2003

ANNUAL REPORT 2003 **FLS INDUSTRIES A/S**

Contents

Front cover: Commissioning of the world's largest alumina calciners supplied by FFE Minerals to Queensland Alumina Limited in Australia.

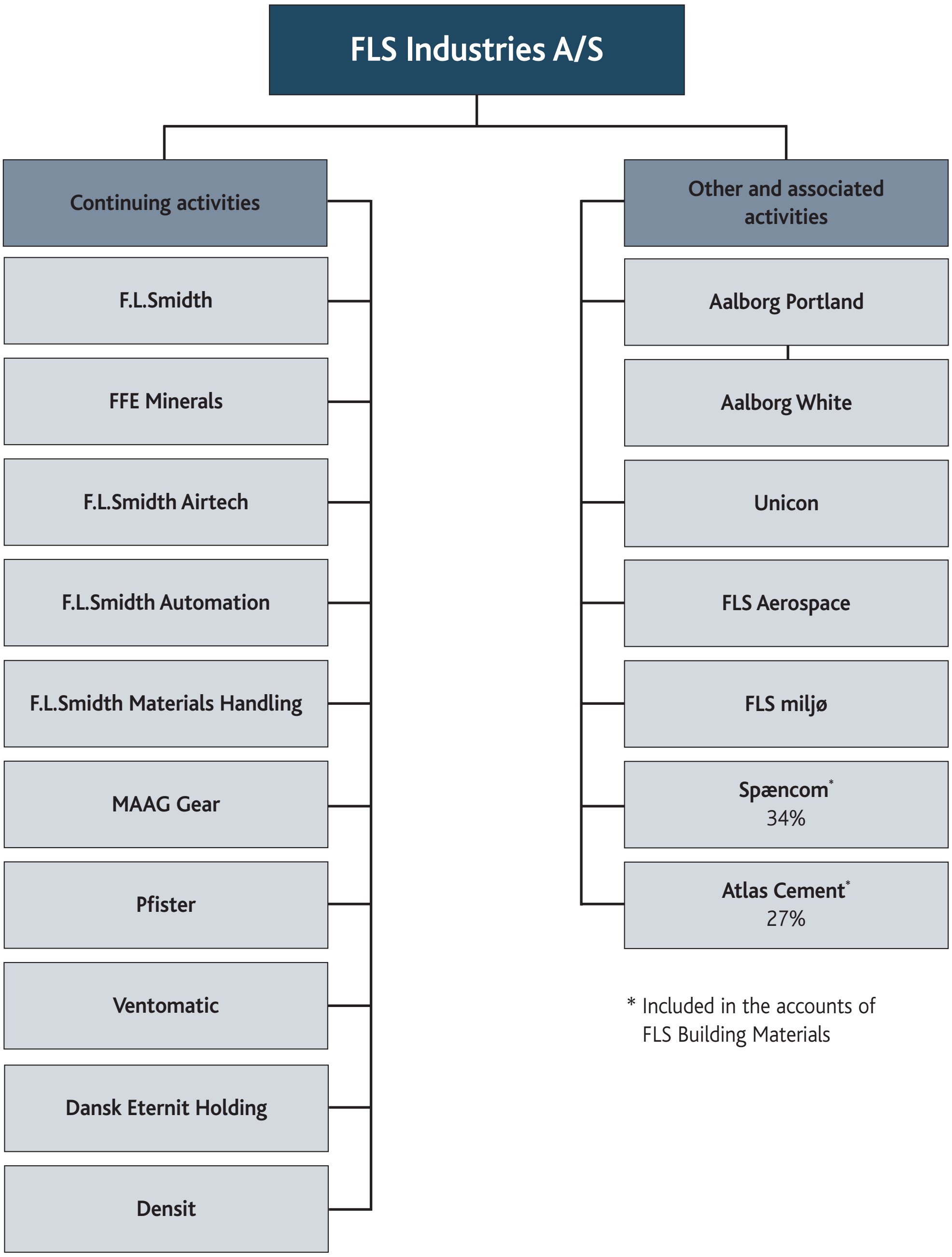
Group financial highlights (5 year summary)

	DKKm					EURm*
	1999	2000	2001	2002	2003	2003
PROFIT AND LOSS ACCOUNT						
Net turnover	20,993	19,205	18,930	16,444	14,911	2,007
Gross profit	**4,813**	**4,471**	**4,670**	**3,265**	**2,411**	**325**
Contribution ratio	*22.9%*	*23.3%*	*24.7%*	*19.9%*	*16.2%*	*16.2%*
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**1,394**	**545**	**1,221**	**317**	**(101)**	**(13)**
EBITDA ratio	*6.6%*	*2.8%*	*6.5%*	*1.9%*	*(0.7%)*	*(0.7%)*
Earnings before interest and tax (EBIT)	**475**	**(458)**	**195**	**(647)**	**(2,990)**	**(402)**
EBIT ratio	*2.3%*	*(2.4%)*	*1.0%*	*(3.9%)*	*(20.1%)*	*(20.1%)*
Share of earnings before tax of associated undertakings	1,053	1,603	161	186	(57)	(8)
Profit/loss on disposal of undertakings and activities	1,350	60	(25)	(639)	591	80
Net financial income and costs	(122)	(476)	(343)	(247)	(94)	(13)
Earnings before tax (EBT)	**2,756**	**729**	**(12)**	**(1,347)**	**(2,550)**	**(343)**
EBT ratio	*13.1%*	*3.8%*	*(0.1%)*	*(8.2%)*	*(17.1%)*	*(17.1%)*
Tax for the year	(216)	114	31	(102)	2	0
Profit/loss for the year	**2,540**	**843**	**19**	**(1,449)**	**(2,548)**	**(343)**
Minority interests' share of the profit/loss for the year	452	578	32	12	10	1
FLS Industries A/S' share of the profit/loss for the year	**2,088**	**265**	**(13)**	**(1,461)**	**(2,558)**	**(344)**
Dividend to shareholders	**496**	**927**	**0**	**0**	**0**	**0**
CASH FLOWS						
Cash flows from operating activities	**787**	**(26)**	**1,321**	**714**	**(200)**	**(27)**
Acquisition and disposal of undertakings and activities	1,780	(1,984)	435	667	(70)	(9)
Acquisition of tangible fixed assets	(1,554)	(1,033)	(944)	(633)	(656)	(88)
Other investments	102	517	262	942	1,259	169
Cash flows from investing activities	**328**	**(2,500)**	**(247)**	**976**	**533**	**72**
Cash flows from financing activities	**(948)**	**2,175**	**(1,304)**	**(1,610)**	**(378)**	**(51)**
Change in cash funds	**167**	**(351)**	**(230)**	**80**	**(45)**	**(6)**
NET INTEREST-BEARING DEBT	**2,499**	**5,661**	**4,990**	**2,953**	**2,445**	**328**
BALANCE SHEET						
Fixed assets	10,366	13,589	11,436	8,732	5,450	732
Current assets	9,028	8,571	7,392	6,904	5,929	796
Total assets	**19,394**	**22,160**	**18,828**	**15,636**	**11,379**	**1,528**
Consolidated shareholders' equity	8,083	7,966	6,869	5,729	2,916	392
FLS Industries A/S' share of shareholders' equity	6,098	7,553	6,526	5,413	2,682	360
Provisions	1,373	1,436	1,194	1,042	1,098	147
Long-term and current liabilities	9,938	12,758	10,765	8,865	7,365	989
Total liabilities	**19,394**	**22,160**	**18,828**	**15,636**	**11,379**	**1,528**
RETURN ON CAPITAL EMPLOYED (ROCE)						
Adjusted net operating profit after tax (NOPAT)	2,814	889	267	(1,147)	(2,564)	(345)
Average capital employed	13,326	14,459	14,823	12,261	8,956	1,203
Return on capital employed (ROCE)	***21%***	***6%***	***2%***	***(9%)***	***(29%)***	***(29%)***
FINANCIAL RATIOS						
Including minority interests' share						
Return on equity	*37%*	*11%*	*0%*	(23%)	(59%)	(59%)
Equity ratio	*42%*	*36%*	*36%*	37%	26%	26%
Number of employees at 31 December	**14,140**	**14,641**	**13,544**	**11,354**	**10,234**	**10,234**
Number of employees in Denmark	4,968	4,776	4,313	3,533	2,786	2,786

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.

* Profit and loss account items are translated at the average EUR exchange rate of 743.077, and the balance sheet and cash flow items are translated at the year-end EUR exchange rate of 744.460.

Group structure 2004



* Included in the accounts of FLS Building Materials

Organisational Group structure. Differs from the legal Group structure.

As from 2004, the concepts "F.L.Smidth Group" and "FLS Building Materials" will no longer be used in consolidated reporting, as Corporate Management will focus its attention on the management of the operational units.

Company mission

Raw mill and bag filter at Holcim Apasco's Ramos Arizpe plant in Mexico.

The FLS Group aims to be its customers' preferred partner, offering them solutions and products that strengthen their competitiveness.

The FLS Group wishes to be a market leader either globally or on a regional basis within the markets served based on continuous and focused product development.

The FLS Group is based on more than 120 years' experience as a global provider of machinery, equipment, systems and services including complete production lines and plants for the cement and minerals industries. The strategy of maintaining activities within several diverse business areas has been abandoned. The FLS Group is today a focused enterprise concentrating all its energy on the basic core competencies: market-leading know-how on solutions for the cement and minerals industries.

The FLS Group wishes to generate an attractive yield for its shareholders by creating value

The FLS Group wishes to be a developing and attractive company to work for – and an employer that attracts and retains staff of the highest professional calibre.

Main conclusions

Lime reburning kiln supplied by FFE Minerals being erected at the Zellstoff Stendal pulp mill in Germany.

FLS Group overall

- The total earnings before interest and tax (EBIT) of the FLS Group in 2003 amounted to DKK -2,990m (2002: DKK -647m), and earnings before tax (EBT) amounted to DKK -2,550m (2002: DKK 1,347m), which is lower than expected and clearly unsatisfactory.

- The FLS Group's net interest-bearing debt was reduced during the year from DKK 2,953m to DKK 2,445m.

Operational main activities

- As expected F.L.Smidth Group posted a net turnover of DKK 8.3bn (2002: DKK 7.7bn) and earnings before tax (EBT) at DKK 5m (2002: DKK 49m) which is not satisfactory.

- FLS Building Materials posted a net turnover of DKK 3.7bn (2002: DKK 4.9bn) and earnings before interest and tax (EBIT) at DKK 318m (2002: DKK 318m) as expected.

- In 2003, the total amount of orders received by the F.L.Smidth Group was DKK 8.8bn (DKK 8.8bn in 2002) and the order backlog at the end of the year amounted to a record high of DKK 7.9bn (DKK 7.6bn in 2002).

- Together, F.L.Smidth Group and FLS Building Materials recorded a positive cash flow from operating activities at DKK 591m (DKK 800m in 2002).

Other activities

- FLS miljø's earnings before interest and tax (EBIT) for the year 2003 were DKK -933m (DKK -608m in 2002) due to higher costs of processing desulphurisation projects in the UK.

- FLS Aerospace's earnings before interest and tax (EBIT) were DKK -2,267m (DKK -202m in 2002), which is due primarily to the write-down of assets in connection with the sales agreement with SR Technics in early February 2004. No further losses are expected to accrue from FLS Aerospace in 2004.

- Other Group activities, including the parent company, produced earnings before interest and tax (EBIT) of DKK -64m (DKK -209m in 2002).

- During the year activities and associated undertakings were sold for a total amount of DKK 1.2bn.

Next phase of the strategy

- It has been decided to further focus the Group's future activities on the development and production of machinery, equipment, systems and services including complete production lines and plants for the global cement and minerals industries. Market share particularly in the minerals industry and the after-market is expected to grow.

- On this basis, steps will be taken to sell Aalborg Portland and Unicon. Aalborg Portland is a global market leader in white cement and the largest supplier of grey cement in Denmark. Unicon is Scandinavia's largest producer of ready-mixed concrete. Together the two companies are a vertically integrated business unit with a strong market position in Scandinavia.

- The above decisions represent a consistent implementation of the announced strategy to create profitability through greater focusing. The divestments will also form a strong basis for further development of the future core business, enabling a satisfactory level of profit that matches the Group's global market position.

Prospects for 2004 for the FLS Group

- In 2004, the FLS Group expects a consolidated net turnover in excess of DKK 12bn and earnings before interest, tax and amortisation (EBITA) at the level of DKK 400-500m. The latter should be viewed against a total EBITA result for F.L.Smidth Group, FLS Building Materials and FLS Industries A/S at DKK 346m in 2003. Further, the FLS Group expects earnings before interest and tax (EBIT) at the level of DKK 300-400m and earnings before tax (EBT) at the level of DKK 250-350m. The results and timing of divestments may have a significant effect on the prospects and are not included in the above figures.

Group Board and Management

Board of Directors

Corporate Management

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

The Corporate Management, left to right:
Poul Erik Tofte, (CFO)
Jørgen Huno Rasmussen, (CEO)
Bjarne Moltke Hansen

Board of Directors:
The Board of Directors of FLS Industries A/S consists of Jørgen Worning (Chairman), Jens Stephensen (Vice Chairman), Torkil Bentzen, Tom Knutzen, Johannes Poulsen and Johan Schrøder in addition to the employee-elected members: Finn Jakobsen, Grethe Machholm and Per Overgaard.

Corporate Management:
The Corporate Management of FLS Industries A/S consists of Jørgen Huno Rasmussen (Group Chief Executive Officer), Poul Erik Tofte (Group Chief Financial Officer) and Bjarne Moltke Hansen (Group Executive Vice President).

In January 2003, Poul Erik Tofte joined the Corporate Management as Group Chief Financial Officer.

In view of the fact that the divestment of activities envisaged in the August 2002 strategic plan has essentially been implemented as foreseen and due to the decision to administratively integrate the parent company, FLS Industries A/S, and F.L.Smidth A/S, the Corporate Management is changed from January 2004.

On 1 January 2004, Jørgen Huno Rasmussen took up office as new Group Chief Executive Officer (CEO) of FLS Industries A/S and at the end of January he also became new Group CEO of F.L.Smidth A/S. At the same time Frank Gad resigned from his positions as CEO of F.L.Smidth A/S and Group Executive Vice President of FLS Industries A/S.

Preben Tolstrup resigned from his position as Group Executive Vice President at the end of 2003.

FLS Industries A/S' strategic plan

The strategy announced by FLS Industries A/S on 29 August 2002 foresaw divestment or closure of non-core activities, lowering of the net-interest bearing debt and a change in management structure during the transition period. The Board of Directors expected the transition to run until the end of 2003.

By the end of 2003 most of the divestments had been implemented and the net interest-bearing debt reduced from DKK 3.5bn to DKK 2.4bn since the strategic plan was announced in August 2002.

The activities of F.L.Smidth Group and FLS Building Materials are experiencing growth in several of the markets served after a couple of years of considerable customer caution.

F.L.Smidth Group is the world's leading provider of complete cement plants and has now a record level of orders in hand.

Aalborg Portland, Unicon, Dansk Eternit Holding and Densit are today focused suppliers of building materials.

Early February 2004, an agreement was signed to sell FLS Aerospace to SR Technics, a Swiss aircraft maintenance company. FLS Aerospace is being sold free from debt at the equivalent of some DKK 350m. Due to the sales agreement and as prescribed, an impairment test was made of the FLS Aerospace Group's balance sheet at 31 December 2003, and the fixed assets were consequently written down by DKK 2.0bn.

Viewed separately, the sale of FLS Aerospace has therefore reduced the book value of the FLS Industries A/S shareholders' equity by DKK 1.8bn. The resulting accounting loss of DKK 2.0bn has been charged to the annual accounts for 2003. The agreement is subject, inter alia, to the approval of various authorities. On completing the deal, the FLS Industries A/S balance sheet total will be reduced by an additional DKK 1bn.

FLS miljø is continuing the completion of the two desulphurisation projects in the UK, although employing a larger workforce than originally foreseen. The West Burton project has gone into production and is expected to be handed over to the client by mid 2004. The progress of the project depends primarily on attaining the degree of desulphurisation. Progress of the Eggborough project is delayed, but the handing-over to the client is expected to take place according to plan in the third quarter of 2004. In the fourth quarter of 2003 an additional DKK 300m provision was made after closely reviewing the current contractual relations, the progress of the projects and future risks.

On 1 January 2004, Jørgen Huno Rasmussen took up office as new Group Chief Executive Officer of FLS Industries A/S.

At the end of January 2004, the Board of Directors of FLS Industries A/S decided to move on to the next phase of developing the Group.

The initial step is to administratively integrate FLS Industries A/S, the parent company, with F.L.Smidth A/S, whilst a legal merger of the two companies – with the listed company, FLS Industries A/S as the continuing company – is being considered. The purpose of the integration, which takes place with immediate effect, is to create a forward-looking structure based on short and efficient lines of decision-making adapted to the future organisation and the future level of activity.

In this connection, the members of the FLS Industries A/S Board of Directors elected by the Company in General Meeting have also been elected Directors of F.L.Smidth A/S. Moreover, in February the FLS Industries A/S and F.L.Smidth Group administrative functions within Finance, Business Control, Human Resources, Legal and IT were integrated under the overall management of Poul Erik Tofte, Group Chief Financial Officer.

It has also been decided to streamline the managerial structure at Board level, and the members of the Corporate Management have therefore become members of the boards of directors of the subsidiaries within F.L.Smidth Group and FLS Building Materials, replacing the present external members of these boards.

As a consequence of the structural changes in the organisation, Frank Gad, CEO, F.L.Smidth A/S, left his positions with the Group.

Raw materials conveyor system supplied by F.L.Smidth to the Sinai Grey Cement Plant in Egypt.

Jørgen Huno Rasmussen has taken over as new Chief Executive Officer of F.L.Smidth A/S and will be in charge of the day-to-day management of the company together with its existing management team, Søren Iversen, Executive Vice President, and Christian Jepsen, Executive Vice President.

The FLS Industries A/S Corporate Management will thus in future consist of Jørgen Huno Rasmussen, Group CEO; Poul Erik Tofte, Group CFO; and Bjarne Moltke Hansen, Group Executive Vice President.

The next phase of the strategy

As a consequence of the announced strategy to create long-term profitability through greater focusing it has been decided to concentrate the Group's future activities on the development and production of machinery, equipment, systems and services including complete production lines and plants for the global cement and minerals industries.

The F.L.Smidth engineering business is a market leader in the global cement industry, controlling more than 50% of the market for new kiln capacity.

The company's unique market position enables it to set higher standards for product development and market coverage than has been the case in recent years. This potential is to be exploited in order to create sound profitability in the long term.

The possibilities of reaching his goal are promising, when considering the company's market position against the prospects of anticipated average market growth close to 3.5% per year until 2020.

There is also considerable scope for further development of the F.L.Smidth Group's minerals activities. A number of the technologies needed by the minerals industry match the technologies and equipment that have been developed for the cement industry. This applies in particular to pyroprocessing and materials handling, technologies that have given F.L.Smidth a leading market position. The much larger minerals industry offers an opportunity to utilise this position, and a dedicated effort over a number of years may lead to this market becoming just as important to the company in terms of turnover and earnings as the cement machinery market.

Consequently, continued and consistent focusing on the development and production of machinery, equipment, systems and services for the global cement and minerals industries will form the backbone of the Group's future strategy.

On this basis, it has been decided to take steps to sell Aalborg Portland and Unicon.

Aalborg Portland is a market leader in Denmark and has successfully adopted a far-sighted and focused niche strategy to become the world's leading producer of white cement with facilities in Denmark, Egypt and Malaysia and exports to more than 70 countries. Aalborg Portland's share of the global white cement market is 13% and its share of the Danish market for grey cement is close to 85%.

Significant strategic goals in 2002 and 2003

29 Aug. 2002	Strategy announcement/ Interim report
1 Sept. 2002	Corporate Management changes
11 Oct. 2002	Unicon US ready-mixed concrete sold
23 Oct. 2002	Dansk Træemballage sold
16 Dec. 2002	Carolina Concrete Pumping sold
12 March 2003	FLS Industries A/S closes sale of Secil shares
20 March 2003	FLS Aerospace sells hangar and workshop activities in Copenhagen Airport
28 Apr. 2003	J.A.Plastindustri A/S, Handelmij Austria B.V., PM Energi A/S and 'Portlandmosen' sold
1 May 2003	Dansk Eternit Holding buys Tepro Byggmaterial in Sweden and Norsal in Norway
1 Oct. 2003	Unicon strengthens position as Norway's leading concrete supplier
1 Oct. 2003	Dansk Eternit Holding will move the Danish production of corrugated roofing sheets to the Czech Republic
30 Oct. 2003	Unicon sells property in Roskilde
11 Nov. 2003	Pedershaab sold
1 Jan. 2004	Jørgen Huno Rasmussen takes up position as Group CEO of FLS Group
29 Jan. 2004	Group streamlines management structure. FLS Industries A/S and F.L.Smidth A/S administratively integrated.
9 Feb. 2004	Sale of FLS Aerospace
4 March 2004	Focus on supplies to the cement and minerals industries.

Aalborg Portland produces slightly above 3.5 million tonnes of cement per year, of which 2.0m tonnes is grey and 1.5m tonnes is white cement. The global cement market is undergoing considerable consolidation and is today dominated by a handful of large and financially strong companies which together hold about 40% of the global cement market, compared to about 10% ten years ago.

Unicon is Scandinavia's leading provider of ready-mixed concrete operating more than 70 modern facilities throughout Denmark, Norway, Sweden and Poland.

The sale of these two well-run and profitable building materials companies will release considerable values that will form a strong basis for development of the future core business.

Financial results from the FLS Group's overall activities

The consolidated net turnover in 2003 amounted to DKK 14,911m, against DKK 16,444m in 2002. The decline in turnover is due partly to the divestment of companies which in 2002 contributed some DKK 1,2bn to the net turnover and partly to the reduced value of main currencies, which had a negative effect amounting to approximately DKK 0.6bn.

The gross profit amounted to DKK 2,411m as against DKK 3,265m in 2002. The lower gross profit partly reflects divestments (DKK 435m), partly the developments in order processing by FLS miljø. The gross profit margin in relation to turnover fell from 20% to 16%, mainly reflecting the order processing performance of FLS miljø.

Sales, administrative and distribution costs fell from DKK 3,179m in 2002 to DKK 2,750m in 2003. Companies now sold accounted for DKK 328m of these costs in 2002. Continuing capacity adjustments within the Group both in 2002 and at the start of 2003 are having a beneficial effect. Costs in relation to turnover have fallen by more than one per cent. The previously announced capacity adjustments in Dansk Eternit Holding and other companies are expected to improve performance in 2004.

Earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to DKK -101m compared to DKK 317m in 2002. EBITDA for 2002 was positively affected by corporate divestments (DKK 107m). The rest of the decline in earnings is primarily accounted for by higher order processing costs in FLS miljø.

The Group's total depreciation and amortisation amounted to DKK 2,889m as against DKK 964m in 2002, mainly reflecting a DKK 2.0bn write-down of the fixed assets in FLS Aerospace. Exclusive of this amount and companies sold in 2002, the level of depreciation and amortisation is unchanged.

Earnings before interest and tax (EBIT) amounted to DKK -2,990m compared to DKK -647m in 2002. The result of the year under review reflects write-down of FLS Aerospace assets and considerable project processing costs and provisions incurred by FLS miljø.

The Group's share of the earnings of associated undertakings amounted to DKK -57m, consisting mainly of Spæncom (in 2002: DKK 186m consisting mainly of Secil that has now been sold).

The disposal of companies and business activities had a DKK 591m net positive impact on earnings before tax (EBT) as opposed to DKK -639m in 2002. The effect on the 2003 earnings is mainly attributable to the accounting profit on the sale of shares in Secil (DKK 739m) and the loss on selling parts of the FLS Aerospace business in Denmark. In 2002, the negative effect on earnings was substantially influenced by the sale of shares in NKT Holding.

The Group's net financial costs dropped from DKK 247m in 2002 to DKK 94m in 2003. This decline mainly reflects lower average net interest-bearing debt throughout 2003, the DKK 24m interest amount received in connection with the now closed waste tax case in Aalborg Portland, and partial reversal of previous years' write-down of cement shares due to the positive development of share prices.

Earnings before tax amounted to DKK -2,550m against DKK -1,347m in 2002.

Tax payable for 2003 amounted to DKK 2m against DKK -102m the year before. The tax payable mainly derives from profitable companies abroad that are not included in the Group's joint taxation scheme and reversal of deferred tax due to the write-down of fixed assets in FLS Aerospace.

Earnings after tax for 2003 amounted to DKK -2,548m compared to DKK -1,449m in 2002.

Cash flow developments

Cash flows from operating activities were DKK -200m, down from DKK 714m in 2002. The principal negative effects on cash flow were a DKK -948m cash drain in FLS miljø due to higher order processing costs and timing differences in payments. Cash flows from the rest of the Group's operating activities totalled DKK 748m, as against DKK 1,086 the previous year.

Both the past and the previous years' cash flows from investing activities were significantly affected by the sale of companies and activities in line with the Group's strategic plan. Cash flows from investing activities were DKK 533m in the black, down from DKK 976m the year before. Investments in tangible fixed assets, net of non-strategic activities, totalled DKK 528m in 2003, up from DKK 408m the year before. The increase is mainly due to the investment in 2003 in a new white cement production line at Aalborg Portland, amounting to DKK 200m.

Net interest-bearing debt

An important element in the Group's focusing strategy is to build a healthy financial platform that can support its core activities. Overall, 2003 saw a DKK 0.5bn reduction in net interest-bearing debt from DKK 2,953m at the end of 2002 to DKK 2,445m at the end of 2003. Since the strategy was implemented, net debt has been reduced by more than DKK 1.1bn. Accordingly, credit facilities have also been reduced. Debt reduction is a result of divestments and lowering of working capital. Working capital has been reduced by DKK 379m since the implementation of the strategy.

When taking into account the proceeds from the sale of FLS Aerospace at DKK 350m and all other things being equal, net interest-bearing debt would amount to about DKK 2.1bn.

Balance sheet
The consolidated balance sheet total at DKK 11.4bn is DKK 4.2bn or 27% lower than the DKK 15.6bn total for 2002. The balance sheet total of companies now sold amounted to DKK 1.2bn at the end of 2002. The equity ratio at the end of 2003 was 26% as against 37% at the end of 2002. If the sale of FLS Aerospace was fully included in the accounts, the balance sheet total would be reduced to DKK 10.5bn and the equity ratio would rise to approximately 28%.

Assets
Intangible fixed assets amount to DKK 1.2bn, on par with 2002, and mainly consist of goodwill accruing from the purchase of the 50% participating interest in Aalborg Portland and the acquisition of Unicon's Norwegian activities.

