Year-end report Jan-Dec 2019

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Improved profitability and strong cash flow

OCTOBER – DECEMBER 2019

Net sales: SEK 5,447 million (5,609) -2.9%

EBITA*: SEK 516 million (492) +4.9%

EBITA-margin*: 9.5% (8.8)

JAN – DECEMBER 2019

Net sales: SEK 20,827 million (19,773) +5.3%

EBITA*: SEK 1,809 million (1,716) +5.4%

EBITA-margin*: 8.7% (8,7)

*Excl Items affecting comparability

- In general, stable markets in most segments and regions. Lower volumes in the automotive segment
- Cost synergies exceeding target, reflected in margin growth
- Extended cost synergy and efficiency program into 2020
- Repositioning of Division Energy with negative impact on results of 105 MSEK (reported as IAC)

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REPORTED NUMBERS

With Pöyry acquisition, growth up 38% q/q

OCTOBER – DECEMBER 2019

Net sales: SEK 5,447 million (3,957) +37.7%

EBITA*: SEK 516 million (357) +44.5%

EBITA-margin*: 9.5% (9.0)

JAN – DECEMBER 2019

Net sales: SEK 19,792 million (13,975) +41.6%

EBITA*: SEK 1,731 million (1,268) +36.5%

EBITA-margin*: 8.7% (9.1)

*Excl Items affecting comparability

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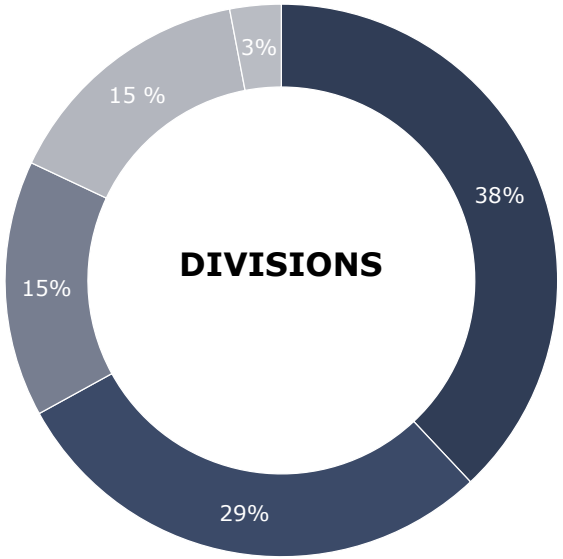
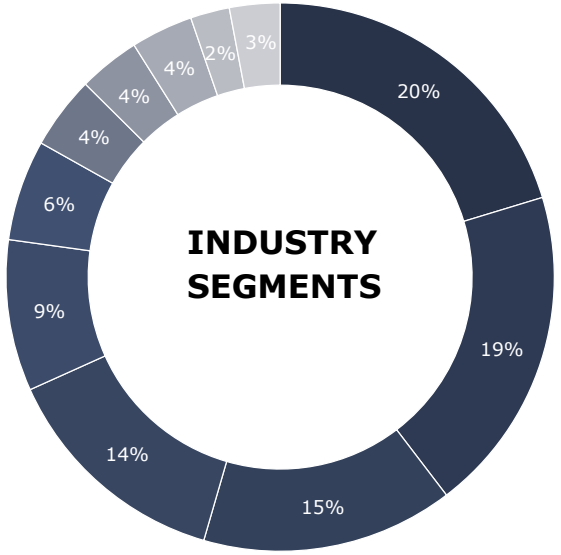
Market update

- In general, stable markets in most segments and regions.
- Core markets show continued solid demand in Infrastructure, however some postponed projects within transportation.
- Generally stable demand within Industrial & Digital Solutions. The automotive segment has stabilized vs previous quarter, but still on low levels. Continued good demand in defense and food & pharma.
- Continued strong demand in Process Industries, especially in the Nordics and South America.
- Improved demand in the Energy division, especially in nuclear. Some delays in investment decisions.

