

# One Source

Interim Report 2010

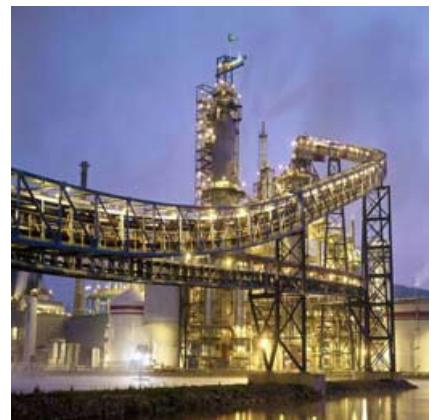
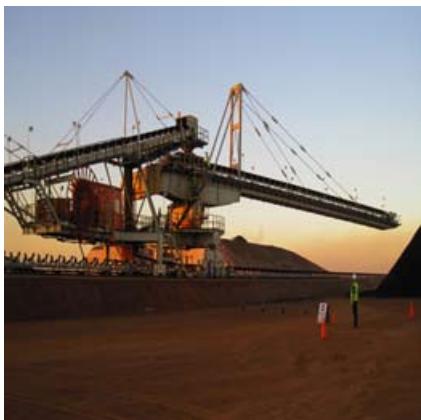


**One Source**

1 January 2010 - 30 June 2010  
(Company announcement No. 27-2010)

# Interim report

1 January 2010 - 30 June 2010



The Board of Directors and the Group Management of FLSmidth & Co. A/S have today (19 August 2010) reviewed and approved this interim report for the FLSmidth & Co. Group for the period 1 January - 30 June 2010.

## Main conclusions

### **Sharp increase in order intake in the first half of 2010 and upward adjustment of expectations for 2010**

- The order intake increased 127% to DKK 12,716m (first half of 2009: DKK 5,611m)
- The order backlog increased 26% to DKK 26,621m since the turn of the year (end of 2009: DKK 21,194m)
- The revenue decreased 13% to DKK 9,413m (first half of 2009: DKK 10,766m)
- Earnings before interest, tax, depreciation and amortisation (EBITDA) decreased 13% to DKK 1,047m (first half of 2009 DKK 1,205m) corresponding to an EBITDA ratio of 11.1% (first half of 2009: 11.2%)
- Earnings before interest and tax (EBIT) decreased 18% to DKK 837m (first half of 2009: DKK 1,022m) corresponding to an EBIT ratio of 8.9% (first half of 2009: 9.5%)
- Earnings before tax (EBT) decreased 28% to DKK 710m (first half of 2009: DKK 988m)
- The profit for the period decreased 46% to DKK 491m (first half of 2009: DKK 904m)
- Cash flow from operating activities increased 21% to DKK 736m (first half of 2009: DKK 608m)
- Net interest-bearing receivables by the end of the first half of 2010 amounted to DKK 1,390m (end of 2009: DKK 1,085m)

## Prospects for 2010

- The expectations for the cement market in 2010 remain unchanged at 50m tonnes per year new contracted cement kiln capacity worldwide (exclusive of China)
- FLSmidth & Co. upgrades its expectations for consolidated revenue in 2010 to DKK 20-21bn (previous expectation DKK 19-20bn) and maintains the expectation for the EBIT ratio at approximately 8-9%
- The prospects of the individual business areas in 2010 are as follows:

		Revenue	EBIT ratio
Cement	DKK	9.5-10bn (previously DKK 9-10bn)	approx. 9%
Minerals	DKK	9-9.5bn (previously DKK 8-9bn)	approx. 9%
Cembrit	DKK	approx. 1.2bn (unchanged)	approx. 2%

- The effect of purchase price allocations regarding GL&V Process is expected to amount to approximately DKK -100m in 2010 in the form of amortisation of intangible assets
- In 2010, the effective tax rate is expected to be around 30%
- Cash flow from investing activities (exclusive of acquisitions) is expected to be around DKK -600m in 2010 (previous expectation around DKK -400m)

Please address any questions to this announcement to Mr Jørgen Huno Rasmussen, Group CEO, telephone +45 36 18 18 00. An investor meeting and a telephone conference regarding the interim report will be held today at 11.00 hours. For further details, please visit [www.flsmidth.com](http://www.flsmidth.com).

