

PÖYRY PLC

Annual Review 2016



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* part of the official financial statements

Financial information in 2017

Pöyry PLC will publish its half year financial report January-June 2017 on Friday, 4 August.



More investor information:
www.poyry.com

Pöyry in 2016

Pöyry is an international consulting and engineering company.

We deliver smart solutions across power generation, transmission & distribution, forest industry, chemicals & biorefining, mining & metals, transportation and water.

Pöyry's net sales in 2016 were EUR 530 million. The company's shares are quoted on Nasdaq Helsinki (POY1V).

Approximately 5,500 experts. 40 countries. 130 offices.

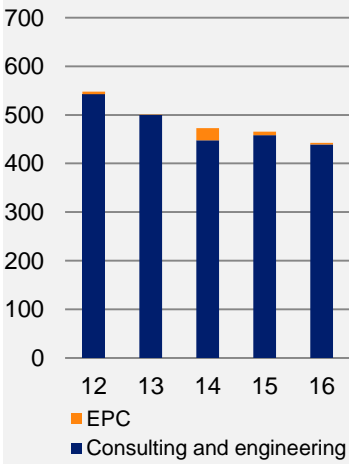
KEY FIGURES

Pöyry Group	1-12/ 2016	1-12/ 2015	Change, %
Order stock at the end of period, EUR million	442.5	465.5	-4.9
Net sales total, EUR million	529.6	575.3	-7.9
Operating result, EUR million	-8.1	4.0	n.a.
Operating margin, %	-1.5	0.7	
Adjusted operating result, EUR million	5.8	9.4	-38.0
Adjusted operating margin, %	1.1	1.6	
Result before taxes, EUR million	-10.6	6.0	n.a.
Earnings per share, basic, EUR	-0.24	0.09	n.a.
Earnings per share, diluted, EUR	-0.24	0.09	n.a.
Earnings per share, adjusted, EUR	-0.01	0.18	n.a.
Gearing, %	27.0	3.6	
Return on investment, %	-3.2	6.1	
Average number of personnel, full time equivalents (FTE)	4,839	5,029	-3.8

THE GROUP'S REPORTED FIGURES

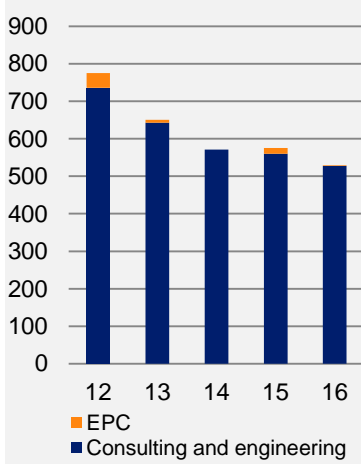
ORDER STOCK

EUR million



NET SALES

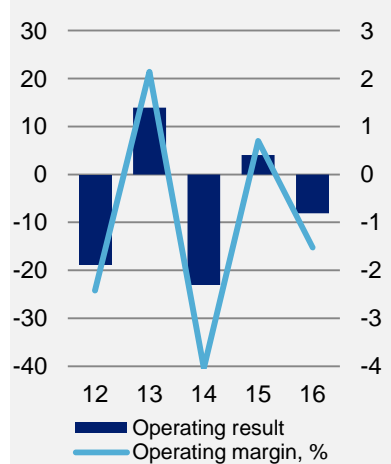
EUR million



OPERATING RESULT

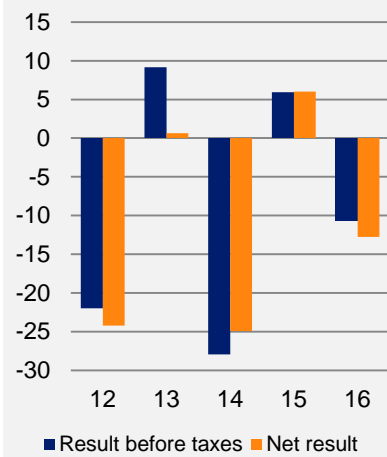
EUR million

%



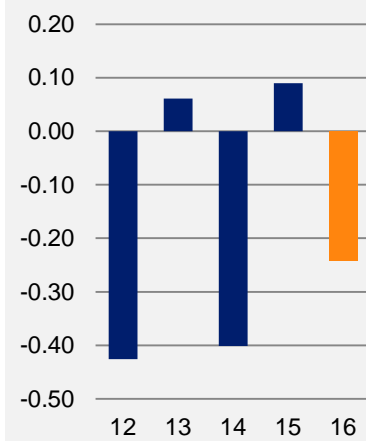
RESULT BEFORE TAXES AND NET RESULT

EUR million



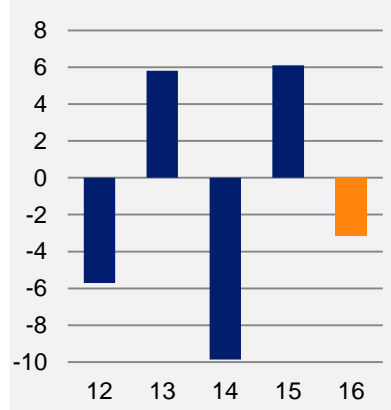
EARNINGS PER SHARE

EUR



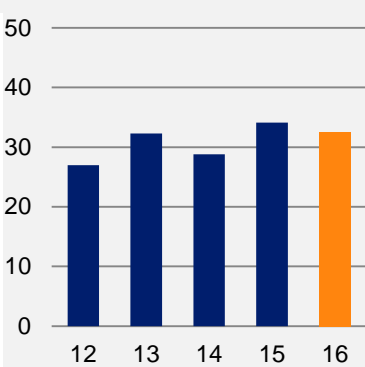
RETURN ON INVESTMENT

%



EQUITY RATIO

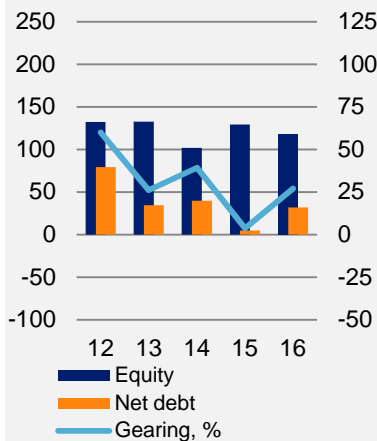
%



GEARING

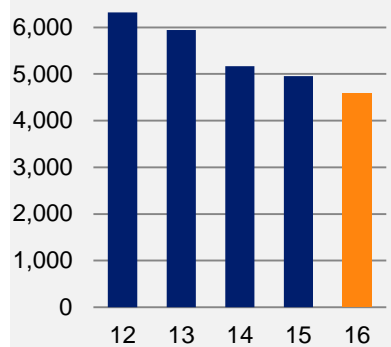
EUR million

%



PERSONNEL AT YEAR-END (FTE'S)

FTE'S





Driving our transformation and improving operational results

In 2016, Pöyry focused on the transformation of the business which led to improved operational results in Q3 and Q4.

"We could see a big improvement in our operational performance in the second part of the year and we expect this positive trend to continue in the short and midterm.

In 2016, we started our operational transformation by establishing an 'intrapreneur' culture, moving closer to the clients, and driving team motivation and empowerment throughout our units. Our simplification actions have been launched with good response from the teams, along with our program to size our fixed costs to our current and future business volume. We are progressing well with the roll out of our new business management system and are encouraged by increased transparency to our business.

The number of loss making units was reduced compared with 2015. We are working hard to transform previously successful business models into ones that provide sufficient level of profitability now and for the future. We are confident that this trend in turnaround of loss making units will continue into 2017.

Our strategy for the major part of our organisation is to be even closer to our clients, eliminate internal complexity and increase our own efficiency. We have attracted key new employees across different levels of our organisation. Additionally we are focusing on growing new business offerings that create higher customer value, aligning future demands along with the global megatrends applicable to our industries. Our new services in the areas of bioenergy, health and safety, and operational excellence are getting a good response from the market. We are driving the strategy and transformation in all levels of our organisation.

Our operating result throughout the year was impacted by lower volumes arising from a weak start in order intake. This trend was improved in Q3 and Q4 in both order intake as well as the adjusted operating result. However, we are not yet in a position where we have enough of our units meeting our set expectations.

On a reported result level we see still the effects of adjusted items that burdened our result, including old project and legal cases as well as restructuring costs to simplify our structure to fit the market demands. Achieving a more competitive cost structure will help us on the way forward to elevate us to a position to achieve stronger operating margin and deliver higher operating cash flow.

We are convinced that our actions will show further progress in the year 2017 where we expect to improve our adjusted operational results steadily, on orders, net sales, profit and cash.

Uneven economic developments among the major economies are expected to continue in 2017. The growth in the Eurozone has been modest. There are indications of market recovery, but high unemployment may weaken consumer demand and slow down the improving economic growth. Despite some signs of an economic recovery in Brazil, the market situation is still tight. At the same time, growth in the U.S. and in the majority of Asian countries remains positive, fuelled by stronger domestic demand.

For the businesses relevant to Pöyry, the sector specific outlook remains mixed. In the forest product industry sectors, such as packaging and tissue, the outlook is good, whereas in the graphic paper industry the demand continues to decline. The energy market is facing structural changes in Europe.

Pöyry is now ready to enter the next phase of development after restructuring. We continue to do what is required to improve our competitiveness and ensure that clients are always the main focus in everything we do. Furthermore, there are three elements that will guide us over the next years: Driving simplification and empowerment of the organisation, strengthening the core of our business and getting ready to scale up."

Martin à Porta
President and CEO

Report of the Board of Directors 1 January - 31 December 2016

Market review

Uneven economic development in major economies continued during the reporting period. Economic growth in the USA was good, whereas in Europe the growth was modest. Development in the Asian countries was mixed. The market situation in Brazil continued to be challenging.

Low oil prices delayed energy investments in the Middle East. In the European market the demand for energy related services was modest due to structural changes in the energy sector. In majority of the Asian countries economic growth impacted positively on energy investments.

Demand for industry related services developed positively especially in the pulp and paper sector during the second half of the year. Investments in bioproduct industry increased clearly. Russian and Asian markets were challenging.

Economic growth in Europe was modest due to high unemployment and low consumer demand. However, demand for infrastructure and environmental services continued to be in good level both in Central and Northern Europe.

Group financial performance

All figures and sums in the Report of the Board of Directors and in the financial statements have been rounded off from the exact figures, which may lead to minor discrepancies upon addition or subtraction.

EUR million	1-12/ 2016	1-12/ 2015	Change, %
Net sales			
Energy	130.2	150.5	-13.5
Industry	50.0	53.7	-6.9
Regional Operations	285.7	305.5	-6.5
Management Consulting	64.1	66.2	-3.1
Unallocated	-0.5	-0.6	
Total	529.6	575.3	-7.9
Operating result			
Energy	4.6	5.9	-21.2
Industry	4.6	4.9	-5.3
Regional Operations	-9.8	-2.3	n.a.
Management Consulting	3.9	4.4	-10.5
Unallocated	-11.5	-8.9	
Total	-8.1	4.0	n.a.
Operating margin, %			
Energy	3.6	3.9	
Industry	9.3	9.1	
Regional Operations	-3.4	-0.7	
Management Consulting	6.1	6.6	
Total	-1.5	0.7	
Adjusted operating result			
Energy	5.2	6.1	-13.4
Industry	4.4	4.9	-10.4
Regional Operations	1.4	1.8	-22.9
Management Consulting	4.7	4.4	7.7
Unallocated	-9.9	-7.8	
Total	5.8	9.4	-38.0
Adjusted operating margin, %			
Energy	4.0	4.0	
Industry	8.8	9.1	
Regional Operations	0.5	0.6	
Management Consulting	7.4	6.6	
Total	1.1	1.6	

In order to increase transparency in comparing performance from one period to another Pöyry discloses from 2016 onwards an adjusted operating result. The adjusted items are not related to the business operations of the reporting period and include mainly restructuring and labour claim expenses, gains / losses related to divestments and profits / losses related to projects from the former Urban Business Group or projects which were finalised over two years ago.

The Group's order stock remained stable compared to the previous year and was EUR 442.5 (465.5) million. It remained stable in the Industry Business Group and Regional Operations, but decreased in the other business lines.

Order stock was EUR 152.5 million in the Energy Business Group (34% of the total order stock), EUR 37.1 million in the Industry Business Group (8%), EUR 238.7 million in Regional Operations (54%) and EUR 14.3 million in the Management Consulting Business Group (3%).

Net sales were EUR 529.6 (575.3) million. The figure remained stable in the Management Consulting Business Group but decreased in the other business lines.

The adjusted operating result decreased to EUR 5.8 (9.4) million. It increased in the Management Consulting Business Group and remained solid in the Industry Business Group, but decreased in the other business lines. The adjusted items of EUR 13.9 (5.4) million consist mainly of restructuring expenses, labour claims customary in one of the Group's country operations, as well as losses recognised on projects which originate from the former Urban Business Group or were finalised over two years ago. In 2015 the adjusted items mainly included project losses recognised on projects originating from the former Urban Business Group, expenses related to on-going arbitration proceedings concerning a large project in Brazil that was completed in 2013, restructuring expenses, labour claims customary in one of the Group's country operations as well as costs associated to the CEO succession. The operating result was EUR -8.1 (4.0) million.

Group financial result, financing and investments

The net financial items amounted to EUR -3.1 (1.4) million. The comparative figure includes a gain from sale of shares in associated companies totalling EUR 5 million.

The result before taxes totalled EUR -10.6 (6.0) million.

Income taxes were EUR -2.2 (0.1) million.

The net result for the period amounted to EUR -12.8 (6.0) million, of which EUR -12.5 million was attributable to equity holders of the parent company and EUR -0.3 million to non-controlling interests.

Diluted earnings per share were EUR -0.24 (0.09).

The consolidated balance sheet amounted to EUR 421.8 (449.9) million. Total equity at the end of the reporting period amounted to EUR 118.3 (129.3) million. Total equity attributable to equity holders of the parent company was EUR 116.9 (127.6) million, or EUR 1.96 (2.14) per share. In November 2015, Pöyry issued EUR 30 million hybrid capital securities, which are treated as equity in the consolidated financial statements. The capital securities have no maturity date, but the company has the right to redeem them after four years from the issue date upon certain conditions.

Return on equity (ROE) amounted to -10.6 (5.9) per cent. Return on investment (ROI) was -3.2 (6.1) per cent.

Group cash and cash equivalents and other liquid assets amounted to EUR 49.3 (70.6) million at the end of the reporting period. In addition to these, the Group had available credit facilities amounting to EUR 61.1 million. The amount of issued Commercial Papers was EUR 48.7 million.

Pöyry has signed with its core banks and Finnish financial institutions an extension of its term loan and revolving credit facility arrangements until June 2019. The facilities are subject to covenants relating to Pöyry's financial performance and solidity.

Net cash flow from operating activities in the reporting period amounted to EUR -17.7 (0.3) million, representing EUR -0.30 per share. In 2016 net cash flow from operating activities resulted mainly from EUR 17.1 million cash outflow related to a change in working capital, including, amongst others, an advance payment for a three years' software lease agreement of EUR 5.0 million in the first quarter and on the other hand excluding significant advance payments from clients. Net cash flow before financing activities amounted to EUR -22.0 (7.6) million. Net debt at the end of the reporting period was EUR 32.0 (4.7) million. Gearing was 27.0 (3.6) per cent. The equity ratio was 32.5 (34.1) per cent.

During the reporting period, the Group's capital expenditures totalled EUR 5.1 (6.9) million.

Calculation principles and key figures are presented on the Key figures section of the Annual Review 2016.

Personnel

Employee figures are reported in full time equivalents (FTEs).

Personnel (FTE) by Business Line, at the end of the period	1-12/ 2016	1-12/ 2015	Change, %
Energy	1,079	1,151	-6
Industry	452	470	-4
Regional Operations	2,541	2,816	-10
Management Consulting	353	351	1
Unallocated	150	164	-9
Personnel total	4,574	4,952	-8

Personnel (FTE) by geographic area, at the end of the period	1-12/ 2016	1-12/ 2015	Change, %
Nordic countries	1,817	1,897	-4
Other Europe	1,561	1,597	-2
Asia	614	689	-11
North America	164	155	5
South America	416	613	-32
Other areas	2	1	n.a.
Personnel total	4,574	4,952	-8

Personnel structure

The Group had an average of 4,839 (5,029) employees (FTEs), which was 3.8 per cent less than in the previous year. The number of personnel (FTEs) at the end of the period was 4,574 (4,952). At the end of the reporting period, total number of employees was 5,387 (5,752).

Performance share plan 2014–2016

A separate Company Announcement was issued on 29 February 2016 regarding share-based incentive plan for the Pöyry Group's key personnel. More information on the performance share plans are available on the company's website at www.poyry.com and in note 7 in the notes to the consolidated financial statements.

Personnel expenses

EUR million	1-12/ 2016	1-12/ 2015	Change, %
Wages and salaries	281.0	292.0	-4
Bonuses	7.3	8.6	-15
Share-based expenses	-	0.5	n.a.
Social expenses	62.8	65.4	-4
Personnel total	351.1	366.6	-4

Significant short-term risks and uncertainties

Economic and political uncertainty continues and the risk of recession persists, particularly in the European market. These circumstances may adversely influence Pöyry's clients' ability to arrange project financing and make investment decisions. More generally, this can slow down the overall business activity and hence impact Pöyry's net sales and profitability.

The economic and political crisis in Brazil has a significant impact on the market, including the sectors where Pöyry operates. This has caused Pöyry to downsize its operations to correspond to the market situation. If the Brazilian economic and political crisis continues, Pöyry may be required to take further measures to adapt to this situation.

Part of Pöyry's business comes from municipal and other public sector clients. The high level of indebtedness of various economies has led the EU and an increasing number of governments to decide on austerity and cost-reduction measures. This may have a negative effect on infrastructure investments and consequently could affect services provided by Pöyry.

As part of the project business, there are occasionally projects facing particular challenges and risks in the context of their execution. In some of these projects, the respective subsidiary companies are involved in disputes and litigations where the outcome and timing of the resolutions are uncertain and could differ from the management's current assessment. There is a distinct management focus on resolving these issues and their evolution is regularly reviewed and assessed in line with the company's risk assessment processes. In relation to the project contract, which expired in the fourth quarter of 2015, the

respective Pöyry subsidiary company has started arbitration proceedings against the client. It is too early to assess the outcome of the proceedings. Concerning the project contract terminated by the client in the first quarter of 2016, Pöyry and the client have made a final agreement and all liabilities have been settled. The projects in question are from the former Urban Business Group.

Part of Pöyry's net sales originates from emerging and developing countries, some of which face political and economic challenges. There is a risk that corresponding payment of invoices may be delayed excessively or that the Pöyry Group may experience credit losses. To manage this risk, the company maintains systematic processes for the follow-up and active collection of receivables.

The most relevant risks that relate to Pöyry's business are presented in more detail on the company's website at www.poyry.com.

Events after the reporting period

As part of its improved client focus, Pöyry concentrates its globally-focused competences and process know-how in Pulp, Paper & Board, Chemicals & Biorefining and Mining & Metals in one global Industry organisation. This enables us to develop smart solutions and new innovations in connected teams, addressing global megatrends such as bioeconomy, efficiency and digitalisation.

Pöyry is reinforcing its project implementation approach and global delivery model in project management, health and safety, engineering and construction management by bringing together its industry-related operations in Brazil, Finland and Germany from Regional Operations to the Industry Business Group.

Pöyry's financial reporting will continue to be based on the following four reporting segments: Management Consulting Business Group; Industry Business Group; Energy Business Group; and Regional Operations. Restated figures will be published before the 4 August 2017 publication of the half year financial report January - June 2017.

Business Lines

At the beginning of 2015 and 2016 as well as in August 2016, minor organisational alignments were executed between the business lines. These changes do not have any material impact to the reporting segments. The comparative figures have been adjusted accordingly.

Energy Business Group

The Energy Business Group provides technical consulting, engineering, supervision and project management services within the areas of hydro power, thermal power, nuclear power, renewables and transmission & distribution. We help clients to effectively manage their assets throughout the entire business life-cycle underpinned by in-depth sector knowledge. We deliver both new build and rehabilitation projects, as well as services relating to existing assets.

	1-12/ 2016	1-12/ 2015	Change, %
Order stock, EUR million, at the end of the period	152.5	175.1	-12.9
Sales, EUR million	130.2	150.5	-13.5
Operating result, EUR million	4.6	5.9	-21.2
Operating margin, %	3.6	3.9	
Adjusted operating result, EUR million	5.2	6.1	-13.4
Adjusted operating result, % of net sales	4.0	4.0	
Personnel at the end of period	1,079	1,151	-6.3

Order stock was EUR 152.5 (175.1) million. The decrease was mainly due to lower order intake in the Middle East and a larger order in the Philippines, which was included in the order stock in the comparable period in 2015.

Net sales declined by 13.5 per cent to EUR 130.2 (150.5) million.

The adjusted operating result decreased to EUR 5.2 (6.1) million. Adjusted items include mainly restructuring expenses related to the streamlining of operations in Northern Europe and in the Middle East. The operating result was EUR 4.6 (5.9) million.

Industry Business Group

The Industry Business Group provides technical consulting, engineering, project management and implementation services to clients in the areas of process industries and across the entire investment life-cycle. Focus sectors extend from pulp & paper to chemicals & biorefining. We deliver solutions for complex new investment projects and rebuilds of existing plants.

	1-12/ 2016	1-12/ 2015	Change, %
Order stock, EUR million, at the end of the period	37.1	37.2	-0.3
Sales, EUR million	50.0	53.7	-6.9
Operating result, EUR million	4.6	4.9	-5.3
Operating margin, %	9.3	9.1	
Adjusted operating result, EUR million	4.4	4.9	-10.4
Adjusted operating result, % of net sales	8.8	9.1	
Personnel at the end of period	452	470	-3.9

Order stock remained stable year-on-year and was EUR 37.1 (37.2) million.

Net sales declined to EUR 50.0 (53.7) million.

The adjusted operating result declined to EUR 4.4 (4.9) million especially due to lower workload during the last quarter of the year. The operating result decreased to EUR 4.6 (4.9) million.

Regional Operations

Regional Operations serve clients with a broad range of services covering engineering and technical advisory, delivered across the energy, industry, transportation, real estate and water sectors and supported by environmental services. Pöyry's experts have profound local market knowledge, underpinned by global competence. Our extensive local office network is located within easy reach of client's operations.

	1-12/ 2016	1-12/ 2015	Change, %
Order stock, EUR million, at the end of the period	238.7	236.9	0.7
Sales, EUR million	285.7	305.5	-6.5
Operating result, EUR million	-9.8	-2.3	n.a.
Operating margin, %	-3.4	-0.7	
Adjusted operating result, EUR million	1.4	1.8	-22.9
Adjusted operating result, % of net sales	0.5	0.6	
Personnel at the end of period	2,541	2,816	-9.8

Order stock was EUR 238.7 (236.9) million. It increased in Northern and Central Europe, but decreased in the other regions.

Net sales decreased by 6.5 per cent to EUR 285.7 (305.5) million. They increased in North America, remained stable in Northern Europe, but declined across other regions.

The adjusted operating result decreased to EUR 1.4 (1.8) million. The figure improved in Northern Europe and North America, but declined in Latin America and Central Europe where the unexpected losses recognised in the first quarter 2016 and continued underperformance in Switzerland had a negative impact on the result. The adjusted items in 2016 include mainly restructuring expenses, losses recognised on projects which originate from the former Urban Business Group or were finalised over two years ago, as well as labour claims customary in one of the Group's country operations. In 2015 the adjusted items included mainly losses recognised on projects originating from the former Urban Business Group, expenses related to on-going arbitration proceedings concerning a large project in Brazil, that was completed in 2013, restructuring expenses as well as labour claims customary in one of the Group's country operations. The operating result was EUR -9.8 (-2.3) million.

Management Consulting Business Group

The Management Consulting Business Group provides strategic advisory services to the world's capital and resource intensive industries. Our expertise is based on market-led insights and quantitative models, as well as a profound understanding of sector specific strategies and technologies.

	1-12/ 2016	1-12/ 2015	Change, %
Order stock, EUR million, at the end of the period	14.3	16.2	-11.6
Sales, EUR million	64.1	66.2	-3.1
Operating result, EUR million	3.9	4.4	-10.5
Operating margin, %	6.1	6.6	
Adjusted operating result, EUR million	4.7	4.4	7.7
Adjusted operating result, % of net sales	7.4	6.6	
Personnel at the end of period	353	351	0.7

Order stock decreased to EUR 14.3 (16.2) million.

Net sales remained stable at EUR 64.1 (66.2) million.

The adjusted operating result was EUR 4.7 (4.4) million. Restructuring expenses in Asia and North America and expenses related to projects finalised over two years ago are excluded from the adjusted operating result. The operating result decreased to EUR 3.9 (4.4) million.

Unallocated items

The unallocated items consist of Group level activities as well as parent company expenses which are not charged to the business lines. The Group's parent company is responsible, among other things, for developing the Group's strategy and for supervising its implementation, financing, realising synergistic benefits and general co-ordination of the Group's operations. The parent company charges intra-group royalties and service fees.

During the period, unallocated items decreased the operating result by EUR -11.5 (-8.9) million. The figure includes restructuring expenses related to changes in Group Executive Committee and streamlining of support functions totalling EUR 1.3 million. The comparable figure in 2015 includes costs associated to the CEO succession totalling EUR 1.3 million.

Governance

Annual General Meeting 2016

The Annual General Meeting ("AGM") of Pöyry PLC was held on 10 March 2016. The AGM adopted Pöyry PLC's annual accounts and granted the members of the Board of Directors and the President and CEO of the company discharge from liability for the financial period 1 January to 31 December 2015.

The AGM decided that no dividend be distributed for the financial year 2015.

