Annual Report 2012

FLSmidth

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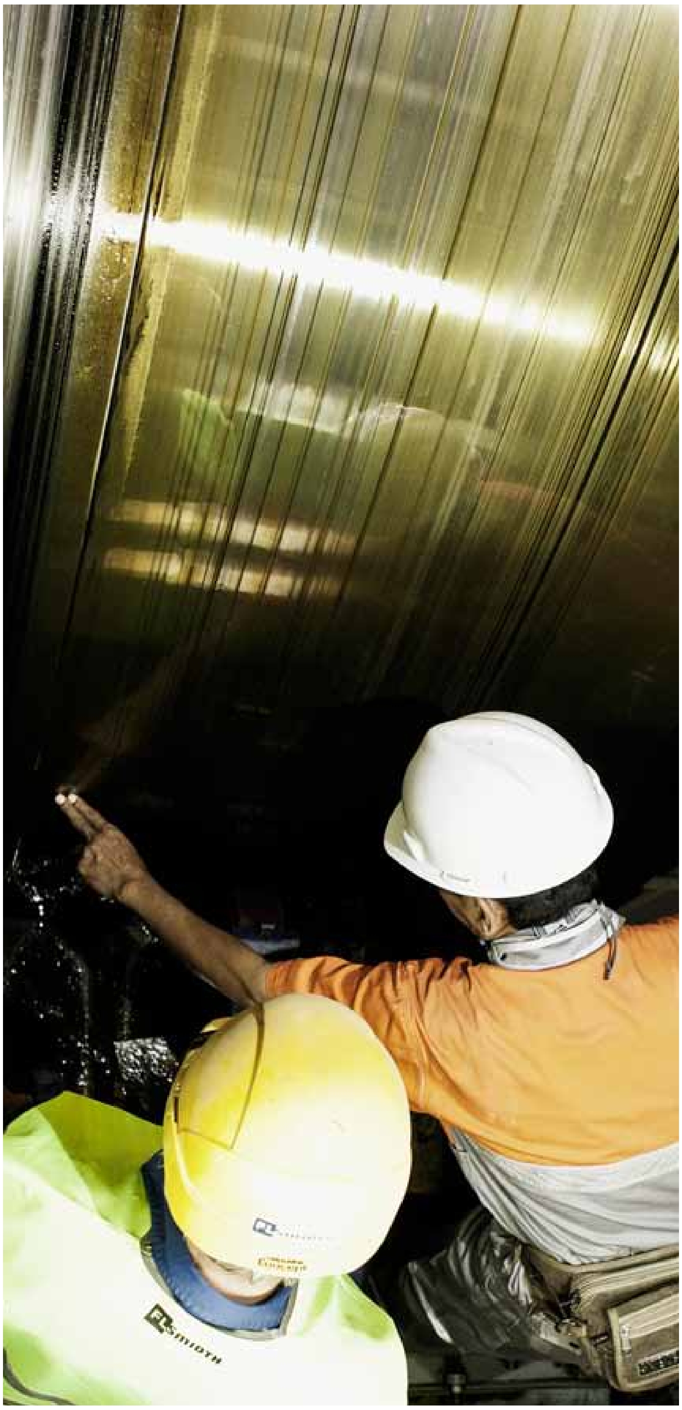


Group financial highlights
5-year summary

DKKm	2008 [3]	2009 [3]	2010 [3]	2011 [3]	2012	2012 EUR [1]
INCOME STATEMENT						
Revenue	23,896	21,892	18,803	20,538	24,849	3,338
Gross profit	5,216	5,043	4,784	5,248	6,078	817
Earnings before non-recurring items, depreciation, amortisation and impairment (EBITDA)	2,853	2,691	2,284	2,528	2,759	371
Earnings before amortisation and impairment of intangible assets (EBITA)	2,610	2,525	2,148	2,347	2,502	336
Earnings before interest and tax (EBIT)	2,384	2,285	1,963	2,117	1,988	267
Earnings from financial items, net	(272)	(133)	(93)	(79)	(61)	(8)
Earnings before tax (EBT)	2,112	2,152	1,870	2,038	1,927	259
Profit/loss for the year, continuing activities	**1,352**	**1,744**	**1,287**	**1,356**	**1,274**	**171**
Profit/loss for the year, discontinued activities	163	(80)	(9)	81	29	4
Profit/loss for the year	**1,515**	**1,664**	**1,278**	**1,437**	**1,303**	**175**
CASH FLOW						
Cash flow from operating activities	2,324	2,470	1,335	1,148	1,720	231
Acquisition and disposal of enterprises and activities	(210)	(286)	(45)	(915)	(2,508)	(336)
Acquisition of tangible assets	(627)	(210)	(473)	(497)	(739)	(99)
Other investments, net	(34)	(34)	(208)	(236)	(151)	(20)
Cash flow from investing activities	(871)	(530)	(726)	(1,648)	(3,398)	(455)
Cash flow from operating and investing activities of continuing activities	1,780	1,756	541	(470)	(1,642)	(220)
Cash flow from operating and investing activities of discontinued activities	(327)	184	68	(30)	(36)	(5)
WORKING CAPITAL (incl. Cembrit)	**207**	**21**	**878**	**1,620**	**1,950**	**261**
WORKING CAPITAL (excl. Cembrit)	**(102)**	**(247)**	**608**	**1,334**	**1,629**	**218**
NET INTEREST-BEARING RECEIVABLES/(DEBT) (incl. Cembrit)	**(574)**	**1,085**	**1,254**	**(98)**	**(3,084)**	**(413)**
NET INTEREST-BEARING RECEIVABLES/(DEBT) (excl. Cembrit)	**(623)**	**1,064**	**1,209**	**(145)** [4]	**(3,183)**	**(427)**
ORDER INTAKE, CONTINUING ACTIVITIES (GROSS) [2]	**30,176**	**13,322**	**20,780**	**24,044**	**27,727**	**3,717**
ORDER BACKLOG, CONTINUING ACTIVITIES [2]	**30,460**	**21,194**	**23,708**	**27,136**	**29,451**	**3,948**
BALANCE SHEET						
Non-current assets	8,234	8,464	9,240	10,795	13,004	1,743
Current assets	12,495	13,438	13,359	14,745	17,327	2,323
Assets held for sale	8	0	0	0	1,544	207
Total assets	**20,737**	**21,902**	**22,599**	**25,540**	**31,875**	**4,273**
Equity	5,035	6,627	8,139	8,907	9,419	1,263
Long-term liabilities	4,103	3,338	3,145	3,533	6,178	828
Short-term liabilities	11,599	11,937	11,315	13,100	15,784	2,116
Liabilities directly associated with assets classified as held for sale	0	0	0	0	494	66
Total equity and liabilities	**20,737**	**21,902**	**22,599**	**25,540**	**31,875**	**4,273**
PROPOSED DIVIDEND TO SHAREHOLDERS	**0**	**372**	**479**	**479**	**479**	**64**
DIVIDEND PAID OUT DURING THE YEAR	**372**	**105**	**262**	**472**	**471**	**63**
FINANCIAL RATIOS						
Continuing activities						
Gross margin	*21.8%*	*23.0%*	*25.4%*	*25.6%*	*24.5%*	*24.5%*
EBITDA margin	*11.9%*	*12.3%*	*12.1%*	*12.3%*	*11.1%*	*11.1%*
EBITA margin	*10.9%*	*11.5%*	*11.4%*	*11.4%*	*10.1%*	*10.1%*
EBIT margin	*10.0%*	*10.4%*	*10.4%*	*10.3%*	*8.0%*	*8.0%*
EBT margin	*8.8%*	*9.8%*	*9.9%*	*9.9%*	*7.8%*	*7.8%*
Return on equity	33%	29%	17%	32%	14%	14%
Equity ratio	24%	30%	36%	35%	30%	30%
ROCE (Return on capital employed) [2]	34%	34%	26%	23%	19%	19%
Number of employees at 31 December, Group	**11,510**	**10,664**	**11,229**	**13,204**	**15,900**	**15,900**
Number of employees in Denmark	1,871	1,650	1,564	1,609	1,687	1,687
Share and dividend figures, the Group						
CFPS (cash flow per share), (diluted)	44.2	47.1	25.3	21.8	33.0	4.4
EPS (earnings per share), (diluted)	28.8	31.9	24.4	27.1	25.1	3.4
Net asset value per share, (Group)	96	126	154	169	181	24.3
Dividend per share	0	7	9	9	9	1.2
Pay-out ratio	0%	22%	37%	33%	36%	36%
FLSmidth & Co. share price	181	367	532	337.5	327.2	43.9
Number of shares (1,000), 31 December	53,200	53,200	53,200	53,200	53,200	53,200
Average number of shares (1,000) (diluted)	52,544	52,429	52,693	52,550	52,136	52,136
Market capitalisation	9,629	19,524	28,302	17,955	17,407	2,333

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

1) Income statement items are translated at the average EUR exchange rate of 7.4438 and the balance sheet and cash flow items are translated at the year end EUR exchange rate of 7.4604.
2) ROCE (Return on capital employed) is calculated on a before tax basis as EBITA divided by avarage capital employed including goodwill (excl. Cembrit).
3) The income statement figures have been restated as Cembrit is presented as discontinued activities.
4) Restated compared to Q1-Q3 2012 Interim Report, as Cembrit no longer includes Group internal net interest-bearing debt.

FLSmidth & Co. in brief

2012

Business concept

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

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

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

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

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

FLSmidth, therefore, has a flexible cost structure, which makes it possible to plan and adjust resources to prevailing market conditions.

Vision

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

Fundamental values

Over the past 131 years, FLSmidth has developed a business culture based on three fundamental values: cooperation, competence and responsibility.

Investing in FLSmidth

FLSmidth & Co. A/S has been listed on NASDAQ OMX Copenhagen since 1968. Today, it is best characterised as a capital goods or industrial company.

Cement and minerals are vital for continued global economic, societal and technological development. FLSmidth excels in sustainable and eco-efficient technological solutions to produce cement and to process minerals. Thus, FLSmidth has a proven ability to support the global cement and minerals industries' lower environmental impact, increase capacity and reduce operating costs.

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

Share and dividend figures:

- Earnings per share (diluted) amounted to DKK 25.1 in 2012 (2011: DKK 27.1)
- The total return on the FLSmidth & Co. share in 2012 was 0% (2011: -35%)
- The Board of Directors plans to make a total cash distribution of DKK 1bn after the Annual General Meeting on 5 April 2013 in the form of:
  - A proposed dividend of DKK 9 per share (2011: DKK 9) corresponding to 36% of the year's profit (2011: 33%) and a dividend yield of 2.8% (2011: 2.7%) representing a total value of DKK 479m
  - An extraordinary distribution in the form of a share buy back program of DKK 521m
- It is FLSmidth's dividend policy to pay out 30-50% of the year's profit in dividend depending on the capital structure and investment opportunities
- FLSmidth takes a conservative approach to capital structure, which is reflected in low debt, gearing and financial risk. The aim is to achieve an equity ratio in excess of 30% and a net debt position with financial gearing up to maximum 2 times EBITDA
- FLSmidth has decided to slow down on acquisitions in 2013 to focus on integration, extraction of synergies and capital efficiency

Strategy

To become the market leader in six growth industries

Last year, FLSmidth launched a new global growth strategy with a view to unfolding the Group's growth potential over the coming years.

FLSmidth will differentiate itself by focusing on developing its organisation to supply full-service solutions to six specific industries: copper, gold, coal, iron ore, fertilizers and cement. FLSmidth's portfolio of core technologies enables us to provide a single reliable source of solutions, which range from material handling to processing and end products – (**One Source**).

The One Source offering means that FLSmidth offers a continued committed partnership as a single source for reliable full-service solutions, ideas and expertise. In order to focus more efficiently on our customers' needs, FLSmidth has consolidated subsidiaries representing all key services under the FLSmidth brand.

FLSmidth combines more than a century of engineering and technological leadership with a strong commitment to working closely with our customers. Within its areas of expertise, FLSmidth offers complete solutions that include assisting customers with new facilities, optimising existing plants and lowering operating costs and environmental impact.

Adherence to FLSmidth's three core values enables us to remain strongly focused on matching our products and solutions closely with our customers' needs (**Customer intimacy**); on maintaining a commitment to product and technology innovation (**Product leadership**); and on providing a consistently high level of efficient execution (**Operational excellence**). All of which create future value for our customers by helping them operate more efficiently and profitably.

In step with increased focus and differentiation the goal is to generate above market average growth in revenue.

Group structure

As a consequence of the new Group Strategy, FLSmidth is now structured in four divisions with a combined **Customer Services** division for both cement and minerals, a dedicated **Cement** project division and minerals divided in a **Material Handling** division (material handling technology) and **Mineral Processing** division (mineral processing technology).

Long-term financial targets

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

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

*) ROCE: Return on Capital Employed calculated on a before tax basis as EBITA divided by average Capital Employed including goodwill see page 22 and 27.

Main conclusions 2012

Financial results in Q4 2012

Strong operating cash flow, record high quarterly revenue and satisfactory margins

The order intake increased
4% to DKK 6,104m
(Q4 2011: DKK 5,856m)

Revenue increased
16% to DKK 8,051m
(Q4 2011: DKK 6,911m)

Earnings before interest, tax, depreciation and amortisation (EBITDA) decreased
1% to DKK 966m (Q4 2011: DKK 978m), corresponding to an EBITDA margin of 12.0% (Q4 2011: 14.2%)

Earnings before amortisation and impairment of intangible assets (EBITA) decreased
4% to DKK 890m (Q4 2011: DKK 931m), corresponding to an EBITA margin of 11.1% (Q4 2011: 13.5%)

Earnings before interest and tax (EBIT) decreased
8% to DKK 796m (Q4 2011: DKK 865m), corresponding to an EBIT margin of 9.9% (Q4 2011: 12.5%)

Earnings before tax (EBT) decreased
9% to DKK 767m
(Q4 2011: DKK 843m)

The profit for the period decreased
19% to DKK 462m
(Q4 2011: DKK 567m)

Cash flow from operating activities
amounted to DKK 1,532m
(Q4 2011: DKK 260m)

Financial results for 2012

Full-year guidance met: DKK 25bn revenue and 10.1% EBITA margin. Planned DKK 1bn cash distribution.

The order intake increased
15% to DKK 27,727m
(2011: DKK 24,044m)

The order backlog increased
9% to DKK 29,451m
(end of 2011: DKK 27,136m)

Revenue increased
21% to DKK 24,849m
(2011: DKK 20,538m)

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased
9% to DKK 2,759m (2011: DKK 2,528m) corresponding to an EBITDA margin of 11.1% (2011: 12.3%)

Earnings before amortisation and impairment of intangible assets (EBITA) increased
7% to DKK 2,502m (2011: DKK 2,347m), corresponding to an EBITA margin of 10.1% (2011: 11.4%)

Earnings before interest and tax (EBIT) decreased
6% to DKK 1,988m (2011: DKK 2,117m) corresponding to an EBIT margin of 8.0% (2011: 10.3%)

Earnings before tax (EBT) decreased
5% to DKK 1,927m
(2011: DKK 2,038m)

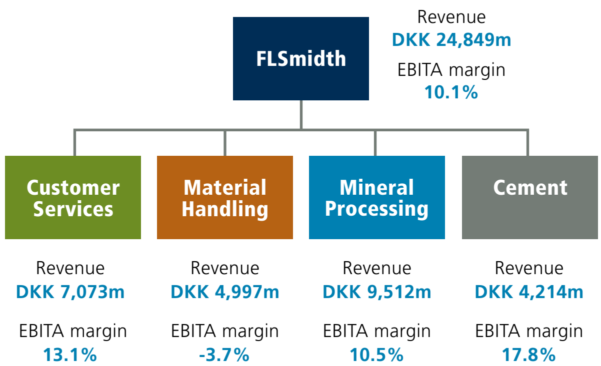
Profit for the period decreased
9% to DKK 1,303m
(2011: DKK 1,437m)

Cash flow from operating activities
increased to DKK 1,720m
(2011: DKK 1,148m)

Net interest-bearing debt (Group)
amounted to DKK -3,084m
(end of 2011: DKK -98m)

Working capital (Group)
Amounted to DKK 1,950m
(end of 2011: DKK 1,620m)

Return on capital employed (ROCE)
declined to 19% (2011: 23%)



Market trends

2012 has been a year best characterised by widespread uncertainty and changing market conditions. The year kicked off with optimism and favourable conditions for all of FLSmidth's key industries, but moving into the second half of the year, the world economic and geopolitical uncertainty intensified. Mining companies responded by announcing cuts in capital expenditure programmes and an increased focus on cash flows. Further, installation of new capacity has been challenged and often delayed by lengthy permitting processes, investment budget overruns and slightly tighter financing, in particular for small- and mid-sized miners. Capacity utilisation of existing mines is pushed to the limit to take advantage of favourable price levels and demand, especially in copper and gold where prices remain encouraging for capex investments. The short-term outlook for bulk materials such as coal and iron ore has deteriorated due to declining commodity prices and increased stockpiling. However, overall the weakening market conditions have not transformed into declining orders. The explanation is a combination of the late cyclical nature of FLSmidth's business, a relatively high exposure to the best performing minerals, relatively low exposure to the mining majors and an increased share of the more stable aftermarket business.

For the minerals industries, the medium to long term prospects remain encouraging due to continued industrialisation and urbanisation in emerging markets. As a general trend, mining companies are outsourcing more and more services, offering FLSmidth an opportunity to grow its aftermarket business. Furthermore, miners need to invest just to maintain the current level of output as the quality of available ore bodies continue to decline.

In the cement industry, the market fundamentals are largely unchanged compared to 2011. Capacity utilisation in the industry outside China remains relatively subdued around 75%. Overall, the global cement market is affected by macroeconomic uncertainty and slow growth, but there are several local areas, where the economy is growing and where cement demand has outpaced supply. Cement consumption is currently seeing a slight strengthening of the underlying market, and proposal activity remains high in many parts of the world, although decision making appears to be prolonged. Plant operators' stronger focus on minimising cost of operations (versus focusing primarily on the initial investment) favours FLSmidth's lower 'total cost of ownership' approach, and the industry's increased focus on environmental issues creates opportunities for eco-friendly solutions offering apparent competitive advantages to FLSmidth.

Outlook for 2013

In 2013, FLSmidth & Co. A/S expects consolidated **revenue of DKK 27-30bn** (2012: DKK 25bn) and an **EBITA margin of 8-10%** (2012: 10.1%) for continuing activities. Cembrit is classified as assets held for sale and reported as discontinued activities.

The margin guidance includes costs of a one-off nature, of around DKK -200m for the Group in 2013 (2012: DKK -225m).

Cash flow from investing activities (including acquisitions but excluding disposals) is expected to amount to the level of DKK -1bn in 2013 (2012: DKK -3,640m).

The effective tax rate is expected to be 32-34% in 2013 (2012: 34%).

Return on Capital Employed (ROCE) is expected to be 15% in 2013 (2012: 19%), see page 22 and 27.

2013 is expected to be a trough year in terms of EBITA margin, whereas both cash flow from operating activities and order intake are expected to be satisfactory in 2013.

The four divisions are expected to see the following developments in 2013:

	Expected revenue	Expected EBITA margin
Customer Services	DKK 8-10bn	13-15%
Material Handling	DKK 4-6bn	> 0%
Mineral Processing	DKK 10-12bn	8-10%
Cement	DKK 5-7bn	6-8%

2012

New CEO – Same strategy

FLSmidth will be changing CEO on 1 May 2013 as part of a planned CEO succession process. The strategic direction, however, remains unchanged, and the new CEO will continue the implementation of the growth strategy launched in February 2012.

CEO succession plan

Late 2012, FLSmidth announced the upcoming retirement of Group CEO Jørgen Huno Rasmussen in 2013 – ten years after he joined the company. Chairman of the Board, Vagn Ove Sørensen comments the departure of Jørgen Huno Rasmussen:

"Jørgen Huno Rasmussen has been incredibly important to FLSmidth. He has been instrumental in the turnaround of FLSmidth, in restoring profitability in the cement business and expanding into minerals and services. There is no doubt that Jørgen Huno Rasmussen has been a leading unifying character internally, and that he has inspired confidence among both employees, customers and shareholders."

The CEO succession plan has been one of the Board's top priorities in 2012, and a thorough international search process has resulted in the appointment of Thomas Schulz, age 47, a German national and PhD in Minerals and Mining, as new Group CEO from 1 May 2013.

"FLSmidth has more than 130 years of experience in the cement industry. I am confident that we can and will maintain our strong position in cement. In minerals, we have only just started our journey. We have a lot of competency in the industry and we have acquired many businesses which we still are in the process of integrating. It is important that we continue to strengthen our position and that we take advantage of the huge growth potential. I am convinced that Thomas Schulz has the right profile to take FLSmidth to the next level," **Vagn Ove Sørensen comments.**

"I have had 10 fantastic years in FLSmidth and I could not think of anyone more qualified to hand over to than Thomas Schulz, who brings with him a wealth of experience in mineral processing and material handling," **Jørgen Huno Rasmussen says.**

Implementation of growth strategy

The most important task of the new Group CEO will be to continue the implementation of the Group strategy launched in 2012. The key element in FLSmidth's strategy is to become a full service provider, offering a full product flow sheet and a full suite of lifecycle services to the customers in selected key industries:

"We are continuing to strengthen and expand our One Source offering throughout all of our divisions and industries. Our aspiration is to achieve a similar position with full process know-how, complete product portfolio and service offerings in copper, gold, coal, iron ore and fertilizers, as we have in cement today. As a result of the acquisitions made over the last couple of years, we are practically there in copper, gold and coal. Now, it is just a matter of fully leveraging our position. Once you have flow-sheet critical mass, you are able to deliver; not only your own proprietary equipment, but also extended scope, including third party auxiliary equipment, and to take responsibility for operation and maintenance of customers' plants," **Vagn Ove Sørensen says.**

Through our state-of-the-art facilities in Salt Lake City, US, we have a unique set-up with all mineral processing competencies under one roof – including ore categorisation and process mineralogy lab. This gives us a distinct ability to act as a true One Source supplier to the minerals industries.

On the cement side, we have seen a second wave of long term operation and maintenance contracts in 2012. We believe this is a business area with a very strong growth potential, in which we are currently the only global provider.

Jørgen Huno Rasmussen
Group Chief Executive Officer

Vagn Ove Sørensen
Board Chairman

Development in 2012 and outlook for 2013

2012 has been a year marked by expansion and growth, but also by execution challenges in our youngest and less mature division, Material Handling. In hindsight, the integration of acquired companies in this division has not been fast and thorough enough, and we have not had the right project management skills in place.

We strongly believe that the measures taken in 2012 to correct the situation are right and appropriate, and we expect to see a gradual improvement in the performance of the Material Handling division over the next 12-18 months.

In 2013, Board and Management's focus will predominantly be on consolidation and integration, and on realising expected synergies related to acquisitions and delivering on the strategy. Efforts will be intensified to improve the Group's profit and capital efficiency, and consequently, Return on Capital Employed (ROCE) has been introduced as an important key performance indicator.

"We expect 2013 to be a trough year in terms of EBITA margin – particularly in Cement and Mineral Processing, where execution times are typically up to 2-3 years. The explanation is simply that we will now be executing orders taken at trough margins during the years of global financial crisis. Fortunately, we have seen market conditions improve since then, and we therefore expect margins to increase again in 2014," **Jørgen Huno Rasmussen concludes.**

Living the strategy

2012

Since the launch of a new strategy early last year, the strategy process has moved from development to deployment. As one of the key elements in our strategy is to become a full service provider, i.e. offer full product flow sheet and be close to our customers in key industries, essential initiatives over the last year have been a large number of acquisitions as well as divestments of non-core business activities.

Though the macroeconomic environment is currently fragile, the FLSmidth strategy is resilient to short-term market fluctuations as we plan for growth according to long-term fundamentals. FLSmidth's agile business model (limited in-house production and a strong back office setup in cost competitive countries) allows us to adjust to short-term demand so that in the long term we can deliver strong and consistent results on our strategies.

FLSmidth's recent acquisitions represent an important step in terms of reaching our ambitious strategic targets. The acquisitions have strengthened FLSmidth's footprint and technology offerings, especially in coal in terms of technology and Australia in terms of footprint. In the coming period, the acquisition pace will slow down in favour of consolidating and integrating, hence increased profitability. Focus will be on harvesting the synergies of the acquisitions and integrating people, products and systems and obtaining the leverage accessible by a larger global FLSmidth organisation.

To successfully manage the transformation we expect, focus will also be on excellence in our financial operations and on optimising the return on our investments to make sure that we, at all times, have the financial backing that our growth requires while also maintaining full focus on shareholder returns.

To sum up: In 2012 focus was on transformation and expansion. In 2013, the theme will be to deliver on our strategies through consolidation and focus on profit and capital efficiency.

Focused full service provider

At FLSmidth we will continue to focus and differentiate ourselves from our competitors by supplying One Source full service solutions to our six focus industries – copper, gold, coal, iron ore, fertilizers and cement – and within our core technologies, from material handling in the quarry throughout processing to end product. We will further strengthen our position in the marketplace by developing products and services in close collaboration with our customers.

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

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

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

From development
to deployment


FLSMIDTH

Three key strategic themes

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

- Customer intimacy
- Product leadership
- Operational excellence

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

Drawing support from all three strategic themes while extending our scope, flow sheet and footprint within key industries, we can enjoy profitable growth and meet our target of annual growth above the market average. Customer intimacy and product leadership are primarily driven by customer centric initiatives to supplying full service, whereas operational excellence more concerns internal operational and execution related initiatives.

Customer intimacy

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

What have we done?

In 2012, FLSmidth opened the first three of eight planned all-in-one servicecentres – called Supercenters – that provide many advantages to customers and communities. The centres will be built in regions where FLSmidth has significant mining and cement operations.

The centres allow for proximity to customers for timely parts delivery and support, strategic stock, rebuild and repair capabilities, a training room for customers' staff to learn to use equipment optimally among other uses, small-scale laboratory services and increased employment opportunities in the community.

When completed, the eight planned Supercenters will be in six countries: Tucson, USA; Brisbane and Perth, Australia; Arequipa, Peru; Antofagasta and Santiago, Chile; Khanbogd, Mongolia; and Delmas, South Africa.

Another initiative which has been launched in 2012 with the overall purpose of creating a higher degree of customer intimacy and bringing FLSmidth even closer to our customers is the implementation of Local Service Units. The idea behind the Local Service Units is to establish a global service delivery system with elements of local manpower, global brainpower and ICE-power (Intelligent Collaboration Environment).

The Local Service Units play an important role in growing FLSmidth's global service business on the technical side by supporting existing services, as well as in developing and implementing new market driven service products.

In 2012, FLSmidth achieved authority approval of its first acquisition in China. Together with a minority shareholder, FLSmidth started a company to market and sell air pollution control products to the cement industry in China. This local company is groundbreaking for FLSmidth as it combines local presence and relations with global technologies and resources. It will make FLSmidth a powerful player in the multibillion dollar Chinese market for environmental control technologies.

After a couple of years with organic growth in China, FLSmidth has now, through the acquisition, embarked upon the second stage of its China strategy to become a local player with local cost levels. The local company will market FLSmidth's highly efficient air pollution control products and thereby help Chinese cement manufacturers fulfil the new and stricter emission standards imposed on the industry. As the majority shareholder, FLSmidth will retain the intellectual property (IP) rights to the technology. The Chinese market accounts for half of the total world market for air pollution control equipment.

Product leadership

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

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

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

What have we done?

Following the launch of the new strategy, FLSmidth has undertaken several acquisitions and thereby gained access to new technology.

The most recent acquisition was that of the market-leading technologies and products related to unmanned operation and process optimisation of stackers/reclaimers and train loading systems from the German company iSAM AG. The technologies and products acquired will enable FLSmidth to offer and supply complete, unmanned integrated bulk handling solutions to mining, stockyard and port facility customers in line with FLSmidth's One Source strategy.

2012 also saw the acquisition of the Australian company Ludowici – the world's leading provider of coal centrifuges, vibrating screens and complementary wear resistant products and services for the minerals industries. The acquisition of Ludowici will significantly expand FLSmidth's presence in the important Australian mining industry. Furthermore, the acquisition will support FLSmidth's aspiration to expand its Customer Services offering as approximately 60% of Ludowici's revenue is related to service activities, spare parts and consumables. Finally, the acquisition will allow FLSmidth to substantially complete its coal processing flow sheet and complement its copper and iron ore processing offerings with leading technologies and brands, thereby strengthening our One Source offering.

As a consequence of the greater focus on core competences, the sales process of Cembrit was initiated in 2012. Cembrit has been part of FLSmidth since 1927 and is the only remaining building materials company in FLSmidth. It is not part of FLSmidth's long term strategy, and a sales process has therefore been initiated. The sale is expected to be completed within 12 months from the announcement in August 2012, there is however no assurance that the process will in fact lead to a sale.

The focus on product leadership is also reflected in extensive R&D work. Some of the most important research initiatives and product innovations are highlighted below.

In 2012 great advances within knowledge of SO_2-removal from cement and minerals plants have been made within our dry sorbent injection technology (DSIS). As a result of the research and development efforts FLSmidth is now able to offer a competitive SO_2-removal solution with a reduced consumption of chemicals, and thereby reduced operating costs for our customers.

Along with the completion of a world class ore characterisation laboratory at the Salt Lake City Technology Centre, a new 1500 m^2 research pilot area was completed in 2012. This includes pilot facilities for high pressure grinding rolls (HPGR), sedimentation, flotation, solvent extraction/hydromet, filtration and fine grinding along with sample preparation facilities, which will enable the research results to be tested quickly on a significant scale prior to quickly moving to the product development and commercialisation phase.

2012 also saw the launch of the CataMax™ catalytic filter solution with the capability of reducing organic hydro carbon emissions, foreseen to be regulated by the NESHAP rules in the US with expected enforcement in 2015. Through this unique filter solution FLSmidth is able to integrate a cost effective concept into existing cement plants to the benefit of the environment.

Operational excellence

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

What have we done?

In order to improve operational excellence, FLSmidth is in the process of undertaking a migration to a fully transparent worldwide ERP/Business system. As innovators, through this platform, we will maintain central knowledge databases and global communities of practice for information sharing along with streamlining workflows and processes globally.

We will ensure that our customers experience, what we have promised them through our One Source offering when it comes to project delivery. To ensure the quality of our execution, we will continue to develop and maintain strategic supplier relationships to obtain consistent high-quality, reliable delivery and competitive pricing for all products while simultaneously protecting our intellectual property.

Management's review

2012

2012 saw 21% revenue growth and 15% order intake growth. Both earnings and cash flow from operating activities ended the year on a strong note, whereas profits for the year were negatively influenced by one-off costs related to acquisitions, execution problems in Material Handling and impairment loss on a capitalised R&D project. 2012 has been a year of transformation and expansion, while 2013 will be a year of execution and consolidation, where improved capital efficiency will be top priority.

Market developments

2012 has been a year best characterised by widespread uncertainty and changing market conditions. The year kicked off with optimism and favourable conditions for all of FLSmidth's key industries but moving into the second half of the year, the world economic and geopolitical uncertainty intensified. Mining companies responded by announcing cuts in capital expenditure programmes and an increased focus on cash flows. Further, installation of new capacity has been challenged and often delayed by lengthy permitting processes, investment budget overruns and slightly tighter financing, in particular for small- and mid-sized miners.

Capacity utilisation of existing mines is pushed to the limit to take advantage of favourable price levels and demand, especially in copper and gold where prices remain encouraging for capex investments.

The short-term outlook for bulk materials such as coal and iron ore has deteriorated throughout the year with declining commodity prices and increased stockpiling.

However, the weakening market conditions have not transformed into declining orders.

Group (continuing activities)

DKKm	2012	2011	Change (%)	Q4 2012	Q4 2011	Change (%)
Order backlog	29,451	27,136	9%	29,451	27,136	9%
Order intake	27,727	24,044	15%	6,104	5,856	4%
Revenue	24,849	20,538	21%	8,051	6,911	16%
Gross profit	6,078	5,248	16%	1,883	1,804	4%
Gross margin	*24.5%*	*25.6%*		*23.4%*	*26.1%*	
EBITDA	2,759	2,528	9%	966	978	-1%
EBITDA margin	*11.1%*	*12.3%*		*12.0%*	*14.2%*	
EBITA	2,502	2,347	7%	890	931	-4%
EBITA margin	*10.1%*	*11.4%*		*11.1%*	*13.5%*	
EBIT	1,988	2,117	-6%	796	865	-8%
EBIT margin	*8.0%*	*10.3%*		*9.9%*	*12.5%*	
Number of employees	14,827	12,146	22%	14,827	12,146	22%

The explanation is a combination of the late cyclical nature of FLSmidth's business, a relatively high exposure to the best performing minerals, relatively low exposure to the mining majors and an increased share of the more stable service business.

For minerals, the medium to long term prospects remain encouraging due to continued industrialisation and urbanisation in emerging markets. As a general trend, mining companies are outsourcing more and more services, offering FLSmidth an opportunity to grow its service business. Furthermore, miners need to invest just to maintain the current level of output as the quality of available ore bodies continue to decline.

In Cement, the market fundamentals were largely unchanged compared to 2011. Capacity utilisation in the cement industry outside China remains relatively subdued around 75%. Overall, the global cement market is affected by macroeconomic uncertainty and slow growth, but there are several local areas, where the economy is growing and where cement demand has outpaced supply. Cement consumption is currently seeing a slight strengthening of the underlying market, and proposal activity remains high in many parts of the world, although decision making appears to be dragging out. Plant operators' stronger focus on minimising cost of operations (versus focusing primarily on the initial investment) favours a lower 'total cost of ownership' approach, and the industry's increased focus on environmental issues creates opportunities for eco-friendly solutions offering apparent competitive advantages to FLSmidth.

For more information about market developments in each of FLSmidth's segments, please see the description on pages 30-53.

Macroeconomic trends

Demand for minerals and cement, and consequently demand for equipment and services to process and handle minerals and cement, is exposed to cyclical swings and is highly dependent on global economic growth.

Global growth in 2012 has been modest although improving towards the end of the year. The main sources of acceleration were emerging market economies and the United States, while the activity in the euro area was even softer than expected.

Developing countries have been important drivers of global growth post the global financial crisis, generating about 50 percent of the increase in global import demand and GDP growth. While they are expected to continue to play an important role, many of the larger and faster growing economies are close to or above potential, which suggests that they will not be able to provide as much an impetus to global growth as before. Thus, supportive policies have underpinned much of the recent acceleration in activity in many emerging economies, but weakness in advanced economies will weigh on external demand. Also, the space for further policy easing has diminished, while supply bottlenecks and political uncertainty has hampered growth in some economies.

According to IMF's January 2013 World Economic Outlook, global growth is expected to increase during 2013, as the factors underlying soft global activity are expected to subside. Thus, the global economy grew 3.2% in 2012 (2011: 3.9%) and global growth is expected to gradually increased to 3.5% in 2013 and 4.1% in 2014. Growth in China was 7.8% in 2012 (2011: 9.3%) and is expected to increase slightly to 8-9% the next two years, providing a soft landing. Growth in India decreased significantly in 2012 to 4.5% (2011: 7.9%) and is expected to remain subdued around 5-7% for the next couple of years. The euro area continues to pose a large downside risk to the global outlook. Growth was -0.4% in 2012 and is expected to be -0.2% in 2013 and 1.0% in 2014.

Though increasing macroeconomic uncertainty prevails, FLSmidth's strategy is resilient to short-term changes in the environment. The growth strategy is planned and executed according to long-term fundamentals. Nevertheless, FLSmidth's agile business model allows for adjustments to short-term fluctuations.

Financial developments in Q4 2012

Quarterly order intake and order backlog

Order intake in Q4 2012 amounted to DKK 6,104m representing an increase of 4% compared to Q4 2011 (Q4 2011: DKK 5,856m). The order intake continues to be particularly strong in Customer Services, attributable to the receipt of a large maintenance contract and high utilisation rates in the mining industry.

Quarterly order intake related to projects is - as always - inherently volatile. The level of unannounced orders amounted to approximately DKK 4.2bn in Q4 (Q4 2011: approximately DKK 4.6bn).

Announced orders in Q4 2012 amounted to DKK 1.9bn (Q4 2011: DKK 1.2bn) and included a five year maintenance contract in Chile, supply of a complete copper concentrator to Kazakhstan, delivery of a gold processing plant to Russia as well as an extension order from a cement customer in Russia.

The order backlog increased 9% to DKK 29,451m compared to same period last year (end of 2011: DKK 27,136m), but declined 7% relative to the previous quarter (end of Q3 2012: DKK 31,766m) as a consequence of very high order execution in Q4 2012.

Quarterly revenue and earnings

Revenue increased 16% to DKK 8,051m in Q4 (Q4 2011: DKK 6,911m), which is record high. The positive developments are attributable to all segments but Material Handling. Revenue growth was particularly strong in Customer Services and Mineral Processing as a consequence of strong order intake in previous quarters.

Acquisitions made in Q4 2011 and 2012 had 5% positive impact on consolidated revenue in Q4 2012. For further details regarding the enterprises acquired, please see note 15.

Q4 2012 saw total research and development costs of DKK 104m (Q4 2011: DKK 113m), representing 1.3% of revenue (Q4 2011: 1.6%), of which DKK 52m was capitalised (Q4 2011: DKK 45m) and the balance reported as production costs. In addition, project financed development is taking place in cooperation with customers reported as regular production costs.

The *gross profit* amounted to DKK 1,883m (Q4 2011: DKK 1,804m), corresponding to a gross margin of 23.4%, which is considerably down from last year (Q4 2011: 26.1%), due to poor results in Material Handling. Material Handling has in Q4 2012 provided for both realised and expected future losses in relation to project execution issues as well as restored exhausted contingencies.

Sales, distribution and administrative costs, etc. amounted to DKK 917m (Q4 2011: DKK 826m) equivalent to 11.4% of revenue (Q4 2011: 12.0%). The increase of 11% compared to the same period last year is primarily related to acquisitions, foreign exchange effects, costs of a non-recurring nature as well as growing business volume in general. Acquired companies in 2012 added approximately DKK 88m to SG&A in Q4 2012.

Costs of a one-off nature amounted to DKK 25m in Q4 2012 and relate to post acquisition integration costs and costs related to the global ERP/business system implementation project.

Earnings before interest, tax, depreciation and amortisation (EBITDA) decreased 1% to DKK 966m (Q4 2011: DKK 978) corresponding to an EBITDA margin of 12.0% (Q4 2011: 14.2%).

Depreciation and impairment of tangible assets amounted to DKK 65m (Q4 2011: DKK 52m). The increase is explained by depreciation in acquired companies in general, and Ludowici in particular.

Earnings before amortisation and impairment of intangible assets (EBITA) amounted to DKK 890m (Q4 2011: DKK 931m), corresponding to an EBITA margin of 11.1% (Q4 2011: 13.5%).

The EBITA margin is currently challenged by the execution problems in Material Handling, having a significant adverse impact on profitability in Q4 2012. However, this was off-set by very strong margins in Cement related to good order execution, finalisation of orders and reversal of contingencies and provisions in connection with orders taken in pre-crisis years.

Amortisation and write-down of intangible assets amounted to DKK 94m (Q4 2011: DKK 65m) of which the effect of purchase price allocations related to acquisitions accounted for DKK 88m (Q4 2011: DKK 48m). The increase in amortisations is attributable to acquisitions in general, and Ludowici in particular.

Earnings before interest and tax (EBIT) decreased 8% to DKK 796m (Q4 2011: DKK 865m) corresponding to an EBIT margin of 9.9% (Q4 2011: 12.5%).

Financial items amounted to DKK -29m (Q4 2011: DKK -22m). This amount includes foreign exchange and fair value adjustments of DKK -25m (Q4 2011: DKK -14m).

Earnings before tax (EBT) decreased 9% to DKK 767m (Q4 2011: DKK 843m).

Profit for the period including discontinued activities decreased 20% to DKK 462m (Q4 2011: DKK 567m).

Quarterly cash flow developments and working capital

Q4 2012 saw a very strong development in cash flow from operating activities amounting to DKK 1,532m in Q4 2012 (Q4 2011: DKK 260m).

This is primarily explained by receipt of down payments as well as cash collections. Thus, the change in working capital affecting the cash flow amounted to DKK 924m in Q4 2012 (Q4 2011: DKK 797m). It should be noted, however, that quarterly developments in cash flow are inherently volatile, and as such, too short a period to draw any conclusions about trends.

