

EXPECT
GLOBAL LEADERSHIP

Expect... **AVR**

FINANCIAL REPORT

2019/20

Main activities

The AVK Group is divided into three main business units: AVK Water, AVK Industrial and AVK Advanced Manufacturing. AVK Water is serving the markets of water and gas supply, sewage and fire protection with an extensive product range of valves, hydrants and accessories. AVK Industrial is built upon companies such as Orbinox, InterApp and Wouter Witzel, which offer a comprehensive program of valve solutions to customers within water treatment, power generation, oil & gas, the marine sector, pulp and paper, mining, the chemical industry, air separation and other segments. Flonidan, a leading producer of smart gas meters, is part of AVK Industrial as well. Advanced Manufacturing comprises companies supplying rubber, plastic and metal components to both companies within the AVK Group and external customers in various industries including food, pharmaceutical, transport and wind energy.

Production and sales take place via the AVK Group's network of more than 100 companies in 36 countries across Europe, the Middle East, North and South America, Australia, Asia and Africa.

Development of key financial figures

The sales came to DKK 6.0 billion in 2019/20, which is a growth of 4% from the previous year. The AVK Group therefore succeeded in keeping a positive sales development despite the impact of the COVID-19 pandemic and the restrictions implemented across the world to contain the virus. Focus across the Group was foremost on the health and safety of the employees and along with this keeping the business in operation. The global supply chain was never interrupted, and all companies were able to continue operations with only short-term close downs which helped the Group to maintain the sales and for many companies to continue a positive sales development.

The acquisition of Q-Pall in the Netherlands was the only new addition in the past year. Q-Pall sells plastic pallets, which are mostly produced by AVK Plastics. The production of these pallets is based on recycled plastic, and the acquisition supports AVK's focus on providing sustainable solutions to our customers.

The growth in sales was achieved across the three business units and founded on the on-going and long-term expansion of the product program, the market segments and countries served by the plus 100 companies of the Group.

The operating profit amounted to DKK 501 million, a 13.5% increase from the profit of 2018/19. The operating margin improved to 8.3% from 7.6% the year before supported by a range of initiatives to improve the operational performance and strengthen the Group's market position. The roll out of Lean across the Group and a considerable investment program helped AVK realise the positive benefits of these initiatives.

The investments in fixed assets amounted to DKK 289 million and included factory expansions in Spain, China, Saudi Arabia, India and Denmark.

A major part of the investments went into expanding and optimizing production capacity, product development as well as extension and roll-out of the Group's IT platform and digital solutions.

Expected AVK Group development

AVK will continue to focus on growing our business within all three business units, but sales in the coming year are expected to be affected by COVID-19 and the continuous restrictions in most countries. A positive impact is expected from both new market and product development as well as acquisitions.

AVK supports the UN Sustainable Development Goals, and we have special focus on the goal related to clean water and sanitation (SDG 6), where the Group's products and solutions have a positive impact, which again supports the further growth for AVK.

In AVK Water, the strong need of improving the water supply network and wastewater treatment to fulfill the ambition of clean water and sanitation for all people in the world does secure the AVK Group a strong platform for continuous growth. Smart products, that allow for better management and control of the water supply, will play a growing role in the product and service offer that reduces the leakage of water and the related energy consumption.

AVK Industrial is expanding into more markets with a strong combined product offer including products used for systems to clean polluted air. Flonidan has gained a significant position in the roll-out of smart gas meters in Europe to better manage the consumption of household gas.

AVK Manufacturing is growing in supplying components for the wind energy sector and in plastic products based on recycled materials, which includes pallets as well as service boxes for valves and hydrants.

We maintain the long-term ambition of an annual growth rate of 10%.

The roll-out and implementation of Lean tools to improve customer service and optimise operations continue and more and more of the AVK Groups' operational companies are gaining benefits from the use of these tools.

