

2003

INTERIM REPORT 2003 FLS INDUSTRIES A/S



1 January – 30 June 2003

# Interim report

## 1 January – 30 June 2003

The FLS Industries A/S Board of Directors has today reviewed and adopted the present Interim report for January to June 2003 as outlined on the following pages. The Report is unaudited and presented in accordance with the same accounting policies as the 2002 Annual Report.

Valby, 29 August 2003

Jørgen Worning  
Chairman of the Board of Directors

Poul Erik Tofte  
Group CFO

### FLS Group overall

- Earnings before tax (EBT) amounted to DKK 202m as against DKK -717m for the same period last year.
- The FLS Group's total earnings before interest and tax (EBIT) were DKK -353m as against DKK -123m for the same period last year.
- Cash flow from operating activities were DKK -54m as against DKK 771m compared to the same period last year. Cash flow from operating activities for the first half-year 2003 were expected to be significantly below last year's level. However, due mainly to the development in FLS miljø, cash flow from operating activities were lower than anticipated.
- The FLS Group's interest-bearing debt amounted to DKK 2.0bn by the end of the first half-year 2003 (end of first half-year 2002: DKK 3.6bn).
- The strategic plans announced on 29 August 2002 are being followed. As previously announced, the transition period is expected to run until the end of 2003.
- On 1 January 2004, CEO Jørgen Huno Rasmussen will take up the post of Group CEO of the FLS Group.

### Core activities

- The FLS Group's core activities organised within F.L.Smith Group and FLS Building Materials posted total earnings before interest and tax

(EBIT) of DKK 3m, (DKK 190m in the first half-year 2002). Net of one-off items, the EBIT result of FLS Building Materials was an improvement on last year. F.L.Smith's earnings before interest and tax (EBIT) were down DKK 161 on the same period last year.

- The F.L.Smith Group was successful in receiving orders of DKK 4.9bn (DKK 4.1bn), the highest level ever, and expects an increase in the market for newly contracted production capacity in 2003. Total turnover within the core activities reached DKK 5.3bn (DKK 5.3bn), F.L.Smith Group accounting for DKK 3.55bn (DKK 3.35bn) and FLS Building Materials DKK 1.75bn (DKK 1.91bn).
- The core activities recorded a positive cash flow from operating activities of DKK 360m as against DKK 281m for the same period last year.

### Other activities

- FLS Aerospace posted negative earnings before interest and tax of DKK 23m in the first six months of the year - an improvement on the same period in 2002 (DKK -27m).
- FLS miljø is proceeding with the completion of a desulphurisation project in the UK. Increasing costs of completion for this project resulted in a total operating loss of DKK 325m (DKK -223m).

### Prospects for the overall FLS Group in 2003

- The FLS Group anticipates a consolidated turnover of just over DKK 15bn, provided that its main currencies USD and GBP remain at the

current exchange rate level. The previous expectation was about DKK 15bn.

- The FLS Group now expects earnings before interest and tax (EBIT) around the level of DKK -50m to DKK -100m as against the previous expectation of DKK 300m to 400m.
- Earnings before tax (EBT) are now expected to be around the level of DKK -200m to DKK -250m, exclusive of the effect of acquisition and disposal of undertakings, against the previously anticipated DKK 250m to 350m.

### Prospects for the individual activities in 2003

- The F.L.Smith Group and FLS Building Materials' core activities downgrade expectations for the EBIT result from around DKK 0.5bn to around DKK 0.4bn.
- FLS Aerospace maintains its expectations for the year, whereas FLS miljø lowers its expectations. These activities combined with the costs of the parent company are expected to have a DKK 0.5bn adverse effect on the EBIT result.
- The earnings forecast is still subject to uncertainty with regard to the prospects of the non-strategic activities. The Group's focusing strategy will be implemented, inter alia, through a number of corporate divestments. The results, the sequence and the timing of these divestments may significantly influence the prospects, negatively and positively, and have not been included in the above figures.

A meeting for investors and the press will be held on 29 August at 14.30 pm at the company's premises.

Please address any questions regarding this announcement to Mr Poul Erik Tofte, telephone +45 36 18 18 00, from 13.00 hours.

Financial highlights

DKKm	1st half 2002 unaudited	The year 2002	1st half 2003 unaudited
<b>PROFIT AND LOSS ACCOUNT</b>			
Net turnover	8,437	16,444	7,055
<b>Gross profit</b>	<b>1,799</b>	<b>3,265</b>	<b>1,212</b>
<i>Contribution ratio</i>	<i>21.3%</i>	<i>19.9%</i>	<i>17.2%</i>
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>365</b>	<b>317</b>	<b>27</b>
<i>EBITDA ratio</i>	<i>4.3%</i>	<i>1.9%</i>	<i>0.4%</i>
<b>Earnings before interest and tax (EBIT)</b>	<b>(123)</b>	<b>(647)</b>	<b>(353)</b>
<i>EBIT ratio</i>	<i>(1.5%)</i>	<i>(3.9%)</i>	<i>(5.0%)</i>
Share of pre-tax profit of associated undertakings	120	186	(35)
Profit/loss on the sale of undertakings and activities	(573)	(639)	648
Net financial income and costs	(141)	(247)	(58)
<b>Earnings before tax (EBT)</b>	<b>(717)</b>	<b>(1,347)</b>	<b>202</b>
<i>EBT ratio</i>	<i>(8.5%)</i>	<i>(8.2%)</i>	<i>2.9%</i>
Tax for the period	60	102	31
<b>Profit/loss for the period</b>	<b>(777)</b>	<b>(1,449)</b>	<b>171</b>
Minority interests' share of the profit/loss for the period	8	12	2
<b>FLS Industries A/S' share of the profit/loss for the period</b>	<b>(785)</b>	<b>(1,461)</b>	<b>169</b>
Dividend to shareholders	n/a	0	n/a
<b>CASH FLOW</b>			
<b>Cash flow from operating activities</b>	<b>771</b>	<b>714</b>	<b>(54)</b>
Acquisition and disposal of undertakings and activities	(28)	667	(31)
Acquisition of tangible fixed assets	(282)	(633)	(283)
Other investments	790	942	1,181
<b>Cash flow from investing activities</b>	<b>480</b>	<b>976</b>	<b>867</b>
<b>Cash flow from financing activities</b>	<b>(1,195)</b>	<b>(1,610)</b>	<b>(795)</b>
<b>Change in cash funds</b>	<b>56</b>	<b>80</b>	<b>18</b>
<b>NET INTEREST-BEARING DEBT/(-BALANCE)</b>	<b>3,552</b>	<b>2,953</b>	<b>1,990</b>
<b>BALANCE SHEET</b>			
Fixed assets	9,794	8,732	7,539
Current assets	7,008	6,904	6,749
<b>Total assets</b>	<b>16,802</b>	<b>15,636</b>	<b>14,288</b>
Consolidated shareholders' equity	6,509	5,729	5,579
FLS Industries A/S' share of shareholders' equity	6,153	5,413	5,303
Provisions	1,193	1,042	857
Long-term and current liabilities	9,100	8,865	7,852
<b>Total liabilities</b>	<b>16,802</b>	<b>15,636</b>	<b>14,288</b>
<b>RETURN ON CAPITAL EMPLOYED (ROCE)</b>	<b>(641)</b>	<b>(1,147)</b>	<b>327</b>
Net operating profit after tax (NOPAT)	12,697	12,261	9,385
Average capital employed	<b>(5%)</b>	<b>(9%)</b>	<b>3%</b>
<b>Return on capital employed (ROCE)</b>			
<b>FINANCIAL RATIOS</b>			
<b>Including minority interests' share</b>			
Return on equity	(12%)	(23%)	3%
Equity ratio	39%	37%	39%
<b>Number of employees end of period</b>	<b>4,188</b>	<b>3,533</b>	<b>3,091</b>
Number of employees in Denmark			

# Management report for the first half of 2003

## Overall activities of FLS Group

The consolidated turnover for the first half of 2003 was DKK 7,055m as against DKK 8,437m for the same period of last year. The drop in turnover partly reflects the fact that 2002 included undertakings now sold at approximately DKK 750m, partly the nearly DKK 300m negative impact of falling main currencies. When adjusting for this and for the reduced turnover in FLS miljø, the Group turnover is almost on a par with 2002.

