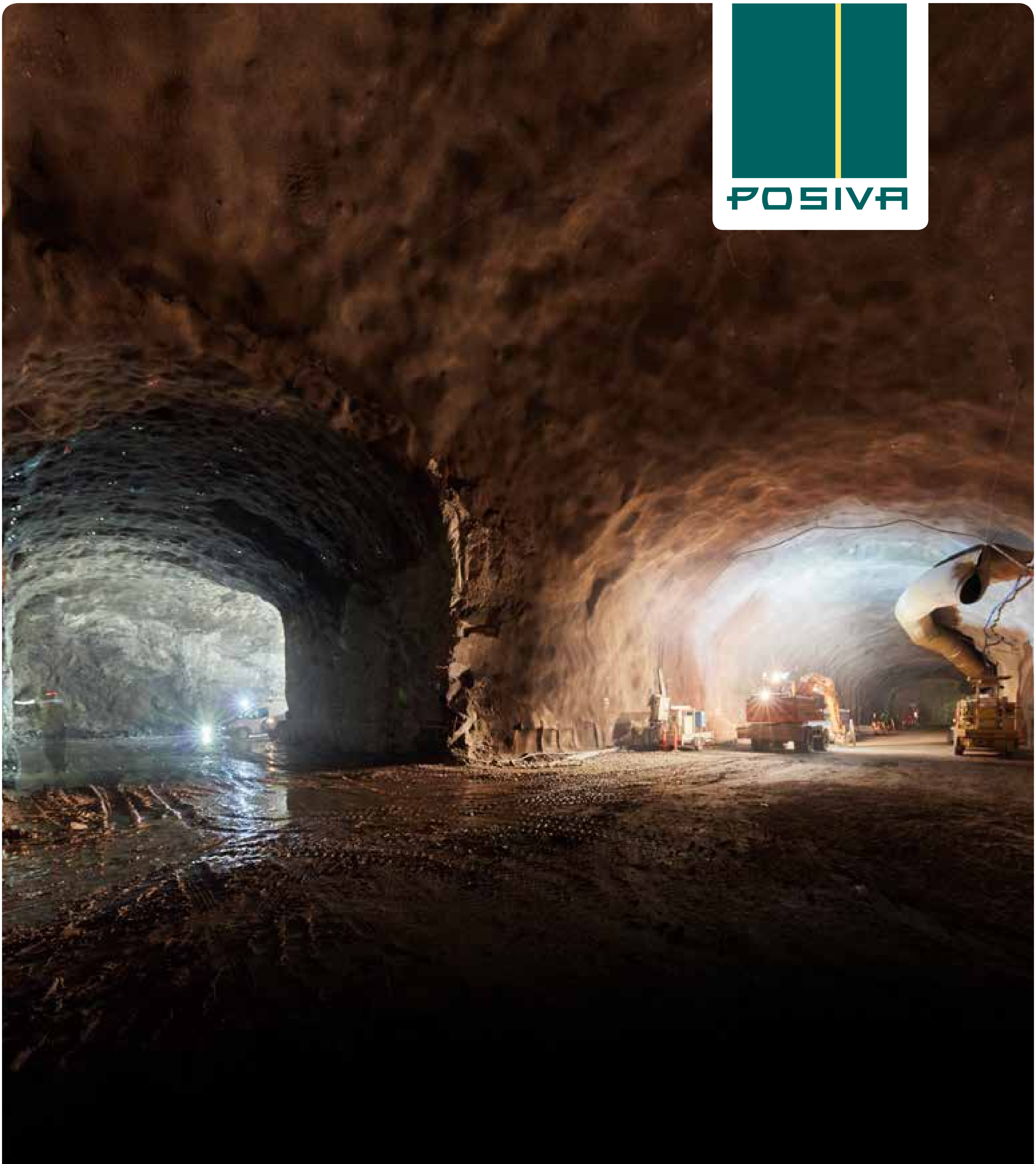


Annual report 2016

Picture: J Partanen

Cover photo: Bernhard Ludewig

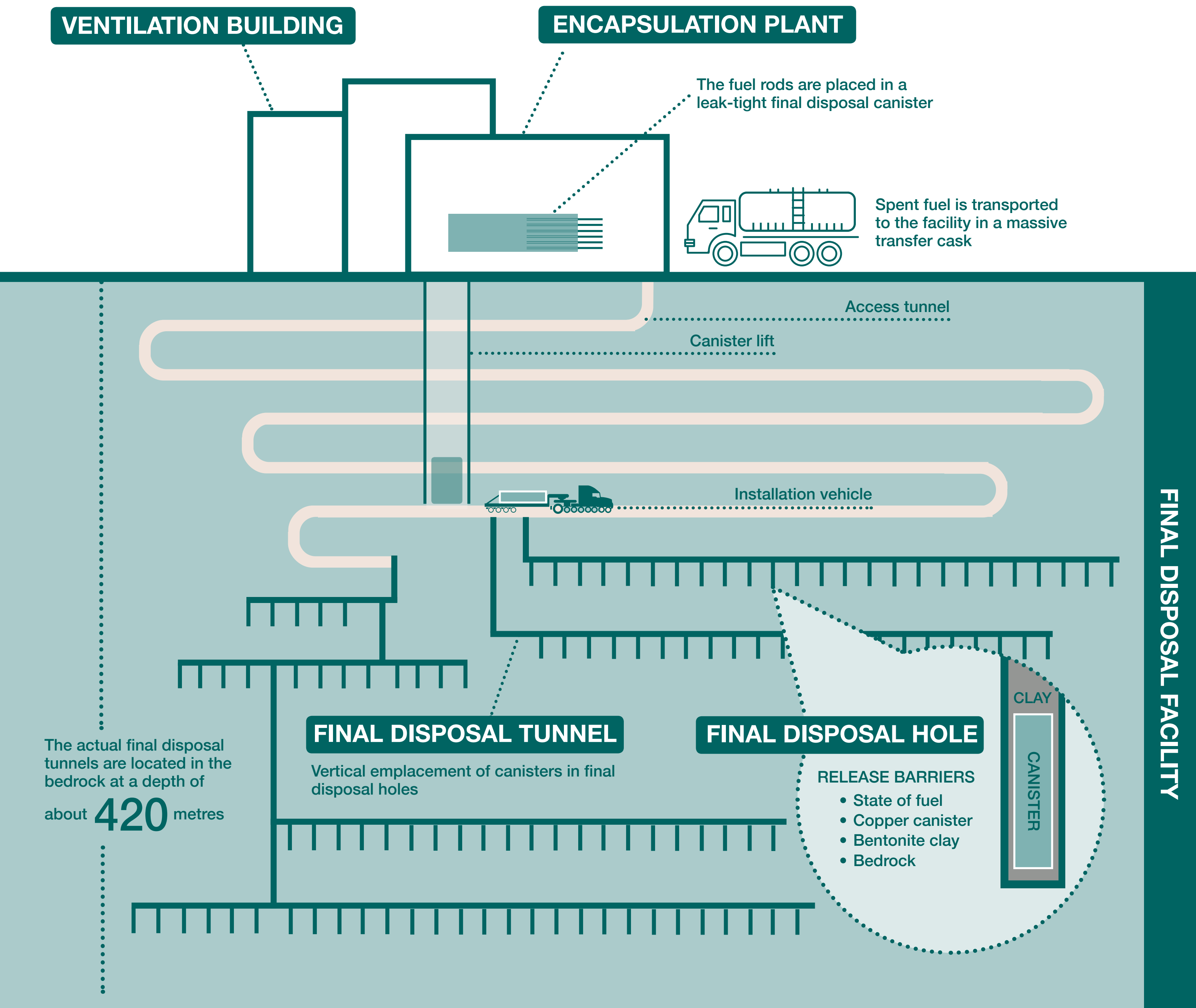
Content

Posiva and spent nuclear fuel

Posiva Oy, which was founded in 1995, is together with its owner companies Teollisuuden Voima Oyj and Fortum Power and Heat Oy responsible for the final disposal of spent nuclear fuel.

At the end of 2016, the total amount of spent nuclear fuel in the interim storages of the Olkiluoto and Loviisa nuclear power plants was about 2150 tons. Spent nuclear fuel must be cooled in the interim storages for several decades to bring heat generation in the fuel down to the level required for final disposal.

Posiva was granted the construction licence for the final disposal facility of nuclear fuel in November 2015. The first excavations for the final disposal facility started in December 2016, and Posiva is also preparing for the start of the construction of the encapsulation plant. Final disposal is scheduled to start in early 2020s.



President's review

Construction of final disposal facility started

For Posiva, the year 2016 was a unique year, in addition to being filled with work. Towards the end of the year, as the first operator in the world, Posiva started the construction of the final disposal facility in Olkiluoto in the municipality of Eurajoki. Posiva celebrated the 20th anniversary of its operation, with festivities organised for the personnel already at the beginning of the year. The final disposal project moved to the optimisation phase of the concept and the costs.

Preparatory and implementing work proceeded during 2016 both above and underground. Final excavations were completed for bedrock research facility ONKALO which is later to be connected as part of the final disposal facility. In May, the Municipality of Eurajoki granted a building permit for the actual final disposal facility. In the autumn, excavations for the foundations of the encapsulation plant as well as the second phase of work on the ventilation building could be started. When the Radiation and Nuclear Safety Authority (STUK) issued at the end of the year its assessment of Posiva's capability to meet the requirements specified for the construction of a nuclear facility, the first excavation contract work phase for the underground final disposal repository was started. It covers the excavation of the first central tunnels and vehicle access tunnels in the repository area, as well as preparatory excavation work and rock sealing work for the rise boring of the canister shaft to be used by the canister lift, and the excavation of the canister receiving station.

