Annual report 2018

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Review by the CEO

Towards construction of encapsulation plant

Finland has progressed the furthest in the world in the preparation of final disposal of spent nuclear fuel and this is something we take pride in at Posiva. In 2018, Posiva carried out an assessment of its capabilities for the construction of the encapsulation plant and started the final technical preparation of the underground final disposal repository. The next important milestone objective, to be reached by the end of 2019, is to make the decision on the start of the actual construction stage.

During 2018, work progressed both at the final disposal facility and on the drawing board. Excavations for access connections for vehicles, technical facilities, and a central tunnel for the joint functional test were completed. Production processes, subcontractor chains and cost estimates were finalised in more detail and decisions on the implementation of industrialisation activities were made based on them. The purpose of industrialisation is to simplify processes and improve the manufacturability of components, among others.

One of the most important accomplishments in 2018 was the start of the Full Scale In Situ System Test (FISST) in ONKALO® in the summer. The follow-up of this full-scale final disposal test will continue for several years and it is designed to demonstrate that Posiva's concept for safe final disposal can be implemented according to plans.

Good progress was made last year in the preparation of the construction of the encapsulation plant. The Radiation and Nuclear Safety Authority of Finland (STUK) reviewed and approved the excavation works for the foundations of the encapsulation plant. The preparatory phase of the encapsulation plant project is under way with the selected contractor. The suppliers of most of the main equipment for the encapsulation plant have also been selected and the design of the equipment proceeds. Preparatory works for the implementation of the reinforcement of the personnel shaft are in progress. The raise boring of the canister shaft started in the early part of the year has been almost completed.

In the autumn, Posiva's owners submitted the programme for nuclear waste management (YJH programme) prepared every three years to the Ministry of Employment and the Economy for the next three years (2019–2021). The programme describes Posiva's development and implementation activities for the next three years and gives a preliminary outline for three more years.

The underground research facility ONKALO® was registered as a trade mark within the EU area. The aim is to provide future protection to the ONKALO® brand and the results of Posiva's expertise.

The year 2018 was a successful one for Posiva's subsidiary Posiva Solutions Oy (PSOY). Services have been sold to several different countries and a further increase can be seen in service demand. A significant opening was made in the methodology and technology business sector when two foreign operators agreed to participate in the full-scale final disposal test (FISST), and business activities related to measurement of groundwater flow using the patented Posiva Flow Log (PFL) method started.

Year 2019 is significant to Posiva as the plans for the year include the start of construction of the encapsulation plant, manufacture of main equipment for the encapsulation plant and final specification of technical equipment for the final disposal repository, in addition to excavation works and engineering for the final disposal repository. This means that we, the implementers of the final disposal project, have plenty of new tasks to carry out. For this reason, we start the year by adopting a new approach designed to simplify decision-making in sub-projects while at the same time ensuring that the skills of all the implementers of the final disposal project are utilised efficiently.

Janne Mokka
President
Posiva Oy

Main events

1 Full Scale In Situ System Test FISST started

Installation work for the full-scale final disposal test (FISST) started in ONKALO® in June and backfilling works were completed towards the end of the year. FISST test is designed to demonstrate that Posiva's concept for safe final disposal can be implemented according to plans. The follow-up of the test will go on for several years.

2 Preparation of construction of encapsulation plant progressed

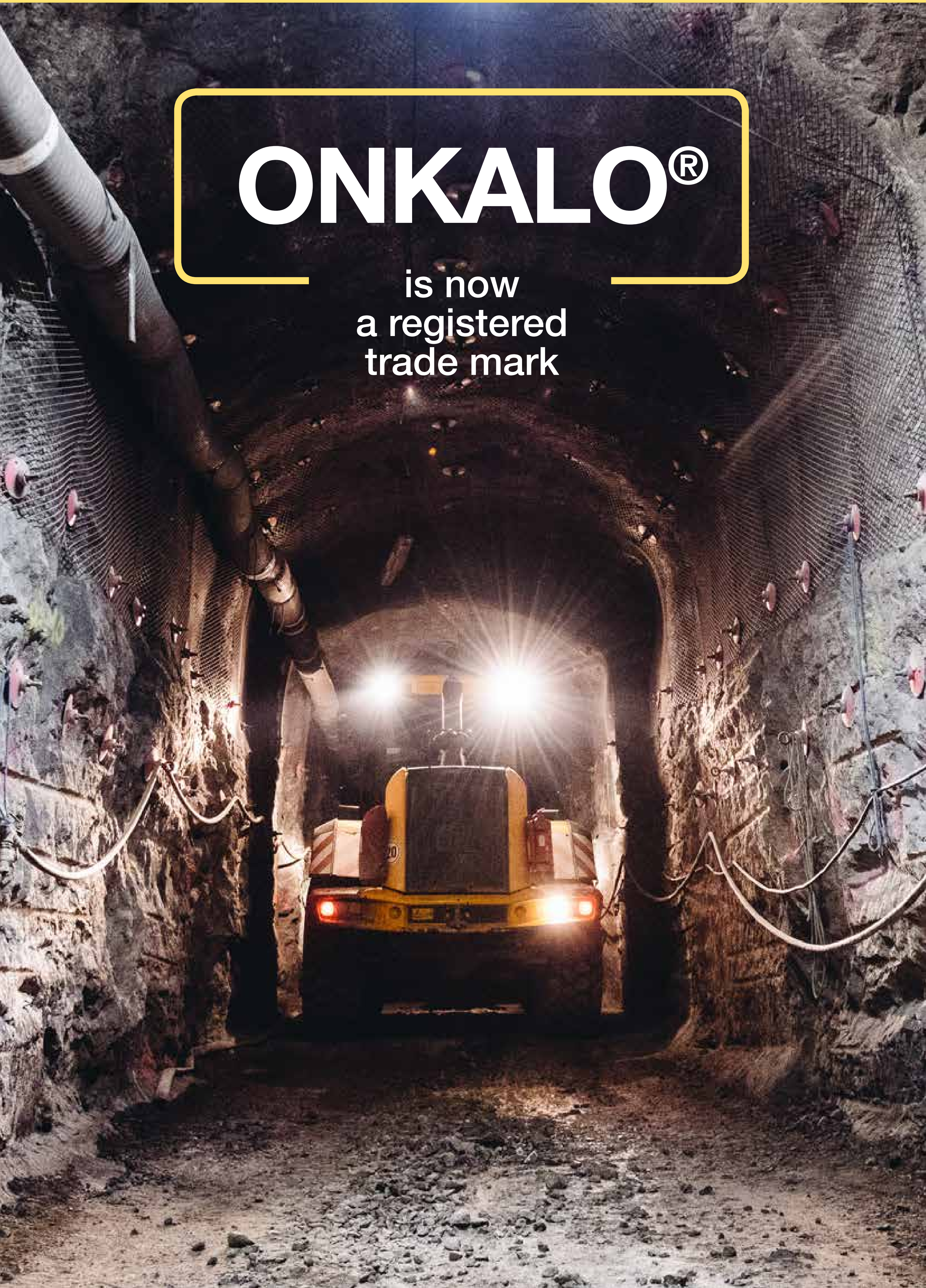
STUK reviewed and approved the excavation works for the foundations of the encapsulation plant. The contract for the encapsulation plant was awarded and the preparatory phase preceding the implementation phase of the construction project continued. The raise boring of the canister shaft has been almost completed.