Digital tools play an increasing role in strengthening the service to our customers with on-line tools and making the supply chain from supplier to customer more effective, as well as improving internal processes.

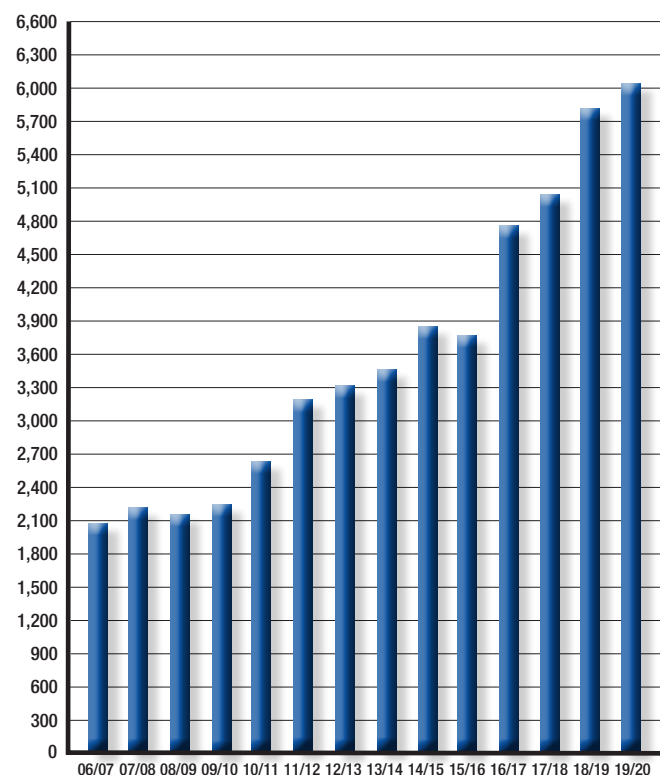
The Group will continue a considerable investment program to expand and optimise production in more countries as well as investing in product development and digital tools.

Overall, a positive development is expected for the Group in the coming year.