The tangible fixed assets fell from DKK 5.9bn to DKK 3.5bn at the end of 2003, mainly due to the write-down of FLS Aerospace assets by DKK 2.0bn. The tangible assets of companies now sold accounted for DKK 0.1bn at the end of 2002.

Financial fixed assets fell from DKK 1.6bn at the end of 2002 to DKK 0.8bn at the end of 2003. This decline is mainly due to the sale of the investment in Secil whose book value at the end of 2002 amounted to DKK 0.8bn.

Stocks fell from DKK 1.1bn in 2002 to DKK 0.9bn in 2003, this being a result of divestments and the emphasis on reducing working capital including goods tied up in stock.

Debtors, including work-in-progress, fell from last year's DKK 5.3bn to DKK 4.6bn at the end of 2003, reflecting a general reduction of the balance sheet total due to divestments.

Liabilities
Provisions have risen from DKK 1.0bn at the end of 2002 to DKK 1.1bn at the end of 2003, mainly due to the continued high level of provisions made by FLS miljø.

Long-term liabilities declined from DKK 2.6bn at the end of 2002 to DKK 2.4bn at the end of 2003, whilst current liabilities fell from DKK 6.2bn to DKK 5.0bn. The overall decline in liabilities is mainly due to divestments. The shareholders' equity at the end of 2003 amounted to DKK 2.9bn as against DKK 5.7bn at the end of 2002.

F.L.Smidth Group
F.L.Smidth Group posted a turnover of DKK 8,269m in 2003 as against DKK 7,708m in 2002.

The order backlog remains high, providing a strong platform for continued efficiency enhancement and improved earnings. In 2003, F.L.Smidth Group received orders worth DKK 8.8bn on a par with the previous year.

In 2003, F.L.Smidth Group achieved an EBIT result of DKK -44m, down from DKK 54m in 2002, and as expected earnings before tax (EBT) were DKK 5m compared to DKK 49m in 2002. The financial result is negatively impacted by the recognition of higher order processing costs for major projects contracted in previous years, amounting to nearly DKK 200m. Meanwhile, the result also reflects higher activity than last year and lower sales and administration costs against turnover due to the continuing capacity improvements.

F.L.Smidth Group is continuing the progress achieved over the past three years in China and is experiencing booming demand in Iran. F.L.Smidth has served the Iranian cement industry for over 70 years and four major contracts was signed in 2003. The total value of orders received by F.L.Smidth Group in each of these two countries in 2003 alone exceeds EUR 100m.

As business cycles improve in a number of countries, demand for cement plants is increasing. On a worldwide scale the total market for new kiln capacity (exclusive of China) nearly doubled in 2003 to 25m tonnes up from 14m tonnes in 2002. The F.L.Smidth Group's market share is estimated to exceed 50% in 2003. The improved business climate is also benefiting the minerals production market.

FLS Building Materials
The regional markets for cement and ready-mixed concrete saw growing competition in 2003, although demand remained on par with last year, which also applies to the fibre cement market. FLS Building Materials managed to hold its position in all major markets by focusing its business and disposing of all non-strategic activities. FLS Building Materials recorded a total turnover of DKK 3,744m in 2003 as against 4,899m in 2002. Net of divestments, the turnover for 2003 was DKK 181m lower than that for 2002.

As expected, total EBIT amounted to DKK 318m in 2003, which is at the same level as in 2002.

Investor balance sheet (adjusted for FLS Aerospace), DKKbn	FLS Group at 31 December 2003	Estimated after transfer of FLS Aerospace
Fixed assets	5.4	5.4
Current assets	5.9	5.1
Total assets	**11.4**	**10.5**
Consolidated shareholders' equity	2.9	2.9
Provisions	1.1	1.0
Long-term and current liabilities	7.4	6.6
Total liabilities	**11.4**	**10.5**
Equity ratio	*26%*	*28%*

FLS Building Materials posted earnings before tax, including divested activities, at DKK 943m, up from DKK 368m in 2002 mainly due to the sale of Secil (DKK 739m).

Cash flows from operating activities amounted to DKK 718m in 2003, or DKK 67m more than the previous year, and the rise in cash flows from investing activities (adjusted for the sale of ships in 2002) mainly derives from the investment in a white cement production line at Aalborg Portland.

FLS Industries A/S – parent company
The parent company, FLS Industries A/S, achieved an EBIT result of DKK -24m compared to DKK -143m the year before. The DKK 32m profit deriving from sale of properties had a positive effect on the year's financial result.

Other activities

FLS miljø
FLS miljø's turnover in 2003 amounted to DKK 404m compared to DKK 901m in 2002, reflecting the fact that the company is being closed down.

FLS miljø posted an EBIT result of DKK -933m against DKK -608m the year before. The result reflects higher costs of completing the two desulphurisation projects at West Burton and Eggborough which are both expected to be finished in 2004.

FLS Aerospace
An agreement was signed early February 2004 to sell FLS Aerospace to SR Technics. FLS Aerospace will be included in the FLS Industries A/S consolidated accounts for 2004 until the final transfer of ownership which is expected to take place by May 2004 at the latest.

FLS Aerospace posted a turnover of DKK 2,496m in 2003 as against DKK 2,730m in 2002. Earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to DKK 41m as opposed to DKK 54m the year before. EBIT amounted to DKK -2,267m as against DKK -202m the previous year. Earnings before tax (EBT) were DKK -2,412m compared to DKK -289m in 2002. The financial result for 2003 negatively reflects the DKK 2.0bn write-down of fixed assets including exchange adjustments previously recognised in the shareholders' equity following the sales agreement plus a DKK 50m loss deriving from the sale of activities in Copenhagen earlier in 2003.

Other, non-strategic activities
Redep (formerly Pedershaab) started off the year with a weak order book, which combined with a modest intake of orders in 2003 had a negative impact on the financial result, EBIT thus amounting to DKK -22m. On 11 November, FLS Industries A/S announced that the major part of Redep's business activities had been sold to an American company. The sale resulted in an accounting loss of DKK 55m.

Spæncom, an associated undertaking in which FLS Industries A/S holds a 34% interest, contributed DKK -37m to the EBT result. Reference is made to Spæncom for further details regarding its activities.

Prospects for 2004 for the FLS Group
In 2004, the FLS Group expects a consolidated turnover in excess of DKK 12bn and earnings before interest, tax and amortisation (EBITA) at the level of DKK 400-500m. The latter should be viewed against a total EBITA result for F.L.Smidth Group, FLS Building Materials and FLS Industries A/S at DKK 346m in 2003. Further, the FLS Group expects earnings before interest and tax (EBIT) at the level of DKK 300-400m and earnings before tax (EBT) at the level of DKK 250-350m. The results and timing of divestments may have a significant effect on the prospects and are not included in the above figures.

As from 2004, the concepts "F.L.Smidth Group" and "FLS Building Materials" will no longer be used in consolidated reporting, as Corporate Management will focus its attention on the management of the operational units.

Incentive plan
Since 1998, FLS Industries A/S has rewarded a number of executive staff, the Corporate Management and the Board of Directors with share options. As from 2002, the Board of Directors has decided not to take part in new option plans.

In 2003 the FLS Industries A/S Board of Directors approved a new share option plan for the Management and executive staff. The strike price is fixed on the basis of the average price movements ("All trades") in the FLS B share 15 business days after the half-yearly report is released. The average of "All trades" for the period 1 September 2003 until 19 September 2003 (inclusive) is calculated at 61.67. Taking the yearly increase into account, the lowest exercising price before adjustment for any dividend will be 69.29. This price is increased 6 per cent each year. The yearly increase, however, is limited by the dividend distributed at the latest Annual General Meeting prior to the Interim Report in question, each percentage point of dividend distributed being subtracted from the 6 per cent increase. The share options may be exercised between two and six years after being issued.

In 2003, a total of 480,000 share options were allotted, giving the holders the right to buy 480,000 FLS B shares during the period 1 September 2005 to 1 September 2009 subject to the Group's insider rules for trading in FLS shares. The Corporate Management received 60,000 options, and 42 executive staff 420,000 options. Non-exercised options lapse if the holder ceases to be employed by the Company.

At the end of 2003 the calculated market value of the options amounted to DKK 14.2m (2002: DKK 2.9m) using the BLACK-SCHOLES formula.

For further specification of the share option plan, see Note 4 to the Consolidated Accounts.

Own shares
In 2003, FLS Industries A/S made no changes in its holding of own shares which represent 2.5% of the share capital.

In connection with the recently implemented share option plan, FLS Industries A/S will adjust the covering of the plan and sell some 435,000 FLS B shares during the window period after releasing the Annual Report.

Pension obligations
An assessment has been made of any inadequately funded pension obligations, notably those relating to companies in the U.K. and the U.S. Underfunding including provisions amounted to a total of DKK 0.6bn at the end of 2003. DKK 0.5bn of this amount is related to FLS Aerospace and will pass to SR Technics in connection with the sale of the company at the beginning of February 2004.

The amortisation costs in 2004 due to the underfunding at the end of 2003 are expected to be DKK 6m in 2004 as against DKK 30m in 2002. The obligations will be reconsidered annually based on the pension funds' assets and liabilities.

Dividend
Due to the negative financial result for 2003, the Board will propose at the Annual General Meeting that no dividend be distributed for the 2003 financial year.

Events after the balance sheet date
Announcement to the Copenhagen Stock Exchange 01 – 2004, 7 January 2004
The European Court of Justice upholds penalty to Aalborg Portland

Announcement to the Copenhagen Stock Exchange 02 – 2004, 12 January 2004
F.L.Smidth signs major automation contract with Syrian cement producer

Announcement to the Copenhagen Stock Exchange 03 – 2004, 16 January 2004
Restructuring of FLS Aerospace

Announcement to the Copenhagen Stock Exchange 04 – 2004, 26 January 2004
F.L.Smidth wins new order in the Middle East

Announcement to the Copenhagen Stock Exchange 05 – 2004, 28 January 2004
2004 Financial Calendar for FLS Industries A/S

Announcement to the Copenhagen Stock Exchange 06 – 2004, 29 January 2004
FLS Industries Group adopts new structure

Announcement to the Copenhagen Stock Exchange 07 – 2004, 9 February 2004
FLS Industries A/S sells FLS Aerospace

CEO Søren Vinther and Environmental Manager Preben Andreasen, Aalborg Portland, with the award for the year's best Danish environmental report.

Statement by the Board of Directors and Management on the Annual Report

The Board of Directors and the Management have today presented the 2003 Annual Report for FLS Industries A/S.

The Annual Report is presented in conformity with the Danish Financial Statements Act, Danish accounting standards and the requirements made by the Copenhagen Stock Exchange to financial reporting for listed companies. We consider the accounting policies appropriate in order to give a true and fair view of the Group's and the parent company's assets and liabilities, financial standing and financial results.

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

Copenhagen, 4 March 2004

Management

Jørgen Huno Rasmussen *Group CEO*	Poul Erik Tofte *Group CFO*	Bjarne Moltke Hansen *Group Executive Vice President*

Board of Directors

Jørgen Worning *Chairman*	Jens S. Stephensen *Vice Chairman*	Torkil Bentzen
Tom Knutzen	Johannes Poulsen	Johan Schrøder
Grethe Machholm	Per Overgaard	Finn Jakobsen

Auditors' Report

To the shareholders of FLS Industries A/S

We have audited the FLS Industries A/S Annual Report for the financial year 1 January to 31 December 2003.

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

Audit

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

Conclusion

In our opinion the Annual Report gives a true and fair view of the assets and liabilities of the Group and parent company and their financial position at 31 December 2003 as well as the results of their operations and their cash flows for the financial year 1 January to 31 December 2003 in conformity with the Danish Financial Statements Act and Danish accounting standards.

Copenhagen, 4 March 2004

KPMG C. Jespersen
Statsautoriseret Revisionsinteressentskab

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

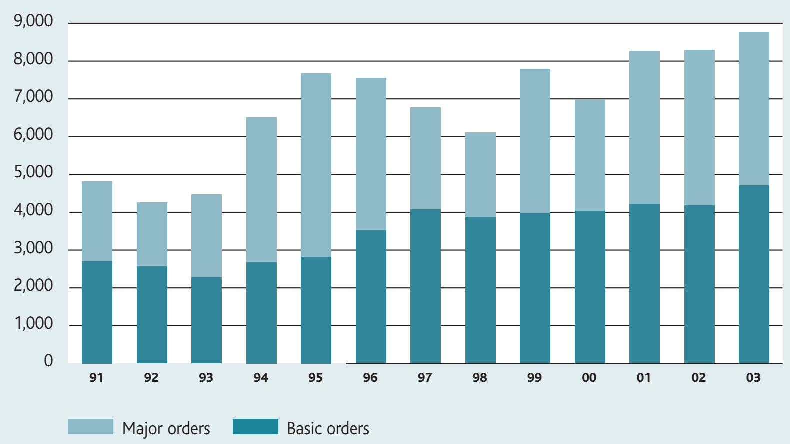
Deloitte
Statsautoriseret Revisionsaktieselskab

Erik Holst Jørgensen Jørgen Holm Andersen
State Authorised Public Accountants

F.L.Smidth Group

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

Orders received by F.L.Smidth Group 1991-2003, DKKm



DKKm	2003	2002
Net turnover	8,269	7,708
Gross profit	1,205	1,439
Earnings before interest, tax, depreciation and amortisation (EBITDA)	107	204
Earnings before interest, tax and amortisation (EBITA)	(21)	71
Earnings before interest and tax (EBIT)	(44)	54
Earnings before tax (EBT)	5	49
Cash flows from operating activities	(127)	261
Number of employees, at 31 December	4,379	4,437
Net turnover		
Denmark	*1%*	*2%*
Rest of Scandinavia	*1%*	*2%*
Rest of Europe	*19%*	*26%*
North and South America	*25%*	*33%*
Africa, Asia, etc.	*54%*	*37%*

2003	**Net turnover***	**Order intake***	**Backlog***
Cement	6,093	6,328	6,173
Mineral industry	1,258	1,379	852
Other	918	1,045	890
Total	8,269	8,752	7,915

2002 (including F.L Smidth Airtech for the full year)	**Net turnover***	**Order intake***	**Backlog***
Cement	5,509	6,475	6,002
Mineral industry	1,108	1,121	801
Other	1,091	1,158	816
Total	7,708	8,754	7,619

* sales prices

F.L.Smidth Group is an international organisation with close to 4,400 people, supplying services, equipment and complete production lines and plants to the cement and mineral industries.

The F.L.Smidth Group was established 122 years ago and has since then been the world's leading total supplier of cement technology and equipment. The group operates both locally and internationally from its main office in Copenhagen, but also from regional offices in USA and India and a network of subsidiaries and representative offices worldwide. Overall, the group is represented at 45 localities in 24 countries.

The F.L.Smidth Group has in recent years focused its activities on the cement and mineral industries, which today account for some 85% of the turnover. F.L.Smidth Group comprises a number of engineering companies, F.L.Smidth representing the major unit, and a number of product companies.

The F.L.Smidth Group saw continued growth in a number of markets in 2003 and obtained the highest order backlog ever recorded of DKK 7.9bn as against DKK 7.6bn last year. Unfortunately, the processing of a few major contracts has caused some difficulties, resulting in delays and increased order processing costs. In 2003, nearly DKK 200m costs on large turnkey projects concluded in previous years were charged to income. Moreover, the order intake has not been evenly distributed across the F.L.Smidth Group, which had an adverse impact on earnings in some product companies as a result of differences in utilisation of capacity.

The F.L.Smidth Group recorded total earnings before interest and tax (EBIT) of DKK -44m against DKK 54m last year, and earnings before tax (EBT) of DKK 5m (DKK 49m in 2002), which is on a par with the most recently announced expectations, but not satisfactory.

Market developments

The year's order volume of DKK 8.8bn was the highest ever recorded in the F.L.Smidth Group's history. Major orders of sales value in excess of DKK 50m totalled DKK 4.1bn.

In 2003, sales of spare parts and services stagnated after several years of substantial growth and amounted to DKK 1.9bn (2002: DKK 2.0bn). Sales of services and spare parts are evenly distributed among all segments. Compared to major contracts that are executed over a span of 2-3 years, the aftermarket orders are typically executed within less than six months.

Prospects for 2004

In 2004, the F.L.Smidth Group expects the market for new cement production capacity to be on a par with 2003. Compared to last year, the market for spare parts and services is expected to increase slightly.

Major contracts under implementation

DKKm	F.L.Smidth	FFE Minerals	F.L.Smidth Airtech	F.L.Smidth Automation	F.L.Smidth Materials Handling	MAAG Gear	Pfister	Ventomatic	Other	F. L. Smidth Group 2003	F. L. Smidth Group 2002
Net turnover	**5,085**	**1,261**	**734**	**383**	**532**	**469**	**221**	**199**	**(615)**	**8,269**	**7,708**
Production costs	4,571	1,013	609	288	488	394	162	154	(615)	7,064	6,269
Gross profit	**514**	**248**	**125**	**95**	**44**	**75**	**59**	**45**	**0**	**1,205**	**1,439**
Contribution ratio	*10.1%*	*19.7%*	*17.0%*	*24.8%*	*8.3%*	*16.0%*	*26.7%*	*22.6%*	*n/a*	*14.6%*	*18.7%*
Sales, administrative, distribution costs and other operating items	505	178	102	99	69	90	33	22	0	1,098	1,235
Earnings before interest, tax, depreciation and amortisation	**9**	**70**	**23**	**(4)**	**(25)**	**(15)**	**26**	**23**	**0**	**107**	**204**
EBITDA ratio	*0.2%*	*5.6%*	*3.1%*	*(1.0%)*	*(4.7%)*	*(3.2%)*	*11.8%*	*11.6%*	*n/a*	*1.3%*	*2.6%*
Depreciation	40	13	13	6	6	19	5	2	0	104	115
Amortisation excl. goodwill	11	0	(1)	1	0	13	0	0	0	24	18
Earnings before interest, tax, amortisation (EBITA)	**(42)**	**57**	**11**	**(11)**	**(31)**	**(47)**	**21**	**21**	**0**	**(21)**	**71**
Amortisation of goodwill	17	5	0	0	1	0	0	0	0	23	17
Earnings before interest and tax (EBIT)	**(59)**	**52**	**11**	**(11)**	**(32)**	**(47)**	**21**	**21**	**0**	**(44)**	**54**
EBIT ratio	*(1.2%)*	*4.1%*	*1.5%*	*(2.9%)*	*(6.0%)*	*(10.0%)*	*9.5%*	*10.6%*	*n/a*	*(0.5%)*	*0.7%*
Profit/loss on disposal of undertakings and activities	0	0	2	0	0	0	0	0	0	2	(1)
Net financial income and costs	49	2	0	0	0	(4)	(2)	(1)	3	47	(4)
Earnings before tax (EBT)	**(10)**	**54**	**13**	**(11)**	**(32)**	**(51)**	**19**	**20**	**3**	**5**	**49**
EBT ratio	*(0.2%)*	*4.3%*	*1.8%*	*(2.9%)*	*(6.0%)*	*(10.9%)*	*8.6%*	*10.1%*	*n/a*	*0.1%*	*0.6%*
Tax for the year	1	17	3	8	(2)	(5)	8	12	(3)	39	47
Profit/loss for the year	**(11)**	**37**	**10**	**(19)**	**(30)**	**(46)**	**11**	**8**	**6**	**(34)**	**2**
CASH FLOWS											
Cash flows from operating activities	**(173)**	**19**	**(54)**	**(6)**	**6**	**25**	**21**	**18**	**17**	**(127)**	**261**
Cash flows from investing activities	**(50)**	**(17)**	**(2)**	**0**	**(9)**	**(89)**	**(3)**	**(2)**	**1**	**(171)**	**(110)**
Cash flows from operating and investing activities	**(223)**	**2**	**(56)**	**(6)**	**(3)**	**(64)**	**18**	**16**	**18**	**(298)**	**151**
Cash flows from financing activities	**174**	**(7)**	**24**	**26**	**(75)**	**49**	**(15)**	**(17)**	**(46)**	**113**	**(512)**
Change in cash funds	**(49)**	**(5)**	**(32)**	**20**	**(78)**	**(15)**	**3**	**(1)**	**(28)**	**(185)**	**(361)**
NET INTEREST-BEARING DEBT/ (BALANCES)	**(546)**	**(135)**	**(9)**	**107**	**18**	**183**	**56**	**(29)**	**(1)**	**(356)**	**(534)**
BALANCE SHEET											
Fixed assets	515	161	22	106	50	141	74	14	0	1,083	1,098
Current assets	2,801	627	365	258	236	240	97	132	(161)	4,595	4,905
Total assets	**3,316**	**788**	**387**	**364**	**286**	**381**	**171**	**146**	**(161)**	**5,678**	**6,003**
Consolidated shareholders' equity	787	257	95	70	70	48	(13)	46	2	1,362	1,399
Provisions	254	88	36	29	17	38	40	15	0	517	450
Long-term and current liabilities	2,275	443	256	265	199	295	144	85	(163)	3,799	4,154
Total liabilities	**3,316**	**788**	**387**	**364**	**286**	**381**	**171**	**146**	**(161)**	**5,678**	**6,003**
Number of employees at 31 December	**2,109**	**744**	**341**	**330**	**238**	**329**	**157**	**131**	**0**	**4,379**	**4,437**

www.flsmidth.com

F.L.Smidth

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. F.L.Smidth is structured around one central organisation in Denmark and regional centres in USA and India. The three centres form the backbone of the company with activities in most parts of the world. By the end of 2003, F.L.Smidth employed more than 2,100 people.

Net turnover for F.L.Smidth was DKK 5,085m (DKK 4,433m in 2002) and increased by DKK 652m in 2003, corresponding to 15%. Net of the falling US dollar rate in 2003, this corresponds to an increase in turnover of 20%.

Earnings before interest and tax (EBIT) were DKK -59m (DKK 90m in 2002). Earnings before tax (EBT) fell from DKK 91m in 2002 to DKK -10m in 2003.

Cash flows from operating activities amounted to DKK -173m (DKK 178m in 2002). The decline in cash flows from operating activities reflects the increasing activity, which ties up working capital. Delays on a few projects, lower prepayments compared to 2002 and increased project processing costs also had an adverse impact.

Despite improved market prospects, the year 2003 was unsatisfactory for F.L.Smidth. The improved market situation could not offset increased order processing costs of close to DKK 200m on a few major projects due to delays and difficulties encountered at site. The unstable outlook for the world economy in the year's first months had a further adverse impact on sales of services and spare parts. The market improved by the end of 2003.

F.L.Smidth

DKKm	2003	2002
Net turnover	5,085	4,433
EBITA	(42)	106
EBIT	(59)	90
EBT	(10)	91
CFFO	(173)	178

Søren Iversen, Executive Vice President; Jørgen Huno Rasmussen, Group CEO; Christian Jepsen, Executive Vice President

During the year 2003, F.L.Smidth won significant contracts in USA, Iran, Nigeria and China. The most active market was Iran with 8m new tonnes cement kiln capacity per year, of which F.L.Smidth obtained a significant share.

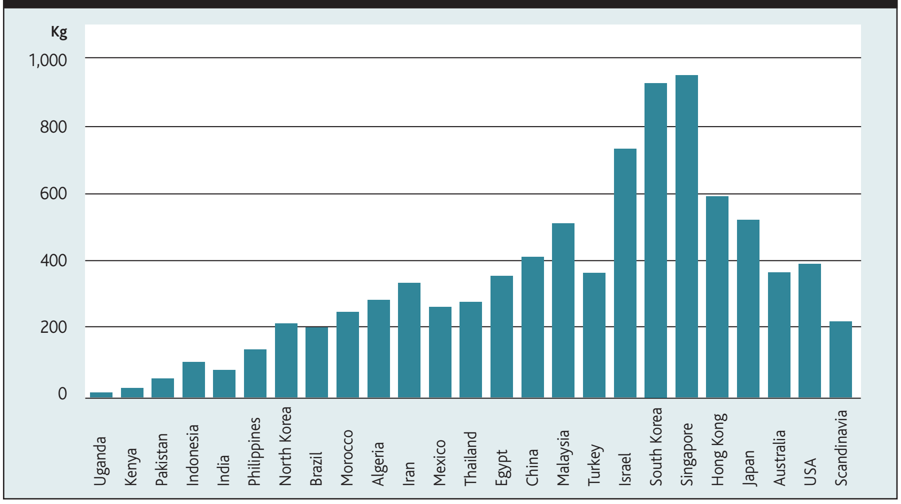
The market for new cement kiln capacity increased during 2003 and at 25m tonnes per year it is on a par with the average of the last 25 years. This is almost twice the level of 2001 and 2002, when the market was at its lowest in 15 years (13-14m tonnes per year). The increasing demand may be attributed to several factors, but is primarily due to the fact that a number of new markets are offering attractive opportunities.

The cement consumption worldwide continues to increase and rose by 3.2% in 2003, corresponding to an increase in demand of close to 55m tonnes per year. The annual consumption amounts to 275 kg per capita and has been increasing during the last 15 years. The growing demand reflects the population growth and the general world economic situation.

With an increase in the world population of around 70m new citizens per year and an average cement consumption of 275 kg per capita, the demand will continue to increase over the next years. When also taking into account that a number of cement plants are to be replaced and modernised from time to time, the demand for new cement kiln capacity is estimated to amount to 25m tonnes per year in the coming years.

In 2003, F.L.Smidth maintained its position as the industry's preferred supplier of new cement capacity and maintained a market share in excess of 50% on a worldwide basis, excluding China. In the Chinese market, which is the world's largest, F.L.Smidth was successful in receiving a large order volume in 2003,

Cement consumption per capita in selected countries 2003



Source: ICR, Global Cement Report, 5th edition the highest level ever.

Since 2000, F.L.Smidth has focused on creating a united global organisation. As a result, significant resources have been invested in streamlining the organisation. A number of services have been transferred to the regional office in India, including part of the engineering work. These measures are necessary in order to create an competitive organisation which is able to meet the customer in all markets.

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.

Cement production is an energy consuming process. Focus on environmental protection and reduced production costs in the cement production process are therefore important issues in F.L.Smidth's research and development efforts.

Reducing the use of fossil fuels– and consequently also CO_2 and other emissions – has therefore top priority.

For many years F.L.Smidth has supplied burner equipment, which handles alternative fuels in pulverised or liquid form. As waste so far has been transported pneumatically, the lump size of the waste fuel has been limited to 0-5mm. The development of the HOTDISC however, has made it possible to handle alternative fuels, for example whole truck tyres, without a prior reduction of size.

The HOTDISC is an integral part of the kiln system in that both combustion gasses and residual products, if any, from the alternative fuel are used in the cement production process.

This method entails that no residual product is to be handled or dumped. The use of old car tyres makes it unnecessary to add iron mineral in the cement production as this component is contained in the tyres' built-in steel wires.