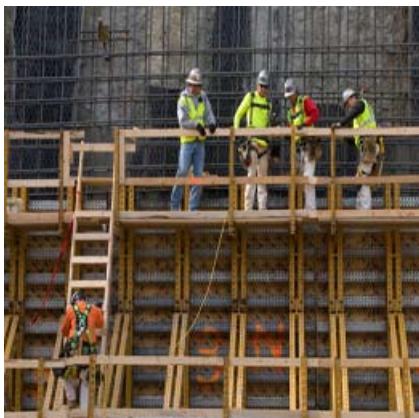
# Group financial highlights

DKKm	Q2 2010	Q2 2009	Q1-Q2 2010	Q1-Q2 2009	Year 2009
<b>INCOME STATEMENT</b>					
Revenue	4,923	5,593	9,413	10,766	23,134
Gross profit	1,283	1,271	2,392	2,481	5,406
Earnings before non-recurring items, depreciation, amortisation (EBITDA)	585	627	1,047	1,205	2,725
Earnings before interest and tax (EBIT)	478	548	837	1,022	2,261
Earnings before tax (EBT)	368	616	710	988	2,108
<b>Profit/loss for the period, continuing activities</b>	<b>255</b>	<b>424</b>	<b>497</b>	<b>915</b>	<b>1,705</b>
Profit/loss for the year, discontinued activities	3	13	(6)	(11)	(41)
<b>Profit/loss for the period</b>	<b>258</b>	<b>437</b>	<b>491</b>	<b>904</b>	<b>1,664</b>
<b>CASH FLOW</b>					
Cash flow from operating activities	387	416	736	608	2,470
Acquisition and disposal of enterprises and activities	-	(10)	5	(64)	(286)
Acquisition of tangible assets	(33)	(55)	(82)	(132)	(210)
Other investments, net	(37)	(26)	(86)	(23)	(34)
Cash flow from investing activities	(70)	(91)	(163)	(219)	(530)
Cash flow from operating and investing activities of continuing activities	326	314	587	361	1,719
Cash flow from operating and investing activities of discontinued activities	(9)	11	(14)	28	221
<b>WORKING CAPITAL</b>			<b>159</b>	<b>835</b>	<b>21</b>
<b>NET INTEREST-BEARING RECEIVABLES / (DEBT)</b>			<b>1,390</b>	<b>(234)</b>	<b>1,085</b>
<b>ORDER INTAKE, CONTINUING ACTIVITIES (GROSS)</b>	<b>7,521</b>	<b>2,500</b>	<b>12,716</b>	<b>5,611</b>	<b>13,322</b>
<b>ORDER BACKLOG, CONTINUING ACTIVITIES</b>			<b>26,621</b>	<b>25,963</b>	<b>21,194</b>
<b>BALANCE SHEET</b>					
Non-current assets			8,977	8,581	8,473
Current assets			14,149	13,181	13,429
Assets held for sale			-	8	-
<b>Total assets</b>			<b>23,126</b>	<b>21,770</b>	<b>21,902</b>
Consolidated equity			7,541	6,004	6,627
Long-term liabilities			3,844	4,081	3,338
Short-term liabilities			11,741	11,685	11,937
<b>Total equity and liabilities</b>			<b>23,126</b>	<b>21,770</b>	<b>21,902</b>
<b>DIVIDEND TO THE SHAREHOLDERS</b>					
					<b>372</b>
<b>FINANCIAL RATIOS</b>					
<b>Continuing activities</b>					
Contribution ratio	26.1%	22.7%	25.4%	23.0%	23.4%
EBITDA ratio	11.9%	11.2%	11.1%	11.2%	11.8%
EBIT ratio	9.7%	9.8%	8.9%	9.5%	9.8%
EBIT ratio before the effect of purchase price allocations regarding GL&V Process	10.2%	10.2%	9.4%	9.9%	10.2%
EBT ratio	7.5%	11.0%	7.5%	9.2%	9.1%
Return on equity			14%	33%	29%
Equity ratio			33%	28%	30%
<b>Number of employees end of period, Group</b>			<b>10,590</b>	<b>11,127</b>	<b>10,664</b>
Number of employees in Denmark			1,591	1,807	1,650
<b>Share and dividend ratios, Group</b>					
CFPS (cash flow per share), DKK (diluted)	7.4	7.9	14.0	11.6	47.1
EPS (earnings per share), DKK (diluted)	4.9	8.3	9.3	17.3	31.9
EPS (earnings per share), DKK (diluted) before the effect of purchase price allocations regarding GL&V Process	5.2	8.7	9.9	17.9	33.1
FLSmidth & Co. share price, DKK			397	189	367
Number of shares end of period (000s)			53,200	53,200	53,200
Average number of shares (000s) (diluted)	52,402	52,385	52,757	52,385	52,429
Market capitalisation, DKKm			21,094	10,028	19,524

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

# Management's review

## for the first half of 2010



### The market situation

Investments in the minerals industry made a strong comeback in the second quarter of 2010, where a number of contracts within gold, copper, coal and phosphate became effective.

So far, the propensity to invest has not been significantly affected by higher mine taxes in Australia, unrest in the eurozone or increasing concern over the growth in China. The list of potential sales opportunities in Minerals remains long, and the company is engaged in substantive negotiations with a number of customers. It is expected that the minerals industry's investments will develop positively over the coming years, albeit with quarterly fluctuations in the order intake.

In 2010, the global market for new contracted cement kiln capacity (exclusive of China) is still expected to be around 50m tonnes per year (2009: 45m tonnes per year), based on local demand for new capacity in particular in India, Indonesia, South America and Africa.

### Developments in the order intake and order backlog

#### *System solutions in Minerals and Operation and Maintenance contracts (O&M) in Cement significantly increase the order intake*

The total order intake amounted to DKK 12,716m in the first half of 2010, representing an 127% increase on the same period last year (first half of 2009: DKK 5,611m). The significant increase is due to the low comparative basis in the first half of 2009 and to the fact that the demand for system solutions for the minerals industry has made a strong return in the second quarter of 2010 as well as to the growing interest in operation and maintenance contracts in Cement.

The order backlog totalled DKK 26,621m at the end of the first half of 2010 (end of 2009: DKK 21,194m). The order backlog has increased by 26% since the turn of the year, of which 6% is due to changed foreign exchange rates.

The second quarter of 2010 saw positive developments in orders which have been put on hold as a result of the financial crisis. Orders on hold have thus to date decreased approximately DKK 1bn to approximately DKK 1.5bn (end of the first quarter of 2010: approximately DKK 2.5bn) which is primarily due to the fact that customers' financing arrangements have in some cases fallen into place.

Particularly the order intake in Customer Services developed positively in the first half of 2010 and accounted for 42% of the total order intake in Cement and Minerals. This is mainly due to the signing of four operation and maintenance contracts (O&M) in Cement in the first half of 2010. The growing interest in signing O&M contracts is highly attributable to the documented results achieved from contracts signed in previous years. In the second quarter, for the first time, a contract for the provision of equipment for a full-scale cement plant and an operation and maintenance contract were concurrently signed with the same customer. The customer is the Tunisian-owned Carthage Cement.

### Income statement developments

#### *Lower revenue, but higher contribution ratio*

In the first half of 2010, revenue amounted to DKK 9,413m, representing a 13% decrease on the same period last year (first half of 2009: DKK 10,766m). The lower revenue is, as expected, a consequence of the lower order backlog at the beginning of the year plus deferred revenue.

# Management's review

## for the first half of 2010

Revenue in Cement declined 20% on the same period the year before, whilst declining 6% in Minerals and increasing 13% in Cembrit. Overall, the foreign exchange effect of translating into DKK has had a 4% positive impact on revenue compared to the first half of 2009.

The gross profit amounted to DKK 2,392m in the first half of 2010 (first half of 2009: DKK 2,481m), representing a contribution ratio of 25.4% (first half of 2009: 23.0%). The higher contribution ratio compared to last year mainly reflects improved order processing and completion of projects and changes in product mix.

The first half of 2010 saw total investments in research and development of DKK 110m (first half of 2009: DKK 197m), representing 1.2% of the revenue (first half of 2009: 1.8%). In addition, project financed development is taking place in cooperation with customers. The decrease compared to the previous year is due to deferment of research and development costs.

Sales, distribution and administrative costs, etc. in the first half of 2010 amounted to DKK 1,345m (first half of 2009: DKK 1,276m) representing 14.3% of the revenue (first half of 2009: 11.9%). Adjusted for exchange rates and acquisitions, sales, distribution and administrative costs are on a par with last year. Higher sales and order activity have resulted in higher sales and distribution costs right now, but will not generate revenue and earnings until at a later stage since delivery times extend up to 2 years.

In the second quarter Excel Foundry & Machine, Inc. and FLSmidth-Excel, LLC reached a settlement in a dispute over IP rights with Metso Minerals Inc. The companies deny any wrongdoing, but have decided to reach a settlement at a value of USD 25m. The major part of the settlement was charged to the 2009 financial statements under sales, distribution and administrative costs in Minerals and the balance of the settlement amount and the costs of the settlement were charged to the second quarter of 2010.

