



# Neste Oil

***In connection with the proposed separation of Neste Oil from Fortum Corporation, this presentation was given recently to research analysts from a number of institutions***

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# **Company Overview**

# Neste Oil Management

| Neste Oil Executive Team |   |           |                            |
|--------------------------|---|-----------|----------------------------|
| Name                     | Title   | Year Born | Number of Years in Company |
| Risto Rinne              | President and Chief Executive Officer             | 1949      | 30 Years                   |
| Petri Pentti             | Chief Financial Officer (Formerly CFO of Finnair) | 1962      | Since August 2004          |
| Jarmo Honkamaa           | Executive Vice President, Oil Refining            | 1956      | 18 Years                   |
| Matti Peitso             | Executive Vice President, Oil Retail              | 1952      | 25 Years                   |
| Risto Näsi               | Executive Vice President, Shipping                | 1957      | 22 Years                   |
| Kimmo Rahkamo            | Executive Vice President, Components              | 1962      | 15 Years                   |
| Juha-Pekka Kekäläinen    | Senior Vice President, Corporate Development      | 1962      | 18 Years                   |
| Leena Haataja            | Senior Vice President, Human Resources            | 1958      | Since June 2004            |
| Osmo Kammonen            | Senior Vice President, Communications             | 1959      | Since September 2004       |
| Matti Hautakangas        | General Counsel                                   | 1963      | 2 Years                    |

# Neste Oil is a Leading Northern European Refining Company



- A leading independent Northern European refining and marketing company
- Focus on high quality refined petroleum products with reduced environmental impact
- Committed to world-class operational and financial performance

# Overview of Neste Oil Portfolio

## Oil Refining<sup>(1)(2)</sup>

| €MM                     | 2004  |
|-------------------------|-------|
| EBITDA                  | 649   |
| Operating Profit        | 573   |
| Net Assets              | 1,266 |
| RONA <sup>(3)</sup> (%) | 50.4  |

## Oil Retail<sup>(1)(2)</sup>

| €MM                     | 2004 |
|-------------------------|------|
| EBITDA                  | 78   |
| Operating Profit        | 48   |
| Net Assets              | 296  |
| RONA <sup>(3)</sup> (%) | 15.9 |

## Shipping<sup>(1)(2)</sup>

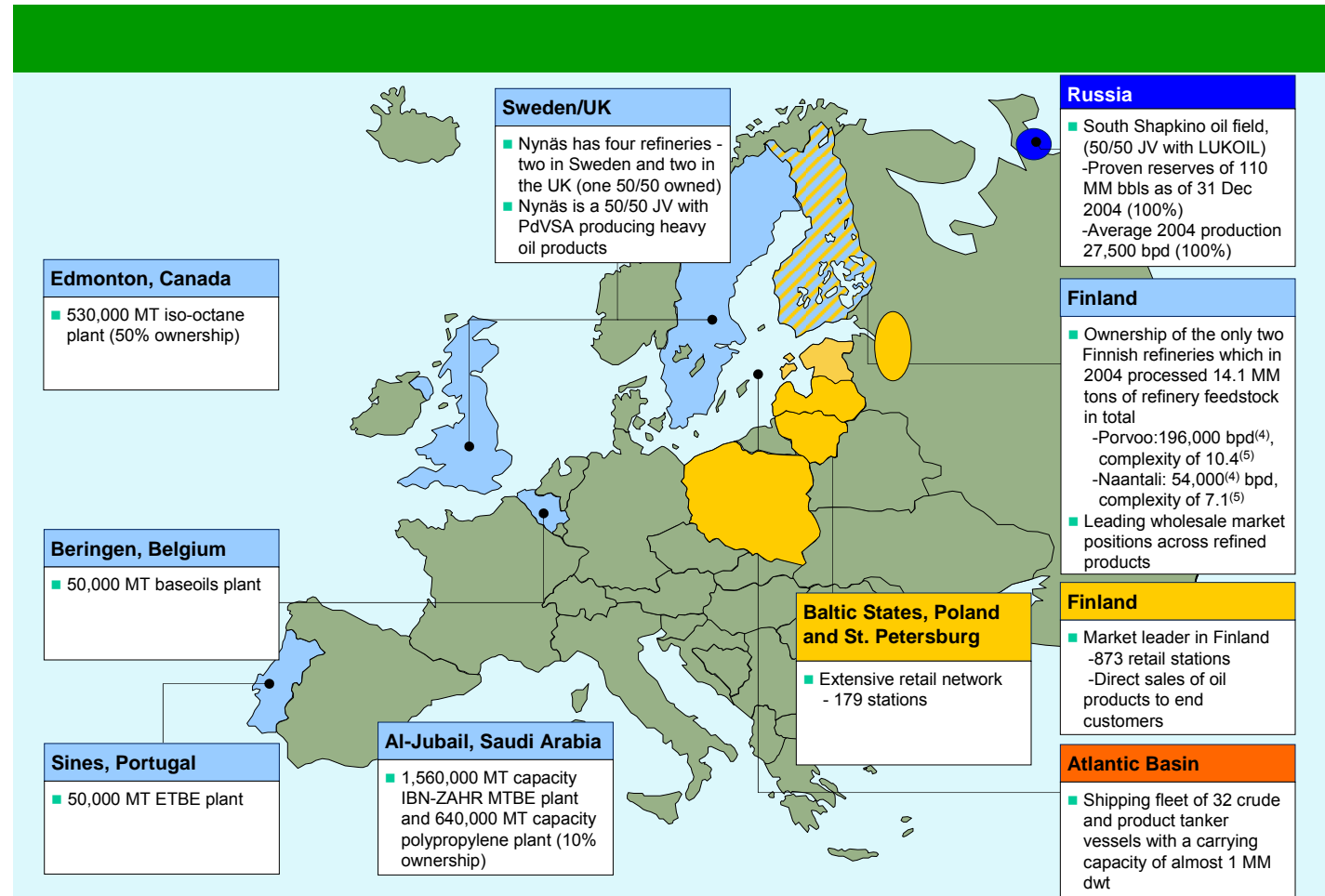
| €MM                     | 2004 |
|-------------------------|------|
| EBITDA                  | 111  |
| Operating Profit        | 99   |
| Net Assets              | 193  |
| RONA <sup>(3)</sup> (%) | 63.1 |

## Oil Other<sup>(1)(2)</sup>

| €MM                     | 2004 |
|-------------------------|------|
| EBITDA                  | (7)  |
| Operating Profit        | (7)  |
| Net Assets              | 13   |
| RONA <sup>(3)</sup> (%) | -    |

## Neste Oil<sup>(1)(2)</sup>

| €MM                     | 2004  |
|-------------------------|-------|
| EBITDA                  | 830   |
| Operating Profit        | 712   |
| Net Assets              | 1,765 |
| ROCE <sup>(3)</sup> (%) | 44.6  |

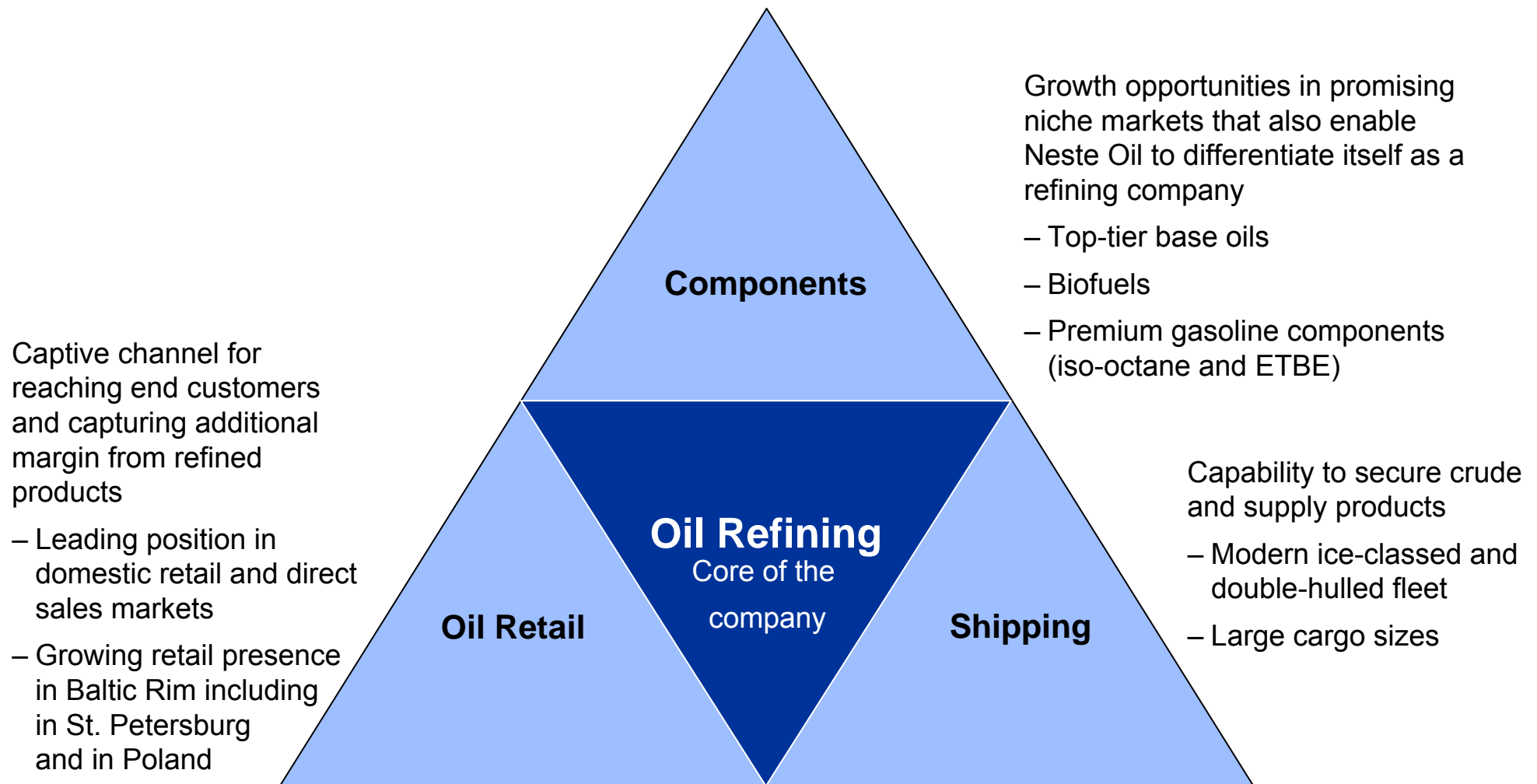


Oil Refining Oil Retail Shipping Oil Other

### Notes

1. According to Finnish GAAP
2. Represents Neste Oil's preliminary, unaudited carve-out financial information to be published on 14 March by Fortum Corp.
3. Pre-tax
4. Atmospheric distillation capacity
5. Calculated by Neste Oil using Oil and Gas Journal formula

# Our Portfolio Consists of Businesses with Complementary Roles





# Industry Trends Supportive of Neste Oil Strategy

- Tightening refining capacity results in more volatile margins at higher levels
- Increasing regional product imbalances create attractive export opportunities
- Specification changes provide opportunities for advanced refiners
- Changes in global crude slate and in regional crude flows from Russia reposition Neste Oil closer to crude sources

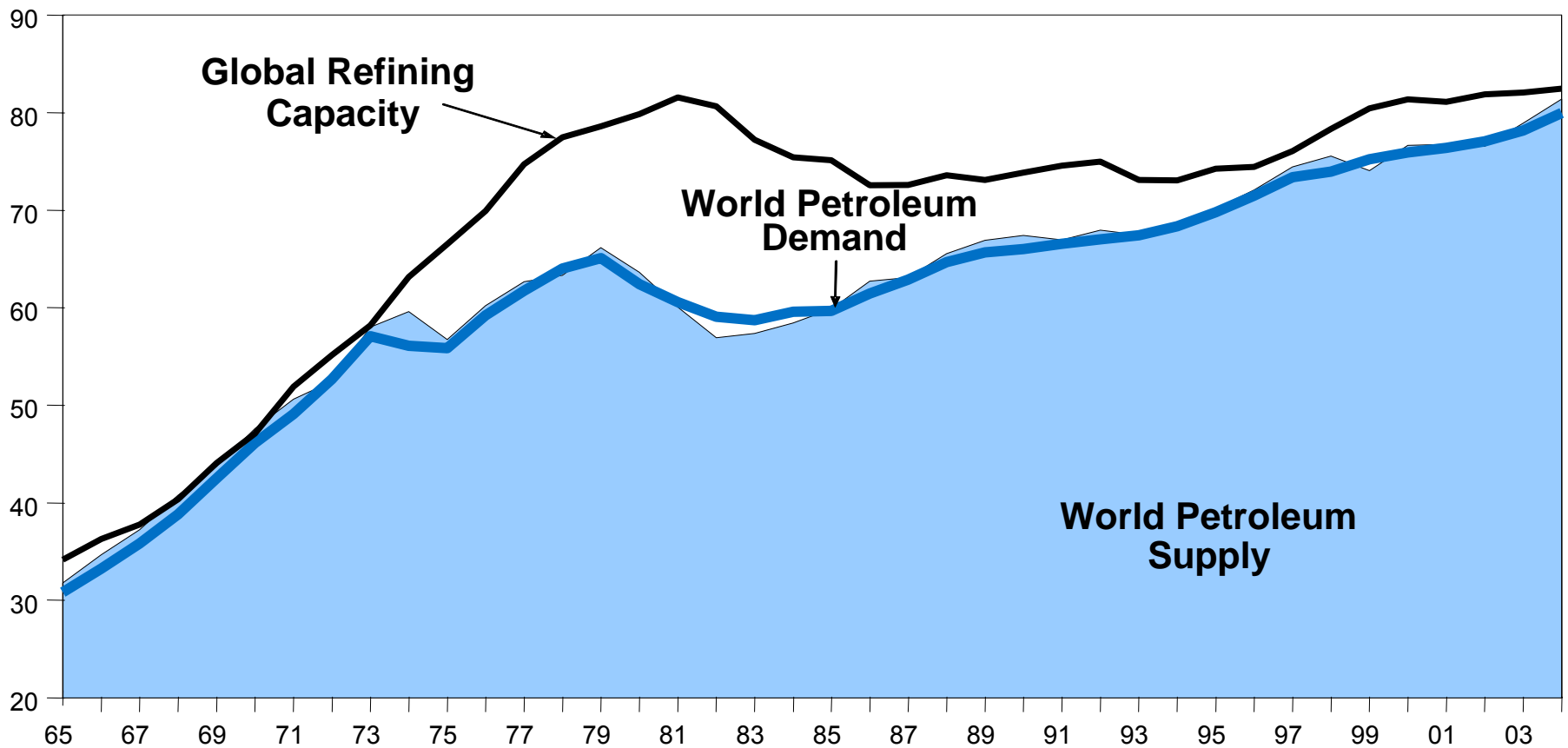


A leading Northern European refining company with focus on high quality petroleum products with reduced environmental impact, committed to world-class operational and financial performance