Various types of alternative fuels, for example wood waste, paper sludge, municipal waste, scrapped non-metallic car components, etc. may be used in the HOTDISC. As a result the cement producers obtain increased flexibility and improved profitability and at the same time the waste products of the community are eliminated in an environmentally ideal way.

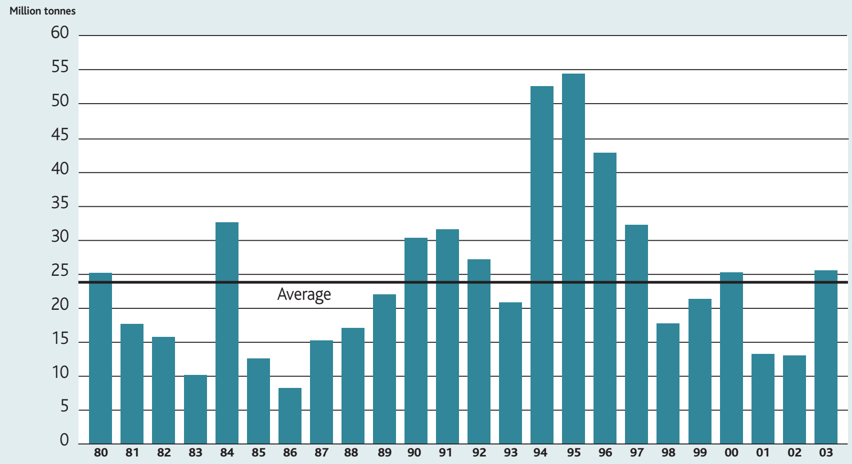
The first industrial HOTDISC has now been in operation for more than a year at a Norwegian cement plant replacing more than 30% of the former fossil fuel consumption and reducing CO_2 emissions by 46,000 tonnes per year. The alternative fuel used is primarily used car tyres. The HOTDISC has a capacity corresponding to Norway's total amount of used tyres. In addition, a number of other alternative fuels have been successfully tested (wood waste, paper sludge, municipal waste, etc.)

F.L.Smidth will continue testing new methods of incorporating the technology in the combustion process at the research centre Dania. Moreover, F.L.Smidth continues to undertake optimisation projects for vertical mills and coolers, with a view to reducing the energy consumption and enhancing productivity.

Emissions and working environment are also important issues. Today viable solutions exist for reducing NOx emissions to 1.2 kg per tonne cement compared with previously 2 kg per tonne.

A positive EBITA result is expected for 2004.

Contracted cement kiln capacity on a yearly basis 1980-2003



Global cement consumption

Million tonnes per year	Global cement consumption	Change in%	Average consumption per capita (kg per year)
1989	1,139,956		219
1990	1,094,367	(4.0%)	218
1991	1,141,747	4.3%	215
1992	1,199,876	5.1%	227
1993	1,252,808	4.4%	232
1994	1,308,978	4.5%	243
1995	1,364,139	4.2%	252
1996	1,438,493	5.5%	251
1997	1,485,093	3.2%	255
1998	1,501,826	1.1%	255
1999	1,581,891	5.3%	265
2000	1,639,107	3.6%	271
2001	1,681,901	2.6%	274
2002	1,720,620	2.3%	277
2003	1,775,000	3.2%	275

Source: Int. Cement Review

www.ffeminerals.com

FFE Minerals

FFE Minerals is a worldwide provider of machinery, operating and maintenance services to the gold, copper, coal, alumina and mineral industries as well as to the lime and paper industries. FFE Minerals is a global organisation managed within four business areas; Minerals Technology, Pyro Technology, Service Technology and Facilities Performance.

By the end of 2003, FFE Minerals employed 744 people and more than 200 staff on a contract basis. FFE Minerals is among the number one or two providers of equipment within its focused business areas and is headquartered in Bethlehem, Pennsylvania, USA.

Net turnover of FFE Minerals was DKK 1,261m (DKK 1,064m in 2002). Earnings before interest and tax (EBIT) were DKK 52m on a par with last year (DKK 55m in 2002). Earnings before tax (EBT) amounted to DKK 54m as against DKK 60m in 2002. Cash flows from operating activities totalled DKK 19m (DKK 91m in 2002).

Market developments

In 2003, FFE Minerals saw solid growth in sales to China, which combined with important contracts won in India and South Africa resulted in a stable earnings development. The increase in metal prices in 2003 has benefited FFE Minerals in a number of main markets. In 2003, prices of gold and copper increased by 20% and 46% respectively, which in turn resulted in increasing investments among its customers.

Recent years have seen very high investments in platinum extraction in South Africa, mainly due to the steadily increasing price of platinum which rose 34% in 2003.

The increases in metal prices are primarily driven by a growing demand for metals in Asia, in particular China, and the general improvement in overall worldwide economic conditions.

Strategy

Customers within the minerals industry continue to consolidate and today the markets for raw metals are primarily dominated by large multi-national companies. This places high demands on FFE Minerals in terms of providing a consistently high level of service and quality.

FFE Minerals' long-term strategy is therefore to offer process solutions rather than single products, which is already the case within Pyro Technology. Being able to offer entire processes is today a significant competitive parameter and an opportunity for FFE Minerals to ensure better customer relations strengthened by a higher degree of interaction.

Pyro Technology comprises metallurgical materials, lime, pulp and paper and alumina. Pyro processes require elevated temperatures in order to obtain a physical or chemical transformation of the substances treated. This technology is similar to the gas suspension and kiln technologies known to F.L.Smidth, but is applied to industries other than cement. FFE Minerals holds a number one or two position within this industry. Technological developments are often shared between F.L.Smidth and FFE Minerals.

Minerals Technology comprises crushing, grinding and separation of materials and FFE Minerals has successfully been striving towards its goal of selling complete processes rather than single machines. To further strengthen the business area some of the activities in F.L.Smidth Materials Handling have been transferred to FFE Minerals. Many of the crushing and grinding technologies are also used in the cement industry and are shared with F.L.Smidth. In Minerals Technology, FFE Minerals has traditionally been a product supplier. However, the integration of parts of F.L.Smidth Materials Handling's product solutions is strengthening the opportunities to become a process supplier. The synergies from this integration have not, yet, been fully exploited.

In Service Technology and Facilities Performance areas, FFE Minerals has been successful in forming strategic alliances and strong customer relations, which have contributed to developing a stable business which has grown significantly in recent years. The strategy is to increase the sales of spare parts by constantly expanding the product range and increasing the value for the customer by offering services along with its products. FFE Minerals has been successful with this service concept in Chile and the strategy is therefore to exploit this experience in other markets where possible, and if the experienced resources are available.

George Robles, CEO

FFE Minerals

DKKm	2003	2002
Net turnover	1,261	1,064
EBITA	57	56
EBIT	52	55
EBT	54	60
CFFO	19	91

Development – new products and technologies

Over the past three years, FFE Minerals has invested many resources in developing technologies for separation of materials, primarily in flotation cells. If FFE Minerals succeeds in this market, the potential exists for doubling the available order share in major projects.

Separation is the next natural step after the crushing and grinding of the materials, the latter being a processes already mastered by the Minerals Technology group. After the separation of materials has taken place, Pyro Technology is often applied, because it is often necessary to expel water from the material. The separation technology, therefore, unites the existing technologies offered by FFE Minerals and consolidates FFE Minerals' overall position as a process provider. Currently, FFE Minerals has three flotation tests in production plants in South Africa (platinum) and Chile (copper). This technology is expected ready for commercialization by mid 2004.

In addition, FFE Minerals is conducting a number of other development projects related to Minerals technologies, for example a project for reduction of dust particles and noise in connection with the crushing of hard materials. As a supplement to this development, new technologies have been purchased to reduce dust emissions when handling the materials at the plant. Also, new process-enhancing equipment is being introduced to increase efficiencies of currently operating plants.

As is the case at F.L.Smidth, Pyro Technology is focusing on the reduction of emissions that are critical to the future. In co-operation with its customers and FLS Airtech, FFE Minerals has developed a number of solutions to reduce emissions. Part of this development has taken place in partnership with local universities. New lower cost and higher efficiency technologies for the aggregate and lime industry have been introduced, as well as a new developments in ore characterization studies to improve yields and reduced dust generation.

Prospects for 2004

The prospects for 2004 are very positive, but the declining US dollar rate may put a damper on investments. Many of FFE Minerals' customers are dependent on receiving payments in US dollars because metal commodities are priced in US dollars. In early 2004, the total order backlog for FFE Minerals exceeded DKK 800m, which will contribute to a continued positive earnings development.

A continued improvement of the EBITA result is expected for 2004.

FFE Minerals has supplied the world's three largest alumina calciners for an alumina refinery in Australia.

www.flsairtech.com

F.L.Smidth Airtech

F.L.Smidth Airtech develops and supplies air pollution control and flue gas cleaning systems to the cement, paper and pulp and metallurgic industries, coal-fired power plants and biomass plants and a number of related industries. The main products are bag filters and electrostatic precipitators. In addition, systems for the removal of heavy metals and dioxin are offered. These technologies are decisive to ensure an efficient production process and are important competitive parameters to F.L.Smidth when erecting complete cement plants. F.L.Smidth Airtech is among the three largest players in the industry. F.L.Smidth Airtech employs 341 people and is headquartered in Denmark.

Net turnover for F.L.Smidth Airtech was DKK 734m (2002: DKK 959m). Earnings before interest and tax (EBIT) were DKK 11m (2002: DKK -48m), and earnings before tax (EBT) were DKK 13m (2000: DKK -50). Cash flows from operating activities were DKK -54m (2002: DKK -3m).

By the end of 2003, F.L.Smidth Airtech won its largest contract to date at a total contract value of DKK 200m. The customer is the city of Amsterdam in Holland, which signed the contract through its waste incineration company, Afval Energie Bedrijf (AEB). F.L.Smidth Airtech's contract is included in the project for construction of two new incineration lines at AEB's existing waste incineration plant in Amsterdam. With the two new incineration plants AEB's plant will be the world's most efficient plant in terms of power production and environment. F.L.Smidth Airtech has previously supplied a similar installation to a European waste incineration facility.

F.L.Smidth Airtech

DKKm	2003	2002
Net turnover	734	959
EBITA	11	(48)
EBIT	11	(48)
EBT	13	(50)
CFFO	(54)	(3)

On 1 July 2002, F.L.Smidth Airtech was integrated in the F.L.Smidth Group, but is included in the comparative figures on a yearly basis for 2002.

The European and Middle Eastern markets for flue gas cleaning were satisfactory, and the Asian market also looks promising. Despite a slight improvement, the American market is still down. The spare parts and service market was satisfactory and accounts for 29% of the turnover.

In 2003, F.L.Smidth Airtech decided to integrate most of its American activities in the F.L.Smidth Group's regional centre in Bethlehem, Pennsylvania. In addition to reducing costs these measures will also contribute to improving the company's opportunities on the American market.

In 2004, the market is expected to remain on par with 2003, with a continued reasonable level of activity in Europe and Asia, whereas the American market is expected to remain low.

An improvement of the EBITA result is expected for 2004.

Thomas Otterberg, CEO

Two electrostatic precipitators supplied by F.L.Smidth Airtech to Nedmag in Holland.

www.flsautomation.com

F.L.Smidth Automation

F.L.Smidth Automation is among the world's most experienced organisations in the development and installation of control and quality control system projects for cement and mineral industries.

F.L.Smidth Automation has its headquarters in Denmark and local offices in certain key markets - Australia, China, France, Germany, India, Italy, South Africa, Spain and USA. The group employs 330 people.

There are more than 1,000 F.L.Smidth Automation engineered plant control systems in operation - all over the world. They range from relatively simple installations for the monitoring of individual process departments to complex systems exploiting leading-edge technology to provide total process control.

Net turnover for F.L.Smidth Automation was DKK 383m (2002: DKK 375m). Earnings before interest and tax (EBIT) were DKK -11m as against DKK -40m in 2002. Earnings before tax (EBT) were DKK -11m (2002: DKK -46m). Cash flows from operating activities were DKK -6m (2002: DKK 0m).

The business climate in 2003 has shown some signs of turnaround and order bookings in the fourth quarter were higher than in any of the previous quarters in 2003.

Contributing to this result are major orders in the Middle East and Africa, accounting for approx. 50% of the project bookings. Activity is still low in Europe (except Spain), in the Americas and the Far East.

F.L.Smidth Automation

DKKm	2003	2002
Net turnover	383	375
EBITA	(11)	(40)
EBIT	(11)	(40)
EBT	(11)	(46)
CFFO	(6)	*0*

Two new F.L.Smidth Automation joint ventures were established in 2003 in South Africa and Italy.

Innovation has high priority and will be maintained through continued investment in the development of best-of-breed control and quality control solutions based on the latest advances in technology in the industries we serve.

With bookings for 2003 higher than expected F.L.Smidth Automation entered 2004 with a satisfactory order backlog. An improvement of the EBITA result is expected for 2004.

Poul Skjøth, CEO

Test of Robolab at F.L.Smidth Automation in Denmark

www.flsmh.com

F.L.Smidth Materials Handling

F.L.Smidth Materials Handling supplies 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). By the end of 2003, the Group employed a total of 238 people. F.L.Smidth Materials Handling is headquartered in Denmark.

Net turnover for F.L.Smidth Materials Handling was DK 532m (DKK 512m in 2002). Earnings before interest and tax were DKK -32m (DKK -15m in 2002). Earnings before tax (EBT) fell from DKK -13m in 2002 to DKK -32m in 2003. Cash flows from operating activities totalled DKK 6m (DKK -12m in 2002).

2003 turned out to be another difficult year for F.L.Smidth Materials Handling. The unsatisfactory earnings development is due to several factors; increasing price competition within a number of product groups combined with a slower order intake squeezed earnings.

A significant part of the year's deficit can be attributed to the business area's Swedish activities where both failing orders and unsatisfactory order processing on orders landed in previous years resulted in a DKK -13m loss. One of the German companies experienced the same negative development due to order processing costs on individual orders from previous years which resulted in a DKK -20m loss. The German company's order backlog however is satisfactory at the end of 2003.

F.L.Smidth Materials Handling

DKKm	2003	2002
Net turnover	532	512
EBITA	(31)	(14)
EBIT	(32)	(15)
EBT	(32)	(13)
CFFO	6	(12)

As a result of the difficult market prospects and competitive conditions it has been decided to restructure the company with effect from 1 January 2004. The majority of the company's Swedish activities have been closed down and the remaining part transferred to Denmark. It is estimated that these measures combined will improve the profitability in the remaining part of F.L.Smidth Materials Handling.

R & D activities and new products

F.L.Smidth Materials Handling is continuously working on adjusting its product range to the market situation and to the increasing demands for improved product performance. Costs are continuously defrayed for this development. In 2003, a product for optimising silo building costs was developed and is expected to increase earnings in the coming years.

A break-even EBITA result is expected for 2004.

Søren O. Mikkelsen, CEO

F.L.Smidth Materials Handling supplied this limestone storage for the West Burton power station in the UK.

www.maag-gear.com

MAAG Gear

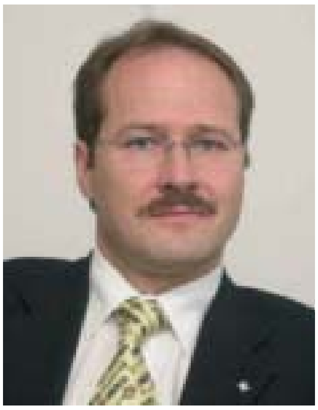
MAAG Gear is an international supplier of gears. The main product lines include mill gears for the cement industry, high speed gear units for compressors, power stations and pumps, and specially designed complex high power gear transmission systems for the marine market. Within its product lines MAAG Gear holds either a market leading position or is among the leading producers. MAAG Gear is based in Winterthur, Switzerland, but also has production facilities in Poland. By the end of 2003, MAAG Gear employed 329 people.

Net turnover for MAAG Gear was DKK 469m (DKK 425m in 2002). Earnings before interest and tax (EBIT) were DKK -47m (DKK -18m in 2002), a decline of DKK 29m in 2003. Earnings before tax (EBT) also fell from DKK -27m in 2002 to DKK -51m in 2003. Cash flows from operating activities were DKK 25m (DKK -56m in 2002).

In 2003, MAAG Gear's earnings were adversely affected by a number of factors. In particular the move from the former headquarters in Zürich to Winterthur resulted in higher costs than expected, but higher order processing costs and increasing price competition also took their toll on earnings. The spare parts and service market was on par with expectations.

In 2003, MAAG Gear consolidated its management team and implemented a new and tighter order processing control system. A lower cost base due to the move to Winterthur, and the move of important parts of the production to Poland will contribute to improving the group's financial results in the coming years. At the beginning of 2004, MAAG Gear recorded the highest order backlog to date.

A break-even EBITA result is expected for 2004.



Thomas Deeg, CEO

MAAG Gear

DKKm	2003	2002
Net turnover	469	425
EBITA	(47)	(18)
EBIT	(47)	(18)
EBT	(51)	(27)
CFFO	25	(56)

Planetary gear being assembled at MAAG Gear in Switzerland.

www.pfister.de

Pfister

Pfister supplies dosing equipment, services and consultancy to the cement industry and related industries. Pfister is one of the world's leading suppliers of dosing equipment. Pfister's main products are rotor weighfeeders for dosing of pulverised fuels, raw materials, fly ash and other additives. Uniform raw materials and the mix hereof are a decisive factor in order to produce efficiently and supply consistent high-quality cement. Pfister's technologies are used in all phases of the cement production; from preparing of raw materials, combustion process, grinding and mixing of cement and raw materials and pre-loading. The company employed 157 people at the end of 2003 and is headquartered in Augsburg in Germany.

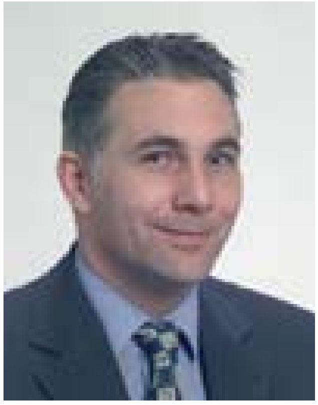
Net turnover for Pfister was DKK 221m (DKK 229m in 2002). Earnings before interest and tax (EBIT) were DKK 21m (DKK 15m in 2002). This marks a continuation of the earnings improvement of recent years. Earnings before tax (EBT) remained unchanged at DKK 19m, which is primarily due to the sale of Pfister Waagen last year. Cash flows from operating activities amounted to DKK 21m (DKK 16m in 2002).

In 2003, Pfister experienced solid growth in sales to China, which is one of the world's largest cement consumers. The Chinese market is seeing rapid growth with a number of large construction projects being planned. As many of China's cement plants are not technically up-to-date Pfister has potential for further development and investments in the Chinese market. Moreover, Pfister has concluded significant contracts in the Middle East, in particular in Libya, the United Arab Emirates, Saudi Arabia and Iran.

Pfister invested large financial and human resource efforts in ATEX certification, based on a new EU directive, prescribing the technical requirements for equipment used in potentially explosive environments. According to these guidelines, cement producers must ensure that all equipment (also equipment already in use) complies with the provisions of this directive. The guidelines have also been implemented in a number of countries outside EU, and Pfister expects that the certification will play an important role in its efforts to maintain the market position.

To maintain its position as one of the world's leading suppliers of dosing equipment, Pfister puts great emphasis on constantly examining the markets and further developing its products to penetrate other industries than the cement industry.

A continued improvement of the EBITA result is expected for 2004.



Michael Kleisli, CEO

Pfister produces rotary weigh feeders for coal firing of cement kilns.

Pfister

DKKm	2003	2002
Net turnover	221	229
EBITA	21	15
EBIT	21	15
EBT	19	19
CFFO	21	16

www.ventomatic.it

Ventomatic

Ventomatic is one of the world's leading suppliers of complete packing lines to the cement industry and related industries. The company is headquartered in Valbrembo (Bergamo), 45 km north-east of Milan. By the end of 2003, Ventomatic employed 131 people.

Ventomatic posted satisfactory earnings in 2003, despite a slightly lower turnover than last year.

Net turnover for Ventomatic amounted to DKK 199m (DKK 212m in 2002). Earnings before interest and tax (EBIT) were DKK 21m (DKK 18m in 2002) and continue the stable earnings progress from previous years which can be attributed to continued streamlining. Earnings before tax (EBT) increased from DKK 17m in 2002 to 20m in 2003. Cash flows from operating activities totalled DKK 18m (DKK 39m in 2002).

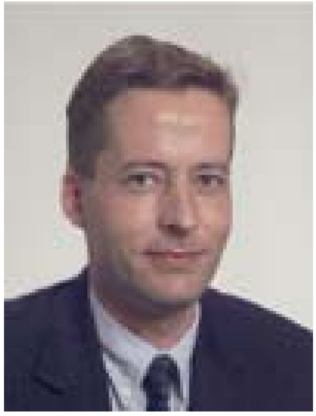
The orders were evenly distributed between the four main markets Europe, Asia, Africa and the Americas. The service and spare parts market was stable throughout the year and about 8% higher than 2002.

Ventomatic is market leader in terms of capacity, weighing accuracy and automation of the packing process in the cement industry. The product range contains fully automated equipment for handling empty bags and bag application, electronic packers, electronic check weighing units, fully automated palletising and loading machinery and control systems for central control of the complete production line.

In partnership with the sister companies Kovako and Möller, Ventomatic supplies complete cement terminals including ship loading and unloading equipment and silo facilities. Supply of equipment for cement plant projects sold by F.L.Smidth account for about 20% of Ventomatic's turnover.

In 2003, Ventomatic installed a complete fully automated packing and palletising line at Cementerie Aldo Barbetti in Italy with a capacity of 5,000 25 kg bags per hour, which is the highest capacity on the market. In line with Ventomatic's strategy, the launching of two new products in 2004 is being planned.

A continued improvement in the EBITA result is expected for 2004.



Anders Bech, CEO

Ventomatic

DKKm	2003	2002
Net turnover	199	212
EBITA	21	18
EBIT	21	18
EBT	20	17
CFFO	18	39

Automatic empty bag de-palletizer supplied for Cementerie Aldo Barbetti in Italy.

FLS Building Materials

FLS Building Materials is a market leader in cement and cement-based building materials in Denmark. FLS Building Materials is the world's largest exporter and producer of white cement

FLS Building Materials is a market leader in cement and cement-based building materials in Denmark. Internationally, the Group is the world's largest exporter and producer of white cement and Europe's second-largest producer and distributor of fibre cement products. The Group also has a significant presence in ready-mixed concrete in Denmark, Sweden, Norway and Poland and sells cement-based specialty mortars worldwide.

In 2003, FLS Building Materials completed the major divestments foreseen under the strategic plan that was announced in August 2002. The assets sold were the shares in Secil and JA Plastindustri A/S and properties owned by Unicon and Aalborg Portland.

As a result, the Building Materials companies have now streamlined their regional presence in Europe in terms of grey cement, ready-mixed concrete and fibre cement, whilst strengthening the global white cement strategy. The Group's presence in Scandinavia was reinforced during the year through a number of acquisitions, notably Mørchs Cement in Denmark (Aalborg Portland), Tepro Byggmaterial in Sweden and Norsal in Norway (Dansk Eternit Holding) and five concrete plants in Bergen and Ålesund, Norway (Unicon). Besides, Aalborg Portland expanded its production capacity for white cement. Cost adjustment initiatives enabled FLS Building Materials in 2003 to maintain its earnings at the level achieved in 2002, despite receding markets, rising competition and divestments.

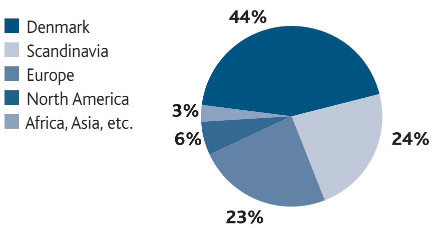
In 2003, FLS Building Materials posted a net turnover of DKK 3,744m, this being DKK 1,155m lower than the year before (DKK 4,899m). DKK 974m of the fall in net turnover is due to divestments. Earnings before interest and tax (EBIT) amounted to DKK 318m, on par with 2002 as anticipated. The EBIT ratio increased from 6.5% in 2002 to 8.5% in 2003. The cash flows from operating activities amounted to DKK 718m, which marks a DKK 67m improvement on the year before.

DKKm	2003	2002
Net turnover	3,744	4,899
Gross profit	1,590	2,010
Earnings before interest, tax, depreciation and amortisation (EBITDA)	713	828
Earnings before interest, tax and amortisation (EBITA)	402	401
Earnngs before interest and tax (EBIT)	318	318
Earnings before tax (EBT)	943	368
Cash flows from operating activities	718	651
Number of employees, 31 December	2,569	3,088
Net turnover		
Denmark	*44%*	*37%*
Rest of Scandinavia	*23%*	*16%*
Rest of Europe	*24%*	*26%*
North and South America	*6%*	*18%*
Africa, Asia, etc.	*3%*	*3%*

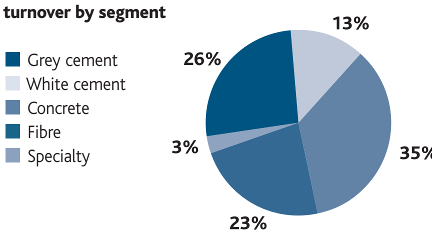
Unicon delivering ready-mixed concrete for a bridge outside Vejle, Denmark.

