total approximately DKK 200m. 2006 is expected to see an approximately 30% tax percentage on earnings before tax and a paid tax percentage of approximately 20%. Research and development costs are expected to grow some 50% in 2006.

The prospects of the Cement business for 2006 are based on an unchanged market share and a total global market for new cement kiln capacity of approximately 50m tonnes per year (exclusive of China).

Goals for 2007

2007 is expected to see an increase in both turnover and EBT ratio compared to 2006.

Long-term financial objectives

The cement and minerals industries are cyclical markets in which turnover and earnings vary from year to year. In periods of low activity the aim is to attain an EBT ratio of minimum 5%, and in periods of high activity an EBT ratio of 6-7%.

Management

As of 1 October 2005, Mr Christian Jepsen joined the Corporate Management of the parent company, FLSmidth & Co. A/S.

Plastic cartel case

On 30 November 2005, the European Commission imposed a penalty on 16 European plastic product manufacturers for participation in an illegal cartel between early 1982 and 2001. Among the companies involved is Trioplast Wittenheim SA – a formerly FLSmidth-owned French company then named Silvallac S.A. – on which a penalty of EUR 17.85m has been imposed. According to the Commission's decision, via their former ownership of Trioplast Wittenheim SA, FLSmidth & Co. and FLS Plast are together with Trioplast Industrier AB jointly and severally liable towards the Commission for payment of the penalty by Trioplast Wittenheim SA up to a maximum amount of EUR 15.3m. During the entire course of events, FLSmidth & Co. and FLS Plast have had no knowledge of the alleged cartel - and therefore consider the Commission's decision unjustified and not founded in former practice. Consequently, FLSmidth & Co. has appealed the European Commission's decision to the European Court.

Incentive plan

Currently, share options are issued under two different incentive plans. The latest plan comprises options issued in the years 2003 – 2005, and the old plan comprises options issued in the years 1999 – 2000 (allocated for the years 1998 – 1999).

As at 31 December 2005, there was a total of 910,000 unexercised options under the new plan and 130,616 under the old plan.

As from the second quarter of 2005, the fair value is based on a trinomial model which is able to take a partially flexible exercise period into account. As at 31 December 2005, the fair value was DKK 95m (2004: DKK 34m) with regard to the new plan and DKK 8m (2004: DKK 5m) with regard to the old plan on the assumption of a current share price of 186, a volatility of 33.18% and a normal annual dividend of DKK 3 per share corresponding to DKK 160m.

The new plan is categorised as an equity-settled share-based payment arrangement. The value of options is recognised in the profit and loss account on a straight line basis as staff costs according to the accruals concept from the time of allocation until the first time of acquisition, as a result of which no further recognition in the profit and loss account takes place at the time of exercise. The effect of the new plan for 2005 on the profit and loss account amounts to DKK 12m (2004: DKK 10m). In 2005, 370,000 share options were exercised under the new plan. The effect of the options exercised is recognised in the shareholders' equity and is stated as sale of own shares.

The old plan is categorised as a cash-settled share-based payment arrangement. The value of options is charged to the profit and loss account and is stated in the balance sheet among other creditors. In 2005, 165,331 share options were exercised under the old plan. The effect of the old plan on the profit and loss account amounted to DKK 8m in 2005 (2004: DKK 5m).

Own shares

FLSmidth & Co.'s holding of own shares at 31 December 2005 totalled 999,563 representing 1.9% of the share capital (31 December 2004: 946,798). The holding of own shares is adjusted from time to time to match the number of unexercised share options under the new and the old option plan.

Change of accounting policies

The accounting policies have been changed to comply with the International Financial Reporting Standards (IFRS) and are described and quantified in the section on accounting policies, pages 40-49.

Statement by the Board and Management on the Annual Report

The Board of Directors and the Management have today reviewed and adopted the 2005 Annual Report for FLSmidth & Co. A/S. The Annual Report is presented in conformity with the International Financial Reporting Standards, which are approved by EU, and additional Danish disclosure requirements for annual reports of companies listed on the Stock Exchange. We consider the accounting policies appropriate in order to give a true and fair view of the Group's and the parent company's assets and liabilities and financial standing as of 31 December 2005 and of the financial results of the Group's and the parent company's activities and their cash flows for the 2005 financial year.

We submit the Annual Report for approval by the Company in general meeting.

Copenhagen, 1 March 2006

Corporate Management	Jørgen Huno Rasmussen *Group CEO*	Poul Erik Tofte *Group Executive Vice President CFO*	Bjarne Moltke Hansen *Group Executive Vice President*	Christian Jepsen *Group Executive Vice President*
Board of Directors	Jørgen Worning *Chairman*	Jens S. Stephensen *Vice Chairman*	Torkil Bentzen	Grethe Machholm
	Jesper Ovesen	Johannes Poulsen	Søren Vinther	

Auditors' report

To the shareholders of FLSmidth & Co. A/S

We have audited the FLSmidth & Co. A/S Annual Report for the financial year 2005 which is presented in conformity with the International Financial Reporting Standards, as approved by the EU, and additional Danish disclosure requirements for annual reports of companies listed on the Stock Exchange.

The Company's Board of Directors and Management are responsible for the Annual Report. Our responsibility is to present a conclusion on the Annual Report based on our audit.

Audit

We have conducted our audit in accordance with Danish auditing standards. These standards require that we plan and conduct the audit to obtain a high degree of certainty that the Annual Report is free of material misstatements. The audit comprises test checks of the material that supports the amounts and information presented in the Annual Report. The audit also includes our opinion on the accounting policies adopted and the major estimates made by the Board of Directors and Management as well as an evaluation of the overall presentation of the Annual Report. In our opinion the audit carried out provides a sufficient basis for our conclusion.

Our audit did not give rise to qualifications.

Conclusion

In our opinion the Annual Report gives a true and fair view of the assets and liabilities of the Group and parent company and their financial position at 31 December 2005 as well as the results of their operations and their cash flows for the financial year 2005 in conformity with the International Reporting Standards as approved by the EU and additional Danish disclosure requirements regarding the annual reports of companies listed on the Stock Exchange.

Copenhagen, 1 March 2006

Deloitte *Statsautoriseret Revisionsinteressentskab*	KPMG C. Jespersen *Statsautoriseret Revisionsaktieselskab*
Erik Holst Jørgensen Anders Dons *State Authorised Public Accountants*	Finn L. Meyer Per Ejsing Olsen *State Authorised Public Accountants*

Group Board and Management

BOARD OF DIRECTORS

Jørgen Worning
Chairman of the Board of Directors since 2002, age 65, MSc (engineering)
Managerial posts: Chairman of the Board of Directors of Bang & Olufsen A/S and Alk-Abelló A/S

Jens Stephensen
Vice Chairman of the Board of Directors since 2002, age 64, MSc (engineering).
Managerial posts: Chairman of the Boards of Directors of BornholmsTrafikken A/S, Pindstrup Mosebrug A/S, Holm & Grut A/S, Avenue Teatret and Danish Airlease ApS. Member of the Boards of Directors of Potagua FLS A/S and Potagua Højkol A/S.

Torkil Bentzen
Member of the Board of Directors elected at the General Meeting since 2000, age 59, MSc (engineering).
Chief Executive Officer of ENERGI E2 A/S since 2000.
Managerial posts: Chairman of the Board of Directors of Burmeister & Wain Scandinavian Contractor A/S, Chairman of the Board of Directors of Mitsui Babcock Energy Ltd., England. Vice Chairman of Statens and Kommunernes Indkøbsservice A/S.
Member of the Board of Directors of Mesco Denmark A/S.

MANAGEMENT

Jørgen Huno Rasmussen
Group Chief Executive Officer of FLSmidth & Co. A/S since January 2004, age 53, MSc (engineering), Dipl.Bus.Admin. and PhD (Techn.Sc.).
Managerial posts: Member of the Boards of Directors of Vestas Wind Systems A/S and SCION-DTU A/S. Member of the Boards of Representatives of Tryg smba in Denmark and the Industrial Employers in Copenhagen.

Poul Erik Tofte
Group Executive Vice President and CFO of FLSmidth & Co. A/S since January 2003, age 49, MSc (Econ.) and Dipl.Bus.Admin.

Bjarne Moltke Hansen
Group Executive Vice President of FLSmidth & Co. A/S since August 2002 with overall responsibility for the FLS product companies and Parts & Services, employed by the FLS Group since 1984, age 44, BSc (engineering).
Managerial posts: Vice Chairman of the Board of Directors of GEO.
Member of the Board of Directors of Dreisler Invest A/S.

Jesper Ovesen
Member of the Board of Directors elected at the General Meeting since 2005, age 47, MSc (Econ. and Bus.Admin.). Chief Financial Officer of LEGO Holding A/S. Managerial posts: Member of the Boards of Directors of Kirkbi Insurance A/S, Merlin Entertainments Group Luxembourg S.a.r.l., Skandinaviska Enskilda Banken AB and SEB Pensionsforsikring A/S

Søren Vinther
Member of the Board of Directors elected at the General Meeting since 2005, age 62, mechanical engineer, Dipl. Bus.Admin. Group CEO of Aalborg Portland A/S.
Managerial posts: Chairman of the Boards of Directors of Aalborg Portland White China A/S, Aalborg White 000 and Rusland Weiss A/S. Vice Chairman of the Boards of Directors of CemMiljø A/S and the Danish Employers Association. Member of the Boards of Directors of Unicon A/S, A/S De Smithske/ Desmi, Cembureau, the Process Industry Employers Association and the Council and Executive Committee of the Confederation of Danish Industries.

Johannes Poulsen
Member of the Board of Directors elected at the General Meeting since 2002, 63, MSc (Econ. and Bus. Adm.). CEO of BUUR INVEST A/S. Managerial posts: Chairman of the Supervisory Boards of the Danish International Investment Funds IFU, IØ and IFV. Vice Chairman of the Board of Directors of Eksport Kredit Finansiering A/S. Member of the Boards of Directors of AXCEL Industriinvestor A/S, AXCEL II A/S, Dantherm Holding A/S, the Export Credit Fund, Extend Reach Corporation A/S, Bukkehave A/S, Greentech Energy Systems A/S, JP/Politikens Hus A/S, Frandsen Lighting A/S, Frandsen Lighting Holding A/S, Skjern Papirfabrik A/S and VM Tarm A/S.

Grethe Machholm
Member of the Board of Directors elected by the employees since 1984, age 63, Commercial Correspondent. Marketing Coordinator in FLSmidth A/S, employed by the FLS Group since 1976.

Christian Jepsen
Group Executive Vice President in FLSmidth & Co. A/S since October 2005, employed by the FLS Group since 1990, age 46, MSc (Econ. and Bus.Admin.). President and CEO of FLSmidth Inc. USA.

Business areas – facts & figures

FROM INNOVATION TO NEW STANDARDS

Energy consumption From 1899 to 2005, FLSmidth has reduced the energy consumption of rotary kilns by a factor of 3.

Cement

Minerals

Dansk Eternit Holding

- **FLSmidth** is the leading supplier of complete plants, equipment and single machine units plus spare parts and services to the global cement industry.

- Global cement consumption is either stable or increasing primarily due to population growth and infrastructure expansion.

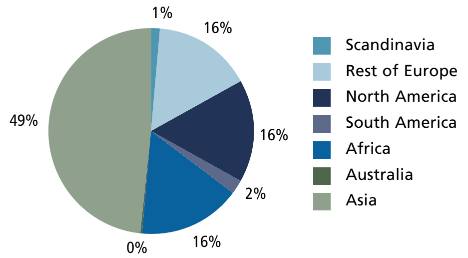
- The market for new cement industry capacity and equipment is particularly active, a situation that is likely to continue in 2006.

- FLSmidth's customers are either local, regional or global cement producers.

Key figures 2005

• Turnover	7,089m DKK
• EBIT	151m DKK
• Order intake	10,501m DKK
• Order backlog	8,906m DKK

Geographical breakdown of turnover



- **FFE Minerals** is among the leading suppliers of plants, machinery, processes, spare parts and services to niche markets in the global minerals industry.

- The global minerals market is expanding rapidly – driven by population growth, industrialisation and urbanisation particularly in China and India.

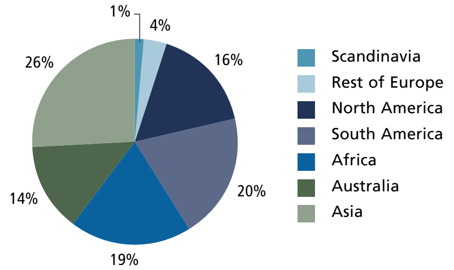
- The market for new minerals industry capacity and equipment is particularly active, a situation that is likely to continue in 2006.

- FFE Minerals' customers are either global or regional minerals producers.

Key figures 2005

• Turnover	2,145m DKK
• EBIT	103m DKK
• Order intake	2,788m DKK
• Order backlog	1,928m DKK

Geographical breakdown of turnover



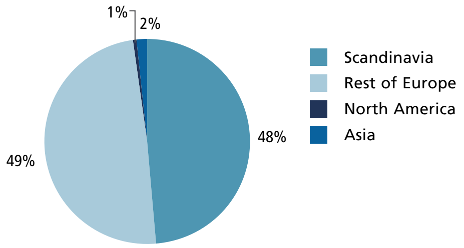
- **Dansk Eternit Holding** is Europe's second largest producer and distributor of fibre cement products.

- The European market for fibre cement is currently characterised by consolidation and intense competition.

Key figures 2005

• Turnover	1,147m DKK
• EBIT	61m DKK

Geographical breakdown of turnover



From innovation to new standards
By creating a corporate culture that encourages innovation, we have been able to introduce a wide range of new solutions to age-old problems. As a result, we have moved the limits of technology and set new standards – for ourselves, for our customers, and for our industry in general.

FROM INNOVATION TO NEW STANDARDS

NOx emission The NOx emission from modern pyro systems supplied by FLSmidth is today 50% less than ten years ago.

Business area - Cement

FLSmidth and its divisions and subsidiaries provide equipment and services to the global cement industry.

FLSmidth is the world's leading supplier of complete cement plants as well as key machinery and process technology for cement production.

The major cement projects are handled by the four FLSmidth Project Divisions which each cover their particular geographical region.

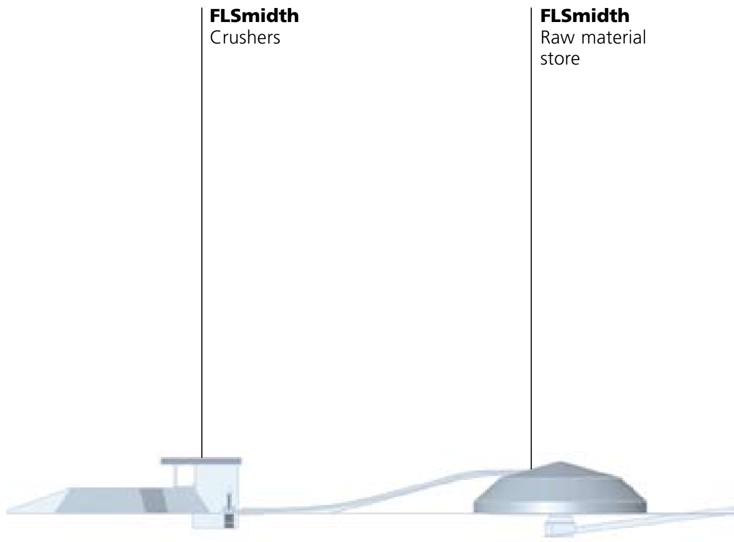
Specialised elements of cement projects and minor modification projects are provided by other FLSmidth divisions, which also market their products and services direct to the cement and minerals industries. The latter divisions are FLSmidth Customer Services, FLSmidth Automation and FLSmidth Airtech.

Global responsibility for technology, development and design of the Group's key machinery is concentrated in Denmark to maintain a consistent and high technological standard of all projects worldwide.

The product subsidiaries supply specialised equipment and related services for cement projects, marketed under their respective brands. These subsidiaries are Pfister, Ventomatic and MAAG Gear.

Financial result for 2005
2005 saw a total cement business turnover of DKK 7,089m (2004: DKK 8,104m) and earnings before interest and tax (EBIT) of DKK 151m (2004: DKK 143m including positive IFRS non-recurring adjustment of pension obligations at DKK 62m), corresponding to an EBIT ratio of 2.1% (2004: 1.8%).

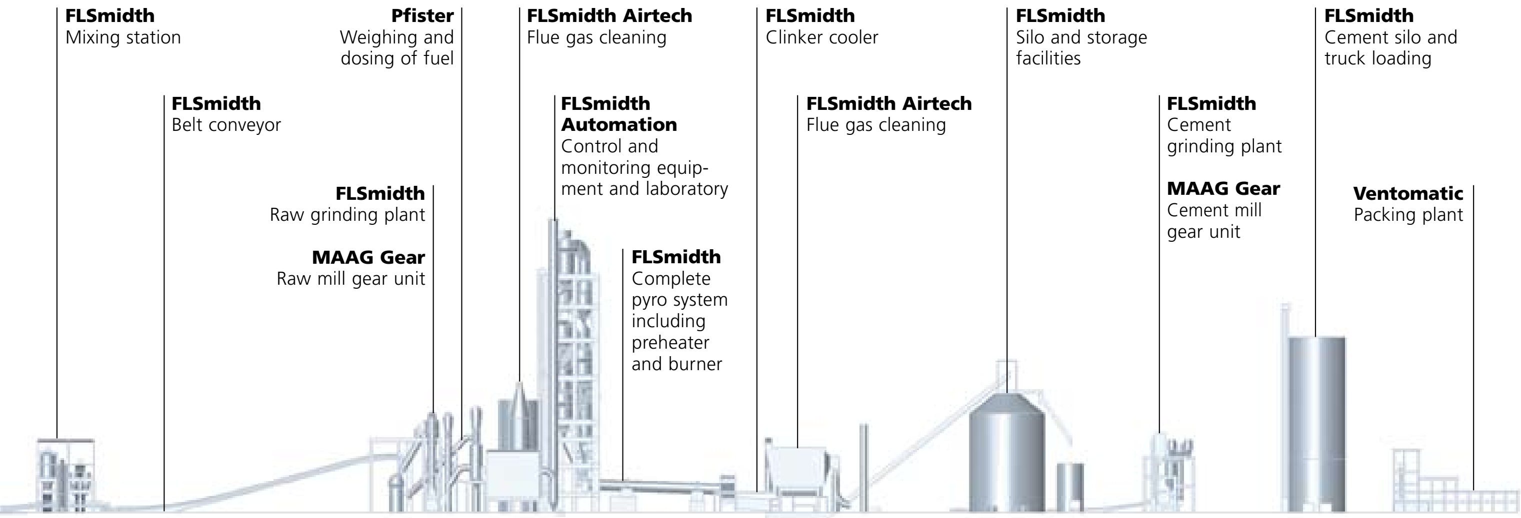
Prospects for 2006
In the cement business area, 2006 is expected to see a turnover of approximately DKK 7.5bn and an EBIT ratio around 4.5%.



Breakdown of Cement business area for 2005

(DKKm)	FLSmidth 1)	FLSmidth Airtech 2)	Pfister	Ventomatic	MAAG Gear	Other (elim.)	Cement 2005	Cement 2004
PROFIT AND LOSS ACCOUNT								
Net turnover	**5,831**	**728**	**236**	**283**	**547**	**(536)**	**7,089**	**8,104**
Production costs	5,022	630	145	216	487	(534)	5,966	7,015
Gross profit	**809**	**98**	**91**	**67**	**60**	**(2)**	**1,123**	**1,089**
Sales, distr., admin. and other operating costs	636	85	60	23	64	(1)	867	850
Earnings before interest, tax, depreciation/amortisation (EBITDA)	**173**	**13**	**31**	**44**	**(4)**	**(1)**	**256**	**239**
Depreciation and write-down of tangible assets	42	2	4	2	23	1	74	80
Amortisation and write-down of intangible assets	26	2	1	0	2	0	31	16
Earnings before interest and tax (EBIT)	**105**	**9**	**26**	**42**	**(29)**	**(2)**	**151**	**143**
Net financial income and expenses	67	0	0	(2)	1	1	67	27
Earnings before tax (EBT)	**172**	**9**	**26**	**40**	**(28)**	**(1)**	**218**	**170**
Tax for the period	(27)	(18)	(1)	18	2	1	(25)	35
Profit/loss for the period	**199**	**27**	**27**	**22**	**(30)**	**(2)**	**243**	**135**
CASH FLOW								
Cash flow from operating activities	**1,545**	**(2)**	**43**	**42**	**37**	**(2)**	**1,663**	**10**
Acquisition of undertakings and activities	1	(2)	0	0	0	3	2	(1)
Acquisition of tangible assets	(73)	(1)	(5)	(2)	(7)	1	(87)	(66)
Other investments, net	105	0	0	0	(2)	(1)	102	(12)
Cash flow from investing activities	**33**	**(3)**	**(5)**	**(2)**	**(9)**	**3**	**17**	**(79)**
Cash flow from operating and investing activities	**1,578**	**(5)**	**38**	**40**	**28**	**1**	**1,680**	**(69)**
NET INTEREST-BEARING RECEIVABLES/(DEBT)	**2,224**	**57**	**(13)**	**56**	**(116)**	**25**	**2,233**	**124**
BALANCE SHEET								
Long-term assets	815	37	70	12	124	1	1,059	822
Short-term assets	5,177	306	73	200	363	(192)	5,927	4,019
Total assets	**5,992**	**343**	**143**	**212**	**487**	**(191)**	**6,986**	**4,841**
Shareholders' equity	1,752	52	27	69	12	24	1,936	934
Liabilities	4,240	291	116	143	475	(215)	5,050	3,907
Total liabilities	**5,992**	**343**	**143**	**212**	**487**	**(191)**	**6,986**	**4,841**
KEY RATIOS								
Contribution margin	13.9%	13.5%	38.6%	23.7%	11.0%		15.8%	13.4%
EBITDA ratio	3.0%	1.8%	13.1%	15.5%	(0.7)%		3.6%	2.9%
EBIT ratio	1.8%	1.2%	11.0%	14.8%	(5.3)%		2.1%	1.8%
EBT ratio	2.9%	1.2%	11.0%	14.1%	(5.1)%		3.1%	2.1%
Number of employees at 31 December	**2,951**	**181**	**163**	**139**	**343**		**3,777**	**3,541**

1) Including the Projects Divisions and the Customer Services and Automation divisions
2) FLSmidth Airtech A/S is merged into FLSmidth A/S at 1 January 2006 and will in future be presented in the accounts like the other divisions.



Business area - Cement

FLSmidth is that part of the Cement business which focuses on cement projects and related products and services. FLSmidth supplies complete plants, equipment, single machine units, spare parts, know-how, services and maintenance to the global cement industry.

In 2005, FLSmidth (including the Project Divisions, Customer Services and Automation) posted a turnover of DKK 5,831m (2004: DKK 6,920m) and earnings before interest and tax (EBIT) of DKK 105m (2004: DKK 189m), corresponding to an EBIT ratio of 1.8% (2004: 2.7%). The financial result for 2004 was positively impacted by a DKK 62m non-recurring IFRS adjustment of pension obligations.

General market trends

Generally speaking the global market for cement production capacity may be divided into *a global market exclusive of China* and *China proper*. The conditions and prospects of these two markets are essentially different. *China proper* is the world's largest market for cement production capacity, but it is difficult to access for foreign suppliers because the central government considers it a strategic area. Besides, Chinese market data and statistics are scarce and inadequate. The global market for cement production capacity outside China is to a large extent accessible to all international suppliers.

Developments in the global market outside China

It is estimated that global cement consumption outside China was nearly 1.3bn tonnes in 2005, or approximately 55% of the total global cement consumption. Over the past 20 years annual growth in global cement consumption outside China has averaged approximately 2%.

Overall, 2005 saw a record level of investment in new cement production capacity, and the global market for new contracted cement kiln capacity (exclusive of China) totalled 75 million tonnes per year in 2005 (2004: 53 million tonnes per year). Although this high level of activity cannot be expected to continue in the longer term, there were no immediate signs of declining activity as 2005 came to a close.

The global market for new cement production capacity is very cyclical and has seen an exceptionally high level of activity during the past two or three years. 2005 saw very large investments in the cement industry, particularly in Asia and the Middle East, and these two regions accounted for about three quarters of all new cement kiln capacity contracted globally (exclusive of China). Investments in new cement production plants in the Middle East were at an exceptionally high level in 2005, and the Indian cement industry expanded at a rate not seen for many years. Besides, Vietnam is undergoing rapid development with massive investments in building construction and infrastructure development, which is reflected in a major expansion of the cement industry. Africa is seeing a major expansion of its cement industry, notably in South Africa and Nigeria plus in several North African countries.

Despite a long standing cement deficit on the North American market, the cement industry has invested very little in latter years because of cheap surplus cement in other parts of the world combined with low global freight rates. The situation changed in 2005 which saw a marked rise in activity on the North American market. This is already reflected in a few projects being contracted and the level of investments is likely to continue to rise in the coming years.

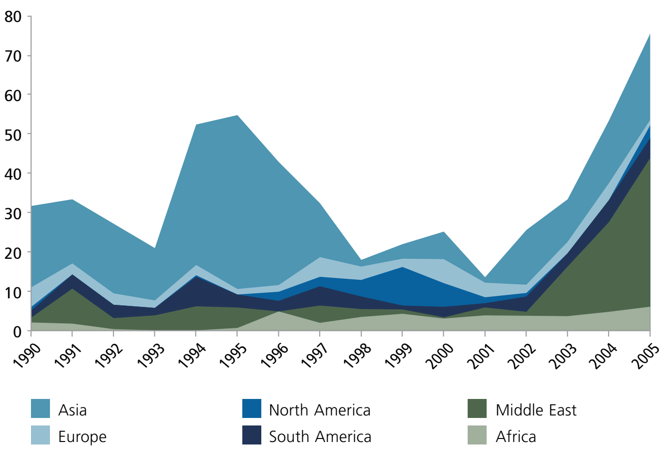
In South America, investment in new cement production capacity remained at a relatively modest level in 2005, but some new plants were contracted, notably in Argentina and Mexico.

The European cement industry is a relatively mature market, and as in previous years there was very limited investment in new production lines in Europe during 2005.

Competition

Despite the record level of new cement production capacity contracting in the global market, competition for supplies of new cement plants remains fierce because the relatively new Chinese contenders continue to expand globally.

Geographical breakdown of new contracted cement kiln capacity 1990 – 2005 (exclusive of China)



In 2005, FLSmidth's share of the global market for new cement kiln capacity (exclusive of China) amounted to 33%, which is unchanged compared to the year before despite the intensified competition from China.

The Chinese suppliers have been particularly successful in the Asian and the Middle East regions which are seeing a high level of investment in new cement plants. As a result, the Chinese have within a few years won a market share of 32%. Particularly in the turnkey segment, the Chinese suppliers have maintained a price policy and accepted a level of risk that has earned them many major orders. This applies especially to countries like Saudi Arabia and the United Arab Emirates which have a strong tradition for contracting turnkey plants.