Posiva updated the company strategy reformed in 2015. The updated vision of Posiva, for example, is "the forerunner in industrial final disposal of spent nuclear fuel". The objective of the changed vision is to express that the safety of the selected final disposal solution has been demonstrated and it is now time to focus on how to implement final disposal on an industrial scale. In the summer, Posiva's owners submitted the nuclear waste management programme for the years 2016–2018 to the Ministry of Economic Affairs and Employment (MEAE). The amount of the nuclear waste management fee charged from parties with a nuclear waste management obligation is based on the nuclear waste management programme updated every three years.

Extensive research efforts were also concluded during the year. The international five-year long research project on the Greenland ice sheet as well as the Europe-wide four-year long cooperation project on plugging and sealing technology for geological final disposal were completed.

Janne Mokka
President
Posiva Oy

One of the most noteworthy events of the year occurred in the summer when Posiva Solutions Oy, a subsidiary fully owned by Posiva Oy, started its operation. The company focuses on the marketing of the expertise acquired from the design, research and development activities related to the final disposal of spent nuclear fuel, as well as consulting services. There has been wide international interest in the company and operation has had a good start. Posiva Solutions has already entered into significant service contracts, both in Finland and abroad.

Posiva plays an indisputable role as the forerunner in the final disposal of spent nuclear fuel. However, the construction of the final disposal facility has only just begun and a lot of work needs to be done. In the upcoming year, our focus will be on the industrialisation of the final disposal concept and on preparing for the manufacturing phase of the special equipment required for the final disposal project. The work of the first excavation contract phase started in late 2016 will continue for a few more years. The operation of Posiva will remain the focus of international interest and Posiva's expertise will also in the future be available in the international market through the subsidiary Posiva Solutions.

Main events

Excavation work for the foundations of the encapsulation plant started in October

Research and tests

Excavation work in ONKALO nearing completion

Consulting firm founded

Excavation work completed in ONKALO

Work that had been started in March in the last excavation section of research facility ONKALO was completed. The last contract work phase covered the excavation of access tunnels to the final disposal repository of spent nuclear fuel, as well as the excavation of an underground maintenance and parking facility at a depth of about 430 - 440 metres.

Construction of final disposal facility started

In May, the Municipality of Eurajoki granted a building permit for the final disposal facility of spent nuclear fuel. Excavation work for the foundations of the encapsulation plant started in October. In November, the Radiation and Nuclear Safety Authority (STUK) issued a decision stating that the construction of Posiva's final disposal facility can be started. A contract on excavation work related to the final disposal repository was awarded in November and work started at the beginning of December.

Posiva Solutions Oy was founded

Posiva Solutions Oy, a subsidiary of Posiva Oy, was founded in the summer. The company focuses on the marketing of the expertise acquired from the design, research and development activities related to the final disposal of spent nuclear fuel, as well as consulting services. Posiva Solutions provides to its customers tailored expert services related to final disposal, in collaboration with an extensive network of sub-suppliers and cooperation partners. Mika Pohjonen was appointed Managing Director of the company.

In May, Posiva was granted a building permit for the final disposal facility of spent nuclear fuel.

Excavation work for the foundations of the encapsulation plant started in October.

Picture: J Partanen

Report of Board of Directors 2016

Research, development and testing

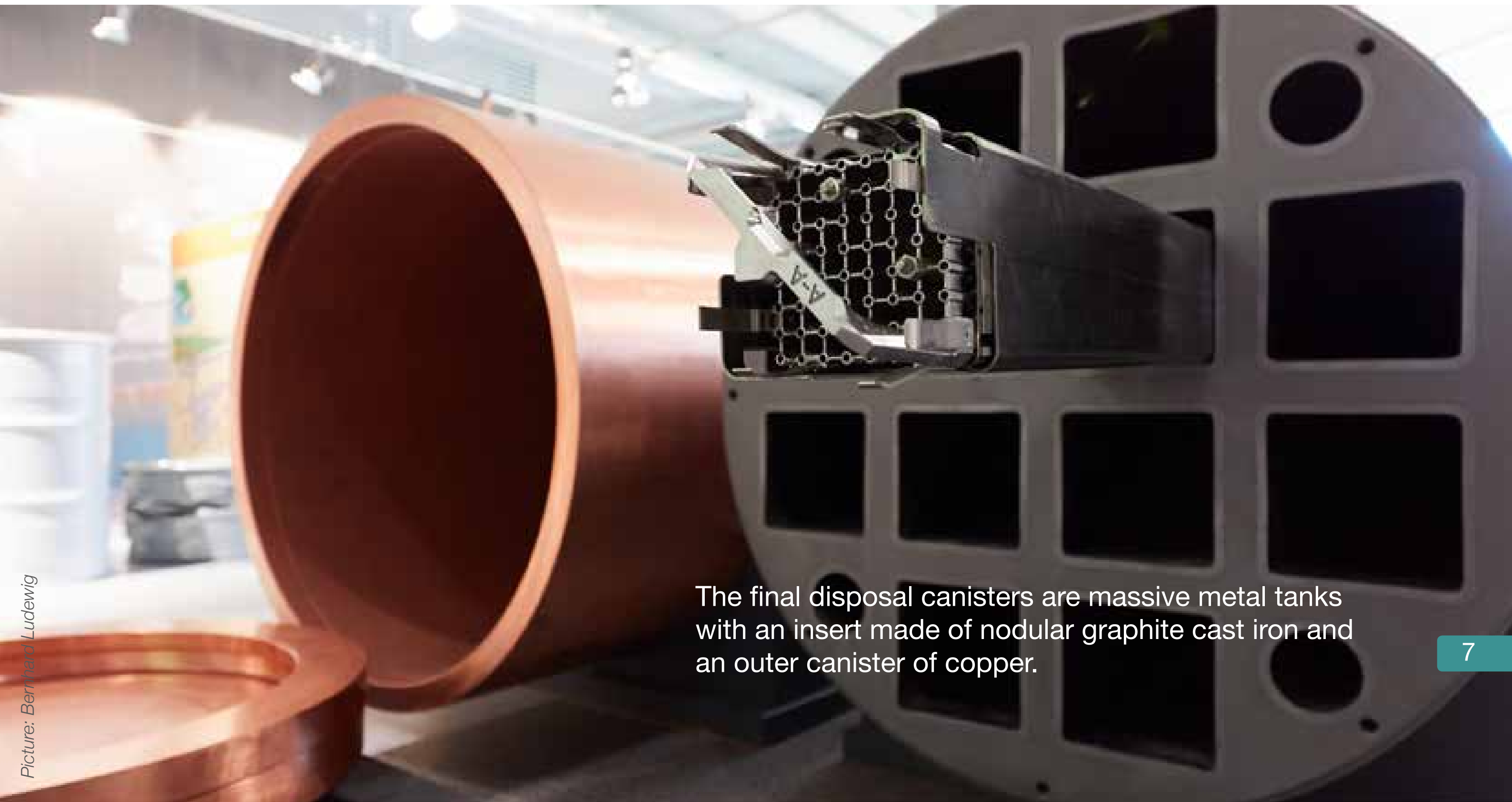
The safety assessment issued by STUK in 2015 (STUK 1/H42252/2015) stated that "STUK has found Posiva's safety case to be in compliance with requirements and sufficient at the construction licence stage". The safety assessment also listed some open issues and tasks have been advanced in research and development to resolve these issues. A follow-up procedure on the tasks planned for closing the open issues was introduced during the year.

The mechanical strength of the final disposal canister was addressed based on new analyses in which the increased pressure (previously 45 MPa, now 50 MPa) caused by the increased thickness of the ice layer resulting from potential future glaciation, as well as the acceptable manufacturing defects of the inner canister are taken into account, among other things.

Using current research data, empirical results and production factors as a basis, requirements related to the final disposal canister, the bentonite buffer, the backfilling and plugging of the final disposal tunnels as well as the underground facilities have been reviewed. Cooperation with the Swedish nuclear fuel management company SKB (Svensk Kärnbränslehantering AB) has been extensive in the review, aiming at the harmonisation of requirements. Harmonised requirements will make it possible in the future to purchase raw materials and components from the same suppliers. The new harmonised requirements and design solutions were "frozen" as input data for the safety case and a full-scale in-situ system test.

The mechanical strength of the final disposal canister was demonstrated by new analyses

The reference KBS-3 final disposal concept and the alternative KBS-3H horizontal emplacement concept were compared in terms of their technical aspects as well as factors related to safety and production feasibility together with SKB. Based on the conclusions drawn from the comparison, a decision was made to concentrate research and development activities in Posiva's programme on the vertical emplacement alternative. The results for the horizontal emplacement alternative were reported in a way that allows them to be revisited later, if necessary.



Picture: Bernhard Ludewig

The final disposal canisters are massive metal tanks with an insert made of nodular graphite cast iron and an outer canister of copper.

Tunnel excavation continued in ONKALO.

Picture: Bernhard Ludewig

The planning for the full-scale system test progressed. Detailed designs were prepared for the canisters to be used in the test; they include, for example, heating systems simulating the generation of residual heat in the spent fuel. The canisters for the test were manufactured using production methods developed by Posiva. The system test is according to plans to be carried out in 2018.