DKKm	Aalborg Portland	Unicon	Dansk Eternit Holding	Densit	Other	FLS Building Materials 2003	FLS Building Materials 2002
Net turnover	**1,507**	**1,334**	**903**	**117**	**(117)**	**3,744**	**4,899**
Production costs	763	764	683	61	(117)	2,154	2,889
Gross profit	**744**	**570**	**220**	**56**	**0**	**1.590**	**2.010**
Contribution ratio	*49.4%*	*42.7%*	*24.4%*	*47.9%*	*n/a*	*42.5%*	*41.0%*
Sales, administrative, distribution costs and other operating items	231	367	217	52	10	877	1,182
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**513**	**203**	**3**	**4**	**(10)**	**713**	**828**
EBITDA ratio	*34.0%*	*15.2%*	*0.3%*	*3.4%*	*n/a*	*19.0%*	*16.9%*
Depreciation	141	90	74	2	(8)	299	412
Amortisation excl. goodwill	8	1	2	1	0	12	15
Earnings before interest, tax and amortisation (EBITA)	**364**	**112**	**(73)**	**1**	**(2)**	**402**	**401**
Amortisation of goodwill	6	21	10	0	47	84	83
Earnings before interest and tax (EBIT)	**358**	**91**	**(83)**	**1**	**(49)**	**318**	**318**
EBIT ratio	*23.8%*	*6.8%*	*(9.2%)*	*0.9%*	*n/a*	*8.5%*	*6.5%*
Share of earnings before tax of associated undertakings	0	(8)	0	(5)	(36)	(49)	197
Profit/loss on disposal of undertakings and activities	0	0	(38)	0	739	701	(5)
Net financial income and costs	17	(30)	(27)	(1)	14	(27)	(142)
Earnings before tax (EBT)	**375**	**53**	**(148)**	**(5)**	**668**	**943**	**368**
EBT ratio	*24.9%*	*4.0%*	*(16.4%)*	*(4.3%)*	*n/a*	*25.2%*	*7.5%*
Tax for the year	124	12	0	0	(57)	79	44
Profit/loss for the year	**251**	**41**	**(148)**	**(5)**	**725**	**864**	**324**
CASH FLOWS							
Cash flows from operating activities	**380**	**157**	**31**	**14**	**136**	**718**	**651**
Cash flows from investing activities	**(319)**	**16**	**(57)**	**(3)**	**1,146**	**783**	**647**
Cash flows from operating and investing activities	**61**	**173**	**(26)**	**11**	**1,282**	**1,501**	**1,298**
Cash flows from financing activities	**(138)**	**(189)**	**29**	**(7)**	**(862)**	**(1,167)**	**(1,176)**
Change in cash funds	**(77)**	**(16)**	**3**	**4**	**420**	**334**	**122**
NET INTEREST-BEARING DEBT/(BALANCES)	**6**	**371**	**401**	**5**	**(364)**	**419**	**1.392**
BALANCE SHEET							
Fixed assets	1,740	787	547	20	875	3,969	4,986
Current assets	926	378	354	37	421	2,116	2,050
Total assets	**2,666**	**1,165**	**901**	**57**	**1,296**	**6,085**	**7,036**
Consolidated shareholders' equity	1,678	381	236	29	1,254	3,578	3,898
Provisions	26	91	104	0	0	221	232
Long-term and current liabilities	962	693	561	28	42	2,286	2,906
Total liabilities	**2,666**	**1,165**	**901**	**57**	**1,296**	**6,085**	**7,036**
Number of employees at 31 December	**839**	**745**	**925**	**60**	**0**	**2,569**	**3,088**

FLS Building Materials turnover in geographical terms



FLS Building Materials turnover by segment



AALBORG PORTLAND
www.aalborg-portland.dk

AALBORG WHITE®
www.aalborgwhite.com

Aalborg Portland

Aalborg Portland develops, produces, distributes and markets a wide range of white and grey cement to the Danish and selected export markets. Aalborg Portland White is the world's largest producer and exporter of white cement. Its production plants in Aalborg (Denmark), Egypt and Malaysia have a total yearly capacity of 1.5 million tonnes of white cement which is sold in more than 70 markets worldwide. Aalborg Portland's 2.0 million tonnes per year of grey cement production capacity is being fully utilised.

2003 was a satisfactory year for the Aalborg Portland Group and one that lived up to expectations despite the continuing recession in the global economy, difficult market conditions and keener competition. The gratifying financial result is mainly due to a record volume of export sales of white cement from Aalborg and the fact that the company managed to maintain its sales of grey cement to the Danish market. Costs savings through efficiency projects in Denmark, non-recurring income from sale of properties and the Supreme Court's decision in favour of the company in the case regarding repayment of waste tax for previous years, also contributed to a favourable result. Continued customer focus and emphasis on core business were also part of the improved performance reflected in a satisfactory EBIT of DKK 358m.

Aalborg Portland and Aalborg Portland White

DKKm	2003	2002
Net turnover	1,507	1,550
EBITA	364	343
EBIT	358	338
EBT	375	326
CFFO	380	259
Sales volume (mill. tonnes cement)	3.064	2.927

In the **grey cement** segment Aalborg Portland A/S fully utilised its 2.0 million tonnes per year production capacity. In January 2003, Aalborg Portland signed an agreement with the shareholders in Mørchs Cement A/S to take over the company's domestic operations. Aalborg Portland has continued these activities under its own brand and within its own organisation. Sales to the Danish market were slightly above last year's level due to the acquisition of Mørchs Cement. 2003 saw the total market volume shrink 4% as anticipated. In Iceland, Aalborg Portland Íslandi hf.'s investment in another cement terminal paved the way for a satisfactory sales volume and market share.

The **white cement segment** was strengthened in 2003 through a number of events and activities that support the growth strategy.

As expected, Sinai White Portland Cement in Egypt has gained a strong local position with a market share exceeding 40%. Tough competition has led to lower prices in the home market. Exports have developed extremely well since the 1st quarter. 2004 is expected to see full utilisation of the plant's capacity, which is 410,000 tonnes per year (in 2003: 340,000 tonnes). Aalborg Portland White owns 45% of Sinai White Portland Cement and the Industrialization Fund for Developing Countries (IFU) controls 11%, and the company is expected to be included in the consolidated accounts from the 1st quarter 2004.

Effective 1 January 2003, the Aalborg Portland Group acquired an additional 10% portion of the shares in Aalborg White Asia. The Group now holds 70%, while the Industrialization Fund for Developing Countries (IFU) has acquired the 30% interest formerly owned by Rock Chemical Industries which is thus no longer a shareholder.

After the inauguration of its new plant at the end of 2002, Aalborg White Asia is among the largest producers of white cement in Asia and will serve as Aalborg Portland's regional centre for production and sale of white cement with an annual capacity of 200,000 tonnes. The white cement is exported from Malaysia to most Asian countries. In the Philippines and Taiwan the company has opened sales offices to market white cement, and in 2003 a sales subsidiary was established in Australia.

Søren Vinther, CEO

Sales to the Australian market, however, fell short of expectations and market penetration is taking longer than anticipated. In several Asian markets the SARS disease had a negative impact on sales at the start of the year, and it was not possible to make up for the lack of sales in 2003.

At the end of 2003, Aalborg Portland boosted its white cement production capacity at the Aalborg plant from 620,000 tonnes to approximately 850,000 tonnes per year. The total investment in that expansion amounted to approximately DKK 200m.

White cement from the Aalborg Portland Group is being sold to more than 70 markets. Sales in the USA, the largest single market for white cement, are handled by Lehigh White Cement Company, a joint venture between Aalborg Portland, Heidelberger Zement and Cemex.

In 2003, Aalborg Portland increased its white cement capacity to a total of 1.5 million tonnes per year, and the Group reinforced its position as the world's leading producer and exporter of white cement with production facilities in Denmark, Malaysia, Egypt and USA in addition to cement terminals in Holland and Poland.

Overall in 2002/2003 Aalborg Portland in Denmark initiated and implemented cost savings and efficiency improvements to maintain its successful development and earnings. The efficiency drive will continue in 2004, focusing primarily on the purchasing function and optimisation of in/outsourcing to analyse all aspects of procurement in order to achieve the best conditions available in the market seen in relation to Aalborg Portland's quality and delivery requirements.

The innovative efforts carried out at Aalborg Portland's Research and Development Centre, which are taking place in cooperation with leading scientists and architects, are of a high international calibre. The focus of these activities is on developing production methods and supporting the international market for white cement and the Danish market for grey cement through product development and development of better cement for concrete and other cement-based materials.

Aalborg Portland continues to focus on increasing use of waste as an energy source to replace petcoke, coal and oil purchased abroad. These efforts are helping to strengthen its competitive edge and may also be seen as a contribution to society and a supplement to the Danish incineration industry.

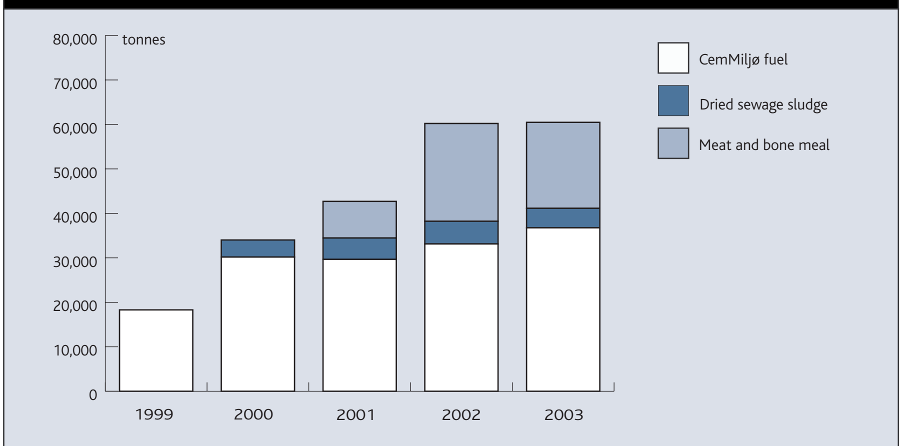
2003 saw the implementation of a project to expand and optimise the production plant at CemMiljø A/S which collects and processes waste into useful industrial fuel. Besides, the largest kiln system has had a chlorine removal unit installed which allows a substantial increase in the use of waste-derived fuel. The systems that enable Aalborg Portland to help dispose of meat and bone meal were also expanded during 2003.

These initiatives are a natural continuation of Aalborg Portland's drive over the past decade to optimise energy utilisation, replace fossil fuels and reduce emissions from cement production, for example of CO_2. Aalborg Portland trusts that these substantial investments will be taken into account when the authorities are to decide on the CO_2 quotas applicable to the company, enabling it to avoid additional distortive environmental taxes.

In October 2003, Aalborg Portland received a diploma for the year's best environmental reporting awarded by the Institute of State Authorized Public Accountants in Denmark and the Børsen newspaper.

Aalborg Portland expects a continued satisfactory EBITA result for 2004.

Developments in the use of alternative fuels



Alternative fuel being processed at Aalborg Portland

www.unicon.dk

Unicon Group

Unicon produces and distributes ready-mixed concrete in Denmark, Norway, Sweden and Poland. Unicon is Scandinavia's leading provider of ready-mixed concrete, employing 745 people and headquartered in Roskilde, Denmark.

The Unicon Group recorded a net turnover of DKK 1,334m in 2003, DKK 1,033m less than in 2002, which reflects the divestments made in 2002 and the fact that as from 2003 Secil Unicon SGPS Lda. is no longer consolidated but treated as an associated undertaking.

EBIT for the year amounted to DKK 91m, which marks a satisfactory result and a DKK 51m improvement on 2002. The improved result includes net non-recurring income of DKK 35m, primarily the profit accruing from the sale of a property in Roskilde.

Cash flows from operating activities in 2003 were positive and amounted to DKK 157m as against DK 229m in 2002.

In the Scandinavian markets 2003 was characterised by lower activity in the building and construction sector and keener price competition compared with both the year before and the expectations for 2003. The decline in prices was particularly pronounced in Denmark, and the Norwegian market saw a marked slowdown in the Oslo area during the first half of 2003, notably in the office construction segment. The turnover in Scandinavia amounted to DKK 1,218m.

After several years of high growth rates in Poland, 2003 saw a recession in the building and construction sector which put increasing pressure on prices. The turnover for 2003 amounted to DKK 128m. Unicon's location in some of the major metropolitan areas gives it a strong and favourable market position in Poland. The building and construction sector is expected to see increasing growth over the coming years, partly as a result of Poland joining the EU.

Focus on Northern Europe

The ongoing consolidation in the ready-mixed concrete industry makes it necessary to focus resources on operations and development to maintain market leadership in the regions served. Unicon has therefore decided to concentrate its efforts on the Northern European region, notably Scandinavia and Poland.

With effect from 1 October 2003, Unicon acquired and took over five plants in Bergen and Ålesund in Norway. Their total production amounts to 100,000 m^3 per year, representing a turnover of approximately NOK 85m.

Around mid 2003, Unicon further expanded its activities by acquiring a 20,000 m^3 per year facility in Verdal (north of Trondheim) from a competing company Inherred Betong, thereby strengthening its position in this important region.

Effective 1 January 2003, Unicon sold its American pumping business.

In October 2003, Unicon signed an agreement with the City of Roskilde to sell an approximately 250,000 m^2 property at Køgevej in Roskilde for the amount of DKK 58m effective 31 December 2003. The property used to serve as the production site for Unicon concrete pipes, pavers and elements. The sale did not include Unicon's administration building.

Kent Arentoft, CEO

Development projects

During 2003 Unicon continued the transformation of the company from a production enterprise into a service and logistics business. The intention is to utilise the extensive pool of experience among the Unicon facilities by developing and implementing joint concepts for a number of key activities. As a spin-off from this process customers will be able to perceive Unicon as one business regardless of where they access its products and services. The concepts being adopted are also paving the way for greater consistency in the operations of the business, thus making it much easier to control.

The concepts are chiefly intended to promote
- focusing of the core business
- industrialisation of processes
- differentiation in relation to competitors.

Unicon

DKKm	2003	2002
Net turnover	1,334	2,367
EBITA	112	63
EBIT	91	40
EBT	53	(66)
CFFO	157	229
Sales (million m^3 ready-mixed concrete)	1,901	1,933

2003 saw special emphasis on the implementation of a common distribution system (Dispo) for Denmark and Norway. The project progressed according to plan, with the system being finally implemented in Denmark in 2003 and implementation in Norway expected to be completed by mid 2004. The purpose of the distribution system is to

- strengthen the relationship with key customers by improving the capability to deliver according to an agreed schedule
- improve the capability to deliver without having to increase the number of trucks.

Inspired by the motto – "it should be easy to deal with Unicon" – 2003 saw a focused effort to develop central customer service centres in Denmark. The integration of the new centres progressed satisfactorily. A new telephone network ties the entire Danish organisation together, and the three customer service centres share a common call centre, enabling them to provide customers with swifter and more competent service.

New products

The development of Unicon focuses on products, raw materials and processes related to production and delivery of ready-mixed concrete. Research and development is therefore aimed at developing new types of ready-mixed concrete based on a systematic approach to developing the characteristics and applications of the product. These efforts are enabling the company to handle ever more complicated construction projects in close cooperation with the customers, which supports the strategy of developing the company into a service and logistics organisation. Complex projects are expected to grow in number over the coming years.

Unicon expects a satisfactory EBITA result for 2004.

Unicon truck passes Aalborg Portland cement terminal.

Dansk Eternit Holding
www.deh.dk

Dansk Eternit Holding
Dansk Eternit Holding (DEH) is among Europe's market leaders in producing and distributing fibre cement products. The main product lines are corrugated sheets and slates used primarily as roofing material, and plane sheets for interior and exterior cladding of façades, walls and ceilings. Dansk Eternit Holding has production facilities and sales offices in Denmark, the Czech Republic, Finland and Poland. Besides, Dansk Eternit Holding has its own sales companies in Holland, Great Britain, Germany, France, Sweden and Norway. Most of the Group's turnover derives from markets outside Denmark. Dansk Eternit Holding employs 925 people and has its headquarters in Aalborg, Denmark.

In 2003, DEH achieved a net turnover of DKK 903m, which is DKK 110m lower than in 2002. The decline in net turnover reflects divestment of non-core activities at the start of 2003 which represented an annual net turnover of DKK 120m. In line with the corporate strategy, early 2003 saw the acquisition of the fibre cement distribution companies Tepro Byggmaterial in Sweden and Norsal in Norway. The companies acquired contributed DKK 63m to the net turnover for 2003.

Despite stagnation in some European building and construction markets, DEH managed to grow sales by more than 10% in terms of tonnage within the core product lines of fibre cement slates and fibre cement plane sheets. Fibre cement corrugated sheets accounted for less than one third of DEH's net turnover in 2003.

Dansk Eternit Holding

DKKm	2003	2002
Net turnover	903	1,013
EBITA	(73)	(15)
EBIT	(83)	(23)
EBT	(148)	(51)
CFFO	31	6

EBIT for the year was a DKK 83m loss, reflecting a number of one-off events.

Notwithstanding several rationalisation initiatives, which received energetic and loyal support by the employees, the last couple of years have proved it impossible to turn the operations of the subsidiary Dansk Eternit A/S into profit. The production facility in Aalborg has been running at a considerable loss, and it was therefore decided to move the remaining production of corrugated sheets in Denmark to one of DEH's existing plants in the Czech Republic. The move is an attempt to secure the future competitiveness of DEH, by further consolidating in-house production. Dansk Eternit A/S' 365,000 m^2 industrial site in Aalborg has therefore been put up for sale.

The decision to close production in Denmark is reflected in the accounts for 2003 in terms of provisions for termination of employment and write-downs on a number of fixed assets.

DEH has undertaken liabilities deriving from a former license agreement. DEH made a provision for this liability in 2002 due to a claim raised by the other party to the contract. The dispute was settled in 2003 through arbitration and had a negative impact on the year's financial result.

As in previous years the earnings negatively reflect the costs and provisions made in connection with warranty claims. Provisions have been made for future warranty work within the warranty period.

Lars Østergaard, CEO

2004 is expected to see an increasingly competitive market for fibre cement products parallel with consolidation of the industry in Europe. Over the last couple of years, DEH has taken part in the consolidation process through acquisition of companies, and DEH intends to remain active in the consolidation and rationalisation of the industry.

In 2004 profitable net turnover and cost reductions will continue to be focal points in DEH.

Dansk Eternit Holding expects an EBITA result close to nil in 2004 and continued improvement in 2005 once the full benefits of moving production to the Czech Republic have been achieved.

Dansk Eternit Holding produces flat fibre cement sheets used as façade cladding.

Densit
www.densit.com

Finn Thor Hansen, CEO

Densit

Densit produces cement-based special-purpose materials of ultra-high strength and durability for applications in the security industry, for wear protection, for industrial flooring and for reinforcement of off-shore drilling rigs and wind turbine foundations. The company also produces wear-resistant components, notably for the cement and power generating industries.

Densit uses a patented material technology (Densified Systems with ultrafine Particles) to produce cement-based materials that offer 5-10 times higher strength and durability than mortar and concrete whilst having excellent anti-corrosive properties and without giving cause for environmental concern. Densit employs 60 people and is headquartered in Aalborg, Denmark.

Postponement of projects in various business segments plus non-recurring costs had a negative impact on Densit's financial result for 2003. Due to the deferred projects EBIT for 2003 amounted to DKK 1m.

In 2003, the offshore segment was affected by the postponing of projects for reinforcement of drilling rigs and offshore wind turbines. However, the reinforcement project for the 80 offshore wind turbines at Horns Rev which was handed over in 2002, has served as documentation for initiated and planned projects in 2003.

The industrial flooring segment saw growth in turnover and earnings during 2003. Among the projects was a Densitop® floor for Danish Crown's new large slaughterhouse in Horsens, Denmark. After a couple of years of recession the market for security products stabilised in comparison with the previous year.

Despite increased competition, the wear protection segment achieved the same level of sales as in 2002.

Densit expects to increase its net turnover in 2004, primarily through organic growth and possibly supported by strategic partnership arrangements. Growth is expected to mainly derive from rising exports.

Densit forecasts a modest EBITA result for 2004.

Densit supplies specialty mortar in big bags.

Densit

DKKm	2003	2002
Net turnover	117	118
EBITA	1	(2)
EBIT	1	(2)
EBT	(5)	(4)
CFFO	14	(7)

FLS Aerospace

www.flsaerospace.com

FLS Aerospace recorded a net turnover of DKK 2,496m in 2003 compared to DKK 2,730m in 2002. DKK 153m of the decline is due to a lower GBP exchange rate.

Earnings before interest, tax, depreciation and amortisation (EBITDA) were DKK 41m compared to DKK 54m the year before. Earnings before interest and tax (EBIT) amounted to DKK -2,267m as against DKK -202m in 2002. The earnings before tax (EBT) were DKK -2,412m compared to DKK -289m the previous year.

A DKK 2.0bn write-down of the fixed assets following the agreement to sell FLS Aerospace to SR Technics, which was signed in early February 2004, had a negative impact on the financial result for 2003.

DKKm	
Write-down of intangible fixed assets	(66)
Recognition of negative goodwill as income	152
Write-down of tangible fixed assets	(1,888)
Reversal of net exchange losses, etc. previously stated in the shareholders' equity in accordance with prevailing accounting rules	(206)
Total effect on earnings due to impairment test	(2,008)

The amounts are included in the profit and loss account together with ordinary depreciation and amortisation.

The result also suffered from the DKK 50m loss deriving from the sale of activities in Copenhagen earlier in the year.

Management is convinced that under its new ownership FLS Aerospace will be ideally placed to continue the development of its activities viewed against the massive restructuring and consolidation which the aircraft maintenance industry is currently undergoing.

In December 2003 it was decided to take a number of commercial and organisational steps to concentrate the operations of FLS Aerospace and make them more efficient.

FLS Aerospace will be included in the 2004 consolidated accounts for FLS Industries A/S until the final date of take-over which is expected to be by the end of May 2004 at the latest. During that period an EBITA result close to nil is anticipated.

FLS miljø

www.flsmiljo.com

FLS miljø posted a net turnover of DKK 404m in 2003, down from DKK 901m in 2002, reflecting the fact that the company is being phased out.

FLS miljø's largest project, West Burton, suffered a major breakdown at the construction site in the autumn of 2003, which caused serious delays and has affected the costs of completing the facility. Besides, the level of staff at the site has been higher than anticipated. All four absorbers are now desulphurising the flue gases on a test basis. Commissioning procedures as well as testing and optimisation of the facility remain to be completed before it can be handed over to the customer.

The other and last construction project, a desulphurisation plant in Eggborough, has seen slower progress than planned. The workforce at the construction site has been increased considerably to meet the first two milestones agreed with the customer. The third and final milestone is the handing over of the project to the customer, which is scheduled for the end of the third quarter 2004. The plant was 80% completed at the end of 2003.

A few years ago, FLS miljø and a number of financial and industrial investors formed a company, Supertræ, for the purpose of building and operating a wood proofing facility based on new technology developed by FLS miljø. After several years of unsatisfactory performance, the shareholders decided in October to let the company go into liquidation. FLS miljø has therefore written down its shareholding and financial debt, representing a loss of DKK 24m in EBT terms.

Overall, this means an EBIT result for FLS miljø of DKK -933m compared to DKK -608m the year before.

For 2004, FLS miljø expects a slightly negative EBITA result reflecting the administrative costs of closing down this line of business. Completion of the two remaining projects and attainment of the guaranteed cleaning efficiencies still entail risks.

At the beginning of March 2004 FLS miljø will have its capital increased by DKK 250m.

Other and associated undertakings

OTHER UNDERTAKINGS

Redep (formerly Pedershaab)

Redep started off the year with a weak order book, which combined with a modest intake of orders in 2003 had a negative impact on the financial result, EBIT thus amounting to DKK -22m. On 11 November, FLS Industries announced that the major part of Redep's business activities had been sold to an American company. The sale resulted in an accounting loss of DKK 55m.

ASSOCIATED UNDERTAKINGS

Secil

In the 1st quarter of 2003, FLS Industries A/S sold its 50% stake in FLS HH SGPS Lda, which owns 44.6% of Secil, Portugal's second-largest cement producer.

FLS Industries A/S received DKK 1,150m in cash payment for the shares, resulting in an accounting profit of DKK 739m.

Spæncom

Spæncom is an independent, listed company, and reference is made to its financial statements and website www.spaencom.com. Spæncom contributed DKK –37m to the earnings before tax.

Atlas

Atlas Cement Corporation, based in the Philippines, produces cement for the domestic market. FLS Industries A/S controls a 27.1% stake in the company. Atlas Cement Corporation contributed DKK 1m to the earnings before tax (EBT).

Stock Exchange announcements and press releases
issued by Corporate Public Relations in 2003

22 Jan. **FLS Industries** **01/2003**
Poul Erik Tofte takes office as Group Chief Financial Officer

24 Jan. **F.L.Smidth** **02/2003**
wins multi-million contract in Nigeria

25 Feb. **FLS Industries** **03/2003**
refutes press information about secrete guarantees

5 Mar. **FLS Industries** **04/2003**
Annual Report 2002

12 Mar. **FLS Industries** **05/2003**
Sale of Secil shares

20 Mar. **FLS Aerospace** **06/2003**
sells hangar and workshop activities in Copenhagen Airport

20 Mar. **FLS Industries** **07/2003**
Notice of Annual General Meeting

7 Apr. **FLS Industries'** **08/2003**
Annual General Meeting
7 April 2003 – Chairman's Report

7 Apr. **FLS Industries** **09/2003**
Summary of Annual General Meeting

23 Apr. **FFE Minerals** **10/2003**
Order in China

28 Apr. **FLS Industries** **11/2003**
continues divestments as planned (J.A. Plastindustri – Handelmij Austria – PM Energi – "Portland-mosen")

5 May **F.L.Smidth** **12/2003**
wins contract in Slovakia

12 May **F.L.Smidth** **13/2003**
success in China

23 May **FLS Industries** **14/2003**
Interim Report
1 January – 31 March 2003

3 July **F.L.Smidth** **15/2003**
wins record contract in Iran worth 500m DKK

5 Aug. **F.L.Smidth** **16/2003**
wins slag grinding project in Florida, USA

29 Aug. **FLS Industries** **17/2003**
Interim Report
1 January – 30 June 2003

2 Sept. **FLS Industries** **18/2003**
Chairman of the Board
- remuneration

11 Sept. **F.L.Smidth** **19/2003**
New contract in Iran

15 Sept. **POTAGUA and FLS Industries** **20/2003**
Tentative interest in submitting offer to buy

16 Sept. **F.L.Smidth** **21/2003**
Plant modernisation contract in Iran

24 Sept. **F.L.Smidth** **22/2003**
New orders from China worth DKK 250m

25 Sept. **FLS Industries** **23/2003**
Share option plan

1 Oct. **Unicon** **24/2003**
strengthens position as Norway's leading concrete supplier

1 Oct. **Dansk Eternit Holding** **25/2003**
will move the Danish production of corrugated roofing sheets to the Czech Republic

1 Oct. **FLS Industries** **26/2003**
Share option calculation

3 Oct. **POTAGUA/FLS Industries** **27/2003**
Sale of shares postponed until current restructuring of FLS Industries A/S is completed

30 Oct. **Unicon** **28/2003**
sells property in Roskilde

6 Nov. **F.L.Smidth** **29/2003**
to modernise and expand Iranian cement plant

11 Nov. **FLS Industries** **30/2003**
sells Pedershaab

13 Nov. **F.L.Smidth** **31/2003**
wins large contract in Syria

27 Nov. **FLS Industries** **32/2003**
Interim Report
1 January-30 September 2003

18 Dec. **F.L.Smidth Airtech** **33/2003**
lands major flue gas cleaning contract in Holland

19 Dec. **FLS Industries** **34/2003**
Group Executive Vice President Preben Tolstrup resigns

Commercial risks

Risk Management
In 2001, FLS Industries began to build up a Risk Management function with a view to introducing risk management throughout the Group companies. Since 2001, the Group's major companies have reported their strategic and operational risks to FLS Industries A/S on a yearly basis.

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

Turnkey orders account for a significant proportion of the total turnover. Such contracts are more exposed to external risk factors than are shipment orders, so successful implementation of the projects on schedule often involves higher risk. The risks of the projects are assessed both initially and towards the end of the tender preparation phase, and risk reporting takes place continuously during the course of each project.

