

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Fennovoima Oy is an energy company founded in 2007. The purpose of the company is to build new nuclear energy production capacity in Finland and to produce reasonably priced electricity for its shareholders. Fennovoima operates on cost price principle. The shareholders are entitled to the electricity produced at Fennovoima's plant at cost price in proportion to their share in the company. Under this principle, Fennovoima's shareholders are responsible to carry all the company's costs incurred in the nuclear energy production as defined in the Articles of Association.

The Finnish Government gave Fennovoima a Decision-in-Principle regarding construction of a nuclear power plant on May 2010. This was confirmed on July 2010 by the Finnish Parliament. A positive Decision-in-Principle from the government was required for continuing the nuclear power plant project and it was a prerequisite for the transition to the contracting phase of the project. Fennovoima has so far made numerous project-related studies and has advanced in technical planning, in plant purchasing process and in planning of the contracting and construction phases of the project.

Fennovoima's headquarters is located in Helsinki. The company has local offices in Pyhäjoki and Simo, the two alternative locations for the nuclear power plant.

Financial status

The company had no turnover in 2010. The loss for the financial period was EUR 8.5 million (EUR 11.8 million in 2009).

The total assets were EUR 8.2 million (EUR 4.9 million) and the equity ratio was 88 % (50 %). Fennovoima does not have any long-term liabilities or other interest bearing debt. The balance sheet of the company is solid and its solvency is good.

The Board of Directors proposes that the loss will be entered to the profit/loss account and that no dividends are distributed.

Administration and management

Fennovoima's Annual General Meeting was held on June 22, 2010. The meeting re-elected Juha Rantanen (Chairman), Jari Annala, Ralf Güldner, Pertti Laukkanen, Harri Natunen, Pekka Rantanen and Stefan Storholm as regular members of the Board of Directors. Håkan Buskhe and Henry Fagerström gave up their seats on the Board of Directors on June 30, 2010 and the Annual General Meeting nominated Jonas Abrahamsson and Anders Olsson as regular members of the Board of Directors. Johan Ahlgren, Mikko Rintamäki and Antti Viikuna were re-elected as deputy members of the Board of Directors.

The CEO of the company during the 2010 financial period was Tapio Saarenpää.

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

Group structure

Voimaosakeyhtiö SF (66%) and E.ON Kärnkraft Finland AB (34%) were Fennovoima's owners at the end of the financial period 2010. Fennovoima Oy is a part of the Voimaosakeyhtiö SF group.

Shares and share issues

Fennovoima has one series of shares. All shares are equal in terms of voting right. At the end of the financial period the number of shares was 1,600. The number of shares was not altered during the financial period.

In accordance with the Board decision the share capital was increased in March 2010 by EUR 0.5 million and EUR 4.3 million was added to the free invested equity reserve by the shareholders.

During the financial period the Board of Directors decided also on two separate share capital investments. In the first of these investments that was carried out in summer 2010, the total increase of the share capital was EUR 0.3 million. The shareholders invested in addition a total of EUR 3.0 million into the free invested equity reserve. In accordance with the Board decision of December 2010, the second share capital investment was carried out in January 2011. The share capital was increased by EUR 0.5 million and EUR 4.5 million was added to the free invested equity reserve.

Relevant events during the financial period 2010

The Finnish Government gave Fennovoima a Decision-in-Principle regarding construction of a nuclear power plant in May 6, 2010. According to the Decision-in-Principle of the Government, Fennovoima is to apply for a construction license for the nuclear power plant within five years and to elaborate its plans for final depositing of spent fuel within six years. The Parliament confirmed the Government's Decision-in-Principle by voting on 1st July. The parliament required that the Government contributes to starting assessment and negotiations between Posiva, Posiva's owners and Fennovoima regarding the final depositing of spent nuclear fuel.

The land use plan changes required for Fennovoima's nuclear power plant were completed in both alternative locations for the nuclear power plant, in Pyhäjoki and in Simo. The Ministry of Environment ratified both Kemi-Tornio region's and North Ostrobothnia's nuclear power regional land use plans. Municipal councils of Pyhäjoki and Simo approved the new local master land use plans and detailed land use plans. The city councils of Kemi and Raahel approved the land use plan changes related to the nuclear power plant project.

Fennovoima continued to negotiate on technical solutions and project's implementation with the possible plant suppliers. The company signed technical development agreements with the reactor supplier candidates, Areva NP and Toshiba Corporation Power Systems Company, in December 2010. The work based on the agreements will ensure that the reactors fulfill the Finnish safety requirements and Fennovoima's own technical requirements.

Both of the company's shareholders signed in December 2010 a commitment to finance the project in 2011.

Scope of the Research and Development activities

During the financial period, Fennovoima has carried out significant research and development activities. EUR 1.5 million (EUR 3.3 million in 2009 and EUR 3.3 million in 2008) were booked as direct R & D costs. This amounts 18% (28% in 2009 and 36% in 2008) of the company's total costs during the financial period. In addition, significant share of the organization's salary costs were directed for research and development activities.

The key R & D projects were related specifically to feasibility studies of the power plant and the location alternatives, environmental studies and other technical studies. The R & D projects continue partly during the financial period 2011. The results of the studies are expected to be essential for the future operations of the company and implementing the nuclear power plant project.

The R & D costs were not capitalized in the company balance sheet during the financial period.

Relevant events after the end of the financial period

Fennovoima's Board of Directors decided on February 15, 2011 on a share capital investment, in which the share capital will be increased by EUR 0.5 million in April 2011. In connection of the share capital increase shareholders will invest EUR 4.5 million into the free invested equity reserve.

Outlook for 2011

The company is not expected to generate turnover in the near future and therefore, the company will continue to operate at a loss. During the financial period 2011, the costs and losses are expected to increase outstandingly due to the expansion of activities.

The company does not expect to make any significant investments during the financial period 2011.