# Refining Market is Tightening Globally

## Oil consumption and refining capacity

Million barrels per day



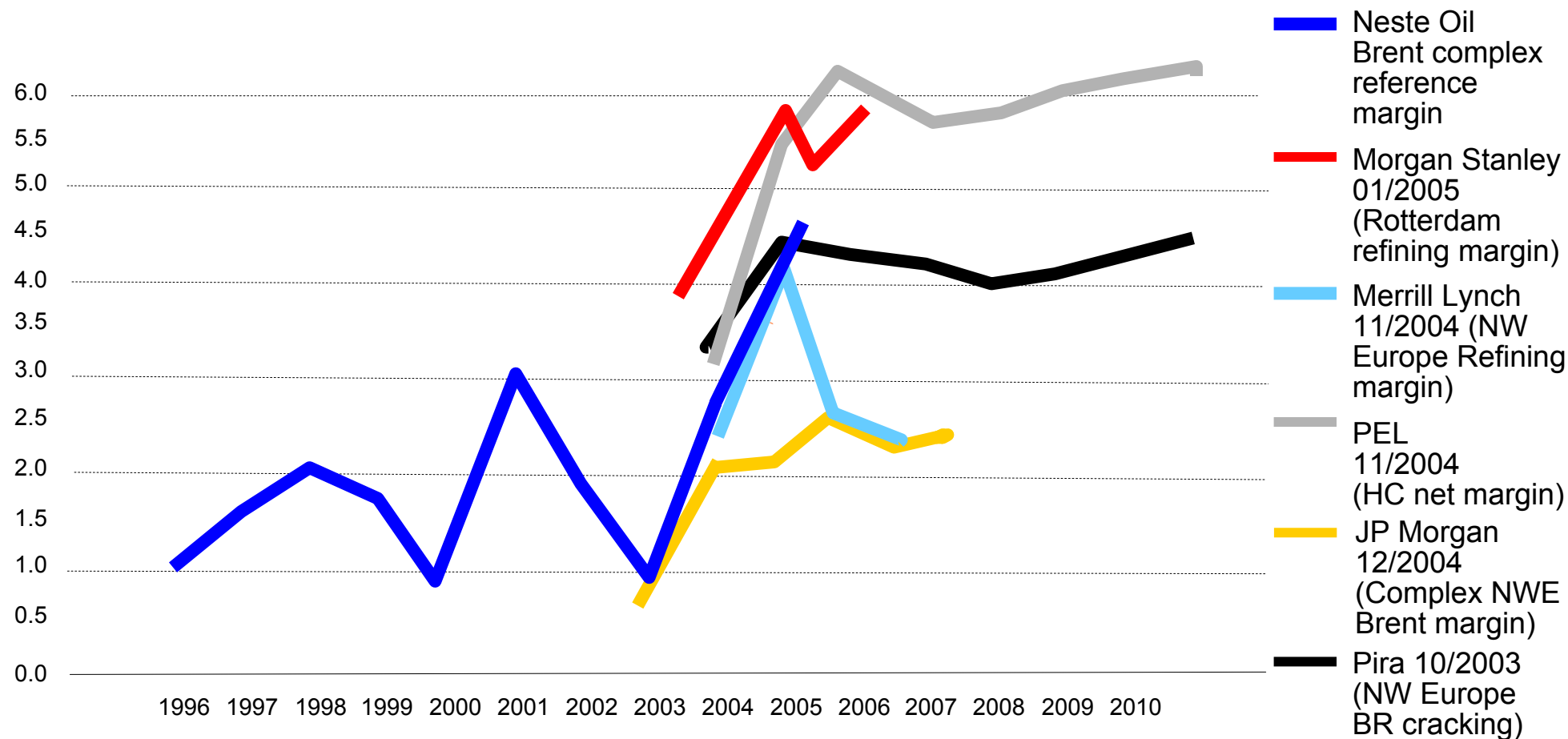
Source IEA, broker research

# More Volatile Refining Margins at Higher Levels

Forecasts for North-West European refining margins

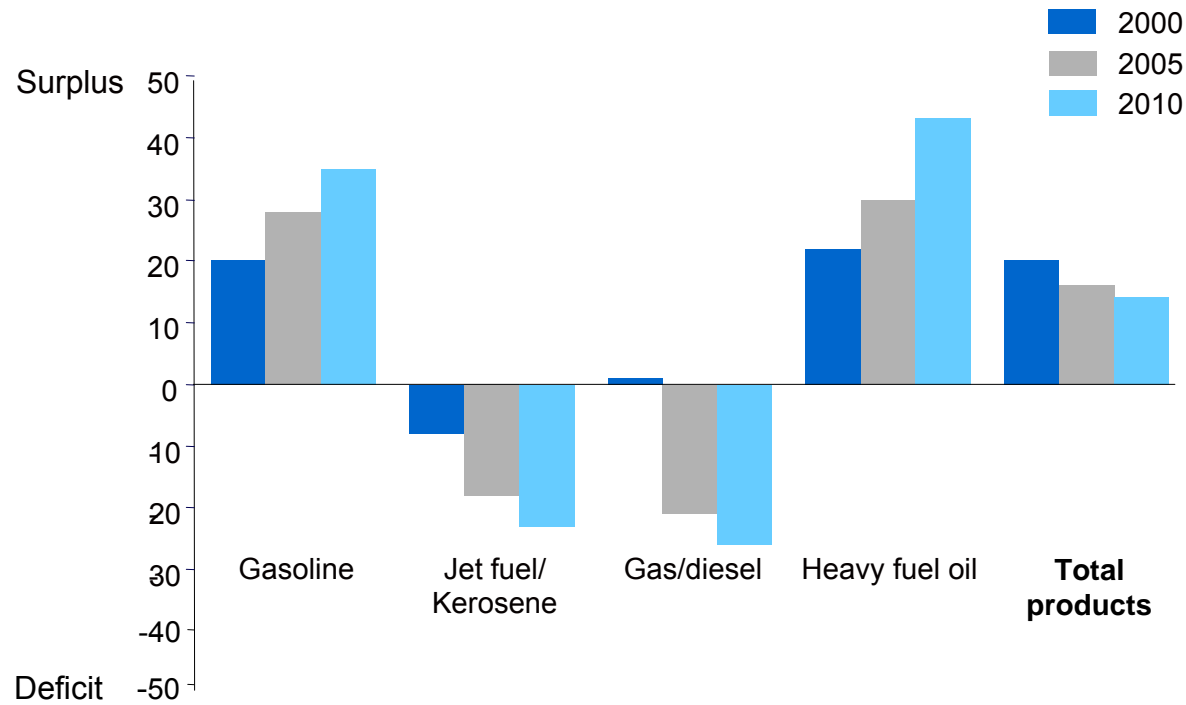
USD / bbl

01/2005

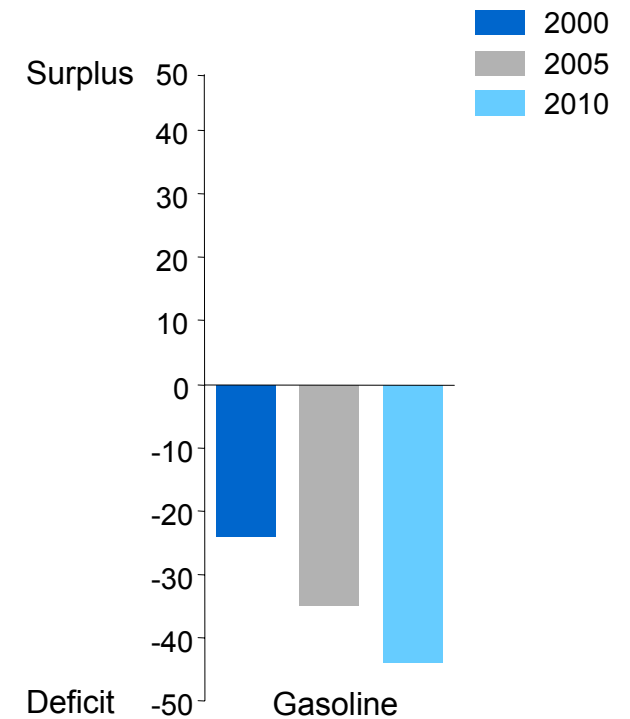


# Increasing Market Imbalances Create Attractive Export Opportunities

**European product balances**  
Million tons / year



**US<sup>(1)</sup> Gasoline balance**  
Million tons / year

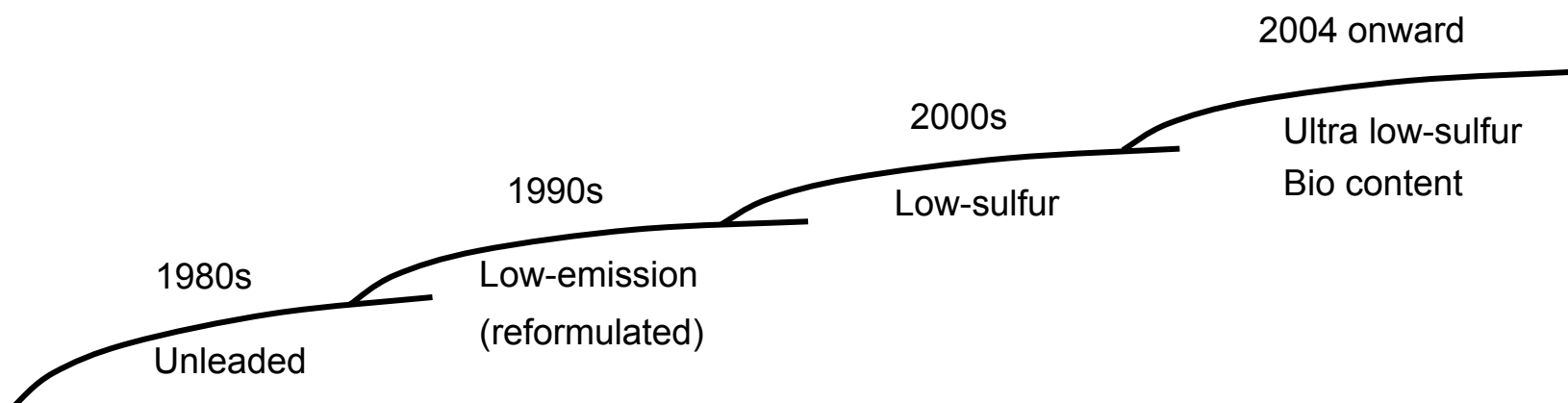


Source Wood Mackenzie (2002)

Note  
1. US Atlantic basin deficit

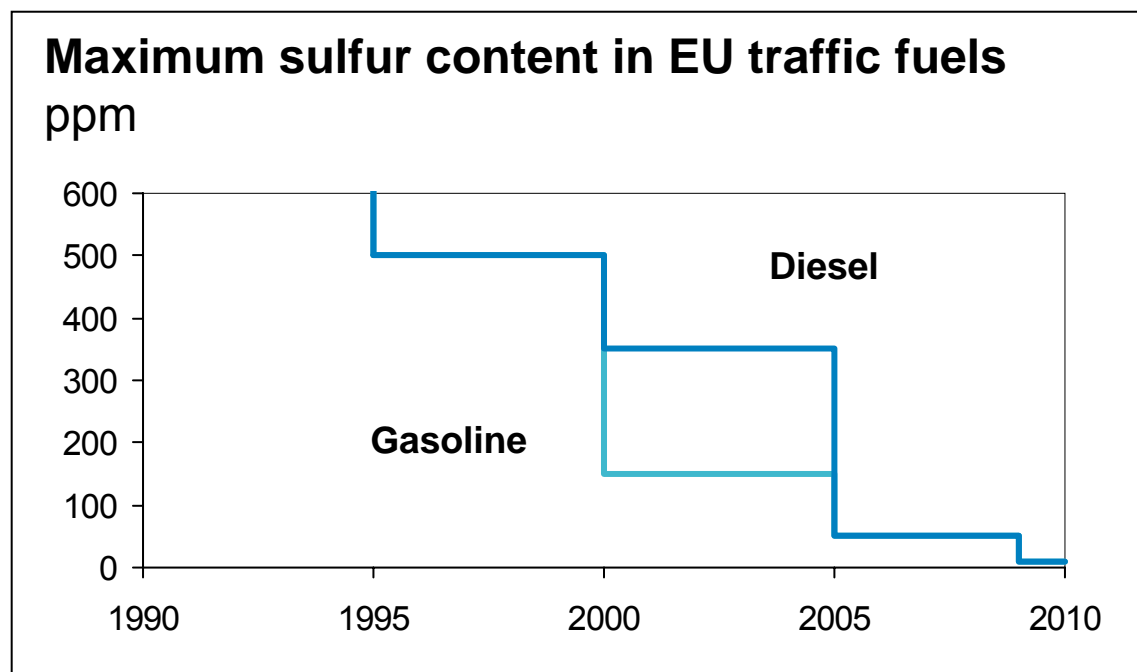
# More Strict Specifications Provide Opportunities for Neste Oil

