

2003

INTERIM REPORT 2003 FLS INDUSTRIES A/S



1 January – 31 March 2003

FLS



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.

Interim report

1 January – 31 March 2003

FLS Group overall

- Earnings before tax (EBT) amounted to DKK 532m as against DKK -58m for the same period last year.
- The FLS Group's total earnings before interest and tax (EBIT) were DKK -101m compared to DKK -24m in 2002. Net of non-recurring income, the financial result is on a par with last year's level.
- Cash flow from operating activities at DKK 118m (DKK 210m) is considerably higher than expected. FLS miljø posted a substantial negative cash flow as anticipated.
- The FLS Group's interest-bearing debt amounts to approximately DKK 1.7bn (2002: DKK 4.8bn).

Core activities

- The FLS Group's core activities organised within F.L.Smidth Group and FLS Building Materials posted total earnings before interest and tax (EBIT) at DKK -51m (DKK 49m). Net of non-recurring income, this amount is DKK 47m lower than for the same period of 2002.
- Operating in a squeezed market, F.L.Smidth Group recorded a gratifying flow of orders at DKK 2.7bn. Turnover within the core activities reached DKK 2.3bn, F.L.Smidth Group accounting for DKK 1.6bn and FLS Building Materials DKK 0.7bn.

- The core activities recorded a positive cash flow at DKK 315m as against DKK -107m in the same period the year before.

Other activities

- In March the Group sold its interests in Secil at a price of DKK 1,150m.
- FLS Aerospace posted earnings (EBIT) of DKK 22m for the first three months of 2003. This is a satisfactory result, on a par with that for the same period of 2002.
- FLS miljø is proceeding with the completion of a desulphurisation project in the UK. The project is now nearly 90% finished. An additional DKK 50m provision has been made for project processing costs, and the company therefore posted earnings before interest and tax at DKK -56m.

Prospects for the overall FLS Group in 2003

- The FLS Group anticipates a consolidated turnover of around DKK 15bn provided that its main currencies, USD and GBP, remain at their current exchange rate level.
- The FLS Group maintains its projection of earnings before interest and tax (EBIT) around the level of DKK 300-400m.
- The FLS Group maintains its forecast of earnings before tax (EBT) at DKK 250-350m exclusive of the effect of acquisition and disposal of undertakings.

- The FLS Group expects its net debt at the end of the year to be around DKK 2.2bn including the divestments that have taken place until today. The net debt includes approximately DKK 250m deriving from the Group's white cement operations in Egypt because the second quarter saw the start of a process to give FLS a majority stake in the company which will then become a wholly-owned and fully consolidated Group undertaking. The debt is financed by the Egyptian company through local sources.

Prospects for core activities in 2003

- The core activities within F.L.Smidth Group and FLS Building Materials maintain their projection of an EBIT result around DKK 0.5bn in 2003.

Prospects for other activities in 2003

- FLS miljø expects much improved earnings before interest and tax compared to 2002, although the completion of a desulphurisation plant in the UK continues to pose risks.
- FLS Aerospace maintains its forecast of much improved earnings before interest and tax compared to 2002.

The earnings forecast is subject to particular uncertainty 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.

The FLS Industries A/S Board of Directors has today reviewed and adopted the Interim Report for January to March 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, 23 May 2003

Jørgen Worning
Chairman of the Board of Directors

Poul Erik Tofte
Group CFO

Please address any questions regarding this announcement to Mr Poul Erik Tofte, telephone +45 36 18 18 00, from 12.00 hours.

Financial highlights

(DKKm)	1st quarter 2002 unaudited	The year 2002	1st quarter 2003 unaudited
PROFIT AND LOSS ACCOUNT			
Net turnover	3,828	16,444	3,207
Gross profit	852	3,265	671
<i>Contribution ratio</i>	22.3%	19.9%	20.9%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	224	317	87
<i>EBITDA ratio</i>	5.9%	1.9%	2.7%
Earnings before interest and tax (EBIT)	(24)	(647)	(101)
<i>EBIT ratio</i>	(0.6%)	(3.9%)	(3.1%)
Share of pre-tax profit of associated undertakings	32	186	(22)
Profit/loss on the sale of undertakings and activities	22	(639)	673
Net financial income and costs	(88)	(247)	(18)
Earnings before tax (EBT)	(58)	(1,347)	532
<i>EBT ratio</i>	(1.5%)	(8.2%)	16.6%
Tax for the period	13	102	12
Profit/loss for the period	(71)	(1,449)	520
Minority interests' share of the profit/loss for the period	1	12	(2)
FLS Industries A/S' share of the profit/loss for the period	(72)	(1,461)	522
Dividend to shareholders		0	
CASH FLOWS			
Cash flows from operating activities	210	714	118
Acquisition and disposal of undertakings and activities	(12)	667	5
Acquisition of tangible fixed assets	(160)	(633)	(109)
Other investments	154	942	1,146
Cash flows from investing activities	(18)	976	1,042
Cash flows from financing activities	(120)	(1,610)	(997)
Change in cash funds	72	80	163
Net interest-bearing debt	4,844	2,953	1,659
BALANCE SHEET			
Fixed assets	11,426	8,732	7,626
Current assets	7,209	6,904	7,039
Total assets	18,635	15,636	14,665
Consolidated shareholders' equity	6,835	5,729	5,881
FLS Industries A/S' share of shareholders' equity	6,480	5,413	5,595
Provisions	1,141	1,042	913
Long-term and current liabilities	10,659	8,865	7,871
Total liabilities	18,635	15,636	14,665
RETURN ON CAPITAL EMPLOYED (ROCE)			
Net operating profit after tax (NOPAT)	(13)	(1,147)	587
Average capital employed	13,823	12,261	9,427
Return on capital employed (ROCE)	(0%)	(9%)	6%
FINANCIAL RATIOS			
Including minority interests' share			
Return on equity	(1%)	(23%)	9%
Equity ratio	37%	37%	40%
Number of employees at 31 December			
Number of employees in Denmark	4,203	3,533	3,291