Earnings before special non-recurring items, depreciation and amortisation (EBITDA) amounted to DKK 1,047m (first half of 2009: DKK 1,205m), corresponding to an EBITDA ratio of 11.1% (first half of 2009: 11.2%).

Total depreciation, amortisation and write-downs amounted to DKK 210m in the first half of 2010 (first half of 2009: DKK 186m).

Earnings before interest and tax (EBIT) amounted to DKK 837m in the first half of 2010 (first half of 2009: DKK 1,022m) which represents an EBIT ratio of 8.9% (first half of 2009: 9.5%). The lower EBIT ratio is notably attributable to lower revenue and hence lower operational gearing. In the second quarter alone, the EBIT ratio was 9.7% which is on a par with last year (second quarter of 2009: 9.8%).

The total effect of purchase price allocations regarding GL&V Process (including depreciation, amortisation, write-downs and special non-recurring items) amounted to DKK -44m in the first half of 2010 (first half of 2009: DKK -49m). Adjusted for these purchase price allocations, the EBIT ratio was 9.4% in the first half of 2010 (first half of 2009: 9.9%).

Net financial costs amounted to DKK 127m in the first half of 2010 (first half of 2009: DKK 34m). The increase compared to the previous year is mainly due to unrealised foreign exchange rate adjustments.

Earnings before tax (EBT) amounted to DKK 710m (first half of 2009: DKK 988m), corresponding to an EBT ratio of 7.5% (first half of 2009: 9.2%).

Tax for the period amounted to DKK 213m (first half of 2009: DKK 73m, including income recognition of a DKK 230m tax asset due to the successful outcome of a tax dispute). The effective tax rate in the first half was 30% (first half of 2009: 30% exclusive of recognised tax asset).

The profit for the period amounted to DKK 491m (first half of 2009: DKK 904m), corresponding to earnings per share (diluted) of DKK 9.3 (first half of 2009: DKK 17.3).

### Balance sheet developments

The balance sheet total amounted to DKK 23,126m at the end of the first half of 2010 (end of 2009: DKK 21,902m). The consolidated equity at the end of the first half of 2010 amounted to DKK 7,541m (end of 2009: DKK 6,627m) corresponding to an equity ratio of 33% (end of 2009: 30%). In the first half of 2010, the return on equity (on an annual basis) amounted to 14% (first half of 2009: 33%).

# Management's review

## for the first half of 2010



### Working capital

The working capital amounted to DKK 159m at the end of the first half of 2010, representing a DKK 138m increase since the turn of the year (end of 2009: DKK 21m). The increase is primarily attributable to changed foreign exchange rates.

### Positive cash flow from operating activities

Cash flow from operating activities amounted to DKK 736m in the first half of 2010 (first half of 2009: DKK 608m). Cash flow is as previously mentioned negatively impacted by a USD 25m settlement amount and an increase in the working capital. Cash flow from investing activities amounted to DKK -163m (first half of 2009: DKK -219m).

For the year as a whole, total investments exclusive of acquisitions are now expected to amount to DKK 600m as against the previous projection of DKK 400m due to investments in regional service centres and spare parts inventories and expansion of the production facilities in India and China.

Cash flow from operating and investing activities totalled DKK 573m in the first half of 2010, including DKK 587m from continuing activities and DKK -14m from discontinued activities (first half of 2009: DKK 389m including DKK 361m from continuing activities and DKK 28m from discontinued activities).

### Segment information

#### Cement

The total order intake in Cement amounted to DKK 6,180m in the first half of 2010, up 133% on the same period last year (first half of 2009: DKK 2,655m).

The order intake in Customer Services amounted to DKK 3,751m in the first half of 2010, which is 207% higher than in the same period last year (first half of 2009: DKK 1,220m). This development primarily reflects the awarding of three five-year operation and maintenance contracts in Angola, Tunisia and Egypt. In addition, a major upgrading contract in Uruguay was received in the second quarter.

The order backlog has increased 19% since the turn of the year and amounted to DKK 15,006m at the end of the first half of 2010 (end of 2009: DKK 12,568m).

Total revenue in Cement amounted to DKK 4,800m in the first half of 2010, which is 20% lower than the same period last year (first half of 2009: DKK 6,031m), reflecting as expected a lower order backlog at the beginning of the year and deferred revenue.

The revenue in Customer Services amounted to DKK 1,419m in the first half of 2010, representing a 6% decrease on the same period last year (first half of 2009: DKK 1,516m).

The EBIT result in the first half of 2010 amounted to DKK 502m (first half of 2009: DKK 679m). The first half of 2010 saw an EBIT ratio of 10.5% (first half of 2009: 11.3%), which is primarily due to lower revenue and hence lower operational gearing. In the second quarter alone, the EBIT ratio was 11.2% which is on a par with last year (second quarter of 2009: 11.3%).

Overall, the foreign exchange effect of translating into DKK has had a 1% positive impact on revenue in Cement compared to the first half of 2009.

# Management's review

## for the first half of 2010

### Minerals

The total order intake in Minerals in the first half of 2010 was DKK 6,579m (first half of 2009: DKK 3,017m), which represents an 118% increase compared to the same period last year.

In Customer Services, the order intake in the first half of 2010 amounted to DKK 1,622m, representing a 51% increase on the same period last year (first half of 2009: DKK 1,077m).

The order backlog amounted to DKK 11,688m at the end of the first half of 2010, corresponding to a 34% increase since the turn of the year (end of 2009: DKK 8,712m). During the first half of 2010, major Minerals orders were received in North and South America, the Middle East, India and Russia. The orders mainly include process solutions for the extraction and handling of gold, copper, phosphate and coal.

The total revenue in Minerals amounted to DKK 4,019m in the first half of 2010, representing a 6% decrease on the same period last year (first half 2009 DKK 4,298m). The decline in revenue compared to the same period last year reflects, as expected, the lower order backlog at the beginning of the year.

The revenue in Customer Services amounted to DKK 1,437m in the first half of 2010, representing a 15% increase on the same period last year (first half 2009: DKK 1,251m), which fulfils our objective and illustrates the general increase in activity in the minerals industry.

The EBIT result amounted to DKK 345m in the first half of 2010 (first half 2009: DKK 358m), corresponding to an EBIT ratio of 8.6% (first half of 2009: 8.3%). The EBIT ratio increased due to improved order processing and changes in product mix, which has resulted in a higher contribution ratio. Meanwhile, sales, distribution and administrative costs increased due to the developments in foreign exchange rates, higher sales activity and charging of the balance of the settlement of IP dispute amount mentioned previously.

Net of purchase price allocations, the EBIT ratio increased to 9.7% from 9.5% in the same period the year before. In the second quarter alone, the EBIT ratio exclusive of purchase price allocations was 10.1% (second quarter of 2009: 9.0%).

