PÖYRY PLC - 9 AUGUST 2018

Half year financial report 2018

Pöyry PLC Half year financial report 1 January–30 June 2018

Adjusted operating result nearly doubled, order stock up by 22%

Key figures for January–June 2018

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

- The adjusted operating result increased to EUR 19.2 (10.0) million. Adjusted operating result has improved for eight consecutive quarters. It improved in all business groups. Operating result was EUR 32.9 (3.7) million.
- Net sales were EUR 282.5 (267.3) million. Net sales excluding one-time settlement impacts increased in comparable currencies by 7%. They decreased slightly in the Energy Business Group and increased in other business groups.
- Order intake increased compared to the corresponding period in the previous year and resulted in a 21.9% increase in the Group’s order stock, ending at EUR 578.4 (474.5) million.
- Net cash flow from operating activities amounted to EUR 37.3 (-1.9) million, pushing gearing to -15.9%.

Pöyry Group	1-6/ 2018	1-6/ 2017	Change, %	1-12/ 2017
Order stock at the end of period, EUR million	**578.4**	474.5	21.9	448.5
Net sales total, EUR million	**282.5**	267.3	5.7	522.3
Operating result, EUR million	**32.9**	3.7	791.9	15.1
Operating margin, %	**11.7**	1.4		2.9
Adjusted operating result, EUR million	**19.2**	10.0	92.6	26.0
Adjusted operating margin, %	**6.8**	3.7		5.0
Result before taxes, EUR million	**37.9**	2.2	n.a.	11.8
Net cash flow from operating activities, EUR million	**37.3**	-1.9	n.a.	38.2
Earnings per share, basic, EUR	**0.47**	-0.01	n.a.	0.07
Earnings per share, diluted, EUR	**0.47**	-0.01	n.a.	0.07
Earnings per share, adjusted, EUR	**0.24**	0.09	152.6	0.25
Gearing, %	**-15.9**	30.5		4.7
Return on investment, %	**42.1**	5.0		8.8
Average number of personnel, full time equivalents (FTE)	**4,614**	4,545	1.5	4,551

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 2018

The Group’s adjusted operating result for 2018 is expected to improve clearly (2017: 26.0 MEUR).

Martin à Porta, President and CEO:

Already earlier we had reported several positive book to bill quarters and now we see this positive trend converting into a high order stock (+21.9%) which will drive solid organic growth in sales in the future. Also in terms of profitability, the positive trend from the first quarter continued and we have now seen that our transformation program produced eight consecutive quarters of result improvement compared to the previous year same quarter. All units have improved their profitability and we see good progress in the implementation of our transformation program including a continued increase in employee engagement and intrapreneurship. Our profitability is supported by a strong operational cash flow of EUR 37.3 million, which pushes our gearing to -15.9%.

Demand for our Industry Business Group services continued to be strong especially in Northern Europe and we saw also modest improvement in Latin America. Due to strong demand we have also been able to raise the number of experts in Industry Business Group by 5.8%. Demand for our Energy services was increasing especially in Middle East and in Asia while the European energy market continues to transform, providing selected business opportunities for consulting. I am also happy to see the return of EPC-projects to our offering in South-Eastern Asia. The Infra, Water and Environment Business Group has been well received by clients and the steady performance continues especially in Northern Europe. During the second quarter we have closed old legal cases and now we can spend even more effort on materializing the next generation Pöyry.

Our transformation and empowerment programs continue to have good momentum. Our employee engagement survey conducted in the second quarter of 2018 showed continued improvement in the motivation of our staff, and we see the benefits of an increase in high performance culture across the organisation.

Market outlook 2018

In general, the market conditions are expected to continue with similar trends to the last 12 months. Growth in the Eurozone has continued, but remains fragile with the potential to change rapidly based on macroeconomic events. In Asia the markets relevant to our operations continue to be strong and offer opportunities, especially to our energy offering. The Middle East shows continued high demand for desalination and new power capacity supported by higher oil price. Latin America is mixed, in Brazil we have seen several positive quarters in relation to GDP-growth but the economy is delicate. Whilst we continue to notice an increase in investment activity, these are yet to materialize as bigger projects. The North American market demand continues to be good but trade barriers set by the USA and potential counter-measures create uncertainties in global markets.

Our industry business sector has continued to be strong especially in Europe, where activity is expected to remain strong. The outlook remains mixed for other regions. The Energy market in Europe continues to provide a few selected business opportunities and remains strong for our Management Consulting services for market design, modelling and due diligence work.

Group financial performance

EUR million	1-6/ 2018	1-6/ 2017	Change, %	1-12/ 2017
Net sales				
Energy	**62.4**	64.3	-3.0	122.1
Industry	**108.6**	102.1	6.4	199.9
Infra, Water and Environment	**77.6**	70.7	9.7	136.1
Management Consulting	**34.7**	30.6	13.5	65.7
Unallocated	**-0.8**	-0.5		-1.4
Total	**282.5**	267.3	5.7	522.3
Operating result				
Energy	**4.1**	3.5	16.4	7.4
Industry	**10.7**	6.6	61.7	13.7
Infra, Water and Environment	**19.0**	-1.3	n.a.	-3.0
Management Consulting	**4.1**	1.6	166.6	7.1
Unallocated	**-5.0**	-6.7		-10.1
Total	**32.9**	3.7	791.9	15.1
Operating margin, %				
Energy	**6.5**	5.5		6.1
Industry	**9.9**	6.5		6.9
Infra, Water and Environment	**24.5**	-1.8		-2.2
Management Consulting	**11.9**	5.1		10.8
Total	**11.7**	1.4		2.9
Adjusted operating result				
Energy	**4.1**	3.5	16.4	7.4
Industry	**12.1**	8.0	51.8	17.9
Infra, Water and Environment	**3.8**	1.3	203.0	3.5
Management Consulting	**4.1**	1.6	166.6	7.3
Unallocated	**-5.0**	-4.4		-10.1
Total	**19.2**	10.0	92.6	26.0

EUR million	1-6/ 2018	1-6/ 2017	Change, %	1-12/ 2017
Adjusted operating margin, %				
Energy	**6.5**	5.5		6.1
Industry	**11.2**	7.8		9.0
Infra, Water and Environment	**4.9**	1.8		2.6
Management Consulting	**11.9**	5.1		11.1
Total	**6.8**	3.7		5.0

In order to increase transparency from one period to another Pöyry has been disclosing since 2016 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.