The gross profit amounted to DKK 1,212m compared with DKK 1,799m for the same period of last year, primarily reflecting increasing costs for completion of projects in FLS miljø and the effect of the turnover of undertakings now sold.

Sales, administrative and distribution costs fell by DKK 299m compared to the same period of 2002. In the same period of last year undertakings now sold accounted for DKK 200m. Capacity adjustments implemented in 2002 and in the first quarter of 2003, are beginning to show. Thus, costs dropped by nearly 1 percentage point per krone turnover.

Earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to DKK 27m compared to DKK 365m for the same period of 2002. In the first half of 2002, undertakings now sold posted EBITDA of DKK 70m, and the disposal of certain assets in 2002 had a positive impact amounting to DKK 85m. The remaining deviation can be attributed to increasing costs for completion of projects in FLS miljø and F.L.Smidt.

Consolidated depreciation and amortisation amounted to DKK 380m compared to DKK 488m for the same period of 2002.

Earnings before interest and tax (EBIT) were negative at DKK 353m, whilst 2002 saw a loss of DKK 123m. In 2002, earnings before interest and tax (EBIT) of undertakings now sold accounted for DKK -13m.

The share of EBIT of associated undertakings, mainly consisting of Spæncom, amounted to DKK -35m, as against DKK 120m in 2002, which mainly derived from the now sold Secil.

The sale of undertakings and activities had a DKK 648m net positive effect on the EBT result

compared to DKK -573m for the same period last year. This effect consists mainly of the accounting profit deriving from the sale of the shares in Secil and the loss accruing from the disposal of some of FLS Aerospace's Danish operations. Last year's EBT result for the same period suffered from the sale of the shares in NKT Holding.

The Group's financial net costs have fallen to DKK 58m from DKK 141m in 2002. This development stems primarily from the significant reduction of the average net interest-bearing debt and the DKK 24m non-recurring interest income deriving from the waste tax case in Aalborg Portland.

Overall earnings before tax (EBT) show a profit of DKK 202m as against a loss of DKK -717m for the same period last year.

Tax for the first half of 2003 amounted to DKK 31m as against DKK 60m the year before. Tax relates primarily to profit-making undertakings abroad. Earnings after tax were DKK 171m as against DKK -777m for the same period last year.



**Changes in cash flow**

Cash flow from operating activities was DKK -54m compared to DKK 771m for the corresponding period last year. The cash flow situation suffered severely from cash outflows of DKK 588m in FLS miljø due to order processing costs, cash flow effect from provisions made in 2002 and changes in dates of payment. Cash flow from operating activities for the first half-year 2003 were expected to be significantly below last year's level. However, due mainly to the development in FLS miljø, cash flow from operating activities were lower than anticipated. Cash flow from operating activities of the Group's other activities was DKK 534m, which is on a par with last year's level (DKK 676m), when adjusted for disposal of undertakings.

The sale of undertakings and activities as outlined in the group strategy is clearly reflected in the DKK 867 positive cash flow from investing activities. The group's reinvestments are now maintained at a normal level, and this has also had a positive effect on cash flow from investing activities compared to the same period the year before.

**Net interest-bearing debt**

An important element in the Group's focusing strategy has been to ensure a healthy financial platform to support its core activities. Over the past twelve months, total net interest-bearing debt has been reduced by DKK 1.6bn, from DKK 3,552m by the end of the first half of 2002 to DKK 1,990m by the end of first half of 2003.

The lowering of debt is a result of divestments, whilst significant improvements in working capital have supported the lower level of net interest-bearing debt. Over the past twelve months, the working capital has thus been reduced by DKK 500m.

**Balance sheet**

The consolidated balance sheet total was DKK 14.3bn as against DKK 16.8bn for the same period the year before, a reduction of DKK 2.5bn or nearly 15%. The balance sheet total of undertakings now sold amounted to DKK 1.9bn at the end of the first half year 2002. The equity ratio remains unchanged at 39% compared to the end of the first half of 2002.

**Assets**

Intangible assets amount to DKK 1,137m (DKK 1,183m) and are primarily related to goodwill almost exclusively attributable to the purchase of 50% of Aalborg Portland and Unicon's Norwegian activities. Tangible fixed assets were reduced from DKK 6,864m to DKK 5,647m at the end of the first half of 2003. Fixed assets of undertakings now sold accounted for DKK 0.7bn at the end of first half of 2002.

Financial fixed assets are down from DKK 1,747m at the end of the first half-year 2002 to DKK 755m at the end of the first half-year 2003. This decline is primarily due to the sale of participating interests in Secil, whose balance sheet total at the end of the first half of 2002 amounted to DKK 0.7bn.

Stocks fell from DKK 1,422m at the end of the first half-year 2002 to DKK 1,059m at the end of first half-year 2003 as a result of increased focus on working capital and funds tied up in stocks. Debtors including work-in-progress have risen from DKK 5,169m to DKK 5,238m, reflecting the growth in orders being processed.



### Liabilities

Provisions have been reduced from DKK 1,193m at the end of the first half of 2002 to DKK 857m at the end of the first half-year 2003. The decline in provisions is mainly due to the fulfilment of commitments in FLS miljø and run-off of warranty provisions in the F.L.Smidth Group in 2002.

Long-term liabilities are down from DKK 3,631m to DKK 2,564m, whilst current liabilities have fallen from DKK 5,469m to DKK 5,288m. The lowering of debt reflects the divestments undertaken and the improvement in working capital.

### Review of the FLS Industries' strategy plan

On 29 August 2002, FLS Industries announced its strategy, which entailed divestment or winding-up of non-core activities, reduction of interest-bearing debt and a change in the management structure during a period of transition. As previously announced, the Board of Directors expected the transition period to run until the end of 2003.

The major part of the divestments have been successfully completed, the interest-bearing debt has been reduced from DKK 3.6bn to DKK 2.0bn and a new management will be established on 1 January 2004.

Discussions regarding the sale of FLS Aerospace, or alternatively, forming future partnerships are currently taking place. Other non-strategic activities have either been disposed of or are in the process of being sold.

With regard to FLS miljø, costs for the completion of two plant projects have exceeded estimates. FLS miljø is in the process of being wound up, i.e. all activities are being sold or closed down.

In the two core businesses, F.L.Smidth Group and FLS Building Materials, markets are picking up after a period characterised by a cautious attitude among the customers. The F.L.Smidth Group has the highest order backlog ever seen

in the company's history, and is the world's largest supplier of complete cement plants.

FLS Building Materials comprising the companies Aalborg Portland, Unicon, Dansk Eternit and Densit focuses on the building materials market.

### Group Management

On introducing the strategy plan in August 2002, the Group appointed a temporary Group Management which comprises CEO Frank Gad, F.L.Smidth Group; CEO Bjarne Moltke Hansen, FLS Building Materials; and CEO Preben Tolstrup, FLS miljø. In January 2003, CFO Poul Erik Tofte joined the Corporate Management.

The overall aim of this organisational set-up was to maintain short lines of decision-making and ensure efficient implementation of the strategic plans for disposing of non-core business activities. This organisational set-up has proved highly expedient during the past year.

As the divestments foreseen in the strategy plan are expected to be completed as planned, the following changes in the Group Management have been decided with effect from 1 January 2004:

Mr Jørgen Huno Rasmussen, MSc (engineering), Dipl. Bus. Admin. and PhD (Techn. Sc.) will become CEO of the FLS Group. Mr Jørgen Huno Rasmussen, 51, is now CEO of Hoffmann A/S with which he has been since 1983. In 1988, he became Chief Executive Officer and since 2000 he has also been a member of the Corporate Management of Veidekke ASA, Oslo. Mr Jørgen Huno Rasmussen is a member of the Boards of Directors of Vestas Wind Systems A/S and of the Danish Science Park, in addition to being a member of the Committee of Shareholders of Tryg smba in Denmark.