The German competitors achieved an overall market share of 28% which marks a continuation of the latter years' declining trend.

Prospects for 2006

At the end of 2005, the cement markets in many regions continued to be very active, and although the exceptionally high level of new kiln capacity contracting in 2005 is unlikely to continue into 2006, there are still prospects of considerable expansion of the cement industry. With the cement industry being a highly cyclical market, it is normally difficult to make precise projections, but early 2006 it was estimated that the year's total level will be around 50 million tonnes per year. This is still considerably above the average of the previous 15–20 years which is around 30 million tonnes per year.

Developments in the Chinese market

China proper is the world's largest market for cement, and the rapid growth in cement consumption is expected to continue in the coming years driven by accelerating urbanisation and large infrastructure projects.

It is estimated that China's cement consumption in 2005 exceeded 1bn tonnes or 45% of the world total. Over the past 20 years cement consumption in China has grown at an average of 11% per year.

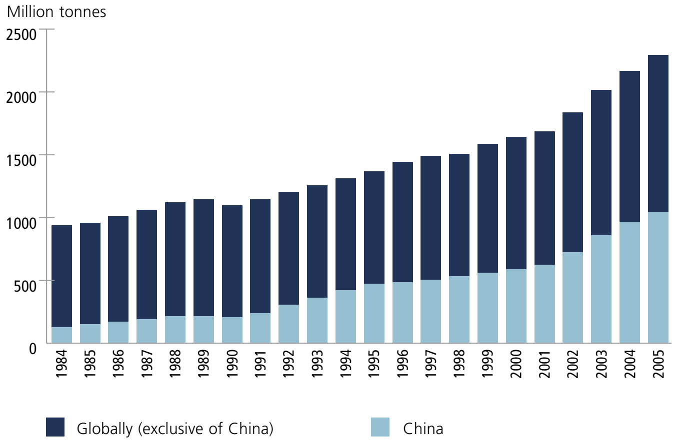
It is estimated that about 60% of China's present cement production comes from traditional vertical shaft kilns and wet-process kilns, and that only about 40% of the production comes from modern dry-process rotary kilns. The coming years will therefore see an ongoing and comprehensive modernisation and consolidation process in the Chinese cement industry.

During the 1980's, FLSmidth and other global suppliers sold a number of complete cement plants to Chinese customers. As the Chinese became able to produce the machinery themselves, the scope of the contracts gradually decreased. Today it is only possible to sell selected machines which the Chinese are unable to produce themselves and for which an import licence therefore can be obtained.

The Chinese market for new cement kiln capacity was again in 2005 somewhat below the level of the record years 2002-2003 due to the initiatives taken by the Chinese government in the first half of 2004 to avoid overheating of the construction industry. Although the Chinese market is difficult to access for foreign suppliers, in 2005 FLSmidth did succeed in winning a number of contracts for single pieces of machinery – notably raw mills and coolers – which secured the Company a large market share for these products and a healthy flow of orders from China.

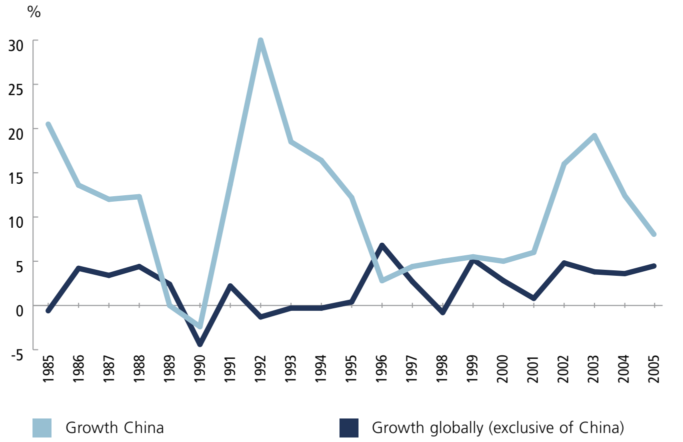
In 2005 FLSmidth's cement business in China represented a turnover of DKK 390m (2004: DKK 797m), or 5.5% of the total turnover in cement.

Global cement consumption



Source: World Statistical Review, Cembureau & Global Cement Report 6th Edition, ICR

Growth in global cement consumption



Source: World Statistical Review, Cembureau & Global Cement Report 6th Edition, ICR

FLSmidth Project Divisions

FLSmidth Project Divisions plan and supply complete cement plant projects for the global cement industry and are also responsible for major modifications, upgradings and installation of single machine units.

In 2005, FLSmidth Project Divisions posted a turnover of DKK 4,352m.

In October 2005, FLSmidth introduced a new project-oriented structure, which resulted in the establishment of four project divisions. Each project division is responsible for sales and implementation of major projects and related services in their respective geographical area. The aim is to ensure greater ownership and tighter control of large projects for the cement industry. This aim is best achieved through smaller business units that each has independent responsibility for the implementation of the projects from start to end.

Each project division has its own sales and proposal, procurement and project processing functions. In addition, each division has its own engineering department responsible for overall design and planning of cement plant projects.

Two project divisions are placed at FLSmidth's main office in Valby, Denmark, one project division is located in Bethlehem, Pennsylvania, USA, as part of FLSmidth's American subsidiary, and one project division in Chennai, India as part of FLSmidth's Indian subsidiary.

The American project division provides services to North, South and Central America. The Indian project division covers the Indian market and some neighbouring countries and the two project divisions in Valby share the remaining world, Project Division 1 covering Asia and Eastern Europe, and Project Division 2 covering Africa, the Middle East and Western Europe.

FLSmidth CUSTOMER SERVICES

FLSmidth Customer Services is responsible for sales of services and spare parts and design and implementation of minor projects for the cement industry. The activity is based on over 120 years of experience in providing highly qualified and experienced supervisory assistance for cement plant equipment installation and commissioning and for training of staff as well as providing replacement parts and specialist services after commissioning of the equipment.

FLSmidth Customer Services posted a turnover of DKK 1,360m (2004: DKK 1,094m), representing 24% growth.

In 2005, FLSmidth Customer Services saw an increase in sales of spare parts in a number of important markets, in particular in North and South America, Africa, the Middle East and Europe, whereas activity in a number of Asian markets was more moderate as expected.

Sales of services also saw a positive development in 2005. Supervisory services for installation and commissioning and customer training maintained a high level of activity due to the many ongoing cement projects.

FLSmidth Customer Services' business area also includes minor upgrading projects and is undertaken by Customer Services Projects which focuses on minor cement projects. The business area was implemented in the Danish organisation in 2004 and after a successful start a similar Projects department was also implemented in the American organisation in the beginning of 2005. These departments are expected to contribute positively to growth in 2006.

In 2005, pneumatic and mechanical transport systems saw a significant increase in demand. Sales of terminals for unloading of ships, trains and trucks have been particularly high. Related components, such as pumps and compressors continue to make a solid contribution to sales.

As a result of the Group's overall strategic focus on services and spare parts it was decided in the autumn of 2005 that Customer Services in future will report directly to Executive Vice President Bjarne Moltke Hansen. New opportunities for expanding both the spare parts product range and services for the cement industry will continuously be considered.

FLSmidth Automation

FLSmidth Automation is a global leading supplier of electrical, control, optimisation and quality control systems for the cement and minerals industries. It has more than 30 years experience in design and implementation of projects and complete solutions for both new and existing plants.

FLSmidth Automation posted a turnover of DKK 468m (2004: DKK 464m) and ended the year with a record high order backlog. In 2005, activity was high in all markets, in particular in Africa, the Middle East and Asia with growing activity within services and spare parts. More than 50% of the order intake in 2005 was related to modernisation and optimisation projects at existing cement plants.

FLSmidth Automation is headquartered in Denmark and operates worldwide. To ensure a market presence that meets the expectations and requirements of the customers for timely support and service, local offices are situated in a number of key markets – Australia, France, Germany, India, Italy, South Africa, Spain and the USA.

To maintain its position as a leading supplier, FLSmidth Automation continuously invests in the development of new, innovative key technology applications that add real value to the customers. In 2005, a socalled ECS/StackGuide was developed, a specialised environmental reporting package which enables the cement industry to document their efforts and focus on environmentally friendly production and sustainability.

Products and services are continuously being developed to support both the cement and minerals industries

FLSmidth Airtech

FLSmidth Airtech develops and supplies air and flue gas cleaning systems for the cement and minerals industries. In these industries FLSmidth Airtech is among the market leaders for bag filters and electrostatic precipitators, heavy metal and dioxin removal systems, etc.

In 2005, FLSmidth Airtech posted a turnover of DKK 728m (2004: DKK 723m) and earnings before interest and tax (EBIT) of DKK 9m (2004: DKK -88m), corresponding to an EBIT ratio of 1% (2004: -12%). The positive result for 2005 reflects the major restructuring and adjustment programme which the company launched and implemented by the end of 2004. The company's subsidiaries in England, France and Finland were sold and the company's position in the USA and Spain was markedly consolidated.

In 2005, FLSmidth Airtech received a satisfactory intake of orders, particularly from the USA and the Middle East. The focus on the cement and minerals industries has strengthened the company's position and earnings in 2005. Overall, the cement segment experienced high growth and the minerals segment saw growing demand for the company's filter technologies in connection with extraction and processing of raw materials to iron and aluminium.

FLSmidth Airtech's absorption technology (patent submitted) and technologies for the removal of heavy metals and dioxin are primarily being used within the waste incineration industry. References and experience from the waste incineration industry are thus being transferred to the cement and minerals industries in step with growing demand from these segments. In 2005, the company received several interesting orders from the minerals industry.

FLSmidth Airtech's electrostatic precipitators are branded as "best quality" in the market and sales remained stable in 2005. In 2005, a major refinement of key components of the electrostatic precipitators was made, thus ensuring that the technology remains competitive. A new generation of FLSmidth Airtech's COROMAX™ high voltage control system has thus been developed and a patent application has been submitted. In addition, the development of a simplified electrode suspension has been initiated and is planned to come on the market in 2006. In the cement and minerals segments a beginning shift in demand from electrostatic precipitators to bag filters has been observed, and FLSmidth Airtech has refined its line of bag filters (FabricClean™, UniClean™and PulseClean™) to a strong and competitive technology. During the year under review, FLSmidth Airtech increased its sales of services and spare parts. This segment will also account for an increasing portion of the total sales, and in 2006, FLSmidth Airtech will focus on forming strategic alliances and strong customer relations.

PFISTER

Pfister is one of the leading suppliers of dosing and weighing equipment and related services to the global cement industry and related industries. Pfister's product range consists of classical linear dosing systems such as beltweighfeeders and rotorweighfeeders for dosing of pulverised fuels, raw materials, fly ash as well as other additives and alternative fuels. Pfister's technologies are used in all stages of the cement production: from preparing of raw materials and in the combustion process to grinding and mixing of cement and raw materials and preloading.

In 2005, Pfister posted a turnover of DKK 236m in 2005 (2004: DKK 286m) and an EBIT-result of DKK 26m (2004: DKK 38m), equivalent to an EBIT ratio of 11% (2004: 13%).

The result is satisfactory, albeit lower than last year, where China was still an important market. The activity in China remains at a low level as expected, whereas other markets are developing satisfactorily. In 2005, important orders were received from South East Asia, Central Europe, the Mediterranean area, India and North America.

The decline in the Chinese market was caused by measures taken by the Chinese central government in mid 2004 to avoid overheating of the construction industry. However, Pfister was still awarded a number of orders from China in 2005, which have been handled by the newly established Chinese production facility at the FLSmidth premises in Qingdao.

The increasing demand for alternative fuel installations continued in 2005, especially in Europe, due to the European directive containing technical requirements for equipment used in potentially explosive environments. Pfister's rotor weighfeeder technology for alternative fuels is in compliance with the directive.

It is a cornerstone in Pfister's strategy to bring existing technology into new markets and industries. The new chain weighfeeder (DCW) developed in 2003 and launched in 2005, has received great interest from the heavy duty industry, and the first order was received in the second half of 2005.

On the research and development front, Pfister is working on the design for a new controller generation which is expected to be marketed in 2007. On the mechanical side, other development projects are in progress and new prototypes are expected to be launched in 2006.

Ventomatic

Ventomatic is one of the world's leading suppliers of high-efficiency packing and dispatching machinery and installations to the cement and related industries. Ventomatic offers a complete range of rotary and static packers, automatic bag applicators, palletising machines, automatic loaders, etc. with capacities up to 5,000 bags per hour. All the machines are assembled at Ventomatic's own plant in Valbrembo, Italy.

In 2005, Ventomatic posted a turnover of DKK 283m (2004: DKK 226m) and an EBIT-result of DKK 42m (2004: DKK 25m), corresponding to an EBIT ratio of 15% (2004: 11%). This result is a record in Ventomatic's history.

In 2005, Ventomatic received several major orders for complete packing and loading installations in Saudi Arabia which was the past year's prime market for Ventomatic. Other important markets were Vietnam, Nigeria, Morocco, Algeria, Pakistan and Italy. Africa, the Middle East and Asia were thus Ventomatic's leading geographical market areas.

Despite fiercer competition from suppliers in low cost countries, Ventomatic has managed to retain its market share, and in some areas it has even been able to increase it, mainly as a result of an intensified sales and marketing effort in these regions.

To be able to handle the record intake of orders and the consequent increase in production, Ventomatic expanded its production area in 2005.

In early 2005, sales of parts and services was reorganised as a separate area reporting directly to the company's CEO. The stronger focus combined with more direct and active sales efforts produced a positive result for 2005 and is likely to contribute to future earnings.

2005 also saw the formation of a separate R&D function which has launched several new important products and improvements of existing machinery, including the Ventoseal H4000 which is a high capacity unit that closes and seals bags after they have been filled. The new machine, which handles 4,000 bags per hour, can be installed at practically all existing plants. It reduces the amount of dust in the packing plant and thereby improves the working environment. Ventomatic has high hopes for this new machine which has already been sold to the world's largest cement producer and other customers.

Ventomatic is optimistic about the future, and in the short and medium term not only Africa and Asia, but also Eastern Europe are expected to be important markets. There is great market potential, not only in cement, but also in mortar and similar building materials. In 2006, Ventomatic plans to take a number of initiatives that will enhance its presence in certain geographical key areas.

MAAG

MAAG Gear is an international supplier of gear units for various industries. The main product lines are mill gears for the cement industry, turbo gears for compressors, generators and pumps, and marine gears for commercial and naval ships.

In 2005, MAAG Gear recorded a turnover of DKK 547m (2004: DKK 521m) and earnings before interest and tax (EBIT) of DKK -29m (2004: DKK -26m), corresponding to an EBIT ratio of -5% (2004: -5%).

The operating income for 2005 reflects considerable difficulties in the implementation of marine gear projects for which the necessary costs, resources and time had been underestimated. Due to the unsatisfactory handling of projects, MAAG Gear in 2005 strengthened its organisation in this area, introducing a project management that is to ensure better results from future marine projects. The efforts to strengthen efficiency will continue in 2006.

The high demand for new capacity in the cement industry resulted in a large influx of orders to MAAG Gear. In addition, rising energy prices resulted in a large order intake for MAAG Gear's turbo gear business. The market for parts and services for marine and turbo gears was also larger than expected, which combined with greater focus on the aftermarket led to a higher level of activity.

On the R&D front, the development of the new MAAG gear unit for large vertical mills in the cement industry is expected to strengthen MAAG Gear’s position as a leading gear supplier to the continuously growing cement market. The first of these new gear units is planned to be delivered and commissioned in 2006, and a similar albeit larger unit based on the same new design will be delivered in early 2007.

In collaboration with FLSmidth, MAAG Gear in 2005 carried out a major development effort for data logging of large vertical mill gear units. This project will provide a stronger basis for calculating new cement industry gear units.

MAAG Gear manufactures its products at its own facilities in Poland and Switzerland. Cement mill gear units are mainly produced in Poland, while turbo and marine gears are made in Switzerland.

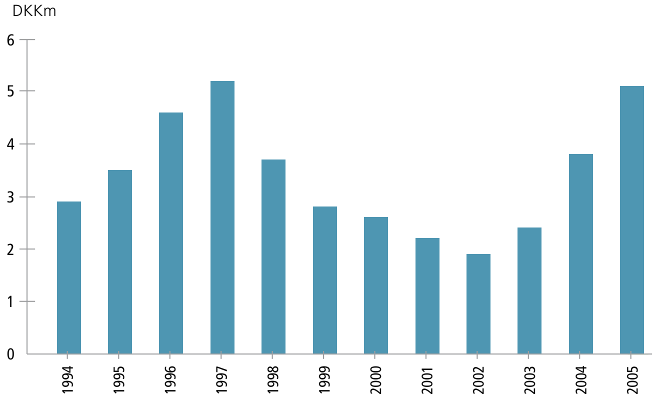
FROM INNOVATION TO NEW STANDARDS

By combining FLSmidth Automation's QCX software and on-line analysis equipment, it is possible to improve variations in key chemical parameters by a factor of two to three.

Business area - Minerals

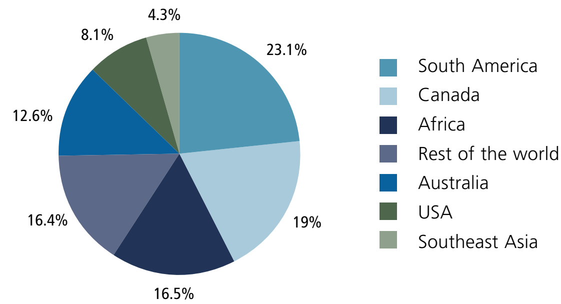
FLSmidth's activities in the Minerals area encompass the provision of equipment and services to the global mining and minerals industries and are marketed under the name of FFE Minerals.

Global investments in exploration for non-ferrous metals



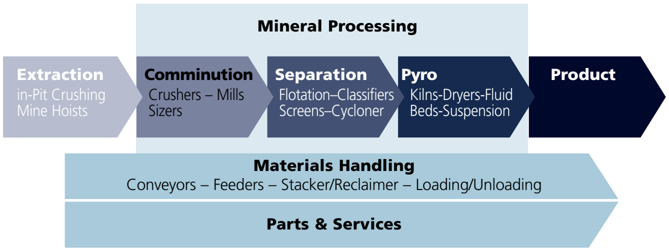
Source: Metal Economics Group

Geographical breakdown of global investments in exploration for non-ferrous metals in 2005



Source: Metal Economics Group

FFE Minerals – Value Chain



FFE MINERALS

FFE Minerals is a global organisation that serves the global minerals processing equipment industry with over 1,100 employees and markets individual pieces of process machinery, engineered process systems, spare parts and services.

The primary markets in which FFE Minerals competes may be defined as follows:

- Metallic Mining and Minerals Sector
- Industrial Minerals
- Pulp & Paper Industry

The Metallic Mining and Minerals sector includes companies involved in the mining, processing and production of copper, gold, platinum, silver, bauxite, nickel, iron, lead and other minerals. It also includes companies involved in coal processing, metals processing including steel and aluminum manufacturers, companies that mine and produce diamonds and other precious stones, and companies that distribute metals and alloys.

The Industrial Minerals sector includes companies engaged in the quarrying of limestone and the production of lime and lime based industrial products for use in iron processing, industrial manufacturing, steel making, construction and environmental applications and other minerals such as soda ash, phosphates and includes pet coke and lightweight aggregates.

The Pulp & Paper industry includes companies involved in producing fibrous wood pulp employing the Kraft process.

Financial result in 2005

With continued intensity on expanding its core business focus and increasing contributions, FFE Minerals delivered a turnover in 2005 of DKK 2,145m (2004: DKK 1,660m) and an EBIT result of DKK 103m (2004: DKK 21m), which corresponds to an EBIT ratio of 5% (2004: 1%). Two major projects that caused problems in 2004 were completed as anticipated in 2005.

FFE Minerals experienced a very strong year in all of its business segments. Substantial growth in sales in India, combined with important contracts won in Australia, Africa and the Americas, resulted in the expected earnings growth in 2005 as well as a healthy order backlog going into 2006.

Market activity

In 2006, the world's gross domestic product will increase by USD 1.5 trillion to reach USD 53.5 trillion. The population of the world is expected to increase by 79 million to reach 6.6 billion people. This increase in purchasing power and number of purchasers are the primary drivers impacting the world resource markets for products and services. Secondary drivers such as urbanisation and industrialisation, and the investment in human resources of the Western World in India, China and Asia have had a major impact on the mineral markets as well. The minerals market is expected to maintain a sustained level of investment over the next two to three years based on the high demand for minerals resources. Large investments in new production for gold, copper, and alumina are still ahead of us. Coal and lime are also in expansion modes based on the recent increases in worldwide steel demand, the high price of oil and rising environmental demands globally.

FFE Minerals maintained a strong position in selected market segments and geographical regions. It has continued to build capabilities that can be leveraged for future growth based on heritage brand names, an experienced staff, strong local presence in key markets which are core to its business model, and a technological edge for large-scale equipment/systems.

In 2005, FFE Minerals was able to expand on its goal of attaining large major equipment packages by obtaining orders for complete crushing stations in a large cement plant in the USA, a coal facility in India and a greenfield copper plant in Peru and numerous complete milling systems in the USA for limestone preparation circuits. In the

Business area - Minerals

pyroprocessing area, complete systems orders were obtained for preheater kilns in lime and integrated calciner/heat recovery systems for petroleum coke. Interestingly, these pyro projects were all from repeat customers, demonstrating FFE Minerals' ability to meet the stringent customer satisfaction requirements in this market segment, an area where FFE Minerals experienced challenges in the recent past.

Path forward and future goals
Success in today's world markets demands highly specialised yet closely linked groups of global business unit managers, country managers and worldwide functional managers forming a triad of different perspectives that complement each other. FFE Minerals integrates assets, resources and diverse people in its operating units around the world to establish national level responsiveness and flexibility; global scale efficiencies and competitiveness; and the cross-market capacity to leverage learning on a worldwide basis. Meeting customer requirements remains a critical objective for FFE Minerals. In this market characterised by tight supply coupled with strong demand, building solid relationships with key customers and suppliers is especially important and leads to mutually beneficial arrangements and the ability to better forecast future demand requirements.

FFE Minerals is managed within four business areas: Minerals Technology, Pyro Technology, Materials Handling and Service Technology. FFE Minerals is among the number one or two providers of equipment within its focused business areas and is headquartered in Bethlehem, Pennsylvania, USA.

Minerals Technology encompasses the crushing, grinding and separation of minerals. Great strides have been made and accomplished toward the supply of complete solutions for crushing and grinding systems. Orders for complete crushing stations including feeders, crushers, conveyors and structures were obtained in the USA, India, and Peru. In the USA and Asia, numerous orders were received for complete limestone grinding systems to meet environmental regulations. Future goals are to extend the systems offerings with separation equipment and selected maintenance services. The Minerals Technology Group completed the purchase of the majority interest in Excel Crusher Technologies with the intention to develop large cone crushers, a product predominantly served by one large supplier. It also continued its investment in separation technology, used downstream of its core equipment, with the commissioning of state of the art flotation technology. Flotation systems are in operation in copper, platinum and molybdenum plants and are performing quite admirably. Extremely important competitive testing will begin in early 2006 with large flotation cells in both copper and platinum processing plants. Both of these developments will add growth in the very near future.

Pyro Technology serves the metallurgical materials, lime, pulp & paper and alumina industries. Pyro processes require heat as an input to obtain a physical or chemical transformation of the substances treated. These technologies have their roots in the cement industry but are re-applied to meet specific minerals industry requirements. As this business area continues to grow, focus will be on internal process and equipment developments co-developed with clients to ensure an attractive market share, growing profitability and prudent risk management. Technological developments shared between FLSmidth and FFE Minerals will be utilised to strengthen the ability of FFE Minerals to grow and hold a number one or two position in selected markets within this business segment.

The Materials Handling Group had strong growth in 2005 and will be further strengthened with the transfer of MVT, an FLSmidth Company headquartered in Dillingen, Germany, in January of 2006, to FFE Minerals. MVT will greatly strengthen the systems capabilities of FFE Minerals in large mining operations connecting crushing and grinding operations with conveying systems, offering raw materials preparation systems with stackers and reclaimers, and the handling of final product with materials loading systems. The know-how of Conveyor Kit will be transferred to MVT, who will serve both FFE Minerals and FLSmidth in large materials handling systems. The MVT technology is joined in this business unit with the pneumatic transport technology of Möller Materials Handling which was transferred to FFE Minerals in 2004.

In Service Technology, FFE Minerals has been successful in forming strong customer relations, and these, in turn, have contributed to the development of a stable business which has shown sustained growth over the years. This significant achievement has resulted in



improved customer contact through a dedicated field sales organisation which services the client. The goal is to continue to increase the sales of spare parts and services by constantly expanding the product range and by developing value creating service programs that meet the customers' needs in their quest for ever more efficient operations through improved productivity, increased availability and energy efficiencies. FFE Minerals will continue to expand its service contracts in Chile and other areas focusing on the value-added services mentioned above.

In today's market of high commodity prices, operating companies are putting evermore focus on maximising current production, bringing technology improvements into the forefront. Providing quick, reliable and professional support services is highly rewarded and many customers are looking at equipment upgrades, the revamping of old equipment or even substitution of their old equipment if this can be done without production interruptions and demonstrate improved metal recoveries.

Development of new products and technologies
During 2005, important flotation tests in production-sized units continued in South Africa and Chile with important orders being received in both countries. With the large demand to improve recoveries of minerals to maximise returns at today's current prices, FFE Minerals has employed computational fluid dynamics and mass flow technology to develop retrofit solutions for installing its technology in competitors' flotation tanks. This is believed to be the fastest way to capitalise in this market segment, and if successful, will have a very positive effect on FFE Minerals near term future growth as the technology gains acceptance in the industry.

FFE Minerals expansion, with the acquisition of the controlling interest in Excel Crusher Technologies, into the large mining cone crusher market, follows its successful business model of controlled growth through the acquisition of new technologies to fill product gaps and to improve equipment systems offerings.

In material handling and crushing systems, new developments include the design and supply of minerals sizer crushing plants into cement, coal and copper. Negotiations are ongoing for the supply of complete gyratory crushing plants and purchase orders are expected in 2006 for this technology. The expansion of the sizer technology into non-traditional markets was further developed with new orders obtained in copper and iron ore. Five large stacker-reclaimers were successfully commissioned in India and four others are scheduled to come into duty in South Africa and India in 2006.

In the Pyro Technology area, FFE Minerals continues to focus heavily on joint developments with its clients. One such development, the Multiple Cassette Preheater (MCP), a more efficient preheater for burnt lime, was sold to a large American customer in a shared/limited risk format since the benefits of the new technology were perceived by the client to be superior to existing technology. These types of projects are ongoing in 2006 and promise to expand FFE Minerals' existing product base into new products and applications. Additional joint development has lead to detailed proposal phases in basic zinc carbonate calcining and phosphate drying and classifying. These two projects are expected to move to final contracts in the 2nd quarter of 2006. Basic development in coal firing and emissions characterisation and abatement is ongoing to support FFE Minerals clients' conversions from high priced gas and liquid fuels to coal in order to reduce operating costs.

