

**EXPECT
GLOBAL LEADERSHIP**

Expect... **AVR**

FINANCIAL REPORT

2016/17

Main activities

The AVK Group is divided into three main business divisions: AVK Water, AVK Industrial Valves and AVK Advanced Manufacturing. These divisions are built upon the more than 90 operational companies in the Group designing, producing and selling our own products into a range of business segments.

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 Valves is built upon companies as Orbinox, InterApp and Wouter Witzel, which offer a comprehensive program of valve solutions marketed 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 the industrial division as well.

Advanced Manufacturing comprises companies supplying rubber-, plastic and metal components to both companies in the Group and external customers in various industries including food, pharmaceutical, transport and wind energy.

Production and sales take place via the Group's network of own companies in Europe, the Middle East, North and South America, Australia, Asia and Africa.

Development of key financial figures

The net sales of DKK 4.7 billion was well above last year with a growth rate of 26%, which was supported by the acquisition of Fusion Group in the UK and the two Australian production companies of Wang and Currumbin contributing 10% of the growth in sales. The organic growth was still an impressive 15% achieved across the 3 business units and with a positive development in most markets.

AVK Water realised a strong growth of more than 25%. Even if more positive market conditions supported the growth, most was achieved by strengthening the position of AVK in both the mature markets of Europe, North America and Australia, as well as in emerging markets as India, South Africa and South East Asia.

The sales of AVK Industrial Valves re-bounced strongly after a weak year with a growth rate above 30% broadly based among the industrial companies as InterApp, Orbinox, Wouter Witzel and especially Flonidan, which has gained a strong position in the market for smart gas meters in especially the Netherlands and the UK.

For the Advanced Manufacturing companies sales of the past year grew almost 10% supported by a positive development in especially AVK GUMMI and the Plastics Group.

The operating profit amounted to DKK 364.4 million, a 70% increase from the profit of 2015/16. The operating margin improved to 7.6% from 5.6% supported by the increase in sales and the continuous effort to optimise operations including the roll-out of lean tools. Lean is presently being rolled out

in 8 operational companies with the aim to improve delivery service, reduce stock levels, speed up product development and lower operational costs.

The investment level in the year was kept at a lower level than previous years as the aim was to achieve better capacity utilisation and improve cash flow, but plans are in place to further expand the Group's production capacity to support the expected growth in the coming years.

Expected Group developments

We expect a positive development in sales also for the coming year. The positive market conditions are expected to continue, which along with the latest acquisitions and the expansion of the Group's market position and product range will secure a growth rate close to or above the long-term objective of 10% annually.

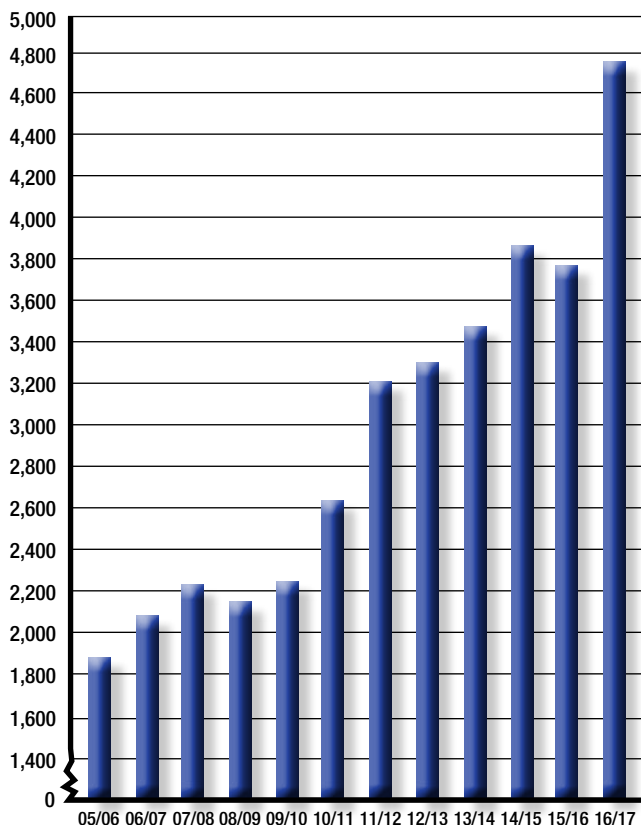
The Group's presence in the growing markets in Asia, Latin America and Africa will be continuously expanded. There is a large need for infrastructure investments within the areas of water and waste water, but also in the more mature markets infrastructure investments are required to reduce non-revenue 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.

