

ANNUAL ACCOUNTS

The Board of Directors of FLS Industries A/S has today reviewed and adopted the 1998 Annual Accounts as outlined on the following pages.

Valby, 22 March 1999

Jens Münter
Chairman of the Board

Birger Riisager
Group President & CEO

Contents

1.	Comments on the profit	Page	3
	1.1 Main and key figures for the FLS Group	-	7
2.	Strategic developments	-	8
3.	The new FLS Group	-	8
	3.1 New corporate and management structure	-	9
	3.2 Value-driven management	-	10
4.	Year 2000 compliance	-	11
5.	Performance of the major FLS Group companies	-	12
6.	Prospects for 1999	-	25
7.	Board of Directors' decisions and recommendations to the company in general meeting	-	25
8.	Annual accounts 1998	-	26
9.	Information to the shareholders	-	28
10.	Tables	-	32
	10.1 Consolidated Profit and Loss Account	-	32
	10.2 Consolidated Balance Sheet	-	33
	10.3 Development in Shareholders' Equity	-	35
	10.4 Consolidated Cash Flow statement	-	36
	10.5 Parent Company - Main Figures	-	37
	10.6 Segmented breakdown, Key Companies	-	38

FLS Industries' Annual Accounts for 1998

Satisfactory profit and continuing progress

1. Comments on the profit

The latter years' progress continued throughout 1998 which saw the best profit ever achieved by FLS.

The satisfactory profit was realised despite the fact that 1998 was a difficult year on several of the FLS Group's main markets. Asia, South America and Russia all experienced a continued crisis, and liquidity problems and general stagnation resulted in a marked slowdown in the demand for, for instance, cement production equipment.

Due to the external conditions affecting the markets, the FLS Group did also in 1998 find it necessary to rationalise and make capacity adjustments. These adjustments resulted in considerable staff reductions, especially in F.L. Smidth-Fuller Engineering.

Despite this development, FLS Industries was able to:

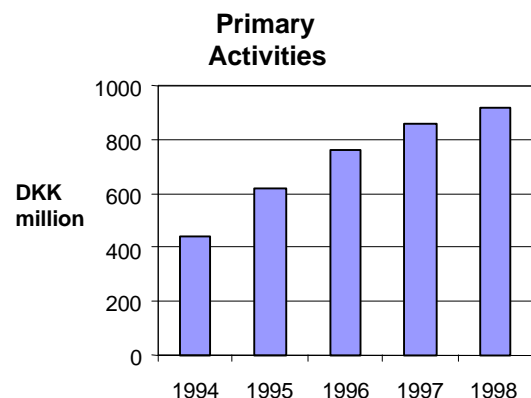
- achieve increased earnings
- maintain sales at the level attained last year
- strengthen its position, among other things, by means of considerable investments
- increase its shareholders' equity - especially FLS Industries' own share.

In 1998 the Group focused on structural and managerial measures, most recently as published in the stock exchange announcement of 8 December 1998. These measures are intended to contribute to a continued value creation through increased earnings and sales.

Increased earnings

The operating profit increased by DKK 60 million or 7 per cent to DKK 918 million in 1998. Thus the operating profit continues the positive trend of the latter years.

Profit before tax improved by DKK 24 million or 2 per cent to DKK 1,142 million. Exclusive of non-recurring items, the profit before tax was in 1998 DKK 1,095 million - an increase of DKK 76 million or 7 per cent.



The profit for the year increased by DKK 57 million or 8 per cent to DKK 810 million. FLS Industries' own share increased by DKK 162 million or 29 per cent to DKK 729 million.

Earnings per share

Earnings per share have increased heavily during the last five years. Thus earnings per share have almost tripled since 1994.

Increased return on equity

On the basis of the profit for the year, the return on equity was 15 per cent on average (FLS Industries' share: 18 per cent) compared with 14 per cent (FLS Industries' share: 16 per cent) in 1997.

Sales

Sales were in 1998 DKK 21.5 billion compared with DKK 21.9 billion in 1997. Since 1994 sales have increased by an average of 11 per cent per year.

Total sales by geographical region:

Denmark:	22%	(1997: 22%)
Rest of Europe:	44%	(1997: 33%)
Rest of the world:	34%	(1997: 45%)

If an adjustment is made in accordance with the net effect of acquired undertakings and undertakings disposed of, sales have decreased by approx. DKK 1.4 billion. This decrease is primarily due to F.L.Smidth-Fuller Engineering whose sales have fallen by approx. DKK 2 billion compared with 1997.

Increased investments

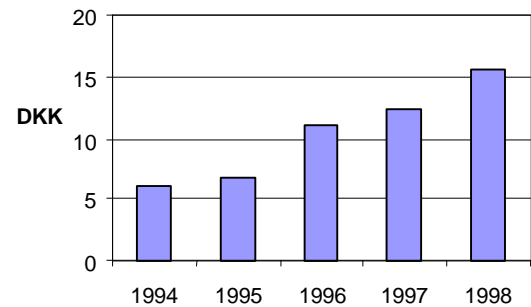
Total investments in 1998 amounted to DKK 2,204 million compared with DKK 1,210 million in 1997. Net investments, exclusive of disposals, amounted to DKK 2,151 million in 1998 and DKK 762 million in 1997.

Cash flow and financing

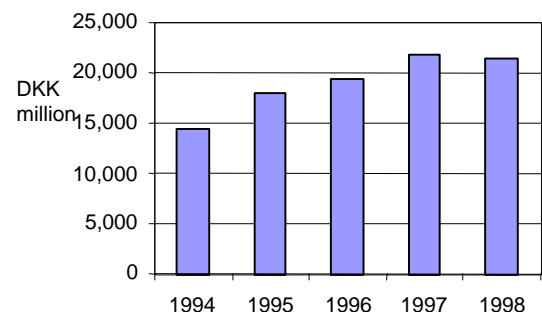
Investment activities were a burden on the year's net cash flow, approx. DKK 2.2 billion; half for net acquisition of undertakings and half for investment in fixed assets.

Cash flow from operations was significantly reduced compared with 1997, from DKK 1,144 million to DKK 601 million. This negative trend is due to increased net working capital and the fact that the year's cash flow from operations was affected by non-cash items.

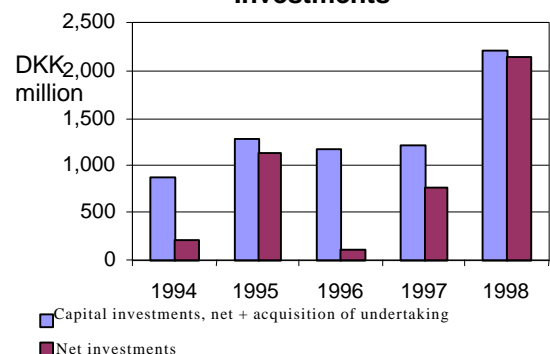
Earnings per Share



Sales



Investments



Big investments in 1998 as well as the reduced cash flow from operations have resulted in an increase of the FLS Group's net borrowing of DKK 1.7 billion. Interest-bearing net debt was DKK 3.8 billion as at 31 December 1998 compared with DKK 2.1 billion as at 31 December 1997.

Increased shareholders' equity

As at 31 December 1998 the consolidated shareholders' equity amounted to DKK 5.6 billion compared with DKK 5.5 billion as at 31 December 1997. As at 31 December 1998 FLS Industries' own share was DKK 4.3 billion (1997 DKK 3.8 billion.)