Cash flow from investing activities amounted to DKK -382m in Q4 2012 (Q4 2011: DKK -397m).

As a consequence of the developments described above, working capital decreased significantly in Q4 2012.

Working capital including Cembrit decreased by DKK 980m to DKK 1,950m at the end of 2012 (end of Q3 2012: DKK 2,930).

Cembrit accounted for DKK 321m of working capital, which means that working capital exclusive of Cembrit amounted to DKK 1,629m at the end of Q4 2012 (end of Q3 2012: DKK 2,553m).

Financial results for 2012

Growth efficiency

FLSmidth has more than doubled its revenue in 6 years – delivering an annual growth rate of 14% since 2006. It is estimated that the underlying organic annual growth has been 9% in the same period. Revenue grew by 21% in 2012 and is expected to grow by 9-21% in 2013.

In 2012, FLSmidth has executed on its growth strategy to become a leading full-service provider in selected key industries. Copper has grown to become one of our biggest industries, which is no coincidence. It is attributable to the acquisition of GL&V Process in 2007, which enabled FLSmidth to gain full process know-how in copper and deliver complete copper concentrators. Gold continues to grow in importance as FLSmidth - via the acquisition of Knelson in 2011 - became the only full flow-sheet provider of gold processing solutions. Coal offers a huge growth potential – being the single largest commodity in the world – as big as all other commodities together in terms of volumes processed and handled. The acquisitions of Ludowici and Decanter in 2012 has completed FLSmidth's product offering within coal, and FLSmidth is just beginning to lever its position as the only OEM (original equipment manufacturer) in the world who is able to offer complete process and handling solutions in coal. Another very interesting - although significantly smaller – acquisition in 2012 was the technologies from the German company iSAM AG. The technologies acquired enable FLSmidth to deliver complete, unmanned integrated material handling solutions to mining, stockyard and port facility customers.

Additionally, long term operation and/or maintenance contracts continue to offer a considerable global growth potential in all six key industries. At present, operation and maintenance contracts are primarily offered to cement and copper customers. 2012 saw a break-through on the cement side in the sense that FLSmidth received a contract to operate and maintain a cement plant that was originally designed and built by a competitor.

Order intake and order backlog

The order intake increased 15% to DKK 27,727m (2011: DKK 24,044m), which is primarily due to strong market developments in Customer Services and Mineral Processing. The order intake in 2012 has on average had a higher contribution margin than the order intake in 2011, which is expected to have a positive margin impact in 2014 and 2015.

The order backlog increased 9% in 2012 to DKK 29,451m (end of 2011: DKK 27,136m).

The maturity profile of the order backlog extends seven years. 56% of the backlog is expected to be converted to revenue in 2013, 21% in 2014, and 23% in 2015 and beyond. Long term operation and maintenance contracts accounted for DKK 5.1bn of the order backlog at the end of 2012, equivalent to 17%.

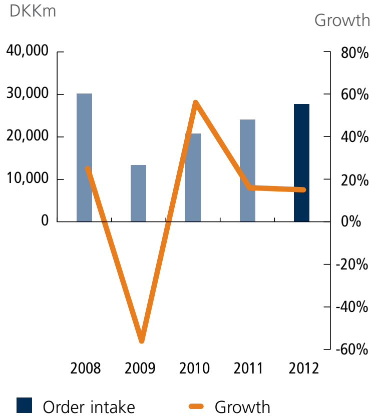
It should be noted that the conversion time from order intake to revenue is 12-18 months on average – ranging from over-the-counter sale of consumables to capital projects with a 2-3 years execution time and up to 7-year operation and maintenance contracts.

Revenue

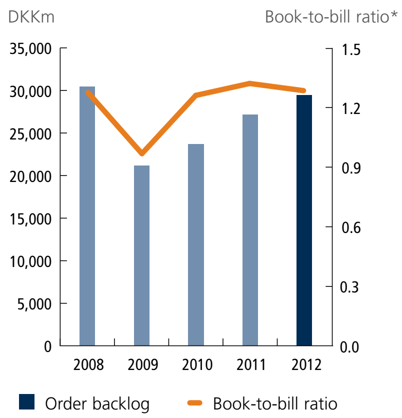
Revenue increased 21% to DKK 24,849m in 2012 (2011: DKK 20,538m), which is primarily attributable to Customer Services and Mineral Processing where revenue increased by 35% and 41%, respectively. It is estimated that the underlying organic growth was 15% in 2012 (adjusted for acquisitions and currency).

The translating of foreign currency into DKK had a positive effect on revenue amounting to 3% in 2012 compared to 2011.

Order intake

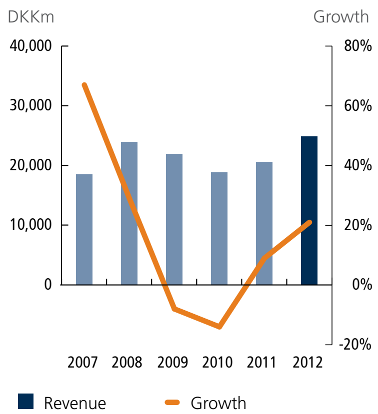


Order backlog and book-to-bill ratio



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

Revenue



In 2012, FLSmidth acquired seven enterprises (Knelson Russia, Ludowici Limited, Decanter Machine Inc., MIE Enterprises Pty. Ltd., Mayer Bulk Pty. Ltd., Process Engineering Resources Inc., TEUTRINE GmbH Industrie-Technik) having an overall effect on *revenue* amounting to DKK 859m in the limited period during which they have been consolidated in the Group, representing a 3% of consolidated revenue in 2012. For further details regarding the enterprises acquired, please see note 15 in the consolidated financial statements.

Total service activities accounted for 37% of revenue in 2012 (2011: 35%). In addition to the Customer Services division, total service activities consist of service business that is embedded in product companies residing in the three capital divisions.

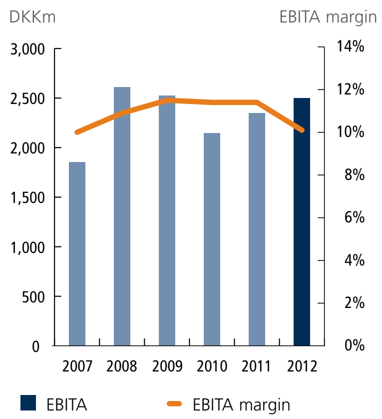
Product companies (excluding service activities) accounted for a total of 14% of revenue in 2012 (2011: 13%). Product companies are characterised by having an integrated business model including manufacturing and aftermarket services in relation to a specialised product portfolio. The increasing share of revenue related to product companies has a positive mix effect on margins, but an adverse impact on capital employed.

Profit efficiency

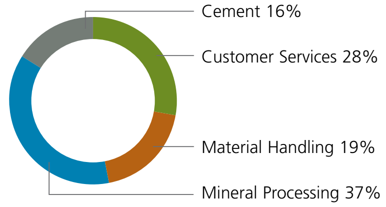
Group EBITA margins have been stable around 10-11% for 6 consecutive years despite margins being hampered by one-off costs related to acquisitions and execution problems in Material Handling in 2012. 2013 is expected to be a trough year in terms of EBITA margin, reflecting execution of orders that were received in the midst of the global financial crisis. The EBITA margin is expected to be 8-10% in 2013 including costs of a one-off nature.

The gross profit amounted to DKK 6,078m in 2012 (2011: DKK 5,248m), corresponding to a gross margin of 24.5% (2011: 25.6%). *The gross margin* development in Cement has been very

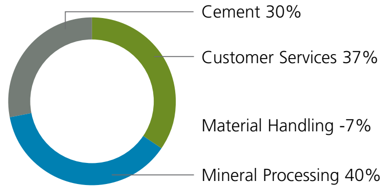
EBITA and EBITA margin



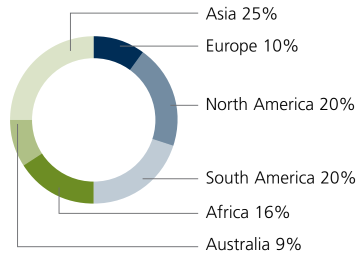
Revenue 2012 – by segment



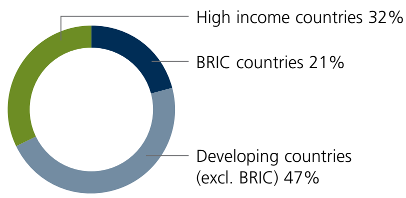
EBITA result 2012 – by segment



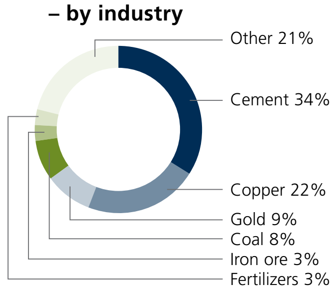
Revenue 2012 – by geography



Revenue 2012 – by country category



Order intake 2012 – by industry



favourable in 2012 due to better than expected order execution and reversal of contingencies and provisions in connection with finalisation of projects taken in pre-crisis years.

On the other hand, the gross margin in Material Handling has been under pressure due to execution problems. Material Handling is the youngest and less mature business area in FLSmidth, originating from a handful acquired, specialised product companies in Germany, South Africa and USA, combined with a minor legacy business in FLSmidth. These companies work together in a global organisation to provide customers with innovative and value-adding material handling solutions. In the continued process of integrating and optimising the combined Material Handling division, the organisation has lacked adequate project execution skills and know-how to handle a sharply increasing business volume. Thus, the Material Handling division has in 2012 been faced with difficulties in project execution, stemming from underestimated risks in connection with orders received in previous years combined with a lack of timely handling and mitigation hereof. Under the new division management, a number of initiatives have been put in place to transfer project management know-how and best practices from other divisions and to build up competencies in Material Handling.

Profitability in Material Handling has been negatively impacted by a total estimated DKK 450m in 2012 related to the above mentioned issues. These costs are a combination of realised costs, provisions for expected future losses and restoration of exhausted contingencies. In connection with closing the books for 2012, all endeavors have been undertaken to identify and account for all major project risks in the current backlog. Consequently, a number of large contracts will run through the books with zero contribution margins in the coming 12-18 months, which means that margins are only expected to improve gradually in the Material Handling division.

2012 saw total research and development expenses of DKK 347m (2011: DKK 339m), representing 1.5% of revenue (2011: 1.7%), of which DKK 104m was capitalised (2011: DKK 98m) and the balance reported as production costs. In addition, project financed development is taking place in cooperation with customers. In accordance with international accounting standards, research costs are expensed, whereas development costs are capitalised if substantiated by an underlying business case.

In 2012, FLSmidth incurred a one-off impairment loss of DKK 188m related to a development project in a ground-breaking new technology, in which important milestones were met and patents have been taken out. The commercial tests, however, failed to demonstrate acceptable results.

Sales, distribution and administrative costs, etc. including costs of a one-off nature amounted to DKK 3,319m in 2012, which represents a cost percentage of 13.4% of revenue (2011: 13.2%) and a 22% increase on 2011 (2011: DKK 2,720m).

Acquisitions accounted for DKK 319m of sales, distribution and administrative costs in 2012, while foreign exchange effects accounted for approximately DKK 37m in 2012 of the increase.

Sales, distribution and administrative costs, etc. in 2012 included costs of a non-recurring nature amounting to approximately DKK 225m related to; implementation of new strategy and organisation, business alignment related to roll out of a global ERP business system and transaction and integration costs in connection with acquisitions.

Due to the nature of FLSmidth's project business with delivery times of up to 2-3 years, higher sales and order activity generally generates increasing sales and distribution costs in the short term with revenue and earnings at a later stage.

Although most of the increase in sales, distribution and administrative costs can be explained by acquisitions and foreign exchange, the underlying cost has become too high as the organisation has prepared for growth.

As a consequence, a **cost efficiency programme** was initiated in the autumn of 2012. The cost efficiency programme includes, but is not limited to:

- Global cost freeze to benefit from scale effects
- Implementation of tight cost control regimes in local entities
- Increased use of shared services (across geographies and global functions)
- Simplification of legal structure (one legal entity per country)
- Integration of acquired entities and extraction of synergies
- Continued transfer of cost base to cost competitive countries

Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA) increased 9% to DKK 2,759m (2011: DKK 2,528m) corresponding to an EBITDA margin of 11.1% (2011: 12.3%).

Special non-recurring items, reported as a separate line item and specified in note 7 in the consolidated financial accounts, amounted to DKK -17m (2011: DKK 9m).

The special non-recurring items are related to acquisitions. In general, acquired entities will often generate limited/reduced profits until initial inventories have been turned. This effect is reported as special non-recurring item and amounted to DKK -22m i 2012.

Depreciation and impairment of tangible assets amounted to DKK 240m (2011: DKK 190m).


FLSMIDTH

Earnings before amortisation and impairment of intangible assets (EBITA) increased 7% to DKK 2,502m (2011: DKK 2,347m), corresponding to an EBITA margin of 10.1% (2011: 11.4%).

Amortisation and impairment of intangible assets amounted to DKK 514m (2011: DKK 230m) of which the effect of purchase price allocations accounted for DKK 270m (2011: DKK 178m). As mentioned in connection with investments in R&D, the second quarter financial results included a one-off impairment loss of DKK 188m (capitalised development costs and decommissioning costs) related to a development project. The development project pertains to Cement, Mineral Processing and Customer Services, and thus the EBIT results in three divisions have each been negatively impacted by approximately DKK 60m as a consequence of the impairment loss.

Earnings before interest and tax (EBIT) decreased 6% to DKK 1,988m (2011: DKK 2,117m) corresponding to an EBIT margin of 8.0% (2011: 10.3%).

Financial items amounted to DKK -61m (2011: DKK -79m). This amount includes foreign exchange and fair value adjustments of DKK -27m (2011: DKK -89m).

Earnings before tax (EBT) decreased 5% to DKK 1,927m (2011: DKK 2,038m).

The tax for the year amounted to DKK 653m (2011: DKK 682m) corresponding to an effective tax rate of 34% (2011: 33%), which is slightly higher than expected due to changes in the geographical composition of income.

Profit for the year decreased 9% to DKK 1,303m (2011: DKK 1,437m) including discontinued activities of DKK 29m (2011: DKK 81m).

Earnings per share (diluted) amounted to DKK 25.1, which is a 7% decrease on the year before (2011: DKK 27.1).

Capital efficiency

While FLSmidth has been efficient in delivering both growth and profitability, capital efficiency has been under pressure due to acquisitions and increasing working capital. Return on Capital Employed (ROCE) has fallen from a peak of 44% in 2007 to 19% in 2012 despite stable profits. Increased capital efficiency is top priority in 2013 but even so ROCE is expected to drop temporarily to 15% in 2013 for the reasons mentioned below before improving in 2014 and surpassing the target of 20% in 2015.

Capital Employed and ROCE

Definition of Capital Employed and ROCE

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

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

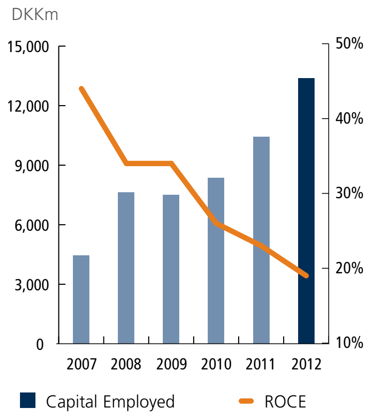
FLSmidth defines *Capital Employed* as *net working capital* plus the carrying amount of *tangible assets* and the cost price of *intangible assets* including acquired goodwill.

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

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

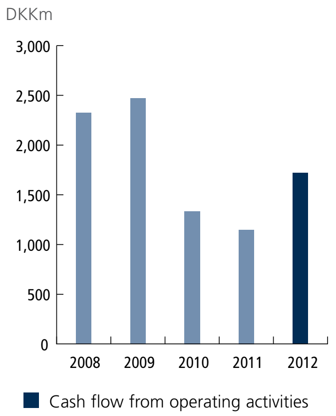
ROCE will primarily be impacted by developments in revenue, gross margin, SG&A costs, non-current assets and net working capital. SG&A costs and net working capital are the parameters that are most manageable in the short term, and group-wide programs have been initiated to reduce both. Please see page 20 and 23 for more information.

Capital Employed and ROCE*)

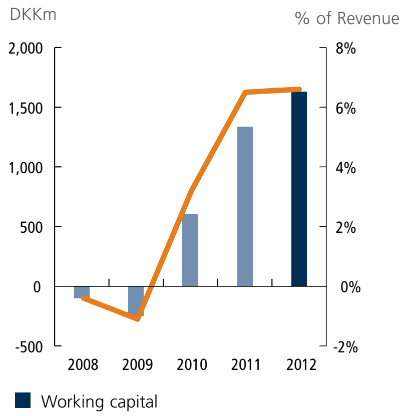


*) Excl. Cembrit

Cash flow from operating activities



Working capital*)



*) Excl. Cembrit

Average capital employed increased 28% in 2012 to DKK 13.4bn in 2012 (2011: DKK 10.4bn) due to acquisitions, while EBITA increased 8% to DKK 2,502m (2011: DKK 2,347m). As a consequence, ROCE decreased to 19% (2011: 23%). Average capital employed will increase in 2013 due to the full year effect of acquisitions made in 2012.

Acquisitions usually dilute ROCE in the short term, since the purchase price of an acquired entity reflects the future income potential including synergies, which is typically over and beyond the current income stream.

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

Cash flow developments and working capital

Cash flow from operating activities amounted to DKK 1,720m in 2012 (2011: DKK 1,148m), ending the year on a very strong note with most of the cash flow being generated in the fourth quarter. The positive developments in Q4 2012 were primarily attributable to changes in working capital related to receipt of down-payments and cash collection.

Working capital (excluding Cembrit) amounted to DKK 1,629m at the end of 2012 (end of 2011: DKK 1,334m), representing 6.6% of revenue (2011: 6.5% of revenue). Working capital has increased significantly in both 2011 and 2012 as a consequence of acquisitions and a changing business mix from cement projects to more customer services and more minerals products and projects. As such, the increase in working capital is healthy and a proof that FLSmidth has succeeded in delivering on its strategy to grow both the minerals and customer services businesses.

Today, a major part of the Group's working capital is tied up in product companies. Thus, product companies accounted for 85% of total working capital at the end of 2012 compared to 23% of group revenue (including service part). Typically, product companies have in-house manufacturing and a material portion (20-50%) of their revenue tied up in working capital, particularly in inventories. On the other hand, profit levels are also significantly higher than in the project business.

In 2012, a **programme to manage working capital more closely** was initiated. The primary focus of the programme is:

- Establishing measurement and reporting of working capital on business unit level
- Definition of KPI's and targets included in bonus schemes for 2013
- Just-in-time inventory management
- Cash collection focus on overdue debtors
- Optimisation of supplier credit terms
- Project cash flow management

The ambition is that working capital should not exceed 10% of revenue based on the present business mix.

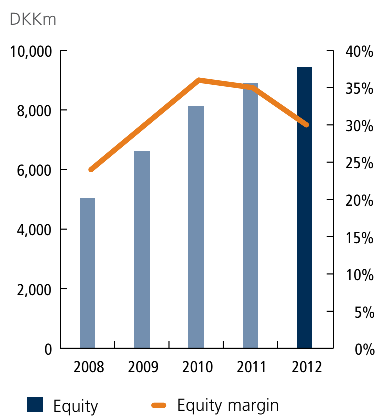
Investing in the business

In 2012, FLSmidth made considerable investments in both acquisitive and organic growth.

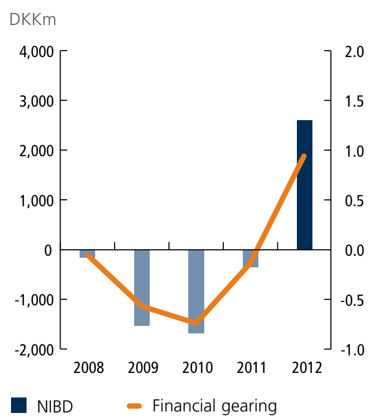
Cash flow from investing activities amounted to DKK -3,398m (2011: DKK –1,648m). The total net cash flow effect of acquisition and disposal of enterprises amounted to DKK -2,508m (2011: DKK -915m).

The enterprises and technologies acquired in 2012 are; Ludowici Limited (Australia), Decanter Machine Inc. (USA), iSAM (Germany),

Equity and equity margin



NIBD and financial gearing*)



*) Excl. Cembrit

Knelson Russia, Mayer Bulk Pty. Ltd. (Australia), MIE Enterprises Pty. Ltd. (Australia), TEUTRINE GmbH Industri Technik (Germany), Process Engineering Resources Inc. (USA), and SEPEC (China). The disposal of enterprises and activities is related to non-core activities in Denmark.

For further details regarding acquisitions please see note 15, page 99-102 in the consolidated financial statements.

Investments exclusive of acquisition and disposal of enterprises amounted to DKK -890m (2011: DKK -733m) and are primarily related to investments in:

- Upgrade and extension of manufacturing facilities and machinery throughout the Group
- Service Supercentres
- ERP/Business system
- Categorisation laboratory in Salt Lake City, USA

FLSmidth has decided to slow down on acquisitions in 2013 to focus on integration, extraction of synergies and capital efficiency.

Balance sheet, capital structure and dividend

The balance sheet total amounted to DKK 31,875m at the end of 2012 (2011: DKK 25,540m). The balance sheet total has increased due to acquired enterprises and a higher level of activity.

Equity at the end of 2012 increased to DKK 9,419m (2011: DKK 8,907m), whilst the equity ratio showed a decrease to 30% at end of 2012 (2011: 35%).

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

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

Net interest-bearing debt by the end of 2012 (excluding Cembrit) amounted to DKK 3,183m (end of 2011: DKK 145m).

The Group's gearing calculated as NIBD/EBITDA (excluding Cembrit) amounted to 1.2 at end of 2012 (end of 2011: 0.1).

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

The capital resources currently consist of committed credit facilities of DKK 7.8bn (excl. mortgage) with a weighted average time to maturity of 3.3 years.

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

The Board of Directors plan to make a total cash distribution of DKK 1bn after the Annual General Meeting on 5 April 2013 in the form of:

- A proposed ordinary dividend of DKK 9 per share (2011: DKK 9) corresponding to 36% of the year's profit (2011: 33%) and a dividend yield of 2.8% (2011: 2.7%). The ordinary dividend equals a total cash distribution of DKK 479m
- An extraordinary cash distribution of DKK 521m in the form of a share buy back program under 'Safe Harbour' rules.

The plans to make an cash extraordinary distribution is based on recent improvements in operating cash flow, as well as expectations of a material free cash flow in 2013 as acquisitions have been slowed down temporarily.

Employees

The number of employees (excluding Cembrit) amounted to 14,827 by the end of 2012, representing an increase of 22% compared to last year (end 2011: 12,146). Exclusive of acquisitions the number of employees increased 11%, these being primarily hourly paid workers in relation to operation and maintenance contracts, but also an increased number of employees in the global technology and project centres to handle an increasing order volume.

FLSmidth is a learning organisation, and our people are our most valuable resource. FLSmidth's strategy entails strong emphasis on selecting, attracting and retaining the right people who can support value creation in the Group. Along with organic and acquisitive growth comes the need for integration, organisational simplification, increased use of shared services and an on-going fine-tuning of the organisation. As a consequence, FLSmidth may have to both hire and fire people at the same time to adjust the organisation and the competences to ever changing needs.

2012 saw several acquisitions and a considerably larger local footprint in Australia, where the number of employees increased to 908 at the end of 2012 (end of 2011: 319).

Also, staffing in connection with operation and maintenance contracts in Africa and South America has increased the number of employees in these regions. As a consequence, the geographical composition of the global workforce has changed somewhat in 2012.

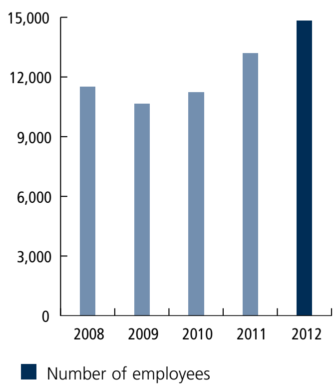
56% of FLSmidth's employees were below the age of 40 at the end of 2012 which is unchanged from last year (end of 2011: 56%). 67% of the employees have more than 2 years seniority. 15% of FLSmidth's permanently employed staff are females (end of 2012: 16%). The relatively low proportion of females is explained by the fact that males continue to be overrepresented in the engineering profession and among engineering students.

Corporate governance and organisation

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

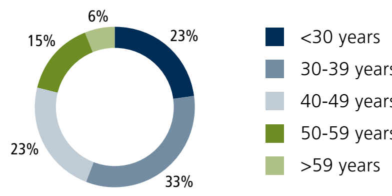
- The share capital amounts to DKK 1,064,000,000 consisting of 53,200,000 issued shares at DKK 20 each. Each share entitles the holder to 20 votes. No special rights are attached to any share and there are no restrictions on the transferability of the shares.
- The members of the Board elected at the Annual General Meeting retire at each Annual General Meeting. Re-election may take place. The Nomination Committee identifies and recommends candidates to the Board of Directors.
- The Board of Directors is authorised until 1 march 2017 to increase the share capital by issuing new shares in one or more tranches at a total nominal value of DKK 100,000,000 - with or without pre-emption rights for the company's existing shareholders subject.
- The Board of Directors is authorised until the next Annual General Meeting to let the Company acquire treasury shares up to a total nominal value of 10 per cent of the Company's share capital pursuant to Section 12 of the Danish Companies Act.
- The adoption of a resolution to amend the Company's Articles of Association or to wind up the Company requires that the resolution is passed by not less than two thirds of the votes cast as well as of the share capital represented at the General Meeting.
- The Executive Management and a number of key employees in the Group have been granted options to purchase 1,344,680 shares in the company at a set price (strike price). The Group's share option plan includes a "change of control" clause giving the holders the right to immediately exercise their options in connection with an acquisition.
- In the event of dismissal, the Chief Executive Officer has two years' notice and shall receive one year's salary on the actual termination of his employment. The rest of the Executive Management has 18 months' notice in the event of dismissal and shall receive up to six months' salary on the actual termination of their employment.

Number of employees

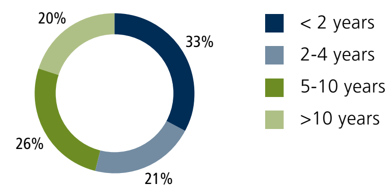


Human resource data

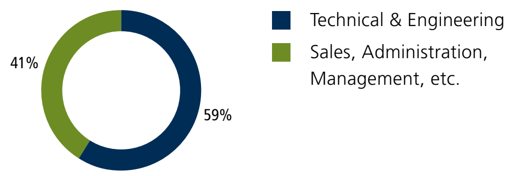
Age distribution



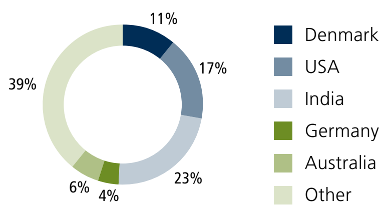
Length of service



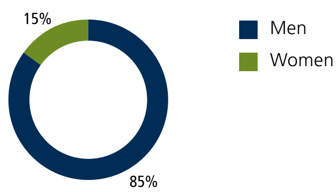
Job function



Geographical distribution



Gender



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

The most important changes in relation to management and corporate governance in 2012 are briefly mentioned here.

Board of Directors

In April 2012, the Annual General Meeting elected Mrs. Caroline Grégoire Sainte Marie and Mr. Tom Knutzen new members of the Board, replacing Mr. Jens Stephensen and Mr. Jesper Ovesen who did not stand for re-election.

In the beginning of 2012, a Technology Committee was established in addition to the existing Compensation, Nomination and Audit Committees. The main task of the technology committee is to assist the Board of Directors in monitoring and evaluating:

1. The competitiveness of process flow sheets and key machines
2. Major development projects and overall plans
3. Plans for technology M&A (gaps, additions, substitutions, exits)
4. IPR portfolio and strategy
5. Overall technology strategy

Group Executive Management

A number of management changes were planned and implemented in 2012.

On 1 March 2012, Group Executive Management was extended from four to six members as a consequence of the new group strategy and structure. Accordingly, Mr. Per Mejnert Kristensen and Mr. Peter Flanagan joined the Group Executive Management heading the Cement and the Mineral Processing divisions, respectively.

Mr. Ben Guren joined FLSmidth as Executive Vice President and CFO on 10 April 2012, succeeding Mr. Poul Erik Tofte who retired on 30 March 2012 after nine years.

Mr. Carsten R. Lund was appointed Executive Vice President and Head of Material Handling on 1st July 2012, succeeding Mr. Christian Jepsen, who was head-hunted by Alcoa, one of FLSmidth's important mining customers.

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

Four out of six members of the Group Executive Management have been with FLSmidth for more than 10 years.

Treasury shares

FLSmidth's treasury share capital amounted to 1,359,884 shares at the end of 2012 (end of 2011: 927,425 shares) representing 2.6% of the total share capital (end of 2011: 1.7%). The holding of treasury shares is adjusted continuously to match FLSmidth's incentive plans.

At the end of 2012, the members of the Group Executive Management held a total of 4,225 shares (end of 2011: 60,338 shares).

At the end of 2012, the members of the FLSmidth & Co. A/S Board of Directors held a total of 17,524 shares (end of 2011: 69,246 shares).

Incentive plan

At the end of 2012, there were a total of 1,344,680 unexercised share options under FLSmidth's incentive plan and the fair value of them was DKK 99m. The fair value is calculated by means of a Black & Scholes model based on a current share price of 327.2, a volatility of 33.31% and annual dividend of DKK 9 per share. The effect of the plan on the income statement for 2012 was DKK 29m (2011: DKK 21m). Please see note 44 to the consolidated financial statements for further information.

Corporate social responsibility

FLSmidth has submitted a progress report to the UN Global Compact on 12 February 2013. The progress report replaces a statutory statement of corporate social responsibility pursuant to the exemption given in the Danish Financial Statements Act Section 99a. The report can be accessed on www.flsmidth.com/CSRreport2012.

Risk management

Reference is made to pages 54-59 in this annual report for a more detailed description of the company's commercial risks and risk management, which is part of the Management's Review.

Long term financial targets

The long-term financial targets for the FLSmidth Group are as follows:

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

Return on Capital Employed (ROCE) has been introduced as a new long term target. However, the long term target for ROCE will not be achieved in 2013 due to the full year effect of acquisitions on the average Capital Employed as well as the trough margin guidance for 2013. It is expected that ROCE will trough in 2013, increase in 2014 and to surpass the target of 20% in 2015 as a consequence of gradually improved profitability (EBITA/revenue) as well as improved capital efficiency (Revenue/Capital Employed).

Operational objectives

It remains FLSmidth's intention that investments (expensed and capitalised) in research and development should account for around 2% of revenue (2012: 1.5%) and that ongoing strategic initiatives to increase off-shoring of the Group's activities to India should continue. The ambition is that 90% of all standard order engineering should be handled out of India. Over the coming years, it is also the aim to increase the Group procurement from cost competitive countries to 75% (2012: ~42%).

Outlook for 2013

2012 was a year marked by expansion and transformation. 2013 is expected to be a year of consolidation and execution. Acquisitions will be slowed down, and full management attention will be given to integration of acquired entities and extraction of synergies. Improved capital efficiency will be top priority in 2013.

In 2013, FLSmidth & Co. A/S expects consolidated revenue of DKK 27-30bn (2012: DKK 25bn) and an EBITA margin of 8-10% (2012: 10.1%).

The return on capital employed ROCE is expected to be approximately 15% in 2013 (2012: 19%).

It is expected that a considerable free cash flow will be generated in 2013 in light of acquisition slow down, divestment plans and high priority given to capital efficiency.

The effect of purchase price allocations is expected to amount to approximately DKK 320m in 2013 (2012: DKK 292m).

The level of costs of a non-recurring nature is expected to amount to approximately DKK 200m in 2013 related to ERP/Business system implementation and cost efficiency program.

The effective tax rate is expected to be 32-34% in 2013 (2012: 34%).

The four divisions are expected to see the following developments in 2013:

	Expected revenue	**Expected EBITA ratio**
Customer Services	DKK 8-10bn	13-15%
Material Handling	DKK 4-6bn	>0%
Mineral Processing	DKK 10-12bn	8-10%
Cement	DKK 5-7bn	6-8%

Cash flow from investments (including acquisitions but excluding disposals), is expected to amount to the level of DKK 1bn in 2013 (2012: DKK -3,640m) and includes:

- Expansion of FLSmidth House in Chennai, India
- Helios (ERP/Business System roll-out, IT servers)
- Upgrade and expansion of manufacturing facilities throughout the Group
- Service supercentres

Events occurring after the balance sheet date

As announced on 11 January 2013, FLSmidth has won a contract worth approximately USD 112m (DKK 658m) from Vale to supply material handling and mineral processing equipment to a coal mine in Mozambique.

As announced on 14 January 2013, FLSmidth has divested non-core activities, gained through the acquisition of Ludowici. The sales concern the business areas Industrial and Infrastructure.

As announced on 15 January 2013, FLSmidth has signed a EUR 125m loan agreement with the European Investment Bank (EIB). The 5-year-bullet loan will finance FLSmidth's global research and development programme within the cement industry during the period 2013-2016. The R&D programme will focus on development of innovative products, optimisation of energy efficiency and use of materials and fuel in the production process as well as reduction of harmful emissions.

As announced on 16 January 2013, FLSmidth has revised its financial calendar for 2013. The interim report for Q1 2013 will be released on 17 May 2013 (previously 16 May 2013).

Cembrit Sales Process

Cembrit has been part of the FLSmidth Group since 1927 and it is the only remaining Building Materials company in the Group. The company has been through a restructuring process and is now leveraging its position as Europe's largest dedicated provider of fibrecement products to the building materials industry. It has been clear for a number of years that Cembrit is not part of FLSmidth's long-term strategy, and a sales process was initiated in August 2012. As a consequence, Cembrit is reported as discontinued activities and is not included in the guidance for 2013.

The sales process is progressing according to plans, and it is expected that the sale will be finalised within 12 months from the announcement in August 2012. However, FLSmidth cautions that there is no assurance that the process will in fact lead to a sale.

Forward-looking statements

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

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

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

These forward-looking statements are based on current plans, estimates and projections. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, which may be outside FLSmidth & Co. A/S's influence, and which could materially affect such forward-looking statements.

FLSmidth & Co. A/S cautions that a number of important factors, including those described in this report, could cause actual results to differ materially from those contemplated in any forward-looking statements.

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

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

Customer Services

2012

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

Business model in Customer Services

Customer Services is a strategically important business that differs favourably from projects by being less cyclical and generating higher earnings. It involves all the services, parts supply and upgrades that are carried out before, while and after FLSmidth installs a plant and commissions it. The purpose is to improve the performance of customers' plants in a safe and sustainable manner to the highest possible standard.

More specifically, Customer Services offers customers spares and wear parts, inspection, training and auditing as well as repair and installation services and upgrade projects – Customer Services Projects. Part of the business of Customer Services Projects is to provide sustainable solutions for alternative fuels, waste heat recovery and emissions control. And last but not least, Customer Services carries out operation and maintenance of cement and minerals plants. The number of employees in Customer Services totalled 6,003 at the end of 2012 (end of 2011: 4,137).

In cement, FLSmidth has a complete operation and maintenance model, including spare parts and consumables, and manages the day-to-day operation and maintenance of cement producers' plants.

Customer Services

DKKm	2012	2011	Change (%)	Q4 2012	Q4 2011	Change (%)
Order backlog	**8,159**	**6,081**	34%	**8,159**	**6,081**	34%
Order intake	**9,202**	**5,271**	75%	**2,442**	**1,288**	90%
Revenue	**7,073**	**5,259**	34%	**2,129**	**1,551**	37%
Gross Profit	**1,997**	**1,557**	28%	**614**	**452**	36%
Gross margin	*28.2%*	*29.6%*		*28.8%*	*29.1%*	
EBITDA	**1,012**	**882**	15%	**317**	**260**	22%
EBITDA margin	*14.3%*	*16.8%*		*14.9%*	*16.8%*	
EBITA	**930**	**838**	11%	**293**	**256**	14%
EBITA margin	*13.1%*	*15.9%*		*13.8%*	*16.5%*	
EBIT	**787**	**832**	-5%	**259**	**255**	2%
EBIT margin	*11.1%*	*15.8%*		*12.2%*	*16.4%*	
Number of employees	**6,003**	**4,137**	45%	**6,003**	**4,137**	45%

Operation and maintenance within the minerals industries has been undertaken for more than a decade, and today FLSmidth is carrying out plant maintenance in Chile, Mexico and India where operations are so far being performed by the mining companies themselves. However, operation and maintenance is currently being provided for material handling equipment in India and for a crushing and screening station in South Africa.

Another area covered by Customer Services is training of customers' staff. There is an increasing demand for training of operators; especially within safety and corporate social responsibility. Through FLSmidth Institute FLSmidth offers personalised training programmes that cover process, operation, maintenance as well as mechanical and electrical issues within all the technologies provided by FLSmidth. While adding value to the customers by letting them gain knowledge of best industry practices and creating awareness of good and bad practices, FLSmidth also achieves a greater degree of customer intimacy and insight.

The growth and development of the Customer Services division is based on four main strategic levers; operation and maintenance, Supercenters and Local Service Units, plant operation and equipment services as well as service related acquisitions.

Operation and maintenance (O&M) covers a full range of disciplines, from operation of complete plants to minor maintenance programmes. Mining customers are increasingly outsourcing maintenance. FLSmidth has a proven track record as provider of day-to-day maintenance of mineral processing plants and as an operation and maintenance provider for coal handling systems at power plants. Operation and maintenance supports project sales and offers many synergies with FLSmidth's traditional minerals business activities as well as with operation and maintenance in cement.

Supercenters – all-in-one servicecentres – and Local Service Units are strategically positioned, providing consolidated offerings and strategic partnering with customers and suppliers. A supercenter includes a training centre, warehouse and inventory, rebuild and retrofit capabilities, small laboratory, stacking and storage and offices. The establishment of Supercenters supports customers' local operation and maintenance organisations at the plants, thereby helping them to perform better. At the same time, the local feedback gained through the performance of the plant equipment is used for further product development and improved project execution.

When providing plant operation and equipment services, FLSmidth collaborates with customers in achieving improved efficiency, tailored and bundled offerings, plant sustainability as well as maximised return on investment. This collaboration is based on services within the following areas; monitoring and diagnostics, repairs and refurbishment, replacements and upgrades and audits and optimisations. The services are based on local manpower provided by local service engineers and global knowledge provided by process and equipment experts and IT infrastructure.

Service acquisitions are a platform for further growth. The acquisitions address increased customer service demands, resource shortage and widen the geography base and access to key technologies. One example is the acquisition of the Australian company Ludowici whose revenue is approximately 60% related to service activities, spare parts and consumables. The acquisition means an expansion of FLSmidth's service offerings and a strengthening of the geographical footprint.

Financial results for 2012

The order intake increased 75% to DKK 9,202m in 2012 (2011: DKK 5,271m). In Q4 2012 alone, the order intake amounted to DKK 2,442m representing an increase of 90% compared to Q4 2011 (Q4 2011: DKK 1,288m), although a sequential decrease of 27% (Q3 2012: DKK 3,345m). The strong full year order intake reflects continued good market conditions and high capacity utilisation throughout the Mineral Processing industries and in certain regions of the cement business but it is also a result of FLSmidth's proven O&M concept. In Q3 2012, a 7-year O&M contract exceeding DKK 1.1bn was booked and again in Q4 2012, a 5-year maintenance contract at a value of DKK 1.1bn was awarded in Q4 2012.

The order backlog increased 34% to DKK 8,159m at the end of 2012 (end of 2011: DKK 6.081m). In total, the order backlog related to long-term operation and maintenance contracts amounted to DKK 5.1bn at the end of 2012 (end of 2011: DKK 3.4bn).

Revenue increased 35% to DKK 7,073m in 2012 (2011: DKK 5,259m) as a consequence of continuously increasing order intake. Overall, the translating of foreign currency into DKK had a positive effect on revenue amounting to 4% in 2012 compared to 2011. Revenue increased 37% to DKK 2,129m in Q4 2012 (Q4 2011: DKK 1,551m) consistent with the positive development in the previous three quarters.