Research report Geology of Olkiluoto and the final report of the Greenland analogue project were published

The safety case intended for the application for the operating licence is to be prepared in the TURVA-2020 project. A more specific plan for the work, the Safety Case Plan, as well as the Design Basis report that outlines the design bases for the safety case, have been drawn up in the project. The Design Basis report describes the relationships between the final disposal concept, the related safety functions and the requirements (conceptual models) and presents updated performance and design requirements.

Posiva's POPLU project for the design, construction and testing of the end plug of the final disposal tunnel reached the testing phase that was started with pressure resistance tests on the end plug. The tests will continue in 2017.

Posiva report "Geology of Olkiluoto" was published, as was also the final report of the Greenland Analogy Project (GAP). The GAP project was implemented in cooperation with the Swedish company SKB and the Canadian organisation NWMO. It produced new data on the hydrological processes of the ice sheet, and their impact on long-term safety. A discrete fracture network model describing the bedrock structure and migration properties was prepared for the area of the ONKALO demonstration facilities. A deep borehole, OL-KR58, was bored in Kuusisenmaa Island of Olkiluoto as part of the Merireikä (sea borehole) project. The studies to be conducted in the borehole are designed to establish the evolution of the salinity of Olkiluoto groundwater over the long term.

Plant engineering, construction and production

The implementation planning of the encapsulation plant and the final disposal facility as well as the preparation of qualification documentation for the systems of the facilities continued. Implementation plans were prepared for the first excavation contract work phase of the final disposal facility and revised plans for the last sections of ONKALO. Plans were also produced for the second phase of the ventilation building.

In the design of the encapsulation plant, the focus was on the system design of the main components for the encapsulation process. The produced qualification documents were submitted to the Radiation and Nuclear Safety Authority for approval. The equipment designed included e.g. the fuel transfer machine, the transfer trolleys for the canister and the transport cask, and the canister lift. Manufacturing drawings were prepared also for the welding system of the disposal canister.

The building permit of the Municipality of Eurajoki was obtained for the final disposal facility and the encapsulation plant in May. The Radiation and Nuclear Safety Authority confirmed the capability of Posiva at the end of November and construction work for the final disposal facility was commenced in early December with the first tunnel contract, LTU1. The scope of the contract includes e.g. central tunnels 1 and 2 as the first structures of safety class 3.

The last excavation contract work phase within the scope of research facility ONKALO was tunnel contract 6, completed in December. Other significant works included the start of the phase two of the ventilation building. The ventilation system of the final disposal facility will be operational by the summer of 2017.

An external assessment was ordered of the effectiveness of project management. Based on this assessment, the development of project activities was focused on the scheduling of the final disposal project as well as on resource planning. The development of reporting continued with the introduction of a reformed Enterprise Resource Planning system in the TVO Group.

System design on the main components of the encapsulation process continued

Corporate social responsibility and communications

Posiva's final disposal project attracts interest both in Finland and abroad. A total of ca. 13 000 Finnish and foreign visitors acquainted themselves with the production of nuclear energy and final disposal in the Visitor Centre in Olkiluoto during the reporting period.

Posiva and TVO shared stands in local recruitment and summer events. Shared visitation days were also organised to the international media three times together with TVO. The most important communication topics during the year included the launching of Posiva's subsidiary Posiva Solutions Oy and the commencement of the construction of the final disposal facility.

Like in previous years, local activities included in 2016 e.g. visits by Eurajoki schools and sponsorship to local non-governmental associations and organisations.

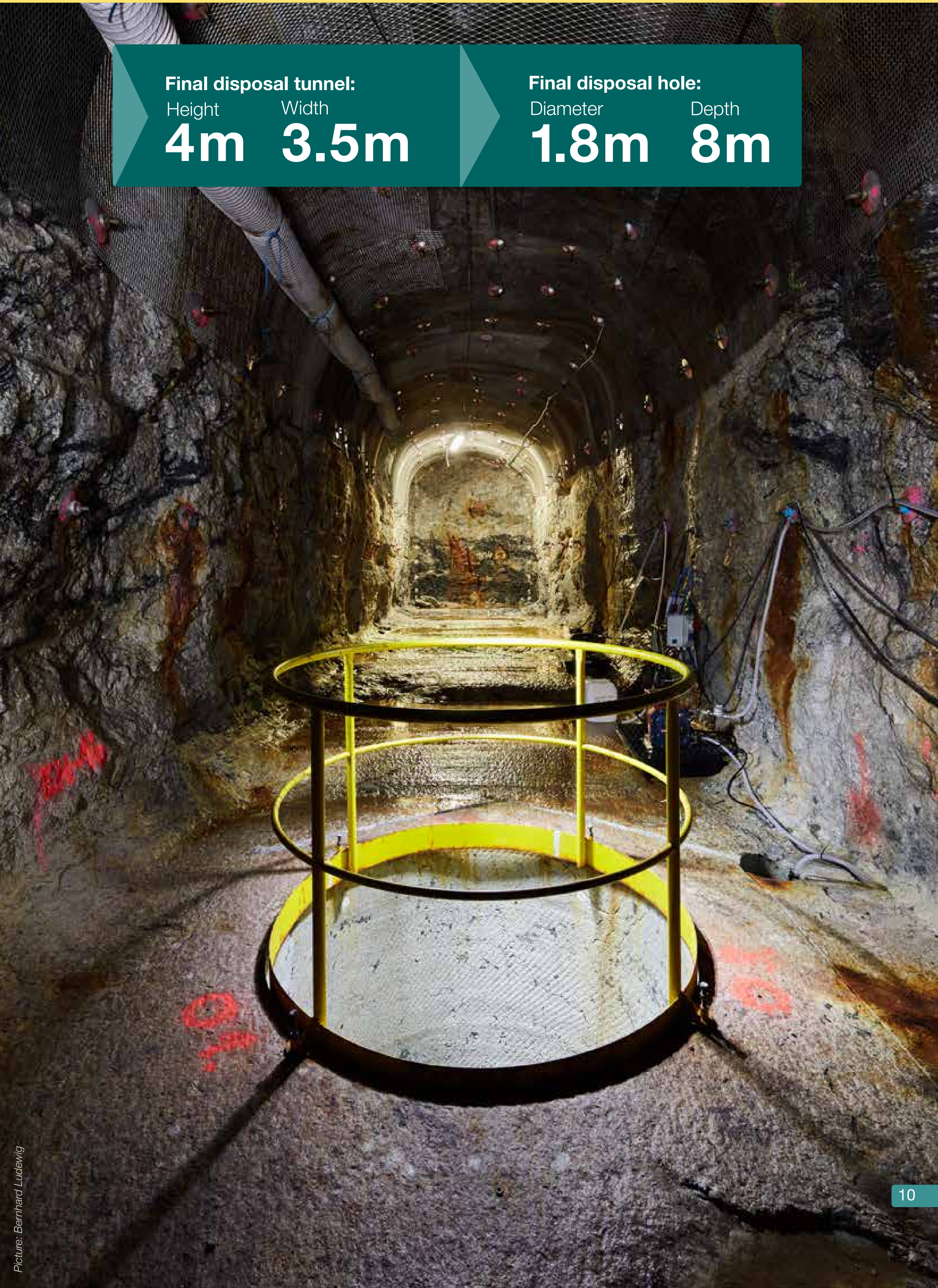
International cooperation

Posiva continues its wide involvement in international cooperation of the nuclear industry. Forums for the exchange of information and experience on a general level include, in particular, the International Atomic Energy Agency (IAEA), the Nuclear Energy Agency (NEA) of OECD, and the International Association for Environmentally Safe Disposal of Radioactive Material (EDRAM).

For more detailed exchange of information and experience, Posiva has concluded international cooperation agreements with equivalent organisations in several countries. On project level, Posiva participates e.g. in research, development and educational projects within the strategic research programme of IGD-TP (Implementing Geological Disposal Technology Platform); many of these are also included in EU's framework programmes. Posiva and SKB have continued their cooperation with a shared goal of completing the final disposal concept and preparations for the optimum production of the canister and the buffer.

The joint European DOPAS project focusing on the sealing solutions for geological disposal facilities, which was coordinated by Posiva, was concluded. The results of the project were showcased to 120 attendees in an international seminar arranged in Turku in the spring.

Picture: Hannu Huovila



Final disposal tunnel:

Height **4m**

Width **3.5m**

Final disposal hole:

Diameter **1.8m**

Depth **8m**

Picture: Bernhard Ludewig


Picture: Bernhard Ludewig

Entrance to ONKALO access tunnel.

Environmental impact management

At Posiva, the management of environmental matters is based on the certified management system and the annual operating plan. The key environmental aspects of operation are related to the construction of ONKALO and to waste management. The most significant identified environmental risks are associated with fires and oil leaks from work machinery in underground facilities. Environmental management activities at Posiva were in 2016 implemented in cooperation with TVO as Group-level activities.

The solid volume of rock excavated in the construction project of ONKALO amounted in 2016 to about 33 800 m^3. More than 90% of the waste generated in the TVO Group were recycled. The amount of water used in the construction of the tunnel was ca. 14 500 m^3. The average total leakage in ONKALO was 31 l/min in 2016. The water pumped from the tunnel (service water and leakage water) was drained through clarification and oil separation in an open ditch to the sea. The quality of the water was monitored on a regular basis in the same way as in previous years.