3 Decision on industrialisation activities

Production processes, subcontractor chains and cost estimates of Posiva were finalised in more detail and decisions on the implementation of industrialisation activities were made based on them. The purpose of industrialisation is to simplify processes and improve the manufacturability of components, among others. The development of industrialisation activities will continue in the upcoming years.

4 Operation of Posiva Solutions Oy continues successfully

Posiva Solutions Oy, which provides expert services related to the final disposal of spent nuclear fuel, expanded its customer base last year. In addition to Finland, services were sold to over ten different countries and a further increase can be seen in service demand. A significant opening was made in 2018 in the methodology and technology business sector when two foreign operators agreed to participate in FISST, and business activities related to measurement of groundwater flow using the patented Posiva Flow Log (PFL) method started.


ONKALO®
is now
a registered
trade mark

Report of 2018 Board of Directors

Research, development and testing

Research, modelling, and tests related to the open points of the final disposal concept were continued. The open points are requirements specified by STUK on the basis of the construction licence application for the encapsulation plant and the final disposal facility which Posiva submitted in 2012, and the associated safety case. The requirements are to be taken into account in the application for the operating licence and the safety case included in it. Main part of open points are done and the rest of them are well planned and in the process. The tasks have been specified with the objective of providing replies to all of STUK's requirements at the latest in the operating licence application.

A comprehensive assessment of the degree of completion and feasibility of the final disposal concept was carried out as part of Posiva's decision-making on proceeding to the construction stage. Although there are still open points in the concept, clear plans have been defined for clearing them up. Based on them, open points are expected to be resolved by the time the operating licence application is submitted. No needs for changes in the concept due to any open points in long-term safety are foreseen. The work on the safety case for the operating licence application has also progressed well enough to warrant confidence in completion according to plans. In other words, the final disposal concept based on current solutions can be implemented.

The approval of the Radiation and Nuclear Safety Authority was obtained for the first construction plans of the copper components of the final disposal canister. The procurement process related to the preparation of canister supplier contracts has been made more straightforward. System documentation related to the bentonite clay buffer surrounding the canister and the backfilling of the final disposal tunnels was submitted to STUK for approval.

One of the most important accomplishments in 2018 was the start of installations for the Full Scale In Situ System Test (FISST) in ONKALO® in the summer. The follow-up of the FISST test will continue for several years and it is designed to demonstrate that Posiva's concept for safe final disposal can be implemented according to plans. The planning of the

test started in 2016, the components and monitoring equipment for the test were produced in 2017, and in 2018, the project proceeded to the implementation of the test. Excavations were carried in demonstration tunnel 2 in ONKALO® for monitoring and maintenance equipment associated with the test. The installation of canisters and buffers according to the requirements took place in the summer, and the backfilling of the tunnel with blocks and pellets started at the end of the summer. Tunnel backfilling was completed in early December, allowing preparations to start for the installation of a filtration and sealing layer prior to the construction and casting of the plug mould. The plug is to be cast during the first quarter of 2019, and this will move the project to the follow-up phase.

Research, development and testing activities were carried out to investigate the industrialisation of the final disposal solution through various methods. The aim of industrialisation is to improve the efficiency of final disposal processes and to simplify the component manufacture and installation methods. The buffer design was updated replacing the previous buffer of a size almost equal to the diameter of the final disposal hole with a bentonite buffer manufactured from several parts. The manufacturing technique was also developed. A buffer of the new type, consisting of several parts, was successfully produced for the second canister in the FISST test. The installation of the buffer round the canister was carried out with success in the test. Studies on the effects of the change on radiation safety during the operating stage as well as on the long-term safety of final disposal did not identify any obstacles to the change. Thus, a decision was made to modify the buffer design to use a buffer consisting of several parts.

Buffer construction and manufacturing technique were updated

Based on bedrock studies and construction of ONKALO®, Posiva has developed a rock suitability procedure designed to identify bedrock areas suitable for final disposal. As a result of the development of the integration of the procedure and the associated studies in the construction process, the lead time of the whole process has become shorter. It has also been possible to change the rock acceptance criteria based on research and modelling activities. The utilisation degree of the bedrock, and particularly the excavated final disposal tunnels, is now estimated to be 95% instead of the previous 80%.

Research and development efforts focusing on other industrialisation activities, such as the backfilling solution for the final disposal tunnels and the procurement process of the bentonite material, have also been continued. The objective is to complete the decision-making associated with this during the spring of 2019.

The monitoring of the final disposal facility and site was continued in accordance with the monitoring programme. The specification and development of a research and monitoring programme for the final disposal facility and site at the operating stage was continued.


