PÖYRY PLC - 29 JULY 2016

Half year financial report 2016

Pöyry PLC **Half year financial report 1 January–30 June 2016**

Q2 order intake stable, performance below expectations

Key figures for April–June 2016

(Figures in brackets, unless otherwise stated, refer to the same period of the previous year.)

- Adjusted operating result decreased to EUR -1.1 (1.2) million. Operating result was EUR -1.7 (0.2) million.
- Net sales were EUR 135.9 (150.9) million.
- Order intake remained stable compared to corresponding period in the previous year.

Key figures for January–June 2016

- Adjusted operating result decreased to EUR -1.7 (4.3) million. It improved in Industry Business Group, but decreased in other Business Lines. Operating result was EUR -4.2 (2.8) million.
- Net sales were EUR 271.9 (297.6) million. They remained stable in the Industry Business Group, but decreased in other Business Lines.
- The Group's order stock was EUR 457.8 (502.4) million.

Pöyry Group	4-6/ 2016	4-6/ 2015	Change, %	1-6/ 2016	1-6/ 2015	Change, %	1-12/ 2015
Order stock at the end of period, EUR million	**457.8**	502.4	-8.9	**457.8**	502.4	-8.9	465.5
Net sales total, EUR million	**135.9**	150.9	-9.9	**271.9**	297.6	-8.6	575.3
Operating result, EUR million	**-1.7**	0.2	n.a.	**-4.2**	2.8	n.a.	4.0
Operating margin, %	**-1.2**	0.1		**-1.6**	0.9		0.7
Adjusted operating result, EUR million	**-1.1**	1.2	n.a.	**-1.7**	4.3	n.a.	9.4
Adjusted operating result, % of net sales	**-0.8**	0.8		**-0.6**	1.4		1.6
Result before taxes, EUR million	**-1.8**	-0.1	n.a.	**-4.8**	-0.9	n.a.	6.0
Earnings per share, basic, EUR	**-0.04**	-0.02	n.a.	**-0.11**	-0.03	n.a.	0.09
Earnings per share, diluted, EUR	**-0.04**	-0.02	n.a.	**-0.11**	-0.03	n.a.	0.09
Earnings per share, adjusted, EUR	**-0.03**	0.00	n.a.	**-0.07**	-0.01	n.a.	0.18
Gearing, %				**32.7**	51.1		3.6
Return on investment, %				**-2.9**	4.3		6.1
Average number of personnel, full time equivalents (FTE)				**4,900**	5,091	-3.7	5,029

All figures and sums have been rounded off from the exact figures, which may lead to minor discrepancies upon addition or subtraction.

Financial outlook for 2016 unchanged

The Group's adjusted operating result is expected to be positive.

Martin à Porta, President and CEO:

"Our net sales and profitability decreased compared to the same quarter in 2015 due to insufficient performance in a number of business units. However, other business units show positive development compared to the previous year. The order intake in the Energy Business Group and the Regional Operations increased compared to the same quarter in 2015, and there was an improved profitability within the Regional Operations Northern Europe.

Our immediate focus is to turnaround the underperforming business units across the group by fully utilizing the strengths of our business portfolio among key clients in our main markets. The underlying focus on our clients is improving, and we already see an increase in promising order prospects for the rest of the year which we want to turn into order intake during the next quarters. Additionally we see new opportunities and growth in selected markets and businesses, in particular in the energy sector.

Our operational framework is being implemented across the company. We are taking clear steps in simplifying and empowering our organisation, strengthening our core, and preparing to scale up. Additionally, we are investing in our new business management system which will increase transparency in our operations and allow us to improve our processes in order to increase efficiency in the mid and long term. Our overall fixed costs remain too high for the current volume and will be reduced to a more sustainable level.

We are maintaining our outlook that the Group's adjusted operating result is expected to be positive in 2016."

Market outlook 2016

The overall economic and market outlook for our sectors in 2016 remains challenging. In Europe the growth remains fragile, delaying economic recovery and investment decisions despite the quantitative easing programme of bond purchases launched by the European Central Bank in 2015. Economic growth is slowing down in China, but remains reasonable in the rest of the Asia. Growth in the US is projected to remain robust. In Brazil, there are slight signs of an economic recovery during the second part of the year.

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 reasonable. However, in the graphic paper industry the decline in structural consumption is set to continue. For energy and other industrial sectors relevant to Pöyry's businesses, the prospects are expected to be challenging.

Group financial performance

EUR million	4-6/ 2016	4-6/ 2015	Change, %	1-6/ 2016	1-6/ 2015	Change, %	1-12/ 2015
Net sales							
Energy	**31.7**	37.3	-15.1	**65.3**	71.8	-9.1	147.3
Industry	**12.8**	14.1	-9.3	**26.8**	25.8	3.9	53.7
Regional Operations	**75.4**	80.3	-6.1	**147.4**	162.6	-9.4	305.5
Management Consulting	**15.9**	17.9	-11.6	**31.9**	35.2	-9.5	66.2
Unallocated	**0.1**	1.2	-88.5	**0.5**	2.1	-77.2	2.6
Total	**135.9**	150.9	-9.9	**271.9**	297.6	-8.6	575.3
Operating result							
Energy	**0.3**	0.6	-54.2	**0.5**	1.8	-74.5	5.5
Industry	**1.1**	1.1	-0.2	**2.9**	2.1	36.4	4.9
Regional Operations	**-1.1**	-3.2	n.a.	**-3.2**	-2.4	n.a.	-2.3
Management Consulting	**0.6**	1.5	-60.6	**1.8**	3.0	-42.1	4.4
Unallocated	**-2.5**	0.2	n.a.	**-6.2**	-1.8	n.a.	-8.5
Total	**-1.7**	0.2	n.a.	**-4.2**	2.8	n.a.	4.0
Operating margin, %							
Energy	**0.8**	1.5		**0.7**	2.5		3.7
Industry	**8.5**	7.7		**10.9**	8.3		9.1
Regional Operations	**-1.5**	-4.0		**-2.2**	-1.5		-0.7
Management Consulting	**3.8**	8.4		**5.5**	8.6		6.6
Total	**-1.2**	0.1		**-1.6**	0.9		0.7
Adjusted operating result							
Energy	**0.0**	0.6	-94.9	**0.7**	1.8	-63.6	5.7
Industry	**0.8**	1.1	-23.1	**2.7**	2.1	24.7	4.9
Regional Operations	**-0.3**	-2.0	n.a.	**-1.1**	-0.7	n.a.	1.8
Management Consulting	**0.8**	1.5	-44.9	**2.3**	3.0	-25.1	4.4
Unallocated	**-2.5**	0.0	n.a.	**-6.2**	-2.0	n.a.	-7.4
Total	**-1.1**	1.2	n.a.	**-1.7**	4.3	n.a.	9.4
Adjusted operating result, % of net sales							
Energy	**0.1**	1.5		**1.0**	2.5		3.8
Industry	**6.5**	7.7		**9.9**	8.3		9.1
Regional Operations	**-0.4**	-2.5		**-0.7**	-0.4		0.6
Management Consulting	**5.2**	8.4		**7.2**	8.6		6.6
Total	**-0.8**	0.8		**-0.6**	1.4		1.6

From 2016 onwards, Pöyry discloses its adjusted operating result in order to increase transparency and have a measure with which it is possible to assess the development of the performance from one period to another. 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.

