

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 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 in May 2010. This was confirmed in 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 Oulu and Pyhäjoki.

Financial status

The company had no turnover in 2011. The loss for the financial period was EUR 3.6 million (EUR 8.5 million in 2010).

The total assets were EUR 31.1 million (EUR 8.2 million) and the equity ratio was 85.4 % (88 %). 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 April 11th, 2011. The meeting re-elected Juha Rantanen (Chairman), Jonas Abrahamsson, Jari Annala, Ralf Guldner, Pertti Laukkanen, Harri Natunen, Anders Olsson, Pekka Rantanen and Stefan Storholm as regular members of the Board of Directors. The Annual General Meeting nominated Johan Ahlgren, Pekka Ottavainen and Mikko Rintamäki as deputy members of the Board of Directors. Mikko Rintamäki's deputy membership ended on May 31st, 2011.

The CEO of the company during the 2011 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 2011. 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 made in December 2010, the share capital was increased in January 2011 by EUR 0.5 million and EUR 4.5 million was added to the free invested equity reserve by the shareholders.

During the financial period the Board of Directors decided also on four separate share capital investments. Three of these were executed during the financial period in April, July and October. The total increase of the share capital was EUR 1.5 million and at the same time, shareholders invested EUR 13.5 million into the free invested equity reserve. The fourth investment in share capital is to be carried out by the end of February 2012. This increase will be EUR 0.8 million and EUR 7.2 million will be added to the free invested equity reserve.

Relevant events during the financial period 2010

In July 2011 Fennovoima sent bid invitations for the suppliers candidates Areva NP and Toshiba Corporation Power Systems Company.

The location of the nuclear power plant site was published on October 5th, 2011. According to the decision, the power plant will be constructed in Pyhäjoki, located in Northern Ostrobothnia. In the choice, especially safety, environmental aspects, technical feasibility, construction costs as well as the ability and willingness of the municipality to have a giant project were taken into account. The land planning changes needed for the nuclear power plant were completed in 2010.

Both shareholders of the company signed in October 2011 a commitment to finance the project during the first half of 2012.

Scope of the Research and Development activities

Fennovoima has carried out research and development activities during the financial period. EUR 0.3 million were booked as direct R & D costs (EUR 1.5 million in 2010 and EUR 3.3. million in 2009) which equals 9 % (18% in 2010 and 28% in 2009) of the total costs for the financial period.

Relevant events after the end of the financial period

The bids from the plant supplier candidates arrived in January 2012.

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 2012, the costs are expected to increase due to the expansion of activities.