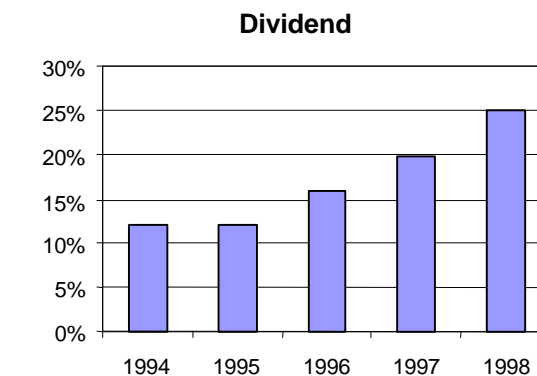
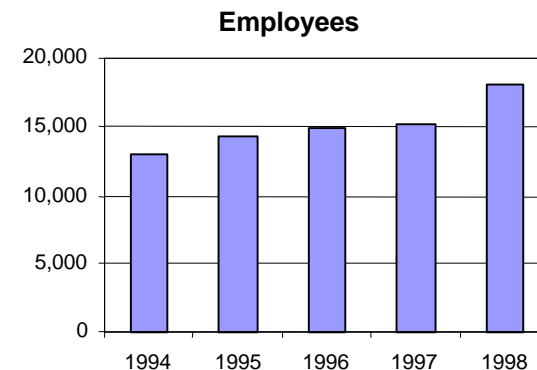
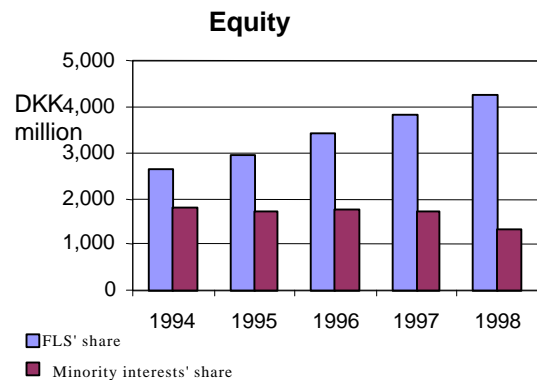
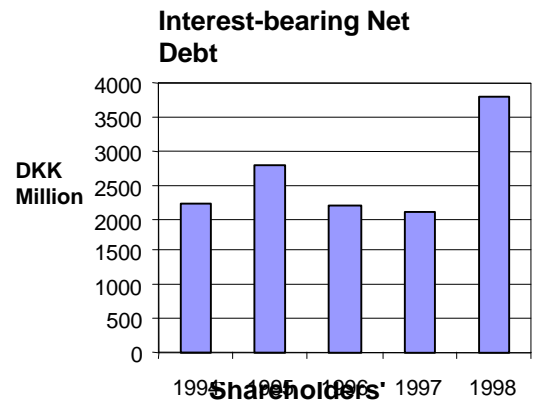
The primary reasons for the decrease in minority interests' share in 1998 is the fact that FLS Industries A/S has increased its share of Aalborg Portland Holding A/S and the transfer of Unicon Beton to the Aalborg Portland Holding Group.

Employees

As at 31 December 1998 the total number of employees was 18,137; an increase of 2,950 or 19 per cent compared with 31 December 1997. The increase is primarily due to the acquisition in the middle of the year of Inter Forward in Stockholm AB with more than 1,000 employees and the acquisition at the end of 1998 of Team FLS Aerospace with more than 1,500 employees.

Dividend and option scheme

At the coming annual general meeting, the Board of Directors will propose a 25 per cent dividend for 1998 (DKK 5 per share, denomination DKK 20), corresponding to 32 per cent of FLS Industries' share of the profit for the year. It has been decided to introduce a share option scheme for a number of executive employees in the Group and the Board members in FLS Industries A/S. The detailed terms of the scheme have not yet been laid down.



1999

Presuming that the financial trends remain unchanged in 1999 compared with 1998, the FLS Group has the following expectations for 1999

- to attain increased sales compared with 1998
- to attain an operating profit and a profit before tax (exclusive of non-recurring items) at the same level as in 1998
- that the expected sale of Lexel from NKT Holding will result in a considerably increased profit in 1999 compared with 1998.

----- 0 -----

The profit for 1998 of the FLS Group appears in main figures from the following survey and from the enclosed tables.

The annual accounts for 1998 have been prepared in accordance with the provisions of the Danish Company Accounts Act and the guidelines established by the Copenhagen Stock Exchange.

The accounting policies remain unchanged compared with 1997.

The interim accounts for 1999 will be prepared according to unchanged policies compared with 1998. The FLS Group will as of the annual accounts for 1999 be presenting its accounts in accordance with the **International Accounting Standards (IAS)**.

1.1 Main and key figures for the FLS Group

2. Strategic development

Narrower and deeper company mission

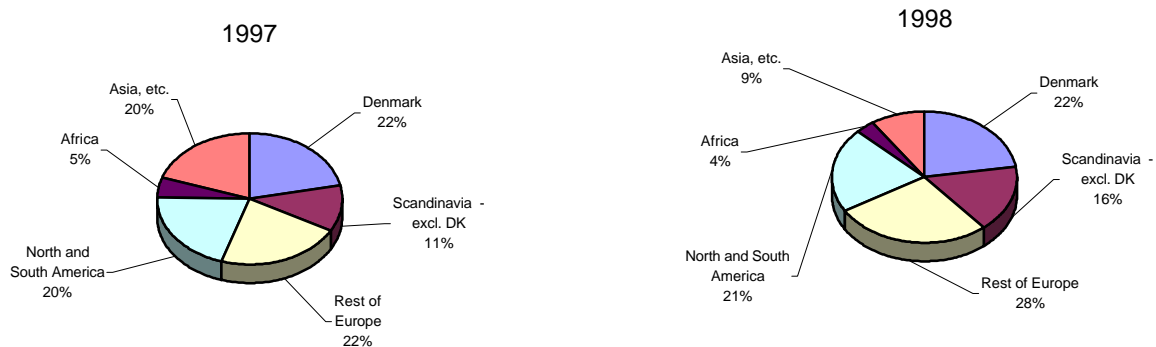
FLS Industries is an international group with comprehensive technological knowledge and market-oriented concepts within carefully selected business areas which support each other and create synergies among the companies.

The overall goal is to develop the entire Group and to ensure that recent years' positive development as regards sales and earnings will continue in the years ahead. This goal is best realised by spreading the activities geographically to cancel out regional economic fluctuations and by focusing on a few, selected business areas, which complement each other and make the Group less vulnerable to cyclical fluctuations within certain lines of business.

The goal for the key companies is attain international leadership within their individual business areas. This calls for continuous strengthening of the corporate structure and the company mission of the key companies to ensure fulfilment of the overall goal of continued value creation.

During 1998, the FLS Group therefore continued to pursue its strategy of concentrating the Group's total resources and activities on a few, strong key companies which are all international market-leaders within their business areas and markets. The continued development of the key companies is based on the Group's long-standing know-how and expertise as an international total supplier of high-technology and environmentally compatible solutions and on targeted research and development.

Sales by geographical region:



All key companies are expected to contribute to the continued growth of the Group; however, the growth rates of the individual key companies and their subsidiaries will vary over time and depend on economic conditions, market conditions, etc.

3. The new FLS Group

The FLS Group focuses on competence development within technology know-how, project management and strong service concepts. This focus is the nucleus of the strategic link between the five key companies.

The goal is to use the FLS Group's abilities and competencies to run the key companies and gain higher earnings and return on investment than the individual companies would have been able to on their own.

The FLS Group's focus on the five key companies stems from the original synergies among the business areas and the continued attention towards the key companies' growth and earnings potentials.

The FLS Group thus has its historical roots in engineering focused on the cement and mineral processing industries. On this basis, the FLS Group evolved into the present five key companies.

Through F.L.Smith-Fuller Engineering the FLS Group is a leading cement machinery developer. Vertical integration of companies within building materials is considered an opportunity for expansion because the Group's current strengths within engineering and building materials are based on a fundamental knowledge of production machinery and methods as well as the conditions of the building materials sector.

