

**EXPECT
GLOBAL LEADERSHIP**

Expect... **AVR**

FINANCIAL REPORT

2017/18

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.

AVK 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 net sales for the financial year ending in September 2018 came just above the threshold of DKK 5 billion corresponding to a growth rate of 5.8%. Adjusted for acquisitions and the impact of exchange rate changes, the real organic growth was 7.5%. Following the two major acquisitions of Fusion Group in the UK and the two Australian production companies of Wang and Currumbin in the previous year, another important acquisition was added this year with ACMO Group in Italy.

The growth in sales came after the exceptional growth of 26% in the previous year and the AVK Group hereby succeeded in maintaining the positive development in sales. This reflects a continued strengthening of AVK's position on a number of markets helped by a strong economy in some key markets.

The growth in sales was realised in all business units, however with variations among markets and companies. The strongest growth came in Advanced Manufacturing with sales increasing more than 20% supported by all companies of the business unit, whereas AVK Industrial was impacted by a delay in the roll out of Smart gas meters in the UK.

The operating profit amounted to DKK 369,0 million, a 4.4% increase from the profit of 2016/17. The operating margin remained at the same level as the year before with 7.3%.

The investments in fixed assets amounting to DKK 234 million grew to almost the double of the level in the previous year and included an expansion and optimization of the production capacity of the AVK Group as well as further investments in product development and the AVK Groups IT and digital platform.

Expected Group developments

AVK expects a positive development in sales also for the coming year. The positive market conditions are expected to continue, however, with growing uncertainty, as the economic cycle, Brexit and the trade war all might impact on the market conditions for AVK. AVK will continue expanding business organically via both product and market development as well as supported by further acquisitions. The objective is to maintain a longer term growth rate of 10 % annually.

The AVK Group's presence in the growing markets in Asia, Latin America and Africa will be continuously expanded. There is a large need for infrastructure investments within the areas of water and wastewater, but also in the more mature markets infrastructure investments are required to reduce non-revenue water. Digital tools and smart products that allow for better management and control of the water supply will play a growing role in the product and service offer of AVK.

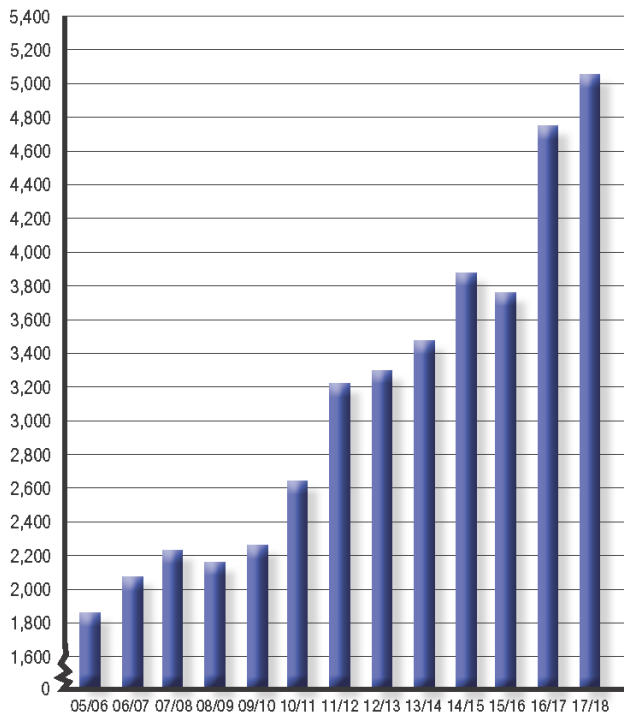
The roll out and implementation of Lean tools to improve customer service and optimize operations continue and more and more of the AVK Groups operational companies are gaining benefits from the use of these tools.

AVK will continue investing in the improvement and expansion of product range, production capacity, supply chain and digital tools to support both sales and operations. The acquisition of companies will also in the future contribute to further development of the AVK Group.

