Q2 report
Apr-Jun 2020

JONAS GUSTAVSSON, CEO / JUUSO PAJUNEN, CFO / JULY 14, 2020

Stable results in a challenging quarter

Q2 2020

Net sales: SEK 4,808 million (5,393) -11%

EBITA*: SEK 383 million (481)

EBITA-margin*: 8.0% (8.9)

Jan-Jun 2020

Net sales: SEK 10,063 million (9,782) +2.9%

EBITA*: SEK 858 million (870)

EBITA-margin*: 8.5% (8.9)

- Sales affected mainly by the automotive segment, where volume decreased by ca 40%
- Stable results due to extensive cost mitigation activities and good development within Infrastructure, Process Industries and Energy
- Strong cash flow
- Repositioning of automotive segment initiated to provide more value-adding services
- Slight recovery and stabilisation in demand end of quarter, still with uncertainty how market will develop in remaining 2020

*Excl Items affecting comparability

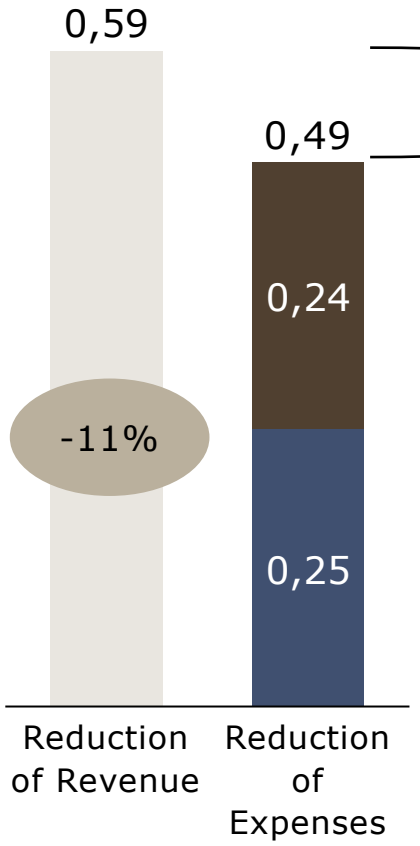
AFRY
ÅF PÖYRY

Extensive measures in response to Covid-19

- Remote work and digital collaborations as well as other safety precautions
- Ca 1,900 employees on short term work and permanent layoff of about 200 employees, mainly within automotive
- Reduction of all cost spending
- Increased pace of ongoing efficiency program of SEK 120 million but still focus on mitigating market turmoil
- Total costs reduced by approx. SEK 500 million in Q2, mix of short-term and permanent savings
- State subsidies to support our employees of approx. SEK 87 million

Reduction of sales mitigated in cost structure

Change vs. PY, BSEK



Reduced EBITA of appr. 0,1 BSEK

Direct project expenses:
Materials, subconsulting and other project related expenses reduced along with the sales