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 and the external factors that affect them. In the event of emergencies, contingency plans have been drawn up to protect the safety of the employees.

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 and to safeguard continuous operations certified quality management systems are used 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.

The production of white cement takes place not only in Denmark, but also in Egypt and Malaysia, which poses different political, cultural and logistical challenges. Production at these sites has taken place for a number of years, and Aalborg White has gained successful experience in handling these challenges. The turnover in the Middle Eastern and Far Eastern 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 periods for various products in the respective markets. Because warranty periods are lengthy and specific for each industry, the provision is subject to some uncertainty and is based on the best possible estimate at the time of closing the accounts.

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, transport and third-party 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.

Aalborg Portland road tanker loaded with 30 tonnes of cement.

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

Currency exposure
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 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 Group's main currencies for commercial purposes are USD, GBP, EUR and DKK.

Interest rate risk
The 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 38% of the Group's net interest-bearing debt at 31 December 2003 carried a fixed rate of interest.

The sensitivity of net finance to a one percentage increase in interest rate amounted to DKK -15m at 31 December 2003.

Liquidity exposure
One of the primary responsibilities of the 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 long-term committed credit facilities with various financial institutions.

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

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 2003, 90% of the Group's committed loan facilities matured later than 2004. Committed loan facilities maturing within a single year do not exceed 14%, and no financial institution provides more than 20% of the facilities in use. The average life of the parent company's committed loan facilities was 3.7 years.

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

FLS Industries is part of the Aktieselskabet Potagua group. Potagua holds 62% of the votes. Potagua has announced that the company wishes to sell its shareholding in FLS Industries A/S. In accordance with the Copenhagen Stock Exchange method of accounting, the FLS B share has a free-float of 54%.

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

FLS shares and share options held by the Board of Directors, the Management and executive staff
Members of the FLS Industries A/S Board of Directors own a total of 18,348 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 19,185 shares and 79,579 options.

Other executive staff hold 16,239 shares and 483,677 options. Staff and executives who have left the Company own 301,721 share options.

On 1 January 2004, 389,000 employee shares that have been held in trust since 1998 were released. There are no more employee shares being held in trust.

Share indices
The FLS Industries B share is included in the following indices:
Copenhagen Stock Exchange MidCap+ index
Copenhagen Stock Exchange all-share index – KAX
Copenhagen Stock Exchange free float index – KBX
Copenhagen Stock Exchange benchmark index –KBXCAPGI
Copenhagen Stock Exchange index for small and medium-sized companies – KFMX
Copenhagen Stock Exchange industrials index – CSE20
MSCI Europe Construction and Engineering
MSCI Europe Construction Materials

Investor Relations activities
Via announcements to the Copenhagen Stock Exchange and briefing sessions plus updated information about the company's activities on the company website, www.flsindustries.com, the Group seeks to maintain regular contact with the stock market to ensure a development of the share price that reflects the underlying financial performance of the Group. It is FLS Industries' ambition to be recognised for its good policy of investor relations. 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 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.

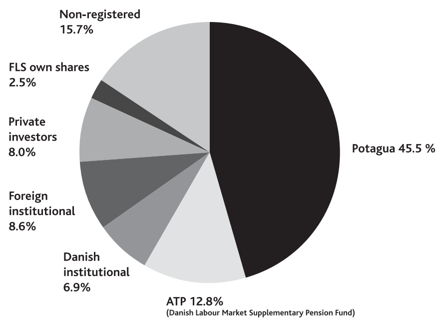
During 2003, FLS Industries held a number of presentations for analysts and investors in Denmark and abroad. FLS Industries participated in three events aimed at registered private investors which were held in Aarhus and Copenhagen. FLS Industries also invited investors to a presentation at Aalborg Portland in May. The information handed out on these occasions is released at the same time on the company's website.

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

Share and dividend figures	1999	2000	2001	2002	2003
CPS*(Cash Flow per Share), DKK	17.1	(0.6)	24.8	13.4	(3.8)
EPS*(Earnings Per Share), DKK	44.9	5.7	(0.2)	(27.5)	(48.1)
Net Asset Value*	131	126	123	102	50
Dividend per share*, DKK	7.5	3.0	0	0	0
Pay-out ratio (%)	17	52	0	0	0
FLS B share price	186	130	71.5	55	68.7
Number of shares (000s)	46,487	46,487	53,200	53,200	53,200
Market capitalisation, DKKm	8,733	5,414	3,804	2,926	3,655

* adjusted to share denomination DKK 20

Classification of shareholders



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 announcements and press releases.

Registration of shares is effected via one's own bank. Registered shareholders automatically receive an invitation to General Meetings. To receive a copy of the Annual Report, please order it at the Company's address or by e-mail: corpir@flsindustries.com. A copy of the Annual Report can also be ordered via the Company's website.

Market developments in 2003

The FLS B share opened the year at a price of 55 ("All trades") and gradually declined during the first few months with the stock market in general. Having reached its lowest level at 43.5, from March 2003 the FLS B share rose and eventually peaked at 78 in mid November. The FLS share ended 2003 at a price of 68.70 ("All trades").

The total return on the FLS B shares amounted to 25% in 2003. By comparison the KFX index rose by 22.5% in 2003, MSCI European Construction and Engineering by 26% and MSCI European Building Materials by 30%. On 1 April 2003, the Copenhagen Stock Exchange introduced its new MidCap+ index which includes the FLS B share. Since the index was introduced, the return has been 60%. During the same period the return of the FLS B share has been 48% based on the 'All trades' price.

Financial calendar 2004

4 March 2004	2003 Annual Report
23 April 2004	Annual General Meeting
28 May 2004	Interim Report for 1st quarter 2004
26 August 2004	Interim Report for 1st half 2004
26 November 2004	Interim Report for 3rd quarter 2003

The Annual General Meeting will take place on 23 April 2004 at 16.00 hours at SAS Radisson Falconer Center, Falkoner Allé 9, DK-2000 Frederiksberg.

Contact persons

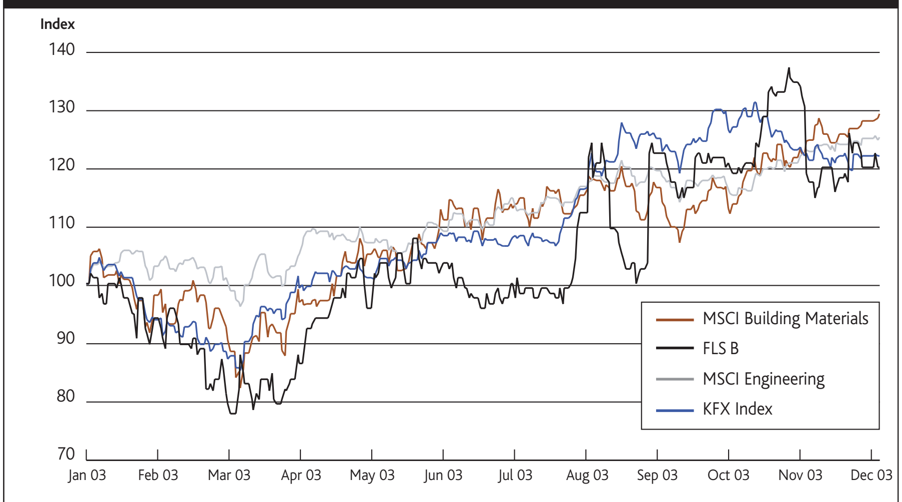
Corporate Public Relations:
Torben Seemann Hansen
Tel: +45 36 18 18 60
E-mail: tsh@flsindustries.com

Investor Relations:
Pernille Friis Andersen
Tel: +45 36 18 18 87
E-mail: pefa@flsindustries.com

Shareholders secretariat
Hanne Falshøj and Solvej Gosmer
Tel: +45 36 18 18 99 or +45 36 18 18 76
E-mail: corpir@flsindustries.com

Website:
www.flsindustries.com

FLS B. KFX. MSCI Building Materials and Engineering 2003 (Index 31-12-2002=100)



Stakeholder relations

Environment

As its overall objective, the 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 Group 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 Group

The Group continues to coordinate and utilise the experience gained in day-to-day environmental management in those of its companies that are primarily producers and distributors of building materials and are involved in systematic environmental management and environmental reporting. The Group continues to draw on the experience gained by Aalborg Portland in the fields of environmental management, environmental certification and presentation of environmental reports and green accounting.

In October 2003, the Aalborg Portland cement plant's 2002 Environmental Report and Green Accounts won an award for the best Danish environmental reporting sponsored by The Institute of State Authorized Public Accountants in Denmark (FSR) and the Danish newspaper Børsen. The environmental report has subsequently entered the contest for the European Environmental Reporting Award which takes place in April 2004.

In 2003, the joint environmental effort was extended to include collection of data from Dansk Eternit Holding's production plants in the Czech Republic and Finland which have been included in the 2003 Environmental Report together with the Danish production facilities within the FLS Building Materials sector: Aalborg Portland, Dansk Eternit, Unicon and Densit.

These are energy-intensive production facilities 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 effort is based on the joint environmental policy for FLS Building Materials companies that was adopted by the Management in June 2001. The policy covers the external environment, energy and occupational health and safety. Among the issues being focused on are responsible and sustainable development, production and distribution of building materials.

It has been decided to include the following statement in the environmental policy: " – to communicate relevant demands to our suppliers within the scope of the policy." This point was included to strengthen the interaction between the environmental efforts undertaken by Group companies and those carried out by selected major suppliers.

It is also part of the overall objective for each of the companies within FLS Building Materials to gradually introduce environmental and energy management adapted to their individual differences. The purpose is to let the managerial tool be an integral part of the company's day-to-day efforts to minimise emissions, economise on energy consumption and optimise occupational health and safety.

The management systems, targets and action plans for environmental impact, energy usage and health and safety reflect the companies' environmental performance based on their

Aalborg Portland is using an increasing amount of alternative fuels to fire its cement kilns.

environmental situation. 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.

Aalborg Portland's cement plant at Rørdal and Dansk Eternit Holding's facilities in Aalborg, the Czech Republic and Finland have attained environmental certification to the international ISO 14001 standard. The plants in Aalborg have also 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 companies are involved in a focused effort to improve occupational health and safety.

The Aalborg cement plant is also enrolled in the European-based Environmental Management and Audit Scheme (EMAS). Aalborg Portland's contract with the Danish Energy Agency to test seven options for increased energy efficiency in production has been implemented and reported as agreed.

In 2003, the Aalborg cement plant was granted a certificate for efficient energy utilisation in accordance with DS 2403 and renewed its contract with the Danish Energy Agency regarding additional special studies into more efficient use of energy in the production of cement. 2003 also saw the start of a joint effort with the Energy Agency to define the company's CO_2 quota in accordance with EU regulations based on the Kyoto Agreement on global reduction of CO_2 emissions.

Unicon has chosen to maintain environmental management as a tool in its day-to-day environmental efforts without ISO 14001 certificates at the ten Danish facilities that have been certified.

The intention in the longer term is to extend the joint environmental effort to also include the other foreign production companies within FLS Building Materials and other companies in the Group.

Ethics

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

The 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 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 2003 reflect the implementation of the business strategy, with its focus on core business activities and continued streamlining of the Group's business procedures. The disposal of undertakings and efficiency improvements are thus reflected in the reduced head count in the Group.

In a world where continuous globalisation is affecting operations and competition, the ability of the Group to provide customers with optimum solutions is closely linked to the quality and proficiency of its human resources. The competence with which management and employees 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 2003 therefore saw increasing investments in development of managerial and knowledge-based competencies through training and education.

Number of employees:	2003	2002
Total number of employees	10,234	11,354
- of which in Denmark	2,786	3,533

Employee head count 2003 split into core businesses and other businesses Denmark and abroad in 2003:	Denmark	Abroad
Core businesses (F.L.Smidth Group and FLS Building Materials)	2,547	4,401
Other undertakings	239	3,047

Corporate Governance

Overall control of commercial and financial risks
The 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.

The administrative integration of FLS Industries A/S with F.L.Smidth A/S and the new streamlined management structure, which were announced on 29 January 2004, also serve the purpose of ensuring a clear division of responsibilities and short lines of communication.

As to risk management reference is made to the appropriate section of this Annual Report.

Board of Directors
The Board of Directors consists of experienced members of the Danish business community, each bringing with them a background and hands-on experience that match the challenges and practical problems currently facing the Group. One member of the new Board also sits on the Board of Aktieselskabet Potagua. Another member of the Board also holds the position of Board Chairman of FLS miljø until the risk profile of that company has been substantially reduced.

In January 2004, the members of the Board of Directors of FLS Industries A/S who are elected by the Company in General Meeting also became the Board of Directors for F.L.Smidth A/S due to the administrative integration of the two companies.

The Corporate Management
The Corporate Management as at 1 January 2004 consists of the Group Chief Executive Officer, the Group Chief Financial Officer and another Group Executive Vice President with a specific area of responsibility.

In January 2004 is was decided to adopt a streamlined management structure, the members of the Corporate Management joining the boards of directors of the subsidiaries within the F.L.Smidth Group and FLS Building Materials and replacing the present external members of those boards.

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 2003 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 reports of listed companies including current Danish Accounting Standards.

Apart from IAS 39, the Annual Report is presented in accordance with the International Financial Reporting Standards (IFRS) 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.

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 Board and Management
The Group shares are divided into two classes of shares (A and B), 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 Investor Relations.

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

ANNUAL ACCOUNTS 2003

FLS INDUSTRIES A/S

Accounting policies

General comments
The 2003 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 International Financial Reporting Standards (IFRS) 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.

The accounting policies are unchanged from 2002.

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
The Corporate Management and a number of executive staff participate in share option plans. These plans are classified as equity instruments and are therefore not included in the Profit and Loss Account nor in the Balance Sheet. Payments regarding these plans are included in the shareholders' equity. The main terms and conditions of the plans are explained in the notes, and the value of the plans is stated according to the Black-Scholes formula.

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 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 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 and write-downs of *Tangible fixed assets* and amortisation and write-downs of *Intangible fixed assets* are not allocated to the individual function, but stated separately.

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 expected 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 of 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 of goodwill and addition of included negative goodwill. The proportionate share of taxes in associated undertakings is stated under *Tax for the year*.

Profit/loss on the disposal of undertakings and activities

Profit/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 shares in subsidiaries are calculated if the shares are unlikely to be sold in the short term.

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

Tax assets are presented on a separate line among financial fixed assets.

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 fair value of the net assets.

In cases where within the financial year after the year of acquisition, the fair value of acquired assets and liabilities proves to differ from the computed values at the time 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.
- 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

Investments in subsidiaries and *Investments 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 IFRS guidelines. Adjustment is made for this fact, where possible.

The net revaluation of *Investments in subsidiaries* and associated undertakings is taken to the *Reserves based on the 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 *Current liabilities*.

Contractual prepayments are recognised as Prepayments received from customers among *Long-term and Current liabilities*.

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 zero 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 *Pensions and similar commitments* or *Prepaid pension fund 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 and balance sheet over the relevant employees' expected remaining term of service in the enterprise. Losses and profits are made up per individual scheme. Changes in the *Pensions and similar fund 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 minor 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 provision is allocated to *Provisions* which 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 debt and interest-bearing debt

Mortgage debt and interest-bearing debt 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 money deposited with banks.

Segment information

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

The business segments are the Group's primary basis of segmentation and the geographical markets are the secondary basis of segmentation. Segment reporting takes place in accordance with IAS 14 and the Danish 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*.

F.L.Smidth supplied this ATOX raw mill to the Ramos Arizpe plant in Mexico.

Consolidated profit and loss account

Notes	DKKm	2003	2002
3	Net turnover	14,911	16,444
4	Production costs	12,500	13,179
	Gross profit	**2,411**	**3,265**
4	Sales and distribution costs	1,159	1,460
4+5	Administrative and other costs	1,591	1,719
6	Other operating income and costs	238	231
	Earnings before interest, tax, depreciation and amortisation (EBITDA)	**(101)**	**317**
17	Depreciation and write-down of tangible fixed assets	2,661	804
16	Amortisation and write-down of intangible fixed assets	228	160
	Earnings before interest and tax (EBIT)	**(2,990)**	**(647)**
19	Share of earnings before tax of associated undertakings	(57)	186
7	Profit/loss on the disposal of undertakings and activities	591	(639)
8	Financial income	1,379	1,103
8	Financial costs	1,473	1,350
	Earnings before tax (EBT)	**(2,550)**	**(1,347)**
9	Tax for the year	(2)	102
	Profit/loss for the year	**(2,548)**	**(1,449)**
	Minority interests' share of the profit/loss for the year	10	12
	FLS Industries A/S' share of the profit/loss for the year	**(2,558)**	**(1,461)**
34	Earnings per share (EPS)	(48.1)	(27.5)
34	Earnings per share (EPS), adjusted for own shares, etc.	(49.3)	(28.2)

Consolidated cash flow statement

Notes	DKKm	2003	2002
	Cash flows from operating activities		
	Earnings before interest, tax, depreciation and amortisation (EBITDA)	(101)	317
	Adjustment for profits/losses on sale of fixed assets and exchange adjustments, etc.	(134)	(149)
	Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA)	**(235)**	**168**
10	Change in provisions, etc.	140	(110)
11	Change in working capital	(20)	240
	Cash flows from operating activities before work in progress, financial items and tax	**(115)**	**298**
	Change in cash flows from work in progress and prepayments	(285)	332
	Cash flows from operating activities before financial items and tax	**(400)**	**630**
	Dividend received from associated undertakings	48	144
12	Financial payments received and made	243	9
	Corporation taxes paid	(91)	(69)
	Cash flows from operating activities	**(200)**	**714**
	Cash flows from investing activities		
13	Acquisition of undertakings and activities	(148)	(39)
14	Disposal and discontinuance of undertakings and activities	78	706
	Acquisition of intangible fixed assets	(96)	(68)
	Acquisition of tangible fixed assets	(656)	(633)
	Disposal of intangible and tangible fixed assets	213	313
	Acquisition and disposal of financial fixed assets	1,142	697
	Cash flows from investing activities	**533**	**976**
	Cash flows from operating and investing activities	**333**	**1,690**
	Cash flows from financing activities		
	Dividends to minority shareholders	(7)	(14)
	Capital increases in Group companies attributable to minority interests	5	10
15	Changes in net interest-bearing debt	(376)	(1,606)
	Cash flows from financing activities	**(378)**	**(1,610)**
	Changes in cash funds	**(45)**	**80**
23	Cash funds at 1 January	398	318
23	Cash funds at 31 December	353	398

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

Assets

Notes	DKKm	2003	2002
	Fixed assets		
	Goodwill	1,064	1,136
	Negative goodwill	0	(172)
	Other intangible fixed assets	142	193
16	**Intangible fixed assets**	**1,206**	**1,157**
	Land and buildings	1,321	2,242
	Plant, machinery and aircraft rotables	1,754	3,359
	Operating equipment, fixtures and fittings	149	271
	Tangible assets in course of construction	243	62
17	**Tangible fixed assets**	**3,467**	**5,934**
18+19	Investments in associated undertakings	251	1,144
18	Other securities and investments	184	151
18	Other financial fixed assets	21	16
25	Prepaid pension fund contributions	54	69
20	Deferred tax assets	267	261
	Financial fixed assets	**777**	**1,641**
	Total fixed assets	**5,450**	**8,732**
	Current assets		
	Raw material and consumables	464	539
	Work-in-progress	105	124
	Finished goods and goods for resale	341	431
	Prepayments for goods	25	28
21	**Stocks**	**935**	**1,122**
23	Trade debtors	2,640	2,864
22	Work-in-progress for third parties	1,385	1,553
	Amounts owed by associated undertakings	16	56
23	Other debtors	515	825
	Prepayments	36	46
	Debtors	**4,592**	**5,344**
24	Own shares	0	0
	Bonds and listed shares	49	40
	Securities	**49**	**40**
23	**Cash funds**	**353**	**398**
	Total current assets	**5,929**	**6,904**
	TOTAL ASSETS	**11,379**	**15,636**

Liabilities

Notes	DKKm	2003	2002
	Shareholders' equity		
24	Share capital	1,064	1,064
	Reserve based on equity method	53	835
	Other undistributable reserves	756	756
	Other reserves	809	2,758
	FLS Industries A/S' share of shareholders' equity before proposed dividend	**2,682**	**5,413**
	Proposed dividend	0	0
	FLS Industries A/S' share of shareholders' equity	**2,682**	**5,413**
	Minority interests share of shareholders' equity before proposed dividend	234	316
	Proposed dividend	0	0
	Minority interests share of shareholders' equity	**234**	**316**
	Total consolidated shareholders' equity	**2,916**	**5,729**
	Provisions		
20	Deferred tax liabilities	55	105
25	Pensions and similar commitments	153	94
26	Warranties	397	393
26	Other provisions	493	450
	Total provisions	**1,098**	**1,042**
	Long-term and current liabilities		
	Mortgage debt	388	236
	Currency loans, lease debt, bank debt, etc.	1,707	2,183
	Prepayments from customers	296	228
27	**Long-term liabilities**	**2,391**	**2,647**
28	Current portion of long-term liabilities	377	562
	Currency loans and bank debt	371	529
	Prepayments from customers	1,055	831
22	Work-in-progress for third parties	459	1,222
	Trade creditors	1,722	1,966
	Amounts owed to associated undertakings	74	1
	Corporation tax payable	40	66
29	Other creditors	647	790
	Deferred income	229	251
	Current liabilities	**4,974**	**6,218**
	Total long-term and current liabilities	**7,365**	**8,865**
	Total long-term and current liabilities and provisions	**8,463**	**9,907**
	TOTAL LIABILITIES	**11,379**	**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 Mortgages/pledges
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)

The rotary kiln at Sinai White Portland Cement, which is owned by Aalborg Portland, produces more than 1000 tonnes white cement per day.

Consolidated shareholders' equity

DKKm	Share capital	Reserve based on equity method	Other un-distributable reserves	Other reserves	FLS' total share	Minority interests' share	Total
Shareholders' equity, at 1 January 2002	**1,064**	**808**	**830**	**3,824**	**6,526**	**343**	**6,869**
Exchange adjustments of net investments		(10)		(290)	**(300)**	3	**(297)**
Exchange hedging 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**
Exchange adjustments of net investments		(12)		(202)	**(214)**	(25)	**(239)**
Exchange hedging of net investments				195	**195**		**195**
Value adjustment of hedging instruments				10	**10**		**10**
Profit/loss for the year		(18)		(2,540)	**(2,558)**	10	**(2,548)**
Adjustments for sale of FLSHH**)		(358)			**(358)**		**(358)**
Adjustments for sale of FLS Aerospace ***)				206	**206**		**206**
Other adjustments in shareholders' equity				(12)	**(12)**		**(12)**
Total income for the year		**(388)**	**0**	**(2,343)**	**(2,731)**	**(15)**	**(2,746)**
Proposed dividend					**0**		**0**
Dividend distributed					**0**	(7)	**(7)**
Additions and disposals of minority interests					**0**	(60)	**(60)**
Transfer between reserves		(394)		394	**0**		**0**
Shareholders' equity, at 31 December 2003 before proposed dividend	**1,064**	**53**	**756**	**809**	**2,682**	**234**	**2,916**
Proposed dividend					**0**		**0**
Shareholders' equity, at 31 December 2003	**1,064**	**53**	**756**	**809**	**2,682**	**234**	**2,916**

Share capital movements (DKKm):	
Share capital at 1 January 1999	930
Merger at 1 January 2001, new issue of shares	134
Share capital at 1 January 2002	1,064

Other undistributable reserves at 31 December 2003 consist of share premium account.

*) The adjustment mainly consists of reversal of write-down on own shares and exchange adjustments, etc. made in NKT Holding A/S.
**) The adjustment mainly consists of reversal of value adjustments and exchange adjustments in FLSHH SGPS Lda. (Secil).
***) The adjustment mainly consists of reversal of exchange adjustments in FLS Aerospace, see Note 17 to the Consolidated accounts.

The shareholders' equity at 31 December 2003 includes accumulated exchange adjustments of net investments in subsidiaries and associated undertakings plus related exchange hedging at DKK -177m (2002: DKK -294m) and accumulated exchange adjustments regarding hedging of future cash flows at DKK 227m (2002: DKK 183m).

