2002

ANNUAL REPORT 2002 FLS INDUSTRIES A/S

Contents

This 2002 Annual Report of FLS Industries A/S is an English translation of the original Annual Report in Danish which was adopted by the Board of Directors of FLS Industries A/S. Whereas all possible care has been taken to ensure a true and faithful translation into English, differences between the English and Danish versions may exist in which cases the original Danish version shall prevail.

Financial highlights

DKKm	1998*	1999*	2000*	2001*	2002
PROFIT AND LOSS ACCOUNT					
Net turnover	22,238	20,993	19,205	18,930	16,444
Gross profit	**4,810**	**4,813**	**4,471**	**4,670**	**3,265**
Contribution margin	*21.6%*	*22.9%*	*23.3%*	*24.7%*	*19.9%*
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**1,636**	**1,394**	**545**	**1,221**	**317**
EBITDA ratio	*7.4%*	*6.6%*	*2.8%*	*6.5%*	*1.9%*
Earnings before interest and tax (EBIT)	**858**	**475**	**(458)**	**195**	**(647)**
EBIT ratio	*3.9%*	*2.3%*	*(2.4%)*	*1.0%*	*(3.9%)*
Share of earnings before tax of associated undertakings	326	1,053	1,603	161	186
Profit/loss on disposal of undertakings and activities	115	1,350	60	(25)	(639)
Net financial income and costs	(152)	(122)	(476)	(343)	(247)
Earnings before tax (EBT)	**1,147**	**2,756**	**729**	**(12)**	**(1,347)**
EBT ratio	*5.2%*	*13.1%*	*3.8%*	*(0.1%)*	*(8.2%)*
Tax for the year	353	216	(114)	(31)	102
Profit/loss for the year	**794**	**2,540**	**843**	**19**	**(1,449)**
Minority interests' share of the profit/loss for the year	246	452	578	32	12
FLS Industries A/S' share of the profit/loss for the year	**548**	**2,088**	**265**	**(13)**	**(1,461)**
Dividend to shareholders	**401**	**496**	**927**	**0**	**0**
CASH FLOWS					
Cash flows from operating activities	**602**	**787**	**(26)**	**1,321**	**714**
Acquisition and disposal of undertakings and activities	(1,079)	1,780	(1,984)	435	667
Acquisition of tangible fixed assets	(1,333)	(1,554)	(1,033)	(944)	(633)
Other investments	238	102	517	262	942
Cash flows from investing activities	**(2,174)**	**328**	**(2,500)**	**(247)**	**976**
Cash flows from financing activities	**1,399**	**(948)**	**2,175**	**(1,304)**	**(1,610)**
Change in cash funds	**(173)**	**167**	**(351)**	**(230)**	**80**
NET INTEREST-BEARING DEBT/(BALANCES)	**3,873**	**2,499**	**5,661**	**4,990**	**2,953**
BALANCE SHEET					
Fixed assets	9,862	10,366	13,589	11,436	8,732
Current assets	8,442	9,028	8,571	7,392	6,904
Total assets	**18,304**	**19,394**	**22,160**	**18,828**	**15,636**
Consolidated shareholders' equity	5,791	8,083	7,966	6,869	5,729
FLS Industries A/S' share of shareholders' equity	4,104	6,098	7,553	6,526	5,413
Provisions	1,413	1,373	1,436	1,194	1,042
Long-term and current liabilities	11,100	9,938	12,758	10,765	8,865
Total liabilities	**18,304**	**19,394**	**22,160**	**18,828**	**15,636**
RETURN ON CAPITAL EMPLOYED (ROCE)					
Adjusted operating profit after tax (NOPAT)	1,274	2,814	889	267	(1,147)
Average capital employed	12,444	13,326	14,459	14,823	12,261
Return on capital employed (ROCE)	**10%**	**21%**	**6%**	**2%**	**(9%)**
FINANCIAL RATIOS					
Including minority interests' share					
Return on equity	*14%*	*37%*	*11%*	*0%*	(23%)
Equity ratio	32%	*42%*	*36%*	*36%*	37%
Number of employees at 31 December	**18,137**	**14,140**	**14,641**	**13,544**	**11,354**
Number of employees in Denmark	6,064	4,968	4,776	4,313	3,533

The financial ratios have been computed in accordance with the Guidelines issued by the Danish Society of Financial Analysts.
ROCE is defined in note 36 to the consolidated accounts.

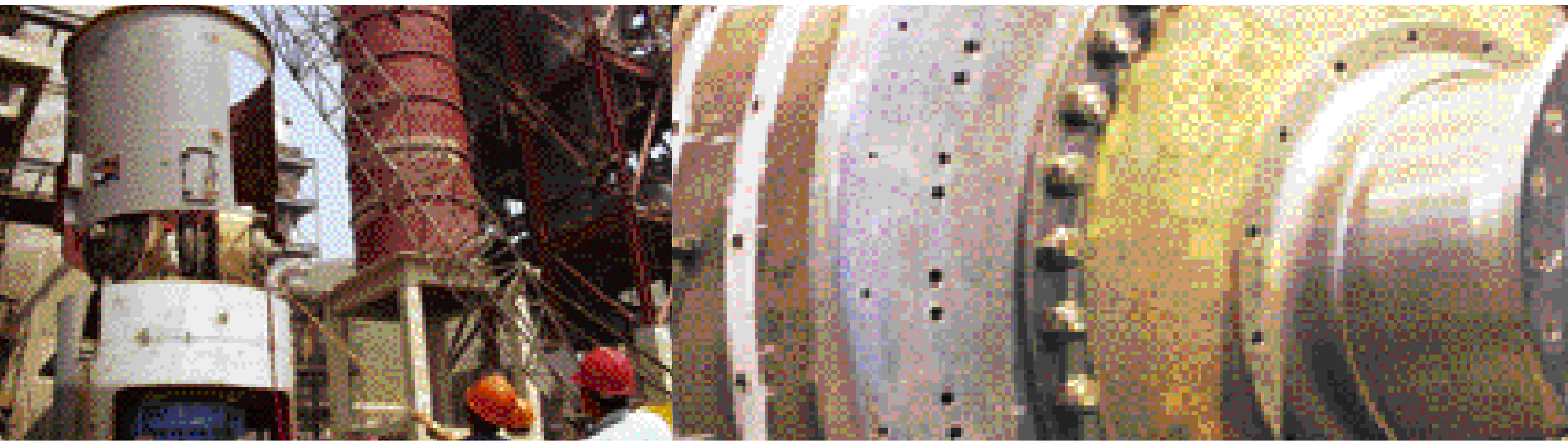
* The 2001 comparative figures for financial instruments have been adjusted due to the implementation of the 2001 Annual Accounts Act. The adjustment affects shareholders' equity, debtors and long-term and current liabilities. Comparative figures for the other years were not adjusted because the effect is limited.

Group structure as at 31 December 2002

FLS Industries A/S

- **F.L.Smidth**
  - FLS Automation
  - F.L.Smidth Materials Handling
  - Ventomatic
  - MAAG Gear
  - FFE Minerals
  - Pfister
  - F.L.Smidth Airtech
- **FLS Building Materials**
  - Aalborg Portland
  - Aalborg White
  - Unicon
  - Dansk Eternit Holding
  - Densit
- **Other and associated activities**
  - FLS Aerospace
  - FLS miljø
  - Pedershaab
  - Secil* 22.3%
  - Spæncom* 34%
  - Atlas Cement* 27%

* Included in the FLS Building Materials segment



Company mission

Based on the FLS Group's key values – co-operation, competence and responsibility – the Group companies aim to be their customers' preferred partner, offering them solutions and products that strengthen their competitiveness.

The FLS Group was established 120 years ago as a global supplier of cement making equipment. This forms the basis of the Group's technological key competencies as well as its process control expertise and project management experience. Continued development of competencies is maintained by focused product development and continued employee training.

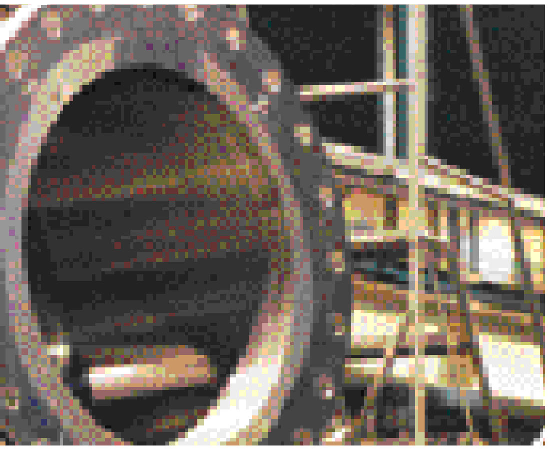
The Group will focus its efforts within the following business areas:

- Supply of services, machinery, equipment and complete production lines and plants to the cement and mineral industries worldwide.
- Production and distribution of cement and cement-based building materials in selected market areas, in particular Northern Europe.

These business areas are considered operational core activities and are organised within F.L.Smidth Group and FLS Building Materials.

A substantial reduction of the Group's other non-core activities through divestments, partnerships or similar is expected during 2003 so that the Group's future development will take place within the core business areas.

The FLS Group seeks to generate an attractive yield for its shareholders through value creating growth in its key business areas.



Main conclusions

FLS Group overall

- The FLS Group recorded total earnings before interest and tax (EBIT) of DKK -647m on a par with the Group's 3rd quarter expectations in 2002.
- Earnings before tax (EBT) of DKK -1,347m were in line with 3rd quarter expectations 2002, after adjustment for the failed sale of the Secil shares in 2002.
- The FLS Group's net interest-bearing debt was reduced during the year from DKK 4,990m to DKK 2,953m, thus meeting 3rd quarter expectations 2002, after adjustment for the failed sale of the Secil shares in 2002.

Core operational activities

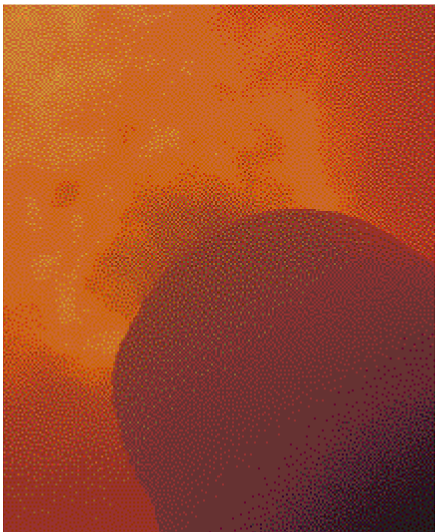
- The key business areas, F.L.Smidth Group and FLS Building Materials, recorded total earnings before interest and tax (EBIT) of DKK 439m, in line with 3rd quarter expectations 2002.
- Turnover in core activities totalled DKK 11.4bn.
- The F.L.Smidth Group's order intake in 2002 was DKK 8.3bn and at the end of 2002 the Group's order backlog was DKK 7.6bn, DKK 1.0bn above that of last year.
- The F.L.Smidth Group and FLS Building Materials posted a positive cash flow from operating activities of DKK 773m, an improvement of DKK 645m on last year.

Other activities

- FLS miljø's earnings before interest and tax (EBIT) including air pollution control activities for 2002 amounted to DKK -659m, which is due to increased costs for order processing.
- FLS Aerospace reported earnings before interest and tax (EBIT) of DKK -202m, which is below 3rd quarter expectations 2002.
- Other group activities, including the parent company and divested activities posted an EBIT of DKK -225m.
- Over the year, divestment of activities and associated companies amounted to DKK 1.4bn.

Prospects for 2003 for the FLS Group

- The FLS Group expects a consolidated turnover of around DKK 15bn, earnings before interest and tax (EBIT) of DKK 300-400m and earnings before tax of DKK 250-350m. Earnings expectations are based on unchanged financial and monetary and market conditions. The earnings forecast entails special risks with regard to the financial result of non-strategic activities. The FLS Group's focused strategy will be implemented through a number of corporate divestments. The results, the sequence and the timing of these divestments may significantly influence the prospects, positively and negatively, and have not been included in the above figures.



Group management team

Board of Directors from left:
Jørgen Worning, Chairman
Jens S. Stephensen, Vice Chairman
Torkil Bentzen
Finn Jakobsen
Tom Knutzen
Grethe Machholm
Per Overgaard
Johannes Poulsen
Johan Schrøder

Corporate Management from left:
Poul Erik Tofte
Bjarne Moltke Hansen
Frank Gad
Preben Tolstrup

Board of Directors:
At the FLS Industries A/S extraordinary general meeting on 7 March 2002, a new Board of Directors was elected, with Jørgen Worning as Chairman and Jens S. Stephensen as Vice Chairman.

In addition, the Board of Directors comprises Torkil Bentzen, Tom Knutzen, Johannes Poulsen and Johan Schrøder plus the employee-elected members of the Board Finn Jakobsen, Grethe Machholm and Per Overgaard.

Management:
The company's corporate management undertakes the day-to-day management of the Group, with the aim of creating value for the Group. The work of the Corporate Management is guided by rules of procedure.

To minimise the distance between the Board and the operational units it was decided in August 2002 to expand the Corporate Management to include Frank Gad, CEO of F.L.Smidth Group, Bjarne Moltke Hansen, Executive Vice President, FLS Building Materials, and Preben Tolstrup, Executive Vice President who in addition to the responsibilities in FLS miljø also holds overall responsibility for FLS Industries' divesting activities and non-strategic activities.

Group President and CEO Peter Assam resigned from his post in FLS Industries in 2002. In January 2003, Poul Erik Tofte took office as Group CFO. Poul Erik Tofte succeeds Birgitte Nielsen, who left the Corporate Management in November 2002.

New strategy for the FLS Group
– focus on core activities

2002 was a year of focus for the FLS Group. A new Board of Directors was appointed to adopt a new Group strategy, which has resulted in significant changes throughout the Group. The FLS Group divested activities and companies in the amount of DKK 1.4bn and adjusted the capacity in a number of companies to strengthen the Group's operational and financial platform. Moreover, the year has seen a change in the composition of the Corporate Management.

Potagua's announcement in December 2001 that in the long term Potagua will not be the ideal majority shareholder of FLS Industries A/S, has necessitated certain basic changes and caused the new Board of Directors to review the overall strategy for the FLS Group.

The strategic planning carried out during the summer 2002 focused on how to best realise the value potential of the FLS Group over a three to five year time scale. In this process an appraisal was made of every one of the Group's activities based on market position, earnings capacity, investment needs, commercial risks and market development.

The conclusion was that parts of the Group contain significant added value potential – over and above the revenue that would today be generated by a rapid divestment of individual activities. To realise this added value potential, a rapid pruning of the Group is necessary to enable the growth possibilities to be supported both organisationally and financially.

The FLS Group's objective is therefore by the end of 2003 to make corporate adjustments so that its activities and future development are principally concentrated within the F.L.Smidth Group and FLS Building Materials. This means that for all other activities the Board of Directors will actively seek solutions in the form of divestments, partnerships, etc.

The F.L.Smidth Group is the world's leading supplier of complete production plants, services and equipment for the cement industry, with a market share of around 50% of installed new kiln capacity. As the F.L.Smidth Group's turnover is strongly dependent on the demand for new cement plants and machinery, the Group will continue to expand the market share of its service and spare parts activities, that will help elevate the Group's earnings to a satisfactory level. Since 2000, the Group has undergone substantial streamlining and efficiency improvement with focus on improved and more economical customer service.

Along with continued efficiency improvements in the processing of major orders in the cement and mineral industry core market, the service and spare parts strategy is to achieve a 5% return (EBT) on sales and a 14% return on estimated capital employed (ROCE) by the end of the strategic period in 2005. This return is based on a return on estimated capital employed in the F.L.Smidth Group of around DKK 3.0 to 3.5bn. This growth depends on the global market for new kiln capacity normalising at around 23m tpy in the next few years and on sales to the service and spare parts market increasing by 10% per year.

FLS Building Materials holds a strong Scandinavian market position due to Aalborg Portland's local market leadership in grey cement and Unicon's position as the leading supplier of ready-mix concrete to the Scandinavian market. Aalborg Portland is the world's largest producer and exporter of white cement. Dansk Eternit Holding enjoys a strong position as Europe's second-largest producer of fibre cement based products.

FLS Building Materials' principal objective is to further develop its potential in white cement, and with the implementation of this strategy the company's owner FLS Industries A/S aims to strengthen its position as the world's largest producer of white cement within the strategy period.

Over the last two years Aalborg Portland has doubled its white cement production capacity to around 1.4m tonnes through greenfield investments and formation of partnerships with other cement producers around the world. These investments will contribute positively to earnings in 2003.

By the end of 2005 FLS Building Materials is expected to generate an 11% return (ROCE) based on an estimated capital employed of DKK 5.5 to 6.5bn, and achieve an 11% return (EBT) on sales. Achieving these objectives assumes stable building activity in Scandinavia, combined with continued annual growth in demand for white cement of around 4-6%.

Important events in 2002 and 2003

7 March 2002	New Board
8 March 2002	Sale of Højslev Teglværk
21 March 2002	Sale of ships in Aalborg Portland
10 June 2002	Sale of NKT shares
21 June 2002	Sale of boiler activities in FLS miljø
30 June 2002	Sale of Pfister Waagen
1 July 2002	Sale of APC activity from FLS miljø to F.L.Smidth
4 July 2002	Sale of paving stone activities in Denmark

Divestments accelerated during the autumn of 2002. During the year the FLS Group sold activities at a total value of DKK 1.4bn. The principal divestments were the shares in NKT Holding A/S (DKK 601m) and Unicon's American ready-mix concrete activities (DKK 580m). Moreover, Dansk Træemballage A/S, shares in Højslev Teglværk A/S, paving stone activities in Denmark and Poland and Pfister Waagen were sold. Combined with an improved cash flow from operating activities, this has resulted in a significant reduction of the Group's net interest-bearing debt, which gives the FLS Group the necessary financial platform to support its core activities. Furthermore, a conditional agreement has been reached on the sale of FLS Industries A/S's shareholding in the Portuguese cement production company, Secil. The sales proceeds of around DKK 1.1bn are expected to be received around mid March 2003. The effect of the sale has not been included in the profit and loss account for 2002.

As at 1 July 2002 FLS miljø's air pollution control activities were transferred to F.L.Smidth Group to support and strengthen the F.L.Smidth Group product portfolio.

Financial results from the FLS Group's overall activities

In 2002 the consolidated turnover was DKK 16,444m as against DKK 18,930m in 2001. In 2002 divested companies contributed DKK 1,195m to turnover as against DKK 2,341m in 2001, of which the decline is due to the sale of companies in FLS Building Materials.

In 2002, gross profit was DKK 3,265m, as against DKK 4,670m in 2001. Gross profit is negatively affected by costs and provisions for project processing in FLS miljø. Gross profit of divested companies was DKK 435m 2002, as against DKK 905m in 2001.

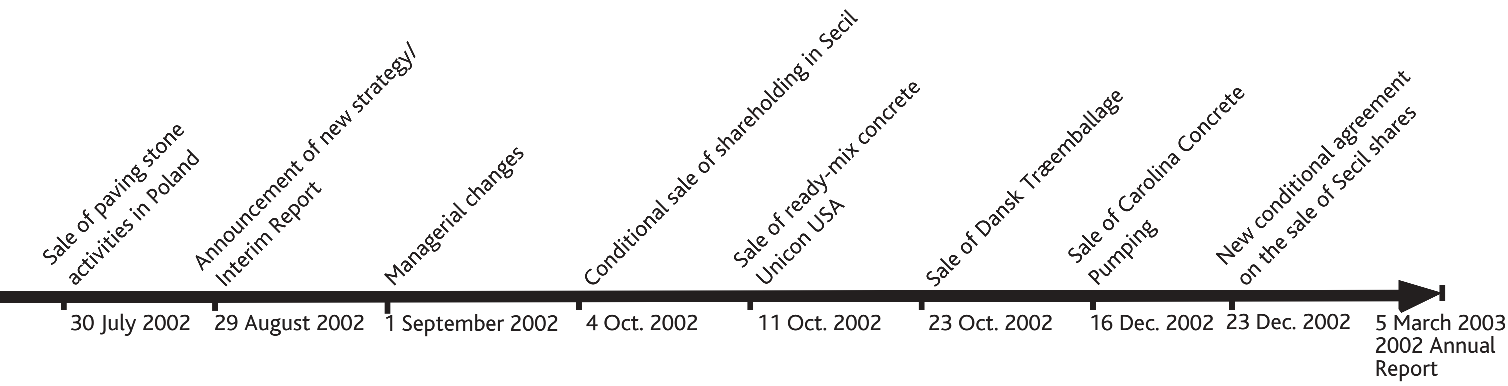
Sales and administrative costs went down to DKK 3,179m from DKK 3,737m in 2001. In 2002, divested companies accounted for DKK 328m, as against DKK 694m in 2001. During the year adjustments in the individual companies have been made to match the market situation by staff reductions of 1,000 persons.

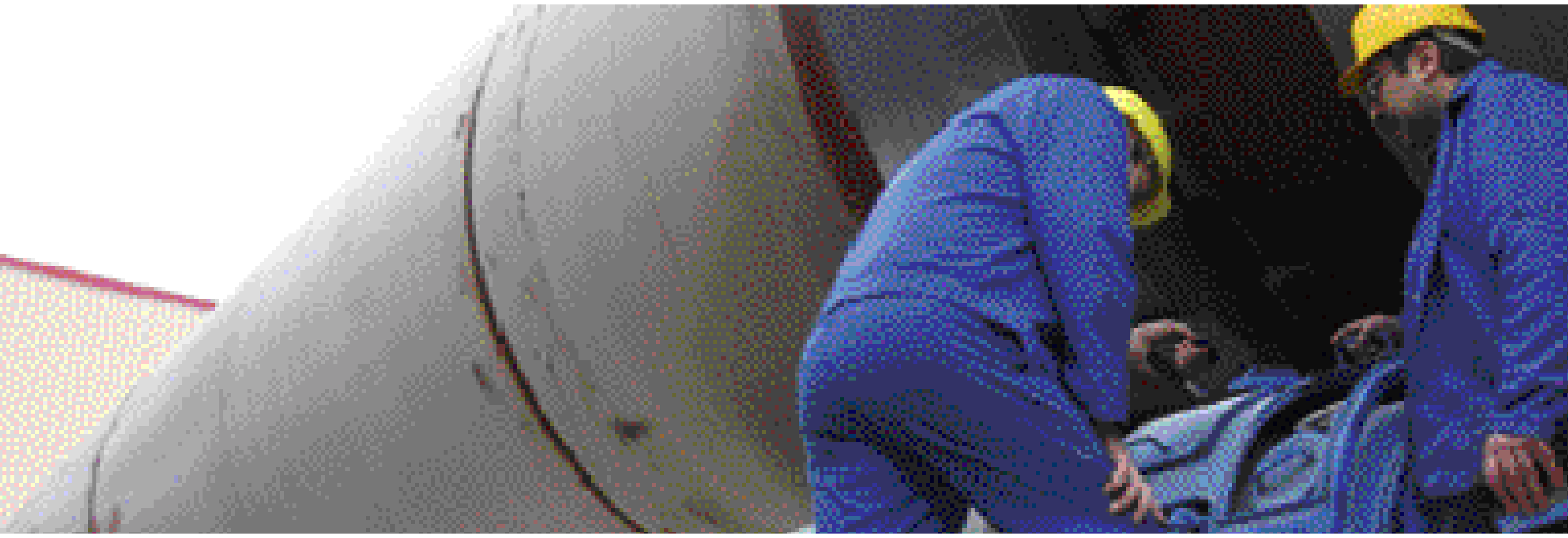
Earnings before interest, tax, depreciation and amortisation (EBITDA) of DKK 317m in 2002 as against DKK 1,221m in 2001 were highly unsatisfactory, reflecting project processing costs and provisions in FLS miljø amounting to DKK 643m.

Divested companies posted an EBITDA of DKK 107m in 2002, as against DKK 211m in 2001. The sale of individual tangible fixed assets positively affected EBITDA by DKK 103m in 2002 as against DKK 92m in 2001.

The Group's total depreciation and amortisation was DKK 964m, down from DKK 1,026m in 2001.

Earnings before interest and tax (EBIT) showed a loss of DKK 647m compared with a positive figure in 2001 of DKK 195m in 2001, reflecting in addition to the significant extraordinary project processing costs and provisions in FLS miljø, unsatisfactory earnings in FLS Aerospace. Earnings before interest and tax (EBIT) of divested undertaking s were DKK -21m in 2002, as against DKK -9m in 2001.





Share of earnings before tax (EBT) of associated undertakings was DKK 186m, up from DKK 161m in 2001, primarily reflecting a share of profit in Secil of DKK 163m. In 2002, several associated undertakings were sold in accordance with the adopted focused strategy.

Corporate divestments and sale of activities adversely affected the year's financial results by DKK 639m. This includes the total net loss of DKK 554m on the sale of the shareholding in NKT Holding A/S and on the sale of Dansk Træemballage A/S, as well as restructuring costs in FLS miljø of DKK 112m in connection with the sale and closing down of activities.

The Group's financial net costs fell to DKK 247m from DKK 343m in 2001, mainly reflecting the fact that the interest-bearing debt was reduced by around DKK 2.0bn.

Earnings before tax (EBT) were significantly affected by corporate divestments. Overall, earnings before tax (EBT) showed a loss of DKK 1,347m.

Tax for 2002 amounted to DKK 102m and earnings after tax showed a loss of DKK -1,449m as against DKK 19m last year. Tax for the year principally includes tax in associated and partially owned undertakings.

Development in cash flows

Cash flows from operating activities were DKK 714m as against DKK 1,321m in 2001. With adjustment for the extraordinary dividend from NKT of DKK 976m, cash flows from operating activities have improved by DKK 369m. Cash flows from operating activities were positively affected by a decrease in the funds tied up in working capital and to some extent by increased prepayments.

Positive cash flows from investing activities at a total of DKK 976m were strongly impacted by sales of companies and activities following the implementation of the adopted focused strategy. The pruning of the Group, including initiatives to reduce the balance sheet total has resulted in declining investments, notably tangible fixed assets. This, in turn, positively affected the development in cash flows from investing activities compared to last year.

Net interest-bearing debt

An important element in the Group's focused strategy has been to ensure a healthy financial platform to support its core activities. In total, net interest-bearing debt was reduced by around DKK 2.0bn in 2002, from DKK 4,990m in 2001 to DKK 2,953m in 2002. The Group has thus achieved one of its main objectives for the year.

Balance sheet

The consolidated balance sheet total amounted to DKK 15,636m as against DKK 18,828m in 2001, corresponding to a reduction of DKK 3,192m or around 17%. Balance sheet total of divested companies was DKK 629m at the end of 2001.

Assets

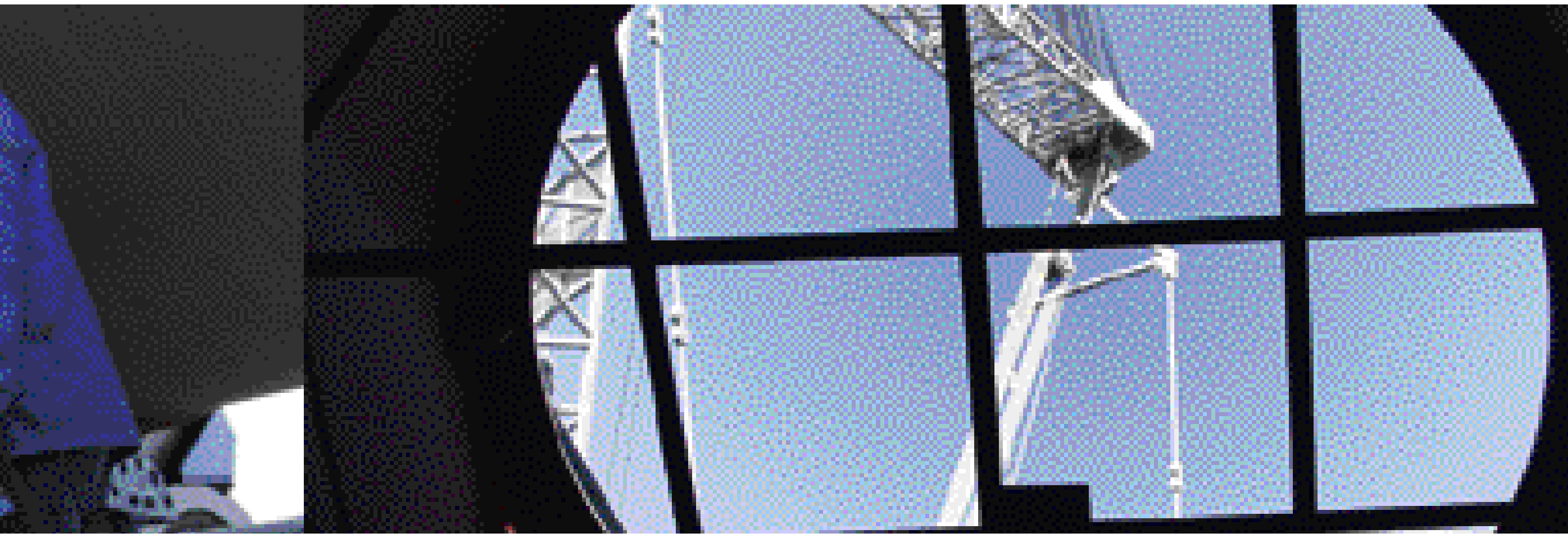
Intangible fixed assets were down from DKK 1,237m in 2001 to DKK 1,157m in 2002, reflecting a DKK 154m reduction in goodwill.

Tangible fixed assets slipped from DKK 7,398m in 2001 to DKK 5,934m in 2002. Tangible fixed assets of divested companies were DKK 902m at the end of 2001. Moreover, the reduction was due to the fact that the year's reinvestments were lower than depreciation.

Fixed asset investments declined from DKK 2,801m to DKK 1,641m in 2002, mainly reflecting the sale of shares in NKT Holding A/S which accounted for DKK 997m at the beginning of the accounting year 2002.

Stocks amounted to DKK 1,222m compared to DKK 1,505m in 2001.

Debtors including work-in-progress were reduced from DKK 5,523m to DKK 5,244m.



The reduction of trade debtors of DKK 504m was partly compensated by an increase in work-in-progress for third parties of DKK 318m. The increase in work-in-progress for third parties was attributable to increased order processing in F.L.Smidth Group. Work-in-progress must be assessed in conjunction with work-in-progress under liabilities.

Securities and cash funds amounted to DKK 438m, up from 364m in 2001.