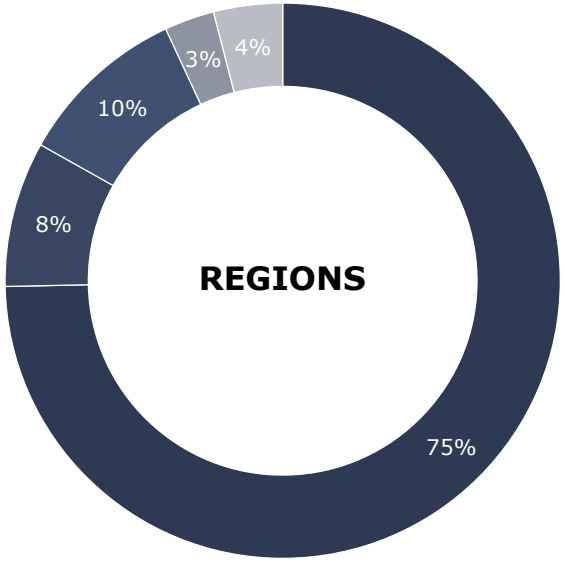
A diversified portfolio, share of revenue 2019



- Infrastructure
- Industrial & Digital Solutions
- Process Industries
- Energy
- Management Consulting



- Infrastructure
- Energy and Power
- Process Industry
- Real Estate
- Automotive and Vehicles
- Life Science, Food & pharma
- Telecom and ICT
- Manufacturing Industry
- Management Consulting
- Defence
- Other



- Nordics
- Switzerland
- Other Europe
- Asia
- Other

Cost synergy program of 2019 exceeding target - program extended to 2020

COST SYNERGY PROGRAM 2019

- A total of **218 MSEK** run-rate synergies achieved end of 2019 while target was 180 MSEK
- Good progress in many areas, among others real estate
- Integration costs amounted to 215 MSEK and aligned with expectation of 1MSEK cost for 1MSEK of synergy

COST AND EFFICIENCY PROGRAM 2020

- Synergy program extended to 2020 with target of **120 MSEK**
- Estimated additional costs of investments on IT platform 50-70 MSEK
- Total run rate of 50-70 MSEK P&L impact targeted for 2020

TOTAL COST AND EFFICIENCY SAVINGS 2019-2020

Total: ***338 MSEK***

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Cost and efficiency program 2020 – targeting 120 MSEK

COST AND EFFICIENCY PROGRAM

Total target of 120 MSEK (run rate 2020) Efficiency of operations

- Improved organizational efficiency – improved utilization
- Leverage of revenue synergies from merger to be visible in cost structure
- Continued optimization of span of management

Efficiency of platform

- Continued integration especially IT tools and facilities
- Continued platform efficiency project

INVESTMENTS

Estimated additional costs of investments appr. 50-70 MSEK

- IT-platforms – Enhanced back-office/back-end operations & tools, also ERP that is capitalized but start impacting in P&L in Q4/20
- AFRY-integration and branding

TOTAL RUN RATE

Total run rate of
50-70 MSEK
P&L impact
targeted for 2020

Repositioning of Energy Division

- In Q4 the analysis of the structure was completed and actions are ongoing
- The program consist of exits from certain markets/projects and a renewed sales structure
- The positive effects are expected to be visible in H1
- Negative impact on results of 105 MSEK in Q4 compared to earlier communicated range of 130-150 MSEK (reported as IAC)

Example of projects

- New framework agreement with Region Uppsala on project planning
- New contract for designing an extension to the Tampere tram network in Finland
- New contract with the food manufacturer Oatly where ÅF Pöyry will deliver two new process lines to Oatly's production plant in the Netherlands
- ÅF Pöyry selected as St1's engineering partner in a new renewable fuel production unit investment project in Gothenburg, Sweden
- ÅF Pöyry wins major order from Chr. Hansen in Denmark to modernize their production plant in Roskilde
- ÅF Pöyry was chosen to coordinate the Finnish government initiative "climate neutral Finland 2035"