Final disposal tunnels,
is now estimated
to be
95%
instead of the
previous 80%

Plant engineering, construction and production

The implementation planning of the encapsulation plant and the final disposal repository as well as the preparation of qualification documentation for the systems of the facilities continued. As the project progressed, designs were prepared for the implementation of the first excavation contract on the final disposal facility, as well as for the reinforcement of the personnel shaft and the canister shaft. Design documents related to rock engineering in the central tunnels have been updated to meet the requirements specified by authorities and to obtain approvals.

For the encapsulation plant, the design focus was on the preparation of construction plan documents for the main equipment of the encapsulation process. The first construction plan documents were submitted to the STUK for approval. This documentation comprised, for example, construction plans of the transfer trolleys for the canister and the transport cask, and the docking stations for the canister and the transport cask. The design of the gantry crane for the reception area and the canister lift progressed during the year.

Progress with construction plans of main equipment for encapsulation process

The design of building systems for the encapsulation plant and the final disposal repository proceeded to the bidding stage.

Good progress was made with the excavation works in the first tunnel contract (LTU1) in the final disposal repository in the early part of the year. About 90% of the excavation works have now been completed. The project will next proceed to safety-classified areas. The sealing of the canister shaft has been implemented, as has also the raise boring of the first three sections, with the fourth under way. A request for bids was sent out for construction work and building systems work in the final disposal repository. The contract will be awarded in early 2019.

Excavations for the foundations of the encapsulation plant have been reviewed and are ready for construction work. The contract for the preparatory stage construction works and building systems work in the encapsulation plant has been done, and the aim is to sign the construction contract in the spring of 2019. Installation of fixtures and equipment is under way in the personnel facilities of the lifting equipment building. These facilities will serve as worksite personnel facilities at the construction stage of the encapsulation building.

The production plan was updated during the year, and a study was conducted concerning logistics for the final disposal facility.

International cooperation

Posiva has continued 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 the Swedish company SKB (Svensk Kärnbränslehantering Ab) have continued their close cooperation, with a shared goal of finalising the final disposal concept and preparing for industrial operational activities at the final disposal facility.

Corporate social responsibility and communications

The progress made in Posiva's final disposal project, and the underground research facility ONKALO® in particular, continued to attract interest among visitors and the media in 2018. A total of ca. 12 000 Finnish and foreign visitors acquainted themselves with the production of nuclear energy and final disposal in the Visitor Centre in Olkiluoto during the year 2018.

Posiva gained visibility in local recruitment and summer events running a joint exhibition stand with TVO. In the summer, a media day was organised by Posiva to announce the start of the full-scale test (FISST). Finnish media was well represented in the media day, and the topic was given extensive coverage. Posiva also arranged together with TVO three visitor days for the international media. One visitor day was dedicated to Finnish media.

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

Environmental impact management

Environmental management is at Posiva implemented by means of the certified environmental management system which also incorporates an energy efficiency system. The key environmental and energy aspects of operation are related to the construction of the final disposal facility and to waste management. The most significant identified environmental risks include fires and oil leaks from work machinery in underground facilities. The implementation of environmental management activities is carried out in collaboration between Posiva and TVO utilising a Group-level approach aiming at continual improvement and increasing the standard of environmental protection.

The solid volume of rock excavated in the construction project of the final disposal facility amounted in 2018 to about 32 500 m^3. The amount of water used in the construction of the tunnel was ca. 30 852 m^3.

Development activities focused in 2018 on the re-cycling of waste and improvement of oil separation capacity, as well as materials for prevention of spills. All waste was utilised as either material or energy, and no waste was delivered to landfill. Preventive and in-service activities related to the actions of the personnel and the maintenance of the equipment were reviewed in order to minimise environmental loading.

0 kg
of waste to landfill

Management system

The management system of Posiva and Posiva Solutions Oy consists of the Management Manual and topical Manuals. The Management Manual provides an overview of the operations carried out by Posiva. The management system defines the processes for the achievement of goals, management of resources, and accomplishment of results. The management system is designed to verify that the encapsulation plant and the final disposal repository will meet the safety criteria specified for them and Posiva's operations are lawful, safe and cost-efficient.

Posiva's management system was updated in 2018 based on the changes that had taken place in the operating environment and external requirements. The harmonisation and integration of Posiva's management system in the procedures of TVO Group and the integrated management system of TVO was continued as part of the updating process.

In May, the independent nuclear safety oversight team NSO of Fortum Power and Heat Oy conducted an assessment of the readiness of Posiva's management system to proceed from the optimisation stage of the final disposal concept and costs into the construction stage.

DNV GL Business Assurance Finland Oy AB carried out the periodic assessment on the ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007 certificates of Posiva and Posiva Solutions Oy in October.

During the year 2018, Posiva implemented according to plans the annual programme, which in addition to the management system includes the management review and internal audits conducted as internal assessment measures of operation. The findings of the assessments and the recommendations issued have been reviewed on the appropriate organisational levels. The required actions have been recorded in monitoring systems and persons responsible for them have been appointed.

Posiva has further intensified cooperation with its suppliers as the implementation stage of the encapsulation plant approaches. In addition to the provision of guidelines, training and control, Posiva audited several suppliers who are important to the project. Alternative suppliers were also searched and assessed in 2018.

Safety and safety culture

As part of the safety culture action plan for 2018–2021, Posiva's safety function implemented the oversight of safety in accordance with the management system. The status of safety and safety culture is good at Posiva. The improvement of the accident rate from May until December without a single occupational accident was a particularly positive result.

The status of safety and safety culture is good at Posiva.

The safety culture survey was conducted for the second time in 2018. As in 2016, a good response percentage of 75% was achieved. Compared with the previous survey carried out in 2016, it can be concluded that the results have improved slightly. However, in some subareas the goals have not been reached, and thus corrective actions were initiated to raise the level. Improvement had taken place in 30 indicators, while 14 are in need of development and 11 have remained unchanged.

Posiva's safety culture action plan was executed without any significant non-conformances. The progress of the action plan as well as the safety indicators were monitored on a regular basis by the Management Group and also reported to Posiva's Board of Directors.