Financial performance in January–June 2018

Order intake increased compared to the corresponding period in the previous year. It remained stable in the Management Consulting Business Group and increased in the other business groups.

The Group's order stock increased compared to the previous year and was EUR 578.4 (474.5) million. It decreased in the Infra, Water and Environment Business Group and in the Management Consulting Business Group and increased in the other business groups.

Order stock was EUR 233.3 million in the Energy Business Group (40% of the total order stock), EUR 153.7 million in the Industry Business Group (27%), EUR 174.3 million in Infra, Water and Environment Business Group (30%) and EUR 17.0 million in the Management Consulting Business Group (3%).

Net sales were EUR 282.5 (267.3) million. It decreased in the Energy Business Group and increased in other business groups.

The adjusted operating result improved to EUR 19.2 (10.0) million. It improved in every business group. The adjusted items of EUR -13.8 (6.3) million consist of restructuring expenses, labour claims customary in one of the Group's country operations, as well as profits and losses recognised on projects which originate from the former Urban Business Group or were finalised over two years ago. During the first half year we have closed many of the former Urban Business Group's old projects and settled arbitration with Rigesa. In 2017 the adjusted items mainly included restructuring expenses, labour claims customary in one of the Group's country operations and losses recognised on projects originating from the former Urban Business Group. The operating result for the period was EUR 32.9 (3.7) million.

Key project and contract wins published during the reporting period

Customer	Assignment	Business group
Oulun Energia Oy, Finland	EPCM assignment for the new Laanila Bio Power Plant project in Oulu, Finland	Energy
Global Power Synergy Public Company Limited (GPSC), Thailand	Owner's engineer services assignment for Central Utility Plant 4, Phase 1, a 48 MW, 140 t/h gas-fired cogeneration power plant project in Rayong	Energy
Pori Energia Oy, Finland	EPCM services assignment for Aittaluoto Combined Heat and Power plant project in Finland	Energy
Outokumpu, Finland	Engineering services assignment for expansion of Outokumpu mine in Kemi	Industry
Debed Hydro LLC, Armenia	Feasibility study assignment for Shnogh Hydropower Project in Armenia	Energy
The Saline Water Conversion Company, Saudi-Arabia	Owner's engineer services assignment for Rabigh-Jeddah-Makkah Water Transmission System	Energy
Agnico Eagle Finland Oy, Finland	EPCM services assignment for expansion investment of Agnico Eagle Finland gold mine in Kittilä	Industry
Sino-Thai Engineering and Construction Public Company Ltd., Thailand	Engineering services assignment for Chana 20.6 MW net biomass power plant project in Chana District, Songkla, Thailand	Energy
The HTBM consortium, Brazil	Detail engineering and field engineering services assignment for the expansion of the Salgado Filho Airport, in Porto Alegre (RS)	Industry

Customer	Assignment	Business line
Austria	Technical consulting services assignment for the geotechnical measurements and tunnel scanners for S7 expressway	Infra, Water and Environment
Brazil	EPCM assignment in the food industry sector for a plant in the State of Santa Catarina.	Industry
INTER RAO Export LLC, Cuba	Technical consultancy assignment for Inter RAO Export power plant project in Cuba	Energy
ContourGlobal, Kosovo	Owner's engineer services assignment for the Kosova e Re 500 MW coal-fired power plant project in Kosovo	Energy
Vientos Solutions LLC, Brazil	Implementation services assignment for the Verde Vale 3 16 MWac photovoltaic power plant in the state of Bahia, Brazil	Industry
North Negros Biopower Inc. (NNBP), Philippines	EPC assignment for 25 MW Biomass Power Plant Project for North Negros Biopower Inc. in the Philippines	Energy
The Chaleun Sekong Energy Co Ltd (CSE), Laos	Owner's engineering services assignment for Nam Kong 3 Hydro Power Plant in Laos	Energy
Gasum Ltd, Finland	EPCM assignment for Topinoja biogas plant expansion project in Turku, Finland	Industry
Super Energy Corporation PLC, Vietnam	Owner's engineering services assignment for a 340 MW wind farm project in Ca Mau, Bac Lieu and Soc Trang provinces in Vietnam	Energy

Group financial result, financing and investments

The net financial items amounted to EUR 4.7 (-1.7) million.

The result before taxes totalled EUR 37.9 (2.2) million.

Income taxes were EUR -9.2 (-2.0) million.

The net result for the period amounted to EUR 28.7 (0.2) million, of which EUR 28.7 million was attributable to equity holders of the parent company and EUR 0.0 million to non-controlling interests.

Diluted earnings per share were EUR 0.47 (-0.01).

The consolidated balance sheet amounted to EUR 422.1 (402.5) million. Total equity at the end of the reporting period amounted to EUR 154.5 (124.2) million. Total equity attributable to equity holders of the parent company was EUR 154.3 (122.8) million, or EUR 2.49 (2.06) 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 43.0 (0.4) per cent. Return on investment (ROI) was 42.1 (5.0) per cent.

Group cash and cash equivalents and other liquid assets amounted to EUR 64.7 (34.9) million at the end of the reporting period. In addition to these, the Group had available credit facilities amounting to EUR 60.8 million. The amount of issued Commercial Papers was EUR 10.1 million.

In H2 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. Due to improved balance sheet position, Pöyry is renegotiating its financing packages. Negotiations are estimated to be completed during the third quarter of 2018.

Net cash flow from operating activities in the reporting period amounted to EUR 37.3 (-1.9) million, representing EUR 0.63 per share. In 2018 the net cash flow from operating activities resulted mainly from EUR 9.3 (-7.8) million cash inflow related to a change in working capital. Settlements in the former Urban Business Group announced in July will have a positive impact on cash flow during the second half of the year. Net cash flow before financing activities amounted to EUR 36.3 (-3.1) million. Net debt at the end of the reporting period was EUR -24.6 (37.8) million. Gearing was -15.9 (30.5) per cent. The equity ratio was 45.3 (35.7) per cent.

During the reporting period, the Group's capital expenditures totalled EUR 1.2 (1.8) million.

Calculation principles and key figures are presented on the Key figures page of this financial statement release.