Growth affected by decline in automotive and some other segments

COMBINED, Q4 2019

— Total growth: -2.9%

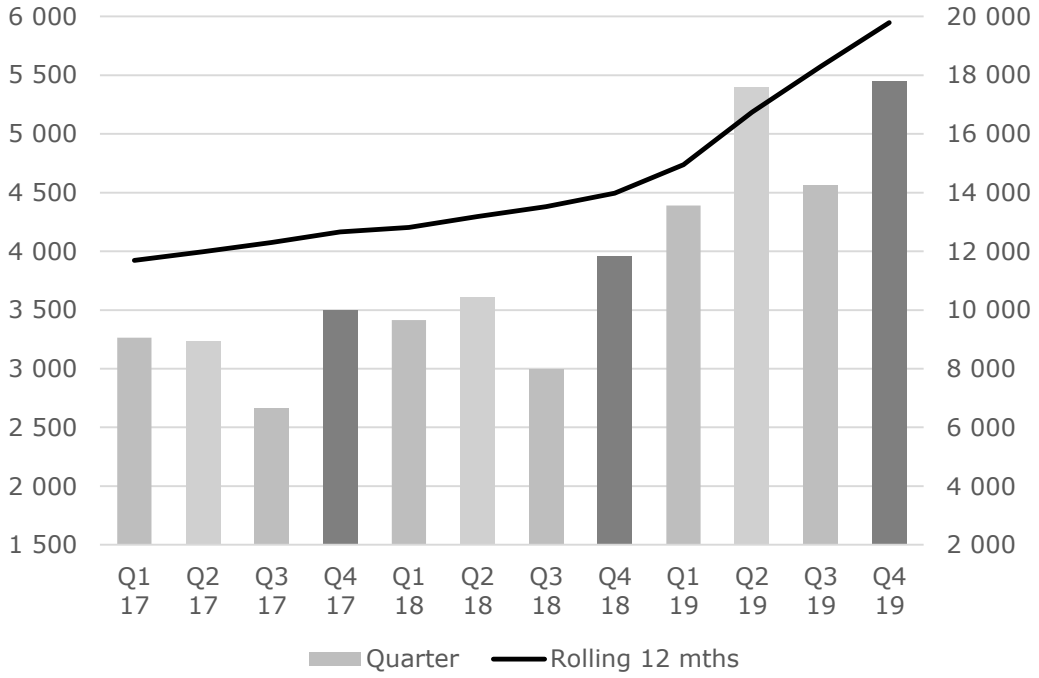
REPORTED, Q4 2019

— Total growth: 37.7%
— Organic growth: -3.9% (6.7)
— Adjusted/underlying organic growth: -2.6% (8.2)

COMMENTS

— Solid growth in Infrastructure and Process Industries
— Lower volume in the automotive segment, and decline in Energy due to a large EPC+ project reaching its final stage

REPORTED NET SALES, MSEK



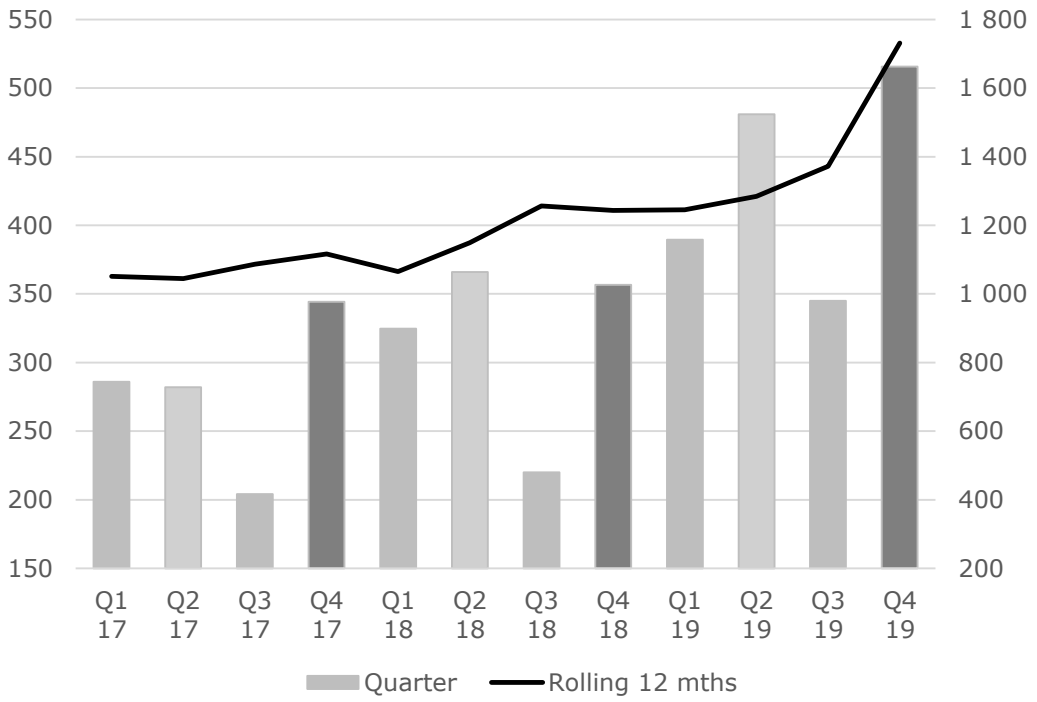
Improved profitability

COMBINED, Q4 2019*
- EBITA increased to SEK 516 million (492)
- EBITA margin 9.5% (8.8)