Liabilities

Consolidated shareholders' equity at 31 December 2002 amounted to DKK 5,729m as against DKK 6,869m at the end of 2001. FLS Industries A/S's share is DKK 5,413m, as against DKK 6,526m at the end of 2001. Divestment of activities adversely affected shareholders' equity by DKK 530m.

Provisions fell from DKK 1,194m to DKK 1,042m, mainly reflecting reduced warranty provisions in F.L.Smidth Group.

Long-term liabilities were down from DKK 4,511m to DKK 2,647m, while current liabilities fell from DKK 6,254m to DKK 6,218m, reflecting divestments and improved cash flows from operating activities.

Operational core activities

Earnings before interest and tax (EBIT) of the Group's core activities consisting of F.L.Smidth Group and FLS Building Materials were DKK 439m as against DKK 518m in 2001.

Core activities had a positive cash flow from operating activities of DKK 773m, an improvement of DKK 645m compared to the same period last year, which is primarily due to increased prepayments and a reduction of trade debtors in the F.L.Smidth Group. In 2002, core companies reduced their net debt by DKK 675m (excluding corporate divestments).

The global slowdown in the world economy has also affected the market for equipment to the cement and mineral industry. Customers are reluctant to make new investments and are reducing their stocks of spare parts.
The F.L.Smidth Group saw increased competition in all main markets, but by focusing on cost saving solutions for customers it has been able to strengthen the Group's market position. Despite the slowdown in the world economy F.L.Smidth obtained significant orders in Algeria, Australia, China, Libya, New Zealand, South Africa, USA and Wales.

Turnover of the F.L.Smidth Group was DKK 7,217m in 2002 as against DKK 7,982m in 2001.

Total order intake for the business area of DKK 8.3bn was highly satisfactory. The total order volume increased to DKK 7.6bn, an improvement of DKK1.0bn compared to last year. The order backlog provides F.L.Smidth with a good starting point for 2003. The Group's earnings before interest and tax (EBIT) of DKK 105m (DKK 194m in 2001) reflect earnings as expected from engineering activities, while delayed order intake in three product companies has adversely affected earnings. Around mid 2002, the F.L.Smidth Group sold off Pfister Waagen, which produces weighing bridges. The remaining part of Pfister Group will concentrate on the sale of dosing and proportioning equipment.

In 2002, the F.L.Smidth Group generated a return (EBT) on sales of 1.4%. The return on capital employed (ROCE) was 5.3% which should be seen against the background that the market for installed new kiln capacity remains around 50% below the normal level of 22-23m tpy, whilst previous years' 10% growth in sales of services and spare parts could not be maintained in 2002.

2002 saw increasing competition in the regional markets for cement and ready-mix concrete, although demand was in line with previous years, which also applies to the fibre cement market. FLS Building Materials succeeded in maintaining its market position in all important markets by focusing its activities and disposing of all non-strategic activities. FLS Building Materials' core activities achieved a total turnover of DKK 925m as against DKK 3,873m.

Earnings before interest and tax (EBIT) were DKK 334m, an improvement as expected on last year (DKK 324m). Aalborg Portland achieved satisfactory earnings before interest and tax (EBIT) of DKK 338m. Unicon sold off all non ready-mix concrete activities and all its activities in the U.S. Unicon's earnings before interest and tax (EBIT) of DKK 55m were adversely affected by increased competition in the principal market.

During the year Aalborg White doubled its white cement production capacity as the cement plants in Egypt and Malaysia came on stream. This will contribute positively to FLS Building Materials' implementation of the strategy.

FLS Building Materials posted a return (EBT) on sales of 10.8%. Return on capital employed was 9.6%, an improvement of 2.0 percentage points compared to last year. The strategy assumption of stable building activity in Scandinavia was fulfilled in 2002, but for 2003 a slight slowdown in building activity can be expected, affecting the prospects for 2003. The assumption of 4-6% growth in the global market for white cement is considered fulfilled.

FLS Industries A/S - Parent company
During 2002, the parent company FLS Industries A/S, incurred a number of additional project related costs for strategy consolidation, for example by creating shared procurement and training and implementing managerial changes which have adversely affected the Group's EBIT by DKK -150m.

FLS Industries A/S's focused strategy entails a lower level of activity for the parent company. The parent company has reviewed the services which are being offered to the group companies, and adjusted them to the future level of activity. It has thus been decided that Group management courses and shared procurement will be continued in the individual group companies. The parent company's payroll costs and cost for group initiatives are expected to be halved in 2003.

Other activities
FLS miljø's turnover in 2002 was DKK 1,392m as against DKK 1,632m in 2001 reflecting declining activity in the company. As previously announced, the unsatisfactory earnings before interest and tax (EBIT) of DKK -659m were affected by significant costs and provisions for individual projects, notably a desulphurisation project in England. The sale of air pollution control activities to the F.L.Smidth Group was effective as at 1 July 2002. The processing of the remaining project portfolio in FLS miljø continues until the end of 2004.

FLS Aerospace's turnover was DKK 2,730m as against DKK 3,049m in 2001. Earnings before interest and tax (EBIT) amounted to an unsatisfactory loss of DKK 202m, due to lower order intake than expected in the traditionally profitable 4th quarter. Furthermore, the performance is affected by around DKK -75m due to a change in policies for assessing certain types of stocks and value adjustment of hangars.

Non-strategic activities in Unicon generated a turnover of DKK 974m and earnings before interest and tax (EBIT) of DKK -16m. Most of the activities were sold in 2002. The total proceeds from these divestments amounted to DKK 625m.

Pedershaab experienced a weak order intake in 2002. The turnover was DKK 199m and earnings before interest and tax (EBIT) were DKK -42m, compared to a turnover of DKK 318m and earnings before interest and tax (EBIT) of DKK 10m in 2001. Adjustments to match the lower level of activity are being made and a solution concerning future ownership is expected in 2003.

Dansk Træemballage was sold to the Company Management as at 23 October 2002. The company recorded a turnover of DKK 187m and posted an EBIT of DKK 4m. As previously announced, the sale adversely affected earnings before tax (EBT) by DKK 69m.

Secil S.A., the 22.3% indirectly owned associated company of FLS Industries A/S, contributed DKK 163m to earnings before tax (EBT), as against DKK 147m in 2001.

The associated company Atlas Cement Corporation in which FLS Industries A/S has a 27.1% equity interest contributed DKK 37m to earnings before tax (EBT), as against DKK 1m in 2001

The associated company Spæncom, in which FLS Industries A/S owns 33.9%, contributed DKK -14m to earnings before tax (EBT), compared to DKK 9m in 2001

Prospects for 2003
Due to the difficult market conditions, 2003 is expected to be a challenging year. The Group's business areas are under pressure due to increased competition as a result of sluggish markets, combined with international political uncertainty.

The FLS Group expects a consolidated turnover of around DKK 15bn, earnings before interest and tax (EBIT) of DKK 300-400m and earnings before tax of DKK 250-350m. Earnings expectations are based on unchanged financial and monetary and market conditions. The earnings forecast entails special risks with regard to the financial result of non-strategic activities. The FLS Group's focused strategy will be implemented through a number of corporate divestments. The results, the sequence and the timing of these divestments may significantly influence the prospects, positively and negatively, and have not been included in the above figures.

Earnings forecast for core activities for 2003
Compared with 2002, no improvements in market conditions for the Group's core activities are expected for 2003. For the F.L.Smidth Group the market for new kiln capacity, excluding China, is expected to be on a par with 2002's historically low level. For FLS Building Materials, a continued slowdown in building activity and increased competition is expected. Core activities expect to generate a turnover of around DKK 11bn, EBIT of DKK 0.5bn and EBT of DKK 0.4bn for 2003.

Earnings forecast for non-strategic activities in 2003
The Group's expectations for 2003 for FLS Aerospace, reflect continued uncertain prospects for the aviation industry. As FLS Aerospace has prepared itself for a generally lower level of activity and has reduced costs, for example through staff cuts and closing of hangars, earnings before interest and tax (EBIT) are expected to improve significantly in 2003.

FLS miljø's activities for 2003 will be affected by the processing of existing orders and sale of the company's operation and maintenance contracts. FLS miljø expects a negative EBIT for 2003. During 2002 productivity has increased significantly concerning work in progress. However, projects that entail risks still remain to be completed.

Managerial changes
In connection with Potagua's announcement in December 2001 that in the long-term the company will no longer be the ideal main shareholder of FLS Industries A/S, it was decided to change the Board of Directors. The new Board took office on 7 March 2002 and its primary task was to review the Group's business areas with a view to adopting a strategy which would optimise the value for the shareholders over a 3 to 5 year period. The Board's efforts resulted in the announcement in August of a revised strategy dividing the Group into core activities and non-strategic activities.

The Board also concluded that for the time being until final implementation of the strategy, close contact to the different group companies was necessary. It was therefore also decided to strengthen the Corporate Management to include Frank Gad, F.L.Smidth Group; Bjarne Moltke Hansen, FLS Building Materials; and Preben Tolstrup, FLS miljø. Group President and CEO Peter Assam resigned from his post with FLS Industries A/S in August 2002. In January 2003, Poul Erik Tofte took office as Group CFO. Poul Erik Tofte succeeds Birgitte Nielsen, who left the Management in November 2002.

Option plan
Since 1998, FLS Industries A/S has rewarded a number of managerial staff and the Board of Directors with options in the company.
As from 2002, the Board has decided not to take part in the Group's option plan. At the end of 2002, a total of 389,377 options representing 0.7% of the share capital had been issued. The average striking price of the options is 137. The options cannot be exercised until after three years and must be exercised not later than eight years after being allotted. The first options allotted in 1998 could be exercised after the Annual General Meeting in 2002.
At the end of 2002, the calculated market value of the options amounted to DKK 2.9m using the BLACK-SCHOLES formula.

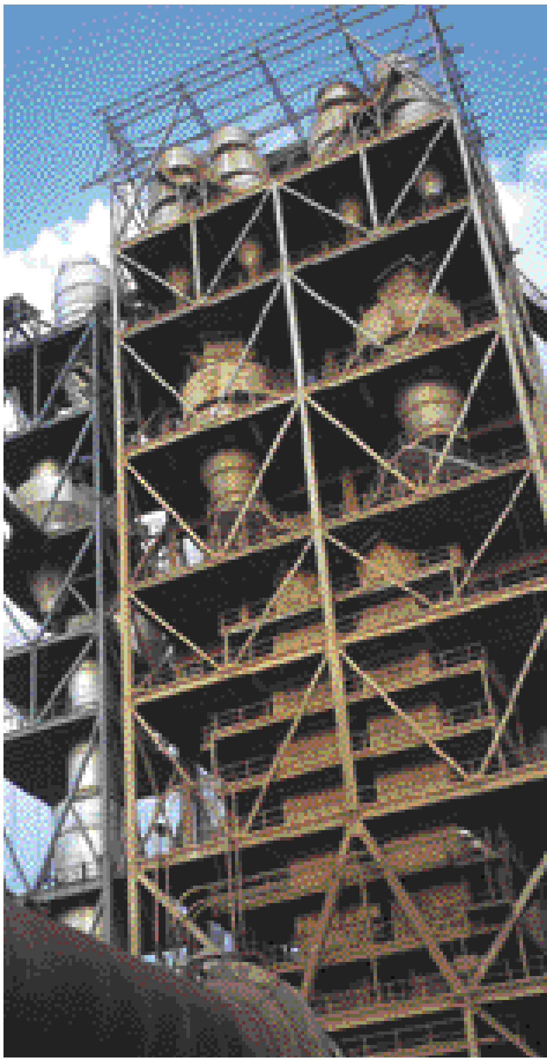
Based on the unsatisfactory financial results in 2002, it has been decided that no share options will be allotted. In connection with the half-yearly report, the Board of Directors will present a proposal for a share option plan designed for the future.

Information regarding the option plan appears from note 4 to the consolidated accounts.

Pension commitments
An assessement has been made of any inadequately funded pension commitments, notably relating to companies in the U.K. and the U.S. Underfunding amounted to around DKK 750m which, based on unchanged assumptions, will result in extra costs in 2003 of DKK 30m. The commitments will be reconsidered annually based on the pension funds' assets and liabilities.

Dividend
Due to the negative financial result in 2002, the Board will propose at the Annual General meeting that no dividend be distributed for 2002.

Events after the balance sheet date
Stock Exchange Message No. 01 – 2003, 22 January 2003
Experienced business manager takes over as FLS Industries A/S Group CFO



Stock Exchange Message, No. 02 – 2003, 24 January 2003
F.L.Smidth wins a conditional multi-million contract in Nigeria

Stock Exchange Message No. 03 – 2003, 25 February 2003
FLS Industries A/S refutes press information about secret guarantees

Management signatures

The Board of Directors and the Corporate Management have today reviewed and adopted the 2002 Annual Report for FLS Industries A/S.

The Annual Report has been presented in conformity with the Danish Financial Statements Act, Danish accounting standards and the requirements posed by the Copenhagen Stock Exchange to financial reporting for listed companies. Moreover, with the exception of IAS 39: Financial instruments; recognition and measurement, the annual report is presented in accordance with the guidelines of International Accounting Standards (IAS).

We consider the applied accounting policies appropriate for the Annual Report to provide a true and fair view of the Group's and the parent company's assets and liabilities, financial position and results and cash flows for the accounting year 1 January – 31 December 2002.

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

Copenhagen, 5 March 2003.

Corporate Management

Frank Gad

Bjarne Moltke Hansen

Poul Erik Tofte

Preben Tolstrup

Board of Directors

Jørgen Worning
Chairman

Jens S. Stephensen
Vice Chairman

Torkil Bentzen

Finn Jakobsen
Employee-elected Board member

Tom Knutzen

Grethe Machholm
Employee-elected Board member

Per Overgaard
Employee-elected Board member

Johannes Poulsen

Johan Schrøder

Auditors' report

To the shareholders of FLS Industries

We have audited the Annual Report of FLS Industries A/S for the financial year 1 January – 31 December 2002.

The Annual Report is the responsibility of the Company's Board of Directors and Corporate Management. Our responsibility is to express an opinion on the Annual Report based on our audit.

Basis of Opinion

We conducted our audit in accordance with Danish and International Auditing Standards (ISA). Those standards require that we plan and perform the audit to obtain reasonable assurance that the Annual Report is free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Annual Report. An audit also includes assessing the accounting policies used and significant estimates made by the Board of Directors and Corporate Management, as well as evaluating the overall Annual Report presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's financial position at 31 December 2002 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January - 31 December 2002 in accordance with the Danish Financial Statements Act and Danish Accounting Standards.

Copenhagen, 5 March 2003

KPMG C. Jespersen

Finn L. Meyer   Henrik O. Larsen
State Authorised Public Accountants

Deloitte & Touche
Statsautoriseret Revisionsaktieselskab

Erik Holst Jørgensen   Jørgen Holm Andersen
State Authorised Public Accountants

Global market leader

Supplier to the cement and minerals industries

www.flsmidth.com

Left to right: Frank Gad, CEO and Søren Iversen

F.L.Smidth Group provides services, machinery, equipment and complete production lines and plants to the cement and mineral industries worldwide.

DKKm	2000	2001	2002
Net turnover	7,389	7,982	7,217
Gross profit	1,105	1,476	1,422
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(94)	352	250
Earnings before interest and tax (EBIT)	(272)	194	105
Earnings before tax (EBT)	(328)	219	103
Cash flows from operating activities	(38)	(384)	234
Average capital employed	3,317	2,864	3,132
Return on capital employed (ROCE)	*(6.5%)*	*10.6%*	*5.3%*
Number of employees, 31 December	4,025	4,121	4,437
Turnover			
Denmark	*1%*	*1%*	*2%*
Rest of Scandinavia	*1%*	*1%*	*2%*
Rest of Europe	*18%*	*20%*	*26%*
North and South America	*41%*	*39%*	*32%*
Africa, Asia, etc.	*39%*	*39%*	*38%*

	Turnover*	Order intake*	Backlog *
Cement	5,317	6,322	6,002
Mineral	1,108	1,121	801
Other	792	849	816
Total	7,217	8,292	7,619

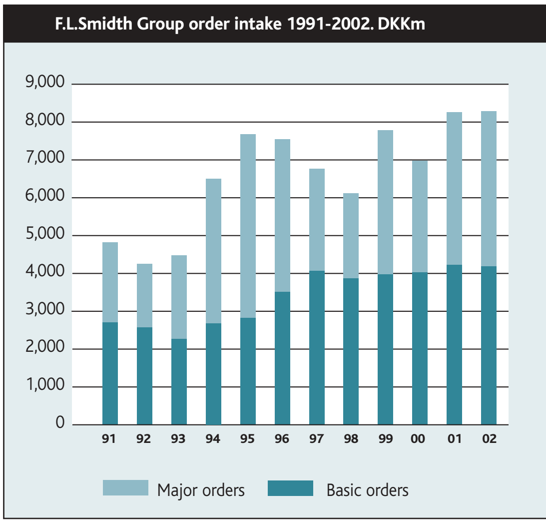
* sales prices

Despite the difficult market conditions, the F.L.Smidth Group was successful in receiving orders totalling DKK 8,293m, the highest level ever. Unfortunately, the orders were not evenly distributed across the Group companies, which hampered efficiency and profitability.
The total amount of earnings before interest and tax (EBIT) was DKK 105m, with earnings after tax (EBT) at DKK 103m being in line with the Group's forecast in the 3rd quarter of 2002. During 2002, the F.L.Smidth Group improved its operational cash flow and ended the year with a net interest bearing asset of DKK 534m.

At the beginning of 2002, the F.L.Smidth Materials Handling Group was established to focus on handling of raw materials and bulk materials such as cement, fly-ash, coal and alumina.

On 1 July, F.L.Smidth Airtech was established, taking over all the Air Pollution Control (APC) activities of FLS miljø as well as the APC activities from the former Fuller Bulk Handling.

In connection with the formation of F.L.Smidth Materials Handling and F.L.Smidth Airtech their activities have been restructured to support the F.L.Smidth Group's strategy.



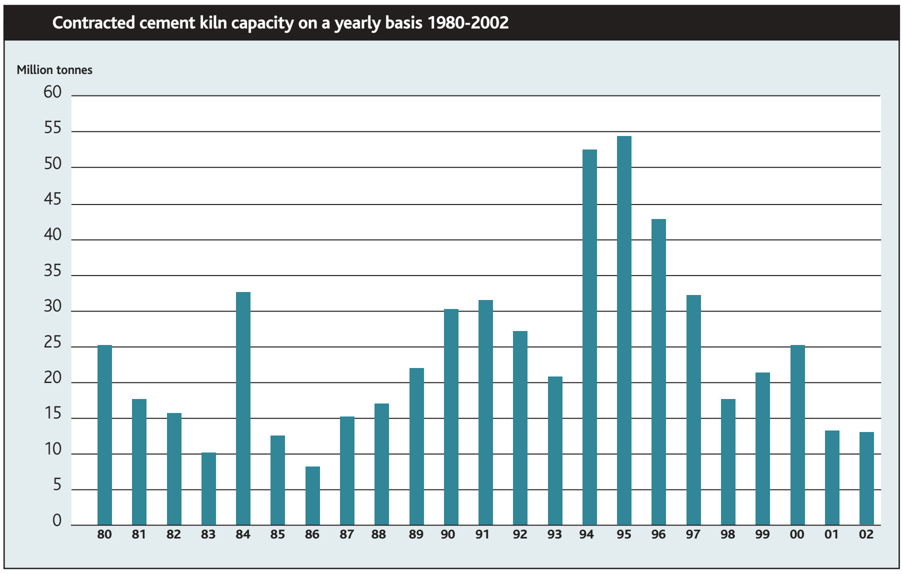
The F.L.Smidth Group has in recent years focused its activities on the cement and mineral industries, which today account for some 90% of the turnover. The Group is structured as follows:

F.L.Smidth supplies complete plants, equipment, single machine units, spare parts, services and maintenance, know-how, etc. to the cement industry worldwide. F.L.Smidth's organisation is represented on all continents to ensure efficient order processing and service. Long-standing efforts to penetrate the Chinese market are beginning to bear fruit. During the year 2002, F.L.Smidth won significant contracts in the UK, USA, India, Iran, Libya, Algeria, Australia, South Africa, New Zealand and China.

The volume of orders received and earnings were as budgeted.

FLS Automation, the specialist in automation solutions for cement plants and other process facilities, achieved the expected flow of orders but unfortunately very late in the year. Consequently, the earnings were unsatisfactorily low. As from 1 January 2003, FLS Automation is being integrated into F.L.Smidth.

Ventomatic, based in Italy, supplies packing equipment to the cement industry worldwide. Ventomatic achieved the anticipated level of orders and recorded a satisfactory financial result.



Pfister headquartered in Germany, supplies dosing equipment to the cement and related industries. Pfister posted satisfactory earnings reflecting higher profitability than expected with an order intake as budgeted. With effect from 1 June 2002, Pfister has sold the weighing activities of its subsidiary, Pfister Waagen GmbH, to a competitor.

MAAG Gear based in Switzerland, supplies gear units for cement plants, power stations and ships. The year's order intake was lower than budgeted and, unfortunately, arrived so late in the year that it affected the profitability negatively. During the year, MAAG Gear has invested in expansion of its production facilities in Poland and has successfully been penetrating new markets. MAAG Gear has sold its first gear boxes to the wind turbine industry and the first lateral drive for a cement mill.

By mid 2002, the remaining Danish gear production moved to Poland and the Danish facilities have been closed. Closing of the Danish plant has also contributed to MAAG Gear's unsatisfactory financial result.

With effect from 1 January 2002, F.L.Smidth's Materials Handling department was merged with FFE Bulk Handling's European activities into a new company, **F.L.Smidth Materials Handling.** This new group provides equipment for transporting and storing of raw materials and conveying, loading and unloading of cement and other bulk materials (fly-ash, alumina, coal, limestone, plastics and carbon black). The F.L.Smidth Materials Handling Group had a difficult year with lower activity and unsatisfactory profitability.

FFE Minerals is a global provider of machinery, operating and maintenance services, etc. to the gold, copper, coal, alumina and other mineral producers as well as to the lime and paper industries. Despite difficult market conditions, the company achieved its most profitable year ever thanks to an efficient operation, and expansion into the service and spare parts segment with contracts being won in all major markets. The fall in metal prices that started at the end of 2000 is putting a damper on investments in the mineral industry, which at the same time is undergoing a consolidation process similar to that experienced in the cement industry.

Towards the end of 2002, FFE Minerals acquired the remaining 40% of FFE Minerals-Vecor and FFE Minerals-Buffalo in South Africa that produce machinery and equipment for the mineral industry.

The F.L.Smidth Group employs a total of 4,437 people as against 4,121 in 2001. The increase in headcount is due to the new activities in F.L.Smidth Airtech.

Market developments
The DKK 8,293m total order volume received during the year was the highest ever recorded, despite the low demand in both the cement and mineral industry. Major orders of sales value in excess of DKK 50m totalled DKK 4.0bn. The global market for new kiln capacity shrank in 2002 to its lowest level for the past 15 years, i.e. 13 million tonnes as compared to an average of 33 million tonnes per year during the nineteen nineties. The reduction in new installed cement production capacity reflects the vigorous consolidation of the cement industry and the rapid decline in economic growth seen during the past year, with a market outlook unlikely to improve in the short term. F.L.Smidth's satisfactory intake of orders is due to a higher market share, an indication of the company's products and services being well received by the customers.

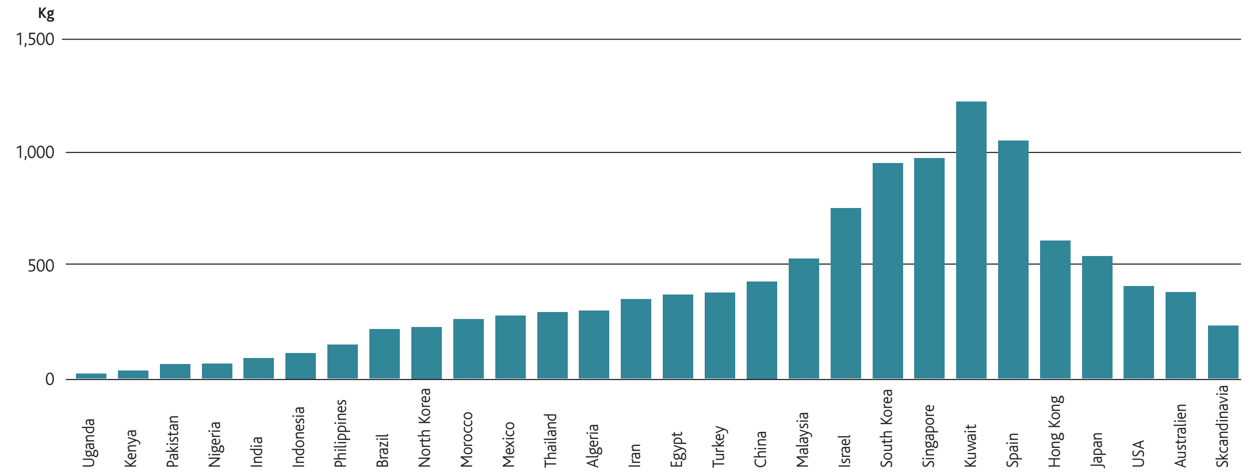
Cement consumption worldwide and per capita

Million tonnes per year	Global cement consumption	Change in %	Average consumption per capita (kg per year)
1989	1,140		219
1990	1,094	-4.0%	218
1991	1,142	4.3%	215
1992	1,200	5.1%	227
1993	1,253	4.4%	232
1994	1,309	4.5%	243
1995	1,364	4.2%	252
1996	1,438	5.5%	251
1997	1,485	3.2%	255
1998	1,502	1.1%	255
1999	1,582	5.3%	265
2000	1,639	3.6%	271
2001	1,682	2.6%	274
2002	1,721	2.3%	277

The North African and Middle Eastern markets, in particular, are expected to see growth in the short to medium term.

Sales in the aftermarket for spare parts and services declined nearly 10% to a total of DKK 2.0bn. Aftermarket sales are evenly distributed among all segments. Compared to major contracts that are implemented over a span of 2-3 years, the aftermarket orders are typically executed within less than six months. The focused effort to penetrate the aftermarket is well supported by F.L.Smidth's comprehensive technological platform and experience in building new plants.

Cement consumption per capita in selected markets 2002 Source: ICR. Global Cement Report. 5th edition



Research and development
- new products and technologies

F.L.Smidth's leading position in the cement equipment market is primarily based on continuous improvement of the production technology in which energy consumption and emissions are decisive competitive factors. F.L.Smidth plants today can use all types of fuels including various types of waste products.

Since 2001, F.L.Smidth has successfully been testing used car tyres as an alternative fuel in cement production. This technology is helping to solve an environmental problem, at the same time improving the cement industry's energy efficiency. By the end of 2002, the European Union has introduced more stringent standards for the processing of hazardous waste, for example in cement kilns. All existing facilities must comply with the EU standards by the end of 2005, and F.L.Smidth technology is helping the cement industry to meet these requirements.

Emission levels and occupational health and safety features are equally important issues. Today, sustainable solutions exist for reducing NO_X emissions to 1.2 kg per tonne cement compared with previously 2 kg per tonne.

The F.L.Smidth Group develops and supplies a full range of machinery for cement production. New machinery and services provided by the various members of the Group are often included in the comprehensive solutions offered by F.L.Smidth. In 2002, the F.L.Smidth Group spent in excess of DKK 120m on product development involving directly and indirectly more than 100 employees.

DKKm	F. L. Smidth	FLS Automation	F.L.Smidth Materials Handling	Ventomatic	MAAG Gear	FFE Minerals	Pfister	F.L.Smidth Airtech	Other	F.L.Smidth Group
Net turnover	**4,433**	**375**	**512**	**212**	**425**	**1,064**	**229**	**468**	**(501)**	**7,217**
Production costs	3,709	271	435	170	337	820	149	402	(498)	5,795
Gross profit	**724**	**104**	**77**	**42**	**88**	**244**	**80**	**66**	**(3)**	**1,422**
Contribution margin	*16.3%*	*27.7%*	*15.0%*	*19.8%*	*20.7%*	*22.9%*	*34.9%*	*14.1%*	*0.6%*	*19.7%*
Sales, administrative, distribution costs and other operating Items	557	133	86	21	89	170	60	56	0	1,172
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**167**	**(29)**	**(9)**	**21**	**(1)**	**74**	**20**	**10**	**(3)**	**250**
Depreciation	55	6	5	2	16	16	5	7	0	112
Amortisation	22	5	1	1	1	3	0	0	0	33
Earnings before interest and tax (EBIT)	**90**	**(40)**	**(15)**	**18**	**(18)**	**55**	**15**	**3**	**(3)**	**105**
Share of earnings before tax of associated undertakings	0	0	0	0	0	0	0	0	0	0
Profit and loss on disposal of undertakings and activities	(11)	0	0	0	0	0	9	1	0	(1)
Net financial income and costs	12	(6)	2	(1)	(9)	5	(5)	0	1	(1)
Earnings before tax (EBT)	**91**	**(46)**	**(13)**	**17**	**(27)**	**60**	**19**	**4**	**(2)**	**103**
Tax for the year	27	1	(8)	8	2	18	1	1	(4)	46
Profit/loss for the year	**64**	**(47)**	**(5)**	**9**	**(29)**	**42**	**18**	**3**	**2**	**57**
CASH FLOWS *										
Cash flows from operating activities	**178**	**0**	**(12)**	**39**	**(56)**	**91**	**16**	**(30)**	**8**	**234**
Cash flows from investing activities	**(275)**	**(11)**	**177**	**(2)**	**(16)**	**(46)**	**25**	**47**	**32**	**(69)**
Cash flows from operating and investing activities	**(97)**	**(11)**	**165**	**37**	**(72)**	**45**	**41**	**17**	**40**	**165**
Cash flows from financing activities	**(331)**	**11**	**(110)**	**(27)**	**82**	**(24)**	**(45)**	**69**	**(87)**	**(462)**
Change in cash funds	**(428)**	**0**	**55**	**10**	**10**	**21**	**(4)**	**86**	**(47)**	**(297)**
NET INTEREST-BEARING DEBT/(BALANCES)	**(662)**	**132**	**(33)**	**(18)**	**214**	**(150)**	**75**	**(60)**	**(32)**	**(534)**
BALANCE SHEET										
Fixed assets	637	47	49	16	89	156	75	32	(3)	1,098
Current assets	3,094	230	384	132	258	535	81	366	(175)	4,905
Total assets	**3,731**	**277**	**433**	**148**	**347**	**691**	**156**	**398**	**(178)**	**6,003**
Consolidated shareholders' equity	896	5	152	42	4	219	(23)	79	25	1,399
Provisions	241	15	10	4	28	73	36	43	0	450
Long-term and current liabilities	2,594	257	271	102	315	399	143	276	(203)	4,154
Total liabilities	**3,731**	**277**	**433**	**148**	**347**	**691**	**156**	**398**	**(178)**	**6,003**
RETURN ON CAPITAL EMPLOYED (ROCE)										
Adjusted operating profit after tax (NOPAT)	154	(41)	(16)	13	(25)	50	23	6	3	167
Average capital employed	1,852	233	187	149	241	229	114	145	(18)	3,132
Return on capital employed (ROCE)	***8%***	***(18%)***	***(8%)***	***9%***	***(10%)***	***22%***	***20%***	***4%***	***n/a***	***5%***
Number of employees at 31 December	2,134	342	231	124	333	685	154	434		4,437

* No breakdown has been made into core activities and non-strategic activities

Environmental issues

The company's engineering activities are considered to have little impact on the external environment. The manufacture of the company's products is largely carried out by subsuppliers.