Personnel

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

Personnel (FTE) by Business Group, at the end of the period	1-6/ 2018	1-6/ 2017	Change, %	1-12/ 2017
Energy	**1,041**	1,057	-1.5	1,054
Industry	**1,953**	1,846	5.8	1,911
Infra, Water and Environment	**1,160**	1,147	1.2	1,157
Management Consulting	**362**	355	1.9	373
Unallocated	**146**	136	7.0	141
Personnel total	**4,662**	4,541	2.7	4,637

Personnel (FTE) by geographic area, at the end of the period	1-6/ 2018	1-6/ 2017	Change, %	1-12/ 2017
Nordic countries	**1,990**	1,843	8.0	1,933
Other Europe	**1,544**	1,545	0.0	1,565
Asia	**621**	606	2.5	594
North America	**149**	158	-5.4	162
South America	**358**	388	-7.9	382
Other areas	**0**	1	-100.0	1
Personnel total	**4,662**	4,541	2.7	4,637

Personnel structure

The Group had an average of 4,614 (4,545) employees (FTEs), which was 1.5 per cent more than in the previous year. The number of personnel (FTEs) at the end of the period was 4,662 (4,541). At the end of the reporting period, total number of employees was 5,488 (5,305).

Performance share plan 2017–2022

A separate Company Announcement was issued on 5 May 2017 regarding a share-based incentive plan for the Pöyry Group's key personnel. In order to implement the initial investment relating to the incentive plan, the Board of Directors of Pöyry PLC has on 3 August 2017 resolved on a share issue directed to the persons entitled to participate in the plan. More information on the performance share plans is available on the company's website at www.poyry.com and more details on the shares to be issued can be found in the "Shares" section of this report.

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 a 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. The project in question is from the former Urban Business Group.

On 10 July 2018, Pöyry published a release related to old legal cases having been settled.

In its Annual review 2016 Pöyry has disclosed the ongoing “Rigesa arbitration”. During the first half year of 2018 Pöyry reached a settlement with the client. The settlement had a minor negative impact on the first half year operating result and has been reported as an adjustment item in the Industry Business Group. The settlement had a positive cash flow impact on the first half year of 2018.

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 Groups

On 9 February 2018 Pöyry announced that it is strengthening its Industry Business Group by consolidating its process engineering know-how and technology competence in Norway and Sweden, renaming its reporting segment ‘Regional Operations Business Group’ as ‘Infra, Water and Environment Business Group’. This change took effect as of 9 February 2018.

Pöyry’s financial reporting will be based on the following four reporting segments: Management Consulting Business Group; Industry Business Group; Energy Business Group; and Infra, Water and Environment Business Group. Restated figures were published on 12 June 2018.

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.

	1-6/ 2018	1-6/ 2017	Change, %	1-12/ 2017
Order stock, EUR million, at the end of the period	**233.3**	174.0	34.0	164.9
Sales, EUR million	**62.4**	64.3	-3.0	122.1
Operating result, EUR million	**4.1**	3.5	16.4	7.4
Operating margin, %	**6.5**	5.5		6.1
Adjusted operating result, EUR million	**4.1**	3.5	16.4	7.4
Adjusted operating result, % of net sales	**6.5**	5.5		6.1
Personnel at the end of period	**1,041**	1,057	-1.5	1,054

January–June 2018

Order intake increased from the previous year mainly due to larger orders in Asia.

Order stock increased by 34.0% and was EUR 233.3 (174.0) million. Order stock includes appr. EUR 33 million of EPC-project deliveries.

Net sales decreased slightly to EUR 62.4 (64.3) million.

The adjusted operating result increased to EUR 4.1 (3.5) million. There are no adjusted items in 2018 or 2017.

The operating result was EUR 4.1 (3.5) 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.

	1-6/ 2018	1-6/ 2017	Change, %	1-12/ 2017
Order stock, EUR million, at the end of the period	**153.7**	101.0	52.2	105.7
Sales, EUR million	**108.6**	102.1	6.4	199.9
Operating result, EUR million	**10.7**	6.6	61.7	13.7
Operating margin, %	**9.9**	6.5		6.9
Adjusted operating result, EUR million	**12.1**	8.0	51.8	17.9
Adjusted operating result, % of net sales	**11.2**	7.8		9.0
Personnel at the end of period	**1,953**	1,846	5.8	1,911

January–June 2018

Order intake has increased compared to the same period last year.

Order stock increased significantly year-on-year and was EUR 153.7 (101.0) million.

Net sales increased by 6.4 per cent to EUR 108.6 (102.1) million supported by a positive development in Northern Europe.

The adjusted operating result improved to EUR 12.1 (8.0) million. The adjusted items in 2018 included losses related to projects finalised over two years ago, labour claim expenses related to employment claims customary in one of the Group's operating countries as well as restructuring expenses in Latin America. Over the same period in 2017, adjusted items included mostly labour claim expenses related to employment claims customary in one of the Group's operating countries as well as restructuring expenses in Latin America.

The operating result increased to EUR 10.7 (6.6) million.

Infra, Water and Environment Business Group

The Water, Infra and Environment Business Group serves 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.

	1-6/ 2018	1-6/ 2017	Change, %	1-12/ 2017
Order stock, EUR million, at the end of the period	**174.3**	178.5	-2.3	159.4
Sales, EUR million	**77.6**	70.7	9.7	136.1
Operating result, EUR million	**19.0**	-1.3	n.a.	-3.0
Operating margin, %	**24.5**	-1.8		-2.2
Adjusted operating result, EUR million	**3.8**	1.3	203.0	3.5
Adjusted operating result, % of net sales	**4.9**	1.8		2.6
Personnel at the end of period	**1,160**	1,147	1.2	1,157

January–June 2018

Order intake increased by 14.4% compared to the previous year. It increased in Northern Europe, remained stable in Central Europe and decreased in the other regions.

Order stock remained stable and amounted to EUR 174.3 (178.5) million. It increased in Northern Europe and remained stable in the other regions.

Net sales increased to EUR 77.6 (70.7) million. They declined in Central Europe and North America, but increased accross the other regions. Net sales was impacted by settlements in the former Urban Business Group and excluding that impact, net sales remained stable.

The adjusted operating result improved to EUR 3.8 (1.3) million. The figure improved in all regions. The adjusted items in 2018 include mainly profits recognised on projects originating from the former Urban Business Group. Over the same period in 2017, the adjusted items included mostly losses recognised on projects originating from the fromer Urban Business Group as well as losses related to projects finalised over two years ago.