287

days without accidents

at the turn of the year 2018

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

Posiva defines risks as the impact of uncertainty on the objectives of the organisation. The impact may be manifested as 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 risks of the Company can be divided into project stage and production stage risks. The most significant risks at the production stage are related to the procurement costs of backfilling material for the final disposal tunnel and the speed of installation of the backfill.

Other important production stage risks include the size of the organisation at the production stage, the costs incurred due to the arrangements needed for regulatory oversight by STUK, and the effect of sulphide on the technical release barriers. A the project stage, the most significant risks are associated with the unique process equipment for the encapsulation plant, the on-time submission of input data for the safety case to be included in the operating licence application, and the coordination of the schedules of excavations for the final disposal facility and construction work related to building systems.

The solutions adopted in order to reduce the significance of the risks include the industrialisation activities defined already in 2017, the execution of the full-scale system test (FISST), the launching of a project focusing on granular backfill, as well as the preparation and signing of long-term agreements with potential component suppliers, and several other ongoing research and development projects.

Administrative bodies

Board of directors

Teollisuuden Voima Oyj

Jarmo Tanhua, *Chairperson*
Marko Nylund until 13 July 2018
Minna Laakso as of 13 July 2018

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 Janne Mokka has attended the Board meetings.

The Board of Directors convened six 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 following persons also participated in the work of the Management Group: Business Partner for Communication and Representation and Communication Manager Susan Pietilä, General Manager of Posiva Solutions Oy Mika Pohjonen, Hannu Leino as the personnel representative, Senior Vice President, HR, Jaana Isotalo (until 15 January 2018), and HR Specialist and Posiva's Business Partner for HR Leena Wartiainen (as of 15 January 2018).

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

The Management Group convened ten times.

Board of Directors from the left Janne Mokka, Pekka Leskelä, Satu Katajala, Jarmo Tanhua and Minna Laakso.

Committees appointed by the Board

Project Committee

Teollisuuden Voima Oyj
Sami Jakonen, Chairperson
Mikko Winter

Fortum Power and Heat Oy
Eero Mattila
Mirkka Ek

Posiva Oy
Ari Posti
Juha Riihimäki
Petteri Vuorio, Secretary

The Committee convened six times.

Financial Committee

Teollisuuden Voima Oyj
Anja Ussa, Chairperson
Sanna Niemensivu
Timo Palomäki

Fortum Power and Heat Oy
Heikki Ratsula
Jani Halinen
Mika Sappinen

Posiva Oy
Janne Mokka
Jussi Palmu, Secretary
Ari Posti

The Committee convened eight times.

Technical Committee

Teollisuuden Voima Oyj
Tommi Nyman, Chairperson
Timo Palomäki
Anssu Ranta-Aho

Fortum Power and Heat Oy
Harriet Kallio
Maiju Paunonen
Jari Tuunanen

Posiva Oy
Tiina Jalonen
Kari Kaukonen
Ville Heino, Secretary

The Committee convened six times.

Auditors

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

Management team from the left Ari Posti, Petteri Vuorio, Susan Pietilä, Janne Mokka, Kari Kaukonen, Leena Wartiainen, Tiina Jalonen and Juha Riihimäki.

Shareholdings and share series

Posiva Oy is a joint venture of TVO and Fortum Power and Heat Oy. The number of shares in Posiva Oy was 100 005 000 on 31 December 2018. 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.

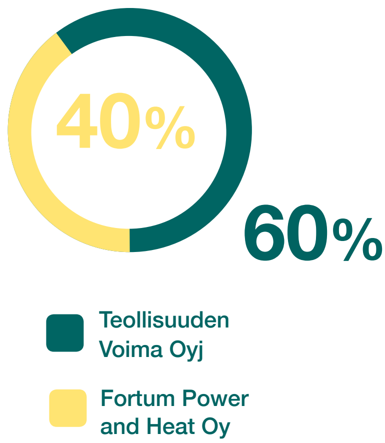
- The A series shares of the Company do not have rights to the assets of the Company, if the Company distributes dividends from profit or assets from the invested unrestricted equity fund, when the dividend or the assets in the invested unrestricted equity fund come from profit distributed by the Company's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

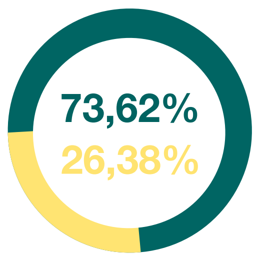
100 000 000

Shareholdings of A series shares



5 000

Shareholdings of B series shares



Personnel and organisation

At the end of the year, Posiva employed 83 persons (79). The figure includes both permanent and fixed-term employment contracts. During the year, Posiva employed an average of 83 (84) persons, some of them on a fixed-term contract and some as summer employees. Posiva's project also employs 40 employees of TVO. During the year 2018, Posiva recruited 4 (7) new employees. Of the permanent staff, 2 (8) persons left Posiva's employment, 0 (1) of them due to retirement.

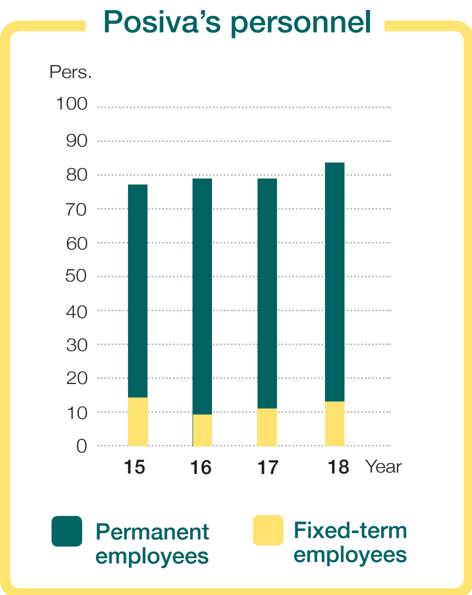
On average, Posiva's employees attended 5.9 (7.5) training days during the year. In addition to internal training and training provided by TVO Group, several employees of Posiva attended the course on nuclear safety and waste management (YJK). Posiva's employees also participated in many training events and seminars outside the Group in their own fields of expertise.