Due to the increasing awareness of environmental issues, the production facilities and cement plants planned by the FLS Group are now being equipped with emission-reducing filters. The competence within this area, which the FLS Group has accumulated in course of time, led to the establishment of a separate key company which delivers environment-improving solutions to many different lines of industry. To attain critical volume and size, the FLS miljø Group was expanded and is today able to construct turnkey systems for the power generating, biomass processing and incineration markets. As is the case with the F.L.Smith-Fuller Engineering Group, technological know-how, consultancy services and engineering services are the core competencies of the FLS miljø Group.

In course of time, the commitment to building materials and engineering created a huge need for shipping and transport. Accordingly, we gained shipping experience. The development of the DanTransport Holding Group was based on industry knowledge accumulated during many years. DanTransport Holding is today one of the leading shipping and logistics providers in Europe.

The FLS Group's activities within aircraft maintenance also began as a minor business unit which showed great earnings and growth potentials. The FLS Group used its financial strength and knowledge of how to run an engineering business to establish a large, independent aircraft maintenance provider.

Today, the core competencies of the FLS Group are thus based on a profound knowledge of the industries and markets in which the Group operates and on the Group's financial strength and managerial skills to develop the earnings capacities of the companies.

The goal of FLS Industries will still be continued value creation through increased earnings and sales.

3.1 New corporate and management structure

On 8 December 1998 the FLS Group announced comprehensive changes in the corporate structure. The Group's key companies were reduced from eight to five.

These five companies will in future be responsible for the activities within each their business area.

The five key companies are:

- F.L. Smidth-Fuller Engineering (engineering company)
- FLS miljø (environmental plants and boilers)
- Aalborg Portland Holding (building materials)
- DanTransport Holding (shipping and logistics)
- FLS Aerospace Holding (aircraft maintenance)

Due to this concentration, all the Group's building materials activities were united under Aalborg Portland Holding at the end of 1998.

Simultaneous with the changes in the corporate structure, FLS Industries announced a number of management changes to be implemented gradually during the coming year. These management changes are the first step in the generational hand-over which is to ensure the necessary continuity in the senior group management and the five key companies.

Through these measures, the FLS Group has simplified its structure and established a future-oriented corporate and management structure.

In 1998, this strategy also led to acquisition of several companies within the business areas of the main companies and divestment of companies on the fringe of FLS Industries' long-term strategy. The most important are mentioned under Annual accounts 1998.

3.2 Value-driven management

Based on its business goal, the FLS Group requires the key companies to attain satisfactory return on investments. This will ensure profitable growth for the Group as a whole and attractive long-term return on equity for the shareholders in FLS Industries A/S in particular.

During 1998, the Group improved its measuring methods and management instruments to ensure optimisation and control of the Group's long-term earnings capacity.

The FLS Group is to consist of companies in which the Group is the ideal strategic owner in business and financial terms. On this basis, the Group increasingly uses the following guidelines:

- Return on investments which is satisfactory considering the companies' return on equity and debt capital
- Focus on the companies' abilities to create free cash flow
- Goals for the individual company which reflect the value drivers relevant to the company in question
- Pay systems that comply with the goals of the companies
- Information policy which reflects the requirements made of a public company.

In addition to the existing employee share opportunities, it was decided to introduce a share option scheme for a number of executive employees in the Group and the Board

members in FLS Industries A/S. The scheme is based on the financial guidelines of value-driven management.

4. Year 2000 compliance

The companies in the FLS Group have for a long time been developing solutions that can solve any year 2000 problems. The individual group companies have reviewed all IT systems, controllers and other electronics in the production units. The administration and financial systems have also been reviewed. Some subsidiaries have invested in new systems that will be implemented during the year. The Group will be ready for the new millennium.

5. Performance of the major FLS Group companies

Being listed companies, Aalborg Portland Holding A/S, NKT Holding A/S and Spæncom A/S publish their own annual accounts to which reference is made.

The accounting figures for the Group companies correspond to the figures included in the consolidated accounts and are generally in compliance with the external annual accounts of the companies. A complete overview appears from the tables.

F.L.Smidth-Fuller Engineering (FFE)

Direct ownership: 100 per cent

DKK million	Year	Net sales	Operating profit/-loss	Profit/-loss before tax and ext.ord. items	Profit/-loss for the year	Total assets	Shareholders' equity	Number of employees, 31 Dec.	Cash flow from operations	Cash flow from investments
F.L.Smidth-Fuller Engineering	1998	6,415	278	334	227	5,341	1,361	3,930	(136)	(244)
	1997	8,471	327	423	257	6,304	1,285	4,076	618	(214)
F.L.Smidth & Co.	1998	2,400	75	115	86	2,545	726	1,023	-	-
	1997	3,499	138	205	140	3,037	712	1,193	-	-
Fuller	1998	1,488	197	212	155	1,176	458	999	-	-
	1997	2,885	195	236	140	1,724	418	1,093	-	-
FLS Automation	1998	402	(37)	(37)	(38)	216	36	275	-	-
	1997	474	18	21	11	333	73	332	-	-
FFE Bulk Handling	1998	829	26	22	5	470	87	424	-	-
	1997	815	18	17	2	465	85	454	-	-
Ventomatic	1998	158	5	2	(1)	152	27	119	-	-
	1997	225	9	4	1	230	29	166	-	-
MAAG Gear	1998	430	7	1	(47)	358	(29)	380	-	-
	1997	491	(7)	(10)	(10)	406	18	462	-	-
FFE Minerals	1998	1,061	14	25	15	497	155	393	-	-
	1997	1,077	(5)	14	0	581	138	370	-	-
Pfister Holding	1998	156	10	6	5	207	(42)	310	-	-
	1997	-	-	-	-	-	-	-	-	-

F.L.Smidth-Fuller Engineering (FFE) is the world's largest supplier to the cement industry with a market share in excess of 50 per cent. In the mineral processing segment the Group is among the world's two largest suppliers to the industries served.

The FFE Group entered 1998 with a smaller backlog of orders than in the two preceding years. At the same time, the volume of orders received was somewhat below the level achieved in 1997. However, the result before tax and extraordinary items fulfilled the expectations – about 20 per cent lower than in 1997 – a decline which was primarily caused by the drastically declining market for large projects within the industries served by the FEE Group.

The financial crisis in Southeast Asia that started in mid-1997 escalated during 1998 and spread to other parts of the world. The negative implications of these trends in the cement projects market were reflected in a continuing decline in major orders during 1998. This downward trend, however, was partly offset by the sustained growth in basic orders, spare parts and services which in 1998 accounted for more than 75 per cent of the total flow of orders in terms of contribution margin.

Cement consumption in Southeast Asia dropped sharply in 1998, compared with the previous years, and with the continuing increase in available production capacity - due to the many new cement plants built from 1994 to 1996 - it will be several years before new plants are again contracted in this region.

Other parts of the world, notably North and South America, the Middle East and North Africa, continue to see business prospects for new major projects, but a policy of wait-and-see prevailed among several investors during 1998. The Group won a number of major contracts, for example in the USA, Egypt, Kuwait, Turkey, Algeria, Chile and the UK. These achievements show that the FFE Group has retained its competitive strength and market leadership in terms of total kiln capacity sold to the cement industry and that the Group has managed to increase its market share in a declining market.

In the non-cement segment, the companies in the FFE Minerals Group, which serve the mineral processing, lime, paper and pulp, alumina and bauxite industries, also had a difficult time in a market characterised by reluctance to invest due to the financial crisis and the lower raw material prices. The Group maintained its global position winning significant contracts with customers in the USA, Australia, Sweden, the UK and Poland. Meanwhile, the latter years' focusing on sales of spare parts and services led to marked growth of this type of business in 1998, yet not sufficient to fully compensate for the slump in major orders.