Management report for the first quarter of 2003

Overall activities of the FLS Group

The consolidated turnover in the first quarter of 2003 amounted to DKK 3,207m as against DKK 3,828m in 2002. The drop in turnover reflects the inclusion in 2002 of undertakings now sold with approximately DKK 350m, a negative impact of falling main currencies of close to DKK 120m and a DKK 180m slip in turnover in FLS miljø.

The gross profit amounted to DKK 671m compared with DKK 852m in 2002. The contribution ratio is one percentage point lower, mainly due to price pressure and a changed mix of products.

Sales, administrative and distribution costs were DKK 126m down from DKK 756m in 2002 to DKK 630m in 2003. In 2002, undertakings now sold accounted for DKK 105m. In 2002 and during the first quarter of 2003, the individual Group companies have adjusted their capacity to the market situation, which has entailed more 1,000 job losses.

Earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to DKK 87m compared to DKK 224m in 2002.

In 2002, undertakings now sold posted EBITDA of DKK 17m, and the disposal of certain assets in 2002 had a positive impact amounting to DKK 85m.

Consolidated depreciation and amortisation amounted to DKK 188m compared to DKK 248m in 2002.

Earnings before interest and tax (EBIT) are DKK 101m in the red, whilst 2002 saw a loss of DKK 24m. When adjusted for non-recurring income, EBIT for 2003 is on a par with 2002.

In 2002, the EBIT of undertakings now sold accounted for DKK -24m.

The share of EBIT of associated undertakings, mainly consisting of Spæncom, amounted to DKK -22m as against DKK 32m in 2002 which mainly derived from Secil.

The sale of undertakings and activities had a DKK 673m net positive effect on the earnings compared to DKK 22m in 2002. This effect consists mainly of the accounting

profit deriving from the sale of shares in Secil and the loss accruing from the disposal of some of FLS Aerospace's Danish operations.

The Group's financial net costs have fallen to DKK 18m from DKK 88m in 2002. This development stems primarily from the DKK 3.2bn reduction in interest-bearing debt and the DKK 24m non-recurring interest income from the waste tax case.

The sale of shares in Secil had a marked effect on earnings before tax (EBT) which show a profit of DKK 532m as against a loss of DKK 58m in 2002.

Tax for 2003 amounted to DKK 12m, since no tax was levied on the sale of the Group interest in Secil. Earnings after tax therefore amounted to DKK 520m, up from last year's DKK 71m.



Changes in cash flow

Cash flow from operating activities was DKK 118m in the black compared to DKK 210m in 2002. The cash flow situation suffered severely from cash outflows in FLS miljø, but was improved by better cash flows in the F.L.Smidth Group.

The sale of undertakings and activities as outlined in the strategy is clearly reflected in the DKK 1,042m positive cash flow from investing activities. The restructuring of the Group, which includes initiatives taken to reduce the balance sheet total, has resulted in a lower level of investment, notably in tangible fixed assets. 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 3.2bn from DKK 4,844m in 2002 to DKK 1,659m in 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. The slide in exchange rates over the past year had reduced net interest-bearing debt by some DKK 0.3bn as at 31 March 2003.

Balance sheet

The consolidated balance sheet total amounts to DKK 14.7bn as against DKK 18.6bn in 2002, a reduction of DKK 4.0bn or nearly 21%. The balance sheet total of undertakings now sold amounted to DKK 2.5bn at the end of the first quarter in 2002.

Assets

Intangible fixed assets are down from DKK 1,220m in 2002 to DKK 1,140m in 2003. The decline primarily reflects amortisation of goodwill.

Tangible fixed assets are down from DKK 7,350m in 2002 to DKK 5,679m in 2003. At the end of the first quarter in 2002 the tangible fixed assets of undertakings now sold accounted for DKK 0.8bn.

Financial fixed assets are down from DKK 2,856m in 2002 to DKK 807m in 2003. This decline is mainly due to the sale of participating interests in NKT Holding A/S and in Secil whose balance sheet total at 31 March 2002 amounted to DKK 1.7bn.

Stocks amount to DKK 1,220m compared to DKK 1,571m in the same period of last year. Debtors including work-in-progress have risen from DKK 3,980m to DKK 4,163m, reflecting the growth in orders being processed.

Securities and cash funds amount to DKK 594m compared to DKK 437m in 2002.

Liabilities

Consolidated shareholders' equity amounts to DKK 5,881m compared to DKK 6,835 for the same period last year. The drop in shareholders' equity is mainly due to the net loss for 2002.

Provisions have been reduced from DKK 1,141m to DKK 913m. The decline in provisions is mainly due to run-off of warranty provisions in the F.L.Smidth Group in 2002 and payment of commitments by FLS miljø.

Long-term liabilities are down from DKK 4,508m to DKK 2,290m, whilst current liabilities have fallen from DKK 6,151m to DKK 5,581m. The lowering of debt reflects the divestments undertaken and the improvement in cash flow from operating activities. Short-term liabilities are greatly affected by prepayments and work-in-progress.