Overall, the foreign exchange effect of translating into DKK has had a 8% positive impact on revenue in Minerals compared to the first half of 2009.

### Cembrit

In the first half of 2010, Cembrit achieved a revenue of DKK 630m which is 13% higher than last year (first half of 2009: DKK 560m.). In the second quarter, sales and demand saw positive market trends. The EBIT result amounted to DKK 7m in the first half of 2010 (first half of 2009: DKK -11m) corresponding to an EBIT ratio of 1.1% (first half of 2009: -2.0%). In the second quarter alone, the EBIT ratio was 6.1% (second quarter of 2009: 2.2%).

Overall, the foreign exchange effect of translating into DKK has had a 3% positive impact on revenue in Cembrit compared to the first half of 2009.

### Prospects for 2010

- The expectations for the cement market in 2010 continue to be around 50m tonnes per year new contracted cement kiln capacity worldwide (exclusive of China) (2009: 45m tonnes per year)
- FLSmidth & Co. upgrades its expectations for consolidated revenue in 2010 to DKK 20-21bn (previous expectation DKK 19-20bn) and maintains the expectation for the EBIT ratio in 2010 at 8-9%
- The prospects of the individual business areas in 2010 are as follows:

	Revenue	EBIT ratio
Cement	DKK 9.5-10bn (previously DKK 9-10bn)	approx. 9%
Minerals	DKK 9-9.5bn (previously DKK 8-9bn)	approx. 9%
Cembrit	DKK approx. 1.2bn (unchanged)	approx 2%

- The effect of purchase price allocations regarding GL&V Process is expected to amount to approximately DKK -100m in 2010 in the form of amortisation of intangible assets
- In 2010, the effective tax rate is expected to be around 30%
- Cash flow from investing activities (exclusive of acquisitions) is expected to be around DKK -600m in 2010 (previous expectation DKK -400m). The rising level of investment is due to the decision to invest in regional service centres and spare parts inventories and expansion of the production facilities in India and China.

# Management's review

## for the first half of 2010

### Long-term growth and earnings prospects

In the long term, it is still expected that particularly urbanisation and industrialisation in developing countries will generate increasing demand for cement and minerals.

Earnings from Minerals and Customer Services in both Cement and Minerals are expected in the coming years to account for a larger share of the Group's total earnings, which will reduce the effect of cyclical market fluctuations in Cement. Against this background, the Group expects its consolidated EBIT ratio to be 10-12% in periods of high activity and 8-9% in periods of low activity. Adjusted for purchase price allocations regarding GL&V Process the consolidated EBIT ratio was 10.6% in 2008, 10.2% in 2009 and 9.4% in the first half of 2010. The effect of purchase price allocations regarding GL&V Process is expected, in future, to be approximately DKK -100m per year. Moving forward, the annual investments (exclusive of acquisitions) are expected to be DKK 300-400m. The long-term sustainable level for addition of new global cement kiln capacity (exclusive of China) is expected to be 60-75m tonnes per year on average.

### Capital structure and dividend

It is the FLSmidth Group's aim at all times to have a suitable capital structure in relation to the underlying operating results so that it is always possible to have the necessary and sufficient credit and guarantee facilities to support the commercial operations. The aim is to have an equity ratio of at least 30%. At the end of the first half of 2010, the equity ratio amounted to 33% (end of 2009: 30%).

At the end of the first half of 2010, the Group had net interest-bearing receivables of DKK 1,390m (end of 2009: DKK 1,085m). The Group wishes to maintain capital resources to finance future growth and to strengthen the market position through the acquisition of, notably, complementary technologies and services.

On 22 April 2010, ordinary dividend of DKK 5 per share was distributed, representing a total amount of DKK 266m. In addition, an extraordinary dividend of DKK 2 per share was distributed in August 2009. It is FLSmidth's dividend policy to continue to pay out DKK 7 per share every year.

### Treasury shares

FLSmidth & Co. A/S's holding of treasury shares at the end of the first half of 2010 totalled 564,692 shares representing 1.1% of the share capital (end of 2009: 628,602 shares).

### Incentive plan

#### **New share option plan (Plan 2010)**

The Board of Directors has today decided to allocate 170,700 share options to the management and key staff (58 persons) of which the management will receive 29,700 options. The exercise price is 400 and the exercise period will be 2013-2015. Based on a volatility of 36.76% for the previous year, the Black-Scholes value amounts to DKK 22m and will affect the year's profit by DKK 2m. For further details, see the guidelines adopted at the General Meeting on 17 April 2008.

#### **Other share option plans**

At the end of the first half of 2010, there were a total of 581,204 unexercised share options under the Group's incentive plan and the fair value of these was DKK 89m. The fair value is calculated by means of a Black-Scholes model based on a current share price of 396.5, and a volatility of 37.44%. The effect of the incentive plan on earnings amounted to DKK 10m in the first half of 2010 (first half of 2009: DKK 10m). Please see the Annual Report for 2009 for further information.

### Financial calendar

18 November 2010: 1st - 3rd quarter Interim Report

### Events occurring after the balance sheet date

As announced on 13 July 2010, FLSmidth has signed a contract worth DKK 265m with Brazilian Votorantim Cimentos for the supply of five pyro lines for five different cement plants in Brazil.

# Statement by the Board and Management

We have today reviewed and adopted the Interim Report of FLSmidth & Co. A/S for the period 1 January to 30 June 2010.

The Interim Report is presented in accordance with IAS 34, presentation of Interim Reports, as approved by the EU, and additional Danish disclosure requirements for interim reports submitted by listed companies. The Interim Report has not been audited nor reviewed by the Group auditor.

We consider the accounting policies appropriate for the Interim Report to give a true and fair view of the Group's assets and

liabilities and financial standing as at 30 June 2010 and of the financial results of the Group's activities and cash flow in the period from 1 January to 30 June 2010.

We also consider the Management's review to give a true and fair view of the developments of the Group's activities and financial affairs, the financial result for the period under review and the Group's financial position as a whole, as well as a true and fair description of the major risks and uncertainties facing the Group.

