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Press release from AFRY

For further information:

Jonas Gustavsson, President and CEO, +46 70 509 16 26
Juuso Pajunen, CFO, +358 10 33 26 632

Year-end Report January-December 2021

Increased growth and strengthened position in digitalisation

"The fourth quarter resulted in strong growth, good results in our industry segments and a continued high acquisition rate. We have strengthened our position in digitalisation with the newly established division AFRY X. SEK 100 million in cost savings are being implemented in 2022 to further improve profitability", said Jonas Gustavsson, President and CEO.

Fourth quarter 2021

- Net sales amounted to SEK 5,509 million (4,907)
- EBITA, excl. items affecting comparability, was SEK 495 million (490)
- The EBITA margin, excl. items affecting comparability, was 9.0 percent (10.0)
- EBITA totalled SEK 465 million (453)
- The EBITA margin was 8.4 percent (9.2)
- EBIT (operating profit) amounted to SEK 416 million (459)
- Basic earnings per share: SEK 2.66 (2.99)

January-December 2021

- Net sales amounted to SEK 20,104 million (18,991)
- EBITA, excl. items affecting comparability, was SEK 1,712 million (1,635)
- The EBITA margin, excl. items affecting comparability, was 8.5 percent (8.6)
- EBITA totalled SEK 1,662 million (1,509)
- The EBITA margin was 8.3 percent (7.9)
- EBIT (operating profit) amounted to SEK 1,523 million (1,382)
- Basic earnings per share: SEK 9.97 (8.29)
- The Board of Directors proposes a dividend for 2021 of SEK 5.50 (5.00).

COMMENTS BY THE CEO JONAS GUSTAVSSON

2021 was another eventful year for AFRY where we strengthened our position in sustainable and digital solutions. Net sales for the full year amounted to SEK 20,104 million, which corresponds to an organic growth adjusted for calendar effects of 5.3 percent. The EBITA margin, excluding items affecting comparability, was 8.5 percent. We announced 18 acquisitions with annual sales of SEK 1.2 billion. During the year, we continued to develop AFRY's digital offer with our new division AFRY X, invested in structural improvements and continued to implement our system platform. The next step is planned cost savings of approximately SEK 100 million on an annual basis focused mainly on the Infrastructure Division in order to further improve efficiency and profitability.

Strong organic growth in the fourth quarter

Net sales in the fourth quarter amounted to SEK 5,509 million (4,907), which corresponds to a total growth of 12.3 percent. When adjusted for calendar effects, organic growth amounted to 6.9 percent. Growth was driven by a high demand and strong performances from the Industrial & Digital Solutions, Process Industries and

Management Consulting divisions. We have had good growth in the recruitment of consultants and the order stock has strengthened during the quarter.

EBITA, excluding items affecting comparability, was SEK 495 million (490), and the corresponding EBITA margin was 9.0 percent (10.0). A strong results trend had a positive effect on the margin in four of our divisions that target the industry segment; they all delivered a margin over 10 percent. As previously announced, the method for allocating payroll expenses to a period was altered, which had a positive effect of SEK 31 million on EBITA in the fourth quarter. The change had a neutral effect on the full year. The ongoing pandemic led to more sick leave than normal, which had a negative effect of approximately SEK 40 million on the results. This will most likely also impact the first quarter of 2022.

Performance in the divisions

The Infrastructure Division reported a slightly negative growth and lower results compared to the same quarter previous year. A high number of sick leave at the end of the quarter and uncertain market conditions in the real estate segment impacted the results. However, the situation has stabilised compared with the previous quarter.

The Industrial & Digital Solutions Division showed strong growth with an EBITA margin over 10 percent. Demand was high in all segments, but especially in Food & Life Science, and our improved position in Automotive continues its positive trend.

The Process Industries Division showed strong growth and results during the quarter, particularly in Sweden, Russia and Asia. The market is stable, especially in our service offering and for smaller projects, while at the same time large CAPEX projects have started.

The Energy Division reported strong results. However, growth was negative mainly due to the pandemic's continued effect on decision-making processes. With the stability that has been created, the division has a clear focus on growth.

The Management Consulting Division, which had a very strong 2021, showed robust growth and strong results, driven by increased demand for strategic consulting services within the energy and bio industries.

Stronger position for AFRY

During the quarter, we were awarded several new projects focused on sustainability, for example, with Renewcell to digitalise textile recycling and with Neoen for the analysis and measurement of wind power. In line with the strategy, AFRY continues to grow organically and via strategic acquisitions. Since October we have welcomed Zert, Trivalo, Vivento and Svea Power. To take the next step in AFRY's strategic efforts to accelerate the transition to a sustainable society, Henrik Tegnér was appointed as the new Head of Strategy & Sustainability and is now part of the Group executive management.

Since the merger of ÅF and Pöyry, we have worked intensely on strengthening our position and developing our operations. Today, we are a leading player in the bio industry and have a world-leading position in the pulp and paper segment. Thanks to a successful repositioning, the Energy Division has become more profitable, which also applies to Industrial & Digital Solutions, where we have improved our position in the automotive business. The Management Consulting Division continues to strengthen its position with strong growth and profitability. Our position is strong in Division Infrastructure, but because of weaker results a systematic improvement programme has been launched. Before the end of the year, the acquisition of Vahanen and its 500 employees was approved. The company will be part of the Infrastructure Division and will further strengthen our Finnish operations.

Cost savings for improved profitability

To improve efficiency and profitability in the Infrastructure Division and to benefit from administrative efficiency improvements in our larger countries, cost savings of SEK 100 million on an annual basis have been identified. Of this amount, approximately SEK 80 million will be directed to Infrastructure and approximately SEK 20 million to administrative functions and processes. The estimated restructuring cost amount to SEK 100 million, which is planned to impact the first quarter. The full effect of the cost savings is expected during the second half of 2022.

A leader in digitalisation

AFRY strives to be a leader in industrial digitalisation in the Nordics and to be the main player in applying digital technology in our core sectors. We have strengthened our position in digitalisation in 2021 through both organic growth and strategic acquisitions. On 1 January 2022, AFRY X was established as a new division with around 800 digital experts and approximately SEK 1 billion in net sales. Per Kristian Egseth leads the new division and is part of Group executive management. As a next step, we will develop and scale up software services and solutions in IoT, AI, cyber security and design.

Outlook

We continue to navigate through the macroeconomic factors that impact us as well as the effects of the ongoing pandemic.

We see strong drivers to accelerate the transition in society and we are ready to meet the demand with a position and offering stronger than ever. A big thank you to our customers, partners and employees for a fantastic collaboration during the year and now we look forward to an exciting 2022.

Head Office: AFRY AB, SE-169 99 Stockholm, Sweden

Visiting address: Frösundaleden 2, Solna, Sweden

Tel: +46 10 505 00 00

www.afry.com

info@afry.com

Corp. ID no 556120-6474

This report has not been subjected to scrutiny by the company's auditors.

This information fulfils AFRY AB's (publ) disclosure requirements under the provisions of the EU's Market Abuse Regulation and the Swedish Securities Markets Act. This information was released, through the agency of the above-mentioned contact person, for publication on 4 February 2022 at 07.00 CET.

All forward-looking statements in this report are based on the company's best assessment at the time the report was written. As is the case with all assessments of the future, such assumptions are subject to risks and uncertainties, which may mean that the actual outcome differs from the anticipated result.

This is a translation of the Swedish original. The Swedish text is the binding version and shall prevail in the event of any discrepancies.

The full report including tables (pdf) is available for download.

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