The FLS Group welcomes Jørgen Huno Rasmussen and looks forward to a long-term and productive relationship.

Having made these changes in its day-to-day management, the FLS Group is set to enter a new phase on a managerially strengthened platform which will enable it to concentrate all its energies on the advancement of the core business activities.

### Core activities - F.L.Smidth Group and FLS Building Materials

The overall earnings before interest and tax (EBIT) from the core activities within F.L.Smidth Group and FLS Building Materials amounted to DKK 3m, which is DKK 187m lower than the result for the same period last year. Net of non-recurring items, the EBIT result is DKK 134m lower than the same period last year.

This performance reflects improved EBIT of DKK 27m in FLS Building Materials when adjusted for non-recurring items, and a significantly lower EBIT of DKK -161m in the F.L.Smidth Group compared to the same period last year.

The core activities improved their cash flow from operating activities by DKK 79m compared to last year, amounting to DKK 360m at the end of the first half-year 2003. The improvement is mainly due to increased prepayments and reduction of debtors in the F.L.Smidth Group. During the past twelve months, the core companies have reduced their net interest-bearing debt from DKK 1,626m to DKK 162m.



DKKm	First half-year 2002 unaudited	Year 2002	First half-year 2003 unaudited
Net turnover	3,350	7,217	3,548
Gross profit	665	1,422	477
EBIT	31	105	(130)
EBT	32	103	(125)
Cash flows from operating activities	155	234	215
Cash flows from operating and investing activities	95	127	150

  

DKKm	Turnover First half-year 2003	Order intake* First half-year 2003	Order intake* 30.06.2003
Cement industry	2,638	3,797	6,951
Mineral industry	554	711	899
Other	356	417	832
Total	3,548	4,925	8,682
*Sales prices			

## FLSMIDTH

### F.L.Smidth Group

In the first half of 2003, F.L.Smidth Group received its highest order intake ever. Due to the international market conditions the sale of services and spare parts was sluggish for a period.

The order backlog at 30 June 2003 is the highest in several years and therefore provides a good basis for further streamlining of operations and increasing earnings.

Further delays in connection with the erection of a large project in England, however, have entailed increasing costs of completion for this project. In other parts of the world, local conditions have complicated the completion of plants, resulting in increasing costs for F.L.Smidth. Viewed against this background, the EBIT result for the first half of 2003 of the F.L.Smidth Group reflects a higher loss than expected.

FFE Minerals has performed better than expected both with regard to order intake and earnings. The Group's other product companies (Ventomatic, MAAG Gear, Pfister, F.L.Smidth Materials Handling and F.L.Smidth Airtech) have overall performed as expected.

In step with improved market conditions in a number of countries, the demand for cement plants is growing. The global market (excluding China) for new installed kiln capacity is therefore now expected to grow from the past two years' low level of approximately 13m tpy to more than 20m tpy in 2003. The market share of F.L.Smidth Group is estimated to be more than 50% in the first half-year of 2003.

The F.L.Smidth Group's increasing activities in China during the past three years continued in the first half of 2003 and the order intake is already now above last year's volume.

For the full year 2003, the company expects earnings before tax (EBT) slightly below last year's profit of DKK103m. The activity in the second half of 2003 is expected to exceed the level of the first half year.



DKKm-excluding divested activities	First half-year 2002 unaudited	Year 2002	First half-year 2003 unaudited
Net turnover	1,909	3,925	1,746
Gross profit	753	1,603	739
EBIT	159	334	133
EBT	114	259	86
Cash flows from operating activities	126	500	145
Cash flows from operating activities and investments	19	461	(98)



**Building Materials**

**FLS Building Materials - core activities**

Net of non-recurring items, the total EBIT result of FLS Building Materials was DKK 27m better than for the first half-year 2002. Earnings before tax (EBT) were DKK 86m compared to DKK 114m in 2002. Financial results of FLS Building Materials including activities now sold amounted to earnings before tax (EBT) of DKK 800m compared to DKK 199m in 2002, which was mainly attributable to the sale of Secil.

Cash flow from operating activities has improved DKK 19m on the same period last year, whilst cash flow from investing activities was on a par with the first half-year of 2002, adjusted for the sale of ships.

**Aalborg Portland's** domestic sales were on a par with expectations despite lower demand at the beginning of the year. Exports of white cement suffered from low demand due to the widespread economic recession, but has improved in the second quarter after a sluggish start of the year. The plant in Egypt has gained a strong position in the local market region as planned, and the facility in Malaysia is continuing the development in sales towards full utilisation of capacity. Aalborg Portland has strengthened its logistics and market position in the Danish market through the acquisition of Mørch Cement, and the purchase has contributed positively to domestic sales. Cost savings, in particular, at the facility in Aalborg have compensated for reduced ear-

nings in a squeezed global market. Difficult market conditions on the world market continue to cause focus on rationalisation and optimisation of production costs including the use of alternative fuels at the plant in Aalborg.

**Unicon** sales of ready-mix concrete continued their satisfactory development, reaching sale and earnings close to expectations. Lower prices caused a slight slip in turnover compared to last year. Unicon is proceeding with the development of central distribution centres to increase both customer service and efficiency.

The demand for **Dansk Eternit Holding** (DEH) fibre cement products suffered from the widespread recession within agricultural and industrial construction in Denmark, in particular in the 2nd quarter of 2003. Dansk Eternit, however, has maintained its market share in Denmark, but turnover is affected both by competition and decreasing volume. Total turnover in DEH was therefore somewhat below expectations, and this is also expected for the full year. In DEH, the staff of Dansk Eternit was reduced in the first half-year of 2003 and will be further reduced in the second half of 2003 to adjust the company to the current market situation.

FLS Building Materials maintains its projection of an EBIT result on a par with the DKK 318m posted in 2002, including divested activities and based on a turnover close to DKK 4.0bn.

**FLS Industries A/S – Parent company**

For the first half-year of 2003, FLS Industries A/S, the parent company, posted earnings before interest and tax (EBIT) of DKK 7m as against DKK -48m for the same period the year before. Profit of DKK 33m related to the sale of properties had a positive effect. Earnings before tax (EBT) exclusive of corporate divestments were DKK 0m, an improvement of DKK 53m on the year before. FLS Industries remains confident of reducing the year's total level of costs to half of last year's amount, before the effect of divestments.

**OTHER ACTIVITIES****FLS miljø**

FLS miljø has made good progress in the completion of the loss-making West Burton desulphurisation project. The critical plant erection phase is now completed, and key milestones have been met. Major productivity problems at the construction site have resulted in significant cost overruns. The first of the project's four absorber plants is under commissioning and is running satisfactorily. FLS manning at the site has been reduced to 1/3 (approximately 100 people) and further reductions were made in August 2003. The degree of completion as at the end of the first half-year 2003 was close to 95%, and the project is expected to be handed over at the beginning of 2004.

At the FLS miljø project in the UK, a desulphurisation project in Eggborough, most of the engineering and purchase activities have been completed. The project is on schedule, but erection work suffered from low productivity in spring, causing a heavy increase in manning with increasing costs as a result. The degree of completion as at the end of the first half-year 2003 was approximately 70%.

FLS miljø's third desulphurisation project – Coleman in the U.S – has been terminated. The closing of the contract has no significant impact on financial results regarding the period under review.

FLS miljø posted a negative cash flow from operating activities of DKK 588m in the first half-year 2003, which as stated above, is mainly due to increasing labor costs and delays in payments from customers.

FLS miljø expects an improved EBIT result compared to 2002, but there are still risks in connection with the completion of the two remaining plant projects.

It has been decided to strengthen FLS miljø's capital base by DKK 375m. Shareholder's equity will amount to DKK 113m.