Copenhagen, 19 August 2010

<b>Group Management</b>	Jørgen Huno Rasmussen <i>Group CEO</i>	Poul Erik Tofte <i>Group Executive</i> <i>Vice President (CFO)</i>	Bjarne Moltke Hansen <i>Group Executive</i> <i>Vice President</i>	Christian Jepsen <i>Group Executive</i> <i>Vice President</i>
<b>Board of Directors</b>	Jørgen Worning <i>Chairman</i>	Jens S. Stephensen <i>Vice Chairman</i>	Jens Palle Andersen	Torkil Bentzen
	Mette Dobel	Martin Ivert	Frank Lund	Jesper Ovesen

Vagn Ove Sørensen

# Consolidated income statement

DKKm	Q2 2010	Q2 2009	Q1-Q2 2010	Q1-Q2 2009
Notes				
Revenue	4,923	5,593	9,413	10,766
Production costs	(3,640)	(4,322)	(7,021)	(8,285)
<b>Gross profit</b>	<b>1,283</b>	<b>1,271</b>	<b>2,392</b>	<b>2,481</b>
Sales and distribution costs	(336)	(317)	(642)	(605)
Administrative costs	(393)	(357)	(747)	(709)
Other operating income/(costs)	31	30	44	38
<b>Earnings before special non-recurring items, depreciation and amortisation (EBITDA)</b>	<b>585</b>	<b>627</b>	<b>1,047</b>	<b>1,205</b>
Special non-recurring items	-	3	-	3
Depreciation and write-down of tangible assets	(62)	(49)	(119)	(107)
Amortisation and write-down of intangible assets	(45)	(33)	(91)	(79)
<b>Earnings before interest and tax (EBIT)</b>	<b>478</b>	<b>548</b>	<b>837</b>	<b>1,022</b>
Financial income	460	463	822	1,042
Financial costs	(570)	(395)	(949)	(1,076)
<b>Earnings before tax of continuing activities (EBT)</b>	<b>368</b>	<b>616</b>	<b>710</b>	<b>988</b>
Tax for the period of continuing activities	(113)	(192)	(213)	(73)
<b>Profit/loss for the period, continuing activities</b>	<b>255</b>	<b>424</b>	<b>497</b>	<b>915</b>
Profit/loss for the period, discontinued activities	3	13	(6)	(11)
<b>Profit/loss for the period</b>	<b>258</b>	<b>437</b>	<b>491</b>	<b>904</b>
To be distributed as follows:				
Minority shareholders' share of profit/loss for the period	-	-	-	-
FLSmidth & Co. A/S shareholders' share of profit/loss for the period	258	437	491	904
<b>2 Earnings per share (EPS):</b>				
Continuing and discontinued activities	4.9	8.3	9.3	17.3
Continuing and discontinued activities, diluted	4.9	8.3	9.3	17.3
Continuing activities	4.8	8.1	9.4	17.5
Continuing activities, diluted	4.8	8.1	9.4	17.5
<b>1 Income statement classified by function</b>				

# Consolidated statement of comprehensive income

DKKm	Q2 2010	Q2 2009	Q1-Q2 2010	Q1-Q2 2009
Notes				
<b>Profit/loss for the period</b>	258	437	491	904
<b>Other comprehensive income</b>				
Foreign exchange adjustment regarding enterprises abroad	273	22	573	54
Foreign exchange adjustment of loans classified as equity in enterprises abroad	96		154	
Value adjustment of hedging instruments:				
Value adjustment for the period	(34)	(1)	(24)	(6)
Value adjustment transferred to revenue	(2)	2	(3)	3
Value adjustment transferred to variable costs	(1)	(1)	(2)	(1)
Value adjustment transferred to financial income/costs	13	3	-	1
Value adjustment transferred to balance sheet items	-	-	5	-
Other adjustments of value in use	7	2	4	3
Tax on other comprehensive income	(23)	(1)	(39)	1
<b>Other comprehensive income after tax</b>	<b>329</b>	<b>26</b>	<b>668</b>	<b>55</b>
<b>Comprehensive income for the period</b>	<b>587</b>	<b>463</b>	<b>1,159</b>	<b>959</b>
Comprehensive income attributable to:				
Minority shareholders' share of comprehensive income for the period	(3)	1	(4)	1
FLSmidth & Co. A/S shareholders' share of comprehensive income for the period	590	462	1,163	958
	<b>587</b>	<b>463</b>	<b>1,159</b>	<b>959</b>

# Consolidated cash flow statement

DKKm	Q1-Q2 2010	Q1-Q2 2009
Notes		
Earnings before special non-recurring items, depr. and amort. (EBITDA), continuing activities	1,047	1,205
Earnings before special non-recurring items, depr. and amort. (EBITDA), discontinued activities	3	(18)
<b>Earnings before special non-recurring items, depreciation and amortisation (EBITDA)</b>	<b>1,050</b>	<b>1,187</b>
Adjustment for profits/losses on sale of tangible assets and foreign exchange adjustments, etc.	48	10
<b>Adjusted earnings before special non-recurring items, depr. and amort. (EBITDA)</b>	<b>1,098</b>	<b>1,197</b>
Change in provisions	(216)	53
Change in working capital	102	(571)
<b>Cash flow from operating activities before financial items and tax</b>	<b>984</b>	<b>679</b>
Financial payments received and made	(20)	26
Corporation taxes paid	(228)	(97)
<b>Cash flow from operating activities</b>	<b>736</b>	<b>608</b>
Acquisition and disposal of enterprises and activities	5	(64)
Acquisition of intangible assets	(58)	(85)
Acquisition of tangible assets	(82)	(132)
Acquisition of financial assets	(29)	-
Disposal of financial assets	-	46
Disposal of intangible and tangible assets	1	16
<b>Cash flow from investing activities</b>	<b>(163)</b>	<b>(219)</b>
Dividend	(262)	-
Acquisition of treasury shares	(2)	-
Disposal of treasury shares	11	-
Change in other interest-bearing net receivables/(debt)	(534)	(131)
<b>Cash flow from financing activities</b>	<b>(787)</b>	<b>(131)</b>
<b>Changes in cash and cash equivalents</b>	<b>(214)</b>	<b>258</b>
Cash and cash equivalents at 1 January	2,389	784
Foreign exchange adjustment, cash and cash equivalents	262	91
Cash and cash equivalents at 30 June	2,437	1,133

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

# Consolidated balance sheet

## Assets

DKKm	End of Q2 2010	End of 2009
Notes		
Goodwill	3,665	3,369
Patents and rights acquired	1,032	1,016
Customer relations	1,039	954
Other intangible assets	177	188
Completed development projects	16	13
Intangible assets under development	193	149
<b>Intangible assets</b>	<b>6,122</b>	<b>5,689</b>
Land and buildings	1,046	971
Plant and machinery	716	691
Operating equipment, fixtures and fittings	212	222
Tangible assets in course of construction	71	68
<b>Tangible assets</b>	<b>2,045</b>	<b>1,952</b>
Investments in associates	6	3
Other securities and investments	56	29
Other financial assets	6	9
Deferred tax assets	742	791
<b>Financial assets</b>	<b>810</b>	<b>832</b>
<b>Total non-current assets</b>	<b>8,977</b>	<b>8,473</b>
<b>Inventories</b>	<b>1,918</b>	<b>1,760</b>
Trade receivables	4,204	4,270
Work-in-progress for third parties	3,676	3,617
Prepayments to subsuppliers	420	369
Other receivables	1,187	840
Prepayments	42	118
<b>Receivables</b>	<b>9,529</b>	<b>9,214</b>
<b>Securities</b>	<b>265</b>	<b>66</b>
<b>Cash and cash equivalents</b>	<b>2,437</b>	<b>2,389</b>
<b>Total current assets</b>	<b>14,149</b>	<b>13,429</b>
<b>TOTAL ASSETS</b>	<b>23,126</b>	<b>21,902</b>