Prospects for 2006
With record levels of order backlog and strong market conditions, the Minerals segment expects a turnover in 2006 of approximately DKK 2.4bn and an EBIT ratio of approximately 5.5%.

Dansk Eternit Holding

Dansk Eternit Holding

Dansk Eternit Holding is Europe's number two producer and distributor of fibre cement products. Its main product lines are corrugated sheets and slates used primarily as roofing materials and plane sheets for interior and exterior cladding of facades, walls and ceilings.

Dansk Eternit Holding is a European company with headquarters in Aalborg, Denmark. The Dansk Eternit Holding Group has production and sales operations in the Czech Republic, Finland and Poland in addition to sales offices in Denmark, the UK, France, Holland, Norway, Sweden and Germany. Most of the Group's turnover is today generated outside Denmark, and most of its nearly 900 employees are also based abroad.

In 2005, Dansk Eternit Holding recorded a turnover of DKK 1,147m (2004: DKK 978m) and earnings before interest and tax (EBIT) of DKK 61m (2004: DKK -391m), corresponding to an EBIT ratio of 5% (2004: -40%). The financial result for 2004 was affected by a DKK 400m downward adjustment of the values of the company.

Overall, sales in Europe reflected a relatively late winter which had a negative impact on construction activity at the beginning of the year, but this effect was compensated for by the mild autumn. In addition, the January storm in Denmark had a markedly positive effect on sales, creating a high demand for roofing materials. The January storm thus accounted for about half of the growth in turnover in 2005.

As in previous years, Dansk Eternit Holding Group makes provisions for anticipated warranty liabilities within the warranty periods for various products in the respective markets.

The results for 2005 and the result improvement show that the restructuring of the Dansk Eternit Holding Group is on track. Among the achievements is the increase in production volume with a nearly unchanged level of staffing, as planned.

Roofing materials
Sales of roofing materials (corrugated sheets, slates and accessories) made good progress in most markets.

The relocation of the remaining production from Denmark to the Czech Republic took place as planned in the first half of 2005, creating an efficient and competitive production base whose capacity matches the market conditions.

The European roofing market is seen to offer considerable opportunities for long-term expansion of the fibre cement segment in terms of market growth and higher market share for fibre cement products.

Facade cladding
Sales of facade cladding (plane sheets) continue to develop satisfactorily. Sales in traditional markets and for traditional applications made good progress, but again in 2005 higher growth rates were achieved in new applications and new markets.

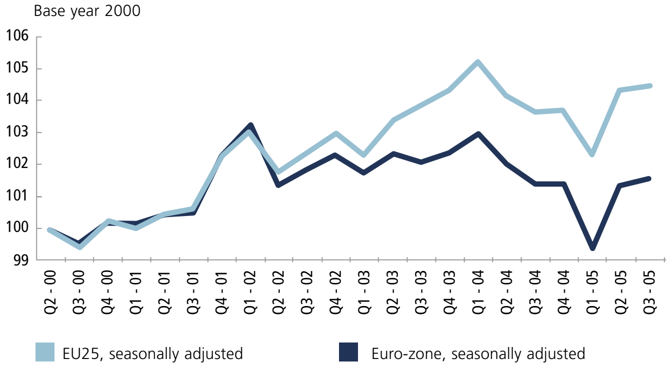
2005 saw efforts to expand the range of products in facade cladding. This includes products focused on applications which today are mainly served by gypsum and wood-based products, but for which fibre cement products offer specific benefits in terms of favourable characteristics and lower maintenance requirements. The results of these efforts are expected to reach the market in 2006.

Interior cladding
Sales of interior cladding (plane sheets) made good progress in both existing and new markets and continued to gain market share in 2005 over substitutable products for applications in which the higher moisture resistance of fibre cement ensures longer service life and fewer problems.

Prospects for 2006
In 2006, continuing profitable and controlled growth plus continued optimisation and expansion of the distribution and production channels in Europe remain the main focal points.

For 2006, Dansk Eternit Holding expects a turnover in excess of DKK 1.1bn and an EBIT ratio of approximately 6%. The company thus expects continued organic growth from the level of turnover in 2005 adjusted for the January storm.

Production index in the construction sector



Source: Eurostat

FROM INNOVATION TO NEW STANDARDS

Dust reduction Since 1980, FLSmidth has reduced dust emissions from cement factories (3000 tpd) by 66%. Over the past 20 years, FLSmidth has developed filters that can capture 90% of the dust generated by cement factories.

Commercial risks

Risk Management
The Group has established a central Risk Management department and appointed Risk Management officers in all divisions and subsidiaries. This function is supported by a Risk Management policy approved by the Board of Directors. The purpose of the Risk Management function is to systematically identify and control risks affecting the Group's activities, assets and employees. Responsibility for this function is placed with the individual divisions and subsidiaries.

Cement and minerals activities
A substantial part of the Group's turnover and earnings is based on orders received, so the intake and processing of orders from the cement and mineral industries have a decisive effect on developments in cash flow and net result. Before proposals are submitted, sales, project and legal staff work closely together in assessing the contractual aspects of the project. In all major projects, risk analysis takes place both at the proposal and at the implementation stage to continuously identify, control and report on any risks related to the projects.

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

Sourcing
Project costs depend on world market commodity prices, primarily those of steel and copper. To the extent possible, this exposure is covered by coordinating the validity and terms of the offers submitted to and by FLSmidth, and where possible the risk is contractually transferred to the customers.

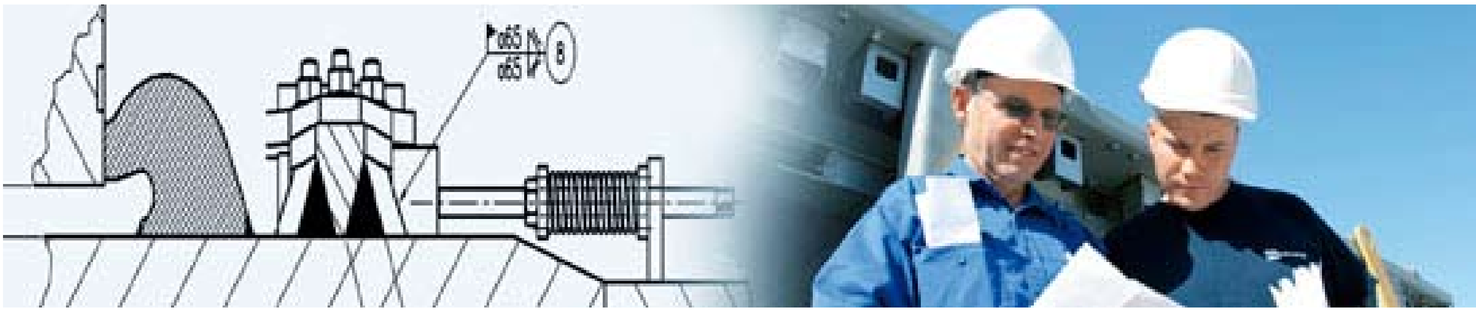
Quality assurance and discrepancy reporting
FLSmidth has implemented a quality assurance system that complies with the international ISO 9001:2000 standard. The system is continuously maintained and improved. The system has been certified by Lloyds Register Quality Assurance who also audit the system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

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

Other activities
The Group's turnover in building materials is highly dependent upon the trading conditions in the construction sector, particularly in Europe.

All the production units apply certified quality management systems and a systematic effort is made to reduce the risk of the units.

Dansk Eternit Holding Group makes provisions for anticipated warranty liabilities within the warranty periods for various products in the respective markets. Because warranty periods are lengthy and specific for each industry, the provision is subject to some uncertainty and is based on best possible estimate on a continous basis.



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

Insurance coverage is a function of the claims scenarios that have been identified in collaboration with the Group's insurance consultant and the insurance products available on the market. As part of the insurance contract, relevant production units have been audited by external risk engineers. Reports have been drawn up containing risk descriptions and recommendations for risk improvements.The size of the own risk is an optimisation of the relationship between the insurance premium and FLSmidth & Co.'s financial ability to bear the risk itself.

Financial risk management
The overall framework for managing financial risks is decided by the Board of Directors. It is Group policy that all major financial risks should be identified and appropriately hedged. Financial management comprises the Group's currency, interest, liquidity and credit risks as well as its capital structure and financial resources.

It is Group policy that all significant commercial currency and interest rate exposure should be hedged once a contract becomes effective at the latest.

Currency exposure
Group currency exposure derives from the impact of exchange rates on future commercial payments and financial payments. The valuation of foreign net investments is also affected by exchange rate variations because translation risk is not hedged.

Furthermore, the Group is exposed to exchange rate variations during the negotiation of contracts and the submission of tenders. For the part of the transaction risks that cannot be hedged naturally or via foreign currency clauses in contract negotiations, the Group uses forward contracts and currency options to minimise the financial risks. The Group's main currencies for commercial purposes are USD and EUR.

Interest rate risk
The Group's interest rate risk consists of the sensitivity of the net interest items to changes in the level of interest and the effect of interest rate changes on the market value of consolidated balance sheet items. The interest rate risk is based on the net position in different life intervals and is hedged by the use of financial instruments. All the Group's net interest-bearing assets at 31 December 2005 carried a variable rate of interest. Other things being equal, a one percent point increase in the interest rate will have a DKK 26m positive effect on the Group's net interest earnings (end of 2004: DKK 12m).

Risk Limits
Currency and interest exposure at corporate level is controlled by means of Value at Risk (VaR) techniques and scenario analyses, and the risks are hedged by means of financial instruments. The risk limit for open currency and interest positions is set at a Daily Earnings at Risk (DEaR) maximum of DKK 2m with regard to both currency and interest positions.

Liquidity exposure
The purpose of the Group's cash management is to ensure that the Group at all times has sufficient and flexible financial resources at its disposal. The Group manages its liquidity exposure through cash pool systems around the world and by maintaining a number of short-term overdraft facilities with various financial institutions.

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

Capital structure and financial resources
It is the Group's aim at all times to have a sufficiently sound balance sheet in relation to the underlying operating results so that it is always possible to provide sufficient and the necessary guarantee facilities to support the commercial operations.

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

Research and Development

FLSmidth pursues an active research and development programme which reflects the aim of being the preferred partner and leading supplier to the global cement and minerals industries. The goal of this programme is to launch one new main machinery or process invention to the market every year.

In 2005, several projects made significant steps towards this goal.

R & D projects
In September 2005, the new Multi-Movable Cross-Bar Cooler was launched, with improved features to ensure that FLSmidth remains at the cutting-edge position in cooler technology. Since the release there has been positive acceptance in the market, reflected by the sales of 6 units.

FLSmidth continues to focus on the utilisation of waste fuels as the market demands are increasing. The so-called HOTDISC makes it possible for the cement producers to burn a large variety of solid waste fuels such as car tyres and wood chips. Work continues in an effort to further improve the applicability and enhance the emission reduction capability of this technology.

With the increasingly stringent emissions regulations that are foreseen in the world markets, FLSmidth continues to place resources to develop solutions to meet the future challenges faced by our customers. Several improvements to existing products have also been developed and released for sale to the market.

Laboratories
In 2005, FLSmidth began the process to combine the research and development laboratories from Bethlehem, USA and Valby, Denmark into a single, state-of-the-art facility to be located at the existing research centre in Dania in Denmark.

The new pilot hall at Dania has been completed in 2005, and testing of materials in support of project work has commenced. Construction of the new laboratory is nearing completion, and all laboratory operations will be transferred to Dania in the first half of 2006. The close coupling of the laboratory, pilot hall, and research centre at Dania will further enhance the efficiency of the development process.

Pursuant to the strategy, FLSmidth has increased focus on, and investment in, the research and development of new products and processes to maintain a technological edge on its competitors. An expansion of the staff in Valby and the testing centre at Dania, and investment in the modern state-of-the-art facilities in Dania highlight the commitment to the process.

In 2005, research and development costs amounted to DKK 143m (2004: DKK 145m), of which DKK 5m were capitalised (2004: DKK 14m). In 2006, research and development cost is expected to increase by approximately 50%.

FROM INNOVATION TO NEW STANDARDS

R&D The HOTDISC, FLSmidth's combustion unit for alternative fuels, is able to replace more than two thirds of the conventional fossil fuels used in cement manufacture.

Corporate Governance

Pursuant to Section 36 of the Disclosure Requirements for issuers of shares listed on the Copenhagen Stock Exchange, Danish companies must in their Annual Report for 2006, at the latest, explain how they will address the recommendations of the Copenhagen Stock Exchange for corporate governance based on the 'comply or explain' principle. The Board of Directors of FLSmidth & Co. A/S has decided not to comply with these recommendations until as from the Annual Report for 2006.

However, the following account of the FLSmidth Group management principles is in line with the structure of the Copenhagen Stock Exchange recommendations for corporate governance.

1. Shareholders' role and interaction with Board of Directors and Management

Annual General Meeting

According to the Articles of Association, a notice convening the general meeting including the agenda of the meeting must be issued not less than eight days and not more than 4 weeks prior to the meeting. A complete agenda including explanation of the business to be transacted shall be available at least eight days before the general meeting at the Company's address. In order to be considered at the Annual General Meeting, business proposed by shareholders must be submitted to the Board of Directors in writing by 1 March of the year in question.

After the quarterly interim reports are released, investor meetings and telephone conferences are held at which questions may be asked direct to the Corporate Management. In addition, it is possible to contact the Corporate Management and Board of Directors via the Shareholders secretariat and the Investor Relations function whose purpose is to maintain an ongoing dialogue between the Company and its present and potential shareholders.

Capital and share structure

As enabled by Danish legislation, FLSmidth & Co. A/S has two classes of shares (A shares and B shares) with capital investments and voting rights being in different proportions to each other. This has been so since the Company was listed on the Stock Exchange in 1968.

2. The role of stakeholders and their significance to the Company

As to the role of the stakeholders and their significance to the Company, please see the section on Stakeholder relations.

3. Openness and transparency

Disclosure of information

The full wording of FLSmidth & Co.'s public relations policy is available at the Company website www.flsmidth.com. In accordance with the policy, procedures have been drawn up for the timely disclosure of all important information pursuant to the Stock Exchange rules.

All Stock Exchange announcements and press releases are issued simultaneously in Danish and English via the Copenhagen Stock Exchange and are subsequently made available at the Company website www.flsmidth.com and distributed to subscribers via an email subscription service.

Interim reports and the 2005 Annual Report are presented in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and in accordance with the guidelines fixed by the Copenhagen Stock Exchange for the financial statements of listed companies.

4. Duties and responsibilities of the Board of Directors

According to general practice in Denmark, FLSmidth & Co. A/S has a two-tier management system with a clear division of responsibility and separation between Board and Management. The Management is responsible for the day-to-day business of the Company, whilst the Board of Directors oversees the Management and handles overall managerial issues of a strategic nature. The Chairman is the Board of Directors' primary liaison with the Management.

The Board of Directors has adopted rules of procedure for its activities and basically meets in ordinary sessions 6 times a year. Immediately after the Annual General Meeting the Board of Directors elects from its own number a Chairman and a Deputy Chairman.

5. Composition of the Board of Directors

The Group Board of Directors consists of experienced executives from the Danish business community who each bring with them insight and hands-on experience that match the challenges and practical issues currently facing the Group. Of the six members elected at the General Meeting for a period of one year, two are not independent. They are Deputy Chairman Jens Stephensen, who is a relative of the Company's main shareholders and is a member of the Board of Potagua FLS A/S, and Board member Søren Vinther, Group CEO of Aalborg Portland A/S who has been in the Company's employ within the past five years.

Pursuant to Danish legislation, the Group's employees are represented on the Board of Directors by members elected for four years.

6. Remuneration of the Management and the Board of Directors

The Board has set up a Remuneration Committee to handle negotiations of pay to the Management and Board. Information about the remuneration of Management and Board is given in Note 30 to the consolidated accounts. Besides, a list of the external executive positions held by the individual Management and Board members is shown on pages 12-13.

7. Risk management

For further details on commercial and financial risks, please see the section on Risk Management in this Annual Report.

8. Auditors

The Board of Directors of FLSmidth & Co. A/S has decided to propose to the company in general meeting on 7 April 2006 that the Group will in future be audited by one accounting firm as against previously two, which has been made possible by an amendment of Danish legislation in 2005.

Stakeholder relations

Environment and environmental reporting
It is the FLSmidth Group's overall objective at all times to at least comply with current local environmental legislation and actively contribute to sustainable environmental development in society, striking a balance between economic consequences and industrial development and capability.

Based on the Group's environmental policy it is the objective to:
- manufacture products with consideration of the environmental impact and sustainability of production, use and disposal;
- market products that help to limit negative environmental impacts and which assist customers in achieving their environmental objectives;
- improve energy efficiency and reduce energy consumption;
- reduce polluting emissions to the environment and the amount of waste;
- train and motivate its employees to participate in environmental efforts, so that they actively and in their attitude support the environmental policy;
- follow-up on and monitor the development of environmental impacts.

Engineering activities
As announced in FLSmidth's "Environmental Policy Statement" it is the company's objective to protect the environment by eliminating and – if this is technologically not feasible – by reducing any harmful environmental impact of the Company's activities or products.

Being an engineering company with a limited amount of own production, it strives to fulfil this objective primarily by developing production processes, machinery and equipment that ensure maximum environmental protection.

Having attained certification to ISO 9001:2000, it is FLSmidth's policy that all its products at least must comply with current legislation and regulations. In addition, FLSmidth's products and services must support the company's image of a responsible, reliable and professional supplier, who in consideration of the environment reflects the use of the latest technology and meets the market's expectations and requirements for developing new environmentally protective technology.

FLSmidth's environmental policy results in the following declarations of intent:
- Installations, machinery and equipment supplied by FLSmidth must at least always comply with the current environmental legislation in force at the time of signing the contract.
- When developing new products, efforts must be made to reduce the consumption of energy and natural resources and eliminate pollution and reduce noise nuisance as much as possible.
- FLSmidth will give priority to subsuppliers with a high environmental standard and awareness.
- FLSmidth will train and motivate customers with a view to ensuring optimum usage of the supplied installations, machinery and equipment capacity – also with regard to the environment.
- FLSmidth will at all times prioritise environmental aspects with a view to ensuring continuous follow-up and updating of the company's objectives within environmental protection.

The intentions behind the Group's environmental policy have today been fulfilled in that FLSmidth technology is indisputably the world's leading in terms of energy consumption and emissions from cement production.

Production facilities
During a number of years the Group's largest production company, Dansk Eternit Holding, has focused systematically on environmental management and environmental reporting.

In energy intensive production plants it is particularly relevant to consider environmental and energy issues – including the optimisation of the use of raw materials, the reduction of energy consumption, waste, water and noise and the improvement of occupational health and safety.

The company's products are building materials which in their "cradle-to-grave life cycle" have an impact on the environment. To focus on the environmental impact of the building products is thus a significant part of the Company's environmental efforts. These efforts include collection of data with a view to disclosing other aspects than the production itself which have an impact on the environment - for example in relation to suppliers, customers and actual use. On this basis, future environmental targets and action plans are set to fulfill the objectives of the environmental efforts.

Dansk Eternit Holding has attained environmental certification to the ISO 14001 standard, OHSAS 18001 and the Ministry of Labour executive order No. 923.

Occupational health and safety
Efforts are continuously being made in the FLSmidth Group to improve occupational health and safety and reduce industrial injuries through instruction, information, thorough workplace assessment, risk assessment at environmental inspections and examination of industrial injuries and assessment of their initial causes.

The efforts to improve occupational health and safety and the attempts to reduce the number of accidents at work in 2005 were reflected in a general decline of incidents from 5.5 to 4.8 per million working hours. Efforts are continuing regarding preventive measures and improvement of health and safety conditions.

Generally speaking, absence due to illness is at a low level throughout the Group. The American and Danish parts of the organisation recorded the lowest rate of absence at 1.1% and 1.8%, respectively, whilst absence in the Indian organisation reached 6.1% in 2005.

The effort to protect the safety of employees on travel has been intensified in view of the growing number of terrorist incidents in the regions where the Company is active.

Ethics

The Group wishes to stand out as a responsible organisation. Work places around the world controlled by the Group must respect human rights.

FLSmidth has long-standing experience in supplying machinery and equipment to countries with low economic and infrastructure development; this includes countries which by Western standards have totalitarian and oppressive political systems. Improvement of the infrastructure and economy of these countries is essential to the creation of a more humane political and social environment.

Experience from all parts of the world shows that access to cement, for example, plays an essential role in the development of a nation's infrastructure. Cement is a prerequisite to stimulating economic growth. The Group wishes to contribute to this process, building on its experience of trade having a positive effect on economic development and peaceful co-existence among nations.

Knowledge resources

2005 saw particular focus on recruitment and training activities in the project centre in India. A net total of 341 new employees were recruited in India in 2005, and a complete competence development and performance evaluation toolbox has been implemented to support the planned expansion of the Indian project centre. In 2006, these tools will also be implemented at the project centres in the USA and Denmark.

The global division of work and the transfer of knowledge among the project centres in Denmark, USA and India were supported by greater interaction between the centres in 2005, for example by using the same IT tools and by carrying out short-term in-house training programmes in which employees from the project centre in India were instructed by experts in Denmark and the USA.

In 2005, several of the Danish business units were merged, and staff terms and conditions are now fully harmonised in the Danish organisation. Furthermore, in cooperation with representatives of the staff organisation extensive simplification of a number of rules and employee conditions has taken place to reduce administration and enhance flexibility and business focus.

Employee satisfaction

From time to time, FLSmidth undertakes questionnaire surveys of employee satisfaction. An important aim of these surveys is to identify areas in which action may be taken to improve employee satisfaction.

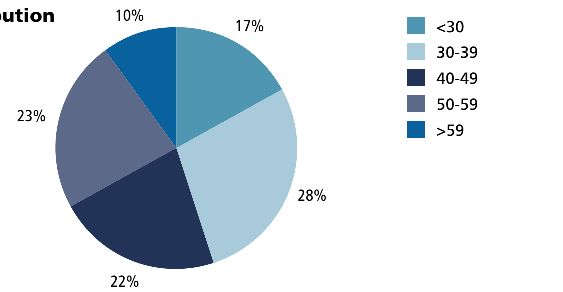
From October to December 2005, a major survey was carried out among more than 1,900 employees in Denmark and the USA. 1,536 employees returned the questionnaire, a response rate of 80.4%. The survey was carried out in cooperation with The Leadership Factor Inc. – an international leader in this form of consultancy.

The survey focused on 28 selected issues and included not only an overall measurement of satisfaction and prioritisation of the relevance of various job satisfaction aspects, but also an assessment of the relations between the three regional centres in Denmark, India and USA and an evaluation of a number of more specific issues and activities.

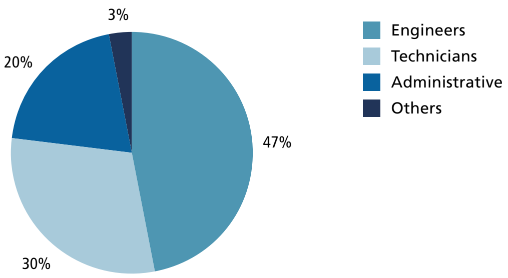
Compared to a comparable survey undertaken in Denmark in 2003, FLSmidth's Danish activities have seen a general improvement of the employees' rating of their workplace. However, there remain issues in which greater focus and effort may lead to improved employee satisfaction.

Staff data

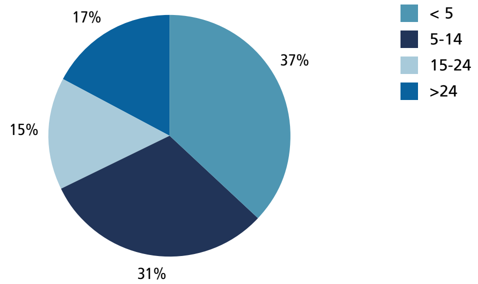
Age distribution



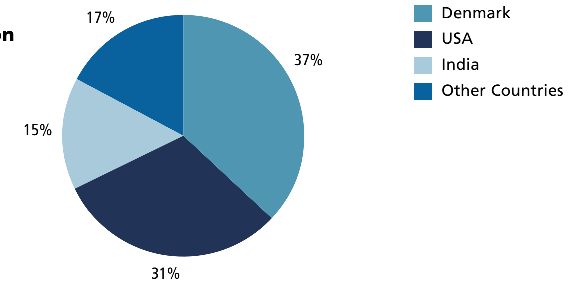
Staff groups



Company seniority



Geografic distribution



Shareholder Information

Share capital and votes
FLSmidth & Co. A/S has nearly 13,500 registered shareholders. In addition, nearly 1,500 present and former employees hold shares in the company.

FLSmidth & Co. A/S's largest shareholder is Potagua FLS A/S, which holds 62.1% of the votes and 45.5% of the capital. Potagua FLS A/S has announced that the company wishes to sell its shareholding in FLSmidth & Co. A/S

In accordance with the Copenhagen Stock Exchange method of accounting, the FLSmidth & Co. B share has a free-float of 54%.

Three shareholders have reported a participating interest that exceeds five per cent of the share capital:

Potagua FLS A/S
Jægersborgvej 66B,
DK-2800 Kgs. Lyngby

ATP
Kongens Vænge 8,
DK-3400 Hillerød

Nordea Bank Danmark A/S
DK-0900 Copenhagen C

FLSmidth & Co. shares and share options held by the Board of Directors, the Management and executive staff
Members of the FLSmidth & Co. A/S Board of Directors hold a total of 6,800 shares. As from 2002, the Board of Directors has chosen not to take part in new option plans, however, one former executive employee holding share options (10,000) has joined the Board in 2005.

The Corporate Management owns 160 shares and 190,586 options.

Other and executive staff hold 738,997 share options. Staff and executives who have left the Company own 111,033 share options.

Share indices
The FLSmidth & Co. B share is included in the following indices:
OMX Copenhagen MidCap+ index – MIDCAPGI
OMX Copenhagen all-share index – OMXCPI
OMX Copenhagen benchmark index – OMXCPI
OMX Copenhagen benchmark index – OMXCBCAPGI
OMX Copenhagen Cap GI yield index – OMXCCAPGI
OMX Copenhagen index for small and medium-sized companies – KFMXPI
OMX Copenhagen industrials index - CX20PI
OMX Copenhagen capital goods index - CX2010PI
OMX Copenhagen construction and engineering index - CX20201030PI
MSCI Europe Construction & Engineering

Investor relations policy
Via announcements to the Copenhagen Stock Exchange and briefing sessions plus updated information about the Group's activities on the company website, www.flsmidth.com, the Group seeks to maintain regular contact with the stock market to ensure a development of the share price that reflects the underlying financial performance of the Group.

By subscribing to the electronic communication service at www.flsmidth.com, shareholders and other interested parties have swift and seamless access to the latest stock exchange announcements and press releases.

Registration of shares is effected via one's own bank. Registered shareholders automatically receive an invitation to annual general meetings. A copy of the Annual Report may be obtained at the Company's address or ordered by e-mail: corpir@flsmidth.com, alternatively via the Company's website www.flsmidth.com.