## Evolution of traffic fuel specifications



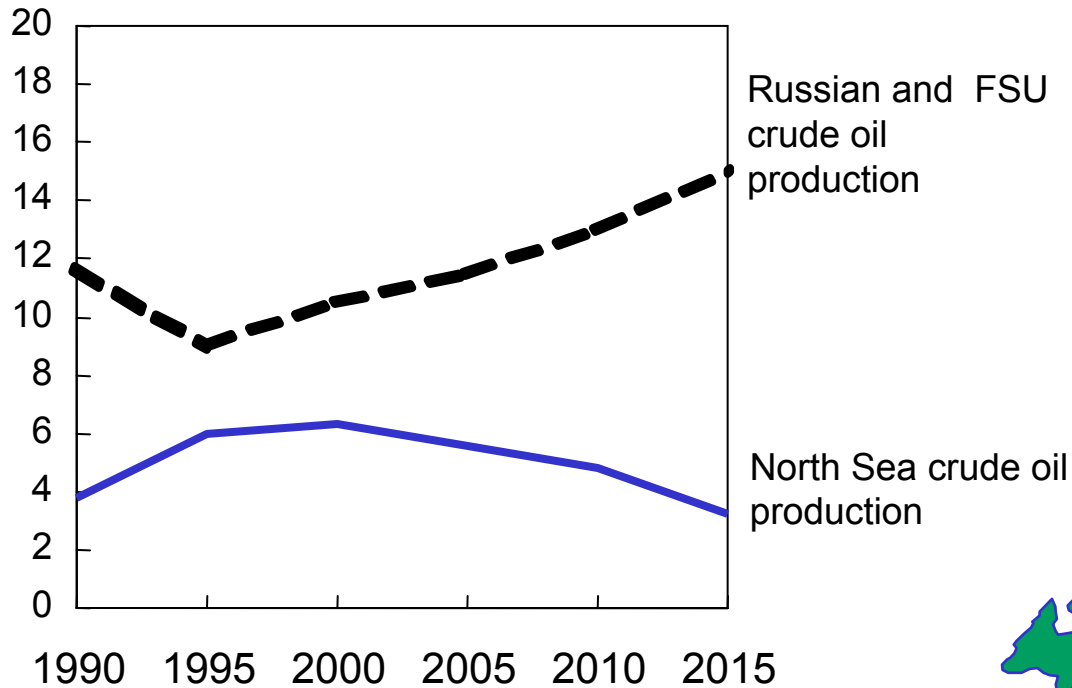
**Opportunity to leverage transition periods**

- Tax incentives
- Temporary shortages



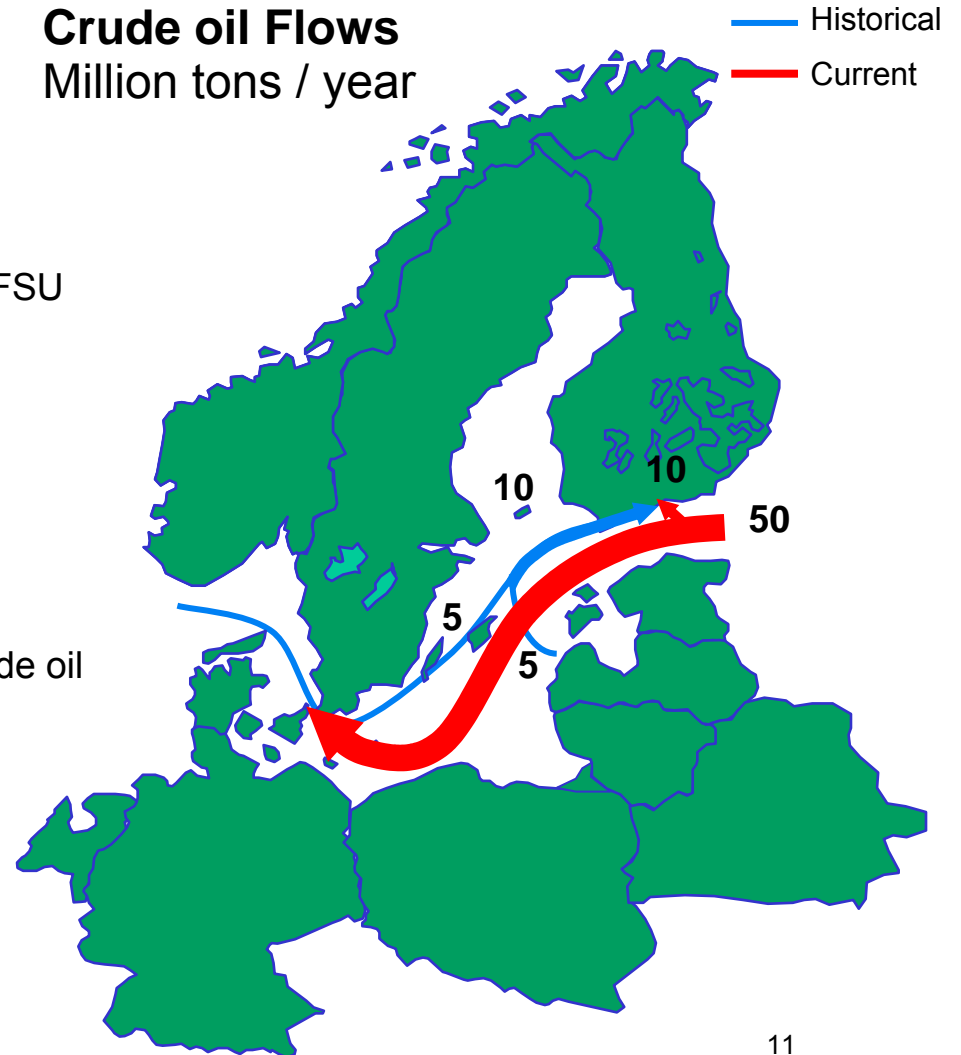
# Increasing Crude Flows from Russia Reposition Neste Oil from Off-site to On-site

**North Sea and Russian Crude Oil production**  
Million barrels / day



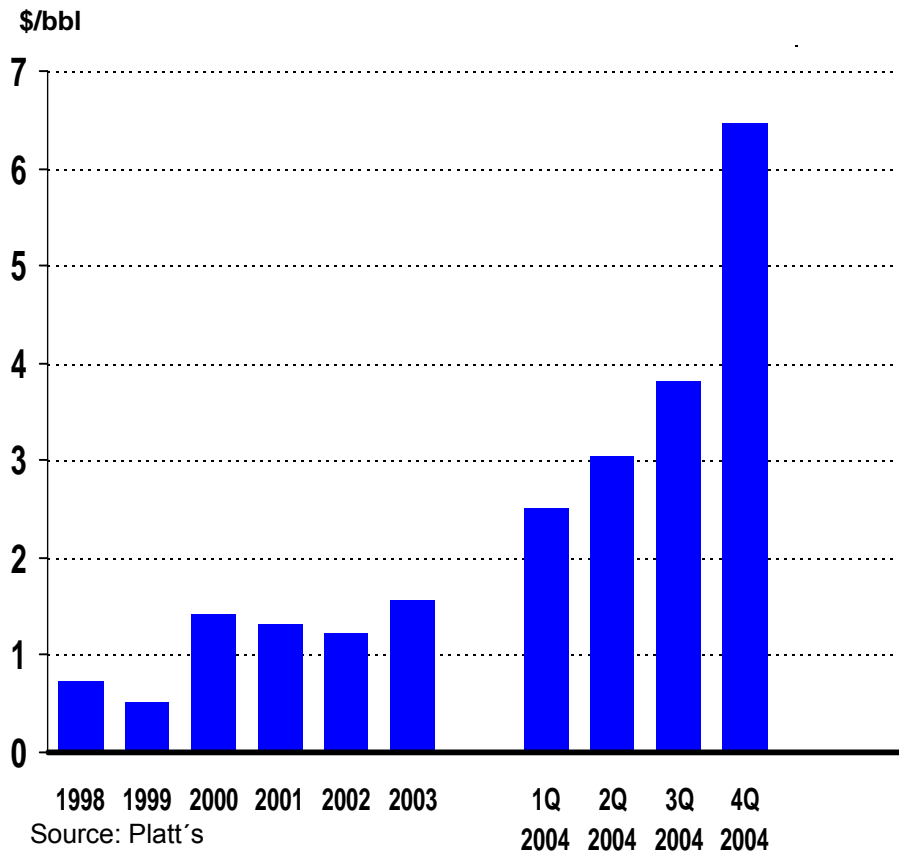
Source PIRA

**Crude oil Flows**  
Million tons / year

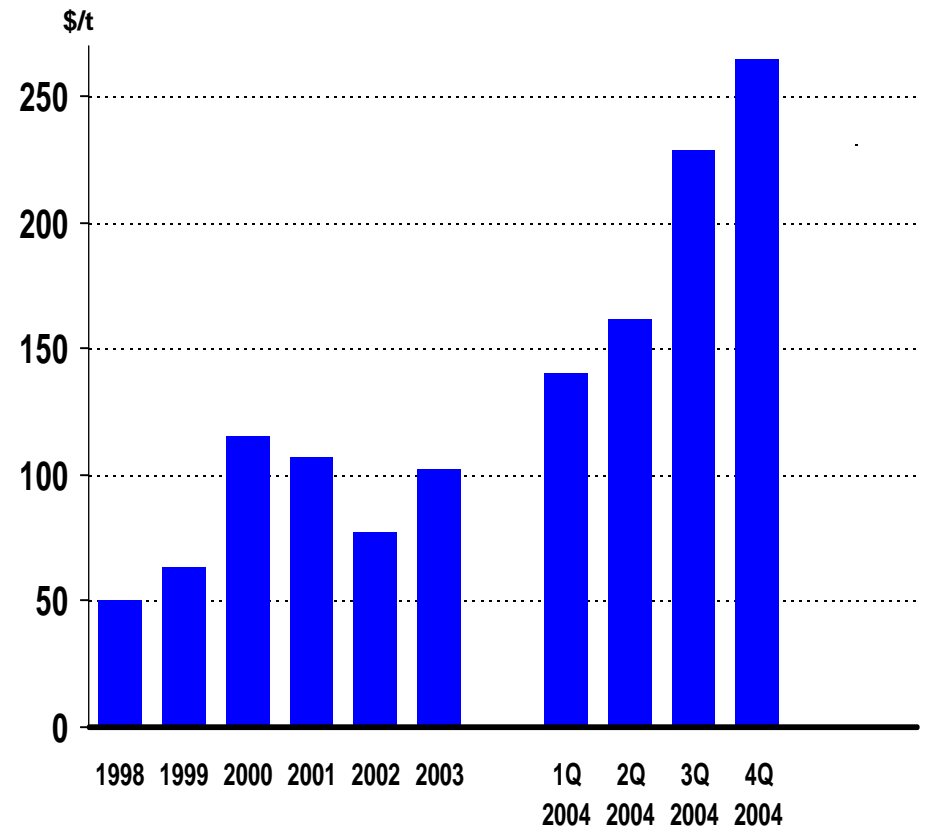


# Widening Differentials Favourable to Neste Oil

## Dated Brent<sup>(1)</sup> vs. Urals NWE<sup>(2)</sup>



## Diesel vs. Fuel Oil<sup>(3)</sup>



### Notes

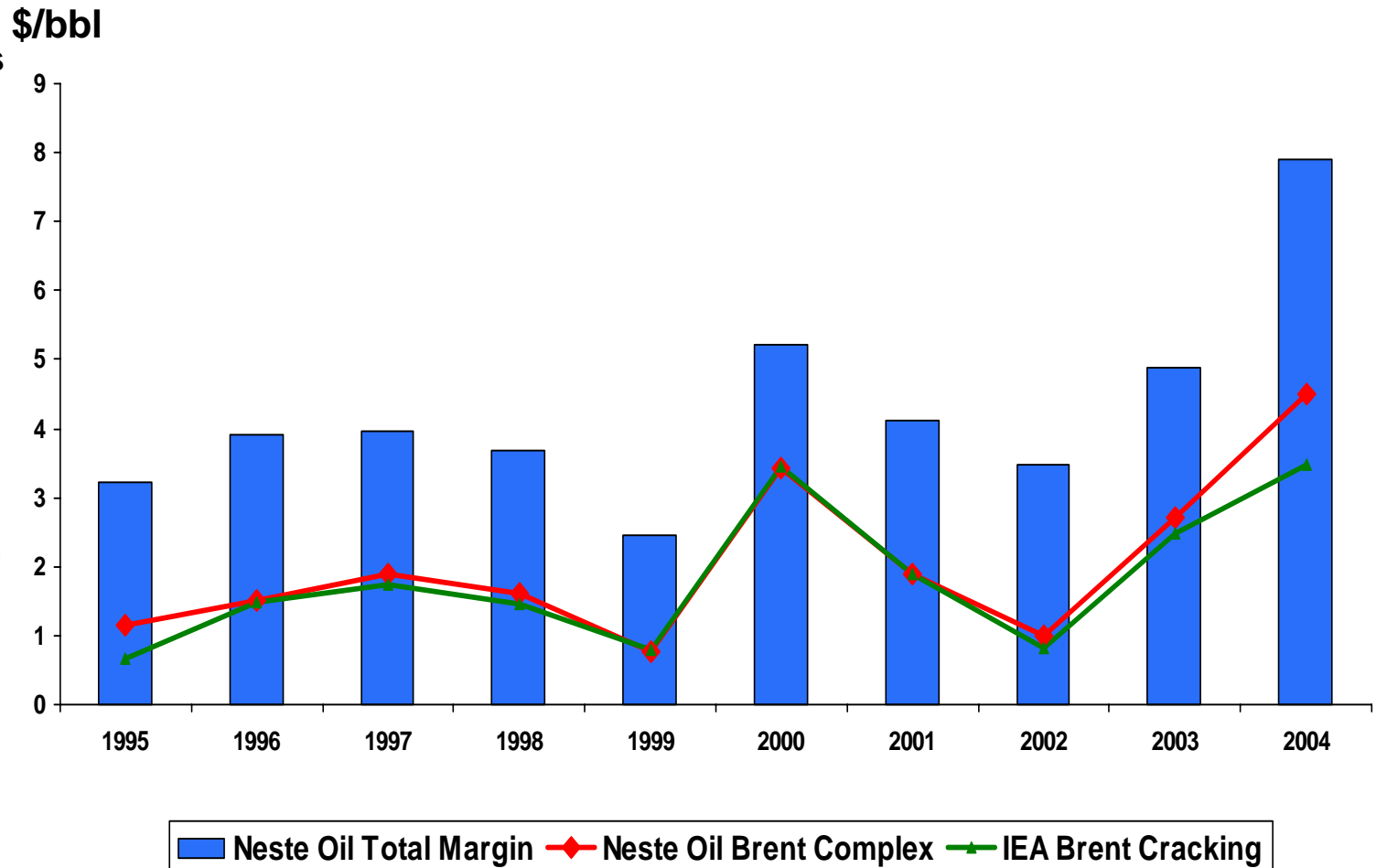
1. fob Sullom Voe
2. cif NW Europe (ARA)
3. Diesel (EN590) cif ARA vs LSFO (1%) cif ARA

# Long Track Record of Superior Refining Margins

## Neste Oil's Total Margin, Annual Average

- Key drivers of Neste Oil's refining margin:

- Refinery configuration and product slate (including EHVI base oils)
- Brent vs. Russian Export Blend ("REB") price differential and increasing use of REB
- Location and logistics (transport differential in domestic and export markets)