The AGM decided that the Board of Directors consists of six (6) ordinary members. The AGM elected the following members to the Board of Directors: Pekka Ala-Pietilä, Helene Biström, Henrik Ehrnrooth, Alexis Fries, Michael Rosenlew and Teuvo Salminen.

The AGM decided that the annual fees of the members of the Board of Directors be EUR 45,000 for a member, EUR 55,000 for the Vice Chairman and EUR 65,000 for the Chairman of the Board, and the annual fee of the members of the committees of the Board of Directors be EUR 15,000. In addition, the AGM authorised the Board of Directors to decide an additional fee of not more than EUR 15,000 per annum for each of the foreign residents of the Board of Directors and an additional fee of not more than EUR 5,000 per annum for each of the foreign residents of the committees of the Board of Directors. The authorisation shall be in force until the next AGM.

At its assembly meeting immediately following the AGM, the Board of Directors elected Henrik Ehrnrooth as Chairman and Teuvo Salminen as Vice Chairman. Teuvo Salminen (Chairman), Helene Biström and Alexis Fries were elected as members of the Audit Committee. Michael Rosenlew (Chairman), Pekka Ala-Pietilä and Henrik Ehrnrooth were elected as members of the Nomination and Compensation Committee. In accordance with the authorisation by the AGM the Board decided to pay an additional fee of EUR 15,000 per annum to the foreign residents of the Board of Directors and an additional fee of EUR 5,000 per annum to the foreign residents of the committees of the Board of Directors.

PricewaterhouseCoopers Oy continues as Pöyry PLC's auditors based on the resolution made in the AGM on 8 March 2012. PricewaterhouseCoopers Oy has appointed Merja Lindh, Authorised Public Accountant, as the auditor in charge.

The decisions made by the AGM of Pöyry PLC on 10 March 2016 are available in full on the company's website at www.poyry.com.

Authorisations of the Board of Directors

In the AGM on 10 March 2016, The Board of Directors was authorised to decide on the issuance of new shares and special rights entitling to shares, as well as to convey the company's own shares held by the company in one or more tranches. The share issue can be carried out as a share issue against payment or without consideration on terms to be determined by the Board of Directors and in relation to a share issue against payment at a price to be determined by the Board of Directors. A maximum of 11,800,000 new shares can be issued. A maximum of 5,900,000 own shares held by the company can be conveyed. The authorisation comprises a right to deviate from the shareholders' pre-emptive subscription right, as well as a right for the Board of Directors to resolve on all other terms and conditions regarding the issuance or conveyance of shares and special rights entitling to shares. Furthermore, the authorisation includes the right to decide on a share issue without consideration to the Company itself so that the amount of own shares held by the Company after the share issue is a maximum of one tenth (1/10) of all shares in the Company. The authorisation shall be in force for 18 months from the decision of the AGM. The authorisation granted by the previous AGM regarding issuing of shares expired simultaneously.

The decisions made by the AGM of Pöyry PLC on 10 March 2016 relating to the authorisations of the Board of Directors are available in full on the company's website at www.poyry.com.

Changes in Pöyry Group's management in 2016

As of 1 January 2016 Martin à Porta took up the position as the new President and CEO of Pöyry and Erik Olsson took up the position as the President of the Management Consulting Business Group and member of the Group Executive Committee.

On 17 August 2016 Anja McAlister was appointed Head of Transformation and Strategy and Richard Pinnock was appointed Executive Vice President of the merging Energy Business Group and Global Sales and Project Management. Juuso Pajunen was appointed Executive Vice President and Chief Financial Officer and is in this position a member of the Group Executive Committee. Jutta Karlsson was appointed Executive Vice President and Group General Counsel and is in this position a member of the senior management team.

Marcelo Cordaro, President of Regional Operations Latin America and Vice Chairman Regional Operations, is no longer a member of the Group Executive Committee and remains a member of the senior management team. The previous members in the Group Executive Committee; Jukka Pahta, Executive Vice President, Chief Financial Officer, Jaana Rinne, Senior Vice President, Human Resources and Anne Viitala, Executive Vice President and Group General Counsel left Pöyry Group after an individually agreed period.

On 9 December 2016, Pöyry PLC announced that it had recuded its Group Executive Committee to 5 members. Markku Oksanen was appointed as President, Regional Operations Northern Europe and is in this position a member of the senior management team. Martin à Porta, President and CEO, acts as President of Pöyry's Management Consulting Business Group.

The previous members in the Group Executive Committee; Pasi Tolppanen, Executive Vice President, Regional Operations Northern Europe and Managing Director, Pöyry Finland Oy, and Erik Olsson, President of Pöyry's Management Consulting Business Group left Pöyry Group after an individually agreed period.

The Group Executive Committee consisted of five (5) members at the end of 2016:

- **Martin à Porta**, President and CEO, Chairman Regional Operations (acting), President Management Consulting Business Group (acting)
- **Anja McAlister**, Executive Vice President, Head of Transformation and Strategy
- **Richard Pinnock**, Executive Vice President, President Energy Business Group and Global Sales and Project Management
- **Nicholas Oksanen**, Executive Vice President, President Industry Business Group
- **Juuso Pajunen**, Executive Vice President and Chief Financial Officer

Shares

The share capital of Pöyry PLC at 31 December 2016 totalled EUR 14,588,478 and the total number of shares including treasury shares was 59,759,610.

On 31 December 2016, Pöyry PLC held a total of 419,055 own shares, which corresponds to 0.7 per cent of the total number of shares.

The closing price of Pöyry's shares on 31 December 2016 was EUR 3.32 (3.78). The volume weighted average share price during the reporting period was EUR 3.23 (3.29), the highest quotation being EUR 3.80 (4.16) and the lowest EUR 2.80

(2.70). The share price decreased by 12.3 per cent since the end of 2015. During the reporting period, approximately 4.4 million Pöyry shares were traded at Nasdaq Helsinki, corresponding to a turnover of approximately EUR 14.3 million. The average daily trading volume was 17,456 shares, or approximately EUR 0.1 million.

On 31 December 2016, the total market value of Pöyry's shares was EUR 196.8 (223.9) million excluding the treasury shares held by the company and EUR 198.2 (225.9) million including the treasury shares.

Ownership structure

The number of registered shareholders was 5,362 at the end of December 2016 compared to 5,819 shareholders at the end of 2015.

Corbis S.A. remained the largest shareholder with 34.20 per cent ownership of the total shares. The Chairman of the Board of Directors of Pöyry, Henrik Ehrnrooth, together with his brothers Georg Ehrnrooth and Carl-Gustaf Ehrnrooth, indirectly hold a controlling interest in Corbis S.A.

At the end of the reporting period, a total of 13.91 per cent of the shares were owned by nominee-registered shareholders. Total ownership outside Finland, including Corbis, together with nominee-registered shareholders represented 49.07 per cent of the total shares.

Market outlook 2017

Uneven economic developments among the major economies are expected to continue in 2017. The growth in the Eurozone has been modest. There are indications of market recovery, but high unemployment may weaken consumer demand and slow down the improving economic growth. Despite some signs of an economic recovery in Brazil, the market situation is still tight. At the same time, growth in the U.S. and in the majority of Asian countries remains positive, fuelled by stronger domestic demand.

For the businesses relevant to Pöyry, the sector specific outlook remains mixed. In the forest product industry sectors, such as packaging and tissue, the outlook is good, whereas in the graphic paper industry the demand continues to decline. The energy market is facing structural changes in Europe.

Financial outlook for 2017

The Group's adjusted operating result is estimated to improve.

Board of Directors' proposal for disposal of distributable funds

The Group's parent company Pöyry PLC's net result for 2016 amounted to EUR 4,383,237.51 and retained earnings were EUR 25,840,897.23. The total distributable earnings were EUR 30,224,134.74. The Board of Directors of Pöyry PLC will propose to the Annual General Meeting on 9 March 2017 that no dividend will be paid for the year 2016.

Vantaa, 7 February 2017

Pöyry PLC
Board of Directors

Statement of comprehensive income

EUR million	Note	2016	2015
Net sales	4	529.6	575.3
Other operating income	5	1.3	1.4
Materials and supplies		-1.1	-14.8
External charges, subconsulting		-45.5	-48.2
Personnel expenses	6	-351.1	-366.6
Depreciation and impairment	12,13	-4.6	-4.2
Other operating expenses	8	-136.6	-139.0
Operating expenses total		-538.9	-572.7
Operating result		-8.1	4.0
Financial income	9	1.3	7.3
Financial expenses	9	-4.5	-5.1
Exchange rate differences	9	0.2	-0.7
Net financial items		-3.1	1.4
Share of associated companies' and joint ventures' results	14	0.5	0.5
Result before taxes		-10.6	6.0
Income taxes	10	-2.2	0.1
Net result for the period		-12.8	6.0
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of net defined benefit pension obligation		0.5	-10.4
Income tax relating to these items		-0.1	3.2
Items that may be reclassified to profit or loss			
Translation differences		3.2	-1.0
Total comprehensive income for the period		-9.1	-2.1
Net result attributable to:			
Owners of the parent company		-12.5	5.5
Non-controlling interest		-0.3	0.5
Total comprehensive income attributable to:			
Owners of the parent company		-8.8	-2.6
Non-controlling interest		-0.3	0.5
Earnings/share, EUR	11	-0.24	0.09
Corrected with dilution effect	11	-0.24	0.09

Statement of financial position

Assets, EUR million	Note	2016	2015
Non-current assets			
Goodwill	12	122.4	121.4
Intangible assets	12	7.2	5.3
Tangible assets	13	7.5	8.7
Shares in associated companies and joint ventures	14	2.1	1.8
Other non-current investments	14	1.0	1.0
Deferred tax assets	10	34.1	31.3
Pension receivables	24	0.1	0.1
Other	15	4.5	5.2
		178.7	174.7
Current assets			
Work in progress	16	58.9	74.6
Accounts receivable	16,18	105.8	104.1
Other receivables	16	11.7	10.7
Prepaid expenses and accrued income	16,17	12.8	11.3
Current tax receivables	16	4.5	3.9
Cash and cash equivalents	16	49.3	70.6
		243.0	275.2
Total assets		421.8	449.9
Equity and liabilities, EUR million			
Equity			
Equity attributable to the owners of the parent company			
Share capital	19	14.6	14.6
Invested free equity reserve	19	60.1	60.1
Hybrid bond	19	30.0	30.0
Translation differences		-10.5	-13.7
Retained earnings		22.7	36.7
		116.9	127.6
Non-controlling interest		1.4	1.7
Total equity		118.3	129.3
Non-current liabilities			
Interest bearing non-current liabilities	21	-	29.0
Pension obligations	24	45.0	46.8
Deferred tax liabilities	10	0.2	0.2
Other non-current liabilities		0.1	0.0
		45.2	76.0
Current liabilities			
Amortisations of interest bearing non-current liabilities	21,22	2.0	8.0
Commercial papers	21,22	48.7	38.3
Interest bearing current liabilities	21,22	30.5	0.0
Provisions	25	12.7	12.2
Project advances	26	58.2	70.9
Accounts payable	26	20.5	21.0
Other current liabilities	26	22.7	23.6
Current tax payables	26	6.5	6.0
Accrued expenses and deferred income	26,27	56.4	64.6
		258.3	244.7
Total liabilities		303.5	320.7
Total equity and liabilities		421.8	449.9

Statement of cash flows

EUR million	Note	2016	2015
Operating activities			
Net result for the period		-12.8	6.0
Adjustments:			
Share-based expenses	6,7	-	0.5
Depreciation and impairment		4.6	4.2
Impairment losses from accounts receivable and work in progress	8,18	6.0	-0.9
Gains (-) / losses (+) on sales of shares and fixed assets		0.0	-0.2
Financial income and expenses	9	3.1	-1.4
Income taxes	10	2.2	-0.1
Changes in working capital:			
Change in work in progress		17.3	1.9
Change in accounts receivable		-4.7	12.0
Change in project advances received		-13.5	-13.4
Change in accounts payable		-0.7	0.2
Change in other receivables and payables		-15.5	-5.1
Paid income taxes		-3.6	-3.3
Net cash flow from operating activities		-17.7	0.3
Investing activities			
Sales of business operations and shares in subsidiaries, net of cash disposed	3	-	2.3
Investments in fixed assets		-5.1	-6.9
Sale of shares in associated companies and joint ventures		-	10.3
Sale of other fixed assets		0.2	0.2
Received dividends		0.6	1.5
Net cash flow from investing activities		-4.3	7.4
Net cash before financing		-22.0	7.6
Financing activities			
New loans		30.0	-
Repayments of loans		-35.0	-22.8
Change in current financing		10.8	7.0
Hybrid bond	19	-	30.0
Hybrid bond interest and expenses		-2.3	-0.4
Received financial income		0.9	2.7
Paid financial expenses		-5.2	-5.1
Paid dividends		-0.1	0.0
Net cash flow from financing activities		-0.8	11.3
Change in cash and cash equivalents and in other liquid assets		-22.8	19.0
Cash and cash equivalents and other liquid assets 1 January		70.6	50.3
Effect of changes in exchange rates		1.4	1.3
Cash and cash equivalents and other liquid assets 31 December		49.3	70.6
Cash and cash equivalents	16	49.3	70.6
Cash and cash equivalents and other liquid assets 31 December		49.3	70.6

Statement of changes in equity

EUR million	Equity attributable to the owners of the parent company							Non-controlling interest	Total equity
	Share capital	Legal reserve	Invested free equity reserve	Hybrid bond	Translation differences	Retained earnings			
Equity 1 January 2016	14.6	-	60.1	30.0	-13.7	36.7	1.7	129.3	
Net result for the period						-12.5	-0.3	-12.8	
Other comprehensive income for the period					3.2	0.4	-0.1	3.6	
Total comprehensive income for the period					3.2	-12.1	-0.3	-9.1	
Hybrid bond interest						-1.8		-1.8	
Dividend distribution						0.0	0.0	-0.1	
Share-based payments						0.0		0.0	
Total contributions by and distributions to owners of the parent, recognised directly into equity						-1.9	0.0	-1.9	
Equity 31 December 2016	14.6	-	60.1	30.0	-10.5	22.7	1.4	118.3	
Equity 1 January 2015	14.6	3.6	60.1	-	-12.5	34.4	1.6	101.8	
Reclassification of legal reserve		-3.6				3.6			
Adjusted equity 1 January 2015	14.6	-	60.1	-	-12.5	38.0	1.6	101.8	
Net result for the period						5.5	0.5	6.0	
Other comprehensive income for the period					-1.0	-7.2	0.0	-8.1	
Total comprehensive income for the period					-1.0	-1.6	0.5	-2.1	
Hybrid bond				30.0				30.0	
Hybrid bond expenses						-0.3		-0.3	
Dividend distribution							0.0	0.0	
Disposals of subsidiaries					-0.2	0.2	-0.5	-0.5	
Share-based payments						0.4		0.4	
Total contributions by and distributions to owners of the parent, recognised directly into equity				30.0	-0.2	0.3	-0.5	29.6	
Equity 31 December 2015	14.6	-	60.1	30.0	-13.7	36.7	1.7	129.3	

Notes to the consolidated financial statements

1. Accounting principles for the consolidated financial statements

Group profile

Pöyry PLC is a Finnish public limited liability company organised under the laws of Finland and domiciled in Vantaa. Pöyry PLC is the parent company of the Pöyry Group. Pöyry is a global consulting and engineering firm, which operations are conducted through four operating segments (business lines): Energy, Industry, Regional Operations, and Management Consulting.

A copy of the consolidated financial statements can be obtained either from the web site (www.poyry.com) or from the parent company's head office, the address of which is Jaakonkatu 3, 01620 Vantaa, Finland.

In its meeting on February 7, 2017 the Board of Directors of Pöyry PLC approved the publishing of these consolidated financial statements. According to the Finnish Limited Liability Companies Act shareholders have the right to approve or reject the annual accounts in the shareholders' meeting held after their release. The shareholders' meeting also has the right to make amendments to the annual accounts.

Basis of preparation

The consolidated financial statements of the Pöyry Group are prepared in accordance with International Financial Reporting Standards (IFRSs) including the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force as at 31 December 2016. International financial reporting standards, referred to in the Finnish Accounting Act and in ordinances issued based on the provisions of this Act, refer to the standards and their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the EU. The notes to the consolidated financial statements also conform to the Finnish accounting and company legislation. The financial statements of the parent company, Pöyry PLC, are prepared in compliance with FAS (Finnish accounting standards).

The consolidated financial statements are presented in euro. They have been prepared under the historical cost convention, unless otherwise stated in the accounting principles below.

The Group has applied as from 1 January 2016 the following standards, their amendments and interpretations that have come into effect.

- Disclosure initiative- amendments to IAS1
- Annual improvements to IFRSs – 2012-2014 Cycle

The adoption of the amendments did not have any significant impact on the current period or any prior period. Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2016 are not material to the Group.

Uses of estimates

The preparation of financial statements in conformity with IFRSs requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities existing at the balance sheet date as well as the reported amounts of income and expenses during the reporting period. The estimates and assumptions rely on historical experience and other reasonable assumptions of the future events. The estimates are based on the management's current best knowledge at the end of the reporting period, but the actual results may differ from the estimates used in the consolidated financial statements.

In the following notes more information is presented on the managements' estimates and judgements, which are most critical to reported results and financial position:

Note	Critical accounting estimates
4. Net sales	Estimates and assumptions relating to the revenue recognition of the percentage-of-completion projects
10. Income taxes	Assumptions and estimates regarding future tax consequences
12. Goodwill and intangible assets	Estimates and assumptions relating to impairment testing
18. Accounts receivable	Estimates and assumptions relating to the recognition and measurement of trade receivables
24. Pension obligations	Estimates and assumptions used to determine future pension obligations
25. Provisions	Estimates and assumptions made when estimating provisions

Subsidiaries

The consolidated financial statements incorporate the parent company and all those subsidiaries in which it holds, directly or indirectly, over 50 per cent of the voting rights or in which it otherwise has control at the end of the reporting period. Control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities.

The acquisition of companies is accounted for by using the acquisition method to which all identifiable assets and liabilities of the acquired company together with the consideration transferred are measured at fair value at the acquisition date. Acquisition-related costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognised in profit or loss. Any contingent consideration payable is recognised at fair value at the acquisition date, and taken into account as part of the consideration transferred. The obligation to pay contingent consideration is classified as a liability or as equity based on the definitions of financial instruments in IAS 32 standard. Contingent consideration classified as liability is measured at fair value at each balance sheet date.

The companies acquired or founded during the reporting period are consolidated from the date that control of the companies commences, which is generally the acquisition or foundation date. The companies closed or disposed of are incorporated in the consolidated financial statements until control ceases. All intercompany balances and transactions are eliminated as part of the consolidation process.

Non-controlling interests are measured either at fair value or at their proportionate interest in the recognised amount of identifiable net assets of the acquired company. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if it results in a deficit balance for the non-controlling interests. In the balance sheet, non-controlling interests are presented within equity of the owners of the parent. Changes in ownership interests in subsidiaries that do not result in a loss of control are recognised only in equity of the parent company.

In a business combination achieved in stages, the acquirer's previous equity interest in the acquired company is measured at fair value, and the related profit or loss is recognised in the statement of comprehensive income.

Acquisitions prior to 1 January 2010 have been recognised according to the previous effective standards.

Associates and joint ventures

Associates included in the consolidated financial statements are those entities in which the Group's shareholding and voting rights are usually between 20 and 50 per cent or in which it otherwise has significant influence, but not control, over the financial and operating policies. Holdings in associates are accounted for using the equity method.

Investments in joint ventures in which the Group exercises a shared controlling interest with other parties are accounted for using the equity method.

The Group's investments in associates and joint ventures are initially recognised at cost after which the Group's share of their post-acquisition retained profits and losses is included as part of investments in associates and joint ventures in the consolidated balance sheets.

Under the equity method the share of profits and losses of associates and joint ventures is presented separately in the consolidated statement of income.

Joint operations

A joint operation is a joint arrangement whereby the parties having joint control of the arrangement have rights to the assets and obligations for liabilities relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions concerning the relevant activities require unanimous approval of all the parties sharing control.

Due to the nature of Pöyry's business, the group is engaged in several consortium arrangements which are joint operations based on definitions in IFRS 11. Consortiums are contractually established for the purpose of tendering and executing project work for a specific project and they are terminated once the project is completed. Individual consortiums are not material to the Group.

The group accounts in relation to its interest for the assets, liabilities, revenues and expenses related to a joint operation in accordance with IFRS applicable for the particular item.

Foreign currency items

Foreign subsidiaries

In preparing the consolidated financial statements the income and expense items in the statements of comprehensive income and cash flows of those foreign subsidiaries whose functional currency is not the euro, are translated into euros at the average exchange rate during the period. Their balance sheets are translated at the ECB closing rate at the end of the reporting period.

Foreign exchange differences for the period arising from the application of the acquisition method, translation of the accumulated post-acquisition equity items and translation of the comprehensive income for the period at the average rate in the statement of comprehensive income and at the closing rate in the balance sheet are recorded as separate item in other comprehensive income. The accumulated translation difference amounts are reported as separate item under equity.

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the exchange rates prevailing on the dates of the transactions. Foreign currency monetary balances and non-monetary items stated at fair value in a foreign currency are translated at the closing rate at the end of the reporting period. Other non-monetary items are translated using the exchange rate at the date of the transaction.

Gains and losses resulting from transactions in foreign currencies and translation of monetary items are recognised in profit or loss. Foreign exchange gains and losses arising on business operations are adjusted to revenues or operating expenses, respectively. Exchange rate differences arising on foreign currency loans are included in financial income and expenses except for the loans designated as hedges of foreign net investments that are highly effective. The effective portions of the exchange differences from such loans are recognised in other comprehensive income in the consolidated financial statements and presented as translation differences under equity. The translation differences accumulated in equity are transferred to profit or loss as a reclassification adjustment as part of the gain or loss on disposal, when the Group disposes of all, or part of, that entity.

Net sales and revenue recognition principles

Net sales equal fair value of services less indirect taxes associated to sales and other adjustment items.

The Group's operations estimates are made at least quarterly, when all project managers are required to prepare updated estimates for all ongoing projects. Also the provisions as well as overdue trade receivables are reviewed by the management at least on a quarterly basis.

The services provided by the Pöyry Group are generally classified into three categories for revenue recognition purposes:

1. Consulting and engineering projects with a fixed price contract or any type of cap or ceiling price contracts: The revenue is recognised on the percentage-of-completion method, measured by reference to the stage of completion at the end of the reporting period. The stage of completion is defined as the proportion that project costs incurred for work performed both by the Group and subcontractors to date bear to the estimated total project costs, or as the proportion that all the project costs to date bear to the estimated project costs.
2. Consulting and engineering projects with a cost plus contract which can be classified as pure reimbursable projects: The revenue is recognised in the period during which the corresponding services have been rendered. If a reimbursable project has any kind of maximum, cap or estimate type of characteristics, revenue is recognised by reference to the stage of completion.
3. Contracting/Turnkey/EPC projects: The revenue is recognised using the percentage-of-completion method, measured by reference to the percentage of total cost incurred to date to estimated total cost at the end of the reporting period. Due to the different risk profile separately defined procedures are followed when assessing the risks and the progress made as well as in monitoring and controlling throughout the project.

The percentage-of-completion method is only applied when the outcome of a project can be estimated reliably. Project managers are responsible for the total estimate of a project made at least quarterly. If the outcome of a project cannot be estimated reliably, the Group applies the cost recovery method in which the project costs incurred are expensed in the period in which they are incurred and revenue is recognised only to the extent of project costs incurred that probably will be recoverable.

When it is probable that total project costs will exceed total project revenue, the expected loss is recognised as an expense immediately.

The project revenue recognised according to the percentage-of-completion method, but not yet invoiced, including unfinished work is presented in the balance sheet under 'work-in-progress'. The unrecognised part of the invoicing is included in 'received project advances'.

Foreign currency cash flows in projects are mainly hedged for changes in exchange rates.

Employee benefits

Pension plans

The Group companies have various pension plans throughout the world. The statutory pension plans of Finnish companies are funded through payments to pension insurance companies. Voluntary pension plans are funded through pension insurances. Foreign subsidiaries operate their pension plans in accordance with the local regulations and practices.

Pension plans are classified as either defined contribution plans or defined benefit plans. The plans the Group has currently are mainly classified as defined contribution plans under which fixed contributions are paid into a separate entity and they are recognised as an expense in profit or loss in the year to which they relate. If the payee is not capable to pay the pension benefits in question, Pöyry Group will have no legal or constructive obligation to pay further contributions. All other plans not meeting the above criteria are classified as defined benefit plans. The Group has defined benefit plans in Switzerland, Germany, Austria and Norway. In Finland some voluntary pension plans have been classified as defined benefit plans. The expenditure from these plans is calculated separately for each plan in accordance with its terms and recognised as an expense over the expected working lives of the employees participating in the plan based on the actuarial calculations. The discount rate used in calculation of the present value is determined by reference to market yields on high quality corporate bonds and to the maturity of the pension obligation. The present value of pension obligations is netted against the fair value of plan assets at the end of the reporting period.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in income.

The unfunded part of the defined benefit obligations increases the pension obligations and decreases equity. If a defined benefit plan is overfunded, the overfunded part increases the Group's assets and equity, respectively.

Share-based payments

Pöyry has share-based incentive plans for its key personnel. The fair value of the reward is expensed until the target group is entitled to the reward and the shares are freely transferable. The fair value of the share is the share price on the date at which the target group has agreed to the conditions of the plan reduced by the estimated dividends. The fair value of the cash part is remeasured at the end of each reporting period based on the share price at the end of the reporting period. The expenses are recognised as personnel expenses and the component settled in shares is credited to the retained earnings and the cash part as an accrued liability until paid out. The share-based incentive plans are described in the note 7.