The objective of FLSmidth's Investor Relations function is to ensure at all times that
- the share price reflects the Company's results and a fair market value based on open and active dialogue with the stock market,
- all investors have equal and sufficient access to timely, relevant and price-sensitive information.

As a principle, the Group maintains a three week quiet period before the planned release of financial statements during which it does not comment on financial goals nor guidance and does not take part in meetings nor presentations with analysts or investors.

As a principle the Group only comments on factual information and not on guidance given in analyst reports.

Investor Relations activities 2005
During 2005, FLSmidth & Co. attended a number of analyst and investor meetings in Copenhagen, Amsterdam, Boston, Edinburgh, Frankfurt, Geneve, Copenhagen, London, Luxembourg, New York, Paris and Zürich. FLSmidth & Co. also attended two events aimed at registered private investors which were held in Copenhagen, and held a capital market day for analysts, the press and domestic and foreign investors. Material handed out at these presentations is available on www.flsmidth.com.

Market developments 2005
The FLSmidth & Co. share opened the year at a price of 102.4 and touched bottom at 92 after the dividend was distributed in April. The price then stabilised around 120 until the halfyearly report was presented in August. After the halfyearly report the price rose to 170-180 and remained at that level for the rest of the year apart from a general adjustment of the stock market in October when the price temporarily dropped to 152. The share price reached its highest level on the last trading day of the year, 30 December, when it was traded for a short period at a price of 188. The FLSmidth & Co. B share ended the year at a price of 186.

The total return on the FLSmidth & Co. B share in 2005 was 82% exclusive of dividend and 89% inclusive of dividend. By comparison the MidCap+ index rose by 66%, OMXC20 by 37% and MSCI European Construction and Engineering by 49% in 2005.

Financial calendar 2006

1 March 2006	Annual Report 2005
7 April 2006	Annual General Meeting
18 May 2006	Interim report for 1st quarter 2006
17 August 2006	Interim report for 2nd quarter 2006
23 November 2006	Interim report for 3rd quarter 2006

The Annual General Meeting will take place on 7 April 2006 at 16:00 hours at Radisson SAS, Falconer Center, Falkoner Allé 9, DK-2000 Frederiksberg.

Contact with the Company

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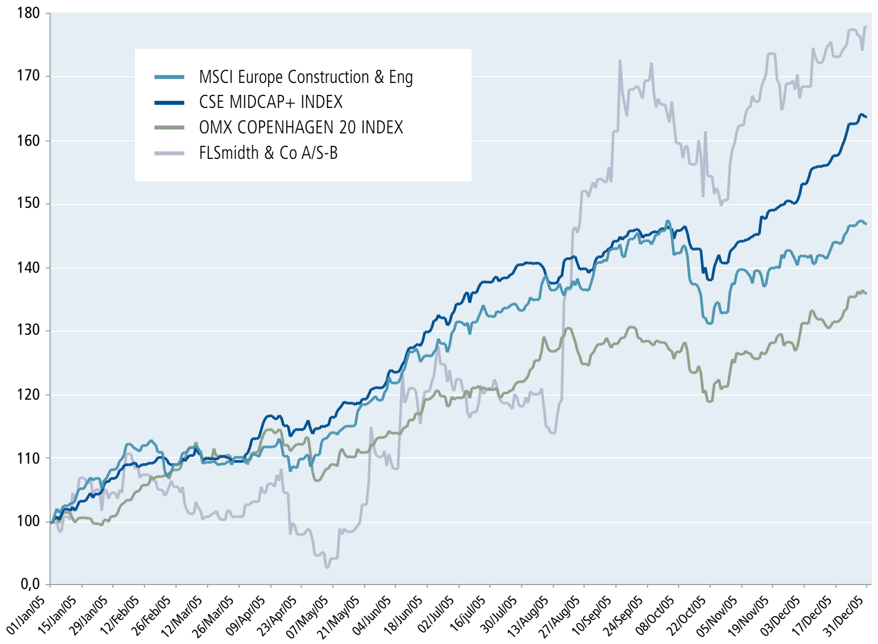
Tel: +45 36 18 18 99
or +45 36 18 18 76
E-mail: corpir@flsmidth.com

Website: www.flsmidth.com

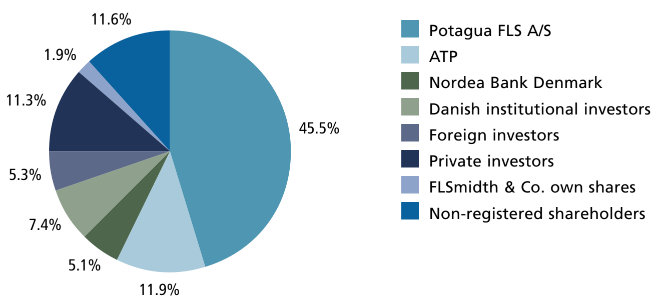
FLSmidth & Co. A/S, OMXC20, MidCap+, MSCI Engineering. Index 1 January 2005 - 31 December 2005



Classes of shares	Denomination	Number of shares	Votes	Total votes	Trading code	Reuters	Bloomberg
A	20	7,200,000	10	72,000,000	DK0010234384	FLSa.Co	FLSA DC
B	20	46,000,000	1	46,000,000	DK0010234467	FLSb.Co	FLSB DC

Share and dividend figures, Group	2001	2002	2003	2004	2005
CFPS(Cash flow per share), DKK (diluted)	27.2	13.8	(3.9)	(2.9)	**32.8**
EPS (Earnings per share), DKK (diluted)	(0.3)	(28.2)	(49.3)	2.8	**9.2**
Net asset value, DKK, parent company (diluted)	126	104	52	54	**46**
DPS (dividend per share), DKK	0	0	0	7	**7**
Pay-out ratio (%)	0	0	0	236	**76**
FLS B share price	71.5	55	68.7	102.4	**186**
Number of shares (000s), end of year	53,200	53,200	53,200	53,200	**53,200**
Average number of shares (000s) (diluted)	48,521	51,896	51,881	52,509	**53,197**
Market capitalisation DKKm.	3,804	2,926	3,655	5,448	**9,895**

Classification of shareholders



Stock Exchange announcements

released by Corporate Public Relations

Date	Announcement	Sent to the Stock Exchange (No.)
06 Jan. 05	**FLS Industries A/S** Notice of Extraordinary General Meeting	**01/2005**
13 Jan. 05	**FLS Industries A/S** Employee representative leaves Board of Directors	**02/2005**
18 Jan. 05	**FLS Industries A/S** Presentation at Capital Market Day	**03/2005**
21 Jan. 05	**Shareholding in FLS Industries A/S** Nordea holds more than 5% of the FLS Industries share capital	**04/2005**
21 Jan. 05	**Shareholding in FLS Industries A/S** Specification of Nordea's shareholding (see 04-2005)	**05/2005**
28 Jan. 05	**FLS Industries A/S** Summary of Extraordinary General Meeting	**06/2005**
01 Feb. 05	**FLSmidth & Co. A/S** New Articles of Association submitted to the Copenhagen Stock Exchange	Reported to Stock Exchange without number
22 Feb. 05	**FLSmidth A/S** DKK 1.2bn contract in Nigeria (United Cement Company of Nigeria)	**07/2005**
28 Feb. 05	**FLSmidth & Co. A/S** Sells its shareholding in Spæncom	**08/2005**
02 Mar. 05	**FLSmidth & Co. A/S** Annual Report 2004	**09/2005**
04 Apr. 05	**FLSmidth & Co. A/S** Notice of Annual General Meeting	**10/2005**
15 Apr. 05	**FLSmidth & Co. A/S** Chairman's report at the Annual General Meeting	**11/2005**
15 Apr. 05	**FLSmidth & Co. A/S** Brief summary of Annual General Meeting	**12/2005**
18 Apr. 05	**FLSmidth & Co. A/S** Financial calendar – Board meeting 1st quarter changed to 23 May 2005	**13/2005**
19 Apr. 05	**FLSmidth & Co. A/S** Sale of shareholding in DENERCO OIL	**14/2005**
20 Apr. 05	**FLSmidth A/S** Order from Caribbean Cement, Jamaica	**15/2005**
10 May 05	**FLSmidth A/S** Wins two Iranian cement contracts at a total value of DKK 267m	**16/2005**
23 May 05	**FLSmidth & Co. A/S** Interim report for 1 Jan. to 31 Mar. 2005	**17/2005**
25 May 05	**FLSmidth & Co. A/S** Holding of own shares	**18/2005**
26 May 05	**FLSmidth & Co. A/S** Share option plan	**19/2005**
21 June 05	**FLSmidth A/S** Wins contract for cement plant and grinding plant for Ha Long Cement Stock Comp., Vietnam	**20/2005**
18 Aug. 05	**FLSmidth & Co. A/S** Interim report 1 Jan. to 30 June 2005	**21/2005**
22 Aug. 05	**FLSmidth A/S** Order for white cement plant in Algeria	**22/2005**
23 Aug. 05	**FLSmidth & Co. A/S** Christian Jepsen joins Corporate Management	**23/2005**
19 Sept. 05	**FLSmidth & Co. A/S** Sells shareholding in Sinai Cement	**24/2005**
27 Sept. 05	**FLSmidth & Co. A/S** Reporting of holding of own shares (less than 2%)	**25/2005**
12 Oct. 05	**FLSmidth Limited, India** Order for new production line from Binani Cement Ltd.	**26/2005**
17 Oct. 05	**FLSmidth Limited & FFE Minerals India Ltd.** - Equipment for cement production line at Natal Portland Cement, South Africa - Coal anode facility for Kuwait Petroleum Coke Industries Company (PCIC)	**27/2005**
17 Nov. 05	**FLSmidth & Co. A/S** Interim report 1 Jan. to 30 Sept. 2005	**28/2005**
24. Nov. 05	**FLSmidth A/S** Order from USA	**29/2005**
01 Dec. 05	**FLSmidth & Co. A/S & FLS Plast A/S** European Commission decision on plastic product cartel	**30/2005**
02 Dec. 05	**FLSmidth & Co. A/S & FLS Plast A/S** Appeal against European Commission decision	**31/2005**
07 Dec. 05	**FLSmidth A/S** Order from Emirates Cement Company	**32/2005**
12 Dec. 05	**FLSmidth A/S** Order from Pretoria Portland Cement, South Africa	**33/2005**
02 Jan. 06	**FLSmidth & Co. A/S** Financial calendar 2006	**01/2006**
20 Feb. 06	**FLSmidth A/S** Contract for world's largest cement plant	**02/2006**

Annual Accounts 2005

Accounting policies

General comments

The Annual Report of the Group and the parent company is presented in conformity with the International Financial Reporting Standards, which are approved by EU, and additional Danish disclosure requirements for annual reports of companies listed on the Stock Exchange. Additional Danish disclosure requirements to annual reports are laid down in the IFRS executive order issued in accordance with the Financial Statements Act by the Copenhagen Stock Exchange.

The Annual Report also complies with the International Financial Reporting Standards issued by IASB.

Changes in accounting policies due to the adoption of IFRS

Pursuant to the EU requirements for listed companies, FLSmidth & Co. A/S has changed its accounting policies, and the Annual Report for 2005 is thus the first annual report to be presented in accordance with IFRS. IFRS has been adopted in both the parent company and consolidated annual accounts.

The changes have been made in accordance with the rules of IFRS 1 concerning first-time adoption of IFRS.

This means a change in existing accounting policies in the following areas:

- Share-based payment
- Business combinations
- Financial instruments
- Provision for pension obligations
- Assets classified as "for sale"
- Discontinuing activities

The comparative figures in this Annual Report are adjusted to IFRS apart from IAS 39 for which, in accordance with the rules of IFRS 1, no adjustment of the comparative figures has been made.

Standards and interpretations that have not come into force

In adopting the IFRS 1 it was decided to use the changed provisions in IAS 19, Employee benefits, what were issued in December 2004 and came into force on 1 January 2006. The effect of this adoption appears from pages 47-49 concerning the transition to IFRS and the expanded note information on the Group's benefit-based pension plans, see note 24.

It has also been decided to adopt IFRS 5, Long-term assets held for sale and discontinuing operations, retrospectively from 1 January 2004, even though the standard is not mandatory until as from 1 January 2005. As a result of adopting this standard, long-term assets and discontinuing activities which in 2004 for the first time satisfied the IFRS 5 criteria for classification as long-term assets held for sale and discontinuing activities have been treated in accordance with IFRS 5 in respect of measurement, presentation and note information, see note 1.

At the time of releasing this Annual Report, other new or amended standards and interpretations which have not yet come into force have not been incorporated in this Annual Report. Cement share investments which are held after the completion of a project are recognised after completion of the project initially at fair value and subsequently also at fair value if available. Value adjustments are recognised in the profit and loss account. In connection with the adoption of changes in IAS 39 (fair value option), value adjustments must be recognised in the shareholders' equity until the shares are sold or a write-down loss has been ascertained, after which they are to be recognised in the profit and loss account.

In the opinion of the Management, future adoption by the Group of standards and interpretations not yet in force will not have a significant impact on the Annual Report.

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.

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

Estimates by Board and Management

In preparing the Annual Report pursuant to generally applicable rules, it is necessary that the Board and Management make estimates and lay down assumptions that affect the recognised assets and liabilities including the disclosures made regarding contingent assets and liabilities. The Board and Management base their estimates on historical experience and other assumptions considered relevant at the time in question. These estimates and assumptions form the basis of the carrying values of assets and liabilities and the derived effects recognised in the profit and loss account in this Annual Report. The actual results may deviate. The Board and Management of FLSmidth & Co. A/S consider the following aspects of the assets and liabilities in the Annual Report to be particularly affected:

- Work-in-progress for third parties
- Guarantees and provisions
- Deferred tax assets and liabilities
- Disposal of undertakings and activities

Work-in-progress for third parties

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

Guarantees and other provisions

Guarantees and other provisions are stated based on empirical information covering several years as well as legal opinions which together with management estimates of future trends form the basis for warranty provisions and other provisions. In the case of lengthy periods the values are discounted.

Deferred tax assets and liabilities

FLSmidth & Co. A/S includes deferred tax assets if it is likely that there will be taxable income in the future against which timing differences or tax loss carryforwards may be used. For this purpose, management estimates the coming years' earnings based on budgets and forecasts.

Sale of undertakings and activities
In connection with disposal or closure of undertakings and activities normal management estimates are included to remedy contractual guarantees.

Consolidated accounts

The consolidated financial statements comprise the parent company, FLSmidth & Co. A/S, and all undertakings in which the Group holds the majority of the voting rights or in which the Group in some other way holds a controlling influence. Undertakings in which the Group holds between 20% and 50% of the voting rights or in some other way has significant influence, but not a controlling interest, are regarded as associated undertakings.

The consolidated accounts are based on the annual accounts of the parent company and the individual subsidiaries which are drawn up in accordance with the Group accounting policies. All items of a uniform nature are combined, while inter company income, costs, accounts and shareholdings are eliminated. Unrealised gains and losses on transactions between consolidated companies are also eliminated.

The items in the accounts of subsidiaries are included one hundred per cent in the consolidated accounts. 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 shareholders' equity.

Business combinations

On acquisition of undertakings, the purchase method is applied, and the assets, liabilities and contingent liabilities of the undertakings acquired are measured at fair value on the date of acquisition. Restructuring costs are only recognised in the acquisition balance sheet if they are a liability for the undertaking acquired on the date of acquisition. The tax effect of the revaluations made is taken into account. Undertakings acquired are included in the consolidated accounts from the date of acquisition.

In the case of business combinations, positive balances between the cost of the undertaking and the fair value of the identifiable assets, liabilities and contingent liabilities acquired are recognised as goodwill under the heading of intangible assets. Goodwill is not amortised, but is tested annually for impairment. The initial impairment test is made before the end of the year of acquisition. On the acquisition, goodwill is allocated to the cash generating units which subsequently form the basis of the impairment test. Goodwill and fair value adjustments in connection with the acquisition of a foreign business unit with another functional currency than Danish kroner are treated as assets and liabilities belonging to the foreign business unit and are translated to the functional currency of the foreign business unit at the transaction date rate of exchange. Negative balances (negative goodwill) are recognised in the profit and loss account at the date of acquisition.

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

Undertakings disposed of are consolidated until the date of disposal. The difference between the selling price and the book value of the net assets at the date of disposal including remaining goodwill less expected costs of disposal are stated in the profit and loss account as a separate item.

Translation of 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 quoted at the balance sheet date. Any foreign exchange variances between the rates at the transaction date and the payment date or the balance sheet date, as the case may be, are recognised in the profit and loss account as financial items.

Non-monetary assets and liabilities in foreign currency are recognised at the transaction date rate of exchange. Non-monetary items that are measured at fair value (shares) are translated at the exchange rate at the date of the latest fair value adjustment.

The profit and loss accounts of foreign subsidiaries with a functional currency that differs from Danish kroner and of foreign associated undertakings 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 profit and loss accounts 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 shareholders' equity.

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

If the accounts of a foreign business unit are presented in a currency in which the accumulated rate of inflation over the past three years exceeds one hundred per cent, adjustments for inflation are made. The adjusted accounts are translated at the exchange rate quoted on the balance sheet date.

Derivatives

The Group uses derivatives to control financial risks deriving from operating, financing and investing activities.

Hedging of the Group companies' commercial currency and interest risks takes place primarily via the Group-Treasury. Economies of scale are attained by centralising financial control and hedging.

Derivatives are initially recognised on the balance sheet at cost and subsequently measured at fair value.

The fair value of derivatives is included in *Other debtors* (positive fair value) or *Other liabilities* (negative fair value) as the case may be. Positive fair values are only set off against negative fair values if the undertaking is entitled to and intends to make a net settlement of several financial instruments (cash settlement). The fair values of derivatives are stated on the basis of market data and recognised valuation methods.

Changes in the fair value of derivatives that hedge the fair value of already recognised assets or liabilities or binding agreements are recognised in the profit and loss account together with changes in the value of the assets and liabilities hedged as far as the hedged portion is concerned. Hedging of future cash flows in accordance with a firm committed agreement, including foreign currency hedging of sales and purchase contracts in connection with orders, is treated as hedging of the fair value of a recognised asset or a recognised liability.

Changes in the fair value of derivatives that are classified as hedging of future transactions are recognised directly in the *Shareholders' equity* until the hedged item is realised. When it is realised the changes in value are recognised in the same accounting entry as the hedged item.

Derivatives that are not held for hedging purposes are recognised in the balance sheet at fair value on the balance sheet date. Value adjustments are recognised in the profit and loss account as financial items.

Changes in the fair value of loans and derivatives that are held to hedge foreign business units or parts of them, are recognised directly in the *Shareholders' equity* until the net investment is sold.

Profit and loss account

The profit and loss account format classified by function is adapted to show earnings before interest, tax, depreciation and amortisation (EBITDA). Depreciation and write-downs of *Tangible assets* and amortisation and write-downs of *Intangible assets* are not allocated to the individual function, but stated separately.

The profit and loss account classified by function with full allocation of depreciation, amortisation and write-downs appears from the table below:

DKKm	2005	2004
Net turnover	10,502	10,829
Production cost	8,704	9,636
Gross profit	**1,798**	**1,193**
Sales and distribution costs	702	654
Administrative costs	840	795
Other operating income and costs	97	62
Earnings before interest and tax (EBIT)	**353**	**(194)**

Net turnover

Net turnover is recognised in the profit and loss account on delivery and passing of the risk to the buyer and when the income can be measured reliably.

Work-in-progress for third parties is recognised in turnover based on the value of the work completed at the balance sheet date. The general rule is to base stage of completion on the costs defrayed. The value of *Work-in-progress for third parties* is based on the costs defrayed in percentage of the total budgeted costs.

Grants

Grants related to the acquisition of assets are recognised under liabilities and recognised in the profit and loss account in step with spending and depreciation on the assets concerned.

Grants received to cover costs are recognised under liabilities and recognised in the profit and loss account in step with the costs being defrayed.

Repayment obligations that become relevant if the conditions for receiving the grants are not fulfilled are stated in the notes as contingent liabilities.

Production costs

Production costs include raw materials, consumables, direct labour costs and production overheads such as maintenance and operation of production plant as well as administration and factory management.

Cost of sales as a part of the production costs is not shown separately, because it is the opinion of the Group that no fair amount can be stated as most of the cost is charged in step with the completion of the contract.

Production costs for work-in-progress for third parties are recognised in step with the completion of the individual contract.

Research costs are charged to *Production costs* in the profit and loss account for the financial year in which they are defrayed.

Development costs are mainly recognised in the profit and loss account for the financial year in which they are defrayed. Development costs related to certain products or processes are recognised as assets to the extent that such costs are likely to generate future earnings.

Sales and distribution costs

Sales and distribution costs comprise direct distribution and marketing costs, salaries for the sales and marketing functions as well as other indirect costs.

Administrative costs

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

Other operating income and costs

Other operating income and costs comprise income and costs of a secondary nature in relation to the activities of the Group, including certain grants, rentals, royalties, fees, etc. Besides, negative goodwill is recognised in the consolidated accounts as other operating income.

Profit and loss from the disposal of specific assets, sites and buildings which cannot be considered part of the disposal of a complete activity is included in *Other operating income and costs.*

Profits/losses of associated undertakings in the consolidated accounts

A proportionate share of the profits and losses of the associated undertakings is recognised after adjustment for unrealised internal profits/losses and write-down, if any, of consolidated goodwill.

Dividend from investments in subsidiaries and associated undertakings in the parent company accounts

Dividend from investments in subsidiaries and associated undertakings is recognised in the parent company profit and loss account in the financial year in which the dividend is declared. However, where the dividend distributed exceeds the accumulated earnings after the date of acquisition, the dividend is not recognised in the profit and loss account but is stated as a write-down on the cost of the investment.

Financial items

Interest income and costs are recognised in the profit and loss account at the amounts relating to the financial year.

Financial items also comprise financing costs of finance lease. Besides, value adjustment of financial instruments, apart from a few hedging instruments, securities and foreign currency items, including amortisation of financial assets and liabilities is included.

Tax

Tax for the year comprises current tax and the change in deferred tax.

Current tax comprises tax calculated on the basis of the expected taxable income for the year, using the applicable tax rates for the financial year, and any adjustment of tax for previous years.

Deferred tax is calculated using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except differences relating to goodwill not deductible for tax purposes. Deferred tax is calculated based on the applicable tax rates for the individual financial years. The effect of changes in the tax rates is stated in the profit and loss account unless they are items previously entered directly in the *Shareholders' equity*.

A deferred tax provision is made to cover retaxation of losses in foreign undertakings if shares in the undertakings concerned are likely to be sold. No deferred tax liabilities regarding investments in subsidiaries are calculated if the shares are unlikely to be sold in the short term.

The tax value of losses that are expected with adequate certainty to be available for utilisation against future taxable income in the same legal tax unit and jurisdiction is included in the statement of deferred tax.

Tax assets are presented on a separate line among *Financial assets*.

FLSmidth & Co. A/S is jointly taxed with Potagua FLS A/S and all Danish subsidiaries. Potagua FLS A/S is the administrative organisation in this 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 companies based on the principles described above. The jointly taxed Danish undertakings are included in the Danish tax payable on account scheme.

Discontinuing activities

Discontinuing activities are stated as a separate item in the profit and loss account and consist of the operating income after tax from the activity concerned and any profits or losses from fair value adjustment or sale of the assets related to the activity. Costs attributable to the disposal are included in the statement of profit/loss.

Balance sheet

Intangible assets

Goodwill

Goodwill is measured at cost when it is first recognised in the balance sheet. Subsequently, goodwill is measured at cost less accumulated write-downs. There is no amortisation of goodwill.

When recognising goodwill, it is allocated to the cash generating units as defined by the Corporate Management. The definition of cash generating units complies with the managerial structure and the internal financial control and reporting in the Group.

The carrying value of goodwill is tested for impairment at least once a year together with the other long-term assets in the cash generating unit to which the goodwill is allocated, and it is written down to recoverable amount via the profit and loss account if the accounting value exceeds the recoverable amount, this representing the higher of the fair value of the asset less expected disposal costs and the value in use. The recoverable amount is generally determined as the present value of the expected future net cash flows from the cash generating unit to which the goodwill is allocated. Write-down of goodwill is stated in the profit and loss account on the line *Depreciation and write-downs* of intangible assets.

Other intangible assets

Other intangible assets are measured at cost less accumulated amortisation and write-downs.

Development costs consist of salaries, depreciation and other costs that are 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 *Intangible assets* if the cost can be determined reliably, and if it is sufficiently certain that the future earnings or the net selling price will cover production, selling and administrative costs plus development costs. Other development costs are recognised in the profit and loss account as the costs are defrayed.

Amortisation of completed development projects is charged on a straight line basis during their estimated useful life. Development projects are written down to recoverable amount if lower. Development projects in progress are tested for impairment at least once a year.

Amortisation of patents and licences is charged on a straight line basis during the remaining patent or agreement period or useful life if shorter. The basis of amortisation is reduced by write-downs if any.

No amortisation is charged on other intangible assets of indefinable useful life, but they are tested for impairment once a year.

Amortisation takes place on a straight line basis within the estimated life of the assets which is as follows:

- Development costs, up to 5 years.
- Software applications, up to 5 years.
- Patents, licences and other rights, up to 20 years.

Tangible assets

Tangible assets are measured at cost less accumulated depreciation and write-downs.

The cost of assets of own construction includes the cost of materials, direct labour costs and an appropriate proportion of production overheads.

Interest payable on loans to finance manufacture of *Tangible assets* is included in the cost price if related to the manufacturing period. All other financing costs are recognised in the profit and loss account.

Depreciation is charged on a straight line basis during the estimated useful life of the assets until they reach the estimated residual value.

Estimated useful life is as follows:
- Buildings, 20 – 40 years.
- Other plant and machinery, tools and equipment, 3 – 10 years.
- Fitting up rented premises, up to 5 years.

The period of depreciation of buildings used for administrative purposes may exceed 40 years.

Assets of low acquisition value or short life are charged to the profit and loss account in the year of acquisition.

Newly acquired assets and assets of own construction are depreciated from the time they come into use. Land is not depreciated. Costs of repair and maintenance of property, plant and equipment is recognised in the profit and loss account.

Where acquisition or use of the asset places the Group under an obligation to defray the costs of pulling down or re-establishing the asset, the estimated costs for this purpose are recognised as a provision and a part of the cost of the asset concerned, respectively.

Assets held under a finance lease are measured in the balance sheet at fair value or the present value of future lease payments at the time of acquisition, if lower. In calculating the present value, the internal interest rate of the lease agreement is used as a discounting factor or as an approximate value. Assets held under a finance lease are depreciated like other Group *Tangible assets*.

The capitalised residual lease commitment is recognised in the balance sheet as debt whilst the interest component of the lease payment is charged to the profit and loss account.

For operating leases, the lease payments are expensed on a straight line basis over the lease term.

Financial assets

Investments in associated undertakings in the consolidated accounts

Investments in associated undertakings are measured according to the equity method. The proportionate share of the net worth of associated undertakings for accounting purposes is adjusted for unrealised inter-company profits and losses, and consolidated goodwill is added.