**Note**

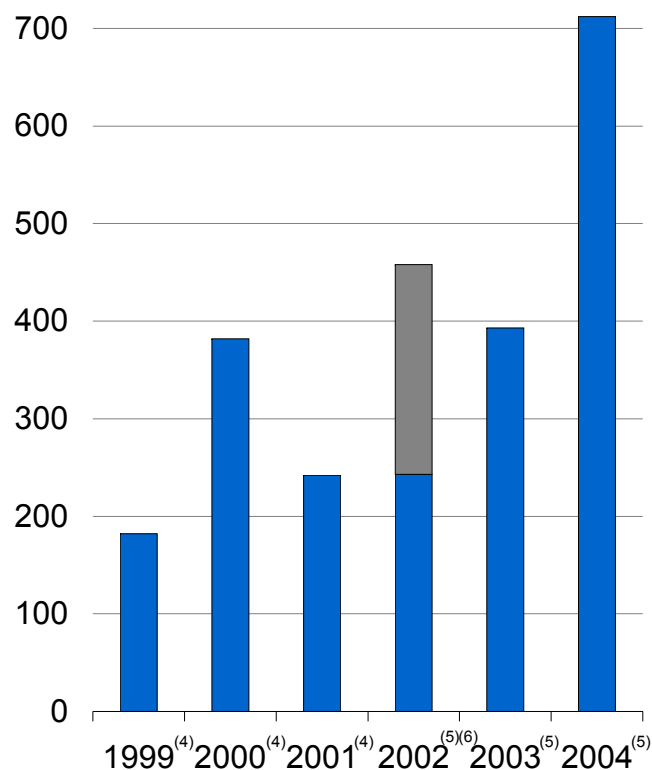
1. Reference margins are calculated in different ways and are not directly comparable to Neste Oil's total margin



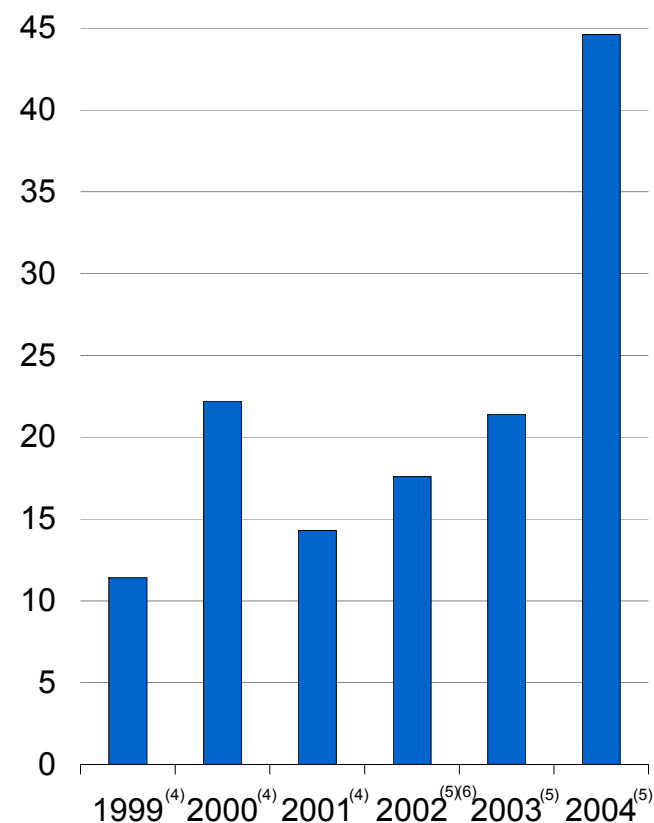
# Attractive Returns Through the Cycle

- As a result of Neste Oil's premium refining margins, the Company has earned attractive returns even at low points in the refining cycle
- Significant free cash flow generation through the cycle

Operating Profit (€MM)<sup>(1)</sup>



RONA/ROCE (%) (Pre-Tax)<sup>(1)(2)(3)</sup>



**Notes**

1. According to Finnish GAAP
2. Return on net operating assets as per Fortum Corp. accounts for 1999-2002. Return on capital employed based on Neste Oil's carve-out financials
3. ROCE = (Profit before taxes + financial expenses) / (average capital employed during the year)
4. Represents Fortum Corp.'s reporting segment information
5. Represents Neste Oil's carve-out financial information
6. Including discontinued operations E&P Norway and Oman

# Neste Oil Strategic Priorities

- Implement Diesel Project
- Implement additional growth projects, such as the recently announced biodiesel project
- Enhance efficiency, e.g. refinery availability
- Maintain good safety record

# Upgrade of the Porvoo Refinery

## - Diesel Project

- Installation of a heavy residue hydro-cracking unit and hydrogen production unit
- Increased production of sulfur-free diesel from less expensive crude oil
- Proven and tested technology (e.g. the Milazzo refinery in Italy, Edmonton refinery in Canada)
- Investment currently budgeted at EUR 532 million
- Completion by the end of 2006 (no further shut-down required)

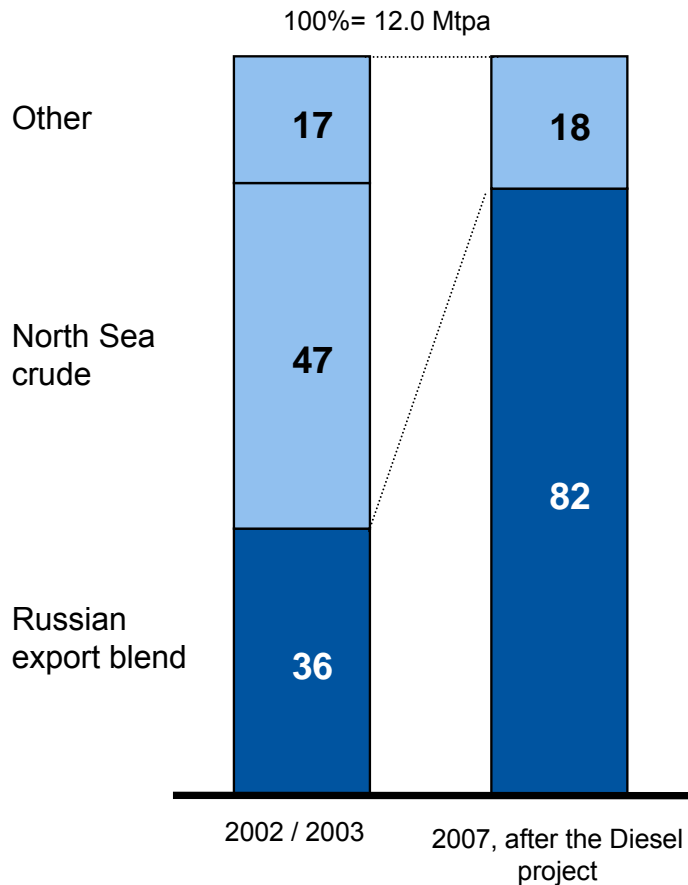


**Increase in refining margin by at least 1 USD/bbl  
(based on assumptions in mid 2003)**

# Diesel Project Takes Full Advantage of Market Trends

## Russian Crude Replaces North Sea Crude

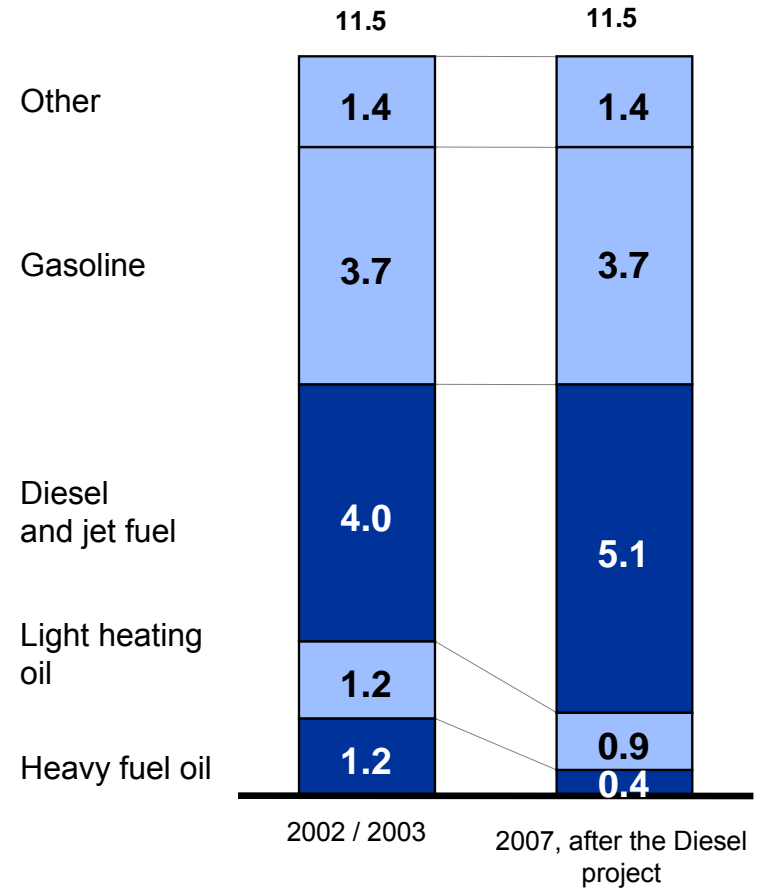
Crude oil sourcing, Porvoo (Percent)



Impact on refining margin  
> 1 USD / bbl

## Diesel Replaces Heavy Fuel Oil

Production, Porvoo (Million tons / year)

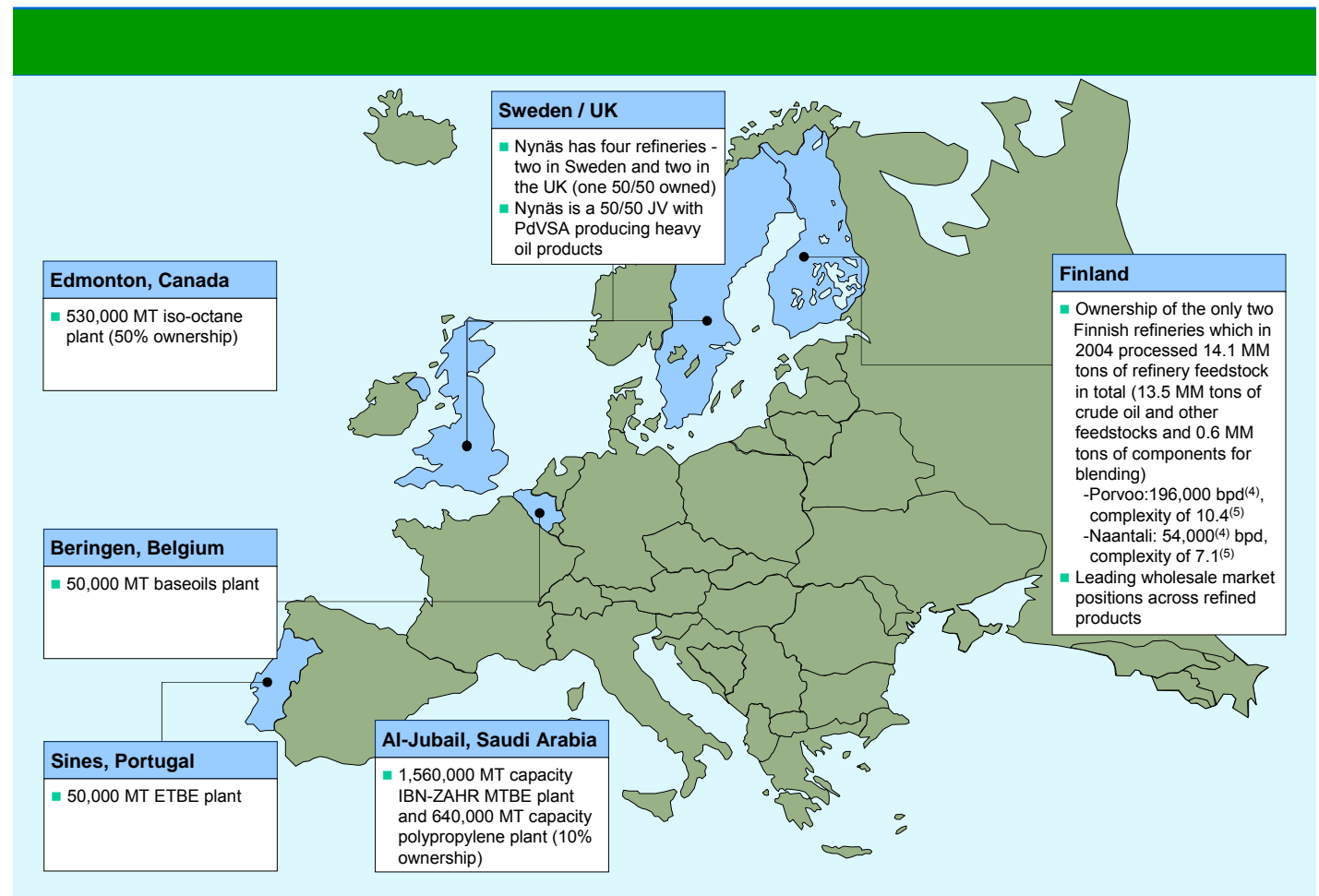




# **Overview of Oil Refining and Components**

# Overview of Oil Refining Segment

| Oil Refining <sup>(1)(2)</sup> |       |
|--------------------------------|-------|
| €MM                            | 2004  |
| EBITDA                         | 649   |
| Operating Profit               | 573   |
| Net Assets                     | 1,266 |
| RONA <sup>(3)</sup> (%)        | 50.4  |



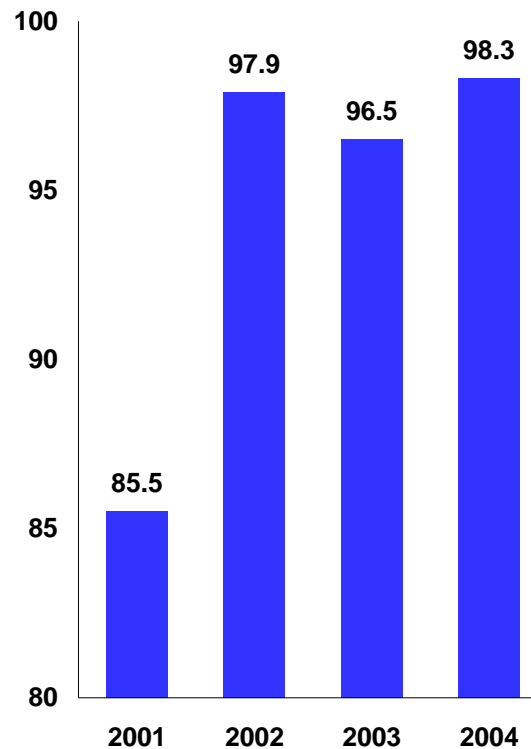
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3. Pre-tax
4. Atmospheric distillation capacity
5. Calculated by Neste Oil using Oil and Gas Journal formula