Operating result

Operating result is the net amount that consists when other operating income is added to the net sales and materials and supplies, external charges (subconsulting), personnel expenses, depreciation, possible value decreases and other operating expenses are deducted. All the other items are presented below the operating result. Exchange rate differences and changes in the fair value of derivatives are included in the operating result if arisen from the items related to business, otherwise recorded in financial items.

Income taxes

The income taxes in the consolidated statement of comprehensive income comprise current tax of the Group companies calculated on the taxable profit for the period determined in accordance with local tax rules, the tax adjustments related to previous years as well as the change in the deferred tax assets and liabilities. For transactions and other events recognised in profit or loss, any related tax effects are also recognised in profit or loss. For transactions and other events recognised outside profit or loss (either in other comprehensive income or directly in equity), any related tax effects are also recognised either in other comprehensive income or directly in equity, respectively.

The withholding taxes which are deducted from income taxes are recognised in income taxes. The withholding taxes which are not deductible from income taxes are recognised in expenses.

Deferred tax assets and liabilities are provided in the consolidated financial statements generally for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The main temporary differences arise from tax losses carried forward and defined benefit plans. Deferred taxes are not provided for impairment of goodwill, which is not deductible for tax purposes, or for undistributed profits of

subsidiaries to the extent that it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax liabilities are recognised at their full amounts in the balance sheet, and deferred tax assets are recognised at estimated realisable amounts, i.e. to the extent that it is probable that taxable profit will be available in the future, against which temporary differences can be utilized. The tax rate enacted or substantively enacted at the end of the reporting period is used as the tax rate.

Intangible assets

Goodwill

For acquisitions after 1 January 2010, the Group recognises goodwill at the acquisition date as the excess of the sum of the fair value of the consideration transferred, the recognised amount of any non-controlling interest in the acquired company and the acquirer's previous equity interest in the acquired company over the net fair value of the identifiable assets acquired and liabilities assumed.

Acquisitions between 1 January 2004 and 31 December 2009 have been booked according to the previous IFRS standards (IFRS 3 (2004)), in which goodwill represents the difference between the cost of the acquisition and the fair value measured at the acquisition date of the net identifiable assets and liabilities and contingent liabilities acquired. Goodwill arisen from the business acquisitions occurred prior to 1 January 2004 is reported as it was recognised under FAS and taken as deemed cost under IFRS. Based on this exemption granted in IFRS 1 the classification and accounting treatment of the business combinations was not been reconsidered in preparing the Group's opening IFRS balance sheet.

Goodwill is stated in the balance sheet at cost less any impairment losses. Goodwill together with other intangible assets with indefinite useful lives is not amortised but is tested for impairment annually or when there is an indication that an asset may be impaired. For this purpose, goodwill is allocated to cash generating units, or in case of associated companies, goodwill is included in the acquisition cost of the associated company. The business groups of the Pöyry Group represent the independent cash generating unit levels where the Board of Directors and the management monitors the profit, cash flow and capital employed, and are therefore chosen as the goodwill allocation level.

Other intangible assets

An intangible asset is initially capitalised in the balance sheet at cost if the cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group. Other intangible assets are stated at historical cost less cumulative amortisation and impairment losses, if any. Those borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Intangibles with finite useful lives are amortised on a straight-line basis over their known or expected useful lives. An intangible asset once classified as held for sale is not amortised.

Software

Amortised on a straight-line basis over 3 to 5 years.

Order stock

The order stock recognised separately in the connection of a business combination is expensed during the related projects.

Research and development

The income and expenses attributable to research and development are part of the Group's client work and cannot therefore be reasonably defined in exact monetary terms in practice. These revenues and expenses are recognised in profit or loss and they are included in the operating profit/loss.

Tangible assets

Items of property, plant and equipment are stated at historical cost less cumulative depreciation and any impairment losses. Those borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Gains and losses on sales and disposals are included in other operating income and in other operating expenses, respectively.

A predetermined schedule has been used to calculate depreciation on tangible assets. Depreciation is calculated based on historical cost and expected useful life. Depreciation is charged to the profit or loss on a straight-line basis. Expected useful lives and residual values are reassessed at least at each financial year-end and where they differ significantly from previous estimates, depreciation periods are changed accordingly. The estimated useful lives are as follows:

Buildings	20-40 years
Machinery and equipment	3-8 years

Land is not depreciated. A tangible asset once classified as held for sale is not depreciated.

Leases

The Group may have both finance and operating leases. The group had only operating leases at the balance sheet date.

An operating lease is a lease of property, plant and equipment where the lessor retains significant risks and rewards incidental to ownership. In the Pöyry Group leases classified as operating leases mainly relate to office premises, also some car and office equipment leases have been classified as operating leases. Payments made there under are charged to profit or loss as rental expense on a straight-line basis over the lease term.

Impairment of tangible and intangible assets

The carrying amounts of the Group's assets are reviewed at the end of each reporting period to determine whether there is any indication for impairment. If an indication exists, the asset's recoverable amount is estimated. The recoverable amounts of following assets are also estimated annually irrespective whether there is any indication for impairment or not: goodwill and intangible assets with indefinite useful lives. The impairment test is performed at the level of a cash-generating unit. This is the smallest identifiable group that is independent of other units and whose cash flows are separable.

The recoverable amount is the higher of an asset's fair value less costs to sell, or its value in use. The value in use represents the present value of discounted future net cash flows expected to be derived from an asset or a cash-generating unit. The discounted cash flow analysis used to calculate value in use is based on the approved strategy where growth from acquisitions has been eliminated. The recoverable amount is based on reasonable estimates and assumptions and the latest plans or forecasts approved by the management. Goodwill impairment testing is carried out annually during the last quarter primarily by using discounted cash flow analysis. Pre-tax weighted average cost of capital (WACC) is used as a discount rate for the recoverable amount. WACC represents the market opinion of time value of money and special risks relating to an asset.

The Group's scale for classifying the goodwill impairment testing results is the following (compared to the total carrying amount of tested assets): a) is below, b) corresponds to, c) exceeds slightly, d) exceeds clearly, e) exceeds significantly (> 50 per cent).

Financial instruments

Pöyry classifies its financial items as follows: financial assets and financial liabilities at fair value through profit or loss, available-for-sale financial assets, loans or receivables (assets) as well as financial liabilities measured at amortised cost.

Financial assets

A financial asset is classified when originally acquired based on its purpose of use. All purchases or sales of financial assets are recognised or derecognised using settlement date accounting. The Group derecognises financial assets when it has lost its right to receive the cash flows or when it has transferred substantially all the risks and rewards to an external party.

Financial assets at fair value through profit or loss

A financial asset is classified in this category when the financial asset is held for trading. In Pöyry Group this category comprises those derivative instruments not meeting the hedge accounting criteria and certain investments. Gains and losses arising from a change in the fair value, realised or unrealised, are recognised in profit or loss as incurred.

Available-for-sale assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. In the Pöyry Group assets classified as available for sale comprise unlisted shares. As their fair value is not available or cannot be measured reliably, they are carried at cost. However, when there is objective evidence that the fair value of such share investments is significantly lower than their book value, this is indication of an impairment loss. If there is objective evidence of an impairment loss, the loss arisen is recognised in profit or loss. Available-for-sale financial assets are included in non-current assets unless the Group has the intention to sell them within less than 12 months after the end of the reporting period, in which case they are included in the current assets.

Loans or receivables (assets)

Financial assets that belong to this category are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group does not hold them for trading purposes either. Loans and receivables are measured at amortised cost less impairment losses.

In the Pöyry Group this category includes trade receivables and other receivables arisen from business operations. Trade receivables are presented net of credit losses.

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Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and other short-term highly liquid investments with original maturities of three months or less from the date of acquisition. Bank overdrafts related to Group's cash pool accounts, if any, are included within current interest-bearing liabilities.

Financial liabilities

The Group classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost. A liability is classified as current when the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. The Group removes a financial liability (or a part of it) from its balance sheet only when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Financial liabilities at fair value through profit or loss

In Pöyry Group this category comprises those derivative instruments not meeting the hedge accounting criteria. Gains and losses arising from the change in the fair value, realised or unrealised, are recognised in profit or loss as incurred.

Financial liabilities measured at amortised cost

This category includes the borrowings taken by the Group. On initial recognition a loan is measured at its fair value, using the effective interest method. Interest expenses are recognised in profit or loss over the period of the borrowings using the effective interest method. Subsequent to initial recognition, these liabilities are stated at amortised cost.

Committed Credit facilities

The issuer of committed credit facility is paid commitment fee that is recognized as an expense during validity of credit facility. Commitment fee is based on the amount of unused credit facility and time.

Derivative instruments and hedge accounting

Derivatives are classified as financial assets and financial liabilities at fair value through profit or loss. They are recognised on the balance sheet at fair value on the trade date. Subsequently they are fair valued. Derivatives are not used for speculative purposes. Gains and losses are accounted for based on the purpose of use of the derivative.

The Group applies the hedge accounting to certain derivatives. In that case, at the inception of a hedge relationship, the company, which enters into the hedges, documents the relationship between the hedging instrument and the hedged item as well as the strategy for undertaking the hedge in accordance with the Group's risk management objective. The Group also documents and assesses, both at hedge inception and at least at the end of each reporting period whether the derivatives that are used in hedging transactions are highly effective in offsetting the changes in the fair values or cash flows of the hedged items.

Fair value hedges

The Group applies fair value hedge accounting to part of the forward contracts hedging sales and purchases denominated in foreign currencies as the hedge relates to a binding sale agreement that is an off-balance sheet item. In that case the fair value change resulting from the hedging instrument as well as from the hedged portion of the binding agreement is recognised in profit or loss, together with the change in the fair value of the interest element of a forward contract separated from the hedge relationship.

Treasury shares

Pöyry PLC's own shares acquired by the Group, including directly attributable costs, are presented as a deduction from the total equity in the consolidated financial statements. Purchases and subsequent sales of treasury shares, including directly attributable transaction costs, are presented as changes in equity.

Hybrid bond

Hybrid bonds are classified as a part of shareholders' equity in the consolidated financial statements, as the company has no contractual obligation to repay the loan capital or the interest on the loan. The bond holders do not have any rights equivalent to ordinary shareholders, and the bond does not dilute shareholders' ownership in the company. Hybrid bonds are recognised at fair value less transaction costs. If interest is paid to hybrid bonds, it is recognised directly into retained earnings.

Provisions

A provision is an obligation of uncertain timing or amount. A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event that is probable and a reliable estimate can be made of the amount of the obligation. A provision is measured to the present value of the costs required to offset the obligation. If it is possible to receive compensation for part of the obligation from a third party, the compensation is recognised as a separate asset, but

only when receipt of the compensation is virtually certain.

To minimise business risks the Pöyry Group has a group-wide risk management policy that includes procedures for identification, assessment, treatment and monitoring of risks. The policy is described in the risk management section.

Project provisions

When a project is unfinished, a project provision is recognised only in an exceptional case. If a disagreement arises between the Group and a customer or a subcontractor, or cost overrun is expected, their effect on the project is assessed. If the effect on the result of a project is probable, it is taken into account either by reducing the expected total invoice amount or by increasing the costs and consequently the expected total result falls. The expected loss is recognised immediately as a project provision only in an exceptional case when it is probable that the total project costs will exceed the total project revenues.

Existing professional, contractual or legal third party liability risks may also result in a provision to be recorded regarding a project already completed. A provision is recognised if the Pöyry Group is to compensate the client or a third party a damage caused by negligent action or inaction or normative breach.

Restructuring provisions

Group's restructuring provisions relate mainly to restructurings, i.e. termination expenses if employees are laid off and lease payments for vacant office space.

Other provisions

Other provisions include provisions usually related to employment claims customary in one of the Group's operating countries and are based on local professional opinions.

Contingent liability

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also be a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability. A contingent liability is disclosed in the notes to the financial instruments.

Dividends

The dividend relating to the financial year ended is not recognised until approved by a general meeting of shareholders.

New and amended standards and interpretations

IASB has issued the following new and amended standards and interpretations that the Group has not yet adopted. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

IFRS 9 "Financial Instruments": IFRS 9 "Financial Instruments" replaces the multiple classification and measurement models in IAS 39 and it will bring changes to classification and measurement of financial assets their impairment assessment hedge accounting. A debt instrument is measured at amortized cost only if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and the contractual cash flows under the instrument solely represent payments of principal and interest. All other debt and equity instruments, including investments in complex debt instruments and equity investments are measured at fair value. All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss). In addition debt instruments can be classified at fair value through other comprehensive income according to entity's business model. The group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets as major part of group financial assets are currently classified as assets measured at fair value through profit and loss. According to the new standard impairment of financial asset will be based on new expected credit loss method. The group will apply a simplified provision matrix approach for trade receivables, where the impairment loss is recorded using an accrual matrix for the whole maturity of the receivable, unless the receivable is regarded impaired due to the credit risk. IFRS 9 is effective from 1 January 2018 which is also the initial application date for the Group.

IFRS 15 "Revenue from contracts with customers": The IASB has issued a new standard for the recognition of revenue. It will replace IAS 18, which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. New standard needs to be applied only to contracts that are not completed as of the date of initial application. The Group has validated its engineering and consulting contracts

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according to the approach presented in the standard and has not identified any major changes to the existing principles of identifying the contract with the customer, identifying separate performance obligations, determining and allocating the transaction price and recognising the revenue as each performance obligation is satisfied. The engineering and consulting services provided by the Group do not generally create an asset with an alternative use to the Group and based on contract terms the Group has generally an enforceable right to payment for performance completed to date. Thus, according to the Group's assessment new rules will not have significant impact on the consolidated financial statements. The standard must be applied for financial years commencing on or after 1 January 2018. The Group will apply full retrospective application for the adoption of the standard.

IFRS 16 "*Leases*": IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability are recognised. The only exceptions are short-term and low-value leases. The new standard will have a significant impact on Group's balance sheet and key figures, as at the moment all the leases of the Group are operating leases, which have not been recognised in the balance sheet. The more detailed impact of the new standards is currently being assessed. The standard must be applied for financial years commencing on or after 1 January 2019. The group does not intend to adopt the standard before its effective date.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2. Segment information

Pöyry's operations are conducted through four operating segments (business lines):

Energy

The Energy Business Group provides technical consulting, engineering, supervision and project management services within the areas of hydro power, thermal power, nuclear power, renewables and transmission & distribution. We help clients to effectively manage their assets throughout the entire business life-cycle underpinned by in-depth sector knowledge. We deliver both new build and rehabilitation projects, as well as services relating to existing assets.

Industry

The Industry Business Group provides technical consulting, engineering, project management and implementation services to clients in the areas of process industries and across the entire investment life-cycle. Focus sectors extend from pulp & paper to chemicals & biorefining. We deliver solutions for complex new investment projects and rebuilds of existing plants.

Regional Operations

Regional Operations serve clients with a broad range of services covering engineering and technical advisory, delivered across the energy, industry, transportation, real estate and water sectors and supported by environmental services. Pöyry's experts have profound local market knowledge, underpinned by global competence. Our extensive local office network is located within easy reach of client's operations.

Management Consulting

The Management Consulting Business Group provides strategic advisory services to the world's capital and resource intensive industries. Our expertise is based on market-led insights and quantitative models, as well as a profound understanding of sector specific strategies and technologies.

Other, unallocated items

The unallocated items consist of Group level activities well as parent company expenses which are not charged to the business lines. The Group's parent company is responsible, among other things, for developing the Group's strategy and for supervising its implementation, financing, realising synergistic benefits and general co-ordination of the Group's operations. The parent company charges intra-group royalties and service fees.

Reporting

The operating segments correspond to the internal reporting structure of the Group according to which the management monitors the operating result. The statement of income of the segment is presented down to the operating result.

Reporting is based on the organisational structure announced in 2014. At the beginning of 2015 and 2016 as well as in August 2016, minor organisational alignments were executed between the business lines. These changes did not have any material impact to the reporting segments. The figures for the comparison periods have been adjusted accordingly.

Inter-segment pricing is determined on an arm's length basis. There are no significant sales between the segments.

All personnel numbers are calculated as full-time equivalents (FTE).

Net sales and operating result

EUR million	Net sales		Operating result		Operating result %	
	2016	2015	2016	2015	2016	2015
Energy	130.2	150.5	4.6	5.9	3.6	3.9
Industry	50.0	53.7	4.6	4.9	9.3	9.1
Regional Operations	285.7	305.5	-9.8	-2.3	-3.4	-0.7
Management Consulting	64.1	66.2	3.9	4.4	6.1	6.6
Unallocated	-0.5	-0.6	-11.5	-8.9		
Total	529.6	575.3	-8.1	4.0	-1.5	0.7

Order stock, capital expenditure, depreciation and impairment

EUR million	Order stock		Capital expenditure		Depreciation and impairment	
	2016	2015	2016	2015	2016	2015
Energy	152.5	175.1	0.4	0.3	0.4	0.5
Industry	37.1	37.2	0.1	0.1	0.1	0.2
Regional Operations	238.7	236.9	0.7	0.9	1.4	1.8
Management Consulting	14.3	16.2	0.2	0.3	0.3	0.4
Unallocated	0.0	0.0	3.7	5.4	2.3	1.3
Total	442.5	465.5	5.1	6.9	4.6	4.2

Personnel

	Personnel on average		Personnel at year-end	
	2016	2015	2016	2015
Energy	1,109	1,106	1,079	1,151
Industry	470	466	452	470
Regional Operations	2,745	2,924	2,541	2,816
Management Consulting	352	363	353	351
Unallocated	163	170	150	164
Total	4,839	5,029	4,574	4,952

Net sales and personnel by area

	Net sales EUR million		Personnel at year-end	
	2016	2015	2016	2015
The Nordic countries *)	188.8	191.5	1,817	1,897
Other Europe	191.3	210.6	1,561	1,597
Asia	79.1	90.8	614	689
North America	22.7	24.2	164	155
South America	43.9	53.2	416	613
Other	3.9	5.0	2	1
Total	529.6	575.3	4,574	4,952
*) of which Finland	115.8	114.6		

Adjusted operating result

In order to increase transparency in comparing performance from one period to another Pöyry discloses from 2016 onwards an adjusted operating result. The adjusted items are not related to the business operations of the reporting period and include restructuring and labour claim expenses, gains / losses related to divestments and profits / losses related to projects from the former Urban Business Group or projects which were finalised over two years ago.

2016

EUR million	Energy	Industry	Regional Operations	Management Consulting	Unallocated	Total
Operating result 2016	4.6	4.6	-9.8	3.9	-11.5	-8.1
Restructuring and labour claim ¹⁾ expenses	0.6		3.6	0.5	1.3	6.0
Gains / losses related to divestments					0.2	0.2
Profits / losses related to projects from former Urban Business Group			7.1			7.1
Profits / losses related to projects finalised over two years ago			0.8	0.3		1.1
Other ²⁾		-0.3	-0.2			-0.5
Adjusted operating result 2016	5.2	4.4	1.4	4.7	-9.9	5.8

2015

EUR million	Energy	Industry	Regional Operations	Management Consulting	Unallocated	Total
Operating result 2015	5.9	4.9	-2.3	4.4	-8.9	4.0
Restructuring and labour claim ¹⁾ expenses	0.2		1.2		1.3	2.7
Gains / losses related to divestments					-0.2	-0.2
Profits / losses related to projects from former Urban Business Group			2.0			2.0
Profits / losses related to projects finalised over two years ago			0.9			0.9
Adjusted operating result 2015	6.1	4.9	1.8	4.4	-7.8	9.4

¹⁾ Labour claim expenses are expenses related to employment claims customary in one of the Group's country operations and are based on local professional opinions.

²⁾ Profits related to projects on which losses were recorded in 2014 and reported as adjusted items.

3. Disposals

In 2016 there were no disposals.

In June 2015 Pöyry sold all of its shares in Pöyry Environment a.s., an engineering and consulting services company based in Czech Republic. The annual net sales of the sold company were about EUR 2 million.

EUR million	2016	2015
Net assets in divested units		
Tangible assets	-	0.5
Intangible assets	-	0.0
Goodwill	-	-
Shares	-	0.0
Deferred tax assets	-	0.2
Work in progress	-	1.6
Accounts receivable	-	0.9
Other receivables	-	0.5
Cash and cash equivalents	-	0.7
Assets total	-	4.3
Project advances received	-	0.4
Accounts payable	-	0.3
Other current liabilities	-	0.6
Liabilities total	-	1.3
Non-controlling interest	-	0.5
Net assets in divested units, total	-	2.6
Gain on sale excluding the effect of CTA release and transaction costs	-	0.4
CTA release	-	-0.2
Transaction costs	-	0.0
Total gain on sale from disposals	-	0.1
Consideration received	-	3.0
Cash and cash equivalents in divested entities	-	-0.7
Net cash inflow	-	2.3

4. Net sales

Critical accounting estimates

The estimates of the total project costs made by management have a significant impact on the revenue recognition of the percentage-of-completion projects. Even though the percentage-of-completion method is only applied when the outcome of a project can be estimated reliably, the estimated costs may differ from the actual costs. This may have an impact on the revenue recognition in the future reporting periods.

EUR million	2016	2015
Net sales	529.6	575.3
Net sales from project contracts recognised on the percentage-of-completion method	393.0	439.8
Net sales from reimbursable projects	136.6	135.5

Net sales by operating segments are presented in note 2 Segment information.

Percentage-of-completion projects

The aggregate amount of project contract cost incurred and recognised profits less losses to date	660.8	843.2
Work in progress included in current assets	58.9	74.6
Project advances included in current liabilities	58.2	70.9
Accrued expenses and deferred income from percentage-of-completion projects	4.7	10.2
Expenses from percentage-of-completion projects included in provisions	5.3	5.4

5. Other operating income

EUR million	2016	2015
Rental income	0.6	1.2
Gain on sales of shares and business operations	-	0.2
Gain on sales of fixed assets	0.1	0.1
Other	0.5	0.0
Total other operating income	1.3	1.4

6. Personnel expenses

EUR million	2016	2015
Wages and salaries	281.0	292.0
Bonuses	7.3	8.6
Share-based payments	-	0.5
Pension expenses, contribution plans	33.8	34.6
Pension expenses, defined benefit plans	1.4	3.3
Other social expenses	27.6	27.5
Total personnel expenses	351.1	366.6

Fees paid to the members of the Board of Directors (EUR 1,000)

	2016	2015
Henrik Ehrnrooth, Chairman	80	80
Teuvo Salminen, Vice Chairman	68	48
Alexis Fries	76	60
Pekka Ala-Pietilä	60	60
Helene Biström	52	-
Michael Rosenlew	63	-
Heikki Lehtonen	13	85
Georg Ehrnrooth	12	60
Michael Obermayer	16	80
Karen de Segundo	16	80
Total fees paid to the members of the Board of Directors	456	553

Salaries and other employee benefits to the President and CEO (EUR 1,000)

	2016	2015
Martin à Porta		
Salary and benefits		
Salaries and bonuses	1,156	-
Sign-on bonus ¹⁾	-	472
Fringe benefits	64	-
Total salary and benefits	1,220	472
Pension expenses		
Statutory employee pension scheme	21	-
Voluntary employee pension scheme	40	-
Total pension expenses	61	-
Alexis Fries		
Salary and benefits		
Salaries and bonuses	-	958
Termination benefits ²⁾	-	773
Fringe benefits	-	8
Total salary and benefits	-	1,739
Pension expenses		
Statutory employee pension scheme	-	28
Voluntary employee pension scheme	-	37
Total pension expenses	-	65

Salaries and other employee benefits to the other members of the Group Executive Committee (EUR 1,000)

	2016	2015
Salaries and benefits		
Salaries and bonuses	2,743	3,418
Restructuring costs	924	-
Fringe benefits	145	150
Total salaries and benefits	3,812	3,568
Pension expenses		
Statutory employee pension scheme	342	473
Voluntary employee pension scheme	212	163
Total pension expenses	554	636

¹⁾ The new President and CEO's service contract included a sign-on bonus, based on which Pöyry PLC's shares and a cash payment were granted to him. The President and CEO is part of the performance share plan for key personnel described in note 7.

²⁾ Expenses related to termination of the President and CEO's service contract in 2015 include a contractual compensation for non-competition period in February-December 2016.

Salaries, bonuses and benefits are reported on accrual basis.

7. Performance share plans

Performance share plan 2014

The Board of Directors of Pöyry PLC approved on 4 February 2014 a share-based incentive plan for Pöyry Group key personnel. The aim of the plan is to combine the objectives of the shareholders and the key personnel in order to increase the value of the company, to commit the key personnel to the Company, and to offer them a competitive reward plan based on earning the Company's shares.

The plan consists of three discretionary periods, calendar years 2014, 2015 and 2016. The Board of Directors of the Company will decide on the performance criteria and their targets at the beginning of each discretionary period. The extent to which the targets established for the vesting conditions are attained will determine how large a portion of the maximum reward will be paid to the key persons.

The reward paid on the basis of the performance share plan will be paid by the end of April of the year following the second year after the close of the discretionary period as a combination of shares and cash. The reward's cash component is intended for taxes and tax-related costs arising from the period.

The reward will not be paid if the person's employment ends before the possible reward payment.

For discretionary period 2015 the criteria for the performance share plan were not met and no rewards will be paid.

Basic data concerning the performance share plans

	Discretionary period	
	2016	2014
Grant dates	11 Feb 2016, 8 Jun 2016	22 Apr 2014, 7 May 2014
Form of the reward	Shares and cash	Shares and cash
Target group	Key personnel	Key personnel
Maximum number of shares*	800,000	800,000
Beginning of the discretionary period	1 Jan 2016	1 Jan 2014
End of the discretionary period	31 Dec 2016	31 Dec 2014
End of the restriction period	30 Apr 2019	30 Apr 2017
	Adjusted EPS, working commitment	EPS, working commitment
Vesting conditions		
Maximum contractual life, years	3.2	3.0
Remaining contractual life, years	2.3	0.0
Number of persons 31 Dec.	33	0

* The maximum amount of the share reward includes a component to be paid in cash.