Financial performance in April–June 2016

Order intake remained stable year on year. It increased in the Energy Business Group and in the Regional Operations, but decreased in other Business Lines.

Net sales were EUR 135.9 (150.9) million. The figure decreased in all Business Lines partly due to missing larger EPC-projects.

The adjusted operating result decreased to EUR -1.1 (1.2) million. It improved in the Regional Operations, but decreased in other Business Lines. The adjusted items of EUR 0.6 (1.1) million consist mainly of losses recognised on projects originating from the former Urban Business Group as well as labour claim expenses related to employment claims customary in one of the Group's operating countries. In 2015 the adjusted items included mainly project losses recognised on a project 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, as well as labour claim expenses related to employment claims customary in one of the Group's operating countries. The operating result was EUR -1.7 (0.2) million.

Financial performance in January–June 2016

The Group's order stock remained stable compared to 2015 year-end. However, it decreased from the second quarter last year to EUR 457.8 (502.4) million. It remained stable in the Management Consulting Business Group and in the Regional Operations, but decreased in the Energy and Industry Business Groups.

Order stock was EUR 170.0 million in the Energy Business Group (37% of the total order stock), EUR 26.3 million in the Industry Business Group (6%), EUR 244.7 million in the Regional Operations (53%) and EUR 16.3 million in the Management Consulting Business Group (4%).

Net sales were EUR 271.9 (297.6) million. The figure remained stable in the Industry Business Group but decreased in other Business Lines.

The adjusted operating result decreased to EUR -1.7 (4.3) million. It increased in the Industry Business Group, but decreased in other Business Lines. The adjusted items of EUR 2.6 (1.5) million consist mainly of restructuring expenses in the Energy Business Group, the Management Consulting Business Group and the Regional Operations, as well as of labour claim expenses related to employment claims customary in one of the Group's operating countries and losses recognised on projects originating from the former Urban Business Group. In 2015 the adjusted items included mainly project losses recognised on a project 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 as well as labour claim expenses related to employment claims customary in one of the Group's operating countries. The operating result was EUR -4.2 (2.8) million.

Key project and contract wins published during the quarter

Customer	Assignment	Business line
Helsinki Region Environmental Services (HSY), Finland	Detailed engineering assignments for the Blominmäki wastewater treatment plant to be built in Espoo, Finland	Regional Operations
The Metro Company of São Paulo, Brazil	The owner's engineer services assignment for the Line 4 metro project in São Paulo, Brazil	Regional Operations
Lappeenrannan Lämpövoima Oy, Finland	The basic engineering assignment for the new Lappeenranta wastewater treatment plant and its wastewater transfer system	Regional Operations
Delta Print & Packaging, Northern Ireland	Financial advice to Delta and its owners on Delta's acquisition by Huhtamäki	Management Consulting
Kalehan Genç Enerji Üretim A.S., Turkey	Detailed design services assignment for the Lower Kaleköy Hydroelectric Power Plant and Dam in Turkey	Energy
Austrian Power Grid AG, Austria	The assignment for the modernisation and extension of existing 220/380kV switchgears at Lienz substation, Austria	Energy

Group financial result, financing and investments

The net financial items amounted to EUR -0.8 (-3.9) million. The comparative figure includes EUR -2.7 million exchange rate losses.

The result before taxes totalled EUR -4.8 (-0.9) million.

Income taxes were EUR -0.8 (-0.6) million.

The net result for the period amounted to EUR -5.6 (-1.5) million, of which EUR -5.6 million was attributable to equity holders of the parent company and EUR -0.1 million to non-controlling interests.

Diluted earnings per share were EUR -0.11 (-0.03).

The consolidated balance sheet amounted to EUR 427.5 (456.3) million. Total equity at the end of the reporting period amounted to EUR 120.2 (92.9) million. 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. Total equity attributable to equity holders of the parent company was EUR 118.6 (91.4) million, or EUR 1.98 (1.53) per share.

Return on equity (ROE) amounted to -10.0 (-2.8) per cent. Return on investment (ROI) was -2.9 (4.3) per cent.

Group cash and cash equivalents and other liquid assets amounted to EUR 36.9 (51.6) million at the end of the reporting period. In addition to these, the Group had available credit facilities amounting to EUR 93.5 million. The amount of issued Commercial Papers was EUR 43.2 million.

Net cash flow from operating activities in the reporting period amounted to EUR -33.6 (-9.2) million, representing EUR -0.57 per share. In 2016 net cash flow from operating activities resulted mainly from a EUR 28.2 million cash outflow related to a change in net working capital, including, amongst others, an advance payment for a three years' software lease agreement of EUR 5.0 million in the first quarter as well as the payment of EUR 7.7 (4.6) million for accrued bonuses during the second quarter. Ongoing business management system implementation had a negative impact on net cash flow from operating activities during the period. Net cash flow before financing activities amounted to EUR -35.4 (-8.6) million. Net debt at the end of the reporting period was EUR 39.3 (47.5) million. Gearing was 32.7 (51.1) per cent. The equity ratio was 32.4 (24.8) per cent.

During the reporting period, the Group's capital expenditures totalled EUR 2.2 (3.2) million.

Calculation principles and key figures are presented on the Key figures page of this half year financial report.

Personnel

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

Personnel (FTE) by Business Line, at the end of the period	1-6/ 2016	1-6/ 2015	Change, %	1-12/ 2015
Energy	**1,073**	1,088	-1.4	1,134
Industry	**472**	468	0.7	470
Regional Operations	**2,797**	2,858	-2.1	2,816
Management Consulting	**349**	370	-5.5	351
Unallocated	**188**	195	-3.7	182
Personnel total	**4,879**	4,979	-2.0	4,952

Personnel (FTE) by geographic area, at the end of the period	1-6/ 2016	1-6/ 2015	Change, %	1-12/ 2015
Nordic countries	**1,866**	1,904	-2.0	1,897
Other Europe	**1,607**	1,646	-2.3	1,597
Asia	**629**	613	2.5	689
North America	**185**	160	15.6	155
South America	**591**	650	-9.0	613
Other areas	**1**	6	-83.3	1
Personnel total	**4,879**	4,979	-2.0	4,952

Personnel structure

The Group had an average of 4,900 (5,091) employees (FTEs), which was 3.7 per cent less than in the previous year. The number of personnel (FTEs) at the end of the period was 4,879 (4,979). At the end of the reporting period, total number of employees was 5,685 (5,803).