# Porvoo Refinery

- Porvoo is Neste Oil's principal refinery, which has been in operation since the mid 1960s
- The Porvoo refinery has an atmospheric distillation capacity of 196,000 bpd (crude and other feedstocks)
- The Diesel Project is anticipated to increase the refinery's complexity from the current 10.4 to approximately 12.1
- Extensive bedrock cavern capacity and tank farm combined with deep sea harbour

## Refinery Availability



Planned shut-downs in 2001 and 2005

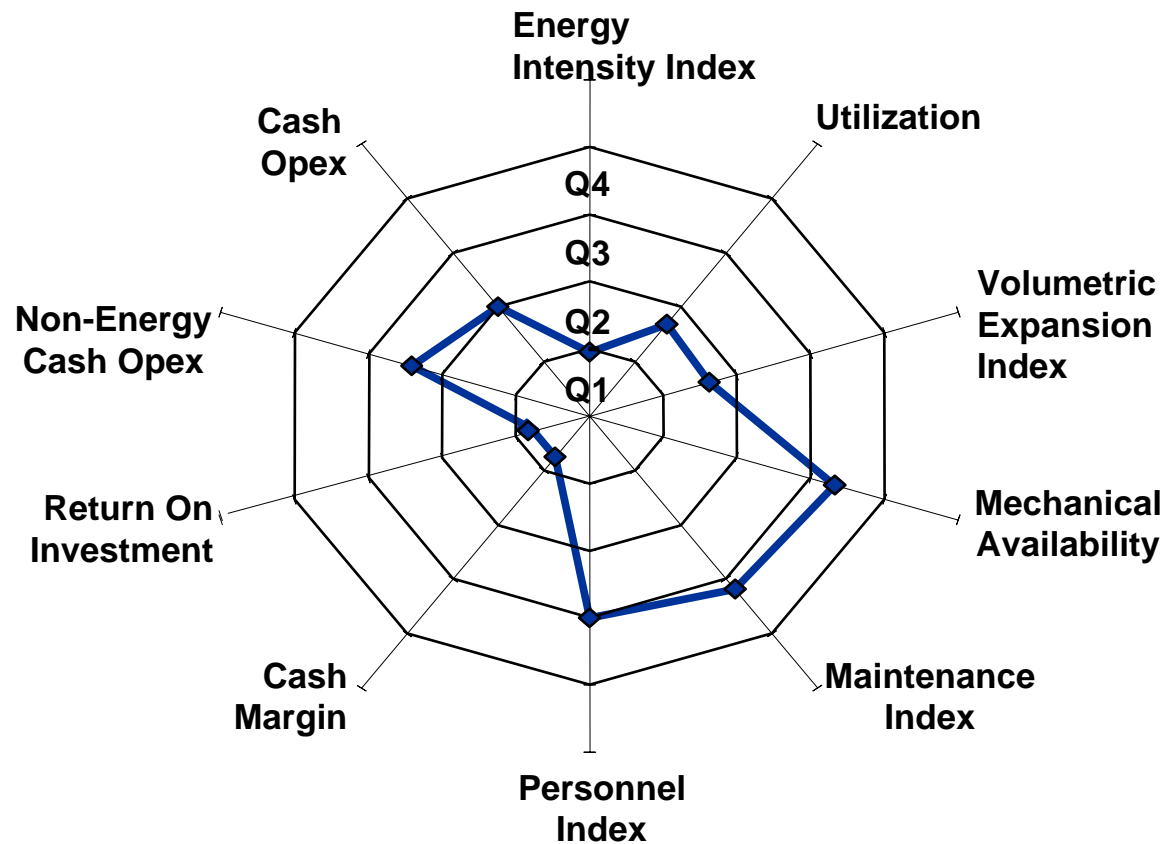
### Notes

1. bpd, except for hydrogen plants
2. These new units will be started-up in connection with the Diesel Project.

| Fluid Process Units  | Current capacity <sup>(1)</sup> | Licensor/Process Designer | Start-Up Year | Year of Major Modifications |
|--|---------------------------------|---------------------------|---------------|-----------------------------|
| Atmospheric Crude Distillation   | 206,000                         | Lummus/Neste Oil          | 1975          | 1993                        |
| Vacuum Distillation 1  | 52,300                          | Lummus/Neste Oil          | 1972          | 1993                        |
| Vacuum Distillation 2  | 23,000                          | Lummus/Neste Oil          | 1988          |                             |
| Visbreaking  | 26,050                          | Shell                     | 1979          |                             |
| Fluid Catalytic Cracking   | 42,300                          | Texaco                    | 1972          | 1993                        |
| Hydrocracking  | 21,500                          | UOP/Unocal                | 1965          | 1989                        |
| Continuous Catalytic Reforming   | 41,700                          | UOP                       | 1986          |                             |
| Hydrogen Plant (thousands of standard cubic feet per day)                    | 22,300                          | Power Gas                 | 1965          |                             |
| ETBE / MTBE  | 2,235                           | Neste Oil/Snamprogetti    | 1993          | 1993                        |
| Alkylation   | 7,750                           | Phillips                  | 1988          | 1993                        |
| TAME   | 2,880                           | Neste Oil                 | 1995          |                             |
| Hydrotreating/ Naphtha   | 67,100                          | Exxon                     | 1975          | 1993                        |
| Distillate Aromatics Saturation  | 16,500                          | Neste Oil                 | 1992          |                             |
| Hydrotreating/Distillate 2   | 24,800                          | Shell                     | 1972          |                             |
| Hydrotreating/Distillate 3   | 54,100                          | Shell                     | 1993          | 1999                        |
| VGO Desulphurization   | 55,600                          | Unocal                    | 1975          | 1999                        |
| EHVI Unit  | 6,690                           | Chevron                   | 1997          | 1997                        |
| LCF <sup>(2)</sup>   | 41,800                          | ChevronLummus             | 2006          |                             |
| MHC <sup>(2)</sup>   | 33,500                          | ChevronLummus             | 2006          |                             |
| New Hydrogen Plant <sup>(2)</sup> (thousands of standard cubic feet per day) | 118,385                         | Unde GmbH                 | 2006          |                             |

# Porvoo Refinery – Rankings Show Top Performance on Margins and Returns

- Porvoo has top industry rankings on cash margin, return on investment and on the energy intensity index
- The refinery still has operational upside through improvements in non-energy related operating costs, availability and maintenance
- Since the last Solomon study was published in 2002, Neste Oil has been focusing on improving its performance through its operational excellence program
  - 97.6% average availability last three years
  - No material unplanned shutdowns
  - Significantly reduced personnel incidents



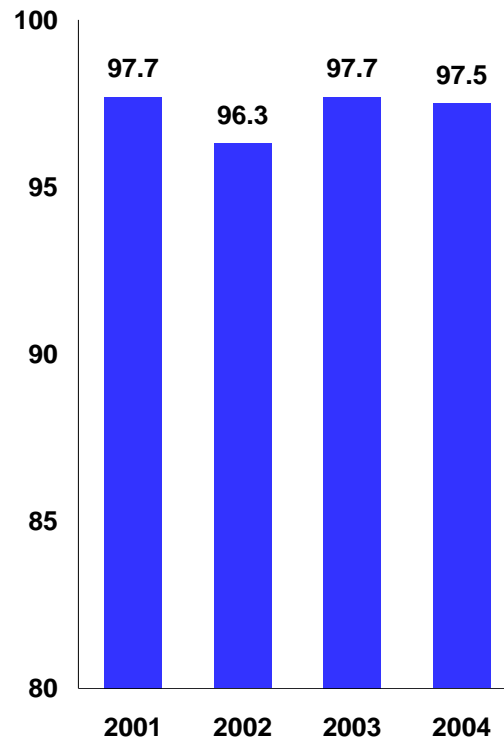
Source: Solomon study 2002



# Naantali Refinery

- The Naantali refinery began operations in the late 1950s and refines gasolines, diesel fuels, LPGs, aviation fuels, heating oil, heavy fuel oil, bitumens and solvents
- An ongoing investment program at the Naantali refinery has focused on increasing the production of specialty petroleum products, such as specialty gasolines, solvents and bitumen
- The Naantali refinery has an atmospheric distillation capacity of 54,000 bpd (crude and other feedstocks)
- The refinery complexity of the Naantali refinery is 7.1

## Refinery Availability

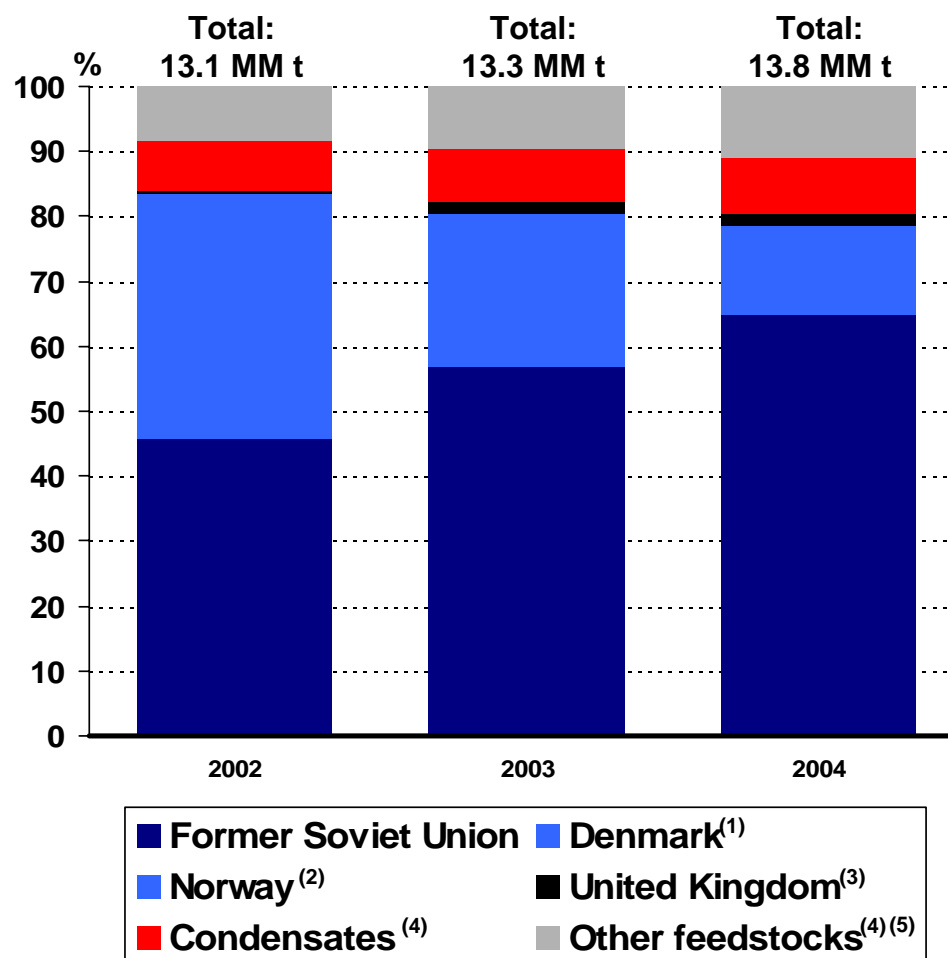


Planned shut-downs in 2000 and 2006

| Process Units                    | Current capacity, bpd | Licensor/Process Designer | Start-Up Year | Year of Major Modifications |
|----------------------------------|-----------------------|---------------------------|---------------|-----------------------------|
| Crude Distillation (Unit 1)      | 28,300                | Lummus                    | 1957          | 1996                        |
| Crude Distillation (Unit 2)      | 28,300                | Lummus                    | 1962          | 1996                        |
| Light Naphtha Dehexanizer        | 9,700                 | Neste Oil                 | 1982          |                             |
| Naphtha Dehexanizer              | 10,800                | Neste Oil                 | 1995          |                             |
| Solvent Distillation             | 2,200                 | Neste Oil                 | 1982          | 2003                        |
| Arosat                           | 500                   | Lummus                    | 1971          | 1998                        |
| Special Gasoline (BEL) unit      | 1,800                 | Neste Oil                 | 1989          | 1994                        |
| Reformer Unit                    | 7,700                 | UOP                       | 1985          |                             |
| JET fuel unit                    | 3,000                 | UOP                       | 1998          |                             |
| TCC Gasoline Desulphurization    | 6,600                 | Axens                     | 2002          |                             |
| Catalytic Polymerization         | 600                   | Chevron/UOP               | 1957          | 1987                        |
| Solvent Hydrotreater             | 5,700                 | Neste Oil                 | 1991          | 2003                        |
| Solvents Dearomatization         | 5,200                 | Neste Oil                 | 1993          | 2003                        |
| Middle Distillate Hydrotreater 2 | 19,800                | Lummus                    | 1981          | 2002                        |
| TCC-Feed Hydrotreater            | 7,200                 | Neste Oil                 | 1987          |                             |
| Thermoform Catalytic Cracker     | 14,300                | Mobil Oil/Neste Oil       | 1957          | 1982                        |
| Vacuum Distillation Unit         | 16,900                | Lummus                    | 1957          | 1982                        |
| Visbreaker                       | 8,800                 | Shell                     | 1979          |                             |
| Bitumen Distillation Unit        | 5,700                 | Neste Oil                 | 1963          | 2003                        |
| Sulphur Recovery Unit            | 60                    | Comprimo                  | 1973          | 1995                        |
| Naphtha Hydrotreater             | 9,000                 | Neste Oil                 | 1963          | 1982                        |
| Mild Vacuum Unit                 | 5,700                 | Neste Oil                 | 1963          | 2003                        |
| Bitumen Unit                     | 7,800                 | Neste Oil                 | 1998          | 2003                        |
| Vapor Recovery Unit              | N.A.                  | Lummus                    | 1957          |                             |