The gross profit increased 28% to DKK 1,997m in 2012 (2011: DKK 1,557m), whilst the gross margin decreased 1.4% points to 28.2% (2011: 29.6%). The gross profit increased 36% to DKK 614m in Q4 2012 (Q4 2011: DKK 452m), equivalent to a gross margin of 28.8% (Q4 2011: 29.1%). As market conditions were largely unchanged compared to 2011, minor gross margin variations, annual and quarterly, can be attributed to the alternating business mix in Customer Services.

Earnings before amortisation and impairment of intangible assets (EBITA) increased 11% to DKK 930m in 2012 (2011: DKK 838m), corresponding to an EBITA ratio of 13.1% (2011: 15.9%). EBITA increased 14% to DKK 293m in Q4 2012 (Q4 2011: DKK 256m), equivalent to an EBITA margin of 13.8% (Q4 2011: 16.5%). Approximately 1% -point of the margin decline in 2012 versus 2011 is explained by costs of one-off nature related to acquisitions as well as costs associated with implementation of strategic initiatives that are expected to contribute to growth in the future.

Earnings before interest and tax (EBIT) decreased 5% to DKK 787m in 2012 (2011: DKK 832m) corresponding to an EBIT ratio of 11.1% (2011: 15.8%). The EBIT result was negatively impacted by approximately DKK 60m as a consequence of the R&D impairment loss in Q2 2012. EBIT increased 2% to DKK 259m in Q4 2012 (Q4 2011: DKK 255m), equivalent to an EBIT margin of 12.2% (Q4 2011: 16.4%).

Market developments

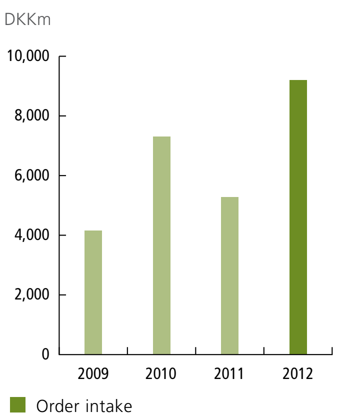
The overall market conditions for Customer Services remain positive, thereby supporting the overall growth strategies with expanded service offerings. Activity levels have been robust in 2012, particularly in despite increasing uncertainty within mining. Although many mining companies are running cost cutting exercises to compensate for lower commodity prices, production is maintained at current levels, sustaining the demand for Customer Services.

In November 2012, a large maintenance contract for a copper and molybdenum plant in central Chile was awarded to FLSmidth. The contract was a five-year extension of a current maintenance contract that dates back to the turn of the century and is evidence of the sturdiness of FLSmidth's service concept.

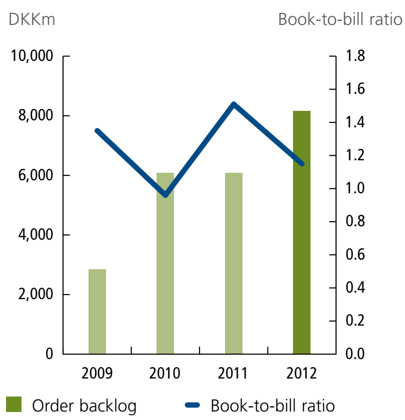
In cement, positive signs are observed throughout Latin America, the African continent, and South East Asia. However, most other regions continue to be sluggish and there is a pronounced correlation between the relatively subdued capacity utilisation and the resulting demand for wear parts.

An important market factor is that customers in cement are making lower returns compared to minerals, creating a higher demand for cost efficient solutions. The business goals for operation and maintenance in the cement industry are therefore to improve and optimise operations and produce more cement of a high quality than the customer is able to do. Tender activity is increasing with regard to operation and maintenance contracts.

Order intake



Order backlog and book-to-bill ratio



The global focus on energy and water efficiency and CO_2-emissions provides FLSmidth with new opportunities in Customer Services. In growing economies, the new opportunity is the cost of energy that impacts the bottom line. In Europe and North America another opportunity is CO_2 emission from power generation. And, finally, in other areas water may be a scarce resource that needs to be addressed.

Operational highlights 2012

In 2012, Customer Services won a large 7-year operation and maintenance contract in Egypt. The contract, which is the largest operation and maintenance contract awarded to FLSmidth up until now, includes supply of spare parts and consumables, development of a full operation and maintenance organisation, knowledge transfer to local employees and implementation of industry best practice. In addition, this is the first time FLSmidth will be operating and maintaining production lines at a plant which was delivered by a competitor.

With the acquisition of the two Australian companies MIE Enterprises Pty Ltd. and Mayer Bulk Pty Ltd., FLSmidth strengthened its Customer Services offerings in Australia in 2012. The two acquisitions complemented FLSmidth's regional Customer Services set-up with a highly skilled workforce and full-service capabilities. The key markets of the two companies are currently the Australian and South East Asian mining industries. In addition, the acquisition of German-based TEUTRINE GmbH Industrie-Technikis an important support for maintenance services in cement and other industries in general.

In 2012, FLSmidth won a contract for engineering, supply and installation of a feeding system for an aluminium smelter in Venezuela. The project is part of a large refurbishment plan with the purpose of bringing the plant's technologies up to state-of-the-art.

The past year also provided FLSmidth with a long-term service contract with the Brazilian mining company Vale. The contract is a great example of how various business units in the FLSmidth organisation successfully work together in achieving the Group's key strategic themes; Customer Intimacy, Product Leadership and Operational Excellence. The objectives of the contract are to include the continuation of support for Vale operations and maintenance teams, optimisation of all FLSmidth supplied equipment for production and efficiency, establishment of operator and maintenance training programmes and assistance to Vale in establishing the preventive maintenance for FLSmidth equipment.

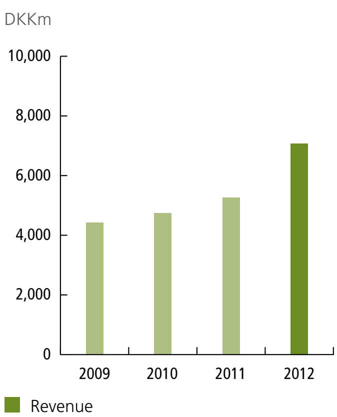
In 2012, FLSmidth opened three Supercenters in Chile, Australia and Peru respectively. The centres are three of eight planned to be built in countries where FLSmidth has significant mining and cement operations. When completed, the eight Supercenters will be in six countries: Tucson, Arizona, USA; Brisbane and Perth, Australia; Arequipa, Peru; Antofagasta and Santiago, Chile; Khanbogd, Mongolia; and Delmas, South Africa.

Outlook for 2013

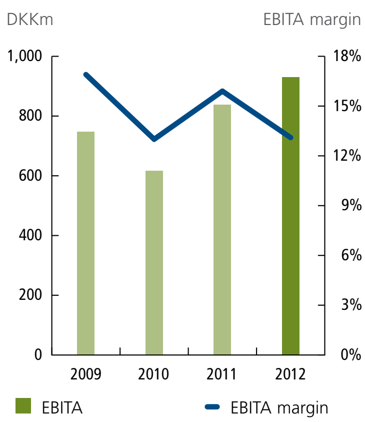
It is expected that revenue in 2013 will be in the range of DKK 8bn to 10bn (2012: DKK 7bn) supported by a strong order intake in the previous quarters.

It is expected that the EBITA margin in 2013 will be in the range of 13% to 15% (2012: 13.1%) dependent on the business mix within Customer Services and the level of integration costs associated with recent acquisitions.

Revenue



EBITA and EBITA margin



2012

Customer intimacy and operational excellence

■ I have been with FLSmidth for 28 years and have held the position of Group Executive Vice President, Customer Services since 2002. For the past three years, I have based in Chennai, India also been heading our Indian set-up, including the off-shoring centre.

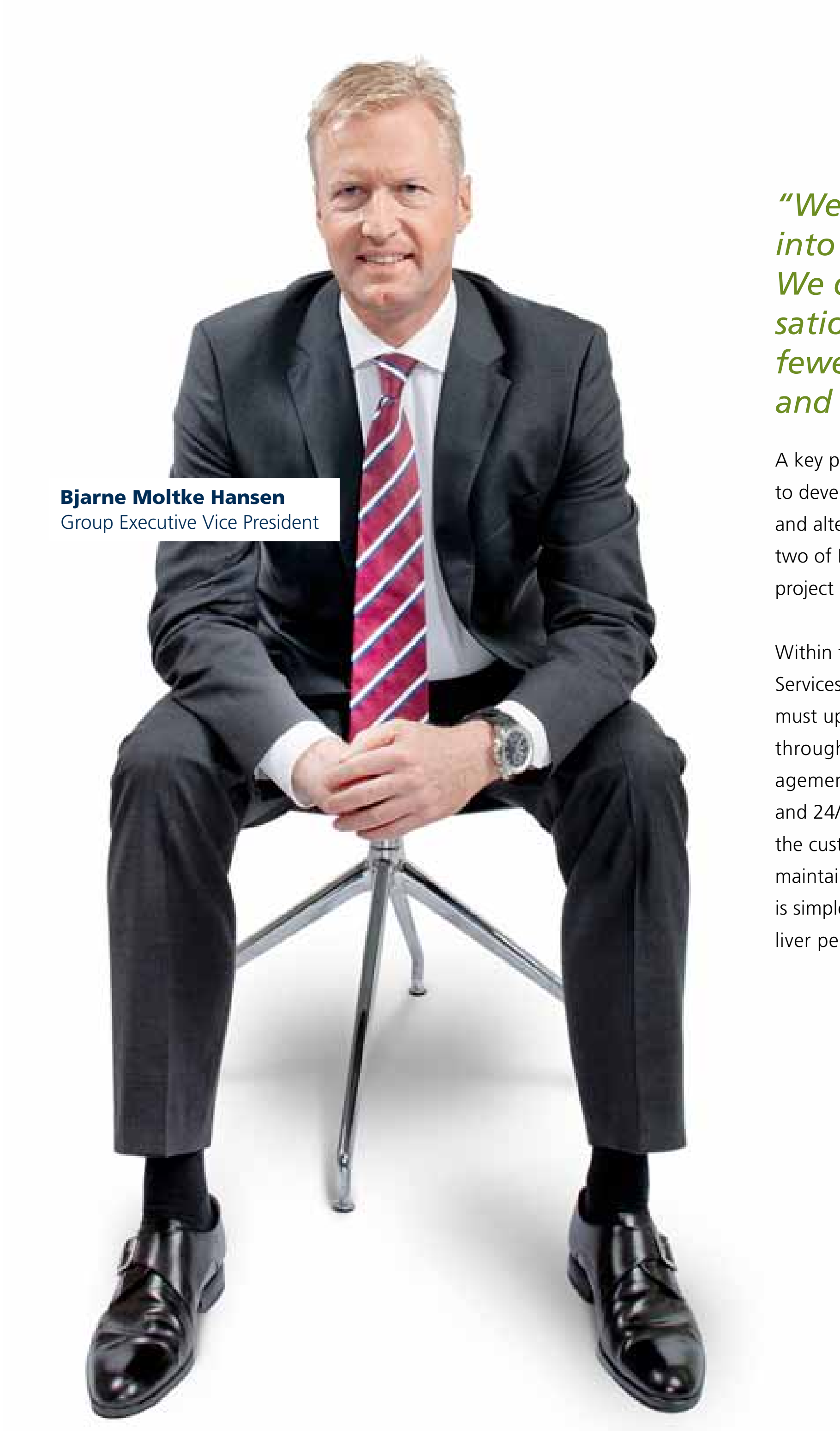
My goal for FLSmidth's Customer Services division is that we further differentiate ourselves by focusing on customers and operational excellence. We shall move even closer to our customers, both mentally and physically, and become even more responsive to their requests and needs, while always looking at new ways to support them with enhanced services.

As a consequence, one of my key priorities is that we continuously position ourselves closer to the customers; for instance by establishing Supercenters, which include training centre, warehouse and inventory, rebuild and retrofit capabilities, small laboratory, stacking and storage.

Our focus on being close to customers and on operational excellence is also supported by the creation of so-called Local Service Units or satellite offices within driving distance to the customers. These can be as simple as a trailer with service personnel placed on a property clustered next to a few key customers doing audits and making sure everything is running smoothly.

Furthermore, on-time delivery and short response time to customers must be constantly improved, and we consider fast reaction to customer requests, and operational excellence a precondition for a successful business.

In addition, customers are asking for training programmes for operators; especially within safety and corporate social responsibility so another key priority for us is to continue to develop and expand the training offerings provided by FLSmidth Institute.



Bjarne Moltke Hansen
Group Executive Vice President

"We will continue to put an effort into training, health, and safety. We do this to create better organisations that can run the plants with fewer people, more professionalism, and lower attrition rates."

A key priority within the Customer Services project business is to develop and sell sustainable solutions – waste heat recovery and alternative fuels. This business is growing by leveraging two of FLSmidth's core strengths: process knowledge and project execution.

Within the operation and maintenance part of the Customer Services business, performance and safety is everything. We must uphold a constant focus on performing and improving through technical support, process optimisation, KPI management, safety measures predictive maintenance, spares and 24/7 services. We are committed not only to operating the customer's plant as efficiently as possible, but also to maintaining it in prime condition. Our maintenance concept is simple: solve problems before they happen. We want to deliver performance and become best-in-class at what we do.

Material Handling

2012

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

Business model in Material Handling

The Material Handling division brings to FLSmidth the complete range of material handling technologies that allow our customers to convey raw and bulk materials. It provides raw ore crushing, transport, stacking, blending, storage and stockyard management, ship loading/unloading facilities for import and export of bulk materials, as well as automation and control systems. Furthermore, environmental control systems and engineered drive solutions are part of the division's portfolio.

The division offers globally state-of-the-art Material Handling technology, all engineering trades required, manufacturing/fabrication, civil works, erection and commissioning as well as operational and maintenance services.

The conveying part of the Material Handling business covers all types of conveyors, from in-pit to overland profiling types, in-plant conveyors, pipe conveyors, apron and belt feeders as well as enclosed scraper chain types.

Stacking, blending, and storage of bulk materials and stockyard management are covered by all types of conventional stacking and reclaiming technology as well as mobile systems for heap leach, including boom spreaders and portable conveyors. Road and rail loading/unloading systems are also part of the Material Handling portfolio.

For port facilities the following products are offered: ship loaders and unloaders, transfer systems, pneumatic unloaders, screw unloaders and conveying systems.

Material Handling

DKKm	2012	2011	Change (%)	Q4 2012	Q4 2011	Change (%)
Order backlog	**4,773**	**5,145**	-7%	**4,773**	**5,145**	-7%
Order intake	**4,565**	**5,491**	-17%	**675**	**1,232**	-45%
Revenue	**4,997**	**5,005**	0%	**1,326**	**1,772**	-25%
Gross Profit	**604**	**878**	-31%	**29**	**326**	-91%
Gross margin	*12.1%*	*17.5%*		*2.2%*	*18.4%*	
EBITDA	**-140**	**276**	-151%	**-167**	**165**	-201%
EBITDA margin	*-2.8%*	*5.5%*		*-12.6%*	*9.3%*	
EBITA	**-186**	**225**	-183%	**-177**	**139**	-227%
EBITA margin	*-3.7%*	*4.5%*		*-13.3%*	*7.8%*	
EBIT	**-247**	**146**	-269%	**-203**	**115**	-277%
EBIT margin	*-4.9%*	*2.9%*		*-15.3%*	*6.5%*	
Number of employees	**3,435**	**3,096**	11%	**3,435**	**3,096**	11%

There is a large structural demand for material handling equipment. As ore grades of mined materials continue to decline, the quantities to be moved and processed increase rapidly. And as ore deposits become less accessible, typically more overburden material has to be removed to get down to the ore body – up to 10 times the tonnage of ore produced. Bulk materials are often exported and imported in large quantities, requiring additional material handling equipment at both ends.

FLSmidth offers large scale, customised, integrated and energy-efficient material handling solutions which are a modern, economic and environmentally sustainable alternative to traditional conveying methods (such as trucks), requiring less man-power and fuel.

The Material Handling division serves all the major focus markets of FLSmidth, but the most important markets are coal, iron ore, fertilizers and cement.

More specifically, the customer base mainly consists of mining companies; global diversified miners, regional miners, local miners, junior miners, global engineering companies, mining service companies, utilities, and steel and cement producers.

The division has a global presence with 3,435 employees (end of 2011: 3,096).

Financial results for 2012

The order intake decreased 17% to DKK 4,565m in 2012 (2011: DKK 5,491m). The order intake in Q4 2012 amounted to DKK 675m representing a decrease of 45% compared to Q4 2011 (Q4 2011: DKK 1,232m) and a sequential decrease of 60% (Q3 2012: DKK 1,675m). The modest order intake reflects a primary focus on improved operational excellence and a prudent tender approach, and a temporary slowdown in market activity.

The order backlog decreased 7% to DKK 4,773m at the end of 2012 (end of 2011: DKK 5,145m).

Revenue was more or less unchanged in 2012 at DKK 4,997m (2011: DKK 5,005m). Overall, the translating of foreign currency into DKK had a positive effect on revenue amounting to 1% in 2012 compared to 2011. Revenue decreased 25% to DKK 1,326m in Q4 2012 (Q4 2011: DKK 1,772m), reflecting the modest order intake for the year.

The gross profit decreased 31% to DKK 604m in 2012 (2011: DKK 878m), whilst the gross margin decreased 5.4% points to 12.1% (2011: 17.5%). The gross profit decreased 91% to DKK 29m in Q4 2012 (Q4 2011: DKK 326m), equivalent to a gross margin of 2.2% (Q4 2011: 18.4%). The considerable decline in gross margin is primarily a consequence of the execution challenges explained below.

Earnings before amortisation and write-down of intangible assets (EBITA) totalled DKK -186m in 2012 (2011: DKK 225m), corresponding to an EBITA ratio of -3.7% (2011: 4.5%). EBITA amounted to DKK -177m in Q4 2012 (Q4 2011: DKK 139m), equivalent to an EBITA margin of -13.3% (Q4 2011: 7.8%). Similar to Q3 2012, Q4 2012 was impacted by provisions and incurred costs in connection with project execution challenges experienced by the Material Handling division. The execution challenges are related to underestimated risks on orders received in previous years combined with lack of timely handling and mitigation hereof. The consequence has been extended time schedules and liquidated damages, as well as cost overruns related to extended stay on site, quality issues and correction of engineering errors on site, as well as underestimated costs related to material and manpower. The cost overruns are in particular related to 10 projects out of a total of 250 projects in the Material Handling division. Another 15 projects are experiencing some cost overruns.

Throughout the year, a number of initiatives have been put in place to transfer project management know-how and best practices from other divisions and to build up competencies in the Material Handling division. On 1 July 2012, Group Executive Vice President Carsten R. Lund took office as the new division head. An exercise of identifying all larger project risks has been undertaken by a global project review team and all endeavors have been undertaken to ensure that the necessary provisions have been made in 2012. However, the projects mentioned above will contribute with a zero contribution margin until they are gradually executed over the next 12-18 months.

Earnings before interest and tax (EBIT) totalled DKK -247m in 2012 (2011: DKK 146m) corresponding to an EBIT margin of -4.9% (2011: 2.9%). EBIT amounted to DKK -203m in Q4 2012 (Q4 2011: DKK 115m), equivalent to an EBIT margin of -15.3% (Q4 2011: 6.5%).

Market developments

All production of minerals and cement include a material handling stage in any mine or plant in any part of the world. Material Handling is among FLSmidth's biggest potential growth sectors, but the short-term outlook for bulk materials such as coal and iron ore has weakened throughout 2012 based on declining capital expenditure investment commitments by mining companies as well as declining commodity prices and increased inventories. However, the clarification of the internal project execution challenges in Material Handling has overshadowed the market developments the past year.

Despite a weakening short-term outlook, primary focus on improved operational excellence and a prudent tender approach, the list of potential projects contains promissing opportunities – particularly within mobile conveying and in-pit crushing systems – and the medium and long term prospects are encouraging.

The major industries are coal, iron ore and fertilizers because they are bulk materials where the product volume is not much different from the feed volume. Material handling for cement plants is at the lower end of the capacity scale. Growth within material handling in the cement industry will be directly proportional to FLSmidth's growth in this industry.

Despite the increasing awareness and fears about global warming, the coal industry is here to stay. It appears the growth in coal output will double within the next two decades, as coal remains by far the cheapest way to generate electricity on a large scale.

The demand created by industrialisation in China and India and the consequent growth of the middle-classes in these countries will make power consumption per head increase significantly. In addition, governments have committed to provide all of their citizens with electricity so hundreds of millions of people in rural communities will become electricity consumers. It is highly unlikely that, even for political reasons, China and India will slow down their pace of development to protect the world from greenhouse gas emissions.

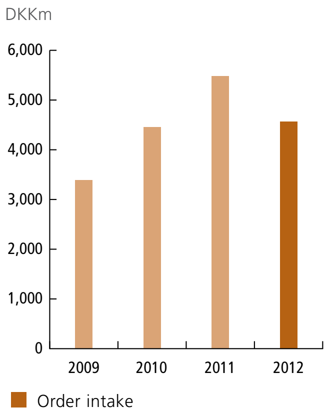
Finally, the expansion of the world's steel industries, particularly in Asia, will significantly increase the demand for high quality coking coal (coke). This will lead to further development of reserves in Australia, South Africa, Indonesia and the seaborne trade of coal.

Growth in the iron ore industry is being fuelled by growth in the BRIC countries – Brazil, Russia, India, China – as well as in Canada. The investment in infrastructure in these countries is expected to boost the demand for iron ore and steel production across the world. Iron ore is primarily available in Australia, Brazil, India and China. The main exporting countries are Australia and Brazil, which have minimal internal consumption. Most export goes to China where the quality of iron ore is poor, and the plants therefore have to rely on imports of high quality ore. India was among the first 10 steel producing countries and still has both iron ore resources and a demand for steel.

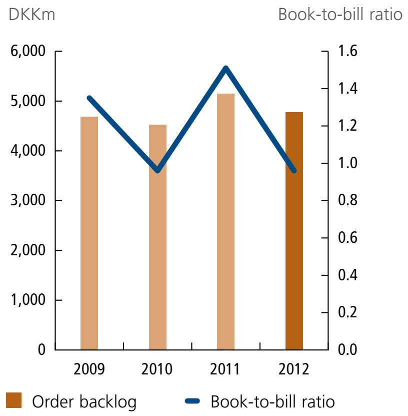
As the quality of iron ores decreases and the generation of fines and waste increases, there will be a requirement for further processing. Globally, the iron and steel businesses are expected to grow from 1.4bn tonnes to 1.9bn tonnes per year during the next few years.

The fertilizer business (potash and phosphates) is influenced by four main market drivers. Firstly, population and incomes are

Order intake



Order backlog and book-to-bill ratio



growing especially in developing countries such as China and India. This has a major impact on the increase in food and fertilizer demand.Secondly, improved social conditions lead to a change in diet. The use of grain has increased substantially, which means an increase in the use of fertilizer. Thirdly, bio fuel especially in the USA is boosting the fertilizer business. Bio fuel is produced by corn and cereal grains, requiring fertilizer. Last but not least, the available arable land pro capita continues to fall as the population grows. To produce the same amount of food from fewer square metres, production is boosted by the use of more fertilizer.

Except in the case of bio fuel these market drivers are fully predictable. Analysts expect the fertilizer market to grow 3-5% by itself year by year. Plans for expansion are announced by the fertilizer companies making it fairly easy to calculate the potential for expansion of FLSmidth's business. The phosphate business will mainly be driven by greenfield projects in the Middle East, North Africa and Brazil. The clear trend in potash is to expand existing plants.

Operational highlights 2012

As previously communicated, the Material Handling division has faced challenges related to project execution, stemming from insufficient integration and underestimated risks in connection with orders received in previous years, combined with a lack of timely handling and mitigation hereof.

As a consequence of this, a number of initiatives have been put in place; including transfer of project management know-how and best practices from other divisions as well as strengthening of the divisional Management Group. The primary focus is now on improved operational excellence.

In 2012, FLSmidth received a large contract from the long-term customer Vale for supply of material handling equipment to the Port of Nacala in Mozambique. Mozambique has large deposits of coal, and the material handling equipment provides the customer with enhanced handling and export facilities for their coal mine in Mozambique.

FLSmidth is also currently delivering a very large phosphate handling system and related port terminal in Morocco. Its capacity of 31,000 tonnes per day makes it one of the largest phosphate export facilities in the world.

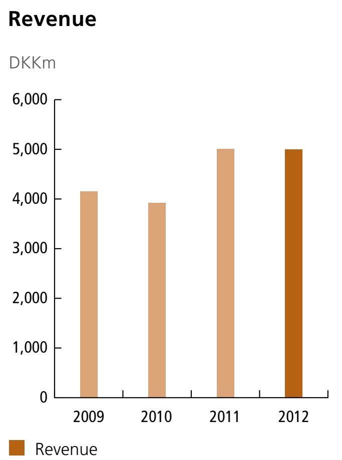
In Jordan, FLSmidth is in the final stages of commissioning another major phosphate storage and ship loading facility for the Jordan Phosphate Mining Company, a long time customer for FLSmidth's material handling and process equipment.

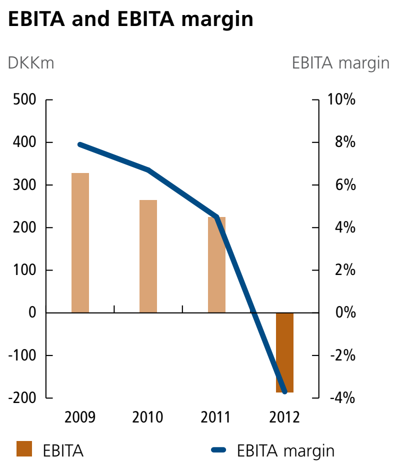
In Indonesia, FLSmidth is building a material handling system, including in-pit crushing and conveying technology to handle coal from the mine, crush it and move it. The system will move 50 million tonnes of overburden per year. As the project only deals with 1/6 of the rock that the customer has, it offers potential for follow-up orders for identical systems.

Outlook for 2013

It is expected that revenue in 2013 will be in the range of DKK 4bn to 6bn (2012: DKK 5bn) reflecting a weak short-term market outlook and a continued prudent tender approach.

It is expected that the EBITA margin in 2013 will be larger than 0% (2012: -3.7%) as a result of a slow but gradual improvement in operational excellence. Though provisions have been made in 2012 for anticipated losses in relation to challenging projects, these projects will proceed with a zero-margin contribution until executed, which means that the margin is expected to improve gradually as the projects are finalised.





2012

One Source capabilities in all of our key industries

I have enjoyed being with FLSmidth for 24 years in varying managerial positions. Since July 2012, I have held the position of Group Executive Vice President, Material Handling. Assuming this new position necessitated my relocation to our global technology centre for material handling in Wadgassen, Germany.

My overall goal for the Material Handling division is that we shall be able to offer value added One Source capabilities in all of our key industries. Based on our unique value proposition, which entails innovative and sustainable solutions as well as engineering, procurement and construction capabilities, we offer "material handling solutions from mine to ship" – supplying material handling systems from the pit to the processing plant, inside the processing plant and from there to the load-out terminal ready for the customers to distribute to their global clients.

Some of today's main industry drivers are reduced ore quality, deeper ore bodies and tighter environmental constraints on existing and greenfield mining operations. These drivers increase the need for material handling equipment, since more material has to be moved per ton of finished product. And this material has to be moved and processes with reduced emissions and reduced water consumption. Furthermore, the industry is increasing its focus on total production costs, and we support this via our key focal areas of cost effective solutions, total cost of ownership and the ability to act as local full-service provider.

"In Material Handling we are widening our capability footprint to get involved in more business – especially in Australia, South East Asia, Brazil and other key growth areas. FLSmidth has a complete range of quality products and solutions that are valued in the market."

Our major clients have expressed a need for having a partner that bundles three major elements; the actual material handling systems, material sampling and plant controls and environmental control systems. In response to this request the Material Handling division incorporates three organisational business units capable of catering for the customers' needs. The capability to design material handling systems is available in our global Material Handling business unit. In our Automation business unit we develop and supply state of the art sampling and automatic laboratory systems as well as integrated plant control solutions. Finally, our Environmental Control business unit provides air pollution control systems for our material handling solutions and to many industrial clients. Underlining our engineering and manufacturing excellence, the division includes a fourth business unit that supplies Engineered Drive solutions to all our global clients.

Our customers place major emphasis on health and safety and environmental issues, as well as on reducing costs. In response to this, Material Handling places strong emphasis on in-pit crushing and conveying, which, partially or completely, replaces truck transport with innovative movable crushing units and continuous conveyors that increase safety, reduce environmental impact and minimise costs. Advantages of in-pit crushing and conveying are lower cost, lower power consumption, lower manpower demand as well as less pollution and lower CO_2 emissions. Furthermore, in-pit crushing and conveying creates a safer work place by minimising heavy traffic of ever increasing size massive haul trucks.

Carsten R. Lund
Group Executive Vice President

Mineral Processing

2012

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

Business model in Mineral Processing

Mining is a global business where solutions are tailored to the type of ore to be processed, and not to the part of the world in which the technologies are delivered. In fact, many projects are designed by engineering houses located on different continents than the mine sites, and often for customers that are located on yet another, third continent. Accordingly, FLSmidth's Mineral Processing division has deployed a global-local structure that facilitates global coordination and standardisation and leverages our global scale with a strong local presence in important mining locations to provide customised life cycle support for our mining customers' operations.

The headquarters and global technology centre of the Mineral Processing division is located in Salt Lake City, USA with additional product satellites in Bethlehem, Tucson, and Johnson City in the USA, Vancouver in Canada and Brisbane and Melbourne in Australia. These centres each have product(s) they manage globally by either supporting local offices with the sale and delivery direct to customers or into larger One Source projects executed by FLSmidth globally.

Mineral Processing also has local offices strategically located in all the major mining locations around the world. They work closely with the technology centre and product satellites to sell and deliver the division's products, systems and services. They are arranged

Mineral Processing

DKKm	2012	2011	Change (%)	Q4 2012	Q4 2011	Change (%)
Order backlog	**9,589**	**8,779**	9%	**9,589**	**8,779**	9%
Order intake	**10,318**	**9,731**	6%	**2,467**	**2,507**	-2%
Revenue	**9,512**	**6,766**	41%	**3,358**	**2,503**	34%
Gross Profit	**2,196**	**1,548**	42%	**829**	**521**	59%
Gross margin	*23.1%*	*22.9%*		*24.7%*	*20.8%*	
EBITDA	**1,079**	**859**	26%	**483**	**362**	33%
EBITDA margin	*11.3%*	*12.7%*		*14.4%*	*14.5%*	
EBITA	**1,000**	**815**	23%	**457**	**349**	31%
EBITA margin	*10.5%*	*12.0%*		*13.6%*	*13.9%*	
EBIT	**773**	**689**	12%	**426**	**316**	35%
EBIT margin	*8.1%*	*10.2%*		*12.7%*	*12.6%*	
Number of employees	**2,833**	**2,186**	30%	**2,833**	**2,186**	30%

in three territories within similar time zones to facilitate communication. The number of employees in Mineral Processing totalled 2,833 at the end of 2012 (end of 2011: 2,186).

The division is organised around the three main processes which the mining industry uses to separate and refine metals from ore;

1. The Concentrator Technology group – includes the products for crushing, milling, flotation, thickening, filtering and screening
2. The Hydrometallurgy Technology group – includes the products for gravity concentration, downstream gold processing, lixivation, solvent extraction, electro winning and centrifugation
3. The Pyrometallurgy group – includes rotary kilns, rotary dryers, gas suspension calciners, preheaters and coolers

The technology groups provide global platforms for Mineral Processing products to align them with complete production systems. The three technology groups work closely together, as there is often a need to trade products between them to complete a minerals processing flow sheet.

Going forward, all three technology groups will focus on selling more complete systems and increase the amount of extended scope of supply of goods and services they include with them. These include basic and detailed plant and process engineering, third party items, and bulk commodity items, as customers increasingly value having these seamlessly integrated into their plants by technology suppliers.

A global plant design group and a global process group based in Salt Lake City, with teams of engineers in India and other key local offices, support the extended scope supply activities for all three technology groups. The process group focuses on developing innovative and efficient flow sheets, utilising predominantly FLSmidth products that meet the production requirements of our customers. FLSmidth's world class ore characterisation and process mineralogy lab gives a deep understanding of customers' ores needed to fully optimise FLSmidth flow sheet solutions.

The plant design group engineers the system following the flow sheet developed by the process group. Depending on the type of process and requirements of the customer, it could be a small part of a larger system, i.e. "island", a production line or a complete plant. The scope of supply could be basic engineering only or include detailed engineering and also procurement of all items needed to build the plant. Regardless of the process or scope of supply, the plant design group focuses on designing systems with high operability, maintainability and constructability to ensure that both operational expenditures and capital expenditures are minimised. Standardisation and modularisation will be increasingly utilised to lower the total installed cost of the systems FLSmidth delivers.

In addition to the three technology groups, the Mineral Processing division has other products that are supported by the product companies, FLSmidth Krebs and FLSmidth Abon. FLSmidth Krebs designs, manufactures, supplies and supports pumps and cyclones, and FLSmidth Abon does the same for sizers.

A key focus area for FLSmidth is the development of sustainable solutions. An example of this within Mineral Processing is dry tailings systems which reduce the environmental impact of mining operations by saving water and eliminating tailings ponds and associated dams. FLSmidth is a leader in this area and the only company that can supply a complete dry tailings system based on in-house, proprietary, de-watering and dry stacking technologies.

Financial results for 2012

The order intake increased 6% to DKK 10,318m in 2012 (2011: DKK 9,731m). The key activity drivers were copper and gold investments and the bundled sales of products. The order intake in Q4 2012 amounted to DKK 2,467m representing a decrease of 2% compared to Q4 2011 (Q4 2011: DKK 2,507m) and a sequential decrease of 5% (Q3 2012: DKK 2,598m).

The order backlog increased 9% to DKK 9,589m at the end of 2012 (end of 2011: DKK 8,779m) as a result of the sound order intake.

Revenue increased 41% to DKK 9,512m in 2012 (2011: DKK 6,766m), explained by the 63% rise in order intake in 2011 and the strong order intake in Q1-Q2 2012, since lead times for products and projects are up to two years. Overall, the translating of foreign currency into DKK had a positive effect on revenue amounting to 5% in 2012 compared to 2011. Revenue increased 34% to DKK 3,358m in Q4 2012 (Q4 2011: DKK 2.503m).

The gross profit increased 42% to DKK 2,196m in 2012 (2011: DKK 1,548m), whilst the gross margin increased 0.2% points to 23.1% (2011: 22.9%). The stable gross margin evidences that the significant volume expansion from 2010 to 2012 has taken place without compromising margins. The gross profit increased 59% to DKK 829m in Q4 2012 (Q4 2011: DKK 521m), equivalent to a gross margin of 24.7% (Q4 2011: 20.8%).

Earnings before amortisation and write-down of intangible assets (EBITA) increased 23% to DKK 1,000m in 2012 (2011: DKK 815m), corresponding to an EBITA ratio of 10.5% (2011: 12.0%). The EBITA margin was negatively impacted by costs of one-off nature related to acquisitions. EBITA increased 31% to DKK 457m in Q4 2012 (Q4 2011: DKK 349m), equivalent to an EBITA margin of 13.6% (Q4 2011: 13.9%).

Earnings before interest and tax (EBIT) increased 12% to DKK 773m in 2012 (2011: DKK 689m) corresponding to an EBIT ratio of 8.1% (2011: 10.2%). The EBIT result was negatively impacted by approximately DKK 60m as a consequence of the R&D impairment loss in Q2 2012. In Q4 2012, EBIT increased 35% to DKK 426m (Q4 2011: DKK 316m), equivalent to an EBIT margin of 12.7% (Q4 2011: 12.6%).

Market developments

Increasing demand for minerals is driven by population growth, a growing middle class and urbanisation and industrialisation in developing countries, particularly China. Capacity utilisation at existing mines is high as miners take advantage of today's favourable commodity prices, especially for copper and gold. Iron ore and metallurgical coal prices are on the rise, driven by rising demand for steel – especially from China – from the low levels seen the last few quarters. Thermal coal prices remain low as natural gas continues to displace coal for power production. Decreasing ore grades are also creating additional demand for more production capacity; especially for copper, gold and to a lesser extent iron ore.

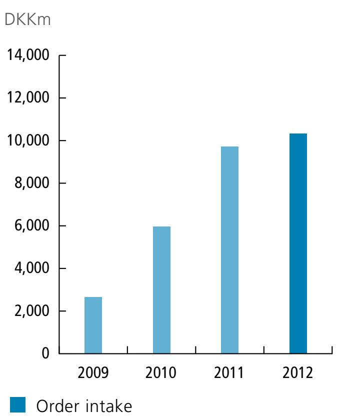
Installation of new capacity is often challenged by lengthy permitting processes, power and water shortages, investment budget overruns and tighter financing; the later particularly for small and mid-sized miners. Moreover, the current macroeconomic uncertainty is causing some hesitation in decision-making. However, a strong pipeline of mid-size projects and plant modifications aimed at increasing capacity and efficiency remains in the tendering queue, while greenfield exploration is shifting to areas with more alluring investment climates such as Africa, Mexico, Canada and the CIS-countries.

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

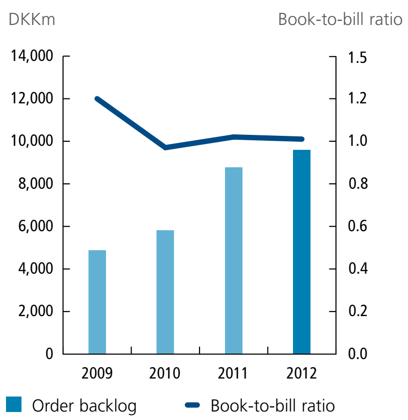
Gold is also an important commodity for FLSmidth. FLSmidth has the most complete flowsheet in the business where customers are increasingly looking for one source suppliers with extended scope capabilities. A special focus has been put on developing gold to hedge the other minerals activities due to its countercyclical tendencies and ability to absorb overhead in active projects in lean economic times.

The recent acquisitions of Ludowici Limited and Decanter Machine Inc. substantially completed FLSmidth's coal preparation flowsheet where FLSmidth now has clear market leadership. Once the current

Order intake



Order backlog and book-to-bill ratio



excess coal production capacity is absorbed by the market, hopefully by the end of 2013, FLSmidth is well positioned to take a significant share of new coal preparation plant capital expenditures.

Iron ore and fertilizers, primarily potash and phosphate, are currently less important commodities for the Mineral Processing division but the intention is to grow in these industries through further flowsheet development.

Operational highlights 2012

In 2012, FLSmidth established a world class ore characterisation and process mineralogy laboratory in Salt Lake City, USA. This facility is part of a focused strategy to increase research and development as well as process competencies to take an industry leadership position in developing new flowsheet solutions that address present and future mineral processing challenges.

A gap in the gold flow sheet for gravity concentration was filled with the acquisition of the Canadian company Knelson in 2011 and the subsequent acquisition of their operations in Irkutsk, Russia, which was completed in 2012. This strengthens FLSmidth's offerings in Russia and the CIS-countries; especially in the precious metals processing segment. In 2012 FLSmidth received a number of new orders for the innovative Knelson fine grinding mill from gold operations in Africa and Mexico and a copper miner in Mongolia, which will serve as important references for this emerging grinding technology.

Also in 2012, FLSmidth completed the acquisition of Ludowici, an Australian company with a global footprint and a leader in certain coal preparation and screening technologies. This has enabled FLSmidth to substantially strengthen its coal preparation flowsheet and fill the remaining screening gap in its copper, gold and iron ore concentrator systems. Ludowici also contributed with a significant local presence in the important Australian mining market in addition to a well developed wear parts business which FLSmidth will expand to other products in its portfolio.

To supplement its coal preparation flow sheet, FLSmidth acquired Decanter Machine based in Johnson City, USA in September 2012. Decanter is recognised as the global leader in the manufacture of screen bowl and hyperbaric centrifuges for coal preparation as well as other priority FLSmidth minerals, like fertilizers.

In the USA and Russia, FLSmidth in 2012 received orders to supply most of the key technologies and services for major gold processing plants. FLSmidth's One Source approach and strong local presence were important factors in winning these key contracts.