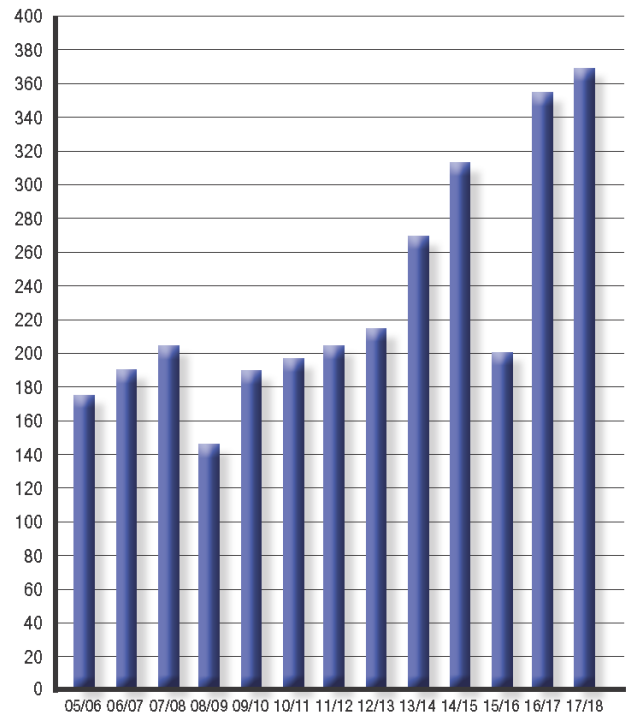
Overall, a positive development of turnover, operating profit and net profit is expected in the coming year.