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 -51m which is DKK 100m lower than the result for the same period last year. This variation is mainly attributable to the DKK 85m profit earned in 2002 from the sale of ships.

The core activities generated a positive cash flow from operating activities at DKK 315m which is DKK 422m better than the same period last year. This development is mainly due to higher prepayments and lower debtors in the F.L.Smidth Group. The core companies have reduced their net interest-bearing debt by DKK 1.9bn since the same period last year and by DKK 1.4bn since 31 December 2002.



DKKm	1st quarter 2002 unaudited	Year 2002	1st quarter 2003 unaudited
Net turnover	1,507	7,217	1,578
Gross profit	295	1,422	245
EBIT	3	105	(45)
EBT	2	103	(43)
Cash flows from operating activities	(3)	234	354
Cash flows from operating and investing activities	(24)	127	336

DKKm	Turnover 1st quarter 2003	Order intake* 1st quarter 2003	Order backlog* 31 March 2003
Cement industry	1,175	2,166	6,835
Mineral industry	211	352	900
Other	192	211	817
Total	1,578	2,729	8,552

*Sales prices

FLSMIDTH

F.L.Smith Group

At DKK 2.7bn (DKK 2.4bn) the orders received by F.L.Smith Group against difficult market conditions were at a satisfactory level during the first three months of 2003. Major orders accounted for DKK 1.7bn, a significant portion of which is attributable to a large contract for two new production lines in Nigeria at a total value of DKK 1.2bn. Major orders were also received in China and Latin America.

Orders for services and spare parts during the first three months amounted to DKK 0.5bn, which negatively reflects a cautious attitude on the part of the cement producers. The total order backlog of DKK 8.6bn is an all-time high and DKK 1.6bn above last year's volume. All orders received will have been processed by the end of 2005.

There are encouraging signs in the mineral industry, FFE Minerals having received an important order in the Chinese market for two rotary kilns. During the first three months of 2003, FFE Minerals posted a satisfactory financial result.

The F.L.Smith Group recorded a 4.1 percentage point drop in the contribution ratio due to a less active aftermarket in spare parts and services and due to a more difficult order processing compared with last year.

Earnings before interest and tax (EBIT) for the first three months amounted to DKK -45m as against DKK 3m in 2002. This result reflects a traditionally low 1st quarter.

F.L.Smith Group cash flow from operating activities amounted to DKK 354m, DKK 357m better than for the same period the year before. The improvement in cash flow reflects improvements in the amount of debtors and higher prepayments from customers.

The F.L.Smith Group maintains its projection of posting earnings before interest and tax (EBIT) slightly above those for 2002 (DKK 103m).



DKKm - Core activities	1st quarter 2002 unaudited	Year 2002	1st quarter 2003 unaudited
Net turnover	819	3,925	722
Gross profit	283	1,603	280
EBIT	46	334	(6)
EBT	(5)	259	(22)
Cash flows from operating activities	(104)	500	(39)
Cash flows from operating and investing activities	(136)	461	(159)

FLS
Building Materials

FLS Building Materials - Core activities

Net of non-recurring items, the total EBIT result of FLS Building Materials is on a par with that for last year. EBIT amounted to DKK -6m as against DKK 46m in 2002. Earnings before tax amounted to DKK -22m as against DKK -5m in 2002.

Aalborg Portland's domestic sales were slightly below the anticipated level due to unusually cold winter weather. Exports of white cement suffered from low demand due to the war in Iraq and widespread economic recession. The plant in Egypt has gained a strong position in the local market region as planned, and the new facility in Malaysia commenced operations on schedule in November 2002. Aalborg Portland has strengthened its operations in the Danish market through the acquisition of Mørch Cement.

Difficult market conditions and intensified competition continue to cause focus on rationalisation, and late 2002/early 2003 saw adjustments of the workforce. Meanwhile, the company is proceeding with its efforts to optimise the use of alternative fuel.

Having undergone an intensive focusing programme throughout 2002, Unicon's activities now mainly consist of its core business, viz. ready-mix concrete, in Denmark, Norway, Sweden and Poland.

The market for ready-mix concrete was initially sluggish due to the unusually heavy frost in January and February. High activity in March has stabilised turnover, but the price level is lower than expected.

The demand for new fibre cement products in the Danish market is at a satisfactory level. Dansk Eternit has increased its market share in Denmark, and this contributed to an improved financial result compared with the first quarter of 2002. Dansk Eternit Holding A/S has signed an agreement to acquire the fibre cement activities of Tepro AB (Sweden) and Norsal (Norway) in May.

Cash flow from operating activities has improved DKK 65m on the same period last year, whilst cash flow from investing activities is DKK 88m higher than in 2002 which included the sale of ships.

FLS Building Materials maintains its projection of an EBIT result on a par with 2002 (DKK 334m) based on a turnover in excess of DKK 4.0bn.

FLS Industries A/S – Parent company

For the first three months of 2003, FLS Industries A/S, the parent company, posted earnings before interest and tax (EBIT) of DKK -7m as against DKK -12m for the same period the year before. FLS Industries remains confident of reducing the year's total level of costs to half of last year's amount.

FLS miljø

FLS miljø continues its efforts to catch up on time lost in the loss-making West Burton desulphurisation project in the UK. Work is progressing, but the construction site continues to suffer from low productivity. Based on a revised estimate of total defrayed and outstanding project processing costs, it has been decided to make an additional DKK 50m provision for completion of the project. The degree of completion as at 31 March 2003 was close to 90%.