Also in 2012, FLSmidth received major orders for the main machines for large greenfield copper concentrators in South America. FLSmidth has a strong local presence in South America, in addition to extensive knowledge of the region and its key mining industry.

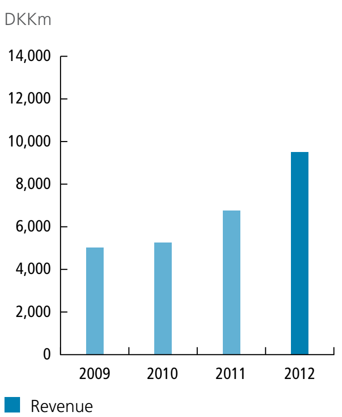
Finally, FLSmidth's One Source strategy developed well in 2012 with the awarding of major, extended scope, copper concentrator contracts in Mongolia, Armenia, the Middle East and Kazakhstan. In addition to all the production machines and technologies, FLSmidth will supply the process design, basic and detailed engineering, auxiliary equipment and erection, start-up and commissioning services.

Outlook for 2013

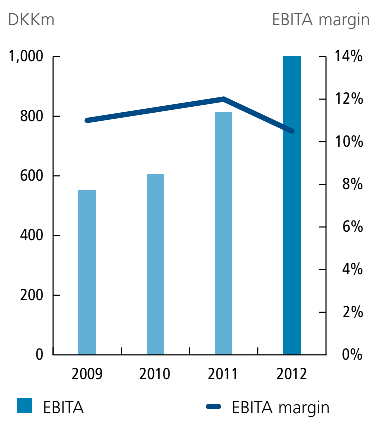
Given the strong order intake in 2011-2012, it is expected that revenue in 2013 will be in the range of DKK 10bn to 12bn (2012: DKK 10bn).

It is expected that the EBITA margin in 2013 will be in the range of 8% to 10% (2012: 10.5%) due to the fact that the order backlog will be emptied for good pre-crisis orders, and that margins will be hit by costs of one-off nature related to integration of acquisitions.

Revenue



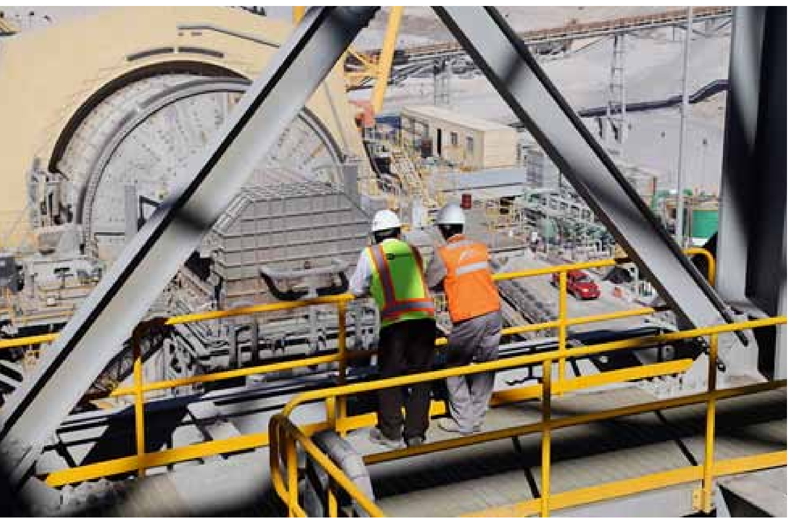
EBITA and EBITA margin



2012

Putting it all together

■ Having been with FLSmidth, and several of its legacy companies for 24 years, I was very excited when I was asked to take the reins of our Mineral Processing division in March 2012 as the first non-Dane Group Executive Vice President in FLSmidth's 131 year history. Based in Salt Lake City, USA, the headquarters and global technology centre of our mineral processing activities, my goal is to finalise the transition from product supplier to integrated solutions provider by "putting it all together".



A key component of this One Source strategy is to develop cradle to grave relationships with our customers. From supporting the initial analysis of their mineral resources to designing and supplying technology or a complete system to exploit it; including spare and wear parts, and operation and maintenance services to ensure it operates at optimum efficiency throughout its life cycle. Our customers' needs are different and therefore our approach must be flexible, so they can choose which solutions and what scope of supply best fit their requirements.

"In Mineral Processing we aim to be our customers' One Source supplier for unlocking their mineral resources safely, efficiently and sustainably. We do this by developing a deep understanding of their ore mineralogy, applying our best in class technologies into efficient, complete production systems, and delivering these to demanding, global project locations on time, on budget and right."

One of my key priorities is therefore to get even closer to our customers. Their challenges are our opportunities which naturally shape the solutions we offer. Safety, increasing raw material and energy costs, decreasing head grades, complex mineralogy, water scarcity, difficult environmental permitting, increasing project capital expenditures and retirement of industry experience are key challenges facing miners, for which we have solutions, today.

For example, in 2012 we opened a state-of-the-art ore characterisation and process mineralogy laboratory in Salt Lake City which is already helping mining companies analyse their complex ores. And we have assembled some of the industry's top process talent to develop optimal flow sheets to process those challenging ores.

To reduce our customers' capital expenditures, we have a plant design group that seamlessly integrates our leading technologies into islands or complete production lines based on the innovative flowsheets developed by our process group. In early 2012, the Mongolian miner MAK awarded us a contract to do exactly that for their greenfield copper concentrator. And we have won two additional "One Source" contracts since. Going forward, we will focus on optimising and standardising our plant designs, utilising modularisation concepts wherever possible.

We are also working hard to ensure that our individual products meet the challenges faced by our customers. Like our dry tailings filter which reduces water usage and opens the opportunity to completely eliminate tailings ponds and associated environmental liabilities. And to reduce power, in 2012 we successfully introduced our High Pressure Grinding Roll technology to mining applications after many years of successful, lower power operations in the global cement business.

Another key priority for me is to ensure that products and services from our other divisions are integrated into the solutions we offer. Like our automation systems to run the plants we deliver, the material handling machines that bring in the ore, and our talented field service personnel that help our customers install, maintain and operate the plants. We are extremely fortunate to have the best people in the business; it is our key competitive advantage. When coupled with our leading technologies, success is simply a matter of putting it all together.

Peter Flanagan
Group Executive Vice President

Cement

2012

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

Business model in Cement

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

Global responsibility for technology, innovation and design of the Group's key machinery is centralised in a global organisation to ensure that all projects worldwide maintain a consistent and high technological standard. The Indian organisation increasingly serves as a support centre for the project centres in Denmark and the USA.

Most of the actual manufacturing of machinery and equipment is outsourced to subcontractors and external partners. However, FLSmidth operates its own manufacturing plant in Manheim, USA and a foundry in Chennai, India, both for the production of spare parts, and a manufacturing plant in Qingdao, China for the production of certain key components. In addition, there are manufacturing facilities in Germany, Italy and India in connection with specialised product companies. The number of employees in Cement totalled 2,554 at the end of 2012 (end of 2011: 2,725).

FLSmidth's main competitive advantages are a strong brand representing quality and reliability throughout many years, a large organisation with global reach and local presence, which is an advantage both in project sales and customer services, our ability to execute large projects successfully, a complete product portfolio of technologically advanced products which means that we only have to include few products from external vendors and finally a strong focus on environmentally friendly solutions.

Cement

DKKm	2012	2011	Change (%)	Q4 2012	Q4 2011	Change (%)
Order backlog	**7,585**	**7,749**	-2%	**7,585**	**7,749**	-2%
Order intake	**4,599**	**4,438**	4%	**615**	**1,113**	-45%
Revenue	**4,214**	**4,354**	-3%	**1,498**	**1,333**	12%
Gross Profit	**1,269**	**1,156**	10%	**409**	**394**	-4%
Gross margin	*30.1%*	*26.6%*		*27.3%*	*29.6%*	
EBITDA	**788**	**541**	46%	**317**	**232**	37%
EBITDA margin	*18.7%*	*12.4%*		*21.2%*	*17.4%*	
EBITA	**752**	**494**	52%	**307**	**229**	34%
EBITA margin	*17.8%*	*11.3%*		*20.5%*	*17.2%*	
EBIT	**669**	**475**	41%	**304**	**221**	38%
EBIT margin	*15.9%*	*10.9%*		*20.3%*	*16.6%*	
Number of employees	**2,554**	**2,725**	-6%	**2,554**	**2,725**	-6%

Financial results for 2012

The order intake increased 4% to DKK 4,599m in 2012 (2011: DKK 4,438m) despite weak market fundamentals. The order intake declined 45% in Q4 2012 to DKK 615m (Q4 2011: DKK 1,113m). The overall order intake in Cement negatively reflected the fact that traditionally large cement markets were at a standstill for various reasons. In India, high growth has led to high inflation, which is being countered by high interest rates and a consequent slowdown in investments, which is expected to continue until the general elections in spring 2014. In North Africa, the political situation is still marked by uncertainty and unpredictability, which has temporarily curbed the willingness to invest as well as reduced consumption of cement.

The order backlog decreased 2% in 2012 to DKK 7,585m (end of 2011: DKK 7,749m) but would have increased, was it not for the decision to terminate a contract worth DKK 350m which has been inactive since 2009. The contract terminated is the Russian LLC SGMK Uchulensky project (Company Announcement No. 41-2008). The decision has no negative impact on current or expected results.

Revenue decreased 3% to DKK 4,214m in 2012 (2011: DKK 4,354m). Overall, the translating of foreign currency into DKK had no effect on revenue in 2012 compared to 2011. Revenue increased 12% to DKK 1,498m in Q4 2012 (Q4 2011: DKK 1,333m). The foreign exchange effect of translating into DKK had a positive impact on revenue of 1% compared to 2011.

The gross profit increased 10% to DKK 1,269m in 2012 (2011: DKK 1,156m), whilst the gross margin increased 3.5% points to 30.1% in 2012 (2011: 26.6%). The higher gross margin is due to better than expected order execution and reversal of contingencies and provisions in connection with finalisation of projects taken in pre-crisis years.

Earnings before amortisation and write-down of intangible assets (EBITA) increased 52% to DKK 752m in 2012 (2011: DKK 494m), corresponding to an EBITA ratio of 17.8% (2011: 11.3%). EBITA increased 34% to DKK 307m in Q4 2012 (Q4 2011: DKK 229m), equivalent to an EBITA margin of 20.5% (Q4 2011: 17.2%). The extraordinarily high EBITA margin is explained by the high gross margin as mentioned above.

Earnings before interest and tax (EBIT) increased 41% to DKK 669m in 2012 (2011: DKK 475m) corresponding to an EBIT ratio of 15.9% (2011: 10.9%). The EBIT result was negatively impacted by approximately DKK 60m as a consequence of the R&D impairment loss in Q2. EBIT increased 38% to DKK 304m in Q4 2012 (Q4 2011: DKK 221m), equivalent to an EBIT margin of 20.3% (Q4 2011: 16.6%).

Global market for new cement capacity

The global market for contracted new kiln capacity (exclusive of China) amounted to an estimated 40m tonnes per year in 2012 (2011: 46m tonnes per year), which is the lowest level in ten years and lower than expected at the beginning of the year. The primary reasons are that decision making is dragging out and that India is more or less dormant with respect to investments in new cement capacity. Data on contracted kiln capacity are becoming less valid, but FLSmidth maintains a leading position on the global market for cement plants.

The market for new cement kiln capacity is expected to have hit the bottom in 2012 and gradually recover in 2013, depending on overall global economic growth and business sentiment.

The market for cement capacity remains very competitive and price sensitive with every project having multiple bidders. However, it varies from customer to customer whether price is the most important factor. In many cases, customers value FLSmidth technology and expertise higher. But the price still is an important selling point and FLSmidth recognises this and has in recent years managed to significantly reduce the price gap to emerging market competitors.

On a global level, significant overcapacity and, consequently, low utilisation rates persist, resulting in delay of investments in new capacity in a number of countries. Nonetheless, a number of oil rich countries with political stability continue to grow their economies and invest. Proposal activity remains high in many parts of the world, most notably in Latin America and certain parts of the Middle East, parts of Africa and South East Asia, although decision making is dragging out. In India, inquiry levels and tender activity have started to pick up although only limited investments are expected before the general elections in spring 2014. FLSmidth continues to have a leading position in India and is ready to capture the market once investments return.

In the US, the pipeline of compliance projects to satisfy new regulatory requirements in September 2015 has developed into real opportunities. FLSmidth also has a leading market position in the US.

New markets are appearing, like Mongolia, where some customers are active within both minerals and cement. In Mongolia, the development of mineral deposits also requires development of infrastructure, which in turn requires availability of cement. Through its One Source offering, FLSmidth has a distinct capability to cater to customers that are active within both minerals and cement.

An increasing number of EPC – Engineering, Procurement and Construction – projects are being put out for tender and there is strong customer focus on minimising the risk of cost overruns. The current trend is towards larger scope and orders being placed with fewer or only one supplier. Besides, the cement industry is increasingly focusing on environmental issues, which creates opportunities in areas such as alternative fuels, waste heat recovery, reduction of water usage and clinker substitution.

Global cement consumption

Global cement consumption amounted to around 3.7bn tonnes in 2012 (2011: 3.6bn tonnes) of which China accounted for approximately 2.2bn (2011: 2.0bn tonnes) and India approximately 0.2bn tonnes (2011: 0.2bn tonnes). Annual growth in global cement consumption is expected to be 4-5% in the coming years. Cement consumption is currently seeing a slight strengthening of the underlying market.

Cement consumption dropped dramatically after the global financial crisis in 2008 in most parts of the world, however mostly in the developed part of the world.

In Africa, cement consumption has in general been increasing since 2005. This has especially been the case for North Africa, although cement consumption in Egypt and Libya was heavily impacted by the "Arab Spring", the wave of revolutionary protests, in 2011. Cement consumption growth is expected to return in these countries once the political situation stabilises. Additionally, many Sub-Saharan countries are experiencing high economic growth and increasing cement consumption due to income from natural resources.

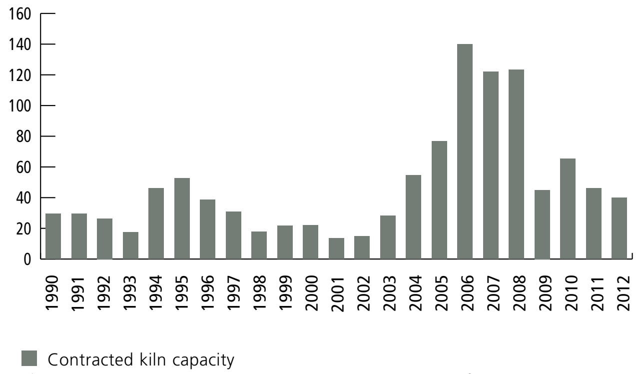
This is also the case for other oil exporting countries – like Russia and the Middle East – where investments are rebounding as oil prices approach pre-crisis levels.

In many parts of South America, demand has been strong, particularly in Brazil where investments were quite significant.

There are positive signs that the US market has started to emerge from its exceptionally low level of cement consumption. Environmental regulation, especially concerning gaseous emissions, is a strong market driver in the US. In December 2012, the industry received some clarity regarding NESHAP environmental regulation,

Global contracted kiln capacity (excl. China) *)

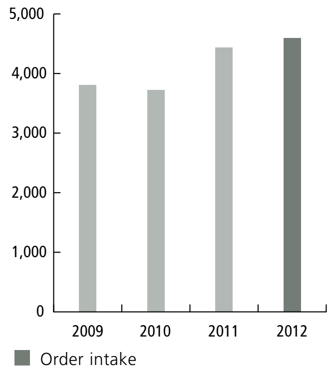
Million tonnes per year



*) FLSmidth will discontinue to report on kiln capacity in future as data are becoming less valid

Order intake

DKKm



with a ruling largely consistent with expectations and a compliance date of 9 September, 2015. Given the conditions of the ruling and that most forecasts suggest cement demand to recover in 2015 and grow steadily thereafter, plants will most likely consider process upgrades to increase production capacity, rather than solely purchasing pollution control equipment.

India is the second largest cement market in the world – only surpassed by China. GDP growth has been close to 10% in recent years although it dipped somewhat in 2012, which also negatively affected the growth in cement consumption as well as new investments in cement capacity.

Operational highlights 2012

A significant achievement in 2012 was the order in February from the Mongolian company, Mongolyn Alt (MAK) Group, to supply a greenfield cement plant. In December 2011, FLSmidth received an order for supply of a greenfield copper concentrator for one of MAK's mines in Mongolia. The orders confirm our expectations for the rapidly developing Mongolian market, where we are establishing a regional Supercenter for both minerals and cement.

Furthermore, FLSmidth received an order for a large EPC project from a customer in the United States for modernisation of their production facility in 2012. The purpose of the project is to convert one of the plant's existing wet process kilns to a preheater, precalciner kiln. As a result, the customer will be able to better fulfil key environmental objectives; reduction of emissions as well as lower energy consumption and hence a smaller carbon footprint.

The Latin American market also presented FLSmidth with a significant cement order in 2012. From a customer in Brazil, FLSmidth received a contract for delivery of equipment and services for their new production line. The project features the latest technology, ensuring that the production process is, both environmentally friendly and energy efficient.

In late April 2012 FLSmidth got a large cement order in the Middle East to supply a complete 6,000 tonnes per day cement production line. FLSmidth has a long history in the Middle East and is maintaining a leading role in serving the growing cement market.

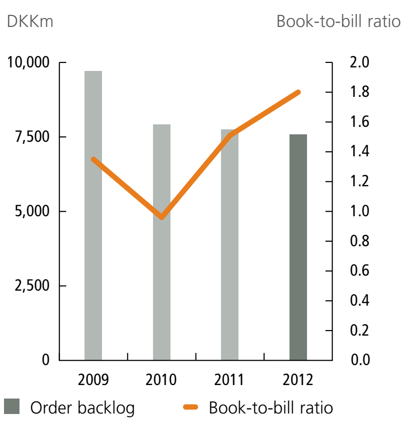
Waste Heat Recovery, with surplus heat being used for power production in a cement plant, is a new, environmentally-friendly and energy-efficient option. FLSmidth has received orders for such systems in Pakistan, UAE and India.

Outlook for 2013

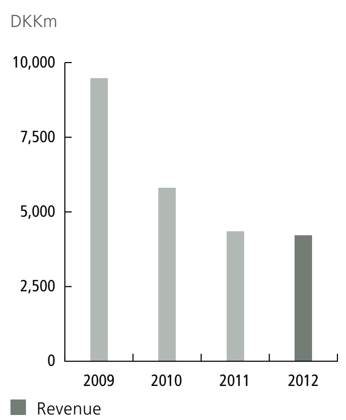
It is expected that revenue in 2013 will be in the range of DKK 5bn to 7bn (2012: DKK 4bn) reflecting a relatively solid backlog going into the year and a view that the market for new cement capacity most likely hit the bottom in 2012.

The EBITA margin development in Cement has been very strong in 2012 due to better than expected order execution and reversal of contingencies in connection with finalisation of projects taken in pre-crisis years. It is anticipated that the EBITA margin in Cement will decline substantially in 2013, reflecting the deteriorating market conditions 2-3 years ago in the wake of the global financial crisis. It is expected that the EBITA margin will trough in 2013 and be in the range of 6% to 8% (2012: 17.8%).

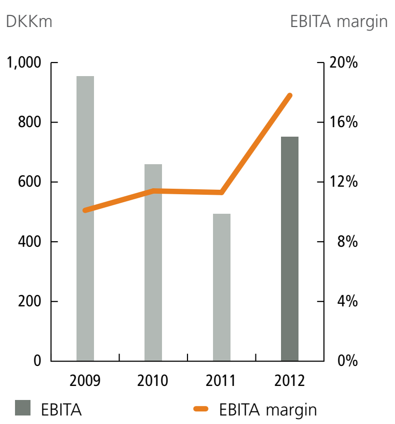
Order backlog and book-to-bill ratio



Revenue



EBITA and EBITA margin



2012

Close cooperation and long term relationships

■ I have been with FLSmidth for 20 years, and as Group Executive Vice President for FLSmidth's Cement division my goal is that we continue to build close and strong long-term relationships with our customers. We must maintain a constant focus on serving our customers better and supplying them with a larger part of the total project.

I believe that our new structure with four divisions will help us get even closer to our customers and serve them locally. One area in which we are working closely with our customers is the provision of capital for CAPEX projects, which continues to be a challenge. A close relationship with our customers is also important in relation to product and technology development and in our efforts to expand our position as supplier of best available technology and trustworthy partner.

The key topic in the cement industry is currently environmental sustainability which in turn creates new market opportunities. My key priorities for the Cement division are therefore centred around six main themes – use of alternative fuels, waste heat recovery, addition of supplementary cementitious materials to cement, reduction of energy input through more efficient machinery, reduction of water usage and increased competitiveness in engineering, procurement and construction (EPC) projects.

"Production of cement causes emissions, which naturally creates a demand for emission reduction. Furthermore, energy consumption is one of the largest costs of running a cement plant. If energy consumption is reduced, both costs and CO_2 emissions are reduced as well and this is a win-win situation."

Per Mejnert Kristensen
Group Executive Vice President

FLSmidth's leading position includes having the technology to be more energy efficient and develop sustainable products. This is where the customers' priorities lie and where we must concentrate our efforts.

Another area on which we need strong focus is our competitiveness in increasing terms of engineering, procurement and construction (EPC) projects – we want to be "Our customers' preferred full service provider". The construction part is more risky but is demanded by customers who regard cement production more as a financial investment and do not necessarily want to be responsible for building and commissioning the plant. And these customers may eventually also want to sign a contract for operation and maintenance.

To sum it all up, it is crucial to me that we can always assure our customers of reliable solutions that lead to consistent and profitable operations. Through close cooperation with our customers, we design customised, complete and sustainable solutions, leveraging global experience and local presence.

Risk management

2012

Risks and risk management are inherent parts of the nature of the majority of FLSmidth's business. Therefore, FLSmidth is prepared to undertake - and undertakes - considerable risks within areas where FLSmidth has the competencies to identify, assess, manage and, if desired, mitigate the risks.

Risk taking is an inherent, necessary and accepted part of FLSmidth's business and its business model, and effectively managing risk is considered a competitive parameter and an integral part of creating shareholder value through good business practices designed to ensure that FLSmidth achieves its strategic, business and governance objectives, and protects its corporate reputation, values and integrity.

FLSmidth's risk management framework and process

The risk management framework applied by FLSmidth is set out in the Group's risk management policy, which describes, the purpose and scope of risk management, the risk management principles, the risk management expectations, the risk management roles and responsibilities, policy authority, the monitoring and review of risks.

FLSmidth's risk management is based on a top down approach that encompasses all divisions and Operating Business Units, as well as all relevant Group functions.

The Board of Directors is ultimately responsible for FLSmidth's risk management policy, and determines FLSmidth's overall risk appetite and risk tolerance within parameters that are important to FLSmidth and its stakeholders, whereas responsibility for assessing, managing, monitoring and follow up on risks lies with the Group Executive Management and day-to-day management of the operating business units and Group functions.

The risk management policy requires that all activities undertaken by FLSmidth shall be evaluated consistent with guidelines, tools and framework advocated by the risk management policy, to ensure that significant risks that are part of the activities have been identified, assessed and addressed. Additionally, and not least important, the risks of not undertaking a particular action or activity must also be assessed.

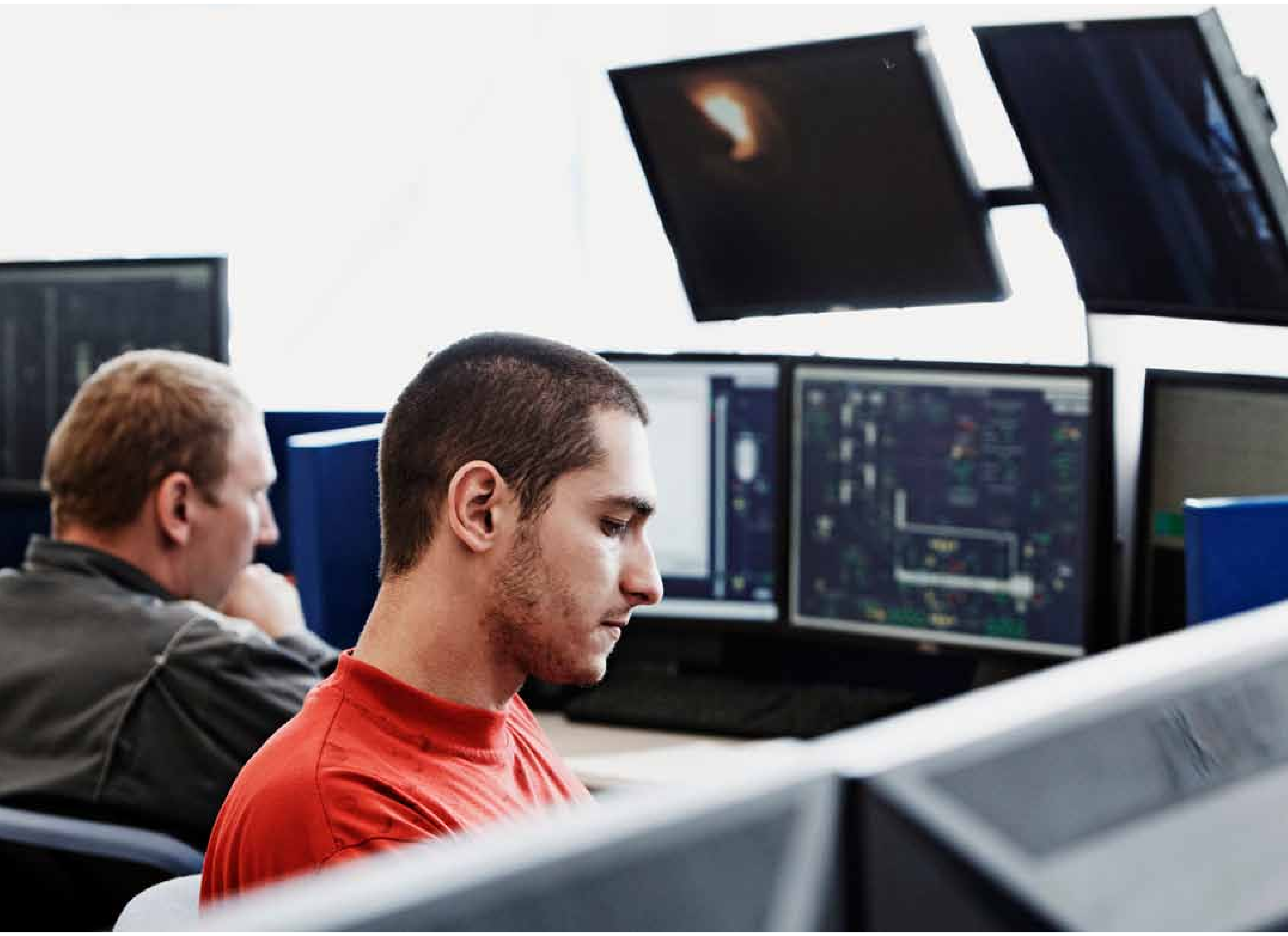
It is a fundamental principle in FLSmidth's risk management philosophy that risks are to be identified, assessed, managed and mitigated as close to the source of the risk as possible, i.e. by those business units or corporate and support functions who are responsible for or affected by the activity or area from which the risk emerges, whether it is an internal or an external risk. Accordingly, risks are identified, assessed, managed and mitigated at the following levels:

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

Risk reporting

The risk management policy requires that the Global Risk Management Department prepares a risk report to the Group Executive Management and to the Board of Directors. This report also includes plans of action for managing the risks concerned.

As an integral part of the Group's financial reporting system, the Group Executive Management is continuously informed about major external risks, as well as risks within the individual business divisions, including in particular in relation to all major projects.



Insurance

An essential risk management tool is to mitigate the financial impact from certain types of risks by way of insurance, thereby transferring the whole or parts of the financial loss if an insured risk materialises to an insurer.

FLSmidth's Global Insurance Department is responsible for FLSmidth's asset risk management and for maintaining and coordinating FLSmidth's insurance program, consisting of a combination of global and local insurance policies.

The Insurance Department, in close cooperation with the Global Risk Management Department, and the external global insurance broker and adviser, continuously evaluates the sufficiency of FLSmidth's insurance portfolio, and takes the necessary action to adjust it as circumstances or Management decisions require. This includes consulting the Insurance Department in respect of insurance requirements on all new major project contracts when they are being negotiated with the customer.

Generally, FLSmidth accepts a certain level of own risk and self-insurance, but the level of self-insurance is adjusted over time depending on the Group's financial strength, the magnitude of the insured risk, and a cost-benefit evaluation based on the options and prices offered by the global insurance market at any given time.

Current risk assessment

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

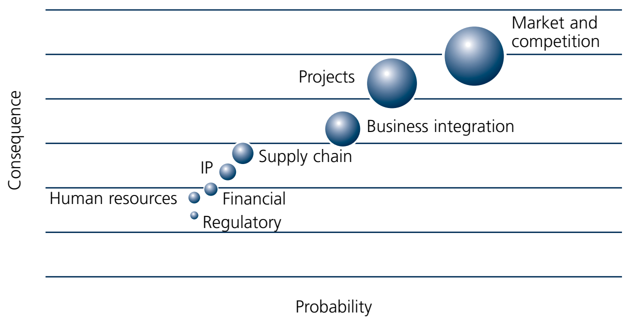
While FLSmidth has a low risk appetite for certain types of risk, such as currency risk, theft of intellectual property rights, business integration risk, IT risk, legal risk, compliance risk and tax risk, FLSmidth is prepared to undertake - and undertakes - considerable project related risks within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

The risk assessment of FLSmidth for 2012 can be described through the following major risk categories in random order of priority.

- Market and competition
- Projects
- Intellectual property (IP)
- Supply chain
- Business integration
- Financial
- Human resources
- Regulatory

In terms of probability and consequence the most significant risks taken from the categories above can be illustrated as follows (the size of the circle illustrates the particular risks' relative magnitude for the FLSmidth Group.

Risk map

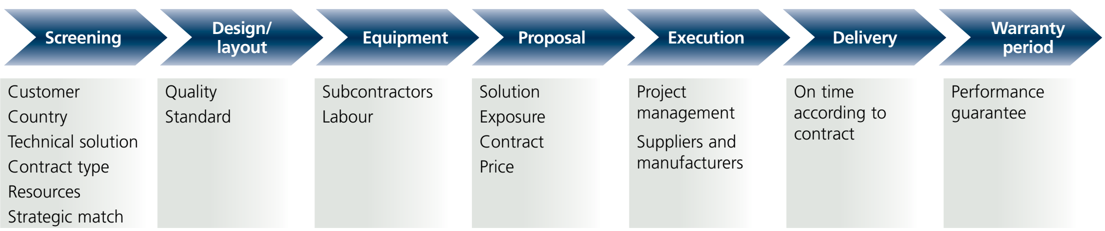


The above risk map is an assessment made by Group Executive Management which is not supported by specific internal or external data.

Risk Assessment and mitigating actions

RISK	CONTEXT	MITIGATION
Market and competition	In the short term, the market situation is characterised by a high degree of uncertainty due to macroeconomic uncertainties and fierce competition in all markets with regard to both product development and price	FLSmidth's flexible cost structure and the nature of its backlog with a relatively long execution time means that FLSmidth is able to adjust its cost level to mitigate the impact of changed business cycles and to cushion the effect of any negative market trends. In order to mitigate the effect of such situations, FLSmidth closely monitors macroeconomic indicators in our most important markets, and develops contingency plans to be able to reduce costs if needed, thereby protecting the Group's profitability.
Projects	A large part of FLSmidth's business consists of supplying equipment to a customer-built plant, or in some cases to be responsible for the entire construction on an EPC basis of very large complex processing plants within FLSmidth's six focus industries. Such projects are often located in remote locations with poor infrastructure, and often in countries with poor political, administrative and judicial structures in place, and therefore pose significant logistical challenges as well as country specific and political risks. Diligent project execution is vital to secure delivery on time, on budget and according to specifications. Lack of same can cause significant cost overruns.	FLSmidth focuses its proposal activities on projects that lie within its core competencies and match the company's strategic goals. By doing so, FLSmidth ensures that it is only involved in projects with an acceptable risk profile. For large EPC projects the risk assessment is evaluated and approved by the Group Executive Management before a proposal is submitted to the customer. FLSmidth always evaluate the need to cover country and/or political risks through export credit agencies, banks or insurance. In particular for EPC projects, FLSmidth itself does not undertake any part of the civil works, but will always engage a carefully evaluated construction firm to take on the civil and erection works either as a sub-contractor to FLSmidth, or more often as a consortium partner with FLSmidth, thereby transferring the risk for construction and erection works to the construction firm. Following the award of a project contract, the project execution organisations works closely with other relevant departments, such as engineering departments, procurement department, and shipping department to ensure smooth and efficient project execution, and involves corporate functions as risk management, legal, tax, etc. when relevant. We continuously develop our project management staff to enable them to manage large scale projects, as they are critical to the success of project execution and availability of experienced and highly competent project managers is sparse.

Assessment of project risks



Intellectual property risks	FLSmidth is a knowledge-based business that is highly dependent on advanced technological solutions and continuous product development, whether developed within FLSmidth or through acquisition of new technologies. As a consequence of FLSmidth's business model, according to which most of its engineered products are manufactured by external suppliers, FLSmidth must give its suppliers access to its intellectual property ("IP") in order for them to manufacture the products.	In order to better protect its IP rights, FLSmidth has an IP policy that applies to all of its employees, and a comprehensive IP Employee Handbook to instruct those working with FLSmidth's IP on appropriate IP protection measures. Furthermore, FLSmidth has centralised ownership to and administration of its IP portfolio with its Global IPR Management Department. In relation to third parties, including competitors, who infringe upon FLSmidth's IP rights, FLSmidth aggressively pursues any evidenced infringement with the aim of obtaining injunctions and damages for the losses caused.

RISK	CONTEXT	MITIGATION
Supply chain	Most of the manufacturing is delegated to a global network of subcontractors and suppliers. This has proved a both robust and sustainable business model that is highly suitable for a cyclical industry.	To mitigate supply chain risks, FLSmidth continues to broaden its supply base by building relations with new equipment manufacturers, as well as entering into long term supplier master agreements with important suppliers, or by acquiring suppliers/manufacturers of important equipment. Additionally, as far as proprietary equipment and certain fast turning parts that are important to our customer service business, are concerned, FLSmidth controls the entire value chain by being involved in the engineering, production, and assembly of such equipment in FLSmidth's own workshops. In order to provide security of supply and consistent and high quality of the supplies, whether from external suppliers or from the Group's own manufacturing units, FLSmidth applies standardised procedures for health and safety and quality control. Quality is controlled via FLSmidth's comprehensive inspection programme for the locations where manufacturing of key items takes place.
Business integration	In 2012, FLSmidth acquired a number of businesses that fit within FLSmidth's growth and acquisition strategy.	FLSmidth is conscious of the fact that growth through acquisitions is a faster, but also a more risky way of growing the business. As far as integration of acquired businesses is concerned, FLSmidth has further developed a thorough integration plan concept that covers all areas of the acquired business, and with particular focus on harvesting of sales and cost synergies through clear dedication of responsibilities for every part of the integration process.
Financial	FLSmidth is exposed to financial risks due to its wide international operations. The financial risks comprise currency, interest, liquidity and credit risks.	FLSmidth's risk management and risk mitigation initiatives related to financial risks are described in Note 33. The overall framework for managing financial risks is governed by a Group Financial Policy approved by the Board of Directors.
Human resources	In a knowledge-based company like FLSmidth, the employees are the most important resource. It is an ongoing challenge to retain and attract employees with the competencies needed to continue to develop the Group's technological and geographical platform.	The challenge is met by taking coordinated global, regional and local initiatives with regard to offering attractive employment conditions, and by comprehensive development and training. Besides, FLSmidth builds long term relations with future key players in the industry by working closely with universities and other educational institutions, for example by sponsoring PhD programmes and joint development projects with scientific teams from relevant universities. For O&M projects, FLSmidth secures the necessary labour by educating and developing the local labour force.
Regulatory risks	With local presence in more than 50 countries, FLSmidth is subjected to a vast amount of different regulatory regimes and requirements that are constantly developing.	In order to meet local regulatory requirements, management of the local business units is under direct instructions to comply with local laws and regulations, as well as with international or supranational regulations, to the extent directly applicable, e.g. UN and EU foreign trade regulations. To support local management, FLSmidth has built a strong, centrally managed in-house legal department with local presence in all of FLSmidth's major business locations, which work closely with external local counsels when necessary.

Research and Development

2012

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

2012 saw total research and development expenses at DKK 347m (2011: DKK 339m), accounting for 1.5% of revenue (2011:1.7%). The total investment includes a capitalised amount of DKK 104m (2011: DKK 98m) and is supplemented by project-financed development in partnership with customers. The Q2 2012 financial results included a one-off impairment loss on capitalised development and decommissioning costs of DKK 188m related to a development project in a ground-breaking new technology, in which important milestones were met and patents have been taken out. The commercial tests, however, failed to demonstrate acceptable results.

In 2012, FLSmidth signed a loan agreement totalling EUR 130m with the Nordic Investment Bank (NIB). The loan is earmarked for investments in research and development activities.

The 7-year-maturity loan will finance FLSmidth's global research and development programme in the period of 2013-2015. The research and development programme will focus on development of new products, enhanced energy efficiency and use of materials and fuels in the production process as well as reduction of harmful emissions. The total budget of the programme amounts to EUR 260m.

Re-organisation of research and development in 2012

As part of the launch of the new Group strategy in 2012, FLSmidth's research and development activities were realigned, and are now handled by the Group Research & Product Review organisation together with four divisional product development organisations. Key activities include science and engineering based research, evaluation of new technologies and concepts as well as development and commercialisation of equipment and process based solutions within the core technologies in FLSmidth's key industries. Activities also include partnering with main customers to meet their future needs.

The main focus of Group Research & Product Review is on finding medium and long-term solutions to support our customers' and key industries' strategic concerns. Research allows FLSmidth to gather knowledge of the basic principles and understand what is happening. The research activities of FLSmidth are executed by Group Research & Product Review, which includes all research activities across the four divisions. In this way, research related to technologies that are common in their fundamentals (crushing, comminution, material handling, etc.) can be leveraged across divisions.

Product development activities are maintained within each of the divisions to focus on the development and commercialisation of equipment and process based solutions that fulfill customers' needs and expectations.

FLSmidth's Board of Directors puts additional efforts into overlooking FLSmidth research and development activities through

the recently established FLSmidth Technology Committee. The Technology Committee was established at the beginning of 2012 by the Board of Directors, and its main task is to assist the Board of Directors in monitoring and evaluating the competitiveness of process flow sheets and key machines, major product development projects and overall plans as well as plans for technology mergers and acquisitions.

Product innovations 2012

Below are some of the most important product innovations and research initiatives within FLSmidth in 2012.

Within research and development related to the minerals industries significant investments into the research capacity related to minerals processing capabilities were realised in 2012.

Along with the completion of a world class ore characterisation laboratory at the Salt Lake City Technology Centre, a new 1500 m^2 research pilot area was completed. This includes pilot facilities for high pressure grinding rolls (HPGR), sedimentation, flotation, solvent extraction/hydromet, filtration and fine grinding along with sample preparation facilities, which will enable the research results to be tested quickly on a significant scale prior to quickly moving to the product development and commercialisation phase.

A new hydromet research group was initiated in 2012, bringing experts from the industry and universities onto the staff. A new hydromet laboratory facility was also completed during Q4-2012 along with installation of test rigs and associated analytical equipment, to enable FLSmidth to quickly check and confirm enhancements to traditional technologies, and thereby improve FLSmidth's capabilities within the fields of improved leach kinetics, impurities removal, solvent extraction, electro winning and improved value recovery technology.

In relation to flotation, a strong focus on improving the recovery and operation has moved from the detailed research investigations in the laboratories to successful industrial testing and product development. Several new rotor/stator combinations for flotation cells have been trialled in 1.5 m^3 machines, and the results were higher recovery and lower power consumption than the existing components. These results have helped validate results from Computational Fluid Dynamics (CFD) in the lab. The selective froth recovery system has likewise been trialled in 160 m^3 units, resulting in improved recovery of larger size particles.