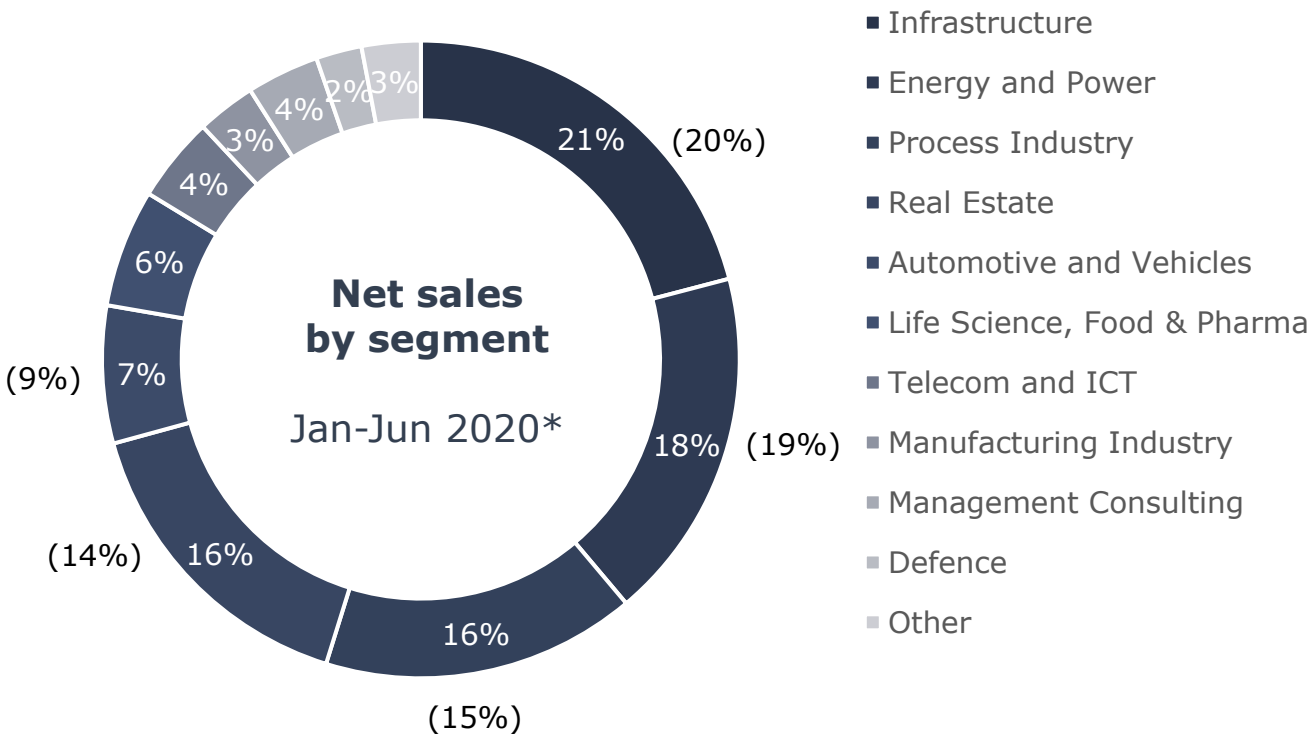
Indirect expenses:
Other expenses such as personnel expenses, facility, IT etc.

Market update

- Major impact of Covid-19 in the automotive segment and varied effect on other industry segments and markets
- In **Infrastructure**, demand strong in the Nordics while Central Europe more impacted
- In **Industrial & Digital Solutions** significantly lower volumes in automotive and related supply chain. Strong demand in food & pharma
- Solid demand in **Process Industries**, however shift in client behaviour and longer decision-making processes
- Stable demand in **Energy** and increased activity in the market noted end of Q2
- In **Management Consulting,** strong demand in energy consulting. Continued impact on transaction-related services

Industry segment portfolio

- During Q2 increased share in Infrastructure and Process Industries due to a stable and favourable situation in the Nordic public sector as well as the continued stable bioeconomy sector
- Two major repositioning areas; Automotive and Energy
- AFRY-portfolio geared towards Infrastructure, Process Industries as well as fast growing segments such as Food & Pharma



*Numbers in brackets refer to FY 2019

New projects

- Owner’s engineering services assignment for 6 gas-fired cogeneration power plant projects in Thailand
- Assignment for Vistin Pharma to double the production capacity of diabetes medicine
- Process solutions for TINE in Norway
- Contract for consultancy services for Daimer Basha dam project, Pakistan
- New contract with Largo Resources in Brazil
- Digitalisation of Lund with integration platform
- Production line for Oatly in Singapore

