

## **ANNUAL REPORT OF THE BOARD OF DIRECTORS**

The purpose of Fennovoima is to build a new nuclear power plant 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. In 2011, Pyhäjoki in Northern Ostrobothnia was selected as the site for the nuclear power plant. Fennovoima and Rosatom Overseas, subsidiary of the Russian Rosatom, signed plant supply agreement in December 2013.

Fennovoima's head office is located in Helsinki. The company has an office in Pyhäjoki and office space in Oulu.

### **Company structure**

Fennovoima is owned by Voimaosakeyhtiö SF (100 %). Fennovoima is a part of the Voimaosakeyhtiö SF group.

### **Administration and management**

Fennovoima's Annual General Meeting was held in 27.3.2013. The meeting elected Pekka Ottavainen (Chairman), Antti Koskelainen, Pertti Laukkanen, Pekka Perä, Pekka Rantanen, Stefan Storholm, Jussi Lehto, Jarmo Herronen and Toni Hemminki as regular members of the Board of Directors. Svante Nilsson and Marko Haapala were elected as deputy members. Svante Nilsson's deputy membership ended 18.12.2013.

During the financial period 2013, Juha Nurmi has been the CEO of Fennovoima.

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

### **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 January 2013, an equity investment was carried out, based on the Board decision made in December 2012. EUR 4.0 million was invested in the free invested equity reserve.

During the financial period the Board made a decision on EUR 17.5 million investment in the free invested equity reserve. The investment was carried out in March.

## Financial status

The company had no turnover in 2013. The loss for the financial period was EUR 2.6 million (5.5 million in 2012). The total assets were EUR 67.6 million (52.0 million) and the equity ratio was 87,8 % (85,6 %). 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.

## Relevant events during the financial period 2013

In February, Fennovoima Board invited Toshiba Corporation Power Systems Company to direct negotiations concerning the 1600 MW EU-ABWR boiling water reactor supply. In February, Fennovoima also started assessing suitability of mid-sized reactor for the project. In April, Fennovoima Board invited the Russian Rosatom to direct negotiations concerning the 1200 MW AES-2006 pressurised water reactor supply. Starting from July, Fennovoima concentrated on negotiating only with Rusatom Overseas, subsidiary of Rosatom. Fennovoima and Rusatom Overseas signed a project development agreement in July. In September, Fennovoima made its owners investment decision proposal for the AES-2006 nuclear power plant. In 21.12.2013 Fennovoima and Rusatom Overseas signed plant supply contract for the Hanhikivi 1 nuclear power plant, to be constructed in Pyhäjoki. The final investment decision is made in the first part of 2014. At the same time, 34 % share of Fennovoima ownership will be transferred to Rosatom.

Fennovoima was represented in the nuclear waste management working group set by the Ministry of Employment and the Economy. The purpose of the group was to steer the joint assessment of all nuclear power companies concerning the alternatives for final disposal of spent nuclear fuel. The final report of the working group was published in 10.1.2013. The key recommendation of the report is that it is purposeful and cost efficient to aim at an optimized solution in the final disposal and utilize the competence and experience gained in the field by Posiva.

In the end of 2013, E.ON announced it will launch a process aiming at selling all its businesses in Finland, including its 34 % share in Fennovoima. In February 2013, Voimaosakeyhtiö SF purchased E.ON's share of Fennovoima. As a result, Fennovoima ownership was totally transferred to Voimaosakeyhtiö SF.

Pyhäjoki and Raahe nuclear power land use plans were legally enforced in June, when the appeals concerning Hanhikivi nuclear power plant area component master plan and the detailed plan were rejected in the Supreme Administrative Court.

In July, the Ministry of Employment and the Economy required Fennovoima additional assessments concerning Rosatom nuclear power plant. In September, Fennovoima delivered the Finnish radiation and nuclear safety authority reports for the safety assessments of the Rosatom nuclear power plant and launched Environmental Impact Assessment (EIA) by submitting the Ministry the EIA programme. The EIA report will be completed in February 2014.

## Scope of the Research and Development activities

Fennovoima has carried out research and development activities during the financial period. EUR 0.1 million were booked as direct R & D costs (EUR 0.2 million in 2012 and EUR 0.3. million in 2011) which equals 2 % (4 % in 2012 and 9 % in 2011) of the total costs for the financial period.

**Environmental matters**

Fennovoima has an environmental policy in force, updated in 2013. In 2013, Fennovoima has prepared water licensing application for implementing the water works and construction related to the nuclear power plant project in Pyhäjoki. In August, Fennovoima started the Environmental Impact Assessment to complement the Environmental Impact Assessment completed in 2008. The EIA process continues in 2014. The environmental costs related to research and license applications were EUR 0.4 million in total (EUR 0.3 million in 2012).

**Major risks and uncertainties**

The major financial risks in the development and construction phase of the nuclear power plant are related to cost estimate exceeding and delayed commissioning. The development and construction phase of the project lasts altogether about 10 years, during which the unit price of work as well as various raw materials may increase or decrease depending on the general economic developments.

Fennovoima aims at hedging from these risks by requiring that the power plant is designed to be as mature as possible before starting construction works and by basing its own purchases to fixed-priced contracts. The target of the risk management of the company is to support the aims set for the operations and to prevent emergence of negative impacts by identifying risks at the earliest possible stage and by making actively corrective and preventive measures.

**Relevant events after the end of the financial period**

There were no relevant events after the financial period.

**Outlook for 2014**

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 2014, the costs are expected to increase significantly, one of the reasons being starting the preparing of the construction license application.