

**EXPECT  
GLOBAL LEADERSHIP**

Expect... **AVR**

# FINANCIAL REPORT

## 2018/19

### **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 AVK Group achieved another good year in 2018/19 with sales growing 15% to DKK 5.8 billion. The real organic growth was above 9% after adjusting for acquisitions and the impact of exchange rate changes. The main acquisition in the past year was the Norwegian company Furnes, adding a product range of manhole covers to the already broad product package of the Group, and strengthening further AVK's market leading position in the water market in the Nordic countries.

The growth in sales was broadly based across the three business units and founded on the on-going and longterm 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 442,6 million, a 20% increase from the profit of 2017/18. The operating margin improved to 7.6% from 7.3% the year before.

The investments in fixed assets amounting to DKK 290 million was at a historic high and included factory expansions in Spain, China, Saudi Arabia and Denmark. A major part of the investments went into expansion and optimization of the production capacity, product development and extension and roll-out of the Group's IT platform.

### **Expected AVK Group development**

AVK expects a positive development in sales also for the coming year, but at a lower growth rate than the year before. In some markets, we expect market conditions to be affected negatively with trade war and other threats to the global economy. Our focus will, however, remain on the many growth opportunities for the Group companies supported by the continuous expansion of the product package and markets served.

AVK supports the fulfillment of the UN Sustainable Development Goals. The products and solutions of the Group have a positive impact on more of these goals, which again support the further growth for AVK.

In AVK Water, the growing focus on investments into the water supply and waste water treatment to fulfill the ambition of clean water and sanitation for all people of the world does secure the 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 reducing the non-revenue 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 strong position for 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 material, 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%.

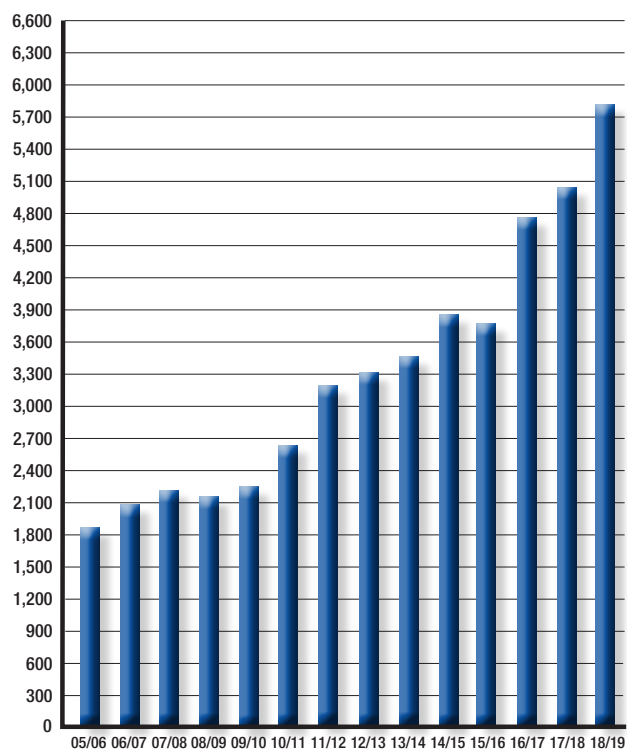
The roll-out and implementation of Lean tools to improve customer service and optimize operations continue and more and more of the AVK Groups' operational companies are gaining benefits from the use of these tools.

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.

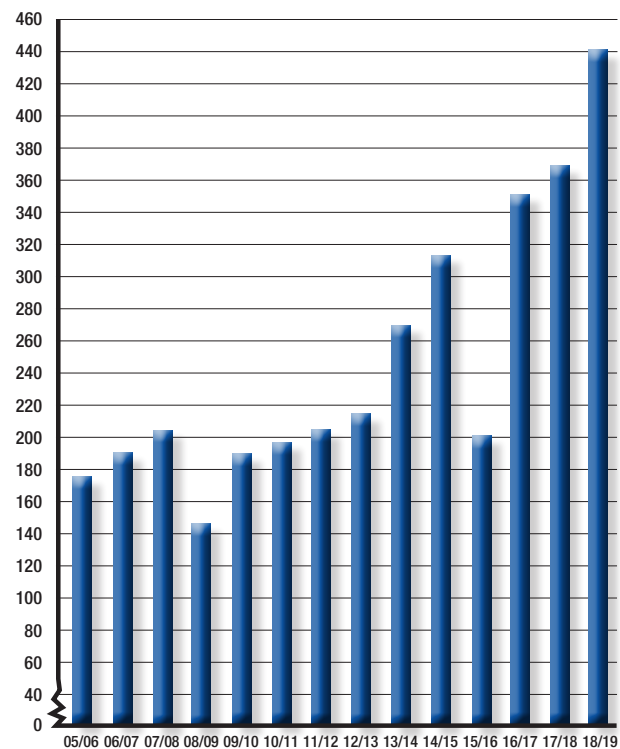
Overall, a positive development in turnover, operating profit and net profit is expected in the coming year.