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 litigation 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 a project contract, which expired in the fourth quarter of 2015 and a project contract terminated by the client in the first quarter of 2016, the respective Pöyry subsidiary companies have financial claims against the clients. There is a risk that the clients will also present formal claims against these subsidiary companies and that legal proceedings will be initiated. The two 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

There were no significant events after the reporting period.

Business Lines

At the beginning of 2015 and 2016, minor organisational alignments were executed between the Business Lines. 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.

	4-6/ 2016	4-6/ 2015	Change, %	1-6/ 2016	1-6/ 2015	Change, %	1-12/ 2015
Order stock, EUR million, at the end of the period	**170.0**	191.6	-11.3	**170.0**	191.6	-11.3	174.5
Sales, EUR million	**31.7**	37.3	-15.1	**65.3**	71.8	-9.1	147.3
Operating result, EUR million	**0.3**	0.6	-54.2	**0.5**	1.8	-74.5	5.5
Operating margin, %	**0.8**	1.5		**0.7**	2.5		3.7
Adjusted operating result, EUR million	**0.0**	0.6	-94.9	**0.7**	1.8	-63.6	5.7
Adjusted operating result, % of net sales	**0.1**	1.5		**1.0**	2.5		3.8
Personnel at the end of period	**1,073**	1,088	-1.4	**1,073**	1,088	-1.4	1,134

April–June 2016
Order intake increased from the previous year mainly due to a strong order intake in Asia.

Net sales declined by 15.1 per cent to EUR 31.7 (37.3) million. They particularly decreased in Northern and Central Europe and in the Philippines where a larger project was in the execution phase in 2015.

The adjusted operating result decreased to EUR 0.0 (0.6) million in part due to low performance in the nuclear business. The adjusted items include a reversal of restructuring expense provision in Central Europe. The operating result was EUR 0.3 (0.6) million.

January–June 2016
Order stock was EUR 170.0 (191.6) million. The decrease was mainly due to lower order intake in Middle-East and a larger order in the Philippines, which was included in the order stock in the comparable period 2015.

Net sales declined by 9.1 per cent to EUR 65.3 (71.8) million.

The adjusted operating result decreased to EUR 0.7 (1.8) million. Restructuring expenses related to the streamlining of operations in Northern Europe are excluded from the adjusted operating result. The operating result was EUR 0.5 (1.8) 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.

	4-6/ 2016	4-6/ 2015	Change, %	1-6/ 2016	1-6/ 2015	Change, %	1-12/ 2015
Order stock, EUR million, at the end of the period	**26.3**	48.1	-45.2	**26.3**	48.1	-45.2	37.2
Sales, EUR million	**12.8**	14.1	-9.3	**26.8**	25.8	3.9	53.7
Operating result, EUR million	**1.1**	1.1	-0.2	**2.9**	2.1	36.4	4.9
Operating margin, %	**8.5**	7.7		**10.9**	8.3		9.1
Adjusted operating result, EUR million	**0.8**	1.1	-23.1	**2.7**	2.1	24.7	4.9
Adjusted operating result, % of net sales	**6.5**	7.7		**9.9**	8.3		9.1
Personnel at the end of period	**472**	468	0.7	**472**	468	0.7	470

April–June 2016
Order intake decreased from the strong comparable quarter in 2015 as clients are delaying investment decisions and no larger orders were received during the quarter.

Net sales declined by 9.3 per cent to EUR 12.8 (14.1) million mainly due to development in Asia.

The adjusted operating result declined to EUR 0.8 (1.1) million. The adjusted items include profit related to a project on which losses were recorded in 2014 and reported as an adjusted item. The operating result remained stable at EUR 1.1 (1.1) million.

January–June 2016
Order stock decreased year-on-year and was EUR 26.3 (48.1) million.

Net sales remained stable at EUR 26.8 (25.8) million.

The adjusted operating result increased to EUR 2.7 (2.1) million especially due to a good workload during the first quarter of the year. The adjusted items include profit related to a project on which losses were recorded in 2014 and reported as an adjusted item. The operating result increased to EUR 2.9 (2.1) million.

Regional Operations

The 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.

	4-6/ 2016	4-6/ 2015	Change, %	1-6/ 2016	1-6/ 2015	Change, %	1-12/ 2015
Order stock, EUR million, at the end of the period	**244.7**	243.9	0.3	**244.7**	243.9	0.3	236.9
Sales, EUR million	**75.4**	80.3	-6.1	**147.4**	162.6	-9.4	305.5
Operating result, EUR million	**-1.1**	-3.2	n.a.	**-3.2**	-2.4	n.a.	-2.3
Operating margin, %	**-1.5**	-4.0		**-2.2**	-1.5		-0.7
Adjusted operating result, EUR million	**-0.3**	-2.0	n.a.	**-1.1**	-0.7	n.a.	1.8
Adjusted operating result, % of net sales	**-0.4**	-2.5		**-0.7**	-0.4		0.6
Personnel at the end of period	**2,797**	2,858	-2.1	**2,797**	2,858	-2.1	2,816

April–June 2016
Order intake increased from the previous year. It increased in Northern Europe and North America and remained stable in Latin America. It decreased in Central Europe.

Net sales decreased by 6.1 per cent to EUR 75.4 (80.3) million. They increased in Northern Europe and North America, but declined in Central Europe and Latin America.

The adjusted operating result improved to EUR -0.3 (-2.0) million. The figure increased in Northern and Central Europe as well as in North America, but decreased in Latin America. The adjusted items in 2016 consist mainly of losses recognised on projects originating from the former Urban Business Group, labour claim expenses related to employment claims customary in one of the Group's operating countries as well as restructuring expenses in Latin America. In 2015 the adjusted items included mainly losses recognised on a project 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, as well as labour claim expenses related to employment claims customary in one of the Group's operating countries. The operating result was EUR -1.1 (-3.2) million.

January–June 2016
Order stock was EUR 244.7 (243.9) million. It increased in Northern Europe and in Latin America, but decreased in the other regions.

Net sales decreased by 9.4 per cent to EUR 147.4 (162.6) million. They remained stable in the Northern Europe and in North America, but declined across other regions.

The adjusted operating result decreased to EUR -1.1 (-0.7) million. The figure improved across all regions apart from 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 losses recognised on projects originating from the former Urban Business Group, labour claim expenses related to employment claims customary in one of the Group's operating countries as well as restructuring expenses in Central Europe and Latin America. In 2015 the adjusted items included mainly losses recognised on a project 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 as well as labour claim expenses related to employment claims customary in one of the Group's operating countries. The operating result was EUR -3.2 (-2.4) 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.