The operating result was EUR 19.0 (-1.3) 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.

	1-6/ 2018	1-6/ 2017	Change, %	1-12/ 2017
Order stock, EUR million, at the end of the period	**17.0**	21.0	-19.0	18.4
Sales, EUR million	**34.7**	30.6	13.5	65.7
Operating result, EUR million	**4.1**	1.6	166.6	7.1
Operating margin, %	**11.9**	5.1		10.8
Adjusted operating result, EUR million	**4.1**	1.6	166.6	7.3
Adjusted operating result, % of net sales	**11.9**	5.1		11.1
Personnel at the end of period	**362**	355	1.9	373

January–June 2018

Order intake remained stable compared to the previous year.

Order stock decreased to EUR 17.0 (21.0) million.

Net sales increased by 13.5 per cent to EUR 34.7 (30.6) million.

The adjusted operating result was EUR 4.1 (1.6) million. The increase is supported by a solid project base across regions and favourable timing of success fees. There are no adjusted items in 2018 or in 2017.

The operating result was EUR 4.1 (1.6) million.

Unallocated items

The unallocated items consist of Group level activities as well as parent company expenses which are not charged to the business groups. 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 adjusted operating result by EUR -5.0 (-4.4) million and the operating result by EUR -5.0 (-6.7) million. In 2017 expenses related to projects finalised over two years ago were excluded from the adjusted operating result.

Governance

Annual General Meeting 2018

The Annual General Meeting ("AGM") of Pöyry PLC was held on 8 March 2018. 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 2017.

The AGM decided that a dividend of EUR 0.05 per share be distributed for the financial year 2017. The dividend was paid on 19 March 2018.

The AGM decided that the Board of Directors consists of four (4) ordinary members. The AGM elected the following members to the Board of Directors: Helene Biström, Henrik Ehrnrooth, 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 resolved on an additional fee of 15,000 euros per annum for each of the foreign residents of the Board of Directors as well as on an additional fee of 5,000 euros per annum for the foreign residents of the committees of the Board of Directors. Travel expenses will be compensated according to the Company's Travel Policy.

It was further resolved that the fees payable to the members of the Board of Directors, based on membership in the Board of Directors and in the committees of the Board of Directors, will be paid, as chosen by each member of the Board of

Directors, either 1) partially in Pöyry PLC shares and partially in cash, or 2) fully in cash. In case of a share payment, the shares will be acquired from the stock exchange on the Board member's behalf within two weeks of the publication of the Business review January - March 2018. If the shares cannot be purchased during the above mentioned period due to the applicable insider regulations, the shares shall be purchased as soon as it is possible in accordance with the insider regulations. The fees payable in cash shall be paid no later than 31 May 2018. The company will pay any costs and transfer tax related to the acquisition of the company shares.

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) and Helene Biström were elected as members of the Audit Committee. Michael Rosenlew (Chairman) and Henrik Ehrnrooth were elected as members of the Nomination and Compensation Committee.

PricewaterhouseCoopers Oy continues as Pöyry PLC's auditor 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 8 March 2018 are available in full on the company's website at www.poyry.com.

Authorisations of the Board of Directors

In the AGM on 8 March 2018, 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 6,100,000 new shares can be issued. A maximum of 6,100,000 own shares held by the company can be conveyed. The authorisation comprises a right to deviate from the shareholders' pre-emptive subscription right. 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 Board of Directors is authorised to resolve on all other terms and conditions regarding the issuance of shares and special rights entitling to shares. 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 Board of Directors was also authorised to decide on the acquisition of up to 6,100,000 own shares of the company in one or more tranches by using distributable funds. The shares may be acquired either through public trading, in which case the shares would be acquired in another proportion than that of the current shareholders, or by public offer at market prices at the time of purchase. The Board of Directors is authorised to resolve on all other terms and conditions regarding the acquisition of own shares. The authorisation shall be in force for 18 months from the decision of the AGM.

The decisions made by the AGM of Pöyry PLC on 8 March 2018 relating to the authorisations of the Board of Directors are available in full on the company's website at www.poyry.com.

Group Executive Committee

The Group Executive Committee of Pöyry PLC consists of five (5) members. Dorien Terpstra joined the Group Executive Committee as Executive Vice President, Head of Strategy and Transformation as of 8 January 2018.

The members of Pöyry PLC's Group Executive Committee are:

- **Martin à Porta**, President and CEO, President Management Consulting Business Group (acting)
- **Richard Pinnock**, Executive Vice President, President Energy Business Group
- **Nicholas Oksanen**, Executive Vice President, President Industry Business Group
- **Juuso Pajunen**, Executive Vice President, Chief Financial Officer
- **Dorien Terpstra**, Executive Vice President, Head of Strategy and Transformation (Digitalisation)

All the Group Executive Committee members and the Presidents of Infra, Water and Environment Business Group (Northern Europe, Germany, Switzerland, Austria and North America) report to the President and CEO, Martin à Porta.

Shares

The share capital of Pöyry PLC at 30 June 2018 totalled EUR 14,588,478 and the total number of shares including treasury shares was 61,952,801.

On 30 June 2018, Pöyry PLC held a total of 2,190,055 own shares, which corresponds to 3.5 per cent of the total number of shares.

The closing price of Pöyry's shares on 30 June 2018 was EUR 6.04 (4.78). The volume weighted average share price during the reporting period was EUR 5.39 (3.67), the highest quotation being EUR 6.18 (5.15) and the lowest EUR 4.79

(3.04). The share price increased by 24.7 per cent since the end of 2017. During the reporting period, approximately 2.5 million Pöyry shares were traded at Nasdaq Helsinki, corresponding to a turnover of approximately EUR 13.4 million. The average daily trading volume was 20,077 shares, or approximately EUR 0.1 million.

On 30 June 2018, the total market value of Pöyry's shares was EUR 361.0 (283.6) million excluding the treasury shares held by the company and EUR 374.2 (285.7) million including the treasury shares.

On 5 May 2017, Pöyry's Board of Directors resolved on a new long-term share-based incentive plan targeted to the top management and key personnel of the company. At this stage, the share-based incentive plan covers 9 participants. New participants may join the incentive plan if decided by the Board of Directors. The maximum amount of participants in the incentive plan is 15. In order to implement the initial investment relating to the incentive plan, Pöyry's Board of Directors resolved on 3 August 2017 on a share issue directed to the persons entitled to participate in the plan. The share subscription price for the new shares to be paid by each of the participants was 90% of the trade volume weighted average quotation of the share on Nasdaq Helsinki Ltd on 8 August 2017, i.e. EUR 4.491 per share. The share subscription period ended on 14 August 2017. The total number of 422,191 new shares were subscribed and paid for in the share issue.