Growth mainly impacted by the automotive segment

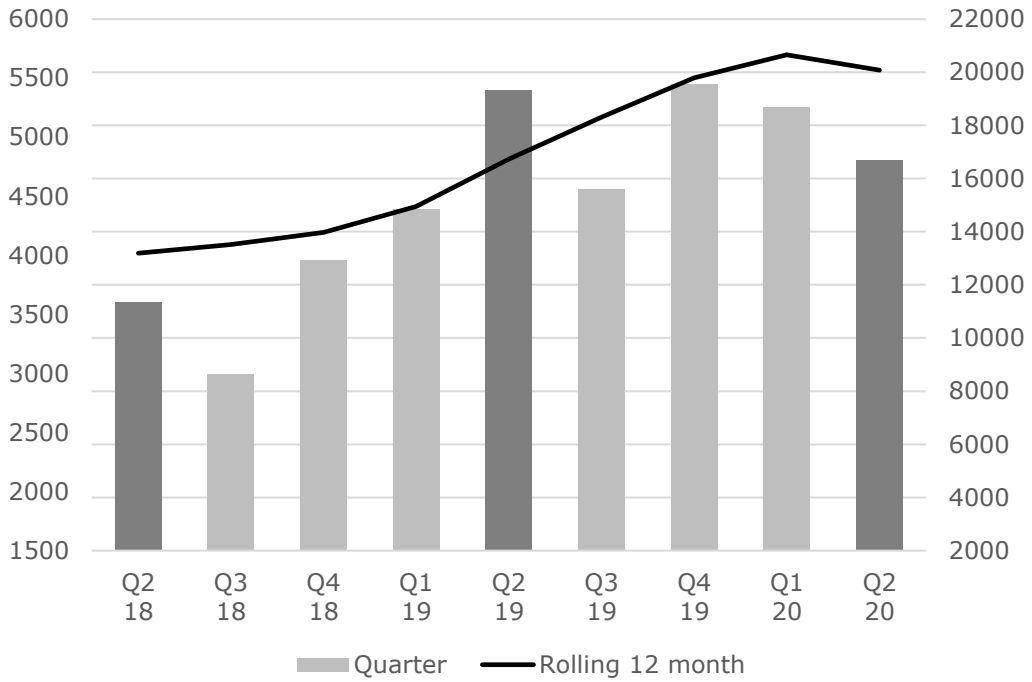
Q2 2020

- Total growth: -10.9%
- Organic growth: -9.2%
- Adjusted/underlying organic growth: -9.8%

COMMENTS

- Growth affected by a vast reduction in demand in automotive, the repositioning of Division Energy and the completion of a large EPC+ project
- Volume down 40% in the automotive segment
- Continued limited growth in some segments in Q3 is expected