	4-6/ 2016	4-6/ 2015	Change, %	1-6/ 2016	1-6/ 2015	Change, %	1-12/ 2015
Order stock, EUR million, at the end of the period	**16.3**	16.5	-1.1	**16.3**	16.5	-1.1	16.2
Sales, EUR million	**15.9**	17.9	-11.6	**31.9**	35.2	-9.5	66.2
Operating result, EUR million	**0.6**	1.5	-60.6	**1.8**	3.0	-42.1	4.4
Operating margin, %	**3.8**	8.4		**5.5**	8.6		6.6
Adjusted operating result, EUR million	**0.8**	1.5	-44.9	**2.3**	3.0	-25.1	4.4
Adjusted operating result, % of net sales	**5.2**	8.4		**7.2**	8.6		6.6
Personnel at the end of period	**349**	370	-5.5	**349**	370	-5.5	351

April–June 2016
Order intake declined from the previous year mainly due to weaker performance in Northern Europe, the USA and Asia Pacific. However, order intake in Central Europe was very good.

Net sales declined by 11.6 per cent to EUR 15.9 (17.9) million.

The adjusted operating result decreased to EUR 0.8 (1.5) million mainly as a consequence of lower net sales which was partly offset by decreased expenses due to capacity reductions in certain regions. The adjusted items include expenses related to projects finalised over two years ago. The operating result decreased to EUR 0.6 (1.5) million.

January–June 2016
Order stock remained stable at EUR 16.3 (16.5) million.

Net sales declined by 9.5 per cent EUR 31.9 (35.2) million.

The adjusted operating result was EUR 2.3 (3.0) million. Restructuring expenses in Asia as well as expenses related to projects finalised over two years ago are excluded from the adjusted operating result. The operating result decreased to EUR 1.8 (3.0) million.

Unallocated items

The unallocated items consist of activities not relating to business lines 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, for financing, for realising synergistic benefits and for 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 -6.2 (-1.8) 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.

Shares

The share capital of Pöyry PLC at 30 June 2016 totalled EUR 14,588,478 and the total number of shares including treasury shares was 59,759,610.

On 30 June 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 30 June 2016 was EUR 3.01 (3.78). The volume weighted average share price during the reporting period was EUR 3.31 (3.18), the highest quotation being EUR 3.80 (4.08) and the lowest EUR 2.80 (2.70). The share price decreased by 20.4 per cent since the end of 2015. During the reporting period, approximately 1.5

million Pöyry shares were traded at Nasdaq Helsinki, corresponding to a turnover of approximately EUR 4.9 million. The average daily trading volume was 11,985 shares, or approximately EUR 0.0 million.

On 30 June 2016, the total market value of Pöyry's shares was EUR 178.6 (223.9) million excluding the treasury shares held by the company and EUR 179.9 (225.9) million including the treasury shares.

Ownership structure

The number of registered shareholders was 5,619 at the end of June 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 14.25 per cent of the shares were owned by nominee-registered shareholders. Total ownership outside Finland, including Corbis, together with nominee-registered shareholders represented 49.37 per cent of the total shares.

Financial outlook for 2016 unchanged

The Group's adjusted operating result is expected to be positive.

Financial calendar

- Interim report January–September 2016: Friday 28 October 2016
- Financial statement release 2016: Wednesday 8 February 2017
- Financial statements 2016: Thursday 16 February 2017

- Annual General Meeting 2017: Thursday 9 March 2017

- Interim report January–March 2017: Wednesday 3 May 2017
- Half year financial report 2017: Friday 4 August 2017
- Interim report January–September 2017: Thursday 26 October 2017

Vantaa, 28 July 2016

Pöyry PLC
Board of Directors

Basis of preparation and accounting policies

This half year financial report has been prepared in accordance with IAS 34 following the same accounting principles as in the annual financial statements for 2015.

All figures in the accounts have been rounded and consequently, the totals of individual figures can deviate from the presented total figure. This half year financial report is unaudited.

Statement of comprehensive income

EUR million	4-6/ 2016	4-6/ 2015	1-6/ 2016	1-6/ 2015	1-12/ 2015
Net sales	**135.9**	150.9	**271.9**	297.6	575.3
Other operating income	**0.3**	0.5	**0.5**	0.8	1.4
Materials and supplies	**-0.1**	-3.7	**-1.9**	-6.9	-14.8
External charges, subconsulting	**-11.0**	-13.5	**-20.7**	-24.1	-48.2
Personnel expenses	**-91.9**	-97.3	**-184.7**	-194.9	-366.6
Depreciation and impairment	**-1.2**	-1.1	**-2.3**	-2.2	-4.2
Other operating expenses	**-33.7**	-35.7	**-67.1**	-67.5	-139.0
Operating expenses total	**-137.9**	-151.3	**-276.6**	-295.7	-572.7
Operating result	**-1.7**	0.2	**-4.2**	2.8	4.0
Proportion of net sales, %	**-1.2**	0.1	**-1.6**	0.9	0.7
Financial income	**0.5**	0.6	**1.1**	1.2	7.3
Financial expenses	**-1.1**	-1.1	**-2.1**	-2.5	-5.1
Exchange rate differences	**0.3**	0.0	**0.1**	-2.7	-0.7
Net financial items	**-0.3**	-0.4	**-0.8**	-3.9	1.4
Share of associated companies' and joint ventures' results	**0.2**	0.2	**0.3**	0.3	0.5
Result before taxes	**-1.8**	-0.1	**-4.8**	-0.9	6.0
Proportion of net sales, %	**-1.3**	-0.1	**-1.8**	-0.3	1.0
Income taxes	**-0.3**	-1.0	**-0.8**	-0.6	0.1
Net result for the period	**-2.1**	-1.2	**-5.6**	-1.5	6.0
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurements of net defined benefit pension obligation	**-3.7**	3.0	**-6.0**	-14.5	-10.4
Income tax relating to these items	**0.8**	0.0	**1.3**	0.0	3.2
Items that may be reclassified to profit or loss					
Translation differences	**2.2**	-1.0	**1.3**	7.5	-1.0
Total comprehensive income for the period	**-2.8**	0.8	**-9.0**	-8.5	-2.1
Net result attributable to:					
Owners of the parent company	**-2.0**	-1.3	**-5.6**	-1.8	5.5
Non-controlling interest	**0.0**	0.2	**-0.1**	0.3	0.5
Total comprehensive income attributable to:					
Owners of the parent company	**-2.7**	0.7	**-8.9**	-8.8	-2.6
Non-controlling interest	**0.0**	0.2	**-0.1**	0.3	0.5
Earnings/share, EUR	**-0.04**	-0.02	**-0.11**	-0.03	0.09
Corrected with dilution effect	**-0.04**	-0.02	**-0.11**	-0.03	0.09

Statement of financial position

Assets, EUR million	30 Jun 2016	30 Jun 2015	31 Dec 2015
Non-current assets			
Goodwill	**121.4**	124.1	121.4
Intangible assets	**6.0**	3.4	5.3
Tangible assets	**8.1**	9.5	8.7
Shares in associated companies and joint ventures	**2.0**	1.9	1.8
Other non-current investments	**0.9**	1.0	1.0
Deferred tax assets	**34.0**	27.2	31.3
Pension receivables	**0.1**	0.2	0.1
Other	**4.9**	5.5	5.2
	177.5	172.9	174.7
Current assets			
Work in progress	**74.6**	88.0	74.6
Accounts receivable	**108.2**	113.0	104.1
Loans receivable	**0.0**	0.0	0.0
Other receivables	**13.0**	10.5	10.7
Prepaid expenses and accrued income	**12.1**	11.4	11.3
Current tax receivables	**5.2**	4.2	3.9
Financial assets at fair value through profit and loss	**-**	0.2	-
Cash and cash equivalents	**36.9**	51.4	70.6
	250.0	278.8	275.2
Assets classified as held for sale	**-**	4.6	-
Total assets	**427.5**	456.3	449.9