REPORTED, Q4 2019*
- EBITA increased to SEK 516 million (357)
- EBITA margin up to 9.5% (9.0)

COMMENTS
- Cost synergy program combined with focus on efficiency impacting favorably EBITA margin and creating a strong platform going for 2020
- Solid performance in most of the segments, negative impact mainly from Automotive but also from delayed projects in Transportation
- Items affecting comparability totaled 189 MSEK and relate to integration costs and repositioning costs for division Energy

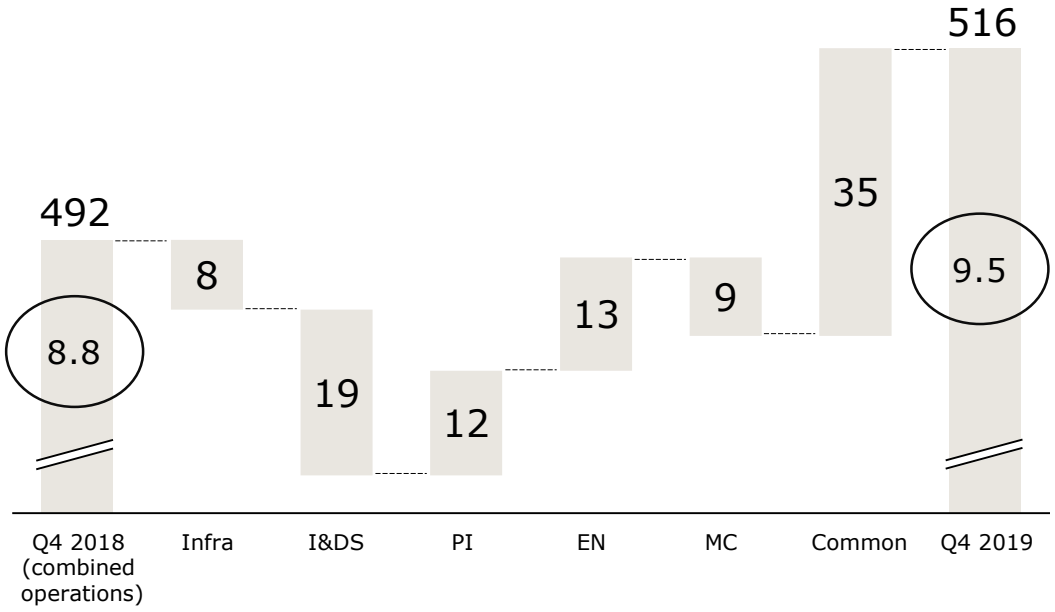
REPORTED EBITA, MSEK
excl. items affecting comparability