Meanwhile, an important sales parameter for F.L.Smidth is to limit the environmental impact of its products, and the company is therefore involved in an ongoing development effort to minimise such impact, primarily in terms of emission, energy and power consumption. Environmentally sustainable solutions for waste disposal are also included in the F.L.Smidth Group's product range.

Prospects for 2003

The F.L.Smidth Group's order backlog at the beginning of 2003 represented a total value of DKK 7,619m, most of which is to be processed during 2003 and 2004. The worldwide economic slowdown is likely to continue to put a damper on demand, and 2003 is expected to see a level of activity similar to 2002. Earnings before tax (EBT) are expected to be slightly higher than 2002. At the beginning of 2003, projects in progress were, as a whole, in accordance with the latest plans and budgets.

Focused provider of cement materials

FLS Building Materials
www.flsbuildingmaterials.dk

Left to right: Søren Vinther, Aalborg Portland. Lars Østergaard, Dansk Eternit Holding. Bjarne Moltke Hansen, FLS Building Materials. Kent Arentoft, Unicon Group and Finn Thor Hansen, Densit.

FLS Building Materials holds a market leading position within cement and cement based building materials in Denmark.

FLS Building Materials is the world's largest producer and exporter of white cement internationally, and has significant fibre cement activities in several European countries. Moreover, the business area covers significant activities within ready-mix concrete production in Denmark, Sweden, Norway and Poland and worldwide sales of cement-based special mortars.

2002 was a year of focus for FLS Building Materials, when a number of non-strategic activities were divested and the white cement strategy was strengthened by the opening of two new white cement plants in Egypt and Malaysia, and the conversion of a kiln line from grey to white cement in Aalborg was initiated.

The total turnover for FLS Building Materials fell by DKK 647m due to divested activities. Earnings before interest and tax (EBIT) of DKK 318m met expectations and were an improvement compared with 2001. Cash flows from operating activities were DKK 651m, an improvement of DKK 32m on last year. The year's net cash flow was DKK 1,298m, an improvement of DKK 1,005m compared to last year primarily reflecting sale of undertakings and activities. Overall, net interest bearing debt was reduced by DKK 1,324m.

DKKm	2000	2001	2001	2001	2002	2002	2002
	Total*	Core activities	Non-strategic activities	Total	Core activities	Non-strategic activities	Total
Net turnover	5,504	3,873	1,673	5,546	3,925	974	4,899
Gross profit	2,260	1,610	653	2,263	1,603	407	2,010
Earnings before interest, tax, depreciation and amortisation (EBITDA)	943	680	163	843	726	102	828
Earnings before interest and tax (EBIT)	465	324	(29)	295	334	(16)	318
Earnings before tax (EBT)	509	355	(158)	197	422	(54)	368
Cash flows from operating activities	619	512	107	619	539	112	651
Average capital employed	6,533	5,567	1,440	7,007	5,621	883	6,504
Return on capital employed (ROCE)	7.3%	7.6%	(3.1%)	5.4%	9.6%	(2.1%)	8.0%
Number of employees at 31 December	4,270	2,974	1,204	4,178	2,845	243	3,088
Turnover							
Denmark	39%	41%	n/a	33%	44%	n/a	37%
The rest of Scandinavia	9%	19%	n/a	13%	20%	n/a	16%
The rest of Europe	25%	28%	n/a	26%	27%	n/a	26%
North and South America	25%	9%	n/a	26%	5%	n/a	18%
Africa, Asia etc.	2%	3%	n/a	2%	4%	n/a	3%

* 2000 includes non-strategic activities

Core activities

In 2002, the regional markets for cement, ready-mix concrete and fibre cement saw increased competition, although demand was satisfactory. In general, FLS Building Materials succeeded in maintaining its market position in all important markets.

Turnover for FLS Building Materials' core activities amounted to DKK 3,925m as against DKK 3,873m in 2001. The business area posted earnings before interest and tax (EBIT) of DKK 334m, an improvement as expected on last year's EBIT of DKK 324m. Aalborg Portland posted satisfactory earnings before interest and tax (EBIT) of DKK 338m. Unicon's earnings before interest and tax (EBIT) of DKK 55m, were adversely affected by increased competition in the principal market. Dansk Eternit Holding saw a significant improvement in financial results compared to last year, but earnings before interest and tax (EBIT) in itself of DKK –23m were not satisfactory. Densit posted unsatisfactory earnings before interest and tax (EBIT) of DKK –2m in 2002, due to lower activity in a number of business areas.

Return (EBT) on sales was 10.8%. Return on capital employed was 9.6 %, up 2.0 percentage points on last year. FLS Building Materials' strategy was based on the assumption of stable building activity in Scandinavia, and this was achieved in 2002. The assumption that the global market for white cement is to grow by 4-6%, is considered achieved in 2002.

FLS Building Materials strengthened its core activities through an increase of the ownership interest in Sinai White (from 38% to 45%), and in CemMiljø A/S (from 43% to 70%). On 1 January 2003, Aalborg Portland acquired additional shares in Malaysia (from 60% to 70%), so that the company's Malaysian activities including the stake held by the Industrialisation Fund for Developing Countries are now 100% Danish owned.

Non-strategic activities in FLS Building Materials

In connection with the preparation of the strategy in 2002 a number of non-strategic activities were identified. This applies in particular to all non ready-mix activities and all American activities in Unicon. These activities were to a large extent divested in 2002, except for two minor partially owned concrete companies in Portugal and Poland. Divested activities are included in the accounts until the date of disposal.

Turnover in non-strategic activities fell significantly in 2002 due to divestments. Earnings before interest and tax (EBIT) showed some improvement although still in the red.

Divested activities and assets in 2002

- Spain - sale of remaining paving stone activities
- Denmark – sale of paving stone activities
- Poland – sale of paving stone activity
- USA – sale of ready-mix concrete activities
- USA – sale of the remaining paving stone activities
- USA - sale of pumping activities
- Denmark – sale of shares in Højslev Teglværk (50%)
- Denmark – sale of Aalborg Portland's ships
- Denmark – sale of office building in Aalborg
- Philippines – sale of shares in Union Cement Corporation

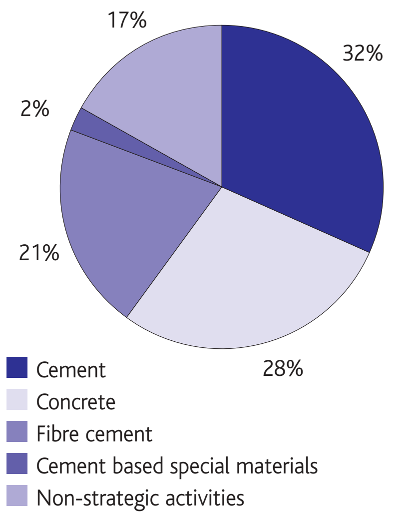
Total proceeds from divestments of DKK 931m significantly contributed to the total debt reduction in FLS Building Materials of DKK 1,324m.

Post balance sheet events

On 21 January 2003 The Supreme Court found for Aalborg Portland in the case raised against the Danish Ministry of Taxation concerning waste taxes levied and paid during the years 1992 to 1997. According to the decision by the Supreme Court, prior to 1 January 1997 there was no authority to levy tax for waste deposited on one's own property. Financially, the Supreme Court decision means that Aalborg Portland will receive a refund of the tax, DKK 32m, plus interest (around DKK 25m). This amount will be recognised in the 2003 accounts.

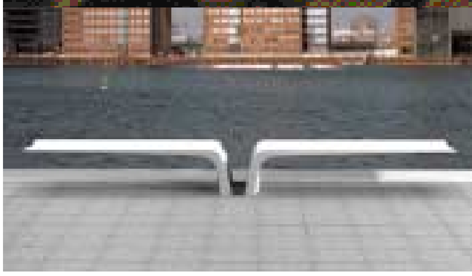
In January 2003, Aalborg Portland concluded an agreement with the shareholders in Mørchs Cement A/S to take over the company's activities in the domestic market. Aalborg Portland will continue these activities in the name of Aalborg Portland.

Segment turnover in FLS Building Materials



Prospects for 2003

In view of the current economic outlook FLS Building Materials anticipates earnings before interest and tax (EBIT) on a par with 2002 based on a turnover of just over DKK 4.0bn. The slowdown in building activity in the main markets is expected to be counterbalanced by increased sales proceeds from the company's white cement activities in Egypt and Malaysia.



www.aalborg-portland.dk

AALBORG WHITE®

Aalborg Portland

Aalborg Portland develops, produces, distributes and markets a wide range of white and grey cements to the Danish and selected export markets.

2002 was a satisfactory year for the Aalborg Portland Group despite a slowdown in the world economy. Turnover was DKK 1,550m, a slight improvement on the previous year. The improvement in earnings before interest and tax (EBIT) of DKK 32m from DKK 306m to DKK 338m in 2002, was primarily due to higher sales in the domestic market than expected and a strengthening of its position as the world's largest exporter and producer of white cement. Furthermore, proceeds from the sale of the company's ships positively affected financial results. Continued customer focusing and concentration on key areas contributed to the improved result. Return on capital employed (ROCE) was 13.7%.

In the grey cement segment Aalborg Portland A/S exploited its full productive capacity of 2.1m tpy. Sales on the Danish market were better than expected with an increase of 4% compared to 2001.

In Iceland an additional cement terminal was built providing the basis for increasing sales.

Aalborg Portland's position as the world's largest producer of white cement was strengthened in 2002. In the 1st half of 2002, the plant in Egypt with a capacity of 410,000 tpy started its white cement production. Sinai White Cement has now obtained a market share in Egypt of 40-45%, and exports to the nearby Arab countries are being developed.

Aalborg Portland's operation in Malaysia inaugurated a new production plant in November 2002. The company is now one of the largest producers of white cement in Asia and will be Aalborg Portland's regional centre for production and sale of white cement in the area with a capacity of 200,000 tpy. Exports from Malaysia are made to most of the countries in Asia. In the Phillippines and in Taiwan the company has established own sales companies to promote white cement.

In the autumn of 2002, Aalborg Portland decided to increase its white cement capacity in Aalborg from the current 620,000 tonnes to around 850,000 tonnes of white cement per year. The around DKK 200m project is expected to be operational at the end of 2003.

In 2002, Aalborg Portland's Research and Development Centre advanced to become the world's leading development facility for white cement.

Aalborg Portland defines the environment issue in terms of external environment, energy and occupational health and safety. Pursuant to Danish legislation Aalborg Portland has presented an environmental statement and green accounting for 2002. Aalborg Portland is very much focused on using waste products as alternative fuels and raw materials for cement production. Waste-derived fuel replaces imports of coal, petcoke and oil, and it reduces emission of carbon dioxide. Aalborg Portland has invested DKK 25m in a chlorine by-pass systems for its largest grey cement kiln. This investment allows greater use of waste-derived fuel and reduces carbon dioxide emission.

Aalborg Portland's goal is to increase the use of alternative fuel in grey cement production to 40%. The Danish waste tax at DKK 330 per tonne of incineration material makes it difficult to reach this target, because similar taxes are not levied on Aalborg Portland's competitors abroad. Aalborg Portland would therefore like to see this distortive tax abolished so that the company can achieve its goal with the use of Danish waste-derived fuel.

www.unicon.dk

Unicon Group

Unicon produces and distributes ready-mix concrete in Denmark, Norway, Sweden and Poland. Unicon is Scandinavia's leading supplier of ready-mix concrete.

Most of the activities outside this geographical area were sold in 2002. The divestments are specified in the FLS Building Materials section.

The total turnover of Unicon's core activities, ready-mix concrete and aggregate materials, amounted to DKK 1,392m in 2002, around the same level as in 2001. Earnings before interest and tax (EBIT) totalled DKK 55m or DKK 68m lower than in 2001. This development is seen as a result of keener competition in most markets. Despite the decline in earnings, cash flow from operating activities grew to DKK 117m. Return on capital employed (ROCE) amounted to 5.5%.

The year's investments, amounting to DKK 67m, consisted of replacement of process control systems at the Danish plants, upgrading of two plants in Norway, and implementation of a new logistics system to manage the fleet of truck mixers.

Dansk Eternit Holding
www.deh.dk

Dansk Eternit Holding

Dansk Eternit Holding is Europe's second-largest producer of fibre cement products. The main product lines are corrugated sheets and slates, used chiefly as roofing materials, and plane sheets for indoor and outdoor cladding of facades, walls and ceilings.

In 2002, the Dansk Eternit Holding Group posted a turnover of DKK 1,013m. This figure reflects higher sales particularly in Denmark, but also markets like Great Britain, Ireland and the Czech Republic showed improvement. The earnings before interest and tax (EBIT) were DKK 23m in the red as against a DKK 79m loss in 2001. This development is gratifying, but the EBIT result in itself is unsatisfactory.

Dansk Eternit Holding Group's strategy is to focus on fibre cement activities. Consequently, the 50% shareholding in the associated Højslev Teglværk A/S and Dansk Eternit A/S's office building were sold during the year. This had a positive impact on the financial result and the cash flows from investing activities.

Densit
www.densit.com

Densit

Densit A/S produces cement-based special-purpose materials for use in the security industry, for wear protection, for industrial flooring and for reinforcement of oil rigs and offshore wind turbines. The company also produces wear-resistant components, notably for the cement and power generating industries.

In 2002, Densit A/S was affected by recession in several of its markets and had to defray non-recurring costs. Due to the recession, the company in 2002 posted a lower turnover and a negative EBIT result at the unsatisfactory level of DKK –2m.

Sales of Offshore products continued to grow in 2002, particularly reinforcement materials for drilling rigs and wind turbine foundations. The reinforcement projects for the 80 offshore wind turbines at Horns Rev and the ten wind turbines off the island of Samsø are paving the way for similar projects in the coming years.

DKKm	Aalborg Portland	Dansk Eternit Holding	Unicon core activities	Densit	Other	Core activities	Non-strategic activities	FLS Building Materials
Net turnover	**1,550**	**1,013**	**1,393**	**118**	**(149)**	**3,925**	**974**	**4,899**
Production costs	846	767	818	60	(169)	2,322	467	2,889
Gross profit	**704**	**246**	**575**	**58**	**20**	**1,603**	**407**	**2,010**
Contribution margin	*45,4%*	*24,3%*	*41,3%*	*48,6%*	*(13,4%)*	*40,8%*	*41,7%*	*41,0%*
Sales, administrative, distribution costs and other operating Items	209	181	413	58	16	877	305	1,182
Earnings before interest, tax, depreciation and amorisation (EBITDA)	**495**	**65**	**162**	**0**	**4**	**726**	**102**	**828**
Depreciation	145	76	90	2	(8)	305	107	412
Amortisation	12	12	17	0	46	87	11	98
Earnings before interest and tax (EBIT)	**338**	**(23)**	**55**	**(2)**	**(34)**	**334**	**(16)**	**318**
Share of earnings before tax of associated undertakings	6	1	2	(1)	186	194	3	197
Profit and loss on disposal of undertakings and activities	0	6	0	0	0	6	(11)	(5)
Net financial income and costs	(18)	(35)	(57)	(1)	(1)	(112)	(30)	(142)
Earnings before tax (EBT)	**326**	**(51)**	**(0)**	**(4)**	**151**	**422**	**(54)**	**368**
Tax for the year	111	4	10	0	(77)	48	(4)	44
Profit/loss for the year	**215**	**(55)**	**(10)**	**(4)**	**228**	**374**	**(50)**	**324**
CASH FLOWS								
Cash flows from operating activities	**259**	**6**	**117**	**(7)**	**164**	**539**	**112**	**651**
Cash flows from investing activities	**(151)**	**64**	**(40)**	**(4)**	**92**	**(39)**	**686**	**647**
Cash flows from operating and investing activities	**108**	**70**	**77**	**(11)**	**256**	**500**	**798**	**1,298**
Cash flows from financing activities	**66**	**(63)**	**(118)**	**5**	**(357)**	**(467)**	**(709)**	**(1,176)**
Change in cash funds	**174**	**(7)**	**(41)**	**(6)**	**(101)**	**33**	**89**	**122**
NET INTEREST-BEARING DEBT/(BALANCES)	**12**	**578**	**605**	**17**	**177**	**1,389**	**3**	**1,392**
BALANCE SHEET								
Fixed assets	1,677	635	836	26	1,740	4,914	71	4,985
Current assets	952	449	400	42	(0)	1,843	208	2,051
Total assets	**2,629**	**1,084**	**1,236**	**68**	**1,740**	**6,757**	**279**	**7,036**
Consolidated shareholders' equity	1,596	192	202	34	1,669	3,693	204	3,897
Provisions	29	124	74	0	0	227	5	232
Long-term and current liabilities	1,004	768	960	34	71	2,837	70	2,907
Total liabilities	**2,629**	**1,084**	**1,236**	**68**	**1,740**	**6,757**	**279**	**7,036**
RETURN ON CAPITAL EMPLOYED (ROCE)								
Adjusted operating profit after tax (NOPAT)	227	(22)	53	(4)	283	537	(19)	518
Average capital employed	1,661	887	955	49	2,069	5,621	883	6,504
Return on capital employed (ROCE)	***14%***	***(3%)***	***6%***	***(8%)***	***14%***	***10%***	***(2%)***	***8%***
Number of employees at 31 December	860	1,160	752	73	0	2,845	243	3,088

High-efficiency solutions for total aircraft support

www.flsaerospace.com

FLS Aerospace is a provider of high-efficiency aircraft maintenance and technical operation solutions. Leasing and repair of aircraft components form an integral part of the business.

DKKm	2000	2001	2002
Net turnover	3.282	3.049	2.730
Gross profit	301	536	384
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(168)	115	54
Earnings before interest and tax (EBIT)	(375)	(116)	(202)
Earnings before tax (EBT)	(562)	(270)	(289)
Cash flows from operating activities	(423)	(43)	23
Average capital employed	2.808	3.020	2.810
Return on capital employed (ROCE)	*(16,5%)*	*(6,0%)*	*(8.2%)*
Number of employees at 31 December	3.649	3.595	3.152
Turnover			
Denmark	*6%*	*5%*	*5%*
Rest of Scandinavia	*1%*	*1%*	*1%*
Rest of Europe	*80%*	*80%*	*81%*
North and South America	*11%*	*11%*	*12%*
Africa, Asia, etc.	*2%*	*3%*	*1%*

From a business point of view, 2002 proved an even more challenging year than expected. Business volumes have declined in the wake of the terrorist attack on September 11 and prices fell throughout 2002.

The year's turnover amounted to DKK 2,730m. Overall earnings before interest and tax (EBIT) at DKK -202m (2001: DKK -116m) were unsatisfactory. The decision to change the principle of assessing certain stocks and value adjustment of hangars had an approximately DKK 75m negative impact on the financial result.

Despite the operating loss, cash flows from operating activities are DKK 23m in the black and DKK 66m better than last year.

2002 saw a continuing effort to adjust hangar capacity to market conditions. Measured in terms of manhours, overall sales have declined from some DKK 2.3m in 2001 to some DKK 1.6m. Hangar capacity has also been trimmed by closing the least profitable units. Overall head-count has been reduced by 443 persons, or 12%.

FLS Aerospace and its customers

FLS Aerospace is well placed in the low cost segment with a business portfolio including the rapidly expanding airlines easyJet/GO and Ryanair.

In the spring of 2002 a joint venture was formed in Manchester between FLS Aerospace and MyTravel, laying the foundation for a long-term relationship to maintain MyTravel's fleet.
In the air cargo market, the successful relationship with FedEx, the world's largest airfreight company, is continuing with maintenance of the company's A310 fleet.

FLS Aerospace has a healthy volume of business in hand, and at the start of 2003 long-term contracts accounted for 60% of the year's turnover.

Aircraft Overhaul

Aircraft Overhaul covers heavy maintenance and modification programmes at the three main bases, Dublin, Manchester and Stansted. FLS Aerospace maintains wide-body and narrow-body aircraft of the types Airbus310, A320, A330, Boeing737, B747, B757 and B767. As a result of the refocusing of its activities in 2002, FLS Aerospace no longer performs overhauls on Boeing 727 and DC10. The Manchester facility has been dedicated to major C-checks for FedEx and MyTravel. The company performed 400 major checks in 2002 and is supporting more than 500 aircraft on long-term contracts. Aircraft Overhaul posted a turnover of DKK 893m compared with DKK 1,067m in 2001.

Line & Light Maintenance

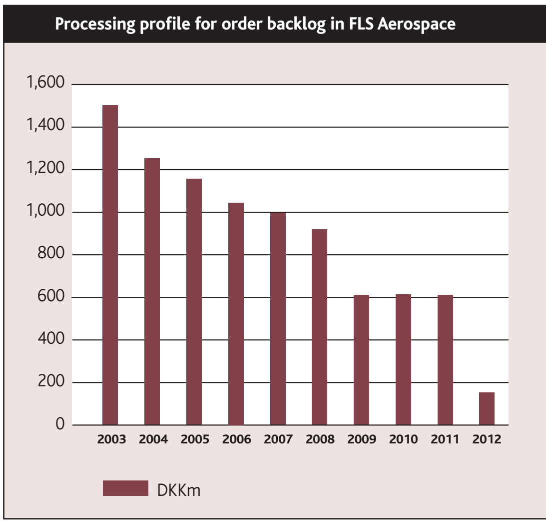
The procedures for minor checks, which were revised in 2001, saw further improvement in 2002. Consequently, all line stations are expected to generate a profit in 2003. One line station was closed in 2002 due to lack of volume. The Scandinavian line stations recorded a successful year with higher profitability.

The total turnover of the business unit amounted to DKK 553m as against DKK 610m in 2001. The overall financial result was satisfactory.

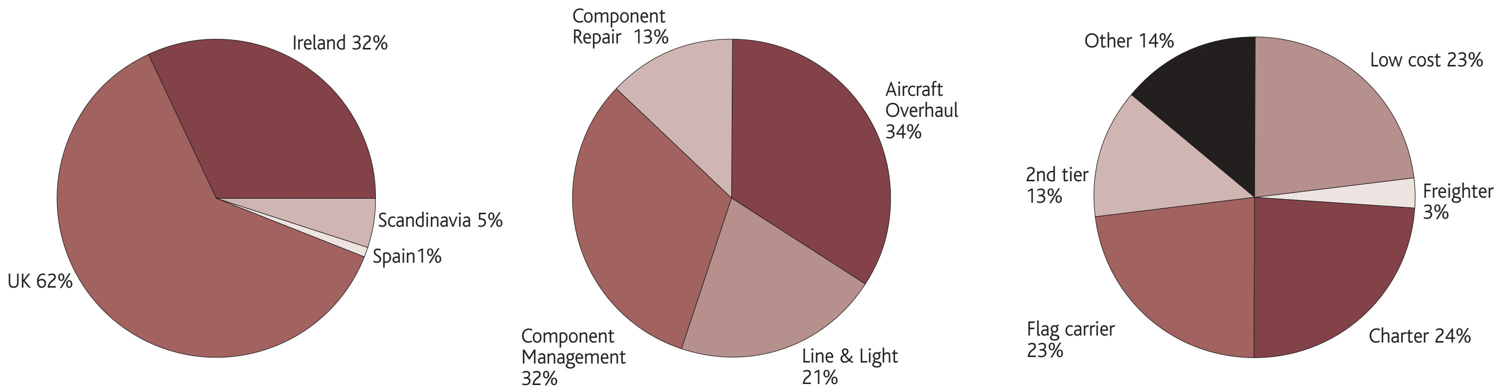
Component Management
Component Mangement lends aircraft components and is an important part of the FLS Aerospace business concept of acting as a one stop shop for its customers. Component Management made total investments in aircraft components at DKK 120m in 2002, as against DKK 105m in 2001. Turnover amounted to DKK 843m compared to DKK 945m in 2001. As in 2001, Component Management posted satisfactory earnings (EBIT) of DKK 94m, as against DKK 160m in 2001. The business unit had to allow for higher depreciation on spare parts in 2002 due to a changed mix of customers' fleets.

Component Repair
Component Repair provides repair services both for the company's own components and for those of third-party customers. During 2002 it expanded its business with the British Ministry of Defence which today is the largest external customer. Component Repair achieved a turnover of DKK 340m compared to DKK 426m in 2001 and posted a satisfactory financial result. Both 2003 and 2004 will see a dedicated effort to develop competence in serving the new generations of aircraft. This will help Component Management to lower its costs by reducing investments in new aircraft components.

Prospects for 2003
With the effects of the imminent risk of war in Iraq and general uncertainty in the world economy, the aviation industry has hardly ever been more unpredictable. FLS Aerospace has prepared itself for a lower level of activity and has reduced its cost base, for example through staff reductions and closure of hangars. With these measures in place it is likely that FLS Aerospace will be able to substantially improve earnings before interest and tax (EBIT) in 2003.



Breakdown of turnover 2002



www.flsmiljo.com

FLS miljø

FLS miljø supplies desulphurisation systems to power stations and operates and maintains biomass-fired power stations. The company also supplies wood proofing solutions based on the high-pressure technology it has developed.

As a consequence of the strategy adopted by the FLS Group and announced in connection with the release of the 2002 half-yearly report, FLS miljø's main focus has been on completing its existing contracts and selling off business areas.

This decision had a marked impact on the company's operations in 2002. Turnover amounted to DKK 1,392m, down from DKK 1,632m in 2001. Earnings before interest and tax (EBIT) totalled DKK -659m as against DKK -183m in 2001.

The earnings are severely affected by considerable cost overruns on a contract signed in 1999 for a desulphurisation plant in the UK. The problems mainly derive from the fact that a major subcontractor who was responsible for the erection work caused unacceptable delays of the project. In June 2002, the contract with the subcontractor was terminated, and signing up with new subcontractors has enabled erection work to be accelerated, thereby catching up with most of the delay. Legal action against the dismissed subcontractor is under preparation.

Constructive teamwork is taking place with the customer in carrying out the erection of the plant. In addition, noise problems at the plant have necessitated fitting of large silencer systems, a job that is now in progress.

By the end of 2002, the project was 85% finished and the critical plant erection phase is expected to be completed in the second quarter of 2003. The plant is still scheduled to be handed over by the end of 2003.

Provisions for extra costs in connection with the events mentioned above were increased by DKK 500m during the year. The 4th quarter accounted for DKK 65m of this amount. The total loss on the contract is expected to amount to some DKK 530m.

The contract still entails risks in connection with completing plant erection within the fixed contractual milestones. FLS miljø expects to deliver on time. FLS Industries A/S guarantees the performance of the project. In addition, FLS Industries A/S has issued guarantees for the implementation of two plant projects, one of which will be handed over in April 2003, and for a successfully operating contract in the UK.

The company's capital base was strengthened by DKK 700m in 2002.

A substantial portion of the company's business areas were sold during the year.

Effective 21 June 2002, the power station boiler activities were sold to the Italian firm STF S.p.A.

DKKm	2000	2001	2002
Net turnover	1,533	1,632	1,392
Gross profit	179	107	(540)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(146)	(150)	(641)
Earnings before interest and tax (EBIT)	(193)	(183)	(659)
Earnings before tax (EBT)	(207)	(195)	(779)
Cash flows from operating activities	(228)	164	(345)
Average capital employed	496	405	(69)
Return on capital employed (ROCE)	*(38.5%)*	*(41.5%)*	*n/a*
Number of employees at 31 December	878	809	201
Turnover			
Denmark	*18%*	*17%*	*15%*
Rest of Scandinavia	*1%*	*3%*	*2%*
Rest of Europe	*49%*	*53%*	*55%*
North and South America	*18%*	*15%*	*23%*
Africa, Asia, etc.	*14%*	*12%*	*5%*

The global Air Pollution Control business was sold to a newly formed member of the F.L.Smidth Group named F.L.Smidth Airtech with effect from 1 July 2002. Originally a spin-off from F.L.Smidth & Co., this business unit supplies air pollution control systems, mainly to the cement, process and power generating industries.

With effect from 1 November 2002, FLS miljø sold machinery and equipment from its boiler production facility at Tønder to the company Boiler Works.

The biomass technology was sold to the Japanese firm TAKUMA effective 1 December 2002.

The boiler service business was sold to Burmeister & Wain Energi A/S with effect from 1 January 2003.

The implementation of these transactions led to loss on sale and restructuring costs at a total amount of DKK 112m, comprising redundancy costs, amortisation of goodwill, write-off of R&D costs, and provisions for other liabilities in connection with the sale of activities. As a result of the divestments, the number of employees dropped from 809 at the end of 2001 to 201 at the end of 2002.

At the close of 2002, FLS miljø's activities comprised the completion of two desulphurisation projects for power stations in the UK and USA. Besides, two long-term operation and maintenance contracts are being performed in the UK and Spain. Finally, the company controls 25% of the Supertræ A/S wood proofing business. The desulphurisation plants are expected to be completed by the end of 2004, and the biomass operation and maintenance contracts are expected to be sold during 2003.

Prospects for 2003

FLS miljø's activities in 2003 will be affected by the completion of existing contracts and the sale of its operating and maintenance contracts. FLS miljø anticipates a slightly negative EBIT result for 2003. There still remain projects that entail risks during the completion phase.

OTHER UNDERTAKINGS

Pedershaab

Pedershaab is a global supplier of concrete pipe manufacturing plant, machinery and automation.

The turnover was far below the anticipated level because of the weaker order volume at the start of the year and a sluggish market during the first half of 2002. The lower activity stems from the fact that customers have postponed their investments, and does not reflect loss of market share.

As part of the company's, and the FLS Group's focusing effort, 2002 saw the sale of activities related to sewage sludge drying and incineration systems. The company has now sharpened its focus on concrete pipe manufacturing.