REPORTED NET SALES, MSEK



Stable results despite decline in volume

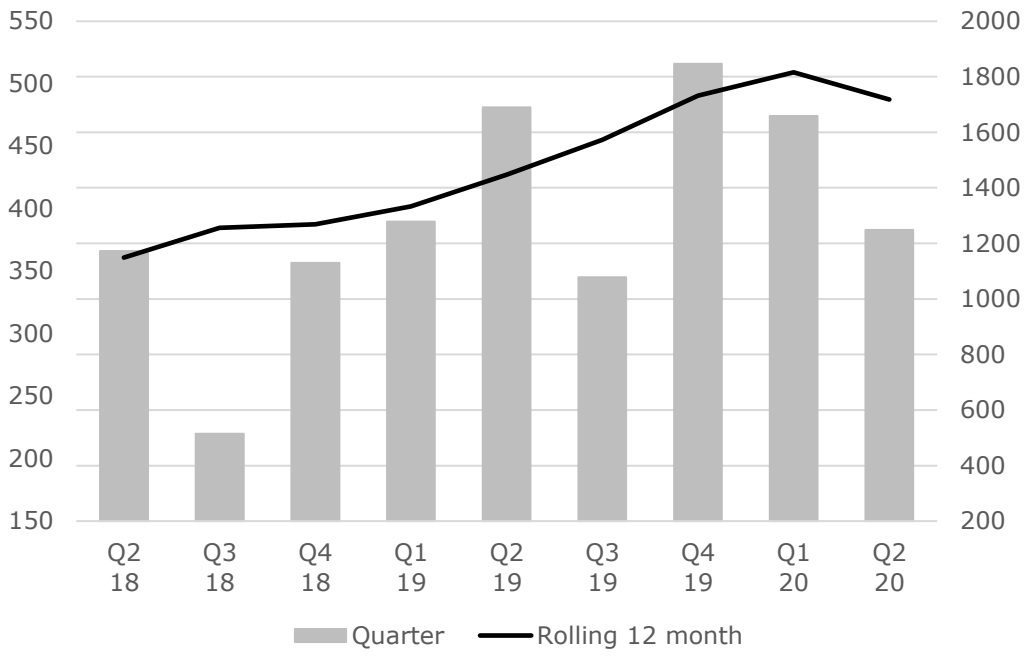
Q2 2020*

- EBITA amounted to SEK 383 million (481)
- EBITA margin down to 8.0% (8.9)

COMMENTS

- Negative impact mainly from the challenging situation within automotive
- Strong positive impact from efficiency program and general cost savings
- SEK 500 million in cost savings in the quarter
- Solid development within Infrastructure, Process Industries and Energy

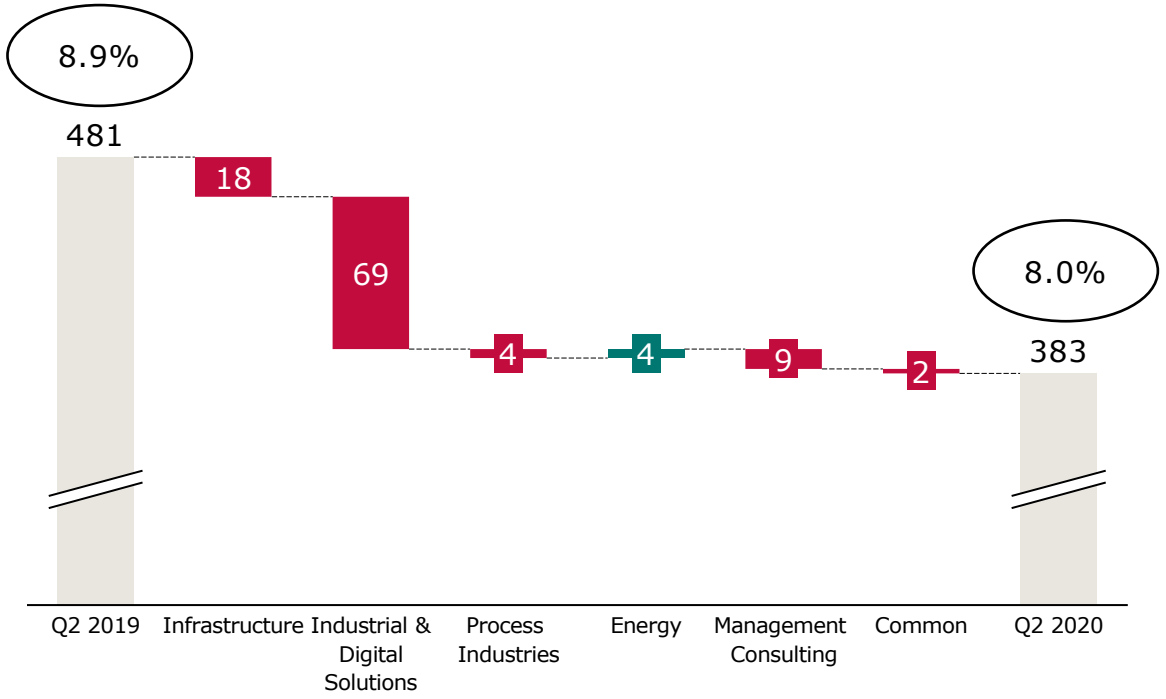
REPORTED EBITA, MSEK
excl. items affecting comparability