**FLS Aerospace**

FLS Aerospace posted negative earnings before interest and tax of DKK 23m in the first six months of the year – an improvement on the same period in 2002 (DKK -27m). Earnings before tax (EBT) were DKK -126m as against DKK -69m for the same period the year before. The EBT result was affected by the previously announced loss on sale of activities in Copenhagen by DKK -50m.

Cash flow from operating activities was DKK -14 m, which is DKK 51m below that of the same period the year before. FLS Aerospace's order backlog of DKK 8.3bn was DKK 0.3bn higher than the same period last year despite a lower level of exchange rates.

FLS Aerospace maintains its projection of considerably improved earnings before interest and tax (EBIT) compared to 2002.

In future, FLS Aerospace will no longer be a core business area within FLS Industries. Viewed against this background, a process is currently ongoing where the future ownership of FLS Aerospace is being reviewed.



**Other non-strategic activities**

The associated undertaking Spæncom, which is 34%-owned by FLS Industries, is reflected in the earnings before tax as a DKK -26m loss. Reference is made to Spæncom for further details concerning its activities.

Pedershaab entered 2003 with a weak backlog of orders. This combined with a slow order intake in 2003 had a negative impact on EBIT which amounted to DKK -13m. The situation in Iraq has particularly aggravated the decline in the company's activities in the important Middle East markets.

**Post balance sheet events**

Announcement to the Copenhagen Stock Exchange, No. 15-2003, 3 July 2003  
F.L.Smith wins record contract in Iran worth DKK 500m.

Announcement to the Copenhagen Stock Exchange, No. 16-2003, 5 August 2003  
F.L.Smith wins greenfield project in Florida, USA.

**Prospects for the overall FLS Group in 2003**

The FLS Group anticipates a consolidated turnover of just over DKK 15bn, provided that its main currencies USD and GBP remain at their current exchange rate level. The previous expectation was around DKK 15bn.

The FLS Group lowers its projection of earnings before interest and tax (EBIT) to DKK -50m to DKK -100m against the previous expectation of DKK 300m to 400m.

Earnings before tax (EBT) are reduced to around DKK -200m to DKK -250m exclusive of the effect of acquisition and disposal of undertakings against the previous expectation of DKK 250m to 350m.

**Prospects for the core activities in 2003**

The core activities, the F.L.Smith Group and FLS Building Materials lower their projection of an EBIT result from around DKK 0.5bn to DKK 0.4bn in 2003.

**Prospects for other activities in 2003**

FLS Aerospace maintains its expectations, whilst FLS miljø downgrades expectations. Thus, these activities combined with those of the parent company are expected to have a negative impact of DKK 0.5bn on the EBIT result.

The earnings forecast entails special risks with regard to the prospects of the non-strategic activities. The FLS Group's focusing strategy includes a number of corporate divestments. The results, the sequence and the timing of these divestments may significantly affect the prospects, both positively

and negatively, and are not included in the above figures.

**Own shares**

During the first half-year of 2003, FLS Industries has not changed its holding of own shares. The holding accounts for 2.5% of the share capital.

**Incentive plan**

During the period under review, the FLS Group has not changed the principles of the existing incentive plan. No new share options have been issued and no existing share options have been exercised. The number of existing options continues to amount to 389,377, representing 0.7% of the share capital. Black Scholes value for this plan is DKK 0.

With effect from today, the Board of Directors has adopted a new incentive plan which applies to the Group Management and approximately 40 managerial staff. The strike price at the allocation of share options is based on the average of the market price 15 business days after the announcement of financial results with addition of an annual adjustment of 6%. The exercising period is set to 2 to 6 years after issuance. The Black-Scholes value is DKK 4.5m, based on the volatility in share price during the past 12 months.

The company and the Chairman of the Board of Directors have entered an irrevocable agreement with regard to assuming project related tasks in the period 1 March 2003 and until the Annual General Meeting to be held in the spring of 2007 against a remuneration in addition to the Chairman's fee. In case Jørgen Worning is not re-elected in the period preceding the Annual General Meeting in spring 2007, the company shall grant a compensation.

**Financial Calendar 2003**

28 November 2003 Interim report, 3rd quarter



Consolidated profit and loss account

DKKm	1st half 2002 unaudited	The Year 2002	1st half 2003 unaudited
Net turnover	8,437	16,444	7,055
Production costs	6,638	13,179	5,843
<b>Gross profit</b>	<b>1,799</b>	<b>3,265</b>	<b>1,212</b>
Sales and distribution costs	720	1,460	554
Administrative and other costs	880	1,719	747
Other operating income and costs	166	231	116
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>365</b>	<b>317</b>	<b>27</b>
Depreciation and write-down of tangible fixed assets	407	804	307
Amortisation and write-down of intangible fixed assets	81	160	73
<b>Earnings before interest and tax (EBIT)</b>	<b>(123)</b>	<b>(647)</b>	<b>(353)</b>
Share of earnings before tax of associated undertakings	120	186	(35)
Profit and loss on disposal of undertakings and activities	(573)	(639)	648
Financial income	609	1,103	790
Financial costs	750	1,350	848
<b>Earnings before tax (EBT)</b>	<b>(717)</b>	<b>(1,347)</b>	<b>202</b>
Tax for the period	60	102	31
<b>Profit/loss for the period</b>	<b>(777)</b>	<b>(1,449)</b>	<b>171</b>
Minority interests' share of the profit/loss for the period	8	12	2
<b>FLS Industries A/S' share of the profit/loss for the period</b>	<b>(785)</b>	<b>(1,461)</b>	<b>169</b>
Earnings per share (EPS)	(14.8)	(27.5)	3.2
Earnings per share (EPS), adjusted for own shares, etc.	(15.1)	(28.2)	3.3

## Consolidated cash flow statement

DKKm	1st half 2002 unaudited	The year 2002	1st half 2003 unaudited
<b>Cash flows from operating activities</b>			
Earnings before interest, tax, depreciation and amortisation (EBITDA)	365	317	27
Adjustment for profits and losses on sale of fixed assets and exchange adjustment of EBITDA	(125)	(149)	(56)
<b>Adjusted earnings before financial items, tax, depreciation and amortisation (EBITDA)</b>	<b>240</b>	<b>168</b>	<b>(29)</b>
Change in provisions, etc.	21	(110)	(155)
Change in working capital	221	240	(8)
<b>Cash flows operating activities before work in progress, financial items and tax</b>	<b>482</b>	<b>298</b>	<b>(192)</b>
Change in cash flows from work in progress and prepayments	67	332	(3)
<b>Cash flows from operating activities before financial items and tax</b>	<b>549</b>	<b>630</b>	<b>(195)</b>
Dividend received from associated undertakings	78	144	29
Financial payments received and made	181	9	173
Corporation taxes paid	(37)	(69)	(61)
<b>Cash flows from operating activities</b>	<b>771</b>	<b>714</b>	<b>(54)</b>
<b>Cash flows from investing activities</b>			
Acquisition of undertakings and activities	(9)	(39)	(91)
Disposal and discontinuance of undertakings and activities	(19)	706	60
Acquisition of intangible fixed assets	(28)	(68)	(44)
Acquisition of tangible fixed assets	(282)	(633)	(283)
Disposal of intangible and tangible fixed assets	190	313	85
Acquisition and disposal of financial fixed assets	628	697	1,140
<b>Cash flows from investing activities</b>	<b>480</b>	<b>976</b>	<b>867</b>
<b>Cash flows from operating and investing activities</b>	<b>1,251</b>	<b>1,690</b>	<b>813</b>
<b>Cash flows from financing activities</b>			
Dividends	(12)	(14)	(7)
Capital increases in Group companies attributable to minority interests	10	10	0
Changes in net interest-bearing debt	(1,193)	(1,606)	(788)
<b>Cash flows from financing activities</b>	<b>(1,195)</b>	<b>(1,610)</b>	<b>(795)</b>
<b>Change in cash funds</b>	<b>56</b>	<b>80</b>	<b>18</b>
Cash funds at 1 January	318	318	398
Cash funds end of period	374	398	416