In the concrete pipe industry, there is continuing focus on and development of after-handling products that automate the production processes. The aim is to improve the productivity of installed machinery. Significant cost overruns on erection and run-in of several major projects have been recognised in the accounts. To adapt the company to the sluggish market conditions, the company's costs were adjusted during the 4th quarter. As a result, salaried staff was reduced by some 30%.

From an overall point of view the earnings before interest and tax (EBIT) at DKK –46m are highly unsatisfactory. 2003 is expected to see a minor operating profit.

Dansk Træemballage

In line with the FLS Group's focusing strategy, the company was sold with effect from 1 October 2002. The company is included in the Annual Report at a turnover of DKK 187m and earnings before interest and tax (EBIT) of DKK 4m.

ASSOCIATED UNDERTAKINGS

Secil

Secil is Portugal's second-largest cement producer. FLS Industries A/S owns 50% of FLS HH SGPS Lda, which in turn holds a 44% stake in Secil. The FLS share of earnings before tax (EBT) for 2002 amounted to DKK 163m.

Spæncom

Spæncom is an independent, listed company, and reference is made to its financial statements and website www.spaencom.com. The FLS share of Spæncom earnings before tax (EBT) amounted to DKK –14m.

Atlas

Atlas Cement Corporation, based in the Philippines, produces cement for the local market. FLS Industries A/S owns 27.1% of the company. Atlas Cement Corporation contributed DKK 37m to earnings before tax (EBT).

Stock exchange messages and press releases
issued by Corporate Public Relations in 2002

9 Jan. **FLS Aerospace** **No. 1-2002**
Management
(Stephen S. Henderson resigns)

17 Jan. **FLS Aerospace** **No. 2-2002**
Irish Government decision paves way for agreement with FLS Aerospace (Sikorsky helicopters)

1 Feb. **FLS Industries** **No. 3-2002**
announces extraordinary general meeting

26 Feb. **FLS Industries** **No. 4-2002**
Extraordinary general meeting
(7 March)

26 Feb. **FLS Industries** **No. 5-2002**
Candidates for the FLS Industries Board of Directors

7 Mar. **FLS Industries** **No. 6-2002**
Annual Report 2001

7 Mar. **FLS Industries** **No. 7-2002**
Brief summary of extraordinary general meeting

8 Mar. **Dansk Eternit Holding No. 8-2002**
sells its shareholding in Højslev Teglværk

15 Mar. **FLS miljø** **No. 9-2002**
wins major flue gas desulphurisation order in the USA

18 Mar. **FLS Industries** **No. 10-2002**
Financial calendar 2002

21 Mar. **Aalborg Portland** **No. 11-2002**
outsources shipping

25 Mar. **F.L.Smidth** **No. 12-2002**
wins new major contract in Algeria

2 Apr. **FLS Industries** **No. 13-2002**
Notice of Annual General Meeting
(24 April)

24 Apr. **FLS Industries'** **No. 14-2002**
Annual General Meeting -
Chairman's report

24 Apr. **FLS Industries** **No. 15-2002**
Summary of Annual General Meeting

7 May **FLS Aerospace** **No. 16-2002**
wins Virgin A340 contract

16 May **F.L.Smidth** **No. 17-2002**
DKK 110m contract for cement plant modification project in El Salvador

27 May **FLS Industries** **No. 18-2002**
Interim report
1 January – 31 March 2002

27 May **FLS Industries** **No. 19-2002**
receives offer for shares in NKT Holding

30 May **FLS Industries** **No. 20-2002**
receives offer to buy 6.2% block of shares in NKT Holding

10 June **FLS Industries** **No. 21-2002**
sells 26.3% block of shares in NKT Holding

11 June **FLS Industries'** **No. 22-2002**
holding of NKT shares

19 June **FLS miljø's** **No. 23-2002**
global air pollution control business to be transferred to F.L.Smidth Group

20 June **FLS miljø** **No. 24-2002**
wins major electrostatic precipitator contract in North America

21 June **FLS miljø** **No. 25-2002**
sells boiler activities

4 July **Unicon Group** **No. 26-2002**
sells paving stone business in Denmark

5 July **F.L.Smidth Group** **No. 27-2002**
wins important contracts in China

12 July **FLS Aerospace** **No. 28-2002**
MyTravel and FLS Aerospace form maintenance joint venture

30 July **Unicon Group** **No. 29-2002**
sells paving stone business in Poland

29 Aug. **FLS Industries** **No. 30-2002**
Interim report 1 January to 30 June

2 Sept. **F.L.Smidth** **No. 31-2002**
wins new major contract
(Arab Union Contracting Company, Libya)

4 Oct. **FLS Industries** **No. 32-2002**
and Højgaard Holding sign conditional agreement to sell Secil shares

10 Oct. **F.L.Smidth** **No. 33-2002**
to supply new production line in Wales (Padeswood)

11 Oct. **Unicon** **No. 34-2002**
sells ready-mix activities in the US

23 Oct. **FLS Industries** **No. 35-2002**
sells Dansk Træemballage A/S

12 Nov. **FLS Industries** **No. 36-2002**
Final date extended for sale of FLS Industries share of Secil

26 Nov. **FLS Industries** **No. 37-2002**
Interim report 1 January to
30 September

6 Dec. **FLS Industries** **No. 38-2002**
Sale of FLS Industries share of Secil not accomplished

16 Dec. **Unicon** **No. 39-2002**
sells its last activities in the US
at nearly DKK 100m

23 Dec. **FLS Industries** **No. 40-2002**
concludes new conditional agreement on sale of Secil shares

Commercial risks

Engineering activities
A substantial part of the FLS Group's turnover and earnings is based on orders received, so the intake and processing of orders from the cement and mineral industries and from power stations have a decisive effect on developments in cash flow and net result.

In latter years, turnkey orders have accounted for a rising proportion of the total turnover. Such contracts are more exposed to external risk factors, so successful implementation of the projects on schedule often involves a higher level of risk.

To prevent unforeseen occurrences and consequent losses, a systematic risk assessment procedure is followed for all major projects before submitting a tender.

The engineering companies operate on a global basis, often in developing countries and in parts of the world that pose considerable political risks. The Group has many years of experience in handling the consequent exposure and closely monitors the projects on a regular basis. As to the special risks of FLS miljø, see the section dealing with that company.

Building materials
The Group's turnover in building materials is highly dependent upon the trading conditions in the building sector, particularly in Europe and to a lesser extent globally.

The Group's major production units regularly perform risk assessments to implement 'best practice' and safeguard continuous operations. Certified quality management systems have been adopted in a number of vital areas. Several of the building material companies have enrolled in an environmental certification procedure which entails ongoing assessment and improvement of occupational health and safety and environmental impact.

Aalborg White produces white cement in both Egypt and Malaysia, which poses political, cultural and logistical challenges that are greater than those applicable to the Danish production facility in Aalborg. The turnover in these markets also helps to maintain a geographical spread of the risk of recession.

Dansk Eternit Holding Group makes provisions for anticipated warranty liabilities within the warranty period for various products in the respective markets. Because guarantee periods are lengthy and specific for each industry, the provision is subject to some uncertainty and is based on the best possible estimate at the time of closing the accounts.

Aircraft maintenance
The earnings of the FLS Aerospace group are highly dependent on the number of hours spent on performing the contracts awarded. The market naturally reflects the number of aircraft in service, and currently 12% of the world's air fleet is not active. Special projects are pursued to fill periods traditionally characterised by low capacity utilisation.

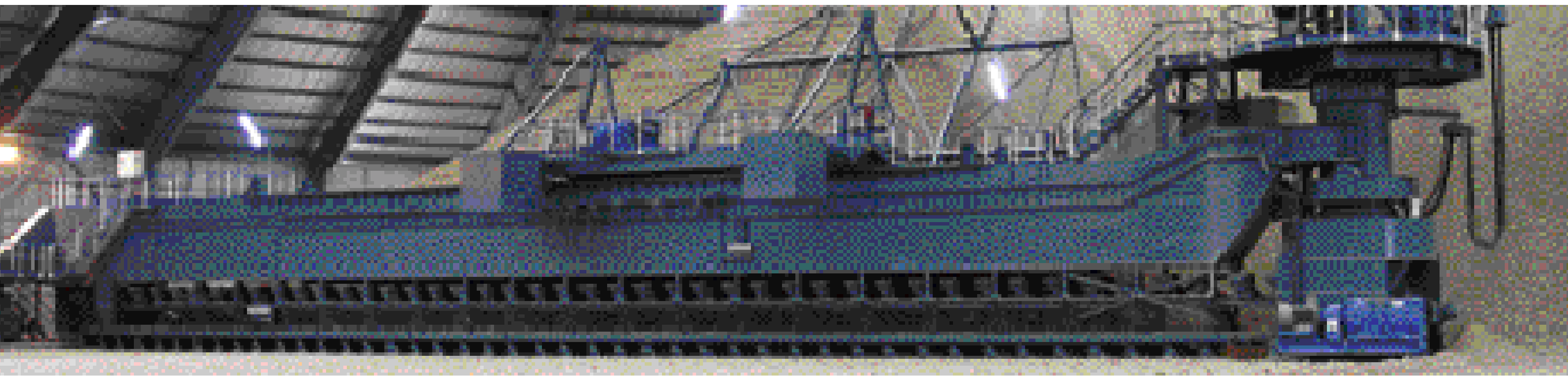
In addition, the stocks of so-called 'rotable' aircraft components pose a risk in terms of possible fluctuations in market value, for example in the event of a certain aircraft type being phased out or air traffic volumes declining.

Operational exposure, for example deriving from aircraft maintenance, is to a large extent subject to aviation authorities or implied in the certification procedures that enable aircraft maintenance to take place. Occupational health and safety and security are other issues that are strongly in focus.

Liability exposure in connection with the handling and replacement of aircraft components and consequential events is covered by insurance taken out via the Group's insurance programme.

Insurance
Insurance is taken out to cover risks that cannot be covered through day-to-day operations. The FLS Industries A/S Risk Management function assesses the insurance aspects of buildings, movable property, operational losses, transportation and liability to ensure that they match the Group's current activities to the extent possible. Major damage to buildings or third-party liability compensation which is not covered by local or global insurance programmes may have a negative impact on the Group's financial result.

Financial risk management
The overall guidelines for managing financial risks are fixed by the Board of Directors and are implemented on a daily basis by the FLS Group in-house bank. It is Group policy that all major financial exposures should be identified and appropriately hedged. The hedging of financial risks takes place via the FLS Group in-house



bank which is responsible for managing the overall financial exposure at corporate level. Financial management comprises the Group's currency, interest, liquidity and credit risks as well as its capital structure and financial resources.

It is FLS Group policy that all commercial currency and interest exposure should be hedged not later than at the time of signing a contract.

Currency exposure
FLS Group currency exposure derives from the impact of exchange rates on future commercial payments and financial payments in connection with loans and investments. The valuation of foreign net investments is also affected by exchange rate variations. Furthermore, the FLS Group is subject to currency exposure, when negotiating contracts and submitting tenders. Appropriate location of business activities and production facilities combined with flexible placing of sourcing is adopted to the greatest possible extent by the Group companies as a natural hedge against financial risk. For the part of the exposure that cannot be naturally hedged or secured via foreign currency clauses in contract negotiations the Group companies use forward contracts and currency options to minimise the financial risk. The FLS Group's main currencies for commercial purposes are USD, GBP, EUR and DKK.

Interest rate risk
The FLS Group's interest rate risk consists of the sensitivity of net interest costs to changes in the level of interest and the effect of interest rate changes on the market value of consolidated balance sheet items. The interest rate risk is based on the net position in different life intervals and is hedged by the use of financial instruments.

About 45% of the Group's net interest-bearing debt at 31 December 2002 carries a fixed rate of interest. The sensitivity of net finance to a one percentage increase in interest rate amounted to DKK -16m.

Liquidity exposure
One of the primary responsibilities of the FLS Group in-house bank is to ensure that the Group at all times has sufficient and flexible financial resources at its disposal.

The Group manages its liquidity exposure through cash pool systems around the world and by maintaining a number of short-term overdraft facilities and committed credit facilities with various financial institutions.

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

Capital structure and financial resources
All centrally negotiated bank facilities are subject to 'Corporate rules for documentation' with a view to streamlining documentation and maintaining maximum financial freedom of action. To limit dependence on one particular or a few financial institutions, it is the Group's aim that no single financial institution should provide more than 20% of the financial facilities in use, including guarantee facilities.

It is also the Group's aim that not more than 20% of all committed loan facilities should mature in any single year and that the average duration of a facility should be four years or more.

At 31 December 2002, 88% of the committed loan facilities matured later than 2004 and the average life was 4.3 years. Committed loan facilities maturing within the next five years do not exceed 14%, and no financial institution is providing more than 20% of the financial facilities in use, including guarantee facilities.

The overall goal of the FLS Group is to meet the criteria for an 'investment grade' rating which places demands on earnings, cash flow and financial standing. The FLS Group has therefore set internal targets that are to ensure an 'investment grade' rating.

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

Shareholder information

Share capital and votes
The Company share capital amounting to DKK 1,064m is divided into 7,200,000 A shares each entitling the holder to ten votes and 46,000,000 B shares each entitling the holder to one vote.

FLS Industries A/S has nearly 16,000 registered shareholders. In addition, nearly 5,000 present and former employees hold shares in the company.

FLS Industries A/S is part of the Aktieselskabet Potagua group. Potagua holds nearly 62% of the votes. Potagua has announced that the company wishes to sell its shareholding in FLS Industries A/S.

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

Aktieselskabet Potagua
Jægersborgvej 66B
DK-2800 Kgs Lyngby

ATP
Kongens Vænge 8,
DK-3400 Hillerød

Breakdown of shareholders at January 2003

	Participating interest (%)
Potagua	46
ATP – Danish Labour Market Supplementary Pension Fund	13
Other Danish institutional investors	9
Foreign institutions	7
Private investors, etc.	8
FLS Industries	3
Non-registered shareholders	14
Total	**100**

FLS shares and share options owned by the Board and Management
Members of the FLS Industries A/S Board of Directors own a total of 69,297 shares and 4,400 share options. As from 2002, the Board has decided not to take part in the Group's option plan. All options held by the Board of Directors were therefore allotted prior to 2002. The Corporate Management owns 21,967 shares and 19,579 options.

Trading codes

Bloomberg	FLSB DC
Reuters	FLBCb.co
Copenhagen Stock Exchange	DK0010234467

Share indices
FLS Industries A/S shares are included in the following indices:
- Copenhagen Stock Exchange all share index – KAX
- Copenhagen Stock Exchange free float index – KBX
- Copenhagen Stock Exchange industry group index – Capital goods (2010)
- MSCI European Construction and Engineering

As from 1 April 2003, the FLS B share is expected to be included in the new MidCap+ index on the Copenhagen Stock Exchange.

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

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

It is the FLS Group's ambition to be recognised for its high level of communication. However, in the run-up to the presentation of financial statements the company considers it necessary to restrict its contact with external stakeholders.

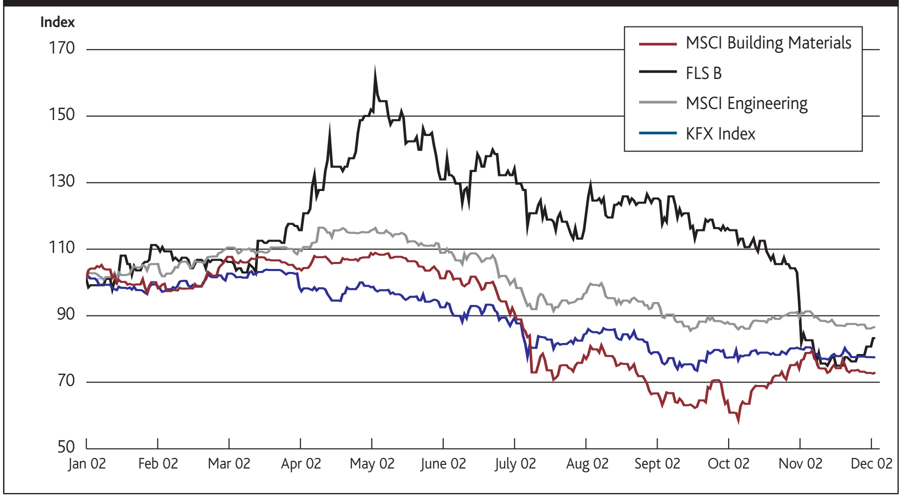
During a period of five weeks before the planned announcement of financial results, the FLS Group will not comment towards analysts and investors on financial targets and earnings prospects, nor will it take part in investor presentations or comment on the contents of analysts' reports.

During 2002, FLS Industries A/S held a number of presentations for analysts and investors in Denmark and abroad. FLS Industries A/S also invited investors to a presentation at Aalborg Portland in November. The information handed out on these occasions is released at the same time on the FLS Industries A/S website.

Market developments in 2002
The total return on the FLS B shares amounted to minus 23% in 2002. By comparison the KFX index fell by 26% in 2002, MSCI European Construction and Engineering by 15% and MSCI European Building Materials by 32%.

The FLS B share price started the year at 71.5 and gradually increased during the spring to a peak of 118 at mid May. During the summer, however, the share price receded in parallel with the stock market in general. The FLS B share price bottomed out at 50 in mid December and ended the year at 55.

FLS B. KFX. MSCI Building Materials and Engineering 2002 (Index 31-12-2001=100)



Financial calendar 2003

5 March	2002 Annual Report
7 April	Annual General Meeting
23 May	Announcement of financial results for 1st quarter 2003
29 August	Announcement of financial results for 1st half 2003
28 November	Announcement of financial results for 3rd quarter 2003

The Annual General Meeting will take place on 7 April 2003 at 16.00 hours at SAS Radisson Falconer Center, Falkoner Allé 9, DK-2000 Frederiksberg.

Contact persons

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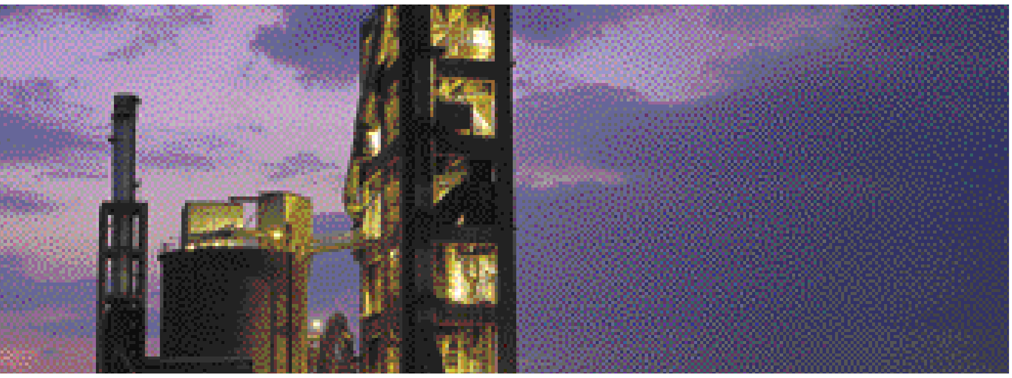
Share and dividend figures	1998	1999	2000	2001	2002
CPS* (Cash flow Per Share), DKK	13. 0	17. 1	(0. 6)	24.8	13.4
EPS* (Earnings Per Share), DKK	11. 8	44. 9	5. 7	(0.2)	27.5
Net worth*	88	131	126	123	102
Dividend per share*, DKK	5. 0	7. 5	3. 0	0	0
Pay-out ratio (%)	42	17	52	0	0
FLS B share price	129	186	130	71.5	55
Number of shares (000s)	46,487	46,487	46,487	53,200	53,200
Market capitalisation, DKKm	5,896	8,733	5,414	3,804	2,926

*adjusted to share denomination DKK 20.

Corporate Governance



Overall control of commercial and financial risks
The FLS Group's change of strategic direction is being accompanied by a gradual shift from decentralised to more centralised control of the Group. The objective is to enhance overall monitoring of major commercial and financial risks, while achieving greater transparency in the Group and an appropriate distribution of roles and responsibilities. In accordance with this objective, rules of procedure have been adopted specifying the responsibilities and activities of the Board of Directors and the Corporate Management. Reference is made to the Risk management section of this Annual Report.

Board of Directors
Potagua's announcement on 20 December 2001 of its intention to sell the investment in FLS Industries A/S within three to five years' time has led to a reshuffle of the Board and Management.

The new Board of Directors consists of experienced members of the Danish business community who each bring with them a suitable background and practical experience that match the challenges and practical problems facing the Group in the coming years.
A member of the new Board also sits on the Board of Aktieselskabet Potagua. The six Board members elected by the Company in General Meeting are represented on the Boards of the four largest Group companies on a transitional basis to follow the operations of the individual companies at close quarters.

The Corporate Management consists of four equally ranking executive officers, each with a certain field of responsibility. This set-up is a consequence of the comprehensive focusing and streamlining of the Group, under which it is considered appropriate on an interim basis to maintain the shortest possible lines between the Board of Directors and the managements of the individual business units.

Information about Corporate Management and Board of Directors
The Board has set up a Remuneration Committee to handle negotiations of pay to the Management and Board. Information about the remuneration of Management and Board is given in Note 3 to the parent company accounts. The survey of Board and Management also gives information about the background and experience of each member of the Board and Management and any executive positions held.

Openness and transparency
The Group has adopted a communication policy to ensure that all important information is communicated to the Stock Exchange on time.

The annual accounts are presented in accordance with the guidelines of the International Accounting Standards (IAS), apart from Standard No. 39, which the Group Board and Management have decided not to adopt because they consider it to have a hampering effect on appropriate cost-efficient project management and control of financial risk at corporate level.

All Group companies submit quarterly reports based on the same reporting system, which ensures transparency all the way from Group Board and Management to the individual Group company.

Shareholders' role and interaction with management
The FLS Group shares are divided into two classes of shares, and there is no proportionality between capital investment and voting rights. It has been decided to maintain these share classes during the strategy period to provide reasonable working conditions for implementing the strategic focusing to the benefit of shareholders.

At the Annual General Meeting, shareholders have an opportunity to meet the Corporate Management and the Board of Directors, and to express their views and preferences regarding the strategy and operations of the company. In addition, the Group's board and management may be contacted via the Shareholder secretariat and the Investor Relations function.

Stakeholders' role and significance to the company
As to the role of the stakeholders and their significance to the company, please see the following section 'Stakeholder relations'.

Stakeholder relations

Environment
As its overall objective, the FLS Group is at all times committed to at least complying with current environmental legislation and actively contributing to sustainable environmental development in society, striking a balance between economic consequences and industrial development and capability.

It is FLS environmental policy to:
- manufacture products with consideration of the environmental impact during production, use and disposal;
- market products that help to limit negative environmental impact;
- improve energy efficiency and reduce energy consumption;
- reduce polluting emissions to the environment and the amount of waste;
- train and motivate its employees to actively participate in environmental efforts;
- follow-up on and monitor the development of environmental impacts.

Environmental reporting in the FLS Group
Since the mid 1990s, various members of the FLS Group have been involved in systematic environmental management and environmental reporting. Based particularly on Aalborg Portland's experience of environmental management, environmental certification and presentation of environmental statements and green accounting, the FLS Group has in latter years expanded and coordinated its environmental efforts to include more production companies and facilities in the Group.

These joint efforts mainly involve the Danish production companies within FLS Building Materials, viz. Aalborg Portland, Dansk Eternit, Unicon, Densit and J.A.Plastindustri. These are undertakings in which environmental and energy issues are of particular relevance, for example in terms of optimisation of the use of raw materials, reduced energy consumption, waste, water and noise in addition to improvements in health and safety conditions.

The environmental efforts are based on the joint environmental policy for FLS Building Materials companies that was adopted by the Management in June 2001.

The management systems, targets and action plans for environmental impact, energy usage and health and safety reflect the diversity of the undertakings. Aalborg Portland, for example, has set overall targets for energy consumption and use of alternative fuel, for CO_2 and NOx emission, for water consumption, for waste disposal and for occupational health and safety. The environmental programme for 2002 mainly focused on implementation of systems, certification and collection of data for the 2002 environmental report covering the Danish companies within the FLS Building Materials group.

Aalborg Portland's cement plant at Rørdal and Dansk Eternit at Aalborg have attained environmental certification to the international ISO 14001 standard. The cement plant is also enrolled in the European-based Environmental Management and Audit Scheme (EMAS), and in 2002 it qualified for certification based on OHSAS 18001 (Occupational Health and Safety Assessment Series) and the Danish Working Environment Service executive order No. 923. This certification documents that the company is involved in a focused effort to improve occupational health and safety.

Aalborg Portland's contract with the Danish Energy Agency to test seven options for increased energy efficiency in production is progressing according to plan and reporting took place at the end of 2002.

Ethics
The FLS Group wishes to be regarded as a responsible organisation. Human rights must always be respected at workplaces around the world that are controlled by the FLS Group.

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

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

Knowledge resources
The changes in the global workforce during 2002 reflect the implementation of the business strategy, with its focusing on core business activities and streamlining of the Group's business procedures. The disposal of undertakings and efficiency improvements thus appear from the lower head count in the Group.

In a world of continuously globalising operations and competition, the ability of the FLS Group to provide customers with optimum solutions is closely linked to the quality and competence of the Group's human resources. The ability of management and staff to work with customers in achieving commercial results is the key to growth in the individual companies and the Group as a whole. The real basis of the business is its administration of knowledge-based competence, and 2002 therefore saw increasing investments in development of managerial and knowledge-based competencies through training and education.

Number of employees:	2001	2002
Total number of employees	13,544	11,354
- of which in Denmark	4,313	3,533

Employee head count split into core businesses and other businesses in 2002:	Denmark	Abroad
Core businesses (F.L.Smidth Group and FLS Building Materials)	2,816	4,466
Other undertakings	717	3,355

FLS Industries A/S Nominal share capital DKK 1,064,000,000

			Nominal share capital (in 000)	Direct Group Holding
F.L.Smidth A/S	Denmark	DKK	300,000	100%
Bhagwati Designs Pvt. Ltd.	India	INR	1,000	100%
Dan Indian Holding ApS	Denmark	DKK	500	100%
Fuller India Ltd.	India	INR	100,000	96%
Fuller Infotech Pvt. Ltd.	India	INR	1	100%
F.L.Smidth Portugal (Lda)	Portugal	EUR	45	100%
FLSmidth Cia, Argentina S.A.	Argentina	USD	12	100%
F.L.Smidth S.A.	Spain	EUR	361	100%
F.L.Smidth (Pty) Ltd.	South Africa	ZAR	50	100%
F.L.Smidth & C. Italiana S.r.L.	Italy	EUR	13	100%
F.L.Smidth (Jersey) Limited	United Kingdom	GBP	50	100%
F.L.Smidth Ireland Limited	Ireland	EUR	0	100%
F.L.Smidth Polska Sp. z o.o.	Poland	PLN	4	100%
F.L.Smidth Ltda.	Brazil	BRL	13,331	100%
F.L.Smidth GmbH	Germany	EUR	511	100%
F.L.Smidth S.A.S	France	EUR	252	100%
F.L.Smidth Ltd.	United Kingdom	GBP	1,500	100%
PT Fajar Laksana Sejahtera	Indonesia	IDR	3,500,000	100%
FLSmidth Machinery Industry (Qingdao) Ltd.	China	CNY	6,600	100%
International Consulting Company A/S	Denmark	DKK	500	100%
International Engineering A/S	Denmark	DKK	500	100%
International Holding Company A/S	Denmark	DKK	7,500	100%
FLS Pakistan (Pvt) Ltd.	Pakistan	PKR	94,556	100%
FLS US Holdings, Inc.	United States	USD	0	100%
F.L.Smidth Airtech Inc.	United States	USD	1	100%
Advanced Filtration Technologies Inc.	United States	USD	1	100%
FLS Automation Inc.	United States	USD	1	100%
Smidth & Co.	United States	USD	9,000	100%
F.L.Smidth Inc.	United States	USD	900	100%
FBH, LLC	United States	USD	0	100%
FKI Inc.	United States	USD	1	100%
Fuller Plastics Inc.	United States	USD	1	100%
Kemutec Inc.	United States	USD	600	100%
F.L.Smidth, S.A. de C.V.	Mexico	MXN	19,120	100%
Fuller Asia Inc.	United States	USD	1	100%
Fuller Capital Credit Corporation	United States	USD	1	100%
General-Fuller International Corp.	United States	USD	1	100%
Fuller International Inc.	United States	USD	1	100%
Smidth of PA Inc.	United States	USD	1	100%
Fuller Middle East Limited	United States	USD	1	100%
FMSC group Inc.	United States	USD	1	100%
Fuller Power Corporation	United States	USD	1	100%
Fuller Company	United States	USD	1	100%
Fuller International Trading Corp.	United States	USD	1	100%
Fuller-Traylor Inc.	United States	USD	1	100%
HTPT Corporation	United States	USD	1	100%
P.T. Fuller International Indonesia	Indonesia	USD	100	100%
SLS Corporation	United States	USD	1	100%
FFE Minerals Corporation	United States	USD	1	100%
ABON Engineering Pty. Ltd.	Australia	AUD	6	100%
FFE Minerals Canada Ltd.	Canada	CAD	1	100%
FFE Canada International Trading Corp.	Canada	CAD	0	100%
F.L.Smidth Canada Ltd.	Canada	CAD	20	100%
FFE Minerals USA Inc.	United States	USD	1	100%
FFE Minerals Australia Pty. Ltd.	Australia	AUD	100	100%
FFE Minerals Brazil Ltda.	Brazil	BRL	827	100%
FFE Minerals Chile Ltda.	Chile	CLP	2,088,872	100%
FFE Minerals India Ltd.	India	INR	10,000	100%
FFE Minerals Mexico S.A. de C.V.	Mexico	MXN	8,693	100%
FFE Minerals Peru S.A.	Peru	PEN	3	100%
FFE Minerals South Africa (Pty.) Ltd.	South Africa	ZAR	40	100%
FFE Minerals Buffalo (Pty) Ltd.	South Africa	ZAR	41	100%
FFE Minerals-Vecor (Pty) Limited	South Africa	ZAR	22	100%
FFE Minerals Denmark A/S	Denmark	DKK	11,000	100%
FMP Services Inc.	United States	USD	1	100%
FFE Minerals-Macmin S.A.	Chile	CLP	649,080	100%
FFE Services Ltda.	Chile	CLP	417,198	100%
F.L.Smidth Materials Handling A/S	Denmark	DKK	12,000	100%
F.L. Smidth Holding GmbH	Germany	EUR	256	100%
Möller Materials Handling GmbH	Germany	EUR	1,023	100%
Motan Materials Handling GmbH	Germany	EUR	256	100%
Motan-Fuller Asia Pte. Ltd.	Singapore	SGD	50	100%
Fuller Offshore Finance Corp. BV	Netherlands	NLG	5,000	100%
Kovako Materials Handling B.V.	Netherlands	NLG	35	100%
H.W. Carlsen Holding AB	Sweden	SEK	100	100%
H.W. Carlsen AB	Sweden	SEK	1,800	100%
MVT Materials Handling GmbH	Germany	EUR	630	100%
FLS Automation A/S	Denmark	DKK	11,000	100%
FLS Airloq A/S	Denmark	DKK	500	100%
FLS Automation (Tianjin) Co., Ltd.	China	CNY	85	70%
Autec Spol. S.r.o. *	Czech Republic	CZK	80,886	35%
FLS Automation Australia Pty Ltd.	Australia	AUD	1	100%
FLS Automation SA	France	EUR	350	100%
TopTools Automation Systems Inc.	United States	USD	1	100%
FLS Automation India	India	INR	20,000	100%
FLS Automation España, S.A.	Spain	EUR	114	100%
Pfaff AQS GmbH	Germany	EUR	359	100%
Pfaff Maschinebau GmbH	Germany	EUR	77	100%
MAAG Gear AG	Switzerland	CHF	21,000	100%
MAAG Gear Sp. z.o.o.	Poland	PLN	18,000	100%
Pfister Holding GmbH	Germany	EUR	1,021	100%
Pfister GmbH	Germany	EUR	3,962	100%
Pfister Hungaria Kft.	Hungary	HUF	5,140	100%
Pfister GmbH	France	EUR	0	100%
Transweigh India Ltd. *	India	IRP	26,200	24%
Pfister Latino Americana Ltda.	Brazil	BRL	100	100%
Pfister North America Inc.	United States	USD	1	100%
Pfister Systemtechnik GmbH	Germany	EUR	26	100%
Pfister Service GmbH	Germany	EUR	31	100%
Pfister Data GmbH	Germany	EUR	26	100%
Ventomatic A/S	Denmark	DKK	10,000	100%
Ventomatic SpA	Italy	EUR	181	100%
Ventomatic S.A.	Switzerland	CHF	500	100%
F.L.Smidth Airtech A/S	Denmark	DKK	50,000	100%
Lodge Sturtevant Ltd.	United Kingdom	GBP	2,100	100%
Lodge-Cottrell Ltd.	United Kingdom	GBP	0	100%
F.L.Smidth Airtech S.A.	France	EUR	500	100%
F.L.Smidth Airtech S.A.	Spain	EUR	331	100%
FFE Invest A/S	Denmark	DKK	25,000	100%