1. Breakdown of the Group by core businesses in 2003

DKKm	F.L. Smidth Group	FLS Building Materials	Other companies etc.[1]	Core activities	Non-strategic activities[2]	FLS Group
PROFIT AND LOSS ACCOUNT						
Turnover						
Denmark	58	1,653	5	1,716	99	1,815
Rest of Scandinavia	97	853	0	950	63	1,013
Rest of Europe	1,601	914	0	2,515	2,677	5,192
North America	1,692	206	0	1,898	156	2,054
South America	397	2	0	399	0	399
Africa	2,059	12	0	2,071	13	2,084
Australia	253	19	0	272	0	272
Asia	1,988	75	0	2,063	19	2,082
External turnover	8,145	3,734	5	11,884	3,027	14,911
Intra-group turnover	124	10	(136)	(2)	2	0
Net turnover	**8,269**	**3,744**	**(131)**	**11,882**	**3,029**	**14,911**
Production costs	7,064	2,154	(115)	9,103	3,397	12,500
Gross profit	**1,205**	**1,590**	**(16)**	**2,779**	**(368)**	**2,411**
Contribution ratio	*14.6%*	*42.5%*	*n/a*	*23.4%*	*(12.1%)*	*16.2%*
Sales, admin., distribution and other operating costs	1,098	877	3	1,978	534	2,512
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**107**	**713**	**(19)**	**801**	**(902)**	**(101)**
EBITDA ratio	*1.3%*	*19.0%*	*n/a*	*6.7%*	*(29.8%)*	*(0.7%)*
Depreciation and write-down of tangible fixed assets	104	299	16	419	2,242	2,661
Amortisation and write-down of intangible fixed assets	47	96	0	143	85	228
Earnings before interest and tax (EBIT)	**(44)**	**318**	**(35)**	**239**	**(3,229)**	**(2,990)**
EBIT ratio	*(0.5%)*	*8.5%*	*n/a*	*2.0%*	*(106.6%)*	*(20.1%)*
Share of earnings before tax of associated undertakings	0	(49)	0	(49)	(8)	(57)
Profit/loss on disposal of undertakings and activities	2	0	6	8	583	591
Net financial income and costs	47	(27)	(14)	6	(100)	(94)
Earnings before tax (EBT)	**5**	**242**	**(43)**	**204**	**(2,754)**	**(2,550)**
EBT ratio	*0.1%*	*6.5%*	*n/a*	*1.7%*	*(90.9%)*	*(17.1%)*
Tax for the year	39	79	(67)	51	(53)	(2)
Profit/loss for the year	**(34)**	**163**	**24**	**153**	**(2,701)**	**(2,548)**
Minority interests' share of profit/loss for the year	0	9	0	9	1	10
FLS Industries A/S' share of profit/loss for the year	**(34)**	**154**	**24**	**144**	**(2,702)**	**(2,558)**
CASH FLOWS						
Cash flows from operating activities	**(127)**	**718**	**265**	**856**	**(1,056)**	**(200)**
Acquisition and disposal of undertakings and activities	2	(145)	6	(137)	67	(70)
Acquisition of tangible fixed assets	(139)	(386)	(3)	(528)	(128)	(656)
Other investments	(34)	102	37	105	1,154	1,259
Cash flows from investing activities	**(171)**	**(429)**	**40**	**(560)**	**1,093**	**533**
Cash flows from operating and investing activities	**(298)**	**289**	**305**	**296**	**37**	**333**
Cash flows from financing activities	**113**	**45**	**(155)**	**3**	**(381)**	**(378)**
Change in cash funds	**(185)**	**334**	**150**	**299**	**(344)**	**(45)**
NET INTEREST-BEARING DEBT/(BALANCES)	**(356)**	**419**	**1,049**	**1,112**	**1,333**	**2,445**
BALANCE SHEET						
Intangible fixed assets	151	1,054	0	1,205	1	1,206
Tangible fixed assets	661	2,615	153	3,429	38	3,467
Financial fixed assets	271	300	206	777	0	777
Current assets	4,595	2,116	(2,212)	4,499	1,430	5,929
Total assets	**5,678**	**6,085**	**(1,853)**	**9,910**	**1,469**	**11,379**
Consolidated shareholders' equity	1,362	3,578	(576)	4,364	(1,448)	2,916
FLS Industries A/S' share of shareholders' equity	1,362	3,350	(576)	4,136	(1,454)	2,682
Provisions	517	221	(3)	735	363	1,098
Long-term and current liabilities	3,799	2,286	(1,274)	4,811	2,554	7,365
Total liabilities	**5,678**	**6,085**	**(1,853)**	**9,910**	**1,469**	**11,379**
RETURN ON CAPITAL EMPLOYED (ROCE)						
Adjusted net operating profit after tax (NOPAT)	78	286	(115)	249	(2,813)	(2,564)
Average capital employed	3,297	4,719	(1,310)	6,706	2,250	8,956
Return on capital employed (ROCE)	**2%**	**6%**	**n/a**	**4%**	**n/a**	**(29%)**
Number of employees at 31 December	**4,379**	**2,569**	**117**	**7,065**	**3,169**	**10,234**

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

[2] 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 2002

DKKm	F.L. Smidth Group	FLS Building Materials[1]	Other companies etc.[2]	Core activities	Non-strategic activities[3]	FLS Group
PROFIT AND LOSS ACCOUNT						
Turnover						
Denmark	121	1,706	0	1,827	592	2,419
Rest of Scandinavia	154	804	0	958	58	1,016
Rest of Europe	2,027	1,057	0	3,084	3,036	6,120
North America	1,970	210	0	2,180	1,122	3,302
South America	571	1	0	572	12	584
Africa	1,307	17	0	1,324	24	1,348
Australia	191	31	0	222	13	235
Asia	1,264	87	0	1,351	69	1,420
External turnover	7,605	3,913	0	11,518	4,926	16,444
Intra-group turnover	103	12	(214)	(99)	99	0
Net turnover	**7,708**	**3,925**	**(214)**	**11,419**	**5,025**	**16,444**
Production costs	6,269	2,322	(166)	8,425	4,754	13,179
Gross profit	**1,439**	**1,603**	**(48)**	**2,994**	**271**	**3,265**
Contribution ratio	*18.7%*	*40.8%*	*n/a*	*26.2%*	*5.4%*	*19.9%*
Sales, admin., distribution and other operating costs	1,235	877	99	2,211	737	2,948
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**204**	**726**	**(147)**	**783**	**(466)**	**317**
EBITDA ratio	*2.6%*	*18.5%*	*n/a*	*6.9%*	*(9.3%)*	*1.9%*
Depreciation and write-down of tangible fixed assets	115	305	15	435	369	804
Amortisation and write-down of intangible fixed assets	35	87	0	122	38	160
Earnings before interest and tax (EBIT)	**54**	**334**	**(162)**	**226**	**(873)**	**(647)**
EBIT ratio	*0.7%*	*8.5%*	*n/a*	*2.0%*	*(17.4%)*	*(3.9%)*
Share of earnings before tax of associated undertakings	0	31	(10)	21	165	186
Profit/loss on disposal of undertakings and activities	(1)	6	4	9	(648)	(639)
Net financial income and costs	(4)	(112)	(2)	(118)	(129)	(247)
Earnings before tax (EBT)	**49**	**259**	**(170)**	**138**	**(1,485)**	**(1,347)**
EBT ratio	*0.6%*	*6.6%*	*n/a*	*1.2%*	*(29.6%)*	*(8.2%)*
Tax for the year	47	26	4	77	25	102
Profit/loss for the year	**2**	**233**	**(174)**	**61**	**(1,510)**	**(1,449)**
Minority interests' share of profit/loss for the year	4	6	1	11	1	12
FLS Industries A/S' share of profit/loss for the year	**(2)**	**227**	**(175)**	**50**	**(1,511)**	**(1,461)**
CASH FLOWS						
Cash flows from operating activities	**261**	**539**	**134**	**934**	**(220)**	**714**
Acquisition and disposal of undertakings and activities	18	59	(101)	(24)	691	667
Acquisition of tangible fixed assets	(117)	(290)	(1)	(408)	(225)	(633)
Other investments	(11)	192	68	249	693	942
Cash flows from investing activities	**(110)**	**(39)**	**(34)**	**(183)**	**1,159**	**976**
Cash flows from operating and investing activities	**151**	**500**	**100**	**751**	**939**	**1,690**
Cash flows from financing activities	**(512)**	**(467)**	**64**	**(915)**	**(695)**	**(1,610)**
Change in cash funds	**(361)**	**33**	**164**	**(164)**	**244**	**80**
NET INTEREST-BEARING DEBT/(BALANCES)	**(534)**	**1,389**	**976**	**1,831**	**1,122**	**2,953**
BALANCE SHEET						
Intangible fixed assets	147	1,103	0	1,250	(93)	1,157
Tangible fixed assets	702	2,643	204	3,549	2,385	5,934
Financial fixed assets	249	405	202	856	785	1,641
Current assets	4,905	1,843	(1,998)	4,750	2,154	6,904
Total assets	**6,003**	**5,994**	**(1,592)**	**10,405**	**5,231**	**15,636**
Consolidated shareholders' equity	1,399	2,930	(494)	3,835	1,894	5,729
FLS Industries A/S' share of shareholders' equity	1,399	2,668	(494)	3,573	1,840	5,413
Provisions	450	227	(3)	674	368	1,042
Long-term and current liabilities	4,154	2,837	(1,095)	5,896	2,969	8,865
Total liabilities	**6,003**	**5,994**	**(1,592)**	**10,405**	**5,231**	**15,636**
RETURN ON CAPITAL EMPLOYED (ROCE)						
Adjusted net operating profit after tax (NOPAT)	116	396	(268)	244	(1,391)	(1,147)
Average capital employed	3,162	4,910	(336)	7,736	4,525	12,261
Return on capital employed (ROCE)	**4%**	**8%**	**n/a**	**3%**	**(31%)**	**(9%)**
Number of employees at 31 December	**4,437**	**2,845**	**164**	**7,446**	**3,908**	**11,354**

[1] FLS Building Materials has been adjusted for the sale of FLSHH SGPS Lda. (Secil) which has been included in non-strategic activities.
[2] Other companies, etc. consist of companies with no activities, real estate companies, eliminations and the parent company.
[3] 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.

2. Non-strategic activities 2003

DKKm	FLS miljø	FLS Aerospace	Redep[1]	Others [2]	Non-strategic activities
PROFIT AND LOSS ACCOUNT					
Turnover					
Denmark	15	82	2	0	99
Rest of Scandinavia	0	55	8	0	63
Rest of Europe	389	2,209	42	37	2,677
North America	0	137	18	1	156
South America	0	0	0	0	0
Africa	0	11	2	0	13
Australia	0	0	0	0	0
Asia	0	2	15	2	19
External turnover	404	2,496	87	40	3,027
Intra-group turnover	0	0	0	2	2
Net turnover	**404**	**2,496**	**87**	**42**	**3,029**
Production costs	1,313	1,974	76	34	3,397
Gross profit	**(909)**	**522**	**11**	**8**	**(368)**
Contribution ratio	*(225.0%)*	*20.9%*	*12.6%*	*n/a*	*(12.1%)*
Sales, administrative, distribution costs and other operating items	19	481	26	8	534
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**(928)**	**41**	**(15)**	**0**	**(902)**
EBITDA ratio	*(229.7%)*	*1.6%*	*(17.2%)*	*n/a*	*(29.8%)*
Depreciation and write-down of tangible fixed assets	5	2,225	5	7	2,242
Amortisation and write-down of intangible fixed assets	0	83	2	0	85
Earnings before interest and tax (EBIT)	**(933)**	**(2,267)**	**(22)**	**(7)**	**(3,229)**
EBIT ratio	*(230.9%)*	*(90.8%)*	*(25.3%)*	*n/a*	*(106.6%)*
Share of earnings before tax of associated undertakings	(10)	0	2	0	(8)
Profit/loss on disposal of undertakings and activities	0	(64)	(54)	701	583
Net financial income and costs	(15)	(81)	(4)	0	(100)
Earnings before tax (EBT)	**(958)**	**(2,412)**	**(78)**	**694**	**(2,754)**
EBT ratio	*(237.1%)*	*(96.6%)*	*(89.7%)*	*n/a*	*(90.9%)*
Tax for the year	0	(55)	0	2	(53)
Profit/loss for the year	**(958)**	**(2,357)**	**(78)**	**692**	**(2,701)**
Minority interests' share of profit/loss for the year	0	1	0	0	1
FLS Industries A/S' share of profit/loss for the year	**(958)**	**(2,358)**	**(78)**	**692**	**(2,702)**
CASH FLOWS					
Cash flows from operating activities	**(948)**	**(94)**	**(12)**	**(2)**	**(1,056)**
Acquisition and disposal of undertakings and activities	0	(15)	16	66	67
Acquisition of tangible fixed assets	(1)	(121)	(1)	(5)	(128)
Other investments	0	7	1	1,146	1,154
Cash flows from investing activities	**(1)**	**(129)**	**16**	**1,207**	**1,093**
Cash flows from operating and investing activities	**(949)**	**(223)**	**4**	**1,205**	**37**
Cash flows from financing activities	**657**	**192**	**(7)**	**(1,223)**	**(381)**
Change in cash funds	**(292)**	**(31)**	**(3)**	**(18)**	**(344)**
NET INTEREST-BEARING DEBT/(BALANCES)	**(128)**	**1,449**	**1**	**11**	**1,333**
BALANCE SHEET					
Intangible fixed assets	0	1	0	0	1
Tangible fixed assets	9	17	0	12	38
Financial fixed assets	0	0	0	0	0
Current assets	293	1,109	12	16	1,430
Total assets	**302**	**1,127**	**12**	**28**	**1,469**
Consolidated shareholders' equity	(226)	(1,221)	1	(2)	(1,448)
FLS Industries A/S' share of shareholders' equity	(226)	(1,227)	1	(2)	(1,454)
Provisions	286	76	0	1	363
Long-term and current liabilities	242	2,272	11	29	2,554
Total liabilities	**302**	**1,127**	**12**	**28**	**1,469**
RETURN ON CAPITAL EMPLOYED (ROCE)					
Adjusted net operating profit after tax (NOPAT)	(954)	(2,477)	(76)	694	(2,813)
Average capital employed	(273)	2,459	51	13	2,250
Return on capital employed (ROCE)	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Number of employees at 31 December	**129**	**2,999**	**4**	**37**	**3,169**

[1] The main part of the activity was sold as from 1 October 2003 (formerly Pedershaab).
[2] Others consist of Braby and sale of associated undertakings.

2. Non-strategic activities 2002

DKKm	FLS miljø	FLS Aerospace	Redep	Others [1]	Non-strategic activities
PROFIT AND LOSS ACCOUNT					
Turnover					
Denmark	150	127	34	281	592
Rest of Scandinavia	2	23	27	6	58
Rest of Europe	534	2,213	55	234	3,036
North America	96	329	29	668	1,122
South America	12	0	0	0	12
Africa	0	23	1	0	24
Australia	11	2	0	0	13
Asia	5	13	51	0	69
External turnover	810	2,730	197	1,189	4,926
Intra-group turnover	91	0	2	6	99
Net turnover	**901**	**2,730**	**199**	**1,195**	**5,025**
Production costs	1,458	2,346	190	760	4,754
Gross profit	**(557)**	**384**	**9**	**435**	**271**
Contribution ratio	*(61.8%)*	*14.1%*	*4.5%*	*n/a*	*5.4%*
Sales, administrative, distribution costs and other operating items	38	330	41	328	737
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**(595)**	**54**	**(32)**	**107**	**(466)**
EBITDA ratio	*(66.0%)*	*2.0%*	*(16.1%)*	*n/a*	*(9.3%)*
Depreciation and write-down of tangible fixed assets	11	235	7	116	369
Amortisation and write-down of intangible fixed assets	2	21	3	12	38
Earnings before interest and tax (EBIT)	**(608)**	**(202)**	**(42)**	**(21)**	**(873)**
EBIT ratio	*(67.5%)*	*(7.4%)*	*(21.1%)*	*n/a*	*(17.4%)*
Share of earnings before tax of associated undertakings	(1)	0	0	166	165
Profit/loss on disposal of undertakings and activities	(112)	0	(1)	(535)	(648)
Net financial income and costs	(4)	(87)	(4)	(34)	(129)
Earnings before tax (EBT)	**(725)**	**(289)**	**(47)**	**(424)**	**(1,485)**
EBT ratio	*(80.5%)*	*(10.6%)*	*(23.6%)*	*n/a*	*(29.6%)*
Tax for the year	0	9	0	16	25
Profit/loss for the year	**(725)**	**(298)**	**(47)**	**(440)**	**(1,510)**
Minority interests' share of profit/loss for the year	0	0	0	1	1
FLS Industries A/S' share of profit/loss for the year	**(725)**	**(298)**	**(47)**	**(441)**	**(1,511)**
CASH FLOWS					
Cash flows from operating activities	**(372)**	**23**	**12**	**117**	**(220)**
Acquisition and disposal of undertakings and activities	(79)	0	3	767	691
Acquisition of tangible fixed assets	0	(171)	(4)	(50)	(225)
Other investments	(8)	(1)	(3)	705	693
Cash flows from investing activities	**(87)**	**(172)**	**(4)**	**1,422**	**1,159**
Cash flows from operating and investing activities	**(459)**	**(149)**	**8**	**1,539**	**939**
Cash flows from financing activities	**735**	**120**	**(6)**	**(1,544)**	**(695)**
Change in cash funds	**276**	**(29)**	**2**	**(5)**	**244**
NET INTEREST-BEARING DEBT/(BALANCES)	**(402)**	**1,426**	**99**	**(1)**	**1,122**
BALANCE SHEET					
Intangible fixed assets	0	(102)	10	(1)	(93)
Tangible fixed assets	14	2,254	33	84	2,385
Financial fixed assets	10	0	2	773	785
Current assets	781	1,033	99	241	2,154
Total assets	**805**	**3,185**	**144**	**1,097**	**5,231**
Consolidated shareholders' equity	57	856	(8)	989	1,894
FLS Industries A/S' share of shareholders' equity	57	850	(8)	941	1,840
Provisions	232	123	7	6	368
Long-term and current liabilities	516	2,206	145	102	2,969
Total liabilities	**805**	**3,185**	**144**	**1,097**	**5,231**
RETURN ON CAPITAL EMPLOYED (ROCE)					
Adjusted net operating profit after tax (NOPAT)	(712)	(231)	(43)	(405)	(1,391)
Average capital employed	(99)	2,810	126	1,688	4,525
Return on capital employed (ROCE)	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Number of employees at 31 December	**201**	**3,152**	**273**	**282**	**3,908**

[1] Others consist of Unicon's discontinuing activities in Denmark, Poland, Spain and Portugal and its total activities in the USA which were sold in 2002, Dansk Træemballage A/S (sold as from 1 October 2002), PMUS and Braby plus sale of associated undertakings.

3. Segment reporting, etc.

DKKm	2003	2002
Income recognition criteria		
Income recognised when invoiced	8,724	10,733
Income recognised according to the percentage-of-completion method	6,187	5,711
	14,911	**16,444**
Geographical segmentation		
Turnover		
Denmark	1,815	2,419
Rest of Scandinavia	1,013	1,016
Rest of Europe	5,192	6,120
North America	2,054	3,302
South America	399	584
Africa	2,084	1,348
Australia	272	235
Asia	2,082	1,420
	14,911	**16,444**
Assets		
Denmark	4,649	6,729
Rest of Scandinavia	848	805
Rest of Europe	3,005	5,203
North America	1,652	1,789
South America	177	120
Africa	205	268
Australia	153	152
Asia	690	570
	11,379	**15,636**
Capital expenditures		
Denmark	376	221
Rest of Scandinavia	32	46
Rest of Europe	278	282
North America	27	56
South America	6	11
Africa	7	1
Australia	2	8
Asia	31	119
	759	**744**
Liabilities (total of provisions plus long-term and current liabilities)		
Denmark	2,779	3,838
Rest of Scandinavia	442	477
Rest of Europe	3,755	3,775
North America	719	1,039
South America	122	99
Africa	141	220
Australia	71	76
Asia	434	383
	8,463	**9,907**

4. Staff costs

DKKm	2003	2002
Wages and salaries	3,750	4,187
Pension contributions	383	390
Other staff costs	7	6
	4,140	**4,583**
The amounts are included in the items: Production costs, Sales and distribution costs and Administrative and other costs.		
The remuneration received by the parent company's Management and Board of Directors in Group companies is DKK 12m including severance pay (2002: DKK 19m) and DKK 5m (2002: DKK 6m), respectively. See also Note 3 to the parent company accounts.		
Number of employees at 31 December	**10,234**	**11,354**

Share options

The Board of Directors and a number of executive officers in the Group have been granted options to purchase 869,377 shares in the company at a set price (strike 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 Jan.	Year's allocation	31 Dec.
2003 option plan (new plan)			
Corporate Management	0	60,000	60,000
Executive staff	0	420,000	420,000
	0	480,000	480,000
1998 option plan (old plan)			
Board of Directors	4,400	0	4,400
Corporate Management	19,579	0	19,579
Executive staff	63,677	0	63,677
Resigned employees	301,721	0	301,721
	389,377	0	389,377
	389,377	**480,000**	**869,377**

The classification corresponds to the positions of the persons concerned at the balance sheet date.

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

Fixing of strike price

New plan

The strike price of options covered by the new plan from 2003 is fixed on the basis of the average price movements ("All trades") in the FLS B share 15 business days after the release of the interim report for the first half. The average of "All trades" for the period 1 September 2003 until 19 September 2003 (inclusive) is calculated at 61.67. This price is increased 6 per cent each year on the date when FLS Industries A/S releases its interim report for the first half of the year - the first time being the interim report for the first half of 2004. The yearly increase, however, is limited by the dividend declared at the latest Annual General Meeting prior to the Interim Report in question, each percentage point of dividend declared being subtracted from the six per cent increase. Non-exercised options lapse if the holder ceases to be employed by the Company.

Old plan

The strike price of options covered by the previous plan from 1998 is set at the average of the market prices 15 business days before and 15 business days after the announcement of the annual report 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, strike price and exercising period of the individual allocations are as follows:

Year of allocation	Strike price	Exercising period	Allocated	Exercised	Not excercised at 31 Dec. 2003
1998	135	2002-2007	236,797	0	236,797
1999	139	2003-2008	152,580	0	152,580
			389,377	0	389,377
2003	69.29 *)	2005-2006	480,000	0	480,000
	73.45 *)	2006-2007			
	77.85 *)	2007-2008			
	82.53 *)	2008-2009			
			480,000	0	480,000
			869,377	**0**	**869,377**

*) The strike price is exclusive of deduction for dividend declared.

At the end of 2003 the calculated market value of the options amounted to DKK 14.2m (2002: DKK 2.9m) using the BLACK-SCHOLES formula. For the old plan this is based on the assumption that all options are exercised on the expiration date, that the interest rate is 4.30%, that volatility is 38, that dividend on existing shares until expiration date is DKK 0 per share, and that the options are negotiable.

Calculations in accordance with the new plan are based on the same assumptions with the exception, however, that 25% of the options are assumed exercised on the expiration date within each of the four exercising periods.

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

DKKm	2003	2002
KPMG		
Auditing	19	17
Other services	5	11
	24	**28**
Deloitte		
Auditing	3	5
Other services	1	17
	4	**22**

6. Other operating income and costs

DKKm	2003	2002
Other operating income		
Government subsidies and other grants	4	4
Rent income	25	34
Royalties, etc.	7	11
Negative goodwill booked as income, cf. Note 16	20	13
Profit on sale of fixed assets*	128	143
Other income**	83	61
	267	**266**
Other operating costs		
Losses on disposal of fixed assets	6	20
Other costs	23	15
	29	**35**
Total other operating income and costs	**238**	**231**

* Profit from sale of land and properties is recognised in 2003 at DKK 98m (Portlandmosen (FLS Industries), properties in North Jutland (Aalborg Portland) and a property in Roskilde (Unicon)). Profit from the sale of ships is recognised in 2002 at DKK 85m (Aalborg Portland).

** Repayment of tax on waste dumped on own site is recognised in 2003 at DKK 32m (judgement of the Supreme Court-Aalborg Portland).

7. Profit/loss on disposal of undertakings and activities

DKKm	2003	2002
Profit on disposal of undertakings and activities	12	71
Loss on disposal of undertakings and activities	(160)	(254)
Net profit/loss on disposal of associated undertakings	739	(456)
	591	**(639)**

The year's profits and losses on disposal of undertakings and activities derive from the sale of shares in JA Plastindustri A/S, the activity of Redep A/S (formerly Pedershaab) and the hangar activities of FLS Aerospace DK.

The year's net profit on disposal of associated undertakings derives from the sale of shares in FLSHH SGPS Lda. (Secil).

The profits and losses on disposal of undertakings in 2002 mainly derive from the sale of Unicon's activities in the USA and its paving stone operations in Denmark and Poland.

The net loss on disposal of associated undertakings in 2002 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	2003	2002
Financial income		
Interest receivable and similar income	59	51
Capital gains on securities	52	17
Exchange gains	1,268	1,035
	1,379	**1,103**
Financial costs		
Interest payable and similar charges	168	252
Affiliated undertakings	0	14
Capital losses on securities	28	23
Exchange losses	1,277	1,061
	1,473	**1,350**

9. Tax for the year

DKKm	2003	2002
Tax for the year		
Current tax on the profit/loss for the year	74	75
Deferred tax adjustment	(61)	22
Adjustment of tax rate on deferred tax	1	0
Share of tax on income for the year in associated undertakings	(10)	22
Other adjustments including adjustments regarding previous years	(6)	(17)
	(2)	**102**
Reconciliation of tax		
Tax according to Danish tax rate	(765)	(404)
Variance in the tax rates in non-Danish undertakings relative to 30%	13	(1)
Variance in the tax rate applied by associated undertakings relative to 30%	14	(28)
Non-deductible amortisation of goodwill/non-taxable badwill	(25)	24
Non-taxable income and non-deductible costs	(177)	178
Variances in tax assets valued at nil	338	343
Variance due to agreement on sale of FLS Aerospace	613	0
Other, including adjustments regarding previous years	(13)	(10)
	(2)	**102**
Specification of adjustment of deferred tax (including adjustment of tax rate)		
Intangible fixed assets	5	(17)
Tangible fixed assets	(59)	(227)
Financial fixed assets	(5)	(10)
Current assets	(353)	68
Provisions	(7)	70
Long-term and current liabilities	52	(27)
Deferrable deficits, gross	330	131
Share of tax asset valued at nil	(19)	45
Acquisition/disposal of undertakings	(1)	(3)
Exchange adjustments	(4)	(8)
	(61)	**22**

10. Change in provisions, etc.

DKKm	2003	2002
Income recognition of negative goodwill	(20)	(13)
Pensions and similar commitments	68	14
Warranties	41	(139)
Other provisions	51	28
	140	**(110)**

11. Change in working capital

DKKm	2003	2002
Stocks	103	139
Trade debtors	122	282
Trade creditors	(208)	44
Change in other debtors and other creditors	(37)	(225)
	(20)	**240**

12. Financial payments received and made

DKKm	2003	2002
Financial payments received	1,328	1,042
Financial payments made	(1,085)	(1,033)
	243	**9**

13. Acquisition of undertakings and activities

DKKm	2003	2002
Intangible fixed assets	0	0
Tangible fixed assets	53	34
Financial fixed assets	0	0
Stocks	6	0
Debtors	13	6
Provisions	(1)	0
Long-term and current liabilities	(5)	(20)
Acquisition and disposal of minority interests	18	2
Net assets	**84**	**22**
Goodwill	64	17
Cash cost	**148**	**39**

Acquisition of undertakings and activities consists of acquisition of the activities of Mørchs Cement, Tepro Byggmaterial and Norsal plus ready-mixed concrete plants in Bergen and Ålesund. Besides, additional shares have been acquired from minority shareholders in Izopol S.A. (now 95%-owned) and Aalborg RCI White Cement Sdn Bhd (now 70%-owned).

14. Disposal and discontinuance of undertakings and activities

DKKm	2003	2002
Intangible fixed assets	8	140
Tangible fixed assets	107	662
Financial fixed assets	4	0
Stocks	68	145
Debtors	105	87
Provisions	(12)	18
Long-term and current liabilities	(46)	(135)
Acquisition and disposal of minority interests	(8)	(30)
Net assets	**226**	**887**
Profit/loss on sale of undertakings and activities	(148)	(181)
Cash sales price	**78**	**706**

Disposal of undertakings and activities in 2003 consists of the sale of JA Plastindustri A/S, the pumping business in the USA (Unicon), the activity of Redep A/S (formerly Pedershaab) and the hangar activities of FLS Aerospace DK.

Disposal of undertakings and activities in 2002 mainly consists of Unicon's activities in the US and paving stone business in Denmark and Poland.

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.