In addition, Pöyry's Board of Directors resolved on 3 August 2017 on the issuance of 1,771,000 new shares to the company itself without payment. In the future, the company may use these shares, inter alia, in order to strengthen the company's capital structure, to broaden the company's ownership, to be used as payment in corporate acquisitions or when the company acquires assets relating to its business and as part of the company's incentive programs.

The total number of the company's shares after the directed share issue and share issue to the company itself without payment is 61,952,801 and the total number of treasury shares is 2,190,055.

Ownership structure

The number of registered shareholders was 4,838 at the end of June 2018 compared to 4,908 shareholders at the end of 2017.

Corbis S.A. remained the largest shareholder with 32.99 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 12.94 per cent of the shares were owned by nominee-registered shareholders. Total ownership outside Finland, including Corbis, together with nominee-registered shareholders represented 46.43 per cent of the total shares.

Financial outlook for 2018

On 17 July 2018 Pöyry published a release on the expansion of the financial outlook for 2018. Earlier guidance was: "The Group's adjusted operating result for 2018 is expected to improve (2017: 26.0 MEUR)."

The updated guidance is:

The Group's adjusted operating result for 2018 is expected to improve clearly (2017: 26.0 MEUR).

Financial calendar

Pöyry PLC will publish its financial information in 2018 and 2019 as follows:

- Half year financial report January - June 2018: Thursday 9 August 2018
- Business review January - September 2018: Wednesday 24 October 2018
- Financial statement release 2018: Thursday 7 February 2019
- Annual Review 2018: Thursday 14 February 2019 at the latest
- Business review January - March 2019: Thursday 25 April 2019
- Half year financial report January - June 2019: Thursday 8 August 2019
- Business review January - September 2019: Thursday 24 October 2019

The Annual General Meeting is planned to be held on Thursday 7 March 2019. Pöyry's Board of Directors will summon the meeting at a later date.

Vantaa, 9 August 2018

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 2017.

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.

New IFRS standards applied as of 1 January 2018

Since January 2018, Pöyry applies two new IFRS standards: IFRS 9, Financial instruments and IFRS 15, Revenue from contracts with customers. The application of the new standards is described in Note1 of the Annual Report 2017, pages 24-25.

IFRS 9, Financial instruments, has been applied as of 1 January 2018. The major part of group financial assets being classified at fair value through profit and loss, the application of IFRS 9 does not have significant impact on classification of financial assets. The group applies simplified provision matrix approach for impairment of trade receivables. The application of provision matrix does not have a significant impact on impairment of trade receivables. Comparative figures for 2017 have not been restated.

IFRS 15, Revenue from contracts with customers, has been applied as of 1 January 2018 and implemented using the full retrospective approach. The new standard is applied to contracts that are not completed as of the date of initial application. Due to the nature of Pöyry's engineering and consulting services, the new standard does not have significant influence on revenue recognition principles. Pöyry continues to recognize revenue over time in Energy, Industry and Infra, Water and Environment Business Groups. Management Consulting Business Group will continue to recognize part of its revenue at point-in-time. No adjustments to comparative figures in opening balances or income statement items of 2017 have been made since there are no changes in timing or amount of revenue recognition.

Statement of comprehensive income

EUR million	1-6/ 2018	1-6/ 2017	1-12/ 2017
Net sales	**282.5**	267.3	522.3
Other operating income	**0.9**	0.2	0.6
Materials and supplies	**-3.3**	-0.1	-0.1
External charges, subconsulting	**-22.2**	-22.8	-48.1
Personnel expenses	**-174.1**	-174.4	-328.6
Depreciation and impairment	**-2.1**	-2.2	-4.4
Other operating expenses	**-48.8**	-64.3	-126.7
Operating expenses total	**-250.5**	-263.8	-507.9
Operating result	**32.9**	3.7	15.1
Proportion of net sales, %	**11.7**	1.4	2.9
Financial income	**7.1**	1.0	1.7
Financial expenses	**-2.3**	-2.8	-5.6
Exchange rate differences	**-0.1**	0.1	0.1
Net financial items	**4.7**	-1.7	-3.8
Share of associated companies' results	**0.2**	0.3	0.5
Result before taxes	**37.9**	2.2	11.8
Proportion of net sales, %	**13.4**	0.8	2.3
Income taxes	**-9.2**	-2.0	-6.1
Net result for the period	**28.7**	0.2	5.6
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of net defined benefit pension obligation	**0.8**	13.6	21.1
Income tax relating to these items	**-0.2**	-2.8	-4.3
Items that may be reclassified to profit or loss			
Translation differences	**-2.4**	-5.1	-10.2
Total comprehensive income for the period	**26.9**	6.0	12.2
Net result attributable to:			
Owners of the parent company	**28.7**	0.2	5.7
Non-controlling interest	**0.0**	0.1	0.0
Total comprehensive income attributable to:			
Owners of the parent company	**26.9**	5.9	12.3
Non-controlling interest	**0.0**	0.1	0.0
Earnings/share, EUR	**0.47**	-0.01	0.07
Corrected with dilution effect	**0.47**	-0.01	0.07

The application of IFRS 9 and IFRS 15 do not have significant influence on comparative figures. No adjustments to comparative figures or opening balances have been made.