A 600 m^3 flotation cell was designed in 2012 and will be installed on site in 2013. This is twice the size of the existing machines available and both the Wemco and FLSmidth forced air models will be tested. The operation of the 600 m^3 flotation cell will not only demonstrate the largest flotation cell but also the latest mechanism technologies developed in 2012.

While the industrial trials of the high pressure grinding roll were completed in early 2012, research has continued in the areas of surface technology and process improvements to support the product line introduction.

Within our dry sorbent injection technology (DSIS) great advances within knowledge of SO_2 removal from cement and minerals plants have been made. As a result of the research and development efforts FLSmidth is now able to offer a competitive SO_2-removal solution with a reduced consumption of chemicals, and thereby reduced operating costs for our customers.

In 2012, FLSmidth acquired the market-leading technologies and products related to unmanned operation and process optimisation of stackers/reclaimers and train loading systems from the German company iSAM AG. The technologies and products acquired will enable FLSmidth to offer and supply complete, unmanned integrated material handling solutions to mining, stockyard and port facility customers.

The well-proven technologies of iSAM AG can be used worldwide within material handling and will strengthen FLSmidth's offerings to its customers. The trend is moving towards unmanned operation, and the technology acquired can be easily integrated with FLSmidth's current business. Application of unmanned operation will support FLSmidth's customers' continued focus on higher efficiency, improved safety and maintenance, higher yield as well as cost savings.

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

The large research project "New Cement Production Technology" carried out in cooperation with the Technical University of Denmark (DTU) and financially supported by the Danish National Advanced Technology Foundation is close to being concluded. The project has a budget of DKK 50m covering the period 2007-2013, and a total of 9 PhDs and about 40 connected students have been conducting their projects within the framework of the project.

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

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

The research project "Manufacturing of highly reactive Supplementary Cementitious Materials for low-CO_2 cement" (SCM) is being carried out in cooperation with Aarhus and Aalborg Universities and Aalborg Portland, who is an industrial partner in this 4-year, DKK 30m project. The project focuses on flash calcinations of clayey raw materials for SCM production and is receiving financial support from the Danish National Advanced Technology Foundation (DKK 15m).

Comprehensive studies of the chemical and process related properties of clays are in progress and advanced experimental set-ups are utilised, so that a knowledge base for the production of the best possible SCMs based on locally available raw materials is achieved. A laboratory protocol for assessment of SCM potential of customers' raw materials has been developed and is available in FLSmidth's R&D Centre Dania. The project also examines the performance of SCM cement when used in mortar and concrete.

2012 also saw the launch of the CataMax™ catalytic filter solution with the capability of reducing organic hydro carbon emissions, foreseen to be regulated by the NESHAP rules in the US with expected enforcement in 2015. Through this unique filter solution FLSmidth is able to integrate a cost effective concept into existing cement plants to the benefit of the environment.

Further related to the launch of new and improved products, FLSmidth's largest vertical cement mill so far was installed in 2012 – a 7.8 MW OK 6 roller mill. During 2012 the following additional product launches took place: The largest bucket excavator to date (600 m^3/hour), a mid cooler breaker with optimised performance and total cost of ownership for the customer, a lower and more compact preheater – optimised for installation cost at the customers' site – and a HOTDISC™ with optimised design and thereby higher firing rate of alternative fuels in cement kiln systems.

In 2012, a new Product & Service Development team was established in Cement Customer Services. In order to get closer to our customers, this team will focus its efforts on listening to customers' input and feedback, and based on this develop products and services which will make a difference in day-to-day operations and maintenance at our customers' sites.

2012

Raising the bar for financial governance and operational excellence

I have held the position of Group Executive Vice President and CFO of FLSmidth since April 2012. And I have come to a company with a proud heritage of more than 130 years of business with a tradition of optimising profit and sales.

With the launch of a new growth strategy last year, the focus is on organic and acquisitive growth going from two to four divisions. This means a development in the business mix towards a relatively higher proportion of minerals business versus cement business.

The overall goal for my work at FLSmidth is to convert the Group infrastructure, measurement and reporting system to a One Source approach with less focus on separate legal entities, thereby avoiding divisional silos. The focus will be on standardisation, simplification and sharing of common resources – the finance functions in FLSmidth must be a strategic asset and a business partner for the entire organisation.

Going forward, a key strategic theme is therefore operational excellence. This implies professionalisation and standardisation of the operations undertaken by the finance functions, as well as strong focus on how these operations are carried out in all parts of the Group. In the quest for excellence, we will dedicate considerable attention to strengthening financial governance and increasing the cost and capital efficiency of the Group.

"We are constantly working towards raising the bar for financial governance and operational excellence in the entire FLSmidth Group. The financial organisation must always accommodate and support FLSmidth's growth and the need for governance, compliance and cost efficiency in the global market place, including a common language, key performance indicators and harmonised standards and working procedures."

Ben Guren
Group Executive Vice President and CFO

An ongoing focus area is the structural trends that affect FLSmidth as a player in the global minerals and cement industries – and thereby adapting our strategy – through a capital efficient business model. This means that FLSmidth is an engineering house and technology provider focusing on efficient capital management and a flexible cost structure. Focus is on off-shoring of order related engineering to India and increased sourcing from cost-competitive-countries from today's level of 42% to a target of 75%.

These focus areas require close cooperation and dialogue between our finance, engineering and project management departments. Most manufacturing is outsourced (~80-90%) and the working capital is relatively low due to necessary pre-payments from customers. This focus on working capital efficiency is combined with reduced capital expenditures.

Along with a new strategy naturally also come new challenges – as a consequence of the growth strategy there has, over the past years, been a gradual increase in capacity costs and one-off costs mostly related to transaction and integration costs from our recent acquisitions. Another key priority is therefore to pay close attention to the integration of the acquired businesses, realisation of synergies, consolidation, simplification of our structure as well as a balanced utilisation of our investment capacity and use of capital.

In FLSmidth, we will keep on improving our cost structure and efficiency by continuing to move our cost base to cost competitive countries. This is needed in order to retain FLSmidth's competitiveness in the global marketplace. Over the last few years, FLSmidth has demonstrated the ability to being both profit efficient and growth oriented. This will be combined with focus on capital efficient operations in the future.

Board of Directors

2012

01 **Vagn Ove Sørensen (Chairman)**
MSc (Econ. (Economics and Business Administration) and Bus.Admin.), age 53, Danish and member of the Board of Directors elected at the Annual General Meeting since 2009, Chairman of the Board since 2011. Member of the Audit, Remuneration and Nomination Committees.

Formerly CEO of Austrian Airlines (2001-2006) and Executive Vice President, etc., Scandinavian Airlines Systems (1984-2001).

Executive posts in Denmark: Chairman of the Boards of Directors of TDC A/S. Vice Chairman of the Board of Directors of DFDS A/S.

Member of the Boards of Directors of CP Dyvig & Co. A/S, Nordic Aviation Capital A/S, Det Rytmiske Musikhus' Fond and Koncertvirksomhedens Fond. CEO of GFKJUS 611 Aps and VOS Invest Aps. Senior adviser to EQT Partners.

Executive posts outside Denmark: Chairman of the Boards of Directors of: Scandic Hotels AB (Sweden), Select Service Partner Plc (UK) and UC4 Software GmBH (Germany). Member of the Boards of Directors of Lufthansa Cargo (Germany), Air Canada (Canada), Royal Caribbean Cruises Ltd. (USA) and Braganza AS (Norway). Senior adviser to Morgan Stanley.

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

Shareholding in FLSmidth & Co. A/S: 1,316 shares.

02 **Torkil Bentzen**
MSc (Engineering), age 66, Danish and member of the Board of Directors elected at the Annual General Meeting since 2002. Vice chairman of the Board since 2012. Chairman of the Technology Committee and member of the Nomination and Remuneration Committees.

Formerly CEO of ENERGI E2 A/S (2000-2006), i/s Sjællandske Kraftværker (1999-2000), Ludvigsen & Hermann A/S (1994-1999), Götaverken Energy AB (1988-1992) and Burmeister & Wain Scandinavian Contractor A/S (1981-1988).

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

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

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

Shareholding in FLSmidth & Co. A/S: 5,000 shares.

03 **Martin Ivert**
MSc (Metallurgy), age 65, Swedish and member of the Board of Directors elected at the Annual General Meeting since 2008. Member of the Technology Committee.

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

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

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

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

01

Vagn Ove Sørensen

02

Torkil Bentzen

03

Martin Ivert

04

Sten Jakobsson

05

Tom Knutzen

06

Caroline Grégoire Sainte Marie

07

Mette Dobel

08

Frank Lund

09

Jens Palle Andersen

04 **Sten Jakobsson**
MSc (Mechanical Engineering), age 64, Swedish and member of the Board of Directors elected at the Annual General Meeting since 2011. Member of the Audit Committee.

Formerly Regional Manager, North Europe, ABB ASEA Brown Boveri (2006-2011), CEO, ABB Sweden (2001- 2011), and before then various managerial posts in ABB ASEA Brown Boveri (1973-2001).

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

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

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

05 **Tom Knutzen**
MSc (Economics) in Finance and Strategic Planning, age 50, Danish and member of the Board of Directors elected at the Annual General Meeting since 2012. Chairman of the Audit Committee.

CEO of Jungbunzlauer Group, Switzerland since 2012.

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

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

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

Shareholding in FLSmidth & Co. A/S: 7,300 shares.

06 **Caroline Grégoire Sainte Marie**
BA Commercial Law, Institut d'Etudes Politiques de Paris, age 55, French and member of the Board of Directors elected at the Annual General Meeting since 2012. Member of the Technology Committee.

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

Managerial posts outside Denmark: Member of the Board of Directors of Safran SA (France), Groupama SA (France) and Eramet (France).

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

Shareholdings in FLSmidth & Co. A/S: 50 shares.

07 **Mette Dobel**
BSc (Commercial Engineering) PgC in Management, Global Product Manager, age 45, Danish, employee-elected member of the Board of Directors since 2009.

Shareholding in FLSmidth & Co. A/S: 864 shares.

08 **Frank Lund**
MSc (Electrical Engineering), Grad.Dipl. EBA, Service Sales Engineer, age 51, Danish, employee-elected member of the Board of Directors since 2006.

Shareholding in FLSmidth & Co. A/S: 264 shares.

09 **Jens Palle Andersen**
BSc (Electrical Engineering), Project Manager, age 62, Danish, employee-elected member of the Board of Directors since 2006.

Shareholding in FLSmidth & Co. A/S: 930 shares.

2012

The Executive Management

01 **Jørgen Huno Rasmussen**
MSc (Engineering), Dipl.Bus.Admin. and Ph.D. (Techn. Sc.), Group Chief Executive Officer, with FLSmidth since January 2004. Age 60, Danish.

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

Executive posts in Denmark: Chairman of the Boards of Directors of Lundbeckfonden and Vice Chairman of Tryghedsgruppen smba. Member of the Boards of Directors of Vestas Wind Systems A/S, Tryg Forsikring A/S, Bladt Industries A/S and LFI A/S.

02 **Ben Guren**
Chartered accountant and state-authorised accountant, Group Executive Vice President and CFO since April 2012, with FLSmidth since April 2012. Age 52, Norwegian.

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

03 **Peter Flanagan**
B.S. (Mechanical Engineering), Group Executive Vice President, Mineral Processing since March 2012, with FLSmidth over two periods: 1990-1998 and 2007 – today. Age 47, American.

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

04 **Bjarne Moltke Hansen**
BSc (Engineering), Group Executive Vice President, Customer Services since March 2002, with FLSmidth since 1984. Age 51, Danish.

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

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

05 **Carsten R. Lund**
MSc (Engineering) and e-MBA, Group Executive Vice President, Material Handling since July 2012, with FLSmidth since 1988. Age 50, Danish.

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

Executive posts in Denmark: Member of the Board of Directors of Union Engineering a/s, Denmark.

06 **Per Mejnert Kristensen**
MSc.(Mechanical Engineering), Bachelor of Commerce degree, International Trade, Graduate Diploma (Bus. Admin.), International Trade, GMP, CEDEP (INSEAD), Group Executive Vice President, Cement since March 2012, with FLSmidth since 1992. Age 45, Danish.

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

Corporate social responsibility

2012

FLSmidth has submitted a progress report to the UN Global Compact on 12 February 2013. The progress report replaces a statutory statement of corporate social responsibility pursuant to the exemption given in the Danish Financial Statements Act Section 99a. The report is available on www.flsmidth.com/CSRreport2012.

An overview

SOCIAL PERFORMANCE	2010 REPORT	2011 REPORT	2012 REPORT
EMPLOYEES	11,229	13,204	15,900
GENDER - % FEMALE MANAGERS	Not reported	7.2%	9.2%
EMPLOYEE ENGAGEMENT (satisfaction rate)	73	71	72
SAFETY - LTIFR	4.7	4.2	4.7
SAFETY TRAINING HOURS	Not reported	2.5	5.7
FLSMIDTH SITES AUDITED	Not reported	Not reported	12

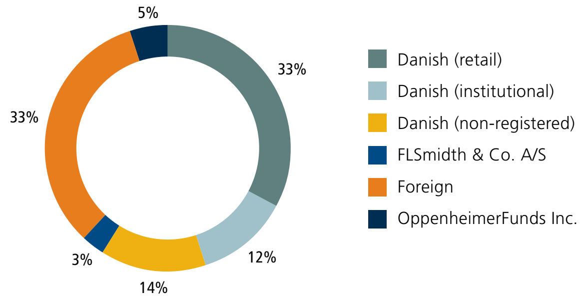
ENVIRONMENTAL PERFORMANCE	2010 REPORT	2011 REPORT	2012 REPORT
SCOPE 1 – CO_2 eg IN TONNES	24,000	23,000	27,550
SCOPE 2 - CO_2 eg IN TONNES	53,700	55,900	54,450
SCOPE 3 - CO_2 eg IN TONNES	Not reported	34,000	39,800

Shareholder information

2012

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

Shareholder structure



Capital and share structure

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

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

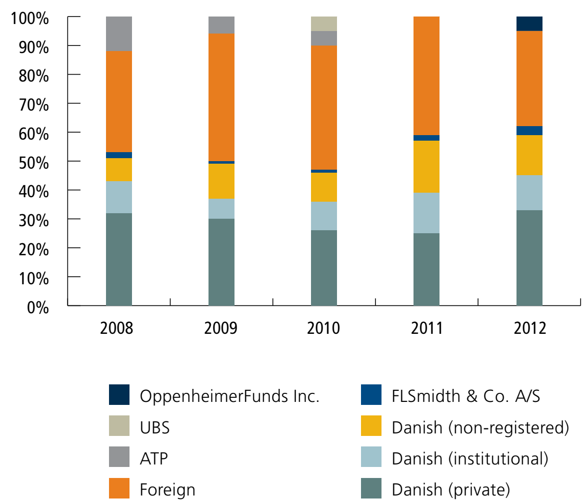
The FLSmidth & Co. A/S share is included in a number of share indices on NASDAQ OMX Copenhagen, including OMXC20, a leading share index. The FLSmidth & Co. share is also represented in a number of Nordic and European share indices including Dow Jones STOXX 600.

According to the FLSmidth & Co. A/S' share register, the company had approximately 58,000 shareholders at the end of 2012 (end of 2011: approximately 56,800). In addition, some 3,600 present and former employees hold shares in the company (end of 2011: some 3,650).

The FLSmidth & Co. share has a free float of 98%. One shareholder has reported a shareholding exceeding 5%:
Oppenheimer Funds Incorporated, USA

2012 saw a slight decrease in shares held by foreign investors to approximately 38% including Oppenheimer Funds Inc., USA (2011: 41%), while Danish retail investors increased their share from 25% to 33%.

Historical development in shareholder structure



Shares and share options held by the Board of Directors and Management

The Board of Directors holds a total of 17,524 FLSmidth shares (2011: 69,246 shares). The holdings of the individual members appear on the pages 66-68.

The Group Executive Management holds a total of 4.225 FLSmidth shares (2011: 60,338 shares) and 165,982 share options (2011: 155,686 share options). Other key staff (150 persons) own a total of 1,178,698 share options (2011: 832,790 share options).

Return on the FLSmidth share in 2012

The total return on the FLSmidth & Co. share in 2012 was 0% (2011: -35%). By comparison some of the leading share indices developed as follows in 2012: "OMXC20" increased 27% and "Dow Jones STOXX 600 Basic Resource" increased 4% in 2012.

The share price started the year at 337.5 and peaked at 458 in February in line with most commodity prices and related industry indices. The share price ended the year at 327.2.

Capital structure and dividend for 2012

FLSmidth Management takes a conservative approach to capital structure, with an emphasis on relatively low debt, gearing and financial risk. The aim is to maintain an equity ratio of more than 30% and to have a net debt position with gearing up to maximum 2 times EBITDA. Meanwhile, Management wishes to maintain capital resources to finance future expansion and to strengthen FLSmidth's commercial position through acquisitions and organic growth. The available capital resources consist of committed credit facilities at a total of DKK 7.8bn. (end of 2011: DKK 6.2bn) with a weighted average maturity of 3.3 years.

The Board of Directors plan to make a total cash distribution of DKK 1bn after the Annual General Meeting on 5 April 2013 in the form of:

- A proposed ordinary dividend of DKK 9 per share (2011: DKK 9) corresponding to 36% of the year's profit (2011: 33%) and a dividend yield of 2.8% (2011: 2.7%). The ordinary dividend equals a total cash distribution of DKK 479m
- An extraordinary cash distribution of DKK 521m in the form of a share buy back program under 'Safe Harbour' rules.

The cash extraordinary distribution is based on recent improvements in operating cash flow, as well as expectations of a material free cash flow in 2013 as acquisitions have been slowed down temporarily.

FLSmidth Investor Relations

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

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

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

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

FLSmidth hosted two capital market days in 2012. The first one in April at the head office in Denmark, elaborating on the new strategy and structure; the second one in September in connection

Share and dividend figures, the Group

	2008	2009	2010	2011	2012
CFPS (cash flow per share), DKK (diluted)	44.2	47.1	25.3	21.8	33.0
EPS (earnings per share), DKK (diluted)	28.8	31.9	24.4	27.1	25.1
Equity value per share, DKK (diluted)	96	126	154	169	181
DPS (dividend per share), DKK	0	7	9	9	9
Pay-out ratio (%)	-	22	37	33	36
Dividend percentage (Dividend in relation to share price end of year) (%)	-	1.9	1.7	2.7	2.8
FLSmidth & Co. A/S share price, end of year, DKK	181	367	532	337.5	327.2
Number of shares (1,000), end of year	53,200	53,200	53,200	53,200	53,200
Average number of shares (1,000) (diluted)	52,544	52,429	52,693	52,550	52,136
Market capitalisation, DKKm	9,629	19,524	28,302	17,955	17,407

with MINExpo in Las Vegas, US and a subsequent visit to FLSmidth's Mineral Processing headquarters in Salt Lake City, US.

Additionally, Management and Investor Relations attended some 325 investor meetings and presentations held in cities including Beijing, Boston, Brussels, Chennai, Edinburgh, Frankfurt, Geneva, Helsinki, Copenhagen, Las Vegas, London, Luxembourg, Moscow, New York, Oslo, Paris, Stockholm, Salt Lake City and Zurich.

The company also participated in two events aimed at Danish retail investors.

FLSmidth & Co. A/S is generally categorised as a capital goods, engineering or industrial company and is currently being covered by 17 stockbrokers including eight international. Coverage by foreign analysts continued to increase in 2012, resulting in stronger focus on FLSmidth & Co.'s position and relative strength in relation to comparable global providers of equipment and services to the mining industry.

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

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

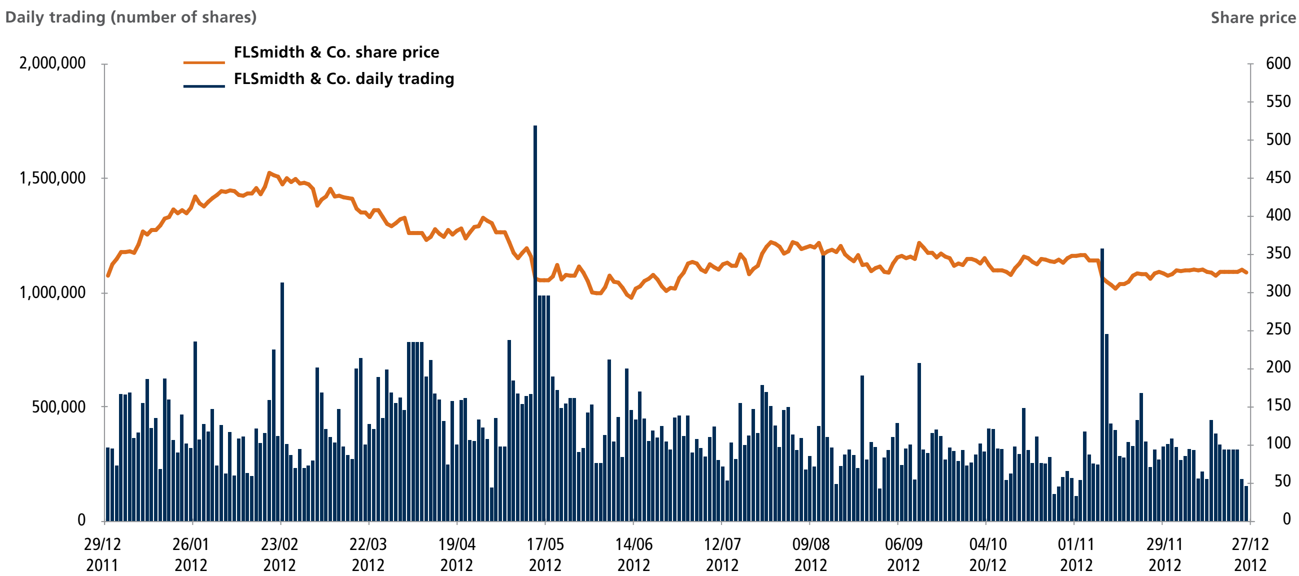
To contact the company's Investor Relations department, please see the company website (http://www.flsmidth.com/IR_contacts).

Financial calendar 2013

5 April 2013	Annual General Meeting
17 May 2013	Q1 interim report
23 August 2013	Q2 interim report
6 November 2013	Q3 interim report

The Annual General Meeting will take place on 5 April 2013 at 16.00 hours at Radisson BLU, Falconer Hotel and Conference Center, Falkoner Allé 9, DK-2000 Frederiksberg.

Development in share price and trading in 2012



Statement by Management on the annual report

The Board of Directors and the Executive Management have today considered and approved the annual report of FLSmidth & Co. A/S for the financial year 1 January - 31 December 2012.

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2012 as well as of their financial performance and their cash flow for the financial year 1 January - 31 December 2012.

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

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

Copenhagen, 12 February 2013

Group Executive Management

Jørgen Huno Rasmussen
Group Chief Executive Officer

Ben Guren
Group Executive Vice President and CFO

Bjarne Moltke Hansen
Group Executive Vice President

Carsten R. Lund
Group Executive Vice President

Peter Flanagan
Group Executive Vice President

Per Mejnert Kristensen
Group Executive Vice President

Board of Directors

Vagn Ove Sørensen
Chairman

Torkil Bentzen
Vice Chairman

Jens Palle Andersen

Mette Dobel

Caroline Grégoire Saint Marie

Martin Ivert

Sten Jakobsson

Frank Lund

Tom Knutzen

Independent auditor's report

To the shareholders of FLSmidth & Co A/S

Report on the consolidated financial statements and parent financial statements
We have audited the consolidated financial statements and parent financial statements of FLSmidth & Co A/S for the financial year 1 January - 31 December 2012, which comprise the income statement, balance sheet, statement of changes in equity and notes, including the accounting policies, for the Group as well as the Parent, and the statement of comprehensive income and the cash flow statement of the Group. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies, and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

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

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

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

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

Our audit has not resulted in any qualification.

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2012, and of the results of its operations and cash flows for the financial year 1 January - 31 December 2012 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Further, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31 December 2012, and of the results of its operations for the financial year 1 January - 31 December 2012 in accordance with the Danish Financial Statements Act.

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

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

Copenhagen, 12 February 2013

Deloitte
Statsautoriseret Revisionspartnerselskab

Erik Holst Jørgensen
State Authorised Public Accountant

Lars Siggaard Hansen
State Authorised Public Accountant

Quarterly key figures

Quarterly key figures (unaudited)

DKKm	2011				2012			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
INCOME STATEMENT								
Revenue	4,095	4,401	5,131	6,911	4,829	5,653	6,316	8,051
Gross profit	1,007	1,090	1,347	1,804	1,201	1,376	1,618	1,883
Earnings before special non-recurring items, depreciation, amortisation and impairment (EBITDA)	419	462	669	978	456	628	709	966
Earnings before amortisation and impairment of intangible assets (EBITA)	371	417	628	931	408	576	628	890
Earnings before interest and tax (EBIT)	314	376	562	865	341	323	528	796
Earnings before tax (EBT)	265	391	539	843	357	303	500	767
Tax for the period	(76)	(119)	(162)	(325)	(105)	(97)	(157)	(294)
Profit/loss on continuing activities for the period	**189**	**273**	**377**	**517**	**252**	**206**	**343**	**473**
Profit/loss on discontinued activities for the period	(16)	21	26	50	(11)	17	34	(11)
Profit/loss for the period	**173**	**294**	**403**	**567**	**241**	**223**	**377**	**462**
Effect of purchase price allocation	(41)	(44)	(45)	(48)	(58)	(58)	(88)	(88)
Gross margin	*24.6%*	*24.8%*	*26.3%*	*26.1%*	*24.9%*	*24.3%*	*25.6%*	*23.4%*
EBITDA margin	*10.2%*	*10.5%*	*13.0%*	*14.2%*	*9.4%*	*11.1%*	*11.2%*	*12.0%*
EBITA margin	*9.1%*	*9.5%*	*12.2%*	*13.5%*	*8.4%*	*10.2%*	*9.9%*	*11.1%*
EBIT margin	*7.7%*	*8.5%*	*11.0%*	*12.5%*	*7.1%*	*5.7%*	*8.4%*	*9.9%*
CASH FLOW								
Cash flow from operating activities	(101)	426	563	260	(117)	333	(28)	1,532
Cash flow from investing activities	(257)	(148)	(846)	(397)	(209)	(386)	(2,421)	(382)
Order intake, continuing activities (gross)	4,964	6,048	7,176	5,856	6,421	7,246	7,956	6,104
Order backlog, continuing activities	24,033	25,011	27,492	27,136	28,736	30,803	31,766	29,451
SEGMENT REPORTING								
Customer Services								
Revenue	1,051	1,253	1,404	1,551	1,368	1,608	1,968	2,129
Gross profit	289	381	435	452	393	433	557	614
EBITDA	142	227	253	260	193	244	258	317
EBITA	128	214	240	256	180	231	226	293
EBIT	126	213	238	255	174	155	199	259
Effect of purchase price allocation	-	-	-	-	(4)	(15)	(18)	(40)
Gross margin	*27.5%*	*30.4%*	*31.0%*	*29.1%*	*28.7%*	*26.9%*	*28.3%*	*28.8%*
EBITDA margin	*13.5%*	*18.1%*	*18.0%*	*16.8%*	*14.1%*	*15.2%*	*13.1%*	*14.9%*
EBITA margin	*12.2%*	*17.1%*	*17.1%*	*16.5%*	*13.2%*	*14.4%*	*11.5%*	*13.8%*
EBIT margin	*12.0%*	*17.0%*	*17.0%*	*16.4%*	*12.7%*	*9.6%*	*10.1%*	*12.2%*
Order intake (gross)	1,355	1,358	1,270	1,288	1,846	1,569	3,345	2,442
Order backlog	6,304	6,202	6,290	6,081	6,679	6,708	7,909	8,159
Material Handling								
Revenue	917	1,068	1,248	1,772	1,060	1,271	1,340	1,326
Gross profit	134	148	270	326	193	199	183	29
EBITDA	12	(5)	104	165	28	28	(29)	(167)
EBITA	6	(11)	91	139	16	17	(42)	(177)
EBIT	(12)	(24)	67	115	4	12	(60)	(203)
Effect of purchase price allocation	(12)	(14)	(15)	(15)	(11)	(10)	(10)	(10)
Gross margin	*14.6%*	*13.9%*	*21.6%*	*18.4%*	*18.2%*	*15.7%*	*13.7%*	*2.2%*
EBITDA margin	*1.3%*	*(0.5%)*	*8.3%*	*9.3%*	*2.6%*	*2.2%*	*(2.2%)*	*(12.6%)*
EBITA margin	*0.7%*	*(1.0%)*	*7.3%*	*7.8%*	*1.5%*	*1.3%*	*(3.1%)*	*(13.3%)*
EBIT margin	*(1.3%)*	*(2.2%)*	*5.4%*	*6.5%*	*0.4%*	*0.9%*	*(4.5%)*	*(15.3%)*
Order intake (gross)	1,641	1,261	1,357	1,232	943	1,272	1,675	675
Order backlog	5,123	5,340	5,416	5,145	5,023	5,230	5,514	4,773

Quarterly key figures (unaudited)

DKKm	2011				2012			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Mineral Processing								
Revenue	1,163	1,262	1,838	2,503	1,722	2,057	2,375	3,358
Gross profit	289	269	469	521	376	433	558	829
EBITDA	132	119	246	362	147	209	240	483
EBITA	120	108	238	349	135	193	215	457
EBIT	87	82	204	316	94	89	164	426
Effect of purchase price allocation	(27)	(27)	(27)	(31)	(41)	(30)	(57)	(35)
Gross margin	*24.8%*	*21.3%*	*25.5%*	*20.8%*	*21.8%*	*21.1%*	*23.5%*	*24.7%*
EBITDA margin	*11.3%*	*9.4%*	*13.4%*	*14.5%*	*8.5%*	*10.2%*	*10.1%*	*14.4%*
EBITA margin	*10.3%*	*8.6%*	*12.9%*	*13.9%*	*7.8%*	*9.4%*	*9.1%*	*13.6%*
EBIT margin	*7.5%*	*6.5%*	*11.1%*	*12.6%*	*5.5%*	*4.3%*	*6.9%*	*12.7%*
Order intake (gross)	1,680	2,322	3,222	2,507	2,445	2,808	2,598	2,467
Order backlog	6,032	6,975	8,482	8,779	9,482	10,362	10,529	9,589
Cement								
Revenue	1,149	1,028	844	1,333	859	952	905	1,498
Gross profit	280	260	222	394	230	300	330	409
EBITDA	136	121	52	232	102	155	214	317
EBITA	121	106	38	229	93	144	208	307
EBIT	117	104	33	221	85	74	206	304
Effect of purchase price allocation	(2)	(2)	(2)	(2)	(2)	(3)	(3)	(3)
Gross margin	*24.4%*	*25.3%*	*26.3%*	*29.6%*	*26.8%*	*31.5%*	*36.5%*	*27.3%*
EBITDA margin	*11.8%*	*11.8%*	*6.2%*	*17.4%*	*11.9%*	*16.3%*	*23.6%*	*21.2%*
EBITA margin	*10.5%*	*10.3%*	*4.5%*	*17.2%*	*10.8%*	*15.1%*	*23.0%*	*20.5%*
EBIT margin	*10.2%*	*10.1%*	*3.9%*	*16.6%*	*9.9%*	*7.8%*	*22.8%*	*20.3%*
Order intake (gross)	527	1,291	1,507	1,113	1,415	1,902	667	615
Order backlog	7,246	7,151	7,858	7,749	8,208	9,240	8,579	7,585

Company announcements 2012

Date		No.
6 Jan.	**FLSmidth appoints new Group Chief Financial Officer** Appointment of new Chief Financial Officer	1/2012
17 Jan.	**FLSmidth to supply equipment for a copper mine expansion in South America** DKK 500m copper order in South America	2/2012
23 Jan.	**FLSmidth in negotiations to acquire Australian company Ludowici** Negotiations to acquire Ludowici	3/2012
6 Feb.	**Reports in the US media** Reports in the US media	4/2012
7 Feb.	**FLSmidth receives gold order in North America** DKK 467m gold order in the USA	5/2012
9 Feb.	**FLSmidth to deliver cement plant in Mongolia** DKK 640m cement order in Mongolia	6/2012
16 Feb.	**FLSmidth Offers AUD 10 per Share for Australian Company Ludowici** Offer of AUD 10 per share for Ludowici	7/2012
21 Feb.	**Annual Report for FLSmidth & Co. A/S 1 January - 31 December 2011** Annual Report 2011	8/2012
23 Feb.	**FLSmidth offers AUD 11 per share for Australian company Ludowici** Offer of AUD 11 per share for Ludowici	9/2012
28 Feb.	**FLSmidth to Proceed with Offer of AUD 11 per share for Australian company Ludowici** Proceeding with offer of AUD 11 per share for Ludowici	10/2012
2 Mar.	**FLSmidth appeals Takeovers Panel's Decision regarding offer to acquire the Australian company Ludowici** Appeal of Takeovers Panel's Decision	11/2012
2 Mar.	**NOTICE of the Annual General Meeting of FLSmidth & Co. A/S** Notice of Annual General Meeting	12/2012
6 Mar.	**FLSmidth cartel penalty on former subsidiary reduced** Cartel penalty reduced	13/2012
7 Mar.	**FLSmidth receives large mill order** DKK 213m copper order in the CIS	14/2012
9 Mar.	**FLSmidth's offer on Ludowici allowed to proceed** Offer on Ludowici allowed to proceed	15/2012
13 Mar.	**Change in FLSmidth Group Executive Management** Change in Group Executive Management	16/2012
21 Mar.	**Restated segment information** Restated segment information	17/2012
22 Mar.	**FLSmidth to supply a new cement production line in Brazil** DKK 470m cement order in Brazil	18/2012
23. Mar.	**FLSmidth to appoint new Group Executive Vice President** New Group Executive VP	19/2012
30 Mar.	**Summary of FLSmidth & Co. A/S' Annual General Meeting** Summary of Annual General Meeting	20/2012
2 Apr.	**Constitution of the Board of Directors of FLSmidth & Co. A/S** Constitution of the Board of Directors	21/2012
30 Apr.	**FLSmidth wins large cement order in the Middle East** DKK 630m cement order in the Middle East	22/2012

Date		No.
11 May	**Large Material Handling order awarded to FLSmidth** DKK 370m coal order in Mozambique	23/2012
15 May	**Interim Report for FLSmidth & Co. A/S 1 January - 31 March 2012** Q1 Interim Report	24/2012
18 May	**FLSmidth receives contract for large cement project** DKK 780m cement order in the USA	25/2012
19 May	**Reports in the international media** International media reports	26/2012
31 May	**Ludowici shareholders approve FLSmidth offer** Ludowici shareholders approve offer	27/2012
22 Jun.	**FLSmidth to deliver world's largest flash drying system** DKK 460m phosphate order in Morocco	28/2012
3 Jul.	**FLSmidth acquisition of Australian Ludowici now closed** Acquisition of Ludowici closed	29/2012
13 Jul.	**Large shareholder announcement - OppenheimerFunds, Inc.** Large shareholder announcement - OppenheimerFunds, Inc.	30/2012
30 Jul.	**FLSmidth wins large operation and maintenance contract in Egypt** Large O&M contract in Egypt	31/2012
15 Aug.	**Interim Report for FLSmidth & Co. A/S 1 January - 30 June 2012** Q2 Interim Report	32/2012
27 Aug.	**New share option plan** New share option plan	33/2012
17 Sep.	**FLSmidth wins large copper order in South America** DKK 655m copper order in South America	34/2012
27 Sep.	**FLSmidth to supply feeding system for aluminium smelter** DKK 280m aluminium order in Venezuela	35/2012
8 Nov.	**FLSmidth to supply equipment for copper mine in Kazakhstan** DKK 369m copper order in Kazakhstan	36/2012
13 Nov.	**Interim Report for FLSmidth & Co. A/S 1 January - 30 September 2012** Q3 Interim Report	37/2012
13 Nov.	**FLSmidth & Co. A/S financial calendar 2013** Financial calendar 2013	38/2012
14 Nov.	**Order backlog correction to the Q3 quarterly report 2012** Q3 Order backlog correction	39/2012
22 Nov.	**Granting of share options** Granting of share options	40/2012
26 Nov.	**Russian cement order awarded to FLSmidth** DKK 200m cement order in Russia	41/2012
27 Nov.	**FLSmidth receives large maintenance contract in Chile** DKK 1,1bn maintenance contract in Chile	42/2012
3 Dec.	**Announcement of CEO succession plan** CEO succession plan	43/2012
10 Dec.	**FLSmidth to deliver gold processing plant to Russian customer** DKK 200m gold order in Russia	44/2012

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Consolidated income statement

DKKm		2012	2011
Notes			
2+3+4	Revenue	24,849	20,538
	Production costs	(18,771)	(15,290)
	Gross profit	**6,078**	**5,248**
	Sales and distribution costs	(1,570)	(1,231)
	Administrative costs	(1,858)	(1,573)
5	Other operating income	146	94
5	Other operating costs	(37)	(10)
	Earnings before special non-recurring items, depreciation, amortisation and impairment (EBITDA)	**2,759**	**2,528**
7	Special non-recurring items	(17)	9
19	Depreciation and impairment of tangible assets	(240)	(190)
	Earnings before amortisation and impairment of intangible assets (EBITA)	**2,502**	**2,347**
18	Amortisation and impairment of intangible assets	(514)	(230)
	Earnings before interest and tax (EBIT)	**1,988**	**2,117**
30	Financial income	1,005	842
30	Financial costs	(1,066)	(921)
	Earnings before tax (EBT)	**1,927**	**2,038**
28	Tax for the year	(653)	(682)
	Profit/loss for the year, continuing activities	**1,274**	**1,356**
17	Profit/loss for the year, discontinued activities	29	81
	Profit/loss for the year	**1,303**	**1,437**
	To be distributed as follows:		
	FLSmidth & Co. A/S shareholders' share of profit/loss for the year	1,306	1,427
8	Minority shareholders' share of profit/loss for the year	(3)	10
		1,303	**1,437**
9	Earnings per share (EPS):		
	Continuing and discontinued activities per share	25.1	27.2
	Continuing and discontinued activities, diluted, per share	25.1	27.1
	Continuing activities per share	24.5	25.7
	Continuing activities, diluted, per share	24.5	25.6

Consolidated statement of comprehensive income

Notes	DKKm	2012	2011
	Profit/loss for the year	1,303	1,437
	Other comprehensive income for the year		
	Foreign exchange adjustment regarding enterprises abroad	(111)	(115)
	Foreign exchange adjustment of loans classified as equity in enterprises abroad	(30)	23
	Foreign exchange adjustment regarding liquidation of company	(12)	(10)
	Value adjustments of hedging instruments:		
	Value adjustments for the year	5	(15)
	Value adjustments transferred to revenue	15	(9)
	Value adjustments transferred to production costs	4	0
	Value adjustments transferred to financial income and costs	(6)	2
	Value adjustments transferred to balance sheet items	0	(2)
40	Actuarial gains/(losses) on defined benefit plans	(102)	(38)
	Value adjustments of securities available for sale	0	31
28	Tax on other comprehensive income	33	10
	Other comprehensive income for the year after tax	**(204)**	**(123)**
	Comprehensive income for the year	**1,099**	**1,314**
	Comprehensive income for the year attributable to:		
	FLSmidth & Co. A/S shareholders' share of comprehensive income for the year	1,105	1,313
	Minority shareholders' share of comprehensive income for the year	(6)	1
		1,099	**1,314**

Consolidated cash flow statement

Notes	DKKm	2012	2011
	Earnings before special non-recurring items, depreciation, amortisation and impairment (EBITDA), continuing activities	2,759	2,528
	Earnings before special non-recurring items, depreciation, amortisation and impairment (EBITDA), discontinued activities	88	133
	Earnings before special non-recurring items, depreciation, amortisation and impairment (EBITDA)	**2,847**	**2,661**
	Adjustment for profits/losses on sale of tangible and intangible assets and special non-recurring items etc.	(38)	56
	Adjusted earnings before special non-recurring items, depreciation, amortisation and impairment (EBITDA)	**2,809**	**2,717**
11	Change in provisions	(206)	(156)
12	Change in working capital	(226)	(583)
	Cash flow from operating activities before financial items and tax	**2,377**	**1,978**
13	Financial payments received and made	51	(18)
28	Taxes paid	(708)	(812)
	Cash flow from operating activities	**1,720**	**1,148**
15	Acquisition of enterprises and activities	(2,513)	(926)
18	Acquisition of intangible assets	(366)	(292)
19	Acquisition of tangible assets	(739)	(497)
	Acquisition of financial assets	(22)	0
16	Disposal of enterprises and activities	5	11
	Disposal of tangible assets	165	52
	Disposal of financial assets	72	4
	Cash flow from investing activities	**(3,398)**	**(1,648)**
	Dividend	(471)	(482)
	Addition of minority shares	8	0
	Acquisition of treasury shares	(175)	(100)
	Disposal of treasury shares	22	10
14	Change in other interest-bearing net receivables/(debt)	2,567	80
	Cash flow from financing activities	**1,951**	**(492)**
	Change in cash and cash equivalents	**273**	**(992)**
32	Cash and cash equivalents at 1 January	1,402	2,398
	Foreign exchange adjustment, cash and cash equivalents *	(37)	(4)
32	Cash and cash equivalents at 31 December	1,638	1,402

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

* Foreign exchange adjustment, cash and cash equivalents in 2012 primarily consists of negative changes in the exchange rate of ZAR (DKK 19m), AUD (DKK 5m) and INR (DKK 5m) in relation to Danish kroner.