The FFE Group continued its ongoing process of organisational development during 1998.

In line with its strategy of acquiring businesses that serve the cement and mineral processing industries, in mid-1998 the Group took over the German company, Pfister, which is an international provider of dosing and weighing systems.

In early 1998 Fuller increased its ownership of Fuller India from 80 per cent to 97 per cent.

Continued focusing on the mineral processing industries led to the acquisition of Australian-based ABON in the second half of 1998. ABON develops and produces crushers, sizers and screening equipment primarily for the coal and mineral processing industries.

The continuing financial crisis in Southeast Asia and its negative implications for supplies of new cement-making plants in the region necessitated adjustments of the FFE Group's resources during 1998. The year saw a number of major staff reductions and organisational changes in several FFE companies. Net of companies that have joined and left the Group, FFE as a whole has downsized its organisation by some 25 per cent since the beginning of 1997. In May 1998 it was, for example, decided to close down production at MAAG Gear Valby during the next couple of years.

The costs of the above capacity adjustments amounted to DKK 47 million in the 1998 annual accounts.

The FFE Group continues to give high priority to research and development in order to supply the best technology and process expertise available in the market.

Environmental awareness plays an integral role in the development of machinery and equipment focusing on low energy consumption and noise emission coupled with optimum reliability in operation.

Prospects for 1999

The Group entered 1999 with a smaller backlog of orders than the year before. In 1999 the market of the FFE Group's products is expected to remain at a low level corresponding to about 50 per cent of a normal year with respect to major orders. However, 1999 is expected to see a stronger intake of orders than 1998. The first months of 1999 have confirmed these expectations.

The financial result for 1999 is expected to be somewhat lower than the result for 1998.

FLS miljø

Direct ownership: 100 per cent

DKK million	Year	Net sales	Operating profit/loss	Profit/loss before tax and ext.ord. items	Profit/loss for the year	Total assets	Shareholders' equity	Number of employees, 31 Dec.	Cash flow from operations	Cash flow from investments
The FLS miljø Group	1998	1,875	16	18	(14)	916	139	1,226	(17)	(9)
	1997	1,631	12	11	(16)	1,026	159	1,312	122	(52)

Having established itself among the world's leading providers of air pollution control technology, the FLS miljø Group in 1998 adopted a new strategy that includes marketing of complete boiler and environmental systems to the power generating, biomass processing and incineration markets.

In line with this strategy the company won a turnkey contract for a 40 megawatt straw-fired power station in the UK. This represented a breakthrough for FLS miljø biomass-fired boiler technology. Under the contract, FLS miljø is responsible for operating the plant for a period of thirteen years, this being the first time the company has undertaken long-term operational responsibility. In the biomass market, the company also won a contract for a complete straw-fired boiler facility serving the communities of Maribo and Sakskøbing in Denmark. At the same time, FLS miljø supplied the world's largest straw and chip-fired boiler installation to the Sønderjyllands Højspændingsværk power station in South Jutland in Denmark.

The acquisition of the incineration business of I. Krüger with effect from 1 February 1998 complemented the FLS miljø Group's portfolio of products. The first order received after the take-over was for an incineration facility for Cheon-An in Korea.

In the traditional power station segment a number of orders were received for conversion and upgrading of existing coal-fired facilities. An important event in 1998 was also FLS miljø's supply and start-up of the world's most efficient power station boiler installation commissioned at the Danish Nordjyllandsværket power station in September.

Environmental systems still account for the bulk of the Group's sales, but suffered from the decline in the Far Eastern markets.

The Group as a whole experienced an increasing flow of orders compared with the last few years and a gratifying continuation of the latter years' strong growth.

Despite the rising sales, however, the net financial result was unsatisfactory. The deficit primarily reflects FLS miljø's major company acquisitions, extraordinary losses accruing from the write-down of shares in an American development company and the write-down of a major development project

FLS miljø and Burmeister & Wain Energi merged on 1 January 1998 and much effort has been dedicated to harmonising and coordinating the activities and procedures of the two companies. On this occasion it was also decided to develop a new joint quality system with a view to achieving certification of the merged business in accordance with the ISO 9001 standard, which was eventually achieved in November 1998.

Overall, 1998 was a year of progress for the subsidiaries which attained a satisfactory order intake and satisfactory operating results.

The favourable market for the Johannes Möller companies' traditional product lines - dust and ash handling systems - in conjunction with growing sales of other FLS miljø products has enabled the Johannes Möller Group to continue the satisfactory development of results which has prevailed since the companies joined FLS miljø in 1996.

With the disposal of the scrubber activities based in New Jersey and the contractor business in California, the restructuring programme adopted in the USA was completed in 1997. Business in the USA is now concentrated in one company based in Houston, Texas. The downward trend of previous years was reversed, and the company in 1998 reached break-even, which is a satisfactory result under the circumstances.

Prospects for 1999

There is a large market for FLS miljø's comprehensive portfolio of products, but competition is fierce and prices are under pressure.

Against this background the company has taken steps to enhance efficiency, for example by standardising products and rationalising systems, in order to improve its competitive standing and the profitability of individual projects.

Both order intake and sales are expected to continue to grow, but the strategy of marketing complete facilities will not be fully reflected in the 1999 income statement. The financial result is expected to be positive, but still not satisfactory.

Aalborg Portland Holding

Direct ownership: 68 per cent

DKK million	Year	Net sales	Operating profit/-loss	Profit/-loss before tax and ext.ord. items	Profit/-loss for the year	Total assets	Shareholders' equity	Number of employees, 31 Dec.	Cash flow from operations	Cash flow from investments
Aalborg Portland Holding	1998	2,324	325	577	479	7,015	3,551	3,584	472	(1,274)
	1997	2,301	283	443	289	5,082	3,195	1,850	472	(136)
Aalborg Portland	1998	1,528	282	267	202	2,080	891	741	356	(140)
	1997	1,470	250	221	146	2,107	893	763	278	(94)
Dansk Eternit Holding	1998	741	49	50	38	789	303	955	91	(104)
	1997	770	51	34	27	780	278	1,015	110	(42)
Unicon Beton	1998	0	(3)	53	32	2,530	741	1,801	-	-
	1997	0	0	45	28	203	167	0		
UBH 1999 *)	1998	2,109	213	177	569	1,011	40	0	591	636
	1997	1,834	149	123	75	1,408	340	1,607	145	(243)

*) UBH 1999 (previously Unicon Beton Holding) is wholly owned by FLS Industries.

With a profit before tax and extraordinary items of DKK 577 million the result of ordinary operations in 1998 was the best ever achieved by the Aalborg Portland Holding Group. The result primarily reflects improved profitability of the Group's operations at home and abroad, while consolidated sales remained practically unchanged in relation to 1997.

On 29 December 1998 it was announced that the Aalborg Portland Holding Group had acquired the remaining 65 per cent of the activities of Unicon Beton I/S.

With this acquisition Aalborg Portland Holding Group reinforced its position as a market leader in building materials in Denmark. On the international scene the Group is the world's largest exporter of white cement and has substantial interests in fibre cement production in the Czech Republic and Finland. The Group is also a major producer of concrete in the USA, Poland, Sweden, Spain, etc.

Following the acquisition of the Unicon Beton Group, the assets and liabilities of the Aalborg Portland Holding Group now include the Unicon Beton Group, whereas the acquisition is not reflected in the 1998 profit and loss account.

As part of the take-over, goodwill as an intangible asset was attained through acquisition corresponding to an amount of about DKK 607 million. As the Aalborg Portland Holding Group made the acquisition for strategic reasons, the goodwill purchased will be amortised over 20 years. In the FLS Group this internal transaction was written down (eliminated.)