			Nominal share capital (in 000)	Direct Group Holding
FLS Building Materials				
Aalborg Portland A/S	Denmark	DKK	300,000	100%
Aalborg Portland Polska Sp. z o.o.	Poland	PLN	100	94%
Aalborg Portland U.S. Inc.	United States	USD	1	100%
Aalborg Cement Company Inc.	United States	USD	3,500	100%
Lehigh White Cement Company *	United States	USD	0	25%
Aalborg Portland Islandi hf	Iceland	ISK	203,000	100%
CemMiljø A/S	Denmark	DKK	1,091	70%
Aalborg White A/S	Denmark	DKK	4,000	100%
Sinai White Portland Cement Company S.A.E. *	Egypt	EGP	140,000	45%
Aalborg RCI White Cement Sdn Bhd	Malaysia	MYR	85,400	60%
RCI Marketing Sdn. Bhd. *	Malaysia	MYR	5,000	30%
RCI Resources Sdn. Bhd.	Malaysia	MYR	2,544	100%
SCI Marketing & Services	Malaysia	MYR	40	100%
Skim Coat Industries Sdn. Bhd	Malaysia	MYR	480	100%
Aalborg White (Philippines) Inc.	Philippines	PHP	10,000	100%
Aalborg Siam White Cement Pte Ltd	Singapore	USD	210	50%
Unicon A/S	Denmark	DKK	150,000	100%
A/S Københavns Betonfabrik	Denmark	DKK	2,000	100%
AB Sydsten	Sweden	SEK	15,000	50%
ÅGAB Syd AB *	Sweden	SEK	120	50%
Ekblads Betong AB	Sweden	SEK	500	75%
Everts Betongpumpning AB	Sweden	SEK	100	51%
HB Forserumsten AB *	Sweden	SEK	1,800	50%
Skåne Grus AB	Sweden	SEK	1,000	60%
Sydsten Helsingborg AB	Sweden	SEK	100	75%
Secil Unicon SGPS, Lda.	Portugal	EUR	4,988	50%
Secil Prebetão SA	Portugal	EUR	2,750	85%
Unicon Beton Sp. z o.o.	Poland	PLN	26,426	100%
Unicon Beton Polska Sp. z o.o.	Poland	PLN	10	100%
EKOL-Unicon Sp. z o.o. *	Poland	PLN	1,000	49%
Polish Gravel Industry Sp. z o.o.	Poland	PLN	8,404	100%
Unicon AS	Norway	NOK	12,312	51%
Midt-Norsk Ferdigbetong AS	Norway	NOK	50	100%
Sola Betong AS *	Norway	NOK	9,000	33%
Unicon America, Inc.	United States	USD	100	100%
Carolina Concrete Pumping Inc.	United States	USD	6	100%
Unicon Concrete LLC	United States	USD	223	100%
Unicon Paving Stone, LLC	United States	USD	0	100%
Storsand Sandtak AS *	Norway	NOK	105	50%
Dansk Eternit Holding A/S	Denmark	DKK	81,000	100%
Handelmij Austria B.V	Netherlands	EUR	31	100%
Cembrit CZ, a.s.	Czech Republic	CZK	146,100	68%
BNT, S.R.O	Czech Republic	CZK	100	100%
Cembrit Polska Sp. z o.o.	Poland	PLN	4	100%
Cembrit Blunn Limited	United Kingdom	GBP	500	100%
Blunn Slates Ltd.	United Kingdom	GBP	78	100%
Dansk Eternit A/S	Denmark	DKK	70,000	100%
Eurocem Vertrieb Europäischer Bauprodukte GmbH	Germany	EUR	77	100%
Interfer SAS	France	EUR	336	100%
Izopol S.A.	Poland	PLN	20,806	87%
Kotlownia Izopol Zaklad Gospodarki Cieplnej i Wodnej Sp. z o.o.	Poland	PLN	4,587	100%
J.A. Plastindustri A/S	Denmark	DKK	500	100%
Oy Minerit AB	Finland	EUR	1,686	100%
Densit A/S	Denmark	DKK	4,000	100%
Civil & Industrial Products Ltd. *	United Kingdom	GBP	10	26%
Densit (M) Sd. Bhd.	Malaysia	MYR	100	100%
Densit USA Inc.	United States	USD	0	100%

			Nominal share capital (in 000)	Direct Group Holding
Atlas Cement Corporation *	Phillipines	PHP	220,000	27%
FLSHH SGPS, Lda. *	Portugal	EUR	26,436	50%
Secil - Companhia Geral de Cal e Cimento S.A. *	Portugal	EUR	264,600	22%
Spæncom A/S *	Denmark	DKK	42,105	34%
FLS miljø a/s	Denmark	DKK	50,000	100%
FLS miljo Inc.	United States	USD	0	100%
AirPol Construction Inc.	United States	USD	1	100%
Airpol Inc.	United States	USD	1	100%
Epscon Inc.	United States	USD	0	100%
Lodge-Cottrell Inc.	United States	USD	1	100%
Colville Trading PTE Ltd.	Singapore	DKK	0	100%
FLS miljo Canada Inc.	Canada	CAD	0	100%
FLS miljo Oy	Finland	EUR	67	100%
FLS miljo Sp. z o.o.	Poland	PLN	601	100%
FLS miljo Ltd.	United Kingdom	GBP	2,150	100%
Environmental Air Filtration Ltd.	United Kingdom	GBP	1,802	100%
FLS miljo Operations Ltd.	United Kingdom	GBP	0	100%
Supertræ A/S *	Denmark	DKK	68,000	25%
FLS Aerospace Holding A/S	Denmark	DKK	102,000	100%
FLS Aerospace (UK) Limited	United Kingdom	GBP	260,812	100%
FLS Maintenance Ltd	United Kingdom	GBP	130,484	100%
FLS Aerospace (ESP) S.A.	Spain	ESP	60,000	51%
FLS Aerospace (USA) Inc.	United States	USD	1	100%
My Travel Aircraft Engineering Ltd.	United Kingdom	GBP	1	50%
FLS easy Tech Limited	United Kingdom	GBP	0	75%
FLS Aerospace (DK) A/S	Denmark	DKK	13,000	100%
FLS Aerospace Real Estate A/S	Denmark	DKK	600	100%
FLS Aerospace (SE) AB	Sweden	SEK	100	100%
FLS Aerospace (NO) A/S	Norway	NOK	100	100%
FLS Aerospace (IRL) Ltd.	Ireland	IEP	1	100%
Sheerwalk Services Limited	Ireland	IEP	0	100%
FLS Real Estate A/S X	Denmark	DKK	15,000	100%
FLS Real Estate No. 4 Ltd.	United Kingdom	GBP	4,154	100%
FLS Real Estate A/S	Denmark	DKK	3,100	100%
PMUS Inc.	United States	USD	3,768	100%
FLS Plast A/S	Denmark	DKK	1,000	100%
Pedershaab A/S	Denmark	DKK	41,000	100%
Betodan A/S	Denmark	DKK	1,000	100%
Betobyg S.m.b.h *	Denmark	DKK	888	33,3%
PM Energi A/S	Denmark	DKK	6,000	100%
Pedershaab GmbH	Germany	EUR	266	100%
Pedershaab Ltd.	United Kingdom	GBP	100	100%
Pedershaab USA, Inc.	United States	USD	100	100%
Pedershaab Acme India Pvt. Ltd. *	India	INR	20,000	40%
Pedershaab Poland Sp. z o.o.	Poland	PLN	50	100%
NL 1998 A/S	Denmark	DKK	500	100%
Engineering UK Holdings Ltd.	United Kingdom	GBP	15,150	100%
Braby Ltd.	United Kingdom	GBP	1	100%
FLS Energy A/S	Denmark	DKK	5,000	100%
DEF 1994 A/S	Denmark	DKK	1,000	100%
DA 1999 A/S	Denmark	DKK	5,000	100%
Aktieselskabet af 1. januar 1990, Valby	Denmark	DKK	6,000	100%

* Associated undertaking. Others are Group undertakings.

ANNUAL ACCOUNTS 2002

FLS INDUSTRIES A/S

Accounting policies

General comments
The 2002 Annual Report for FLS Industries A/S is presented in accordance with the provisions of the Danish Financial Statements Act for Class D companies including relevant executive orders and the guidelines fixed by the Copenhagen Stock Exchange for the annual accounts of listed companies including current Danish Accounting Standards.

Apart from IAS 39, the Annual Report is presented in accordance with the guidelines of International Accounting Standards (IAS) issued by the International Accounting Standards Board. Having carefully considered the usefulness for the Group stakeholders against the commercial control consequences for the Group, FLS Industries A/S has decided not to adopt International Accounting Standard number 39 (IAS 39) Financial Instruments: Recognition and Measurement which came into force in 2001.

Information required in accordance with Danish Accounting Standards and IAS is included in the notes and in the management report which forms an integral part of the Annual Report.

Change of accounting policy
As a result of the new Danish Financial Statements Act, the Accounting Policies for financial instruments have been changed as follows:

Financial liabilities measured at amortised cost were previously measured at nominal value. The debt discount was charged to the profit and loss account at the time of raising the loan. Value adjustment of *Other securities and investments* has no major effect on the shareholders' equity and balance sheet total at 31 December 2002 nor on the financial result for the year 2002.

Derivatives are measured at fair value and included in *Other debtors/Other creditors*. In the case of derivatives held for the purpose of hedging future transactions, changes in the value of the hedging instrument are stated directly in the *Shareholders' equity* until the hedged asset is realised. Until now derivatives held for the purpose of hedging future transactions have not been included in the balance sheet. As a result the *Shareholders' equity* has increased by DKK 183m at 31 December 2002 (reduced by DKK 101m at 31 December 2001) and *Other debtors* have increased by DKK 183m at 31 December 2002 (*Other creditors* increased by DKK 101m at 31 December 2001). The change in accounting policy for derivatives has no impact on the financial result for 2002.

Other securities and investments, which are fixed assets measured at fair value, were previously measured at cost, trade value or a prudently assessed value. Value adjustment of *Other securities and investments* has no major effect on *Shareholders' equity* and balance sheet total at 31 December 2002 nor on the financial result for 2002.

The comparative figures for 2001 have been restated in accordance with the changed accounting policy.

In all other respects the accounting policies are consistent with those adopted in 2001.

General principles for recognition and measurement
Assets are recognised in the balance sheet when it is likely that future economic benefits will accrue to the Group and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is likely that future economic benefits will depart from the Group and the value of the liability can be measured reliably.

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

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

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

The purchase accounting method is applied to the acquisition of new undertakings according to which assets and liabilities of the acquired undertakings are restated to their fair value at the date of acquisition. The statement of consolidated goodwill/negative goodwill only includes provisions for closure or reduction of the activities in the undertaking acquired if such restructuring was decided and announced in connection with the acquisition. Undertakings acquired are included in the consolidated accounts from the date of acquisition.

Undertakings disposed of are consolidated until the date of disposal. The difference between the sales consideration and the carrying amount of the net assets at the time of disposal including remaining goodwill/negative goodwill and less expected costs of disposal is included under a separate item in the profit and loss account.

The net earnings and equity attributable to minority interests are shown as separate items in the consolidated accounts.

Foreign currency
Transactions in foreign currency are translated at the exchange rate of the day of transaction.

Financial assets and liabilities in foreign currency are translated at the exchange rates quoted at the balance sheet date. Any foreign exchange variances between the rates at the transaction date and the payment date or the balance sheet date, as the case may be, are stated in the profit and loss account as financial items.

Non-financial assets and liabilities in foreign currency are stated at the rate of exchange quoted on the day of transaction.

The profit and loss accounts of independent foreign subsidiaries and associated undertakings are translated at average exchange rates while their balance sheet items are translated at the exchange rates quoted at the balance sheet date. The calculation differences deriving from the translation of the profit and loss accounts of companies abroad at average exchange rates and of their balance sheet items at the rate of exchange at the balance sheet date are adjusted in the shareholders' equity.

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

If the accounts of a foreign business unit are drawn up 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 accounts are translated at the exchange rate quoted on the balance sheet date.

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

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

Derivatives are initially recognised in the balance sheet at cost and subsequently measured according to fair value. The fair value of derivatives is included in *Other debtors* (positive fair value) or *Other creditors* (negative fair value) as the case may be.

Changes in the fair value of derivatives that hedge the fair value of already recognised assets or liabilities are recognised in the profit and loss account together with changes in the value of the assets and liabilities hedged.

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

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

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

Share-based remuneration
A share option plan covering the Corporate Management and a number of executive staff is described in the notes to the consolidated accounts and does not affect the Profit and Loss Account.

Non-strategic activities
Non-strategic activities are defined as undertakings or activities that have been or are planned to be disposed of. Comparative figures for segment information (Notes 1 and 2) are adjusted, unlike in previous years, in the event of changes in non-strategic activities.

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

Grants received to cover costs are entered as a liability and recognised in step with the costs being defrayed.

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

Research and development costs
Research costs are charged to production costs in the profit and loss account for the period in which they are defrayed.
Development costs are mainly recognised in the profit and loss account for the period during which they were defrayed. Development costs related to certain products or processes are recognised as assets to the extent that such costs are likely to generate future earnings.

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

Profit and loss account
Similar to previous years, the profit and loss account format classified by function, as stipulated by Danish accounting legislation, has been adapted to show earnings before interest, tax, depreciation and amortisation (EBITDA) so that depreciation on *Tangible fixed assets* is not allocated to the individual function, but is stated separately like amortisation of *Intangible fixed asssets*.

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

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

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.

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

Administrative costs

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

Other operating income and costs

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

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

Share of profits/losses of subsidiaries and associated undertakings

In the parent company profit and loss account a proportionate share of the profits and losses of the individual subsidiaries is recognised after adjustment for unrealised internal profits/losses, deduction of amortisation on consolidated goodwill and addition of included negative goodwill. The proportionate share of taxes in subsidiaries is stated under *Tax for the year*.

In the parent company and consolidated profit and loss accounts a proportionate share of the profits and losses of the associated undertakings is recognised after adjustment for unrealised internal profits/losses, deduction of amortisation on goodwill and addition of included negative goodwill. The proportionate share of taxes in associated undertakings is stated under *Tax for the year*.

Profit and loss on disposal of undertakings and activities

Profit and loss on the disposal of undertakings and activities is stated separately in the profit and loss account. Any costs related to the disposal are included in the statement of profit and loss.

Financial items

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

Financial items also comprise financing costs of financial leasing plus value adjustment of financial instruments, securities and foreign currency items, including amortisation of financial assets and liabilities.

Tax

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

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

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

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

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

Tax assets are presented on a separate line among fixed asset investments.

FLS Industries A/S is taxed jointly with certain wholly-owned Danish and foreign subsidiaries. The parent company provides for and pays the aggregate Danish tax on the taxable income of these companies. The jointly taxed Danish companies are included in the Danish tax payable on account scheme.

BALANCE SHEET

Intangible fixed assets

Intangible fixed assets are measured at cost less accumulated amortisation and write-downs.

At the time of an acquisition, consolidated goodwill/negative goodwill is calculated as the difference between acquisition sum and market value of the net assets.

Where the fair value of acquired assets and liabilities proves to differ from the computed values at the time of acquisition within the financial year after the year of acquisition, goodwill / negative goodwill is adjusted accordingly. All other adjustments are stated in the profit and loss account.

The amortisation period for goodwill is fixed according to management's assessment of the life of the undertaking/activity acquired.

Negative goodwill is presented among *Intangible fixed* assets and is recognised as income in step with the realisation of estimated costs and losses, if any. The balance of negative goodwill is systematically recognised as income in the profit and loss account in step with consumption and depreciation on non-monetary assets in the undertaking acquired.

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

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

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

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

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

Depreciation is charged on a straight line basis during the estimated useful life of the asset concerned until it reaches the estimated residual value.

Estimated useful life is as follows:
- Buildings, 20-40 years.
- Main machinery for making cement, 20 - 25 years.
- Plant and machinery used in connection with cement production, 5 - 15 years.
- Other plant and machinery, tools and equipment, 3-10 years.
- Ships, 10 - 15 years.
- Aircraft rotables over the expected useful life of the aircraft, maximum 20 years.
- Fitting up rented premises, up to 5 years.

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

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

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

Financially leased assets are stated in the balance sheet at fair value or at the present value of future leasing payments at the time of acquisition, if lower. In calculating the present value the internal interest rate of the leasing agreement is used as a discounting factor or as an approximate value. Financially leased assets are depreciated like other Group *Tangible fixed assets*.

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

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

Impairment of assets
The carrying amounts of *Intangible* and *Tangible fixed assets* are reviewed each year to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated as the higher of net selling price and value in use.

The write-down of *Intangible* and *Tangible fixed assets* is charged to the same items as the related amortisation and depreciation.

Financial fixed assets
Shares in subsidiaries and *Shares in associated undertakings* are measured according to the equity method. The proportionate share of the net worth of subsidiaries for accounting purposes is stated net of unrealised inter-company profits and losses, plus consolidated goodwill and less consolidated negative goodwill.

Associated undertakings generally do not present their annual reports in accordance with IAS guidelines. Adjustment is made for this fact, where possible.

The net revaluation of shares in subsidiaries and associated undertakings is taken to the *Reserve based on equity method* under *Shareholders' equity*.

Subsidiaries with a negative net worth for accounting purposes are stated at nil, whilst outstanding accounts against these subsidiaries are written down by the parent company share of the negative net worth for accounting purposes where such accounts are considered bad debts. If the negative net worth for accounting purposes exceeds the outstanding account, the exceeding amount is recognised in *Provisions* provided the Parent company is under a legal or de facto obligation to cover the negative balance of the company in question.

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

Shares in cement plants acquired in connection with orders received are measured at fair value. If the fair value is not immediately ascertainable, the shares are measured at a prudently assessed value. Value adjustments are recognised in the profit and loss account over a period not exceeding the duration of processing of the order.

Stocks
Stocks are measured at cost according to the FIFO principle.

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

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

Work in progress for third party
Work in progress for third party is measured according to the percentage of completion method at the sales value of the portion of the contract completed less invoicing on account.

Work in progress for third party where invoicing on account exceeds the value of the work completed is stated as *Work in progress for third party* among *Short-term creditors*.

Contractual prepayments are recognised as *Prepayments received from customers* among *Short-term creditors*.

A reservation is made for losses on work in progress. The reservation is based on individual assessment of the estimated loss until the work is completed.

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

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

Shares and bonds
Shares and bonds, which are current assets, are measured at fair value on the balance sheet date. Value adjustments are included in the profit and loss account among financial items.

Own shares
Own shares are entered in the balance sheet at nil value. When buying or selling own shares, the purchase or selling amount is stated in the *Shareholders' equity* among *Other reserves*.

Pension commitments
The Group has signed pension schemes and similar contracts with most of its employees.

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

Under **benefit-based** pension schemes the employer is required to pay a certain benefit (for example a retirement pension as a fixed amount of a fixed percentage of the final pay). Under the benefit-based scheme, the employer usually bears the risk with regard to future trends in 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 company is to pay in the future under this scheme. Net present value is only calculated for benefits to which the employees have become entitled through their employment with the company so far. The actuarial net present value less the fair value of any assets related to the scheme is stated in the balance sheet under the heading of *Provision for pensions and similar commitments* or *Prepaid pension contributions*, as the case may be.

If the actuarial profit or loss exceeds 10% of the actuarial net present value, such profit or loss must be amortised and recognised in the profit and loss account over the relevant employees' expected remaining working lives in the enterprise. Losses and profits are made up per individual scheme. Changes in the *Provision for pensions and similar commitments* are stated in the profit and loss account.

Changes in benefits concerning the employees' former employment in the undertaking result in a change in the actuarial net present value, which is considered a historic cost. Historic costs are charged immediately to the profit and loss account if the employees have already acquired a right to the changed benefit. Otherwise, the historical costs are amortised in the profit and loss account and the balance sheet over the period for which the employees acquire a right to the changed benefit.

Provisions for warranties
Where after closing the accounts of an order, additional supplies, etc. remain to be effected to complete the order, provision is made for this in the accounts. An allocation is made to creditors covering the part of the outstanding subsupplies whose price and scope is agreed. The balance of the allocation is stated under *Provisions*. The provision covers estimated own costs of completion, possible subsequent warranty supplies and any unsettled claims from customers or subsuppliers.

Provisions for restructuring
Provision for restructuring consists of provisions for the acquiring undertaking in connection with acquisitions and provisions for decisions to restructure existing business units.

The *Provisions* are included when the Group has a legal or a de facto obligation.

Provisions for acquisitions only consist of *Provisions* regarding the business acquired which have been decided at the time of acquisition comprising redundancy payments, closure of business premises, reduction of product lines and termination of loss-making contracts. These *Provisions* are included in the statement of goodwill or consolidated goodwill.

Provisions for redundancy costs
Provisions for redundancy costs are charged to the profit and loss account when decided and published.

Other provisions
Other provisions also include sums set aside for loss-making contracts and legal disputes, etc.

Mortgage and interest-bearing debts
Mortgage and interest-bearing debts are recognised when raising the loan at the proceeds received less transaction costs. Subsequent measurement is made at amortised cost so that the difference between the proceeds and the nominal value is recognised in the profit and loss account during the period of the loan.

Other creditors
Other creditors consist of holiday pay obligations, taxes and dues and interest payable.

Cash flow statement
The consolidated cash flow statement is presented according to the indirect method and shows the composition of the Group's cash flow divided into operating, investing and financing activities, respectively, and the Group's cash funds at the beginning and end of the year.

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

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

- Cash funds consist of cash in hand and bank deposits.
- Loans represent total interest-bearing debt items less interest-bearing debtors.
- All other non-interest-bearing debtors and debt items are regarded as working capital.
- To a large extent the Group receives prepayments from customers in connection with engineering projects. They are not regarded as part of the working capital, but are shown separately as *Cash flows from operating activities*.

Cash flows from operating activities are stated as the year's profit adjusted for non-cash operating items, changes in working capital, financial items and paid tax.

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

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

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

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

Segment information

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

The business segments are the Group's primary basis of segmentation and the geographical markets are the secondary basis of segmentation. Segment reporting takes place in accordance with IAS 14 and the Danish Financial Statements Act; however, information regarding the secondary segment is provided in accordance with the Executive Order stating exemption provisions from the Financial Statements Act.

Under the business basis of segmentation, fixed assets are those used directly in the operations of the segment, including *Intangible fixed assets*, *Tangible fixed assets* and *Investments in associated undertakings*. Under the geographical basis of segmentation, assets are divided according to their physical location.

Under the business basis of segmentation, *Current assets* are those used directly in the operations of the segment, including *Stocks*, *Trade debtors*, *Other debtors*, *Prepayments* and *Cash funds*.

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

Consolidated profit and loss account

Notes	DKKm	2001	2002
3	Net turnover	18,930	16,444
4	Production costs	14,260	13,179
	Gross profit	**4,670**	**3,265**
4	Sales and distribution costs	1,587	1,460
4+5	Administrative costs and other costs	2,150	1,719
6	Other operating income and costs	288	231
	Earnings before interest, tax, depreciation and amortisation (EBITDA)	**1,221**	**317**
17	Depreciation and write-down of tangible fixed assets	873	804
16	Amortisation and write-down of intangible fixed assets	153	160
	Earnings before interest and tax (EBIT)	**195**	**(647)**
19	Share of earnings before tax of associated undertakings	161	186
7	Profit and loss on disposal of undertakings and activities	(25)	(639)
8	Financial income	1,185	1,103
8	Financial costs	1,528	1,350
	Earnings before tax (EBT)	**(12)**	**(1,347)**
9	Tax for the year	(31)	102
	Profit/loss for the year	**19**	**(1,449)**
	Minority interests' share of the profit/loss for the year	32	12
	FLS Industries A/S' share of the profit/loss for the year	**(13)**	**(1,461)**
34	Earnings per share (EPS)	(0.2)	(27.5)
34	Earnings per share (EPS), adjusted for own shares, etc.	(0.3)	(28.2)

Consolidated cash flow statement

Notes	DKKm	2001	2002
	Cash flows from operating activities		
	Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,221	317
	Adjustment for profits and losses on sale of fixed assets and exchange adjustments of EBITDA	(138)	(149)
	Adjusted earnings before financial items, tax, depreciation and amortisation (EBITDA)	**1,083**	**168**
10	Change in provisions, etc.	43	(110)
11	Change in working capital	64	240
	Cash flows from operating activities before work in progress, financial items and tax	**1,190**	**298**
	Change in cash flows from work in progress and prepayments	(536)	332
	Cash flows from operating activities before financial items and tax	**654**	**630**
	Dividend received from associated undertakings	1,100	144
12	Financial payments received and made	(338)	9
	Corporation taxes paid	(95)	(69)
	Cash flows from operating activities	**1,321**	**714**
	Cash flows from investing activities		
13	Acquisition of undertakings and activities	(89)	(39)
14	Disposal and discontinuance of undertakings and activities	524	706
	Acquisition of intangible fixed assets	(72)	(68)
	Acquisition of tangible fixed assets	(944)	(633)
	Disposal of intangible and tangible fixed assets	388	313
	Acquisition and disposal of financial fixed assets	(54)	697
	Cash flows from investing activities	**(247)**	**976**
	Cash flows from operating and investing activities	**1,074**	**1,690**
	Cash flows from financing activities		
	Dividends	(453)	(14)
	Capital increases in Group companies attributable to minority interests	12	10
15	Changes in net interest-bearing debt	(863)	(1,606)
	Cash flows from financing activities	**(1,304)**	**(1,610)**
	Changes in cash funds	**(230)**	**80**
23	Cash funds at 1 January	548	318
23	Cash funds at 31 December	318	398

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

Assets

Notes	DKKm	2001	2002
	Fixed assets		
	Goodwill	1,290	1,136
	Negative goodwill	(185)	(172)
	Patents and licenses	57	13
	Other intangible fixed assets	75	180
16	**Intangible fixed assets**	**1,237**	**1,157**
	Land and buildings	2,695	2,242
	Plant, machinery and ships	2,600	1,964
	Operating equipment, fixtures and fittings	348	271
	Aircraft components	1,509	1,395
	Tangible assets in course of construction	246	62
17	**Tangible fixed assets**	**7,398**	**5,934**
18+19	Investments in associated undertakings	2,173	1,144
	Amounts owing from associated undertakings	15	0
18	Other securities and investments	216	151
18	Other financial fixed assets	10	16
25	Prepaid pension fund contributions	74	69
20	Deferred tax assets	313	261
	Financial fixed assets	**2,801**	**1,641**
	Total fixed assets	**11,436**	**8,732**
	Current assets		
	Raw material and consumables	753	539
	Work-in-progress	69	124
	Finished goods and goods for resale	584	431
	Prepayments for goods	99	128
21	**Stocks**	**1,505**	**1,222**
23	Trade debtors	3,165	2,661
22	Work-in-progress for third parties	1,135	1,453
	Amounts owed by associated undertakings	65	56
23	Other debtors	894	825
	Prepayments	264	249
	Debtors	**5,523**	**5,244**
24	Own shares	0	0
	Bonds and listed shares	46	40
	Securities	**46**	**40**
23	**Cash funds**	**318**	**398**
	Total current assets	**7,392**	**6,904**
	TOTAL ASSETS	**18,828**	**15,636**

Liabilities

Notes	DKKm	2001	2002
	Shareholders' equity		
24	Share capital	1,064	1,064
	Reserve based on equity method	808	835
	Other undistributable reserves	830	756
	Other reserves	3,824	2,758
	FLS Industries A/S' share of shareholders' equity before proposed dividend	**6,526**	**5,413**
	Proposed dividend	0	0
	FLS Industries A/S' share of shareholders' equity	**6,526**	**5,413**
	Minority interests share of shareholders' equity before proposed dividend	343	316
	Proposed dividend	0	0
	Minority interests' share of shareholders' equity	**343**	**316**
22	**Total consolidated shareholders' equity**	**6,869**	**5,729**
	Provision		
20	Deferred tax liabilities	124	105
25	Pensions and similar commitments	77	94
26	Warranties	540	393
26	Redundancy costs	119	8
26	Other provisions	334	442
	Total provisions	**1,194**	**1,042**
	Long-term and current liabilities		
	Mortgage debt	288	236
	Currency loans, leasing debt, bank debt, etc.	4,223	2,411
27	**Long-term liabilities**	**4,511**	**2,647**
28	Current portion of long-term liabilities	291	562
	Currency loans and bank debt	747	529
	Prepayments from customers	775	831
22	Work-in-progress for third parties	814	1,222
	Trade creditors	1,996	1,966
	Amounts owed to affiliated undertakings	7	0
	Amounts owed to associated undertakings	0	1
	Corporation tax payable	81	66
29	Other creditors	1,234	790
	Deferred income	309	251
	Current liabilities	**6,254**	**6,218**
	Total long-term and current liabilities	**10,765**	**8,865**
	Total long-term and current liabilities and provisions	**11,959**	**9,907**
	TOTAL LIABILITIES	**18,828**	**15,636**

Notes not referred to in the annual accounts

1 Breakdown of the Group by core businesses
2 Non-strategic activities
30 Net interest-bearing debt
31 Mortgaging/pledging
32 Contingent assets and liabilities
33 Financial instruments
35 Related party transactions
36 Definition of return on capital employed
37 Profit and loss account by quarter (unaudited)

Consolidated shareholders' equity

DKKm	Share capital	Reserve based on equity method	Other undistribu-table reserves	Other reserves	FLS' total share	Minority interests' share	Total
Shareholders' equity at 1 January 2001	**1,064**	**2,227**	**847**	**3,415**	**7,553**	**413**	**7,966**
Change of accounting policy				(149)	**(149)**		**(149)**
Adjusted shareholders' equity at 1 January 2001	**1,064**	**2,227**	**847**	**3,266**	**7,404**	**413**	**7,817**
Exchange adjustments		(4)		23	**19**	2	**21**
Foreign exchange hedging of net investments				(28)	**(28)**		**(28)**
Value adjustment of hedging instruments				48	**48**		**48**
Profit/loss for the year		(976)	(9)	972	**(13)**	32	**19**
Value adjustments				(14)	**(14)**		**(14)**
Other adjustments in shareholders' equity		(1)		(11)	**(12)**		**(12)**
Total income for the year		**(981)**	**(9)**	**990**	**0**	**34**	**34**
Proposed dividend				0	**0**	0	**0**
Dividend distributed		(433)		(445)	**(878)**	(8)	**(886)**
Additions and disposals of minority interests					**0**	(96)	**(96)**
Transfer between reserves		(5)	(8)	13	**0**	0	**0**
Shareholders' equity at 31 December 2001, before proposed dividend	**1,064**	**808**	**830**	**3,824**	**6,526**	**343**	**6,869**
Proposed dividend				0	**0**	0	**0**
Shareholders' equity at 31 December 2001	**1,064**	**808**	**830**	**3,824**	**6,526**	**343**	**6,869**
Exchange adjustments		(10)		(290)	**(300)**	3	**(297)**
Foreign exchange adjustment of net investments				253	**253**		**253**
Value adjustment of hedging instruments				284	**284**		**284**
Profit/loss for the year		53	(18)	(1,496)	**(1,461)**	12	**(1,449)**
Value adjustments		8		6	**14**		**14**
Adjustments for sale of NKT*		109			**109**		**109**
Other adjustments in shareholders' equity		(11)		(1)	**(12)**		**(12)**
Total income for the year		**149**	**(18)**	**(1,244)**	**(1,113)**	**15**	**(1,098)**
Proposed dividend					**0**	0	**0**
Dividend distributed					**0**	(14)	**(14)**
Additions and disposals of minority interests					**0**	(28)	**(28)**
Transfer between reserves		(122)	(56)	178	**0**	0	**0**
Shareholders' equity at 31 December 2002 before proposed dividend	**1,064**	**835**	**756**	**2,758**	**5,413**	**316**	**5,729**
Proposed dividend				0	**0**	0	**0**
Shareholders' equity at 31 December 2002	**1,064**	**835**	**756**	**2,758**	**5,413**	**316**	**5,729**

Share capital movements (DKKm):

Share capital at 1 January 1998	922
1998, Issue of employee shares	8
Merger at 1 January 2001, New issue of shares	134
Share capital at 1 January 2001	1,064

Other undistributable reserves at 31 December 2002 consist of share premium account

*) The adjustment mainly consists of reversal of write-down on shares and exchange adjustments, etc. in NKT Holding A/S.