* Excl. items affecting comparability

Division performance Q2

PROFITABILITY MIXED AMONG DIVISIONS



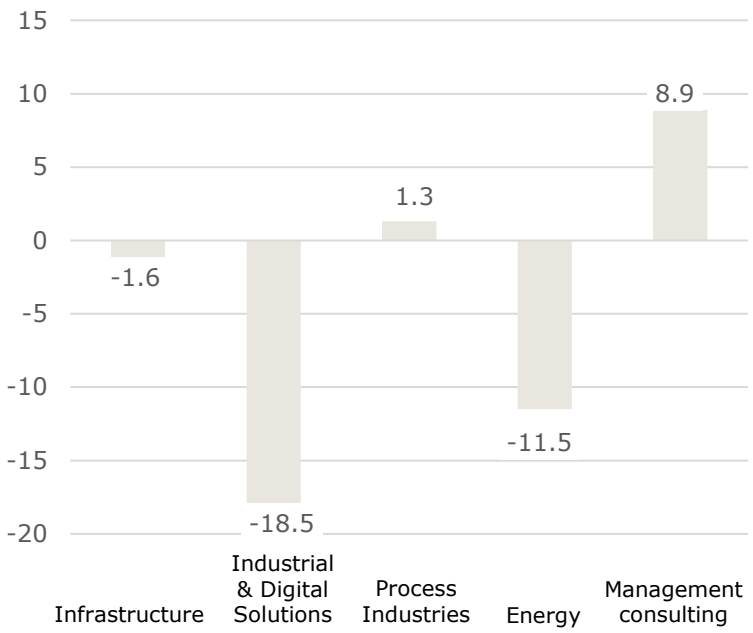
EBITA CHANGE COMPARED TO PREVIOUS YEAR

- Minor calendar effects; approx. 3 hours more vs. 2019
- Negative impact in divisions by Covid-19 but scale of impact mixed
- Repositioning of Energy providing results

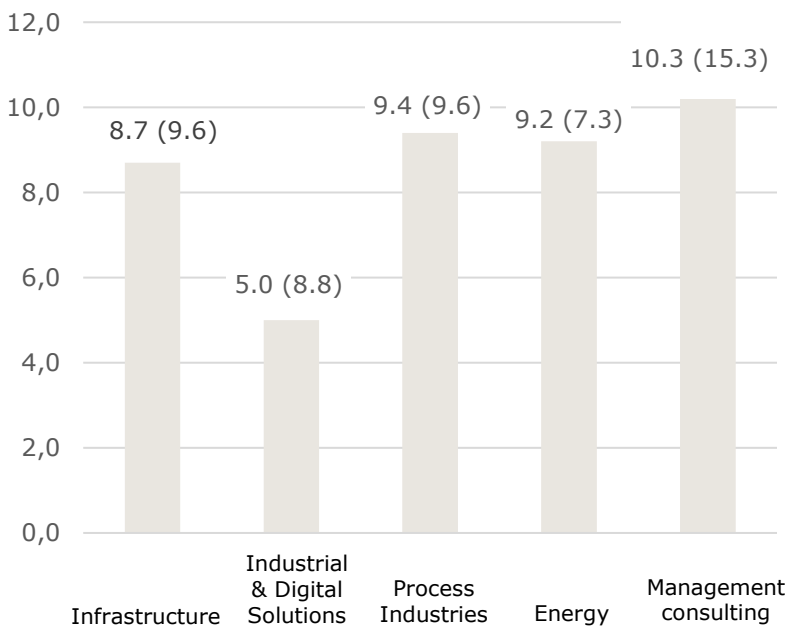
AFRY
ÅF PÖYRY

Growth and profitability

Q2 ORGANIC GROWTH, %
ADJUSTED WITH CALENDAR EFFECTS



Q2 EBITA % (previous year)



INFRASTRUCTURE

— Results negatively impacted by the real estate segment and business in Central Europe. Strong transport infrastructure in the Nordics.

INDUSTRIAL & DIGITAL SOLUTIONS

— Growth and profitability down due to a sharp drop in volumes in automotive segment. Strong development in Food & Pharma.

PROCESS INDUSTRIES

— Strong development in China, Brazil and North America. Growth impacted mainly in the Nordics OPEX business.

ENERGY

— Decline in growth due the completion of a large EPC+ project, improved profitability due to the repositioning and cost savings.