# Feedstocks

- In 2004, Neste Oil procured approximately 65% of its feedstock under annually renegotiated term contracts and 35% on a spot basis and
  - Pricing under term contracts is based on market prices
- Neste Oil's largest suppliers are major Russian oil companies
  - No supplier represents more than 20% of total procurement
- Although most of the crude Neste Oil procures from Russia is transported by ship, Russian crude is also transported by rail when economical (1.5 MM tonnes in 2004)

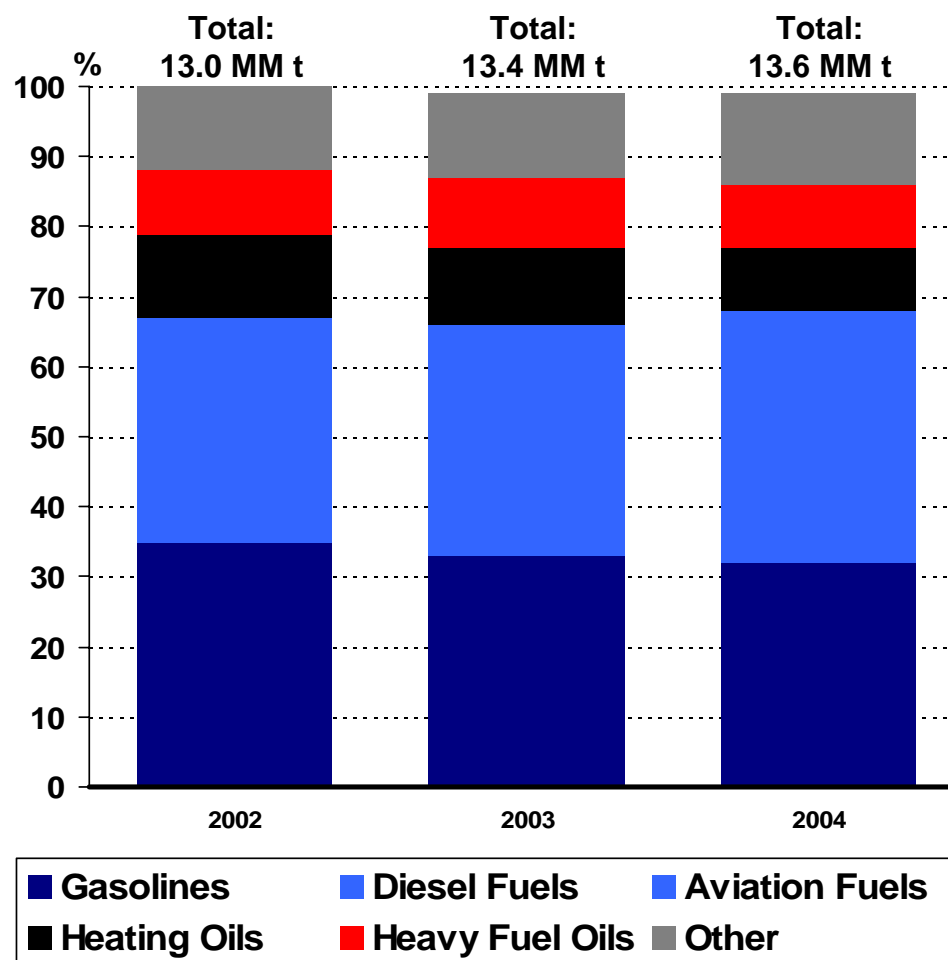


**Note**

1. Consists mainly of DUC crude oil quality
2. Consists mainly of Draugen and Statfjord crude oil qualities
3. Consists mainly of Forties and Brent crude oil qualities
4. Condensates and other feedstocks used by Neste Oil's refineries are primarily imported from Russia and other countries in the former Soviet Union
5. Excluding blending components

# Product Slate

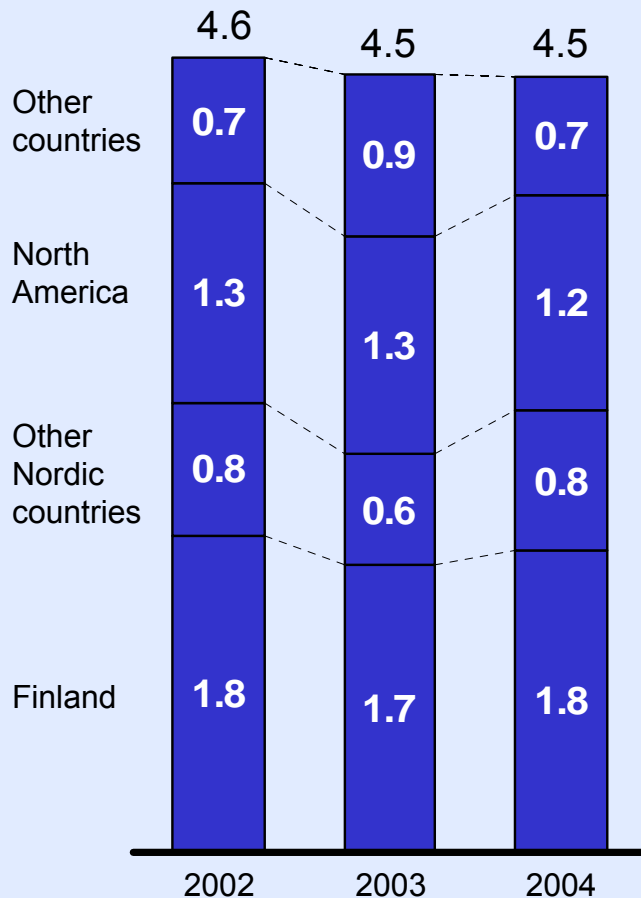
- Neste Oil's product slate is weighted towards middle distillates (Diesel and Aviation fuels)
- Production of middle distillates has increased from 32% in 2002 to 36% in 2004 while production of gasoline and heating oils have been reduced from 35% (2002) to 32% (2005) and 12% (2002) to 9% (2004) respectively



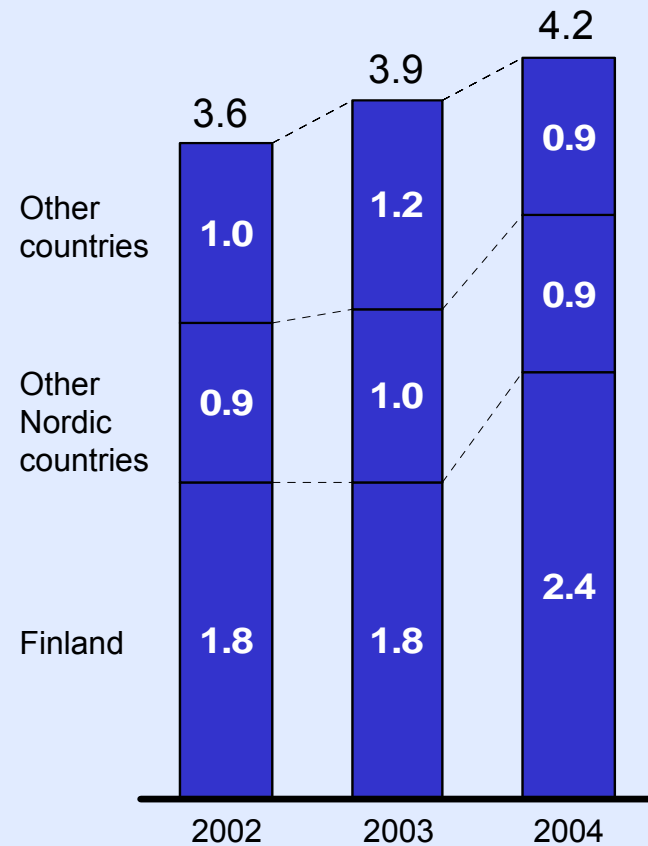
# Oil Refining's Product Sales by Country

- Oil Retail is Oil Refining's largest customer accounting for approx. 26% of total term volumes which almost entirely go to the Finnish market
- North America is the biggest export market for gasoline while Sweden currently is the biggest export market for diesel fuel
- Diesel export to continental Europe is expected to increase in the future

**Motor Gasoline sales by country**  
Million tons / year



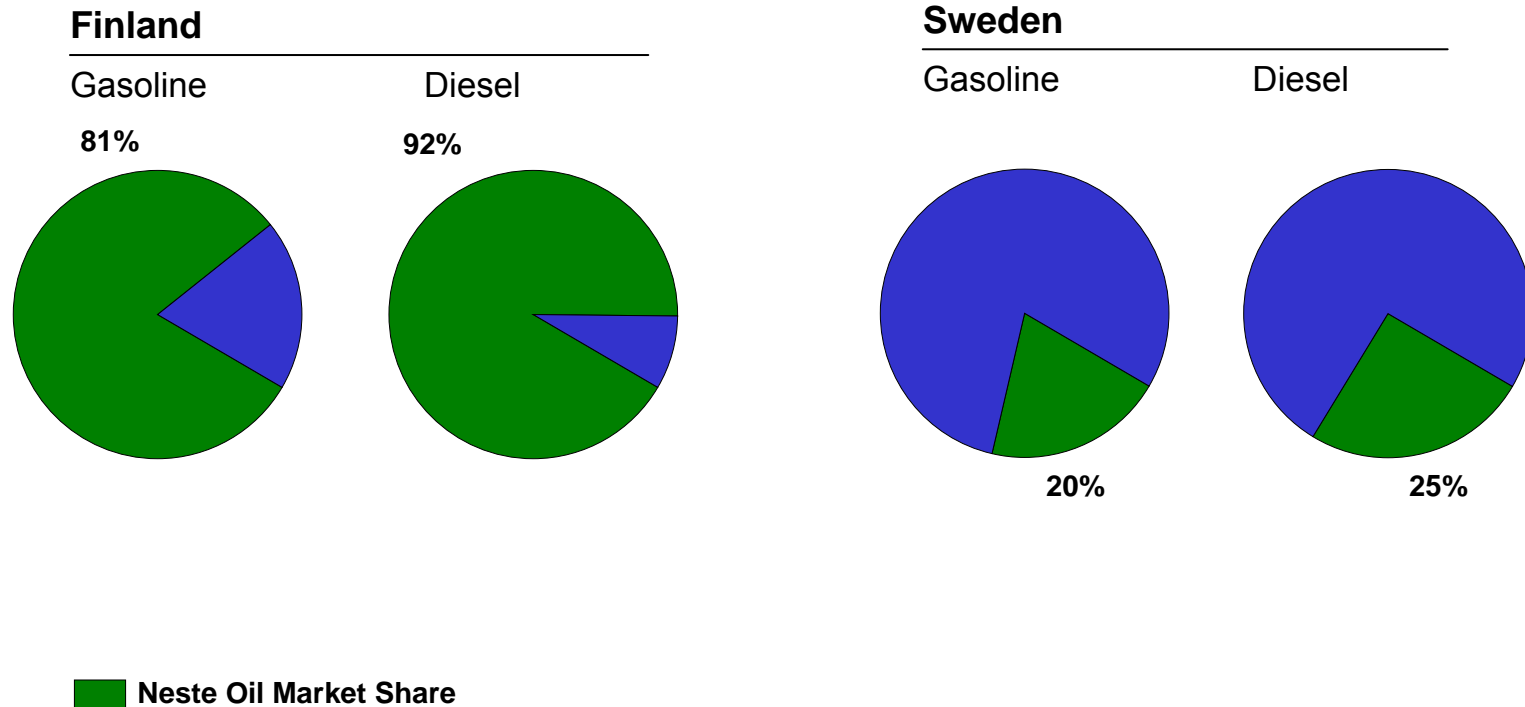
**Diesel sales by country**  
Million tons / year



# Strong Market Positions in Finland and Sweden

## Wholesale Market Share

Percent, 2004

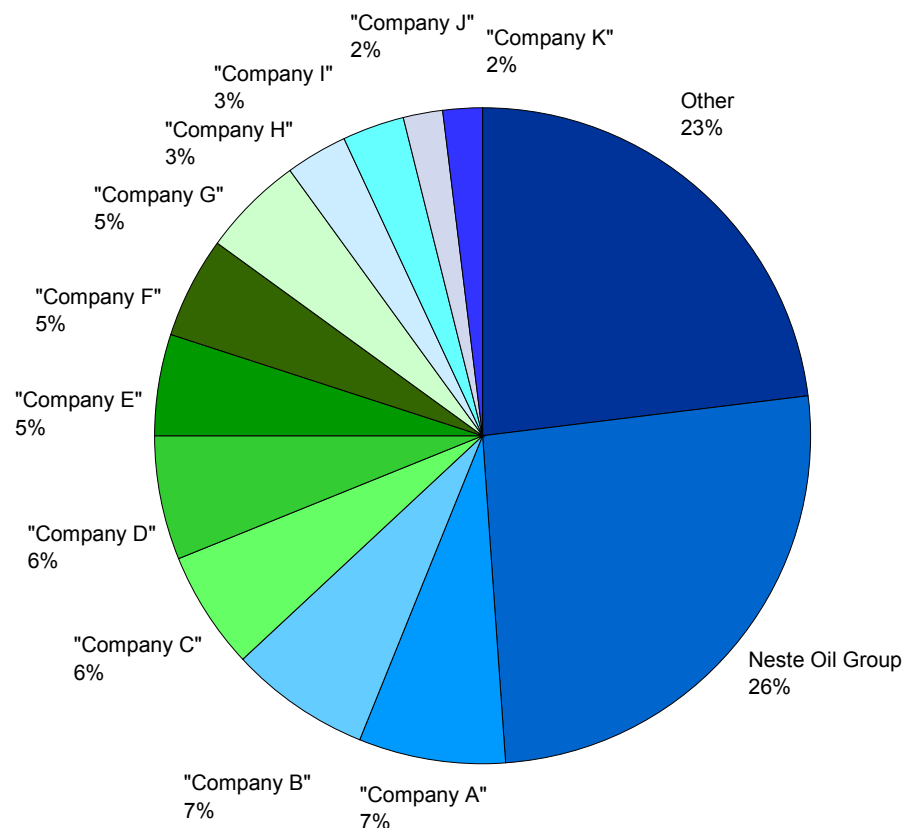


Source: Neste Oil estimate

# Customers: Oil Refining

- Oil Refining sells its refined products to customers based on term contracts (i.e. sales contracts with a duration of at least 1 year) and on spot basis
- In 2004, term contracts accounted for more than 80% of total volumes sold
- The largest customers of Oil Refining are Neste Oil's own oil retail businesses accounting for approx. 26% of total term volumes
  - In 2004 there were approx. 60 other term customers of which the largest represented only 7% of total term sales
- In terms of spot sales in 2004, there were approx. 50 customers and the largest single customer accounted for only 3% of total refined product sales by volume