* Excl. items affecting comparability

Profitability improving despite negative calendar effect

Q4 ORGANIC GROWTH, ADJUSTED WITH CALENDAR EFFECTS

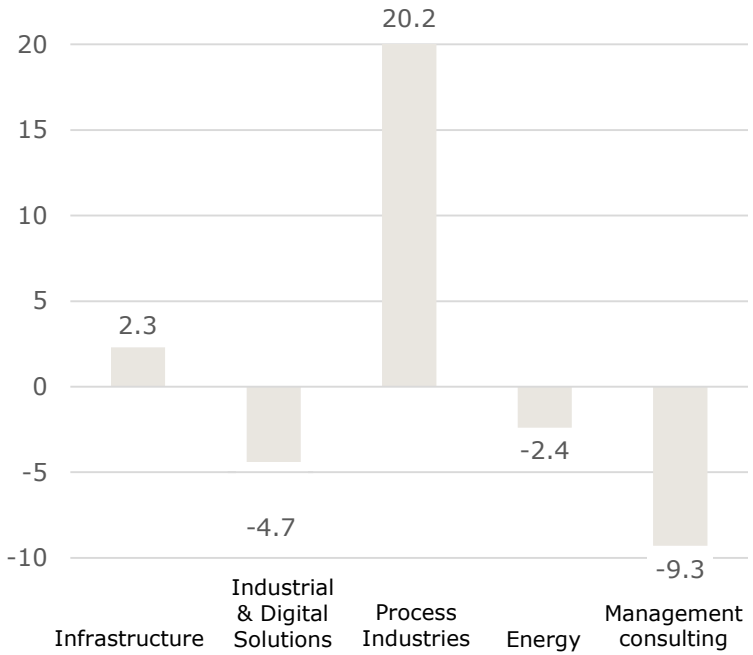


EBITA CHANGE COMPARED TO PREVIOUS YEAR

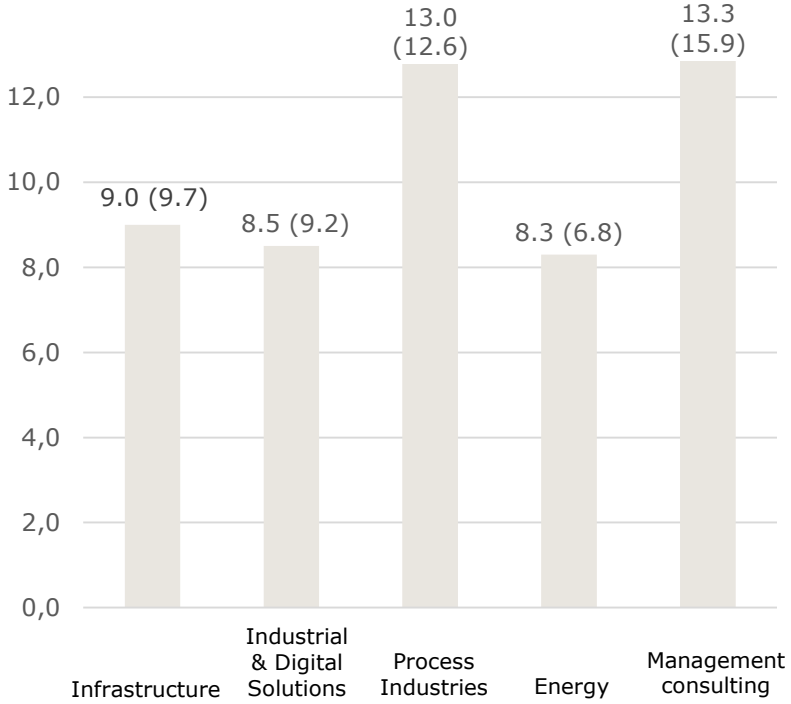
- Negative calendar impact due to one working day less
- Sequential improvement in all divisions
- Synergies visible especially in group expenses

Growth and Profitability

Q4 ORGANIC GROWTH, ADJUSTED WITH CALENDAR EFFECTS*



Q4 EBITA % (previous year)*



* Combined operations

INFRASTRUCTURE

— Solid growth in most segments, profitability seeing sequential improvement

INDUSTRIAL & DIGITAL SOLUTIONS

— Growth and profitability mainly affected by lower volumes in automotive segment

PROCESS INDUSTRIES

— Strong growth mainly in the Nordics and South America, profitability on a high level

ENERGY

— Decline in growth due to a large EPC+ project nearing completion, improved profitability due strong development in nuclear and the contracting business

MANAGEMENT CONSULTING

— Growth affected by normal volatility in success fees, profitability in line with last year

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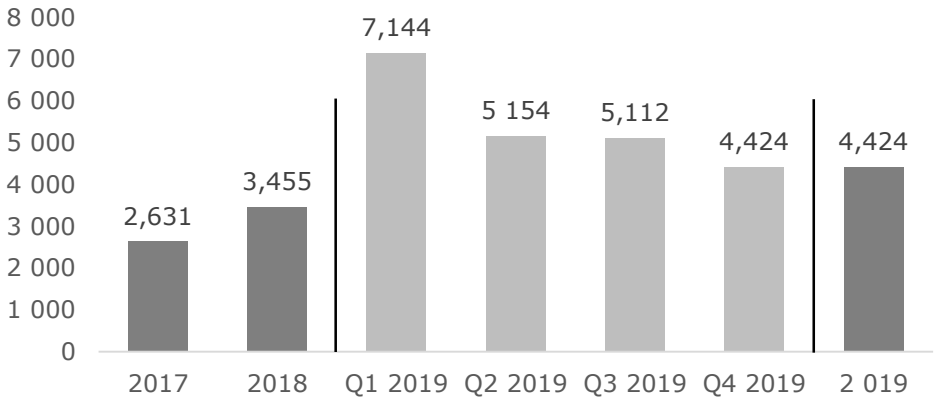
Net debt development