# Consolidated balance sheet

## Equity and liabilities

DKKm	End of Q2 2010	End of 2009
Notes		
Share capital	1,064	1,064
Foreign exchange adjustments regarding translation of investments	283	(290)
Foreign exchange adjustments regarding hedging transactions	(28)	(4)
Retained earnings	6,207	5,568
Proposed dividend	-	266
<b>FLSmidth &amp; Co. A/S shareholders' share of equity</b>	<b>7,526</b>	<b>6,604</b>
Minority interests' share of equity	15	23
<b>Total equity</b>	<b>7,541</b>	<b>6,627</b>
Deferred tax liabilities	804	682
Pension liabilities	239	246
Other provisions	803	739
Mortgage debt	355	358
Bank loans	812	813
Finance lease commitments	10	8
Prepayments from customers	637	306
Other liabilities	184	186
<b>Long-term liabilities</b>	<b>3,844</b>	<b>3,338</b>
Mortgage debt	10	17
Bank loans	35	7
Finance lease commitments	2	3
Prepayments from customers	2,615	3,087
Work-in-progress for third parties	4,231	3,666
Trade payables	2,198	2,421
Corporation tax payable	166	211
Other liabilities	1,381	1,288
Other provisions	1,055	1,199
Deferred income	48	38
<b>Short-term liabilities</b>	<b>11,741</b>	<b>11,937</b>
<b>Total liabilities</b>	<b>15,585</b>	<b>15,275</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>23,126</b>	<b>21,902</b>

# Consolidated equity

DKKm	Share capital	Foreign exchange adjustments re translation of investments	Foreign exchange adjustments re hedging transactions	Retained earnings etc.	Proposed dividend	FLSmidth & Co. A/S shareholders' share	Minority shareholders' share	Total
<b>Equity at 1 January 2009</b>	<b>1,064</b>	<b>(271)</b>	<b>1</b>	<b>4,219</b>	<b>-</b>	<b>5,013</b>	<b>22</b>	<b>5,035</b>
Comprehensive income for the period		53	(3)	908		958	1	959
Share-based payment, share options				10		10		10
Proposed dividend				(106)	106	-		-
<b>Equity at 30 June 2009</b>	<b>1,064</b>	<b>(218)</b>	<b>(2)</b>	<b>5,031</b>	<b>106</b>	<b>5,981</b>	<b>23</b>	<b>6,004</b>
<b>Equity at 1 January 2010</b>	<b>1,064</b>	<b>(290)</b>	<b>(4)</b>	<b>5,568</b>	<b>266</b>	<b>6,604</b>	<b>23</b>	<b>6,627</b>
Comprehensive income for the period		573	(24)	614		1,163	(4)	1,159
Dividend paid					(262)	(262)		(262)
Dividend, treasury shares				4	(4)	-		-
Share-based payment, share options				10		10		10
Disposal of treasury shares				11		11		11
Additions and disposals of minority interests						-	(4)	(4)
<b>Equity at 30 June 2010</b>	<b>1,064</b>	<b>283</b>	<b>(28)</b>	<b>6,207</b>	<b>-</b>	<b>7,526</b>	<b>15</b>	<b>7,541</b>

*Movements on share capital:*

	No. of shares
Share capital at 1 January 2010	53,200,000
Share capital at 30 June 2010	53,200,000

Each share has a nominal value of DKK 20 and entitles the holder to 20 votes.

*Treasury shares:*

	No. of shares
Treasury shares at 1 January 2010	628,602
Settled share options	(68,000)
Acquired	4,090
Treasury shares at 30 June 2010	564,692

Representing 1.06% of the share capital.

# Notes to the appendices of the interim report

1. Income statement classified by function
2. Earnings per share (EPS)
3. Development in contingent assets and liabilities
4. Breakdown of the Group by segments, continuing activities
5. Quarterly key figures
6. Accounting policies and Management estimates and assessments

## 1. 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 non-recurring items, depreciation, amortisation and write-downs (EBITDA). Depreciation, amortisation and write-downs of tangible and intangible assets are therefore separated from the individual functions and presented on separate lines.

The income statement classified by function including allocation of depreciation, amortisation and write-downs appears from the following:

DKKm	Q2 2010	Q2 2009	Q1-Q2 2010	Q1-Q2 2009
Revenue	4,923	5,593	9,413	10,766
Production costs	(3,689)	(4,361)	(7,117)	(8,371)
<b>Gross profit</b>	<b>1,234</b>	<b>1,232</b>	<b>2,296</b>	<b>2,395</b>
Sales and distribution costs	(340)	(320)	(648)	(611)
Administrative costs	(447)	(397)	(855)	(803)
Other operating income / (costs)	31	30	44	38
Special non-recurring items	-	3	-	3
<b>Earnings before interest and tax (EBIT)</b>	<b>478</b>	<b>548</b>	<b>837</b>	<b>1,022</b>
Financial income	460	463	822	1,042
Financial costs	(570)	(395)	(949)	(1,076)
<b>Earnings before tax (EBT)</b>	<b>368</b>	<b>616</b>	<b>710</b>	<b>988</b>
Tax for the period	(113)	(192)	(213)	(73)
<b>Profit/loss for the period, continuing activities</b>	<b>255</b>	<b>424</b>	<b>497</b>	<b>915</b>
Profit/loss for the period, discontinued activities	3	13	(6)	(11)
<b>Profit/loss for the period</b>	<b>258</b>	<b>437</b>	<b>491</b>	<b>904</b>

## 2. Earnings per share (EPS)

DKKm	Q2 2010	Q2 2009	Q1-Q2 2010	Q1-Q2 2009
<b>Earnings</b>				
FLSmidth & Co. A/S shareholders' share of profit/loss for the period	258	437	491	904
FLSmidth & Co. Group profit/loss from discontinued activities	3	13	(6)	(11)
<b>Number of shares, average</b>				
Number of shares issued	53,200,000	53,200,000	53,200,000	53,200,000
Adjustment for treasury shares	(587,638)	(814,845)	(601,292)	(814,752)
Potential increase of shares in circulation, in-the-money options	144,255	-	129,728	-
	<b>52,756,617</b>	<b>52,385,155</b>	<b>52,728,436</b>	<b>52,385,248</b>
<b>Earnings per share</b>				
• Continuing and discontinued activities per share DKK	4.9	8.3	9.3	17.3
• Continuing and discontinued activities, diluted, per share DKK	4.9	8.3	9.3	17.3
• Continuing and discontinued activities, diluted, before the effect of purchase price allocations regarding GL&V Process, per share DKK	5.2	8.7	9.9	17.9
• Continuing activities per share DKK	4.8	8.1	9.4	17.5
• Continuing activities, diluted, per share DKK	4.8	8.1	9.4	17.5

Non-diluted earnings per share regarding discontinued activities amount to DKK 0.1. The effect of purchase price allocations regarding GL&V Process before tax amounts to DKK 44m in the first half of 2010. After tax, this amounts to DKK 31m and the effect on EPS per share is consequently DKK 0.6.