The Aalborg Portland Holding Group is now one of the five key companies outlined in the FLS Group strategy.

The Aalborg Portland Holding Group consists of the following companies:

- Aalborg Portland (50%).
- Dansk Eternit Holding Group (100%).
- Unicon Beton Group (100%).

- Densit (100%).
- NKT Holding (35%), associated company.
- Spæncom (29%), associated company.

Aalborg Portland A/S achieved a satisfactory financial result for 1998. The improvement in earnings mainly reflects increasing sales at home and a consolidated position as the world's largest exporter of white cement. The continued customer focus and concentration on core business areas also contributed to the improved result. The profit after tax amounted to DKK 202 million in 1998 compared with DKK 146 million in 1997.

Sales by volume to the Danish market grew by 9 per cent compared with 1997. This improvement owes to a more customer-focused marketing strategy, which has ensured a satisfactory market share, while benefiting from a general rise in construction activity and deliveries for the Sound Link project.

In export markets, the company concentrated on strengthening its international market position as a specialised supplier of white cement. The company managed to fully utilise its production capacity by maintaining exports of grey cement to selected markets.

Environmental and energy taxes to the state continued their upward trend from DKK 35 million in 1997 to DKK 39 million in 1998. Taxes of this nature are rarely levied on Aalborg Portland's competitors, so competition is distorted in this way. The company is continuing its effort to lower these charges.

As required by law, Aalborg Portland has drawn up an environmental report for 1998. Among the aspects covered by this statement are the use of alternative raw materials and on-going projects.

Due to alleged participation in a cartel among European cement producers, in 1994, the European Commission administratively imposed a fine on the company which now amounts to DKK 40 million, including accumulated interest until 31 December 1998. Based on the opinion of legal experts, Aalborg Portland remains convinced that the case will not result in sanctions being imposed upon the company and has therefore made no provision for losses.

Prospects for 1999

Aalborg Portland will continue to expand internationally in the white cement market while maintaining its exports of grey cement. The Danish and some international markets for white cement are expected to see keener competition. Export markets for grey cement are also likely to become more competitive due to the excess capacity in the Far East. Accordingly, Aalborg Portland expects to achieve a lower level of earnings than in 1998.

----- 0 -----

1998 was the third successive year of improved financial results for the **Dansk Eternit Holding Group**.

In 1998 total sales were slightly lower than the sales of 1997. Especially domestic sales fell in 1998 compared with 1997 due to keener competition from fibre cement products and other roofing materials.

The positive developments in most of the markets served by the Group companies contributed to an improved result compared with 1997.

The 1998 profit after tax amounted to DKK 38 million. In 1997 the profit was DKK 27 million.

Dansk Eternit A/S' sales were lower in 1998 than the year before due to keener competition in the roofing materials market and a decline in agricultural construction.

The modernisation programme launched in 1997 to secure the company's competitive strength continued in 1998 with the aim of simplifying and automating production processes. The programme, to be completed in year 2000, includes a new colour line which will be put to use in 1999.

The Dansk Eternit Holding Group's financial results from its Finnish and Czech activities showed good progress in relation to 1997. The Czech result reflects positive exchange rate adjustments of the Czech Koruna.

Prospects for 1999

1999 is expected to see unchanged conditions and stagnating demand in the Danish market.

The foreign activities are expected to increase. Accordingly, Dansk Eternit Holding's total earnings are expected to be satisfactory and at the same level as in 1998.

----- 0 -----

1998 was the best year ever for the **Unicon Beton Group** whose sales and earnings increased substantially. Practically all companies and divisions in the group contributed to the improved results.

Unicon Beton Danmark's activities include the business areas Ready-mixed concrete, Aqua (sewer systems, water environment and piles) and Paving stone (flagstones, kerbstones, etc.)

Unicon Beton's Danish ready-mixed concrete business again had a very satisfactory year in terms of sales and earnings. The Aqua and Paving stone activities achieved a satisfactory, yet lower financial result compared with 1997.

Unicon Beton's concrete element business in Denmark again had a difficult year. The financial result was unsatisfactory, and it was decided to wind up the production of stairs and elements.

Unicon's American operations and **AB Sydsten** in Sweden had a very satisfactory year in 1998 with improved financial results. The level of activity was high during all twelve months of 1998. Again in 1998 several facilities were acquired in the USA, including Hoots Concrete Inc. and Carolina Concrete Pumping Inc., and the company built its first American paving stone manufacturing plant.

In 1998 **Unicon Spain** moved its plants to more suitable locations. The level of activity was increased considerably in 1998, primarily due to the take-over of a precast concrete product company in autumn 1997. The 1998 financial result was positive, but still not satisfactory.

Unicon Poland continued its progress from 1997 and saw a satisfactory financial result for 1998. The company now has facilities for production of ready-mixed concrete in Gdynia, Gdansk and Warsaw.

Prospects for 1999

1999 is expected to see a moderate slowdown in Unicon Beton's activities in the Danish market due to the general decline in the building and construction industries and the completion of the Sound Link project. The earnings accruing from activities abroad are expected to continue to increase and lead to satisfactory overall earnings for Unicon Beton in 1999. Due to increased interest expenses and amortisation of goodwill in relation to the acquisition of the remaining 65 per cent of the shares in Unicon Beton I/S, lower earnings are expected in 1999. From 1999 the result of the Unicon Beton Group will be fully incorporated in the Aalborg Portland Holding Group.

-----0-----

Overall, the Aalborg Portland Holding Group expects to improve its results of primary and ordinary operations in 1999.

DanTransport Holding

Direct ownership: 100 per cent

DKK million	Year	Net sales	Operating profit/-loss	Profit/-loss before tax and ext.ord. items	Profit/-loss for the year	Total assets	Shareholders' equity	Number of employees, 31 Dec.	Cash flow from operations	Cash flow from investments
DanTransport Holding	1998	6,407	109	102	78	2,116	419	3,970	269	(558)
	1997	4,918	88	72	45	1,456	266	2,772	61	(166)
DanTransport	1998	1,345	14	9	4	278	43	753	-	-
	1997	1,364	17	15	10	287	42	741	-	-
Inter Forward	1998	1,163	41	47	53	821	380	1,278	-	-
	1997	-	-	-	-	-	-	-	-	-
Tollpost-Globe Holding	1998	1,044	28	14	14	386	40	991	-	-
	1997	947	24	11	11	414	48	934	-	-
DanTransport International	1998	865	37	34	20	117	41	227	-	-
	1997	760	45	43	26	119	40	219	-	-
DanTransport (UK)	1998	269	7	5	5	110	18	255	-	-
	1997	194	(2)	(3)	(5)	53	3	133	-	-
Inter Forward France	1998	80	3	3	3	150	34	194	-	-
	1997	-	-	-	-	-	-	-	-	-
DanTransport Rejsebureau	1998	768	5	5	3	35	15	115	-	-
	1997	699	6	6	4	39	12	107	-	-

1998 was a successful and eventful year for the DanTransport Holding Group. Increasing sales and financial result reflect the acquisition of the Inter Forward in Stockholm AB Group and the resulting merger with the Nordisk Transport Sverige AB (NTS) companies as well as consistent organic growth. Inter Forward in Stockholm AB was included in the consolidated accounts with effect from 1 July 1998.

Accordingly, 1998 saw considerable focus on the integration of the NTS companies acquired in Sweden, Finland, Norway and the UK. This transition proceeded smoothly due to the dedicated efforts by management and staff in the individual countries. The DanTransport Holding Group has significantly strengthened its position in the Nordic market as a well-integrated full-service provider, offering a distinct profile in domestic and international road transport, sea and air transport, store hotel services, third party logistics and project-oriented transport and logistics. The merger with NTS has given the company a substantial boost in the Swedish market which is now being served by the two major businesses, Nordisk Transport Sverige AB and Fraktarna AB, with highly complementary capabilities.