Statement of financial position

Assets, EUR million	30 Jun 2018	30 Jun 2017	31 Dec 2017
Non-current assets			
Goodwill	**118.1**	120.4	118.9
Intangible assets	**6.2**	7.5	7.0
Tangible assets	**5.5**	6.6	6.0
Shares in associated companies and joint ventures	**2.3**	2.0	2.1
Other non-current investments	**0.5**	0.8	0.6
Deferred tax assets	**24.9**	30.3	27.1
Pension receivables	**0.1**	0.1	0.1
Other	**3.6**	3.7	3.4
	161.1	171.2	165.1
Current assets			
Work in progress	**57.8**	59.0	43.7
Accounts receivable	**110.0**	106.9	106.3
Other receivables	**8.8**	12.6	9.5
Prepaid expenses and accrued income	**16.1**	13.9	11.0
Current tax receivables	**3.7**	4.1	3.7
Cash and cash equivalents	**64.7**	34.9	50.7
	261.0	231.3	225.0
Total assets	**422.1**	402.5	390.1

Equity and liabilities, EUR million	30 Jun 2018	30 Jun 2017	31 Dec 2017
Equity			
Equity attributable to the owners of the parent company			
Share capital	**14.6**	14.6	14.6
Invested free equity reserve	**62.0**	60.1	62.0
Hybrid bond	**30.0**	30.0	30.0
Translation differences	**-23.0**	-15.6	-20.7
Retained earnings	**70.8**	33.8	43.9
	154.3	122.8	129.8
Non-controlling interest	**0.1**	1.4	0.1
Total equity	**154.5**	124.2	129.9
Non-current liabilities			
Interest bearing non-current liabilities			30.0
Pension obligations	**17.9**	31.1	18.8
Deferred tax liabilities	**0.2**	0.2	0.2
Other non-current liabilities	**0.0**	0.0	0.0
	18.1	31.3	49.0
Current liabilities			
Amortisations of interest bearing non-current liabilities		1.0	0.0
Commercial papers	**10.1**	41.7	26.8
Interest bearing current liabilities	**30.0**	30.0	0.0
Provisions	**11.9**	12.3	14.8
Project advances	**81.4**	55.0	62.9
Accounts payable	**12.3**	14.5	18.5
Other current liabilities	**22.1**	20.7	24.9
Current tax payables	**9.8**	5.6	5.3
Accrued expenses and deferred income	**71.8**	66.2	58.0
	249.5	247.0	211.3
Total equity and liabilities	**422.1**	402.5	390.1

The application of IFRS 9 and IFRS 15 do not have significant influence on comparative figures. No adjustments to comparative figures or opening balances have been made.

Statement of cash flows

EUR million	1-6/ 2018	1-6/ 2017	1-12/ 2017
Operating activities			
Net result for the period	**28.7**	0.2	5.6
Adjustments:			
Share-based expenses	**1.2**		0.9
Depreciation and impairment	**2.1**	2.2	4.4
Impairment losses from accounts receivable and work in progress	**-5.5**	1.9	4.5
Gains (-) / losses (+) on sales of shares and fixed assets	**0.1**	0.0	0.2
Financial income and expenses	**-4.7**	1.7	3.8
Income taxes	**9.0**	2.0	6.1
Changes in working capital:			
Change in work in progress	**-11.9**	-3.4	9.8
Change in accounts receivable	**-2.3**	-3.2	-6.6
Change in project advances received	**18.9**	-2.0	7.6
Change in accounts payable	**-5.9**	-5.7	-1.3
Change in other receivables and payables	**10.6**	6.5	8.1
Paid income taxes	**-3.0**	-2.2	-5.0
Net cash flow from operating activities	**37.3**	-1.9	38.2
Investing activities			
Investments in group companies			-2.4
Investments in fixed assets	**-1.2**	-1.8	-3.3
Sale of other fixed assets	**0.3**	0.1	0.3
Received dividends	**0.0**	0.5	0.5
Net cash flow from investing activities	**-0.9**	-1.2	-5.0
Net cash before financing	**36.3**	-3.1	33.2
Financing activities			
New loans			30.0
Repayments of loans		-1.0	-32.0
Change in current financing	**-16.7**	-7.4	-22.2
Hybrid bond interest and expenses			-2.3
Received financial income	**0.7**	0.8	1.5
Paid financial expenses	**-2.1**	-2.5	-4.9
Paid dividends	**-3.0**	0.0	0.0
Directed share issue related to share-based incentive plan			1.9
Net cash flow from financing activities	**-21.1**	-10.1	-28.0
Change in cash and cash equivalents and in other liquid assets	**15.2**	-13.2	5.2
Cash and cash equivalents and other liquid assets at the beginning of the period	**50.7**	49.3	49.3
Effect of changes in exchange rates	**-1.2**	-1.1	-3.7
Cash and cash equivalents and other liquid assets at the end of the period	**64.7**	34.9	50.7
Cash and cash equivalents	**64.7**	34.9	50.7
Cash and cash equivalents and other liquid assets	**64.7**	34.9	50.7

Statement of changes in equity

EUR million	Share capital	Invested free equity reserve	Hybrid bond	Trans-lation diffe-rences	Retained earnings	Equity attributable to the own-ers of the paren company	Non-controlling interest	Total equity
1-6/2018								
Equity 1 January 2018	14.6	62.0	30.0	-20.7	43.9	129.8	0.1	129.9
Net result for the period					28.7	28.7	0.0	28.7
Other comprehensive income for the period				-2.4	0.6	-1.7	0.0	-1.7
Total comprehensive income for the period				-2.4	29.3	27.0	0.0	27.0
Dividend distribution					-3.0	-3.0	0.0	-3.0
Share-based payments					0.6	0.6		0.6
Total contributions by and distributions to owners of the parent, recognised directly into equity					-2.4	-2.4	0.0	-2.4
Equity 30 June 2018	**14.6**	**62.0**	**30.0**	**-23.0**	**70.8**	**154.3**	**0.1**	**154.5**
1-6/2017								
Equity 1 January 2017	14.6	60.1	30.0	-10.5	22.7	116.9	1.4	118.3
Net result for the period					0.2	0.2	0.1	0.2
Other comprehensive income for the period				-5.1	10.9	5.7	0.0	5.7
Total comprehensive income for the period				-5.1	11.0	5.9	0.1	6.0
Equity 30 June 2017	14.6	60.1	30.0	-15.6	33.8	122.8	1.4	124.2
1-12/2017								
Equity 1 January 2017	14.6	60.1	30.0	-10.5	22.7	116.9	1.4	118.3
Net result for the period					5.7	5.7	0.0	5.6
Other comprehensive income for the period				-10.2	16.8	6.6	0.0	6.6
Total comprehensive income for the period				-10.2	22.4	12.3	0.0	12.2
Hybrid bond interest					-1.8	-1.8		-1.8
Dividend distribution					0.0	0.0	0.0	0.0
Purchase of minority shares							-1.2	-1.2
Directed share issue		1.9				1.9		1.9
Share-based payments					0.5	0.5		0.5
Total contributions by and distributions to owners of the parent, recognised directly into equity		1.9			-1.3	0.6	-1.2	-0.6
Equity 31 December 2017	14.6	62.0	30.0	-20.7	43.9	129.8	0.1	129.9