More than 90% of waste is recycled in TVO Group

The principle of continuous improvement is complied with in operational planning by looking for means to reduce the potential environmental impact of the operation of the Company. In 2016, appropriate procedures were specified for the placement of the excavation sludge as well as for the crushing and storage of the excavated rock. In order to prevent oil spills, preventive and in-service activities related to the actions of the personnel and the maintenance of the equipment were reviewed, including their scope and associated training practices.

Management system

Posiva's management system is based on the Management Manual which provides an overview of the operations carried out by Posiva, as well as on topical manuals that contain codes and procedures. The management system is designed to verify that Posiva's final disposal facility will meet the safety criteria specified for it and Posiva's operations are lawful, safe, timely and cost-efficient.

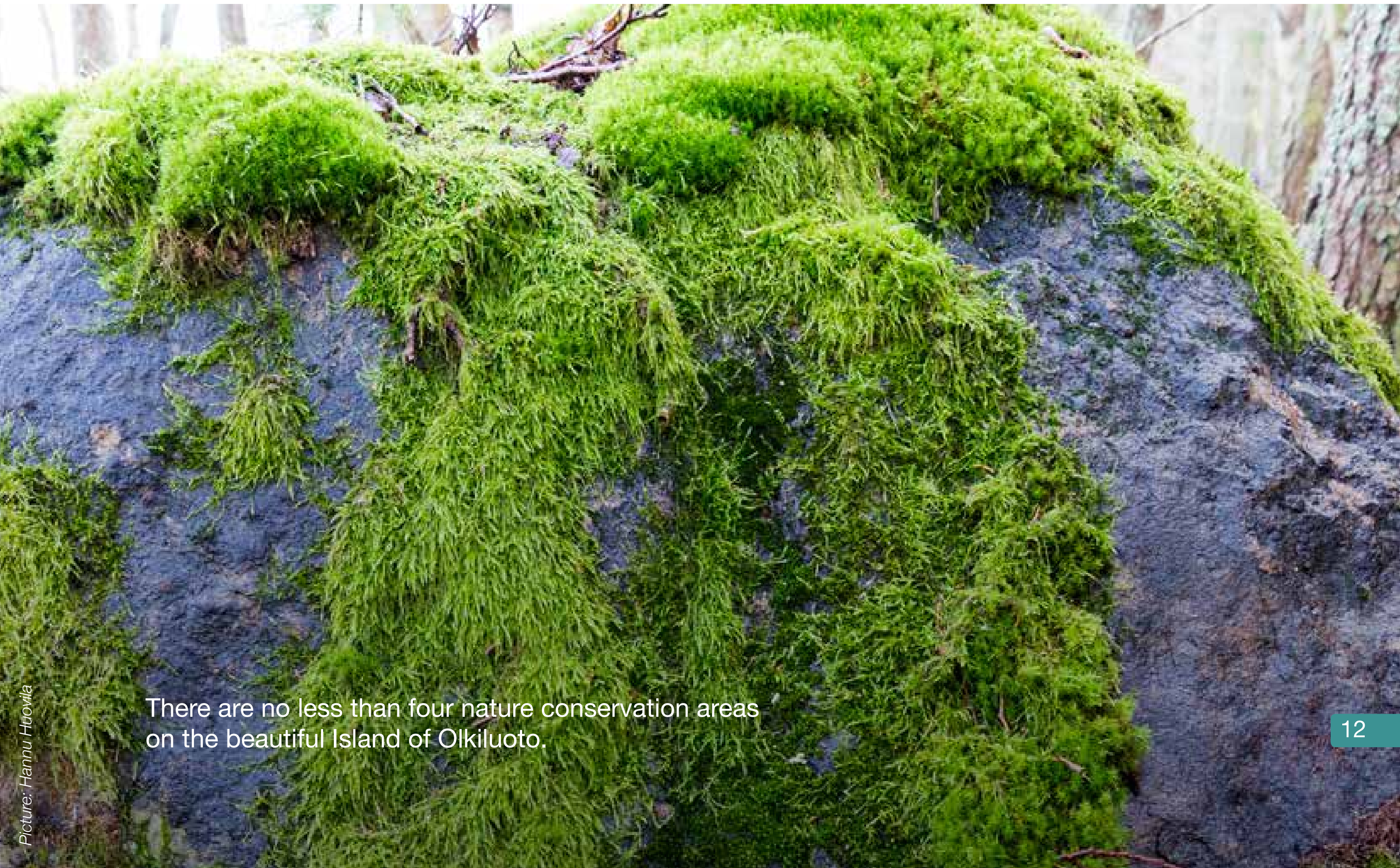
The effectiveness of the management system is assessed annually in a management review. This year a self-assessment was also carried out, focusing on the effectiveness and coverage of the management system, and on the safety culture. Based on the self-assessment, Posiva's management system fulfils the criteria specified for it and for its part ensures the implementation of nuclear safety in the project.

In October, DNV GL Business Assurance Oy conducted a periodical assessment of the ISO 9001 quality management system, the ISO 14001 environmental system and the OHSAS 18001 occupational health and safety system. Based on the outcome of the approved assessment, DNV presented some findings to Posiva for the development of procedures related to the management system.

The procedures of the management system have been developed systematically on the basis of both self-assessments and external proposals for development. The efforts taken for the development of the management system were in 2016 strongly steered by a Group-level approach. Experience previously gained in the TVO Group is utilised in applicable parts as far as possible when moving towards the construction and manufacturing stage in Posiva's nuclear facility project.

The procedures of the management system have included assessments carried out by Posiva on its suppliers, requiring their practices and procedures to comply with the specified procedures, guidelines and supplier criteria. The most important suppliers have been assessed by Posiva through audits carried out in the supplier's facilities.

A self-assessment of the management system and the safety culture as well as an external periodical assessment of the certified systems were carried out in 2016



There are no less than four nature conservation areas on the beautiful Island of Olkiluoto.

Picture: Hannu Huovila

Safety and safety culture

Posiva prepared for the year 2016 a safety culture action plan which was executed without any significant deviations. The most important actions specified in the plan in 2016 included an independent assessment of Posiva's organisational capability and a self-assessment of leadership and safety culture. The results of the assessments demonstrated the good level of Posiva's organisational capability and safety culture, although areas in need of development were also identified in accordance with the principle of continuous improvement. The action proposals based on the assessments were mainly related to the continuous improvement of safety culture, balance between safety and production communications, risk management and defining more specific responsibilities and practices for the organisation.

Responsible organisations have been specified for the proposed development actions and the execution of the actions is monitored by Posiva's management. The safety culture action plan for the years 2017-2020 was prepared. The Group-level objective of striving for IAEA's safety culture level 3 and achieving it in 2020 has been taken into account in the plan.

The management of occupational health and safety matters is at Posiva implemented in compliance with the certified management system and the annual action plan of occupational health care. Focus remained on preventive occupational health care, in particular, as well as on a participatory and active model of early intervention. The indicators of occupational health care reported quarterly show that Posiva's status is good in the TVO Group and the indicators do not deviate to any significant extent from the distributions in the industry.

Posiva has set a zero accident goal for health and safety. During the year, the subcontractors of Posiva reported five accidents resulting in absence from work, with a total of 23 absence days, and three work injuries that did not cause absence from work. In December 2016, a programme was developed on Group level for the calculation of the accident frequency rate as regards both Group personnel and contractors. The implementation of the programme is to be introduced in January 2017 into the operation of the contractors, agreeing on the monitoring and measuring of the activities.

Risk management

The objective of risk management at Posiva is to support the realisation of the strategy and the business objectives as well as the maintenance of operational capabilities. Risk management is organised in a holistic manner in compliance with the operational objectives specified by Posiva's owners and the criteria of good governance.

The President, assisted by the Management Group, is in charge of risk management that conforms to Posiva's objectives and strategy.

Posiva defines risks as the impact of uncertainty on the objectives of the organisation. Such impact may be manifested as a non-conformance with the objective, in both positive and negative sense.

Posiva's Management Group and Board of Directors reviewed strategic risks on a regular basis during the financial year. The Company's most significant risks are related to the effectiveness of the backfill solution used in the final disposal tunnels, the construction costs and schedules of future nuclear facilities as well as international events that affect the progress of Posiva's project. In addition, there are risks associated with the production and installation of important components used in final disposal, as well as the adoption of more stringent regulatory provisions. Posiva has several ongoing research and development projects that aim at reducing the severity of risks.

Picture: Bernhard Ludewig

The tunnels reach down to a depth of

420 metres.

Working in ONKALO.

Administrative bodies

Board of directors

Teollisuuden Voima Oyj
Jarmo Tanhua, Chairperson
Mikko Kosonen
until 18 May 2016
Marko Nylund
as of 18 May 2016

Fortum Power and Heat Oy
Pekka Leskelä
Satu Katajala

Ms. Ulla-Maija Moisio from Teollisuuden Voima Oyj has acted as the Secretary of the Board.

Posiva Oy's President has attended the Board meetings.

The Board of Directors convened ten times.

President

Janne Mokka

Management group

Janne Mokka, Chairperson

Members:
Tiina Jalonen, Senior Vice President, Development
Kari Kaukonen, Safety Manager
Ari Posti, Project Manager
Juha Riihimäki, Construction Manager
Petteri Vuorio, Engineering Manager

The Business Partner for HR, and Group HR Specialist Ainomaija Kylänpää, the Business Partner for Communication and Representation, and Communication Manager Susan Pietilä, Senior Specialist Erkki Palonen, Managing Director of Posiva Solutions Oy Mika Pohjonen as well as Hannu Leino as the personnel representative also participated in the work of the Management Group.