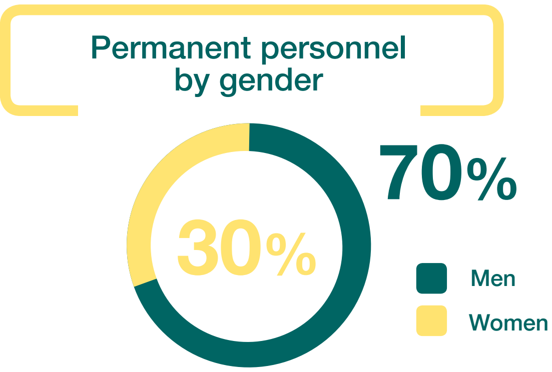
The new collective agreement for senior salaried employees entered in force on 1 February 2018 and is valid until 31 January 2021. The collective agreement for salaried employees is valid from 1 February 2018 until 31 January 2010, and the collective agreement for workers from 1 March 2018 until 31 March 2020.

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 development of Posiva's management and operating culture is based on TVO Group's project "Better workplace". The objective of the project is to secure good preconditions for operation through the development of issues related to the work of the individual, the immediate work community and the whole Group. 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 and supplemented by personnel insurance coverage as well as Smartum's culture and exercise balance.

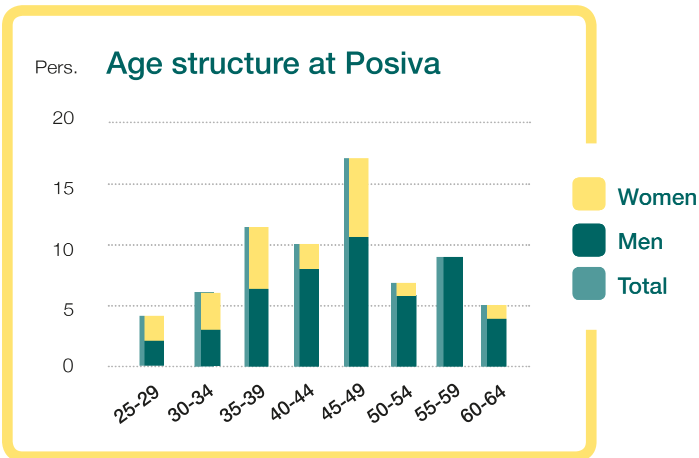
Posiva has business facilities in Olkiluoto in the municipality of Eurajoki, where Posiva's employees work both in the TVO Group's central office and in the office building on the ONKALO® worksite.





Average service period

10 Year



POSIVA ORGANISATION

POSIVA
President
JANNE MOKKA

POSIVA SOLUTIONS OY – PSOY
Managing Director ▸ Mika Pohjonen

PROCUREMENT ▸ Jussi Näveri (TVO)
HR ▸ Leena Wartiainen (TVO)
LEGAL ▸ Sampo Valmunen (TVO)
COMMUNICATIONS ▸ Susan Pietilä (TVO)
EXTERNAL COMMUNICATIONS ▸ Pasi Tuohimaa (TVO)

PROJECT MANAGEMENT	SAFETY	DEVELOPMENT	PLANT ENGINEERING	CONSTRUCTION AND PRODUCTION
Ari Posti	Kari Kaukonen	Tiina Jalonen	Petteri Vuorio	Juha Riihimäki

Ari Maarni — PROGRAM FOR CANISTER AND SPENT FUEL

Petri Koho — PROGRAM FOR BUFFER, BACKFILL AND CLOSURE

Iiro Engren (TVO) — ENCAPSULATION PLANT PROJECT

Kimmo Kemppainen — DISPOSAL FACILITY PROJECT

PROGRAM FOR PREPARATION FOR PRODUCTION — Juha Riihimäki

SAFETY CASE PROGRAM — Anne Kontula

FH1 NUCLEAR WASTE MANAGEMENT SUPPORT (PSOY) — Jere Lahdenperä

Economy and finance

Scope of research and development activities

At present, Posiva's research and development activities consist of the finalising of research projects related to the operating licence for the final disposal solution, as well as the development of industrialisation activities for the production stage. In 2018, a total of ca. EUR 23.7 (25.0) million was spent on R&D, accounting for 32.2% (36.8%) of turnover.

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

Excavation works and engineering for the final disposal facility continue in 2019. Posiva's plans also include the start of construction of the encapsulation plant, manufacture of main equipment for the encapsulation plant and final specification of technical equipment for the final disposal repository.

Distribution of profits

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

Financial statements

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CONSOLIDATED INCOME STATEMENT

	Note	1.1. - 31.12.2018	1.1. - 31.12.2017
Turnover	2	76 725 255.34	71 239 615.36
Other income	3	920 223.13	984 914.47
Materials and services	4	-401 120.92	-683 476.26
Personnel expenses	5	-5 759 802.67	-5 902 358.71
Depreciation	6	-49 921.74	-46 843.66
Other expenses	7	-69 051 214.36	-63 376 907.03
Profit/loss from operations		**2 383 418.78**	**2 214 944.17**
Financial income and expenses	8	-25 059.21	-17 552.28
Profit/loss before appropriations and taxes		**2 358 359.57**	**2 197 391.89**
Income taxes		-474 677.26	-444 992.38
Profit/loss for the financial year		**1 883 682.31**	**1 752 399.51**

CONSOLIDATED BALANCE SHEET

	Note	31.12.2018	31.12.2017
Assets			
Non-current assets	9		
Intangible assets		1 200.32	2 985.26
Tangible assets		145 251.83	134 991.23
Investments		43 366.70	43 366.70
Non-current receivables		1 275 466.04	1 717 806.04
Total non-current assets		1 465 284.89	1 899 149.23
Current assets			
Current receivables	10	8 068 629.51	4 849 959.24
Cash and cash equivalents	11	15 078 788.76	14 664 302.47
Total current assets		23 147 418.27	19 514 261.71
Total assets		**24 612 703.16**	**21 413 410.94**
Equity and liabilities			
Equity	12		
Share capital		1 684 500.00	1 684 500.00
Retained earnings/loss		4 878 122.30	3 125 722.79
Profit/loss for the financial year		1 883 682.31	1 752 399.51
Total equity		8 446 304.61	6 562 622.30
Liabilities			
Non-current liabilities	13	4 185 150.42	4 341 590.74
Current liabilities	14	11 981 248.13	10 509 197.90
Total liabilities		16 166 398.55	14 850 788.64
Total equity and liabilities		**24 612 703.16**	**21 413 410.94**