We will continue investing in the improvement and expansion of our 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 Group.

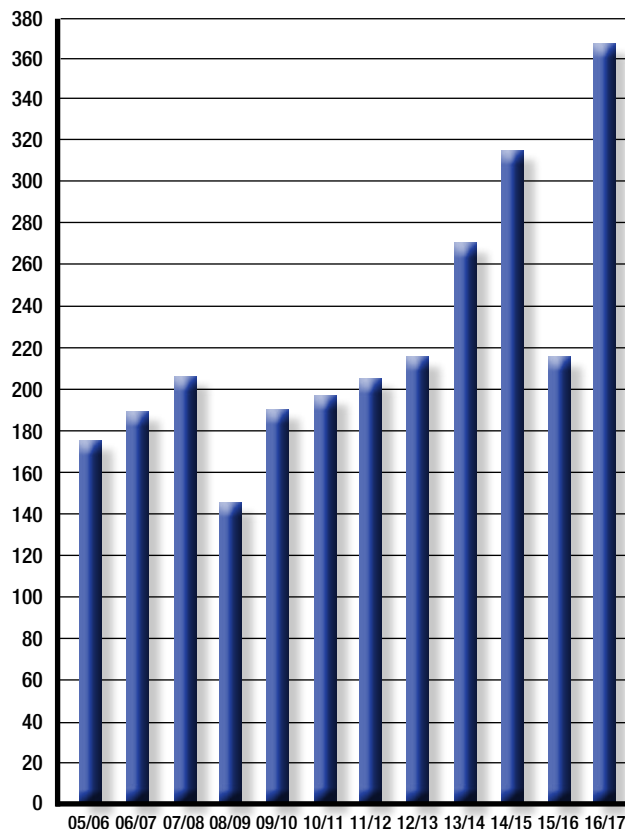
Overall, a positive development of turnover, operating profit and net profit is expected in the coming year.

KEY FIGURES 2016/17

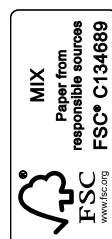
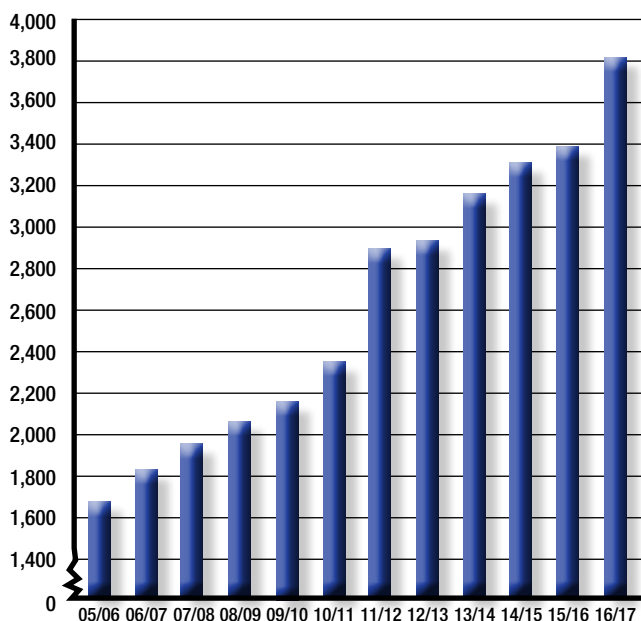
Net sales - million DKK