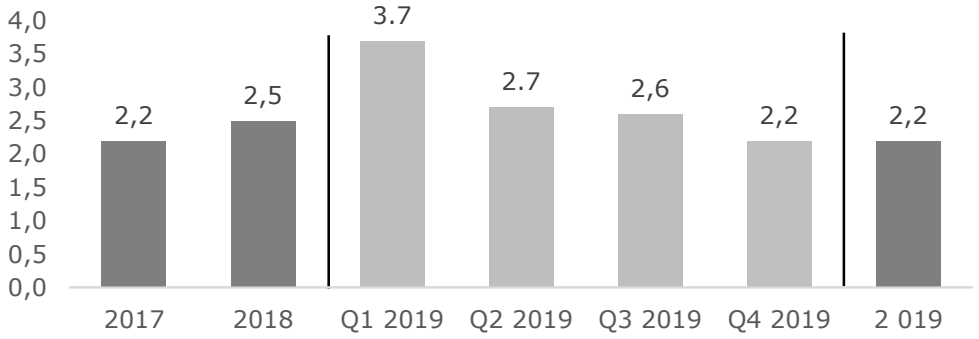
COMMENTS

- Strong operating cash flow in Q4 pushing adjusted Net Debt/EBITDA to 2.2 (reported at 3.0)
- Net Debt increased by 969 MSEK compared to last year
- Increased due to considerations paid (mainly Pöyry) of 5,201 MSEK and dividend 560 MSEK
- Reduced due to emission of new shares 3,967 MSEK and cash flow from operations 1,473 MSEK
- Available liquid assets of 997 MSEK and unutilised credit lines of 2,297 MSEK
- Board of Directors is proposing a dividend of 5.0 SEK per share

Net Debt, MSEK
excl. items affecting comparability and IFRS16



Net Debt/EBITDA*
excl. items affecting comparability and IFRS16



** Calculated excluding IFRS16 impact, including Pöyry for rolling 12m and excluding items affecting comparability*

In 2019 ÅF and Pöyry became AFRY

- In February 2019 ÅF and Pöyry joined forces in order to become an international engineering, design and advisory company
- In November 2019 ÅF Pöyry launched a new common brand, AFRY.
- With a strong focus on sustainable solutions we bring the best from ÅF and Pöyry into the new brand AFRY.

Summary

- Improved profitability and strong cash flow
- Overall solid demand in most segments
- Growth affected by decline in automotive and some other segments
- Integration and 2019 cost synergies exceeding target now reflected in margin growth
- Extended cost synergies and implementation of IT-investments in 2020
- Continued focus on efficiency in all divisions
- Launch of common brand, AFRY

Q&A

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Infrastructure

Key Ratios	Oct – Dec 2019	Oct – Dec 2018	Full year 2019	Full year 2018
Net sales, MSEK	2,105	1,680	7,670	5,955
EBITA, MSEK	191	185	685	637
EBITA margin %	9.0	11.0	8.9	10.7
Average number of employees, FTEs	5,962	4,660	5,729	4,445
Total growth, %	25.3	-	28.8	-
Structural changes, %	23.3	-	22.2	-
Currency, %	0.5	-	1.0	-
Organic, %	1.5	-	5.5	-
Adjusted/underlying organic growth due to calendar effect, %	2.3	-	5.7	-
Total combined growth, %	2.4	-	8.9	-

- Fourth quarter net sales amounted to SEK 2,105 million (1,680)
- EBITA amounted to SEK 191 million (185) and the EBITA margin was 9.0% (11.0)
- Combined revenue amounted to 2,105 (2,055), EBITA to 191 (199) and the EBITA-margin to 9.0 (9.7)
- Some project within transportation closed with lower profitability than expected
- Activity continues to be on a high level