Equity and liabilities, EUR million	30 Jun 2016	30 Jun 2015	31 Dec 2015
Equity			
Equity attributable to the owners of the parent company			
Share capital	**14.6**	14.6	14.6
Invested free equity reserve	**60.1**	60.1	60.1
Hybrid bond	**30.0**	-	30.0
Translation differences	**-12.4**	-5.3	-13.7
Retained earnings	**26.4**	22.0	36.7
	118.6	91.4	127.6
Non-controlling interest	**1.6**	1.5	1.7
Total equity	**120.2**	92.9	129.3
Non-current liabilities			
Interest bearing non-current liabilities	**10.0**	33.0	29.0
Pension obligations	**53.4**	52.5	46.8
Deferred tax liabilities	**0.2**	0.3	0.2
Other non-current liabilities	**0.0**	0.1	0.0
	63.6	85.9	76.0
Current liabilities			
Amortisations of interest bearing non-current liabilities	**23.0**	23.4	8.0
Commercial papers	**43.2**	42.7	38.3
Interest bearing current liabilities	**0.0**	0.0	0.0
Provisions	**10.3**	12.9	12.2
Project advances	**56.8**	81.2	70.9
Accounts payable	**18.0**	20.0	21.0
Other current liabilities	**23.3**	22.2	23.6
Current tax payables	**3.9**	5.8	6.0
Accrued expenses and deferred income	**65.1**	69.4	64.6
	243.6	277.5	244.7
Total equity and liabilities	**427.5**	456.3	449.9

Statement of cash flows

EUR million	**4-6/ 2016**	4-6/ 2015	1-6/ 2016	1-6/ 2015	1-12/ 2015
Operating activities					
Net result for the period	**-2.1**	-1.2	**-5.6**	-1.5	6.0
Adjustments:					
Share-based expenses	**0.1**	-0.1	**0.1**	-	0.5
Depreciation and impairment	**1.2**	1.1	**2.3**	2.2	4.2
Impairment losses from accounts receivable and work in progress	**-0.5**	-0.2	**0.4**	-1.1	-0.9
Gains (-) / losses (+) on sales of shares and fixed assets	**0.0**	-0.2	**0.0**	-0.2	-0.2
Financial income and expenses	**0.3**	0.4	**0.8**	3.9	-1.4
Income taxes	**0.3**	1.0	**0.8**	0.6	-0.1
Changes in working capital:					
Change in work in progress	**10.5**	-0.2	**2.2**	-7.2	1.9
Change in accounts receivable	**-5.8**	-12.2	**-4.0**	5.8	12.0
Change in project advances received	**-7.9**	3.1	**-14.3**	-5.2	-13.4
Change in accounts payable	**1.2**	1.6	**-5.5**	-1.5	0.2
Change in other receivables and payables	**-5.3**	-2.3	**-6.6**	-0.8	-5.1
Received financial income	**0.0**	-0.4	**0.4**	0.7	2.7
Paid financial expenses	**-0.8**	-1.4	**-2.0**	-2.6	-5.1
Paid income taxes	**-1.2**	-2.0	**-2.6**	-2.4	-3.3
Net cash flow from operating activities	**-10.1**	-12.9	**-33.6**	-9.2	-2.2
Investing activities					
Proceeds from sale of subsidiaries, net of cash disposed	**-**	2.3	**-**	2.3	2.3
Investments in fixed assets	**-0.7**	-1.2	**-2.2**	-3.2	-6.9
Sale of shares in associated companies and joint ventures	**-**	0.2	**-**	0.2	10.3
Sale of other fixed assets	**0.1**	0.0	**0.1**	0.1	0.2
Received dividends	**0.0**	1.0	**0.3**	1.3	1.5
Net cash flow from investing activities	**-0.6**	2.3	**-1.8**	0.7	7.4
Net cash before financing	**-10.7**	-10.6	**-35.4**	-8.6	5.2
Financing activities					
Repayments of loans	**-4.0**	-4.0	**-4.0**	-4.0	-22.8
Change in current financing	**4.9**	5.5	**4.9**	11.4	7.0
Hybrid bond	**-**	-	**-**	-	30.0
Hybrid bond expenses	**-**	-	**-**	-	-0.4
Paid dividends	**-0.1**	0.0	**-0.1**	0.0	0.0
Net cash flow from financing activities	**0.9**	1.5	**0.9**	7.4	13.8
Change in cash and cash equivalents and in other liquid assets	**-9.8**	-9.1	**-34.6**	-1.2	19.0
Cash and cash equivalents and other liquid assets at the beginning of the period	**46.0**	62.1	**70.6**	50.3	50.3
Effect of changes in exchange rates	**0.7**	-1.4	**0.8**	2.5	1.3
Cash and cash equivalents and other liquid assets at the end of the period	**36.9**	51.6	**36.9**	51.6	70.6
Financial assets at fair value through profit and loss	**-**	0.2	**-**	0.2	-
Cash and cash equivalents	**36.9**	51.4	**36.9**	51.4	70.6
Cash and cash equivalents and other liquid assets	**36.9**	51.6	**36.9**	51.6	70.6

Statement of changes in equity

EUR million	Share capital	Legal reserve	Invested free equity reserve	Hybrid bond	Translation differences[1)]	Retained earnings	Non-controlling interest	Total equity
	Equity attributable to the owners of the parent company							
1-6/2016								
Equity 1 January 2016	14.6	-	60.1	30.0	-13.7	36.7	1.7	129.3
Net result for the period						-5.6	-0.1	-5.6
Other comprehensive income for the period					1.3	-4.7	0.0	-3.4
Total comprehensive income for the period					1.3	-10.2	-0.1	-9.0
Dividend distribution						-0.1	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						0.0	0.0	0.0
Equity 30 June 2016	**14.6**	**-**	**60.1**	**30.0**	**-12.4**	**26.4**	**1.6**	**120.2**
1-6/2015								
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						-1.8	0.3	-1.5
Other comprehensive income for the period					7.5	-14.5	0.0	-7.0
Total comprehensive income for the period					7.5	-16.3	0.3	-8.5
Dividend distribution							0.0	0.0
Disposals of subsidiaries					-0.2	0.2	-0.5	-0.5
Total contributions by and distributions to owners of the parent, recognised directly into equity					-0.2	0.2	-0.5	-0.5
Equity 30 June 2015	14.6	-	60.1	-	-5.3	22.0	1.5	92.9
1-12/2015								
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

[1)] Internal loans to a certain subsidiary were reclassified as net investment in foreign operations in Q3 2015. As a consequence in 2015 accumulated exchange losses from these loans were recorded in other comprehensive income. The accumulated exchange losses from these loans totalling EUR -1.3 million in January-June 2015 were included in financial items.