The transfer of air pollution control activities to the F.L.Smith Group took place as at 1 July 2002, and the process of restructuring and disposing of activities is thus practically completed.

FLS miljø expects a much improved EBIT result compared to 2002, but there remain risks in connection with the completion of West Burton.

FLS Aerospace

FLS Aerospace posted positive earnings before interest and tax (EBIT) at DKK 22m compared with DKK 20m for the same period the year before. This result was achieved despite a 16% decline in turnover and a squeezed market. Earnings before tax amounted to DKK -57m compared to DKK -2m for the same period the year before. The EBT result reflects the previously announced DKK 50m loss on sale of operations in Copenhagen.

Cash flow from operating activities amounted to DKK 25m, up DKK 56m on the same period last year. Net interest-bearing debt has been reduced by DKK 127m since New Year. Some DKK 100m of this improvement is accounted for by the lowering of exchange rates. FLS Aerospace's order book at DKK 9.0bn is unchanged compared to 31 December 2002 and DKK 1.1bn higher than at the end of the same period last year.

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

Other non-strategic activities

Secil S.A., the associated undertaking which

was sold by FLS in March 2003, is not included in the financial results of associated undertakings for the first quarter of 2003. Secil contributed DKK 36m to the results for the same period last year.

The associated undertaking Spæncom, which is 34%-owned by FLS Industries, is reflected in the earnings before tax as a DKK 18m 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 intake of orders in 2003 had a negative impact on EBIT which amounted to DKK -8m. The war in Iraq has particularly aggravated the decline in the company's activities in the important Middle East markets.

Prospects for the overall FLS Group in 2003

The FLS Group anticipates a consolidated turnover of around DKK 15bn provided that its main currencies, USD and GBP, remain at their current exchange rate level. The FLS Group maintains its projection of earnings before interest and tax (EBIT) around the level of DKK 300-400m.

The core activities within F.L.Smith Group and FLS Building Materials maintain their projection of an EBIT result around DKK 0.5bn in 2003, whilst non-core activities and the parent company are expected to have a negative impact on the result amounting to between DKK 0.1bn and 0.2bn.

The FLS Group maintains its forecast of earnings before tax (EBT) at DKK 250-350m exclusive of the effect of acquisition and disposal of undertakings.

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 three months of the year 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.

It is still the intention to introduce a new incentive plan for the management in connection with the release of the half-yearly report.

Financial calendar 2003

29 August 2003 Interim report, 2nd quarter
27 November 2003 Interim report, 3rd quarter

Post balance sheet events

Message to the Copenhagen Stock Exchange No. 09-2003, 7 April 2003
Summary of FLS Industries A/S Annual General Meeting

Message to the Copenhagen Stock Exchange No. 10-2003, 23 April 2003
Pulp mill in southern China places substantial order with FFE Minerals

Message to the Copenhagen Stock Exchange No. 11-2003, 28 April 2003
FLS Industries continues divestments as planned

Message to the Copenhagen Stock Exchange No. 12-2003, 5 May 2003
F.L.Smith wins contract in Slovakia

Message to the Copenhagen Stock Exchange No. 13-2003, 12 May 2003
F.L.Smith wins contracts for eight vertical mills in China

Consolidated profit and loss account

(DKKm)	1st quarter 2002 unaudited	The Year 2002	1st quarter 2003 unaudited
Net turnover	3,828	16,444	3,207
Production costs	2,976	13,179	2,536
Gross profit	852	3,265	671
Sales and distribution costs	338	1,460	264
Administrative and other costs	418	1,719	366
Other operating income and costs	128	231	46
Earnings before interest, tax, depreciation and amortisation (EBITDA)	224	317	87
Depreciation and write-down of tangible fixed assets	210	804	151
Amortisation and write-down of intangible fixed assets	38	160	37
Earnings before interest and tax (EBIT)	(24)	(647)	(101)
Share of earnings before tax of associated undertakings	32	186	(22)
Profit/loss on disposal of undertakings and activities	22	(639)	673
Financial income	249	1,103	454
Financial costs	337	1,350	472
Earnings before tax (EBT)	(58)	(1,347)	532
Tax for the period	13	102	12
Profit/loss for the period	(71)	(1,449)	520
Minority interests' share of the profit/loss for the period	1	12	(2)
FLS Industries A/S' share of the profit/loss for the year	(72)	(1,461)	522
Earnings per share (EPS)	(1.4)	(27.5)	9.8
Earnings per share (EPS), adjusted for own shares, etc.	(1.4)	(28.2)	10.1

Consolidated cash flow statement

(DKKm)	1st quarter 2002 unaudited	The year 2002	1st quarter 2003 unaudited
Cash flows from operating activities			
Earnings before interest, tax, depreciation and amortisation (EBITDA)	224	317	87
Adjustment for profits/losses on sale of fixed assets and exchange adjustment of EBITDA	(100)	(149)	(4)
Adjusted earnings before financial items, tax, depreciation and amortisation (EBITDA)	124	168	83
Change in provisions, etc.	(76)	(110)	(117)
Change in working capital	(32)	240	(187)
Change from operating activities before work-in-progress, financial items and tax	16	298	(221)
Change in cash flows from work-in-progress and prepayments	169	332	265
Cash flows from operating activities before financial items and tax	185	630	44
Dividend received from associated undertakings	2	144	17
Financial payments received and made	45	9	76
Corporation taxes paid	(22)	(69)	(19)
Cash flows from operating activities	210	714	118
Cash flows from investing activities			
Acquisition of undertakings and activities	(9)	(39)	(61)
Disposal and discontinuance of undertakings and activities	(3)	706	66
Acquisition of intangible fixed assets	(9)	(68)	(18)
Acquisition of tangible fixed assets	(160)	(633)	(109)
Disposal of intangible and tangible fixed assets	132	313	18
Acquisition and disposal of financial fixed assets	31	697	1,146
Cash flows from investing activities	(18)	976	1,042
Cash flows from operating and investing activities	192	1,690	1,160
Cash flows from financing activities			
Dividends	(2)	(14)	0
Capital increases in Group companies attributable to minority interests	0	10	0
Changes in interest-bearing debt	(118)	(1,606)	(997)
Cash flows from financing activities	(120)	(1,610)	(997)
Change in cash funds	72	80	163
Cash funds at 1 January	318	318	398
Cash funds at 31 December	390	398	561