Consolidated balance sheet

Assets

Notes	DKKm	2012	2011
	Goodwill	4,852	4,119
	Patents and rights	1,587	1,159
	Customer relations	1,801	1,130
	Other intangible assets	314	185
	Completed development projects	40	47
	Intangible assets under development	593	511
18	**Intangible assets**	**9,187**	**7,151**
	Land and buildings	1,614	1,365
	Plant and machinery	757	699
	Operating equipment, fixtures and fittings	221	213
	Tangible assets in course of construction	175	284
19	**Tangible assets**	**2,767**	**2,561**
21	Investments in associates	9	1
34	Other securities and investments	64	59
40	Pension assets	7	9
29	Deferred tax assets	970	1,014
	Financial assets	**1,050**	**1,083**
	Total non-current assets	**13,004**	**10,795**
26	**Inventories**	**2,602**	**2,292**
27	Trade receivables	5,915	5,554
25	Work-in-progress for third parties	5,276	3,633
	Prepayments to subcontractors	487	467
27	Other receivables	1,408	1,112
	Prepaid expenses and accrued income	73	181
	Receivables	**13,159**	**10,947**
32	**Bonds and listed shares**	**26**	**104**
32	**Cash and cash equivalents**	**1,540**	**1,402**
23	**Assets classified as held for sale**	**1,544**	**0**
	Total current assets	**18,871**	**14,745**
	TOTAL ASSETS	**31,875**	**25,540**

Equity and liabilities

Notes	DKKm	2012	2011
	Share capital	1,064	1,064
	Foreign exchange adjustments	(8)	142
	Value adjustments of hedging transactions	4	(14)
	Reserve, financial assets available for sale	0	0
	Retained earnings	7,831	7,189
	Proposed dividend	479	479
	FLSmidth & Co. A/S' shareholders' share of equity	**9,370**	**8,860**
	Minority shareholders' share of equity	49	47
	Total equity	**9,419**	**8,907**
29	Deferred tax liabilities	882	886
40	Pension liabilities	289	207
37	Other provisions	515	530
38	Mortgage debt	352	352
38	Bank loans	3,465	825
38	Finance lease	15	10
38	Prepayments from customers	275	435
38+39	Other liabilities	385	288
	Long-term liabilities	**6,178**	**3,533**
40	Pension liabilities	11	19
37	Other provisions	1,123	1,384
	Bank loans	538	126
38	Finance lease	8	8
	Prepayments from customers	2,714	1,771
25	Work-in-progress for third parties	6,138	4,760
	Trade payables	3,092	2,682
	Current tax liabilities	600	398
39	Other liabilities	1,471	1,917
	Deferred revenue	89	35
	Short-term liabilities	**15,784**	**13,100**
23	**Liabilities directly associated with assets classified as held for sale**	**494**	**0**
	Short-term liabilities	**16,278**	**13,100**
	Total liabilities	**22,456**	**16,633**
	TOTAL EQUITY AND LIABILITIES	**31,875**	**25,540**

Consolidated equity

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

Dividend distributed in 2012 consists of DKK 9 per share (2011: DKK 9).
Proposed dividend for 2012 amounts to DKK 9 per share (2011: DKK 9).

The year's movements in holding of treasury shares (number of shares):	**2012**	**2011**
Treasury shares at 1 January	927,425 shares	760,459 shares
Acquisition of treasury shares	518,397 shares	271,573 shares
Employee shares in connection with the FLSmidth Global Incentive Programme 2010	0 shares	(58,468) shares
Share options exercised	(55,925) shares	(27,806) shares
Disposal of treasury shares to employees	(30,013) shares	(18,333) shares
Treasury shares at 31 December	1,359,884 shares	927,425 shares

Representing 2.6% (2011: 1.7%) of the share capital

See the Management's review on page 27 regarding the use of treasury shares.

* For specification of tax on other comprehensive income, see note 28.

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

Estimates by Management

1. Significant estimates and assessments by Management

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Assets classified as held for sale are measured at the lower of the carrying value and their fair value less cost to sell. Fair value less cost to sell is based on management's best estimate of the final sales price taking into consideration evidence of conditions that existed at the end of the reporting period.

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

Receivables
Receivables are measured at amortised cost and and impairment losses are recognised if there are indications thereof. In connection with impairment losses on receivables, Management makes an estimate on the basis of the information and indications available.

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

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

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

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

Segment information

Segmentation of the Group is according to business, ie. Customer Services, Material Handling, Mineral Processing and Cement, and forms the basis of Management's day-to-day control. The segmentation adopted matches the segmentation in the internal reporting to the Group Executive Management and the Board of Directors.

2. Breakdown of the Group by segments for 2012

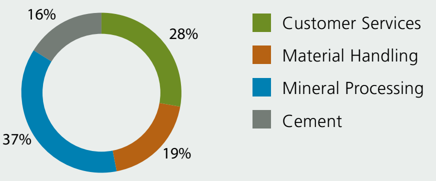
Segment income and costs consist of transactions between the segments which take place on market terms. The transactions are eliminated in connection with the consolidation.

DKKm	Customer Services	Material Handling	Mineral Processing	Cement	Other companies etc.[1]	Continuing activities	Discon-tinued activities[2]	FLSmidth Group
INCOME STATEMENT								
External revenue	6,984	4,323	9,345	4,197	-	24,849	1,430	26,279
Internal revenue	89	674	167	17	(947)	0	0	0
Revenue	**7,073**	**4,997**	**9,512**	**4,214**	**(947)**	**24,849**	**1,430**	**26,279**
Production costs	(5,076)	(4,393)	(7,316)	(2,945)	959	(18,771)	(982)	(19,753)
Gross profit	**1,997**	**604**	**2,196**	**1,269**	**12**	**6,078**	**448**	**6,526**
Sales, distr. and admin. costs and other operating items	(985)	(744)	(1,117)	(481)	8	(3,319)	(360)	(3,679)
Earnings before special non-recurring items, depreciation, amortisation and impairment (EBITDA)	**1,012**	**(140)**	**1,079**	**788**	**20**	**2,759**	**88**	**2,847**
Special non-recurring items	(15)	5	(7)	0	0	(17)	23	6
Depreciation and impairment of tangible assets	(67)	(51)	(72)	(36)	(14)	(240)	(69)	(309)
Earnings before amortisation and impairment of intangible assets (EBITA)	**930**	**(186)**	**1,000**	**752**	**6**	**2,502**	**42**	**2,544**
Amortisation and impairment of intangible assets	(143)	(61)	(227)	(83)	0	(514)	(4)	(518)
Earnings before interest and tax (EBIT)	**787**	**(247)**	**773**	**669**	**6**	**1,988**	**38**	**2,026**
ORDER INTAKE (GROSS)	**9,202**	**4,565**	**10,318**	**4,599**	**(957)**	**27,727**	**n/a**	**27,727**
ORDER BACKLOG	**8,159**	**4,773**	**9,589**	**7,585**	**(655)**	**29,451**	**n/a**	**29,451**
FINANCIAL RATIOS								
Gross margin	*28.2%*	*12.1%*	*23.1%*	*30.1%*	*n/a*	*24.5%*	*n/a*	*24.8%*
EBITDA margin	*14.3%*	*(2.8%)*	*11.3%*	*18.7%*	*n/a*	*11.1%*	*n/a*	*10.8%*
EBITA margin	*13.1%*	*(3.7%)*	*10.5%*	*17.8%*	*n/a*	*10.1%*	*n/a*	*9.7%*
EBIT margin	*11.1%*	*(4.9%)*	*8.1%*	*15.9%*	*n/a*	*8.0%*	*n/a*	*7.7%*
Number of employees at 31 December	**6,003**	**3,435**	**2,833**	**2,554**	**2**	**14,827**	**1,073**	**15,900**

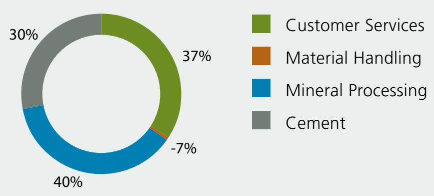
Reconciliation of the year's profit/loss	Continuing activities	Discontinued activities
Segment earnings before interest and tax (EBIT) of reportable segments	1,988	38
Financial income	1,005	34
Financial costs	(1,066)	(43)
Earnings before tax (EBT)	**1,927**	**29**
Tax for the year	(653)	0
Profit/loss for the year	**1,274**	**29**

[1] *Other companies etc. consist of companies with no activities, real estate companies, eliminations and the parent company.*
[2] *Discontinued activities consist of Cembrit activities as well as run off on activities sold in previous years (see note 17).*

Revenue by segment



EBITA by segment



2. Breakdown of the Group by segments for 2011

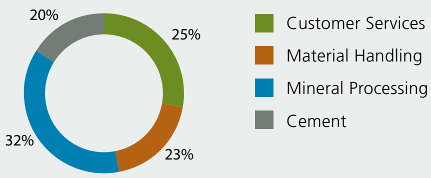
Segment income and costs consist of transactions between the segments which take place on market terms. The transactions are eliminated in connection with the consolidation.

Compared to the Annual Report 2011, Cembrit has been reclassified to discontinued activities.

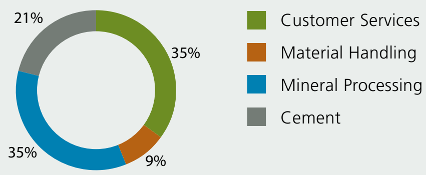
DKKm	Customer Services	Material Handling	Mineral Processing	Cement	Other companies etc.[1]	Continuing activities	Discon-tinued activities[2]	FLSmidth Group
INCOME STATEMENT								
External revenue	5,135	4,476	6,587	4,340	-	20,538	1,472	22,010
Internal revenue	124	529	179	14	(846)	0	0	0
Revenue	**5,259**	**5,005**	**6,766**	**4,354**	**(846)**	**20,538**	**1,472**	**22,010**
Production costs	(3,702)	(4,127)	(5,218)	(3,198)	955	(15,290)	(979)	(16,269)
Gross profit	**1,557**	**878**	**1,548**	**1,156**	**109**	**5,248**	**493**	**5,741**
Sales, distr. and admin. costs and other operating items	(675)	(602)	(689)	(615)	(139)	(2,720)	(360)	(3,080)
Earnings before special non-recurring items, depreciation, amortisation and impairment (EBITDA)	**882**	**276**	**859**	**541**	**(30)**	**2,528**	**133**	**2,661**
Special non-recurring items	0	0	(1)	0	10	9	7	16
Depreciation and impairment of tangible assets	(44)	(51)	(43)	(47)	(5)	(190)	(68)	(258)
Earnings before amortisation and impairment of intangible assets (EBITA)	**838**	**225**	**815**	**494**	**(25)**	**2,347**	**72**	**2,419**
Amortisation and impairment of intangible assets	(6)	(79)	(126)	(19)	0	(230)	(4)	(234)
Earnings before interest and tax (EBIT)	**832**	**146**	**689**	**475**	**(25)**	**2,117**	**68**	**2,185**
ORDER INTAKE (GROSS)	**5,271**	**5,491**	**9,731**	**4,438**	**(887)**	**24,044**	**n/a**	**24,044**
ORDER BACKLOG	**6,081**	**5,145**	**8,779**	**7,749**	**(618)**	**27,136**	**n/a**	**27,136**
FINANCIAL RATIOS								
Gross margin	*29.6%*	*17.5%*	*22.9%*	*26.6%*	*n/a*	*25.6%*	*n/a*	*26.1%*
EBITDA margin	*16.8%*	*5.5%*	*12.7%*	*12.4%*	*n/a*	*12.3%*	*n/a*	*12.1%*
EBITA margin	*15.9%*	*4.5%*	*12.0%*	*11.3%*	*n/a*	*11.4%*	*n/a*	*11.0%*
EBIT margin	*15.8%*	*2.9%*	*10.2%*	*10.9%*	*n/a*	*10.3%*	*n/a*	*9.9%*
Number of employees at 31 December	**4,137**	**3,096**	**2,186**	**2,725**	**2**	**12,146**	**1,058**	**13,204**
Reconciliation of the year's profit/loss								
Segment earnings before interest and tax (EBIT) of reportable segments						2,117	68	
Financial income						842	19	
Financial costs						(921)	(40)	
Earnings before tax (EBT)						**2,038**	**47**	
Tax for the year						(682)	34	
Profit/loss for the year						**1,356**	**81**	

[1] *Other companies etc. consist of companies with no activities, real estate companies, eliminations and the parent company.*
[2] *Discontinued activities consist of Cembrit activities as well as run-off on activities sold in previous years (see note 17).*

Revenue by segment



EBITA by segment



3. Segment reporting, geographical

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

DKKm	2012	2011
Revenue (continuing activities)		
Europe	2,534	1,956
Asia	6,184	6,599
North America	5,050	3,661
South America	4,896	3,613
Africa	3,872	3,622
Australia	2,313	1,087
	24,849	**20,538**
Significant revenue in individual countries (more than 5% of total revenue):		
- Denmark (the Group's domicile country)	56	39
- USA	2,656	1,997
- Australia	2,293	1,060
- India	1,936	2,473
- Chile	1,916	1,382
- Canada	1,596	953
- Brazil	1,454	1,019
- Russia	1,324	652
The geographical breakdown of assets is based on the location of the assets. The location largely coincides with the domiciles of the Group companies.		
Assets (Group)		
Europe	10,130	9,573
Asia	3,152	3,111
North America	9,264	8,056
South America	3,554	1,898
Africa	1,962	1,311
Australia	3,813	1,591
	31,875	**25,540**
Significant non-current assets in individual countries:		
- Denmark (the Group's domicile country)	1,920	1,800
- USA	3,570	3,023
- Australia	2,630	865
- Canada	908	851
Geographical location of the Group's employees:		
Employees		
Europe	4,197	4,027
Asia	4,473	3,824
North America	3,176	2,806
South America	1,310	930
Africa	1,836	1,298
Australia	908	319
	15,900	**13,204**

Income statement

4. Revenue

DKKm	2012	2011
Project sales	12,173	10,662
Product sales	3,391	2,632
Sales of spare parts and services, consumables etc.	9,285	7,244
	24,849	**20,538**
Services and spare parts sales, etc. include services and spare parts sales in product companies that are included in the segmental reporting of Material Handling, Mineral Processing and Cement.		
Income recognition criteria		
Income recognised when delivered	8,151	6,061
Income recognised according to the percentage-of-completion method	16,698	14,477
	24,849	**20,538**

5. Other operating income and costs

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

DKKm	2012	2011
Other operating income		
Government subsidies and other grants	8	8
Rent income	11	11
Royalties, etc.	3	12
Profit on disposal of tangible assets	41	19
Other income	83	44
	146	**94**
Other operating costs		
Loss on disposal of tangible assets	(5)	(6)
Royalties, etc.	0	(2)
Other costs	(32)	(2)
	(37)	**(10)**
Total other operating income and costs	**109**	**84**

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

6. Staff costs

DKKm	2012	2011
Wages, salaries and fees	4,087	3,633
Contribution plans and other social security costs, etc.	392	383
Defined benefit plans	17	18
Share-based payment, option plans (cf. note 44)	29	21
Cash-based payment, employee share plan	0	(16)
Other staff costs	341	255
	4,866	**4,294**
The amounts are included in the items:		
Production costs	2,830	2,511
Sales and distribution costs	1,041	880
Administrative costs	995	903
	4,866	**4,294**

Staff costs consist of direct wages and salaries, fees, pension payments, etc. to the continuing activities 14,827 employees (2011: 12,146) who contribute to the Group's production, sales and administration.

For further details concerning the remuneration of the Executive Management and Board of Directors, see note 45 regarding related parties.

7. Special non-recurring items

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

DKKm	2012	2011
Effect of foreign exchange adjustment regarding liquidation of company	0	9
Run-off on purchase price allocations to inventories in connection with acquisition of enterprises	(22)	0
Profit/(loss) on disposal of enterprises and activities	5	0
	(17)	**9**

8. Minority interests

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

DKKm	2012	2011
Roymec (Proprietary) Limited	(5)	9
Phillips Kiln Service Ltd.	4	1
FLSmidth SEPEC	(2)	0
	(3)	**10**

9. Earnings per share (EPS)

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

DKKm	2012	2011
Earnings		
FLSmidth & Co. A/S shareholders' share of profit/loss for the year	1,306	1,427
FLSmidth & Co. Group profit/loss from discontinued activities	29	81
Number of shares, average		
Number of shares issued	53,200,000	53,200,000
Adjustment for treasury shares	(1,170,096)	(877,775)
Potential increase of shares in circulation, options in-the-money	105,813	227,669
	52,135,717	52,549,894
Earnings per share (EPS)		
• Continuing and discontinued activities per share	25.1	27.2
• Continuing and discontinued activities, diluted, per share	25.1	27.1
• Continuing activities per share	24.5	25.7
• Continuing activities, diluted, per share	24.5	25.6

Non-diluted earnings per share in respect of discontinued activities amount to DKK 0.6 (2011: DKK 1.5) and diluted earnings per share in respect of discontinued activities amount to DKK 0.6 (2011: DKK 1.5). These earnings are calculated based on the Group's earnings from discontinued activities which amount to DKK 29m (2011: DKK 81m).

The calculation of diluted earnings per share is inclusive of 105,813 share options (2011: 227,669), which are in-the-money that may potentially dilute the earnings per share in the future.

10. Income statement classified by function

It is Group policy to prepare the income statement based on an adapted classification of the costs by function in order to show the earnings before special non-recurring items, depreciation, amortisation and impairment (EBITDA). Depreciation, amortisation and impairment of tangible and intangible assets is therefore separated from the individual functions and presented on separate lines.

The table below shows an extract of the income statement adapted to show depreciation, amortisation and impairment classified by function.

DKKm	2012	2011
Revenue	24,849	20,538
Production costs	(19,153)	(15,451)
Gross profit	**5,696**	**5,087**
Sales and distribution costs	(1,578)	(1,235)
Administrative costs	(2,222)	(1,828)
Other operating income and costs	109	84
Special non-recurring items	(17)	9
Earnings before interest and tax (EBIT)	**1,988**	**2,117**
Depreciation, amortisation and impairment consist of:		
Amortisation of intangible assets	326	230
Write-down of intangible assets	188	0
Depreciation of tangible assets	240	187
Write-down of tangible assets	0	3
	754	**420**
Depreciation, amortisation and impairment are split on:		
Production costs	382	161
Sales and distribution costs	8	4
Administrative costs	364	255
	754	**420**

Cash flow statement

11. Change in provisions

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

DKKm	2012	2011
Pensions and similar obligations	35	(49)
Other provisions	(241)	(107)
	(206)	**(156)**

12. Change in working capital

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

DKKm	2012	2011
Inventories	(210)	(233)
Trade receivables	(403)	(1,462)
Trade payables	224	700
Work-in-progress and prepayments from customers	458	323
Other receivables and other liabilities	(295)	89
	(226)	**(583)**

13. Financial payments received and made

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

DKKm	2012	2011
Financial payments received	545	818
Financial payments made	(494)	(836)
	51	**(18)**

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

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

DKKm	2012	2011
Other receivables	42	80
Mortgage debt	0	6
Bank loans	2,508	131
Finance lease	1	10
Other liabilities	16	(73)
Hedging instruments	0	9
Foreign exchange adjustments	0	(83)
	2,567	**80**

Acquisition and disposal of enterprises and activities

15. Acquisition of enterprises and activities

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

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

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

Acquisition of enterprises and activities in 2012

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

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

15. Acquisition of enterprises and activities (continued)

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

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

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

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

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

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

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

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

Conveyor Engineering Inc.
Conveyor Engineering Inc. was acquired in March 2009. In 2012, a final earn-out payment was made which previously had not been included in the purchase consideration calculation. In accordance with valid IFRS rules at the time of acquisition, the payment resulted in an increase in goodwill.

ESSA Australia Limited
Essa Australia Limited was acquired in February 2011. In 2012, the fair value adjustment of the opening balance was completed, resulting in a decrease of other liabilities and goodwill.

Darimec S.r.L.
Darimec S.r.L. was acquired in July 2011. In 2012 an adjustment to the acquisition price was made by reducing goodwill.

Knelson Canada
The activities of Knelson, Canada were acquired in September 2011. In 2012, a fair value adjustment of the opening balance was done, resulting in an increase of other debt, deferred tax liability and goodwill.

Acquisition of enterprises and activities in 2011

Name of enterprise acquired	Primary activity	Date of acquisition / consolidated from	Ownership acquired	Voting share acquired	Ownership interest	Voting share
ESSA Australia Limited	Material Handling	17 February 2011	100%	100%	100%	100%
Darimec S.r.L.	Material Handling	29 July 2011	100%	100%	100%	100%
Phillips Kiln Service Ltd.	Customer Services	18 August 2011	100%	100%	100%	100%
Knelson Group (acquisition of net assets)	Mineral Processing	21 September 2011	-	-	-	-
Transweigh India Ltd.	Cement	20 October 2011	76%	76%	100%	100%

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

Name of enterprise acquired	Included in the consolidated financial statements: Revenue	Included in the consolidated financial statements: Earnings after tax	Revenue for 2011	Earnings after tax for 2011	Number of employees	Non allocated cost price (goodwill)
Roymec (Proprietary) Limited		Fully consolidated in 2011				
ESSA Australia Limited	56	5	80	3	91	22
Darimec S.r.L.	16	(13)	52	(15)	37	75
Phillips Kiln Service Ltd.	61	4	97	5	174	16
Knelson Group (acquisition of net assets)	73	1	210	35	144	357
Transweigh India Ltd.	15	1	73	(10)	367	32

ESSA Australia Limited
Essa Australia Limited based in Perth, Australia, is a specialist provider of design, manufacture, servicing and support of sampling equipment to the mineral and mining industries. The activities were consolidated at 17 February 2011.

Darimec S.r.L.
Darimec S.r.L. based in Milan, Italy is a specialist service provider to the cement industry. The activities were consolidated at 29 July 2011.

Phillips Kiln Service Ltd.
Phillips Kiln Service Ltd. based in Sioux City, Iowa, USA is a specialist service provider to the cement industry. The activities were consolidated as at the acquisition date.

Knelson Group
Knelson Group based in Vancouver, Canada is a specialist provider of design, manufacture, servicing and support to the mineral and mining industries. The activities were consolidated as at the acquisition date.

Roymec (Proprietary) Limited
Roymec (Proprietary) Limited was acquired in November 2010 and in 2012 the opening balance sheet was adjusted by allocating DKK 49m to patents and rights, hence the non-allocated purchase consideration amounts to DKK 33m before foreign exchange adjustments.

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

Step acquisition of enterprises:
Transweigh India Ltd.
In 2011, the Group gained control of Transweigh India Ltd., which had previously been recognised based on the equity method. The minority interest (24%) in Transweigh India Ltd. is recognised at fair value as at the date of acquisition, equivalent to DKK 18m. The minority interest is measured at fair value based on revenue recognition method.

Based in Mumbai India, Transweigh India Ltd. supplies gravimetric feeding equipment mainly to the steel, iron and cement industries. The company also markets and sells FLSmidth Pfister's market-leading fuel feeder products to the growing Indian market. The non-allocated purchase consideration is recognised as goodwill reflecting expected synergies.

16. Disposal of enterprises and activities

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

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

DKKm	2012	2011
Intangible assets	0	4
Tangible assets	0	2
Inventories	0	1
Receivables	0	7
Cash and cash equivalents	0	1
Liabilities	0	(3)
Carrying amount of net assets disposed	**0**	**12**
Profit/(loss) on disposal of enterprises and activities	5	0
Cash sales value	5	12
Contingent consideraton in a business combination	0	0
Total selling price	**5**	**12**
Cash and cash equivalents disposed of, see above	0	(1)
Net cash effect including contingent consideration in a business combination	**5**	**11**
Profit/(loss) on disposal of enterprises and activities	**5**	**0**

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

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

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

17. Discontinued activities

To maintain focus on the core business in the Group, FLSmidth has decided to sell the Cembrit division. This division is therefore presented among discontinued activities.

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

DKKm	2012	2011
Revenue	1,430	1,472
Costs	(1,401)	(1,425)
Earnings before tax	29	47
Tax for the year	0	34
Profit/loss for the year, discontinued activities	**29**	**81**
Cash flow statement:		
Cash flow from operating activities	(4)	1
Cash flow from investing activities	(34)	(31)
Cash flow from financing activities	82	2
Earnings per share, discontinued activities	0.6	1.5
Earnings per share, discontinued activities (diluted)	0.6	1.5

Non-current assets and investments

18. Intangible assets

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

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

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

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

Much of the knowledge generated in the Group originates from work performed for customers. In 2012, the Group's research and development costs totalled DKK 347m (2011: DKK 339m). Research and development costs not capitalised are included in production costs. As these costs mainly relate to improvements of already existing products, capitalised development costs merely account for a total of DKK 104m (2011: DKK 98m) in respect of R&D development projects and other intangible assets. The total addition of intangible assets includes internal capitalisation at DKK 128m (2011: DKK 72m).

18. Intangible assets (continued)

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

Intangible assets of indefinite useful life

DKKm	Customer Services	Material Handling	Mineral Processing	Cement	2012
Goodwill	2,299	246	2,258	49	4,852
Trademarks	188	151	442	36	817
Carrying amount at 31 December 2012	**2,487**	**397**	**2,700**	**85**	**5,669**

Addition of goodwill comprises:

DKKm	Customer Services	Material Handling	Mineral Processing	Cement	2012
Conveyer Engineering Inc. (contingent consideration adjustment)		35			35
Knelson Canada	31				31
Process Engineering Resources Inc.			17		17
Ludowici Limited	297		297		594
Teutrine GmbH Industrie-Technik	20				20
MIE Enterprises Pty. Ltd.	41				41
Mayer Bulk Pty. Ltd.					0
Decanter Machine Inc.			94		94
Darimec S.r.L.	(2)				(2)
	387	**35**	**408**	**0**	**830**

19. Tangible assets

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

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

19. Tangible assets

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

Depreciation and impairment in the income statement is stated at the average rates of exchange and cannot, therefore, be directly reconciled with the fixed asset note above in which depreciation and impairment are stated at year-end exchange rates. For allocation of depreciation and impairment to production costs, sales and distribution costs and administrative costs, see note 10.

For acquisition of Group enterprises, see note 15. Acquisitions and disposals presented in the consolidated cash flow statement include Cembrit and cannot, therefore, be directly reconciled with fixed asset note above.

20. Impairment test

Procedure for impairment test
At least once a year and when there is indication of impairment, an impairment test of the Group's intangible and tangible assets is carried out. The intangible assets are primarily related to acquisition of enterprises and activities, and R&D projects.

Impairment is tested for Customer Services, Material Handling, Mineral Processing, Cement and Cembrit, these being the lowest level of cash-generating unit (CGU) as defined by Group Management. The definition of CGUs is based on the certainty by which the carrying amount of the intangible assets can reasonably be allocated and monitored. The CGU's have been changed compared to 2011. The level of allocating and monitoring the Group's intangible assets among cash-generating units should also be seen in conjunction with the Group strategy.

The enterprises and activities acquired by the Group are typically integrated and merged with existing Group enterprises shortly after the time of acquisition, and the intangible assets acquired are allocated and monitored on the same conditions as the existing cash generating units.

Estimates by Management when determining recoverable amount
'Value in use' as an expression of the recoverable amount is calculated for each cash-generating unit by discounting the expected future cash flow to net present value. Expected future cash flow is based on Management estimates including expected growth rates, etc. The discounting factor is also calculated on the basis of Management estimates, which include both general capital market conditions and a specific risk profile (currently 12-15 % before tax) (2011: 12-15% before tax)).

The 'value in use' calculations are composed of discounted expected cash flow for the next five years and a calculated terminal value of cash flow for the subsequent period based on budgets. The terminal value does not exceed the long-term growth rate of the cash flow generating units including inflation. Important parameters in the calculations are developments in revenue, gross margin, reinvestments in plant and growth expectations beyond the coming five years. The budgets do not include the effect of restructuring. In calculating the terminal value, a growth rate (1-2.5% (2011: 1%)), which is estimated by Management is adopted for each of the cash generating units.

In the impairment test for the cash-generating units, the recoverable amount is compared with the carrying amount of the individual units.

Result of impairment test for 2012
An impairment test as at 30 June 2012 showed indication of impairment of intangible assets under development. The impairment concerned capitalised research and development costs and shutdown costs amounting to DKK 188m in connection with a development project into ground-breaking new technology where significant progress had been made and patents taken out. The commercial tests, however, failed to show acceptable results. The development project belongs to the CGU's: Customer Services, Mineral Processing and Cement, and the EBIT results of each of the three divisions are negatively impacted by an impairment loss of some DKK 60m.

The impairment test as at 31 December 2012 showed no further indication of impairment for 2012 (2011: no impairment).

21. Associates

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

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

DKKm	2012	2011
Key figures for associates (aggregate)		
Assets	1	358
Liabilities	0	(349)
Net assets	**1**	**9**
Share of net assets	0	1
Revenue	**0**	**439**
Profit/loss for the year	**0**	**3**
Share of the year's profit/loss	0	0

Investments in associates 31 December 2012:
NLS-SSBIL (United Arab Emirates)
The Pennies and Pounds Holding Inc. (Philippines)
LFC International Engineering JSC (Vietnam)

22. Joint ventures

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

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

FLS EurAsia AG (Switzerland), ownership interest 33%
Euroslot KDSS (South Africa), ownership interest 50%

DKKm	2012	2011
Current assets	13	8
Non-current assets	5	0
Short-term liabilities	3	1
Long-term liabilities	3	0
Equity	12	7
Revenue	**5**	**0**
Costs	(5)	(2)
Profit/loss for the year	**0**	**(2)**

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

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

Assets and liabilities classified as held for sale includes Cembrit assets and liabilities as well as non-core activities, gained through the recent acquisition of Ludowici.

Working capital

24. Specification of working capital

Notes 25, 26 and 27 show additional specification of selected working capital items. The Group's working capital is specified as follows:

DKKm	2012	2011
Inventories	2,602	2,292
Trade receivables	5,915	5,554
Work-in-progress for third parties, asset	5,276	3,633
Prepayments to subcontractors	487	467
Other receivables	881	848
Prepaid expenses and accrued income	73	181
Financial instruments for hedging assets defined as working capital	67	0
	15,301	**12,975**
Prepayments from customers	2,989	2,206
Trade payables	3,092	2,682
Work-in-progress for third parties, liability	6,138	4,760
Other liabilities	1,306	1,672
Deferred revenue	89	35
Financial instruments for hedging liabilities defined as working capital	95	0
	13,709	**11,355**
Working capital	**1,592**	**1,620**
Net assets held for sale	358	0
Working capital of the Group	**1,950**	**1,620**

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

25. Work-in-progress for third parties

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

DKKm	2012	2011
Total costs defrayed	36,446	35,646
Profit recognised as income, net	6,661	6,811
Work-in-progress for third parties	43,107	42,457
Invoicing on account to customers	(43,969)	(43,584)
Net work-in-progress	**(862)**	**(1,127)**
of which work-in-progress for third parties is stated under assets	5,276	3,633
and under liabilities	(6,138)	(4,760)
Net work-in-progress	**(862)**	**(1,127)**

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

26. Inventories

Inventories are measured at weighted average prices. Inventories whose cost exceeds the expected selling price less completion and selling costs, are written down to this lower net realisation value.

DKKm	2012	2011
Raw materials and consumables	415	402
Work-in-progress	594	430
Finished goods and goods for resale	1,590	1,445
Prepayments for goods	3	15
Inventories at 31 December	**2,602**	**2,292**
Inventories valued at net realisable value	24	21
Write down of inventories		
Impairment at 1 January	(96)	(114)
Reclassification to assets classified as held for sale	27	
Foreign exchange adjustment	(2)	2
Additions	(31)	(9)
Disposals	6	23
Reversals	2	2
Write down at 31 December	**(94)**	**(96)**

The increase in inventories is mainly due to acquisition of enterprises and activities.

27. Trade and other receivables

In 2012 other receivables amount to DKK 1,408m (2011: DKK 1,112m) and include fair value of derivatives and corporation taxes receivable.

DKKm	2012	2011
Specification of changes in write down of trade receivables:		
Impairment at 1 January	117	126
Reclassification to assets classified as held for sale	(10)	0
Foreign exchange adjustment	(3)	(1)
Additions	57	64
Reversals	(8)	(47)
Realised	(32)	(25)
Write down, trade receivables at 31 December	**121**	**117**

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

DKKm	2012	2011
Maturity period:		
Not due for payment	3,223	3,689
Up to two months	1,469	1,044
Between two and six months	642	454
Over six months	581	367
	5,915	**5,554**

Recognised trade receivables include retentions on contractual terms at DKK 232m (2011: DKK 604m).

Tax

28. Tax for the year

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

DKKm	2012	Effective tax rate	2011	Effective tax rate
Current tax on the profit/loss for the year	**724**		**743**	
Withholding tax	41		51	
Adjustment of deferred tax	(132)		(96)	
Adjustment of tax rate on deferred tax	5		(5)	
Adjustments regarding previous years, deferred taxes	13		(15)	
Adjustments regarding previous years, current taxes	(22)		(18)	
Other adjustments	24		22	
Tax for the period, continuing activities	**653**	**33,9%**	**682**	**33,5%**
Earnings before tax on continuing activities	1,927		2,038	
Earnings before tax on discontinued activities	29		47	
	1,956		**2,085**	
Reconciliation of tax				
Tax according to Danish tax rate	25.0%		25.0%	
Differences in the tax rates in foreign subsidiaries relative to 25%	4.5%		6.5%	
Non-taxable income and non-deductible costs	1.6%		(0.9%)	
Primarily dividend taxes	0%		0.2%	
Non-deductible loss on shares	(0.2%)		0.8%	
Written-off purchase costs	0%		0%	
Differences in tax assets valued at nil	(0.2%)		0.1%	
Differences due to adjustment of tax rate	0.3%		(0.2%)	
Adjustments regarding previous years, deferred tax	0.7%		(0.7%)	
Adjustments regarding previous years, current taxes	(1.1%)		(0.9%)	
Withholding taxes	2.1%		2.5%	
Other adjustments	1.2%		1.1%	
Effective tax rate	**33.9%**		**33.5%**	
Corporate income tax paid in 2012 for continuing activities amounts to DKK 694m (2011: DKK 812m) of which the main part is attributable to the following countries:				
Denmark	122		76	
USA	219		293	
Germany	37		92	
India	43		92	
South Africa	62		81	
Chile	43		8	
Italy	24		23	
Australia	72		28	

Besides, the Group pays personal income taxes, sales taxes, custom duty etc.

	2012			2011		
Tax on other comprehensive income DKKm	**Deferred tax**	**Current tax**	**Tax income/ cost**	**Deferred tax**	**Current tax**	**Tax income/ cost**
Foreign exchange adjustment of loans classified as equity in enterprises abroad	0	8	8	0	(6)	(6)
Value adjustments of hedging instruments	(5)	3	(2)	4	(1)	3
Actuarial gains / (losses) on defined benefit plans	30	(3)	27	11	2	13
	25	**8**	**33**	**15**	**(5)**	**10**

29. Deferred tax assets and liabilities

Deferred tax is calculated using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except differences relating to initial recognition of goodwill not deductible for tax purposes.

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

DKKm	2012								
	Balance sheet 1 January	Assets held for sale	Foreign exchange translation	Adjustment to previous years, etc.	Acquisitions	Changed tax rate	Included in other comprehensive income	Included in the profit/ loss	Balance sheet 31 December
Deferred tax consists of									
Intangible assets	(493)	4	6	254	(63)	(3)	0	185	(110)
Tangible assets	91	(11)	1	35	(13)	(1)	0	31	133
Current assets	367	(9)	2	(3)	38	(6)	0	44	433
Liabilities	(231)	(54)	(13)	(55)	8	5	25	(96)	(411)
Tax loss carry-forwards, etc.	512	(174)	2	(227)	35	0	0	(37)	111
Share of tax asset valued at nil	(118)	79	(2)	(17)	(15)	0	0	5	(68)
Net deferred tax assets/ (liabilities)	**128**	**(165)**	**(4)**	**(13)**	**(10)**	**(5)**	**25**	**132**	**88**

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

DKKm	2012	2011
Deferred tax assets	970	1,014
Deferred tax liabilities	(882)	(886)
	88	**128**
Maturity profile of tax assets valued at nil		
Within one year	0	0
Between one and five years	0	72
After five years	309	466
	309	**538**
Tax value	**68**	**118**
Deferred tax assets not recognised in the balance sheet consist of		
Temporary differences	110	56
Tax losses	199	482
	309	**538**

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

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

Temporary differences regarding investments in Group enterprises are estimated at a tax liability of DKK 600-650m (2011: DKK 700-750m). The amount is not included because the Group is able to control whether the liability is released and it is considered likely that the liability will not be released in a foreseeable future.

Financial items

30. Financial income and costs

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

DKKm	2012	2011
Financial income		
Interest income from banks and receivables	17	30
Other financial income	41	52
Interest income from financial assets that is not measured at fair value in the income statement	**58**	**82**
Interest income from bonds	2	8
Fair value adjustment of derivatives, realised	326	174
Fair value adjustment of derivatives, unrealised	46	66
Foreign exchange gains, realised	481	384
Foreign exchange gains, unrealised	81	126
Dividend from shares	11	2
Fair value adjustment of other securities and investments	0	0
	1,005	**842**
Financial costs		
Interest payable on bank loans and mortgage debt	(77)	(53)
Other financial costs	(24)	(27)
Interest payable, trade creditors	(3)	0
Interest income from financial assets that is not measured at fair value in the income statement	**(104)**	**(80)**
Fair value adjustment of derivative financial instruments, realised	(527)	(244)
Fair value adjustment of derivative financial instruments, unrealised	(3)	(70)
Foreign exchange losses, realised	(377)	(411)
Foreign exchange losses, unrealised	(54)	(114)
Interest element discounted provisions	(1)	(2)
	(1,066)	**(921)**

31. Maturity structure of financial liabilities

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

DKKm	2012	2011
Time to maturity:		
Within one year	5,127	4,700
Between one and five years	374	1,676
After five years	3,748	368
Total	**9,249**	**6,144**

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

	Currency	2012 DKKm	Effective interest rate	Interest paid < 1 year	Interest paid 1-5 years	Interest paid > 5 years	2011 DKKm	Effective interest rate
Mortgage debt	EUR	(352)	0.6%	100%	0%	0%	(352)	1.6%
Bank loans	USD	(2,065)	1.0%	100%	0%	0%	0	
Bank loans	EUR	(1,807)	1.6%	100%	0%	0%	(825)	2.5%
Bank loans	DKK	0		100%	0%	0%	(108)	1.4%
Bank loans	Other	(131)		100%	0%	0%	(18)	
Lease liabilities	Other	(23)		100%	0%	0%	(18)	
Other liabilities	Other	(371)		100%	0%	0%	(283)	
Total debt		**(4,749)**					**(1,604)**	
Total cash and cash equivalents		**1,540**					**1,402**	
Total securities		**26**					**104**	
Net interest-bearing receivables/(debt)		**(3,183)**					**(98)**	

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

FLSmidth has entered into an AUD interest rate swap agreement fixing the interest rate on AUD 60m until June 2015.