## 3. Development in contingent assets and liabilities

Contingent liabilities at 30 June 2010 amounted to DKK 7.4bn (31 December 2009 DKK 7.0bn), which includes performance bonds and payment guarantees at DKK 7.0bn (31 December 2009 DKK 6.8bn). See note 30 in the 2009 Annual Report for a general description of the nature of the Group's contingent liabilities.

# Notes to the appendices of the interim report

## 4. Breakdown of the Group by segments, continuing activities

DKKm	Q1-Q2 2010				
	Cement	Minerals	Cembrit	Other companies etc. <sup>1</sup>	Continuing activities total
<b>INCOME STATEMENT</b>					
<b>Revenue</b>	<b>4,800</b>	<b>4,019</b>	<b>630</b>	<b>(36)</b>	<b>9,413</b>
Production costs	(3,572)	(2,990)	(419)	(40)	(7,021)
<b>Gross profit</b>	<b>1,228</b>	<b>1,029</b>	<b>211</b>	<b>(76)</b>	<b>2,392</b>
Sales, admin. and distr. costs and other operating items	(661)	(577)	(168)	61	(1,345)
<b>Earnings before special non-recurring items, depreciation and amortisation (EBITDA)</b>	<b>567</b>	<b>452</b>	<b>43</b>	<b>(15)</b>	<b>1,047</b>
Special non-recurring items	-	(1)	1	-	-
Depreciation, amortisation and write-downs of tangible and intangible assets	(65)	(106)	(37)	(2)	(210)
<b>Earnings before interest and tax (EBIT)</b>	<b>502</b>	<b>345</b>	<b>7</b>	<b>(17)</b>	<b>837</b>
<i>Earnings before interest and tax (EBIT) before the effect of purchase price allocations regarding GL&amp;V Process</i>	502	389	7	(17)	881
<b>Order intake (gross)</b>	<b>6,180</b>	<b>6,579</b>	<b>N/A</b>	<b>(43)</b>	<b>12,716</b>
<b>Order backlog</b>	<b>15,006</b>	<b>11,688</b>	<b>N/A</b>	<b>(73)</b>	<b>26,621</b>
<b>FINANCIAL RATIOS</b>					
Contribution ratio	25.6%	25.6%	33.5%	N/A	25.4%
EBITDA ratio	11.8%	11.2%	6.8%	N/A	11.1%
EBIT ratio	10.5%	8.6%	1.1%	N/A	8.9%
<i>EBIT ratio before the effect of purchase price allocations regarding GL&amp;V Process</i>	10.5%	9.7%	1.1%	N/A	9.4%
<b>Number of employees at 30 June</b>	<b>5,525</b>	<b>4,017</b>	<b>1,043</b>	<b>3</b>	<b>10,588</b>

DKKm	Q1-Q2 2009				
	Cement	Minerals	Cembrit	Other companies etc. <sup>1</sup>	Continuing activities total
<b>INCOME STATEMENT</b>					
<b>Revenue</b>	<b>6,031</b>	<b>4,298</b>	<b>560</b>	<b>(123)</b>	<b>10,766</b>
Production costs	(4,591)	(3,351)	(385)	42	(8,285)
<b>Gross profit</b>	<b>1,440</b>	<b>947</b>	<b>175</b>	<b>(81)</b>	<b>2,481</b>
Sales, admin. and distr. costs and other operating items	(708)	(487)	(159)	78	(1,276)
<b>Earnings before special non-recurring items, depreciation and amortisation (EBITDA)</b>	<b>732</b>	<b>460</b>	<b>16</b>	<b>(3)</b>	<b>1,205</b>
Special non-recurring items	-	(3)	6	-	3
Depreciation, amortisation and write-downs of tangible and intangible assets	(53)	(99)	(33)	(1)	(186)
<b>Earnings before interest and tax (EBIT)</b>	<b>679</b>	<b>358</b>	<b>(11)</b>	<b>(4)</b>	<b>1,022</b>
<i>Earnings before interest and tax (EBIT) before the effect of purchase price allocations regarding GL&amp;V Process</i>	679	407	(11)	(4)	1,071
<b>Order intake (gross)</b>	<b>2,655</b>	<b>3,017</b>	<b>N/A</b>	<b>(61)</b>	<b>5,611</b>
<b>Order backlog</b>	<b>14,919</b>	<b>11,139</b>	<b>N/A</b>	<b>(95)</b>	<b>25,963</b>
<b>FINANCIAL RATIOS</b>					
Contribution ratio	23.9%	22.0%	31.3%	N/A	23.0%
EBITDA ratio	12.1%	10.7%	2.9%	N/A	11.2%
EBIT ratio	11.3%	8.3%	(2.0%)	N/A	9.5%
<i>EBIT ratio before the effect of purchase price allocations regarding GL&amp;V Process</i>	11.3%	9.5%	(2.0%)	N/A	9.9%
<b>Number of employees at 30 June</b>	<b>5,991</b>	<b>4,017</b>	<b>1,116</b>	<b>3</b>	<b>11,127</b>

DKKm	Q1-Q2 2010	Q1-Q2 2009
<b>Reconciliation of the profit/loss for the period before tax, continuing activities</b>		
Segment earnings before tax of reportable segments	837	1,022
Financial income	822	1,042
Financial costs	(949)	(1,076)
<b>Earnings for the period before tax (EBT) of continuing activities</b>	<b>710</b>	<b>988</b>

<sup>1)</sup> Other companies, etc. consist of companies with no activities, real estate companies, eliminations and the parent company