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

Assets

(DKKm)	1st quarter 2002 unaudited	The year 2002	1st quarter 2003 unaudited
Fixed assets			
Goodwill	1,268	1,136	1,114
Negative goodwill	(182)	(172)	(169)
Patents and licences	54	13	12
Other intangible fixed assets	80	180	183
Intangible fixed assets	1,220	1,157	1,140
Land and buildings	2,666	2,242	2,170
Plant and machinery	2,520	1,964	1,833
Operating equipment, fixtures and fittings	342	271	251
Aircraft components	1,493	1,395	1,308
Tangible assets in course of construction	329	62	117
Tangible fixed assets	7,350	5,934	5,679
Investments in associated undertakings	2,216	1,144	315
Amounts owed by associated undertakings	16	0	0
Other securities and investments	208	151	150
Other financial fixed assets	2	16	16
Prepaid pension fund contributions	87	69	67
Deferred tax assets	327	261	259
Financial fixed assets	2,856	1,641	807
Total fixed assets	11,426	8,732	7,626
Current assets			
Raw materials and consumables	751	539	494
Work-in-progress	117	124	124
Finished goods and goods for resale	620	431	458
Prepayments for goods	83	128	144
Stocks	1,571	1,222	1,220
Trade debtors	2,867	2,661	2,475
Work-in-progress for third parties	1,113	1,453	1,688
Amounts owed by associated undertakings	26	56	49
Other debtors	832	825	581
Prepayments	363	249	432
Debtors	5,201	5,244	5,225
Own shares	0	0	0
Bonds and listed shares	47	40	33
Securities	47	40	33
Cash funds	390	398	561
Total current assets	7,209	6,904	7,039
TOTAL ASSETS	18,635	15,636	14,665

Liabilities

(DKKm)	1st quarter 2002 unaudited	The year 2002	1st quarter 2003 unaudited
Shareholders' equity			
Share capital	1,064	1,064	1,064
Reserve based on the equity method	886	835	67
Other undistributable reserves	828	756	756
Other reserves	3,702	2,758	3,708
FLS Industries A/S' share of shareholders' equity before proposed dividend	6,480	5,413	5,595
Proposed dividend	0	0	0
FLS Industries A/S' share of shareholders' equity	6,480	5,413	5,595
Minority interests' share of shareholders' equity before proposed dividend	355	316	286
Proposed dividend	0	0	0
Minority interests' share of shareholders' equity	355	316	286
Total consolidated shareholders' equity	6,835	5,729	5,881
Provisions			
Deferred tax liabilities	129	105	101
Pension and similar commitments	76	94	101
Warranties	501	393	381
Redundancy costs	97	8	6
Other provisions	338	442	324
Total provisions	1,141	1,042	913
Long-term and current liabilities			
Mortgage debt	282	236	228
Currency loans, leasing debt, bank debt, etc.	4,226	2,411	2,062
Long-term liabilities	4,508	2,647	2,290
Current portion of long-term debt	675	562	292
Currency loans and bank debt	416	529	260
Prepayments from customers	686	831	913
Work-in-progress for third parties	1,035	1,222	1,331
Trade creditors	1,910	1,966	1,585
Amounts owed to affiliated undertakings	3	0	0
Amounts owed to associated undertakings	0	1	0
Corporation tax payable	73	66	57
Other creditors	1,015	790	679
Deferred income	338	251	464
Current liabilities	6,151	6,218	5,581
Total long-term and current liabilities	10,659	8,865	7,871
Total long-term and current liabilities and provisions	11,800	9,907	8,784
TOTAL LIABILITIES	18,635	15,636	14,665

Notes not referred to in the accounts:

Breakdown of the Group by key undertakings
 Breakdown of FLS Building Materials
 Specification of shareholders' equity