Since the cash component of the share reward is also recognised as a share-based expense, the amounts below are presented in gross terms, i.e. the share reward figures include both the reward paid in shares and the number of shares corresponding to the amount of the reward paid in cash.

Financial year 2016

	Discretionary period		Total
	2016	2014	
Gross amounts 1 Jan 2016			
Share rewards, outstanding at the beginning of the period	0	0	0
Changes during the financial year			
Granted	681,000	0	681,000
Forfeited	144,000	0	144,000
Gross amounts 31 Dec 2016			
Share rewards, outstanding at the end of the period	537,000	0	537,000
Remaining contractual life, weighted average, years	2.3	0.0	

During year 2015 no new share rewards were granted.

Measurement of fair value

IFRS 2 requires an entity to measure the award at its fair value at the day at which the share-based payment is agreed upon between the counterparties. Since the person is not entitled to receive dividends during the earning period, the dividends expected to be paid have been deducted from the share price of the grant date when measuring the fair value. Since the share reward is paid as a combination of shares and cash, the measurement of the fair value of the reward consists of two parts under IFRS 2: the component settled in shares and the component settled in cash. The component settled in shares will be recognised in shareholders' equity and the payment settled in cash in liabilities. The fair value of the reward paid in shares at the reward's grant date was the Pöyry PLC share price less the dividends expected to be paid during the earning period. Correspondingly, the fair value of the liability incurred in respect of a cash-settled transaction is remeasured at each reporting date until the end of the earning period, and the fair value of the liability will thus change in accordance with the Pöyry PLC share price.

Inputs to the fair value determination of the rewards expensed during the period and the comparable period are listed in the below table as weighted average. The total fair value of the rewards is based on the Company's estimate on 31 December 2016.

Inputs to fair value measurement, EUR	Discretionary period	
	2016	2014
Share price at the grant date	3.40	4.35
Assumed annual dividend	0.09	0.08
Fair value per share accounted for as equity-settled reward	3.14	4.10
Fair value per share of the cash-settled reward at the settlement/at the end of the period	3.32	-

For 2016 and 2015 no expenses were recognised from share-based payments. At the end of 2016 or 2015 there were no liabilities for cash-settled share-based payments in the balance sheet.

8. Other operating expenses

EUR million	2016	2015
Other project expenses ¹⁾	34.8	39.9
Impairment losses on accounts receivable and work in progress	6.0	-0.9
Other operative expenses ²⁾	32.4	35.5
Office facilities	27.8	28.2
Other fixed expenses ³⁾	35.6	36.3
Total other operating expenses	136.6	139.0

¹⁾ Other project expenses include expenses directly attributable to projects, such as travel expenses, IT expenses and other expenses.

²⁾ Other operative expenses include expenses attributable to business operations, such as travel expenses and other personnel related expenses, IT expenses and fees from external services.

³⁾ Other fixed expenses include group and support functions' expenses, such as audit fees, insurance fees, IT-expenses and fees from external services

Auditing fees, included in other fixed expenses

Statutory auditing		
Group auditor	0.7	0.7
Other	0.1	0.1
Tax advisory		
Group auditor	0.1	0.1
Other	0.3	0.2
Other services		
Group auditor	0.0	0.2
Other	-	0.0

9. Financial income and expenses

EUR million	2016	2015
Dividend income	0.4	0.3
Interest income from other financial assets ¹⁾	0.3	0.4
Interest income from loans and other receivables	0.1	0.3
Financial income from derivatives	0.4	0.5
Gain on sale of shares in associates and joint ventures	-	5.7
Financial income from financial assets at fair value through profit and loss	-	0.0
Other financial income	0.1	0.1
	0.9	7.0
Interest expenses from loans	-1.3	-1.5
Other interest expenses	-0.7	-0.7
Financial expenses from derivatives	-0.4	-0.9
Defined benefit liability, interest expenses, net	-0.5	-0.6
Other financial expenses ²⁾	-1.8	-1.4
	-4.5	-5.1
Exchange rate gains	4.3	13.3
Exchange rate losses	-4.1	-14.0
	0.2	-0.7
Total financial income and expenses	-3.1	1.4

¹⁾ Interest income from other financial assets ¹⁾ consists mainly of interest earned on short term bank deposits.

²⁾ Other financial expenses include mainly fees concerning restructuring of the Group's loan portfolio.

The Group hedges the project cash flows denominated in foreign currency by using foreign exchange derivative contracts. Exchange rate gains or losses arisen from these derivative contracts are recorded in sales and project expenses, and not in financial income and expenses except for the forward points.

The parent company conducts the Group's financing and grants loans to subsidiaries if considered necessary. These loans are mainly granted in the currency of the subsidiary, and the subsidiaries lend their excess cash to the parent company in their home currency. The subsidiaries hedge their commercial foreign currency exposures by doing internal forward deals with the parent company, which hedges the net exposure externally.

10. Income taxes

Critical accounting estimates

The Group reviews at each balance sheet date the carrying amount of deferred tax assets. For this assessment it is considered, whether it is probable that the subsidiaries will have sufficient taxable profits against which the unused tax losses or unused tax credits can be utilised. The assumptions used in estimates may differ from the actual outcome which could lead to significant write-downs of the deferred tax assets in the future reporting periods.

The Group recognises liabilities for tax dispute issues from the ongoing tax audits based on estimates of whether additional taxes will be due. The final outcome from these matters may differ significantly from the estimates initially made, which will impact the income tax for the period and deferred tax provisions in the reporting period in which such determination is made.

EUR million	2016	2015
Taxes for the fiscal year	3.6	3.8
Taxes for previous years	0.3	0.0
Deferred taxes	-1.7	-3.9
Total income taxes	2.2	-0.1
Reconciliation of current income taxes		
Profit / loss before taxes	-10.6	6.0
Income tax at Finnish tax rate 20.0 %	-2.1	1.2
Effect of different tax rates outside Finland	-0.7	-1.8
Non-deductible expenses and tax exempt income	0.5	-0.1
Losses for which no deferred tax assets are recognised, tax effect	2.3	2.3
Utilisation of previously unrecognised tax losses	-0.5	-0.8
Change in recoverability of tax losses from previous years	1.7	-1.4
Taxes for previous years	0.3	0.0
Changes in tax rates	0.2	-
Other	0.6	0.6
Total current income taxes	2.2	-0.1
Deferred tax assets		
Tax losses carry forward	19.0	18.2
Deferred tax assets from pension obligations	9.6	9.9
Other temporary differences	5.5	3.1
Total deferred tax assets	34.1	31.3
Deferred tax liabilities		
Other temporary differences	0.2	0.2
Total deferred tax liabilities	0.2	0.2

Deferred tax assets from losses of EUR 85.8 (68.1) million have not been recognised in the consolidated financial statements, because the realisation of the tax benefit included in these assets is uncertain. EUR 26.9 million of the losses expire within the next ten years and EUR 58.8 million later.

11. Earnings per share

	2016	2015
Net profit/loss for the period attributable to the owners of the parent company, EUR million	-12.5	5.5
Interest on hybrid bond less tax, EUR million	-1.8	-0.2
Net profit/loss for the period for the purpose of calculating earnings per share, EUR million	-14.3	5.4
Weighted average number of outstanding shares, thousands	59,321	59,241
Diluted amount, thousands	59,361	59,341
Earnings per share, EUR ¹⁾	-0.24	0.09
Diluted	-0.24	0.09

¹⁾ Calculation rule is presented in Key figures section.

12. Goodwill and intangible assets

Critical accounting estimates

The Group's goodwill is tested at least annually for impairment. The recoverable amounts of cash-generating units are based on value in use calculations. These calculations are based on estimated future cash flows, which require management to make assumptions relating to future expectations. Actual cash flows could differ from the estimated cash flows, which may lead to recognition of significant impairment losses in the future reporting periods.

EUR million	Goodwill	Intangible assets
Acquisition cost 1 Jan 2016	121.4	20.6
Exchange differences	1.0	0.2
Increase		3.5
Decrease		-0.5
Acquisition cost 31 Dec 2016	122.4	23.9
Accumulated depreciation and impairment 1 Jan 2016		15.3
Exchange differences		0.2
Accumulated depreciation on decrease		-0.5
Depreciation for the period		1.7
Accumulated depreciation and impairment 31 Dec 2016		16.7
Book value 31 Dec 2016	122.4	7.2
Acquisition cost 1 Jan 2015	119.2	17.3
Exchange differences	2.2	0.1
Increase		4.2
Decrease		-1.0
Acquisition cost 31 Dec 2015	121.4	20.6
Accumulated depreciation and impairment 1 Jan 2015		15.1
Exchange differences		0.1
Accumulated depreciation on decrease		-0.8
Depreciation for the period		0.9
Accumulated depreciation and impairment 31 Dec 2015		15.3
Book value 31 Dec 2015	121.4	5.3

Goodwill impairment testing

The forecasted scenarios are based on the Pöyry Group's three strategy periods where only organic growth and inflation have been considered, and on the long-term growth outlook where the growth rates stated below have been used. Impairment testing has been made according to the business structure at the time of impairment testing.

2016

Main assumptions	Energy	Industry	Regional Operations	Management Consulting
Beta	1.281	1.240	1.408	1.288
WACC, %, Pre-tax	10.93	10.69	13.21	10.98
WACC, %, Post-tax	8.25	8.09	9.85	8.27
Perpetuity growth rates, %	2.00	2.00	2.00	2.00
Average change in operating profit percentage	Improvement	Improvement	Improvement	Improvement
Goodwill 31 Dec 2016	39.9	1.0	47.6	33.8
Book value 31 Dec 2016	45.3	0.0	108.2	47.7
Value in use 31 Dec 2016	100.1	86.1	154.6	89.5

Consolidated financial statements

Break even analysis, the book value and the value in use are the same	Energy	Industry	Regional Operations	Management Consulting
Beta	3.27	n/a	2.25	2.52
WACC, %, Post-tax	15.75	n/a	13.03	12.93
Decrease in operating profit from 2017 >, %	-62.2	n/a	-32.3	-45.7

The WACC % for Regional Operations operating segment is weighted average of geographic area specific WACC's which strongly differ from each other in Regional Operations operating segment.

2015

Main assumptions	Energy	Industry	Regional Operations	Management Consulting
Beta	1.407	1.147	1.357	1.303
WACC, %, Pre-tax	11.49	10.11	12.39	10.95
WACC, %, Post-tax	8.64	7.66	9.23	8.24
Perpetuity growth rates, %	2.00	2.00	2.00	2.00
Average change in operating profit percentage	Improvement	Improvement	Improvement	Improvement
Goodwill 31 Dec 2015	40.1	0.8	47.2	33.2
Book value 31 Dec 2015	51.8	0.0	92.3	48.6
Value in use 31 Dec 2015	73.9	54.7	129.2	68.6

Break even analysis, the book value and the value in use are the same	Energy	Industry	Regional Operations	Management Consulting
Beta	2.11	n/a	1.75	1.94
WACC, %, Post-tax	11.29	n/a	11.86	10.66
Decrease in operating profit from 2016 >, %	-32.6	n/a	-29.6	-31.9

The WACC % for Regional Operations operating segment is weighted average of geographic area specific WACC's which strongly differ from each other in Regional Operations operating segment.

Result of goodwill impairment testing

Pöyry's scale for classifying the goodwill impairment is as follows: a) is below, b) corresponds to, c) exceeds d) exceeds significantly (>50%).

Impairment testing result shows that the "value in use" in the Regional Operations operating segment exceeds the book value. In other operating segments the "value in use" exceeds significantly the book value. In 2015 the "value in use" in the Industry operating segment exceeded significantly the book value. In other operating segments the "value in use" exceeded the book value.

Sensitivity analysis

1. Sensitivity analysis in a scenario in which the growth per cent and operating profit per cent after year 2017 have been reduced with 20 per cent in comparison with the ordinary testing levels.

In the sensitivity analysis the impairment testing result shows that the "value in use" for the Energy and Industry operating segments exceeds significantly the book value. In other operating segments the "value in use" exceeds the book value.

2. In this analysis the discount rate is 20 per cent higher compared to the original testing.

In the sensitivity analysis the impairment testing result shows that the "value in use" for the Energy and Industry operating segments exceeds significantly the book value. In other operating segments the "value in use" exceeds the book value.

13. Tangible assets

EUR million	Land areas	Buildings and structures	Machinery and equipment	Other tangible assets	Total
Acquisition cost 1 Jan 2016	0.0	0.3	44.6	9.8	54.7
Exchange rate differences		0.0	0.3	0.1	0.4
Increase		0.1	0.9	0.7	1.7
Decrease		-0.2	-3.1	-1.2	-4.5
Acquisition cost 31 Dec 2016	0.0	0.2	42.8	9.3	52.3
Accumulated depreciation 1 Jan 2016		0.1	39.5	6.4	46.0
Exchange rate differences		0.0	0.2	-0.1	0.2
Accumulated depreciation on decrease		-0.1	-3.0	-1.2	-4.3
Depreciation for the period		0.0	1.8	1.0	2.8
Accumulated depreciation 31 Dec 2016	-	0.1	38.5	6.2	44.8
Book value 31 Dec 2016	0.0	0.1	4.3	3.1	7.5
Acquisition cost 1 Jan 2015	0.1	1.1	47.5	9.2	57.9
Exchange rate differences	0.0	0.0	0.4	-0.1	0.4
Increase			1.4	1.6	3.1
Reclassification			0.8	-0.8	-
Decrease	-0.1	-0.8	-5.5	-0.3	-6.7
Acquisition cost 31 Dec 2015	0.0	0.3	44.6	9.8	54.7
Accumulated depreciation 1 Jan 2015		0.5	41.4	5.6	47.5
Exchange rate differences		0.0	0.5	0.0	0.6
Accumulated depreciation on decrease		-0.4	-4.8	-0.1	-5.4
Depreciation for the period		0.0	2.3	0.9	3.3
Accumulated depreciation 31 Dec 2015	-	0.1	39.5	6.4	46.0
Book value 31 Dec 2015	0.0	0.2	5.2	3.4	8.7

14. Non-current investments

EUR million	Shares, associated companies and joint ventures	Shares, other companies ²⁾	Loans receivable, associated companies	Loans receivable, other	Total
Acquisition cost 1 Jan 2016	1.8	0.6	0.1	0.3	2.7
Exchange differences	0.0			0.0	0.0
Increase		0.0		0.0	0.0
Decrease		0.0		0.0	-0.1
Share of result for the period	0.5				0.5
Received dividends	-0.3				-0.3
Book value 31 Dec 2016	2.1	0.6	0.1	0.3	3.0
Acquisition cost 1 Jan 2015	0.1	1.9	0.1	0.3	2.4
Exchange differences	0.1			0.0	0.2
Increase				0.0	0.0
Decrease		0.0		0.0	0.0
Transfer from other shares ¹⁾	1.3	-1.3			-
Share of result for the period	0.5				0.5
Received dividends	-0.3				-0.3
Book value 31 Dec 2015	1.8	0.6	0.1	0.3	2.7

¹⁾ A company earlier classified as other investment was reclassified as associated company in 2015.

²⁾ The other shares, EUR 0.6 (0.6) million consist of shares in unlisted companies. The shares are valued at acquisition cost because their fair value cannot be reliably determined.

Associated companies

Name		Holding %	Assets	Liabilities	Net sales	Profit/loss
Amata Power (Bien Hoa) Limited, Vietnam	2016	30.0	12.5	1.0	32.1	1.8
	2015	30.0	11.3	0.9	27.3	1.5

Other associated companies are not material for the Group.

15. Other non-current receivables

EUR million	2016	2015
Accounts receivable	1.8	2.9
Security deposits	0.3	0.5
Other receivables	2.0	1.4
Prepaid expenses and accrued income	0.4	0.4
Total other non-current receivables	4.5	5.2

The book value of the non-current receivables corresponds to their fair value as the discount effect is not material due to the maturity.

16. Current assets

EUR million	2016	2015
Work in progress	58.9	74.6
Accounts receivable	105.8	104.1
Other receivables	11.7	10.7
Prepaid expenses and accrued income	12.8	11.3
Current tax receivables	4.5	3.9
Total receivables	134.9	130.0
Cash in hand and at banks	49.3	70.6
Total current assets	243.0	275.2

The book value of the current receivables corresponds to their fair value as the discount effect is not material due to the maturity.

17. Prepaid expenses and accrued income

EUR million	2016	2015
Non-current	0.4	0.4
Current	12.8	11.3
Total prepaid expenses and accrued income	13.2	11.7
Social expenses	1.4	1.5
Rents	1.3	1.6
Insurance expenses	1.6	1.7
Fair value of derivative instruments	0.6	2.1
Other ¹⁾	8.4	4.7
Total prepaid expenses and accrued income	13.2	11.7

¹⁾ Other prepaid expenses and accrued income in 2016 include EUR 3.6 million of an advance payment for a three years' software lease agreement.

18. Accounts receivable

Critical accounting estimates

Trade receivables are presented net of credit losses. The recognition and measurement of the allowance for impairment requires management estimates and assumptions on the factors, that may influence the risk of individual projects or items. Such factors are, amongst others, outcomes of litigations and arbitration proceedings. Due to inherent uncertain nature of these factors the actual credit losses may significantly differ from the initial estimate.

The amount of doubtful receivables and assessment of need for impairment is based on risk of individual receivables. Generally, an impairment allowance of 50 per cent is made for those trade receivables which are more than 180 days overdue. If a receivable is due more than 360 days a credit loss provision is made unless there are especially weighty reasons.

EUR million	2016	2015
Non-current	1.8	2.9
Current	105.8	104.1
Total accounts receivable	107.7	107.0
Accounts receivable, gross	118.7	115.7
Allowance for impairment 1 Jan	-8.7	-10.2
Exchange rate differences	-0.1	-0.4
Change in allowance for impairment	-2.2	1.9
Allowance for impairment 31 Dec	-11.0	-8.7
Accounts receivable, net	107.7	107.0

Impairment losses + / reversals -

EUR million	2016	2015
Change in allowance for impairment	4.9	-1.2
Impairment loss recognised, directly recorded	0.0	0.3
Total impairment losses for the period	4.9	-0.9

2016, EUR million	Accounts receivable gross	Allowance for impairment	Accounts receivable net
Not past due	69.6	0.6	69.1
Past due under 61 days	21.5	0.1	21.4
Past due 61-180 days	5.8	0.2	5.6
Past due 181-360 days	4.4	1.1	3.3
Past due over 360 days	17.4	9.0	8.4
Total	118.7	11.0	107.7

2015, EUR million	Accounts receivable gross	Allowance for impairment	Accounts receivable net
Not past due	66.3	0.6	65.7
Past due under 61 days	20.5	0.1	20.4
Past due 61-180 days	7.7	0.0	7.7
Past due 181-360 days	1.5	0.8	0.7
Past due over 360 days	19.8	7.3	12.5
Total	115.7	8.7	107.0

Allowance for impairment made for receivables not past due are related to such contractual retentions from payments, for which settlement is considered unsure.

Trade receivables past due over 360 are related to litigation and arbitration proceedings concerning payments of change orders and other claims relating to certain projects.

19. Share capital and reserves

	Shares million	Share capital EUR million	Legal reserve EUR million	Invested free equity reserve EUR million	Hybrid bond EUR million	Total EUR million
1 Jan 2016	59.8	14.6	-	60.1	30.0	104.7
31 Dec 2016	59.8	14.6	-	60.1	30.0	104.7
1 Jan 2015	59.8	14.6	3.6	60.1	-	78.3
Reclassification to retained earnings			-3.6			-3.6
Hybrid bond					30.0	30.0
31 Dec 2015	59.8	14.6	-	60.1	30.0	104.7

Pöyry PLC's accounting par value of each share is EUR 0.25. The company has one series of shares.

Pöyry PLC held on 31 Dec 2016 419,055 (519,055) own shares.

The legal reserve included the amounts transferred from retained earnings to legal reserve in foreign subsidiaries. At the beginning of 2015 this item was reclassified back to retained earnings.

The invested free equity reserve includes the premium paid for shares in share issues before 2006, the 2007 share issue, the premium for the shares subscribed with stock options before 2008 and the premium paid for the shares with stock options in 2008-2011.

Equity includes a hybrid bond of EUR 30 million issued November 25, 2015. The hybrid bond bears a fixed interest rate of 7.50 per cent until 25 November 2019, after which the interest rate will be floating. The hybrid bond has no maturity date, but the company has the right to redeem it after four years from the issue date upon certain conditions. The hybrid bond is a debt instrument, which is subordinated to the company's unsubordinated debt obligations. It does not confer on its holders the right to vote at shareholder meetings and does not dilute the holdings of the current shareholders.

20. Financial risk management

The financial risks represent one of Pöyry's main risk categories, and are hence managed as part of Pöyry's risk management process. Financial risk related responsibilities and procedures are described in the Treasury Policy.

The Group has centralized the management of financial risks to Group Treasury, which is operating within the parent company Pöyry PLC. The objective of concentrating the financial risk management into Group Treasury is to be able to evaluate and control the risks in an efficient manner. The objective of Group Treasury function is to provide financial risk related services for the group companies to protect from unfavourable changes in the financial markets, and therefore to help secure the Group's profitability and ensure that adequate funding is available at all circumstances.

The Group has exposure to the following financial risks:

- credit risk
- liquidity and refinancing risk
- market risk

Credit risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligation, and arises principally from the Group's project assignments. The maximum amount of the credit risk equals the total book value of the financial assets reported in note 22. Financial assets and liabilities.

The Group's client profile and the spread of its sales between numerous clients reduce the exposure to credit risks. Credit rating procedures, internal follow-up of overdue receivables and a contract policy of balance between work performed and payments received further reduce the Group's credit risk exposure.

Overdue accounts receivable are reported and monitored by the management on a monthly basis. Overdue accounts receivable over 60 days are reported by client including reasons for delay and actions taken or planned.

The Group establishes an allowance for impairment that represents its estimate of incurred losses. An allowance for impairment of 50 per cent is made for amounts which are overdue more than 180 days, except for amounts related to international institutions, government or municipality controlled entities. Notwithstanding the client category, an allowance for impairment of 100 per cent is made for amounts which are overdue more than 360 days. Any deviation from above rules is allowed only in special circumstances.

Investments are allowed only in liquid securities and only with counterparts that have a good credit rating, and are subject to both specified limits and approval procedures.

Liquidity and refinancing risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due, and refinancing risk is defined as the risk of being unable to borrow on the market to fund actual or forecasted commitments.

In order to ensure that funding is obtainable and to minimise the cost of funding, the Group shall have a minimum liquidity corresponding to an average of one month's expenses. The Group minimises the total cash needed for operations by efficient cash management including both in-country and cross-border cash pools.

The Group had committed and uncommitted credit facilities as at 31 December 2016 in several banks amounting to EUR 91.1 million of which EUR 30.0 million were used.

EUR million	2016	2015
Credit facilities, committed	85.0	75.0
Used	30.0	-
Unused	55.0	75.0
Credit facilities, uncommitted	6.1	18.5
Used	0.0	-
Unused	6.1	18.5

The Group's liquidity at the end of December 2016 was EUR 110.4 million consisting of cash and cash equivalents of EUR 49.3 million and unused credit facilities of EUR 61.1 million. According to the Group's Treasury Policy the Group's required minimum liquidity should correspond to the Group's one month's average expenses.

The total amount of current loans includes EUR 48.7 million of issued commercial paper. The Group monitors that the outstanding total amount of issued commercial paper does not exceed the total amount of unused committed Revolving Credit Facilities. The Group's Treasury Policy also sets a guideline according to which the average maturity of long-term debt should be at least three years.

In November 2016 Pöyry signed an agreement on extending its financing with its core banks and Finnish financial institutions. EUR 45 million revolving credit facilities and EUR 27 million term loans were refinanced by new facility agreement. This agreement includes EUR 55 million revolving credit facility available from signing date, and EUR 30 million

term loan facility available from August 2017. The agreement is subject to covenants relating to Pöyry's financial performance and solidity. Agreement secures Pöyry's funding until June 2019.

Pöyry issued EUR 30 million hybrid bond in November 2015. The hybrid bond bears a fixed interest rate of 7.50 % per annum until November 2019, after which the interest rate will be floating. The hybrid bond has no maturity date, but the company has the right to redeem it after four years from the issue date upon certain conditions. The hybrid bond is a debt instrument, which is subordinated to the company's unsubordinated debt obligations and treated as equity in the consolidated financial statements under IFRS. The hybrid bond does not confer on its holders the right to vote at shareholder meetings and does not dilute the holdings of the current shareholders.

EUR million	2016	2015
Non-current loans	-	29.0
Current loans	81.2	46.3
Total loans	81.2	75.3

Contractual maturity of liabilities and derivatives has been presented in Table of Maturity Analysis in Note 21.

Market risk

Market risk arises from changes in market prices, such as exchange rates and interest rates, which affect the Group's result. The objective is to manage and control market risk exposures within acceptable limits.

Currency risk

Transaction risk, commercial: Majority of the Group's international business operations are denominated in the local functional currencies, and only about five per cent of the Group's net sales are exposed to foreign currency risk. The Group companies hedge their commercial exposure, i.e. the project cash flows denominated in a foreign currency, by using internal foreign exchange derivative contracts with Group Treasury. Hedging principles follow the Group's Treasury Policy which states that all committed cash flows in foreign currencies must be hedged. The deviation from policy can be made only for justified reasons and deviation must be approved by the CFO. Speculative derivative contracts without connection to business operations are not allowed.

Transaction risk, financial: According to the Group's Treasury Policy the parent company conducts financing and subsidiaries are not allowed to take up loans from external parties without permission and coordination from Group Treasury. The parent company grants loans to Group companies if considered necessary, justified or otherwise to be in the best interest of the parties. Group companies lend their excess cash to the parent company and as a rule, in order to centralize the foreign currency risks to the parent company; all internal funding is done in the domestic currency of the group companies. At the end of December 2016 the parent company did not have any external loans denominated in foreign currency. Thus the Group's financial exposure consists mainly of the Group's internal loans between the parent company and subsidiaries.