Investments in subsidiaries and associated undertakings in the parent company accounts

Investments in subsidiaries and associated undertakings are measured at cost. Where the cost exceeds the recoverable amount, a write-down is made to this lower value.

The cost is written down to the extent that distributed dividend exceeds the accumulated earnings after the date of acquisition.

Other securities and investments

Other securities and investments, including listed shares are measured at fair value. In special cases where the value quoted on the stock exchange is considered not to represent the actual fair value, the shares concerned are carried at an estimated fair value. Value adjustments are recognised in the profit and loss account as financial items.

Shares in cement plants acquired in connection with orders received 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 gross profit in the profit and loss account over a period not exceeding the duration of processing the order. Recognition of value adjustment of the shares is then made in the profit and loss account under financial items.

Stocks

Stocks are measured at cost according to the FIFO principle or at net realisable value.

Work-in-progress and *Finished goods* are entered at manufacturing cost including materials consumed and labour costs plus an allowance for production overheads. Production overheads include operating costs, maintenance and depreciation of production plant plus administration and factory management.

In cases where the cost or the production price exceeds the estimated sales price less completion and selling costs, a write-down is made to such lower net realisable value.

Work-in-progress for third parties

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

The stage of completion for the individual project is normally calculated as the ratio between the resources spent and the total budgeted resource requirements. In some projects, where resource requirements cannot be used as a basis, the ratio between completed subactivities and the total project is used instead.

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

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

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

Costs deriving from sales work and the winning of contracts are recognised in the profit and loss account in the financial year during which they are defrayed.

Debtors

Debtors are measured at amortised cost net of allowances for anticipated losses based on individual assessment.

Bonds and listed shares

Bonds and *listed shares* are measured and recognised, pursuant to the fair value option, at fair value on the balance sheet date. Value adjustments are recognised in the profit and loss account as Financial items.

Impairment of long-term assets

Goodwill and Other intangible assets of indefinable useful life are tested for impairment annually, the first time being before the end of the year of acquisition. Ongoing development projects are also tested for impairment annually.

Deferred tax assets are assessed annually and are only recognised to the extent that they are likely to be used.

The carrying amounts of other *Long-term assets* are reviewed each year to determine whether there is any indication of impairment. If any such indication exists, the recoverable value of the asset is calculated. The recoverable amount is the higher of the fair value of the asset less expected disposal costs and 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. Loss on impairment is recognised in the profit and loss account under the same heading as the related amortisation and depreciation. Write-down of goodwill, however, is recognised on amortisations and write-downs in the profit and loss account.

Write-down of goodwill is not reversed. Write-down on other assets is reversed to the extent that changes have taken place in the assumptions and estimates that led to the write-down.

Write-downs are only reversed where the new carrying amount of the asset does not exceed the carrying amount the asset would have had after depreciation if the asset had not been written down.

Dividend
Dividend is provided for in the accounts at the time when it is decided at the Annual General Meeting, the company thereby having incurred a liability. The dividend which is proposed for distribution is stated separately in the *Shareholders' equity.*

Own shares
Own shares are recognised in the balance sheet at zero value. When buying or selling *own shares*, the purchase or selling amount, as the case may be, plus any dividend is recognised direct in the *Shareholders' equity* among *Other reserves*.

Share-based payment
The Corporate Management and a number of executive staff are entitled to share option plans.

Plans classified as equity-settled share options (new plan) are measured at fair value at the time of allocation and are recognised in the profit and loss account as staff costs within the period in which the final entitlement to the options is attained. The counter item is recognised direct in the *Shareholders' equity*.

When the share options are being recognised for the first time, an estimate is made of the number of options to which the Management and the executive 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 trinomial model. The calculation takes into account the terms and conditions under which the share options are allocated.

Plans categorised as cash-settled share-based payment arrangements (old plan) are measured at the time of allocation and subsequently at fair value. Fair value adjustments in the exercise period are recognised in the profit and loss account under Financial items. The counter item is recognised under liabilities.

Pension obligations
The Group has signed pension agreements and similar contracts with most of its employees.

Under **contributory** pension plans, the employer is required to contribute a certain amount (for example a fixed sum or a fixed percentage of the pay). Under a contributory plan the employees usually bear the risk with regard to future developments in the rates of interest, inflation, mortality and disability. Payments by an undertaking into contributory plans are recognised in the profit and loss account for the period to which they apply and any outstanding payments are recognised in the balance sheet under *Other liabilities.*

Under **benefit-based** pension plans, the employer is required to contribute a certain amount (for example a retirement pension as a fixed sum or a fixed percentage of the final pay). Under a benefit-based plan the undertaking 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 undertaking is to pay in the future under this plan. Net present value is only calculated for benefits to which the employees have become entitled through their employment with the company so far. The actuarial net present value less the fair value of any assets related to the plan is stated in the balance sheet under the heading of *Pensions and similar obligations* or *Prepaid pension fund contributions*, as the case may be.

Differences between the expected development of pension assets and liabilities and the realised values are described as actuarial gains or losses. In connection with the adoption of IFRS, accumulated actuarial gains and losses have been fully recognised in the balance sheet at 1 January 2004. Actuarial gains and losses for 2004 and subsequent years are recognised direct in the *Shareholders' equity.*

Changes in benefits concerning the employees' former employment in the undertaking result in a change in the actuarial net present value, which is considered a historical cost. Historical costs are charged immediately to the profit and loss account if the employees have already acquired a right to the changed benefit. Otherwise, the historical costs are recognised direct in the *Shareholders' equity.*

Other provisions
Other provision also include allowances for loss-making contracts and legal disputes, etc.

Provisions for warranties
Where after closing the accounts of an order, additional minor supplies, etc. remain to be effected to complete the order, an allowance is made for this in the accounts. A portion of the allowance is transferred to liabilities covering the part of the outstanding subsupplies whose price and scope is agreed. The balance of the allowance is transferred to provisions. The provision covers estimated own costs of completion, subsequent warranty supplies and unsettled claims from customers or subsuppliers. Any long-term liabilities are discounted to net present value.

Provisions for restructuring
In the event of planned restructuring of the Group, provision is only made for liabilities deriving from restructuring which has been decided at the balance sheet date in accordance with a specific plan and provided the parties involved have been informed about the overall plan.

Provisions for redundancies
Provisions for redundancies are charged to the profit and loss account when decided and announced.

Mortgage debt, currency loans and bank loans
Mortgage debt, currency loans and bank loans are recognised when raising the loan at the proceeds received less transaction costs. Subsequent measurement is made at amortised cost so that the difference between the proceeds and the nominal value is recognised in the profit and loss account during the period of the loan.

Other liabilities
Other liabilities include holiday pay obligations, taxes and dues and interest payable.

Assets held for sale
Assets held for sale consist of assets and disposal groups that are held for the purpose of sale. Disposal groups are a group of assets that are to be disposed of by sale or otherwise, together in a single transaction, and associated liabilities that are transferred through the transaction. Assets are classified as 'held for sale' if their carrying value will primarily be recovered by sale within 12 months in accordance with a formal plan rather than by continued use.

Assets or disposal groups held for sale are measured at the lower of the carrying value and the fair value less selling costs. Assets are not depreciated from the time when they are classified as 'held for sale'.

Impairment losses arising from the initial classification as 'held for sale' and gains or losses from subsequent measurement at the lower of carrying value and fair value less selling costs are recognised in the profit and loss account among the items to which they belong. Gains and losses are disclosed in the notes.

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

Earnings and value adjustments after tax of assets held for sale and discontinuing activities are presented on a separate line in the profit and loss account and with comparative figures. In the notes, turnover, costs and tax of the discontinuing activities are disclosed.

Assets and associated liabilities regarding assets held for sale are presented on separate lines in the balance sheet and the main items are specified in the notes. Activities being closed down are consolidated line for line in the balance sheet.

Cash flow from operating, investing and financing activities for assets held for sale and discontinuing activities are disclosed in a note.

Cash flow statement
The consolidated and parent company cash flow statements are presented according to the indirect method and show the composition of cash flows divided into operating, investing and financing activities, respectively, and the changes in cash funds and cash funds at 1 January and at 31 December.

The cash flow statement is based on Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA).

In the statement of working capital/loans a distinction is made between interest-bearing and non-interest-bearing items plus cash funds.

- Cash funds consist of cash in hand and bank deposits.
- Loans represent total interest-bearing debt items less interest-bearing debtors.
- All other non-interest-bearing debtors and debt items are regarded as working capital.

Cash flow from operating activities consists of earnings before interest, tax, depreciation and amortisation (EBITDA) adjusted for non-cash and non-paid items, changes in working capital and payments in respect of provisions, corporation tax and financial items.

Cash flows from investing activities activities comprise payments made in connection with the acquisition and disposal of undertakings and activities and the acquisition and disposal of assets.

Where associated undertakings buy back own shares, this is regarded as disposal of securities and is, therefore, stated as a reduction of *Cash flows from investing activities*, not as *Cash flows from operating activities* as is the case with dividends.

Cash flows from financing activities comprise payments to and contributions from owners as well as the raising and repayment of loans.

The Group's cash funds mainly consist of money deposited with banks.

Segment information
The information is based on business segments and geographical markets. The segment information complies with the Group accounting policies, risks and internal financial control.

The business segments are the Group's primary basis of segmentation and the geographical markets are the secondary basis of segmentation.

Long-term assets in the business segment are those used directly in the operations of the segment, including *Intangible assets, Tangible assets* and *Investments in associated undertakings*. In the geographical segment, assets are divided according to their physical location.

Short-term assets in the business segment are those used directly in the operations of the segment, including *Stocks, Trade debtors, Other debtors, Prepayments* and *Cash funds*.

Segment liabilities consist of liabilities deriving from the operations of the segment concerned, including *Trade creditors* and *Other liabilities*.

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

Adoption of IFRS in 2005

The adoption of new accounting policies has taken place in accordance with IFRS 1, first-time adoption of IFRS, according to which opening balance sheets at 1 January 2004 for both the Group and the parent company have been prepared in accordance with the mandatory IFRS standards in force at 31 December 2005.

1) Pension obligations
The hitherto adopted accounting policy for pension obligations complies with the prevailing IAS 19 standard for accounting treatment of this item. In the case of first-time adoption pursuant to IFRS 1, all non-recognised actuarial gains and losses at 1 January 2004 have been recognised direct in the *Shareholders' equity* at 1 January 2004. No adjustment, however, has been made for the effect of actuarial losses at the beginning of the 2004 financial year regarding FLS Aerospace, because the company was sold in 2004. Recognised actuarial gains and losses regarding 2004 have been reversed from the profit and loss account and carried direct in the *Shareholders' equity* together with the non-recognised actuarial gains and losses. Actuarial gains and losses for 2005 have been recognised direct in the *Shareholders' equity* pursuant to the revised IAS 19.

2) Share-based payment
Until now, share-based payment has not been included in the profit and loss account nor in the balance sheet. As of 1 January 2005 this is changed in accordance with IFRS 2 so that the value of options issued under the 2003 plan and future plans (equity settlements) is recognised as staff costs based on the accruals concept until the expected time of acquisition and is set off against the *Shareholders' equity*. Comparative figures for 2004 are adjusted accordingly. Old plans (cash settlements), which mainly apply to employees who have left the Company, are recognised at full fair value on the balance sheet date, and value adjustments are recognised in the balance sheet as *Liabilities* and in the profit and loss account as financial items.

3) Goodwill
Until now, *Goodwill* has been amortised within the estimated life, however not more than 20 years. According to IFRS 3 it is not allowed to amortise goodwill. Instead goodwill must undergo an annual impairment test. Amortisation on goodwill in 2004 has been reversed. The book value of goodwill at 1 January 2004 in accordance with the Group's former accounting policy is regarded as cost of goodwill in the opening balance sheet pursuant to IFRS. The impairment test of goodwill has not caused any write-down of the goodwill booked in 2004 or 2005, because the recoverable amount exceeds the carrying amount of goodwill.

4) Tax effect of policy changes
The adoption of policy changes in accordance with IFRS affects defered tax assets and tax liabilities. The effect on deferred tax is therefore incorporated in the opening balance sheet at 1 January 2004.

5) Anniversary obligations
Liabilities in the form of anniversary bonuses, etc. have hitherto been recognised in the profit and loss account on being paid out. According to IAS 19, these items must be recognised in the profit and loss account over the period during which the bonus entitlement is being earned. The provision for anniversary obligations is classified as a *Long-term liability*. The opening balance sheet at 1 January 2004 includes a provision for anniversary obligations. The adjustment of the liability at 31 December 2004 does not affect the comparative figures for the 2004 profit and loss account.

6) Financial instruments
The implementation by the Group of IAS 39, Financial Instruments, primarily affects the treatment of foreign exchange instruments used to hedge projects in the Group.

In accordance with IFRS 1, the standard is adopted with effect from 1 January 2005 without adjustment of the comparative figures for 2004. The change of comparative figures would have little effect on these figures.

The changed treatment of foreign exchange instruments used to hedge currency risks on signed sales and purchase contracts reduces the *Shareholders' equity* by DKK 10m and increases *Work-in-progress for third parties*. In the future, all hedging transactions are considered fair value hedging of obligating agreements. According to the accounting policies hitherto adopted by the Group, this reduction would have taken place in step with the hedged projects being recognised in the profit and loss account.

7) Subsidiaries and associated undertakings (parent company accounts only)
In accordance with IAS 27 and 28, the parent company investments in subsidiaries and associated undertakings are measured at cost less any write-downs. So far, measurement and recognition of these items has been based on share of net worth. In the opening balance sheet at 1 January 2004 the investment in subsidiaries and associated undertakings is therefore adjusted to historical cost. In accordance with IFRS, the parent company profit and loss items regarding subsidiaries and associated undertakings only consist of dividends received and any write-downs and reversals, which has been incorporated in the comparative figures for 2004. Recognised profits and losses from the sale of undertakings and activities in 2004 have been changed in accordance with the policies stated above. The setting off of negative net worth against amounts owed by subsidiaries in accordance with the previous accounting policies, has been reversed.

8) Layout reclassification
In accordance with IFRS 5, the results of discontinuing activities as well as balance sheet items and cash flows related to discontinuing activities are presented on one line in the profit and loss account and in the cash flow statement and in separate lines in the balance sheet among assets and liabilities, respectively. This classification is a change from the former classification policy, and corresponding reclassification of the comparative figures for 2004 has taken place in the profit and loss account, the cash flow statement and the balance sheet. However, in the financial highlights summary for 2001 to 2003, which has not been restated to the changed accounting policies, a reclassification has been made of the discontinuing activities so that the classification of these items is consistent for the entire period covered by the summary. Discontinuing activities which are not for sale, but are being closed down, are consolidated line by line in the balance sheet.

In the following tables showing the effects of the changed accounting policies, the reclassification of discontinuing activities is not presented. For a detailed presentation, please see note 1 on segment information. The tables below are based on the profit and loss account and balance sheet items in accordance with last year's accounting policies, but have been reclassified as far as the separation of discontinuing activities is concerned.

Reclassification among the shareholders' equity items at 1 January 2004 due to the adoption of IFRS is shown as adjustments in the tables below.

Consolidated profit and loss account 2004

DKKm	Former accounting policies	IFRS effect	IFRS-adjusted accounting policies
Gross profit	1,465	0	1,465
Earnings before interest, tax depreciation and amortisation (EBITDA)	80	64	144
Earnings before interest and tax (EBIT)	(281)	87	(194)
Earnings before tax (EBT)	(293)	87	(206)
Profit/loss for the year, continuing activities	(429)	87	(342)
Profit/loss for the year, discontinuing activities	493	0	493
Profit/loss for the year	**64**	**87**	**151**
Financial ratios			
Contribution margin	*13.5%*		*13.5%*
EBITDA ratio	*0.7%*		*1.3%*
EBIT ratio	*(2.6%)*		*(1.8%)*
EBT ratio	*(2.7%)*		*(1.9%)*

DKKm	EBITDA	EBIT	Profit/loss for the year continuing	Profit/loss for the year discontinuing
Subtotals in the profit and loss account based on previous accounting policies	**80**	**(281)**	**(429)**	**493**
1) Pension obligations, recognition of actuarial profit/loss	74	74	74	0
2) Share-based payment	(10)	(10)	(10)	0
3) Goodwill, reversal of depreciation		23	23	56
3) Goodwill, reversal of depreciation, derived effect on statement of gains and losses on sale of undertakings				(56)
Subtotals in the profit and loss account based on IFRS-adjusted accounting policies	**144**	**(194)**	**(342)**	**493**

Consolidated cash flow statement 2004

The adoption of IFRS has had no effect on the consolidated cash flow statement.

Consolidated balance sheet at 31 December 2004

DKKm	Former accounting policiess	IFRS effect	IFRS adjusted accounting policies
Intangible assets	172	25	197
Tangible assets	1,154	0	1,154
Financial assets	432	(38)	394
Current assets	6,448	0	6,448
TOTAL ASSETS	**8,206**	**(13)**	**8,193**
Consolidated shareholders' equity	2,645	(60)	2,585
Long-term liabilities	1,083	47	1,130
Short-term liabilities	4,478	0	4,478
TOTAL LIABILITIES	**8,206**	**(13)**	**8,193**

DKKm	01.01.2004	31.12.2004
Intangible assets - former accounting policies	**1,206**	**172**
3) Goodwill, reversal of depreciation (year end rate of exchange)	0	25
Intangible assets - IFRS	**1,206**	**197**
Financial assets - former accounting policies	**777**	**432**
1) Pension obligations, recognition of actuarial losses (year end rate of exchange)	0	(38)
Financial assets - IFRS	**777**	**394**

DKKm	01.01.2004	31.12.2004
Consolidated shareholders' equity - former accounting policies	**2,916**	**2,645**
1) Pension obligations, recognition of actuarial losses	(151)	(151)
1) Pension obligations, adjustment of effect of actuarial profits on profit and loss account (average exchange rate)	0	74
3) Goodwill, reversal of depreciation (average exchange rate)	0	23
4) Tax, adjustment of deferred tax	7	7
5) Anniversary obligations, provisions	(8)	(8)
Exchange rate adjustment of profit and loss account items in foreign currency translated from average to year end exchange rate	0	(5)
Consolidated shareholders' equity - IFRS	**2,764**	**2,585**

DKKm	01.01.2004	31.12.2004
Long-term liabilities - former accounting policies	**3,174**	**1,083**
1) Pension obligations, recognition of actuarial losses	151	151
1) Pension obligations, adjustment of effect of actuarial profits on profit and loss account (year end exchange rate)	0	(105)
4) Tax, adkustment of deferred tax	(7)	(7)
5) Anniversary obligations, provisions	8	8
Long-term liabilities - IFRS	**3,326**	**1,130**

Consolidated shareholders' equity at 1 Jan. 2004 - reclassification on the same line

DKKm	Share capital	Reserve according to the equity method	Exchange rate adjustments regarding hedging	Exchange rate adjustments re. translation of investments	Other undistributable reserves	Retained earnings	Minority interests share	Total
Consolidated shareholders' equity at 1 Jan. 2004 according to 2004 Annual Report	1,064	53	0	0	756	809	234	2,916
8) Reclassification of reserve according to the equity method		(53)				53		0
8) Accumulated exchange rate adjustments regarding translation of investments			(177)			177		0
8) Accumulated exchange rate adjustments regarding hedging				227		(227)		0
Consolidated shareholders' equity at 1 January 2004 reclassified on adoption of IFRS	**1,064**	**0**	**(177)**	**227**	**756**	**812**	**234**	**2,916**

Parent company
Profit and loss account 2004

DKKm	Former accounting policies	IFRS effect	IFRS adjusted accounting policies
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(29)	(1)	(30)
Earnings before interest and tax (EBIT)	(36)	(1)	(37)
Earnings before tax (EBT)	424	256	680
Profit/loss for the year	**58**	**534**	**592**

DKKm	EBITDA	EBIT	EBT	Profit/loss for the year
Subtotals in profit and loss account according to former accounting policies	**(29)**	**(36)**	**424**	**58**
2) Share-based payment	(1)	(1)	(1)	(1)
7) Adjustment for profit/loss recognition etc. of subsidiaries undertakings			290	571
7) Adjustment for profit/loss recognition etc. of associated undertakings			(33)	(36)
Subtotals in profit and loss account according to IFRS-adjusted policies	**(30)**	**(37)**	**680**	**592**

Parent company
Balance sheet as per 31.12.2004

DKKm 31 December	Former accounting policy	IFRS effect	IFRS adjusted accounting policies
Tangible assets	72	0	72
Financial assets	1,969	222	2,191
Short-term assets	2,542	4	2,546
TOTAL ASSETS	**4,583**	**226**	**4,809**
Parent company shareholders' equity	2,620	226	2,846
Long-term liabilities	239	0	239
Short-term liabilities	1,724	0	1,724
TOTAL LIABILITIES	**4,583**	**226**	**4,809**

DKKm	01.01.2004	31.12.2004
Financial assets - former accounting policies	**4,649**	**1,969**
7) Adjustment regarding recognition of subsidiaries undertakings at cost	(472)	(472)
7) Adjustment regarding recognition of associated undertakings at cost	17	17
7) Adjustment regarding profit and loss recognition, etc. of subsidiaries undertakings	0	698
7) Adjustment regarding profit and loss recognition, etc. of associated undertakings	0	(17)
7) Reclassification, setting-off negative net worth in subsidiaries undertakings	0	(4)
Financial assets - IFRS	**4,194**	**2,191**
Short-term assets - former accounting policies	**2,703**	**2,542**
7) Reclassification, setting-off negative net worth in subsidiaries undertakings	0	4
Short-term assets - IFRS	**2,703**	**2,546**
Parent company shareholders' equity - former accounting policies	**2,682**	**2,620**
7) Adjustment regarding recognition of subsidiaries undertakings at cost	(472)	(472)
7) Adjustment regarding recognition of associated undertakings at cost	17	17
7) Adjustment regarding profit and loss recognition, etc. of subsidiaries undertakings	0	698
7) Adjustment regarding profit and loss recognition, etc. of associated undertakings	0	(17)
Parent company shareholders' equity - IFRS	**2,227**	**2,846**

Consolidated profit and loss account

Notes	DKKm	2005	2004
3	Net turnover	10,502	10,829
7	Production costs	8,594	9,364
	Gross profit	**1,908**	**1,465**
7	Sales and distribution costs	698	651
4+7	Administrative costs	782	732
5	Other operating income and costs	97	62
	Earnings before interest, tax, depreciation and amortisation (EBITDA)	**525**	**144**
15	Depreciation and write-downs of tangible assets	135	312
14	Amortisation and write-downs of intangible assets	37	26
	Earnings before interest and tax (EBIT)	**353**	**(194)**
6	Financial income	611	822
6	Financial costs	484	834
	Earnings before tax (EBT)	**480**	**(206)**
8	Tax for the year	(18)	136
	Profit for the year, continuing activities	**498**	**(342)**
1	Profit/loss for the year, discontinuing activities	(9)	493
	Profit/loss for the year	**489**	**151**
	To be distributed as follows:		
	Minority shareholders' share of profit/loss of the year	(2)	5
	FLSmidth & Co. A/S shareholders' share of profit/loss for the year	491	146
		489	**151**
29	Earnings per share (EPS)		
	Continuing and discontinuing undertakings	9.4	2.8
	Continuing and discontinuing undertakings (diluted)	9.2	2.8
	Continuing activities	9.6	(6.7)
	Continuing activities (diluted)	9.4	(6.6)

Consolidated cash flow statement

Notes	DKKm	2005	2004
	Cash flow from operating activities		
	Earnings before interest, tax, depreciation and amortisation (EBITDA)	525	144
	Adjustment for profits/losses on sale of fixed assets and exchange rate adjustments, etc.	(19)	(24)
	Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA)	**506**	**120**
9	Change in provisions	157	270
10	Change in working capital, work-in-progress and prepayments	1,200	(328)
	Cash flow from operating activities before financial items and tax	**1,863**	**62**
11	Financial payments received and made	(89)	(294)
8	Corporation taxes paid	(76)	(65)
	Cash flow from operating activities	**1,698**	**(297)**
	Cash flow from investing activities		
12	Acquisition of undertakings and activities	(47)	(3)
14	Acquisition of intangible assets	(40)	(43)
15	Acquisition of tangible assets	(176)	(148)
	Disposal of intangible and tangible assets	114	38
16	Acquisition of financial assets	(20)	(2)
	Disposal of financial assets	225	33
	Cash flow from investing activities	**56**	**(125)**
	Cash flow from operating and investing activities, continuing activities	**1,754**	**(422)**
	Cash flow from operating and investing activities, discontinuing activities	**54**	**4,120**
	Cash flow from operating and investing activities, total	**1,808**	**3,698**
	Cash flows from financing activities		
	Dividend	(365)	(4)
	Capital increases in Group companies attributable to minority interests	0	26
	Purchase of own shares	(77)	(5)
	Sale of own shares	51	31
13	Changes in other net interest-bearing receivables	(100)	(2,848)
	Cash flow from financing activities	**(491)**	**(2,800)**
	Changes in cash funds	**1,317**	**898**
20	Cash funds at 1 January	1,251	353
20	Cash funds at 31 December	2,568	1,251

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

Assets

Notes	DKKm	2005	2004
	Goodwill	90	59
	Other intangible assets	147	138
14	**Intangible assets**	**237**	**197**
	Land and buildings	641	627
	Plant and machinery	406	380
	Operating equipment, fixtures and fittings	99	93
	Tangible assets in course of construction	35	54
15	**Tangible assets**	**1,181**	**1,154**
16	Investments in associated undertakings	3	13
16	Other securities and investments	95	174
24	Prepaid pension fund contributions	0	3
17	Deferred tax assets	397	204
	Financial assets	**495**	**394**
	Total long-term assets	**1,913**	**1,745**
18	**Stocks**	**552**	**529**
20	Trade debtors	2,165	2,150
19	Work-in-progress for third parties	1,713	1,765
	Amounts owed by associated undertakings	1	1
20	Other debtors	324	652
	Prepayments	25	34
	Debtors	**4,228**	**4,602**
	Bonds and listed shares	316	66
	Securities	**316**	**66**
20	**Cash funds**	**2,568**	**1,251**
	Assets held for sale	**0**	**0**
	Short-term assets	**7,664**	**6,448**
	TOTAL ASSETS	**9,577**	**8,193**

Liabilities

DKKm		2005	2004
Notes			
	Share capital	1,064	1,064
	Exchange rate adjustments regarding translation of undertakings	(122)	(234)
	Exchange rate adjustments regarding hedging transactions	117	227
	Retained earnings	1,213	1,131
	Proposed dividend	372	372
	FLSmidth & Co. A/S shareholders share of shareholders' equity	**2,644**	**2,560**
	Minority interests share of shareholders' equity	**4**	**25**
	Total shareholders' equity	**2,648**	**2,585**
17	Deferred tax liabilities	18	16
24	Pensions and similar obligations	138	142
21	Other provisions	835	685
22	Mortgage debt	155	194
22	Currency loans, lease commitments and bank loans	12	21
22	Prepayments from customers	113	72
	Long-term liabilities	**1,271**	**1,130**
	Mortgage debt	24	15
	Currency loans, lease commitments and bank loans	129	54
	Prepayments from customers	1,620	906
19	Work-in-progress for third parties	1,083	841
	Trade creditors	1,488	1,499
	Corporation tax payable	117	43
23	Other liabilities	671	687
21	Other provisions	469	384
	Deferred income	57	49
	Short-term liabilities	**5,658**	**4,478**
	Liabilities regarding assets held for sale	**0**	**0**
	Total liabilities exclusive of shareholders' equity	**6,929**	**5,608**
	TOTAL LIABILITIES	**9,577**	**8,193**