Industrial & Digital Solutions

Key Ratios	Oct – Dec 2019	Oct – Dec 2018	Full year 2019	Full year 2018
Net sales, MSEK	1,540	1,628	5,805	5,782
EBITA, MSEK	131	150	486	525
EBITA margin %	8.5	9.2	8.4	9.1
Average number of employees, FTEs	3,797	3,863	3,800	3,748
Total growth, %	-5.4	-	0.4	-
Structural changes, %	0.8	-	1.2	-
Currency, %	0.2	-	0.2	-
Organic, %	-6.4	-	-1.0	-
Adjusted/underlying organic growth due to calendar effect, %	-4.7	-	-0.6	-

- Fourth quarter net sales amounted to 1,540 MSEK (1,628)
- EBITA amounted to SEK 131 million (150) and the EBITA margin was 8.5% (9.2)
- Lower demand in automotive, but stabilized towards the end of the quarter
- Continued strong demand in Food & Pharma and Defence

Process Industries

Key Ratios	Oct – Dec 2019	Oct – Dec 2018	Full year 2019	Full year 2018
Net sales, MSEK	917	223	3,047	811
EBITA, MSEK	119	33	323	91
EBITA margin %	13.0	14.7	10.6	11.2
Average number of employees, FTEs	3,075	747	2,680	688
Total growth, %	311.4	-	275.5	-
Structural changes, %	292.0	-	262.1	-
Currency, %	0.4	-	0.5	-
Organic, %	18.9	-	13.0	-
Adjusted/underlying organic growth due to calendar effect, %	20.2	-	14.0	-
Total combined growth, %	8.2	-	8.9	-

- Fourth quarter net sales amounted to SEK 917 million (223)
- EBITA amounted to 119 MSEK (33) and the EBITA margin was 13.0% (14.7)
- Combined revenue amounted to 917 (847), EBITA to 119 (107) and the EBITA-margin to 13.0 (12.6)
- Strong demand and cont. investments in many regions, especially Pulp & Paper
- Digitalisation and sustainability remains high on the agenda in all process industry sectors

Energy

Key Ratios	Oct – Dec 2019	Oct – Dec 2018	Full year 2019	Full year 2018
Net sales, MSEK	871	430	3,001	1,559
EBITA, MSEK	73	13	215	72
EBITA margin %	8.3	3.1	7.2	4.6
Average number of employees, FTEs	2,016	1,015	1,885	992
Total growth, %	102.6	-	92.5	-
Structural changes, %	103.1	-	93.1	-
Currency, %	3.1	-	2.8	-
Organic, %	-3.6	-	-3.4	-
Adjusted/underlying organic growth due to calendar effect, %	-2.4	-	-2.4	-
Total combined growth, %	-1.4	-	7.6	-

- Fourth quarter net sales amounted to SEK 871 million (430)
- EBITA amounted to 73 MSEK (13) and the EBITA margin was 8.3% (3.1)
- Combined revenue amounted to 871 (884), EBITA to 73 (60) and the EBITA-margin to 8.3 (6.8)
- Improved demand especially within nuclear
- Strong performance within contracting due to a large EPC+ project nearing completion. Lower revenue levels expected in 2020.
- Some delays in investment decisions
- Repositioning costs amounted to 105 MSEK reported as items affected comparability

Management Consulting

Key Ratios	Oct – Dec 2019	Oct – Dec 2018	Full year 2019	Full year 2018
Net sales, MSEK	211	-	668	-
EBITA, MSEK	28	-	92	-
EBITA margin %	13.3	-	13.7	-
Average number of employees, FTEs	362	-	300	-
Total growth, %	-	-	-	-
Structural changes, %	-	-	-	-
Currency, %	-	-	-	-
Organic, %	-	-	-	-
Adjusted/underlying organic growth due to calendar effect, %	-	-	-	-
Total combined growth, %	-9.3	-	-2.1	-

- Fourth quarter net sales amounted to SEK 211 million (-)
- EBITA amounted to 28 MSEK (-) and the EBITA margin was 13.3 percent
- Combined revenue amounted to 211 (232), EBITA to 28 (37) and the EBITA-margin to 13.3 (15.9)
- Solid transaction volume across all sectors and requirement to meet the Paris decarbonisation targets along with the impact of digitalization