CONSOLIDATED CASH FLOW STATEMENT

EUR 1 000	2018	2017
Operating activities		
Operating profit/loss	2 383	2 215
Adjustments to operating profit/loss *	50	47
Change in working capital **	-1 744	-1 486
Interest received	18	31
Interest paid	-43	-48
Taxes paid	-475	-445
Cash flow from operating activities	**190**	**313**
Investing activities		
Acquisition of intangible and tangible assets	-58	-13
Repayment of loans granted	425	422
Cash flow from investing activities	**367**	**409**
Financing activities		
Withdrawals of long-term loans	221	221
Repayment of long-term loans	-363	-439
Cash flow from financing activities	**-142**	**-218**
Change in financial assets	**415**	**504**
Financial assets January 1	14 664	14 160
Financial assets December 31	**15 079**	**14 664**
* Adjustments to operating profit/loss		
Depreciation and write-downs	50	47
Total	50	47
** Change in working capital		
Increase (-) or decrease (+) in non-interest-bearing receivables	-3 202	1 638
Increase (+) or decrease (-) in short-term non-interest-bearing	1 458	-3 124
Total	-1 744	-1 486

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES

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.

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

Posiva Oy´s financial statements have been prepared in accordance with Finnish Accounting Standards (FAS) and other laws and regulations governing the preparation of the financial statements in Finland.

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 recognised 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

	2018	2017
2. TURNOVER		
Income, main line of business, related party	72 626 184.67	67 194 330.78
Income, auxiliary line of business, related party	76 806.00	83 657.02
Income, other companies	4 022 264.67	3 961 627.56
Total	76 725 255.34	71 239 615.36
3. OTHER INCOME		
Rental income	21 360.00	59 618.81
Subsidies received	114 272.21	83 274.85
Other income	784 590.92	842 020.81
Total	920 223.13	984 914.47
4. MATERIAL AND SERVICES		
Puchases of services, related party	28 393.17	14 313.17
Puchases of services, other	372 727.75	669 163.09
Total	401 120.92	683 476.26
5. PERSONNEL		
Average number of personnel	85	85
Number of personnel on December 31	85	80
Personnel expenses		
Wages and salaries	4 848 226.89	5 027 717.21
Pension expenses	792 575.81	690 311.85
Other compulsory personnel expenses	118 999.97	184 329.65
Total	5 759 802.67	5 902 358.71
6. DEPRECIATION		
Planned depreciation		
Intangible rights	1 784.94	1 784.89
Other long-term expenditure	0.00	342.09
Machinery and equipment	48 136.80	44 716.68
Total	49 921.74	46 843.66

NOTES TO THE CONSOLIDATED INCOME STATEMENT

	2018	2017
7. OTHER EXPENSES		
Rents	1 506 165.05	1 582 787.71
Internal services	9 267 972.02	9 137 035.08
Research and expert services	7 553 163.40	24 061 108.83
Buildings, machinery and equipment	19 475 796.12	14 649 083.12
Other expenses	31 248 117.77	13 946 892.29
Total	69 051 214.36	63 376 907.03
Acquisition costs of fixed assets used for nuclear waste management are booked as annual expenses under Section 5:1 of the Accounting Law.	29 530 709.68	25 778 905.69
Auditors' fees		
Audit fees	23 000.00	21 000.00
Other services	0.00	8 600.00
Total	23 000.00	29 600.00
8. FINANCIAL INCOME AND EXPENSES		
Interest income and other financial income		
Interest income from long-term loan receivables	17 144.02	20 518.59
Other interest and financial income	591.01	10 416.24
Total	17 735.03	30 934.83
Interest expenses and other financial expenses		
Interest and other financial expenses	42 794.24	48 487.11
Total	42 794.24	48 487.11
Total financial income (+) and expenses (-)	-25 059.21	-17 552.28

NOTES TO THE CONSOLIDATED BALANCE SHEET

	Intangible rights	Other non-current expenditure	Total
9. NON-CURRENT ASSETS			
Intangible assets			
Acquisition cost 1.1.2018	50 767.17	3 046 393.37	3 097 160.54
Acquisition cost 31.12.2018	50 767.17	3 046 393.37	3 097 160.54
Accumulated planned depreciation 1.1.	47 781.91	3 046 393.37	3 094 175.28
Planned depreciation	1 784.94	0.00	1 784.94
Book value 31.12.2018	**1 200.32**	**0.00**	**1 200.32**

	Machinery and equipment	Total
Tangible assets		
Acquisition cost 1.1.2018	1 089 164.52	1 089 164.52
Increase	58 397.40	58 397.40
Acquisition cost 31.12.2018	1 147 561.92	1 147 561.92
Accumulated planned depreciation 1.1.	954 173.29	954 173.29
Planned depreciation	48 136.80	48 136.80
Book value 31.12.2018	**145 251.83**	**145 251.83**

	Investments	Total
Investments		
Acquisition cost 1.1.2018	43 366.70	43 366.70
Acquisition cost 31.12.2018	43 366.70	43 366.70
Book value 31.12.2018	**43 366.70**	**43 366.70**

	2018	2017
OTHER LONG-TERM LOAN RECEIVABLES		
Other loan receivables	1 275 466.04	1 717 806.04
Total	1 275 466.04	1 717 806.04