Consolidated shareholders' equity

DKKm	Share capital	Exchange rate adjustments re translation of undertakings	Exchange rate adjustments re hedging transactions	Other undi-stributable reserves	Retained earnings	Proposed dividend	FLSmidth & Co. A/S sharehol-ders share	Minority interests share	Total
Shareholders' equity 1 Jan. 2004 according to 2004 Annual Report [1]	1,064	(177)	227	756	812	0	**2,682**	234	**2,916**
Effect of changed accounting principles when adopting IFRS					(152)		**(152)**		**(152)**
Adjusted IFRS shareholders' equity at 1 Jan.	**1,064**	**(177)**	**227**	**756**	**660**	**0**	**2,530**	**234**	**2,764**
Exchange rate adjustments regarding translation of undertakings		(35)					**(35)**	(2)	**(37)**
Foreign exchange hedging of net investments		(22)					**(22)**		**(22)**
Transferred to profit and loss account for hedging of net investments			(126)				**(126)**		**(126)**
Additions and disposals minority interests							**0**	(208)	**(208)**
Other adjustments in shareholders' equity					(11)		**(11)**		**(11)**
Tax on shareholders' equity movements, net					0		0		0
Recognised direct in shareholders' equity	**0**	**(57)**	**(126)**	**0**	**(11)**	**0**	**(194)**	**(210)**	**(404)**
Profit/loss for the year					146		**146**	5	**151**
Share-based payment					10		**10**		**10**
Adjustments in respect of disposals of undertakings			126		(84)		**42**		**42**
Total income for the year	**0**	**(57)**	**0**	**0**	**61**	**0**	**4**	**(205)**	**(201)**
Dividend distributed							**0**	(4)	**(4)**
Proposed dividend					(372)	372	**0**		**0**
Disposal of own shares					31		**31**		**31**
Acquisition of own shares					(5)		**(5)**		**(5)**
Transfer between reserves				(756)	756		**0**		**0**
Shareholders' equity at 31 December 2004	**1,064**	**(234)**	**227**	**0**	**1,131**	**372**	**2,560**	**25**	**2,585**
Exchange rate adjustments regarding translation of undertakings		112					**112**		**112**
Transferred to profit and loss account for hedging of future transactions			(96)				**(96)**		**(96)**
Transferred to work-in-progress regarding hedging of purchase and sales			(10)				**(10)**		**(10)**
Additions and disposals minority interests							**0**	(19)	**(19)**
Recognised actuarial profits and losses on benefit-based pension plans					(27)		**(27)**		**(27)**
Other adjustments in shareholders' equity					(10)		**(10)**		**(10)**
Tax on shareholders' equity movements, net					7		**7**		**7**
Recognised direct in the shareholders' equity	**0**	**112**	**(106)**	**0**	**(30)**	**0**	**(24)**	**(19)**	**(43)**
Profit/loss for the year					491		**491**	(2)	**489**
Share-based payment					12		**12**		**12**
Adjustments in respect of disposals of undertakings			(4)				**(4)**		**(4)**
Total income for the year	**0**	**112**	**(110)**	**0**	**473**	**0**	**475**	**(21)**	**454**
Dividend distributed					0	(365)	**(365)**		**(365)**
Dividend, own shares					7	(7)	**0**		**0**
Proposed dividend					(372)	372	**0**		**0**
Acquisition of own shares					(77)		**(77)**		**(77)**
Disposal of own shares					51		**51**		**51**
Shareholders' equity at 31 December 2005	**1,064**	**(122)**	**117**	**0**	**1,213**	**372**	**2,644**	**4**	**2,648**

[1] *Adjusted to new layout, see further explanation on pages 47-49 regarding adjustments in respect of adoption of IFRS.*

See the parent company shareholders' equity page 73, regarding capital structure.

List of notes

1. Breakdown of the Group by segments for 2005

DKKm	Cement	Minerals	Dansk Eternit Holding	Other companies etc. [1]	Continuing activities	Discontinuing activities [2]	FLS Group
PROFIT AND LOSS ACCOUNTS							
Turnover							
Denmark	60	1	418	22	501	0	501
Rest of Scandinavia	41	29	141	9	220	0	220
Rest of Europe	1,107	77	563	57	1,804	6	1,810
North America	1,153	350	6	13	1,522	0	1,522
South America	156	424	0	4	584	0	584
Africa	1,143	403	0	2	1,548	0	1,548
Australia	26	296	0	0	322	0	322
Asia	3,415	550	19	17	4,001	0	4,001
External turnover	7,101	2,130	1,147	124	10,502	6	10,508
Intercompany turnover	(12)	15	0	(3)	0	0	0
Net turnover	**7,089**	**2,145**	**1,147**	**121**	**10,502**	**6**	**10,508**
Production costs	5,966	1,804	771	53	8,594	11	8,605
Gross profit	**1,123**	**341**	**376**	**68**	**1,908**	**(5)**	**1,903**
Sales, distr., admin. and other operating items	867	224	274	18	1,383	(3)	1,380
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**256**	**117**	**102**	**50**	**525**	**(2)**	**523**
Depreciation and write-downs of tangible assets	74	11	40	10	135	2	137
Amortisation and write-downs of intangible assets	31	3	1	2	37	0	37
Earnings before interest and tax (EBIT)	**151**	**103**	**61**	**38**	**353**	**(4)**	**349**
Profit/loss on disposal of undertakings and activities	0	0	0	0	0	(9)	(9)
Net financial income and costs	67	(3)	(5)	68	127	4	131
Earnings before tax (EBT)	**218**	**100**	**56**	**106**	**480**	**(9)**	**471**
Tax for the year	(25)	33	4	(30)	(18)	0	(18)
Profit/loss for the year	**243**	**67**	**52**	**136**	**498**	**(9)**	**489**
CASH FLOW							
Cash flow from operating activities	**1,663**	**(6)**	**134**	**(93)**	**1,698**	**47**	**1,745**
Acquisition and disposal of undertakings and activities	2	(19)	(28)	(2)	(47)	7	(40)
Acquisition of tangible assets	(87)	(20)	(66)	(3)	(176)	0	(176)
Other investments, net	102	(2)	1	178	279	0	279
Cash flow from investing activities	**17**	**(41)**	**(93)**	**173**	**56**	**7**	**63**
Cash flow from operating and investing activities	**1,680**	**(47)**	**41**	**80**	**1,754**	**54**	**1,808**
NET INTEREST-BEARING RECEIVABLES/(DEBT)	**2,233**	**196**	**13**	**158**	**2,600**		**2,600**
BALANCE SHEET							
Intangible assets	152	48	32	5	237		237
Tangible assets	526	115	340	200	1,181		1,181
Financial asssets	381	40	70	4	495		495
Short-term assets	5,927	1,354	655	(272)	7,664		7,664
Total assets	**6,986**	**1,557**	**1,097**	**(63)**	**9,577**		**9,577**
Consolidated shareholders' euqity	1,936	448	218	46	2,648		2,648
Liabilities exclusive of equity	5,050	1,109	879	(109)	6,929		6,929
Total liabilities	**6,986**	**1,557**	**1,097**	**(63)**	**9,577**		**9,577**
FINANCIAL RATIOS							
Contribution margin	*15.8%*	*15.9%*	*32.8%*	*56.2%*	*18.2%*	*n/a*	*18.1%*
EBITDA ratio	*3.6%*	*5.5%*	*8.9%*	*41.3%*	*5.0%*	*n/a*	*5.0%*
EBIT ratio	*2.1%*	*4.8%*	*5.3%*	*31.4%*	*3.4%*	*n/a*	*3.3%*
EBT ratio	*3.1%*	*4.7%*	*4.9%*	*87.6%*	*4.6%*	*n/a*	*4.5%*
RETURN ON CAPITAL EMPLOYED (ROCE)							
Adjusted net operating profit after tax (NOPAT)	35	70	32	123	260	(4)	256
Average capital employed	634	230	222	255	1,341	(146)	1,195
Return on copaital employed (ROCE)	**6%**	**30%**	**14%**	**n/a**	**19%**	**n/a**	**21%**
Number of employees, 31 December	**3,777**	**1,135**	**874**	**63**	**5,849**	**0**	**5,849**

See also the Management's review of the individual business areas

1) Other companies, etc. consist of Densit, companies with no activities, real estate companies, eliminations and the parent company.
2) Discontinuing activities consist of companies for which it has been announced that they are discontinued or are being discontinued in the Group and where closure has been initated. Discontinuing activities consist mainly of the phasing out of FLS miljø and activities sold in previous years.

1. Breakdown of the Group by segments for 2004

DKKm	Cement	Minerals	Dansk Eternit Holding	Other companies etc. [1]	Continuing activities	Discontinuing activities [2]	FLS Group
PROFIT AND LOSS ACCOUNT							
Turnover							
Denmark	68	1	308	27	404	1,127	1,531
Rest of Scandinavia	62	30	111	11	214	800	1,014
Rest of Europe	1,139	103	539	51	1,832	1,589	3,421
North America	1,178	165	6	5	1,354	176	1,530
South America	228	342	0	4	574	0	574
Africa	2,750	375	0	3	3,128	96	3,224
Australia	45	192	0	0	237	17	254
Asia	2,628	439	12	7	3,086	87	3,173
External turnover	8,098	1,647	976	108	10,829	3,892	14,721
Intercompany turnover	6	13	2	(21)	0	0	0
Net turnover	**8,104**	**1,660**	**978**	**87**	**10,829**	**3,892**	**14,721**
Production costs	7,015	1,436	925	(12)	9,364	2,531	11,895
Gross profit	**1,089**	**224**	**53**	**99**	**1,465**	**1,361**	**2,826**
Sales, distr., admin. and other operating items	850	191	223	57	1,321	772	2,093
Earnings before interest, tax depreciation and amortisation (EBITDA)	**239**	**33**	**(170)**	**42**	**144**	**589**	**733**
Depreciation and write-downs of tangible assets	80	10	215	7	312	214	526
Amortisation and write-downs of intangible assets	16	2	6	2	26	8	34
Earnings before interest and tax (EBIT)	**143**	**21**	**(391)**	**33**	**(194)**	**367**	**173**
Share of profit/loss of associated undertakings after tax	0	0	0	0	0	80	80
Profit/loss on disposal of undertakings and activities	0	0	0	0	0	406	406
Net financial income and costs	27	(7)	(14)	(18)	(12)	(125)	(137)
Earnings before tax (EBT)	**170**	**14**	**(405)**	**15**	**(206)**	**728**	**522**
Tax for the year	35	36	(11)	76	136	235	371
Profit/loss for the year	**135**	**(22)**	**(394)**	**(61)**	**(342)**	**493**	**151**
CASH FLOW							
Cash flow from operating activities	**10**	**(14)**	**56**	**(349)**	**(297)**	**147**	**(150)**
Acquisition and disposal of undertakings and activities	(1)	1	(3)	0	(3)	4,182	4,179
Acquisition of tangible assets	(66)	(11)	(63)	(8)	(148)	(243)	(391)
Other investments, net	(12)	3	70	(35)	26	34	60
Cash flow from investing activities	**(79)**	**(7)**	**4**	**(43)**	**(125)**	**3,973**	**3,848**
Cash flow from operating and investing activities	**(69)**	**(21)**	**60**	**(392)**	**(422)**	**4,120**	**3,698**
NET INTEREST-BEARING RECEIVABLES/(DEBT)	**124**	**125**	**(26)**	**968**	**1,191**		**1,191**
BALANCE SHEET							
Intangible assets	143	26	22	6	197		197
Tangible assets	522	80	302	250	1,154		1,154
Financial assets	157	27	44	166	394		394
Short-term assets	4,019	1,236	500	693	6,448		6,448
Total assets	**4,841**	**1,369**	**868**	**1,115**	**8,193**		**8,193**
Consolidated shareholders' equity	934	249	173	1,229	2,585		2,585
Liabilities exclusive of equity	3,907	1,120	695	(114)	5,608		5,608
Total liabilities	**4,841**	**1,369**	**868**	**1,115**	**8,193**		**8,193**
FINANCIAL RATIOS							
Contribution margin	*13.4%*	*13.5%*	*5.4%*	*113.8%*	*13.5%*	*35.0%*	*19.2%*
EBITDA ratio	*2.9%*	*2.0%*	*(17.4%)*	*48.3%*	*1.3%*	*15.1%*	*5.0%*
EBIT ratio	*1.8%*	*1.3%*	*(40.0%)*	*37.9%*	*(1.8%)*	*9.4%*	*1.2%*
EBT ratio	*2.1%*	*0,8%*	*(41.4%)*	*17.2%*	*(1.9%)*	*18.7%*	*3.5%*
RETURN ON CAPITAL EMPLOYED (ROCE)							
Adjusted net operating profit after tax (NOPAT)	152	0	(405)	9	(244)	618	374
Average capital employed	1,553	144	462	744	2,903	2,527	5,430
Return on capital employed (ROCE)	**10%**	**0%**	**(87%)**	**n/a**	**(8%)**	**24%**	**7%**
Number of employees, 31 December	**3,541**	**1,008**	**913**	**163**	**5,625**	**42**	**5,667**

See also the Management's review of the individual business areas.

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

2) Discontinuing activities consist of companies for which it has been announced that they are discontinued or are being discontinued in the Group and where closure has been initiated. For 2004, discontinuing activities therefore consist mainly of Aalborg Portland Group, Unicon Group and Aerospace Group plus the phasing out of FLS miljø Group.

2. Segment reporting, geographical

DKKm	2005	2004
Turnover		
Denmark	501	404
Rest of Scandinavia	220	214
Rest of Europe	1,804	1,832
North America	1,522	1,354
South America	584	574
Africa	1,548	3,128
Australia	322	237
Asia	4,001	3,086
	10,502	**10,829**
Assets		
Denmark	4,568	3,181
Rest of Scandinavia	126	89
Rest of Europe	2,033	2,111
North America	890	1,649
South America	374	208
Africa	337	211
Australia	188	177
Asia	1,061	567
	9,577	**8,193**
Capital expenditures		
Denmark	76	65
Rest of Scandinavia	1	0
Rest of Europe	82	88
North America	11	17
South America	2	2
Africa	4	2
Australia	13	3
Asia	47	16
	236	**193**

3. Net turnover

DKKm	2005	2004
Project sales	7,069	7,836
Sales of parts and services	2,154	1,904
Building materials	1,279	1,089
	10,502	**10,829**
Income recognition criteria		
Income recognised when invoiced	3,886	3,653
Income recognised according to the percentage-of-completion method	6,616	7,176
	10,502	**10,829**

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

DKKm	2005	2004
Deloitte		
Auditing	10	2
Other services	3	4
	13	**6**
KPMG		
Auditing	2	14
Other services	3	11
	5	**25**

5. Other operating income and costs

DKKm	2005	2004
Other operating income		
Government subsidies and other grants	3	3
Rent income	13	14
Royalties, etc.	10	6
Profit on disposal of tangible assets *)	38	42
Other income	55	22
	119	**87**
Other operating costs		
Losses on disposal of tangible assets	4	6
Royalties, etc.	4	3
Other costs	14	16
	22	**25**
Total other operating income and costs	**97**	**62**

*) The profit on disposal of fixed assets in 2005 includes the profit from the sale of land and buildings at DKK 26m, viz. two sites and buildings in Valby, Denmark (FLSmidth & Co. A/S and others). The profit on disposal of fixed assets in 2004 includes the profit from the sale of land and buildings at DKK 38m (Ramsingsvej, Denmark (FLSmidth & Co. A/S)).

6. Financial income and costs

DKKm	2005	2004
Financial income		
Interest receivable and other financial income	61	23
Capital gains on securities*)	124	37
Foreign exchange gains	426	762
	611	**822**
Financial costs		
Interest payable and similar financial costs	27	40
Share-based payment in respect of employees who have left the Group	8	5
Capital losses on securities	1	5
Foreign exchange losses	448	784
	484	**834**

*) Capital gains on securities consist primarily of the sale of Sinai Cement Company shares (DKK 57m) and the sale of shares in Denerco Oil (DKK 37m).

7. Staff costs

DKKm	2005	2004
Wages and salaries and fees	1,636	1,782
Pension contribution and social security costs, etc.	199	196
Share-based payment	12	10
Other staff costs	57	32
	1,904	**2,020**
The amounts are included in the items: Production costs, Sales and distribution costs and Administrative costs. For further details on remuneration of the Board and Management, see note 30 on related parties.		
Number of employees at 31 December	**5,849**	**5,625**

Share options

The Board of Directors and a number of executive officers in the Group have been granted options to purchase 1,040,616 shares in the company at a set price (strike price). As from 2002, the Board of Directors has chosen not to take part in new option plans, however, one former executive employee holding share options (10,000) has joined the Board in 2005.

2003 option plan (new plan)

The new share option plan is an equity-settled share-based payment plan. The value of the options is recognised in the profit and loss account under staff costs on a linear basis from the time of allocation to the first time of acquisition, which means that at the time of exercising the option no more recognition in the profit and loss account takes place.

Specification of outstanding options

No. of options	Management	Other executive staff	Total
Options allocated 1 January 2004	60,000	420,000	480,000
Lapsed and adjustments previous years	(20,000)	(60,000)	(80,000)
Allocated for 2004 (issued 1 April 2004)	60,000	440,000	500,000
Outstanding options 31 December 2004	100,000	800,000	900,000
Changes in Management	30,000	(30,000)	0
Exercised 2003 plan	(10,000)	(350,000)	(360,000)
Exercised 2004 plan	0	(10,000)	(10,000)
Allocated for 2005 (issued 1 April 2005)	60,000	320,000	380,000
Outstanding options 31 December 2005	**180,000**	**730,000**	**910,000**
Number of options that are exercisable at 31 December 2005	40,000	10,000	50,000
Total fair value of outstanding options DKKm			
At 31 December 2005	19	76	95
At 31 December 2004	4	30	34

DKK	2005	2004
Fair value per option	104.73	37.98
Average weighted strike price per option	90.23	82.25
Average price per share at the time of exercising the option	165.88	n/a

In 2005, the recognised fair value of share options in the consolidated profit and loss accounts amounts to DKK 12m (2004: DKK 10m).

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

Year of allocation	Strike price	Exercise period	Allocated	Lapsed	Exercised	Not exercised
2003	62.29*	2005-2006	480,000	(70,000)	(360,000)	50,000
	66.03*	2006-2007				
	69.99*	2007-2008				
	74.19*	2008-2009				
2004	72.73*	2006-2007	500,000	(10,000)	(10,000)	480,000
	76.64*	2007-2008				
	81.24*	2008-2009				
	86.11*	2009-2010				
2005	97.93*	2007-2008	380,000	0	0	380,000
	103.81*	2008-2009				
	110.03*	2009-2010				
	116.64*	2010-2011				

*) Strike price is calculated exclusive of deduction for distribution of dividend.

The calculated fair values in connection with allocation are based on the Trinomial model for valuation of options.

The calculation of fair values of outstanding share options at the time of allocation is based on the following assumptions:

	Allocated in 2005	Allocated in 2004
Average share price	104.93	71.33
Strike price	104.93	71.33
Expected volatility	27.13%	35.96%
Expected life	4 years	4 years
Expected dividend per year	DKK 3	DKK 3
Risk-free interest	4.0%	4.3%
Allocated share options	380,000	500,000
Fair value per option, DKK	19.23	20.86
Total fair value, DKKm	7	10

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

The strike prices for allocations in 2003 - 2005 are increased annually by 6 per cent. the annual increase, however, is limited by the dividend declared at the latest Annual General Meeting prior to the half-yearly report in question so that each dividend krone is deducted from the calculated 6 per cent increase. Non-exercised options lapse if the holder ceases to be employed by the Company.

1998 Option plan (old plan)

The old plan is categorised as a cash-settled plan as it entitles employees to choose the differential settlement in case. The value of options calculated according to the Trinomial model is recognised in the profit and loss account under financial items and a provision is made on the balance sheet under Other liabilities. The amount is adjusted for actual exercise value. The year's cost amounted to DKK 8m (2004: DKK 5m).

Specification of outstanding options

No. of options	Management	Other executive staff	Total
Options allocated 1 January 2004	10,586	378,791	389,377
Exercised	0	0	0
Lapsed	0	0	0
Outstanding options 31 December 2004	10,586	378,791	389,377
Exercised	0	(165,331)	(165,331)
Lapsed	0	(93,430)	(93,430)
Outstanding options 31 December 2005	**10,586**	**120,030**	**130,616**
Number of options that are exercisable at 31 December 2005	10,586	120,030	130,616
Total fair value of outstanding options DKKm			
At 31 December 2005	1	7	8
At 31 December 2004	0	5	5

DKK	2005	2004
Fair value per option	60.23	12.44
Average weighted strike price per option	136.58	136.57
Average price per share at the time of exercising the option	170.54	n/a

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

Year of allocation	Strike price	Exercise period	Allocated	Lapsed	Exercised	Not exercised
1998	135	2002-2007	236,797	(50,624)	(107,193)	78,980
1999	139	2003-2008	152,580	(42,806)	(58,138)	51,636

8. Tax for the year

DKKm	2005	2004
Tax for the year		
Current tax on the profit/loss for the year	153	76
Deferred tax adjustment	(182)	66
Adjustment of tax rate on deferred tax	11	1
Other adjustments, including adjustments regarding previous years	0	(7)
	(18)	**136**
Reconciliation of tax		
Tax according to Danish tax rate	132	109
Variance in the tax rates in non-Danish subsidiary undertakings relative to 28%	21	3
Non-taxable income and non-deductible costs	(52)	59
Variance in tax assets valued at nil	(141)	(35)
Adjustment of tax rate	8	0
Other, including adjustments regarding previous years	14	0
	(18)	**136**
Specification of adjustment of deferred tax (including adjustment of tax rate)		
Intangible assets	13	92
Tangible assets	34	(136)
Financial assets	9	(10)
Short-term assets	(1)	315
Long-term and short-term liabilities	(252)	88
Loss carried forward, net	277	(402)
Share of tax asset valued at nil	(271)	115
Disposal of undertakings	0	2
Exchange rate adjustments, etc.	9	2
	(182)	**66**

Tax paid in 2005 amounts to DKK 76m (2004: DKK 65m)

9. Change in provisions

DKKm	2005	2004
Pensions and similar obligations	(32)	(51)
Other provisions	189	321
	157	**270**

10. Change in working capital, work-in-progress and prepayments

DKKm	2005	2004
Stocks	(18)	(8)
Trade debtors	37	(424)
Work-in-progress and prepayments	967	(289)
Trade creditors	106	374
Change in other debtors and other liabilities	108	19
	1,200	**(328)**

11. Financial payments received and made

DKKm	2005	2004
Financial payments received	382	535
Financial payments made	(471)	(829)
	(89)	**(294)**

12. Acquisition of undertakings and activities

DKKm	2005	2004
Tangible assets	18	0
Financial assets	7	0
Stocks	4	0
Debt	(30)	0
Acquisition and disposal of minority interests	18	2
Net assets	**17**	**2**
Goodwill including transaction costs	30	1
Cash cost	**47**	**3**

Acquisition of undertakings and activities in 2005 mainly consists of the acquisition of an additional 23% stake in Cembrit CZ (Dansk Eternit Holding Group) and the acquisition of 51% of Excel Crusher Technologies (the FFE Minerals Group). In both acquisitions, the Group is of the opinion that the balance sheets of the undertakings acquired are essentially valued at fair value on the date of acquisition, so it has not been considered necessary to make any adjustments of the balance sheets in connection with the acquisitions. Goodwill attributable to the acquisitions is therefore calculated on this basis and expresses the expected future synergies which cannot be allocated to other assets than goodwill.

The acquisition of minority interests in Cembrit CZ at 30 June 2005 increases the Group's holding to 91%. Cembrit CZ is therefore fully consolidated in the Group for the whole of 2005 regardless of this acquisition of minority interests.

The acquisition of 51% of Excel Crusher Technologies at 1 September 2005 represents the Group's total holding in the undertaking. Since the acquisition gives the Group a controlling influence, the undertaking is fully consolidated in the Group as from the date of acquisition. Excel Crusher Technologies accounts for DKK 8m of the consolidated net turnover and DKK -3m of the consolidated profit for 2005 of the continuing activities.

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

DKKm	2005	2004
Net interest-bearing receivables(debt), January	**1,191**	**(2,445)**
Increase due to acquisition of undertakings	(24)	(202)
Reduction due to disposal of undertakings	(29)	9
Changes in interest-bearing cash funds	1,317	898
Change in other net interest-bearing receivables	100	2,848
Exchange rate adjustments, etc.	45	83
Net interest-bearing balances/(debt) at 31 December	**2,600**	**1,191**

14. Intangible assets

DKKm	Goodwill	Other intangible assets	Total
Cost at 1 January 2005	61	227	288
Exchange rate adjustments	1	2	3
Acquisition of undertakings	30	0	30
Disposal of undertakings	0	(1)	(1)
Additions	0	40	40
Disposals	0	(3)	(3)
Other adjustments	0	(5)	(5)
Cost at 31 December 2005	**92**	**260**	**352**
Amortisation and write-downs at 1 January 2005	2	89	91
Exchange rate adjustments	0	1	1
Disposal of undertakings	0	(1)	(1)
Disposals	0	(3)	(3)
Amortisation	0	37	37
Other adjustments	0	(10)	(10)
Amortisation and write-downs at 31 December 2005	**2**	**113**	**115**
Book value at 31 December 2005	**90**	**147**	**237**

DKKm	Goodwill	Other intangible assets	Total
Cost at 1 January 2004	2,465	355	2,820
Setting-off of amortisation in previous years	(1,401)	0	(1,401)
Exchange rate adjustments	2	(2)	0
Acquisitions of undertakings	1	0	1
Disposal of undertakings	(1,006)	(171)	(1,177)
Additions	0	48	48
Disposals	0	(3)	(3)
Cost at 31 December 2004	**61**	**227**	**288**
Amortisation and write-downs at 1 January 2004	1,401	213	1,614
Setting-off of amortisation in previous years	(1,401)	0	(1,401)
Disposal of undertakings	0	(154)	(154)
Disposals	0	(1)	(1)
Amortisation	0	30	30
Write-downs	2	1	3
Amortisation and write-downs at 31 December 2004	**2**	**89**	**91**
Book value at 31 December 2004	**59**	**138**	**197**

Amortisation and write-downs in the profit and loss account are stated at the average rates of exchange and cannot therefore be directly reconciled with the intangible asset note stated above in which depreciations and write-down are stated at year-end exchange rates. For distribution of depreciation and write-downs on Production costs, Sales and distribution costs and Administrative costs please see page 42.