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

## Assets

DKKm	1st half 2002 unaudited	The year 2002	1st half 2003 unaudited
<b>Fixed assets</b>			
Goodwill	1,194	1,136	1,096
Negative goodwill	(179)	(172)	(166)
Patents and licences	45	13	12
Other intangible fixed assets	123	180	195
<b>Intangible fixed assets</b>	<b>1,183</b>	<b>1,157</b>	<b>1,137</b>
Land and buildings	2,496	2,242	2,136
Plant and machinery	2,355	1,964	1,773
Operating equipment, fixtures and fittings	250	271	241
Aircraft components	1,396	1,395	1,289
Tangible assets in course of construction	367	62	208
<b>Tangible fixed assets</b>	<b>6,864</b>	<b>5,934</b>	<b>5,647</b>
Investments in associated undertakings	1,142	1,144	272
Amounts owed by associated undertakings	14	0	0
Other securities and investments	207	151	148
Other financial fixed assets	2	16	16
Prepaid pension fund contributions	74	69	61
Deferred tax assets	308	261	258
<b>Financial fixed assets</b>	<b>1,747</b>	<b>1,641</b>	<b>755</b>
<b>Total fixed assets</b>	<b>9,794</b>	<b>8,732</b>	<b>7,539</b>
<b>Current assets</b>			
Raw materials and consumables	678	539	459
Work-in-progress	123	124	132
Finished goods and goods for resale	520	431	413
Prepayments for goods	101	128	55
<b>Stocks</b>	<b>1,422</b>	<b>1,222</b>	<b>1,059</b>
Trade debtors	2,693	2,661	2,361
Work-in-progress for third parties	1,155	1,453	1,725
Amounts owed by associated undertakings	30	56	50
Other debtors	973	825	709
Prepayments	318	249	393
<b>Debtors</b>	<b>5,169</b>	<b>5,244</b>	<b>5,238</b>
Own shares	0	0	0
Bonds and listed shares	43	40	36
<b>Securities</b>	<b>43</b>	<b>40</b>	<b>36</b>
<b>Cash funds</b>	<b>374</b>	<b>398</b>	<b>416</b>
<b>Total current assets</b>	<b>7,008</b>	<b>6,904</b>	<b>6,749</b>
<b>TOTAL ASSETS</b>	<b>16,802</b>	<b>15,636</b>	<b>14,288</b>

**Liabilities**

DKKm	1st half 2002 unaudited	The year 2002	1st half 2003 unaudited
<b>Shareholders' equity</b>			
Share capital	1,064	1,064	1,064
Reserve based on the equity method	745	835	61
Other undistributable reserves	816	756	755
Other reserves	3,528	2,758	3,423
<b>FLS Industries A/S' share of shareholders' equity before proposed dividend</b>	<b>6,153</b>	<b>5,413</b>	<b>5,303</b>
Proposed dividend	0	0	0
<b>FLS Industries A/S' share of shareholders' equity</b>	<b>6,153</b>	<b>5,413</b>	<b>5,303</b>
Minority interests' share of shareholders' equity before proposed dividend	356	316	276
Proposed dividend	0	0	0
<b>Minority interests' share of shareholders' equity</b>	<b>356</b>	<b>316</b>	<b>276</b>
<b>Total consolidated shareholders' equity</b>	<b>6,509</b>	<b>5,729</b>	<b>5,579</b>
<b>Provisions</b>			
Deferred tax liabilities	124	105	101
Pension and similar commitments	90	94	105
Warranties	542	393	353
Redundancy costs	26	8	26
Other provisions	411	442	272
<b>Total provisions</b>	<b>1,193</b>	<b>1,042</b>	<b>857</b>
<b>Long-term and current liabilities</b>			
Mortgage debt	273	236	370
Currency loans, leasing debt, bank debt, etc.	3,358	2,411	2,194
<b>Long-term liabilities</b>	<b>3,631</b>	<b>2,647</b>	<b>2,564</b>
Current portion of long-term debt	331	562	289
Currency loans and bank debt	457	529	344
Prepayments from customers	540	831	813
Work-in-progress for third parties	913	1,222	1,149
Trade creditors	1,921	1,966	1,594
Amounts owed to associated undertakings	0	1	0
Corporation tax payable	60	66	38
Other creditors	956	790	688
Deferred income	291	251	373
<b>Current liabilities</b>	<b>5,469</b>	<b>6,218</b>	<b>5,288</b>
<b>Total long-term and current liabilities</b>	<b>9,100</b>	<b>8,865</b>	<b>7,852</b>
<b>Total long-term and current liabilities and provisions</b>	<b>10,293</b>	<b>9,907</b>	<b>8,709</b>
<b>TOTAL LIABILITIES</b>	<b>16,802</b>	<b>15,636</b>	<b>14,288</b>

**Notes not referred to in the accounts:** Breakdown of the Group by key undertakings  
 Breakdown of FLS Building Materials  
 Specification of shareholders' equity  
 Specification by quarter