Key figures

	4-6/ 2016	4-6/ 2015	1-6/ 2016	1-6/ 2015	1-12/ 2015
Earnings/share, EUR	**-0.04**	-0.02	**-0.11**	-0.03	0.09
Corrected with dilution effect	**-0.04**	-0.02	**-0.11**	-0.03	0.09
Earnings/share, adjusted, EUR	**-0.03**	0.00	**-0.07**	-0.01	0.18
Shareholders' equity/share, EUR			**1.98**	1.53	2.14
Return on investment, %			**-2.9**	4.3	6.1
Return on equity, %			**-10.0**	-2.8	5.9
Equity ratio, %			**32.4**	24.8	34.1
Net debt/equity ratio (gearing), %			**32.7**	51.1	3.6
Net debt, EUR million			**39.3**	47.5	4.7
Consulting and engineering, EUR million			**452.5**	487.1	458.2
EPC, EUR million			**5.2**	15.3	7.3
Order stock total, EUR million			**457.8**	502.4	465.5
Capital expenditure, operating, EUR million	**0.7**	1.2	**2.2**	3.2	6.9
Personnel in group companies on average			**4,900**	5,091	5,029
Personnel in group companies at end of period			**4,879**	4,979	4,952

Calculation of key figures

Return on investment, ROI %

$$\frac{\text{result before taxes + interest and other financial expenses}}{\text{balance sheet total - non-interest bearing liabilities (quarterly average)}} \times 100$$

Return on equity, ROE %

$$\frac{\text{net result}}{\text{equity (quarterly average)}} \times 100$$

Equity ratio %

$$\frac{\text{equity}}{\text{balance sheet total - advance payments received}} \times 100$$

Net debt/equity ratio, gearing %

$$\frac{\text{interest-bearing liabilities - cash and cash equivalents}}{\text{equity}} \times 100$$

Earnings/share, EPS

$$\frac{\text{net result attributable to the owners of the parent company - accrual basis interest of hybrid bonds adjusted with tax effect}}{\text{issue-adjusted average number of shares for the fiscal year}}$$

Earnings/share, adjusted

$$\frac{\text{net result attributable to the owners of the parent company - accrual basis interest of hybrid bonds adjusted with tax effect + adjustment items used in calculating the adjusted operating result}}{\text{issue-adjusted average number of shares for the fiscal year, corrected with dilution effect}}$$

Equity attributable to the equity holders of the parent company / share

$$\frac{\text{equity attributable to the equity holders of the parent company}}{\text{issue-adjusted number of shares at the end of the fiscal year}}$$

Contingent liabilities

EUR million	30 Jun 2016	30 Jun 2015	31 Dec 2015
Other own obligations			
Other obligations	**0.5**	0.2	0.2
Accrued interest on hybrid bond	**1.4**	-	0.2
Project and other guarantees	**41.9**	51.4	48.5
Total	**43.8**	51.6	48.9
For others			
Pledged assets	**0.0**	0.0	0.0
Other obligations	**0.0**	0.1	0.1
Total	**0.0**	0.1	0.2
Rent and lease obligations	**122.6**	131.9	125.3

Project and other guarantees

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

Rent and lease obligations

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.

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, considered immaterial 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.

Derivative instruments

EUR million	30 Jun 2016	30 Jun 2015	31 Dec 2015
Foreign exchange forward contracts			
Nominal value	**50.4**	54.0	65.3
Fair value, gains	**0.3**	0.7	0.6
Fair value, losses	**-1.1**	-0.5	-0.9
Fair value, net	**-0.7**	0.2	-0.2
Fair value hedge accounting			
Nominal value	**26.2**	32.6	28.2
Fair value, gains	**0.2**	0.7	0.4
Fair value, losses	**-0.7**	-0.3	-1.3
Fair value, net	**-0.4**	0.4	-0.9
Foreign exchange option contracts			
Purchased, nominal value	**13.1**	25.0	6.9
Purchased, gains	**0.0**	0.0	0.0
Purchased, losses	**-0.2**	-0.4	-0.1
Purchased, net	**-0.1**	-0.4	-0.1
Sold, nominal value	**16.3**	35.5	8.9
Sold, gains	**0.1**	0.1	0.0
Sold, losses	**0.0**	-0.1	0.0
Sold, net	**0.1**	0.0	0.0
Foreign exchange options, net	**0.0**	-0.3	-0.1
Interest rate swaps			
Nominal value	**15.0**	15.0	15.0
Fair value, losses	**-0.1**	-0.1	-0.1
Fair value, net	**-0.1**	-0.1	-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, and 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.

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

EUR million	30 Jun 2016	Level 1	Level 2	Level 3
Financial assets at fair value				
Derivatives under fair value hedge accounting	**0.2**		0.2	
Derivatives outside of hedge accounting	**0.5**		0.5	
Total financial assets at fair value	**0.7**	-	0.7	-
Financial liabilities at fair value				
Derivatives under fair value hedge accounting	**0.7**		0.7	
Derivatives outside of hedge accounting	**1.3**		1.3	
Total financial liabilities at fair value	**2.0**	-	2.0	-

EUR million	30 Jun 2015	Level 1	Level 2	Level 3
Financial assets at fair value				
Derivatives under fair value hedge accounting	0.7		0.7	
Derivatives outside of hedge accounting	0.8		0.8	
Financial assets at fair value through profit and loss	0.2		0.2	
Total financial assets at fair value	1.7	-	1.7	-
Financial liabilities at fair value				
Derivatives under fair value hedge accounting	0.3		0.3	
Derivatives outside of hedge accounting	1.1		1.1	
Total financial liabilities at fair value	1.4	-	1.4	-

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	-

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.

Financial assets and liabilities

EUR million	30 Jun 2016	30 Jun 2015	31 Dec 2015
Available-for-sale assets, shares	**0.6**	0.6	0.6
Loans and other receivables			
Non-current accounts receivable	**2.4**	3.2	2.9
Other non-current receivables	**2.1**	1.9	1.9
Current accounts receivable	**108.2**	113.0	104.1
Non-current loans receivable	**0.4**	0.4	0.4
Current loans receivable	**0.0**	0.0	0.0
Cash and cash equivalents [1]	**36.9**	51.6	70.6
Derivatives under fair value hedge accounting	**0.2**	0.7	0.4
Derivatives outside of hedge accounting	**0.5**	0.8	0.7
Financial assets at fair value through profit and loss	**-**	0.2	-
Total financial assets	**151.3**	172.4	181.5
Liabilities at amortised cost			
Interest bearing liabilities	**76.2**	99.1	75.3
Accounts payable	**18.0**	20.0	21.0
Derivatives under fair value hedge accounting	**0.7**	0.3	1.3
Derivatives outside of hedge accounting	**1.3**	1.1	1.1
Total financial liabilities	**96.3**	120.5	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 are presented in note 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 30 June 2016 EUR 19.0 (26.4) million of the cash balances and equivalent amount of the overdraft balances were offset.