Breakdown of the Group by core businesses 1st quarter 2003

(DKKm)	F.L.Smidth Group	FLS Building Materials	Other companies etc. ¹	Core activities	FLS miljø	FLS Aerospace	Other non-strategic activities ²	FLS Group
Net turnover	1,578	722	(18)	2,282	198	659	68	3,207
Production costs	1,333	442	(16)	1,759	246	476	55	2,536
Gross profit	245	280	(2)	523	(48)	183	13	671
Contribution ratio	15.5%	38.8%	n/a	22.9%	(24.2%)	27.8%	19.1%	20.9%
Sales, admin., distribution and other operating costs	257	192	2	451	7	111	15	584
Earnings before interest, tax, depr./amort. (EBITDA)	(12)	88	(4)	72	(55)	72	(2)	87
EBITDA ratio	(0.8%)	12.2%	n/a	3.2%	(27.8%)	10.9%	(2.9%)	2.7%
Depreciation	24	72	3	99	2	45	5	151
Amortisation	9	22	0	31	0	5	1	37
Earnings before interest and tax (EBIT)	(45)	(6)	(7)	(58)	(57)	22	(8)	(101)
EBIT ratio	(2.9%)	(0.8%)	n/a	(2.5%)	(28.8%)	3.3%	(11.8%)	(3.1%)
Share of earnings before tax of associated undertakings	0	(20)	0	(20)	(2)	0	0	(22)
Profit/loss on disposal of undertakings and activities	0	0	0	0	0	(62)	735	673
Net financial income and expenses	2	4	(6)	0	0	(18)	0	(18)
Earnings before tax (EBT)	(43)	(22)	(13)	(78)	(59)	(58)	727	532
EBT ratio	(2.7%)	(3.0%)	n/a	(3.4%)	(29.8%)	(8.8%)	1069.1%	16.6%
Tax for the period	11	2	0	13	0	(1)	0	12
Profit/loss for the period	(54)	(24)	(13)	(91)	(59)	(57)	727	520
Minority interests' share of profit/loss for the period	0	(3)	0	(3)	0	0	1	(2)
FLS Industries A/S' share of profit/loss for the year	(54)	(21)	(13)	(88)	(59)	(57)	726	522
CASH FLOWS								
Cash flows from operating activities	354	(39)	43	358	(293)	26	27	118
Acquisition and disposal of undertakings and activities	0	(60)	0	(60)	0	(17)	82	5
Acquisition of tangible fixed assets	(19)	(63)	(1)	(83)	0	(21)	(5)	(109)
Other investments	1	3	1	5	(2)	(4)	1,147	1,146
Cash flows from investing activities	(18)	(120)	0	(138)	(2)	(42)	1,224	1,042
Cash flows from operating and investing activities	336	(159)	43	220	(295)	(16)	1,251	1,160
Cash flows from financing activities	(58)	429	(152)	219	45	13	(1,274)	(997)
Change in cash funds	278	270	(109)	439	(250)	(3)	(23)	163
NET INTEREST-BEARING DEBT/(BALANCES)	(850)	966	348	464	(113)	1,300	8	1,659
BALANCE SHEET								
Intangible fixed assets	140	1,089	2	1,231	0	(96)	5	1,140
Tangible fixed assets	680	2,578	174	3,432	13	2,078	156	5,679
Financial fixed assets	243	338	202	783	10	0	14	807
Current assets	5,071	2,156	(2,359)	4,868	599	1,320	252	7,039
Total assets	6,134	6,161	(1,981)	10,314	622	3,302	427	14,665
Consolidated shareholders' equity	1,345	3,349	85	4,779	10	841	251	5,881
FLS Industries A/S' share of shareholders' equity	1,345	3,117	85	4,547	10	836	202	5,595
Provisions	448	219	1	668	134	104	7	913
Long-term and current liabilities	4,341	2,593	(2,067)	4,867	478	2,357	169	7,871
Total liabilities	6,134	6,161	(1,981)	10,314	622	3,302	427	14,665
RETURN ON CAPITAL EMPLOYED (ROCE)								
Net operating profit after tax (NOPAT)	(24)	8	(64)	(80)	(59)	(1)	727	587
Average capital employed	3,059	4,846	(1,241)	6,664	(114)	2,611	266	9,427
Return on capital employed (ROCE)	(1%)	0%	n/a	(1%)	n/a	(0%)	n/a	6%
Number of employees at 31 December	4,309	2,697	183	7,189	188	3,217	516	11,110