The Group did not have major open transaction risk exposures at the end of 2016. The impact on result of a ten percent strengthening/weakening of euro would not be material.

The parent company hedges the net transaction exposure centrally by external derivative contracts. The main objective is to minimize external hedging needs by netting as much cash flows in foreign currencies as possible against each other. The derivative contracts are stated at fair value and recognised in the income statement. Fair value hedge accounting can be applied to the derivative contracts when they are used for hedging order stock. External derivative instruments have not been netted in the financial statements but they all belong to master netting agreements signed with external counterparties. Financial assets and liabilities belonging under these agreements are described in the following table:

31 Dec 2016 EUR million				Related amounts not set off in the balance sheet	
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Financial instruments	Net amount
Financial assets					
Derivative assets	0.6	0.0	0.6	0.5	0.1
Cash and cash equivalents	36.3	27.0	9.4	0.0	9.4
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Financial instruments	Net amount
Financial liabilities					
Derivative liabilities	0.5	0.0	0.5	0.5	0.0
Bank overdrafts	27.0	27.0	0.0	0.0	0.0

31 Dec 2015 EUR million				Related amounts not set off in the balance sheet	
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Financial instruments	Net amount
Financial assets					
Derivative assets	1.1	0.0	1.1	0.9	0.3
Cash and cash equivalents	35.7	27.0	8.7	0.0	8.7
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Financial instruments	Net amount
Financial liabilities					
Derivative liabilities	2.4	0.0	2.4	0.9	1.5
Bank overdrafts	27.0	27.0	0.0	0.0	0.0

Translation risks: Currency exposure and hedging need related to share capital and other restricted equity in foreign subsidiaries is reviewed on an annual basis but the main principle is that the translation exposure of investments in foreign subsidiaries is not hedged. If the Group needs external funding, the funding currency can be chosen in a way that the foreign equity becomes partly or fully hedged. To these loans the Group can apply net investments hedge accounting, and the exchange differences arisen from these loans are recognised in other comprehensive income until the investment of the particular entity is disposed. The Group did not have net investments hedged by loans at the end of 2016.

Due to translation risk, changes in the currency rates have influence on the amount of equity as well as on the result. Weakening of euro would increase the total amount of the Group's equity and increase the amount of profit/loss. Strengthening of euro would have an opposite impact on equity and profit/loss. In the table below is simulated the impact of ten (10) percent strengthening/weakening of euro on the Group's equity and net profit regarding currencies in which the Group has the most significant amount of equity. All other variables held constant and compared with the closing rates of 31 Dec 2016 the impact on the Group's equity and net profit would be as follows:

2016 EUR million	Equity	Equity hedges	Net profit	EUR +10%		EUR -10%	
				Impact on equity	Impact on net profit	Impact on equity	Impact on net profit
EUR	216.7		+11.2				
BRL	17.6		-3.0	-1.6	+0.3	+2.0	-0.3
USD	11.9		+0.6	-1.1	-0.1	+1.3	+0.1
CHF	9.8		+0.5	-0.9	0.0	+1.1	+0.1

2015 EUR million	Equity	Equity hedges	Net profit	EUR +10%		EUR -10%	
				Impact on equity	Impact on net profit	Impact on equity	Impact on net profit
EUR	222.3		+10.2				
BRL	14.4		-4.7	-1.3	+0.4	+1.6	-0.5
USD	10.9		+0.5	-1.0	0.0	+1.2	+0.1
GBP	10.3		+0.2	-0.9	-0.2	+1.1	+0.2

Interest rate risk

The Group's policy is to achieve a balance between the maturity of long-term loans and the corresponding interest rate level. In case of essential interest rate level differences, the Group may use interest rate derivatives to achieve this target. Changes in the interest rate markets affect the Group's funding costs and the fair values of interest rate derivatives.

The total amount of the interest bearing loans at the end of 2016 was EUR 81.2 million (75.3) of which all have been withdrawn at fixed interest rate. At the end of 2016 the nominal amount of interest rate swaps was EUR 15.0 (15.0) million. These interest rate swaps were stated at fair value and recognised in the income statement.

One percentage unit change in interest rate curve would not have a material impact on the Group's earnings calculated with outstanding loans and interest rate derivatives as of 31 December 2016. The effect on the income statement is generated from the changes in the fair value of interest rate derivatives outside hedge accounting.

Capital structure management

The Group's policy is to maintain a strong capital base to maintain investor, creditor, and market confidence and to sustain future development of the business. The Board of Directors monitors the ownership structure, as well as the return on capital and the level of dividends to shareholders. The Group defines capital as the total balance sheet deducted with non-interest bearing liabilities.

The Group seeks to achieve a balance between growth targets, higher level of borrowings and return on capital and the Board sets the long-term targets on return on investment and gearing ratio. Aiming for and maintaining these targets ensure the Group's access to external funding sources when needed and with competitive pricing.

The Group has EUR 30 million hybrid bond outstanding which is treated as equity in the consolidated financial statements.

The Group's target for the return on investment (ROI per cent) is 20 % or higher.

EUR million	2016	2015
Result before taxes	-10.6	6.0
Interest and other financial expenses	4.3	5.8
Total	-6.3	11.8
Balance sheet total	421.8	449.9
Non-interest bearing liabilities	222.3	245.4
Total capital	199.5	204.6
Return on investment, %	-3.2	6.1

The net debt/equity ratio (gearing per cent) target is < 50 per cent.

EUR million	2016	2015
Interest bearing liabilities	81.2	75.3
Cash and cash equivalents	49.3	70.6
Net interest bearing liabilities	32.0	4.7
Equity	118.3	129.3
Net debt/equity ratio, %	27.0	3.6

Neither Pöyry PLC nor any of its subsidiaries are subject to externally imposed capital requirements.

21. Maturity profile

EUR million 31 Dec 2016	Total	≤ 6 months 2017	7-12 months 2017	2018	2019
Loans from credit institutions including interest	30.2	30.2			
Commercial papers	49.0	32.0	17.0		
Pension loans including interest	2.0	1.0	1.0		
Total ¹⁾	81.2	63.2	18.0		
Accounts payable	20.5	20.5			
Forward contracts, cash out	47.8	44.5	3.3		
Forward contracts, cash in	-47.9	-44.7	-3.2		
Currency options, net	0.0	0.0			
Interest rate swaps, net	0.0	0.0			
Derivatives total	-0.1	-0.1	0.0		
Total	101.7	83.6	18.0	-	-

EUR million 31 Dec 2015	Total	≤ 6 months 2016	7-12 months 2016	2017	2018
Loans from credit institutions including interest	34.2	3.4	3.3	21.4	6.1
Commercial papers	38.5	28.0	10.5		
Pension loans including interest	4.0	1.0	1.0	2.0	
Total ¹⁾	76.7	32.4	14.8	23.4	6.1
Accounts payable	21.0	21.0			
Forward contracts, cash out	93.1	86.2	4.9	2.0	
Forward contracts, cash in	-92.0	-85.4	-4.7	-1.9	
Currency options, net	0.1	0.1			
Interest rate swaps, net	0.1	0.0	0.0	0.0	
Derivatives total	1.2	0.9	0.2	0.1	
Total	99.0	54.3	15.1	23.5	6.1

¹⁾ Figures are non-discounted and include both repayments of the loan capital and interest payments.

At the end of 2016 the Group had an outstanding client project and other guarantee liability amounting to EUR 39.4 (48.5) million, which is due on demand provided that the Group company and/or the Group has neglected its contractual obligations.

In November 2016 Pöyry signed with its core banks and Finnish financial institutions an extension of its term loan and revolving credit facility arrangements until June 2019. The facilities are subject to covenants relating to Pöyry's financial performance and solidity.

22. Financial assets and liabilities

EUR million	Note	2016	2015
Available-for-sale assets, shares	14	0.6	0.6
Loans and other receivables			
Non-current accounts receivable	15,18	1.8	2.9
Other non-current receivables	15	2.3	1.9
Current accounts receivable	16,18	105.8	104.1
Non-current loans receivable	14	0.4	0.4
Current loans receivable	16	0.0	0.0
Cash and cash equivalents ¹⁾	16	49.3	70.6
Derivatives under fair value hedge accounting	31	0.0	0.4
Derivatives outside of hedge accounting	31	0.6	0.7
Total financial assets		160.8	181.5
Liabilities at amortised cost			
Interest bearing liabilities	21	81.2	75.3
Accounts payable	26	20.5	21.0
Derivatives under fair value hedge accounting	31	0.0	1.3
Derivatives outside of hedge accounting	31	0.5	1.1
Total financial liabilities		102.3	98.7

The fair value of the financial assets and liabilities measured at amortised cost equals their carrying amount as the impact of discounting is not significant. The fair values are within level 2 of the fair value hierarchy. Fair value calculation rules of the derivatives can be found in note 31 Derivative Instruments.

¹⁾ Cash and cash equivalents include current account balances which belong to a multi-currency notional cash pool operated by Pöyry PLC. For reporting purposes the account balances of this cash pool can be offset if the conditions of "IAS 32 Financial Instruments: Presentation" are met. The Group met these conditions and at 31 December 2016 EUR 27.0 (27.0) million of the cash balances and equivalent amount of the overdraft balances were offset.

23. Fair value hierarchy for financial assets and liabilities recognised at fair value

EUR million	31 Dec 2016	Level 1	Level 2	Level 3
Financial assets at fair value				
Derivatives under fair value hedge accounting	0.0		0.0	
Derivatives outside of hedge accounting	0.6		0.6	
Total financial assets at fair value	0.6	-	0.6	-
Financial liabilities at fair value				
Derivatives under fair value hedge accounting	0.0		0.0	
Derivatives outside of hedge accounting	0.5		0.5	
Total financial liabilities at fair value	0.5	-	0.5	-
EUR million	31 Dec 2015	Level 1	Level 2	Level 3
Financial assets at fair value				
Derivatives under fair value hedge accounting	0.4		0.4	
Derivatives outside of hedge accounting	0.7		0.7	
Total financial assets at fair value	1.1	-	1.1	-
Financial liabilities at fair value				
Derivatives under fair value hedge accounting	1.3		1.3	
Derivatives outside of hedge accounting	1.1		1.1	
Total financial liabilities at fair value	2.4	-	2.4	-

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Level 1 fair values are measured using quoted prices in active markets at the balance sheet date for identical assets or liabilities. A market is regarded as active if quoted prices are easily and regularly available from e.g. an exchange, dealer, broker, industry group or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. Instruments in Level 1 consist mainly of DAX, FTSE and Dow Jones equity investments classified as trading securities or available for sale.

Level 2 fair values of financial instruments that are not traded in an active market (for example OTC-derivatives) are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The following techniques can be used to value financial instruments:

- Quoted market prices or dealer quotes for similar instruments
- Interest rate swaps: the present value of the estimated future cash flows based on observable yield curves
- Foreign exchange forward contracts: discounting back to present value based on forward rates at the balance sheet date
- Other financial instruments: for example discounted cash flow analysis

Level 3 fair values are measured using valuation techniques based on unquoted parameter inputs.

During the reporting period there were no transfers between levels 1, 2 and 3.

24. Pension obligations

Critical accounting estimates

The present value of the pension obligations is calculated using several factors, which are based on various statistical and other actuarial assumptions. These factors include, among others, assumptions about the discount rate and changes in future compensation. Statistical factors used may differ materially from actual results due to, among others, changing market and economic conditions. Significant differences in actual experiences or significant changes in assumptions may have a material impact on the carrying amount of pension obligations in the future reporting periods.

Defined benefit pension plans at Pöyry

70.4 (72.8) per cent of the Group's net defined benefit liability is related to Swiss defined benefit pension plans. In Switzerland the level of benefits provided is based on accumulated account balance, which depends on salary during the service time. The plan also provides benefits on death, disability, and termination. Retirement benefit is paid either as a lump sum or as a monthly pension payment, which is defined as a proportion of the accrued retirement savings amount. Benefits are paid from the funds managed by a trust. The foundation board of the trust must be composed of representatives of company and plan participants.

The defined benefit pension plans in Finland are mainly funded voluntary pension plans. The amount of the benefit is based on salaries of the final years leading up to retirement and guarantees a total pension defined in the plan. The voluntary plan pensions are increased based on the earnings-related pension index.

The defined benefit pension plans in Germany are individual, partly funded and partly unfunded pension plans. In unfunded pension plans the company meets the benefit payment obligation as it falls due.

The Group has additionally minor defined benefit pension plans e.g. in Austria and Norway.

Assets related to defined benefit pension plans are governed by local regulations and practice in each country.

EUR million	2016	2015
Amounts recognised in the statement of income		
Current service expenses	4.4	4.5
Past service expenses ¹⁾	-3.1	-1.5
Settlement gains (-) / losses (+)	-	0.0
Other charges (+) or credits (-) ²⁾	-0.1	-
Actuarial gains (-) / losses (+) from other long-term employee benefits	0.0	0.0
Administration expenses	0.2	0.2
Pension expenses	1.4	3.3
Net interest expenses	0.5	0.6
Total expenses	1.9	3.8
¹⁾ Past service expenses in 2015 and 2016 include curtailment gains relating to Swiss pension plans.		
²⁾ Other credits in 2016 include a gain related to termination benefits in Austrian plans.		
Amounts recognised in other comprehensive income		
Gain (-) / losses (+) due to changes in demographic assumptions	-2.7	-1.3
Gain (-) / losses (+) due to changes in financial assumptions	5.0	19.9
Experience gains (-) / losses (+)	-1.5	-3.8
Return on plan assets, excluding amounts included in interest expense (+/-)	-1.5	-4.1
Remeasurements recognised in other comprehensive income, gains (-) / losses (+)	-0.7	10.8
Cumulative amounts recognised in other comprehensive income	12.5	13.3
Defined benefit obligation in the balance sheet, net		
Assets	0.1	0.1
Liabilities	45.0	46.8
Net pension liability	44.9	46.7
The amount the Group expects to contribute to its defined benefit pension plans during year 2017/2016	3.6	3.8

Reconciliation of the defined benefit obligation 2016

EUR million	Switzer-land	Other Europe	Total
Present value of funded obligations	194.6	10.8	205.4
Fair value of plan assets	-163.0	-6.3	-169.3
Deficit (-) / surplus (+) of funded plans	-31.6	-4.5	-36.1
Present value of unfunded obligations		8.8	8.8
Total deficit (-) / surplus (+) of defined benefit pension plans	-31.6	-13.3	-44.9
Net pension liability 31 Dec 2016	31.6	13.3	44.9

Reconciliation of the defined benefit obligation 2015

EUR million	Switzer-land	Other Europe	Total
Present value of funded obligations	200.1	11.6	211.7
Fair value of plan assets	-166.0	-7.1	-173.1
Deficit (-) / surplus (+) of funded plans	-34.0	-4.5	-38.6
Present value of unfunded obligations		8.2	8.2
Total deficit (-) / surplus (+) of defined benefit pension plans	-34.0	-12.7	-46.7
Net pension liability 31 Dec 2015	34.0	12.7	46.7

Movement in the defined benefit obligation 2016

EUR million	Liability	Assets	Total
Net pension liability 1 Jan 2016	219.8	-173.1	46.7
Current service expenses	4.4		4.4
Past service expenses	-3.1		-3.1
Interest expenses	1.7	-1.3	0.5
	3.0	-1.3	1.8
Return on plan assets, excluding amounts included in interests (+/-)		-1.5	-1.5
Gain (-) / loss (+) from change in demographic assumptions	-2.7		-2.7
Gain (-) / loss (+) from change in financial assumptions	5.1		5.1
Experience gains (-) / losses (+)	-1.5		-1.5
	0.9	-1.5	-0.7
Exchange rate differences	2.9	-2.5	0.5
Contributions from employers		-3.5	-3.5
Contributions from plan participants	2.1	-2.1	
Payments from plans	-9.8	9.8	
Settlements	-4.6	4.6	
Special termination benefits	-0.1		-0.1
Administration expenses	0.0	0.2	0.2
	-12.5	9.0	-3.4
Net pension liability 31 Dec 2016	214.2	-169.3	44.9

Movement in the defined benefit obligation 2015

EUR million	Liability	Assets	Total
Net pension liability 1 Jan 2015	193.6	-159.5	34.1
Current service expenses	4.5		4.5
Past service expenses	-1.5		-1.5
Interest expenses	3.1	-2.5	0.6
	6.1	-2.5	3.6
Return on plan assets, excluding amounts included in interests (+/-)		-4.1	-4.1
Gain (-) / loss (+) from change in demographic assumptions	-1.3		-1.3
Gain (-) / loss (+) from change in financial assumptions	19.9		19.9
Experience gains (-) / losses (+)	-3.8		-3.8
	14.9	-4.1	10.8
Exchange rate differences	17.4	-15.3	2.0
Contributions from employers		-3.9	-3.9
Contributions from plan participants	2.3	-2.3	
Payments from plans	-11.7	11.7	
Settlements	-2.7	2.7	-0.1
Administration expenses	0.0	0.2	0.2
	-12.1	8.4	-3.7
Net pension liability 31 Dec 2015	219.8	-173.1	46.7

Allocation of plan assets by asset category 2016

EUR million	Switzer-land	Other Europe	Total
Equity instruments, quoted	48.9		48.9
Government bonds, quoted	91.3		91.3
Property	21.2		21.2
Insurance contracts, unquoted		6.3	6.3
Cash and cash equivalents	1.6		1.6
Total plan assets	163.0	6.3	169.3

Allocation of plan assets by asset category 2015

EUR million	Switzer-land	Other Europe	Total
Equity instruments, quoted	49.8		49.8
Government bonds, quoted	91.3		91.3
Property	21.6		21.6
Insurance contracts, unquoted		7.1	7.1
Cash and cash equivalents	3.3		3.3
Total plan assets	166.0	7.1	173.1

The significant actuarial assumptions

	2016		2015	
	Switzer-land	Other Europe average	Switzer-land	Other Europe average
Discount rate, %	0.50	1.29	0.70	1.82
Average future salary increase, %	1.00	0.48	1.00	1.39
Cost of living adjustment for pensions in payment, %	0.25	1.38	0.25	1.66
Inflation, %	1.00	1.58	1.00	1.81

Sensitivity analysis

Change (per cent) in defined benefit obligation, when the assumptions used in calculations are changed.

2016	Switzer-land	Other Europe	Total
	%	%	%
Discount rate, 0.5% change	-7.1	-6.1	-6.8
Future salary increase, 0.5% change	0.7	1.2	0.9
Future pension increase, 0.25% change	2.9	2.5	2.8
Mortality, 5% change	-1.6	0.2	-1.1
	%	%	%
Discount rate, -0.5% change	8.1	6.7	7.7
Future salary increase, -0.5% change	-0.6	-1.1	-0.8
Future pension increase, -0.25% change	-2.7	-2.3	-2.6
Mortality, -5% change	1.6	0.0	1.1
Duration of the defined benefit obligations	15.1	12.7	14.4

2015	Switzer-land	Other Europe	Total
	%	%	%
Discount rate, 0.5% change	-7.0	-5.2	-6.8
Future salary increase, 0.5% change	0.8	0.8	0.8
Future pension increase, 0.25% change	2.7	2.3	2.7
Mortality, 5% change	-1.5	-0.9	-1.4
	%	%	%
Discount rate, -0.5% change	8.0	5.7	7.8
Future salary increase, -0.5% change	-0.7	-0.7	-0.7
Future pension increase, -0.25% change	-2.6	-2.2	-2.6
Mortality, -5% change	1.5	1.0	1.5
Duration of the defined benefit obligations	15.2	11.0	14.8

The above sensitivity analyses are based on a change in an assumption while holding all the other assumptions constant. In practise, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the balance sheet.

Through its defined benefit pension plans, the Group is exposed to a number of risks. The most significant risks are detailed below:

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate or government bond yields depending on the plan; if plan assets underperform this yield, this will create a deficit. Asset volatility is particularly significant in the Swiss plan, as company has to pay additional contributions if the pension fund becomes underfunded.

Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risk

Some of the Group's pension obligations are linked to inflation and higher inflation will lead to higher liabilities. In the Swiss plans, the pension payments are not linked to inflation, so this is a less material risk.

Life expectancy

When plans' obligations are to provide benefits for the life of the member, increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant in the Swiss and German pension plans.

In the Swiss pension plan the pension fund holds an "Asset fluctuation reserve" in order to absorb the volatility of the yields on plan assets. The full target value of this reserve is a security level of 97.5%. According to the rules of the pension fund another utilisation of the return on assets is not permitted before the Asset Fluctuation Reserve has reached its full target value.

In the Swiss pension plan the company must contribute 14% of contributory salary for the pension plan according to the rules of the pension plan. In Finnish pension plans company's contributions are mainly related to index increases in pension benefits.

25. Provisions

Critical accounting estimates

The recognition and measurement of provisions require management to assess the best estimate of expenditure needed to settle the present obligation at the end of the reporting period. The actual amount and timing of the expenditure may differ from these estimates.

EUR million	Project provisions	Restructuring provisions	Other	Total
Book value 1 Jan 2016	5.4	4.2	2.6	12.2
Exchange rate differences	0.0	0.0	0.7	0.7
Increase	3.4	3.8	1.4	8.6
Used	-2.2	-4.9	-0.1	-7.2
Reversed	-1.4	-0.3	-	-1.6
Book value 31 Dec 2016	5.3	2.8	4.5	12.7

EUR million	Project provisions	Restructuring provisions	Other	Total
Book value 1 Jan 2015	6.3	7.5	2.8	16.5
Exchange rate differences	0.3	0.1	-0.7	-0.3
Increase	1.7	2.5	0.6	4.7
Used	-2.3	-4.9	-0.1	-7.2
Reversed	-0.5	-1.0	-0.1	-1.5
Book value 31 Dec 2015	5.4	4.2	2.6	12.2

The project provisions relate to projects in dispute and projects with expected losses. The provisions recognised are based on the management's best estimate. Settlement is expected within the next twelve months.

The restructuring provisions 31 Dec 2016 include provisions for personnel expenses of EUR 2.5 million as a result of capacity adaption measures as well as EUR 0.3 million provision for other restructuring expenses. In 2015 and 2016 the increase in restructuring provisions relate mainly to capacity adjustment measures in Northern and Central Europe as well as in Latin America.

Other provisions include provisions related to employment claims customary in one of the Group's operation countries and are based on local professional opinions.

26. Current liabilities

EUR million	2016	2015
Loans from credit institutions, amortisations	2.0	8.0
Interest bearing current liabilities	30.0	-
Commercial papers	48.7	38.3
Used credit facilities	0.5	-
Interest bearing liabilities	81.2	46.3
Provisions	12.7	12.2
Project advances	58.2	70.9
Accounts payable	20.5	21.0
Current tax payable	6.5	6.0
Other current liabilities	22.7	23.6
Accrued expenses and deferred income	56.4	64.6
Total current liabilities	258.3	244.7

The book value of the current liabilities corresponds to their fair value as the discount effect is not material due to the maturity.

27. Accrued expenses and deferred income

EUR million	2016	2015
Project expenses	4.7	10.2
Salaries and vacation accruals	33.8	37.6
Social expenses	10.4	8.2
Rents	0.1	0.1
Interest expenses	0.2	0.3
Fair value of derivative instruments	0.5	2.7
Other	6.6	5.6
Total accrued expenses and deferred income	56.4	64.6

28. Related party transactions

To the related parties of Pöyry Group belong subsidiaries, associated companies, joint ventures, the Board of Directors, the President and CEO and the members of the Group Executive Committee and their family members. Furthermore Corbis S.A. belongs to the related parties.

Board of Directors, President and CEO and the members of the Group Executive Committee

There have not been any material transactions between Pöyry and its members of the Board of Directors, the President and CEO and the members of the Group Executive Committee, close members of their families or organisations in which the members of the Board of Directors, the President and CEO or the members of the Group Executive Committee have control or significant influence. There were no loans granted to the members of the Board of Directors, President and CEO or the members of the Group Executive Committee at 31 December 2016 and 2015. Remuneration to the members of the Board of Directors, President and CEO and the members of the Group Executive Committee is disclosed in Note 6. The members of the Board of Directors, The President an CEO and the members of the Group Executive Committee owned on 31 December 2016 a total of 500,965 shares (at the end of 2015 a total of 384,269 shares).

Performance share plan 2014-2016

On 4 February 2014 the Board of Directors of Pöyry PLC approved a new share-based incentive plan for key personnel. The incentive plan is directed to approximately 35 people and consists of three discretionary periods, calendar years 2014, 2015 and 2016. The Board of Directors of the company will decide on the performance criteria and their targets at the beginning of each discretionary period.

The performance share plans are described in Note 7.

Own shares

Pöyry PLC held at the end of 2016 419,055 (519,055) own shares corresponding to 0.7 per cent of the total number of shares.

Related party transactions with associated companies and joint ventures

The transactions with associated companies and joint ventures are determined on an arm's length basis. They are not material for the group.

29. Contingent liabilities

EUR million	2016	2015
Other own obligations		
Other obligations	0.3	0.2
Accrued interest on hybrid bond	0.2	0.2
Project and other guarantees	39.4	48.5
Total	39.9	48.9
For other parties		
Pledged assets	0.0	0.0
Other obligations	0.0	0.1
Total	0.1	0.2

Project and other guarantees

Project guarantees are normal undertakings related to business, for example bid bonds or performance guarantees.

Claims and litigation

Given the nature of Pöyry's operations, claims are made against Group companies from time to time based on various grounds, which sometimes result in litigation or arbitration. Occasionally also Pöyry needs to initiate legal proceedings in order to collect receivables.