Tollpost-Globe Holding AS, one of Norway's largest transport providers, is now a wholly owned subsidiary, after DanTransport Holding acquired the remaining 47 per cent of the shares in May 1998.

September 1998 saw the launching of a strategic alliance in the European market under the name of E1-European Logistics Services. Working closely with its partners, Royal Nedlloyd N.V., Holland; Saima Avandero Spa, Italy; and Groupe Dubois, France, the DanTransport Holding Group is now marketing a pan-European transport and logistics network in which trade and industry in the Nordic and other European countries are showing keen interest. With a total workforce in excess of 22,000 people, sales in 1998 exceeding DKK 24 billion and 2,778,000 square metres of storage capacity, the alliance is one of the most comprehensive transport and logistics providers in the European market.

The alliance was further enhanced in May as DanTransport, Saima Avandero and Nedlloyd jointly acquired 41 per cent of the shares in their alliance partner, Groupe Dubois, which is among the largest transport groups in France. After its reconstruction in 1996/97 the company achieved a satisfactory financial result in 1998.

Around New Year 1999 the DanTransport Holding Group and Royal Nedlloyd merged their European parts load businesses in the UK. Accordingly, DanTransport (UK) Ltd. took over the activities of the former Nedlloyd company, Nedlloyd Distribution Services Ltd. This move further strengthened DanTransport's position in the UK market, while enabling coordination of the activities within the E1 alliance.

DanTransport Corporation, USA, continued the positive trend of the preceding years. The activity and profitability for all fourteen US offices increased during 1998 and the positive trend is expected to continue in 1999. The company's most important markets are Denmark, Sweden and the UK; however, increased trading with E1 alliance partners in Germany, Italy and France was seen.

The new French member of the Group, NTS France SA, achieved a highly satisfactory financial result, and the DanTransport Holding Group's Nordic activities in relation to the French market were significantly strengthened.

DanTransport Rejsebureau a/s recorded a satisfactory financial result despite the growing competition in the business travel market. Canal Tours Copenhagen A/S also performed satisfactorily.

Prospects for 1999

The projected result for 1999 positively reflects the full year effect of the newly acquired companies and activities. The DanTransport Holding Group therefore foresees a significant improvement in its sales and profit for 1999 despite the instability expected to prevail in world trade.

FLS Aerospace Holding

Direct ownership: 100 per cent

DKK million	Year	Net sales	Operating profit/-loss	Profit/-loss before tax and ext.ord. items	Profit/-loss for the year	Total assets	Shareholders' equity	Number of employees, 31 Dec.	Cash flow from operations	Cash flow from investments
FLS Aerospace Holding	1998	1,545	17	(9)	(110)	2,556	542	3,648	(3)	(585)
	1997	1,287	(11)	(46)	(46)	1,729	671	1,557	(18)	(265)
FLS Aerospace Ltd.	1998	1,456	64	2	2	1,773	559	1,510	-	-
	1997	1,108	(7)	(41)	(41)	1,533	595	1,261	-	-
FLS Aerospace A/S	1998	89	(43)	(42)	(42)	99	18	266	-	-
	1997	-	-	-	-	-	-	-	-	-
Team Air Lingus	1998	-	-	-	-	548	350	1,576	-	-
	1997	-	-	-	-	-	-	-	-	-
Danish Aerotech	1998	-	-	-	(101)	-	-	-	-	-
	1997	-	-	-	-	-	-	-	-	-

With effect from 1 January 1998, the FLS Group consolidated its Aerospace interests within FLS Aerospace Holding A/S, now acting as the parent company for FLS Aerospace Ltd. and Danish Aerotech A/S. FLS Aerospace Holding A/S is a subsidiary wholly owned by FLS Industries A/S.

During the first half of 1998 FLS Aerospace A/S established itself at Copenhagen Airport, and late-1998 saw the acquisition of the shares of TEAM Aer Lingus Ltd., Dublin, subsequently renamed TEAM FLS Aerospace Ltd.

At the establishment in Copenhagen, a 10-year maintenance contract was concluded with Premiair.

The acquisition of TEAM Aer Lingus Ltd. represents a major asset to the FLS Aerospace Group in terms of know-how and capability in component support and maintenance services. The total hangar capacity and workforce was nearly doubled with the addition of TEAM Aer Lingus Ltd. Besides, the acquisition represents a major contribution to the volume of business in hand, in that it was accompanied by the signing of a ten-year maintenance contract with the Irish airline, Aer Lingus.

The FLS Aerospace Group's financial result for 1998 reflects the consistent progress being made within FLS Aerospace Ltd., the heavy initial costs of FLS Aerospace A/S, and the sharply declining defence market. Accordingly, it was decided to close down and sell the activities of Danish Aerotech A/S.

FLS Aerospace Ltd. earned a net profit in 1998 amounting to DKK 2 million, thus demonstrating the company's ability to continue the progressive development of recent years. In addition to the positive net result, the company also achieved a marked

increase in business. 1998 saw the addition of new contracts worth more than DKK 3 billion, increasing the portfolio of orders in hand to a record level. This gratifying development reflects the increasing outsourcing by airlines, particularly low-cost operators in Europe, which were particularly successful in 1998.

Setting up FLS Aerospace A/S at Copenhagen Airport proved more time-consuming and substantially more costly than expected. The negative result of DKK -42 million should be viewed against the fact that the company was not operating at full capacity until by December 1998.

Developments at Danish Aerotech were highly unsatisfactory in 1998 mainly reflecting the cuts in European defence budgets. As a consequence of the shrinking market it was decided to gradually close down activities and spin off other activities in Danish Aerotech.

For the activities to be closed down, net assets were written down to estimated realisation values and provisions for possible losses during the closing down period were made.

For the activities to be sold, provisions for possible losses from disposal were made.

FLS Aerospace Holding A/S's share of the 1998 financial result, including the above costs, amounted to a loss of DKK -101 million. This amount is entered as an extraordinary expense in the consolidated and parent company accounts for FLS Aerospace Holding. The shareholders' equity in Danish Aerotech A/S of DKK -47 million is entered under other debts in the consolidated and parent company accounts.

In 1999 a decision will be made as regards reduction of the present share capital in Danish Aerotech A/S and as regards new subscription through cash payment. Only FLS Aerospace Holding A/S will make new subscriptions meaning that Danish Aerotech A/S in future will be a wholly owned subsidiary.

The acquisition of TEAM Aer Lingus Ltd. is not reflected in the year's financial result since it did not become effective until at the end of 1998.

Moreover, a profit of DKK 34 million deriving from the discontinuation of forward contracts in British pounds had a positive effect on the year-end result of the FLS Aerospace Group. The purpose of this contract was not to hedge commercial transactions.

Prospects for 1999

Although growth in the international aviation market is slowing down, mainly due to the Asian crisis, European air traffic is expected to continue to grow, particularly in the low-cost carrier segment.

Combined with the integration efforts initiated in the wake of the acquisition of TEAM Aer Lingus Ltd., these developments will lead to significant improvement of the financial result compared with 1998. The FLS Aerospace Holding Group therefore expects a positive result for 1999.

The FLS Aerospace Holding Group will continue its development based on the Prime Maintenance Organisation (PMO) strategy, providing customers with higher levels of support in the future.

Associated companies

Secil, Portugal

Direct ownership: 22%

DKK million	Year	Share of the profit for before tax	Share of the profit for the year	Share of shareholders' equity
Secil	1998	149	91	454
	1997	153	92	447

With production capacity exceeding three million tonnes per year, Secil - Companhia Geral de Cal e Cimento S.A. is Portugal's second-largest cement producer.

