

**EXPECT
GLOBAL LEADERSHIP**

Expect... **AVR**

FINANCIAL REPORT

2020/21

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, wastewater treatment and fire protection with an extensive product range of valves, hydrants and accessories.

AVK Industrial is built upon companies with strong niche positions with valve solution into industrial water treatment in segments as power generation, oil & gas, the marine sector, pulp and paper, mining, the chemical industry and air separation. 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, transport and wind energy.

Production and sales take place via the AVK Group's network of more than 100 companies in 37 countries across Europe, the Middle East, North and South America, Australia, Asia and Africa.

Development of key financial figures

The sales came to DKK 6.4 billion in 2020/21, which is a growth of 6% from the previous year. Sales in many markets continued to be affected by Covid-19 during the first half year, but all three business units have experienced a significant increase in activities throughout the year, and the Group finished the year with double digit growth in sales.

The growth in sales was achieved across the business 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.

During the year, AVK has acquired the Croatian company OMV Indoil with production facilities in both Croatia and Bosnia. OMV produces and sells a product package of ball, butterfly and gate valves for industrial applications among these transformers, oil, gas and water treatment in domestic as well as export markets. OMV products will be included in the global product range of AVK's industrial sales companies.

The operating profit amounted to DKK 681 million, a 36% increase from the profit of 2019/20. The operating margin improved to 10.6% from 8.3% 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 251 million. 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. A growing part of the investments are going into the green transition.

Expected AVK Group development

AVK will continue to focus on growing our business within all three business units and we maintain the long-term ambition of an annual growth rate of 10%.

AVK supports the UN Sustainable Development Goals, and we have special focus on the goal related to clean water and sanitation (SDG 6). A reduction of CO₂-emission and sustainable solutions are getting more and more attention on the political agenda all over the world, and AVK is fully conscious of its responsibility and possible contributions. AVK's products already contribute greatly to a lower CO₂ footprint through reduction of water loss (less energy consumed) and recycling of materials for both the metal and plastics products of the Group. The increased attention to sustainability is considered a positive growth factor for the Group.

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. The acquisition of OMV Indoil will further strengthened the global product range of AVK's industrial sales companies.

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.

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.

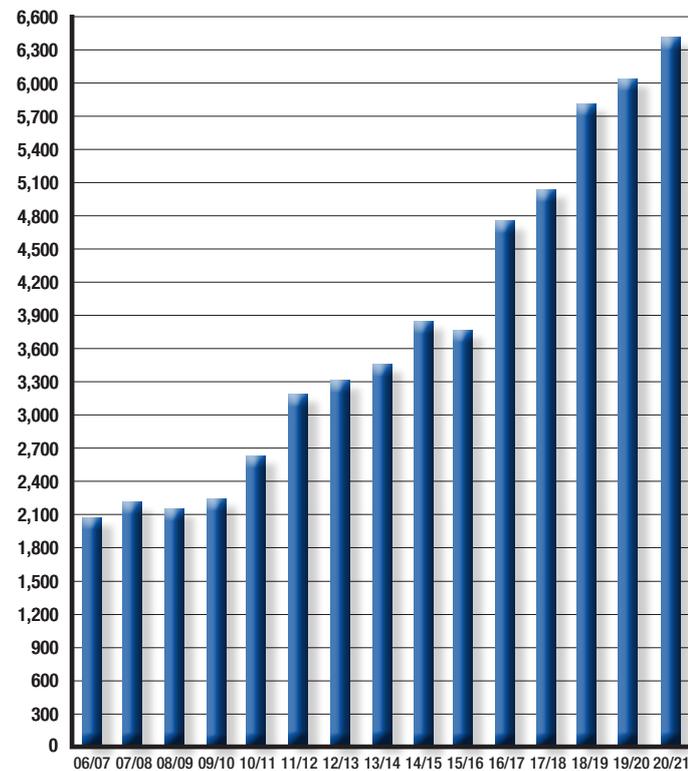
Digital solutions will have an increasing significance on the Group's interaction with and service to customers, and in addition contribute to the optimisation of the Group's supply chain and internal processes.

A significant investment programme is planned for the next year to secure capacity for continued growth, to comply with national requirements for local production and sourcing in an increasing number of markets, and to optimise the Group's operations as well as the green transition.