The shareholders' equity at 31 December 2002 includes accumulated exchange adjustments of net investments in subsidiaries and associated undertakings plus related foreign exchange hedging at DKK -294m and accumulated exchange adjustments regarding hedging of future cash flows at DKK 183m.

1. Breakdown of the Group by core businesses in 2002

DKKm	F.L.Smidth Group	FLS Building Materials[1]	FLS miljø APC activity[2]	Other companies, etc.[3]	Core activities	Non-strategic activities[4]	FLS Group
PROFIT AND LOSS ACCOUNT							
Turnover							
Denmark	61	1,706	60	0	1,827	592	2,419
Rest of Scandinavia	134	804	20	0	958	58	1,016
Rest of Europe	1,882	1,057	145	0	3,084	3,036	6,120
North America	1,768	210	202	0	2,180	1,122	3,302
South America	565	1	6	0	572	12	584
Africa	1,306	17	1	0	1,324	24	1,348
Australia	182	31	9	0	222	13	235
Asia	1,216	87	48	0	1,351	69	1,420
External turnover	7,114	3,913	491	0	11,518	4,926	16,444
Intra-group turnover	103	12	0	(214)	(99)	99	0
Net turnover	**7,217**	**3,925**	**491**	**(214)**	**11,419**	**5,025**	**16,444**
Production costs	5,795	2,322	474	(166)	8,425	4,754	13,179
Gross profit	**1,422**	**1,603**	**17**	**(48)**	**2,994**	**271**	**3,265**
Contribution ratio	*19.7%*	*40.8%*	*3.5%*	*n/a*	*26.2%*	*5.4%*	*19.9%*
Sales, admin., distribution and other operating costs	1,172	877	63	99	2,211	737	2,948
Earnings before interest, tax, depr./amort. (EBITDA)	**250**	**726**	**(46)**	**(147)**	**783**	**(466)**	**317**
EBITDA ratio	*3.5%*	*18.5%*	*(9.4%)*	*n/a*	*6.9%*	*(9.3%)*	*1.9%*
Depreciation	111	305	4	15	435	369	804
Amortisation	34	87	1	0	122	38	160
Earnings before interest and tax (EBIT)	**105**	**334**	**(51)**	**(162)**	**226**	**(873)**	**(647)**
EBIT ratio	*1.5%*	*8.5%*	*(10.4%)*	*n/a*	*2.0%*	*(17.4%)*	*(3.9%)*
Share of earnings before tax of associated undertakings	0	194	0	(10)	184	2	186
Profit and loss on disposal of undertakings and activities	(1)	6	0	4	9	(648)	(639)
Net financial income and costs	(1)	(112)	(3)	(2)	(118)	(129)	(247)
Earnings before tax (EBT)	**103**	**422**	**(54)**	**(170)**	**301**	**(1,648)**	**(1,347)**
EBT ratio	*1.4%*	*10.8%*	*(11.0%)*	*n/a*	*2.6%*	*(32.8%)*	*(8.2%)*
Tax for the year	46	48	1	4	99	3	102
Profit/loss for the year	**57**	**374**	**(55)**	**(174)**	**202**	**(1,651)**	**(1,449)**
Minority interests' share of profit/loss for the year	4	6	0	1	11	1	12
FLS Industries A/S' share of profit/loss for the year	**53**	**368**	**(55)**	**(175)**	**191**	**(1,652)**	**(1,461)**
CASH FLOWS							
Cash flows from operating activities	**234**	**539**	**27**	**134**	**934**	**(220)**	**714**
Acquisition and disposal of undertakings and activities	18	59	0	(101)	(24)	691	667
Additions of tangible fixed assets	(114)	(290)	(3)	(1)	(408)	(225)	(633)
Other investments	(11)	192	0	68	249	693	942
Cash flows from investing activities	**(107)**	**(39)**	**(3)**	**(34)**	**(183)**	**1,159**	**976**
Cash flows from operating and investing activities	**127**	**500**	**24**	**100**	**751**	**939**	**1,690**
Cash flows from financing activities	**(462)**	**(467)**	**(50)**	**64**	**(915)**	**(695)**	**(1,610)**
Change in cash funds	**(335)**	**33**	**(26)**	**164**	**(164)**	**244**	**80**
NET INTEREST-BEARING DEBT/(BALANCES)	**(534)**	**1,389**	**n/a**	**976**	**1,831**	**1,122**	**2,953**
BALANCE SHEET							
Intangible fixed assets	147	1,103	n/a	0	1,250	(93)	1,157
Tangible fixed assets	702	2,643	n/a	204	3,549	2,385	5,934
Financial fixed assets	249	1,168	n/a	202	1,619	22	1,641
Current assets	4,905	1,843	n/a	(1,998)	4,750	2,154	6,904
Total assets	**6,003**	**6,757**	**n/a**	**(1,592)**	**11,168**	**4,468**	**15,636**
Consolidated shareholders' equity	1,399	3,693	n/a	(494)	4,598	1,131	5,729
FLS Industries A/S' share of shareholders' equity	1,399	3,431	n/a	(494)	4,336	1,077	5,413
Provisions	450	227	n/a	(3)	674	368	1,042
Long-term and current liabilities	4,154	2,837	n/a	(1,095)	5,896	2,969	8,865
Total liabilities	**6,003**	**6,757**	**n/a**	**(1,592)**	**11,168**	**4,468**	**15,636**
RETURN ON CAPITAL EMPLOYED (ROCE)							
Net operating profit after tax (NOPAT)	167	537	(51)	(268)	385	(1,532)	(1,147)
Average capital employed	3,132	5,621	30	(336)	8,447	3,814	12,261
Return on capital employed (ROCE)	**5%**	**10%**	**n/a**	**n/a**	**5%**	**(40%)**	**(9%)**
Number of employees at 31 December	**4,437**	**2,845**	**n/a**	**164**	**7,446**	**3,908**	**11,354**

[1] FLS Building Materials has been adjusted in connection with the disposal of Unicon's ready-mix activities in the US.
[2] FLS miljø Air Pollution Control activities were transferred to F.L.Smidth Group on 1 July 2002 and renamed F.L.Smidth Airtech. The results for 1 July to 31 December 2002 are included in F.L.Smidth Group.
[3] Other companies, etc. consist of companies with no activities, real estate companies, eliminations and the parent company.
[4] Non-strategic activities consist of companies for which it has been announced that they have ceased or will eventually cease to be members of the Group, see also Note 2.

1. Breakdown of the Group by core businesses in 2001

DKKm	F.L.Smidth Group	FLS Building Materials[1]	FLS miljø APC activity[2]	Other companies, etc.[3]	Core activities	Non-strategic activities[4]	FLS Group
PROFIT AND LOSS ACCOUNT							
Turnover							
Denmark	39	1,572	116	0	1,727	965	2,692
Rest of Scandinavia	53	747	38	0	838	105	943
Rest of Europe	1,567	1,099	457	0	3,123	3,451	6,574
North America	2,172	327	218	0	2,717	1,524	4,241
South America	895	3	12	0	910	11	921
Africa	1,582	17	22	0	1,621	8	1,629
Australia	113	14	0	0	127	2	129
Asia	1,408	81	91	0	1,580	221	1,801
External turnover	7,829	3,860	954	0	12,643	6,287	18,930
Intra-group turnover	153	13	0	(265)	(99)	99	0
Net turnover	**7,982**	**3,873**	**954**	**(265)**	**12,544**	**6,386**	**18,930**
Production costs	6,506	2,263	877	(242)	9,404	4,856	14,260
Gross profit	**1,476**	**1,610**	**77**	**(23)**	**3,140**	**1,530**	**4,670**
Contribution ratio	*18.5%*	*41.6%*	*8.1%*	*n/a*	*25.0%*	*24.0%*	*24.7%*
Sales, admin., distribution and other operating costs	1,124	930	131	(16)	2,169	1,280	3,449
Earnings before interest, tax, depr./amort. (EBITDA)	**352**	**680**	**(54)**	**(7)**	**971**	**250**	**1,221**
EBITDA ratio	*4.4%*	*17.6%*	*(5.7%)*	*n/a*	*7.7%*	*3.9%*	6.5%
Depreciation	118	271	7	19	415	458	873
Amortisation	40	85	0	(2)	123	30	153
Earnings before interest and tax (EBIT)	**194**	**324**	**(61)**	**(24)**	**433**	**(238)**	**195**
EBIT ratio	*2.4%*	*8.4%*	*(6.4%)*	*n/a*	*3.5%*	*(3.7%)*	*1.0%*
Share of earnings before tax of associated undertakings	0	178	0	(16)	162	(1)	161
Profit and loss on disposal of undertakings and activities	1	5	0	12	2	(27)	(25)
Net financial income and costs	24	(152)	1	50	(61)	(282)	(343)
Earnings before tax (EBT)	**219**	**355**	**(60)**	**22**	**536**	**(548)**	**(12)**
EBT ratio	*2.7%*	*9.2%*	*(6.3%)*	*n/a*	*4.3%*	*(8.6%)*	*(0.1%)*
Tax for the year	67	88	2	(153)	4	(35)	(31)
Profit/loss for the year	**152**	**267**	**(62)**	**175**	**532**	**(513)**	**19**
Minority interests' share of profit/loss for the year	11	17	0	0	28	4	32
FLS Industries A/S' share of profit/loss for the year	**141**	**250**	**(62)**	**175**	**504**	**(517)**	**(13)**
CASH FLOWS							
Cash flows from operating activities	**(384)**	**512**	**0**	**(4)**	**124**	**1,197**	**1,321**
Acquisition and disposal of undertakings and activities	(52)	(43)	0	(28)	(123)	558	435
Additions of tangible fixed assets	(114)	(378)	(3)	(4)	(499)	(445)	(944)
Other investments	9	(10)	0	121	120	142	262
Cash flows from investing activities	**(157)**	**(431)**	**(3)**	**89**	**(502)**	**255**	**(247)**
Cash flows from operating and investing activities	**(541)**	**81**	**(3)**	**85**	**(378)**	**1,452**	**1,074**
Cash flows from financing activities	**340**	**104**	**0**	**(319)**	**125**	**(1,429)**	**(1,304)**
Change in cash funds	**(201)**	**185**	**(3)**	**(234)**	**(253)**	**23**	**(230)**
NET INTEREST-BEARING DEBT/(BALANCES)	**(66)**	**1,596**	**(3)**	**910**	**2,437**	**2,553**	**4,990**
BALANCE SHEET							
Intangible fixed assets	107	1,171	0	1	1,279	(42)	1,237
Tangible fixed assets	854	2,705	22	290	3,871	3,527	7,398
Financial fixed assets	261	1,275	0	198	1,734	1,067	2,801
Current assets	4,550	1,719	337	(1,602)	5,004	2,388	7,392
Total assets	**5,772**	**6,870**	**359**	**(1,113)**	**11,888**	**6,940**	**18,828**
Consolidated shareholders' equity	1,164	3,703	50	(398)	4,519	2,350	6,869
FLS Industries A/S' share of shareholders' equity	1,153	3,423	50	(398)	4,228	2,298	6,526
Provisions	582	190	36	9	817	377	1,194
Long-term and current liabilities	4,026	2,977	273	(724)	6,552	4,213	10,765
Total liabilities	**5,772**	**6,870**	**359**	**(1,113)**	**11,888**	**6,940**	**18,828**
RETURN ON CAPITAL EMPLOYED (ROCE)							
Net operating profit after tax (NOPAT)	303	424	(60)	(93)	574	(307)	267
Average capital employed	2,864	5,567	60	37	8,528	6,295	14,823
Return on capital employed (ROCE)	**11%**	**8%**	**n/a**	**n/a**	**7%**	**(5%)**	**2%**
Number of employees at 31 December	**4,121**	**2,974**	**483**	**173**	**7,751**	**5,793**	**13,544**

[1] FLS Building Materials has been adjusted in connection with the disposal of Unicon's ready-mix activities in the US.

[2] FLS miljø Air Pollution Control activities were transferred to F.L.Smidth Group on 1 July 2002 and renamed F.L.Smidth Airtech. The results for 1 July to 31 December 2002 are included in F.L.Smidth Group.

[3] Other companies, etc. consist of companies with no activities, real estate companies, eliminations and the parent company.

[4] Non-strategic activities consist of companies for which it has been announced that they have ceased or will eventually cease to be members of the Group, see also Note 2. The column is adapted to the 2001 annual accounts with regard to Unicon's ready-mix concrete activities in the US, FLS Aerospace and FLS miljø activities exclusive of the APC business that was transferred to F.L.Smidth Group, see 2 above.

2. Non-strategic activities 2002

DKKm	FLS miljø non-strategic activities[1]	FLS Aerospace	Unicon USA[2]	Unicon other discontinuing activity[3]	Peders-haab	Dansk Træemballage	Others[4]	Non-strategic activities
PROFIT AND LOSS ACCOUNT								
Turnover								
Denmark	150	127	0	110	34	171	0	592
Rest of Scandinavia	2	23	0	0	27	6	0	58
Rest of Europe	534	2,213	0	196	55	4	34	3,036
North America	96	329	668	0	29	0	0	1,122
South America	12	0	0	0	0	0	0	12
Africa	0	23	0	0	1	0	0	24
Australia	11	2	0	0	0	0	0	13
Asia	5	13	0	0	51	0	0	69
External turnover	810	2,730	668	306	197	181	34	4,926
Intra-group turnover	91	0	0	0	2	6	0	99
Net turnover	**901**	**2,730**	**668**	**306**	**199**	**187**	**34**	**5,025**
Production costs	1,458	2,346	366	201	190	161	32	4,754
Gross profit	**(557)**	**384**	**302**	**105**	**9**	**26**	**2**	**271**
Contribution ratio	*(61.8%)*	*14.1%*	*45.2%*	*34.3%*	*4.5%*	*13.9%*	*n/a*	*5.4%*
Sales, admin., distribution costs and other operating items	38	330	244	61	41	13	10	737
Earnings before interest, tax, depr./amort. (EBITDA)	**(595)**	**54**	**58**	**44**	**(32)**	**13**	**(8)**	**(466)**
EBITDA ratio	*(66.0%)*	*2.0%*	*8.7%*	*14.4%*	*(16.1%)*	*7.0%*	*n/a*	*(9.3%)*
Depreciation	11	235	84	23	7	8	1	369
Amortisation	2	21	7	4	3	1	0	38
Earnings before interest and tax (EBIT)	**(608)**	**(202)**	**(33)**	**17**	**(42)**	**4**	**(9)**	**(873)**
EBIT ratio	*(67.5%)*	*(7.4%)*	*(4.9%)*	*5.6%*	*(21.1%)*	*2.1%*	*n/a*	*(17.4%)*
Share of earnings before tax of associated undertakings	(1)	0	0	3	0	0	0	2
Profit and loss on disposal of undertakings and activities	(112)	0	(18)	(5)	(1)	(69)	(443)	(648)
Net financial income and costs	(4)	(87)	(18)	(12)	(4)	(3)	(1)	(129)
Earnings before tax (EBT)	**(725)**	**(289)**	**(69)**	**3**	**(47)**	**(68)**	**(453)**	**(1,648)**
EBT ratio	*(80.5%)*	*(10.6%)*	*(10.3%)*	*1.0%*	*(23.6%)*	*(36.4%)*	*n/a*	*(32.8%)*
Tax for the year	0	9	(5)	1	0	1	(3)	3
Profit/loss for the year	**(725)**	**(298)**	**(64)**	**2**	**(47)**	**(69)**	**(450)**	**(1,651)**
Minority interests' share of profit/loss for the year	0	0	0	1	0	0	0	1
FLS Industries A/S' share of profit/loss for the year	**(725)**	**(298)**	**(64)**	**1**	**(47)**	**(69)**	**(450)**	**(1,652)**
CASH FLOWS								
Cash flows from operating activities	**(372)**	**23**	**44**	**68**	**12**	**5**	**0**	**(220)**
Acquisition and disposal of undertakings and activities	(79)	0	421	204	3	65	77	691
Additions of tangible fixed assets	0	(171)	(27)	(17)	(4)	(4)	(2)	(225)
Other investments	(8)	(1)	12	2	(3)	0	691	693
Cash flows from investing activities	**(87)**	**(172)**	**406**	**189**	**(4)**	**61**	**766**	**1,159**
Cash flows from operating and investing activities	**(459)**	**(149)**	**450**	**257**	**8**	**66**	**766**	**939**
Cash flows from financing activities	**735**	**120**	**(444)**	**(265)**	**(6)**	**(1)**	**(834)**	**(695)**
Change in cash funds	**276**	**(29)**	**6**	**(8)**	**2**	**65**	**(68)**	**244**
NET INTEREST-BEARING DEBT/(BALANCES)	**(402)**	**1,426**	**22**	**(18)**	**99**	**0**	**(5)**	**1,122**
BALANCE SHEET								
Intangible fixed assets	0	(102)	0	(2)	10	n/a	1	(93)
Tangible fixed assets	14	2,254	7	58	33	n/a	19	2,385
Financial fixed assets	10	0	0	8	2	n/a	2	22
Current assets	781	1,033	144	64	99	n/a	33	2,154
Total assets	**805**	**3,185**	**151**	**128**	**144**	**n/a**	**55**	**4,468**
Consolidated shareholders' equity	57	856	72	132	(8)	n/a	22	1,131
FLS Industries A/S' share of shareholders' equity	57	850	72	84	(8)	n/a	22	1,077
Provisions	232	123	0	5	7	n/a	1	368
Long-term and current liabilities	516	2,206	79	(9)	145	n/a	32	2,969
Total liabilities	**805**	**3,185**	**151**	**128**	**144**	**n/a**	**55**	**4,468**
RETURN ON CAPITAL EMPLOYED (ROCE)								
Adjusted net operating profit after tax (NOPAT)	(712)	(231)	(42)	11	(43)	(64)	(451)	(1,532)
Average capital employed	(99)	2,810	605	278	126	113	(19)	3,814
Return on capital employed (ROCE)	**n/a**	**(8%)**	**(7%)**	**4%**	**(34%)**	**n/a**	**n/a**	**(40%)**
Number of employees at 31 December	**201**	**3,152**	**8**	**235**	**273**	**n/a**	**39**	**3,908**

[1] FLS miljø non-strategic activity consists of FLS miljø except Air Pollution Control that was transferred to F.L.Smidth Group 1 July 2002.

[2] Unicon discontinuing activity is adjusted for discontinuing activity related to Unicon USA which is stated in the Unicon USA column. All US activities were sold in 2002.

[3] Dansk Træemballage A/S was sold at 1 October 2002.

[4] Other consists of PM US, Braby and sale of associated undertakings.

2. Non-strategic activities 2001

DKKm	FLS miljø non-strategic activities[1]	FLS Aerospace	Unicon USA[2]	Unicon other discontinuing activity[3]	Peders-haab	Dansk Træemballage	Others[4]	Non-strategic activities
PROFIT AND LOSS ACCOUNT								
Turnover								
Denmark	143	146	0	245	47	230	154	965
Rest of Scandinavia	9	42	0	0	22	3	29	105
Rest of Europe	387	2,430	0	328	67	2	237	3,451
North America	2	329	1,100	0	87	0	6	1,524
South America	10	0	0	0	1	0	0	11
Africa	(15)	23	0	0	0	0	0	8
Australia	0	2	0	0	0	0	0	2
Asia	50	77	0	0	92	0	2	221
External turnover	586	3,049	1,100	573	316	235	428	6,287
Intra-group turnover	92	0	0	0	2	5	0	99
Net turnover	**678**	**3,049**	**1,100**	**573**	**318**	**240**	**428**	**6,386**
Production costs	649	2,513	649	371	258	203	213	4,856
Gross profit	**29**	**536**	**451**	**202**	**60**	**37**	**215**	**1,530**
Contribution ratio	*4.3%*	*17.6%*	*41.0%*	*35.3%*	*18.9%*	*15.4%*	*50.2%*	*24.0%*
Sales, admin., distribution costs and other operating items	126	421	370	120	39	17	187	1,280
Earnings before interest, tax, depr./amort. (EBITDA)	**(97)**	**115**	**81**	**82**	**21**	**20**	**28**	**250**
EBITDA ratio	*(14.3%)*	*3.8%*	*7.4%*	*14.3%*	*6.6%*	*8.3%*	*6.5%*	*3.9%*
Depreciation	19	231	108	65	8	10	17	458
Amortisation	7	0	13	6	3	1	0	30
Earnings before interest and tax (EBIT)	**(123)**	**(116)**	**(40)**	**11**	**10**	**9**	**11**	**(238)**
EBIT ratio	*(18.1%)*	*(3.8%)*	*(3.6%)*	*1.9%*	*3.1%*	*3.8%*	*2.6%*	*(3.7%)*
Share of earnings before tax of associated undertakings	(3)	0	0	1	0	0	1	(1)
Profit and loss on disposal of undertakings and activities	9	5	(19)	(22)	0	0	0	(27)
Net financial income and costs	(19)	(159)	(52)	(37)	(4)	(6)	(5)	(282)
Earnings before tax (EBT)	**(136)**	**(270)**	**(111)**	**(47)**	**6**	**3**	**7**	**(548)**
EBT ratio	*(20.1%)*	*(8.9%)*	*(10.1%)*	*(8.2%)*	*1.9%*	*1.3%*	*1.6%*	*(8.6%)*
Tax for the year	0	(7)	(33)	0	0	1	4	(35)
Profit/loss for the year	**(136)**	**(263)**	**(78)**	**(47)**	**6**	**2**	**3**	**(513)**
Minority interests' share of profit/loss for the year	0	1	0	3	0	0	0	4
FLS Industries A/S' share of profit/loss for the year	**(136)**	**(264)**	**(78)**	**(50)**	**6**	**2**	**3**	**(517)**
CASH FLOWS								
Cash flows from operating activities	**164**	**(43)**	**37**	**70**	**(30)**	**8**	**991**	**1,197**
Acquisition and disposal of undertakings and activities	11	(3)	77	171	0	0	302	558
Additions of tangible fixed assets	(2)	(250)	(144)	(26)	(8)	(12)	(3)	(445)
Other investments	(31)	51	19	8	(3)	0	98	142
Cash flows from investing activities	**(22)**	**(202)**	**(48)**	**153**	**(11)**	**(12)**	**397**	**255**
Cash flows from operating and investing activities	**142**	**(245)**	**(11)**	**223**	**(41)**	**(4)**	**1,388**	**1,452**
Cash flows from financing activities	**(9)**	**143**	**8**	**(221)**	**29**	**4**	**(1,383)**	**(1,429)**
Change in cash funds	**133**	**(102)**	**(3)**	**2**	**(12)**	**0**	**5**	**23**
NET INTEREST-BEARING DEBT/(BALANCES)	**(128)**	**1,341**	**813**	**308**	**105**	**120**	**(6)**	**2,553**
BALANCE SHEET								
Intangible fixed assets	68	(185)	13	41	11	10	0	(42)
Tangible fixed assets	28	2,541	627	196	37	79	19	3,527
Financial fixed assets	11	20	27	5	6	0	998	1,067
Current assets	358	1,238	170	320	178	84	40	2,388
Total assets	**465**	**3,614**	**837**	**562**	**232**	**173**	**1,057**	**6,940**
Consolidated shareholders' equity	77	1,198	(99)	73	43	28	1,030	2,350
FLS Industries A/S' share of shareholders' equity	77	1,193	(99)	26	43	28	1,030	2,298
Provisions	59	282	25	7	2	0	2	377
Long-term and current liabilities	329	2,134	911	482	187	145	25	4,213
Total liabilities	**465**	**3,614**	**837**	**562**	**232**	**173**	**1,057**	**6,940**
RETURN ON CAPITAL EMPLOYED (ROCE)								
Adjusted net operating profit after tax (NOPAT)	(108)	(181)	(51)	6	10	8	9	(307)
Average capital employed	345	3,020	850	590	132	147	1,211	6,295
Return on capital employed (ROCE)	**(31%)**	**(6%)**	**(6%)**	**1%**	**8%**	**5%**	**1%**	**(5%)**
Number of employees at 31 December	**326**	**3,595**	**629**	**575**	**353**	**267**	**48**	**5,793**

[1] FLS miljø non-strategic activity consists of FLS miljø except Air Pollution Control.
[2] Unicon discontinuing activity is adjusted for discontinuing activity related to Unicon USA which is stated in the Unicon USA column.
[3] Other consists of PM US, Braby and RMIG. The latter was sold effective 8 March 2001.

3. Segment reporting

DKKm	2001	2002
Turnover by geographical area		
Denmark	2,692	2,419
Rest of Scandinavia	943	1,016
Rest of Europe	6,574	6,120
North America	4,241	3,302
South America	921	584
Africa	1,629	1,348
Australia	129	235
Asia	1,801	1,420
	18,930	**16,444**
Income recognition criterion		
Recognised when invoiced	12,441	10,733
The percentage-of-completion method	6,489	5,711
	18,930	**16,444**
Assets		
Denmark	7,030	6,729
Rest of Scandinavia	838	805
Rest of Europe	7,083	5,203
North America	2,569	1,789
South America	185	120
Africa	204	268
Australia	130	152
Asia	789	570
	18,828	**15,636**
Capital expenditures		
Denmark	306	221
Rest of Scandinavia	59	46
Rest of Europe	330	282
North America	177	56
South America	3	11
Africa	1	1
Australia	6	8
Asia	134	119
	1,016	**744**
Liabilities		
(total of provisions plus long-term and current liabilities)		
Denmark	4,100	3,838
Rest of Scandinavia	530	477
Rest of Europe	4,377	3,775
North America	2,419	1,039
South America	144	99
Africa	60	220
Australia	54	76
Asia	275	383
	11,959	**9,907**

4. Staff costs

DKKm	2001	2002
Wages and salaries	4,640	4,187
Pension contributions	361	390
Other staff costs	34	6
	5,035	**4,583**
The amounts are included in the items: Production costs, Sales and distribution costs and Administrative costs and other costs. The remuneration received by the parent company's Management and Board of Directors in Group companies is DKK 19m including severance pay (2001: DKK 5m) and DKK 6m (2001: DKK 7m) respectively. See also Note 3 to the parent company accounts.		
Number of employees at 31 December	**13,544**	**11,354**

Share options

The Board of Directors and a number of executive officers in the Group have been granted options to purchase 389,377 shares in the company at a set price (striking price).
As from 2002 the Board of Directors does not wish to be included in the option plan.