Key figures

	1-6/ 2018	1-6/ 2017	1-12/ 2017
Earnings/share, EUR	**0.47**	-0.01	0.07
Corrected with dilution effect	**0.47**	-0.01	0.07
Earnings/share, adjusted, EUR	**0.24**	0.09	0.25
Shareholders' equity/share, EUR	**2.49**	2.06	2.09
Return on investment, %	**42.1**	5.0	8.8
Return on equity, %	**43.0**	0.4	4.5
Equity ratio, %	**45.3**	35.7	39.7
Net debt/equity ratio (gearing), %	**-15.9**	30.5	4.7
Net debt, EUR million	**-24.6**	37.8	6.1
Consulting and engineering, EUR million	**544.7**	473.9	448.3
EPC, EUR million	**33.6**	0.6	0.3
Order stock total, EUR million	**578.4**	474.5	448.5
Capital expenditure, operating, EUR million	**1.2**	1.8	3.3
Capital expenditure, shares, EUR million			2.4
Personnel in group companies on average	**4,614**	4,545	4,551
Personnel in group companies at end of period	**4,662**	4,541	4,637

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

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

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 2018	30 Jun 2017	31 Dec 2017
Other own obligations			
Other obligations	**0.3**	0.3	0.3
Accrued interest on hybrid bond	**1.3**	1.3	0.2
Project and other guarantees	**40.1**	43.0	39.1
Total	**41.8**	44.7	39.6
For others			
Pledged assets	**0.1**	0.1	0.1
Other obligations		0.0	
Total	**0.1**	0.1	0.1
Rent and lease obligations	**103.6**	116.9	112.1

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"). During the first half year of 2018 Pöyry reached a settlement with the client. The settlement had a negative impact on the first half year operating result and has been reported as an adjustment item in the Industry Business Group. The settlement had a positive cash flow impact on the first half year of 2018.

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.

Derivative instruments

EUR million	30 Jun 2018	30 Jun 2017	31 Dec 2017
Foreign exchange forward contracts			
Nominal value	**79.4**	84.2	43.7
Fair value, gains	**0.7**	1.4	0.4
Fair value, losses	**-1.7**	-1.5	-0.5
Fair value, net	**-1.0**	-0.1	-0.2
Fair value hedge accounting			
Nominal value	**43.8**	44.1	33.8
Fair value, gains	**0.6**	1.7	1.3
Fair value, losses	**-1.0**	-0.8	-0.6
Fair value, net	**-0.4**	1.0	0.7
Foreign exchange option contracts			
Purchased, nominal value	**7.8**	7.7	8.6
Purchased, gains	**0.0**	0.0	0.0
Purchased, losses	**0.0**	-0.1	0.0
Purchased, net	**0.0**	-0.1	0.0
Sold, nominal value	**8.9**	15.5	14.1
Sold, gains	**0.0**	0.1	0.0
Sold, losses	**0.0**	0.0	0.0
Sold, net	**0.0**	0.1	0.0
Foreign exchange options, net	**0.1**	0.0	0.0

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 2018	Level 1	Level 2	Level 3
Financial assets at fair value				
Derivatives under fair value hedge accounting	**0.6**		0.6	
Derivatives outside of hedge accounting	**0.7**		0.7	
Total financial assets at fair value	**1.4**	-	1.4	-
Financial liabilities at fair value				
Derivatives under fair value hedge accounting	**1.0**		1.0	
Derivatives outside of hedge accounting	**1.7**		1.7	
Total financial liabilities at fair value	**2.7**	-	2.7	-

EUR million	30 Jun 2017	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	1.5		1.5	
Total financial assets at fair value	3.2	-	3.2	-
Financial liabilities at fair value				
Derivatives under fair value hedge accounting	0.8		0.8	
Derivatives outside of hedge accounting	1.6		1.6	
Total financial liabilities at fair value	2.4	-	2.4	-

EUR million	31 Dec 2017	Level 1	Level 2	Level 3
Financial assets at fair value				
Derivatives under fair value hedge accounting	1.3		1.3	
Derivatives outside of hedge accounting	0.4		0.4	
Total financial assets at fair value	1.7	-	1.7	-
Financial liabilities at fair value				
Derivatives under fair value hedge accounting	0.6		0.6	
Derivatives outside of hedge accounting	0.6		0.6	
Total financial liabilities at fair value	1.2	-	1.2	-

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 2018	30 Jun 2017	31 Dec 2017
Available-for-sale assets, shares	**0.2**	0.4	0.4
Loans and other receivables			
Non-current accounts receivable	**1.8**	1.3	1.1
Other non-current receivables	**1.6**	2.2	2.2
Current accounts receivable	**110.0**	106.9	106.3
Non-current loans receivable	**0.3**	0.3	0.3
Current loans receivable	**0.0**	0.0	0.0
Cash and cash equivalents [1)]	**64.7**	34.9	50.7
Derivatives under fair value hedge accounting	**0.6**	1.7	1.3
Derivatives outside of hedge accounting	**0.7**	1.5	0.4
Total financial assets	**180.0**	149.3	162.7
Liabilities at amortised cost			
Interest bearing liabilities	**40.1**	72.7	56.8
Accounts payable	**12.3**	14.5	18.5
Derivatives under fair value hedge accounting	**1.0**	0.8	0.6
Derivatives outside of hedge accounting	**1.7**	1.6	0.6
Total financial liabilities	**55.1**	89.6	76.5

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 2018 EUR **32.9** (31.2) 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.

Performance share plan 2017-2022

A separate Company Announcement was issued on 5 May 2017 regarding a share-based incentive plan for the Pöyry Group's key personnel. In order to implement the initial investment relating to the incentive plan, the Board of Directors of Pöyry PLC resolved on 3 August 2017 on two share issues. The first one resulted in 1 771 000 new shares issued to the company itself without payment, as per Stock Exchange Release published on 16 August 2017. The second share issue was directed to the persons entitled to participate in the plan and resulted in a total of 422 191 new shares subscribed and paid for by each participant. The new shares were registered on 14 Sep 2017 as announced in a Stock Exchange Release. More information on the performance share plans is available on the company's website at www.poyry.com.