# KEY FIGURES 2018/19

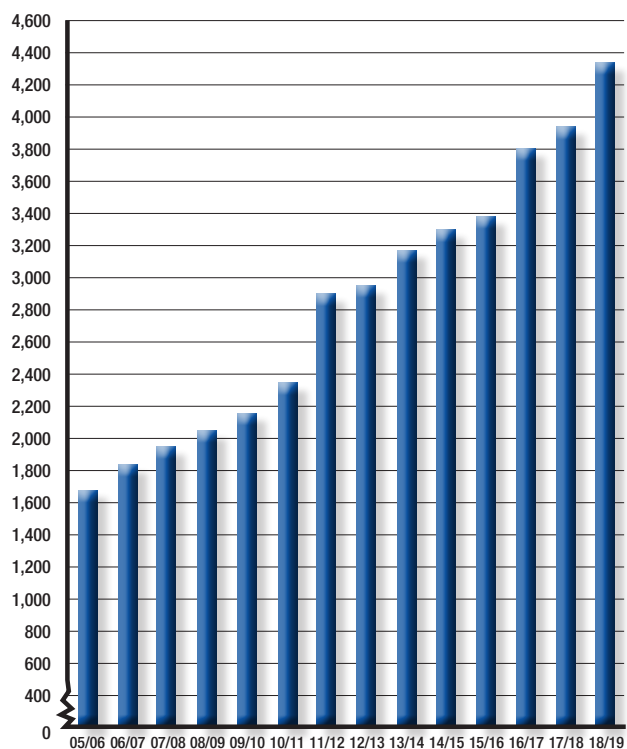
Net sales - million DKK



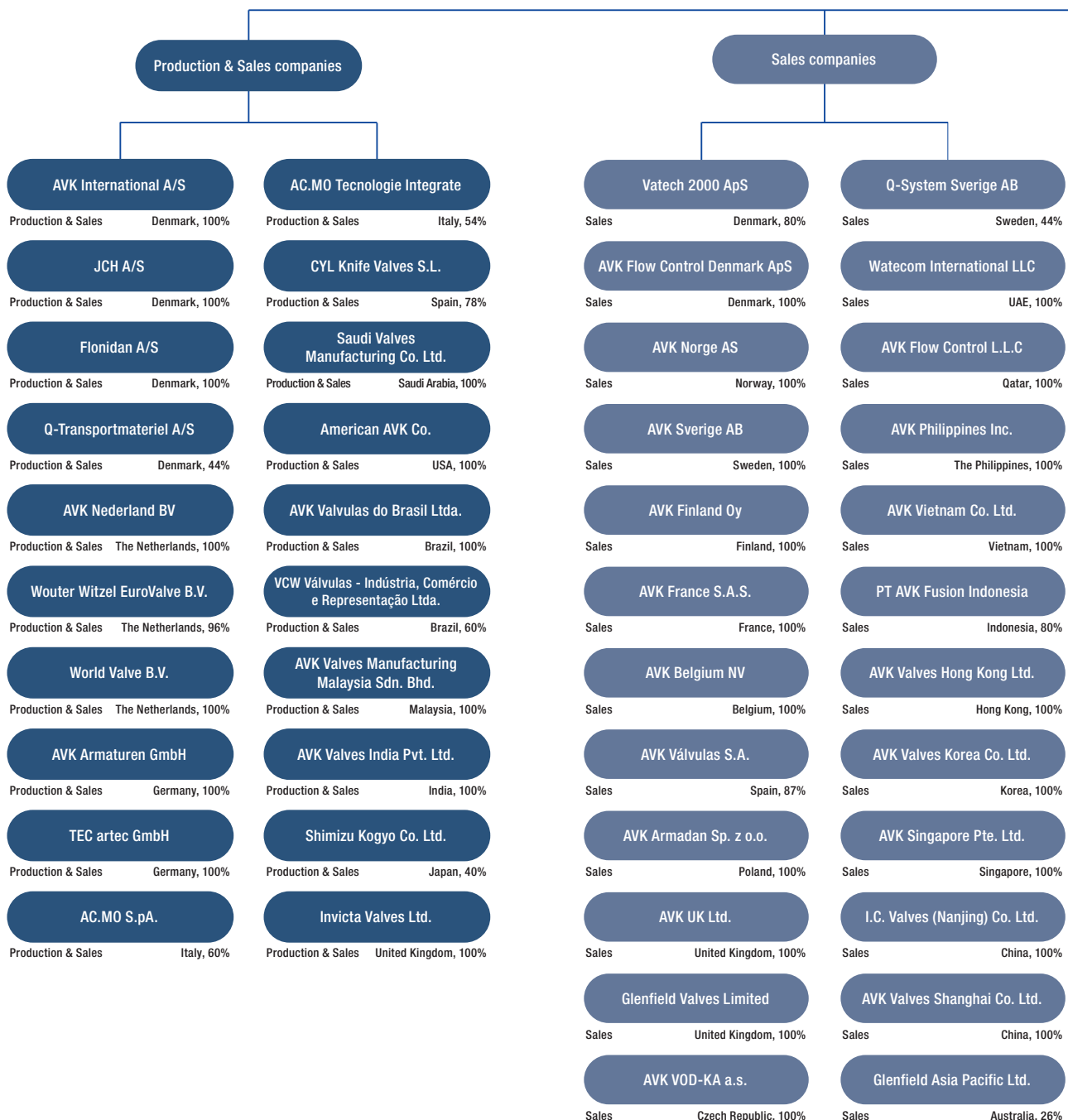
Operating profit - million DKK



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 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%

### Zenzela Valves Manufacturing

Production South Africa, 27%

## 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 United Kingdom, 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%