The options have been allocated as follows:

	1 January	Year's allocation	31 Dec.
Board of Directors	4,400	0	4,400
Corporate Management	19,579	0	19,579
Executive staff	48,704	0	48,704
Other officers	316,694	0	316,694
	389,377	0	389,377

The classification has been adjusted to reflect the position of the persons concerned at the time of the Annual Report being approved.

The allocation of options is based on certain specific financial targets being achieved. These targets are fixed for one year at a time.

The striking price of the options is set at the average of the market prices 15 business days before and 15 business days after the announcement of financial results for the year in which the options are granted.

The options cannot be exercised until between 3 and 8 years after being granted reckoned from the date of the Annual General Meeting of the year concerned. Exercise of the options is not subject to any particular conditions.

The year of allocation, striking price, exercising period of the individual allocations are as follows:

Year of allocation	Striking price	Exercising period	Allocated	Exercised	Not excercised at 31 Dec. 2002
1998	135	2002-2007	236,797	0	236,797
1999	139	2003-2008	152,580	0	152,580
			389,377	0	389,377

At the end of 2002 the calculated market value of the options amounted to DKK 2.9m (2001: DKK 3.8m) using the BLACK-SCHOLES formula. This is based on the assumption that all options are allotted, that they are exercised at the latest possible time, that the interest rate is 4.45%, that volatility is 31, that dividend on existing shares until expiry date is DKK 0 per share, and that the options are negotiable.

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

DKKm	2001	2002
KPMG		
Auditing	16	17
Other services	6	11
	22	**28**
Deloitte & Touche		
Auditing	4	5
Other services	10	17
	14	**22**

6. Other operating income and costs

DKKm	2001	2002
Other operating income		
Government subsidies and other grants	3	4
Rent income	52	34
Royalties, etc.	14	11
Negative goodwill booked as income, cf. Note 15	13	13
Insurance compensation	32	2
Profit on sale of fixed assets*	152	143
Other income	71	59
	337	**266**
Other operating costs		
Losses on disposal of fixed assets	6	20
Other costs	43	15
	49	**35**
Total other operating income and costs	**288**	**231**

* Sale of ships is included in 2002 at DKK 85m. Sale of the property Land Reg. No. 472, Valby was included in 2001 at DKK 92m.

7. Profit and loss on disposal of undertakings and activities

DKKm	2001	2002
Profit on disposal of undertakings and activities	63	71
Loss on disposal of undertakings and activities	88	254
Net loss on disposal of associated undertakings	0	456
	(25)	**(639)**

The year's profits and losses on disposal of undertakings and activities derive from the sale of Dansk Træemballage A/S, Unicon's activities in the USA and its paving stone operations in Denmark and Poland, Pfister Waagen GmbH and the costs of selling and winding up parts of FLS miljø's business.

Net loss on disposal of associated undertakings consists of the loss on sale of shares in NKT Holding A/S and the profit on sale of shares in Højslev Teglværk A/S.

8. Financial income and costs

DKKm	2001	2002
Financial income		
Interest receivable and similar income	98	51
Affiliated undertakings	1	0
Capital gains on bonds	4	4
Capital gains on shares	33	13
Foreign-exchange gains	1,049	1,035
	1,185	**1,103**
Financial costs		
Interest payable and similar charges	464	252
Affiliated undertakings	5	14
Capital losses on bonds	16	8
Capital losses on shares	19	15
Foreign-exchange losses	1,024	1,061
	1,528	**1,350**

9. Tax for the year

DKKm	2001	2002
Tax for the year		
Current tax on the profit/loss for the year	95	75
Deferred tax adjustment	(182)	22
Adjustment of tax rate on deferred tax	(8)	0
Share of tax for the year in associated undertakings	51	22
Other adjustments, including previous years	13	(17)
	(31)	**102**
Reconciliation of tax rate		
Tax according to Danish tax rate	(4)	(404)
Variance in the tax rates in non-Danish undertakings relative to 30%	2	(1)
Variance in the tax rates in associated undertakings relative to 30%	3	(28)
Non-deductible amortisation of goodwill	33	24
Non-taxable income and non-deductible costs	14	178
Variances in tax assets valued at nil	(17)	343
Other, including adjustments for previous years	(62)	(10)
	(31)	**102**
Specification of adjustment of deferred tax (including adjustment of tax rate)		
Intangible fixed assets	(115)	(17)
Tangible fixed assets	(125)	(227)
Financial fixed assets	(5)	(10)
Current assets	(33)	68
Provisions	(65)	70
Long-term and current liabilities	(26)	(27)
Deferrable deficits, gross	90	131
Share of tax asset valued at nil	78	45
Acquisition/disposal of undertakings	10	(3)
Exchange adjustments	1	(8)
	(190)	**22**

10. Change in provisions etc.

DKKm	2001	2002
Income recognition of negative goodwill	(13)	(13)
Pensions and similar commitments	9	14
Warranties	7	(139)
Redundancy costs	111	(105)
Other provisions	(71)	133
	43	**(110)**

11. Change in working capital

DKKm	2001	2002
Stocks	97	139
Trade debtors	103	282
Trade creditors	(125)	44
Change in other debtors and other creditors	(11)	(225)
	64	**240**

12. Financial payments received and made

DKKm	2001	2002
Financial payments received	952	1,042
Financial payments made	(1,290)	(1,033)
	(338)	**9**

13. Acquisition of undertakings and activities

DKKm	2001	2002
Intangible fixed assets	0	0
Tangible fixed assets	22	34
Financial fixed assets	3	0
Stocks	7	0
Debtors	44	6
Provisions	(4)	0
Long-term and current liabilities	(51)	(20)
Acquisition and disposal of minority interests	30	2
Net assets	**51**	**22**
Goodwill	38	17
Cash cost	**89**	**39**

Acquisition of undertakings and activities consists of the purchase of minority shareholder investments in Pfaff Maschinenbau GmbH, FFE Minerals Buffalo Ltd. and FFE Minerals-Vecor Limited, South Africa. These companies are now wholly-owned. Ownership in CemMiljø A/S has been increased from 42.5% to 70%, which entails that CemMiljø A/S is included as a consolidated company.

14. Disposal and discontinuance of undertakings and activities

DKKm	2001	2002
Intangible fixed assets	17	140
Tangible fixed assets	602	662
Financial fixed assets	22	0
Stocks	167	145
Debtors	220	87
Provisions	(49)	18
Long-term and current liabilities	(354)	(135)
Acquisition and disposal of minority interests	(76)	(30)
Net assets	**549**	**887**
Profit/loss on disposal of undertakings and activities	(25)	(181)
Cash sales price	**524**	**706**

Disposal of undertakings and activities consists of Dansk Træemballage A/S, Unicon's activities in the US and Unicon's paving stone business in Denmark and Poland, Pfister Waagen GmbH and disposal of FLS miljø businesses and activities.

Profit/loss on sale of undertakings and activities as shown in the profit and loss account is stated at average exchange rate, so no direct reconciliation can be made with that amount above.

15. Changes in net interest-bearing debt

DKKm	2001	2002
Net interest-bearing debt, 1 January	5,661	4,990
Increase due to acquisitions	14	2
Reduction due to disposals	(52)	4
Changes in interest-bearing cash funds	230	(82)
Changes in net interest-bearing debt	(863)	(1,606)
Exchange adjustments etc.	0	(355)
Net interest-bearing debt, 31 December	**4,990**	**2,953**

16. Intangible fixed assets

DKKm	Goodwill	Negative goodwill	Patents and licences	Other intangible fixed assets	Total
Cost at 1 January	2,947	(294)	87	99	2,839
Exchange adjustments and other adjustments	(158)		(5)	144	(19)
Acquisition/disposal of undertakings	(222)		(48)	(47)	(317)
Additions			9	59	68
Disposals			(2)	(2)	(4)
Cost at 31 December	**2,567**	**(294)**	**41**	**253**	**2,567**
Amortisation at 1 January	1,657		30	24	1,711
Exchange adjustments and other adjustments	(158)			20	(138)
Acquisition/disposal of undertakings	(179)		(13)	(2)	(194)
Disposals			(2)	(3)	(5)
Amortisation	111		13	34	158
Amortisation at 31 December	**1,431**		**28**	**73**	**1,532**
Negative goodwill recognised at 1 Jan.		(109)			(109)
Amortisation on non-monetary assets		(13)			(13)
Negative goodwill recognised at 31 December		**(122)**			**(122)**
Book value at 31 December	**1,136**	**(172)**	**13**	**180**	**1,157**
Book value at 31 December 2001	1,290	(185)	57	75	1,237

Amortisation in the profit and loss account is stated at the average rate of exchange and cannot therefore be directly reconciled with the fixed asset note stated above in which amortisation is stated at year end exchange rates.

Exchange adjustments and other adjustments of intangible fixed assets include transfer of previously capitalised IT project costs from tangible fixed assets in F.L.Smidth and FLS Aerospace at DKK 147m in terms of acquisition cost and DKK 21m in terms of amortisation, respectively, thus representing a book value of DKK 126m.

For acquisitions/disposals of undertakings, see Notes 13 and 14.

Negative goodwill arising on acquisition of undertakings concerns FLS Aerospace Holding's acquisition of TEAM Aer Lingus (FLS Aerospace (IRL)) in 1998. In 1999 FLS Aerospace recognised DKK 79m as income after statement of the acquisition costs as well as application and amortisation of the non-monetary assets acquired. The remaining negative goodwill is systematically recognised as income in step with the amortisation of the non-monetary assets mentioned. Income recognition for the year stated under other operating income amounts to DKK 13m. The remaining negative goodwill is expected to be booked as income concurrently with the amortisation in FLS Aerospace (IRL) until 2026.

Other intangible fixed assets mainly comprise capitalised development costs.

Much of the knowledge generated in the Group is based on the work performed for customers. In 2002, the Group's research and development costs totalled DKK 152m (2001: DKK 181m). As these costs mainly relate to improvements of already existing products, the FLS Group has merely capitalised development costs at a total amount of DKK 20m (2001: DKK 44m).

17. Tangible fixed assets

DKKm	Land and buildings	Plant, machinery and ships	Operating equipment, fixtures and fittings	Aircraft components	Tangible assets in course of construction	Total
Cost at 1 January	4,161	5,958	1,042	1,940	246	13,347
Exchange adjustments and other adjustments	(158)	(125)	(107)	(117)	(262)	(769)
Acquisition/disposal of undertakings	(225)	(903)	(101)		(10)	(1,239)
Additions	35	254	136	120	88	633
Disposals	(157)	(394)	(66)	(47)		(664)
Cost at 31 December	**3,656**	**4,790**	**904**	**1,896**	**62**	**11,308**
Depreciation at 1 January	1,466	3,334	694	431		5,925
Exchange adjustments and other adjustments	(53)	(129)	(50)	(24)		(256)
Acquisition/disposal of undertakings	(72)	(462)	(77)			(611)
Disposals	(72)	(346)	(44)	(28)		(490)
Depreciation	122	405	110	122		759
Depreciation at 31 December	**1,391**	**2,802**	**633**	**501**		**5,327**
Write-downs at 1 January		24				24
Acquisition/disposal of undertakings		(1)				(1)
Disposals		(1)				(1)
Write-downs	23	2				25
Write-downs at 31 December	**23**	**24**				**47**
Book value at 31 December	**2,242**	**1,964**	**271**	**1,395**	**62**	**5,934**
Book value of Danish properties at 31 December 2002	813					
Taxable value of Danish properties at 1 January 2002	1,380					
Book value at 31 December 2001	2,695	2,600	348	1,509	246	7,398
Book value of Danish properties at 31 December 2001	904					
Taxable value of Danish properties at 1 January 2001	1,401					
Financially leased fixed assets						
Book value at 31 December 2002	7	1	2	18		28
Book value at 31 December 2001	2	141	0	2		145

Depreciation in the profit and loss account is stated at the average rate of exchange and cannot therefore be directly reconciled with the fixed asset note above in which depreciation is stated at year-end exchange rates.

Exchange adjustments and other adjustments of plant and machinery, operating equipment and tangible assets in course of construction include transfer of DKK 147m acquisition cost and DKK 21m depreciation related to F.L.Smidth and FLS Aerospace IT project costs to intangible fixed assets.

Acquisitions/disposals of companies, see Notes 13 and 14.

The book value of land and buildings includes the value of a building on a site in Dublin leased on favourable terms until 2017, when FLS Aerospace Holding A/S, also on favourable terms, has an option to purchase the building. Utilisation value was capitalised in 1998 at DKK 221m in connection with the company takeover. The book value at the end of 2002 was DKK 187m.

18. Financial fixed assets

DKKm	Investments in associated undertakings	Other securities and investments	Other financial fixed assets	Total
Cost at 1 January	1,144	460	21	1,625
Exchange adjustments and other adjustments	(58)	7		(51)
Additions	46	29	14	89
Disposals	(669)	(154)		(823)
Cost at 31 December	**463**	**342**	**35**	**840**
Adjustments at 1 January	1,029	(244)	(11)	774
Acqusitions/disposals	(402)	92		(310)
Exchange adjustments	(3)	(4)		(7)
Profit shares	164	(13)	(8)	143
Dividends for the year	(144)			(144)
Value and other adjustments	37	(22)		15
Adjustments at 31 December	**681**	**(191)**	**(19)**	**471**
Book value at 31 December	**1,144**	**151**	**16**	**1,311**
Book value at 31 December 2001	2,173	216	10	2,399

The market value of other securities and investments listed at 31 December amounted to DKK 126m (2001: DKK 197m). The corresponding book value was DKK 112m (2001: DKK 180m).

19. Investments in associated undertakings

DKKm	Share-holders' equity	Ownership interest	FLS share of earnings before tax	FLS share of earnings after tax	FLS owner-ship of shareholders' equity
• Secil, S.A., Portugal (FLSHH SGPS, LDA,. Portugal)	3,421	22.3%	163	141	763
• Atlas Cement Corporation, Philippines	303	27.1%	37	37	82
• Lehigh White Cement Company, USA	325	24.5%	25	25	80
• Spæncom A/S, Denmark	179	33.9%	(14)	(13)	61
• Sinai White Portland Cement Co., Egypt	167	45.0%	(13)	(13)	75
• Supertræ A/S, Denmark	68	25.0%	(1)	(1)	17
• Civil and Industrial Products Ltd., UK	3	26.0%	0	0	1
• Autec S.p.o. , Czech Republic	5	34.7%	0	0	2
• EKOL-Unicon Sp.z o.o., Poland	17	49.0%	3	2	8
• Sola Betong AS, Norway	33	33.3%	4	3	11
• RCI Marketing, Malaysia	9	30.0%	0	0	3
• NKT Holding A/S, Denmark		0%	(7)	(6)	0
Other and internal adjustments			(11)	(11)	41
			186	**164**	**1,144**

The proportion of voting rights does not differ significantly from the ownership interests held.

The market value corresponding to the Group's ownership interest in listed associated undertakings was DKK 52m (2001: DKK 746m). The corresponding book value is DKK 61m (2001: DKK 1,067m). The Group's associated undertakings do not present their annual reports in accordance with the IAS guidelines. Adjustments have been made for significant deviations from the Group accounting policies, where possible.

As at 10 June 2002 the shares in NKT Holding A/S were sold mostly to Aktieselskabet Potagua - see also Note 35.

20. Deferred tax assets and liabilities

DKKm	2001	2002
Deferred tax assets		
Intangible fixed assets	128	153
Tangible fixed assets	417	591
Financial fixed assets	(7)	2
Current assets	52	0
Provisions	218	150
Long-term and current liabilities	26	74
Deferrable deficits, gross	857	726
Share of tax asset valued at nil	(975)	(1,020)
Deferred tax assets before possible setting-off	716	676
Set-off within legal tax entities and jurisdictions	(403)	(415)
Deferred tax assets at 31 December	**313**	**261**
Deferred tax liabilities		
Intangible fixed assets	28	36
Tangible fixed assets	464	411
Financial fixed assets	5	4
Current assets	24	40
Provisions	19	21
Long-term and current liabilities	(13)	8
Deferred tax liabilities before possible setting-off	527	520
Set-off within legal tax entities and jurisdictions	(403)	(415)
Deferred tax liabilities at 31 December	**124**	**105**
Deferred tax assets/liabilities, net at 31 December	**189**	**156**

DKKm	Deferred tax net	Deferred tax assets	Deferred tax liabilities
The year's changes in deferred tax assets/ liabilities			
Deferred tax assets/liabilities at 1 January	189	313	124
Movements via the profit and loss account	(22)	(43)	(21)
Exchange movements in the profit and loss account	(8)	(6)	2
Additions/disposals of undertakings	(3)	(3)	0
Net deferred tax assets/liabilities at 31 December	**156**	**261**	**105**

The part of the Group's deferred tax asset expected to be utilised within a five-year period has been included. Deferred tax liabilities, if any, in the individual Group companies are valued irrespective of the time for payment of tax. Deferred tax assets are therefore valued prudently in relation to tax liabilities.

DKKm	2001	2002
Maturity profile for deferrable deficits		
Less than one year	200	143
Between one and five years	890	947
More than five years	1,736	1,554
	2,826	**2,644**
Tax value of the above amount	857	726

A sale of certain non-Danish undertakings may lead to retaxation of deficits previously deducted. As mentioned in the Accounting Policies, provision for this has only been made where disposals etc. are actually planned at the time of submitting the financial statement. Retaxation of previously deducted foreign deficits in the FLS Industries A/S joint taxation is stated as a reduction of the deferrable deficit and a portion of the deferred tax asset valued at nil.

The Danish Customs and Tax Administration has raised a claim against FLS Industries A/S for increase of the taxable income for 1999 in a non-Danish jointly taxed company. The claim amounts to DKK 93m and is based on formalities in connection with capital increases abroad. The Danish Customs and Tax Administration has also announced that it will raise claims in connection with other capital increases. The total claims related to tax matters may amount to DKK 0.5bn. Should the Danish Customs and Tax Administration insist on increasing the taxable income, this will substantially reduce the deferrable deficit, but will not affect the valuation of tax assets nor affect tax on the income for the year, and no cash payment of tax will occur.

21. Stocks

DKKm	2001	2002
Stocks include production overheads at:	80	81
Stocks stated at net realisable value amount to:	321	196

FLS Aerospace accounts for a substantial portion of the stocks valued at net realisable value.

22. Work-in-progress for third parties

DKKm	2001	2002
Total costs incurred	10,965	12,025
Recognised profit	977	649
Work in progress for third parties	11,942	12,674
Invoicing on account to customers	11,621	12,443
	321	**231**
Of which work-in-progress for third parties is stated		
under Assets	1,135	1,453
and under Liabilities	(814)	(1,222)
	321	**231**

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

23. Debtors and cash funds

The interest-bearing portion of total debtors and cash at bank and in hand was DKK 483m (2001: 447m).

The Group's cash at bank and in hand consists mainly of bank balances

The Group's cash at bank and in hand includes DKK 179m (2001: DKK 138m) which is subject to restrictions for contractual reasons or due to being placed in countries with exchange controls.

Debtors falling due after more than one year total DKK 223m (2001: DKK 98m).

The booked debtors include retentions on contractual terms and conditions at DKK 311m (2001: DKK 260m).

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

24. Share capital

The Company has neither acquired nor sold any of its own shares during the financial year. FLS Industries A/S owns 1,303,774 own class B shares. The nominal value is DKK 26.1m, or 2.5% of the share capital. The shares have been acquired to cover the Company's option obligations, see Note 4.

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

25. Provisions for pensions and similar commitments

The pension commitments incumbent on the Danish undertakings are covered by insurance. The pension commitments of certain foreign undertakings are also covered by insurance. Foreign undertakings whose pension commitments are not - or only partly - covered by insurance (benefit-based), state the uncovered pension obligations on an actuarial basis at the present value at the balance sheet date. These pension schemes are covered by foundations, and a provision of DKK 25m (2001: DKK 3m) has been made in the Group considering the assets comprised by the schemes.

In 2002, DKK 390m was charged to the profit and loss account (2001: DKK 361m) for statutory schemes and schemes covered by insurance (contribution-based). An amount of DKK 73m (2001: DKK 53m) has been charged to the profit and loss account in respect of schemes not covered by insurance (benefit-based).

DKKm	2001	2002
Present value of benefit-based schemes	1,780	2,622
Market value of the assets comprised by the scheme	(1,588)	(1,848)
Non-recognised actuarial (loss)/profit	(189)	(749)
Total	**3**	**25**
Change in recognised commitment		
Net commitment at 1 January	3	3
Net expense taken to the profit and loss account	53	73
Other adjustments	(17)	(7)
Payments	(36)	(44)
Net commitment at 31 December	**3**	**25**
Stated as assets (prepaid pension fund contributions)	**(74)**	**(69)**
Stated as liabilities (pensions and similar commitments)	**77**	**94**
	3	**25**
Amounts taken to the profit and loss account		
Costs	70	89
Interest on commitment	95	141
Expected return on the assets comprised by the scheme	(110)	(169)
Actuarial loss/(profit)	(2)	12
Total amount taken to the profit and loss account	**53**	**73**
The assumptions on which the actuarial computations are based at the balance sheet date are as follows, on average:		
Average discounting rate applied	6%	6%
Expected return on tied-up assets	8%	7%
Future pay increase rate	4%	3%

Due to the downturn in financial markets, benefit-based pension plans are underfunded by DKK 749m at 31 December 2002.

According to IAS 19, underfunding in excess of 10% must be recoqnised in the profit and loss account over the estimated average remaining employment period of the persons participating in the plan.

No portion of the underfunding has been recognised in the 2002 Annual Report, because in accordance with IAS 19 it is permitted to adopt the actuarial value at 1 January 2002 as a basis for recognition of the underfunding.

The average remaining employment periods of the employees participating in the plans is currently estimated at 15 years, so the company is expected to have to charge DKK 31m to its accounts for 2003 as against DKK 12m in 2002. In subsequent years these commitments will be reassessed yearly based on the assets and liabilities of the pension funds.

26. Provisions for warranties, redundancy costs and other provisions

DKKm	Warranties	Redundancy costs	Other	Total
Provisions at 1 January	540	119	334	993
Exchange adjustments and other adjustments	(28)	(6)	(20)	(54)
Acquisition/disposal of undertakings	20		(2)	18
Additions	149	5	306	460
Application	(176)	(60)	(140)	(376)
Reversals	(112)	(50)	(36)	(198)
Provisions at 31 December	**393**	**8**	**442**	**843**

Warranties
At 31 December 2002, the Group has made a provision of DKK 393m (2001: DKK 540m) for expected warranty claims in respect of goods or services already supplied/provided. The movements during the year mainly reflect the expiry of warranty periods and settlement of warranty claims.

Redundancy costs
The provision for redundancy costs at 1 January mainly consists of a provision for the reduction of staff in FLS Aerospace due to restructuring of the organisation to the current level of activity.

Other
Other provisions include:
- Restructuring DKK 6m (2001: DKK 8m)
- Guarantees and obligations resulting from disposal of undertakings
- Re-establishment of sites, etc.
- Provisions for loss-making contracts, primarily the West Burton desulphurisation project contracted with FLS miljø.

The year's movement mainly consists of changes in loss-making contracts.

27. Long-term liabilities

DKKm	2001	2002
Maturity structure of long-term liabilities		
Between one and two years	640	327
Between two and five years	1,846	882
After more than five years	2,025	1,438
	4,511	**2,647**

The above maturity structure has been fixed based on the renegotiation dates for the Group's committed facilities in use.

DKKm	2001	2002
Financial leasing liability		
Total minimum charges:		
Maturity within one year	28	5
Maturity between one and five years	105	13
Maturity after five years	44	19
	177	**37**
Accounting value (Present value):		
Maturity within one year	19	4
Maturity between one and five years	90	8
Maturity after five years	36	13
	145	**25**

28. Current portion of long-term liabilities

DKKm	2001	2002
Mortgage debt	54	53
Currency loans, leasing debt, bank debt, etc.	237	509
	291	**562**

29. Other creditors

Other creditors include due holiday pay, taxes and public indirect taxes, interest payable and negative value of derivatives.

30. Net interest-bearing debt

DKKm	2001		2002	
	Net debt	Of which interest-bearing	Net debt	Of which interest-bearing
Mortgage debt	342	342	289	289
Currency loans, leasing debt, bank debt, etc.	5,207	5,127	3,449	3,200
Amounts owed to affiliated undertakings	7	7	0	0
Trade debtors and other debtors	(4,124)	(136)	(3,542)	(117)
Securities, investments, etc.	(262)	(40)	(191)	(53)
Other financial items	906	(310)	376	(366)
	2,076	**4,990**	**381**	**2,953**

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

Principal in DKKm/ interest rate p.a.		2001 Total	USD/interest		GBP/interest		EUR/interest		DKK/interest		Other/interest		2002 Total
Within one year	Assets	(2,587)	(470)	0.2-3.5%	(178)	1.8-4.4%	(236)	1.0-4.0%	(1,795)	1.0-3.8%	(294)	0.1-14.0%	(2,973)
	Liabilities	7,128	726	1.3-3.4%	1,539	4.6-4.8%	511	3.3-6.9%	1,871	3.1-6.9%	738	0.9-8.8%	5,385
	Interest swaps	(891)	(94)	1.4-4.8%	(741)	3.9-4.0%							(835)
Total within one year		**3,650**	**162**		**620**		**275**		**76**		**444**		**1,577**
Between one and five years	Assets	(30)							(11)	6.0-9.8%			(11)
	Liabilities	331			7	7.0%	19	3.6-3.8%	112	5.3-11.1%	121	3.9-7.7%	259
	Interest swaps	766	94	3.3%	627	6.5-6.7%							721
Total between one and five years		**1,067**	**94**		**634**		**19**		**101**		**121**		**969**
After more than five years	Assets	(8)											0
	Liabilities	156			11	7.0%			178	5.1-11.0%	104	7.2-15.0%	293
	Interest swaps	125			114	6.5%							114
Total after more than five years		**273**	**0**		**125**		**0**		**178**		**104**		**407**
Total		**4,990**	**256**		**1,379**		**294**		**355**		**669**		**2,953**

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

31. Mortgaging/pledging

DKKm	2001		2002	
	Book value of mortg./ pledg. assets	Mortgaging/ pledging	Book value of mortg./ pledg. assets	Mortgaging/ pledging
Bonds and bank balances	44	17	10	7
Trade debtors, etc.	305	164	180	79
Real estate	1,250	320	1,249	315
	1,599	**501**	**1,439**	**401**

32. Contingent assets and liabilities

DKKm	2001	2002
Minimum rent and leasing obligations on operational leasing:		
Maturity between one and two years	71	98
Maturity between two and five years	139	342
Maturity after more than five years	658	1,094
	868	1,534
Guarantees	238	190
Other contractual obligations	81	55
	1,187	**1,779**

When stating work-in-progress in the F.L.Smidth Group and in FLS miljø, allowance has been made for a number of project-related risks, for which provisions have been made on the basis of the management's estimates. A few claims are pending in respect of previously supplied orders. Provisions have been made to counter dependency risks which is estimated to occur by the extinction of the claims.

Rent and leasing obligations include a time charter contract in Aalborg Portland signed in 2002 of DKK 0,5bn of which a major part of the contract sum derives from the outsourcing of shipping operations (including crews) of three ships.

32. Contingent assets and liabilities continued

Hangar rent in FLS Aerospace accounts for a substantial portion of the rent and leasing obligations. The long-term lease obligation amounts to DKK 0.8bn.

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

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

When undertaking contracts and supplies, the companies in the Group have provided the usual security in the form of performance guarantees, etc. At the end of 2002, the total number of performance and payment guarantees issued amounted to DKK 3.2bn (2001: DKK 5.1bn). In cases where a guarantee is expected to materialise, a provision for this amount is made in the Annual Report under the heading of Warranty provisions.

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

After the balance sheet date, the Supreme Court has found for Aalborg Portland in the case raised against the Ministry of Taxation concerning waste taxes levied and paid during the years 1992 to 1997. According to the decision by the Supreme Court, prior to 1 January 1997 there was no authority to levy tax for waste deposited on one's own property. Financially, the Supreme Court decision means that Aalborg Portland will receive a refund of the tax, DKK 32m, plus interest, approx. DKK 57m in all. This amount will be recognised in the 2003 accounts.

33. Financial instruments

The below tables show the principals and fair values of pending financial transactions at 31 December 2002 which have been entered into to hedge the Group's currency and interest rate exposure. All fair values are based on officially fixed quotations, if available, alternatively on prices quoted by banks. Principals are translated at the rate of exchange at the balance sheet date.

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

Currency hedging
In order to hedge currency risk on the Group companies' underlying contractual and budgeted payments and currency risk on loans and investments, the Group's internal bank has entered into forward exchange contracts and currency options. The maturity of pending forward exchange contracts at 31 December 2002 is up to two years.

Interest rate hedging
The Group hedges interest rate risks using derivatives such as interest swaps, future rate agreements (FRA) and interest-rate options. The interest swaps mentioned below run for up to six years. See also Note 30.

2002	Fair value of contracts				
DKKm	USD	GBP	EUR	Other	Total
Forward exchange contracts	206	46	23	(15)	**260**
Interest swaps	(4)	(53)		(1)	**(58)**
Total	**202**	**(7)**	**23**	**(16)**	**202**

2002	Principals of contracts, net*				
DKKm	USD	GBP	EUR	Other	Total
Forward exchange contracts	(2,456)	(925)	(1,558)	(191)	**(5,130)**
Interest swaps	183	741		(75)	**999**

2001	Fair value of contracts				
DKKm	USD	GBP	EUR	Other	Total
Forward exchange contracts	(201)	(42)	10	(57)	**(290)**
FRA			(1)		**(1)**
Interest swaps	(12)	(12)		(2)	**(26)**
Total	**(213)**	**(54)**	**9**	**(59)**	**(317)**

2001	Principals of contracts, net*				
DKKm	USD	GBP	EUR	Other	Total
Forward exchange contracts	(2,601)	(1,870)	(1,407)	(443)	**(6,321)**
FRA			1,896	400	**2,296**
Interest swaps	399	792		115	**1,306**

Fair value of financial contracts is related to the following types of hedging		
DKKm	2001	2002
Hedging of fair value of included assets and liabilities, net	(143)	68
Hedging of future anticipated cash flows	(101)	102
Hedging of net investments in foreign units	(73)	32
Total	**(317)**	**202**

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

Fair value of financial assets and liabilities not measured at fair value
The book value at 31 December 2002 of debtors plus long-term and current liabilities largely corresponds to the fair value.