The level of activity within building and construction was high in 1998 favoured by continued EU subsidies for development of Portugal's infrastructure and high general economic growth.

The 1998 financial result was on level with that for 1997. 1999 is expected to see a result on level with that for 1998.

As in previous years, the FLS Group will receive dividend corresponding to about 100 per cent of the share of the profit.

Based on the stock market price of the shares of SEMAPA, Secil's main shareholder, FLS Industries' 22 per cent stake in the company is valued at DKK 1.2 billion. Its book value is approximately DKK 454 million.

Atlas, the Philippines

Direct ownership: 27%

DKK million	Year	Share of the profit for before tax	Share of the profit for the year	Share of shareholders' equity
Atlas	1998	(26)	(26)	165
	1997	9	8	74

The financial result for 1998 reflects the general recession in Southeast Asia where monetary instability caused higher interest rates and lower economic growth. As a result, Atlas Cement Corporation suffered a sizeable loss in 1998. The financial result reflects both lower prices and declining sales volume compared with the year before. As a result of the restructuring and the investment of fresh capital, Atlas Cement Corporation expects a turnaround in 1999.

Atlas Cement Corporation was restructured in 1998 and most of its activities were consolidated within Union Cement Corporation in which Holderbank of Switzerland

invested fresh capital and now holds a major interest. Meanwhile, FLS Industries A/S acquired another seven per cent shares in Atlas Cement Corporation. The FLS Group now owns 27 per cent of the share capital.

Other companies

• RM Industrial Group

Having production facilities in ten West European countries and sales organisations in three more, RM Industrial Group is clearly the continent's leading supplier of perforated metal products. In 1998 sales amounted to DKK 974 million. During the 1990s the development of the Group outside Scandinavia mainly took place via selective acquisition of perforation undertakings. Meanwhile, the Group divested its non-core business interests.

In 1998 the Group sold its last non-perforation business, the RM Varmforzinkning A/S galvanising plant.

Stable development throughout Europe during 1997 was followed by a less stable market in 1998. Demand remained practically as forecast, but varied considerably from one country to another and between the first and second halves of the year. The most drastic change took place in raw material prices, which fell markedly, particularly in the second half year. This development had a negative impact on both sales and profitability throughout the industry. Industrial trends also vary greatly, for example countries like Spain and Sweden are developing rapidly while the opposite is the case in countries like the UK and Denmark.

Consolidated results, which increased substantially in 1997, amounted to DKK 31.5 million in 1998. The number of employees at the end of 1998 was 1,016.

Significant improvement of the profitability cannot be expected in 1999. This is mainly due to the raw material price development. The long-term positive profitability development, which characterised the Group in the 1990s, will be continued in the next millennium.

For strategic reasons, it has been decided to divest the company.

• Pedershaab

At the beginning of 1998 the company had a satisfactory backlog of orders. However, the general strike in Denmark and subsequent local industrial disputes made it impossible to meet the terms of delivery agreed with various customers. This in turn led to an unsatisfactory financial result for the first half year which could not be recouped during the second half year. Overall, the Group foresees a fair level of demand for its products. 1999 is expected to see a turnaround of the negative development at PM Energi, and a positive financial is expected in 1999.

DEF 1994

Again in 1999 this company, which is the former Dansk Eternit Fabrik, spent considerable resources on remedying complaints in Denmark and abroad. The number of new complaints has, however, declined, and a further decline in the scope of claims against the company is expected in 1999.

The remaining companies do not give rise to comments.

6. Prospects for 1999

At present, economic conditions for the rest of 1999 are more unstable than normally. It is difficult to assess whether the positive development in the USA and certain parts of Europe will be stronger than the negative development in Southeast Asia, Japan, Russia and South America. If this is the case, a global economic recession will be avoided. In the opposite case, we foresee economic decline, possibly already in 1999.

This uncertain situation makes it difficult for international companies, such as FLS Industries, to present a fairly exact assessment of the financial result for the entire year already in the month of March.

Besides, two factors need to be taken into account:

- The use of International Accounting Standards for 1999 will to a certain extent be reflected in the operating result and especially the balance sheet and the shareholders' equity. The exact extent is, however, still not known.
- Again in 1999, uneven distribution of income between the first and second year halves is expected. As in recent years, most of the earnings are expected to take place in the second half year.

The FLS Group expects the planned sale of Lexel from NKT Holding to result in a considerably increased profit in 1999 compared with 1998.

However, excluding this and other non-recurring items in 1998 and 1999, the management currently thinks that the 1999 sales will be higher than the 1998 sales and that the consolidated result in 1999 (operating profit and a profit on ordinary activities) will be at the same level as in 1998 if the economic conditions in the markets served by the companies of the FLS Group remain unchanged in 1999 compared with 1998.

7. Board of Directors' decisions and recommendations to the company in general meeting

At the coming annual general meeting, the Board of Directors will propose a 25 per cent dividend, corresponding to DKK 5 per share, denomination DKK 20, for both A and B shareholders.

It has been decided to introduce a share option scheme for a number of executive employees in the Group and the Board members in FLS Industries A/S. The detailed terms of the scheme will depend on the final content of the tax legislation amend-

ments comprised by bill no. 169, proposed on 28 January 1999 by the Danish Minister of Taxation.

Distribution of profit

The following distribution of the profit for the year has been proposed:

- | | |
|--|------------------------|
| • dividend of 25 per cent for both A and B shareholders | DKK 232 million |
| • provision for net revaluation based on the equity method | DKK 212 million |
| • provision for other reserves | <u>DKK 285 million</u> |
| | <u>DKK 729 million</u> |

The printed annual accounts for 1998 are expected to be available on 20 April 1999.

The company's annual general meeting is scheduled for Tuesday 4 May 1999 at 4 p.m. at Radisson SAS Falconer Center, Falkoner Allé 9, 2000 Frederiksberg.

8. Annual Accounts 1998

Acquisition and disposal of undertakings

The most important acquisitions in 1998 include:

The F.L.Smidth-Fuller Engineering Group:

- Pfister Holding GmbH, Germany was acquired as at 01.07.1998.
- In 1998 Fuller increased its share of Fuller India Ltd from 80 per cent to 97 per cent, and the intention is to acquire the remaining shares as well.
- In the second half of 1998 FFE Minerals acquired 60 per cent of ABON Engineering Pty. Ltd., Australia

The FLS miljø Group:

- Krüger Waste, Denmark was acquired as at 01.02.1998

Aalborg Portland Holding:

- The remaining 65 per cent of Unicon Beton I/S were acquired from FLS Industries A/S as at year-end 1998.
- Unicon Beton I/S acquired Hoots Concrete Inc. and Carolina Concrete Pumping Inc., both in the USA as well as minor activities in Denmark and Sweden.

The DanTransport Holding Group:

- Inter Forward in Stockholm AB, Sweden and its subsidiaries were acquired in the middle of 1998.
- The remaining 46 per cent of the shares in Tollpost-Globe Holding, Norway were acquired in May 1998.
- 33 per cent of the shares in Dubois were acquired through the alliance E1 in September 1998.

FLS Aerospace Holding A/S:

- FLS Aerospace A/S was established in the first half of 1998 with its base at the Copenhagen Airport.
- At the end of the year TEAM FLS Aerospace Ltd., Ireland was acquired.

FLS Industries A/S:

- As at 01.01.1998 FLS Cement Investments A/S merged with FLS International A/S. FLS Industries A/S and FLS International A/S also merged as at 01.01.1998 so that the FLS Group's finance department is now part of FLS Industries A/S.
- Acquisition of another 6.85 per cent of Atlas Cement Corporation, the Philippines to 27 per cent.