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 quarter 2002

(DKKm)	F.L.Smidth Group	FLS Building Materials	Other scompanies etc. ¹	Core activities	FLS miljø	FLS Aerospace	Other non-strategic activities ²	FLS Group
Net turnover	1,507	819	(72)	2,254	380	783	411	3,828
Production costs	1,212	536	(68)	1,680	372	638	286	2,976
Gross profit	295	283	(4)	574	8	145	125	852
<i>Contribution ratio</i>	19.6%	34.6%	n/a	25.5%	2.1%	18.5%	30.4%	22.3%
Sales, admin., distribution and other operating costs	257	139	4	400	39	71	118	628
Earnings before interest, tax, depr./amort. (EBITDA)	38	144	(8)	174	(31)	74	7	224
<i>EBITDA ratio</i>	2.5%	17.6%	n/a	7.7%	(8.2%)	9.5%	1.7%	5.9%
Depreciation	25	76	8	109	6	54	40	209
Amortisation	10	22	0	32	2	0	5	39
Earnings before interest and tax (EBIT)	3	46	(16)	33	(39)	20	(38)	(24)
<i>EBIT ratio</i>	0.2%	5.6%	n/a	1.5%	(10.3%)	2.6%	(9.2%)	(0.6%)
Share of earnings before tax of associated undertakings	0	(4)	1	(3)	(2)	0	37	32
Profit/loss on disposal of undertakings and activities	0	0	0	0	0	0	22	22
Net financial income and expenses	(1)	(47)	(10)	(58)	6	(22)	(14)	(88)
Earnings before tax (EBT)	2	(5)	(25)	(28)	(35)	(2)	7	(58)
<i>EBT ratio</i>	0.1%	(0.6%)	n/a	(1.2%)	(9.2%)	(0.3%)	1.7%	(1.5%)
Tax for the period	12	1	0	13	1	(4)	3	13
Profit/loss for the period	(10)	(6)	(25)	(41)	(36)	2	4	(71)
Minority interests' share of profit/loss for the period	2	(2)	0	0	0	0	1	1
FLS Industries A/S' share of profit/loss for the year	(12)	(4)	(25)	(41)	(36)	2	3	(72)
CASH FLOWS								
Cash flows from operating activities	(3)	(104)	61	(46)	249	(31)	38	210
Acquisition and disposal of undertakings and activities	4	(8)	0	(4)	(4)	0	(4)	(12)
Acquisition of tangible fixed assets	(23)	(90)	(4)	(117)	(2)	(27)	(14)	(160)
Other investments	(2)	66	0	64	(3)	0	93	154
Cash flows from investing activities	(21)	(32)	(4)	(57)	(9)	(27)	75	(18)
Cash flows from operating and investing activities	(24)	(136)	57	(103)	240	(58)	113	192
Cash flows from financing activities	(146)	(156)	213	(89)	(22)	45	(54)	(120)
Change in cash funds	(170)	(292)	270	(192)	218	(13)	59	72
NET INTEREST-BEARING DEBT/(BALANCES)	(39)	2,071	795	2,827	(339)	(2,488)	4,844	4,844
BALANCE SHEET								
Intangible fixed assets	99	1,160	0	1,259	72	(182)	71	1,220
Tangible fixed assets	840	2,745	276	3,861	57	2,500	932	7,350
Financial fixed assets	275	581	1,235	2,091	10	20	735	2,856
Current assets	4,041	1,657	(1,467)	4,231	935	1,350	693	7,209
Total assets	5,255	6,143	44	11,442	1,074	3,688	2,431	18,635
Consolidated shareholders' equity	1,129	2,669	682	4,480	93	1,199	1,063	6,835
FLS Industries A/S' share of shareholders' equity	1,118	2,379	681	4,178	93	1,194	1,015	6,480
Provisions	574	191	4	769	87	246	39	1,141
Long-term and current liabilities	3,552	3,283	(642)	6,193	894	2,243	1,329	10,659
Total liabilities	5,255	6,143	44	11,442	1,074	3,688	2,431	18,635
RETURN ON CAPITAL EMPLOYED (ROCE)								
Net operating profit after tax (NOPAT)	7	33	(52)	(12)	(27)	15	11	(13)
Average capital employed	2,828	5,159	359	8,346	269	2,957	2,251	13,823
Return on capital employed (ROCE)	0%	1%	n/a	(0%)	(10%)	1%	0%	(0%)
Number of employees at 31 December	4,071	2,956	170	7,197	892	3,434	1,706	13,229

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 quarter 2003

(DKKm)	Aalborg Portland	Dansk Eternit Holding	Unicon core activity	Densit	Other ¹	Core activities	Non-strategic activities ²	FLS Building Materials
Net turnover	293	179	259	18	(27)	722	25	747
Gross profit	130	47	96	8	(1)	280	7	287
<i>Contribution ratio</i>	44.4%	26.3%	37.1%	44.4%	n/a	38.8%	28.0%	38.4%
Sales, admin., distribution and other operating costs	35	55	86	13	3	192	7	198
Earnings before interest, tax, depr./amort. (EBITDA)	95	(8)	10	(5)	(4)	88	0	89
Depreciation and write-down of tangible fixed assets	36	16	22	1	(3)	72	2	75
Amortisation and write-down of intangible fixed assets	4	2	4	0	12	22	0	22
Earnings before interest and tax (EBIT)	55	(26)	(16)	(6)	(13)	(6)	(2)	(8)
Share of earnings before tax of associated undertakings	(6)	0	0	0	(14)	(20)	(1)	(21)
Profit/loss on disposal of undertakings	0	0	0	0	0	0	735	735
Net financial income and costs	20	(5)	(10)	0	(1)	4	0	4
Earnings before tax (EBT)	69	(31)	(26)	(6)	(28)	(22)	732	710
Tax for the period	25	(1)	(1)	0	(21)	2	1	2
Profit/loss for the period	44	(30)	(25)	(6)	(7)	(24)	731	708
CASH FLOWS								
Cash flows from operating activities	(59)	(61)	(23)	(4)	108	(39)	25	(14)
Cash flows from investing activities	(107)	(6)	(7)	(1)	1	(120)	1,256	1,136
Cash flows from operating and investing activities	(166)	(67)	(30)	(5)	109	(159)	1,281	1,122
Cash flows from financing activities	(92)	20	(50)	4	547	429	(1,228)	(799)
Change in cash funds	(258)	(47)	(80)	(1)	656	270	53	323
NET INTEREST-BEARING DEBT	266	605	616	21	(542)	966	(95)	871
BALANCE SHEET								
Fixed assets	1,687	583	778	25	932	4,005	69	4,074
Current assets	760	441	306	42	607	2,156	135	2,291
Total assets	2,447	1,024	1,084	67	1,539	6,161	204	6,365
Consolidated shareholders' equity	1,499	156	175	28	1,491	3,349	199	3,548
Provisions	28	121	69	1	0	219	5	224
Long-term and current liabilities	920	747	840	38	48	2,593	0	2,593
Total liabilities	2,447	1,024	1,084	67	1,539	6,161	204	6,365
RETURN ON CAPITAL EMPLOYED								
Net operating profit after tax (NOPAT)	49	(29)	(16)	(6)	10	8	733	741
Average capital employed	1,756	818	914	50	1,308	4,846	109	4,955
Return on capital employed (ROCE)	2.8%	(3.5%)	(1.8%)	(12.0%)	0.8%	0.2%	672.5%	15.0%
Number of employees at 31 March	834	1,070	719	74	0	2,697	239	2,936

