

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Fennovoima Oy is an energy company founded in 2007. Its purpose is to build new nuclear energy production capacity in Finland and to produce electricity at a moderate price for its 64 shareholders. Fennovoima operates on the cost price principle. Shareholders will be entitled to take delivery of electricity generated by the Nuclear Power Plant at cost price in proportion to their ownership in the company. Under this principle, Fennovoima shareholders are responsible for all of the company's costs incurred in nuclear energy production as per the Articles of Association.

The construction of a new nuclear power plant in Finland requires a favourable decision-in-principle from the Finnish Government that must be further ratified by Parliament. To date, Fennovoima has engaged in the preparation of its application for a decision-in-principle and in the planning and preparation of the procurement, planning and construction stages of the nuclear power plant project.

Financial status

The company had no turnover in 2008. The loss for the financial period was EUR 9.2 million (2007: EUR 1.7 million).

The balance sheet total was EUR 7.8 million (EUR 8.7 million), and the equity ratio was 81% (95%). The company's balance sheet is solid and its solvency good.

The Board of Directors proposes that the loss shall be entered in the profit/loss account and that no dividends are paid.

Administration and management

The Annual General Meeting of Fennovoima was held on April 16, 2008. The AGM re-elected Juha Rantanen (chairman), Jari Annala, Håkan Bushke, Henry Fagerström, Pertti Laukkanen, Harri Natunen, Dirk Steinheider, Stefan Storholm and Pekka Rantanen as regular members of the Board of Directors. The AGM re-elected Johan Ahlgren, Mikko Rintamäki and Antti Vilkuna as deputy members of the Board of Directors.

Dirk Steinheider announced that he would be giving up his seat on the Board of Directors at the end of September 2008. An extraordinary shareholders' meeting was convened, and Ralf Güldner was elected as a new regular member to the Board of Directors as of September 1, 2008.

The CEO of the company during the 2008 financial period was Tapio Saarenpää.

The company auditors were PricewaterhouseCoopers Oy, Authorized Public Accountants, with Juha Tuomala, Authorized Public Accountant, as the principal auditor.

Group structure

The majority holding, 66% of Fennovoima shares, is owned by Voimaosakeyhtiö SF and the minority holding, 34%, by E.ON Nordic AB. Fennovoima Oy belongs to the Voimaosakeyhtiö SF Group.

Shares and share issues

Fennovoima has one series of shares and the number of shares at the end of the financial period was 1,600. The number of shares was not altered during the financial period.

During the financial period, the Board of Directors decided on a share capital investment whereby the company's share capital was increased by EUR 0.7 million. With this increase in share capital, shareholders invested a total of EUR 6.5 million in the free invested equity reserve.

Major events during the 2008 financial period

During the 2008 financial period, the company carried out an environmental impact assessment (EIA) procedure at three alternative locations for the nuclear power plant: in Pyhäjoki, in Ruotsinpyhtää and in Simo. The company submitted its EIA program to the Ministry of Employment and the Economy in January 2008, and the EIA report was submitted to the Ministry in October 2008.

At each of the three alternative locations, the company has acquired a contiguous land holding as required for the siting of the nuclear power plant. The company has both purchased and leased parcels of land for this purpose. The company has also set up a local office near each of the three alternative locations.

The company has shortlisted three alternatives for the nuclear power plant unit to be used in the project. The company has conducted a feasibility study for each of these plant alternatives together with the supplier, establishing the safety features of the plant and the key factors involved in adapting the plants to Finnish safety and building regulations.

Scope of R&D

During the financial period, Fennovoima has engaged in a significant amount of research and development. R&D expenditure totalled EUR 3.3 million (EUR 0.4 million), representing 36% (21%) of the company's total expenditure for the financial period.

The principal R&D projects were the feasibility studies on the various power plant options and the EIA procedure together with the separate reports required. Some R&D projects are continuing during 2009, and their results are expected to be crucial for the company's future operations and the implementation of the nuclear power plant project.

R&D expenditure was not capitalized in the company balance sheet during the financial period.

Significant events after the end of the financial period

On January 14, 2009, the company submitted to the Finnish Government an application for a decision-in-principle for the construction of a new nuclear power plant in Finland, as per the Nuclear Energy Act.

At its meeting on February 6, 2009, the Board of Directors decided on a share capital investment whereby the company's share capital will be increased by EUR 0.6 million. With this increase in share capital, shareholders will invest a total of EUR 5.0 million in the free invested equity reserve.

Outlook for 2009

The company is not expected to generate any turnover in the near future and will continue to operate at a loss. The company's expenditure, and hence its loss, is expected to be of the same order of magnitude in 2009 as in the 2008 financial period.

The company does not anticipate making significant investments during the 2009 financial period.