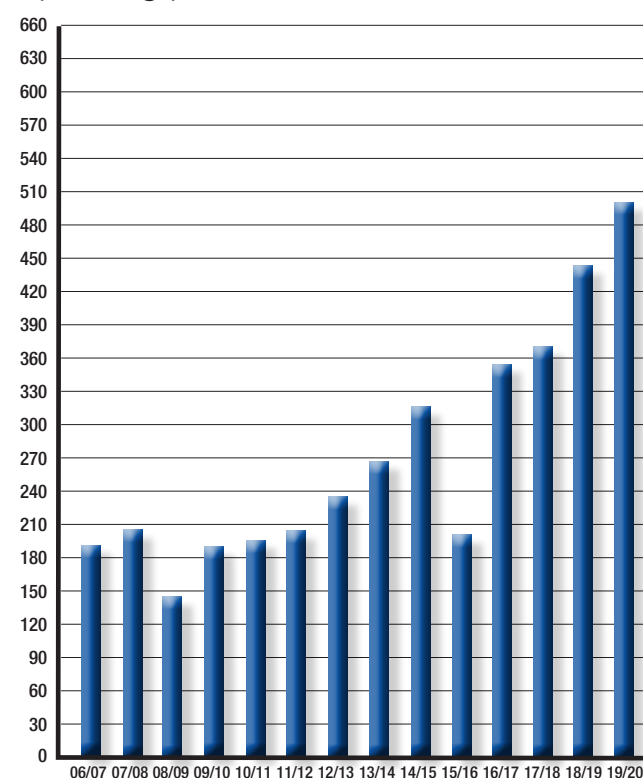
KEY FIGURES

2019/20

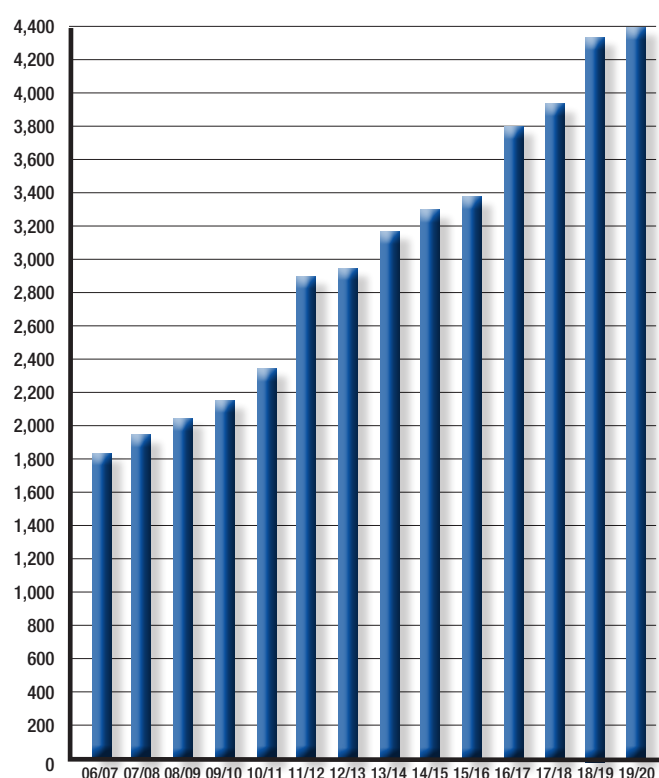
Net sales - million DKK



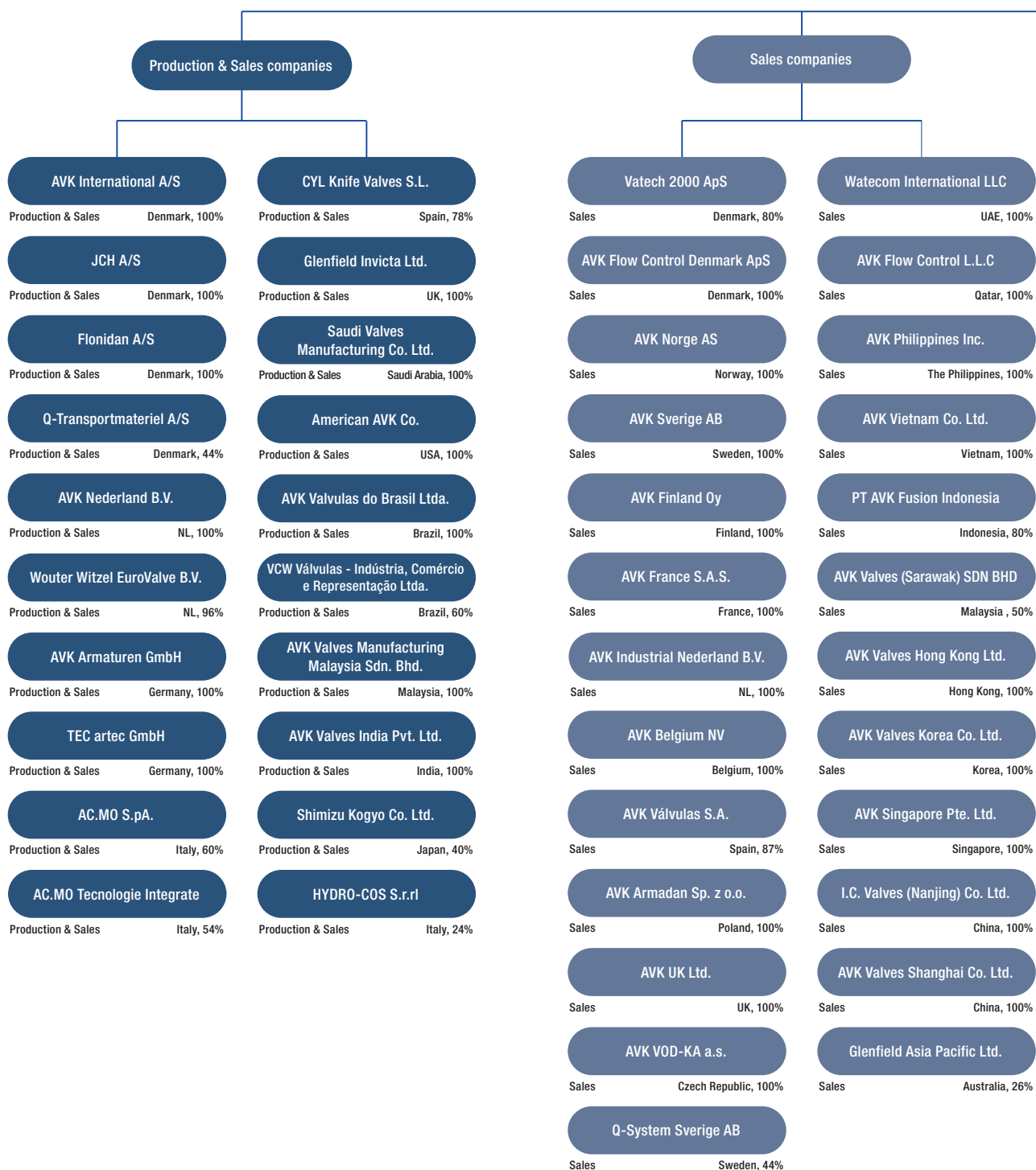
Operating profit - million DKK



Employees in the AVK Group



THE AVK GROUP OF COMPANIES



AVK Holding A/S

Production companies

AVK Polska Sp. z o.o.

Production Poland, 100%

AVK Haut Marnaise S.A.S.

Production France, 100%

Aqua Gas Manufacturing Ltd.

Production UK, 100%

Bryan Donkin Valves Ltd.

Production UK, 100%

AVK Syddal Ltd.

Production UK, 100%

AVK Valves Anhui Co., Ltd.

Production China, 100%

Furnes Group

Furnes Jernstøperi AS

Sales & production Norway, 51%

Øyhovden Trading AS

Sales Norway, 51%

Randers Jernstøberi A/S

Sales Denmark, 51%

Southern Africa Group

AVK Valves Southern Africa Pty. Ltd.

Sales South Africa, 92%

Premier Valves Pty. Ltd.

Sales South Africa, 92%

Premier Valves Mining Pty. Ltd.

Sales South Africa, 45%

AVK Manufacturing Pty. Ltd