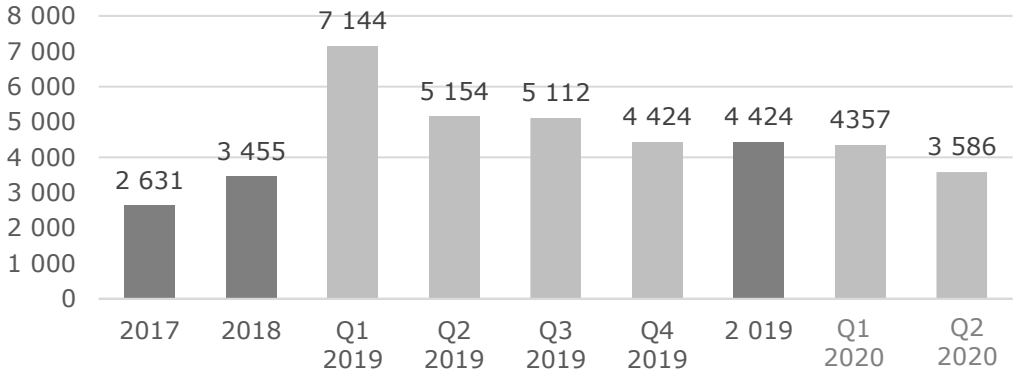
MANAGEMENT CONSULTING

— Profitability impacted negatively by lack of success fees.

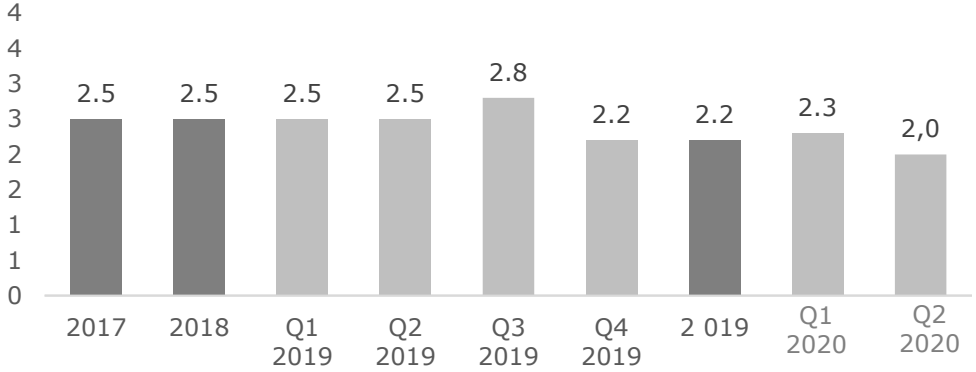
Net debt development – strong liquidity

- Strong operating cash flow in Q2 pushing adjusted Net Debt/EBITDA to 2.0 (reported at 2.3)
  - Driven by reduction in net working capital
- Net Debt position improved from SEK 4,357 million to SEK 3,586 million
- No signs of delays in customer payments
- Available liquid assets of SEK 1,367 milion and unutilised credit lines of SEK 2,852 million

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*

Focus moving forward

React & adjust
(Q1/Q2)

- React to Covid-19 crisis - distance work using digital platforms
- Cost savings across all areas including short term allowances
- Focus on operational efficiency and adjusting investments

Sustain & lean
(Q2/Q3)

- Based on 120 MSEK cost program, and short-term savings in Q2, setting lean operational structure:
  - Increased efficiency
  - Increased flexibility
- Review of strategy and scenario planning: Where to play and how to win in new normal
- Repositioning of Energy and Automotive

Win in new normal
(Q3/Q4)

- Leverage from lean and flexible structure with strong position in key segments and regions.
- Growth, M&A, brand-building and attractive employer
- Execution of strategy with focus on:
  - Sustainability
  - Digitalisation

AFRY
ÅF PÖYRY

Thank you!

Save the date:
Capital Markets Day on November 24

AFRY
ÅF PÖYRY