Breakdown of the Group by core businesses 1st half 2003

DKKm	F.L.Smith Group	FLS Building Materials	Other companies etc. <sup>1</sup>	Core activities	FLS miljø	FLS Aerospace	Other non-strategic activities <sup>2</sup>	FLS Group
<b>PROFIT AND LOSS ACCOUNT</b>								
<b>Net turnover</b>	<b>3,548</b>	<b>1,746</b>	<b>(47)</b>	<b>5,247</b>	<b>308</b>	<b>1,364</b>	<b>136</b>	<b>7,055</b>
Production costs	3,071	1,007	(42)	4,036	618	1,081	108	5,843
<b>Gross profit</b>	<b>477</b>	<b>739</b>	<b>(5)</b>	<b>1,211</b>	<b>(310)</b>	<b>283</b>	<b>28</b>	<b>1,212</b>
<i>Contribution ratio</i>	13.4%	42.3%	n/a	23.1%	(100.6%)	20.7%	20.6%	17.2%
Sales, admin., distribution and other operating costs	538	417	(20)	935	12	205	33	1,185
<b>Earnings before interest, tax, depr./amort. (EBITDA)</b>	<b>(61)</b>	<b>322</b>	<b>15</b>	<b>276</b>	<b>(322)</b>	<b>78</b>	<b>(5)</b>	<b>27</b>
<i>EBITDA ratio</i>	(1.7%)	18.4%	n/a	5.3%	(104.5%)	5.7%	(3.7%)	0.4%
Depreciation	51	146	6	203	3	91	10	307
Amortisation	18	43	0	61	0	10	2	73
<b>Earnings before interest and tax (EBIT)</b>	<b>(130)</b>	<b>133</b>	<b>9</b>	<b>12</b>	<b>(325)</b>	<b>(23)</b>	<b>(17)</b>	<b>(353)</b>
<i>EBIT ratio</i>	(3.7%)	7.6%	n/a	0.2%	(105.5%)	(1.7%)	(12.5%)	(5.0%)
Share of earnings before tax of associated undertakings	0	(29)	0	(29)	(6)	0	0	(35)
Profit and loss on disposal of undertakings and activities	0	0	(4)	(4)	0	(65)	717	648
Net financial income and expenses	5	(18)	(8)	(21)	2	(38)	(1)	(58)
<b>Earnings before tax (EBT)</b>	<b>(125)</b>	<b>86</b>	<b>(3)</b>	<b>(42)</b>	<b>(329)</b>	<b>(126)</b>	<b>699</b>	<b>202</b>
<i>EBT ratio</i>	(3.5%)	4.9%	n/a	(0.8%)	(106.8%)	(9.2%)	514.0%	2.9%
Tax for the period	21	32	(21)	32	0	(1)	0	31
<b>Profit and loss for the period</b>	<b>(146)</b>	<b>54</b>	<b>18</b>	<b>(74)</b>	<b>(329)</b>	<b>(125)</b>	<b>699</b>	<b>171</b>
Minority interests' share of profit/loss for the period	0	3	0	3	0	0	(1)	2
<b>FLS Industries A/S' share of profit/loss for the period</b>	<b>(146)</b>	<b>51</b>	<b>18</b>	<b>(77)</b>	<b>(329)</b>	<b>(125)</b>	<b>700</b>	<b>169</b>
<b>CASH FLOWS</b>								
<b>Cash flows from operating activities</b>	<b>215</b>	<b>145</b>	<b>163</b>	<b>523</b>	<b>(588)</b>	<b>(14)</b>	<b>25</b>	<b>(54)</b>
Acquisition and disposal of undertakings and activities	0	(88)	5	(83)	0	(16)	68	(31)
Acquisition of tangible fixed assets	(69)	(156)	(4)	(229)	(1)	(51)	(2)	(283)
Other investments	4	1	30	35	(2)	1	1,147	1,181
<b>Cash flows from investing activities</b>	<b>(65)</b>	<b>(243)</b>	<b>31</b>	<b>(277)</b>	<b>(3)</b>	<b>(66)</b>	<b>1,213</b>	<b>867</b>
<b>Cash flows from operating and investing activities</b>	<b>150</b>	<b>(98)</b>	<b>194</b>	<b>246</b>	<b>(591)</b>	<b>(80)</b>	<b>1,238</b>	<b>813</b>
<b>Cash flows from financing activities</b>	<b>(11)</b>	<b>458</b>	<b>(334)</b>	<b>113</b>	<b>201</b>	<b>78</b>	<b>(1,187)</b>	<b>(795)</b>
<b>Change in cash funds</b>	<b>139</b>	<b>360</b>	<b>(140)</b>	<b>359</b>	<b>(390)</b>	<b>(2)</b>	<b>51</b>	<b>18</b>
<b>NET INTEREST-BEARING DEBT/(-BALANCE)</b>	<b>(747)</b>	<b>909</b>	<b>280</b>	<b>442</b>	<b>179</b>	<b>1,356</b>	<b>13</b>	<b>1,990</b>
<b>BALANCE SHEET</b>								
Intangible fixed assets	138	1,086	2	1,226	0	(94)	5	1,137
Tangible fixed assets	681	2,684	66	3,431	11	2,052	153	5,647
Financial fixed assets	235	200	302	737	6	0	12	755
Current assets	4,923	2,365	(2,414)	4,874	364	1,263	248	6,749
<b>Total assets</b>	<b>5,977</b>	<b>6,335</b>	<b>(2,044)</b>	<b>10,268</b>	<b>381</b>	<b>3,221</b>	<b>418</b>	<b>14,288</b>
Consolidated shareholders' equity	1,323	3,384	114	4,821	(262)	775	245	5,579
FLS Industries A/S' share of shareholders' equity	1,323	3,160	114	4,597	(262)	770	198	5,303
Provisions	434	198	1	633	119	97	8	857
Long-term and current liabilities	4,220	2,753	(2,159)	4,814	524	2,349	165	7,852
<b>Total liabilities</b>	<b>5,977</b>	<b>6,335</b>	<b>(2,044)</b>	<b>10,268</b>	<b>381</b>	<b>3,221</b>	<b>418</b>	<b>14,288</b>
<b>RETURN ON CAPITAL EMPLOYED (ROCE)</b>								
Net operating profit after tax (NOPAT)	(89)	118	(18)	11	(328)	(56)	700	327
Average capital employed	3,141	4,860	(1,360)	6,641	(121)	2,596	269	9,385
<b>Return on capital employed (ROCE)</b>	<b>(3%)</b>	<b>2%</b>	<b>n/a</b>	<b>0%</b>	<b>n/a</b>	<b>(2%)</b>	<b>260%</b>	<b>3%</b>
<b>Number of employees end of period</b>	<b>4,302</b>	<b>2,712</b>	<b>155</b>	<b>7,169</b>	<b>148</b>	<b>3,166</b>	<b>468</b>	<b>10,951</b>

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

2) Other non-strategic activities consist of companies that have ceased or will eventually cease to be members of the FLS Group.

Breakdown of the Group by core businesses 1st half 2002

DKKm	F.L.Smidth Group	FLS Building Materials	Other companies etc. <sup>1</sup>	Core activities	FLS miljø	FLS Aerospace	Other non-strategic activities <sup>2</sup>	FLS Group
<b>PROFIT AND LOSS ACCOUNT</b>								
<b>Net turnover</b>	3,350	1,909	(119)	5,140	893	1,485	919	8,437
Production costs	2,685	1,156	(114)	3,727	1,018	1,279	614	6,638
<b>Gross profit</b>	665	753	(5)	1,413	(125)	206	305	1,799
<i>Contribution ratio</i>	19.9%	39.4%	n/a	27.5%	(14.0%)	13.9%	33.2%	21.3%
Sales, admin., distribution and other operating costs	563	401	19	983	83	119	249	1,434
<b>Earnings before interest, tax, depr./amort. (EBITDA)</b>	102	352	(24)	430	(208)	87	56	365
<i>EBITDA ratio</i>	3.0%	18.4%	n/a	8.4%	(23.3%)	5.9%	6.1%	4.3%
Depreciation	53	151	13	217	12	104	74	407
Amortisation	18	42	(1)	59	3	10	9	81
<b>Earnings before interest and tax (EBIT)</b>	31	159	(36)	154	(223)	(27)	(27)	(123)
<i>EBIT ratio</i>	0.9%	8.3%	n/a	3.0%	(25.0%)	(1.8%)	(2.9%)	(1.5%)
Share of earnings before tax of associated undertakings	0	31	0	31	(2)	0	91	120
Profit and loss on disposal of undertakings and activities	(2)	0	6	4	(112)	0	(465)	(573)
Net financial income and expenses	3	(76)	(6)	(79)	5	(42)	(25)	(141)
<b>Earnings before tax (EBT)</b>	32	114	(36)	110	(332)	(69)	(426)	(717)
<i>EBT ratio</i>	1.0%	6.0%	n/a	2.1%	(37.2%)	(4.6%)	(46.4%)	(8.5%)
Tax for the period	25	9	5	39	1	(6)	26	60
<b>Profit and loss for the period</b>	7	105	(41)	71	(333)	(63)	(452)	(777)
Minority interests' share of profit/loss for the period	3	4	0	7	0	0	1	8
<b>FLS Industries A/S' share of profit/loss for the period</b>	4	101	(41)	64	(333)	(63)	(453)	(785)
<b>CASH FLOWS</b>								
<b>Cash flows from operating activities</b>	155	126	262	543	95	37	96	771
Acquisition and disposal of undertakings and activities	(6)	(8)	9	(5)	(56)	0	33	(28)
Acquisition of tangible fixed assets	(48)	(159)	(4)	(211)	(3)	(40)	(28)	(282)
Other investments	(6)	60	61	115	(10)	(11)	696	790
<b>Cash flows from investing activities</b>	(60)	(107)	66	(101)	(69)	(51)	701	480
<b>Cash flows from operating and investing activities</b>	95	19	328	442	26	(14)	797	1,251
<b>Cash flows from financing activities</b>	(225)	(205)	(19)	(449)	(49)	42	(739)	(1,195)
<b>Change in cash funds</b>	(130)	(186)	309	(7)	(23)	28	58	56
<b>NET INTEREST-BEARING DEBT/(-BALANCE)</b>								
	(236)	1,862	(80)	1,546	(125)	1,293	838	3,552
<b>BALANCE SHEET</b>								
Intangible fixed assets	74	1,141	1	1,216	22	(116)	61	1,183
Tangible fixed assets	767	2,712	223	3,702	48	2,293	821	6,864
Financial fixed assets	249	556	191	996	14	20	717	1,747
Current assets	3,990	1,726	(1,296)	4,420	677	1,241	670	7,008
<b>Total assets</b>	5,080	6,135	(881)	10,334	761	3,438	2,269	16,802
Consolidated shareholders' equity	1,381	2,815	346	4,542	(204)	1,138	1,033	6,509
FLS Industries A/S' share of shareholders' equity	1,370	2,522	347	4,239	(204)	1,133	985	6,153
Provisions	516	189	0	705	292	158	38	1,193
Long-term and current liabilities	3,183	3,131	(1,227)	5,087	673	2,142	1,198	9,100
<b>Total liabilities</b>	5,080	6,135	(881)	10,334	761	3,438	2,269	16,802
<b>RETURN ON CAPITAL EMPLOYED (ROCE)</b>								
Net operating profit after tax (NOPAT)	47	186	(84)	149	(321)	(37)	(432)	(641)
Average capital employed	2,737	5,106	(245)	7,598	99	2,877	2,123	12,697
<b>Return on capital employed (ROCE)</b>	2%	4%	n/a	2%	(324%)	(1%)	(20%)	(5%)
<b>Number of employees end of period</b>	4,008	2,931	172	7,111	833	3,384	1,710	13,038

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

2) Other non-strategic activities consist of companies that have ceased or will eventually cease to be members of the FLS Group.