For acquisition of undertakings, see Note 12.

Other intangible assets mainly comprise capitalised development costs, licences and software development.

Much of the knowledge generated in the Group is based on the work performed for customers. In 2005, the Group's research and development costs totalled DKK 143m (2004: DKK 145m). As these costs mainly relate to improvements of already existing products, the FLS Group has merely capitalised development costs at a total amount of DKK 5m (2004: DKK 14m).

In connection with the recognition of the Group's capitalised goodwill from acquisition of undertakings and activities, this is allocated by the Group management to the cash generating units. Goodwill is tested for impairment at least once a year. Cement, Minerals and Dansk Eternit Holding account for DKK 16m, DKK 40m and DKK 29m, respectively, of the consolidated goodwill.

Value in use as an expression of the recoverable amount is calculated for each cash generating unit by discounting the expected future cash flows to net present value. Expected future cash flows are estimated based on Management assumptions including expected growth rates, etc. The discounting factor is also calculated on the basis of the Management's estimate which includes both general capital market conditions and a specific risk profile (currently 7-9%).

The value in use calculations are composed of discounted expected cash flows for the next four years and a calculated terminal value of cash flows for the subsequent period. In calculating the terminal value a growth rate (0%) estimated by the Management is adopted for each of the cash generating units.

Other intangible assets are amortised over the economic life. Other intangible assets include ongoing development projects and intangible assets of indefinite useful life. These intangible assets are not systematically amortised, but are tested for impairment at least once a year. The impairment test is based on similar principles as those adopted for impairment testing of goodwill.

15. Tangible assets

DKKm	Land and buildings	Plant and machinery	Operating, equip-ment, fixtures and fittings	Tangible assets in course of constructions	Total
Cost at 1 January 2005	1,181	1,360	485	54	3,080
Exchange rate adjustments	60	65	21	4	150
Acquisition of undertakings	12	6	0	0	18
Disposal of undertakings	0	(1)	(16)	0	(17)
Additions	65	89	45	(23)	176
Disposals	(114)	(112)	(64)	0	(290)
Other adjustments	(4)	(4)	9	0	1
Cost at 31 December 2005	**1,200**	**1,403**	**480**	**35**	**3,118**
Depreciation and write-downs at 1 January 2005	554	980	392		1,926
Exchange rate adjustments	25	44	15		84
Disposal of undertakings	0	0	(14)		(14)
Disposals	(55)	(95)	(61)		(211)
Depreciation	32	68	36		136
Write-downs	1	0	0		1
Other adjustments	2	0	13		15
Depreciation and write-downs at 31 December 2005	**559**	**997**	**381**		**1,937**
Book value 31 December 2005	**641**	**406**	**99**	**35**	**1,181**
Assets held under a finance lease					
Book value at 31 December 2005	15	0	1		16

DKKm	Land and buildings	Plant and machinery and aircraft rotables	Operating equip-ment, fixtures and fittings	Tangible assets in course of construction	Total
Cost at 1 January 2004	3,321	6,258	794	243	10,616
Exchange rate adjustments	(13)	(3)	(5)	3	(18)
Acquisition of undertakings	9	0	0	0	9
Disposal of undertakings	(2,131)	(5,246)	(334)	(48)	(7,759)
Additions	44	404	57	(113)	392
Disposals	(36)	(99)	(46)	0	(181)
Other adjustments	(13)	46	19	(31)	21
Cost at 31 December 2004	**1,181**	**1,360**	**485**	**54**	**3,080**
Depreciation and write-downs at 1 January 2004	2,000	4,504	645		7,149
Exchange rate adjustments	(10)	(11)	(4)		(25)
Disposal of undertakings	(1,533)	(3,783)	(270)		(5,586)
Disposals	(32)	(83)	(39)		(154)
Depreciation	70	229	59		358
Write-downs	59	112	1		172
Other adjustments	0	12	0		12
Depreciation and write-downs at 31 December 2004	**554**	**980**	**392**		**1,926**
Book value at 31 December 2004	**627**	**380**	**93**	**54**	**1,154**
Assets held under a finance lease					
Book value at 31 December 2004	12	0	2		14

Depreciation and write-downs in the profit and loss account are stated at the average rates of exchange and cannot therefore be directly reconciled with the fixed asset note above in which depreciation and write-downs are stated at year-end exchange rates. For distribution of depreciation and write-downs on Production costs, Sales and distribution costs and Administrative costs please see page 42.

For acquisition of undertakings, see Note 12.

Write-downs for 2004 mainly consisted of the Dansk Eternit Holding Group

16. Financial assets

DKKm	Investments in associated undertakings	Other securities and investments	Other financial assets	Total
Cost at 1 January 2005	148	303	31	482
Exchange rate adjustments	0	2	0	2
Additions	1	19	0	20
Disposals	(145)	(153)	(1)	(299)
Cost at 31 December 2005	**4**	**171**	**30**	**205**
Adjustments at 1 January 2005	(135)	(138)	(22)	(295)
Additions	17	41	0	58
Disposals	118	0	0	118
Profit shares	0	11	1	12
Dividends for the year	(1)	0	0	(1)
Value and other adjustments	0	1	0	1
Adjustments at 31 December 2005	**(1)**	**(85)**	**(21)**	**(107)**
Book value at 31 December 2005	**3**	**86**	**9**	**98**

DKKm	Investments in associated undertakings	Other securities and investments	Other financial assets	Total
Cost at 1 January 2004	427	339	40	806
Exchange rate adjustments	(6)	0	0	(6)
Disposal of undertakings	(274)	0	5	(269)
Additions	1	0	1	2
Disposals	0	(36)	(15)	(51)
Cost at 31 December 2004	**148**	**303**	**31**	**482**
Adjustments at 1 January 2004	(176)	(155)	(19)	(350)
Disposal of undertakings	84	0	(4)	80
Additions	0	5	0	5
Profit shares	80	17	0	97
Dividends for the year	(133)	0	0	(133)
Value and other adjustments	10	(5)	1	6
Adjustments at 31 December 2004	**(135)**	**(138)**	**(22)**	**(295)**
Book value at 31 December 2004	**13**	**165**	**9**	**187**

At 31 December 2005 the Group owned no listed associated undertakings. At 31 December 2004 the stock market value of the shares held then amounted to DKK 36m, and the book value was DKK 10m, corresponding to the sales price at the time of disposal in 2005.

The stock market value of other secuties and investments listed at 31 December on an effective stock market was DKK 71m (2004: DKK 99m) corresponding to the book value.

17. Deferred tax assets and liabilities

DKKm	2005	2004
Deferred tax assets and liabilities		
Intangible assets	21	34
Tangible assets	355	389
Financial assets	2	11
Short-term assets	3	2
Long-term and short-term liabilities	332	80
Loss carried forward, net	625	902
Share of tax asset valued at nil	(959)	(1,230)
Deferred tax, net	**379**	**188**
The year's changes in deferred tax assets/liabilities		
Deferred tax assets/liabilities at 1 January	188	212
Adjustment due to adoption of IFRS	0	7
Exchange rate adjustment	13	(5)
Effect of changed tax rates	(11)	0
Recognised in profit and loss account, continuing and discontinuing activities (average exchange rate)	182	(140)
Recognised direct in shareholders' equity	7	0
Disposal of undertakings	0	114
Net deferred tax assets/liabilities at 31 December	**379**	**188**
Deferred tax assets	397	204
Deferred tax liabilities	18	16
	379	188

The Group's deferred tax assets are recognised to the extent that they are expected to be used in the future. Where companies in the Group have deferred tax liabilities, they are valued independently of the time when the tax, if any, becomes payable.

In continuation of the Danish Act of 6 June 2005 (L121), the Danish tax authorities have objected to the option of deferring tax deficits within the FLSmidth & Co. A/S Danish joint taxation scheme, which are attributable to three permanent establishments in the UK. The total amount involved is calculated at approximately DKK 1bn. FLSmidth & Co. A/S has appealed this objection to the National Tax Tribunal. It is considered that the deferment of deficits cannot be limited due to the fact that the loss derives from closure of operations in 2004 before the new rules came into force and pursuant to the decision by the European Court on 13 December 2005 in the case regarding Marks & Spencer.

The tax value of approximately DKK 0.3bn is included in the above statement of the Group's total gross tax assets, but is not part of the capitalised tax assets in the balance sheet. The outcome of the case will therefore merely have a positive effect on the Group and postpone the time of cash tax payment within Danish FLSmidth & Co. A/S joint taxation.

DKKm	2005	2004
Maturity profile for loss carried forward		
Less than one year	16	242
Between one and five years	156	95
More than five years and of indefinite duration	1,961	2,612
	2,133	**2,949**
Tax value of the above amount	625	902

Disposal of certain foreign undertakings may lead to retaxation of deficits previously deducted. As mentioned in the Accounting Policies, provision for this has only been made where disposals etc. are actually planned at the time of presenting the accounts.

18. Stocks

DKKm	2005	2004
Raw materials and consumables	154	141
Work-in-progress	85	59
Finished goods and goods for resale	308	319
Prepayments for goods	5	10
Stocks at 31 December	**552**	**529**
As was the case last year, there are no stocks valued at net realisable value		
Write-down of stocks		
Write-down at 1 January	21	8
Additions	3	14
Disposals	(1)	(1)
Reversals	(10)	0
Write-down at 31 December	**13**	**21**

19. Work-in-progress for third parties

DKKm	2005	2004
Total costs incurred	16,978	15,836
Profit recognised as income, net	1,466	10
Work-in-progress for third parties	18,444	15,846
Invoicing on account to customers	17,814	14,922
	630	**924**
Of which work-in-progress for third parties is stated under Assets	1,713	1,765
and under Liabilities	(1,083)	(841)
	630	**924**

Profit/loss reflected in the year's financial result is included in the gross profit in the profit and loss account.

20. Debtors and cash funds

Debtors falling due after more than one year total DKK 97m (2004: DKK 163m).

The booked debtors include retentions on contractual terms and conditions at DKK 392m (2004: DKK 459m).

Other debtors include amounts receivable in connection with the sale of undertakings and activities, positive value of derivatives and receivable corporation taxes.

The Group's cash funds consist mainly of bank deposits.

The Group's cash funds include DKK 170m (2004: DKK 190m) which is subject to restrictions for contractual reasons or due to being placed in countries with exchange controls.

21. Other provisions

DKKm	2005	2004
Provisions at 1 January	1,069	890
Exchange rate and other adjustments	39	(3)
Disposal of undertakings	(2)	83
Additions	692	699
Application	(224)	(486)
Reversals	(270)	(114)
Provisions at 31 December	**1,304**	**1,069**
Consisting of:		
Short-term liabilities	469	384
Long-term liabilities	835	685
	1,304	1,069

Other provisions include:
- Estimated warranty claims in respect of goods or services already supplied/provided. For some long-term warranties discounting to net present value has been applied
- Restructuring
- Guarantees and obligations resulting from disposal of undertakings and activities
- Provisions for loss-making contracts

The year's movements mainly consist of changes in warranties and other contract risks.

The year's movement in 2004 mainly consisted of changes in warranties plus guarantees and obligations in connection with disposal of undertakings.

22. Long-term liabilities

DKKm	2005	2004
Maturity structure of long-term liabilities:		
Between one and two years	133	92
Between two and five years	44	46
After more than five years	103	149
	280	**287**

DKKm	2005	2004
Finance lease liability		
Total minimum charges:		
Maturity within one year	4	3
Maturity between one and five years	8	6
Maturity after five years	9	8
	21	**17**
Accounting value (Present value):		
Maturity within one year	3	2
Maturity between one and five years	5	3
Maturity after five years	6	5
	14	**10**
Book value of financial leased assets	**16**	**14**

23. Other liabilities

Other liabilities include due holidty pay, public taxes, interest payable and negative value of derivatives.

24. Provisions for pensions and similar obligations

The pension obligations incumbent on the Danish Group undertakings are funded through insurance plans. The pension obligations of certain foreign Group undertakings are also funded through insurance plans. Foreign undertakings whose pension obligations are not - or only partly - funded through insurance (benefit-based), state the unfunded pension obligations on an actuarial basis at the present value at the balance sheet date. These pension plans are covered by assets in pension funds. The Group's benefit-based pension plans were DKK 138m underfunded at 31 December 2005 (2004: 139m) for which a provision has been made as pension obligation.

In the consolidated profit and loss account DKK 196m (2004: DKK 205m) has been recognised as costs of plans funded through insurance (benefit-based). In the consolidated profit and loss account, DKK 3m (2004: DKK -20m) has been recognised as costs of plans not funded through insurance (contributory).

Further to the adoption of IFRS in the changed accounting policies for the Group, actuarial profits or losses are recognised direct in the shareholders' equity. In the case of first-time adoption of IFRS the accumulated, non-recognised actuarial losses at 1 January 2004 are recognised in the shareholders' equity in the opening balance sheet in accordance with IFRS 1. Non-recognised actuarial losses for 2004, 2005 and future years are recognised direct in the shareholders' equity.

The actuarial losses and profits for the year at DKK 27m are recognised in the shareholders' equity, as the Group used the corridor method in 2004 in accordance with its former accounting policies, see also section on IFRS adjustments, page 47. This did not cause any costs in 2004 in the profit and loss account due to the IFRS adjustment at 1 January 2004 of the actuarial losses.

DKKm	2005	2004
Present value of benefit-based plans	761	670
Fair value of the assets of the plan	(623)	(523)
Non-recognised actuarial (loss)/profit	0	(8)
Total	**138**	**139**
Change in recognised obligation		
Net obligation at 1 January	139	99
Change in connection with adoption of IFRS	0	159
Other adjustments including exchange rate adjustments	10	1
Disposal of undertakings	0	(75)
Net expense taken to the profit and loss account	3	(20)
Actuarial profits and losses recognised direct in the shareholders' equity	27	0
Contributions	(41)	(25)
Net obligation at 31 December	**138**	**139**
Stated as asset (Prepaid pension fund contributions)	**0**	**3**
Stated as liability (Pensions and similar obligations)	**138**	**142**
	138	**139**
Recognised in the profit and loss account		
Pension costs	12	36
Calculated interest on obligation	30	30
Expected return on the assets of the plan	(39)	(36)
Effect of freezing plans	0	(50)
Recognised in profit and loss account regarding benefit-based plans	**3**	**(20)**
The amounts are included in the items: Production costs, Sales and distribution costs and Administrative costs		
Return on pension assets		
Expected return on the assets of the plan	39	36
Actual return on the assets of the plan	32	26
Actuarial loss for the year on the assets of the plan	**7**	**10**
The assumptions on which the actuarial computations are based at the balance sheet date are as follows, on average:		
Average discounting rate applied	3.5-6.0%	4.5-7.0%
Expected return on tied-up assets	4.5-9.0%	9.0%
Expected future pay increase rate	2.0-4.0%	2.0-4.0%

DKKm	2005	2004
Present value of contributory plans		
Present value at 1 January	670	692
Exchange rate adjustment	51	(27)
Pension costs	12	36
Calculated interest on obligation	30	30
Benefits paid out	(27)	(22)
Actuarial profits and losses	25	7
Effect of freezing plans	0	(46)
Present value at 31 December	**761**	**670**
Fair value of the assets of the plan		
Market value of the assets of the plan at 1 January	523	502
Exchange rate adjustment	45	(20)
Expected return on the assets of the plan	39	36
Contributions	41	25
Benefits paid out	(23)	(19)
Actuarial profits and losses	(2)	(1)
Fair value of the assets of the plan at 31 December	**623**	**523**
Specification of fair value of the asssets of the plan		
Equity instruments	284	250
Debt instruments	283	270
Other assets	56	3
Total fair value of the assets of the plan	**623**	**523**
Specification of fair value of the assets of the plan in %		
Equity instruments	46%	48%
Debt instruments	45%	51%
Other assets	9%	1%

25. Net interest-bearing receivables/(debt)

Net interest-bearing receivables by currencies and interest rate structure

Principal in DKKm/rate of interest p.a.		USD/interest		EUR/interest		DKK/interest		Other/interest		2005 Total	2004 Total
Within one year	Assets	134	1.9-5.0%	381	0.5-4.0%	2,474	1.6-7.1%	745	0.0-18.5%	3,734	2,700
	Liabilities	(114)	3.9-11.0%	(144)	3.0-3.8%	(451)	2.5-4.9%	(370)	0.6-15.5%	(1,079)	(1,360)
Total within one year		**20**		**237**		**2,023**		**375**		**2,655**	**1,340**
Between one and five years	Assets			1	6.9%			6	5.0-8.0%	7	5
	Liabilities	(2)	3.0%					(52)	0.5-15.5%	(54)	(22)
Total between one and five years		**(2)**		**1**		**0**		**(46)**		**(47)**	**(17)**
After more than five years	Assets									0	0
	Liabilities							(8)	0.9%	(8)	(132)
Total after more than five years		**0**		**0**		**0**		**(8)**		**(8)**	**(132)**
Total		**18**		**238**		**2,023**		**321**		**2,600**	**1,191**

The above maturities indicate the extent to which and in which currencies the interest is fixed in the intervals stated. The cash maturity profile is therefore not reflected here.

26. Contingent assets and liabilities

DKKm	2005	2004
Minimum rent and operating lease commitments:		
Maturity between one and two years	16	22
Maturity between two and five years	39	42
Maturity after more than five years	2	1
	57	**65**
Guarantees	58	33
Other contractual obligations	9	5
	124	**103**

When assessing work-in-progress and work completed for third parties in the Cement, including the Buxton project, and the Minerals segments, a number of project-related risks, including performance guarantees and operation and maintenance contracts, have been taken into account, for which allowances have been made on the basis of the management's estimates. A few claims are pending in respect of previously supplied goods. Provisions have been made to counter any losses which are estimated to possibly occur when handling the claims.

The acquisition of undertakings often entails obligations regarding future investments and employees. Provisions are made for estimated losses on such obligations.

In connection with the disposal of undertakings, normal guarantees, etc. are issued to the acquiring undertaking. Provisions are made for estimated losses on such items.

When undertaking contracts and supplies, the companies in the Group provide usual security in the form of performance guarantees, etc. At the end of 2005, the total number of performance and payment guarantees issued amounted to DKK 3.1bn (2004: DKK 2.4bn). In cases where a guarantee is expected to materialise, a provision for this amount is made in the Annual Report under the heading of Other provisions.

In addition, the Group is from time to time involved in disputes usual for its business. No significant liabilities are considered to be incumbent on the Group in that respect, and the outcome of the disputes is expected not to have significant impact on the Group's financial position.

27. Charges

DKK mio.	2005		2004	
	Book value of charged assets	Charge	Book value of charged assets	Charge
Trade debtors etc.	2	2	2	2
Real Estate	78	154	166	221
	80	**156**	**168**	**223**

28. Financial instruments

The below tables show the principals and fair values of pending financial transactions at 31 December which have been entered into to hedge currency and interest rate exposure. All fair values are based on officially fized quotations, if available, alternatively on prices quoted by banks. Principals are translated at balance sheet date rates of exhange.

Considering that a major portion of the Group's currency and interest rate exposure is related to commercial contracts extending over several years, the total unrealised fair value of hedging contracts may be substantial. It should be noted that in principles this unrealised fair value is counterbalanced by an opposite value adjustment of the hedged commercial payments. Letters of credit are used in an attempt to reduce the risk of commercial counterparties failing to fulfil their obligation to pay.

Currency hedging
In order to hedge currency risks on the Group companies' underlying contractual and budgeted payments and currency risks on loans and investments. Corporate Treasury uses forward exchange contracts and currency options. The maturity of pending forward exchange contracts at 31 December 2005 is up to 2 years.

Interest rate hedging
The Group hedges interest rate risks using derivatives such as interest swaps, forward rate agreements (FRA) and interest rate options. There were no pending interest swaps, forward rate agreements (FRA) nor interest rate options at 31 December 2005.

Reference is made to the description of the Group's financial risk management and financial risks on page 31.

DKKm	2005		2004	
	Fair value of contracts	Principal of contracts net *	Fair value of contracts	Principal of contracts net *
Forward exchange contracts				
USD	(64)	(1,204)	149	(474)
EUR	(1)	(1,390)	(4)	(2,092)
Other currencies	5	93	(4)	(61)
	(60)	**(2,501)**	**141**	**(2,627)**
Currency options				
USD		38		
	0	**38**	**0**	**0**

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

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

Fair value of financial assets and liabilities
The fair value of securities stated as financial assets amounts to DKK 349m (2004: DKK 288m) and is recognised under short and long-term assets. The carrying value of debtors and debt largely corresponds to the fair value. The fair value of derivatives appears from the information above.

29. Earnings per share (EPS)

DKKm	2005	2004
Earnings		
FLSmidth & Co. A/S shareholders' share of profit/loss for the year	491	146
FLSmidth & Co. Group profit/loss from discontinuing activities	(9)	493
Number of shares, average		
Number of shares issued	53,200,000	53,200,000
Adjustment for own shares	(973,181)	(1,140,877)
Potential increase of shares in circulation, options in the money	970,308	450,000
	53,197,127	52,509,123
Earnings per share:		
Continuing and discontinuing activities per share, DKK	9.4	2.8
Continuing and discontinuing activities, diluted, per share, DKK	9.2	2.8
Continuing activities per share, DKK	9.6	(6.7)
Continuing activities, diluted, per share, DKK	9.4	(6.6)

Non-diluted earnings per share in respect of discontinuing activities amount to DKK -0.2 (2004: DKK 9.5) and diluted earnings per share in respect of discontinuing activities amount to DKK -0.2 (2004: DKK 9.4). These earnings are calculated based on the Group's earnings from discontinuing activities which amount to DKK -9m (2004: DKK 493m). Earnings per share in respect of continuing activities only as stated above are calculated as earnings per share for both continuing and discontinuing activities reduced by the earnings per share of the discontinuing activities.

30. Related party transactions

Transactions between the consolidated Group undertakings are eliminated in these consolidated accounts. In 2004 and 2005 there were no transactions between related parties not part of this Group.

Related parties with a controlling interest:
Potagua FLS A/S, Jægersborgvej 66B, 2800 Kgs. Lyngby owns 45.5% of the shares in FLSmidth & Co. A/S and controls 62.1% of the votes.

DKKm	2005	2004
Remuneration of Board of Directors		
Remuneration of Board of Directors	5	5
Total remuneration of Board of Directors	**5**	**5**
Remuneration of Management		
Wages and salaries	11	20
Share-based payment	1	1
Total remuneration of Management	**12**	**21**

The parent company and the Chairman of the Board of Directors have entered into an agreement to ripen the Company for sale against an annual remuneration of DKK 2m in addition to the ordinary annual Chairman's fee of currently DKK 0.5m. The agreement to submit the Chairman's remuneration for approval at the Annual General Meeting covers a five year period which runs until the Annual General Meeting in 2007. If Mr Jørgen Worning is not re-elected to the Board of Directors and is not appointed Chairman in the period until the Annual General Meeting in the spring of 2007, it will be proposed at the General Meeting that the Company shall grant a compensation corresponding to the foreseen total remuneration for the period until the said Meeting. At 31 December 2005 this compensation amounted to DKK 4m. This entitlement, however, shall not apply if Mr Jørgen Worning decides himself to retire from the Board of Directors or from the position of Chairman of the Board of Directors.

The remuneration shall each year be submitted for approval at the Company's Annual General Meeting. In its capacity of main shareholder, Potagua FLS A/S has undertaken to vote for Mr Jørgen Worning and his remuneration in accordance with the agreement signed. We refer to Stock Exchange Message No. 18 issued by Potagua on 2 September 2003.

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

In addition to his ordinary contract which includes a standard 18 month period of notice, a member of the Management has been granted additional 18 months which are gradually reduced by six months per year so that on 1 January 2009 he is entitled to the standard 18 month period of notice.

The remuneration of Management for 2004 includes severance pay.

31. Definition of return on capital employed

Return **o**n **C**apital **E**mployed is defined as follows:

$$\text{ROCE} = \frac{\text{NOPAT}}{\text{Average invested capital (Capital Employed)}}$$

NOPAT (Net Operating Profit After Tax) is the profit/loss for the year with the following major additions::
• after-tax cost of interest-bearing debt items.

Capital Employed is calculated as working capital plus long-term assets and less provisions and deferred tax. Accumulated goodwill amortisation and write-downs from before 2004 are added, even though in the layout of note 14 they are set off against the cost of goodwill.