**Breakdown of Sales per Customer**  
% of Total Sales 2004



# Several Market Trends Affect Neste Oil

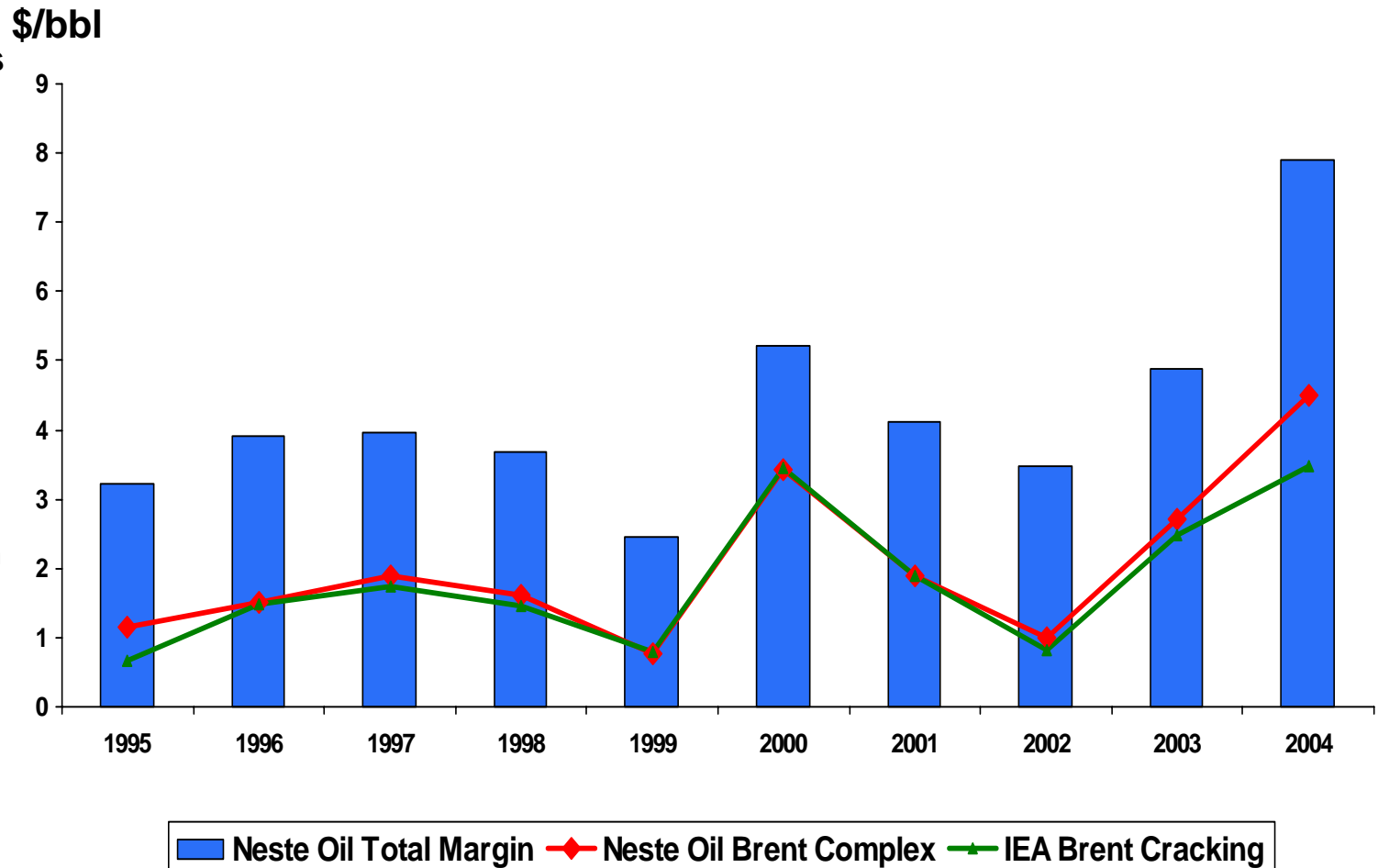
- Growing consensus on permanently higher crude prices, seems to lead to
  - Growing price difference between sweet and sour crudes, because of new product specifications and shortage of sweet crudes
  - Increasing difficulty to place heavy fuel oil into markets, prices steeply depressed
- Tightening refining markets, resulting in more volatile margins at higher levels
- Global product imbalances offering attractive export opportunities in diesel (Europe) and gasoline (North America)
- Product specifications in sulfur gradually harmonizing, opportunities likely for forerunners during transition periods to new emerging specifications (e.g. biofuels)
- North Sea crude being replaced by Russian crude, Neste Oil from off-site to on-site

# Long Track Record of Superior Refining Margins

## Neste Oil's Total Margin, Annual Average

- Key drivers of Neste Oil's refining margin:

- Refinery configuration and product slate (including EHVI base oils)
- Brent vs. Russian Export Blend ("REB") price differential and increasing use of REB
- Location and logistics (transport differential in domestic and export markets)

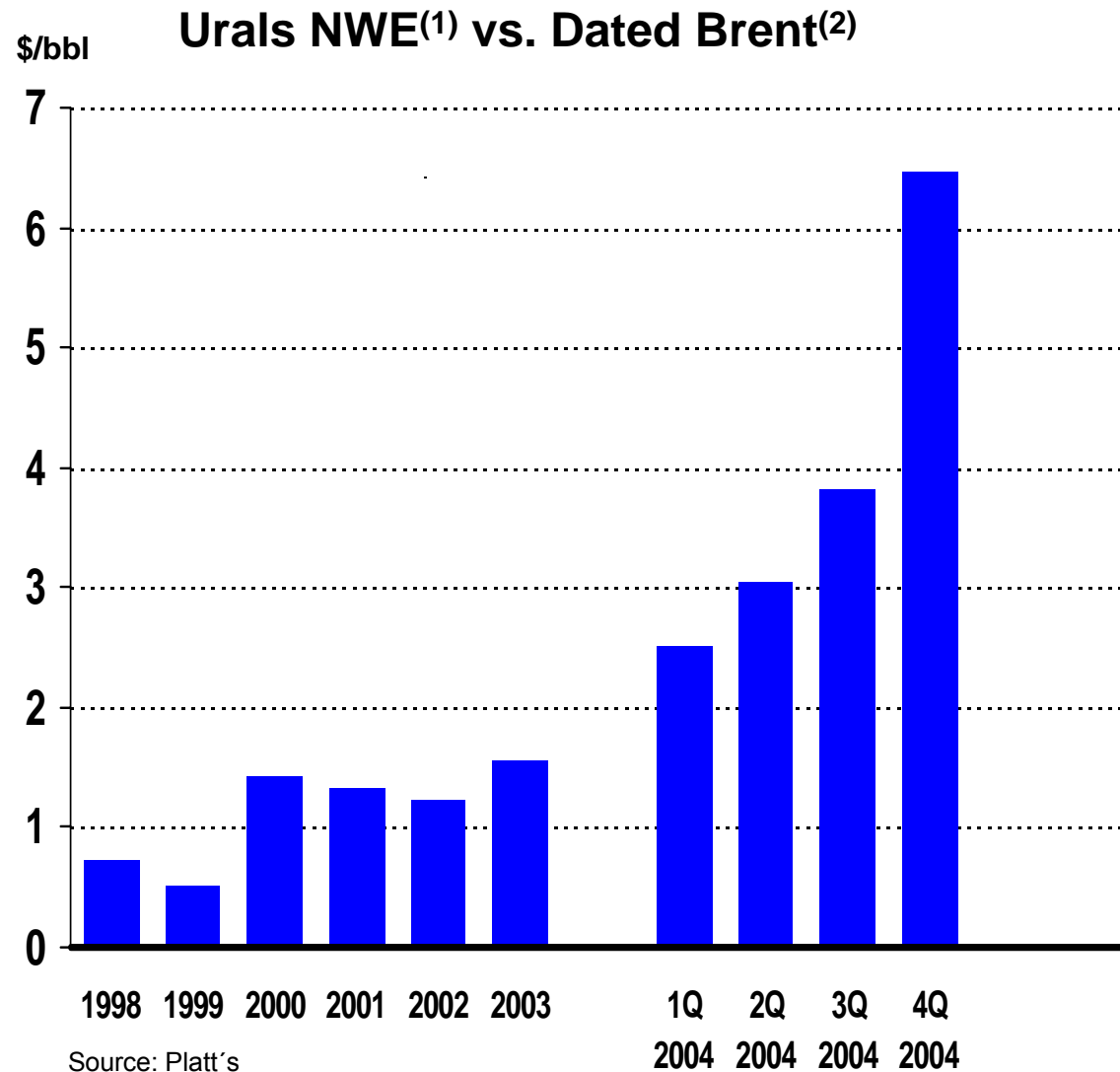


**Note**

1. Reference margins are calculated in different ways and are not directly comparable to Neste Oil's total margin



# Brent vs. Russian Export Blend Price Difference

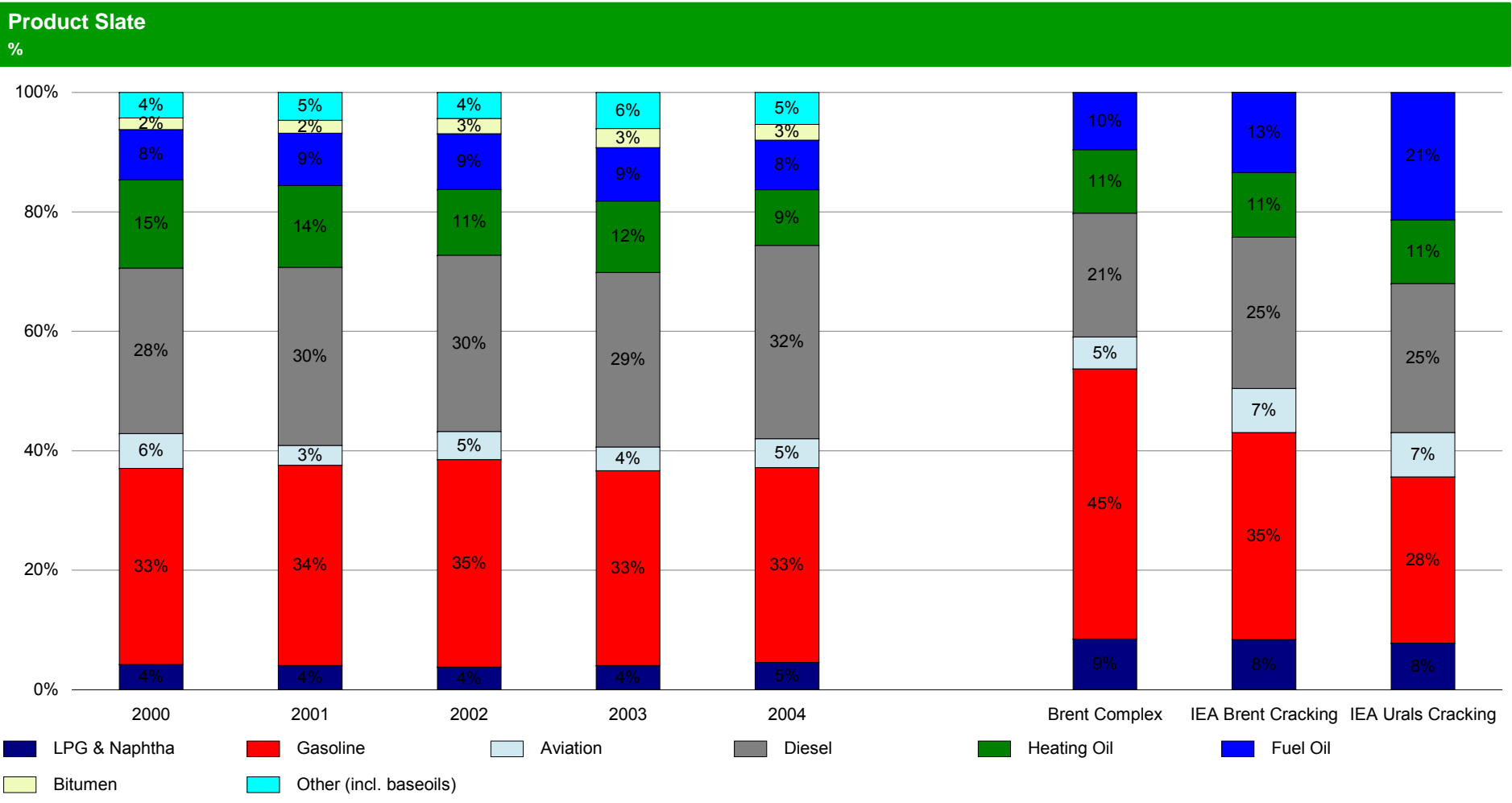


**Notes**

1. cif NW Europe (ARA)
2. fob Sullom Voe

# Neste Oil Product Slate<sup>(1)</sup>

## Compared to Benchmark Crack Spread Slates



**Note**  
1. After losses

# Refining Margin Premium – Logistics Benefits of Neste Oil

## Raw material markets, supply and logistics

- Crude price benefit from using Russian crude
  - Benefit from short crude logistics from Primorsk compared to North-West European refiners

## Product sales and logistics to product markets

- Wholesale premium in the domestic market (import parity) less price disadvantage for exports