NOTES TO THE CONSOLIDATED BALANCE SHEET

	2018	2017
10. CURRENT RECEIVABLES		
Trade receivables, other companies	542 733.68	352 248.61
Loan receivables	442 340.00	425 195.98
Prepayment and accrued income, related party	2 679 911.93	8 591.30
Prepayment and accrued income, other companies	470 854.32	897 420.72
Prepaid rent	3 317 550.00	3 096 380.00
Other receivables	615 239.58	70 122.63
Total	8 068 629.51	4 849 959.24
11.CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	15 078 788.76	14 664 302.47
Total	15 078 788.76	14 664 302.47
12. SHARE CAPITAL		
Share capital 1.1.	1 684 500.00	1 684 500.00
Share capital 31.12.	1 684 500.00	1 684 500.00
Retained earnings/loss	4 878 122.30	3 125 722.79
Profit/loss for the financial year	1 883 682.31	1 752 399.51
Total	8 446 304.61	6 562 622.30
13. DEBTS FALL DUE IN MORE THAN FIVE YEARS	4 202 173.00	3 981 006.00
NON-CURRENT LIABILITIES		
Non-current liabilities from related party	4 185 150.42	4 341 590.74
Total	4 185 150.42	4 341 590.74

NOTES TO THE CONSOLIDATED BALANCE SHEET

	2018	2017
14. CURRENT LIABILITIES		
Liabilities from related party	1 991 685.49	1 974 178.46
Other advances received	0.00	59 687.88
Accounts payable from others	4 033 649.54	3 491 750.79
Tax liability	268 073.17	835 220.08
Accrued wages and salaries	1 533 263.42	1 621 445.79
Other liabilities	4 154 576.51	2 526 914.90
Total	11 981 248.13	10 509 197.90
15. COMMITMENTS		
Contingent liabilities given on own behalf		
Customs liabilities	20 000.00	20 000.00
Contingent liabilities given on behalf of Group companies		
Parent company guarantee *)	2 000 000.00	2 000 000.00
Other rent liabilities		
Rent liabilities falling due in less than a year	442 340.00	442 340.00
Rent liabilities falling due later	1 769 360.00	2 211 700.00
Total	2 211 700.00	2 654 040.00

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 651 855,17 in 2018 (EUR 648 486,41 in 2017).

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

PARENT COMPANY'S INCOME STATEMENT

	Note	1.1. - 31.12.2018	1.1. - 31.12.2017
Turnover	2	73 423 426.67	67 901 865.98
Other income	3	920 163.13	984 914.47
Personnel expenses	4	-5 565 264.81	-5 775 934.87
Depreciation	5	-49 921.74	-46 843.66
Other expenses	6	-68 703 330.81	-63 046 788.18
Profit/loss from operations		**25 072.44**	**17 213.74**
Financial income and expenses	7	-25 072.44	-17 213.74
Profit/loss before appropriations and taxes		**0.00**	**0.00**
Profit/loss for the financial year		**0.00**	**0.00**

PARENT COMPANY'S BALANCE SHEET

	Liitetieto	31.12.2018	31.12.2017
Assets			
Non-current assets	8		
Intangible assets		1 200.32	2 985.26
Tangible assets		145 251.83	134 991.23
Investments		45 866.70	45 866.70
Non-current receivables		1 275 466.04	1 717 806.04
Total non-current assets		1 467 784.89	1 901 649.23
Current assets			
Current receivables	9	7 647 727.79	4 125 134.67
Cash and cash equivalents	10	8 486 861.55	10 271 790.90
Total current assets		16 134 589.34	14 396 925.57
Total assets		**17 602 374.23**	**16 298 574.80**
Equity and liabilities			
Equity	11		
Share capital		1 684 500.00	1 684 500.00
Total equity		1 684 500.00	1 684 500.00
Liabilities			
Non-current liabilities	12	4 185 150.42	4 341 590.74
Current liabilities	13	11 732 723.81	10 272 484.06
Total liabilities		15 917 874.23	14 614 074.80
Total equity and liabilities		**17 602 374.23**	**16 298 574.80**

PARENT COMPANY'S CASH FLOW STATEMENT

EUR 1 000	2018	2017
Operating activities		
Operating profit/loss	25	17
Adjustments to operating profit/loss *	50	47
Change in working capital **	-2 061	-285
Interest received	18	31
Interest paid	-42	-47
Cash flow from operating activities	**-2 010**	**-237**
Investing activities		
Acquisition of intangible and tangible assets	-58	-13
Repayment of loans granted	425	422
Cash flow from investing activities	**367**	**409**
Financing activities		
Withdrawals of long-term loans	221	221
Repayment of long-term loans	-363	-439
Cash flow from financing activities	**-142**	**-218**
Change in financial assets	**-1 785**	**-46**
Financial assets January 1	10 272	10 318
Financial assets December 31	**8 487**	**10 272**
* Adjustments to operating profit/loss		
Depreciation and write-downs	50	47
Total	50	47
** Change in working capital		
Increase (-) or decrease (+) in non-interest-bearing receivables	-3 506	2 203
Increase (+) or decrease (-) in short-term non-interest-bearing liabilities	1 446	-2 488
Total	-2 061	-285

NOTES TO THE PARENT COMPANY’S FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES

GENERAL INFORMATION OF THE COMPANY

Posiva Oy is a joint venture company of Teollisuuden Voima Oyj and Fortum Power and Heat Oy. Posiva Oy (1029258-8) is the parent company in Posiva group.

Posiva Oy´s financial statements have been prepared in accordance with Finnish Accounting Standards (FAS) and other laws and regulations governing the preparation of the financial statements in Finland.

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 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 recognised as annual costs during the year in which they were incurred.