34. Earnings per share (EPS)

DKKm	2001	2002
FLS share of profit/loss for the year (in DKKm)	(13)	(1,461)
Weighted average number of shares	53,200,000	53,200,000
Earnings, DKK per share	**(0.2)**	**(27.5)**
Earnings per share (EPS) adjusted for own shares, etc.		
FLS share of profit/loss for the year (in DKKm)	(13)	(1,461)
Weighted average number of shares	53,200,000	53,200,000
Adjustment, weighted average number of own shares	1,303,774	1,303,774
	51,896,226	51,896,226
Earnings per share in DKK	**(0.3)**	**(28.2)**

The exercising of allotted share options will have no significant effect on the earnings per share.

35. Related party transactions

In 2002, FLS Industries A/S sold 5,025,000 NKT Holding A/S shares (corresponding to 20.1% of the share capital in NKT Holding A/S) at a price of DKK 92 per share to Aktieselskabet Potagua. The selling price is based on the share price quoted on the Copenhagen Stock Exchange at the time of selling.

In 2001, a property was sold on market terms to a company whose main shareholder was a related party to a member of the Management.

Related parties with a controlling interest:
Aktieselskabet Potagua, Jægersborgvej 66B, 2800 Kgs. Lyngby owns 46% of the shares in FLS Industries A/S and controls 62.1% of the votes.

36. Definition of return on capital employed

Return on Capital Employed is defined as follows:

$$ROCE = \frac{NOPAT}{\text{Capital Employed}}$$

NOPAT (Net Operating Profit After Tax) is the profit/loss for the year with the following, significant additions:
- the cost of net interest-bearing debt (after tax)
- the income from financial assets tied up outside the Group (after tax)
- amortisation of goodwill

Capital Employed is made up as the opening/closing average of shareholders' equity plus net interest-bearing debt with the following, significant additions:
- accumulated amortisation of goodwill - as the original goodwill is considered of permanent value.
- provisions for deferred tax
- financial assets tied up outside the Group - this encourages internal recirculation of cash funds

37. Profit and loss account by quarter (unaudited)

DKKm	1st quarter 2002	2nd quarter 2002	3rd quarter 2002	4th quarter 2002
Net turnover	3,828	4,609	4,025	3,982
Production costs	2,976	3,662	3,417	3,124
Gross profit	**852**	**947**	**608**	**858**
Sales and distribution costs	338	382	348	392
Administrative costs and other costs	418	462	466	373
Other operating income and costs	128	38	16	49
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**224**	**141**	**(190)**	**142**
Depreciation and write-down of tangible fixed assets	210	197	185	212
Amortisation and write-down of intangible fixed assets	38	43	36	43
Earnings before interest and tax (EBIT)	**(24)**	**(99)**	**(411)**	**(113)**
Share of earnings before tax of associated undertakings	32	88	51	15
Profit and loss on disposal of undertakings and activities	22	(595)	(23)	(43)
Financial income	249	360	127	367
Financial costs	337	413	187	413
Earnings before tax (EBT)	**(58)**	**(659)**	**(443)**	**(187)**
Tax for the period	13	47	(7)	49
Profit/loss for the period	**(71)**	**(706)**	**(436)**	**(236)**
Minority interests' share of the profit/loss for the period	1	7	8	(4)
FLS Industries A/S' share of the profit/loss for the period	**(72)**	**(713)**	**(444)**	**(232)**

DKKm	1st quarter 2001	2nd quarter 2001	3rd quarter 2001	4th quarter 2001
Net turnover	4,195	4,819	4,798	5,118
Production costs	3,105	3,622	3,539	3,994
Gross profit	**1,090**	**1,197**	**1,259**	**1,124**
Sales and distribution costs	394	386	371	436
Administrative costs and other costs	553	515	494	588
Other operating income and costs	39	38	47	164
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**182**	**334**	**441**	**264**
Depreciation and write-down of tangible fixed assets	222	215	212	224
Amortisation and write-down of intangible fixed assets	36	37	38	42
Earnings before interest and tax (EBIT)	**(76)**	**82**	**191**	**(2)**
Share of earnings before tax of associated undertakings	35	45	41	40
Profit and loss on disposal of undertakings and activities	15	(4)	25	(61)
Financial income	372	273	59	481
Financial costs	463	341	153	571
Earnings before tax (EBT)	**(117)**	**55**	**163**	**(113)**
Tax for the period	8	73	(5)	(107)
Profit/loss for the period	**(125)**	**(18)**	**168**	**(6)**
Minority interests' share of the profit/loss for the period	1	12	13	5
FLS Industries A/S' share of the profit/loss for the period	**(126)**	**(30)**	**155**	**(11)**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Profit and loss account

Notes	DKKm	2001	2002
1	Share of earnings before tax of subsidiary undertakings	(233)	(851)
9	Share of earnings before tax of associated undertakings	147	179
2	Profit and loss on disposal of undertakings and activities	24	(545)
	Profit on disposal of land and buildings	93	2
	Other income	43	35
	Total income	**74**	**(1,180)**
	Property costs	6	8
3	Staff costs	52	72
4	Other operating costs	112	99
	Depreciation and write-down of tangible fixed assets	10	8
	Total costs	**180**	**187**
	Earnings before financial items	**(106)**	**(1,367)**
	Income from other financial fixed assets	1	1
5	Financial income	1,384	1,169
5	Financial costs	1,332	1,167
	Earnings before tax	**(53)**	**(1,364)**
6	Tax for the year	(40)	97
	Profit/loss for the year	**(13)**	**(1,461)**
	To be distributed as follows:		
	Transferred to reserve based on equity method	(1,308)	152
	Transferred to other reserves	1,295	(1,613)
		(13)	**(1,461)**
	Proposal for distribution of dividend:		
	Preferential 0 per cent dividend on DKK 920m class B shares (2001: 0 per cent)	0	0
	0 per cent dividend on DKK 144m class A shares (2001: 0 per cent)	0	0
		0	**0**

Assets

Notes	DKKm	2001	2002
	Fixed assets		
	Land and buildings	96	88
	Operating equipment, fixtures and fittings	2	1
7	**Tangible fixed assets**	**98**	**89**
8	Investments in subsidiary undertakings	5,394	5,193
8+9	Investments in associated undertakings	1,846	906
8	Other securities and investments	82	18
10	Deferred tax asset	175	175
	Financial fixed assets	**7,497**	**6,292**
	Total fixed assets	**7,595**	**6,381**
	Current assets		
	Amounts owed by subsidiary undertakings	5,653	4,147
	Other debtors	396	320
11	**Debtors**	**6,049**	**4,467**
12	Own shares	0	0
	Bonds and other securities	1	1
	Securities	**1**	**1**
	Cash funds	**5**	**24**
	Total current assets	**6,055**	**4,492**
	TOTAL ASSETS	**13,650**	**10,873**

Liabilities

Notes	DKKm	2001	2002
	Shareholders' equity		
12	Share capital	1,064	1,064
	Share premium account	756	756
	Reserve based on equity method	1,204	1,544
	Other reserves	3,502	2,049
	Shareholders' equity before proposed dividend	**6,526**	**5,413**
	Proposed dividend	0	0
	Total shareholders' equity	**6,526**	**5,413**
	Long-term and current liabilities		
	Mortgage debt	26	20
	Currency loans, bank debt, etc.	3,753	1,817
13	**Long-term liabilities**	**3,779**	**1,837**
14	Current portion of long-term liabilities	292	491
	Currency loans, bank debt, etc.	328	290
	Amounts owed to subsidiary undertakings	2,496	2,639
	Amounts owed to affiliated undertakings	7	0
15	Other creditors	222	203
	Current liabilities	**3,345**	**3,623**
	Total long-term and current liabilities	**7,124**	**5,460**
	TOTAL LIABILITIES	**13,650**	**10,873**

Notes not referred to in the annual accounts

16 Mortgaging, pledging
17 Contingent assets and liabilities
18 Net interest-bearing debt
19 Financial instruments

Shareholders' equity

DKKm	Share capital	Share premium account	Reserve based on equity method	Other reserves	Total
Shareholders' equity at 1 January 2001	**1,064**	**756**	**2,754**	**2,979**	**7,553**
Change of accounting policy			(149)		**(149)**
Adjusted shareholders' equity at 1 January 2001	**1,064**	**756**	**2,605**	**2,979**	**7,404**
Exchange adjustments of net investments			(5)	24	**19**
Foreign exchange hedging of net investments			(3)	(25)	**(28)**
Value adjustment of hedging instruments			48	0	**48**
Profit/loss for the year			(1,308)	1,295	**(13)**
Value adjustments			(6)	(8)	**(14)**
Other adjustments in shareholders' equity			239	(251)	**(12)**
Total income for the year		**0**	**(1,035)**	**1,035**	**0**
Proposed dividend					**0**
Dividend distributed			(433)	(445)	**(878)**
Transfer between reserves			67	(67)	**0**
Shareholders' equity at 31 December 2001 before proposed dividend	**1,064**	**756**	**1,204**	**3,502**	**6,526**
Proposed dividend					**0**
Shareholders' equity at 31 December 2001	**1,064**	**756**	**1,204**	**3,502**	**6,526**
Exchange adjustments of net investments			(209)	(91)	**(300)**
Foreign exchange hedging of net investments			159	94	**253**
Value adjustment of hedging instruments			332	(48)	**284**
Profit/loss for the year			152	(1,613)	**(1,461)**
Value adjustments			10	4	**14**
Adjustment for sale of NKT*			109	0	**109**
Other adjustments in shareholders' equity			(15)	3	**(12)**
Total income for the year		**0**	**538**	**(1,651)**	**(1,113)**
Proposed dividend					**0**
Dividend distributed					**0**
Transfer between reserves			(198)	198	**0**
Shareholders' equity at 31 December 2002 before proposed dividend	**1,064**	**756**	**1,544**	**2,049**	**5,413**
Proposed dividend				0	**0**
Shareholders' equity at 31 December 2002	**1,064**	**756**	**1,544**	**2,049**	**5,413**

Share capital movements (DKKm):	
Share capital at 1 January 1998	922
1998, Issue of employee shares	8
Merger at 1 January 2001, New issue of shares	134
Share capital at 1 January 2001	1,064

*) The adjustment mainly consists of reversal of write-down of own shares and exchange adjustments, etc. made in NKT Holding A/S.

The shareholders' equity at 31 December 2002 includes accumulated exchange adjustments of net investments in subsidiaries and associated undertakings plus related foreign exchange hedging at DKK -294m and accumulated exchange adjustments regarding hedging of future cash flows at DKK 183m.

1. Share of earnings before tax of subsidiary undertakings

DKKm	2001	2002
Proportionate share of earnings before tax	(186)	(804)
Amortisation of goodwill deriving from acquisition of undertakings	(47)	(47)
	(233)	**(851)**

2. Profit and loss on disposal of undertakings and activities

DKKm	2001	2002
Profit on disposal of undertakings and activities	24	1
Loss on disposal of undertakings and activities	0	(63)
Loss on disposal of associated undertakings	0	(483)
	24	**(545)**

3. Staff costs

DKKm	2001	2002
Wages and salaries	47	67
Pension contributions	1	1
Other staff costs	4	4
	52	**72**
Remuneration to the Board of Directors was DKK 5m for 2002 (2001: DKK 6m). The remuneration of the Board includes a special fee to the Chairman at DKK 2m (2001: DKK 2m) due to the extraordinary efforts of the Chairman. The remuneration of the Board also includes a special fee at DKK 0.2m (2001: DKK 0.8m) to cover extraordinary efforts. Total remuneration to the Management of the parent company was DKK 19m (2001: DKK 5m), of which DKK 17m (2001: DKK 4m) was paid by the parent company. (This amount includes severance pay.)		
Number of employees at 31 December	**69**	**62**

The parent company Management is comprised by the Group's share option plan. See Note 4 to the consolidated accounts.

4. Fees to auditors appointed at the Annual General Meeting

DKKm	2001	2002
KPMG		
Auditing	1	1
Other services	2	1
	3	**2**
Deloitte & Touche		
Auditing	1	1
Other services	8	13
	9	**14**

5. Financial income and costs

DKKm	2001	2002
Financial income:		
Interest receivable and similar income	30	8
Affiliated undertakings	402	238
Capital gains on shares	0	13
Foreign-exchange gains	952	910
	1,384	**1,169**
Financial costs:		
Interest payable and similar charges	326	154
Affiliated undertakings	95	74
Capital losses on shares	7	5
Foreign-exchange losses, etc.	904	934
	1,332	**1,167**

6. Tax for the year

DKKm	2001	2002
Tax for the year		
Current tax on the profit/loss for the year	0	0
Share of tax for the year in subsidiary undertakings	142	170
Joint taxation contribution to the parent company	(95)	(102)
Deferred tax adjustment	(158)	4
Share of tax for the year in associated undertakings	46	20
Other adjustments, including previous years	25	5
	(40)	**97**
Reconciliation of tax rate		
Tax according to Danish tax rate	(16)	(409)
Variance in the tax rates in non-Danish undertakings relative to 30%	2	0
Variances in the tax rates in associated undertakings relative to 30%	2	(34)
Variances regarding subsidiary undertakings	19	131
Non-deductible amortisation of goodwill	14	14
Non-taxable income and non-deductible costs	(15)	163
Variances in tax asset valued at nil	(306)	223
Variance in tax asset due to changed joint taxation enrolment	252	4
Other, including adjustments for previous years	8	5
	(40)	**97**
Specification of adjustment of deferred tax (including adjustment of tax rate)		
Intangible fixed assets	(79)	(22)
Tangible fixed assets	14	(173)
Financial fixed assets	0	0
Current assets	11	10
Provisions	(101)	16
Long-term and current liabilities	(8)	2
Deferrable deficits, gross	(212)	(70)
Share of tax asset valued at nil	225	225
Exchange adjustments, etc.	(8)	16
	(158)	**4**

Variances in tax rate are mainly due to non-included tax assets.

7. Tangible fixed assets

DKKm	Land and buildings	Operating equipment, fixtures and fittings	Total
Cost at 1 January	238	9	247
Additions			0
Disposals	(3)	(1)	(4)
Cost at 31 December	**235**	**8**	**243**
Depreciation at 1 January	(142)	(7)	(149)
Disposals	2	1	3
Depreciation	(7)	(1)	(8)
Depreciation at 31 December	**(147)**	**(7)**	**(154)**
Book value at 31 December	**88**	**1**	**89**
Book value of Danish properties at 31 December 2002	85		
Taxable value of Danish properties at 1 January 2002	273		
Book value at 31 December 2001	96	2	98
Book value of Danish properties at 31 December 2001	92		
Taxable value of Danish properties at 1 January 2001	250		

8. Financial fixed assets

DKKm	Investments in subsidiaries	Investments in associated undertakings	Other securities and investments	Total
Cost at 1 January	9,454	813	181	10,448
Additions	860			860
Disposals	(222)	(617)	(150)	(989)
Cost at 31 December	**10,092**	**196**	**31**	**10,319**
Adjustments at 1 January	(4,062)	1,033	(99)	(3,128)
Disposals	67	(359)	92	(200)
Exchange adjustments	(51)	(11)		(62)
Value adjustment of hedging instruments	284			284
Profit shares	(974)	159	(6)	(821)
Amortisation of goodwill deriving from acquisition of undertakings	(47)			(47)
Dividends for the year	(116)	(119)		(235)
Value and other adjustments	(9)	7		(2)
Adjustments at 31 December	**(4,908)**	**710**	**(13)**	**(4,211)**
Set-off of negative shareholders' equity in subsidiaries	**9**			**9**
Book value at 31 December	**5,193**	**906**	**18**	**6,117**
Book value at 31 December 2001	5,394	1,846	82	7,322

Companies with a negative shareholders' equity are stated at nil and an amount corresponding to the negative shareholders' equity is set off against the amount owing from these companies or stated as debt.

Book value includes goodwill deriving from acquisition of undertakings at DKK 816m (2001: DKK 864m).

The market value of other securities and investments listed at 31 December amounted to DKK 18m (2001: DKK 82m). The corresponding book value was DKK 18m (2001: DKK 82m).

9. Investments in associated undertakings

DKKm	Share-holders' equity	Ownership interest	FLS share of earnings before tax	FLS share of earnings after tax	FLS owner-ship of shareholders' equity
• Secil. S,A,. Portugal (FLSHH SGPS. LdA,. Portugal)	3,421	22.3%	163	141	763
• Atlas Cement Corporation. Philippines	303	27.1%	37	37	82
• Spæncom A/S. Denmark	179	33.9%	(14)	(13)	61
• NKT Holding A/S. Denmark		0 %	(7)	(6)	0
		179	**159**	**906**	

The proportion of voting rights does not differ significantly from the ownership interests held.

The market value corresponding to FLS Industries A/S' ownership interest in listed associated undertakings was DKK 52m (2001: DKK 746m). The corresponding book value is DKK 61m (2001: DKK 1,067m). The Group's associated undertakings do not present their annual reports in accordance with IAS guidelines. Adjustments have been made for significant deviations from the Group accounting policies, where possible.

As at 10 June 2002 the shares in NKT Holding A/S were sold mostly to Aktieselskabet Potagua - see also Note 35.

10. Deferred tax asset and liability

DKKm	2001	2002
Deferred tax asset		
Intangible fixed assets	120	135
Tangible fixed assets	336	442
Financial fixed assets	0	0
Current assets	17	0
Provisions	99	83
Long-term and current liabilities	7	8
Deferrable deficits, gross	212	282
Share of tax asset valued at nil	(225)	(462)
Deferred tax asset before possible setting-off	566	488
Set-off within legal tax entities and jurisdictions	(391)	(313)
Deferred tax asset at 31 December	**175**	**175**
Deferred tax liability		
Intangible fixed assets	19	12
Tangible fixed assets	350	283
Financial fixed assets	0	0
Current assets	22	15
Provisions	0	0
Long-term and current liabilities	0	3
Deferred tax liability before possible setting-off	391	313
Set-off within legal tax entities and jurisdictions	(391)	(313)
Deferred tax liability at 31 December	**0**	**0**
Deferred tax asset/liability, net at 31 December	**175**	**175**

DKKm	Deferred tax net	Deferred tax asset	Deferred tax liability
The year's changes in deferred tax asset/liability			
Deferred tax asset/liability at 1 January	175	175	0
Adjustment due to changed joint taxation enrolment	4	4	0
Movements via the profit and loss account	(4)	(4)	0
Exchange movements in the profit and loss account	0	0	0
Additions/disposals of undertakings	0	0	0
Net deferred tax asset/liability at 31 December	**175**	**175**	**0**

The part of the Group's deferred tax asset expected to be utilised within a five-year period has been included. Deferred tax liabilities, if any, in the individual Group companies are valued irrespective of the time for payment of tax. Deferred tax assets are therefore valued prudently in relation to tax liabilities.

DKKm	2001	2002
Maturity profile for deferrable deficits		
Less than one year	0	0
Between one and five years	671	671
More than five years	0	269
	671	**940**
Tax value of the above amount	212	282

The Danish Customs and Tax Administration has raised a claim against FLS Industries A/S for increase of the taxable income for 1999 in a non-Danish jointly taxed company. The claim amounts to DKK 93m and is based on formalities in connection with capital increases abroad. The Danish Customs and Tax Administration has also announced that it will raise claims in connection with other capital increases. The total claims related to tax matters may amount to DKK 0.5bn. Should the Danish Customs and Tax Administration insist on increasing the taxable income, this will substantially reduce the deferrable deficit, but will not affect the valuation of tax assets nor affect tax on the income for the year, and no cash payment of tax will occur.

11. Debtors

Debtors falling due after more than one year total DKK 1,232m (31 December 2001: DKK 1,267m).

12. Share capital

The Company neither acquired nor sold any of its own shares during the financial year. FLS Industries A/S owns 1,303,774 own class B shares. The nominal value is DKK 26.1m, or 2.5% of the share capital. The shares have been acquired to cover the Company's option obligations, see Note 3.

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

13. Long-term liabilities

DKKm	2001	2002
Maturity structure of long-term liabilities:		
Between one and two years	563	320
Between two and five years	1,718	611
After more than five years	1,498	906
	3,779	**1,837**

14. Current portion of long-term liabilities

DKKm	2001	2002
Mortgage debt	6	6
Currency loans, bank debt, etc.	286	485
	292	**491**

15. Other creditors

Other creditors include due holiday pay, taxes and public indirect taxes, interest payable and for financial business incorporation of financial contracts at market value .

16. Mortgaging/pledging

DKKm	2001		2002	
	Book value of mortg./pledg. assets	Mortgaging/pledging	Book value of mortg./pledg. assets	Mortgaging/pledging
Real estate	80	32	74	26

17. Contingent assets and liabilities

FLS Industries A/S has provided a guarantee for the supply and operating liabilities of its subsidiary, FLS miljø, in connection with the West Burton desulphurisation project in the UK plus two other plant projects and one operating contract. See also Note 32 to the consolidated accounts.

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

There are no additional contingent assets or liabilities.

Layout and production Creavision / 3900

18. Net interest-bearing debt

DKKm	2001	2002
Mortgage debt	32	26
Bank debt	4,366	2,592
Amounts owed to subsidiary undertakings.	2,494	2,638
Amounts owed to affiliated undertakings	7	0
Bonds and other securities	(1)	(1)
Amounts owed by subsidiary undertakings.	(5,556)	(4,043)
Other interest-bearing items	(2)	(23)
	1,340	**1,189**

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

Principal in DKKm/ interest rate p.a.		2001 Total	USD/interest		GBP/interest		EUR/interest		DKK/interest		Other/interest		2002 Total
Within one year	Assets	(5,535)	(651)	2.1-3.4%	(1,537)	4.5-4.8%	(358)	3.3-4.1%	(790)	3.1-4.5%	(607)	1.2-8.8%	(3,943)
	Liabilities	6,869	1,302	1.5-2.2%	528	4.0-4.5%	865	3.0-3.7%	2,353	3.2-4.6%	85	3.1-13.0%	5,133
	Interest swaps	49	2	1.4-4.8%					(35)	3.4-5.1%			(33)
Total within one year		**1,383**	**653**		**(1,009)**		**507**		**1,528**		**(522)**		**1,157**
Between one and five years	Assets	(9)					(2)	5.9-6.8%	(11)	11.0%			(13)
	Liabilities	29							23	5.3%			23
	Interest swaps	(49)	(2)	3.2-3.4%					35	4.9%			33
Total between one and five years		**(29)**	**(2)**		**0**		**(2)**		**47**		**0**		**43**
After more than five years	Assets	(17)							(14)	11.0%			(14)
	Liabilities	3							3	7.3%			3
	Interest swaps	0											0
Total after more than five years		**(14)**							**(11)**				**(11)**
Total		**1,340**	**651**		**(1,009)**		**505**		**1,564**		**(522)**		**1,189**

The above maturities indicate the extent to which and in which currencies the interest is fixed in the intervals stated. The cash maturity profile of the debt is not reflected here.
The breakdown of net debt by currency has been restructured by the use of forward exchange contracts so that the total net debt in the parent company is mainly stated in DKK, see also note 19.

19. Financial instruments

The below tables show the principals and fair values of pending financial transactions at 31 December 2002 which have been entered into to hedge the Group's currency and interest rate exposure. All fair values are based on officially fixed quotations, if available, alternatively on prices quoted by banks. Principals are translated at the rate of exchange at the balance sheet date.

Currency hedging
In order to hedge currency risks on the underlying contractual and budgeted payments and currency risk on loans and investments, the Group's internal bank has entered into forward exchange contracts and currency options. Pending forward exchange contracts at 31 December 2002 appear from the table below. There were no pending currency options at 31 December 2002.

Interest rate hedging
Interest rate risks are hedged by using derivatives such as interest swaps, future rate agreements (FRA) and interest-rate options. Pending interest rate instruments at 31 December 2001 appear from the table below. There were no pending interest options at 31 December 2002.

2002 DKKm	Fair value of contracts				
	USD	GBP	EUR	Other	Total
Forward exchange contracts	(27)	(5)	(10)	17	(25)
Interest swaps	0	15		(3)	12
Total	**(27)**	**10**	**(10)**	**14**	**(13)**

2002 DKKm	Principals of contracts, net*				
	USD	GBP	EUR	Other	Total
Forward exchange contracts	561	(884)	(604)	(348)	(1,275)
Interest swaps	(2)	0		35	33

2001 DKKm	Fair value of contracts				
	USD	GBP	EUR	Other	Total
Forward exchange contracts	165	6	2	40	213
FRA			(1)		(1)
Interest swaps	(5)	27		(1)	21
Total	**160**	**33**	**1**	**39**	**233**

2001 DKKm	Principals of contracts, net*				
	USD	GBP	EUR	Other	Total
Forward exchange contracts	540	84	(122)	(529)	(27)
FRA			0		0
Interest swaps	(84)	(427)		30	(481)

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

In the fair value of contracts are included the fair value of contracts for hedging of net investments in a foreign entity at DKK 5m (2001:DKK -5m).

Fair value of financial assets and liabilities not measured at fair value
The book value at 31 December 2002 of debtors plus long-term and current liabilities largely corresponds to the fair value

Important executive positions

BOARD OF DIRECTORS

Jørgen Worning
Chairman of the Board of Directors since 2002, aged 62, M.Sc. (engineering). Formerly CEO of Bryggerigruppen A/S (1990-2002).
Elected positions: Chairman of the Boards of Directors of Bang & Olufsen A/S, and Dansk Toksikologi Center. Member of the Board of Directors of Chr. Hansen Holding A/S.

Jens Stephensen
Vice Chairman of the Board of Directors since 2002, aged 61, M.Sc. (engineering). Formerly CEO of Aarhus Flydedok A/S (1988 – 93), Burmeister & Wain Skibsværft A/S (1993 – 95), Scandlines A/S (1995 – 98) and FLS miljø a/s (2002 – 01).
Elected positions: Chairman of the Boards of Directors of BornholmsTrafikken, Holm & Grut A/S, Ørskov Christensens Staalskibsværft A/S and related companies, and of Aveny Teatret. Member of the Boards of Directors of H.S.Hansen A/S, Aktieselskabet Potagua and Aktieselskabet Randers Rebslaaeri.

Torkil Bentzen
Member of the Board of Directors elected by the Company in General Meeting since 2002, aged 56, M.Sc. (engineering), Chief Executive Officer of ENERGI E2 A/S since 2000. Chairman of the Board of Directors of Burmeister & Wain Scandinavian Contractor A/S, Vice Chairman of Staten og Kommunernes Indkøbsservice A/S, member of the Board of Directors of Mitsui Babcock Energy Ltd., UK.

Tom Knutzen
Member of the Board of Directors elected by the Company in General Meeting since 2002, aged 40, M.Sc. (Economics and Bus. Admin.), Chief Executive Officer of NKT Holding A/S.
Elected positions: Chairman of the Board of Directors of NKT Flexibles I/S. Member of the Boards of Directors of ISS A/S and C.W.Obel A/S.

Johannes Poulsen
Member of the Board of Directors elected by the Company in General Meeting since 2002, aged 60, M.Sc. (Economics and Bus. Admin.). President of BUUR INVEST A/S.
Elected positions: Chairman of the Boards of Industrialiseringsfonden for Udviklingslandene-IFU, Investeringfonden for Vækstlande-IFV, Investeringsfonden for Østlandene-IØ, Investeringsfonden BANCO. Member of the Boards of Directors of Axcel IndustriInvestor A/S, Axcel Management A/S, Axcel II A/S, Bukkehave A/S, Dantherm Holding A/S, Lyskilde Holding A/S, Frandsen-Lyskilde A/S, Det Fælles Udgiverselskab A/S, Eksport Kredit Finansiering A/S, the Export Credit Fund and Extend Reach Corporation.

Johan Schrøder
Member of the Board of Directors elected by the Company in General Meeting since 1996, aged 62, M.Sc. (engineering), Managing Director of Radiometer A/S.
Elected positions: Chairman of the Boards of Directors of Investeringsselskabet af 30.4.1992 A/S. Member of the Boards of Directors of Radiometer A/S, Johan Schrøder A/S (Managing Director), K.V.Andersen Non-Food Import Company A/S (Managing Director), Axcel IndustriInvestor A/S, IndustriPension Holding A/S and Industriens Pensionsforsikring A/S.

Finn Jakobsen
Member of the Board of Directors elected by the employees since 2002. Aged 43. B.Com. (international trade). Financial Account Manager, FLS Industries A/S (Corporate Finance). Employed by FLS Group since 1996.

Grethe Machholm
Member of the Board of Directors elected by the employees since 1984, aged 60, Commercial Correspondent.
Marketing Coordinator, F.L.Smidth A/S, employed by the FLS Group since 1976.

Per Overgaard
Member of the Board of Directors elected by the employees since 1995, aged 46. B.Com. (management accounting). Chief Economist, FLS Industries A/S, employed by the FLS Group since 1984.

MANAGEMENT

Frank Gad
Executive Vice President in FLS Industries since August 2002 and CEO of F.L.Smidth Group since November 1999, aged 42, M.Sc. (economics and bus. admin.). Before joining the FLS Group, he was CEO of Mærsk Container Industri A/S and Executive Vice President of Odense Stålskibsværft A/S which he joined in 1985.
Elected positions: Member of the governing council of Foreningen Nykredit.

Bjarne Moltke Hansen
Executive Vice President, FLS Industries, since August 2002 with overall responsibility for FLS Building Materials since 2001, aged 41, B.Sc. (engineering). Formerly CEO of Aalborg Portland Holding A/S, CEO of Dansk Eternit Holding A/S and Division Manager in Unicon A/S. Employed by the FLS Group since 1984.
Elected positions: Member of the Board of Directors of Dreisler Storkøb A/S.

Poul Erik Tofte
Executive Vice President, CFO, FLS Industries, since January 2003, aged 46, M.Sc. (economics) and B.Com. Before joining FLS Industries, he was EVP of NetTest Group 2001-2002. Previously Group CFO, GN Store Nord, 1994-2001, CFO Monberg & Thorsen 1989-1994 and CFO, Carnegie Børsmæglerselskab, 1986-1989.

Preben Tolstrup
Executive Vice President, FLS Industries, since August 2002 and Executive Vice President, FLS miljø, since February 2001, aged 44, B.Com. (engineering). Before joining FLS, he was CEO of Brussels-based Alstom Powers' environmental equipment division. Previously Executive Vice President with ABB in USA and Denmark, with responsibility for the same product line.

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