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.

Shareholdings

The members of the Board of Directors, the President and CEO and the members of the Group Executive Committee owned on 30 June 2016 a total of 536,519 shares (on 31 December 2015 a total of 384,269 shares).

Performance share plan 2014-2016

Pöyry has share-based incentive plan for the Pöyry Group key personnel, which was approved by the Board of Directors of Pöyry PLC on 4 February 2014. The incentive plan is directed to approximately 40 persons and it consists of three discretionary periods, calendar years 2014, 2015 and 2016. The Board of Directors will decide on the performance criteria and the target reward in number of shares at the beginning of each discretionary period. The performance criteria and target reward size for the discretionary period 2016 were approved by the Board of Directors on 29 February 2016. More information can be found from the related Company Announcement published on 29 February 2016. More information on the performance share plans is also available on the company’s website at www.poyry.com.

Own shares

Pöyry PLC holds on 30 June 2016 a total of 419,055 own shares (31 December 2015 519,055) corresponding to 0.7 per cent of the total number of shares.

Transactions with associated companies

The transactions are determined on an arm's length basis. They are not material to the Group.

Changes in intangible and tangible assets

EUR million	1-6/ 2016	1-6/ 2015	1-12/ 2015
Intangible assets			
Book value at the beginning of the period	**5.3**	2.2	2.2
Capital expenditure	**1.4**	1.5	4.2
Decrease	**0.0**	0.0	-0.2
Depreciation	**-0.8**	-0.4	-0.9
Exchange differences	**0.0**	0.0	0.0
Book value at the end of the period	**6.0**	3.4	5.3
Tangible assets			
Book value at the beginning of the period	**8.7**	10.4	10.4
Capital expenditure	**0.7**	1.7	3.1
Decrease	**0.0**	-1.0	-1.3
Depreciation	**-1.5**	-1.8	-3.3
Exchange differences	**0.2**	0.2	-0.2
Book value at the end of the period	**8.1**	9.5	8.7

Changes in goodwill

EUR million	1-6/ 2016	1-6/ 2015	1-12/ 2015
Book value at the beginning of the period	**121.4**	119.2	119.2
Exchange differences	**0.0**	4.9	2.2
Book value at the end of the period	**121.4**	124.1	121.4

Operating segments

EUR million	4-6/ 2016	4-6/ 2015	1-6/ 2016	1-6/ 2015	1-12/ 2015
Net sales					
Energy	**31.7**	37.3	**65.3**	71.8	147.3
Industry	**12.8**	14.1	**26.8**	25.8	53.7
Regional Operations	**75.4**	80.3	**147.4**	162.6	305.5
Management Consulting	**15.9**	17.9	**31.9**	35.2	66.2
Unallocated	**0.1**	1.2	**0.5**	2.1	2.6
Total	**135.9**	150.9	**271.9**	297.6	575.3
Operating result					
Energy	**0.3**	0.6	**0.5**	1.8	5.5
Industry	**1.1**	1.1	**2.9**	2.1	4.9
Regional Operations	**-1.1**	-3.2	**-3.2**	-2.4	-2.3
Management Consulting	**0.6**	1.5	**1.8**	3.0	4.4
Unallocated	**-2.5**	0.2	**-6.2**	-1.8	-8.5
Total	**-1.7**	0.2	**-4.2**	2.8	4.0
Net financial items	**-0.3**	-0.4	**-0.8**	-3.9	1.4
Share of associated companies' and joint ventures' results	**0.2**	0.2	**0.3**	0.3	0.5
Result before taxes	**-1.8**	-0.1	**-4.8**	-0.9	6.0
Income taxes	**-0.3**	-1.0	**-0.8**	-0.6	0.1
Net result for the period	**-2.1**	-1.2	**-5.6**	-1.5	6.0
Attributable to:					
Equity holders of the parent company	**-2.0**	-1.3	**-5.6**	-1.8	5.5
Non-controlling interest	**0.0**	0.2	**-0.1**	0.3	0.5

EUR million	4-6/ 2016	4-6/ 2015	1-6/ 2016	1-6/ 2015	1-12/ 2015
Operating result, % of net sales					
Energy	**0.8**	1.5	**0.7**	2.5	3.7
Industry	**8.5**	7.7	**10.9**	8.3	9.1
Regional Operations	**-1.5**	-4.0	**-2.2**	-1.5	-0.7
Management Consulting	**3.8**	8.4	**5.5**	8.6	6.6
Group	**-1.2**	0.1	**-1.6**	0.9	0.7
Adjusted operating result					
Energy	**0.0**	0.6	**0.7**	1.8	5.7
Industry	**0.8**	1.1	**2.7**	2.1	4.9
Regional Operations	**-0.3**	-2.0	**-1.1**	-0.7	1.8
Management Consulting	**0.8**	1.5	**2.3**	3.0	4.4
Unallocated	**-2.5**	0.0	**-6.2**	-2.0	-7.4
Total	**-1.1**	1.2	**-1.7**	4.3	9.4
Adjusted operating result, % of net sales					
Energy	**0.1**	1.5	**1.0**	2.5	3.8
Industry	**6.5**	7.7	**9.9**	8.3	9.1
Regional Operations	**-0.4**	-2.5	**-0.7**	-0.4	0.6
Management Consulting	**5.2**	8.4	**7.2**	8.6	6.6
Group	**-0.8**	0.8	**-0.6**	1.4	1.6
Order stock					
Energy			**170.0**	191.6	174.5
Industry			**26.3**	48.1	37.2
Regional Operations			**244.7**	243.9	236.9
Management Consulting			**16.3**	16.5	16.2
Unallocated			**0.3**	2.3	0.6
Total			**457.8**	502.4	465.5
Consulting and engineering			**452.5**	487.1	458.2
EPC			**5.2**	15.3	7.3
Total			**457.8**	502.4	465.5
Net sales by area					
The Nordic countries	**49.6**	49.1	**99.4**	96.1	191.5
Other Europe	**53.5**	53.2	**96.9**	104.2	210.6
Asia	**15.0**	26.4	**39.5**	51.2	90.8
North America	**5.6**	6.2	**11.6**	13.3	24.2
South America	**11.5**	14.7	**22.5**	30.0	53.2
Other	**0.7**	1.3	**1.9**	2.8	5.0
Total	**135.9**	150.9	**271.9**	297.6	575.3
Personnel at the end of the period					
Energy			**1,073**	1,088	1,134
Industry			**472**	468	470
Regional Operations			**2,797**	2,858	2,816
Management Consulting			**349**	370	351
Unallocated			**188**	195	182
Total			**4,879**	4,979	4,952