Breakdown of FLS Building Materials 1st half 2003

DKKm	Aalborg Portland	Dansk Eternit Holding	Unicon core activity	Densit	Other <sup>1</sup>	Core activities	Non-strategic activities <sup>2</sup>	FLS Building Materials
<b>PROFIT AND LOSS ACCOUNT</b>								
<b>Net turnover</b>	723	419	611	53	(60)	1,746	54	1,800
Production costs	377	304	358	26	(58)	1,007	37	1,044
<b>Gross profit</b>	346	115	253	27	(2)	739	17	756
<i>Contribution ratio</i>	47.9%	27.4%	41.4%	50.9%	n/a	42.3%	31.5%	42.0%
Sales, admin., distribution and other operating costs	90	108	189	25	5	417	13	430
<b>Earnings before interest, tax, depr./amort. (EBITDA)</b>	256	7	64	2	(7)	322	4	326
Depreciation	74	31	44	1	(4)	146	4	150
Amortisation	6	5	7	1	24	43	0	43
<b>Earnings before interest and tax (EBIT)</b>	176	(29)	13	0	(27)	133	0	133
Share of earnings before tax of associated undertakings	(6)	0	0	0	(23)	(29)	0	(29)
Profit/loss on disposal of undertakings and activities	0	0	0	0	0	0	714	714
Net financial income and costs	7	(11)	(18)	(1)	5	(18)	0	(18)
<b>Earnings before tax (EBT)</b>	177	(40)	(5)	(1)	(45)	86	714	800
Tax for the period	62	1	3	0	(34)	32	0	32
<b>Profit and loss for the period</b>	115	(41)	(8)	(1)	(11)	54	714	768
<b>CASH FLOWS</b>								
<b>Cash flows from operating activities</b>	80	(51)	(6)	(6)	128	145	31	176
<b>Cash flows from investing activities</b>	(178)	(32)	(33)	(2)	2	(243)	1,219	976
<b>Cash flows from operating and investing activities</b>	(98)	(83)	(39)	(8)	130	(98)	1,250	1,152
<b>Cash flows from financing activities</b>	(87)	82	(40)	7	496	458	(1,201)	(743)
<b>Change in cash funds</b>	(185)	(1)	(79)	(1)	626	360	49	409
<b>NET INTEREST-BEARING DEBT/(-BALANCE)</b>								
	174	656	599	24	(544)	909	(93)	816
<b>BALANCE SHEET</b>								
Fixed assets	1,691	588	757	25	909	3,970	67	4,037
Current assets	868	491	344	55	607	2,365	132	2,497
<b>Total assets</b>	2,559	1,079	1,101	80	1,516	6,335	199	6,534
Consolidated shareholders' equity	1,566	125	181	33	1,479	3,384	197	3,581
Provisions	27	99	72	1	(1)	198	6	204
Long-term and current liabilities	966	855	848	46	38	2,753	(4)	2,749
<b>Total liabilities</b>	2,559	1,079	1,101	80	1,516	6,335	199	6,534
<b>RETURN ON CAPITAL EMPLOYED (ROCE)</b>								
Net operating profit after tax (NOPAT)	124	(28)	12	(1)	11	118	713	831
Average capital employed	1,762	822	915	54	1,307	4,860	113	4,973
<b>Return on capital employed (ROCE)</b>	7.0%	(3.4%)	1.3%	(1.9%)	0.8%	2.4%	631.0%	16.7%
<b>Number of employees end of period</b>	831	1,083	727	71	0	2,712	215	2,927

1) Other consists of the parent company and eliminations.

2) Non-strategic activities consist of companies, etc. that have ceased or will eventually cease to be members of FLS Building Materials.

Breakdown of FLS Building Materials 1st half 2002

DKKm	Aalborg Portland	Dansk Eternit Holding	Unicon core activity	Densit	Other <sup>1</sup>	Core activities	Non-strategic activities <sup>2</sup>	FLS Building Materials
<b>PROFIT AND LOSS ACCOUNT</b>								
<b>Net turnover</b>	769	500	658	60	(78)	1,909	675	2,584
Production costs	434	377	390	33	(78)	1,156	399	1,555
<b>Gross profit</b>	<b>335</b>	<b>123</b>	<b>268</b>	<b>27</b>	<b>0</b>	<b>753</b>	<b>276</b>	<b>1,029</b>
<i>Contribution ratio</i>	43.6%	24.6%	40.7%	45.0%	n/a	39.4%	40.9%	39.8%
Sales, admin., distribution and other operating costs	68	105	195	30	3	401	214	615
<b>Earnings before interest, tax, depr./amort. (EBITDA)</b>	<b>267</b>	<b>18</b>	<b>73</b>	<b>(3)</b>	<b>(3)</b>	<b>352</b>	<b>62</b>	<b>414</b>
Depreciation	69	40	45	1	(4)	151	65	216
Amortisation	5	5	8	0	24	42	7	49
<b>Earnings before interest and tax (EBIT)</b>	<b>193</b>	<b>(27)</b>	<b>20</b>	<b>(4)</b>	<b>(23)</b>	<b>159</b>	<b>(10)</b>	<b>149</b>
Share of earnings before tax of associated undertakings	(1)	1	1	0	30	31	98	129
Profit and loss on disposal of undertakings and activities	0	0	0	0	0	0	18	18
Net financial income and costs	(8)	(16)	(34)	(1)	(17)	(76)	(21)	(97)
<b>Earnings before tax (EBT)</b>	<b>184</b>	<b>(42)</b>	<b>(13)</b>	<b>(5)</b>	<b>(10)</b>	<b>114</b>	<b>85</b>	<b>199</b>
Tax for the period	64	0	4	(1)	(58)	9	28	37
<b>Profit/loss for the period</b>	<b>120</b>	<b>(42)</b>	<b>(17)</b>	<b>(4)</b>	<b>48</b>	<b>105</b>	<b>57</b>	<b>162</b>
<b>CASH FLOWS</b>								
<b>Cash flows from operating activities</b>	<b>33</b>	<b>(45)</b>	<b>20</b>	<b>(7)</b>	<b>125</b>	<b>126</b>	<b>104</b>	<b>230</b>
<b>Cash flows from investing activities</b>	<b>(96)</b>	<b>(15)</b>	<b>(17)</b>	<b>(3)</b>	<b>24</b>	<b>(107)</b>	<b>64</b>	<b>(43)</b>
<b>Cash flows from operating and investing activities</b>	<b>(63)</b>	<b>(60)</b>	<b>3</b>	<b>(10)</b>	<b>149</b>	<b>19</b>	<b>168</b>	<b>187</b>
<b>Cash flows from financing activities</b>	<b>21</b>	<b>56</b>	<b>(127)</b>	<b>4</b>	<b>(159)</b>	<b>(205)</b>	<b>(108)</b>	<b>(313)</b>
<b>Change in cash funds</b>	<b>(42)</b>	<b>(4)</b>	<b>(124)</b>	<b>(6)</b>	<b>(10)</b>	<b>(186)</b>	<b>60</b>	<b>(126)</b>
<b>NET INTEREST-BEARING DEBT/(-BALANCE)</b>	<b>216</b>	<b>611</b>	<b>724</b>	<b>12</b>	<b>299</b>	<b>1,862</b>	<b>610</b>	<b>2,472</b>
<b>BALANCE SHEET</b>								
Fixed assets	1,725	693	846	26	1,119	4,409	1,450	5,859
Current assets	758	562	449	44	(87)	1,726	385	2,111
<b>Total assets</b>	<b>2,483</b>	<b>1,255</b>	<b>1,295</b>	<b>70</b>	<b>1,032</b>	<b>6,135</b>	<b>1,835</b>	<b>7,970</b>
Consolidated shareholders' equity	1,504	259	143	37	872	2,815	957	3,772
Provisions	10	109	69	1	0	189	33	222
Long-term and current liabilities	969	887	1,083	32	160	3,131	845	3,976
<b>Total liabilities</b>	<b>2,483</b>	<b>1,255</b>	<b>1,295</b>	<b>70</b>	<b>1,032</b>	<b>6,135</b>	<b>1,835</b>	<b>7,970</b>
<b>RETURN ON CAPITAL EMPLOYED (ROCE)</b>								
Net operating profit after tax (NOPAT)	128	(30)	15	(3)	76	186	73	259
Average capital employed	1,708	1,018	981	49	1,350	5,106	1,802	6,908
<b>Return on capital employed (ROCE)</b>	<b>7.5%</b>	<b>(2.9%)</b>	<b>1.5%</b>	<b>(6.1%)</b>	<b>n/a</b>	<b>3.6%</b>	<b>4.1%</b>	<b>3.7%</b>
<b>Number of employees at 30 June</b>	<b>847</b>	<b>1,220</b>	<b>787</b>	<b>77</b>	<b>0</b>	<b>2,931</b>	<b>1,085</b>	<b>4,016</b>