Own shares

Pöyry PLC holds on 30 Jun 2018 2,190,055 (31 December 2017 2,190,055) own shares corresponding to 3.5 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/ 2018	1-6/ 2017	1-12/ 2017
Intangible assets			
Book value at the beginning of the period	**7.0**	7.2	7.2
Capital expenditure	**0.4**	1.4	2.0
Decrease	**0.0**	0.0	0.0
Depreciation	**-1.1**	-1.0	-2.1
Exchange differences	**0.0**	0.0	0.0
Book value at the end of the period	**6.2**	7.5	7.0
Tangible assets			
Book value at the beginning of the period	**6.0**	7.5	7.5
Capital expenditure	**0.9**	0.5	1.2
Decrease	**-0.2**	-0.1	-0.2
Depreciation	**-1.0**	-1.2	-2.3
Exchange differences	**-0.1**	-0.1	-0.3
Book value at the end of the period	**5.5**	6.6	6.0

Changes in goodwill

EUR million	1-6/ 2018	1-6/ 2017	1-12/ 2017
Book value at the beginning of the period	**118.9**	122.4	122.4
Investment in group companies			1.2
Exchange differences	**-0.9**	-2.0	-4.7
Book value at the end of the period	**118.1**	120.4	118.9

Operating segments

EUR million	1-6/ 2018	1-6/ 2017	1-12/ 2017
Net sales			
Energy	**62.4**	64.3	122.1
Industry	**108.6**	102.1	199.9
Infra, Water and Environment	**77.6**	70.7	136.1
Management Consulting	**34.7**	30.6	65.7
Unallocated	**-0.8**	-0.5	-1.4
Total	**282.5**	267.3	522.3
Operating result			
Energy	**4.1**	3.5	7.4
Industry	**10.7**	6.6	13.7
Infra, Water and Environment	**19.0**	-1.3	-3.0
Management Consulting	**4.1**	1.6	7.1
Unallocated	**-5.0**	-6.7	-10.1
Total	**32.9**	3.7	15.1
Net financial items	**4.7**	-1.7	-3.8
Share of associated companies' results	**0.2**	0.3	0.5
Result before taxes	**37.9**	2.2	11.8
Income taxes	**-9.2**	-2.0	-6.1
Net result for the period	**28.7**	0.2	5.6
Attributable to:			
Equity holders of the parent company	**28.7**	0.2	5.7
Non-controlling interest	**0.0**	0.1	0.0

EUR million	1-6/ 2018	1-6/ 2017	1-12/ 2017
Operating margin, %			
Energy	**6.5**	5.5	6.1
Industry	**9.9**	6.5	6.9
Infra, Water and Environment	**24.5**	-1.8	-2.2
Management Consulting	**11.9**	5.1	10.8
Group	**11.7**	1.4	2.9
Adjusted operating result			
Energy	**4.1**	3.5	7.4
Industry	**12.1**	8.0	17.9
Infra, Water and Environment	**3.8**	1.3	3.5
Management Consulting	**4.1**	1.6	7.3
Unallocated	**-5.0**	-4.4	-10.1
Total	**19.2**	10.0	26.0
Adjusted operating margin, %			
Energy	**6.5**	5.5	6.1
Industry	**11.2**	7.8	9.0
Infra, Water and Environment	**4.9**	1.8	2.6
Management Consulting	**11.9**	5.1	11.1
Group	**6.8**	3.7	5.0
Order stock			
Energy	**233.3**	174.0	164.9
Industry	**153.7**	101.0	105.7
Infra, Water and Environment	**174.3**	178.5	159.4
Management Consulting	**17.0**	21.0	18.4
Unallocated	**0.0**	0.0	0.0
Total	**578.4**	474.5	448.5
Consulting and engineering	**544.7**	473.9	448.3
EPC	**33.6**	0.6	0.3
Total	**578.4**	474.5	448.5
Net sales by area			
The Nordic countries	**111.2**	101.7	193.1
Other Europe	**102.7**	90.6	183.7
Asia	**35.8**	40.6	78.0
North America	**11.5**	10.4	22.5
South America	**16.2**	20.4	38.4
Other	**5.1**	3.4	6.6
Total	**282.5**	267.3	522.3
Personnel at the end of the period			
Energy	**1,041**	1,057	1,054
Industry	**1,953**	1,846	1,911
Infra, Water and Environment	**1,160**	1,147	1,157
Management Consulting	**362**	355	373
Unallocated	**146**	136	141
Total	**4,662**	4,541	4,637

Adjusted operating result

In order to increase transparency in comparing performance from one period to another Pöyry has been disclosing 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.

Adjusted operating result 1-6/2018

EUR million	Energy	Industry	Infra, Water and Environm.	Management Consulting	Unallocated	Total
Operating result 1-6/2018	4.1	10.7	19.0	4.1	-5.0	**32.9**
Restructuring and labour claim[1)] expenses		0.5				**0.5**
Profits / losses related to projects from former Urban Business Group [3)]			-15.2			**-15.2**
Profits / losses related to projects finalised over two years ago		1.0				**1.0**
Other		-0.1				**-0.1**
Adjusted operating result 1-6/2018	**4.1**	**12.1**	**3.8**	**4.1**	**-5.0**	**19.2**

Adjusted operating result 1-6/2017

EUR million	Energy	Industry	Infra, Water and Environm.	Management Consulting	Unallocated	Total
Operating result 1-6/2017	3.5	6.6	-1.3	1.6	-6.7	3.7
Restructuring and labour claim[1)] expenses		1.2				1.2
Profits / losses related to projects from former Urban Business Group			2.3			2.3
Profits / losses related to projects finalised over two years ago		0.2	0.2		2.4	2.8
Adjusted operating result 1-6/2017	3.5	8.0	1.3	1.6	-4.4	10.0

Adjusted operating result 1-12/2017

EUR million	Energy	Industry	Infra, Water and Environm.	Management Consulting	Unallocated	Total
Operating result 1-12/2017	7.4	13.7	-3.0	7.1	-10.1	15.1
Restructuring and labour claim[1)] expenses		2.9	0.1	0.2		3.2
Profits / losses related to projects from former Urban Business Group			6.2			6.2
Profits / losses related to projects finalised over two years ago		0.2	0.2			0.5
Other[2)]		1.1				1.1
Adjusted operating result 1-12/2017	7.4	17.9	3.5	7.3	-10.1	26.0

[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)] Includes profits and losses related to settlements on disputes and arbitrations.