Operating segments by quarter

EUR million	1-3/ 2015	4-6/ 2015	7-9/ 2015	10-12/ 2015	1-3/ 2016	4-6/ 2016
Net sales						
Energy	34.5	37.3	39.0	36.4	33.7	**31.7**
Industry	11.7	14.1	12.3	15.6	14.0	**12.8**
Regional Operations	82.3	80.3	68.2	74.7	71.9	**75.4**
Management Consulting	17.3	17.9	13.7	17.2	16.0	**15.9**
Unallocated	0.9	1.2	0.0	0.5	0.3	**0.1**
Total	146.7	150.9	133.2	144.5	136.0	**135.9**
Operating result						
Energy	1.3	0.6	1.1	2.6	0.2	**0.3**
Industry	1.0	1.1	1.1	1.7	1.8	**1.1**
Regional Operations	0.8	-3.2	0.4	-0.3	-2.1	**-1.1**
Management Consulting	1.5	1.5	0.2	1.1	1.2	**0.6**
Unallocated	-2.0	0.2	-1.7	-5.0	-3.7	**-2.5**
Total	2.7	0.2	1.1	0.1	-2.6	**-1.7**
Net financial items	-3.5	-0.4	6.5	-1.1	-0.5	**-0.3**
Share of associated companies' and joint ventures' results	0.1	0.2	0.1	0.1	0.1	**0.2**
Result before taxes	-0.7	-0.1	7.7	-0.9	-3.0	**-1.8**
Income taxes	0.4	-1.0	-0.2	0.9	-0.5	**-0.3**
Net result for the period	-0.3	-1.2	7.5	0.0	-3.6	**-2.1**
Attributable to:						
Equity holders of the parent company	-0.5	-1.3	7.3	0.0	-3.5	**-2.0**
Non-controlling interest	0.2	0.2	0.2	0.0	0.0	**0.0**
Operating result, % of net sales						
Energy	3.7	1.5	2.8	7.2	0.6	**0.8**
Industry	9.0	7.7	9.0	10.6	13.0	**8.5**
Regional Operations	1.0	-4.0	0.5	-0.3	-2.9	**-1.5**
Management Consulting	8.9	8.4	1.7	6.5	7.3	**3.8**
Group	1.8	0.1	0.8	0.1	-1.9	**-1.2**
Adjusted operating result						
Energy	1.3	0.6	1.2	2.6	0.6	**0.0**
Industry	1.0	1.1	1.1	1.7	1.8	**0.8**
Regional Operations	1.3	-2.0	0.7	1.9	-0.8	**-0.3**
Management Consulting	1.5	1.5	0.2	1.1	1.4	**0.8**
Unallocated	-2.0	0.0	-0.9	-4.5	-3.7	**-2.5**
Total	3.1	1.2	2.4	2.7	-0.6	**-1.1**
Adjusted operating result, % of net sales						
Energy	3.7	1.5	3.2	7.2	1.9	**0.1**
Industry	9.0	7.7	9.0	10.6	13.0	**6.5**
Regional Operations	1.5	-2.5	1.0	2.5	-1.1	**-0.4**
Management Consulting	8.9	8.4	1.7	6.5	9.1	**5.2**
Group	2.1	0.8	1.8	1.9	-0.4	**-0.8**
Order stock						
Energy	204.4	191.6	183.5	174.5	165.9	**170.0**
Industry	46.4	48.1	38.6	37.2	32.6	**26.3**
Regional Operations	262.1	243.9	245.2	236.9	247.3	**244.7**
Management Consulting	19.0	16.5	18.9	16.2	18.8	**16.3**
Unallocated	0.2	2.3	1.6	0.6	0.2	**0.3**
Total	532.2	502.4	487.8	465.5	464.8	**457.8**

Adjusted operating result

Pöyry discloses adjusted operating result in order to have more transparency and in order to have a measure with which it is possible to assess the development of the performance from one period to another. 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.

Adjusted operating result 4-6/2016

EUR million	Energy	Industry	Regional Operations	Management Consulting	Unallocated	Total
Operating result 4-6/2016	0.3	1.1	-1.1	0.6	-2.5	**-1.7**
Restructuring and labour claim[1] expenses	-0.2		0.3	0.0		**0.1**
Profits / losses related to projects from former Urban Business Group			0.7			**0.7**
Profits / losses related to projects finalized over two years ago			0.0	0.2		**0.3**
Other		-0.3	-0.2			**-0.5**
Adjusted operating result 4-6/2016	**0.0**	**0.8**	**-0.3**	**0.8**	**-2.5**	**-1.1**

Adjusted operating result 4-6/2015

EUR million	Energy	Industry	Regional Operations	Management Consulting	Unallocated	Total
Operating result 4-6/2015	0.6	1.1	-3.2	1.5	0.2	**0.2**
Restructuring and labour claim[1] expenses			0.2			**0.2**
Gains / losses related to divestments					-0.2	**-0.2**
Profits / losses related to projects from former Urban Business Group			0.8			**0.8**
Profits / losses related to projects finalized over two years ago			0.3			**0.3**
Adjusted operating result 4-6/2015	0.6	1.1	-2.0	1.5	0.0	**1.2**

Adjusted operating result 1-6/2016

EUR million	Energy	Industry	Regional Operations	Management Consulting	Unallocated	Total
Operating result 1-6/2016	0.5	2.9	-3.2	1.8	-6.2	**-4.2**
Restructuring and labour claim[1] expenses	0.2		1.0	0.3		**1.5**
Profits / losses related to projects from former Urban Business Group			1.3			**1.3**
Profits / losses related to projects finalized over two years ago			0.1	0.2		**0.3**
Other		-0.3	-0.2			**-0.5**
Adjusted operating result 1-6/2016	**0.7**	**2.7**	**-1.1**	**2.3**	**-6.2**	**-1.7**

Adjusted operating result 1-6/2015

EUR million	Energy	Industry	Regional Operations	Management Consulting	Unallocated	Total
Operating result 1-6/2015	1.8	2.1	-2.4	3.0	-1.8	**2.8**
Restructuring and labour claim[1] expenses			0.4			**0.4**
Gains / losses related to divestments					-0.2	**-0.2**
Profits / losses related to projects from former Urban Business Group			0.8			**0.8**
Profits / losses related to projects finalized over two years ago			0.5			**0.5**
Adjusted operating result 1-6/2015	1.8	2.1	-0.7	3.0	-2.0	**4.3**

[1] Labour claim expenses are expenses related to employment claims customary in one of the Group's operating countries and are based on local professional opinions.

Adjusted operating result 1-12/2015

EUR million	Energy	Industry	Regional Operations	Management Consulting	Unallocated	Total
Operating result 1-12/2015	5.5	4.9	-2.3	4.4	-8.5	**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 finalized over two years ago			0.9			**0.9**
Adjusted operating result 1-12/2015	5.7	4.9	1.8	4.4	-7.4	**9.4**

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