# Notes to the appendices of the interim report

## 5. Quarterly key figures

DKKm	2008		2009				2010	
			Q1	Q2	Q3	Q4	Q1	Q2
	Q3	Q4						
<b>INCOME STATEMENT</b>								
Revenue	6,486	7,574	5,173	5,593	5,833	6,535	4,490	4,923
Gross profit	1,302	1,805	1,210	1,271	1,205	1,720	1,109	1,283
Earnings before special non-recurring items, depreciation and amortisation (EBITDA)	703	911	578	627	603	917	462	585
Earnings before interest and tax (EBIT)	583	849	474	548	475	764	359	478
<i>Earnings before interest and tax (EBIT) before the effect of purchase price allocations regarding GL&amp;V Process</i>	639	873	498	573	499	788	381	500
Earnings before tax (EBT)	456	667	372	616	495	625	342	368
Tax for the period	(134)	(232)	119	(192)	(137)	(193)	(100)	(113)
<b>Profit/loss for the period, continuing activities</b>	<b>322</b>	<b>435</b>	<b>491</b>	<b>424</b>	<b>358</b>	<b>432</b>	<b>242</b>	<b>255</b>
Profit/loss for the period, discontinued activities	4	52	(24)	13	(6)	(24)	(9)	3
<b>Profit/loss for the period</b>	<b>326</b>	<b>487</b>	<b>467</b>	<b>437</b>	<b>352</b>	<b>408</b>	<b>233</b>	<b>258</b>
<i>Contribution ratio</i>	20.1%	23.8%	23.4%	22.7%	20.7%	26.3%	24.7%	26.1%
<i>EBITDA ratio</i>	10.8%	12.0%	11.2%	11.2%	10.3%	14.0%	10.3%	11.9%
<i>EBIT ratio</i>	9.0%	11.2%	9.2%	9.8%	8.1%	11.7%	8.0%	9.7%
<i>EBIT ratio before the effect of purchase price allocations regarding GL&amp;V Process</i>	9.9%	11.5%	9.6%	10.2%	8.6%	12.1%	8.5%	10.2%
<b>CASH FLOW</b>								
Cash flow from operating activities	1,281	(287)	192	416	939	923	349	387
Cash flow from investing activities	(217)	(254)	(128)	(91)	(211)	(100)	(93)	(70)
Order intake, continuing activities (gross)	8,504	4,394	3,111	2,500	3,620	4,091	5,195	7,521
Order backlog, continuing activities	33,731	30,460	28,945	25,963	23,307	21,194	22,883	26,621
<b>SEGMENT INFORMATION</b>								
<b>Cement</b>								
Revenue	3,435	3,973	2,959	3,072	3,423	3,605	2,426	2,374
EBITDA	362	563	367	365	360	635	269	298
EBIT	327	550	331	348	308	561	237	265
<i>Contribution ratio</i>	19.3%	24.2%	22.7%	25.0%	19.3%	28.0%	25.2%	25.9%
<i>EBITDA ratio</i>	10.5%	14.2%	12.4%	11.9%	10.5%	17.6%	11.1%	12.6%
<i>EBIT ratio</i>	9.5%	13.8%	11.2%	11.3%	9.0%	15.6%	9.8%	11.2%
Order intake (gross)	4,591	1,961	1,406	1,249	2,260	2,248	2,834	3,346
Order backlog	20,864	18,565	16,991	14,919	13,774	12,568	13,762	15,006
<b>Minerals</b>								
Revenue	2,754	3,414	2,009	2,289	2,081	2,658	1,836	2,183
EBITDA	325	473	229	231	245	317	200	252
EBIT	256	417	176	182	187	253	147	198
EBIT before the effect of purchase price allocations regarding GL&V Process	312	441	200	207	211	277	169	220
<i>Contribution ratio</i>	20.1%	23.1%	23.3%	20.9%	23.0%	26.7%	24.9%	26.2%
<i>EBITDA ratio</i>	11.8%	13.9%	11.4%	10.1%	11.8%	11.9%	10.9%	11.5%
<i>EBIT ratio</i>	9.3%	12.2%	8.8%	8.0%	9.0%	9.5%	8.0%	9.1%
<i>EBIT ratio before the effect of purchase price allocations regarding GL&amp;V Process</i>	11.3%	12.9%	10.0%	9.0%	10.1%	10.4%	9.2%	10.1%
Order intake (gross)	3,960	2,544	1,736	1,281	1,370	1,907	2,382	4,197
Order backlog	13,588	12,606	12,106	11,139	9,615	8,712	9,234	11,688
<b>Cembrit</b>								
Revenue	370	297	247	313	354	329	250	380
EBITDA	16	(35)	(4)	20	33	(15)	1	42
EBIT	-	(20)	(18)	7	16	(30)	(16)	23
<i>Contribution ratio</i>	28.6%	18.5%	29.1%	32.9%	31.9%	22.8%	32.0%	34.5%
<i>EBITDA ratio</i>	4.3%	(11.8%)	(1.6%)	6.4%	9.3%	(4.6%)	0.4%	11.1%
<i>EBIT ratio</i>	0.0%	(6.7%)	(7.3%)	2.2%	4.5%	(9.1%)	(6.4%)	6.1%

# Notes to the appendices of the interim report

## 6. Accounting policies and Management estimates and assessments

### Accounting policies

The Interim Report of the Group for the first half of 2010 is presented in accordance with IAS 34 "Presentation of financial statements" as approved by the EU and additional Danish disclosure requirements regarding interim reporting by listed companies as fixed by NASDAQ OMX Copenhagen ("OMX"). Apart from the below amendments, the accounting policies are unchanged from those adopted in the 2009 Annual Report. Reference is made to note 37 page 88 in the 2009 Annual Report for further details.

With effect from 1 January 2010, the Group has adopted the changes to IFRS 2 "Share-based payment", the changes to IFRS 3 "Business combinations", the changes to IAS 27 "Consolidated and separate financial statements" and parts of "Improvements to IFRSs April 2009". Apart from the adoption of IFRS 3 "Business combinations" the adoption of the new and changed standards and interpretations has not affected recognition and measurement.

The changed IFRS 3 "Business combinations" means that costs of purchase and changes to contingent purchase considerations on acquisitions must be recognised direct in the income statement. Hitherto, it has been Group accounting policy to include costs of purchase in the cost of the business acquired, whereas contingent considerations were included in the cost of the business combination if the adjustment was likely to take place and it could be measured reliably. Subsequent adjustments to the contingent consideration were made in the cost of the business combination. In agreement with the provisions for coming into force the changed standard has been adopted with forward effect for business combinations where the date of acquisition is 1 January 2010 or later. In the first half of 2010, the Group has not made any business combinations, and the change has therefore had no impact on the financial statements for the first half of 2010.

### Estimates and assessments by Management

When preparing the Interim Report in accordance with the Group's accounting policies, it is necessary that the 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 their 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. The actual results may deviate.

Reference is made to note 1 page 67 in the 2009 Annual Report for further details regarding the items for which estimates and assessments by Management are primarily applicable when presenting the consolidated financial statements.

# One Source