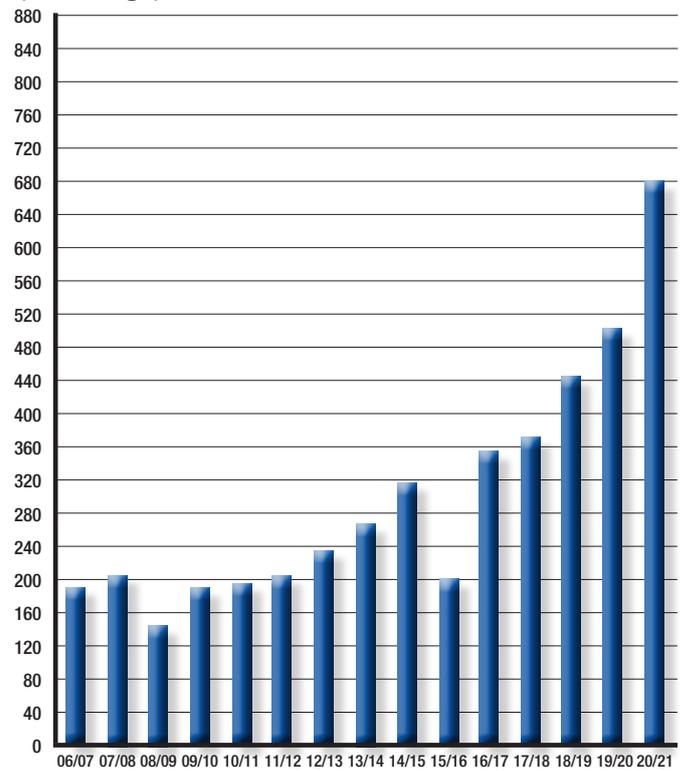
Overall, a positive development is expected for the Group in the coming year.

KEY FIGURES 2020/21

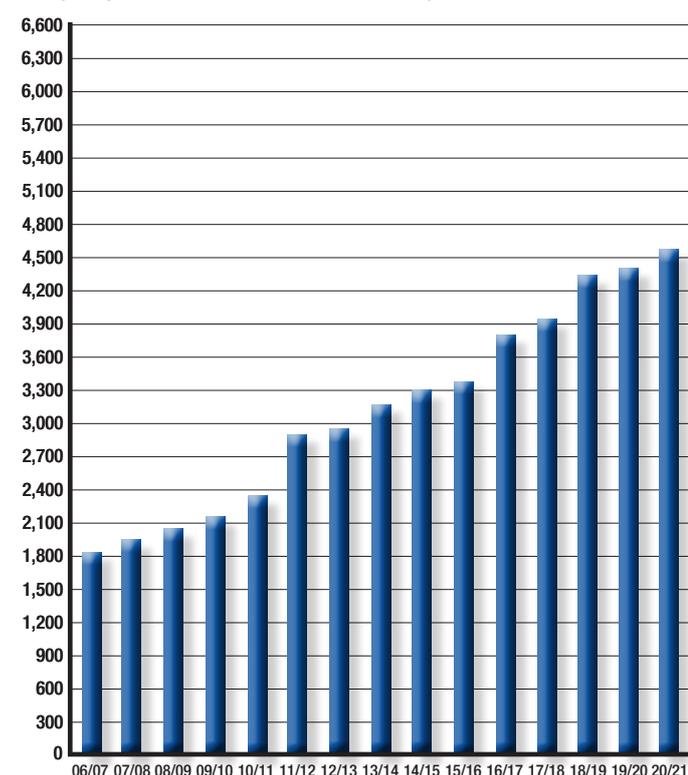
Net sales - million DKK



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%

OMV-INDOIL Bosnia d.o.o.

Production Bosnia, 70%

AVK Valves Anhui Co., Ltd.

Production China, 100%

AVK Advanced Castings Anhui Co. Ltd.

Production China, 100%

Furnes Group

Furnes Jernstøperi AS

Production & 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 South Africa, 92%

Zenzele Valves Manufacturing

Production & Sales South Africa, 27%

Australia Group

AVK Australia Holding Pty. 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, 93%

Fusion Plastics

Production UK, 93%

Fusion Italia SRL

Sales Italy, 93%

Fusion Polska Sp. z o.o.

Sales Poland, 93%

Ace Plastic Company Ltd.

Production & Sales Egypt, 65%

Fusion Plast Pty. Ltd.

Sales Australia, 93%

AWT Fusion Sdn. Bhd.

Sales Malaysia, 46%

GH-Fusion Co. Ltd.

Production & Sales China, 43%