1) Other consists of the parent company and eliminations.

2) Non-strategic activities consist of companies, etc. that have ceased or will eventually cease to be members of FLS Building Materials. Corporate figures are adjusted due to the disposal of Unicon's ready-mix concrete activities in the US.

## Consolidated shareholders' equity 1st half 2003

DKKm	Share capital	Reserve based on equity method	Other undistributable reserves	Other reserves	Total FLS share	Minority interests' share	Total
<b>Shareholders' equity at 1 January 2003</b>	1,064	835	756	2,758	5,413	316	5,729
Exchange adjustments		(5)		(134)	(139)	(19)	(158)
Foreign exchange hedging of net investments				137	137		137
Value adjustment of hedging instruments				80	80		80
Profit/loss for the period		(18)		187	169	2	171
Value adjustments					0		0
Adjustments for sale of FLSHH *)		(358)			(358)		(358)
Other adjustments in shareholders' equity				1	1	1	2
<b>Total income for the period</b>	<b>0</b>	<b>(381)</b>	<b>0</b>	<b>271</b>	<b>(110)</b>	<b>(16)</b>	<b>(126)</b>
Proposed dividend					0		0
Dividend distributed					0	(7)	(7)
Additions and disposals of minority interests					0	(17)	(17)
Transfer between reserves		(393)	(1)	394	0		0
<b>Shareholders' equity at 30 June 2003 before proposed dividend</b>	<b>1,064</b>	<b>61</b>	<b>755</b>	<b>3,423</b>	<b>5,303</b>	<b>276</b>	<b>5,579</b>
Proposed dividend				0	0	0	0
<b>Shareholders' equity at 30 June 2003</b>	<b>1,064</b>	<b>61</b>	<b>755</b>	<b>3,423</b>	<b>5,303</b>	<b>276</b>	<b>5,579</b>

No own shares were acquired during the period under review. FLS Industries A/S holds 1,303,774 own B shares with a nominal value of DKK 26.1m representing 2.5% of the share capital.

The holding of own shares is used to cover the company's option commitments.

The share capital consists of shares in the following denominations:

A shares: 7,200,000 shares of DKK 20 each

B shares: 46,000,000 shares of DKK 20 each

No additional shares have been issued in the period under review.

\*) The adjustment mainly consists of reversal of value adjustments and exchange adjustments in FLSHH SGPS Lda. (Secil).

## Consolidated shareholders' equity 1st half 2002

DKKm	Share capital	Reserve based on equity method	Other undistributable reserves	Other reserves	Total FLS share	Minority interests' share	Total
<b>Shareholders' equity at 1 January 2002</b>	1,064	808	830	3,925	6,627	343	6,970
Exchange adjustments		(2)		(212)	(214)	4	(210)
Foreign exchange hedging of net investments				202	202		202
Value adjustment of hedging instruments				227	227		227
Profit/loss for the period		15	(14)	(786)	(785)	8	(777)
Value adjustments					0		0
Adjustments for sale of shares in NKT **)		109			109		109
Other adjustments of shareholders' equity				(13)	(13)	(1)	(14)
<b>Total income for the period</b>	<b>0</b>	<b>122</b>	<b>(14)</b>	<b>(582)</b>	<b>(474)</b>	<b>11</b>	<b>(463)</b>
Proposed dividend					0		0
Dividend distributed					0	(12)	(12)
Additions and disposals of minority interests					0	14	14
Transfer between reserves		(185)		185	0		0
<b>Shareholders' equity at 30 June 2002 before proposed dividend</b>	<b>1,064</b>	<b>745</b>	<b>816</b>	<b>3,528</b>	<b>6,153</b>	<b>356</b>	<b>6,509</b>
Proposed dividend					0		0
<b>Shareholders' equity at 30 June 2002</b>	<b>1,064</b>	<b>745</b>	<b>816</b>	<b>3,528</b>	<b>6,153</b>	<b>356</b>	<b>6,509</b>

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

Specification by quarter (unaudited)

DKKm	1st quarter 2003 unaudited	2nd quarter 2003 unaudited
Net turnover	3,207	3,848
Production costs	2,536	3,307
<b>Gross profit</b>	<b>671</b>	<b>541</b>
Sales and distribution costs	264	290
Administrative and other costs	366	381
Other operating income and costs	46	70
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>87</b>	<b>(60)</b>
Depreciation and write-down of intangible fixed assets	151	156
Amortisation and write-down of intangible fixed assets	37	36
<b>Earnings before interest and tax (EBIT)</b>	<b>(101)</b>	<b>(252)</b>
Share of earnings before tax of associated undertakings	(22)	(13)
Profit and loss on disposal of undertakings and activities	673	(25)
Financial income	454	336
Financial expenses	472	376
<b>Earnings before tax (EBT)</b>	<b>532</b>	<b>(330)</b>
Tax for the period	12	19
<b>Profit for the period</b>	<b>520</b>	<b>(349)</b>
Minority interests' share of the profit for the period	(2)	4
<b>FLS Industries A/S share of the profit for the period</b>	<b>522</b>	<b>(353)</b>

DKKm	1st quarter 2002 unaudited	2nd quarter 2002 unaudited
Net turnover	3,828	4,609
Production costs	2,976	3,662
<b>Gross profit</b>	<b>852</b>	<b>947</b>
Sales and distribution costs	338	382
Administrative and other costs	418	462
Other operating income and costs	128	38
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>224</b>	<b>141</b>
Depreciation and write-down of intangible fixed assets	210	197
Amortisation and write-down of intangible fixed assets	38	43
<b>Earnings before interest and tax (EBIT)</b>	<b>(24)</b>	<b>(99)</b>
Share of earnings before tax of associated undertakings	32	88
Profit and loss on disposal of undertakings and activities	22	(595)
Financial income	249	360
Financial expenses	337	413
<b>Earnings before tax (EBT)</b>	<b>(58)</b>	<b>(659)</b>
Tax for the period	13	47
<b>Profit for the period</b>	<b>(71)</b>	<b>(706)</b>
Minority interests' share of the profit for the period	1	7
<b>FLS Industries A/S share of the profit for the period</b>	<b>(72)</b>	<b>(713)</b>

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

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