NOTES TO THE PARENT COMPANY'S INCOME STATEMENT

	2018	2017
2. TURNOVER		
Income, auxiliary line of business, shareholders	685 588.20	605 453.67
Income, main line of business, related party	72 626 184.67	67 194 330.78
Income, auxiliary line of business, related party	76 806.00	77 749.23
Income, other companies	34 847.80	24 332.20
Total	73 423 426.67	67 901 865.88
3. OTHER INCOME		
Rental income	21 300.00	59 618.81
Subsidies received	114 272.21	83 274.85
Other income	784 590.92	842 020.81
Total	920 163.13	984 914.47
4. PERSONNEL		
Average number of personnel during financial year		
Office personnel	78	80
Manual Workers	5	4
Total	83	84
Number of personnel on December 31		
Office personnel	78	75
Manual Workers	5	4
Total	83	79
Personnel expenses		
Wages and salaries	4 700 195.71	4 906 379.20
Pension expenses	745 934.55	688 762.25
Other compulsory personnel expenses	119 134.55	180 793.42
Total	5 565 264.81	5 775 934.87
5. DEPRECIATION		
Planned depreciation		
Intangible rights	1 784.94	1 784.89
Other long-term expenditure	0.00	342.09
Machinery and equipment	48 136.80	44 716.68
Total	49 921.74	46 843.66

NOTES TO THE PARENT COMPANY'S INCOME STATEMENT

	2018	2017
6. OTHER EXPENSES		
Rents	1 506 165.05	1 582 787.71
Internal services	9 110 079.89	8 964 885.59
Internal services, shareholders	24 821.60	0.00
Research and expert services	21 070 911.13	24 057 382.36
Buildings, machinery and equipment	19 475 796.12	14 649 083.12
Other expenses	17 515 557.02	13 792 649.40
Total	68 703 330.81	63 046 788.18
Acquisition costs of fixed assets used for nuclear waste management are booked as annual expenses under Section 5:1 of the Accounting Law	29 530 709.68	25 778 905.69
Auditors' fees		
Audit fees	17 000.00	17 000.00
Other services	0.00	2 000.00
Total	17 000.00	19 000.00
7. FINANCIAL INCOME AND EXPENSES		
Interest income and other financial income		
Interest income from long-term loan receivables	17 144.02	20 518.59
Other interest and financial income	548.34	10 376.93
Total	17 692.36	30 895.52
Interest expenses and other financial expenses		
Interest and other financial expenses	42 764.80	48 109.26
Total	42 764.80	48 109.26
Total financial income (+) and expenses (-)	-25 072.44	-17 213.74

NOTES TO THE PARENT COMPANY'S BALANCE SHEET

	Intangible rights	Other non-current expenditure	Total
8. NON-CURRENT ASSETS			
Intangible assets			
Acquisition cost 1.1.2018	50 767.17	3 046 393.37	3 097 160.54
Acquisition cost 31.12.2018	50 767.17	3 046 393.37	3 097 160.54
Accumulated planned depreciation 1.1.	47 781.91	3 046 393.37	3 094 175.28
Planned depreciation	1 784.94	0.00	1 784.94
Book value 31.12.2018	**1 200.32**	**0.00**	**1 200.32**

	Machinery and equipment	Total
Tangible assets		
Acquisition cost 1.1.2018	1 089 164.52	1 089 164.52
Increase	58 397.40	58 397.40
Acquisition cost 31.12.2018	1 147 561.92	1 147 561.92
Accumulated planned depreciation 1.1.	954 173.29	954 173.29
Planned depreciation	48 136.80	48 136.80
Book value 31.12.2018	**145 251.83**	**145 251.83**

	Investments	Total
Investments		
Acquisition cost 1.1.2018	45 866.70	45 866.70
Acquisition cost 31.12.2018	45 866.70	45 866.70
Book value 31.12.2018	**45 866.70**	**45 866.70**

OTHER LONG-TERM LOAN RECEIVABLES

	2018	2017
Other loan receivables	1 275 466,04	1 717 806,04
Total	1 275 466,04	1 717 806,04

NOTES TO THE PARENT COMPANY'S BALANCE SHEET

	2018	2017
9. CURRENT RECEIVABLES		
Trade receivables, other companies	392 182.24	348 891.67
Loan receivables	442 340.00	425 195.98
Prepayments and accrued income from shareholders	308 743.36	27 700.00
Prepayments and accrued income from related party	2 679 911.93	8 591.30
Prepayments and accrued income from others	21 636.35	183 675.72
Prepaid rent	3 317 550.00	3 096 380.00
Other deferred income	485 363.91	34 700.00
Total	7 647 727.79	4 125 134.67
10. CASH AND CASH EQUIVALENTS		
Cash and equivalents	8 486 861.55	10 271 790.90
Total	8 486 861.55	10 271 790.90
11. SHARE CAPITAL		
Share capital 1.1.	1 684 500.00	1 684 500.00
Share capital 31.12.	1 684 500.00	1 684 500.00
12. DEBTS FALL DUE IN MORE THAN FIVE YEARS	4 202 173.00	3 981 006.00
NON-CURRENT LIABILITIES		
Non-current liabilities from related party	4 185 150.42	4 341 590.74
Total	4 185 150.42	4 341 590.74

NOTES TO THE PARENT COMPANY'S BALANCE SHEET

	2018	2017
13. CURRENT LIABILITIES		
Financial liabilities from related party	1 965 729.60	1 959 878.46
Advances received from others	0.00	59 687.88
Accounts payable from others	3 993 635.11	3 434 178.96
Tax liability	265 157.43	796 719.67
Accrued wages and salaries	1 481 652.89	1 578 830.55
Accrued expenses from shareholders	684.00	0.00
Other accrued expenses and deferred income	4 025 864.78	2 443 188.54
Total	11 732 723.81	10 272 484.06
14. COMMITMENTS		
Contingent liabilities given on own behalf		
Customs liabilities	20 000.00	20 000.00
Contingent liabilities given on behalf of Group companies		
Parent company guarantee *)	2 000 000.00	2 000 000.00
Other rent liabilities		
Rent liabilities falling due in less than a year	442 340.00	442 340.00
Rent liabilities falling due later	1 769 360.00	2 211 700.00
Total	2 211 700.00	2 654 040.00

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 651 855.17 (EUR 648 486.41 in 2017).

*) 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, 26 February 2019

Jarmo Tanhua, Chairman

Pekka Leskelä

Satu Katajala

Minna Laakso

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 financial period 1 January - 31 December 2018. 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 a 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 to 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 about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance 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 parent company's or the group's internal control.

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

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

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

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

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

OTHER REPORTING REQUIREMENTS

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

Other statements

We support that the financial statements of the parent company and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the result of the accounting period is in compliance with the 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 period audited by us.

Helsinki, 26 March 2019

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