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 quarter 2002

(DKKm)	Aalborg Portland	Dansk Eternit Holding	Unicon core activity	Densit	Other ¹	Core activities	Non-strategic activities ²	FLS Building Materials
Net turnover	330	214	286	24	(35)	819	294	1,113
Gross profit	120	43	111	12	(3)	283	114	397
<i>Contribution ratio</i>	36.4%	20.1%	22.4%	50.0%	n/a	34.6%	n/a	35.7%
Sales, admin., distribution and other operating costs	(18)	50	91	15	1	139	101	240
Earnings before interest, tax, depr./amort. (EBITDA)	138	(7)	20	(3)	(4)	144	13	157
Depreciation and write-down of tangible fixed assets	35	20	23	1	(3)	76	34	110
Amortisation and write-down of intangible fixed assets	3	3	4	0	12	22	3	25
Earnings before interest and tax (EBIT)	100	(30)	(7)	(4)	(13)	46	(24)	22
Share of earnings before tax of associated undertakings	(6)	1	0	0	1	(4)	36	32
Profit/loss on disposal of undertakings	0	0	0	0	0	0	17	17
Net financial income and costs	(3)	(11)	(17)	0	(16)	(47)	(12)	(59)
Earnings before tax (EBT)	91	(40)	(24)	(4)	(28)	(5)	17	12
Tax for the period	31	0	0	(1)	(29)	1	4	5
Profit/loss for the period	60	(40)	(24)	(3)	1	(6)	13	7
CASH FLOWS								
Cash flows from operating activities	(88)	(54)	(45)	(2)	85	(104)	26	(78)
Cash flows from investing activities	(37)	(8)	(8)	(2)	23	(32)	71	39
Cash flows from operating and investing activities	(125)	(62)	(53)	(4)	108	(136)	97	(39)
Cash flows from financing activities	(106)	55	15	(1)	(119)	(156)	(46)	(202)
Change in cash funds	(231)	(7)	(38)	(5)	(11)	(292)	51	(241)
NET INTEREST-BEARING DEBT	324	615	791	8	333	2,071	759	2,830
BALANCE SHEET								
Fixed assets	1,776	702	864	26	1,118	4,486	1,582	6,068
Current assets	643	549	557	40	(132)	1,657	426	2,083
Total assets	2,419	1,251	1,421	66	986	6,143	2,008	8,151
Consolidated shareholders' equity	1,448	262	123	38	798	2,669	970	3,639
Provisions	10	114	67	0	0	191	38	229
Long-term and current liabilities	961	875	1,231	28	188	3,283	1,000	4,283
Total liabilities	2,419	1,251	1,421	66	986	6,143	2,008	8,151
RETURN ON CAPITAL EMPLOYED								
Net operating profit after tax (NOPAT)	63	(32)	(10)	(3)	15	33	17	50
Average capital employed	1,794	1,010	980	47	1,327	5,158	1,936	7,094
Return on capital employed (ROCE)	3.5%	(3.2%)	(1.0%)	(6.4%)	n/a	0.6%	0.9%	0.7%
Number of employees at 31 March	887	1,205	781	83	0	2,956	1,083	4,039

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.

Consolidated shareholders' equity 1st quarter 2003

(DKKm)	Share capital	Reserve based on equity method	Other undistributable reserves	Other reserves	Total FLS share	Total minority interests' share	Total
Shareholders' equity at 1 January 2003	1,064	835	756	2,758	5,413	316	5,729
Exchange adjustments		(2)		(90)	(92)	(12)	(104)
Foreign exchange hedging of net investments				73	73		73
Value adjustment of hedging instruments				40	40		40
Profit/loss for the period		(15)		536	521	(2)	519
Value adjustments					0		0
Adjustments for sale of FLSHH *)		(358)			(358)		(358)
Other adjustments of shareholders' equity				(2)	(2)		(2)
Total income for the period	0	(375)	0	557	182	(14)	168
Proposed dividend					0		0
Dividend distributed					0		0
Additions and disposals of minority interests					0	(16)	(16)
Transfer between reserves		(393)		393	0		0
Shareholders' equity at 31 March 2003 before dividend	1,064	67	756	3,708	5,595	286	5,881
Proposed dividend				0	0	0	0
Shareholders' equity at 31 March 2003	1,064	67	756	3,708	5,595	286	5,881

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.

No additional shares were issued during the period under review.

Consolidated shareholders' equity 1st quarter 2002

(DKKm)	Share capital	Reserve based on equity method	Other undistributable reserves	Other reserves	Total FLS share	Total minority interests' share	Total
Shareholders' equity at 1 January 2002	1,064	808	830	3,824	6,526	343	6,869
Exchange adjustments		15		7	22	7	29
Foreign exchange hedging of net investments				(5)	(5)		(5)
Value adjustment of hedging instruments				0	0		0
Profit/loss for the period		30	(2)	(99)	(71)	1	(70)
Value adjustments		33		(25)	8		8
Other adjustments of shareholders' equity					0		0
Total income for the period	0	78	(2)	(122)	(46)	8	(38)
Proposed dividend					0		0
Dividend distributed					0	(2)	(2)
Additions and disposals of minority interests					0	6	6
Transfer between reserves					0		0
Shareholders' equity at 31 March 2002 before dividend	1,064	886	828	3,702	6,480	355	6,835
Proposed dividend					0		0
Shareholders' equity at 31 March 2002	1,064	886	828	3,702	6,480	355	6,835

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