Litigations and arbitrations of material value

Sino-Forest Corporation related litigations

In 2011 three competing class proceedings of material value were commenced in Ontario, Canada against Pöyry's subsidiary companies along with other defendants concerning matters relating to Sino-Forest Corporation ("SFC"). Only one of these competing class proceedings was allowed to proceed by the Ontario court (the "Ontario Proceeding"), the others were stayed. The Ontario Proceeding only named one Pöyry subsidiary company as a defendant. A parallel proceeding was commenced in Quebec, Canada involving the same Pöyry subsidiary company (together with the Ontario Proceeding, the "Canadian SFC Litigation").

During the first reporting period of 2012, the Pöyry subsidiary company named as a defendant in the Ontario Proceeding concluded a settlement agreement with the plaintiffs concerning the Canadian SFC Litigation (the "Settlement Agreement"), which was subsequently approved by the Ontario and Quebec courts in the third and fourth reporting periods of 2012, respectively.

In the fourth reporting period of 2012, the Pöyry subsidiary company named as a defendant in the Ontario Proceeding was also added as a defendant to an existing class action previously commenced against SFC and others in the State of New York of the USA (the "US SFC Litigation"). The allegations pleaded are similar to those in the Canadian SFC Litigation. There have been no material developments in the US SFC Litigation since the above-referenced addition of the Pöyry subsidiary company as a defendant.

A 'Litigation Trust' was created by way of the SFC insolvency proceedings in December 2012 to pursue certain claims that SFC and/or its noteholders had at that time. Commencing in the last reporting period of 2013, proceedings in various jurisdictions were issued by the Litigation Trust against, inter alia, certain of Pöyry's subsidiary companies that had provided consulting services to SFC. While Pöyry's legal advisors in those jurisdictions are of the view that these proceedings are without merit, it is premature to assess the outcome of these proceedings.

Rigesa arbitration

In 2013 Pöyry Tecnologia Ltda. and Pöyry Soluções em Projectos Ltda., subsidiary companies of Pöyry, commenced arbitration proceedings against Rigesa Celulose, Papel e Embalagens Ltda. ("Rigesa") in Brazil regarding the payment of certain change orders and other claims in relation to project deliveries of the said subsidiary companies to Rigesa. Rigesa has since commenced counter proceedings against the said Pöyry subsidiary companies in relation to the same project. The two arbitration proceedings have been combined into one proceeding (together the "Rigesa arbitration"). While Pöyry is convinced on the justification for its claims against Rigesa and does not see merit in Rigesa's counterclaims, it is premature to assess the outcome of the Rigesa arbitration.

Metro Lima Line No 1 – Contraloria litigations

The Office of the Comptroller General of the Republic of Peru ("Contraloria") has commenced several proceedings, together with a material value, against the Consortium CESEL-PÖYRY ("Consortium") and some of the employees of the participating companies concerning certain aspects of the site supervision services provided by the Consortium to its public sector client, Autonomous Authority of the Electric Mass Transportation System of Lima – Callao ("AATE"). Pöyry Switzerland Ltd. is a party to the Consortium. The services of the Consortium ended in 2013 and have been approved by the client AATE. While Pöyry's legal advisors in Peru are of the view that these proceedings are without merit, it is premature to assess the outcome of these proceedings.

Apart from the above referred legal proceedings, the risk related to the individual claims and litigations where Group companies are involved is, on balance, not considered material on the Group level, taking into consideration the value and basis of these claims and litigations, the contractual terms and conditions and expert opinions applicable to these claims and litigations, the extent of Pöyry's business operations and insurance cover of the Group companies. There are, however, always uncertainties related to the outcome of litigation and arbitration proceedings.

Labour legislation in one of the Pöyry's country operations

There are some uncertainties relating to the interpretation of labour legislation in one of the countries where Pöyry operates. Unexpected negative interpretations by authorities and court decisions could have a harmful impact on the local subsidiary companies' business, financial position and results. While Pöyry's labour law advisors in the country in question support Pöyry's views on the interpretation matter, it is not possible to assess at this time further risk associated with this.

30. Other lease agreements

EUR million	2016	2015
Lease payments for non-cancellable other lease agreements, mostly office rents:		
Year 2016		24.6
Year 2017	25.0	17.4
Years 2018-2020	42.0	30.0
Later	54.3	53.3
Total	121.3	125.3
Rent expenses during the period	29.1	30.7

In 2013 Pöyry PLC sold its Vantaa office real estate in Finland. In the transaction Pöyry PLC signed a long-term lease agreement of 15 years for the property. The rent of the lease agreement is market-based. Pöyry PLC is entitled to extend the term of the lease by a maximum of 15 years. The lease agreement of Vantaa office real estate is the largest lease agreement of the Group and comprises most of the Group's rental and lease obligations.

31. Derivative instruments

EUR million	2016	2015
Foreign exchange forward contracts, no hedge accounting		
Nominal values total	48.0	65.3
Fair value, gains	0.5	0.6
Fair value, losses	-0.4	-0.9
Fair value, net	0.1	-0.2
Foreign exchange forward contracts, fair value hedge accounting		
Nominal values total	0.2	28.2
Fair value, gains	0.0	0.4
Fair value, losses	0.0	-1.3
Fair value, net	0.0	-0.9
Foreign exchange option contracts, no hedge accounting		
Bought, nominal values	9.7	6.9
Bought, gains	0.0	0.0
Bought, losses	-0.1	-0.1
Bought, net	-0.1	-0.1
Sold, nominal values	10.2	8.9
Sold, gains	0.1	0.0
Sold, losses	0.0	0.0
Sold, net	0.0	0.0
Foreign exchange option contracts, net	0.0	-0.1
Interest rate swaps, no hedge accounting		
Nominal values total	15.0	15.0
Fair value, losses	0.0	-0.1
Fair value, net	0.0	-0.1

The Group hedges the project cash flows denominated in foreign currency by using foreign exchange derivative contracts. Exchange rate gains or losses arisen from these derivative contracts are recorded in sales and project expenses.

The fair value of the foreign exchange derivative contracts is specified by closing date fair values for the corresponding maturities of the agreements. Derivatives in hedge accounting are effective. The fair values of the interest rate swaps have been specified by the present values of the future cash flows which are based on the closing date's interest rates and other information, excluding the accrued interest and exchange rate difference. The fair values represent the prices which the Group should pay or receive if it terminated the derivative agreement. The fair values are based on banks' confirmations as well as reports produced by the treasury management system. Derivative instruments have not been set off in the financial statements but all belong to master netting agreements agreed with external counterparties.

32. Share ownership

		Ownership of voting rights	
		Group, %	Parent company, %
Group companies			
Cordoba Management Consulting S.L.	Spain, Madrid	100.0	
East Engineering Ltd Oy	Finland, Vantaa	100.0	100.0
Electrowatt Consultants Ltd	United Kingdom, Horsham	100.0	
EPP - Empresa de Pagamentos Planejados Ltda	Brazil, Sao Paolo	100.0	
JP-Sijoitus Oy	Finland, Vantaa	100.0	100.0
Pilowin S.A.	Uruguay, Montevideo	100.0	
PT. Poyry Indonesia	Indonesia, Jakarta	100.0	100.0
Pöyry (Appleton) LLC	USA, Appleton	100.0	
Poyry (B) Sdn Bhd	Brunei, Kuala Belait	90.0	
Pöyry (Beijing) Engineering and Consulting Company Limited	China, Beijing	100.0	100.0
Pöyry (Chile) Limitada	Chile, Santiago	100.0	
Pöyry Contracting Inc. ¹⁾	Philippines, Makati	40.0	
PÖYRY ERÖTERV ZRt.	Hungary, Budapest	98.9	98.9
Poyry (México) S.A., de C.V.	Mexico	100.0	
Pöyry (Montréal) Inc.	Canada, Montreal	100.0	
Pöyry Panama S.A.	Panama, Panama City	100.0	
Pöyry (Peru) S.A.C.	Peru, Lima	100.0	
Poyry RUS LLC	Russia, St. Petersburg	100.0	100.0
Pöyry (Thailand) Ltd.	Thailand, Bangkok	100.0	
Pöyry (USA) Inc.	USA, Appleton	100.0	100.0
Pöyry Capital Limited	United Kingdom, London	95.4	95.4
Poyry Consulting and Engineering (India) Private Limited	India, Maharashtra Mumbai	100.0	100.0
Pöyry Consultoria e Projetos Ltda.	Brazil, Sao Paolo	100.0	
Pöyry Consultoria em Gestão e Negócios Ltda.	Brazil, Curitiba	100.0	
Pöyry Deutschland GmbH	Germany, Mannheim	100.0	100.0
Pöyry Energy GmbH	Austria, Vienna	74.9	74.9
Pöyry Energy Inc.	Philippines, Manila	100.0	
Pöyry Energy Limited	United Kingdom, Horsham	100.0	100.0
Pöyry Energy Ltd	Thailand, Bangkok	100.0	
Poyry Energy Sdn Bhd	Malaysia, Kuala Lumpur	100.0	100.0
Pöyry Finland Oy	Finland, Vantaa	100.0	100.0
Pöyry Infra de Venezuela, S.A.	Venezuela, Caracas	100.0	
Pöyry Infra GmbH	Austria, Salzburg	74.9	
Pöyry Infra Ltd.	Thailand, Bangkok	100.0	
Poyry Infra Sp. z o.o.	Poland, Cracow	100.0	
Pöyry Infra Traffic GmbH	Germany, Hamburg	100.0	
Pöyry Italy S.r.l.	Italy, Genoa	100.0	100.0
Pöyry Latin America S.L.	Spain, Madrid	100.0	
Poyry Management Consulting (Australia) Pty Ltd	Australia, Melbourne	100.0	100.0
Poyry Management Consulting Austria GmbH	Austria, Vienna	100.0	
Pöyry Management Consulting (Deutschland) GmbH	Germany, Dusseldorf	100.0	
Pöyry Management Consulting (France) S.A.S.	France, Paris	100.0	
Pöyry Management Consulting (Italia) S.r.l.	Italy, Milan	100.0	
Pöyry Management Consulting (Norway) AS	Norway, Oslo	100.0	100.0
Poyry Management Consulting (NZ) Limited	New Zealand, Auckland	100.0	100.0
Pöyry Management Consulting (Schweiz) AG	Switzerland, Zurich	100.0	
Poyry Management Consulting (Singapore) Pte. Ltd.	Singapore	100.0	100.0
Pöyry Management Consulting (UK) Limited	United Kingdom, Oxford	100.0	100.0
Pöyry Management Consulting (USA) Inc.	USA, Atlanta	100.0	

¹⁾ Even though Pöyry Group does not hold majority of the shares of Pöyry Contracting Inc., Pöyry effectively has control in the company based on loan agreements, pledges and Powers of Attorneys in place.

		Ownership of voting rights	
		Group, %	Parent company, %
Pöyry Management Consulting Oy	Finland, Vantaa	100.0	100.0
Pöyry Norway AS	Norway, Sarpsborg	100.0	100.0
Poyry Poland Sp. z o.o.	Poland, Łódź	100.0	100.0
Pöyry Schweiz AG	Switzerland, Zurich	100.0	100.0
Pöyry Shandong Engineering Consulting Co., Ltd.	China, Jinan	90.0	
Pöyry Solucoes em Projetos Ltda	Brazil, Sao Paolo	100.0	
Poyry South Africa (Proprietary) Ltd	South Africa, Westville	100.0	100.0
Pöyry Sweden AB	Sweden, Stockholm	100.0	100.0
Pöyry Tecnologia Ltda.	Brazil, Sao Paolo	100.0	
Salamanca Proyectos Llave en Mano S.L.	Spain, Madrid	100.0	
Valencia Engineering S.L.	Spain, Madrid	100.0	100.0
Associated companies			
Amata Bien Hoa	Vietnam, Long Binh, Bien Hoa City	30.0	
Emerging Power Partners Oy	Finland, Helsinki	45.9	
Kiinteistö Oy Manuntori	Finland, Joutseno	33.8	33.8

Joint operations

Due to the nature of Pöyry's business, the group is engaged in several consortium arrangements which are joint operations based on definitions in IFRS 11. Consortiums are contractually established for the purpose of tendering and executing project work for a specific project and they are terminated once the project is completed. Individual consortiums are not material to the Group.

Other share ownership of the Group is not material.

Key figures

Statement of income

EUR million	2012	2013	2014	2015	2016
Consulting and engineering	735.7	642.5	571.2	559.6	527.8
EPC	39.3	8.4	0.0	15.7	1.8
Net sales total	775.0	650.8	571.2	575.3	529.6
Change in net sales, %	-2.7	-16.0	-12.2	0.7	-7.9
Other operating income	2.4	24.1	22.6	1.4	1.3
Materials, supplies and subconsulting	-149.0	-86.5	-62.9	-62.9	-46.7
Personnel expenses ¹⁾	-438.3	-408.5	-381.2	-366.6	-351.1
Depreciation and impairment	-11.8	-14.3	-5.3	-4.2	-4.6
Other operating expenses	-197.1	-151.7	-167.5	-139.0	-136.6
Operating result	-18.8	13.9	-23.1	4.0	-8.1
Proportion of net sales, %	-2.4	2.1	-4.0	0.7	-1.5
Financial income and expenses	-3.8	-5.2	-5.0	1.4	-3.1
Proportion of net sales, %	-0.5	-0.8	-0.9	0.3	-0.6
Share of associated companies' and joint ventures' results	0.6	0.4	0.1	0.5	0.5
Result before taxes	-22.0	9.1	-28.0	6.0	-10.6
Proportion of net sales, %	-2.8	1.4	-4.9	1.0	-2.0
Income taxes	-2.2	-6.5	3.0	0.1	-2.2
Net result for the period	-24.2	2.6	-24.9	6.0	-12.8
Attributable to:					
Owners of the parent company	-25.1	3.6	-23.7	5.5	-12.5
Non-controlling interest	0.9	-1.0	-1.2	0.5	-0.3

¹⁾ From year 2013 onwards personnel expenses include expenses from contracts with independent self-employed specialists in Latin America.

Statement of financial position

EUR million	2012	2013	2014	2015	2016
Goodwill	131.4	127.4	119.2	121.4	122.4
Intangible and tangible assets	69.9	15.7	12.6	14.1	14.7
Non-current investments	8.6	10.5	2.4	2.7	3.0
Non-current receivables	25.1	22.2	30.0	36.6	38.7
Work in progress	92.6	84.8	80.8	74.6	58.9
Accounts receivable	145.1	124.6	113.6	104.1	105.8
Other current receivables	25.4	24.0	21.9	25.9	29.0
Cash and cash equivalents and other liquid assets	83.0	72.4	50.3	70.6	49.3
Assets classified as held for sale	-	-	5.2	-	-
Assets total	581.1	481.5	436.0	449.9	421.8
Equity attributable to the owners of the parent company	124.9	129.6	100.2	127.6	116.9
Non-controlling interest	7.4	2.9	1.6	1.7	1.4
Pension obligations	33.7	23.9	34.3	46.8	45.0
Provisions	16.9	15.7	16.5	12.2	12.7
Interest bearing liabilities	162.1	106.9	90.2	75.3	81.2
Project advances	90.8	71.8	82.4	70.9	58.2
Accounts payable	24.1	27.4	21.2	21.0	20.5
Other non-interest bearing liabilities	121.2	103.3	89.7	94.4	85.9
Liabilities total	581.1	481.5	436.0	449.9	421.8

Statement of cash flows

EUR million	2012	2013	2014	2015	2016
Net cash flow from operating activities	-4.3	4.4	-27.6	0.3	-17.7
Net cash flow from investing activities	-5.4	54.0	25.8	7.4	-4.3
Net cash flow from financing activities	13.5	-58.6	-22.4	11.3	-0.8
Reclassification of subsidiary company to joint venture from year 2013		-3.7			
Effect of changes in exchange rates	0.2	-6.7	2.0	1.3	1.4
Change in cash and cash equivalents and other liquid assets	4.0	-10.6	-22.0	20.3	-21.4
Cash and cash equivalents and other liquid assets 31 December	83.0	72.4	50.3	70.6	49.3

Profitability and other key figures

	2012	2013	2014	2015	2016
Return on investment, %	-5.7	5.8	-9.9	6.1	-3.2
Return on equity, %	-16.1	2.0	-20.3	5.9	-10.5
Equity ratio, %	27.0	32.3	28.8	34.1	32.5
Net debt/equity ratio (gearing), %	59.9	26.0	39.1	3.6	27.0
Net debt, EUR million	79.2	34.5	39.8	4.7	32.0
Current ratio	1.1	1.1	1.0	1.1	0.9
Consulting and engineering, EUR million	542.9	499.7	447.4	458.2	439.0
EPC, EUR million	5.0	0.0	25.0	7.3	3.6
Order stock total, EUR million	547.9	499.7	472.5	465.5	442.5
Capital expenditure, operating, EUR million	7.2	5.9	2.6	6.9	5.1
Proportion of net sales, %	0.9	0.9	0.5	1.2	1.0
Capital expenditure in shares, EUR million	0.1				
Proportion of net sales, %	0.0				
Personnel in group companies on average ¹⁾	6,695	6,139	5,433	5,029	4,839
Personnel in group companies at year-end ¹⁾	6,323	5,943	5,170	4,952	4,574

¹⁾ From year 2013 onwards figures include the number of independent self-employed specialists in Latin America.

Key figures

Key figures for the shares

	2012	2013	2014	2015	2016
Earnings/share, EUR	-0.43	0.06	-0.40	0.09	-0.24
Corrected with dilution effect	-0.43	0.06	-0.40	0.09	-0.24
Equity attributable to the owners of the parent company/share, EUR	2.09	2.17	1.68	2.14	1.96
Dividend, EUR million	0.0	0.0	0.0	0.0	0.0 ¹⁾
Dividend/share, EUR	0.00	0.00	0.00	0.00	0.00 ¹⁾
Dividend/earnings, %	n/a	n/a	n/a	n/a	n/a ¹⁾
Effective dividend yield, %	n/a	n/a	n/a	n/a	n/a ¹⁾
Price/earnings multiple	-6.8	66.6	-6.6	41.8	-13.7
Issue-adjusted trading prices, EUR					
Average trading price	4.41	3.81	3.81	3.29	3.23
Highest trading price	7.22	4.70	4.80	4.16	3.80
Lowest trading price	2.81	2.93	2.60	2.70	2.80
Closing price at year-end	2.93	4.07	2.66	3.78	3.32
Total market value, EUR million					
Outstanding shares	173.1	240.4	157.6	223.9	196.8
Own shares	2.0	2.8	1.4	2.0	1.4
Trading volume of shares					
Shares, 1,000	12,513	12,733	11,339	10,903	4,416
Proportion of total number of shares, %	20.9	21.3	19.0	18.2	7.4
Issue-adjusted number of shares, 1,000					
On average	59,760	59,760	59,760	59,760	59,760
At year-end	59,760	59,760	59,760	59,760	59,760

¹⁾ Board of Directors' proposal

Calculation of key figures

Return on investment, ROI %	$\frac{\text{Result before taxes + interest and other financial expenses}}{\text{Balance sheet total - non-interest bearing liabilities (quarterly average)}} \times 100$	x 100
Return on equity, ROE %	$\frac{\text{Net result for the period}}{\text{Equity (quarterly average)}} \times 100$	x 100
Equity ratio %	$\frac{\text{Equity}}{\text{Balance sheet total - advance payments received}} \times 100$	x 100
Net debt/equity ratio, gearing %	$\frac{\text{Interest bearing liabilities - cash and cash equivalents}}{\text{Equity}} \times 100$	x 100
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	
Earnings/share, EPS	$\frac{\text{Net result attributable to the owners of the parent company - accrual basis interest of hybrid bonds adjusted with tax effect}}{\text{Issue-adjusted average number of shares for the fiscal year}}$	
Equity attributable to the owners of the parent company/share	$\frac{\text{Equity attributable to the owners of the parent company}}{\text{Issue-adjusted number of shares at the end of the fiscal year}}$	
Dividend/share	$\frac{\text{Dividend}}{\text{Issue-adjusted number of outstanding shares at the end of the fiscal year}}$	
Dividend/earnings %	$\frac{\text{Dividend for the fiscal year}}{\text{Net result attributable to the owners of the parent company}} \times 100$	x 100
Effective dividend yield %	$\frac{\text{Dividend/share}}{\text{Issue-adjusted trading price at the end of the fiscal year}} \times 100$	x 100
Price/earnings multiple, P/E	$\frac{\text{Quoted share price at the end of the fiscal year}}{\text{Earnings per share}}$	
Market value of share capital	Number of shares at the end of the fiscal year x closing price at the end of the fiscal year	
Trading volume %	$\frac{\text{Number of shares traded during the fiscal year}}{\text{Average number of shares for the fiscal year}} \times 100$	x 100

Operating segments, quarterly figures

Net sales

EUR million	1-3/16	4-6/16	7-9/16	10-12/16	1-3/15	4-6/15	7-9/15	10-12/15	1-12/16	1-12/15
Energy	34.1	31.9	30.7	33.4	35.1	38.5	39.5	37.3	130.2	150.5
Industry	14.0	12.8	11.3	11.8	11.7	14.1	12.3	15.6	50.0	53.7
Regional Operations	71.9	75.4	69.1	69.2	82.3	80.3	68.2	74.7	285.7	305.5
Management Consulting	16.0	15.9	16.2	16.1	17.3	17.9	13.7	17.2	64.1	66.2
Unallocated	-0.1	-0.1	-0.1	-0.1	0.3	0.0	-0.5	-0.4	-0.5	-0.6
	136.0	135.9	127.2	130.5	146.7	150.9	133.2	144.5	529.6	575.3

Operating result

EUR million	1-3/16	4-6/16	7-9/16	10-12/16	1-3/15	4-6/15	7-9/15	10-12/15	1-12/16	1-12/15
Energy	0.3	0.4	1.1	2.8	1.4	0.4	1.1	3.0	4.6	5.9
Industry	1.8	1.1	1.0	0.7	1.0	1.1	1.1	1.7	4.6	4.9
Regional Operations	-2.1	-1.1	-1.9	-4.8	0.8	-3.2	0.4	-0.3	-9.8	-2.3
Management Consulting	1.2	0.6	0.9	1.2	1.5	1.5	0.2	1.1	3.9	4.4
Unallocated	-3.8	-2.6	-2.2	-2.9	-2.1	0.3	-1.7	-5.4	-11.5	-8.9
Operating result	-2.6	-1.7	-1.0	-2.9	2.7	0.2	1.1	0.1	-8.1	4.0

Financial items	-0.5	-0.3	-1.0	-1.2	-3.5	-0.4	6.5	-1.1	-3.1	1.4
Share of associated companies' and joint ventures' results	0.1	0.2	0.2	0.1	0.1	0.2	0.1	0.1	0.5	0.5
Result before taxes	-3.0	-1.8	-1.8	-4.0	-0.7	-0.1	7.7	-0.9	-10.6	6.0

Income taxes	-0.5	-0.3	-0.1	-1.3	0.4	-1.0	-0.2	0.9	-2.2	0.1
Net result for the period	-3.6	-2.1	-1.9	-5.3	-0.3	-1.2	7.5	0.0	-12.8	6.0
Attributable to:										
Owners of the parent company	-3.5	-2.0	-2.0	-5.0	-0.5	-1.3	7.3	0.0	-12.5	5.5
Non-controlling interest	0.0	0.0	0.1	-0.3	0.2	0.2	0.2	0.0	-0.3	0.5

Operation result, % of net sales

	1-3/16	4-6/16	7-9/16	10-12/16	1-3/15	4-6/15	7-9/15	10-12/15	1-12/16	1-12/15
Energy	0.9	1.2	3.7	8.4	3.9	1.1	2.9	7.9	3.6	3.9
Industry	13.0	8.5	9.0	5.9	9.0	7.7	9.0	10.6	9.3	9.1
Regional Operations	-2.9	-1.5	-2.7	-6.9	1.0	-4.0	0.5	-0.3	-3.4	-0.7
Management Consulting	7.3	3.8	5.8	7.6	8.9	8.4	1.7	6.5	6.1	6.6
	-1.9	-1.2	-0.8	-2.2	1.8	0.1	0.8	0.1	-1.5	0.7

Order stock

EUR million	1-3/16	4-6/16	7-9/16	10-12/16	1-3/15	4-6/15	7-9/15	10-12/15
Energy	166.1	170.3	148.4	152.5	204.5	193.5	185.0	175.1
Industry	32.6	26.3	24.9	37.1	46.4	48.1	38.6	37.2
Regional Operations	247.3	244.7	243.3	238.7	262.1	243.9	245.2	236.9
Management Consulting	18.8	16.3	17.4	14.3	19.0	16.5	18.9	16.2
Unallocated	0.0	0.0	0.0	0.0	0.0	0.4	0.1	0.0
	464.8	457.8	434.0	442.5	532.2	502.4	487.8	465.5

Adjusted operating result

EUR million	1-3/16	4-6/16	7-9/16	10-12/16	1-3/15	4-6/15	7-9/15	10-12/15	1-12/16	1-12/15
Energy	0.7	0.2	1.5	2.9	1.4	0.4	1.3	3.0	5.2	6.1
Industry	1.8	0.8	1.0	0.7	1.0	1.1	1.1	1.7	4.4	4.9
Regional Operations	-0.8	-0.3	0.9	1.6	1.3	-2.0	0.7	1.9	1.4	1.8
Management Consulting	1.4	0.8	1.0	1.5	1.5	1.5	0.2	1.1	4.7	4.4
Unallocated	-3.8	-2.6	-1.2	-2.3	-2.1	0.2	-0.9	-4.9	-9.9	-7.8
Operating profit/loss	-0.6	-1.1	3.2	4.3	3.1	1.2	2.4	2.7	5.8	9.4

Shares and shareholders

Share capital and shares

The shares of Pöyry PLC are quoted on the Nasdaq Helsinki Mid Cap list under the trading code POY1V. The first day of trading was 2 December 1997. The company has one series of shares. Each share entitles to one vote and the same dividend rate. Pöyry PLC's share register is maintained by Euroclear Finland Ltd.