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

DKKm	2012	2011
South Africa	315	239
China	158	146
India	124	145
Russia	45	47
Indonesia	49	40
Chile	71	36
Brazil	32	32
United Arab Emirates	41	0
Peru	60	16
Other	43	42
	938	**743**

The table below shows development in net interest-bearing receivables/(debt):

DKKm	2012	2011
Net interest bearing receivables/(debt) at 1 January	(98)	1,254
Transfer of assets held for sale	(24)	0
Cash flow from operating activities	1,707	1,128
Acquisition of enterprises and activities	(2,679)	(1,213)
Net interest bearing debt from acquired enterprises and activities	(551)	(30)
Net investments in intangible, tangible and financial assets	(851)	(700)
Paid dividend	(471)	(482)
Acquired/disposal of treasury shares	(153)	(90)
Other	(63)	35
Net interest bearing receivables/(debt) at 1 January	**(3,183)**	**(98)**
Net assets held for sale	99	0
Net interests bearing receivables/(debt) for the Group	**(3,084)**	**(98)**

33. Financial risks

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

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

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

Financial risk	Impact (Low, Medium or High)	Policy	Mitigation
Currency risk	Low	Limit set-out in Group Financial Policy and managed by VaR (Value at Risk) at Group level on a daily basis Limited at a fixed percentage of revenue in subsidiaries and managed at subsidiary level	• Hedging not later than when sales contract or purchase order become effective. • Currency exposure hedged by using for example forward contracts
Credit risk	Medium	Credit risks on customers and partners/suppliers are mainly managed by the different business entities. The Board of Directors has approved settlement limits and counterpart limits on banks for Group Treasury	• Continuous credit assessment of customers and trading partners/suppliers. Credit risks are mainly managed by the four business divisions. Credit risk is reduced by receiving prepayments and export letters of credit or other kind of security instruments • Group Treasury uses financial institutions with acceptable credit ratings • Late 2012 Group Treasury started netting spot and forward foreign exchange contracts using Continuous Linked Settlement (CLS) thereby reducing the settlement risk on its counterpart banks significantly. The credit risk on fair values of derivatives is assessed as being low
Liquidity risk	Low	Keep a minimum amount determined by the Board of Directors of undrawn committed financial facilities in place and a minimum weighted time to maturity on committed financial facilities	• FLSmidth has signed long-term committed financial facilities with multilateral banks and four core commercial banks • FLSmidth has raised short-term un-committed overdraft facilities with its core banks • Cash management is optimised by operating cash pool systems in USD, EUR, AUD, GBP and DKK • All subsidiaries forward a 6-months cash-flow forecast in a quarterly basis in order for Group Treasury to arrange and optimise short term liquidity
Interest risk	Low	Managed via VaR at Group level. Subsidiaries restricted to interest periods up to max. 12 months on deposits outside Group Treasury	• Interest periods on deposits in banks outside FLS Group Treasury are less than 12 months and all part of interest periods on debt is fixed for less than 12 months • Group Treasury has entered into an AUD interest rate swap agreement fixing the interest rate on AUD 60m for up to 3 years.

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

Currency risk
The Group's currency risks derive from the impact of exchange rates on future commercial payments and financial payments. Most of the Group companies' revenue is order-based and consist mainly of sales in the functional currency used by the individual company.

Production costs typically consist of internal costs and procurement in the company's functional currency and other currencies. It is always attempted to settle procurement in the company's functional currency. If this is not the case foreign exchange hedging takes place. Net foreign exchange exposure on all major contracts is hedged not later than at the time an order becomes effective. The Group's main currencies for commercial purposes are USD, EUR and AUD.

Group Treasury manages the Groups overall currency position by means of value at risk (VaR). VaR must not exceed DKK 4m per day and was DKK 1.3m as of 31.12.2012. The currency position allowed in subsidiaries is limited to maximum 0.5% of the entity's revenue, but not more than 50% of the currency position may be in one particular currency.

A 5% increase in a given exchange rate against the Danish krone would in 2012 have had the following impact on the consolidated profit for the year and the consolidated equity:

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

Assumptions of the sensitivity analysis

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

Interest rate risks
Interest rate risks concern the interest-bearing financial assets and liabilities of the Group. The interest-bearing financial assets consist primarily of cash in financial institutions and the interest-bearing liabilities mainly consist of bank and mortgage debt. Interest rate risks occur when interest rate levels change and/or if the pricing, which the Group has agreed with the financial institutions changes. The pricing on committed financial facilities is fixed until the facility expires. As at 31 December 2012, 91% of the Group's interest-bearing debt (31 December 2011: 100%) carried a floating rate. Other things being equal, a 1% increase in the interest rate will have a DKK 23m negative effect on the Group's interest earnings (2011: DKK 1m negative).

Group Treasury manages the Group's overall interest position by means of value at risk (VaR). VaR must not exceed DKK 5m per day and was DKK 1m as of 31 December 2012.

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

At the end of 2012, FLSmidth & Co. A/S had entered into the following committed financial facilities excluding mortgage debt:

DKKm

Commitment expiry	0 - 12 months	12 - 60 months	> 60 months
Multilateral banks:			
European Investment Bank (EUR) (fully drawn)	450		
Nordic Investment Bank (EUR) (fully drawn)		428	975
Commercial banks:			
Core relationship banks	1,000	5,000	

Weighted time to maturity for committed financial facilities is 3.3 years, which is well above the minimum number of years approved by the Board of Directors. The financing strategy of FLSmidth is to maintain a well-balanced maturity profile for liabilities to reduce refinancing risk.

The committed facilities contain standard clauses such as pari passu, negative pledge, change of control and two financial covenants. The Group did not in 2012 or in 2011 default on or fail to fulfill any financial facilities.

Please see note 31 for maturity structure of financial liabilities.

Credit Risk

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

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

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

No single customer accounted for more than 5% of the revenue in neither 2012 nor 2011. The maximum credit risk related to financial assets corresponds to the accounting value plus write-downs.

34. Financial instruments

Fair value of hedge instruments not qualifying for hedge accounting (economic hedge)
When hedging fair value that does not meet the criteria for hedge accounting, recognition at fair value takes place in the balance sheet and the value adjustments are recognised in the income statement as financial items. Fair value adjustments recognised in financital items in the income statement amounted to DKK -137m in 2012 (2011: DKK -110m). At 31 December 2012 the fair value of the Group's hedge agreement that is not recognised as hedge accounting amounted to DKK -26m (2011: DKK -72m)

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

DKKm	2012	2011
Fair value recognised in hedged items	2	(24)
Included in the income statement	(21)	16

At 31 December 2012 the fair value of the Group's fair value hedge instruments amounted to DKK 2m.

Hedging of forecast transactions (cash flow hedge)

The Group uses forward exchange contracts to hedge currency risks regarding expected future cash flows that meet the criteria for cash flow hedging. The fair value reserve of the derivatives is recognised in other comprehensive income until the hedged items are included in the income statement. Further unrealised fair value of derivatives is recognised in other receivables and other debt.

DKKm	2012	2011
Cash flow hedge reserve recognised in other comprehensive income	2	(9)
Reclassified from other comprehensive income into income statement	(20)	0
Inefficiency reflected in the income statement	0	0

At 31 December 2012 the fair value of the Group's cash flow hedge instruments amounted to DKK -4m.

35. Fair value hierarchy of financial instruments

The table below shows the classification of financial instruments that are measured at fair value, specified in accordance with the fair value hierarchy:

DKKm	2012			
	Quoted prices Level 1	**Observable input Level 2**	**Non-observable input Level 3**	**Total**
Financial assets				
Financial assets available for sale:				
Other securities and investments	25	39		64
Financial assets measured at fair value via the income statement:				
Bonds and listed shares	26			26
Derivative financial instruments used to hedge the fair value of recognised assets and liabilities		67		67
Contingent consideration in a business combination in connection with disposal of activity				0
Total financial assets	**51**	**106**	**0**	**157**
Financial liabilities				
Financial liabilities measured at fair value via the income statement:				
Derivative financial instruments used to hedge the fair value of recognised assets and liabilities		95		95
Contingent consideration in a business combination			126	126
Total financial liabilities	**0**	**95**	**126**	**221**

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

DKKm	2011			
	Quoted prices Level 1	**Observable input Level 2**	**Non-observable input Level 3**	**Total**
Financial assets				
Financial assets available for sale:				
Other securities and investments	20	39		59
Financial assets measured at fair value via the income statement:				
Bonds and listed shares	104			104
Derived financial instruments used to hedge the fair value of recognised assets and liabilities		38		38
Contingent consideration in a business combination			3	3
Total financial assets	**124**	**77**	**3**	**204**
Financial liabilities				
Financial liabilities measured at fair value via the income statement:				
Derived financial instruments used to hedge the fair value of recognised assets and liabilities		148		148
Contingent consideration in a business combination			212	212
Total financial liabilities	**0**	**148**	**212**	**360**

There were no significant transfers between level 1 and level 2 in 2011.

The only financial liability which is subsequently measured at fair value in accordance with level 3 is contingent consideration in a business combination in connection with the acquisition of Summit Valley in 2009 and Knelson Group in 2011. In 2012 FLSmidth has paid DKK 86m in contingent considerations related to Summit Valley and Knelson Group. No profit/loss from the contingent consideration has been recognised in the statement of comprehensive income. Adjustments at fair value of contingent consideration in a business combination for Summit Valley is recognised in the appertaining goodwill due to changed estimates of the financial developments.

36. Categories of financial instruments

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

DKKm	2012	2011
Available for sale	64	59
Receivables measured at amortised cost including cash and cash equivalents	14,099	11,902
Financial assets measured at fair value in the income statement	93	204
Financial liabilities measured at amortised cost	9,028	5,784
Financial liabilities measured at fair value in the income statement	221	360

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

Liabilities

37. Other provisions

Other provisions consist of:
- Estimated warranty claims in respect of goods or services already delivered
- Restructuring
- Guarantees and liabilities resulting from disposal of enterprises and activities
- Provisions for loss-making contracts
- Provisions for losses resulting from disputes and lawsuits

When assessing work-in-progress for third parties a number of project related risks have been taken into account, including performance guarantees and operation and maintenance contracts for which allowances are made based on Management estimates. A few cases are pending before the court in connection with previously supplied projects. Provisions have been made to counter any losses that may eventually occur in settling the cases.

DKKm	2012	2011
Provisions at 1 January	1,914	2,006
Transfer to assets held for sale	(231)	0
Exchange rate and other adjustments	(13)	(11)
Acquisition of Group enterprises	80	14
Provision for the year	942	891
Used during the year	(649)	(533)
Reversals	(434)	(400)
Discounting of provisions	1	6
Reclassification to/from other liabilities	28	(59)
Provisions at 31 December	**1,638**	**1,914**
The maturity of provisions is specified as follows:		
Short-term liabilities	1,123	1,384
Long-term liabilities	515	530
	1,638	**1,914**

The year's movements mainly consist of changes in warranty liabilities and other contract risks. To facilitate the process of ongoing projects and related disputes, the Group does not disclose project-specific information.

38. Long-term liabilities

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

DKKm	2012	2011
Maturity structure of long-term liabilities:		
Other provisions	468	504
Pension liabilities	227	56
Bank loans	48	814
Finance lease liability	2	10
Prepayments from customers	275	405
Other liabilities	370	274
Within one to five years	**1,390**	**2,063**
Other provisions	47	26
Pension liabilities	62	151
Mortgage debt	352	352
Bank loans	3,417	11
Finance lease liability	13	0
Other liabilities	15	14
Prepayments from customers	0	30
After five years	**3,906**	**584**
	5,296	**2,647**

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

DKKm	2012			2011		
	Minimum lease payements	**Interest element**	**Carrying amount**	**Minimum lease payments**	**Interest element**	**Carrying amount**
Maturity within one year	9	(1)	8	9	(1)	8
Maturity between one and five years	16	(1)	15	11	(1)	10
Maturity after five years	0	0	0	0	0	0
	25	**(2)**	**23**	**20**	**(2)**	**18**

Finance lease primarily applies to lease of transport vehicles.

39. Other liabilities

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

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

40. Pension assets and liabilities

The pension liabilities incumbent on the Danish Group enterprises are funded through insurance plans. The pension liabilities of certain foreign Group enterprises are also funded through insurance plans. Foreign enterprises, primarily USA, Switzerland and Germany, whose pension liabilities are not - or only partially - funded through insurance plans (defined benefit plans) state the unfunded liabilities on an actuarial basis at the present value at the balance sheet date. These pension plans are partly covered by assets in pension funds. The Group's defined benefit plans were DKK 293m underfunded at 31 December 2012 (2011: DKK 217m) for which a provision has been made as pension liabilities.

In the consolidated income statement DKK 392m (2011: DKK 383m) has been recognised as costs of plans funded through insurance (defined benefit plans). In the case of plans not funded through insurance (defined benefit plans), DKK 16m is recognised as a cost (2011: DKK 16m) in the consolidated income statement.

The actuarial loss for the year at DKK 102m (2011: loss DKK 38m) is recognised in the statement of comprehensive income.

DKKm	2012	2011
Present value of defined benefit plans	(893)	(784)
Fair value of the plan assets	600	567
Total	**(293)**	**(217)**
Change in recognised liability		
Net liability at 1 January	(217)	(204)
Transfer to asset held for sale	4	0
Other adjustments including foreign exchange adjustments	0	(23)
Acquisition of Group enterprises	0	(1)
Net amount recognised in the income statement	(16)	(16)
Actuarial profits and losses recognised in the statement of comprehensive income	(102)	(38)
Payments	30	59
Paid-out benefits	7	6
Settlements	1	0
Net liability at 31 December	**(293)**	**(217)**
Stated as assets	**7**	**9**
Stated as liabilities	**(300)**	**(226)**
	(293)	**(217)**
Recognised in the income statement		
Pension costs	(17)	(18)
Calculated interest on liabilities	(34)	(33)
Expected return on the plan assets	35	35
Recognised in the income statement regarding defined benefit plans	**(16)**	**(16)**
The amounts are included in the items:		
Production costs, sales and distribution costs and administrative costs		
Adjustments for the year of defined benefit plans based on experience (pension liabilities), gains/(losses)	**31**	**32**
Return on plan assets		
Expected return on the plan assets	(35)	(35)
Actual return on the plan assets	52	29
Actuarial profits / (losses) for the year on the plan assets	**17**	**(6)**
The expected return is fixed on the basis of the weighted return on the plan assets		
The assumptions on which the actuarial computations at the balance sheet date are based are as follows on average (weighted):		
Average discounting rate applied	2.9%	4.0%
Expected return on tied-up assets	4.4%	5.9%
Expected future pay increase rate	0.8%	0.8%

40. Pension assets and liabilities (continued)

DKKm	2012	2011
Present value of defined benefit plans		
Present value at 1 January	(784)	(580)
Transferred to assets held for sale	6	0
Reclassification from other liabilities	0	(148)
Foreign exchange adjustment	6	(5)
Acquisition of Group enterprises	0	(3)
Pension costs	(18)	(18)
Calculated interest on liabilities	(34)	(33)
Paid-out benefits	53	39
Actuarial gains and losses	(119)	(32)
Membership contributions	(4)	(4)
Settlements	1	0
Present value at 31 December	**(893)**	**(784)**
Fair value of the plan assets		
Fair value of the plan assets at 1 January	567	376
Reclassification from other liabilities	0	129
Foreign exchange adjustment	(6)	1
Acquisition of Group enterprises	0	1
Expected return on the plan assets	35	35
Payments	34	63
Paid-out benefits	(47)	(32)
Actuarial gains and losses	17	(6)
Fair value of the plan assets at 31 December	**600**	**567**
Specification of the fair value of the plan assets		
Equity instruments	250	363
Debt instruments	200	186
Other assets	150	18
Total fair value of the plan assets	**600**	**567**
Specification of the fair value of the plan assets in per cent		
Equity instruments	42%	64%
Debt instruments	33%	33%
Other assets	25%	3%
Defined benefit plan liabilities specified by country		
USA	42%	55%
Germany	38%	13%
Switzerland	13%	21%
India	0%	4%
Italy	6%	3%
Canada	1%	3%
Mexico	0%	1%

	2012	2011	2010	2009	2008
Present value of defined benefit plans	(893)	(784)	(580)	(540)	(488)
Fair value of the plan assets	600	567	376	294	290
Over-/underfunded	**(293)**	**(217)**	**(204)**	**(246)**	**(198)**
Actuarial gains / (losses), liabilities	(119)	(32)	7	(61)	49
Actuarial gains / (losses), assets	17	(6)	14	21	(138)
Actuarial gains / (losses), total	**(102)**	**(38)**	**21**	**(40)**	**(89)**

In 2013, the Group expects to pay a contribution of DKK 24m into its defined benefit plans.

41. Contractual liabilities and contingent liabilities

The Group leases properties and operating equipment under operating leases. The lease period is primarily one to five years with an option for extension after the period expires.

DKKm	2012	2011
Minimum rent and operating lease commitments:		
Maturity within one year	38	58
Maturity between one and five years	207	167
Maturity after five years	42	9
	287	**234**
Guarantees	93	78
Other contractual obligations	69	79
	162	**157**

Rent liabilities are mainly related to business leases and equipment.

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

When assessing work in progress for third parties, a number of project-related risks such as performance, quality and delay of projects are taken into consideration, and estimates and allowances are made based on Management estimates. The financial partners of the Group provide usual security in the form of performance guarantees, etc. for contracts and supplies. At the end of 2012, the total number of performance and payment guarantees issued amounted to DKK 6.4bn (2011: DKK 5.9bn). In cases where a guarantee is expected to materialise, a provision for this amount is made under the heading of Other provisions. The Group has non-committed guarantee facilities in financial institutions exceeding DKK 11.5bn.

In addition, the Group is from time to time involved in disputes that are normal for its business. The outcome of the disputes is expected to have no significant impact on the Group's financial position.

Other notes

42. Charged assets

DKKm	2012		2011	
	Carrying amount of charged assets	Charge	Carrying amount of charged assets	Charge
Trade receivables, etc.	173	173	146	146
Real estate	215	489	177	425
	388	**662**	**323**	**571**

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

In addition to statutory auditing, Deloitte, the Group auditors appointed at the Annual General Meeting, provides audit opinions and other consultancy services to the Group.

DKKm	2012	2011
Deloitte		
Statutory audit	21	21
Other assurance engagements	1	0
Tax and VAT consultancy	6	6
Other services	21	11
	49	**38**

44. Share-based payment, option plans

The Executive Management and a number of key employees in the Group have been granted options to purchase 1,344,680 shares in the company at a set price (strike price).

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

Share-based plans (2003-2005 plan and 2006-2012 plan)
The share option plans for 2003-2005 and 2006-2011 are share-based payment arrangements. The value of the options is recognised in the income statement under staff costs on a linear basis from the time of allocation to the initial time of acquisition, which means that at the time of exercising the option no further recognition in the income statement takes place.

Specification of outstanding options:

Number of shares	Executive Management	Key employees	Total number
Outstanding options 1 January 2011	128,050	507,854	635,904
Exercised of 2005 plan	(20,000)	0	(20,000)
Exercised of 2006 plan	0	(5,000)	(5,000)
Exercised of 2009 plan	0	(2,806)	(2,806)
Lapsed	0	(40,062)	(40,062)
Allocated for 2011 (issued 18 August 2011)	47,636	292,754	340,390
Allocated for 2011 (issued 10 November 2011)	0	80,050	80,050
Outstanding options 31 December 2011	**155,686**	**832,790**	**988,476**
Terminations, members of Executive Management	(61,309)	61,309	0
Additions, other managerial staff	39,908	(39,908)	0
Exercised of 2006 plan	(8,000)	(27,000)	(35,000)
Exercised of 2009 plan	(9,725)	(11,200)	(20,925)
Lapsed		(14,165)	(14,165)
Allocated for 2012 (issued 22 August 2012)	49,422	262,310	311,732
Allocated for 2012 (issued 20 November 2012)	0	114,562	114,562
Outstanding options 31 December 2012	**165,982**	**1,178,698**	**1,344,680**
Number of options that are exercisable at 31 December 2012	31,475	312,100	343,575
Number of options that are exercisable at 31 December 2011	52,950	201,900	254,850
Total fair value of outstanding options DKKm			
At 31 December 2012	11	88	99
At 31 December 2011	13	79	92

44. Share-based payment, option plans

	2012	2011
Average weighted fair value per option	73.96	92.81
Average weighted strike price per option	303.40	298.64
Average price per share at the time of exercising the option	359.66	389.16

In 2012, the recognised fair value of share options in the consolidated income statement amounts to DKK 29m (2011: DKK 21m).
The calculation of average weighted fair value and strike price per option is based on a dividend of DKK 9 (2011: DKK 9) in the exercise period.

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

Year of allocation	Strike price	Exercise period	Allocated	Lapsed	Exercised	Not exercised
2006	191.00	2011-2012	206,000	(15,000)	(191,000)	0
2007	414.00	2012-2013	145,500	(20,800)	(18,200)	106,500
2008	408.00 399.00	2012-2013 2013-2014	129,100	(18,000)	0	111,100
2009	211.00 202.00 193.00	2012-2013 2013-2014 2014-2015	161,210	(11,504)	(23,731)	125,975
2010	364.00 355.00 346.00	2013-2014 2014-2015 2015-2016	170,700	(9,750)	0	160,950
2011 allocated in August	242.00 233.00 224.00	2014-2015 2015-2016 2016-2017	340,390	(6,579)	0	333,811
2011 allocated in November	319.00 310.00 242.00	2014-2015 2015-2016 2016-2017	80,050	0	0	80,050
2012 allocated in August	320.00 311.00 302.00	2015-2016 2016-2017 2017-2018	311,732	0	0	311,732
2012 allocated in November	275.00 266.00 257.00	2015-2016 2016-2017 2017-2018	114,562	0	0	114,562

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

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

	Allocated in November 2012	Allocated in August 2012	Allocated in November 2011	Allocated in August 2011
Average price per share	311.00	356.00	355.00	278.00
Strike price per share	311.00	356.00	355.00	278.00
Expected volatility	35.48%	40.98%	43.07%	37.75%
Expected life	4 1/2 years	4 1/2 years	4 1/2 years	4 1/2 years
Expected dividend per share	DKK 9	DKK 9	DKK 9	DKK 9
Risk-free interest	0.0-0.6%	0.0-0.6%	0.7-1.3%	1.3-1.8%
Number of share options allocated	114,562	311,732	80,050	340,390
Fair value per option, DKK	86.81	109.53	123.17	89.93
Total fair value, DKKm	10	34	10	31

The expected volatility is based on the historical volatility in the preceding 12 months.
The expected life is the weighted average residual life of the share options allocated.

45. Related party transactions

Related parties with significant influence consist of the Group's Board of Directors and Executive Management plus close relatives of these persons. Related parties also include companies on which these persons exert considerable influence.

Transactions between the consolidated Group enterprises are eliminated in these consolidated financial statements. In 2011 and 2012 there were no transactions between related parties not part of the Group apart from the below mentioned.

DKKm	2012	2011
Remuneration of Board of Directors		
Board of Directors fees	5	5
Total remuneration of Board of Directors	**5**	**5**
Remuneration of the Executive Management		
Wages and salaries	29	21
Termination benefit	7	0
Share-based payment	4	4
Total remuneration of the Executive Management	**40**	**25**
This includes remuneration of the Group Chief Executive Officer, Mr Jørgen Huno Rasmussen	10	9

The remuneration includes 6 executive management members, of which three are registered with Erhvervsstyrelsen (The Danish Business Authority).

In the event of dismissal the Chief Executive Officer has two years' notice and shall receive one year's salary on the actual termination of his employment.

The rest of the Executive Management has 18 months' notice in the event of dismissal and shall receive up to six months' salary on the actual termination of their employment.

46. Board of Directors and Executive Management

The members of the FLSmidth & Co. A/S Board and Executive Management hold shares in FLSmidth & Co. A/S and other executive positions in Danish and foreign commercial enterprises as specified below:

	Remuneration		Nominal shareholding		Executive positions in other enterprises *
Board of Directors	**2012 DKK (1,000)**	**2011 DKK (1,000)**	**31 Dec. 2012 Number of shares**	**31 Dec. 2011 Number of shares**	
Vagn Ove Sørensen (Chairman)	1,200	933	1,316	1,301	Chairman of the Boards of Directors of TDC A/S. Vice Chairman of the Board of Directors of DFDS A/S. Member of the Boards of Directors of CP Dyvig & Co. A/S, Nordic Aviation Capital A/S, Det Rytmiske Musikhus' Fond and Koncertvirksomhedens Fond. CEO of GFKJUS 611 Aps and VOS Invest Aps. Senior adviser to EQT Partners. Chairman of the Boards of Directors of: Scandic Hotels AB (Sweden), Select Service Partner Plc (UK) and UC4 Software GmbH. Member of the Boards of Directors of Lufthansa Cargo (Germany), Air Canada (Canada), Royal Caribbean Cruises Ltd. (USA) and Braganza AS (Norway). Senior adviser Morgan Stanley.
Torkil Bentzen	725	500	5,000	3,600	Chairman of the Board of Directors of Burmeister & Wain Scandinavian Contractor A/S, EUDP (Energy Development and Demonstration Programme) and Klimakonsortiet (the Climate Consortium). Member of the Boards of Directors of Mesco Danmark A/S and Siemens Aktieselskab. Senior adviser to the Board of Mitsui Engineering & Shipbuilding Ltd. (Japan).
Martin Ivert	475	400	300	300	Chairman of Swerea (Sweden), Member of the Boards of Directors of Åkers Group (Sweden) and Ovako (Sweden).
Sten Jakobsson	500	267	1,500	1,500	Chairman of the Board of Directors of Power Wind Partners AB (Sweden). Vice Chairman of the Board of Directors of SAAB (Sweden). Member of the Boards of Directors of LKAB (Sweden), Stena Metall (Sweden) and Xylem Inc (USA).
Tom Knutzen	450	0	7,300	7,300	CEO of Jungbunzlauer Group, Switzerland. Member of the Board of Directors and the Board Risk Committee for Nordea Bank AB (publ) (Sweden).

46. Board of Directors and Executive Management (continued)

	Remuneration		Nominal shareholding		Executive positions in other enterprises *
Board of Directors	**2012 DKK (1,000)**	**2011 DKK (1,000)**	**31 Dec. 2012 Number of shares**	**31 Dec. 2011 Number of shares**	
Caroline Grégoire Sainte Marie	375	0	50	50	Member of the Board of Directors of Safran SA (France), Groupama SA (France) and Eramet (France).
Mette Dobel (employee-elected)	400	400	864	562	None
Frank Lund (employee-elected)	400	400	264	121	None
Jens Palle Andersen (employee-elected)	400	400	930	862	None
Jørgen Worning	0	400	N/A	N/A	Retired
Jesper Ovesen	150	400	N/A	N/A	Retired
Jens S. Stephensen	200	800	N/A	N/A	Retired
Executive Management					
Jørgen Huno Rasmussen					Chairman of the Boards of Directors of Lundbeckfonden and Vice Chairman of Tryghedsgruppen smba. Member of the Boards of Directors of Vestas Wind Systems A/S, Tryg Forsikring A/S, Bladt Industries A/S and LFI A/S.
Ben Guren					None
Bjarne Moltke Hansen					Member of the Board of Directors of RMIG A/S.
Carsten R. Lund					Member of the Board of Directors of Union Engineering a/s, Denmark.
Peter Flanagan					None
Per Mejnert Kristensen					None

* apart from 100% owned FLSmidth & Co. A/S subsidiaries

47. Events occurring after the balance sheet date

As announced on 11 January 2013, FLSmidth has won a contract worth approximately USD 112m (DKK 658m) from Vale to supply material handling and mineral processing equipment to a coal mine in Mozambique.

As announced on 14 January 2013, FLSmidth has divested non-core activities, gained through the acquisition of Ludowici. The sales concern the business areas Industrial and Infrastructure.

As announced on 15 January 2013, FLSmidth has signed a EUR 125m loan agreement with the European Investment Bank (EIB). The 5-year-bullet loan will finance FLSmidth's global research and development programme within the cement industry during the period 2013-2016. The R&D programme will focus on development of innovative products, optimisation of energy efficiency and use of materials and fuel in the production process as well as reduction of harmful emissions.

As announced on 16 January 2013, FLSmidth has revised its financial calendar for 2013. The Interim report Q1 2013 will be released on 17 May 2013 (previously 16 May 2013).

48. Approval of the Annual Report for publication

At its meeting on 12 February 2013 the Board of Directors has approved this Annual Report for publication.
The Annual Report will be presented to the shareholders of FLSmidth & Co. A/S for approval at the Annual General Meeting on 5 April 2013.

49. Shareholders

One shareholder has reported a participating interest that exceeds 5% of the share capital:
Oppenheim Funds Incorporated, USA

50. Accounting policies

General comments
The consolidated financial statements are presented in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The Annual Report is also presented in accordance with Danish disclosure requirements for annual reports published by listed companies as determined by NASDAQ OMX Copenhagen as well as the IFRS executive order issued in compliance with the Danish Financial Statements Act.

The financial statements of the parent company FLSmidth & Co A/S are presented in conformity with the provisions of the Danish Financial Statements Act for reporting class D enterprises. The instances in which the parent company's accounting policies deviate from those of the Group have been separately described on page 145.

The Annual Report is presented in Danish kroner (DKK) which is the presentation currency of the activities of the Group and the functional currency of the parent company.

The accounting policies for the consolidated financial statements and for the parent company are unchanged from 2011. However, a few reclassifications have taken place in the comparative figures for 2011.

Implementation of new and changed standards and interpretations
The Annual Report for 2012 is presented in conformity with the new and revised standards (IFRS/IAS) and new interpretations (IFRIC) approved by the EU, which apply to financial years beginning on 1 January 2012 or later. These standards and interpretations are:

- Amendments to IFRS7, *Financial Instruments Disclosure* applicable as at 1 January 2012.*The amendment increases the disclosure requirements for transactions involving the transfer of financial asssets in order to provide greater transparency regarding risk exposure when financial assets are transferred,*
- Amendments to IAS 12 *Income Taxes*, applicable as at 1 January 2012.

The amended standards and interpretations have not affected recognition and measurement in the 2012 Annual Report nor have the amendments affected presentation and disclosure.

General principles for recognition and measurement
Assets are recognised in the balance sheet when it is likely that future economic benefits will accrue to the Group and the value of the asset can be measured reliably. Liabilities are recognised in the balance sheet when it is likely that future economic benefits will depart from the Group and the value of the liability can be measured reliably. In case of initial recognition, assets and liabilities are measured at cost. Subsequent measurements are based on value adjustments as described below.

Consolidated financial statements
The consolidated financial statements comprise the parent company, FLSmidth & Co. A/S, and all enterprises in which the Group holds the majority of the voting rights or in which the Group in some other way holds control. Enterprises in which the Group holds between 20% and 50% of the voting rights or in some other way holds significant influence, but not control, are regarded as associates. Investments in jointly controlled entities are recognised as joint ventures by using the pro-rata method.

The consolidated financial statements are based on the financial statements of the parent company and the individual subsidiaries which are recognised in accordance with the Group accounting policies. All items of a uniform nature are added together, while intercompany income, costs, balances and shareholdings are eliminated. Unrealised gains and losses on transactions between consolidated enterprises are also eliminated.

The items in the financial statements of subsidiaries are included one hundred per cent in the consolidated financial statements. The proportionate share of the earnings attributable to the minority interests is included in the Group's profit/loss for the year and as a separate portion of the Group's equity.

Business combinations
On acquisition of enterprises, the purchase method is applied, and the assets, liabilities and contingent liabilities of the enterprises acquired are measured at fair value on the date of acquisition. The date of acquisition is the date when the Group in fact control of the enterprise acquired.

Restructuring costs are only recognised in the acquisition balance sheet if they are a liability for the enterprise acquired on the date of acquisition. The tax effect of the revaluations made is taken into account. Enterprises acquired are included in the consolidated financial statements from the date of acquisition.

If the Group acquires control in several steps (gradual acquisition) the investments held by the Group immediately before the last transaction when the control is acquired are considered sold and immediately repurchased at fair value at the date of acquisition. Any difference between the sales price and the carrying amount of these investments will result in gain or loss on the investments already held. Gain/loss is recognised in the income statement as financial items.

Statement of cost
The cost of an enterprise consists of the fair value of the purchase price of the enterprise acquired. If the final determination of the acquisition price is subject to one or more future events or fulfilment of terms agreed, these are recognised at fair value hereof at the date of acquisition and classified as a financial liability. Contingent considerations that are classified as a financial liability are continuously remeasured at fair value and adjusted directly in the income statement.

Costs that are related to the acquisition are recognised in the income statement at the time of occurrence.

In the case of business combinations, positive variances between the cost of the enterprise and the fair value of the identifiable assets, liabilities and contingent liabilities acquired are recognised as goodwill under the heading of intangible assets. Goodwill is not amortised, but is tested at least once a year for impairment. On the acquisition, goodwill is allocated to the cash generating units which subsequently form the basis of the impairment test. Negative variances (negative goodwill) are recognised in the income statement at the date of acquisition.

If there is any uncertainty regarding the identification or measurement of acquired assets, liabilities and contingent liabilities or the determination of the consideration at the date of acquisition, initial recognition is based on provisional values. The provisional values can be adjusted or additional assets or liabilities included until 12 months after the acquisition, if new information has appeared regarding circumstances that existed at the time of acquisition, which would have affected the statement of the values at the time of acquisition had the information been known.

Enterprises disposed of are consolidated until the date of disposal. The difference between the selling price and the carrying amount of the net assets at the date of disposal including remaining goodwill less expected costs of disposal is recognised in the income statement.

If the final determination of the selling price is subject to one or more future events or fulfilment of terms agreed, the price is recognised at fair value at the date of disposal and classified as a financial asset.

Minority interests
On initial recognition minority interests are measured at fair value or at their proportionate share of the fair value of the identifiable assets, liabilities and contingent liabilities of the enterprise acquired. If the fair value method is used, goodwill related to the share of minority interests is recognised in the enterprise acquired. If the net asset method is used, goodwill related to minority interests is not recognised. The method of measuring minority interests is selected from transaction to transaction and the method is stated in the notes in connection with the description of the enterprises acquired.

Translation of foreign currency
The functional currency is determined for each of the reporting enterprises. The functional currency is the currency primarily used by the individual reporting enterprises in connection with day-to-day operations.Transactions in another currency than the functional currency are transactions in foreign currency.

Transactions in another currency than the Group's functional currency are translated at the exchange rate of the day of transaction. Financial assets and liabilities in foreign currency are translated at the exchange rates prevailing at the balance sheet date. Any foreign exchange differences between the rates prevailing at the date of the transaction and the payment date or the balance sheet date, as the case may be, are recognised in the income statement as financial items.

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

The income statements of foreign subsidiaries with a functional currency that differs from Danish kroner and of foreign associates and pro rata consolidated joint ventures are translated at average exchange rates while their balance sheet items are translated at the exchange rates quoted at the balance sheet date. The differences deriving from the translation of the income statements of foreign business units at average exchange rates and of their balance sheet items at the rate of exchange at the balance sheet date are adjusted in the equity.

The foreign exchange adjustment of receivables from or debt to subsidiaries which are considered to be part of the parent company's total investment in the subsidiary concerned, is recognised in the statement of comprehensive income in the consolidated financial statements.

If the financial statements of a foreign business unit are presented in a currency in which the accumulated rate of inflation over the past three years exceeds 100 per cent, adjustments for inflation are made. The adjusted financial statements are translated at the exchange rate quoted on the balance sheet date.

Derivatives
Derivatives are initially recognised in the balance sheet at cost and subsequently measured according to fair value at the balance sheet date. The fair value of derivatives is included in Other receivables (positive fair value) or Other liabilities (negative fair value) as the case may be. Positive fair values are only offset against negative fair values if the enterprise is entitled to and intends to make a net settlement of several financial instruments (cash settlement). The fair values of derivatives are measured on the basis of market data and recognised valuation methods.

Changes in the fair value of derivatives that are classified as and fulfil the criteria for hedging the fair value of already recognised assets or liabilities or binding agreements (fair value hedge) are recognised in the income statement together with changes in the value of the assets and liabilities hedged as far as the hedged portion is concerned. Hedging of future cash flow in accordance with an agreement signed, including exchange rate hedging of sales or purchase contracts in connection with orders, is treated as hedging of the fair value of a recognised asset or a recognised liability.

Changes in the fair value of derivatives that are classified as and fulfil the criteria for hedging of future cash flow (cash flow hedge) are recognised directly in the equity until the hedged item is realised. When the item is realised the changes in value are recognised in the same accounting entry as the hedged item.

Derivatives that do not fulfil the criteria for hedge accounting are regarded as trading portfolio and recognised in the balance sheet at fair value on the balance sheet date. Value adjustments are recognised in the income statement as financial items.

Certain contracts contain conditions that correspond to derivatives. In case the embedded derivatives deviate significantly from the overall contract, they are recognised and measured as separate instruments at fair value, unless the contract concerned as a whole is recognised and measured at fair value.

50. Accounting policies (continued)

Income statement

Revenue
Revenue is recognised in the income statement on delivery and passing of the risk to the buyer and when the income can be measured reliably.

Work-in-progress for third parties is recognised in revenue based on the value of the work completed at the balance sheet date, whereby the revenue corresponds to the sales value of the year's completed work (production method). The general rule is to base percentage of completion on the costs incurred. The value of Work-in-progress for third parties is based on the costs incurred in percentage of the total budgeted costs.

Income from the supply of services is recognised as revenue in step with the services agreed being supplied, so that the revenue corresponds to the sales value of the work completed in the financial year (production method), see above.

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.

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

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

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

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

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

Special non-recurring items
Special non-recurring items consist of costs and income of a special nature in relation to the activities of the Group, including profit and loss on disposal of enterprises and run-off on purchase price allocations to inventories in connection with acquisitions. These items are classified as special non-recurring items in order to give a more true and fair view of the Group's other operational activities.

Profits/losses of associates
A proportionate share of the profits and losses of the associates after tax is recognised after adjustment for unrealised internal profits/losses and impairment, if any, of goodwill.

Financial items
Financial items comprise interest income and costs, the interest portion of finance leases, realised and unrealised exchange gains and losses on securities, liabilities and transactions in foreign currency, addition or deduction of amortisation related to mortgage debt, etc.

Interest income and costs are accrued on the basis of the principal amount and the effective interest rate. The effective interest rate is the discount rate used to discount the anticipated future payments which are related to the financial asset or the financial liability so that the present value of the payments corresponds to the carrying amount of the asset and the liability, respectively.

Tax
Tax for the year which comprises current tax and the change in deferred tax is recognised in the income statement with the share attributable to the profit/loss of the year, and directly in the equity with the share attributable to items entered directly in the equity. Exchange rate adjustments of deferred tax are included as part of the year's adjustments of deferred tax.

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

Deferred tax is calculated using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except differences relating to initial recognition of goodwill not deductible for tax purposes. Deferred tax is calculated based on the applicable tax rates for the individual financial years. The effect of changes in the tax rates is stated in the income statement unless they are items previously entered in the statement of comprehensive income.

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

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

FLSmidth & Co. A/S is jointly taxed with all Danish subsidiaries, FLSmidth & Co. A/S being the administrator of Danish joint taxation. All the Danish subsidiaries provide for the Danish tax based on the current rules with full distribution. Recognition of deferred tax assets and tax liabilities is made in the individual Danish enterprises based on the principles described above. The jointly taxed Danish enterprises are included in the Danish tax payable on account scheme.

Discontinued activities
Discontinuing activities are stated as a separate item in the income statement and consist of the operating income after tax from the activity concerned and any profits or losses from fair value adjustment or disposal of the assets related to the activities.

Cash flow from discontinued activities are in the consolidated cash flow statement included within cash flows from operating, investing and financing activities together with cash flow from continuing activities and specified in the notes.

Balance sheet

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

The carrying value of goodwill is tested for impairment at least once a year together with the other non-current assets in the cash flow generating unit to which the goodwill is allocated, and it is written down to recoverable amount via the income statement if the carrying value exceeds the recoverable amount, this representing the higher of the fair value of the asset less expected disposal costs or value in use. The recoverable amount is determined as the present value of the expected future net cash flows from the cash generating unit to which the goodwill is allocated. Impairment of goodwill is recognised in the income statement on the line Amortisation and impairment of intangible assets.