Susan Pietilä, Communication Manager, has acted as the Secretary of the Management Group.

The Management Group convened 12 times.

Board of Directors of Posiva Oy
From left: Jarmo Tanhua, Marko Nylund, Satu Katajala, Janne Mokka ja Pekka Leskelä.

Committees appointed by the board

Project Committee

Teollisuuden Voima Oyj
Sami Jakonen
Juha Riihimäki
until meeting 2/2016
Mikko Winter
as of meeting 2/2016

Fortum Power and Heat Oy
Eero Mattila, Chairperson
Kauko Silventoinen
until 20 October 2016
Mirkka Ek
as of 20 October 2016

Posiva Oy
Erkki Palonen
until meeting 1/2016
Ari Posti
Juha Riihimäki
as of meeting 2/2016
Petteri Vuorio, Secretary

The Committee convened six times.

Financial Committee

Teollisuuden Voima Oyj
Liisa Heikinheimo
Timo Palomäki
Anja Ussa

Fortum Power and Heat Oy
Mikko Huopalainen, Chairperson
as of meeting 4/2016
Harriet Kallio
Mika Sappinen
as of 18 May 2016
Jarkko Toroska, Chairperson and member *until meeting 4/2016*

Posiva Oy
Janne Mokka
Jussi Palmu, Secretary
Ari Posti
as of 18 May 2016

The Committee convened six times.

Technical Committee

Teollisuuden Voima Oyj
Liisa Heikinheimo, Chairperson
as of meeting 2/2016
Timo Palomäki
Anssu Ranta-Aho

Fortum Power and Heat Oy
Harriet Kallio
Jukka Sorjonen
Jari Tuunanen, Chairperson
until meeting 2/2016

Posiva Oy
Tiina Jalonen
Kari Kaukonen
Marjut Vähänen, Secretary
until 20 October 2016
Ville Heino, Secretary
as of 20 October 2016

The Committee convened six times.

Auditors

CPA Jouko Malinen,
nominated by PricewaterhouseCoopers Oy
CPA Robert Kajander,
nominated by Deloitte & Touche Oy

Management Group of Posiva Oy
From rear left: Susan Pietilä, Janne Mokka, Petteri Vuorio, Juha Riihimäki
Front row from left: Ainomaija Kylänpää, Tiina Jalonen, Kari Kaukonen, Ari Posti

Picture: Hannu Huovila

Shareholdings and share series

Posiva Oy is a joint venture of Teollisuuden Voima Oyj and Fortum Power and Heat Oy. The number of shares in Posiva Oy was 100 005 000 on 31 December 2016 (registered on 7 June 2016). The shares of the Company are divided in A series and B series. The number of shares in A series is 100 000 000 and the number of shares in B series is 5000. TVO owns 60% of the A series shares and Fortum 40%. TVO's ownership of the B series shares is 73.62% and Fortum's 26.38%.

The A and B series of shares differ from each other as follows:

- All of the A series shares of the Company have equal voting rights.

- The A series shares of the Company do not have rights to the assets of the Company, if the Company distributes dividends from profit or assets from the invested unrestricted equity fund, when the dividend or the assets in the invested unrestricted equity fund come from profit distributed by the Company's subsidiary Posiva Solutions Oy or from assets distributed by the subsidiary from its invested unrestricted equity fund or otherwise from assets originating as distribution of assets from the shares of the subsidiary, or assets generated by the said shares as capital gain or otherwise.

- The B series shares of the Company do not have voting rights.

- When the Company distributes dividends or assets from the invested unrestricted equity fund, the B series shares have equal rights to the dividend and the distributed assets, when the dividend or the assets in the invested unrestricted equity fund come from profit distributed by the Company's subsidiary Posiva Solutions Oy or from assets distributed by the subsidiary from its invested unrestricted equity fund or otherwise from assets originating as distribution of assets from the shares of the subsidiary, or assets generated by the said shares as capital gain or otherwise. The series B shares of the Company do not in other respects have rights to dividend or rights to distribution of assets from the invested unrestricted equity fund.

Restructuring and reorganisation

Posiva Oy founded on 20 May 2016 the 100% subsidiary Posiva Solutions Oy. The subsidiary, which was registered with the Trade Register on 10 June 2016, focuses on service business. Posiva Oy and Posiva Solutions Oy form the Posiva Group, as referred to in the Companies Act. The Finnish Competition and Consumer Authority approved the planned reorganisation on 12 May 2016 (decision Reg. No. KKV/341/14.00.10/2016).

The company focuses on the marketing of the expertise acquired from the design, research and development activities related to the final disposal of spent nuclear fuel, as well as consulting services. In June, Posiva Solutions Oy concluded a service agreement on the provision of expert services related to the final disposal of spent nuclear fuel to Fennovoima Oy. In October, Posiva Solutions concluded a service agreement with the Czech organisation SÚRAO that is responsible for the final disposal of radioactive waste. The turnover of the company was ca. EUR 4.4 million in 2016.

Posiva Oy carried out a share issue and a change in the Company's Articles of Association in preparation for the founding of the subsidiary. Posiva Oy's Annual General Meeting first decided on 18 May 2016 to increase the number of shares (1:10 000) without increasing the share capital, with each existing shareholder receiving ten thousand new series A shares for each of their shares. After the share splitting, the total number of the A series shares was 100 000 000. The AGM also decided to carry out a directed share issue by issuing, in derogation from the pre-emptive right of the shareholders, 5000 series B shares of no par value for the shareholders to subscribe at a subscription price of 0.5 EUR, with all the series B shares issued and subscribed as follows:

Subscribed by (EUR)	Shares subscribed /pcs	Subscription (EUR)
Teollisuuden Voima Oyj	3681	1840.5
Fortum Power and Heat Oy	1319	659.5
Total	5000	2500.00

The subscription price, a total of EUR 2500, was recorded in the share capital of Posiva Oy. The shareholders of the Company had agreed on the use of the subscription price to cover the subscription price of the shares of the new subsidiary and on the issue of the new series B shares of the Company to the subscribers, in derogation from the pre-emptive right of the shareholders referred to in Section 3, Chapter 9 of the Companies Act. Because of this, the derogation to the pre-emptive right of the shareholders was justified by a weighty financial reason for the Company to do so, as referred to in Section 4, Chapter 9 of the Companies Act.

Personnel and organisation

At the end of the year, Posiva employed 79 persons (77). The figure includes both permanent and temporary employment contracts. During the year, Posiva employed an average of 81 (82) persons, some of them on a fixed-term contract and some as summer employees. Posiva takes advantage of the Group's expert knowledge in the operation of the Company, procuring e.g. maintenance, logistics, data administration, design and communication services from TVO. During the year 2016, Posiva recruited 14 (3) new employees. Of the permanent staff, 7 (37) persons left Posiva's employment, 2 (2) of them due to retirement.

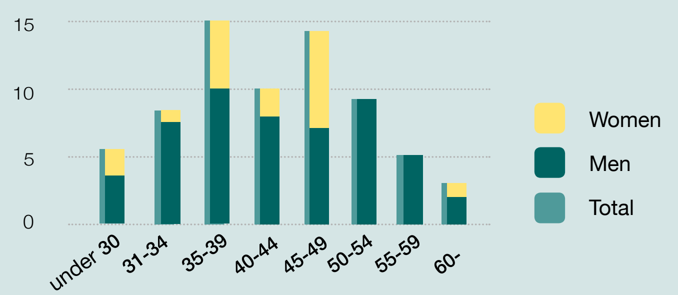
The average number of training days during the year was 7 (6) days per every Posiva employee. In addition to internal training and training arranged by TVO Group, several employees of Posiva as well as TVO's employees working for Posiva also attended the national course on nuclear safety and the national course on nuclear waste management. The planning teams of both of these courses included representatives from Posiva. Posiva's employees also participated in many external training events and seminars in their own fields of expertise.

The collective agreements of the energy industry are valid until 31 January 2017. Employment relationship issues were addressed in the meetings of specific personnel groups and matters pertaining to the entire staff in the cooperation meetings of TVO Group. The entire personnel of Posiva are included in a performance bonus scheme. Performance bonuses can be transferred directly to the personnel fund of the Group.

The well-being at work of Posiva's employees is being looked after in the "Well-being and profitable employees 2020" project implemented across TVO Group. The mainstay philosophy of the development activities carried out in the project covers the improvement of well-being at work, development of a motivational leadership culture, improvement of interaction and creation of a culture based on responsible dialogue. Other factors contributing to the well-being at work of Posiva's employees include an extensive occupational health care system available to the entire personnel, supplemented by personnel insurance coverage as well as the culture and exercise balance system of Smartum.

Posiva has business facilities in Olkiluoto in the Municipality of Eurajoki. In Olkiluoto, Posiva's employees work both in the central office and in the office building on the ONKALO worksite.

Age structure at Posiva




Picture: Bernhard Ludewig

Posiva employees, December 2016


Picture:Jussi Partanen

In 2016

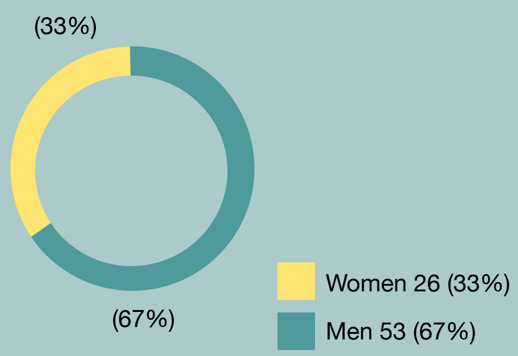
14 new Posiva employees

15 position changes within the Company

Development of personnel number

* 30 persons transferred to TVO as old employees in the transfer of business.