KEY FIGURES 2017/18

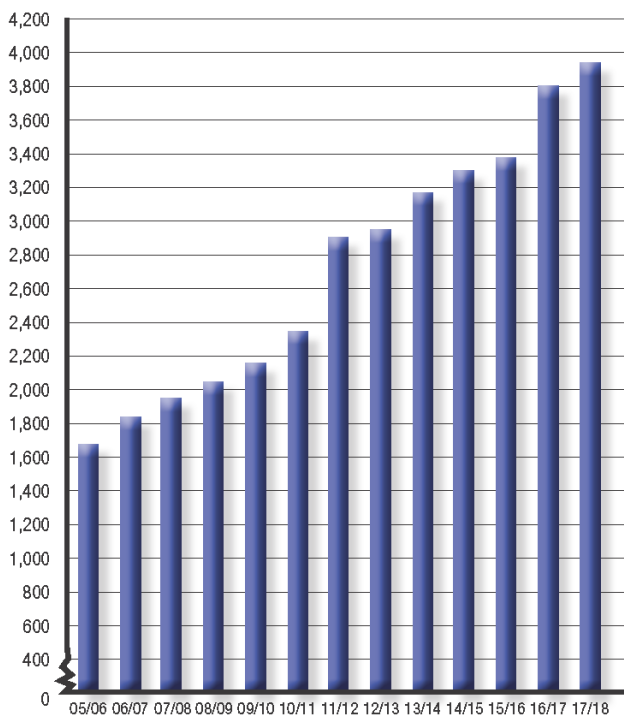
Net sales - million DKK



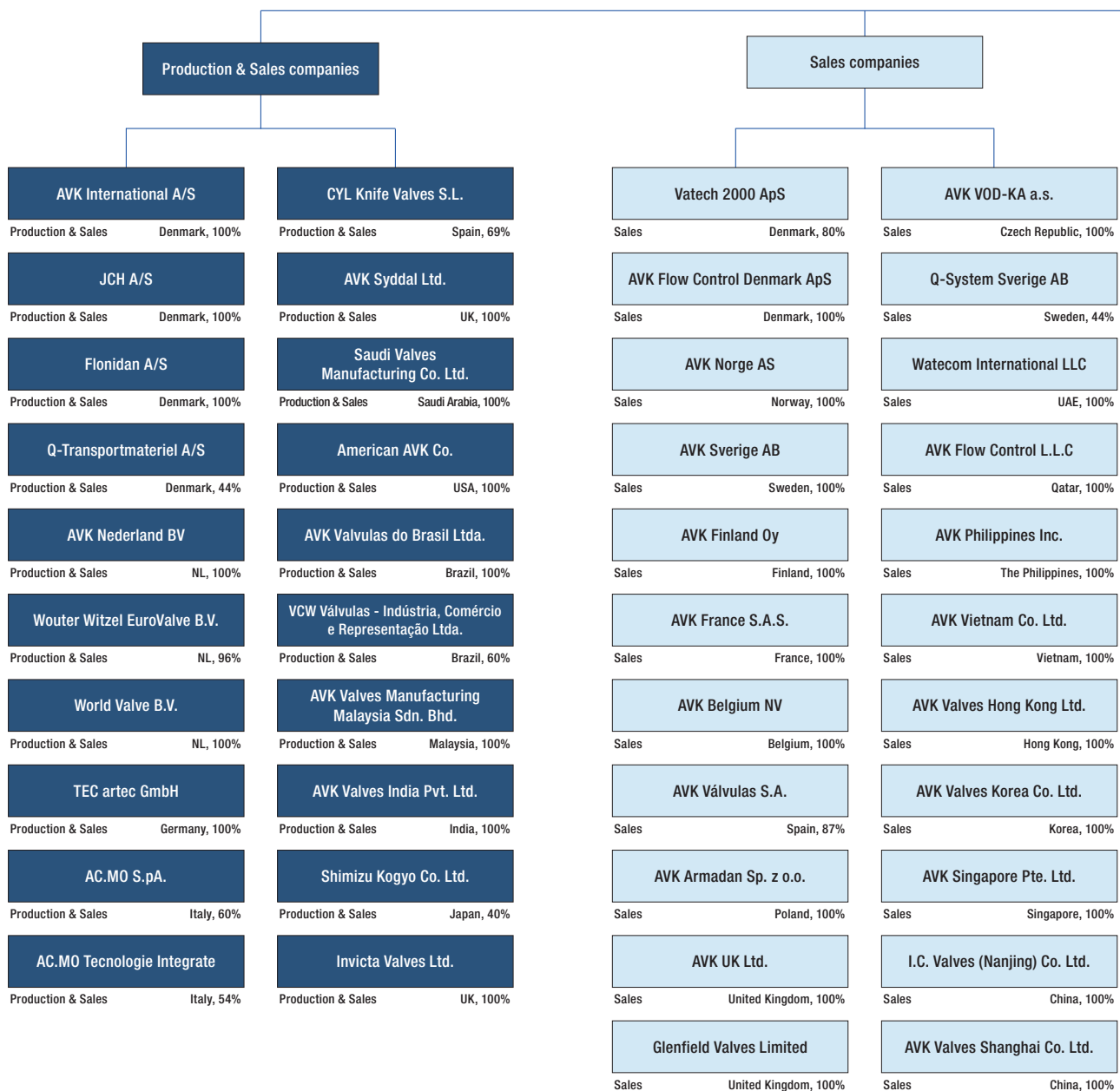
Operating profit - million DKK



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 United Kingdom, 100%

Bryan Donkin Valves Ltd.

Production United Kingdom, 100%

AVK Valves Anhui Co., Ltd.

Production China, 100%

Southern Africa Group

AVK Valves
Southern Africa Pty. Ltd.

Sales South Africa, 73%

Premier Valves Pty. Ltd.

Sales & production South Africa, 73%

Premier Valves Mining Pty. Ltd.

Sales South Africa, 36%

AVK Manufacturing Pty. Ltd.

Production South Africa, 73%

PV Engineering
South Africa Pty. Ltd.

Production South Africa, 73%

AVK Industrial Pty. Ltd.

Sales South Africa, 36%

Cementation Engineering Pty. Ltd.

Production & Sales South Africa, 73%

Zenzela Valves Manufacturing

Production South Africa, 22%

Australia Group

AVK Valves Pty. Ltd.

Sales & production Australia, 75%

AVK Currumbin Pty. Ltd.

Sales & production Australia, 75%

AVK Wang Pty. Ltd.

Sales & production Australia, 75%

AVK CTS Pty. Ltd.

Sales Australia, 75%

AVK Flow Control Pty. Ltd.

Sales Australia, 75%

Fusion Group

Fusion Plastics

Sales & 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%

PT Fusion Technologies

Sales Indonesia, 69%

GH-Fusion Co. Ltd.

Sales China, 43%

