

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 a local office in Pyhäjoki and an office space in Oulu.

Financial status

The company had no turnover in 2012. The loss for the financial period was EUR 5.5 million (EUR 3.6 million in 2011).

The total assets were EUR 52 million (EUR 31.1 million) and the equity ratio was 85.6 % (85.4 %). 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 10th, 2012. The meeting elected Juha Rantanen (Chairman), Jonas Abrahamsson, Jari Annala, Ralf Güldner, Pertti Laukkanen, Anders Olsson, Pekka Rantanen, Stefan Storholm, Johan Ahlgren, Svante Nilsson and Pekka Perä as regular members of the Board of Directors. The Annual General Meeting nominated Pekka Ottavainen, Antti Koskelainen and Willibald Kohlpaintner as deputy members of the Board of Directors.

The membership of Jari Annala ended on August 29th, 2012 and the membership of Juha Rantanen ended on September 11th 2012. Antti Koskelainen and Pekka Ottavainen were elected as regular members of the BoD and Toni Hemminki and Jussi Lehto as deputy members of the BoD on September 17th 2012. Pekka Ottavainen was elected as chairman of the BoD on 17th September 2012. Jonas Abrahamsson's membership in the BoD ended on December 12th 2012.

During January 1st 2012 to September 30th 2012 the CEO of Fennovoima was Tapio Saarenpää. During October 1st to December 31st the CEO was Juha Nurmi.

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 2011, the share capital was increased in February 2012 by EUR 0.8 million and EUR 7.2 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 equity investments. Three of these were executed during the financial period in May, September and December. The total increase of the share capital was EUR 1.9 million and at the same time, shareholders invested EUR 17.5 million into the free invested equity reserve. The fourth equity investment was carried out in January 2013, when EUR 4 million was invested to the free invested equity reserve.

Relevant events during the financial period 2012

Fennovoima received bids for plant supply from Areva NP and Toshiba Corporation Power Systems Company and started negotiations with both suppliers. The supplier will be selected in 2013.

In March 2012, the Ministry of Employment and the Economy set a nuclear waste management working group to steer assessment of nuclear power companies for alternatives for final disposal of spent nuclear fuel. The group was led by the Ministry and has representatives from Fennovoima, Posiva, TVO and Fortum. The final report of the working group was published on January 10th 2013.

In April 2012, the administrative court of Oulu dismissed complaints submitted related to Pyhäjoki and Raahe detailed land use plan and local master land use plan. A complaint about the decision has been submitted to supreme administrative court.

Both owners of the company signed in autumn 2012 a commitment to finance the company's operations with EUR 33 million.

On October 24th 2012 E.ON announced it starts a process for selling all its businesses in Finland, including its 34% share in Fennovoima.

Scope of the Research and Development activities

Fennovoima has carried out research and development activities during the financial period. EUR 0.2 million were booked as direct R & D costs (EUR 0.3 million in 2011 and EUR 1.5 million in 2010) which equals 4 % (9% in 2011 and 18% in 2010) of the total costs for the financial period.

Relevant events after the end of the financial period

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Outlook for 2013

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 2013, the costs are expected to be in the same level as in 2012.