Gender distribution



Permanent personnel, total: 79

Picture: Bernhard Ludewig

POSIVA

POSIVA
PJ / President
JANNE MOKKA

POSIVA SOLUTIONS OY – PSOY
Managing Director ▸ Mika Pohjonen

PROCUREMENT ▸ Marko Kinnunen (TVO)
HR ▸ Ainomaija Kylänpää (TVO)
COMMUNICATIONS ▸ Susan Pietilä (TVO)

PH	PT	PK	PL	PR
PROJECT MANAGEMENT	**SAFETY**	**DEVELOPMENT**	**PLANT ENGINEERING**	**CONSTRUCTION AND PRODUCTION**
Ari Posti	Kari Kaukonen	Tiina Jalonen	Petteri Vuorio	Juha Riihimäki

- Hanna Tuhkanen — **PROGRAM FOR CANISTER AND SPENT FUEL**
- Petri Koho — **PROGRAM FOR BUFFER, BACKFILL AND CLOSURE**
- Jukka Leino (TVO) — **ENCAPSULATION PLANT PROJECT**
- Ari Maarni (TVO) — **DISPOSAL FACILITY PROJECT**
- **PROGRAM FOR PREPARATION FOR PRODUCTION** — Juha Riihimäki
- **DISPOSAL SITE PROGRAM** — Ismo Aaltonen
- **FH1 NUCLEAR WASTE MANAGEMENT SUPPORT** — Jere Lahdenperä

Picture: J Partanen

Economy and finance

The shareholders of Posiva bear the costs related to Posiva's main line of business – the management of spent nuclear fuel generated at the Olkiluoto and Loviisa power plants, as well as the research and development activities required to accomplish this task – and the majority of the turnover is derived from charges for these costs. The turnover of the Company totalled EUR 55.5 (62.6) million, with the main line of business accounting for EUR 55.0 (62.4) million.

Posiva attends to the nuclear waste management tasks stipulated in the Nuclear Energy Act on behalf of the power companies responsible for nuclear waste management – Posiva's owners. Consequently, the Company charges the annual costs arising from this, including the acquisition costs of fixed assets. Since the nuclear waste management costs will not accrue income in the future for the companies with waste management obligations or for Posiva, Posiva's nuclear waste management costs have been deducted in full as annual costs, even where acquisition costs of fixed assets are concerned. The companies responsible for nuclear waste management make provisions for the cost of nuclear waste management by paying annual nuclear waste management fees to the State Nuclear Waste Management Fund.

Key indicators

Due to the operating principle of the Company, the presentation of key financial indicators is not appropriate for understanding the business activities, financial status or financial result of Posiva. The financial statements show neither profit nor loss.

Events after the end of the financial period

No essential events have come up that would affect the development of the business.

Estimate of probable future development

The Company will in 2017 continue the optimisation phase of the final disposal concept and costs in compliance with the project schedule. In addition to engineering design, work started during this phase includes excavations for the final disposal facility subject to the construction licence as well as preparations for the construction of the encapsulation plant.

Distribution of profits

The Company has no unrestricted equity and thus there are no dividends to be distributed.

Scope of research and development activities

Posiva's R&D currently mainly encompasses extensive research and development activities aimed at clarifying the open points related to the final disposal solution. In 2016, a total of ca. EUR 20.1 (33.0) million was spent on R&D, accounting for 36.2% (52.7%) of turnover. Research and development activities comprise the development of the final disposal concept and the assessment of its conformity, the assessment of the overall safety of final disposal with related background research, the verification of site characterisation studies, the bedrock suitability assessment as well as site monitoring.

Picture: Bernhard Ludewig

Financial statements

CONSOLIDATED INCOME STATEMENT

	Note	1.1. - 31.12.2016
Turnover	1	59,699,536.12
Other income	2	1,789,846.11
Materials and services	3	-39,740.45
Personnel expenses	4	-5,881,622.74
Depreciation	5	-127,954.11
Other expenses	6	-51,505,233.17
Profit/loss from operations		**3,934,831.76**
Financial income and expenses	7	-30,320.79
Profit/loss before appropriations and taxes		**3,904,510.97**
Income taxes	8	-778,788.18
Profit/loss for the financial year		**3,125,722.79**

CONSOLIDATED BALANCE SHEET

	Note		31.12.2016
Assets			
Non-current assets			
Intangible assets	9		
Intangible rights		4,770.15	
Other non-current expenditure		342.09	5,112.24
Tangible assets	9		
Machinery and equipment		166,967.86	166,967.86
Investments	9		
Other shares and holdings		43,366.70	43,366.70
Non-current receivables	10		
Other loan receivables			2,198,632.50
Total non-current assets			2,414,079.30
Current assets			
Current receivables	11		
Trade receivables		955,025.38	
Loan receivables		366,190.93	
Prepayments and accrued income		4,341,396.32	
Other receivables		766,049.61	6,428,662.24
Cash and cash equivalents	12		14,160,346.01
Total current assets			20,589,008.25
Total assets			**23,003,087.55**
Equity and liabilities			
Equity			
Share capital	13		1,684,500.00
Profit/loss for the financial year			3,125,722.79
Total equity			4,810,222.79
Liabilities			
Non-current liabilities	14		4,483,395.92
Current liabilities	15		
Advances received		1,442,512.22	
Trade payables		6,336,858.40	
Other current liabilities		1,398,101.83	
Accruals and deferred income		4,531,996.39	13,709,468.84
Total liabilities			18,192,864.76
Total equity and liabilities			**23,003,087.55**

CONSOLIDATED CASH FLOW STATEMENT

EUR 1 000	2016
OPERATING ACTIVITIES	
Operating profit/loss	3,935
Adjustments to operating profit/loss *	40
Change in working capital **	-8,113
Interest received	26
Interest paid	-55
Taxes paid	-779
Cash flow from operating activities	**-4,946**
Investing activities	
Acquisition of intangible and tangible assets	-28
Proceeds from sale of intangible and tangible assets	88
Acquisition of shares	0
Repayment of loans granted	418
Cash flow from investing activities	**478**
Financing activities	
Withdrawals of long-term loans	221
Repayment of long-term loans	-436
Cash flow from financing activities	**-215**
Change in financial assets	**-4,683**
Financial assets January 1	18,843
Financial assets December 31	**14,160**
* Adjustments to operating profit/loss	
Depreciation and write-downs	128
Gain (-) or loss (+) from divestment of non-current assets	-88
Total	40
** Change in working capital	
Increase (-) or decrease (+) in non-interest-bearing receivables	-1,734
Increase (+) or decrease (-) in short-term non-interest-bearing liabilities	-6,379
Total	-8,113

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION ON THE GROUP

Posiva Oy together with its subsidiary Posiva Solutions Oy forms the Posiva Group. The parent company in Posiva Group is Posiva Oy, which is incorporated in Eurajoki.

Posiva Oy is a joint venture of Teollisuuden Voima Oyj and Fortum Power and Heat Oy.

The consolidated financial statements include parent company Posiva Oy and its subsidiary Posiva Solutions Oy.

Copies of the financial statements are available at the internet address **www.posiva.fi.**

ACCOUNTING PRINCIPLES

These consolidated financial statements of Posiva Group have been prepared in accordance with Finnish Accounting Act. The balance sheet items 1 January consist of parent company's balance sheet items at the moment.

Measurement principles and methods and accrual principles and methods
Measurement of non-current assets

Intangible rights, other non-current expenditure as well as property, plant and equipment are capitalised at immediate acquisition cost less depreciation/amortisation according to plan. The depreciation/amortisation according to plan equals the maximum amounts allowed by the Finnish Business Tax Act.

The acquisition cost of property, plant and equipment acquired for nuclear waste management prescribed by the Nuclear Energy Act have been deducted in their totality as annual costs because nuclear waste management costs will not accure income in the future for the companies with waste management obligations, non for Posiva.

The depreciation/amortisation periods for other non-current assets are as follows:

Intangible rights	Straight-line depreciation over 10 years
Other long-term expenditure	Straight-line depreciation over 10 years
Property, plant and equipment	Reducing balance depreciation at 25%

Research and development costs
The research and development costs have been recognized as annual costs during the year in which they were incurred.

Companies included in the consolidated financial statement
Subsidiaries

The consolidated financial statements include parent company Posiva Oy and its wholly-owned subsidiary Posiva Solutions Oy.

Subsidiaries are companies which the Group has control at the end of the financial period. Control exists if the Group hold more than a half of the voting rights or otherwise has control.

Subsidiaries acquired are consolidated from the date on which control is transferred to the Group, and subsidiaries sold are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to consolidate subsidiaries into the Group. The purchase price is determined as the aggregate of the acquisition date fair values of the assets given as consideration and liabilities incurred or assumed. Costs directly attributable to the acquisition are recognized in profit or loss.