15. Changes in net interest-bearing debt

DKKm	2003	2002
Net interest-bearing debt at 1 January	**2,953**	**4,990**
Increase due to acquisitions	1	2
Reduction due to disposals	(18)	4
Changes in interest-bearing cash funds	46	(82)
Changes in net interest-bearing debt	(376)	(1,606)
Exchange adjustments, etc.	(161)	(355)
Net interest-bearing debt at 31 December	**2,445**	**2,953**

16. Intangible fixed assets

DKKm	Goodwill	Negative goodwill	Other intangible fixed assets	Total
Cost at 1 January	2,567	(294)	294	2,567
Exchange adjustments	(121)		(11)	(132)
Acquisition/disposal of undertakings	19		(15)	4
Addition			95	95
Disposal			(4)	(4)
Other adjustments			(4)	(4)
Cost at 31 December	**2,465**	**(294)**	**355**	**2,526**
Amortisation at 1 January	1,431		101	1,532
Exchange adjustments	(92)		(3)	(95)
Disposal of undertakings	(45)		(6)	(51)
Disposal			(1)	(1)
Amortisation	99		50	149
Other adjustments			(4)	(4)
Amortisation at 31 December	**1,393**		**137**	**1,530**
Write-down at 1 January				0
Write-down for the year	8		76	84
Write-down at 31 December	**8**		**76**	**84**
Negative goodwill recognised at 1 January		(122)		(122)
Depreciation on non-monetary assets		(172)		(172)
Negative goodwill recognised at 31 December		**(294)**		**(294)**
Book value at 31 December	**1,064**	**0**	**142**	**1,206**
Book value at 31 December 2002	1,136	(172)	193	1,157

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 and write-down are stated at year end exchange rates.

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

Write-down for the year mainly relates to FLS Aerospace, see Note 17.

Negative goodwill arising on acquisition of undertakings concerns FLS Aerospace Holding's acquisition of TEAM Aer Lingus (FLS Aerospace (IRL)) in 1998. In connection with the agreement to sell FLS Aerospace, which was signed in February 2004, the assets of FLS Aerospace underwent an impairment test. As a result the remaining negative goodwill at the end of 2003 was recognised as income. Ordinary income recognition for the year stated under other operating income amounts to DKK 20m. The remaining negative goodwill income at DKK 152m is set off against the write-down of tangible fixed assets.

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

Much of the knowledge generated in the Group is based on the work performed for customers. In 2003, the Group's research and development costs totalled DKK 112m (2002: DKK 152m). 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 14m (2002: DKK 20m).

17. Tangible fixed assets

DKKm	Land and buildings	Plant, machinery and aircraft rotables	Operating equipment, fixtures and fittings	Tangible assets in course of construction	Total
Cost at 1 January	3,656	6,686	904	62	11,308
Exchange adjustments	(128)	(294)	(58)	(1)	(481)
Acquisition/disposal of undertakings	(99)	(77)	(39)	(1)	(216)
Addition	52	331	74	199	656
Disposal	(82)	(257)	(67)	0	(406)
Other adjustments	(78)	(131)	(20)	(16)	(245)
Cost at 31 December	**3,321**	**6,258**	**794**	**243**	**10,616**
Depreciation at 1 January	1,391	3,303	633		5,327
Exchange adjustments	(40)	(120)	(41)		(201)
Disposal of undertakings	(40)	(90)	(33)		(163)
Disposal	(43)	(213)	(59)		(315)
Depreciation	110	384	94		588
Other adjustments	(33)	(91)	(17)		(141)
Depreciation at 31 December	**1,345**	**3,173**	**577**		**5,095**
Write-down at 1 January	23	24			47
Exchange adjustments	(71)	(132)	(5)		(208)
Disposal of undertakings	1	0			1
Disposal	(2)	0			(2)
Write-down	704	1,439	73		2,216
Write-down at 31 December	**655**	**1,331**	**68**		**2,054**
Book value at 31 December	**1,321**	**1,754**	**149**	**243**	**3,467**
Book value, Danish properties at 31 December 2003	695				
Taxable value, Danish properties at 1 January 2003	1,207				
Book value at 31 December 2002	2,242	3,359	271	62	5,934
Book value, Danish properties at 31 December 2002	813				
Taxable value, Danish properties at 1 January 2002	1,380				
Fixed assets held under finance leases:					
Book value at 31 December 2003	14	23	3		40
Book value at 31 December 2002	7	19	2		28

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 and write-downs are stated at year-end exchange rates.

Other adjustments of cost and depreciation on land and buildings, plant and equipment mainly cover the fact that Secil Unicon ceased to be consolidated as from 1 January 2003.

Write-down for the year of land and buildings, plant and equipment is mainly related to FLS Aerospace, see also Note 16. Exchange adjustment of write-down includes DKK 206m which mainly consists of exchange losses in connection with FLS Aerospace which have previously been stated in the shareholders' equity. For further specification of the impairment test, please see page 36.

Acquisitions/disposals of undertakings, 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. Utilization value was capitalised in 1998 at DKK 221m in connection with the company takeover. The book value at the end of 2003 was DKK 0m (2002: DKK 187m) as a result of the impairment test of FLS Aerospace.

18. Financial fixed assets

DKKm	Investments in associated undertakings	Other securities and investments	Other financial fixed assets	Total
Cost at 1 January	463	342	35	840
Exchange adjustments	(64)	(4)	(1)	(69)
Additions	1	2	6	9
Disposals	(9)	(1)		(10)
Other adjustments	36			36
Cost at 31 December	**427**	**339**	**40**	**806**
Adjustments at 1 January	681	(191)	(19)	471
Exchange adjustments	(2)	(1)		(3)
Additions/disposals	(757)			(757)
Profit shares	(47)			(47)
Dividends for the year	(48)			(48)
Value and other adjustments	(3)	37		34
Adjustments at 31 December	**(176)**	**(155)**	**(19)**	**(350)**
Book value at 31 December	**251**	**184**	**21**	**456**
Book value at 31 December 2002	1,144	151	16	1,311

The market value of other securities and investments listed at 31 December is DKK 179m (2002: DKK 126m). The corresponding book value is DKK 148m (2002: DKK 112m).

19. Investments in associated undertakings

DKKm	Share-holders' equity	Ownership interest	FLS share of earnings before tax	FLS share of profit/loss for the year	FLS ownership of share-holders' equity
- Atlas Cement Corporation, Philippines	197	27.1%	1	1	53
- Lehigh White Cement Company, USA	251	24.5%	21	21	61
- Spæncom A/S, Denmark	102	33.9%	(37)	(26)	35
- Sinai White Portland Cement Co., Egypt	74	45.0%	(17)	(17)	33
- Secil Unicon SGPS, Lda., Portugal	48	50.0%	(11)	(11)	24
- Supertræ A/S, Denmark	0	25.0%	(10)	(10)	0
- Civil and Industrial Products Ltd., England	2	26.0%	0	0	1
- Autec S.p.o. , Czech Republic	5	34.7%	0	0	2
- EKOL-Unicon Sp.z o.o., Poland	15	49.0%	2	1	7
- Sola Betong AS, Norway	19	33.3%	3	2	6
- Other and internal adjustments			(9)	(8)	29
			(57)	**(47)**	**251**

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 44m (2002: DKK 52m). The corresponding book value is DKK 35m (2002: DKK 61m). The Group's associated undertakings do not present their annual reports in accordance with the IFRS guidelines. Adjustments have been made for significant deviations from the Group accounting policies, where possible.

20. Deferred tax assets and liabilities

DKKm	2003	2002
Deferred tax assets		
Intangible fixed assets	134	153
Tangible fixed assets	434	591
Financial fixed assets	7	2
Current assets	332	0
Provisions	160	150
Long-term and current liabilities	14	74
Deferrable deficits, gross	396	726
Share of tax asset valued at nil	(1,001)	(1,020)
Deferred tax assets before possible setting-off	476	676
Set-off within legal tax entities and jurisdictions	(209)	(415)
Deferred tax assets at 31 December	**267**	**261**
Deferred tax liabilities		
Intangible fixed assets	22	36
Tangible fixed assets	195	411
Financial fixed assets	4	4
Current assets	19	40
Provisions	24	21
Long-term and current liabilities	0	8
Deferred tax assets before possible setting-off	264	520
Set-off within legal tax entities and jurisdictions	(209)	(415)
Deferred tax assets at 31 December	**55**	**105**
Deferred tax assets/liabilities, net at 31 Dec.	**212**	**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	156	261	105
Movements via the profit and loss account	61	17	(44)
Exchange movements in the profit and loss account	(5)	(11)	(6)
Additions/disposals of undertakings	0	0	0
Net deferred tax assets/liabilities at 31 December	**212**	**267**	**55**

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

DKKm	2003	2002
Maturity profile for deferrable deficits		
Less than one year	93	143
Between one and five years	311	947
More than five years and of indefinite duration	1,108	1,554
	1,512	**2,644**
Tax value of the above amount	396	726

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

The 2002 Annual Report referred to tax claims concerning formality requirements in connection with capital increases in foreign subsidiaries which amounted to DKK 0.5bn. These cases have now been settled without increasing the income under the joint FLS Industries taxation scheme.

Retaxation of previously deducted deficits abroad from the FLS Industries A/S joint taxation scheme is stated as a reduction of the deferrable deficit and a portion of the deferred tax asset valued at nil.

In connection with the agreement to sell FLS Aerospace, the share of the latter's non-booked tax assets and liabilities has been reduced to nil, so that the tax position of FLS Aerospace at 31 December 2003 is not included in the above specifications for 2003. The booked tax asset is unaffected, whilst the tax liability is reduced by DKK 55m.

21. Stocks

DKKm	2003	2002
Stocks include production overheads at:	66	81
Stocks stated at net realisable value amount to:	139	196

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

22. Work-in-progress for third parties

DKKm	2003	2002
Total costs incurred	14,820	12,125
Profit recognised as income	350	649
Work-in-progress for third parties	15,170	12,774
Invoicing on account to customers	14,244	12,443
	926	**331**
Of which work-in-progress for third parties is stated		
under Assets	1,385	1,553
and under Liabilities	(459)	(1,222)
	926	**331**

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

23. Debtors and cash funds

Debtors falling due after more than one year totalled DKK 189m (2002: DKK 223m).

The booked debtors include retentions on contractual terms and conditions at DKK 496m (2002: DKK 311m).

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

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

The Group's cash funds include DKK 186m (2002: DKK 179m) which is subject to restrictions for contractual reasons or due to being placed in countries with exchange controls.

The interest-bearing portion of total debtors and cash funds appears from Note 30.

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 funded through insurance schemes. The pension commitments of certain foreign undertakings are also funded through insurance schemes. Foreign undertakings whose pension commitments are not - or only partly - funded through insurance scheme (benefit-based), state the unfunded pension commitments on an actuarial basis at the present value at the balance sheet date. These pension schemes are backed by pension funds.

The Group's benefit-based pension plans were DKK 681m underfunded at 31 December 2003 (2002: 774m). Of that underfunding DKK 99m (2002: DKK 25m) consists of a provision for pensions. The portion of the underfunding for which no provision has been made, DKK 582m (2002: DKK 749m) consists of unrecognised actuarial losses in excess of the 10% 'corridor' which pursuant to IAS 19 are recognised in the profit and loss account over the expected remaining working lives of the participating employees. The decline in underfunding is mainly due to the fact that the financial markets developed more favourably than anticipated (actual return higher than the expected return on the assets of the schemes), the market value of the schemes assets rising more than the liability.

The average remaining working lives of the employees participating in the plans is currently estimated at 15 years, so the Group is expected to have to charge DKK 24m to its accounts for 2004 as against DKK 30m in 2003. The recognition of these commitments are reassessed yearly based on the development in the assets and liabilities of the pension funds.

In connection with the agreement to sell FLS Aerospace the present value of benefit-based schemes will be reduced by DKK 2.1bn and the market value of the schemes assets will be reduced by DKK 1.6bn. The unrecognised actuarial loss will therefore be reduced to DKK 0.1bn and the expected charge to income for the Group in 2004 will be reduced to DKK 6m.

In 2003, DKK 383m was charged to the profit and loss account (2002: DKK 390m) for statutory schemes and schemes funded through insurance (contribution-based). An amount of DKK 122m (2002: DKK 73m) has been charged to the profit and loss account in respect of schemes not funded through insurance (benefit-based).

DKKm	2003	2002
Present value of benefit-based schemes	2,559	2,622
Market value of the assets comprised by the schemes	(1,878)	(1,848)
Non-recognised actuarial (loss)/profit	(582)	(749)
Total	**99**	**25**
Change in recognised commitment		
Net commitment at 1 January	25	3
Net expense taken to the profit and loss account	122	73
Other adjustments	14	(7)
Payments	(62)	(44)
Net commitment at 31 December	**99**	**25**
Stated as asset (prepaid pension fund contributions)	**(54)**	**(69)**
Stated as liability (pensions and similar commitments)	**153**	**94**
	99	**25**
Amounts taken to the profit and loss account		
Costs	84	89
Interest on commitment	132	141
Expected return on the assets comprised by the schemes	(124)	(169)
Actuarial profit/loss	30	12
Total amount taken to the profit and loss account	**122**	**73**
Actual return on the assets comprised by the schemes	**255**	**(269)**
The assumptions on which the actuarial computations are based at the balance sheet date are as follows, on average:		
Average discounting rate applied	5.5 - 6.5%	6.0 - 7.0%
Expected return on tied-up assets	7.0 - 9.0%	7.0 - 9.0%
Expected future pay increase rate	3.0 - 4.0%	3.0 - 4.0%
Expected future pension increase rate	2.0 - 3.0%	2.0 - 2.5%

In assessing the developments in the figures mentioned above, the change of a pension plan in a Swiss subsidiary from 2002 to 2003 should be taken into account, and the present value of benefit-based schemes and the market value of the scheme assets have therefore been reduced by DKK 0.2bn at the start of the year.

26. Provisions for warranties and other provisions

DKKm	Warranties	Other	Total
Provisions at 1 January	393	450	843
Exchange and other adjustments	(11)	(18)	(29)
Acquisition/disposal of undertakings	0	1	1
Addition	234	368	602
Application	(142)	(265)	(407)
Reversals	(77)	(43)	(120)
Provisions at 31 December	**397**	**493**	**890**

Warranties
At 31 December 2003, the Group has made a provision of DKK 397m (2002: DKK 393m) for expected warranty claims in respect of goods or services already supplied/provided.

Other
Other provisions include:
- Restructuring DKK 5m (2002: DKK 6m)
- Guarantees and obligations resulting from disposal of undertakings and activities.
- Re-establishment of sites, etc.
- Provisions for loss-making contracts, primarily the West Burton and Eggborough desulphurisation projects contracted with FLS miljø.

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

27. Long-term liabilities

DKKm	2003	2002
Maturity structure of long-term liabilities:		
Between one and two years	514	327
Between two and five years	1,259	882
After more than five years	618	1,438
	2,391	**2,647**

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

DKKm	2003	2002
Finance lease liability		
Total minimum charges:		
Maturity within one year	5	5
Maturity between one and five years	16	13
Maturity after five years	19	19
	40	**37**
Accounting value (Present value):		
Maturity within one year	2	4
Maturity between one and five years	7	8
Maturity after five years	13	13
	22	**25**

28. Current portion of long-term liabilities

DKKm	2003	2002
Mortgage debt	53	53
Currency loans, lease liabilities, bank loans, etc.	324	509
	377	**562**

29. Other creditors

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

30. Net interest-bearing debt

DKKm	2003		2002	
	Balance sheet	Of which interest-bearing	Balance sheet	Of which interest-bearing
Assets				
Intangible fixed assets	1,206	0	1,157	0
Tangible fixed assets	3,467	0	5,934	0
Financial fixed assets	777	27	1,641	28
Stocks	935	0	1,122	0
Trade debtors	2,640	20	2,864	10
Work-in-progress for third parties	1,385	0	1,553	0
Amounts owed by associated undertakings	16	12	56	14
Other debtors and prepayments	551	14	871	92
Securities	49	49	40	38
Cash funds	353	353	398	398
Liabilities				
Provisions	(1,098)	0	(1,042)	0
Prepayments from customers	(1,351)	0	(1,059)	0
Mortgage debt, currency loans, leasing debt, bank debt, etc.	(2,843)	(2,843)	(3,510)	(3,510)
Amounts owed to associated undertakings	(74)	(71)	(1)	0
Other liabilities	(3,097)	(6)	(4,295)	(23)
Net interest-bearing debt		**(2,445)**		**(2,953)**
Shareholders' equity	**2,916**		**5,729**	

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

Principal in DKKm/ rate of interest p.a.		USD/interest		GBP/interest		EUR/interest		DKK/interest		Other/interest		2003 Total	2002 Total
Within one year	Assets	(272)	0.2%-1.5%	(117)	3.0%-3.9%	(252)	1.0%-2.2%	(2,422)	1.0%-2.7%	(244)	0.1%-5.4%	(3,307)	(2,973)
	Liabilities	360	1.0%-3.0%	1,603	3.8%-4.3%	444	1.5%-2.2%	2,191	2.1%-2.7%	659	0.1%-5.8%	5,257	5,385
	Interest swaps	(60)	1.1%-3.3%	(265)	4.2%			(50)	2.3%	(123)	2.7%-2.9%	(498)	(835)
Total within one year		**28**		**1,221**		**192**		**(281)**		**292**		**1,452**	**1,577**
Between one and five years	Assets							(14)	2.0%-6.0%	(20)	0.1%-7.0%	(34)	(11)
	Liabilities	4	3.0%	7	3.0-4.0%			91	5.0%-11.0%	92	5.4%-7.2%	194	259
	Interest swaps	60	2.1%	265	6.0-6.7%			50	2.8%	123	3.7%-5.2%	498	721
Total between one and five years		**64**		**272**		**0**		**127**		**195**		**658**	**969**
After more than five years	Assets											0	0
	Liabilities			10	6.0-7.0%			319	5.0%-11.0%	6	8.5%	335	293
	Interest swaps											0	114
Total after more than five years		**0**		**10**		**0**		**319**		**6**		**335**	**407**
Total		**92**		**1,503**		**192**		**165**		**493**		**2,445**	**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. Mortgages/pledges

DKKm	2003 Book value of mortg./ pledg. assets	2003 Mortg./ pledging	2002 Book value of mortg./ pledg. assets	2002 Mortg./ pledging
Bonds and bank balances	7	10	10	7
Trade debtors, etc.	143	28	180	79
Real estate	1,242	463	1,249	315
	1,392	**501**	**1,439**	**401**

32. Contingent assets and liabilities

DKKm	2003	2002
Minimum rent and lease obligations on operational leasing:		
Maturity between one and two years	91	98
Maturity between two and five years	315	342
Maturity after more than five years	903	1,094
	1,309	1,534
Guarantees	125	190
Other contractual obligations	47	55
	1,481	**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 are estimated to occur at the extinction of the claims.

Rent and lease obligations include a time charter contract in Aalborg Portland signed in 2002 amouting to DKK 0.5bn of which a major part of the contract sum derives from the outsourcing of shipping operations (including crews) of three ships.

FLS Aerospace hangar rent on a long-term basis accounts for a substantial portion of the rent and lease obligations. The nominal value of the hangar lease commitment is DKK 0.8bn. This obligation will cease in connection with the sale of FLS Aerospace.

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

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

When undertaking contracts and supplies, the companies in the Group provide usual security in the form of performance guarantees, etc. At the end of 2003, the total number of performance and payment guarantees issued amounted to DKK 3.4bn (2002: DKK 3.2bn). 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 its business. No significant liabilities are considered to be incumbent on the Group in that respect, and the outcome of the disputes is expected not to have significant impact on the Group's financial position.

33. Financial instruments

The below tables show the principals and fair values of pending financial transactions at 31 December which have been entered into to hedge 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 balance sheet date rates of exchange.

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 risks on the Group companies' underlying contractual and budgeted payments and currency risks on loans and investments, the Group's in-house bank has entered into forward exchange contracts and currency options. The maturity of pending forward exchange contracts at 31 December 2003 is up to two years.

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

2003	Fair value of contracts				
DKKm	USD	GBP	EUR	Others	Total
Forward exchange contracts	401	86	3	(6)	**484**
Interest swaps		(31)		(2)	**(33)**
Total	**401**	**55**	**3**	**(8)**	**451**

2003	Principals of contracts, net*				
DKKm	USD	GBP	EUR	Others	Total
Forward exchange contracts	(1,603)	(430)	(1,745)	(250)	**(4,028)**
Interest swaps	139	688		85	**912**

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

Fair value of financial contracts is related to the following types of hedging		
DKKm	2003	2002
Hedging of fair value of included assets and liabilities, net	154	68
Hedging of future anticipated cash flows	120	102
Hedging of net investments in foreign units	177	32
Total	**451**	**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 fixed assets and liabilities not measured at fair value
The book value of debtors and long-term and current liabilities at 31 December largely corresponds to the fair value.

34. Earnings per share (EPS)

DKKm	2003	2002
FLS share of the profit/loss for the year after tax (in DKK millions)	(2,558)	(1,461)
Weighted average number of shares	53,200,000	53,200,000
Earnings, DKK per share	**(48.1)**	**(27.5)**
Earnings per share (EPS) adjusted for own shares, etc.		
FLS share of the profit/loss for the year after tax (in DKK millions)	(2,558)	(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, DKK per share	**(49.3)**	**(28.2)**

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

35. Related party transactions

There have been no transactions with related parties in 2003.

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 Potaqua. The selling price is based on the share price quoted on the Copenhagen Stock Exchange at the time of selling.

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:

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

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's in-house bank or cash pools - this encourages internal recirculation of cash funds

37. Profit and loss account by quarter (unaudited)

DKKm	1st quarter 2003	2nd quarter 2003	3rd quarter 2003	4th quarter 2003
Net turnover	3,207	3,848	3,629	4,227
Production costs	2,536	3,307	3,074	3,583
Gross profit	**671**	**541**	**555**	**644**
Sales and distribution costs	264	290	280	325
Administrative and other costs	366	381	368	476
Other operating income and costs	46	70	5	117
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**87**	**(60)**	**(88)**	**(40)**
Depreciation and write-down of tangible fixed assets	151	156	135	2,219
Amortisation and write-down of intangible fixed assets	37	36	39	116
Earnings before interest and tax (EBIT)	**(101)**	**(252)**	**(262)**	**(2,375)**
Share of earnings before tax of associated undertakings	(22)	(13)	(5)	(17)
Profit/loss on disposal of undertakings and activities	673	(25)	2	(59)
Financial income	454	336	274	315
Financial costs	472	376	333	292
Earnings before tax (EBT)	**532**	**(330)**	**(324)**	**(2,428)**
Tax for the period	12	19	32	(65)
Profit/loss for the period	**520**	**(349)**	**(356)**	**(2,363)**
Minority interests' share of the profit/loss for the period	(2)	4	8	0
FLS Industries A/S' share of the profit/loss for the period	**522**	**(353)**	**(364)**	**(2,363)**
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 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/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)**

Profit and loss account

DKKm		2003	2002
Notes			
1	Share of earnings before tax of subsidiary undertakings	(3,198)	(851)
9	Share of earnings before tax of associated undertakings	(36)	179
2	Profit/loss on disposal of undertakings and activities	700	(545)
	Profit on disposal of land and buildings	32	2
	Other income	28	35
	Total income	**(2,474)**	**(1,180)**
	Property costs	7	8
3	Staff costs	36	72
4	Other operating costs	38	99
	Depreciation of tangible fixed assets	7	8
	Total costs	**88**	**187**
	Earnings before financial income and costs	**(2,562)**	**(1,367)**
5	Financial income	1,308	1,170
5	Financial costs	1,311	1,167
	Earnings before tax	**(2,565)**	**(1,364)**
6	Tax for the year	(7)	97
	Profit/loss for the year	**(2,558)**	**(1,461)**
	To be distributed as follows:		
	Transferred to reserve based on equity method	65	152
	Transferred to other reserves	(2,623)	(1,613)
		(2,558)	**(1,461)**
	Proposal for distribution of dividend:		
	Preferential 0 per cent dividend on DKK 920m class B shares (2002: 0 per cent)	0	0
	0 per cent dividend on DKK 144m class A shares (2002: 0 per cent)	0	0
		0	**0**

Assets

Notes	DKKm	2003	2002
	Fixed assets		
	Land and buildings	79	88
	Operating equipment, fixtures and fittings	1	1
7	**Tangible fixed assets**	**80**	**89**
8	Investments in subsidiary undertakings	4,369	5,193
8+9	Investments in associated undertakings	88	906
8	Other securities and investments	17	18
10	Deferred tax asset	175	175
	Financial fixed assets	**4,649**	**6,292**
	Total fixed assets	**4,729**	**6,381**
	Current assets		
	Amounts owed by subsidiary undertakings	2,469	4,147
	Other debtors	204	320
11	**Debtors**	**2,673**	**4,467**
12	Own shares	0	0
	Bonds and other securities	1	1
	Securities	**1**	**1**
	Cash funds	**29**	**24**
	Total current assets	**2,703**	**4,492**
	TOTAL ASSETS	**7,432**	**10,873**

Liabilities

Notes	DKKm	2003	2002
	Shareholders' equity		
12	Share capital	1,064	1,064
	Share premium account	756	756
	Reserve based on equity method	826	1,544
	Other reserves	36	2,049
	Shareholders' equity before proposed dividend	**2,682**	**5,413**
	Proposed dividend	0	0
	Total shareholders' equity	**2,682**	**5,413**
	Provisions		
8	Other provisions	230	0
	Total provisions	**230**	**0**
	Long-term and current liabilities		
	Mortgage debt	164	20
	Currency loans, bank debt, etc.	1,444	1,817
13	**Long-term liabilities**	**1,608**	**1,837**
14	Current portion of long-term liabilities	265	491
	Currency loans and bank debt	322	290
	Amounts owed to subsidiary undertakings	1,643	2,639
	Amounts owed to associated undertakings	72	0
15	Other creditors	610	203
	Current liabilities	**2,912**	**3,623**
	Total long-term and current liabilities	**4,520**	**5,460**
	Total long-term and current liabilities and provisions	**4,750**	**5,460**
	TOTAL LIABILITIES	**7,432**	**10,873**

Notes not referred to in the Annual accounts

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

Parent company shareholders' equity

DKKm	Share capital	Share premium account	Reserve based on equity method	Other reserves	Total
Shareholders' equity at 1 January 2002	**1,064**	**756**	**1,204**	**3,502**	**6,526**
Exchange adjustments of net investments			(209)	(91)	**(300)**
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**
Shareholders' equity at 31 December 2002	**1,064**	**756**	**1,544**	**2,049**	**5,413**
Exchange adjustments of net investments			(151)	(63)	**(214)**
Exchange hedging of net investments			118	77	**195**
Value adjustment of hedging instruments			(1)	11	**10**
Profit/loss for the year			65	(2,623)	**(2,558)**
Adjustments for sale of FLSHH **)			(358)	0	**(358)**
Adjustments for sale of FLS Aerospace ***)			0	206	**206**
Other adjustments in shareholders' equity			2	(14)	**(12)**
Total income for the year		**0**	**(325)**	**(2,406)**	**(2,731)**
Proposed dividend					**0**
Dividend distributed					**0**
Transfer between reserves			(393)	393	**0**
Shareholders' equity at 31 December 2003 before proposed dividend	**1,064**	**756**	**826**	**36**	**2,682**
Proposed dividend				0	**0**
Shareholders' equity at 31 December 2003	**1,064**	**756**	**826**	**36**	**2,682**

Share capital movements (DKKm):

Share capital at 1 January 1999	930
Merger at 1 January 2001, new issue of shares	134
Share capital at 1 January 2002	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 adjustment mainly consists of reversal of value adjustments and exchange adjustments in FLSHH SGPS Lda. (Secil).
***) The adjustment mainly consists of reversal of exchange adjustments in FLS Aerospace, see Note 17 to the Consolidated accounts.