32. Profit and loss account by quarter (unaudited)

DKKm	1st quarter 2005	2nd quarter 2005	3rd quarter 2005	4th quarter 2005
Net turnover	2,209	2,474	2,609	3,210
Production costs	1,812	1,971	2,126	2,685
Gross profit	**397**	**503**	**483**	**525**
Sales and distribution costs	161	168	178	191
Administrative costs	180	172	200	230
Other operating income and costs	9	4	28	56
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**65**	**167**	**133**	**160**
Depreciation and write-downs of tangible assets	31	32	36	36
Amortisation and write-downs of intangible asssets	9	9	9	10
Earnings before interest and tax (EBIT)	**25**	**126**	**88**	**114**
Financial income	152	194	121	144
Financial costs	127	134	89	134
Earnings before tax (EBT)	**50**	**186**	**120**	**124**
Tax for the period	11	21	26	(76)
Profit/loss of continuing activities for the period	**39**	**165**	**94**	**200**
Profit/loss of discontinuing activities for the period	5	(3)	(2)	(9)
Profit/loss for the period	**44**	**162**	**92**	**191**

DKKm	1st quarter 2004	2nd quarter 2004	3rd quarter 2004	4th quarter 2004
Net turnover	2,112	2,781	2,477	3,459
Production costs	1,747	2,420	2,078	3,119
Gross profit	**365**	**361**	**399**	**340**
Sales and distribution costs	139	162	179	171
Administrative costs	184	236	150	162
Other operating income and costs	7	10	10	35
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**49**	**(27)**	**80**	**42**
Depreciation and write-downs of tangible assets	37	38	36	201
Amortisation and write-downs of intangible assets	5	5	7	9
Earnings before interest and tax (EBIT)	**7**	**(70)**	**37**	**(168)**
Financial income	126	291	87	318
Financial costs	145	314	97	278
Earnings before tax (EBT)	**(12)**	**(93)**	**27**	**(128)**
Tax for the period	(1)	(18)	13	142
Profit/loss of continuing activities for the period	**(11)**	**(75)**	**14**	**(270)**
Profit/loss of discontinuing activities for the period	11	54	71	357
Profit/loss the period	**0**	**(21)**	**85**	**87**

Parent Company Accounts 2005


Parent company profit and loss account

Notes	DKKm	2005	2004
1+2	Administrative costs	36	95
3	Other operating income and costs	48	65
	Earnings before interest, tax, depreciation and amortisation (EBITDA)	**12**	**(30)**
6	Depreciation and write-downs of tangible assets	7	7
	Earnings before interest and tax (EBIT)	**5**	**(37)**
4	Financial income	423	1,743
4	Financial costs	371	1,026
	Earnings before tax (EBT)	**57**	**680**
5	Tax for the year	1	88
	Profit for the year	**56**	**592**
	To be distributed as follows:		
	Transfer to retained earnings	56	592
		56	**592**
	Proposal for distribution of dividend:		
	Preferential 6 percent dividend on DKK 920m class B shares (2004: 6 percent)	55	55
	6 percent dividend on DKK 144m calss A shares (2004: 6 percent)	9	9
	Additional 9 percent dividend on A shares and B shares (2004: 9 percent)	96	96
	Extra 20 percent dividend on A shares and B shares (2004: 20 percent)	212	212
		372	**372**

Parent company cash flow statement

DKKm	2005	2004
Cash flow from operating activities		
Earnings before interest, tax, depreciation and amortisation (EBITDA)	12	(30)
Adjustment for profit/losses on sale of fixed assets and exchange rate adjustments, etc.	(12)	(17)
Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA)	**(0)**	**(47)**
Change in provisions	(7)	0
Change in working capital	(4)	(23)
Cash flow from operating activities before financial items and tax	**(11)**	**(70)**
Dividend received from subsidiary undertakings	0	825
Dividend received from associated undertakings	0	128
Financial payments received and made	(89)	(264)
Corporate taxes paid	(1)	101
Cash flows from operating activities	**(101)**	**720**
Cash flows from investing activities		
Acquisition of undertakings and activities	0	(360)
Disposal of undertakings and activities	0	3,374
Capital increases in subsidiary undertakings	(500)	(1,995)
Acquisition of tangible assets	0	(3)
Disposal of intangible and tangible assets	14	21
Disposal of financial assets	53	2
Cash flow from investing activities	**(433)**	**1,039**
Cash flow from operating and investing activities	**(534)**	**1,759**
Cash flow from financing activities		
Dividend	(365)	0
Acquisition of own shares	(77)	(5)
Disposal of own shares	51	31
Changes in other net interest-bearing receivables	2,111	(904)
Cash flow from financing activities	**1,720**	**(878)**
Changes in cash funds	**1,186**	**881**
Cash funds at 1 January	910	29
Cash funds at 31 December	2,096	910

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

Assets

Notes	DKKm	2005	2004
	Land and buildings	62	70
	Operating equipment, fixtures and fittings	0	2
6	**Tangible assets**	**62**	**72**
7	Investments in subsidiary undertakings	2,574	2,051
7	Investments in associated undertakings	0	10
7	Other securities and investments	4	30
9	Deferred tax asset	0	100
	Financial assets	**2,578**	**2,191**
	Total long-term assets	**2,640**	**2,263**
	Amounts owed by subsidiary undertakings	792	1,280
	Other debtors	130	352
8	**Debtors**	**922**	**1,632**
	Bonds and other securities	1	4
	Securities	**1**	**4**
	Cash funds	**2,096**	**910**
	Total short-term assets	**3,019**	**2,546**
	TOTAL ASSETS	**5,659**	**4,809**

Liabilities

Notes	DKKm	2005	2004
	Share capital	1,064	1,064
	Retained earnings	982	1,410
	Proposed dividend	372	372
	Total shareholders' equity	**2,418**	**2,846**
11	Other provisions	94	100
10	Mortgage debt	127	139
	Long-term liabilities	**221**	**239**
	Mortgage debt	11	11
	Debt to subsidiary undertakings	2,780	1,416
12	Other liabilities	229	297
	Short-term liabilities	**3,020**	**1,724**
	Liabilities exclusive of shareholders' equity	**3,241**	**1,963**
	TOTAL LIABILITIES	**5,659**	**4,809**

Parent company shareholders' equity

DKKm	Share capital	Share premium account	Reserve according to the equity method	Retained earnings	Proposed dividend	Total
Shareholders' equity at 1 January 2004 according to 2004 Annual Report	**1,064**	**756**	**826**	**36**	**0**	**2,682**
Effect of changed accounting policies after adopting IFRS			(826)	371		**(455)**
Adjusted IFRS shareholders' equity 1 January	1,064	756	0	407	0	**2,227**
Profit for the year				592	0	**592**
Share-based payment				1		**1**
Total income for the year				**593**	**0**	**593**
Disposal of own shares				31		**31**
Acquisition of own shares				(5)		**(5)**
Proposed dividend				(372)	372	**0**
Transfer between reserves		(756)		756		**0**
Shareholders' equity 31 December 2004	**1,064**	**0**	**0**	**1,410**	**372**	**2,846**
Profit for the year				56		**56**
Share-based payment, parent company				1		**1**
Share-based payment, subsidiaries				11		**11**
Adjustment of deferred tax, 1 January				(100)		**(100)**
Other adjustments in shareholders' equity				(5)		**(5)**
Total income for the year				**(37)**	**0**	**(37)**
Disposal of own shares				51		**51**
Acquisition of own shares				(77)		**(77)**
Dividend distributed				0	(365)	**(365)**
Dividend own shares				7	(7)	**0**
Proposed dividend				(372)	372	**0**
Shareholders' equity 31 December 2005	**1,064**	**0**	**0**	**982**	**372**	**2,418**

The share premium account was transferred to retained earnings at 31 December 2004 pursuant to the Danish Public Companies Act.

Share capital movements (DKKm):

Share capital 1 January 2001	1,064
Share capital 1 January 2005	1,064

FLSmidth & Co. A/S has acquired 588,096 own B shares (1.11%) and settled 535,331 share options (1.24%). FLSmidth & Co. A/S' holding of own shares amounted to 999,563 B shares at 31 December 2005 (2004: 946,798) corresponding to 1.88% of the share capital. The holding of own shares is used to cover the Company's share option obligations, see note 7 to the consolidated accounts and the Management's review on page 10.

The share capital consists of shares in the following denominations:
A shares: 7,200,000 at DKK 20 each
B shares: 46,000,000 at DKK 20 each

The share capital entitles the holders to the follow votes:
A shares: 7,200,000 shares with 10 votes each 72,000,000 votes
B shares: 46,000,000 shares with one vote each 46,000,000 votes

1. Staff costs

DKKm	2005	2004
Wages and salaries	10	30
Pension contribution	0	1
Share-based payment	1	1
Other staff costs	0	1
	11	**33**
Number of employees at 31 December	**3**	**39**

For information regarding remuneration of the Board and Management, please see note 17 on related parties. The Management of the parent company is eligible to take part in the Group's share option plan.
See note 7 in the consolidated accounts.

2. Fees to auditors appointed at the Annual General meeting

DKKm	2005	2004
Deloitte		
Auditing	1	1
Other services	0	4
	1	**5**
KPMG		
Auditing	1	1
Other services	1	5
	2	**6**

3. Other operating income and costs

DKKm	2005	2004
Profit from sale of tangible assets	13	17
Other income	35	48
	48	**65**

4. Financial income and costs

DKKm	2005	2004
Financial income		
Dividend from subsidiary undertakings	0	825
Dividend from associated undertakings	0	128
Reversal of write-down of investments in subsidiary undertakings	23	0
Profit from disposal of subsidiary undertakings	0	2
Interest receivable and similar income	37	7
Interest from affiliated undertakings	27	117
Capital gains on securities	26	11
Exchange rate gains	310	653
	423	**1,743**
Financial costs		
Write-down of investments in subsidiary undertakings	0	102
Write-down of investments in associated undertakings	0	34
Losses on disposal of subsidiary undertakings	0	54
Adjustment for disposal in previous years	4	0
Losses on sale of associated undertakings	0	41
Interest payable and other financial costs	8	75
Interest to affiliated undertakings	47	39
Share-based payment	8	5
Currency exchange rate losses	304	676
	371	**1,026**

5. Tax for the year

DKKm	2005	2004
Tax for the year		
Current tax on the profit/loss for the year	1	0
Adjustment of deferred tax	0	75
Other adjustments, including adjustments in respect of previous years	0	13
	1	**88**
Reconciliation of tax		
Tax according to Danish tax rate	14	204
Non-taxable income and non-deductible costs	(11)	(160)
Variance in tax asset valued at nil	(2)	44
	1	**88**
Specification of adjustment of deferred tax (including adjustment of tax rate)		
Tangible assets	7	(1)
Liabilities	5	9
Loss carried forward, gross	(4)	13
Recognised direct in the shareholders' equity	(100)	0
Share of tax asset valued at nil	92	54
	0	**75**

Comparative figures are adapted to the new joint taxation rules on full distribution and changed treatment of subsidiaries.

6. Tangible assets

DKKm	Land and buildings	Operating equipment, fixtures and fittings	Total
Cost at 1 January 2005	213	5	218
Disposals	(1)	(2)	(3)
Cost at 31 December 2005	**212**	**3**	**215**
Depreciation and write-downs at 1 January 2005	143	3	146
Depreciation and write-downs for the year	7	0	7
Depreciation and write-downs at 31 December 2005	**150**	**3**	**153**
Book value at 31 December 2005	**62**	**0**	**62**

DKKm	Land and buildings	Operating equipment, fixtures and fittings	Total
Cost at 1 January 2004	225	4	229
Additions	0	3	3
disposals	(12)	(2)	(14)
Cost at 31 December 2004	**213**	**5**	**218**
Depreciation and write-downs at 1 January 2004	146	3	149
Disposals	(9)	(1)	(10)
Depreciation and write-downs for the year	6	1	7
Depreciation and write-downs at 31 December 2004	**143**	**3**	**146**
Book value at 31 December 2004	**70**	**2**	**72**

7. Financial assets

DKKm	Investments in subsidiary undertakings	Investments in associated undertakings	Other securi-ties and investments	Total
Cost at 1 January 2005	10,012	128	35	10,175
Additions	500	0	0	500
Disposals	(5,270)	(128)	(31)	(5,429)
Cost at 31 December 2005	**5,242**	**0**	**4**	**5,246**
Write-down at 1 Janaury 2005	7,961	118	5	8,084
Disposal	(5,270)	(118)	(5)	(5,393)
Reversal of write downs	(23)	0	0	(23)
Write-down at 31 December 2005	**2,668**	**0**	**0**	**2,668**
Book value at 31 December 2005	**2,574**	**0**	**4**	**2,578**

DKKm	Investments in subsidiary undertakings	Investments in associated undertakings	Other securi-ties and investments	Total
Cost at 1 January 2004	10,924	189	35	11,148
Additions	2,355	0	0	2,355
Disposals	(3,267)	(61)	0	(3,328)
Cost at 31 December 2004	**10,012**	**128**	**35**	**10,175**
Write-down at 1 January 2004	8,012	101	14	8,127
Changes in connection with IFRS adoption	472	(17)	0	455
Disposals	(625)	0	0	(625)
Write-downs	102	34	0	136
Reversal of write-downs	0	0	(9)	(9)
Write-down at 31 December 2004	**7,961**	**118**	**5**	**8,084**
Book value at 31 December 2004	**2,051**	**10**	**30**	**2,091**

Write-downs in subsidiary undertakings consist of FLS miljø (DKK 2,260m), Redep A/S (DKK 221m) and alle other companies being closed down.

The reversal of write-downs consists of FLS Energy which has realised a profit on the sale of shares. The reversal is recognised under financial income.

The write-down in subsidiary undertakings in 2004 consists of FLS Aerospace Holding (DKK 5,270m), FLS miljø (DKK 2,260m), Redep A/S (DKK 221m) and other companies being closed down.

The write-down in subsidiary undertakings in 2004 consists of FLS Real Estate A/S (DKK 75m), as the amount is counterbalanced by distributed dividend at (DKK 75m). The other write-downs (DKK 27m) are related to companies being closed down and are counterbalanced by a similar increase in capital. The write-down is recognised under financial costs, see note 4.

Write-down in associated undertakings in 2004 consists of the announced disposal of Spæncom A/S.

The stock market value of other securites and investements listed at 31 December on an effective stock marked was DKK 0m (2004: DKK 26m) corresponding to the book value (2004: DKK 10m).

8. Debtors

Debtors falling due after more than one year total DKK 1m (2004: DKK 81m).

Other debtors include fair value of financial contracts (positive value).

9. Deferred tax assets and liabilities

DKKm	2005	2004
Deferred tax concerns		
Tangible assets	96	103
Liabilities	10	15
Loss carried forward, net	20	16
Share of tax asset valued at nil	(126)	(34)
Deferred tax, net	**0**	**100**
The year's changes in deferred tax assets/liabilities		
Deferred tax asset at 1 January	100	175
Movements via the profit and loss account	0	(75)
Movements via shareholders' equity, effect of new joint taxation rules	(100)	0
Deferred tax asset at 31 December	**0**	**100**

The part of the company's deferred tax asset expected to be utilised in the future has been recognised. Where deferred tax liabilities exist in the company, they are valued irrespective of the time when they become payable. The deferred tax assets are therefore valued prudently in relation ot the deferred tax liabilities.

DKKm	2005	2004
Maturity profile of deferrable deficits		
More than five years and of indefinite duration	71	53
	71	**53**
Tax value of the above amount	20	16

At the time of closing the accounts no major tax cases were pending in FLSmidht & Co. A/S, however see note 17 to the consolidated accounts.

10. Mortgage debt

DKKm	2005	2004
Maturity profile of long-term liabilities:		
Between one and two years	6	10
Between two and five years	19	16
More than five years	102	113
	127	**139**

11. Other provisions

DKKm	2005	2004
Other provisions 1 January	100	0
Movements during the year, net	(6)	100
Other provisions 31 December	**94**	**100**

12. Other liabilities

Other liabilities include due holiday pay, taxes, interest payable and fair value of financial contracts (negative value).

13. Charges

DKKm	2005		2004	
	Book value of charged assets	Charge	Book value of charged assets	Charge
Real Estate	62	138	70	150

14. Contingent assets and liabilities

FLSmidth & Co. A/S has provided a guarantee for the supply and operating liabilities of its subsidiary, FLS miljø, in connection with the West Burton and Eggborough desulphurisation projects in the UK and an operating contract. See also Note 26 to the Consolidated Accounts. In addition, the Company has provided guarantees to other subsidiaries at an amount of DKK 67m (2004: DKK 0).

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

There are no significant contingent assets or liabilities in addition to the above.

15. Financial instruments

The below tables show the principals and fair values of pending transactions at 31 December which have been entered into to hedge currency and interest rate exposure. All fair values are based on officially fixed quotations, if available, alternatively on prices quoted by banks. Principals are translated at balance sheet date rates of exchange.

Currency hedging
In order to hedge currency risks on the underlying contractual and budgeted payments and currency risks on loans and investments, the Group's in-house bank has entered into forward exchange contracts and currency options. Pending forward exchange contracts at 31 December 2005 appear from the table below. There were no pending currency options at 31 December 2005 as was the case at 31 December 2004.

Interest rate hedging
Interest rate risks are hedged by using derivatives such as interest swaps, forward rate agreements (FRA) and interest options. Pending interest instruments at 31 December 2005 appear from the table below. There were no pending interest swaps, forward rate agreements (FRA) or interest options at 31 December 2005.

DKKm	2005		2004	
	Fair value of contracts	Principal of contracts net *	Fair value of contracts	Principal of contracts net *
Forward exchange contracts				
USD	(28)	(54)	(123)	(196)
EUR	(1)	(87)	5	(260)
Other currencies	5	(531)	2	(235)
Total	**(24)**	**(672)**	**(116)**	**(691)**
Interest swaps				
DKK	0	0	(2)	35
Total	**0**	**0**	**(2)**	**35**

*) In the case of forward exchange contracts, principals at a negative value indicate net sale of the currency concerned and principals at a positive value indicate net purchase of the currency concerned. In the case of interest swaps, positive principals indicate that net interest is being paid at a fixed rate.

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

17. Related party transactions

Potagua FLS A/S, Jægersborgvej 66B, 2800 Kgs. Lyngby owns 45.5% of the shares in FLSmidth & Co. A/S and holds 62.1% of the votes.

Other related parties consist of the Board and Management of the parent company and the affiliated and associated undertakings that are part of the FLSmidth & Co. Group.

In 2004 and 2005, there were no transactions with related parties which were not included in the consolidation of the Group, nore were there any transactions with associated undertakings.

Trade between the parent company, FLSmidth & Co. A/S, and affiliated companies consisted of the following:

DKK mio.	2005	2004
Sale of services	34	48
Purchase of services	5	6
Financial income	27	117
Financial costs	47	39
Debtors	792	1,280
Liabilities	2,780	1,416

Parent company sale of services consists of managerial services and insurance services. These transactions are carried out on market terms and at market prices. The parent company purchase of services mainly consists of legal and tax assistance from FLSmidth A/S.

Financial income and costs are attributable to the FLSmidth & Co. A/S Group's in-house Treasury function which is performed by the parent company, FLSmidth & Co. A/S. Debtors and liabilities are mainly attributable to this activity.

With regard to the security provided by the parent company to related parties, see note 14 above.

Remuneration of the parent company Board and Management:

DKKm	2005	2004
Remuneration of the Board of Directors		
Remuneration of the Board of Directors	4	5
Total remuneration of the Board of Directors	**4**	**5**
Remuneration of the Management		
Wages and salaries	10	8
Share-based payment	1	1
Total remuneration of the Management	**11**	**9**

Reference is made to note 30 to the consolidated accounts for remuneration of the Board and Management.

16. Net interest-bearing receivables/(debt)

Net interest-bearing receivables by currencies and interest rate structure:

Principal in DKKm/interest rate p.a.		USD/interest		EUR/interest		DKK/interest		Other/interest		2005 Total	2004 Total
Within one year	Assets	176	3.9-5.2%	585	2.3-3.2%	1,707	2.4-7.1%	392	0.0-7.3%	2,861	2,418
	Liabilities	(116)	3.7-5.0%	(307)	1.7-2.4%	(2,366)	1.7-3.0%	(132)	1.2-5.3%	(2,921)	(1,428)
Total within one year		**60**		**278**		**(659)**		**260**		**(61)**	**990**
Between one and five year	Assets			1	6.9%					1	1
	Liabilities									0	(11)
Between one and five year				**1**						**1**	**(10)**
After more than five years	Assets									0	0
	Liabilities									0	(127)
Total after more than five year										**0**	**(127)**
Total net interest-bearing balances		**60**		**279**		**(659)**		**260**		**(60)**	**853**

The above maturities indicate the extent to which and in which currencies the interest is fixed in the intervals stated. The cash maturity profile of the debt is not reflected here.

List of Group companies


Company name	Country	Currency	Nominal share capital (000's)	Direct Group holding
FLSmidth & Co. A/S	Denmark	DKK	1,064,000	100%
FLS Real Estate A/S	Denmark	DKK	3,100	100%
FLS Plast A/S	Denmark	DKK	1,500	100%
NL 1998 A/S	Denmark	DKK	500	100%
Engineering UK Holdings Ltd.	United Kingdom	GBP	16,150	100%
FLS Energy A/S	Denmark	DKK	5,000	100%
DEF 1994 A/S	Denmark	DKK	1,000	100%
Aktieselskabet af 1. januar 1990, Valby	Denmark	DKK	500	100%
Igrene MP A/S	Denmark	DKK	500	100%
FFE Invest A/S	Denmark	DKK	25,000	100%
Redep A/S (tidl. Pedershaab A/S)	Denmark	DKK	500	100%
Pedershaab GmbH (under likvidation)	Germany	EUR	266	100%
SLF Romer XV Aps	Denmark	DKK	125	100%
VA77 af 25. november 2004 Aps	Denmark	DKK	250	100%
FLS miljø a/s	Denmark	DKK	12,000	100%
FLS miljo Inc.	United States	USD	13,440	100%
FLS miljo Ltd.	United Kingdom	GBP	3,753	100%
FLS Miljo Operations Ltd.	United Kingdom	GBP	1,350	100%
FFE Minerals Denmark A/S	Denmark	DKK	11,000	100%
FFE Minerals Holding Aps	Denmark	DKK	0	100%
ABON Engineering Pty. Ltd.	Australia	AUD	6	100%
FFE Minerals Canada Ltd.	Canada	CAD	1	100%
FFE Canada International Trading Corp.	Canada	CAD	0	100%
FFE Minerals Australia Pty. Ltd.	Australien	AUD	100	100%
FFE Minerals Brazil Ltda.	Brazil	BRL	827	100%
FFE Minerals Chile S.A.	Chile	CLP	3,155,150	100%
FFE Minerals India Ltd.	India	INR	10,000	100%
FFE Minerals Mexico S.A. de C.V.	Mexico	MXN	8,693	100%
FFE Minerals South Africa (Pty.) Ltd.	South Africa	ZAR	40	100%
FFE Minerals Buffalo (Pty) Ltd.	South Africa	ZAR	41	100%
FFE Minerals-Vecor (Pty) Limited	South Africa	ZAR	22	100%
Densit A/S Denmark	DKK	4,000	100%	
Densit Asia Pacific Sd. Bhd.	Malaysia	MYR	500	100%
Densit USA Inc.	United States	USD	0	100%
Euco Densit LLC •	United States	USD	425	40%
Dansk Eternit Holding A/S	Denmark	DKK	83,000	100%
Cembrit BV	Netherlands	EUR	31	100%
Cembrit CZ, a.s.	Czech Republic	CZK	486,240	91%
BNT, S.R.O	Czech Republic	CZK	100	100%
Cembrit Polska Sp. z o.o.	Poland	PLN	150	100%
Cembrit Blunn Limited	United Kingdom	GBP	500	100%
Dansk Eternit A/S	Denmark	DKK	21,000	100%
Eurocem Vertrieb Europäischer Bauprodukte GmbH	Germany	EUR	78	100%
Interfer SAS	France	EUR	336	100%
Izopol S.A.	Poland	PLN	24,806	100%
Kotlownia Izopol Zaklad Gospodarki Cieplnej i Wodnej Sp. z o.o.	Poland	PLN	4,587	100%
Oy Minerit AB	Finland	EUR	1,686	100%
Tepro Byggmaterial AB	Sweden	SEK	600	100%
Norsal as	Norway	NOK	500	100%
FLSmidth A/S	Denmark	DKK	400,000	100%
Bhagwati Designs Pvt. Ltd.	India	INR	1,000	100%
Dan Indian Holding ApS	Denmark	DKK	1,000	100%
FLSmidth Limited	India	INR	100,000	96%
FLSmidth Infotech Private Limited	India	INR	2,500	100%
FLS Automation India	India	INR	20,000	100%
FLSmidth Portugal (Lda)	Portugal	EUR	45	100%
FLSmidth Cia, Argentina S.A.	Argentina	USD	12	100%
FLSmidth S.A.	Spain	EUR	6,311	100%
FLSmidth (Pty) Ltd.	South Africa	ZAR	50	100%
FLSmidth & C. Italiana S.r.L.	Italy	EUR	13	100%
FLSmidth (Jersey) Limited	United Kingdom	EUR	80	100%
FLSmidth Ireland Limited	Ireland	EUR	126	100%
FLSmidth Polska Sp. z o.o.	Poland	PLN	800	100%
FLSmidth Ltda.	Brazil	BRL	5,725	100%
FLSmidth S.A.S	France	EUR	454	100%
FLSmidth Ltd.	United Kingdom	GBP	1,500	100%
PT Fajar Laksana Sejahtera	Indonesia	IDR	3,500,000	100%
FLSmidth Machinery Industry (Qingdao) Ltd.	China	CNY	6,628	100%
FLSmidth Machinery Trade Co. Ltd.	China	CNY	2,000	100%
FLSmidth Slovakia s.r.o.	Slovakia	SKK	200	100%
FLSmidth (Thailand) Ltd.A/S	Denmark	DKK	500	100%
International Holding Company A/S	Denmark	DKK	7,500	100%
FLS Pakistan (Pvt) Ltd.	Pakistan	PKR	94,556	100%

Company name	Country	Currency	Nominal share capital (000's)	Direct Group holding
FLSmidth Airloq A/S	Denmark	DKK	500	100%
FLS Automation (Tianjin) Co., Ltd.	China	CNY	85	70%
Autec Spol. S.r.o. •	Czech Republic	CZK	9,355	35%
FLS Automation Australia Pty Ltd.	Australia	AUD	1	100%
FLS Automation South Africa	South Africa	ZAR	2,000	100%
FLS Automation Italy •	Italy	EUR	99	45%
FLS US Holdings, Inc.	United States	USD	0	100%
FLSmidth Airtech Inc.	United States	USD	1	100%
Advanced Filtration Technologies Inc.	United States	USD	1	100%
FLS Automation Inc.	United States	USD	10	100%
Smidth & Co.	United States	USD	9,000	100%
FLSmidth Inc.	United States	USD	1,000	100%
Chanute	United States	USD	0	50%
FBH, LLC	United States	USD	0	100%
Kemutec Inc. (under liquidation)	United States	USD	6	100%
F.L.Smidth, S.A. de C.V.	Mexico	MXN	13,370	100%
Fuller Capital Credit Corporation (under liquidation)	United States	USD	1	100%
General-Fuller International Corp.	United States	USD	1	100%
Fuller International Inc.	United States	USD	1	100%
Smidth of PA Inc. (under likvidation)	United States	USD	1	100%
Fuller Middle East Limited	United States	USD	1	100%
FMSC group Inc. (under likvidation)	United States	USD	1	100%
Fuller Company	United States	USD	1	100%
Fuller International Trading Corp.	United States	USD	1	100%
HTPT Corporation	United States	USD	1	100%
SLS Corporation	United States	USD	1	100%
FFE Minerals Corporation	United States	USD	1	100%
FFE Minerals United States Inc.	United States	USD	1	100%
Excel Crusher Technologies, LLC	United States	USD	3,921	51%
FLSmidth Materials Handling A/S	Denmark	DKK	12,000	100%
FLSmidth Holding GmbH	Germany	EUR	260	100%
Möller Materials Handling GmbH	Germany	EUR	1,023	100%
Pfaff AQS GmbH	Germany	EUR	359	100%
Pfaff Maschinebau GmbH	Germany	EUR	77	100%
Pfister GmbH	Germany	EUR	3,962	100%
Pfister Hungaria Kft.	Hungary	HUF	5,140	100%
Pfister GmbH	France	EUR	0	100%
Transweigh India Ltd. •	India	INR	26,200	24%
Pfister Latino Americana Ltda.	Brazil	BRL	100	100%
Pfister North America Inc.	United States	USD	1	100%
MVT Materials Handling GmbH	Germany	EUR	630	100%
Kemper & Erwin GmbH	Germany	EUR	51	100%
Fuller Offshore Finance Corp. BV	Netherlands	EUR	2,269	100%
Kovako Materials Handling B.V.	Netherlands	EUR	16	100%
Öresund Unloader Design Bureau Holding AB	Sweden	SEK	2,200	100%
Pfister Service GmbH	Germany	EUR	31	100%
Pfister Data GmbH	Germany	EUR	26	100%
MAAG Gear AG	Switzerland	CHF	22,001	100%
MAAG Gear Sp. z.o.o.	Poland	PLN	18,000	100%
Pfister Holding GmbH	Germany	EUR	1,023	100%
Ventomatic A/S	Denmark	DKK	10,000	100%
Ventomatic SpA	Italy	EUR	181	100%
FLSmidth Airtech A/S	Denmark	DKK	50,000	100%
FLSmidth Airtech s.a.s.	France	EUR	300	100%

• Associated undertaking

All other undertakings are Group undertakings

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