Other intangible assets
Other intangible assets with a finite useful life are measured at cost less accumulated amortisation and impairment losses. Other intangible assets with indefinite useful life are not amortised, but are tested for impairment at least once a year.

Development costs consist of salaries, amortisation and other costs that are directly attributable to development activities.

Clearly defined and identifiable development projects, for which the technical rate of utilisation, sufficient resources and a potential future market or application in the Group can be demonstrated and which are intended to be manufactured, marketed or used, are recognised as Completed development projects. This requires that the cost can be determined and it is sufficiently certain that the future earnings or the net selling price will cover production, sales and administrative costs plus the development costs. Other development costs are recognised in the income statement as the costs are incurred.

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

Amortisation of patents, rights, customer relations and other intangible assets is charged over the remaining patent or agreement period or useful life if shorter.

The amortisation profile is systematically based on the expected distribution of the assets' future economic benefits. The basis of amortisation is reduced by impairment, if any.

Amortisation takes place systematically over the estimated useful life of the assets which is as follows:

- Development costs, up to 5 years.
- Software applications, up to 5 years.
- Patents, rights and other intangible assets, up to 20 years.
- Customer relations, up to 30 years.

Tangible assets
Land and buildings, production facilities and machinery and other facilities, operating equipment and tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The cost of self-constructed assets includes the cost of materials and direct labour costs.

Depreciation is charged on a straight line basis over the estimated useful life of the assets until they reach the estimated residual value. Estimated useful life is as follows:

- Buildings, 20 – 40 years.
- Plant and machinery, operating equipment and other tools and equipment, 3 – 10 years.
- Fitting up rented premises, up to 5 years.

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

Assets of low acquisition value or short life are expensed to the income statement in the year of acquisition.

50. Accounting policies (continued)

Newly acquired assets and assets of own construction are depreciated from the time they are available for use. Land is not depreciated.

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

Assets held under a finance lease are measured in the balance sheet at fair value or the present value of future lease payments at the time of acquisition, if lower.

In calculating the present value, the internal interest rate of the lease agreement is used as a discounting factor or as the Group's alternative borrowing rate. Assets held under a finance lease are depreciated like other tangible assets of the Group.

The capitalised residual lease commitment is recognised in the balance sheet as debt whilst the interest component of the lease payment is recognised in the income statement as a financial item.

For operating leases, the lease payments are recognised in the income statement on a straight line basis over the lease term.

Financial assets
Investments in associates are measured according to the equity method. The proportionate share of the equity value of associates is adjusted by adding or deducting, as the case may be, proportionate intercompany profits or losses and the carrying amount of goodwill is added.

The proportionate share of all transactions and events entered directly in the associate's equity is recognised in the Group's equity.

Associates with a negative equity value are measured at DKK 0. The latter is recognised under provisions if the Group has a present legal or constructive obligation to cover the associate's negative balance.

Other securities and investments
Other securities and investments including shares in cement plants acquired in connection with orders received are classified under Financial assets available for sale, which are measured at fair value. If the fair value is not immediately ascertainable, the shares are measured at a prudently assessed value. Value adjustments are recognised in the equity via the statement of comprehensive income until the shares are sold or an indication of impairment is ascertained. Positive value adjustments are not recognised in the income statement under financial items until realisation takes place.

Inventories
Inventories are measured at cost based on weighted average prices for some operational segments and for other operational segments stated according to the FIFO principle. In the case of a lower net realisable value, writedown to this lower value is made. The net realisable value of inventories is measured as the sales price less costs of completion and costs incurred to implement the sale and is fixed on the basis of the expected sales price.

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

In the case of finished goods where the cost or the production price exceeds the estimated sales price less completion and selling costs, an important loss to such lower net realisable value is recognised.

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

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

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

Contractual prepayments are recognised as Prepayments received from customers among Long-term and Short-term liabilities.

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

Impairment losses on Work-in-progress for third parties are recognised. Allowances are based on individual assessment of the estimated loss until the work is completed.

Costs deriving from sales work and winning of contracts are recognised in the income statement in the financial year during which they are incurred.

Receivables
Receivables comprise trade receivables, receivables from construction contracts and other receivables. Receivables are financial assets with fixed or definable payments which are not quoted in an active market and which are not derivative financial instruments.

Receivables are measured at amortised cost. An impairment loss is recognised when there is an indication that an individual receivable has been impaired.

Bonds and listed shares
Bonds and listed shares are classified as financial assets, which are measured at fair value through the income statement. In particular circumstances where the value quoted on the stock exchange is considered not to represent the actual fair value, the shares concerned are carried at an estimated fair value. Value adjustments are recognised in the income statement as financial items.

Impairment of non-current assets
Goodwill and Other intangible assets of indefinite useful life are tested for impairment at least once a year, the first time being before the end of the year of acquisition. Ongoing development projects are also tested at least once per year for impairment. The carrying amounts of other Non-current assets are reviewed each year to determine whether there is any indication of impairment. If any such indication exists, the recoverable value of the asset is calculated. The recoverable amount is the higher of the fair value of the asset less expected disposal costs or value in use.

Loss on impairment is recognised if the carrying amount of an asset or a cash generating unit exceeds the recoverable amount of the asset or the cash generating unit. Impairment losses are recognised in the income statement under the same heading as the related amortisation and depreciation. Impairment of goodwill is not reversed. Recognition of impairment of other assets is reversed to the extent that changes have taken place in the assumptions and estimates that led to the recognition of impairment.

Loss on impairment is only reversed where the new carrying amount of the asset does not exceed the carrying amount the asset would have had after depreciation or amortisation if the asset had not been written down for impairment.

Deferred tax assets are annually assessed and are only recognised to the extent that it is probable that they will be used.

Equity

Dividend
Dividend is allocated in the financial statements at the time when it is decided at the Annual General Meeting, the company thereby having incurred a liability.
The dividend which is proposed for distribution is stated separately in the equity.

Treasury shares
Treasury shares are recognised in the balance sheet at zero value. When buying or selling Treasury shares, the purchase or selling amount, as the case may be, plus any dividend is recognised directly in Equity among Other reserves.

Foreign exchange adjustments
Reserve for foreign exchange adjustment comprises exchange rate differences arising during the translation of the financial statements for entities with a functional currency other than Danish kroner, foreign exchange adjustments regarding assets and liabilities which account for a portion of the Group's net investment in such entities, and foreign exchange adjustments regarding hedging transactions which hedge the Group's net investment in such entities.

If the net investment is realised, the foreign exchange adjustments are recognised in the income statement.

Value adjustments regarding hedging transactions
Reserve for hedging transactions includes the accumulated net change of the fair value of hedging transactions which fulfil the criteria for hedging future cash flow, save for hedging of net investments, and where the hedged transaction has not yet been realised.

Reserve for value adjustments of financial assets available for sale
Shares in cement plants acquired in connection with orders received are classified under Financial assets available for sale, which are measured at fair value. Value adjustments are recognised in the equity via the statement of comprehensive income until the shares are sold or an indication of impairment is ascertained.

Share-based payment
The Group Executive Management and a number of key staff are entitled to share option plans. Plans classified as equity-settled share options are measured at fair value at the time of allocation and are recognised in the income statement as staff costs within the period in which the final entitlement to the options is attained. The counter item is recognised directly in the equity.

In connection with initial recognition of share options, an estimate is made of the number of options to which Management and the key staff are expected to become entitled. Subsequent adjustment is made for changes in the estimate of the number of option entitlements so that the total recognition is based on the actual number of option entitlements.

The fair value of the options allocated is estimated by means of the Black Scholes model. The calculation takes into account the terms and conditions under which the share options are allocated.

Share-based incentive plans under which the employees can only choose to receive shares in the parent company (equity plans) are measured at the fair value of the equity instruments at the time of allocation and are recognised in the income statement among staff costs for the period in which the employees become entitled to the shares. The counter item is recognised directly in the equity.

50. Accounting policies (continued)

Share-based incentive plans under which the employees may only choose to receive the value in cash are measured at fair value at the time of allocation and are recognised in the income statement among staff costs for the period in which the final entitlement to the cash amount is achieved. The incentive plans are subsequently remeasured on each balance sheet date and at the time of final settlement. The changes in the fair value of the plans are recognised in the income statement among staff costs in relation to the past period during which the employees achieved final entitlement to settlement in cash. The counter item is recognised under liabilities.

Pension liabilities / plan assets
The Group has signed post-employment benefit plans or similar arrangements with a large part of the Group's employees.

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

Under defined benefit plans, the employer is required to contribute a certain amount (for example a retirement pension as a fixed sum or a fixed percentage of the final pay). Under a defined benefit plan, the enterprise usually bears the risk with regard to future developments in the rates of interest, inflation, mortality and disability. Changes in the computation basis result in a change in the actuarial net present value of the benefits which the enterprise is to pay in the future under this plan. Value in use is only calculated for benefits to which the employees have become entitled through their employment with the enterprise to date. The actuarial net present value less the fair value of any assets related to the plan is stated in the balance sheet among Pension assets and liabilities.

Differences between the expected development of pension assets and liabilities and the realised values are described as actuarial gains or losses. Actuarial gains and losses are recognised in the statement of comprehensive income.

Changes in benefits concerning the employees' former employment in the enterprise result in a change in the actuarial net present value, which is considered a historical cost. Historical costs are charged immediately to the income statement if the employees have already acquired a right to the changed benefit. Otherwise, the historical costs are recognised in the statement of comprehensive income.

Provisions
Provisions are recognised when the Group due to an event occuring before or at the balance sheet date has a legal or constructive obligation and it is probable that financial benefits must be waived to settle the obligation.

Provisions are measured according to Management's best estimate of the amount whereby the obligation is expected to be settled.

Provisions for warranties
In cases where an order has been closed and additional minor supplies, etc. remain to be effected to complete the order, provisions are made for this purpose. A portion of the allowance is transferred to liabilities covering the part of the outstanding supplies whose price and scope is agreed. The balance of the allowance is transferred to Provisions. The provision covers estimated own costs of completion, subsequent warranty supplies and unsettled claims from customers or subcontractors. Any Long-term liabilities are discounted to net present value.

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

Provisions for redundancies
Provisions for redundancies are recognised in the income statement when decided and announced.

Other provisions
Other provisions consist of allowances for loss-making contracts and legal disputes, etc..

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

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

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

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

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

Assets held for sale, are presented on a separate line in the balance sheet as current assets. Liabilities directly associated to the assets concerned are presented on a separate line in the balance sheet. Comparative figures have not been restated.

Cash flow statement
The consolidated cash flow statement is presented according to the indirect method and shows the composition of cash flow divided into operating, investing and financing activities, respectively, and the changes in cash and cash equivalents during the year between 1 January and 31 December.

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

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

- Cash and cash equivalents consist of cash and bank deposits.
- Interest-bearing debt items less interest-bearing receivables.
- All other non-interest-bearing receivables and debt items are regarded as working capital.

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

Cash flow from investing activities comprises payments made in connection with the acquisition and disposal of enterprises and activities and the acquisition and disposal of assets.

Cash flow from financing activities comprises payments to and contributions from owners as well as the raising and repayment of loans. The Group's cash and cash equivalents mainly consist of money deposited with banks.

Segment information
Financial reporting for 2012 is based on the four business segments: Customer Services, Material Handling, Mineral Processing and Cement. The business segments are the same as those used by the Executive Group Management in connection with internal control and management of the Group.

The 2011 comparative figures have been restated in accordance with the four new business segments. The restated segment information was published on 21 March 2012.

Geographical segmentation is presented for revenue and non current assets for the most important countries. Further, revenue for important customers which account for more than 10% of the total revenue is stated.

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

No information is given concerning segmentation of balance sheet and cash flow, as Group Executive Management does not use this for internal reporting and control.

Group financial highlights
Financial highlights and key ratios are defined and calculated in accordance with the Danish Society of Financial Analysts' "Recommendations and Financial Ratios 2010".

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) is defined as the operating income (EBIT) with addition of the year's amortisation, depreciation and impairment of intangible and tangible assets and special non-recurring items.

The working capital cannot be directly derived from the published balance sheet figures. The principal items included in the calculation of working capital are: Inventories, Trade receivables, Other receivables (exclusive of interest-bearing items), Work-in-progress for third parties (both assets and liabilities), Prepayments from customers, Trade payables, and Other liabilities (exclusive of interest-bearing items).

Earnings per share (EPS) and diluted earnings per share (EPS diluted) are measured according to IAS 33.

The definition of ROCE on page 22.

51. Standards and interpretations that have not yet come into force

Standards and interpretations which have been approved for use in the EU, but which have not yet come into force

Amended IAS 19, Employee Benefits, applicable as at 1 January 2013, The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and eliminate the corridor approach. The amendments require all actuarial gain and losses to be recognised immediately through other comprehensive income. Furthermore the interest costs and the expected return on plan assets are replaced with a "net-interest" amount, which is calculated by applying the discount rate to the net defined liability or asset. The standard does not expect to have material impact on financial reporting for 2013.

The new standard IFRS 10, Consolidated Financial Statements, replaces parts of IAS 27, Consolidated and Seperate Financial Statements. According to IFRS 10 only one basis for consolidation exists, that is control. Further IFRS 10 includes a new definition of control that contains three elements:

1. Power of Investee
2. Exposure or rights to variable return from its involvement with the investee
3. The ability to use its power over the investee to affect the amount of the return

IFRS 11, Joint Arrangements, replaces IAS 31 Interests in Joint Ventures. Under IFRS 11 Joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligation of the parties to the arrangements. IFRS 11 requires joint ventures to be accounted for using the equity method, where jointly controlled entities according to IAS 31, could be suing equity method or proportional consolidation.

The above 2 standards are applicable in EU from 1 January 2014 and it is not expected to have material impact on the financial reporting.

The new standard IFRS 12 is a standard covering disclosures for entities having interests in subsidiaries, joint arrangements, associates etc. The diclosures requirements are more extensive than current standards, which mean further disclosures, when the standard is applicable per 1 January 2014, that are not considered having material impact on the financial reporting.

Further below standards have been approved in EU and are not expected to have material impact on the financial statements for 2013:

- Amendments to IFRS 7, Financial instruments: Disclosures
- IFRS 13, *Fair Value Measurements*
- Amended IAS 27, *Consolidated and Separate Financial Statements*
- Amended IAS 28, *Investments in Associates and Joint Ventures*
- Amended IAS 1, Presentation of Financial Statements
- Amended IAS 32, Financial Instruments, Presentation

Standards and interpretations which have not been approved for use in the EU and have therefore not yet come into force
At the time of releasing this Annual Report, the following new or amended standards and interpretations were not incorporated in the 2012 Annual Report as they were not in force and not approved for use in the EU.

- IFRS 9, Financial instruments: Classification and Measurement
- Improvements to IFRS 2009-2011

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

52. List of Group companies

Company name	Country	Currency	Nominal share capital (000s)	Direct Group holding (pct.)
FLSmidth & Co. A/S	Denmark	DKK	1,064,000	100
Aktieselskabet af 1. januar 1990, Valby	Denmark	DKK	500	100
DEF 1994 A/S	Denmark	DKK	1,000	100
FFE Invest A/S	Denmark	DKK	25,000	100
FLS Plast A/S	Denmark	DKK	1,500	100
FLS Real Estate A/S	Denmark	DKK	3,100	100
FLSmidth (Beijing) Ltd.	China	CNY	5,462	100
FLSmidth Finans A/S	Denmark	DKK	10	100
FLSmidth Dorr-Oliver Eimco S.A. de C.V.	Mexico	MXN	599	100
FLSmidth Dorr-Oliver Eimco Venezuela S.R.L.	Venezuela	VEF	2	100
FLSmidth S.A.C.	Peru	PEN	365	100
Redep A/S	Denmark	DKK	500	100
SLF Romer XV ApS	Denmark	DKK	125	100
VA77 af 25. november 2004 ApS	Denmark	DKK	250	100
NL Supervision Company A/S	Denmark	DKK	500	100
NLS-SSBIL*	UAE	AED	150	50
NL Supervision Company Tunisia	Tunisia	TND	0	100
Cembrit Holding A/S	Denmark	DKK	83,000	100
Cembrit A/S	Denmark	DKK	21,000	100
Cembrit as	Norway	NOK	500	100
Cembrit a.s.	Czech Republic	CZK	1,126,240	100
NASS B.V.	Netherlands	EUR	31	100
Cembrit Export ApS	Denmark	DKK	125	100
Cembrit IBS B.V.	Netherlands	EUR	18	100
Cembrit GmbH	Germany	EUR	79	100
Cembrit Kft.	Hungary	HUF	402,000	100
Cembrit Ltd.	United Kingdom	GBP	500	100
Cembrit Production Oy	Finland	EUR	1,682	100
Cembrit Oy	Finland	EUR	3	100
Cembrit FB Sp. z o.o.	Poland	PLN	250	100
Cembrit NV/SA	Belgium	EUR	1,388	100
Cembrit S.A.	Poland	PLN	24,806	100
Cembrit S.r.l.	Italy	EUR	100	100
Cembrit Roof S.r.l.	Italy	EUR	3,002	100
Cembrit s.r.o.	Slovakia	EUR	207	100
Cembrit AB	Sweden	SEK	600	100
DKCF ApS	Denmark	DKK	125	100
Cesider SAS	France	EUR	100	100
Cembrit SAS	France	EUR	700	100
LLC Cembrit	Russia	RUB	10	100
FLSmidth Oy	Finland	EUR	125	100
Interfer S.A.S.	France	EUR	336	100
FLSmidth A/S	Denmark	DKK	500,000	100
FLS EurAsia AG **	Switzerland	CHF	1,500	33
FLSmidth AB	Sweden	SEK	50	100
FLSmidth Argentina S.A.	Argentina	USD	12	100
FLSmidth Co. Ltd.	Vietnam	VND	1,400,000	100
FLSmidth d.o.o.	Croatia	HRK	20	100
FLSmidth LLC	Moldova	MDL	6	100
FLSmidth S.A.	Spain	EUR	4,246	100
FLSmidth (Private) Ltd.	Pakistan	PKR	94,556	100
FLSmidth Dorr-Oliver Eimco Denmark ApS	Denmark	DKK	10,561	100
FLSmidth Milano S.R.L.	Italy	EUR	250	100

Company name	Country	Currency	Nominal share capital (000s)	Direct Group holding (pct.)
FLSmidth (UK) Limited	United Kingdom	GBP	5,337	100
FLSmidth (Jersey) Limited	United Kingdom	GBP	80	100
FLSmidth Ireland Limited	Ireland	EUR	0	100
FLSmidth Ltd.	United Kingdom	GBP	1,500	100
FLSmidth Ltda.	Brazil	BRL	9,763	100
ESSA Do Brasil Ltda.	Brazil	BRL	3,772	99
FLSmidth MAAG Gear AG	Switzerland	CHF	1,000	100
FLSmidth MAAG Gear Sp. z o.o.	Poland	PLN	31,449	100
Reset Holding AG	Switzerland	CHF	100	100
TEUTRINE GmbH	Switzerland	CHF	25	100
FLSmidth Krebs GmbH	Austria	EUR	36	100
FLSmidth Machinery Industry (Qingdao) Co. Ltd.	China	CNY	40,434	100
FLSmidth Machinery Trade Co. Ltd.	China	CNY	2,000	100
FLSmidth Mongolia	Mongolia	MNT	126	100
FLSmidth Qingdao Ltd.	China	CNY	33,346	100
FLSmidth Rusland Holding A/S	Denmark	DKK	500	100
OOO Cembrit	Russia	RUB	10	100
FLSmidth Rus OOO	Russia	RUB	400	100
Cement & Minerals Consulting Group "CMCG" LLC	Russia	RUB	10	100
FLSmidth Sales and Services Limited	Nigeria	NGN	10,000	100
FLSmidth Sales and Services Limited	Turkey	TRY	10,000	100
FLSmidth SAS	France	EUR	200	100
FLSmidth SEPEC Environmental Engineering Co., Ltd	China	CNY	31,000	62
FLSmidth Shanghai Ltd.	China	CNY	33,351	100
FLSmidth Sp. z.o.o.	Poland	PLN	800	100
FLSmidth Spol. s.r.o.	Czech Republic	CZK	13,362	100
FLSmidth Ventomatic SpA	Italy	EUR	181	100
FLSmidth MAAG Gear S.p.A	Italy	EUR	1,000	100
IDA S.r.L.	Italy	EUR	10	100
FLSmidth Zambia Ltd.	Zambia	USD	0	100
LFC International Engineering JSC *	Vietnam	USD	600	40
MAAG Gear Systems AG	Switzerland	CHF	8,000	100
Phillips Kiln Services International F.Z.E.	UAE	AED	200	100
Pfister Holding GmbH	Germany	EUR	1,023	100
PT FLSmidth Indonesia	Indonesia	IDR	3,500	100
The Pennies and Pounds Holding, Inc.*	Philippines	PHP	8,485	33
FLSmidth Tyskland A/S	Denmark	DKK	12,000	100
FLS Germany Holding GmbH	Germany	EUR	26	100
Pfister Data GmbH	Germany	EUR	26	100
FLSmidth Pfister GmbH	Germany	EUR	3,962	100
FLSmidth Pfister Ltda.	Brazil	BRL	100	100
FLSmidth Pfister, Inc.	United States	USD	1	100
FLSmidth Hamburg GmbH	Germany	EUR	1,023	100
Möller Materials Handling GmbH	Germany	EUR	25	100
Möller-Fuller Sp. z.o.o.	Poland	PLN	25	99
FLSmidth Wiesbaden GmbH	Germany	EUR	1,176	100
FLSmidth Wadgassen GmbH	Germany	EUR	25	100
FLSmidth GmbH	Austria	EUR	509	100
FLSmidth Wuppertal GmbH	Germany	EUR	359	100
Pfaff Maschinenbau GmbH	Germany	EUR	77	100
TEUTRINE GmbH	Germany	EUR	25	100
Fuller Offshore Finance Corp. B.V.	Netherlands	EUR	2,269	100
FLSmidth Kovako B.V.	Netherlands	EUR	16	100
Öresund Unloader Design Bureau Holding AB	Sweden	SEK	2,200	100
Öresund Unloader Design Bureau AB	Sweden	SEK	1,800	100

52. List of Group companies (continued)

Company name	Country	Currency	Nominal share capital (000s)	Direct Group holding (pct.)
FLSmidth Minerals Holding ApS	Denmark	DKK	200	100
FLSmidth Ltd.	Canada	CAD	84,783	100
4424972 Canada Inc.	Canada	CAD	1	100
9189-6175 Quebec Inc.	Canada	CAD	0	100
4437845 Canada Inc.	Canada	CAD	0	100
Phillips Kiln Services Ltd.	Canada	CAD	350	100
FLSmidth Pty. Ltd.	Australia	AUD	52,100	100
ESSA Australia Limited	Australia	AUD	9,978	100
ESSA International Pty. Ltd.	Australia	AUD	0	100
ESSA Europe GmbH	Germany	EUR	0	100
Fleet Rebuild Pty. Ltd.	Australia	AUD	0	100
Mayer Bulk Group Pty. Ltd.	Australia	AUD	30	100
FLSmidth Mayer Pty. Ltd.	Australia	AUD	0	100
Mayer International Machines Colombia SAS	Colombia	COP	18,500	100
Mayer International Machines South Africa Pty. Ltd.	South Africa	ZAR	0	100
FLSmidth ABON Pty. Ltd.	Australia	AUD	6	100
FLSmidth Krebs Australia Pty. Ltd.	Australia	AUD	1,648	100
FLSmidth M.I.E. Enterprises Pty. Ltd.	Australia	AUD	0	100
Ludowici Pty. Limited	Australia	AUD	59,505	100
Hicom Technologies Pty. Ltd.	Australia	AUD	0	100
Ludowici Australia Pty. Ltd.	Australia	AUD	167	100
Ludowici Africa Holdings (Pty) Ltd.	South Africa	ZAR	1	100
Euroslot KDSS (South Africa) (Pty) Ltd. **	South Africa	ZAR	1	50
Ludowici Meshcape (Pty) Ltd.	South Africa	ZAR	1	100
Ludowici Mauritius Holding Ltd.	Mauritius	USD	150	100
Ludowici Chile Holdings S.A.	Chile	CLP	1,000	100
ICR Ludowici Chile Ltda.	Chile	CLP	50,000	100
ICR Ludowici Peru S.A.C.	Peru	PEN	9	100
Ludowici Peru S.A.C.	Peru	PEN	0	100
Ludowici China Pty Limited	Australia	AUD	0	100
Ludowici Beijing Ltd.	China	CNY	500	100
Ludowici Hong Kong Limited	Hong Kong	HKD	13,606	100
Yantai Ludowici Mineral Processing Equipment Limited	China	CNY	15,788	100
Ludowici Mineral Processing Equipment S.A.	Chile	CLP	100	100
Rojan Advanced Ceramics Pty. Ltd.	Australia	AUD	0	100
Ludowici Hong Kong Investments Ltd.	Hong Kong	HKD	0	100
Qingdao Ludowici Mining Equipment Ltd.	China	CNY	3,463	100
J.C. Ludowici & Son Pty. Limited	Australia	AUD	0	100
Ludowici Packaging Australia Pty. Ltd.	Australia	AUD	4,000	100
Ludowici Technologies Pty. Ltd.	Australia	AUD	0	100
Ludowici India Private Limited	India	INR	1,190	100
Ludowici Mining Process India PVT Ltd.	India	INR	5,201	100
Ludowici Plastics Limited	New Zealand	NZD	580	100
Ludowici Packaging Limited	New Zealand	NZD	2,964	100
FLSmidth S.A.	Chile	CLP	4,834	100
FLSmidth S.A. de C.V.	Mexico	MXN	15,050	100
FLSmidth Private Limited	India	INR	258,433	100
EEL India Private Limited	India	INR	58,500	100
FLSmidth Pfister India Limited	India	INR	23,995	100
FLSmidth (Pty.) Ltd.	South Africa	ZAR	25	100
FLSmidth Mozambique Limitada	Mozambique	MZN	3,100	100
FLSmidth Buffalo (Pty.) Ltd.	South Africa	ZAR	41	100
FLS Automation South Africa (Pty.) Ltd.	South Africa	ZAR	1,875	100
FLSmidth Roymec (Pty) Ltd.	South Africa	ZAR	5	74
Figure Out (Pty) Ltd.	Botswana	BWP	0	100

Company name	Country	Currency	Nominal share capital (000s)	Direct Group holding (pct.)
FLS US Holdings, Inc.	United States	USD	0	100
FLSmidth DOE Acquisition USA Inc.	United States	USD	9,000	100
FLSmidth Krebs Inc.	United States	USD	6	100
FLSmidth Krebs (Beijing) Ltd.	China	CNY	2,413	100
FLSmidth DOE Holdings Inc	United States	USD	3,924	100
FLSmidth Salt Lake City, Inc.	United States	USD	1,520	100
Decanter Machine, Inc.	United States	USD	3,769	100
Decanter Diversified Machine, Inc.	United States	USD	701	100
DMI Holdings Pty. Ltd.	Australia	AUD	221	100
DMI Australia Pty. Ltd.	Australia	AUD	0	100
FLSmidth Dorr-Oliver Eimco SLC Inc.	United States	USD	0	100
Process Engineering Resources Inc.	United States	USD	2	100
Ludowici Holding Inc.	United States	USD	0	100
Ludowici LLC	United States	USD	856	100
Ludowici Screens LLC	United States	USD	0	100
Ludowici Mineral Processing Equipment Inc.	United States	USD	1	100
FLSmidth Dorr-Oliver Inc.	United States	USD	991	100
FLSmidth Dorr-Oliver International Inc.	United States	USD	0	100
FLSmidth Inc.	United States	USD	1,000	100
Excel Foundry & Machine Inc.	United States	USD	0	100
FLSmidth Spokane, Inc.	United States	USD	0	100
Fuller Company	United States	USD	0	100
Fuller International Inc.	United States	USD	0	100
Fuller International Trading Corp.	United States	USD	0	100
SLS Corporation	United States	USD	0	100
FLSmidth Sioux City, Inc.	United States	USD	70	100
Phillips Kiln Services (India) Pvt. Ltd.	India	INR	3,054	50
Phillips Kiln Services Europe Ltd.	United Kingdom	GBP	0	50
FLSmidth USA Inc.	United States	USD	0	100

* Associate
** Joint Venture
All other enterprises are Group enterprises

Parent company financial statements 2012

2012

Income statement

Notes	DKKm	2012	2011
1	Dividend from Group enterprises	555	500
2	Other operating income	15	14
3	Staff costs	(14)	(6)
4	Other operating costs	(18)	(30)
8	Depreciation, amortisation and impairment	(3)	(3)
	Earnings before interest and tax (EBIT)	**535**	**475**
5	Financial income	942	707
6	Financial costs	(1,277)	(650)
	Earnings before tax (EBT)	**200**	**532**
7	Tax for the year	(10)	(10)
	Profit/loss for the year	**190**	**522**
	Distribution of profit for the year:		
	Retained earnings	190	522
		190	**522**
	Distribution of dividend:		
	Proposed dividend	479	479
		479	**479**

The Board of Directors recommends that the Annual General Meeting approves a dividend of DKK 9 per share (2011: DKK 9 per share).

Parent company balance sheet

Assets

Notes	DKKm	2012	2011
	Land and buildings	48	43
	Operating equipment, fixtures and fittings	0	0
8	**Tangible assets**	**48**	**43**
9	Investments in Group enterprises	3,352	3,351
9	Other securities and investments	37	37
10	Deferred tax assets	51	40
	Financial assets	**3,440**	**3,428**
	Total non-current assets	**3,488**	**3,471**
	Receivables from Group enterprises	7,960	4,538
	Other receivables	179	258
11	**Receivables**	**8,139**	**4,796**
	Other securities and investments	**1**	**1**
11	**Cash and cash equivalents**	**0**	**263**
	Total current assets	**8,140**	**5,060**
	TOTAL ASSETS	**11,628**	**8,531**

Equity and liabilities

Notes	DKKm	2012	2011
	Share capital	1,064	1,064
	Retained earnings	1,095	1,522
	Proposed dividend	479	479
	Equity	**2,638**	**3,065**
12	Provisions	125	121
	Provisions	**125**	**121**
13	Mortgage debt	307	307
13	Other liabilities	82	35
13	Bank loans	3,417	810
	Long-term liabilities	**3,806**	**1,152**
13	Bank loans	524	108
13	Debt to Group enterprises	4,366	3,858
13+14	Other liabilities	169	227
	Short-term liabilities	**5,059**	**4,193**
	Liabilities	**8,865**	**5,345**
	TOTAL EQUITY AND LIABILITIES	**11,628**	**8,531**

Parent company equity

DKKm	Share capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2011	**1,064**	**1,570**	**479**	**3,113**
Retained earnings		522		**522**
Dividend paid		7	(479)	(472)
Proposed dividend		(479)	479	0
Share-based payment, share options		2		2
Disposal of treasury shares		0		0
Acquisition of treasury shares		(100)		(100)
Equity at 31 December 2011	**1,064**	**1,522**	**479**	**3,065**
Retained earnings		190		190
Dividend paid		9	(479)	(470)
Proposed dividend		(479)	479	0
Share-based payment, share options		3		3
Disposal of treasury shares		25		25
Acquisition of treasury shares		(175)		(175)
Equity at 31 December 2012	**1,064**	**1,095**	**479**	**2,638**

DKKm	2012	2011	2010	2009	2008
Movements on share capital (number of shares)					
Share capital at 1 January	53,200,000	53,200,000	53,200,000	53,200,000	53,200,000
Share capital at 31 December	**53,200,000**	**53,200,000**	**53,200,000**	**53,200,000**	**53,200,000**

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

The year's movements in holding of treasury shares (number of shares):	2012	2011
Treasury shares at 1 January	927,425 shares	719,347 shares
Acquisition of treasury shares	518,397 shares	271,573 shares
Share options settled	(55,925) shares	(27,806) shares
Employee shares in connection with the FLSmidth global incentive programme 2010	0 shares	(58,468) shares
Disposal of treasury shares to employees	(30,013) shares	(18,333) shares
Acquisition/disposal of treasury shares to/from subsidiaries	0 shares	41,112 shares
Treasury shares at 31 December	1,359,884 shares	927,425 shares

Representing 2.6% (2011: 1.7%) of the share capital.

Please see the Management's review on page 26 regarding the use of treasury shares.

Notes to the parent company financial statements

Income statement

1. Dividend from Group enterprises

DKKm	2012	2011
Dividend from Group enterprises	555	500
	555	**500**

2. Other operating income

DKKm	2012	2011
Management fee etc.	15	14
	15	**14**

3. Staff costs

DKKm	2012	2011
Wages, salaries and fees	4	4
Termination benefit	7	0
Share-based payment	3	2
	14	**6**
Average number of employees	**2**	**2**

Remuneration of the Board of Directors for 2012 amounts to DKK 5m (2011: DKK 5m), including DKK 1m (2011: DKK 1m), which was incurred by the parent company. The total remuneration of the parent company Executive Management amounted to DKK 36m (2011: DKK 25m), DKK 10m of which (2011: DKK 5m) was incurred by the parent company.

4. Fee to auditors appointed at the Annual General Meeting

DKKm	2012	2011
Deloitte		
Statutory audit	2	2
Other services	7	2
	9	**4**

5. Financial income

DKKm	2012	2011
Interest receivable and other financial income from financial assets not measured at fair value	1	6
Interest received from Group enterprises	100	104
Foreign exchange gains	841	597
	942	**707**

6. Financial costs

DKKm	2012	2011
Write down of investments and receivables in Group enterprises	300	0
Adjustment to previous years' disposal of enterprises	35	0
Interest receivable and other financial costs from financial liabilities not measured at fair value	69	46
Interest to Group companies	12	17
Foreign exchange losses	861	587
	1,277	**650**

7. Tax for the year

DKKm	2012	2011
Tax for the year		
Current tax on the profit/loss for the year	(1)	(2)
Withholding tax	1	1
Adjustments regarding previous years, permanent taxes	22	0
Adjustments, deferred tax	(12)	11
Tax for the year	**10**	**10**

Tax paid in 2012 amounts to DKK 34m (2011: DKK 39m).

Balance sheet

8. Tangible assets

DKKm	Land and buildings	Operating equipment, fixtures and fittings	Total
Cost at 1 January 2012	223	2	225
Acquisition/disposal	8	0	8
Cost at 31 December 2012	**231**	**2**	**233**
Depreciation and impairment at 1 January 2012	180	2	182
Depreciation and impairment	3	0	3
Depreciation and impairment at 31 December 2012	**183**	**2**	**185**
Carrying amount at 31 December 2012	**48**	**0**	**48**

9. Financial assets

DKKm	Investments in Group enterprises	Other securities and investments	Total
Cost at 1 January 2012	5,579	37	5,616
Acquisitions	3	0	3
Disposals	(1,863)	0	(1,863)
Cost at 31 December 2012	**3,719**	**37**	**3,756**
Impairment at 1 January 2012	2,228	0	2,228
Disposals	(1,861)	0	(1,861)
Impairment at 31 December 2012	**367**	**0**	**367**
Carrying amount at 31 December 2012	**3,352**	**37**	**3,389**

Value in use of Group companies, expressing their recoverable amount, is calculated by discounting expected future cash flow to net present value. Expected future cash flow is based on Management estimates including expected growth rates, etc. The discounting factor is also based on Management estimates which include both general capital market conditions and a specific risk profile (currently 12-15% before tax (2011: 12-15%)).

The calculations of value in use consist of discounted expected cash flow for the next five years and a calculated terminal value of cash flow for the subsequent period. The calculation of teminal value is based on Management's conservative growth rate estimate (1-2.5%) for each of the cash generating units.

10. Deferred tax assets and liabilities

DKKm	2012	2011
Deferred tax consists of the following items:		
Tangible assets	43	31
Liabilities	8	9
Net value of deferred tax assets/(liability)	**51**	**40**

11. Receivables, cash and cash equivalents

Debtors falling due after more than one year total DKK 1,308m (2011: DKK 1,008m). Other receivables include fair value of financial contracts (positive value) and tax on account for the Danish jointly taxed enterprises. Cash and cash equivalents consist of bank deposits.

12. Provisions

DKKm	2012	2011
Provisions at 1 January	121	121
Additions	35	0
Disposals	(31)	0
Provisions at 31 December	**125**	**121**

13. Maturity structure of liabilities

DKKm	2012	2011
Maturity structure of liabilities:		
Bank loans	524	108
Debt to Group enterprises	4,366	3,858
Other liabilities	169	227
Within one year	**5,059**	**4,193**
Bank loans	3,417	810
Other liabilities	82	35
Within one to five years	**3,499**	**845**
Mortgage debt	307	307
After five years	**307**	**307**
Total	**8,865**	**5,345**

14. Other liabilities

Other liabilities include provisions for insurance and fair value of financial contracts (negative value) and tax on account for Danish enterprises participating in joint taxation.

Others

15. Charges

DKKm	2012		2011	
	Carrying amount of charged assets	Charge	Carrying amount of charged assets	Charge
Real estate	33	307	36	307

16. Contractual liabilities and contingent liabilities

The Company has provided guarantees to financial institutions at an amount of DKK 6,516m (2011: DKK 5,668m).

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

The Company is the administration company for the Danish Joint taxation. From July 1, 2012, the company is according to the Danish corporate tax rules liable for the obligation to withhold taxes on interest, royalty and dividend for all companies in the Danish joint taxation.

There are no significant contingent assets or liabilities apart from the above.

See also note 41 to the consolidated financial statements.

17. Related party transactions

Related parties include the parant company's Board of Directors and Executive Management and the Group companies and associates that are part of the FLSmidth & Co. Group.

In 2012 and 2011, there were no transactions with related parties, apart from Executive Management remuneration stated in note 3, which were not included in the consolidation of the Group, nor were there any trasactions with associates.

Parent company sales of services consist of managerial services and insurance services. The parent company purchase of services mainly consists of legal and tax assistance from FLSmidth A/S.

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

These transactions are carried out on market terms and at market prices.

For guarantees provided by the parent company for related parties, please see note 16 above.

18. Shareholders

See page 125 for information about company shareholders who control more than five percent of the voting rights or nominal value of the total share capital.

19. Other auditors for subsidiaries

The following Group companies have their financial statements audited by an accountant different from that of the parent company:

- Cembrit N.V., Belgium

20. Accounting policies (parent)

The financial statements of the parent company (FLSmidth & Co. A/S) are presented in conformity with the provisions of the Danish Financial Statements Act for reporting class D enterprises.

To ensure uniform presentation the terminology used in the consolidated financial statements has as far as possible also been applied in the parent company's financial statements. The parent company's accounting policies on recognition and measurement are generally consistent with those of the Group. The instances in which the parent company's accounting policies deviate from those of the Group have been described below.

The company's main activity, income from Group enterprises, is presented first in the income statement under revenue.

Description of accounting policies
Translation of foreign currency
The foreign exchange adjustment of receivables from subsidiaries which are considered to be part of the parent company's total investment in the said subsidiary, is recognised in the parent company income statement.

Dividend from Group enterprises
Dividend from investments in subsidiaries is recognised as income in the parent company income statement in the financial year in which the dividend is declared. This will typically be at the time of the approval in Annual General Meeting of distribution from the company concerned. However, where the dividend distributed exceeds the accumulated earnings after the date of acquisition, the dividend is not recognised in the income statement but is stated as impairment of the cost of the investment.

Tangible assets
Depreciation is charged on a straight line basis over the estimated useful life of the assets until they reach the estimated residual value. Pursuant to the provisions of IFRS the residual value is revalued annually. In the parent company's financial statements the residual value is determined at the date of the entry into service and is not subsequently adjusted.

Financial assets
Investments in Group enterprises
Investments in Group enterprises are measured at cost less impairment. Where the cost exceeds the recoverable amount, an impairment loss is recognised to this lower value.

To the extent that the distributed dividend exceeds the accumulated earnings after the date of acquisition, that dividend is recognised as impairment of the investment's cost.

Other securities and investments
Other securities and investments consist of shares in cement plants that are acquired in connection with the signing of contracts and are measured at fair value. If the fair value is not immediately ascertainable, the shares are measured at a prudently assessed value. Value adjustments are recognised in the income statement as financial items.

Cash flow statement
As the consolidated financial statements include a cash flow statement for the whole Group, no individual statement for the parent company has been included, see the exemption provision, section 86 of the Danish Financial Statements Act.

One Source

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