The share capital is EUR 14,588, 478 and the total number of shares is 59,759,610.

Development of share capital	Share capital EUR 1,000	Share premium reserve EUR 1,000	Legal reserve EUR 1,000	Invested free equity reserve EUR 1,000	Shares 1,000 pcs	Nominal value EUR/share
2 December 1997	11,521	15,058	20,183		13,700	0.84
11 June 1999	11,998	20,117	20,183		14,267	0.84
20 March 2000, cancellation of shares	11,496	20,619	20,183		13,670	0.84
20 March 2000	13,670	20,619	18,008		13,670	1.00
Subscription with 1998 warrants in 2000	13,724	21,149	18,008		13,724	1.00
Subscription with 1998 warrants in 2001	13,933	23,084	18,008		13,933	1.00
22 March 2002, cancellation of shares	13,624	23,393	18,008		13,624	1.00
Subscription with 1998 warrants in 2002	13,792	24,842	18,008		13,792	1.00
Subscription with 1998 warrants in 2003	13,971	26,278	18,008		13,971	1.00
25 March 2004, cancellation of shares	13,808	26,441	18,008		13,808	1.00
Subscription with 1998 warrants in 2004	14,110	28,435	18,008		14,110	1.00
Subscription with 1998 warrants in 2005	14,497	30,504	18,008		14,497	1.00
31 August 2005, merger consideration	14,545	31,515	18,008		14,545	1.00
13 March 2006, share split	14,545	31,515	18,008		58,180	0.25
5 September 2007, share issue	14,565	31,922	18,008	4,600	58,558	0.25
Subscription with stock options 2004A in 2007	14,588	32,412	18 008	4,600	58,653	0.25
Subscription with stock options 2004A and 2004B in 2008	14,588	32,412	18 008	5,766	58,879	0.25
Transfer to the invested free equity reserve in 2009	14,588	0	0	56,273	58,899	0.25
Subscription with stock options 2004A, 2004B and 2004C in 2009	14,588			56,575	58,971	0.25
Subscription with stock options 2004A, 2004B and 2004C in 2010	14,588			58,469	59,414	0.25
Subscription with stock options 2004B in 2011	14,588			60,084	59,760	0.25
Transfer to the invested free equity reserve in 2015	14,588			65,149	59,760	0.25
4 January 2016, directed share issue	14,588			65,521	59,760	0.25

Authorisation to issue shares

The Annual General Meeting (AGM) on 10 March 2016 authorised the Board of Directors to decide on the issuance of new shares and special rights entitling to shares, as well as to convey the company's own shares held by the company in one or more tranches. The share issue can be carried out as a share issue against payment or without consideration on terms to be determined by the Board of Directors and in relation to a share issue against payment at a price to be determined by the Board of Directors.

A maximum of 11,800,000 new shares can be issued. A maximum of 5,900,000 own shares held by the company can be conveyed. The authorisation comprises a right to deviate from the shareholders' pre-emptive subscription right, as well as a right for the Board of Directors to resolve on all other terms and conditions regarding the issuance or conveyance of shares and special rights entitling to shares. Furthermore, the authorisation includes the right to decide on a share issue without consideration to the Company itself so that the amount of own shares held by the Company after the share issue is a maximum of one tenth (1/10) of all shares in the Company. The authorisation shall be in force for 18 months from the decision of the AGM. The authorisation granted by the previous AGM regarding issuing of shares expired simultaneously.

Shares and shareholders

The Board of Directors proposes that the AGM on 9 March 2017 authorise the Board of Directors to decide on the issuance of new shares and special rights entitling to shares, as well as to convey the company's own shares held by the company in one or more tranches. The share issue can be carried out as a share issue against payment or without consideration on terms to be determined by the Board of Directors and in relation to a share issue against payment at a price to be determined by the Board of Directors. A maximum of 11,800,000 new shares can be issued. A maximum of 5,900,000 own shares held by the Company can be conveyed. The authorisation comprises a right to deviate from the shareholders' preemptive subscription right, as well as a right for the Board of Directors to resolve on all other terms and conditions regarding the issuance or conveyance of shares and special rights entitling to shares. Furthermore, the authorisation includes the right to decide on a share issue without consideration to the Company itself so that the amount of own shares held by the Company after the share issue is a maximum of one tenth (1/10) of all shares in the Company. It is proposed that the authorisation shall be effective for a period of 18 months from the decision of the Annual General Meeting. The authorisation granted to the Board of Directors regarding issuing shares in the previous Annual General Meeting shall expire simultaneously.

Authorisation to acquire the company's own shares

The Board of Directors proposes that the AGM on 9 March 2017 authorise the Board of Directors to decide on the acquisition of a maximum of 5,900,000 of the Company's own shares in one or more tranches by using distributable funds. It is proposed that the authorisation be effective for a period of 18 months from the decision of the Annual General Meeting.

Shareholders

According to Pöyry PLC's shareholder register, there were a total of 5,362 registered shareholders at the end of 2016. The number of shareholders decreased by 457 during the year.

Updated on a monthly basis, information on the biggest shareholders and the distribution of ownership is available on Pöyry's website at www.poyry.com.

Major registered shareholders

	Number of shares	Per cent of shares	Per cent of voting rights
1. Corbis S.A.	20,440,000	34.20	34.45
2. Procurator-Holding Oy	3,900,018	6.53	6.57
3. Ilmarinen Mutual Pension Insurance Company	3,011,308	5.04	5.07
4. Varma Mutual Pension Insurance Company	2,785,850	4.66	4.69
5. Elo Pension Company	2,310,000	3.87	3.89
6. Mariatorp Oy	1,907,337	3.19	3.21
7. Nordea Nordic Small Cap Fund	1,647,463	2.76	2.78
8. Veritas Pension Insurance Company Ltd.	1,488,761	2.49	2.51
9. Wipunen varainhallinta Oy	1,400,000	2.34	2.36
10. Fennia Life Insurance Company Ltd	976,719	1.63	1.65
Shares nominee registered	8,314,060	13.91	14.01
Other shareholders	11,159,039	18.67	18.81
Total	59,340,555		100.00
Own shares	419,055	0.70	
Total	59,759,610	100.00	

Nominee-registered shares and flagging notifications

The total number of nominee-registered shares on 31 December 2016 amounted to 8,314,060 shares, equalling 13.91 per cent of the share capital. Pöyry did not receive any flagging notifications in 2016.

Ownership structure by type of shareholder

	Number of shares	Per cent of shares	Per cent of voting rights
Non-financial corporations and housing corporations	8,045,574	13.5	13.6
Financial and insurance corporations	5,964,681	10.0	10.1
General Government	10,611,187	17.8	17.9
Households	4,647,250	7.8	7.8
Non-profit institutions serving households	745,256	1.2	1.3
Registered Foreign Owners	21,012,547	35.2	35.4
Nominee Registered	8,314,060	13.9	14.0
Total	59,340,555		100.0
Own shares	419,055	0.7	
Total	59,759,610	100.0	

Ownership structure by number of shares owned

	Number of shareholders	Per cent of shareholders	Number of shares	Per cent of shares	Per cent of voting rights
1-100	1,431	26.7	89,588	0.1	0.2
101-500	2,150	40.1	621,209	1.0	1.0
501-1 000	815	15.2	662,444	1.1	1.1
1 001-5 000	756	14.1	1,671,278	2.8	2.8
5 001-	210	3.9	56,296,036	94.2	94.9
Total	5,362	100.0	59,340,555		100.0
Own shares			419,055	0.7	
Total			59,759,610	100.0	

Source: Euroclear Finland Ltd., 31 December 2016

Management's shareholdings

The members of the Board of Directors and the Executive Committee owned on 31 December 2016 a total of 500,965 shares, which equals 0.8 per cent of the company's share capital and the number of votes. Information concerning the shareholdings of the members of Pöyry PLC's Board of Directors and Executive Committee is given on the company's website at www.poyry.com.

	Shares
Members of the Board of Directors	255,000
President and CEO	150,000
Group Executive Committee	95,965
Total	500,965

Henrik Ehrnrooth, Chairman of the Board of Directors, together with his brothers Georg Ehrnrooth and Carl-Gustaf Ehrnrooth, indirectly holds a controlling interest in Corbis S.A, which is a major shareholder of the company.

Share price development and trading volume

Pöyry PLC's market capitalisation at the end of the financial year was EUR 198.2 million. The share price decreased during the year by 12.3 per cent from EUR 3.78 to EUR 3.32. The highest share price was EUR 3.80 and the lowest EUR 2.80. A total of 4,416,373 shares were traded at a total of EUR 14.3 million. The number of shares traded during the year equals 7.4 per cent of the total number of issued shares.

Dividend

Pöyry PLC's target is that the dividend/earnings ratio should be at least 50 per cent. Should the Group's net debt/equity ratio exceed 50 per cent, the dividend/earnings ratio may be adjusted.

The Board of Directors of Pöyry PLC will propose to the Annual General Meeting on 9 March 2017 that no dividend will be paid for the year 2016.

Parent company financial statements

STATEMENT OF INCOME

EUR million	Note	2016	2015
Net sales	2	24.4	30.0
Other operating income	3	5.5	5.4
Personnel expenses			
Wages and salaries		-4.7	-4.7
Social security expenses			
Pension expenses		-0.5	-0.7
Other social security expenses		-0.2	-0.2
Personnel expenses total		-5.4	-5.6
Depreciation and amortisation according to plan	7, 8	-1.9	-0.8
Other operating expenses	5	-39.3	-39.4
Operating result		-16.7	-10.4
Financial income and expenses			
Income from group undertakings		14.6	24.2
Interest income from non-current investments			
From group companies		0.2	1.4
From others		0.0	0.0
Other interest income and other financial income			
From group companies		0.5	0.6
From others		0.5	2.4
Reduction in value of investments held as non-current assets		-0.9	-23.9
Interest and other financial expenses			
To group companies		-1.2	-1.0
To others		-4.5	-4.0
Exchange rate differences			
Exchange rate gains		5.1	17.9
Exchange rate losses		-5.3	-22.4
Financial income and expenses total		9.0	-4.8
Result before appropriations and taxes		-7.7	-15.2
Appropriations			
Group contribution		10.1	8.2
Income taxes	6	1.9	1.6
Net result for the period		4.4	-5.4

BALANCE SHEET

EUR million	Note	2016	2015
Assets			
Non-current assets			
Intangible assets			
Intangible assets		6.2	4.3
Intangible assets total	7	6.2	4.3
Tangible assets			
Machinery and equipment		0.4	0.5
Other tangible assets		1.6	1.8
Advance payments and constructions in progress		0.1	-
Tangible assets total	8	2.2	2.3
Investments			
Shares in group companies		248.0	238.2
Receivables from group companies		4.2	4.4
Shares in associated companies		0.1	0.1
Other shares		0.2	0.2
Loans receivable		0.0	0.1
Investments total	9	252.6	243.0
Non-current assets total		260.9	249.7
Current assets			
Non-current receivables			
Deferred tax assets	10	4.1	1.9
Current receivables			
Accounts receivable from group companies		5.5	16.4
Accounts receivable		-	0.2
Loans receivable from group companies		16.2	7.7
Other receivable from group companies		10.7	8.2
Other receivable		0.8	1.1
Prepayments and accrued income from group companies	11	0.9	2.2
Prepayments and accrued income	11	4.4	2.7
Current receivables total		38.6	38.6
Cash at bank and in hand		16.3	39.4
Current assets total		59.0	79.9
Assets total		319.9	329.6

BALANCE SHEET

EUR million	Note	2016	2015
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital		14.6	14.6
Invested free equity reserve		65.5	65.1
Retained earnings		25.8	31.2
Net result for the period		4.4	-5.4
Shareholders' equity total	12	110.3	105.6
Provisions			
Other provisions	13	0.1	-
Liabilities			
Non-current liabilities			
Bonds		30.0	30.0
Loans from credit institutions		-	27.0
Pension loans		-	2.0
Loans from group companies	14	6.1	10.4
Non-current liabilities total		36.1	69.4
Current liabilities			
Commercial papers	19	48.7	38.3
Loans from credit institutions	19	47.1	25.2
Pension loans	19	2.0	2.0
Loans from group companies	19	57.8	74.4
Accounts payable		2.6	4.9
Accounts payable to group companies		3.2	3.0
Other current liabilities		0.1	0.2
Other current liabilities to group companies		6.8	-
Accruals and deferred income	15	4.3	5.7
Accruals and deferred income to group companies	15	1.0	1.0
Current liabilities total		173.4	154.7
Liabilities total		209.5	224.1
Shareholders' equity and liabilities total		319.9	329.6

STATEMENT OF CASH FLOWS

EUR million	2016	2015
Cash flows from operating activities		
Result before appropriations and taxes	-7.7	-15.2
Adjustments:		
Depreciation and amortisation according to plan	1.9	0.8
Unrealised foreign exchange gains and losses	-0.7	1.4
Other non-cash items	-	0.1
Financial income and expenses	-8.3	3.4
Other adjustments	0.0	-0.6
Net cash flow from operating activities before change in working capital	-14.7	-10.1
Change in working capital:		
Increase (-) or decrease (+) in trade and other receivables	8.3	-8.6
Increase (+) or decrease (-) in trade and other payables	-1.1	3.8
Change in working capital	7.2	-4.9
Net cash flow from operating activities before financial items and taxes	-7.5	-14.9
Paid interest and other financial expenses	-13.6	-19.9
Received dividends	14.6	24.2
Received interest and other financial income	8.2	14.5
Paid income taxes	-	0.0
Net cash flow from operating activities	1.7	3.9
Cash flows from investing activities		
Investments in fixed assets	-3.5	-4.9
Sale of other fixed assets	0.0	-
Loans granted	-2.5	-1.7
Received repayments of loans	1.7	18.5
Investments in shares in subsidiaries	-2.8	-18.6
Proceeds from sale of investments, group companies	-	1.6
Proceeds from sale of investments, associated companies	-	0.2
Net cash flow from investing activities	-7.1	-4.9
Cash flows from financing activities		
Proceeds from sale of own shares	0.0	-
Proceeds from short-term borrowings	40.9	9.3
Repayments of short-term borrowings	-27.8	-24.1
Proceeds from long-term borrowings	2.8	32.8
Repayments of long-term borrowings	-42.5	-7.8
Group contribution	8.2	16.2
Net cash flow from financing activities	-18.3	26.3
Effect of changes in exchange rates	0.6	1.4
Change in cash and cash equivalents	-23.1	26.7
Cash and cash equivalents 1.1.	39.4	12.8
Cash and cash equivalents 31.12.	16.3	39.4
Change in cash and cash equivalents	-23.1	26.7

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting principles for the financial statements

Pöyry PLC prepares its financial statements in accordance with the Finnish Accounting Standards (FAS). Pöyry PLC is the parent company in the Pöyry Group. The financial statements are presented in euros and are prepared under the historical cost convention except for derivative financial instruments that are measured at fair value.

When appropriate, the financial statements of Pöyry PLC comply with the Group's accounting principles based on IFRS. Below are described those accounting principles in which the financial statements of Pöyry PLC differ from the accounting principles of the consolidated financial statements. The accounting principles for the consolidated financial statements are presented in the notes to the consolidated financial statements.

Net sales

Pöyry PLC's net sales consist of intra-group royalties and service fees whose total invoice value is deducted by indirect taxes relating to sales, discounts and exchange rate differences of trade receivables denominated in foreign currencies.

Share-based incentive plans

The accounting treatment of Pöyry PLC's share-based incentive plan is described in the accounting principles for the consolidated financial statements. Pöyry's share-based incentive plan is a combination of shares and a cash payment. The granted amount of the incentive plan, settled in shares, is measured at cost for the shares. The cash-settled part of the plans is measured at fair value at the balance sheet date. The expenses arising from the incentive plan are recognised in the income statement over the vesting period. In the financial statements of the parent company the component settled in shares as well as the cash-settled part are recognised as accrued liability until paid out. When paid out the share settled part is credited to the invested free equity reserve.

Pension arrangements

The statutory pension arrangements are generally satisfied through contracts with external insurance companies. Voluntary pension plans are organised through pension insurances. Pension-related payments are recognised as pension expenses on accrual basis. No other pension liabilities or pension assets arising from pension arrangements are recognised in the balance sheet except for pension-related accruals

Leases

The leases are mainly office facility agreements. The company also has some car and office equipment leases. Lease payments are expensed over the rental period and they are included in other operating expenses. Assets leased under finance leases and related liabilities are not recognised in the parent company's balance sheet.

Hybrid bond

Hybrid bonds are presented as bonds in the balance sheet in the financial statements of the parent company. They are initially measured at fair value, using the effective interest method. Interest expenses are recognised in profit or loss over the life of the bonds using the effective interest method. Subsequent to initial recognition, the bonds are stated at amortised cost.

Derivative financial instruments

Derivatives are classified as financial assets and financial liabilities at fair value through profit or loss. They are recognised on the balance sheet at fair value on the trade date. Subsequently they are fair valued. Gains and losses are accounted for based on the purpose of the use of the derivative.

Pöyry PLC hedges the currency risk of the Group centrally by foreign exchange derivatives. Group companies hedge their cash flows denominated in foreign currency by using internal foreign exchange derivative contracts with Pöyry PLC which does all the external derivative contracts. Hedging principles follow the Group's Treasury Policy which states that all committed cash flows in foreign currencies must be hedged. The deviation from policy can be made only for justified reasons and deviation must be approved by the CFO. Speculative derivative contracts without connection to business operations are not allowed.

Pöyry PLC hedges interest rate risk by using interest rate derivatives, most commonly interest rate swaps. Interest rate derivatives are used to adjust the average interest reprising period of external loan portfolio depending on market conditions and within the limits set in treasury policy.

2. Net Sales

EUR million	2016	2015
Net sales by area		
The Nordic countries *)	10.1	11.9
Other Europe	9.4	13.0
Asia	2.9	1.8
North America	0.8	1.1
South America	1.2	2.2
Other	-	0.0
	24.4	30.0
*) of which Finland	7.4	8.0

The parent company's net sales consist of intra-group royalties and service fees.

3. Other operating income

EUR million	2016	2015
Rental income	5.5	5.4
Gains on sales of fixed assets	0.0	-
Other operating income	0.0	-
	5.5	5.4

4. Personnel

	2016	2015
Personnel (permanent and temporary) on average	36	39

5. Audit fees

Audit fees are included in other operating expenses.

EUR 1,000	2016	2015
Statutory auditing, group auditor	143.6	134.0
Tax advisory, group auditor	14.2	18.2
Other services, group auditor	49.9	178.6
	207.7	330.8

6. Income taxes

EUR million	2016	2015
Taxes for the period	0.3	0.5
Taxes for previous years	-	-0.1
Deferred taxes	-2.2	-1.9
	-1.9	-1.6

7. Intangible assets

EUR million	2016	2015
Intangible assets		
Acquisition cost 1 Jan	6.8	2.6
Increase	3.1	3.7
Reclassification	-	0.5
Acquisition cost 31 Dec	9.9	6.8
Accumulated depreciation 1 Jan	2.5	2.2
Depreciation for the period	1.2	0.3
Accumulated depreciation 31 Dec	3.7	2.5
Book value 31 Dec	6.2	4.3
Advance payments		
Acquisition cost 1 Jan	-	0.5
Increase	-	-
Reclassification	-	-0.5
Acquisition cost 31 Dec	-	-
Book value 31 Dec	-	-
Intangible assets total		
Acquisition cost 1 Jan	6.8	3.1
Increase	3.1	3.7
Acquisition cost 31 Dec	9.9	6.8
Accumulated depreciation 1 Jan	2.5	2.2
Depreciation for the period	1.2	0.3
Accumulated depreciation 31 Dec	3.7	2.5
Book value 31 Dec	6.2	4.3

8. Tangible assets

EUR million	2016	2015
Machinery and equipment		
Acquisition cost 1 Jan	1.8	1.8
Increase	0.0	0.1
Decrease	-0.1	-
Acquisition cost 31 Dec	1.8	1.8
Accumulated depreciation 1 Jan	1.3	1.1
Accumulated depreciation on decrease	-0.1	-
Depreciation for the period	0.1	0.2
Accumulated depreciation 31 Dec	1.3	1.3
Book value 31 Dec	0.4	0.5
Other tangible assets		
Acquisition cost 1 Jan	4.0	2.8
Increase	0.4	1.1
Acquisition cost 31 Dec	4.3	4.0
Accumulated depreciation 1 Jan	2.2	1.8
Depreciation for the period	0.6	0.4
Accumulated depreciation 31 Dec	2.8	2.2
Book value 31 Dec	1.6	1.8
Advance payments and construction in progress		
Acquisition cost 1 Jan	-	-
Increase	0.1	-
Acquisition cost 31 Dec	0.1	-
Total tangible assets		
Acquisition cost 1 Jan	5.8	4.6
Increase	0.5	1.2
Decrease	-0.1	-
Acquisition cost 31 Dec	6.3	5.8
Accumulated depreciation 1 Jan	3.5	2.9
Accumulated depreciation on decrease	-0.1	-
Depreciation for the period	0.7	0.5
Accumulated depreciation 31 Dec	4.1	3.5
Book value 31 Dec	2.2	2.3

9. Non-current investments

EUR million	2016	2015
Shares in group companies 1 Jan	238.2	241.3
Increase	9.9	18.6
Decrease	-	0.0
Impairment	-	-21.8
Shares in group companies 31 Dec	248.0	238.2
Receivables from group companies 1 Jan	4.4	25.1
Increase	2.7	10.0
Decrease	-2.0	-28.7
Impairment	-0.9	-2.0
Receivables from group companies 31 Dec	4.2	4.4
Shares in associated companies 1 Jan	0.1	0.1
Decrease	-	0.0
Shares in associated companies 31 Dec	0.1	0.1
Other shares 1 Jan	0.2	0.2
Other shares 31 Dec	0.2	0.2
Loans receivable 1 Jan	0.1	0.1
Increase	0.0	0.0
Decrease	-0.1	-
Loans receivable 31 Dec	0.0	0.1
Total non-current investments 1 Jan	243.0	266.8
Increase	12.6	28.7
Decrease	-2.2	-28.7
Impairment	-0.9	-23.8
Total non-current investments 31 Dec	252.6	243.0

10. Non-current receivables

EUR million	2016	2015
Deferred tax assets 1.1.	1.9	-
Increases	2.2	1.9
Deferred tax assets 31.12.	4.1	1.9
Total non-current receivables	4.1	1.9

11. Prepayments and accrued income

EUR million	2016	2015
Interest income	0.1	0.1
Foreign exchange derivatives	1.1	3.0
Rents	0.0	0.0
Other	4.1	1.9
	5.3	4.9

12. Shareholders' equity

EUR million	2016	2015
Restricted equity		
Share capital 1 Jan/31 Dec	14.6	14.6
Restricted equity 1 Jan/31 Dec	14.6	14.6
Unrestricted equity		
Invested free equity reserve 1 Jan	65.1	60.1
Distribution of own shares	0.4	-
Transfer from retained earnings	-	5.1
Invested free equity reserve 31 Dec	65.5	65.1
Retained earnings 1 Jan	25.8	36.3
Transfer to invested free equity reserve	-	-5.1
Net profit / loss for the period	4.4	-5.4
Retained earnings 31 Dec	30.2	25.8
Unrestricted equity 31 Dec	95.7	91.0
Total shareholders' equity 31 Dec	110.3	105.6

13. Provisions

EUR million	2016	2015
Restructuring provision	0.1	-
	0.1	-

14. Loans with due date after five years or later

EUR million	2016	2015
Loans from group companies	6.1	10.4
	6.1	10.4

15. Accruals and deferred income

EUR million	2016	2015
Salaries and vacation accruals	0.9	1.4
Social expenses	0.2	0.2
Interest expenses	0.5	0.5
Foreign exchange derivatives	0.9	3.2
Other	2.8	1.4
	5.3	6.7

16. Contingent liabilities

EUR million	2016	2015
For own obligations		
Rent and lease obligations	66.4	71.7
For group companies		
Other obligations	37.0	58.5
For other parties		
Other obligations	0.0	0.0
Pledged assets, mortgages and obligations total		
Rent and lease obligations	66.4	71.7
Other obligations	37.0	58.5
	103.4	130.3

17. Other lease agreements

Lease payments for non-cancellable other lease agreements, mainly office rents:

EUR million	2016	2015
Next reporting period	6.8	6.2
Later	59.7	65.5
	66.4	71.7

18. Derivative instruments

EUR million	2016	2015
Foreign exchange forward contracts, no hedge accounting		
Nominal values total	79.4	107.6
Fair value, gains	1.1	1.2
Fair value, losses	-0.8	-1.4
Fair value, net	0.3	-0.1
Foreign exchange forward contracts, fair value hedge accounting		
Nominal values total	0.5	56.3
Fair value, gains	0.0	1.7
Fair value, losses	0.0	-1.7
Fair value, net	0.0	0.0
Foreign exchange option contracts, no hedge accounting		
Bought, nominal values	9.7	6.9
Bought, gains	0.0	0.0
Bought, losses	-0.1	-0.1
Bought, net	-0.1	-0.1
Sold, nominal values	10.2	8.9
Sold, gains	0.1	0.0
Sold, losses	0.0	0.0
Sold, net	0.0	0.0
Foreign exchange option contracts, net	0.0	-0.1
Interest rate swaps, no hedge accounting		
Nominal values total	15.0	15.0
Fair value, losses	0.0	-0.1
Fair value, net	0.0	-0.1

The fair values of the foreign exchange derivative contracts are specified by closing date fair values for the corresponding maturities of the agreements. The fair values of the interest rate swaps and gross currency swaps have been specified by the present values of the future cash flows which are based on the closing date's interest rates and other information. The fair values represent the prices which the company should pay or receive if it terminated the derivative agreement, and the fair values are based on bank's confirmation as well as reports produced by the treasury management system.