The shareholders' equity at 31 December 2003 includes accumulated exchange adjustments of net investments in subsidiaries and associated undertakings plus related exchange hedging at DKK -177m (DKK -294m) and accumulated exchange adjustments regarding hedging of future cash flows at DKK 227m (2002: DKK 183m).

1. Share of earnings before tax of subsidiary undertakings

DKKm	2003	2002
Proportionate share of earnings before tax	(3,152)	(804)
Amortisation of goodwill deriving from acquisition of undertakings	(46)	(47)
	(3,198)	**(851)**

2. Profit/loss on disposal of undertakings and activities

DKKm	2003	2002
Profit on disposal of undertakings and activities	8	1
Loss on disposal of undertakings and activities	(47)	(63)
Profit/loss on disposal of associated undertakings	739	(483)
	700	**(545)**

3. Staff costs

DKKm	2003	2002
Wages and salaries	31	67
Pension contributions	1	1
Other staff costs	4	4
	36	**72**
Remuneration to the Board of Directors for 2003 was DKK 5m (2002: DKK 5m). The remuneration of the Board includes a special fee to the Chairman at DKK 2m (2002: DKK 2m)		
Total remuneration to the Management of the parent company was DKK 12m (2002: DKK 19m), of which DKK 9m (2002: DKK 17m) was paid by the parent company. (This amount includes severance pay.)		
Number of employees at 31 December	**37**	**62**

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

The Company and the Chairman of the Board of Directors have entered an agreement to ripen the Company for sale against an annual remuneration of DKK 2m in addition to the ordinary annual Chairman's fee of currently DKK 0.5m. The agreement to submit the Chairman's remuneration for approval at the Annual General Meeting covers a five year period which expires at the Annual General Meeting in 2007. If Mr Jørgen Worning is not re-elected to the Board of Directors and is not appointed Chairman in the period until the Annual General Meeting in the spring of 2007, it will be proposed at the General Meeting that the Company shall grant a compensation corresponding to the foreseen total remuneration for the period until the said Meeting. At 31 December 2003 this compensation thus amounted to DKK 8m. This entitlement, however, shall not apply in case Mr Jørgen Worning decides himself to retire as Chairman or as a member of the Board of Directors.

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

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

4. Fees to auditors appointed at the Annual General Meeting

DKKm	2003	2002
KPMG		
Auditing	1	1
Other services	1	1
	2	**2**
Deloitte		
Auditing	1	1
Other services	0	13
	1	**14**

5. Financial income and costs

DKKm	2003	2002
Financial income		
Interest receivable and similar income	2	8
Affiliated undertakings	159	238
Capital gains on securities	0	14
Exchange gains	1,147	910
	1,308	**1,170**
Financial costs		
Interest payable and similar charges	106	154
Affiliated undertakings	49	74
Capital losses on securities	1	5
Exchange losses	1,155	934
	1,311	**1,167**

6. Tax for the year

DKKm	2003	2002
Tax for the year		
Current tax on the profit/loss for the year	0	0
Share of tax on the profiit for the year in subsidiary undertakings	116	170
Joint taxation contribution to the parent company	(115)	(102)
Deferred tax adjustment	0	4
Share of tax on income for the year in associated undertakings	(11)	20
Other adjustments including adjustments regarding previous years	3	5
	(7)	**97**
Reconciliation of tax		
Tax according to Danish tax rate	(769)	(409)
Variance in the tax rates applied by associated undertakings relative to 30%	0	(34)
Variances regarding subsidiary undertakings	162	131
Non-deductible amortisation of goodwill	14	14
Non-taxable income and non-deductible costs	(207)	163
Variances in tax asset valued at nil	316	223
Variance due to changed joint taxation enrolment	477	4
Other, including adjustments regarding previous years	0	5
	(7)	**97**
Specification of adjustment of deferred tax (including adjustment of tax rate)		
Intangible fixed assets	(1)	(22)
Tangible fixed assets	(130)	(173)
Financial fixed assets	0	0
Current assets	(326)	10
Provisions	(24)	16
Long-term and current liabilities	5	2
Deferrable deficits, gross	177	(70)
Share of tax asset valued at nil	299	225
Exchange adjustments	0	16
	0	**4**

7. Tangible fixed assets

DKKm	Land and buildings	Operating equipment, fixtures and fittings	Total
Cost at 1 January	235	8	243
Additions	1	0	1
Disposals	(11)	(4)	(15)
Cost at 31 December	**225**	**4**	**229**
Depreciation at 1 January	(147)	(7)	(154)
Disposals	8	4	12
Depreciation	(7)	0	(7)
Depreciation at 31 December	**(146)**	**(3)**	**(149)**
Book value at 31 December	**79**	**1**	**80**
Book value of Danish properties at 31 December 2003	79		
Taxable value of Danish properties at 1 January 2003	239		
Book value at 31 December 2002	88	1	89
Book value of Danish properties at 31 December 2002	85		
Taxable value of Danish properties at 1 January 2002	273		

8. Financial fixed assets

DKKm	Investments in subsidiary undertakings	Investments in associated undertakings	Other securities and investments	Total
Cost at 1 January	10,092	196	31	10,319
Additions	1,052			1,052
Disposals	(220)	(7)		(227)
Cost at 31 December	**10,924**	**189**	**31**	**11,144**
Adjustments at 1 January	(4,908)	710	(13)	(4,211)
Exchange adjustments	(201)	(12)		(213)
Acquisitions and disposals	151	(755)		(604)
Value adjustment of hedging instruments	189			189
Profit shares	(3,268)	(25)	(1)	(3,294)
Amortisation of goodwill deriving from acquisition of undertakings	(46)			(46)
Dividends for the year	(134)	(17)		(151)
Value and other adjustments	205	(2)		203
Adjustments at 31 December	**(8,012)**	**(101)**	**(14)**	**(8,127)**
Set-off of negative shareholders' equity in subsidiaries	**1,457**			**1,457**
Book value at 31 December	**4,369**	**88**	**17**	**4,474**
Book value at 31 December 2002	5,193	906	18	6,117

Companies with a negative shareholders' equity are stated at nil and an amount corresponding to the negative shareholders' equity is set off against the amounts owing from these companies or stated as provision at DKK 230m (2002: DKK 0m).

Book value of investments in subsidiaries includes goodwill deriving from acquisition of undertakings at DKK 770m (2002: DKK 816m).

The market value of other securities and investments listed at 31 December amounted to DKK 17m (2002: DKK 18m). The corresponding book value was DKK 17m (2002: DKK 18m).

9. Investments in associated undertakings

DKKm	Shareholders' equity	Ownership interest	FLS share of earnings before tax	FLS share of profit/loss for the year	FLS ownership of shareholders' equity
- Atlas Cement Corporation, Philippines	197	27.1%	1	1	53
- Spæncom A/S, Denmark	102	33.9%	(37)	(26)	35
			(36)	**(25)**	**88**

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

The market value corresponding to FLS Industries' ownership interest in listed associated undertakings was DKK 44m (2002: DKK 52m). The corresponding book value is DKK 35m (2002: DKK 61m). The Group's associated undertakings do not present their annual reports in accordance with IFRS guidelines. Adjustments have been made for significant deviations from the Group accounting policies, where possible.

10. Deferred tax assets and liabilities

DKKm	2003	2002
Deferred tax asset		
Intangible fixed assets	127	135
Tangible fixed assets	427	442
Financial fixed assets	0	0
Current assets	322	0
Provisions	107	83
Long-term and current liabilities	0	8
Deferrable deficits, gross	105	282
Share of tax asset valued at nil	(761)	(462)
Deferred tax asset before possible setting-off	327	488
Set-off within legal tax entities and jurisdictions	(152)	(313)
Deferred tax asset at 31 December	**175**	**175**
Deferred tax liability		
Intangible fixed assets	3	12
Tangible fixed assets	138	283
Financial fixed assets	0	0
Current assets	11	15
Provisions	0	0
Long-term and current liabilities	0	3
Deferred tax liability before possible setting-off	152	313
Set-off within legal tax entities and jurisdictions	(152)	(313)
Deferred tax liability at 31 December	**0**	**0**
Deferred tax asset/liability, net at 31 Dec.	**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	0	0	0
Movements via the profit and loss account	0	0	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 company's deferred tax asset expected to be utilised within a five-year period has been included. Any deferred tax liability in the company is valued irrespective of the time for payment of tax, if any. The deferred tax asset is therefore valued prudently in relation to the tax liability.

DKKm	2003	2002
Maturity profile for deferrable deficits		
Less than one year	38	0
Between one and five years	115	671
More than five years and of indefinite duration	196	269
	349	**940**
Tax value of the above amount	105	282

The 2002 Annual Report referred to tax claims concerning formality requirements in connection with capital increases in foreign subsidiaries which amounted to DKK 0.5bn. These cases have now been settled without increasing the income under the joint FLS Industries taxation scheme.

At the time of closing the accounts no major tax cases were pending in FLS Industries A/S.

The non-booked tax asset of the companies enrolled in the the FLS Industries A/S joint taxation scheme at 31 December 2003 will be significantly affected by FLS Aerospace leaving the scheme with effect from 2004 as a result of the agreement to sell FLS Aerospace.

11. Debtors

Debtors falling due after more than one year totalled DKK 477m (2002: DKK 1,232m).

Other debtors include financial contracts raised at market value for financial business (positive value).

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	2003	2002
Maturity structure of long-term liabilities:		
Between one and two years	151	320
Between two and five years	929	611
After more than five years	528	906
	1,608	**1,837**

14. Current portion of long-term liabilities

DKKm	2003	2002
Mortgage debt	11	6
Currency loans and bank debt	254	485
	265	**491**

15. Other creditors

Other creditors include due holiday pay, taxes, interest payable
and financial contracts raised at market value for financial business (negative value).

16. Mortgages/pledges

DKKm	2003		2002	
	Book value mortg./ pledg. assets	Mortgaged/ pledged	Book value mortg./ pledg. assets	Mortgaged/ pledged
Real estate	78	175	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 and Eggborough desulphurisation projects in the UK and an 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 are made for estimated losses on such guarantees.

There are no additional contingent assets or liabilities.

18. Net interest-bearing debt

DKKm	2003	2002
Assets		
Amounts owed by subsidiary undertakings	3,562	4,043
Other debtors	1	0
Securities	1	1
Cash funds	29	23
Liabilities		
Mortgage debt	(175)	(26)
Bank debt	(2,021)	(2,592)
Amounts owed to subsidiary undertakings	(1,637)	(2,638)
Amounts owed to associated undertakings	(72)	0
	(312)	**(1,189)**

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

Principal in DKKm/interest rate p.a.		USD/interest		GBP/interest		EUR/interest		DKK/interest		Other/interest		2003 Total	2002 Total
Within one year	Assets	(293)	1.5%-2.0%	(1,599)	4.0%-5.0%	(252)	0.0%-3.7%	(538)	3.0%-11.0%	(326)	1.0%-6.6%	(3,008)	(3,943)
	Liabilities	850	1.3%-3.0%	749	4.2%-4.4%	171	2.4%-3.7%	1,856	2.5%-3.0%	55	2.7%-5.7%	3,681	5,133
	Interest swaps	(60)	1.1%-3.3%	(423)	3.7%-4.9%			(50)	2.2%			(533)	(33)
Total within one year		**497**		**(1,273)**		**(81)**		**1,268**		**(271)**		**140**	**1,157**
Between one and five years	Assets	(5)	1.9%	(5)	4.9%	(142)	2.8%-2.9%	(248)	2.9%-3.5%	(158)	1.0%-6.2%	(558)	(13)
	Liabilities							15	5.3%			15	23
	Interest swaps	60	2.7%	423	6.4-6.7%			50	2.8%			533	33
Total between one and five years		**55**		**418**		**(142)**		**(183)**		**(158)**		**(10)**	**43**
After more than five years	Assets					(11)	2.7%-2.9%			(17)	2.6%-5.7%	(28)	(14)
	Liabilities							210	3.0%-5.3%			210	3
	Interest swaps											0	0
Total after more than five years		**0**		**0**		**(11)**		**210**		**(17)**		**182**	**(11)**
Total		**552**		**(855)**		**(234)**		**1,295**		**(446)**		**312**	**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 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 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 balance sheet date rates of exchange.

Currency hedging
In order to hedge currency risks on the underlying contractual and budgeted payments and currency risks on loans and investments, the Group's in-house bank has entered into forward exchange contracts and currency options. Pending forward exchange contracts at 31 December 2003 appear from the table below. There were no pending currency options at 31 December 2003.

Interest rate hedging
Interest rate risks are hedged by using derivatives such as interest swaps, forward rate agreements (FRA) and interest rate options. Pending interest instruments at 31 December 2003 appear from the table below. There were no pending interest options at 31 December 2003.

2003	Fair value of contracts				
DKKm	USD	GBP	EUR	Other	Total
Forward exchange contracts		(28)		4	(24)
Interest swaps	288	80	8	(7)	369
Total	**288**	**52**	**8**	**(3)**	**345**

2003	Principals of contracts, net*				
DKKm	USD	GBP	EUR	Other	Total
Forward exchange contracts	(77)	423		(120)	226
Interest swaps	(347)	920	298	454	1,325

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

* 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.

The fair value of contracts includes the fair value of contracts for hedging net investments in foreign units at DKK 10m (2002: DKK 5m).

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

Companies in the FLS Group

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	1,000	100%
Fuller India Ltd.	India	INR	100,000	96%
Fuller Infotech Pvt. Ltd.	India	INR	1	100%
FLS Automation India	India	INR	20,000	100%
F.L.Smidth Portugal (Lda)	Portugal	EUR	45	100%
F.L.Smidth 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	100	100%
F.L.Smidth Polska Sp. z o.o.	Poland	PLN	800	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%
F.L. Smidth Slovakia s.r.o.	Slovakia	SKK	200	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 Airloq A/S	Denmark	DKK	500	100%
FLS Automation (Tianjin) Co., Ltd.	China	CNY	85	70%
Autec Spol. S.r.o. *	Czech Republic	CZK	9,355	35%
FLS Automation Australia Pty Ltd.	Australia	AUD	1	100%
FLS Automation s.a.	France	EUR	350	100%
TopTools Automation Systems Inc.	United kingdom	USD	1	100%
FLS Automation España, S.A.	Spain	EUR	114	100%
FLS Automation South Africa	South Africa	ZAR	2,000	70%
FLS Automation Italy *	Italy	EUR	99	45%
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	10	100%
Smidth & Co.	United States	USD	9,000	100%
F.L.Smidth Inc.	United States	USD	1,000	100%
Chanute	United States	USD	0	50%
FBH, LLC	United States	USD	0	100%
Fuller Plastics Inc.	United States	USD	1	100%
Kemutec Inc.	United States	USD	6	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 United States 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 S.A.	Chile	CLP	3,155,150	100%
FFE Minerals India Ltd.	India	INR	10,000	100%
FFE Minerals Mexico S.A. de C.V.	Mexico	MXN	8,693	100%
FFE Minerals 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%
F.L.Smidth Materials Handling A/S	Denmark	DKK	12,000	100%
F.L. Smidth Holding GmbH	Germany	EUR	256	100%
MVT Materials Handling GmbH	Germany	EUR	630	100%
Möller Materials Handling GmbH	Germany	EUR	1,023	100%
Motan Materials Handling GmbH	Germany	EUR	256	100%
Pfaff AQS GmbH	Germany	EUR	359	100%
Pfaff Maschinebau GmbH	Germany	EUR	77	100%
Motan-Fuller Asia Pte. Ltd. (in liquidation)	Singapore	SGD	50	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%
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%
Pfister Service GmbH	Germany	EUR	31	100%
Pfister Data GmbH	Germany	EUR	26	100%
MAAG Gear AG	Switzerland	CHF	22,000	100%
MAAG Gear Sp. z.o.o.	Poland	PLN	18,000	100%
Pfister Holding GmbH	Germany	EUR	1,021	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	500	100%
Lodge Sturtevant Ltd.	United kingdom	GBP	2,100	100%
Lodge-Cottrell Ltd.	United kingdom	GBP	0	100%
F.L.Smidth Airtech Oy	Finland	EUR	67	100%
F.L.Smidth Airtech s.a.	France	EUR	500	100%
F.L.Smidth Airtech S.A.	Spain	EUR	331	100%

Layout and production Creavision / 4227

			Nominal share capital (in 000)	Direct Group Holding
FLS Building Materials				
Aalborg Portland A/S	Denmark	DKK	300.000	100%
Aalborg Portland White A/S	Denmark	DKK	4.000	100%
Sinai White Portland Cement Company S.A.E. *	Egypt	EGP	140.000	45%
Aalborg White Asia Sdn Bhd	Malaysia	MYR	95.400	70%
Aalborg Resources Sdn. Bhd.	Malaysia	MYR	2.544	100%
SCI Marketing & Services Sdn. Bhd.	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%
Aalborg White Cement (Australia) Pty. Ltd.	Australia	AUD	1	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 Icelandi hf	Iceland	ISK	303.000	100%
CemMiljø A/S	Denmark	DKK	1.091	70%
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	Sweden	SEK	1,800	50%
Skåne Grus AB	Sweden	SEK	1,000	60%
Jepa Grus & Container AB	Sweden	SEK	100	100%
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 Sp. z o.o.	Poland	PLN	10,000	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	13,289	51%
Midt-Norsk Ferdigbetong AS	Norway	NOK	50	100%
Sola Betong AS *	Norway	NOK	9,000	33%
Unicon America. Inc.	United States	USD	0	100%
Ready Mixed Concrete Co.	United States	USD	0	100%
Unicon Concrete LLC	United States	USD	0	100%
Unicon Paving Stone. LLC	United States	USD	0	100%
Storsand Sandtak AS *	Norway	NOK	105	50%
Dansk Eternit Holding A/S	Denmark	DKK	82,000	100%
Cembrit BV	Netherlands	EUR	31	100%
Cembrit CZ. a.s.	Czech Republic	CZK	137,270	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	20,000	100%
Eurocem Vertrieb Europäischer Bauprodukte GmbH	Germany	EUR	77	100%
Interfer SAS	France	EUR	336	100%
Izopol S.A.	Poland	PLN	24,806	95%
Kotlownia Izopol Zaklad Gospodarki Cieplnej i Wodnej Sp. z o.o.	Poland	PLN	4,587	100%
Oy Minerit AB	Finland	EUR	1,686	100%
Tepro Byggmaterial AB	Sweden	SEK	600	100%
Norsal as	Norway	NOK	500	100%
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 United States Inc.	United States	USD	0	100%
Atlas Cement Corporation *	Philippines	PHP	220,000	27%
Spæncom A/S *	Denmark	DKK	42,105	34%

			Nominal share capital (in 000)	Direct Group Holding
FLS Aerospace Holding A/S	Denmark	DKK	1,000,000	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	EUR	361	51%
FLS Aerospace (United States) 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 (SE) AB	Sweden	SEK	100	100%
FLS Aerospace (NO) A/S	Norway	NOK	100	100%
Sheerwalk Services Limited	Ireland	IEP	0	100%
FLS Aerospace (IRL) Ltd.	Ireland	IEP	1	100%
FLS miljø a/s	Denmark	DKK	50,000	100%
FLS miljo Inc.	United States	USD	0	100%
FLS miljo Sp. z o.o.	Poland	PLN	601	100%
FLS miljo Ltd.	United Kingdom	GBP	2,503	100%
Environmental Air Filtration Ltd.	United Kingdom	GBP	1,802	100%
FLS Miljo Operations Ltd.	United Kingdom	GBP	0	100%
Supertræ A/S (in insolvent liquidation) *	Denmark	DKK	68,000	25%
FLS Real Estate No, 4 Ltd.	United Kingdom	GBP	4,154	100%
FLS Real Estate A/S	Denmark	DKK	3,100	100%
FLS Plast A/S	Denmark	DKK	1,500	100%
NL 1998 A/S	Denmark	DKK	500	100%
Engineering UK Holdings Ltd.	United Kingdom	GBP	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	7,000	100%
Igrene MP A/S	Denmark	DKK	7,000	100%
FFE Invest A/S	Denmark	DKK	25,000	100%
Redep A/S	Denmark	DKK	1,000	100%
Betodan A/S (in solvent liquidation)	Denmark	DKK	500	100%
Betobyg S.m.b.h *	Denmark	DKK	1	33%
Pedershaab GmbH	Germany	EUR	266	100%
Pedershaab Poland Sp. z o.o.	Poland	PLN	50	100%

* Associated undertakings.
Others are Group undertakings.

Important executive positions

BOARD OF DIRECTORS

Jørgen Worning
Chairman of the Board of Directors since 2002, aged 63, M.Sc. (engineering).
Elected positions: Chairman of the Boards of Directors of Bang & Olufsen A/S, Chr. Hansen Holding A/S and Dansk Toksikologi Center.

Jens Stephensen
Vice Chairman of the Board of Directors since 2002, aged 62, M.Sc. (engineering).
Elected positions: Chairman of the Boards of Directors of BornholmsTrafikken, Holm & Grut A/S, Aktieselskabet Randers Rebslaaeri, Ørskov Christensens Staalskibsværft A/S and related companies and of Aveny Teatret. Member of the Boards of Directors of H.S.Hansen A/S and Aktieselskabet Potagua.

Torkil Bentzen
Member of the Board of Directors elected by the Company in General Meeting since 2002, aged 57, 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 Boards 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 41, 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 Board of Directors of ISS A/S.

Johan Schrøder
Member of the Board of Directors elected by the Company in General Meeting since 1996, aged 63, M.Sc. (engineering).
Elected positions: Chairman of the Boards of Directors of Investeringsselskabet af 30.4.1992 A/S. Member of the Boards of Directors of 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.

Johannes Poulsen
Member of the Board of Directors elected by the Company in General Meeting since 2002, aged 61, M.Sc. (Economics and Bus. Admin.). Chief Executive Officer of BUUR INVEST A/S. Elected positions: Chairman of the Boards of Industrialiseringsfonden for Udviklingslandene-IFU, Investeringfonden for Vækstlande-IFV, Investeringsfonden for Østlandene-IØ and Investeringsforeningen 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, JP/Politikens Hus A/S, the Export Credit Fund and Extend Reach Corporation A/S, Greentech Energy Systems A/S.

Finn Jakobsen
Member of the Board of Directors elected by the employees since 2002. Aged 44. 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 61, 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 47. B.Com. (management accounting). Chief Economist, FLS Industries A/S, employed by the FLS Group since 1984.

MANAGEMENT

Jørgen Huno Rasmussen
Group Chief Executive of FLS Industries since January 2004, aged 51, MSc (engineering) Dipl. Bus. Admin. and PhD (Techn.Sc.).
Elected positions: Member of the Boards of Directors of Vestas Wind Systems A/S and SCION-DT in addition to being a member of the Board of Representatives of Tryg smba in Denmark.

Poul Erik Tofte
Group Chief Financial Officer, FLS Industries, since January 2003, aged 47, M.Sc. (economics) and B.Com.

Bjarne Moltke Hansen
Group Executive Vice President, FLS Industries, since August 2002 with overall responsibility for FLS Building Materials since 2001, aged 42, B.Sc. (engineering).
Elected positions: Member of the Board of Directors of Dreisler Storkøb A/S and GEO.

FLS Industries A/S
Vigerslev Allé 77
2500 Valby
Denmark
Tel: +45 36 18 18 00
Fax: +45 36 30 44 41
corppr@flsindustries.com
www.flsindustries.com
CVR No. 58180912

F.L.Smidth A/S
Vigerslev Allé 77
2500 Valby
Denmark
Tel: +45 36 18 10 00
Fax: +45 36 30 18 20
info@flsmidth.com
www.flsmidth.com

F.L.Smidth Materials Handling A/S
Vigerslev Allé 77
2500 Valby
Denmark
Tel: +45 36 18 10 00
Fax: +45 36 18 23 46
info@flsmh.com
www.flsmh.com

Ventomatic SpA
Via G. Marconi, 20
I-24030 Valbrembo, Bergamo
Italy
Tel: +39 035 468 311
Fax: +39 035 460 838
vento@ventomatic.it
www.ventomatic.it

Maag Gear AG
Sulzer-Allee 46
CH-8440 Winterthur Zurich
Switzerland
Tel: +41 52 262 8888
Fax: +41 52 262 8707
maag.gear@maag-gear.ch
www.maag-gear.com

FFE Minerals Inc.
3235 Schoenersville Road
Bethlehem, PA18017-2103
USA
Tel: +1 610 264 6900
Fax: +1 610 264 6996
www.ffeminerals.com

Pfister Holding GmbH
Stätzlinger Straße 70
D-85165 Augsburg
Germany
Tel: +49 821 7949 528
Fax: +49 821 7949 524
holding@pfister.de
www.pfister.de

F.L.Smidth Airtech A/S
Ramsingsvej 30
2500 Valby
Denmark
Tel: +45 36 18 20 00
Fax: +45 36 18 20 30
info@flsairtech.com
www.flsairtech.com

Aalborg Portland A/S
Rørdalsvej 44
9100 Aalborg
Denmark
Tel: +45 98 16 77 77
Fax: +45 98 10 11 86
finance@aalborg-portland.dk
www.aalborg-portland.dk
www.aalborgwhite.com

Unicon A/S
Køgevej 172
4000 Roskilde
Denmark
Tel: +45 46 34 60 00
Fax: +45 46 34 60 99
info@unicon.dk
www.unicon.dk

Dansk Eternit Holding A/S
Hasserisvej 139
9000 Aalborg
Denmark
Tel: +45 96 35 58 00
Fax: +45 96 35 58 01
info@deh.dk
www.deh.dk

Densit A/S
Rørdalsvej 44
9100 Aalborg
Denmark
Tel: +45 98 16 70 11
Fax: +45 99 33 77 88
info@densit.dk
www.densit.dk

FLS miljø a/s
Ramsingsvej 30
2500 Valby
Denmark
Tel: +45 36 18 11 00
Fax: +45 36 17 45 99
info@flsmiljo.com
www.flsmiljo.com

FLS Aerospace
Communications Department
Hangar 6, MD 109
Dublin Airport
Dublin
Ireland
Tel: +353 1 886 6456
Fax: +353 1 886 8492
marketing@flsaerospace.com
www.flsaerospace.com