Production South Africa, 92%

PV Engineering South Africa Pty. Ltd.

Production South Africa, 92%

AVK Industrial Pty. Ltd.

Sales South Africa, 45%

Cementation Engineering Pty. Ltd.

Production & Sales South Africa, 92%

Zenzele Valves Manufacturing

Production South Africa, 27%

Australia Group

AVK Australia Civil Ltd.

Sales Australia, 75%

AVK Valves Pty. Ltd

Production Australia, 75%

AVK Currumbin Pty. Ltd.

Production Australia, 75%

AVK Wang Pty. Ltd

Production Australia, 75%

AVK CTS Pty. Ltd.

Sales Australia, 75%

AVK Flow Control Pty. Ltd.

Sales Australia, 75%

Fusion Group

Fusion Group Ltd

Sales UK, 86%

Fusion Plastics

Production UK, 86%

Fusion Italia S.R.L.

Sales Italy, 86%

Fusion Polska sp. Z.o.o. sp. K.

Sales Poland, 86%

Ace Plastic Company Ltd.

Sales & production Egypt, 60%

Fusion Plast Pty. Ltd.

Sales Australia, 86%

AWT Fusion Sdn. Bhd.

Sales Malaysia, 43%

GH-Fusion Co. Ltd.

Sales China, 43%