19. Maturity profile

EUR million 31 Dec 2016	Total	≤ 6 months 2017	7-12 months 2017	2018	2019
Loans from credit institutions including interest	30.2	30.2			
Loans from group companies including interest	6.2	0.1	6.1		
Commercial papers	49.0	32.0	17.0		
Pension loans including interest	2.0	1.0	1.0		
Total ¹⁾	87.4	63.3	24.1		
Accounts payable	5.7	5.7			
Forward contracts, cash out	78.9	67.5	11.0	0.5	
Forward contracts, cash in	-79.2	-67.6	-11.1	-0.5	
Currency options, net	0.0	0.0			
Interest rate swaps, net	0.0	0.0			
Derivatives total	-0.2	-0.1	-0.1	0.0	
Total	93.0	69.0	24.0	0.0	-

EUR million 31 Dec 2015	Total	≤ 6 months 2016	7-12 months 2016	2017	2018
Loans from credit institutions including interest	34.2	3.4	3.3	21.4	6.1
Loans from group companies including interest	10.9	0.8	4.6	5.5	
Commercial papers	38.5	28.0	10.5		
Pension loans including interest	4.0	1.0	1.0	2.0	
Total ¹⁾	87.6	33.2	19.5	28.9	6.1
Accounts payable	7.9	7.9			
Forward contracts, cash out	161.8	117.5	37.4	7.0	
Forward contracts, cash in	-161.7	-117.3	-37.4	-7.0	
Currency options, net	0.1	0.1			
Interest rate swaps, net	0.1	0.0	0.0	0.0	
Derivatives total	0.3	0.2	0.0	0.0	
Total	95.8	41.3	19.5	28.9	6.1

¹⁾ Figures are non-discounted and include both repayments of the loan capital and interest payments.

20. Fair value hierarchy for financial assets and liabilities recognised at fair value

EUR million	31 Dec 2016	Level 1	Level 2	Level 3
Financial assets at fair value				
Derivatives under fair value hedge accounting	0.0		0.0	
Derivatives outside of hedge accounting	1.2		1.2	
Total financial assets at fair value	1.2	-	1.2	-
Financial liabilities at fair value				
Derivatives under fair value hedge accounting	0.0		0.0	
Derivatives outside of hedge accounting	1.0		1.0	
Total financial liabilities at fair value	1.0	-	1.0	-
EUR million				
	31 Dec 2015	Level 1	Level 2	Level 3
Financial assets at fair value				
Derivatives under fair value hedge accounting	1.7		1.7	
Derivatives outside of hedge accounting	1.3		1.3	
Total financial assets at fair value	3.0	-	3.0	-
Financial liabilities at fair value				
Derivatives under fair value hedge accounting	1.7		1.7	
Derivatives outside of hedge accounting	1.6		1.6	
Total financial liabilities at fair value	3.3	-	3.3	-

Level 1 fair values are measured using quoted prices in active markets at the balance sheet date for identical assets or liabilities. A market is regarded as active if quoted prices are easily and regularly available from e.g. an exchange, dealer, broker, industry group or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. Instruments in Level 1 consist mainly of DAX, FTSE and Dow Jones equity investments classified as trading securities or available for sale.

Level 2 fair values of financial instruments that are not traded in an active market (for example OTC-derivatives) are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The following techniques can be used to value financial instruments:

- Quoted market prices or dealer quotes for similar instruments
- Interest rate swaps: the present value of the estimated future cash flows based on observable yield curves
- Foreign exchange forward contracts: discounting back to present value based on forward rates at the balance sheet date
- Other financial instruments: for example discounted cash flow analysis

Level 3 fair values are measured using valuation techniques based on unquoted parameter inputs.

During the reporting period there were no transfers between levels 1, 2 and 3.

21. Financial risk management

Pöyry PLC is responsible for the whole Pöyry Group's financial risk management which risk related responsibilities and procedures are described in the Treasury Policy. Group Treasury within the parent company provides services related to financial risk management to Group companies. Main tasks include protection from unfavourable changes in the financial markets while securing the Group's profitability and ensure that adequate funding is available at all circumstances.

The Group has exposure to the following financial risks:

- credit risk
- liquidity and refinancing risk
- market risk

Credit risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligation, and arises principally from the Group's project assignments. The maximum amount of the credit risk equals the total book value of the financial assets.

The Group's client profile and the spread of its sales between numerous clients reduce the exposure to credit risks. Credit rating procedures, internal follow-up of overdue receivables and a contract policy of balance between work performed and payments received further reduce the Group's credit risk exposure.

Overdue accounts receivable are reported and monitored by the management on a monthly basis. Overdue accounts receivable over 60 days are reported by client including reasons for delay and actions taken or planned.

The Group establishes an allowance for impairment that represents its estimate of incurred losses. An allowance for impairment of 50 per cent is made for amounts which are overdue more than 180 days, except for amounts related to international institutions, government or municipality controlled entities. Notwithstanding the client category, an allowance for impairment of 100 per cent is made for amounts which are overdue more than 360 days. Any deviation from above rules is allowed only in special circumstances.

Investments are allowed only in liquid securities and only with counterparts that have a good credit rating, and are subject to both specified limits and approval procedures.

Liquidity and refinancing risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due, and refinancing risk is defined as the risk of being unable to borrow on the market to fund actual or forecasted commitments.

To ensure that funding is obtainable and to minimise the cost of funding, the Group shall have a minimum liquidity corresponding to an average of one month's expenses. The Group minimises the total cash needed for operations by efficient cash management including both in-country and cross-border cash pools.

Pöyry PLC had committed credit facilities as at 31 December 2016 in several banks amounting to EUR 85.0 million of which EUR 30.0 million were used.

EUR million	2016	2015
Credit facilities, committed	85.0	75.0
Used	30.0	-
Unused	55.0	75.0

Pöyry PLC's liquidity at the end of December 2016 was EUR 71.3 million consisting of cash and cash equivalents of EUR 16.3 million and unused credit facilities of EUR 55.0 million.

The total amount of current loans includes EUR 48.7 million of issued commercial paper. The Group monitors that the outstanding total amount of issued commercial paper does not exceed the total amount of unused committed Revolving Credit Facilities. The Group's Treasury Policy also sets a guideline according to which the average maturity of long-term debt should be at least three years.

In November 2016 Pöyry signed an agreement on extending its financing with its core banks and Finnish financial institutions. EUR 45 million revolving credit facilities and EUR 27 million term loans were refinanced by new facility agreement. This agreement includes EUR 55 million revolving credit facility available from signing date, and EUR 30 million term loan facility available from August 2017. The agreement is subject to covenants relating to Pöyry Group's financial performance and solidity. Agreement secures funding until June 2019.

Pöyry PLC issued EUR 30 million hybrid bond in November 2015. The hybrid bond bears a fixed interest rate of 7.50 % per annum until November 2019, after which the interest rate will be floating. The hybrid bond has no maturity date, but the company has the right to redeem it after four years from the issue date upon certain conditions. The hybrid bond is a debt instrument, which is subordinated to the company's unsubordinated debt obligations and treated as equity in the consolidated financial statements under IFRS. The hybrid bond does not confer on its holders the right to vote at shareholder meetings and does not dilute the holdings of the current shareholders.

EUR million	2016	2015
Non-current loans	36.1	69.4
From financial institutions	-	29.0
From group companies	6.1	10.4
Hybrid bond	30.0	30.0
Current loans	155.5	139.9
From financial institutions	49.1	27.2
From group companies	57.8	74.4
Commercial paper	48.7	38.3
Total loans	191.6	209.3

Contractual maturity of liabilities and derivatives has been presented in Table of Maturity Analysis in Note 19.

Market risk

Market risk arises from changes in market prices, such as exchange rates and interest rates, which affect company's result. In accordance with Treasury Policy the objective is to manage and control market risk exposures within acceptable limits.

Currency risk

Transaction risk, commercial: Majority of the Group's international business operations are denominated in the local functional currencies, and only about five per cent of the Group's net sales are exposed to foreign currency risk. The Group companies hedge their commercial exposure, i.e. the project cash flows denominated in a foreign currency, by using internal foreign exchange derivative contracts with Group Treasury. Hedging principles follow the Group's Treasury Policy which states that all committed cash flows in foreign currencies must be hedged. The deviation from policy can be made only for justified reasons and deviation must be approved by the CFO. Speculative derivative contracts without connection to business operations are not allowed.

Transaction risk, financial: According to the Group's Treasury policy the parent company conducts financing and subsidiaries are not allowed to take up loans from external parties without permission and coordination from Group Treasury. The parent company grants loans to Group companies if considered necessary, justified or otherwise to be in the best interest of the parties. Group companies lend their excess cash to the parent company and in order to centralize the foreign currency risks to the parent company, all internal funding is done in the domestic currency of the subsidiary. At the end of December 2016 the parent company did not have any external loans denominated in foreign currency. Thus the Group's financial exposure consists mainly of the Group's internal loans between the parent company and subsidiaries.

Pöyry PLC did not have major open transaction risk exposures at the end of 2016. The impact on result of a ten percent strengthening/weakening of euro would not be material.

Pöyry PLC hedges the net transaction exposure centrally by external derivative contracts. The main objective is to minimize hedging needs by netting as much cash flows in foreign currencies as possible against each other. The derivative contracts are stated at fair value and recognised in the income statement. Fair value hedge accounting can be applied to the derivative contracts when they are used for hedging order stock. Derivative instruments have not been netted in the financial statements but they are all against Group companies or belong to master netting agreements signed with external counterparties. Financial assets and liabilities towards Group companies or belonging to netting agreements are described in the following table:

31 Dec 2016 EUR million		Related amounts not set off in the balance sheet			
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Financial instruments	Net amount
Financial assets					
Derivative assets	1.2	0.0	1.2	0.7	0.4
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Financial instruments	Net amount
Financial liabilities					
Derivative liabilities	1.0	0.0	1.0	0.7	0.3

31 Dec 2015 EUR million		Related amounts not set off in the balance sheet			
Financial assets	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Financial instruments	Net amount
Derivative assets	3.0	0.0	3.0	1.6	1.4
Financial liabilities	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Financial instruments	Net amount
Derivative liabilities	3.3	0.0	3.3	1.6	1.8

Interest rate risk

The Group's policy is to achieve a balance between the maturity of long-term loans and the corresponding interest rate level. In case of essential interest rate level differences, the Group may use interest rate derivatives to achieve this target. Changes in the interest rate markets affect the Group's funding costs and the fair values of interest rate derivatives.

Pöyry PLC's all interest bearing loans except used credit facilities at the end of 2016 were withdrawn at fixed interest rate. At the end of 2016 the nominal amount of interest rate swaps was EUR 15.0 (15.0) million. These interest rate swaps were stated at fair value and recognised in the income statement.

One percentage unit change in interest rate curve would not have a material impact on the Group's earnings calculated with outstanding loans and interest rate derivatives as of 31 December 2016. The effect on the income statement is generated from the changes in the fair value of interest rate derivatives outside hedge accounting.

Capital structure management

The Group's policy is to maintain a strong capital base to maintain investor, creditor, and market confidence and to sustain future development of the business. The Board of Directors monitors the ownership structure, as well as the return on capital and the level of dividends to shareholders. The Group defines capital as the total balance sheet deducted with non-interest bearing liabilities.

The Group seeks to achieve a balance between growth targets, higher level of borrowings and return on capital and the Board sets the long-term targets on return on investment and gearing ratio. Aiming for and maintaining these targets ensure the Group's access to external funding sources when needed and with competitive pricing.

Proposal of the Board of Directors

The parent company's earnings distributable as dividend are

Retained earnings	EUR	25,840,897.23
Result for the period	EUR	<u>4,383,237.51</u>
		30,224,134.74

The Board of Directors proposes to the Annual General Meeting on 9 March 2017 that no dividend will be paid for the year 2016.

Vantaa, Finland, 7 February 2017
Pöyry PLC
Board of Directors

Henrik Ehrnrooth

Teuvo Salminen

Pekka Ala-Pietilä

Helene Biström

Alexis Fries

Michael Rosenlew

Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Pöyry Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial performance and financial position in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

What we have audited

We have audited the financial statements of Pöyry Oyj (business identity code 1009321-2) for the year ended 31 December, 2016. The financial statements comprise:

- the consolidated statement of comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity and notes, including a summary of significant accounting policies
 - the parent company's statement of income, balance sheet, statement of cash flows and notes.
-

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

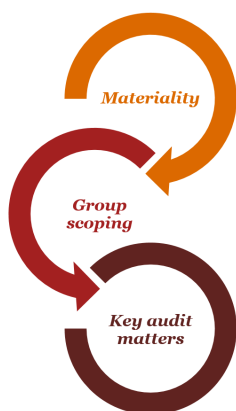
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our Audit Approach

Overview



- Overall group materiality: €3 million, which represents 0.5 % of net sales.
- The focus of our work was on the reporting units in Finland, Switzerland, Germany, Austria, Sweden and Brazil.

Group:

- Project revenue recognition and valuation of accounts receivable and work in progress
- Legal proceedings and claims
- Valuation of accounts receivable past due 360 days
- Goodwill valuation
- Realizability of deferred tax assets relating to losses carried forward

Parent company:

- Valuation of investments in subsidiaries

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€3 million (previous year €3 million)
How we determined it	0.5% of net sales
Rationale for the materiality benchmark applied	We chose net sales as the benchmark because, in our view, it represents the most stable and relevant benchmark to measure the performance of the group. In the absence of steady profits it is also a generally accepted benchmark. We chose 0.5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit taking into account the geographic and segmental structure of the Group, the accounting processes and controls, and the industry in which the group operates.

The group audit scope was focused on components in Finland, Switzerland, Germany, Austria, Sweden and Brazil, where an audit of the complete financial information was performed due to their size and their risk characteristics. Specified audit procedures were also carried out at certain other components within group. We performed further specific audit procedures over group functions and areas of significant judgement, including taxation, goodwill, and material litigation at the group's head office.

We determined the type of work for each component that needed to be performed by us in relation to activity within Finland, or by other PwC network firms operating under our instruction in relation to activity outside Finland. Where the work was performed by those other firms, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group

How our audit addressed the key audit matter

Project revenue recognition and valuation of accounts receivable and work in progress

Refer to note 1 and 4 to the consolidated financial statements for the related disclosures.

Project revenue recognition and the valuation of accounts receivable and work in progress are significant to the financial statements based on the quantitative materiality and the degree of management judgment required to account for revenue recognition and valuation of accounts receivable and work in progress. The complexity and judgments are mainly related to the estimation of the costs to complete the projects, expected revenues and the related percentage of completion which the group applies for recognizing revenues and assessing provisions for projects.

The total amount of revenue and profit to be recognised under a contract can be affected by changes in conditions and circumstances over time, such as:

- variations to the original contract terms
- cost overruns
- scope changes that require further negotiation and settlement.

Variations can arise from changing client specifications, changes to the job based on unforeseen circumstances (e.g. macroeconomic factors), as well as from inefficiencies on the part of either party. There can be some uncertainties, therefore, in determining the amounts to be recovered from any additional work performed.

Management has also considered this area to be a key accounting estimate as disclosed in note 1 to the Consolidated financial statements. We therefore determined this to be a key audit matter.

We have met regularly with business line management to identify high risk projects e.g. loss making projects, projects with large work in progress balances or ongoing litigations.

We tested certain key internal controls relating to revenue recognition and IT systems which support the project management and accounting. We performed detailed procedures on individually significant projects and high risk projects. This includes challenging management's estimates and assumptions and substantiating transactions with underlying documents and performing recalculations of management's models to determine project revenue recognition. We used among others contracts, client and sub-contractor correspondence and internal revenue and cost forecasts. In addition, we discussed the progress of projects with controllers and project leaders.

With the outcome of those discussions and the results of our audit procedures, we assessed management's assumptions in the determination of the percentage of completion of a project, estimates to complete for both revenue and costs and provisions for loss making projects or provisions for accounts receivables. We requested and assessed legal opinions from Pöyry's external or internal lawyer in situations where the outcome of project results or the recoverability of accounts receivable and work in progress was dependent on the outcome of legal proceedings or arbitration.

Legal proceedings and claims

Refer to note 25 and 29 to the consolidated financial statements for the related disclosures.

As outlined in note 29 to the consolidated financial statements, the group is exposed to potential claims, which sometimes result in litigation or arbitration. The group has legal proceedings, both against it and in its advantage. The project provisions recognised are disclosed in note 25 to the consolidated financial statements and the contingent liabilities relating to projects and other guarantees are disclosed in note 29.

We focused on this area as management judgement is required in assessing the completeness and valuation of provisions to cover the risk, the assessment process is complex and is based on future developments.

We evaluated management's assessment of the nature and status of litigation, claims and assessments and discussed them with group business management, including the legal counsel as well as the Audit Committee for certain of the more significant cases.

We examined management's conclusions with respect to the provisions and disclosures made for significant cases, by considering the correspondence between the group and its external legal counsel and legal letters obtained.

Valuation of accounts receivable past due over 360 days

Refer to note 18 and 20 to the consolidated financial statements for the related disclosures.

As described in note 20 to the consolidated financial statements an allowance for impairment of 100 per cent is made for amounts which are overdue more than 360 days. Any deviation from the above rule is allowed only in special circumstances.

At 31 December 2016 the group's accounts receivable past due over 360 days amounted to 8 million euro.

We focused on this area as the balance past due over 360 days is significant and the valuation requires management judgement and is to some extent based on expectations not controlled by the group.

Our audit procedures included an evaluation of the significant judgments made by management to not impair the accounts receivable past due over 360 days, whereby we examined documentation supporting the valuation of these receivables and discussed the judgements and the status of the collection process with business management and finance staff of the group.

We also performed tests of details including obtaining accounts receivable confirmations, analysis of aging structure and audit of the bad debt provision.

We further focused on the group's disclosures about the accounts receivable and the related risks such as credit risk and the aging of receivables in note 32 to the Consolidated financial statements.

Goodwill valuation

Refer to note 12 to the consolidated financial statements for the related disclosures.

At 31 December 2016 the group's goodwill balance is valued at 122 million euro. Under IFRS, the company is required to annually test for impairment of goodwill. Goodwill valuation was important to our audit due to the size of the goodwill balance and because the assessment of the value in use of the group's CGUs is complex, involving judgement about the future results of the business by estimating future sales growth rates, profit margins and inflation rates and determining the discount rate for the calculations. We focused on the risk that goodwill may be overstated.

Based on the annual goodwill impairment test management concluded that no goodwill impairment was needed.

We evaluated management's future cash flow forecasts and the process by which they were drawn up, including comparing them to the latest Board-approved budgets, and testing the underlying calculations. We evaluated and challenged the company's future cash flow forecasts in a discussion with management of the business involved, and the process by which they were drawn up, and tested the underlying value in use calculations. We compared the current year actual results to the figures for the financial year ended 31 December 2016 included in the prior year impairment models to consider whether any forecasts included assumptions that, with hindsight, had been optimistic.

We evaluated and challenged the discount rate used.

We assessed the sensitivity analysis that had been performed by management around the key drivers of the cash flow forecasts, which were:

- the discount rate
- the projected operating profit margins and growth rates

to identify how much each of these key drivers needed to change, either individually or collectively, before the goodwill was impaired.

Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be impaired, we considered the likelihood of such a movement in those key assumptions arising.

We assessed the adequacy of the disclosures in note 12, by checking that they were compliant with IFRS and that their presentation was consistent with our understanding of the key issues and sensitivities in the valuation.

Realizability of deferred tax assets relating to losses carried forward

Refer to note 10 to the consolidated financial statements for the related disclosures.

At 31 December 2016 the group has recognized in the consolidated financial statements deferred tax assets amounting to 34 million euro of which 19 million euro relate to losses carried forward. In addition there are deferred tax assets from losses of 86 million euro, which have not been recognised in the consolidated financial statements.

The group recognizes deferred tax assets to the extent that it is probable future taxable profits will allow the deferred tax assets to be recovered.

The ability of the company to utilize these assets in the countries which have been loss making is uncertain. Judgement is required in assessing the recognition and valuation of deferred tax assets. There are uncertainties regarding the timing of these benefits, uncertainties regarding the realisation of such benefits, including the expiration date of losses and future taxable income.

We audited the available tax losses carried forward with special focus on the greatest and most judgmental balances in this regard. We considered the local expiry periods together with any applicable restrictions in recovery for each individual jurisdiction. In addition, our audit procedures included evaluating and challenging management's forecasts about the future taxable profits especially in loss-making units. We checked the consistency of underlying assumptions with those of the impairment analysis. We also assessed the past performance against business plans used by the group to determine the future taxable income per country.

Key audit matter in the audit of the parent company

How our audit addressed the key audit matter

Valuation of investments in subsidiaries

Refer to note 11 to the parent financial statements and note 32 to the consolidated financial statements for the related disclosures

The parent company has investments in subsidiaries amounting to 248 million euro at December 31, 2016. The valuation of these investments requires significant management judgment about the future results of the subsidiaries. Management determines the need for possible impairment by estimating the net present value of each investment. This process includes estimating future sales growth rates, profit margins and inflation rates of the subsidiaries as well as determining the discount rate for the calculations. The valuation of investments in subsidiaries was important to our audit due to the size of the investments and because of the judgments required. We focused on the risk that the investments may be overstated.

We performed a detailed analysis of management's assessment of the valuation of investments in subsidiaries. This included comparing the investments to the amount of equity in each subsidiary as well as evaluating management's net present value calculations and the process by which they were drawn up.

We evaluated, challenged and tested the company's net present value calculations and the process by which they were drawn up. We compared the current year actual results to the figures for the financial year ended 31 December 2016 included in the prior year valuation models to consider whether any forecasts included assumptions that, with hindsight, had been optimistic.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Review, but does not include the financial statements and our auditor's report thereon. We obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Review is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the information included in the report of the Board of Directors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 7 February 2017

PricewaterhouseCoopers Oy
Authorised Public Accountants

Merja Lindh
Authorised Public Accountant

Investor information

Pöyry PLC's shares are quoted on the Nasdaq Helsinki Oy's stock exchange Mid Cap list under the trading code POY1V. All shares carry equal voting and dividend rights. Pöyry PLC has been listed on the Helsinki stock exchange since 2 December 1997.

In its disclosure Pöyry complies with the EU and Finnish legislation, the rules of Nasdaq Helsinki Ltd, the regulations and instructions of the European Securities and Markets Authority (ESMA) and the Finnish Financial Supervisory Authority, and the Finnish Corporate Governance Code. Pöyry's disclosure is based on facts, objectivity and fairness. Pöyry is committed to disclosing reliable, relevant, adequate, timely and comparable information to which the capital market participants have equal and simultaneous access. Under the periodic disclosure obligation, Pöyry publishes as stock exchange release information on its financial performance according to a time schedule that is published before the end of the previous financial year. Pöyry publishes financial information about the Pöyry Group as a whole and about its Business Lines (i.e. the operating segments).

Under the general disclosure obligation, Pöyry discloses as soon as possible as a stock exchange release any inside information, i.e. precise, unpublished information which would be likely to have a significant effect on the price of the company's share if it was published. The disclosure of inside information may however be delayed provided that the conditions defined in the Market Abuse Regulation are met. In addition to disclosing inside information, the company discloses as stock exchange release other information as may be required by the rules of Nasdaq Helsinki Ltd.

In addition, Pöyry publishes as press releases and as other news information that does not meet the requirements set for the stock exchange releases but which are assessed to have new values or to otherwise be of general interest to Pöyry's stakeholders. All Pöyry's releases are available on Pöyry's website at www.poyry.com for at least five years.

Pöyry responds to routine inquiries from the representatives of the capital markets and the financial media as quickly as possible. Pöyry regularly meets with investors and analysts. Pöyry's Investor Relations function centrally handles and coordinates contacts and meetings with shareholders, investors and analysts. The meetings are based on information that has already been published or is otherwise generally available to the market. New information that might affect the value of Pöyry's share is not introduced at these meetings.

Silent period

Prior to each publication of financial information under periodic disclosure obligation Pöyry observes a silent period during which Pöyry's representatives will not comment on any issues related to the Company's results, financial position or future outlook of the Pöyry Group or its Business Lines. The silent period begins 21 days prior to the publication of annual or half year financial results and lasts until the respective announcement of financial results.

Analysts

A list of analysts that according to currently available information regularly follow Pöyry is available in the Investors section on the company's website at www.poyry.com. Pöyry takes no responsibility for their opinions or estimates.

For more information, please contact: Pöyry Investor Relations, Tel. +358 10 33 22629

Financial information in 2017

Pöyry PLC will publish its half year financial report January-June 2017 on Friday, 4 August 2017.

ANNUAL GENERAL MEETING

Pöyry PLC's Annual General Meeting will be held on Thursday, 9 March 2017 at 4.00 p.m. in Vantaa, Finland at Martintalo, Jaakonkatu 2, 01620 Vantaa, Finland. A complete notice to convene the Meeting has been published in a company announcement on 8 February 2017.

Each shareholder who on the record date of the Annual General Meeting 27 February 2017 is registered in the shareholder register of the Company held by Euroclear Finland Ltd., has the right to participate in the Annual General Meeting. Shareholders whose shares are registered on his/her personal book-entry account are registered in the shareholder register of the Company. Shareholders wanting to participate in the Annual General Meeting must register for the meeting no later than Monday 6 March 2017 at 10.00 a.m. Finnish time by giving a prior notice of participation. Such notice can be given:

- a) by filling in the registration form on the Pöyry PLC website at www.poyry.com/agm2017;
- b) by telephone +358 10 33 21455 (Katriina Anttinen) Monday through Friday between 9 a.m. and 4 p.m. Finnish time; or
- c) by letter to Pöyry PLC, Legal Department/AGM, Jaakonkatu 3, FI-01620 Vantaa, Finland.

Dividend

The Board of Directors of Pöyry PLC proposes to the Annual General Meeting convening on 9 March 2017 that no dividend will be paid for the year 2016.

Pöyry PLC
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