In the consolidation, intercompany share ownership, intercompany transactions, receivables, liabilities, unrealized gains and internal distributions of profits are eliminated. Unrealized losses are not eliminated, if the losses are due to impairment of the asset being transferred. To ensure consistency, subsidiaries' accounting policies have, in all material respects, been changed to conform to the accounting policies adopted by the Group.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

	2016
1. TURNOVER	
Income, main line of business, related party	55,027,516.22
Income, auxiliary line of business, related party	45,439.29
Income, other companies	4,626,580.61
Total	59,699,536.12
2. OTHER INCOME	
Rental income	83,566.22
Subsidies received	378,027.18
Other income	1,328,252.71
Total	1,789,846.11
3.MATERIAL AND SERVICES	
Puchases of services, other	39,740.45
Total	39,740.45
4.PERSONNEL	
Average number of personnel	81
Number of personnel on December 31	80
Personnel expenses	
Wages and salaries	4,801,143.90
Pension expenses	881,101.15
Other compulsory personnel expenses	199,377.69
Total	5,881,622.74
5. DEPRECIATION	
Depreciation plan	
Planned depreciation is the maximum depreciation under Finnish Business Tax Act.	
Planned depreciation	
Intangible rights	2,308.63
Other long-term expenditure	70,269.97
Machinery and equipment	55,375.51
Total	127,954.11

NOTES TO THE CONSOLIDATED INCOME STATEMENT

	2016
6. OTHER EXPENSES	
Rents	1,595,988.98
Internal services	9,141,973.99
Research and expert services	25,777,041.40
ONKALO research facility expenses	4,138,687.77
Other expenses	10,851,541.03
Total	51,505,233.17
Acquisition costs of fixed assets used for nuclear waste management are booked as annual expenses under Section 5:1 of the Accounting Law.	12,335,515.27
Auditors' fees	
Audit fees	17,000.00
Other services	1,800.00
Total	18,800.00
7. FINANCIAL INCOME AND EXPENSES	
Interest income and other financial income	
Interest income from long-term loan receivables	23,866.38
Other interest and financial income	2,050.24
Total	25,916.62
Interest expenses and other financial expenses	
Interest and other financial expenses	56,237.41
Total financial income (+) and expenses (-)	-30,320.79
8. INCOME TAX EXPENSE	
Tax from the previous accounting period	-3,384.98
Taxes based on the taxable income of the financial year	782,173.16
Total	778,788.18

NOTES TO THE CONSOLIDATED BALANCE SHEET

	Intangible rights	Other non-current expenditure
9. NON-CURRENT ASSETS		
Intangible assets		
Acquisition cost 1.1.2016	50,767.17	3,046,393.37
Acquisition cost 31.12.2016	50,767.17	3,046,393.37
Accumulated planned depreciation 1.1.	43,688.39	2,975,781.31
Planned depreciation	2,308.63	70,269.97
Book value 31.12.2016	**4,770.15**	**342.09**

	Buildings	Machinery and equipment
Tangible assets		
Acquisition cost 1.1.2016	138,183.20	975,925.67
Increase	4,950.00	100,498.80
Decrease	-143,133.20	0.00
Acquisition cost 31.12.2016	0.00	1,076,424.47
Accumulated planned depreciation 1.1.	66,157.03	854,081.10
Accumulated depreciation from deduction	66,157.03	0.00
Planned depreciation	0.00	55,375.51
Book value 31.12.2016	**0.00**	**166,967.86**

	2016
Investments	
Other shares and holdings	43,366.70
Total	43,366.70
10. OTHER LONG-TERM LOAN RECEIVABLES	
Other loan receivables	2,198,632.50
Total	2,198,632.50
Total non-current assets	2,414,079.30

NOTES TO THE CONSOLIDATED BALANCE SHEET

	2016
11. CURRENT RECEIVABLES	
Trade receivables, other companies	954,925.06
Trade receivables, related party	100.32
Loan receivables	366,190.93
Prepayment and accrued income, related party	547,579.46
Prepayment and accrued income, other companies	901,136.86
Prepaid rent	2,875,210.00
Other deferred income	17,000.00
Other prepaid expenses	470.00
Other receivables	766,049.61
Total	6,428,662.24
12. CASH AND CASH EQUIVALENTS	
Cash and cash equivalents	14,160,346.01
Total	14,160,346.01
13. SHARE CAPITAL	
Share capital 1.1.	1,682,000.00
Change in share capital	2,500.00
Share capital 31.12.	1,684,500.00
14. DEBTS FALL DUE IN MORE THAN FIVE YEARS	4,182,886.24
NON-CURRENT LIABILITIES	
Non-current liabilities from related party	4,483,395.92
Total	4,483,395.92

NOTES TO THE CONSOLIDATED BALANCE SHEET

	2016
15. CURRENT LIABILITIES	
Advances received	
Advances received from related party	506,297.35
Other advances received	936,214.87
Total	1,442,512.22
Accounts payable	
Accounts payable from related party	28,731.65
Accounts payable from others	6,308,126.75
Total	6,336,858.40
Tax liability	958,436.15
Other liabilities	439,665.68
Interests	722.88
Accrued wages and salaries	1,690,551.50
Estimate of expenses not yet charged, related party	918,076.62
Estimate of expenses not yet charged	1,922,645.39
Total	13,709,468.84
16. COMMITMENTS	
Contingent liabilities given on own behalf	
Customs liabilities	20,000.00
Contingent liabilities given on behalf of Group companies	2,000,000.00
Parent company guarantee *	
Other rent liabilities	
Rent liabilities falling due in less than a year	454,640.80
Rent liabilities falling due later	2,654,040.00
Total	3,108,680.80

Posiva has rented from Teollisuuden Voima Oyj a land area for the final disposal of spent nuclear fuel. The rental period is from July 1, 2003 to June 30, 2103. The rental agreement is subject to notice in case the land area is not suitable for the final disposal of spent nuclear fuel. The rent is checked every two years according to cost-of-living index. The rent was EUR 642,759.51 in 2016 (EUR 643,422.26 in 2015).

* The maximum liability of the calendar year. The guarantee will be valid until August 31, 2027.

PARENT COMPANY'S INCOME STATEMENT

	Note	1.1. - 31.12.2016	1.1. - 31.12.2015
Turnover	1	55,495,902.10	62,609,702.61
Other income	2	1,789,846.11	2,632,894.18
Personnel expenses	3	-5,805,242.03	-5,773,858.09
Depreciation	4	-127,954.11	-108,960.48
Other expenses	5	-51,325,688.37	-59,329,458.08
Profit/loss from operations		**26,863.70**	**30,320.14**
Financial income and expenses	6	-30,248.68	-31,983.84
Profit/loss before appropriations and taxes		**-3,384.98**	**-1,663.70**
Income taxes		3,384.98	1,663.70
Profit/loss for the financial year		**0.00**	**0.00**

PARENT COMPANY'S BALANCE SHEET

	Note		31.12.2016		31.12.2015
Assets					
Non-current assets	7				
Intangible assets					
Intangible rights		4,770.15		7,078.78	
Other non-current expenditure		342.09	5,112.24	70,612.06	77,690.84
Tangible assets					
Buildings		0.00		72,026.17	
Machinery and equipment		166,967.86	166,967.86	121,844.57	193,870.74
Investments					
Other shares and holdings		45,866.70	45,866.70	43,366.70	43,366.70
Non-current receivables					
Other loan receivables	8		2,198,632.50		2,620,453.91
Total non-current assets			**2,416,579.30**		**2,935,382.19**
Current assets					
Current receivables	9				
Trade receivables		840,585.38		1,601,297.99	
Loan receivables		366,190.93		362,843.14	
Prepayments and accrued income		4,321,003.31		2,726,057.58	
Other receivables		742,075.07	6,269,854.69	0.00	4,690,198.71
Cash and cash equivalents	10		10,318,197.49		18,843,541.05
Total current assets			**16,588,052.18**		**23,533,739.76**
Total assets			**19,004,631.48**		**26,469,121.95**
Equity and liabilities					
Equity					
Share capital	11		1,684,500.00		1,682,000.00
Retained earnings/loss			0.00		0.00
Profit/loss for the financial year			0.00		0.00
Total equity			1,684,500.00		1,682,000.00
Liabilities					
Non-current liabilities	12		4,483,395.92		4,701,320.80
Current liabilities	13				
Advances received		1,442,512.22		5,465,799.95	
Trade payables		6,314,863.31		1,033,122.15	
Other current liabilities		613,219.16		1,858,927.99	
Accruals and deferred income		4,466,140.87	12,836,735.56	11,727,951.06	20,085,801.15
Total liabilities			17,320,131.48		24,787,121.95
Total equity and liabilities			**19,004,631.48**		**26,469,121.95**

PARENT COMPANY'S CASH FLOW STATEMENT

EUR 1 000	2016	2015
Operating activities		
Operating profit/loss	27	30
Adjustments to operating profit/loss *	40	109
Change in working capital **	-8,827	2,929
Interest received	26	28
Interest paid	-55	-58
Taxes paid	3	0
Cash flow from operating activities	**-8,786**	**3,038**
Investing activities		
Acquisition of intangible and tangible assets	-28	0
Proceeds from sale of intangible and tangible assets	88	0
Acquisition of shares	-3	0
Withdrawals of loans granted	418	415
Cash flow from investing activities	**476**	**415**
Financing activities		
Withdrawals of long-term loans	221	221
Repayment of long-term loans	-436	-683
Cash flow from financing activities	**-215**	**-462**
Change in financial assets	**-8,525**	**2,991**
Financial assets January 1	18,843	15,852
Financial assets December 31	**10,318**	**18,843**
* Adjustments to operating profit/loss		
Depreciation and write-downs	128	109
Gain (-) or loss (+) from divestment of non-current assets	-88	0
Total	40	109
** Change in working capital		
Increase (-) or decrease (+) in non-interest-bearing receivables	-1,575	1,704
Increase (+) or decrease (-) in short-term non-interest-bearing liabilities	-7,252	1,225
Total	-8,827	2,929

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS DECEMBER 31, 2016

GENERAL INFORMATION OF THE COMPANY

Posiva Oy is a joint venture company of Teollisuuden Voima Oyj and Fortum Power and Heat Oy. Posiva Solutions Oy is a wholly-owned subsidiary of Posiva Oy.