Among the most important disposals and discontinuations are:

- In the middle of 1998 the activities in **SK Emballage** were disposed of.
- **FLS Plast A/S** has with effect from the turn of the year 1998/1999 disposed of its activities in the French plastic companies SMS S.A. and Silvallac S.A. The FLS Group has thus disposed of all its plastic packaging activities in accordance with the strategic decision to do so.
- **RM Industrial Group A/S** in the middle of 1998 sold the subsidiary RM Varmforzinking A/S.
- The arbitration proceedings regarding the sale of **Faxe Kalk** in 1996 were finally concluded.
- **Danish Aerotech A/S** was as at 01.01.1998 transferred to FLS Aerospace Holding A/S. The company is on the periphery of FLS Aerospace Holding's business area and it has thus been decided to discontinue the activities. An attempt to sell the activities in Karup to an external buyer will be made, whereas the activities in Ballerup will be discontinued.

Depreciation of the year

Total depreciation of DKK 777 million includes DKK 67 million amortisation of goodwill. The main items concern F.L. Smidth-Fuller Engineering, DKK 27 million, DanTransport Holding, DKK 19 million, and FLS miljø, DKK 10 million.

Associated undertakings' profit

The share of associated undertakings' profit before tax increased from DKK 303 million in 1997 to DKK 326 million in 1998. The increase is primarily the result of an improved profit in NKT Holding.

Profit and loss from disposal of undertakings

Profit and loss from disposal of undertakings is in 1998 a net income of DKK 47 million compared with DKK 99 million in 1997. The net income is made up of the following items:

- Use and reversal of provisions for structural adjustments amounting to a total of DKK 125 million in FLS Industries A/S.
- The provision previously made for structural adjustments in Aalborg Portland Holding of DKK 50 million was reversed in the accounting year. The reversal was made as the structural adjustments made did not entail any costs as expected.
- In the beginning of 1999 a settlement was made regarding the final sales price in connection with the Group's sale of Faxe Kalk. The settlement has resulted in an

increase of the accounting profit previously booked as income of a total of DKK 36 million.

- In the F.L.Smith-Fuller Engineering Group, MAAG Gear was restructured and the Danish activities are currently being discontinued. These matters have resulted in an expected loss of DKK 47 million.
- FLS miljø has discontinued the Noxso activities resulting in a loss of DKK 18 million.
- Danish Aerotech did in 1998 operate at a loss and the assets have been written down to their estimated realisation value. Moreover, reservations for winding up have been made. As a consequence of the decision to discontinue this business area, the loss has been included with FLS Aerospace Holding's own share of DKK (101) million – reduced by a reversal of the elimination in the FLS Group of DKK 21 million previously made.
- In connection with the sale of the British packaging activities in 1996, a loan agreement was concluded which has subsequently been breached. This has resulted in an estimated loss of DKK 27 million.

Minority interests' share of the consolidated profit

The minority interests' share of the consolidated profit fell from DKK 186 million in 1997 to DKK 81 million in 1998.

The minority interests' share of the profit for the year is the share of the profit in subsidiaries, a total of DKK 255 million less DKK 174 million, corresponding to the minority interests' share of the inter-company profit on the transfer of the remaining share of Unicon Beton to the Aalborg Portland Holding Group.

Parent Company's accounts

The Parent Company's profit includes a profit of DKK 174 million from the transfer of Unicon Beton. This profit, which was booked as income, solely represents the profit on the transfer to the minority interests in Aalborg Portland Holding.

In the Parent Company's balance sheet, shares in subsidiaries have been valued at the proportionate share of the accounting book value in subsidiaries. This value has been reduced by the proportionate share of inter-company profits attributable to the share owned by the Parent Company.

The procedure described above must be regarded as the most appropriate in order to give a true and fair view of FLS Industries A/S' activities (The Danish Company Accounts Act, section 4, subsection 4), as the transfer entailed sale to the minority shareholders.

9. Information to the shareholders

It is the shareholders policy of FLS Industries to pursue an open, truthful and adequate information policy. All information regarding the company which may be of importance to the price formation of the company's shares is thus published through the Copenhagen Stock Exchange.

As a supplement to this information, the Group magazine FLS Orienting/FLS Update is sent to all registered shareholders and a number of other interested parties every quarter. All registered shareholders also receive the Group's annual accounts and interim accounts. Furthermore, it is possible to find further information about the Group on FLS Industries' and a number of subsidiaries' homepages.

On the background of the ever increasing interest for the Group on the part of analysts and investors, it has been decided to establish an Investor Relations function during the spring of 1999. This function will in close co-operation with the Group management and the support functions, Corporated Control, Corporate Finance and Corporate Public Relations be co-ordinating the current dialogue with the company's shareholders and other interested parties from the financial sector in the future.

The FLS Group has a vested interest in being a well-known, well-run and respected company, also in the financial environment. The Group wishes to meet the increased demands for openness and information required to maintain and improve the Group's established position on the financial markets.

Stock exchange announcements in 1998:

5 February	FLS Group plans to establish aircraft maintenance operations in Copenhagen
11 March	FLS Aerospace establishes aircraft maintenance operations in Copenhagen
20 March	DanTransport and NTS merge
24 March	FLS Industries - Annual accounts
5 May	FLS Aerospace and British Airways strengthen their cooperation
5 May	FLS miljø acquires Krüger Waste
11 May	FLS Aerospace cooperates with Go on aircraft maintenance
13 May	F.L.Smidth & Co. - order for the world's largest white cement production line
13 May	DanTransport Holding - The Dubois Group sells minority interest to its partners
19 May	F.L.Smidth-Fuller Engineering - New company in the Group (Pfister Holding)
23 June	F.L.Smidth & Co. Order from Iran for new cement production line (Ehdasse Sanat Corp.)
23 July	F.L.Smidth & Co. wins large contract for Egypt (Sinai Cement Company)
3 August	SK Emballage - FLS Industries divests SK Emballage
11 August	Fuller wins large contract for Egypt (Misr Beni Suf Cement Co.)
26 August	F.L.Smidth & Co. - Large cement order from Kuwait (Kuwait Cement Company)
27 August	FLS Industries Interim accounts
2 September	Unicon Beton acquires one of the USA's largest concrete pumping companies
10 September	FLS miljø wins DKK 700 million order for supply and operation of straw-fired power plant in the UK
17 September	FLS Industries' shares in Aalborg Portland Holding A/S
24 September	DanTransport joins leading European transport alliance
7 October	FLS Industries' shares in Aalborg Portland Holding A/S
27 October	FLS Plast's French companies (Silvallac and SMS) are divested to Trioplast Industrier
5 November	FFE Minerals acquires Australian technology (ABON Engineering Pty. Ltd.)
23 November	FLS Aerospace total supplier of aircraft maintenance to easyJet
8 December	FLS Industries - New corporate and management structure
14 December	FLS Aerospace acquires TEAM Aer Lingus
29 December	Aalborg Portland Holding acquires FLS Industries' share of Unicon Beton

Stock exchange announcements so far in 1999:

15 January	FLS Industries - Jens Due Olsen appointed Chief Financial Officer
18 January	FLS Industries/Aalborg Portland Holding - Arbitration proceedings settled (Faxe Kalk/Lhoist)
20 January	FLS Plast - Due diligence of French companies completed

- 1 February **F.L.Smith-Fuller Engineering** - Frank Gad to be appointed CEO in FFE
- 3 February **Unicon Beton** - acquisition of 80 per cent of the share capital in Noco Betong AS, Norway
- 11 February **FLS Aerospace** - New orders (Air 2000 and Air Europa)
- 16 February **Fuller** - US order amounting to DKK 220 million (Lone Star)
- 3 March **FFE Minerals Corp.** orders amounting to DKK 275 million in South America (Compania Minera Antamina, Peru, and Cerro Matoso, Colombia)
- 5 March **FLS Industries** - sale of RM Industrial Group postponed