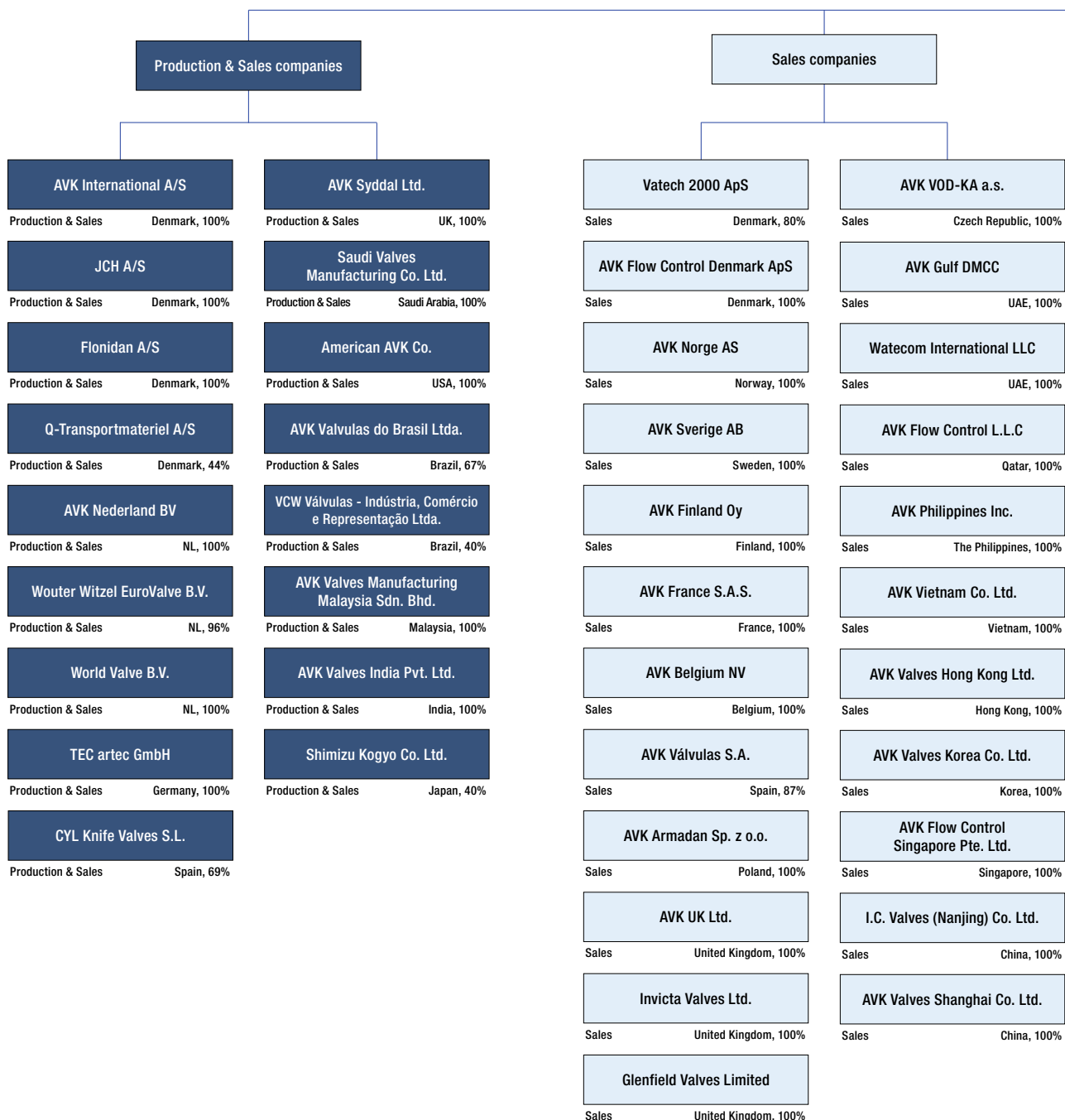
Operating profit - million DKK



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%

South Africa Group

AVK Valves
Southern Africa Pty. Ltd.

Sales South Africa, 73%

Premier Valves Pty. Ltd.

Sales & production South Africa, 73%

Premier Valves West Rand Pty. Ltd.

Sales South Africa, 36%

AVK Manufacturing Pty. Ltd.

Production South Africa, 73%

PV Engineering
South Africa Pty. Ltd.

Production South Africa, 73%

PV Process Solutions 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, 67%

GH-Fusion Co. Ltd.

Sales China, 43%