The parent company in Posiva Group is Posiva Oy, which is incorporated in Eurajoki. Copies on the financial statements are available at the internet addesss www.posiva.fi and at the address Olkiluoto, 27160 Eurajoki.

ACCOUNTING PRINCIBLES

Measurement principles and methods and accrual principles and methods

Measurement of non-current assets
Intangible rights, other non-current expenditure as well as property, plant and equipment are capitalised at immediate acquisition cost less depreciation/amortisation according to plan. The deapreciation/amortisation according to plan equals the maximum amounts allowed by the Finnish Business Tax Act.

The acquisition cost of property, plant and equipment acquired for nuclear waste management prescribed by the Nuclear Energy Act have been deducted in their totality as annual costs because nuclear weste management costs will not accure income in the future for the companies with waste management obligations, non for Posiva.

The depreciation/amortisation periods for other non -current assets are as follows:

Intangible rights	Straight-line depreciation over 10 years
Other long-term expenditure	Straight-line depreciation over 10 years
Property, plant and equipment	Reducing balance depreciation at 25%

Research and development costs
The reseach and development costs have been recognised as annual costs during the year in which they were incurred.

NOTES TO THE PARENT COMPANY'S INCOME STATEMENT

	2016	2015
1. TURNOVER		
Income, main line of business, shareholders	226,874.30	0.00
Income, main line of business	55,027,516.22	62,445,276.14
Income, auxiliary line of business, shareholders	45,439.29	22,895.62
Income, auxiliary line of business, other companies	190,172.26	115,176.15
Income, other companies	5,900.03	26,354.70
Total	55,495,902.10	62,609,702.61
2. OTHER INCOME		
Rental income	83,566.22	81,962.71
Subsidies received	378,027.18	355,296.09
Other income	1,328,252.71	2,195,635.38
Total	1,789,846.11	2,632,894.18
3. PERSONNEL		
Average number of personnel	81	82
Number of employees on 31.12.	79	77
Personnel expenses		
Wages and salaries	4,739,604.06	4,733,413.68
Pension expenses	869,988.32	835,274.21
Other compulsory personnel expenses	195,649.65	205,170.20
Total	5,805,242.03	5,773,858.09
4. DEPRECIATION		
Depreciation plan		
Planned depreciation is the maximum depreciation under Finnish Business Tax Act.		
Planned depreciation		
Intangible rights	2,308.60	2,308.60
Other long-term expenditure	70,269.97	40,334.37
Buildings	0.00	3,001.09
Machinery and equipment	55,375.51	63,316.42
Total	127,954.08	108,960.48

NOTES TO THE PARENT COMPANY'S INCOME STATEMENT

	2016	2015
5. OTHER EXPENSES		
Rents	1,595,988.98	1,412,103.09
Internal services	9,028,829.87	8,965,641.26
Research and expert services	25,753,118.20	32,424,595.23
Research facility expenses	4,138,687.77	9,048,220.75
Other expenses	10,809,063.55	7,478,897.75
Total	51,325,688.37	59,329,458.08
Acquisition costs of fixed assets used for nuclear waste management are booked as annual expenses under Section 5:1 of the Accounting Law	12,335,515.27	9,945,192.10
Auditors' fees		
Audit fees	15,000.00	11,000.00
Other services	0.00	8,706.21
Total	15,000.00	19,706.21
6. FINANCIAL INCOME AND EXPENSES		
Interest income and other financial income		
Interest income from long-term loan receivables	23,866.38	27,187.60
Other interest and financial income	2,045.35	699.00
Total	25,911.73	27,886.60
Interest and other financial expenses		
To others	56,160.41	59,870.44
Total financial income (+) and expenses (-)	-30,248.68	-31,983.84

NOTES TO THE PARENT COMPANY'S BALANCE SHEET

	Intangible rights	Other non-current expenditure
7. NON-CURRENT ASSETS		
Intangible assets		
Acquisition cost 1.1.2016	50,767.17	3,046,393.37
Acquisition cost 31.12.2016	50,767.17	3,046,393.37
Accumulated planned depreciation 1.1.	43,688.39	2,975,781.31
Planned depreciation	2,308.63	70,269.97
Book value 31.12.2016	**4,770.15**	**342.09**

	Buildings	Machinery and equipment
Tangible assets		
Acquisition cost 1.1.2016	138,183.20	975,925.67
Increase	4,950.00	100,498.80
Decrease	-143,133.20	0.00
Acquisition cost 31.12.2016	0.00	1,076,424.47
Accumulated planned depreciation 1.1.	66,157.03	854,081.10
Accumulated depreciation from deduction	66,157.03	0.00
Planned depreciation	0.00	55,375.51
Book value 31.12.2016	**0.00**	**166,967.86**

	2016	2015
Investments		
Other shares and holdings	45,866.70	43,366.70
Total	45,866.70	43,366.70
8. OTHER LONG-TERM LOAN RECEIVABLES		
Other loan receivables	2,198,632.50	2,620,453.91
Total	2,198,632.50	2,620,453.91
Total non-current assets	2,416,579.30	2,935,382.19

The presentation of other loan receivables has been changed. The item will be presented as other long-term loan receivables in the balance sheet.

NOTES TO THE PARENT COMPANY'S BALANCE SHEET

	2016	2015
9. CURRENT RECEIVABLES		
Trade receivables, other companies	840,485.06	1,601,297.99
Trade receivables, from related party	100.32	0.00
Loan receivables	366,190.93	362,843.14
Prepayments and accrued income from shareholders	25,000.00	0.00
Prepayments and accrued income from related party	547,579.46	5,168.00
Prepayments and accrued income from others	855,743.85	49,341.64
Prepaid rent	2,875,210.00	2,654,040.00
Other deferred income	17,000.00	17,100.00
Other prepaid expenses	470.00	407.94
Other receivables	742,075.07	0.00
Total	6,269,854.69	4,690,198.71
10. CASH AND CASH EQUIVALENTS		
Cash and equivalents	10,318,197.49	18,843,541.05
Total	10,318,197.49	18,843,541.05
11. SHARE CAPITAL		
Share capital 1.1.	1,682,000.00	1,682,000.00
Change in share capital	2,500.00	0.00
Share capital 31.12.	1,684,500.00	1,682,000.00
12. DEBTS FALL DUE IN MORE THAN FIVE YEARS	4,182,886.24	4,317,310.94
NON-CURRENT LIABILITIES		
Non-current liabilities from related party	4,483,395.92	4,701,320.80
Total	4,483,395.92	4,701,320.80

NOTES TO THE PARENT COMPANY'S BALANCE SHEET

	2016	2015
13. CURRENT LIABILITIES		
Advanced received		
Advances received from related party	506,297.35	4,079,458.86
Other advances received	936,214.87	1,386,341.09
Total	1,442,512.22	5,465,799.95
Accounts payable		
Accounts payable from related party	28,731.65	65,560.53
Accounts payable from others	6,286,131.66	967,561.62
Total	6,314,863.31	1,033,122.15
Financial liabilities from related party	439,091.46	436,233.16
Tax liability	173,553.48	1,422,071.48
Other liabilities	574.22	623.35
Accrued wages and salaries	1,657,995.99	1,200,067.67
Estimate of expenses not yet charged from TVO	900,576.62	718,597.24
Other accrued expenses and deferred income	1,907,568.27	9,809,286.15
Total	5,079,360.04	13,586,879.05
Current liabilities total	12,836,735.57	20,085,801.15
14. COMMITMENTS		
Contingent liabilities given on own behalf		
Customs liabilities	20,000.00	20,000.00
Contingent liabilities given on behalf of Group companies	2,000,000.00	0.00
Parent company guarantee *		
Other rent liabilities		
Rent liabilities falling due in less than a year	454,640.80	479,242.40
Rent liabilities falling due later	2,654,040.00	3,108,680.80
Total	3,108,680.80	3,587,923.20

Posiva has rented from Teollisuuden Voima Oyj a land area for the final disposal of spent nuclear fuel. The rental period is from July 1, 2003 to June 30, 2103. The rental agreement is subject to notice in case the land area is not suitable for the final disposal of spent nuclear fuel. The rent is checked every two years according to cost-of-living index. The rent was EUR 642,759.51 in 2016 (EUR 643,422.26 in 2015).

*The maximum liability of the calendar year. The guarantee will be valid until August 31, 2027.

SIGNATURES TO THE ANNUAL REPORT AND FINANCIAL STATEMENTS

Helsinki, 14 February 2017

Jarmo Tanhua, Chairman

Pekka Leskelä

Satu Katajala

Marko Nylund

Janne Mokka, President

AUDITOR'S REPORT

To the Annual General Meeting of Posiva Oy

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, the financial statements give a true and fair view of the group's and the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

What we have audited

We have audited the financial statements of Posiva Oy (business identity code 1029258-8) for the year ended 31 December 2016. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the group as well as for the parent company.

BASIS FOR OPINION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

OTHER REPORTING REQUIREMENTS

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors.

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

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

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations requirements.

Other Opinions

We support that the financial statements should be adopted. The proposal by the Board regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki, 29 March 2017

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