### Basis for Sustainability

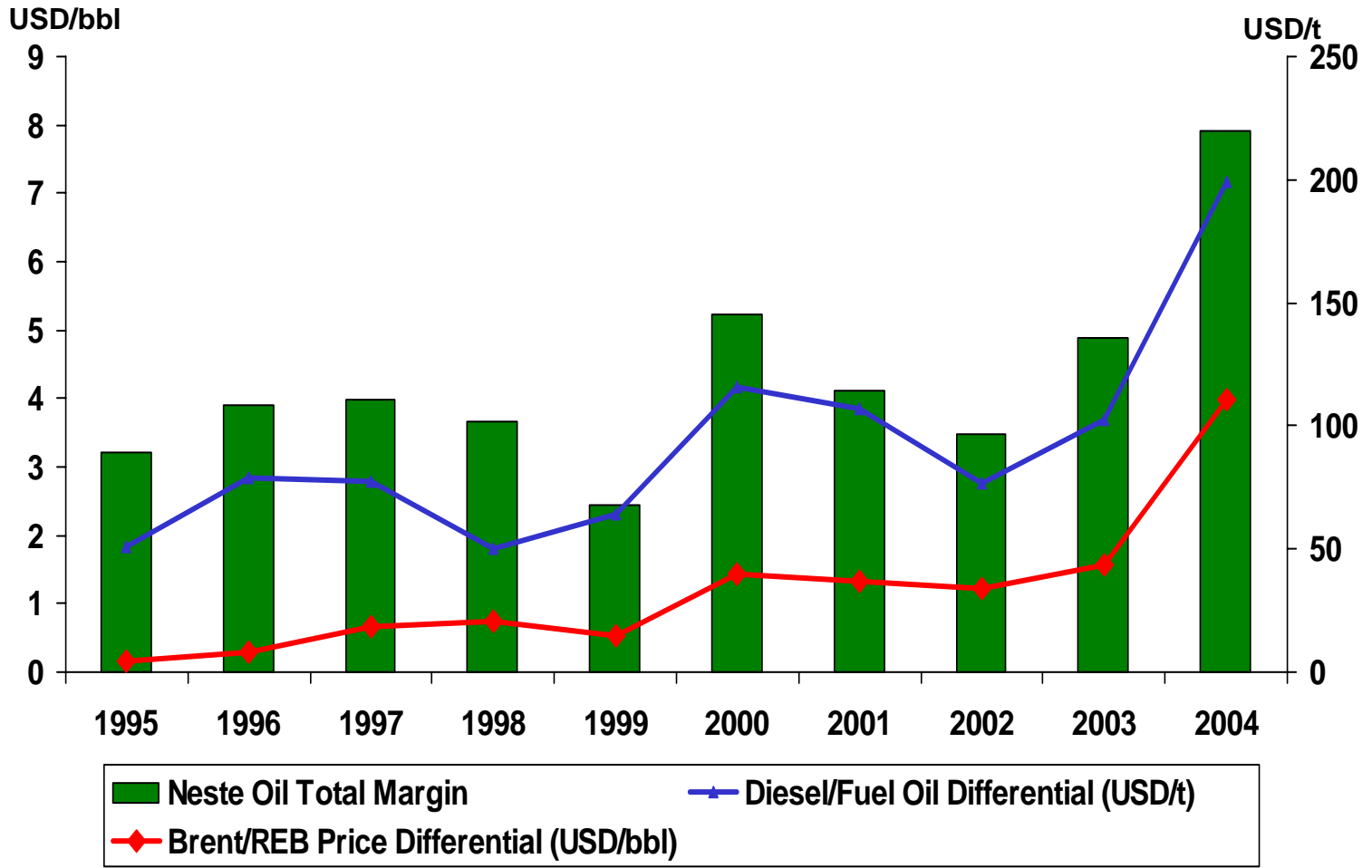
- Russian oil production exceeds pipeline capacity and all pipelines are likely to be fully utilized in normal conditions
- In case Russian crude not available at all, heavy fuel oil could be mixed with lighter crude, e.g. Brent, to form a suitable input slate

- Logistical benefit in domestic wholesale market will remain

# Premium Refining Margin Increasingly Driven by Price Differentials

## Neste Oil's Total Margin, Annual Averages

- The Brent/REB price differential has increased significantly over the last year
  - With 65% of crude feedstock being sourced from FSU in 2004, Neste Oil has benefited significantly
- Due to the high complexity of Neste Oil refineries and production slate weighted towards middle distillates, widening product price differentials, have been key to Neste Oil's premium margin
- On transport of crude from Russia (Primorsk), Neste Oil has a logistical advantage to refiners in Europe



# Diesel Project – Opportunity Description

## Project Description

- Installation of a heavy residue hydro-cracking unit and hydrogen production unit
- No net increase in total refinery output

## Project Objective

- Upgrade will allow increased production of sulphur-free diesel from lower cost crude oil and fuel oil feedstocks
- Increase in refining margin premium by at least \$1/bbl based upon conditions prevailing in 2003 when investment decision made

## Timing

- The new units will be commissioned Q4 2006

## Total Investment

- The total investment on the project by 2006 is currently budgeted to be €532 MM

# Project Diesel, Status 31 January 2005

## General

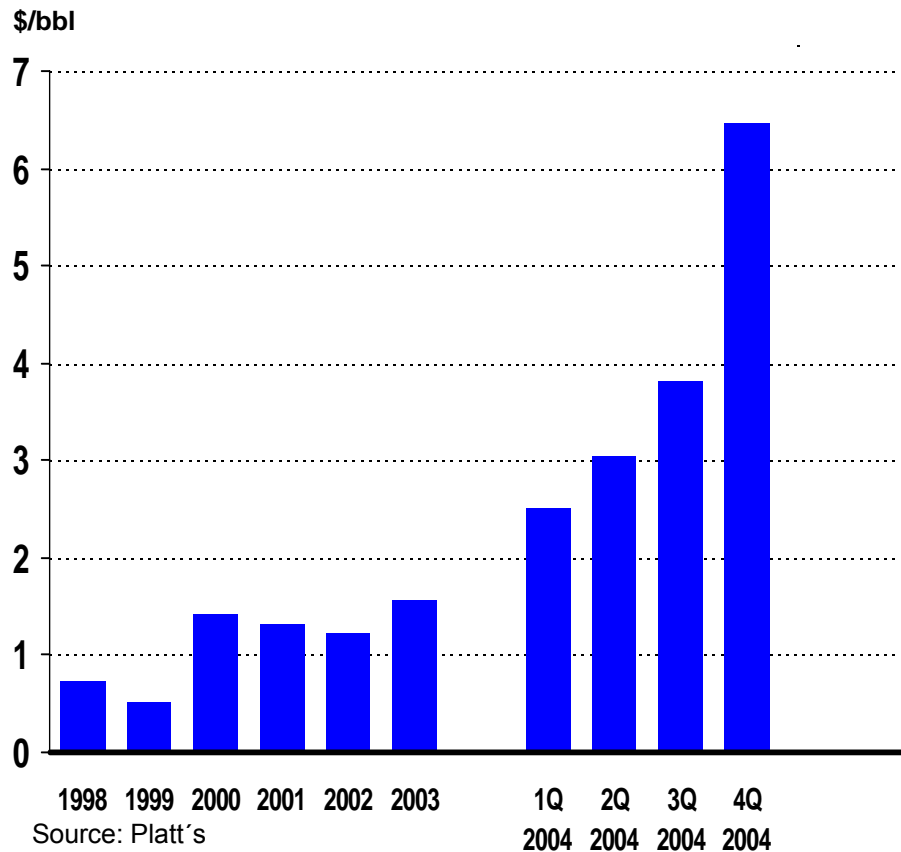
- Cash flow and committed costs according to plan
- Cost forecast within budget
- Project within schedule
- About 390 engineers working full time for project
- About 300 full time contractor persons working for construction
- 325 days without lost workday incident achieved on 14 January 2005
- Increase in operating expenditures of approx. 14 - 15 MEUR per year

## Impact on Sales Margin

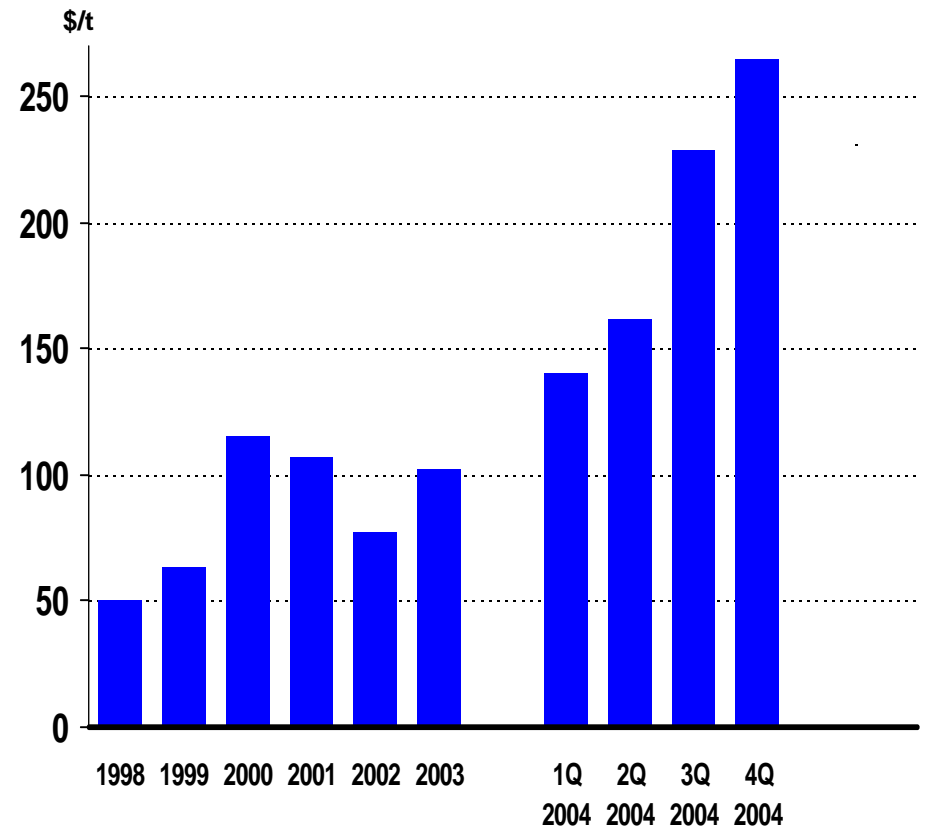
- With base case assumptions at time of final investment decision of:
    - \$2.5/bbl Brent/REB differential (incl. logistics benefit)
    - \$95/ton Diesel/Heavy Fuel Oil differential
- increase in refining margin premium will be at least +1 usd/bbl based on downside sensitivity analysis
- Diesel Project economics very sensitive to main drivers (REB/Brent price differential 1/3 and Diesel/Fuel Oil price differential 2/3), but not to general level of refining margin

# Widening Differentials Favourable to Neste Oil

## Urals NWE<sup>(1)</sup> vs. Dated Brent<sup>(2)</sup>



## Diesel vs. Fuel Oil<sup>(3)</sup>



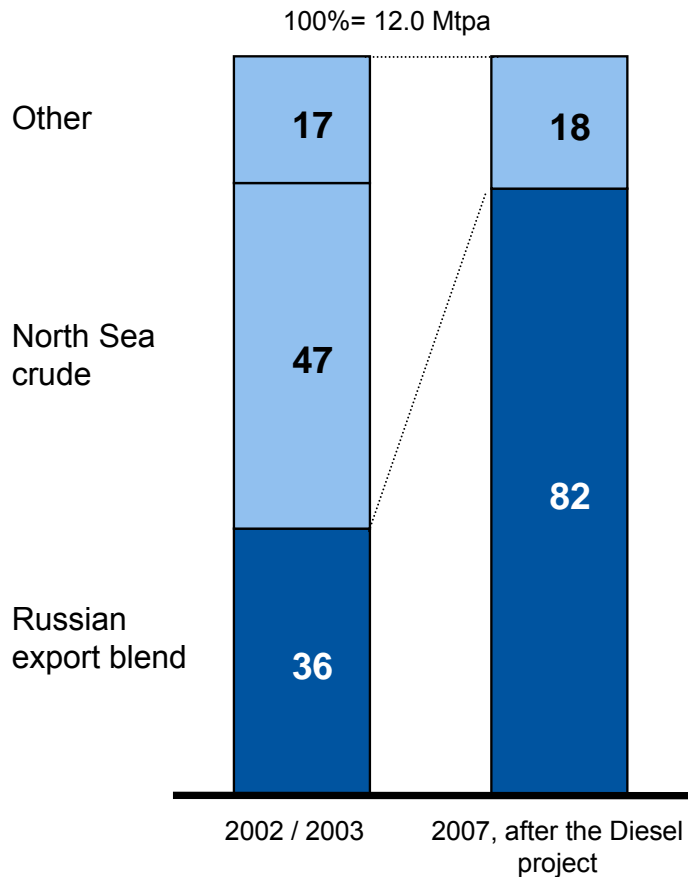
### Notes

1. cif NW Europe (ARA)
2. fob Sullom Voe
3. Diesel (EN590) cif ARA vs LSFO (1%) cif ARA

# Diesel Project Takes Full Advantage of Market Trends

## Russian Crude Replaces North Sea Crude

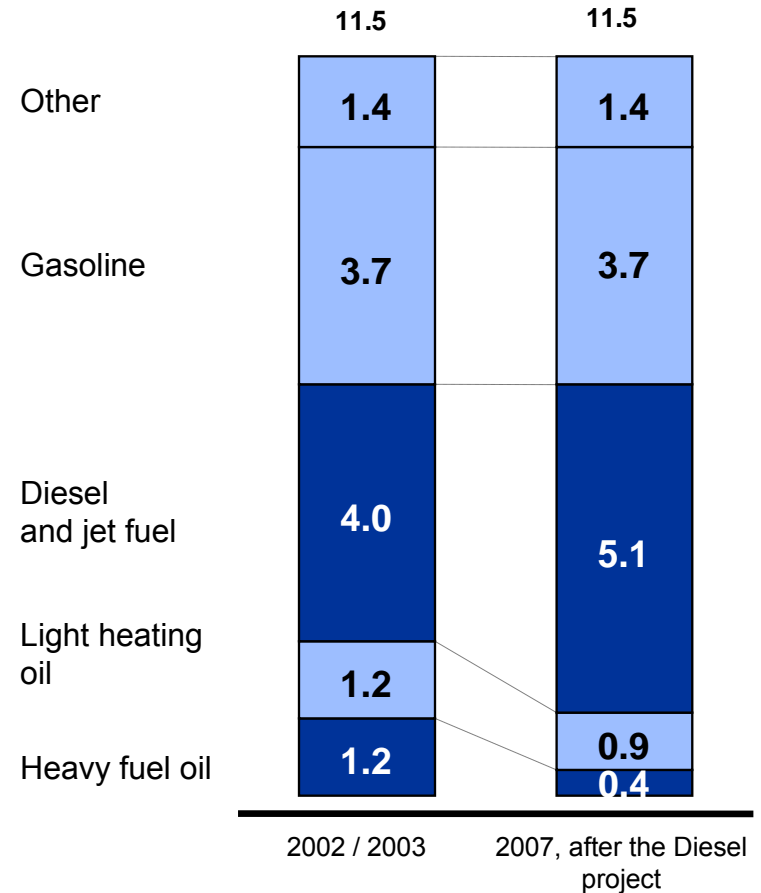
Crude oil sourcing, Porvoo (Percent)



Impact on refining margin  
> 1 USD / bbl

## Diesel Replaces Heavy Fuel Oil

Production, Porvoo (Million tons / year)

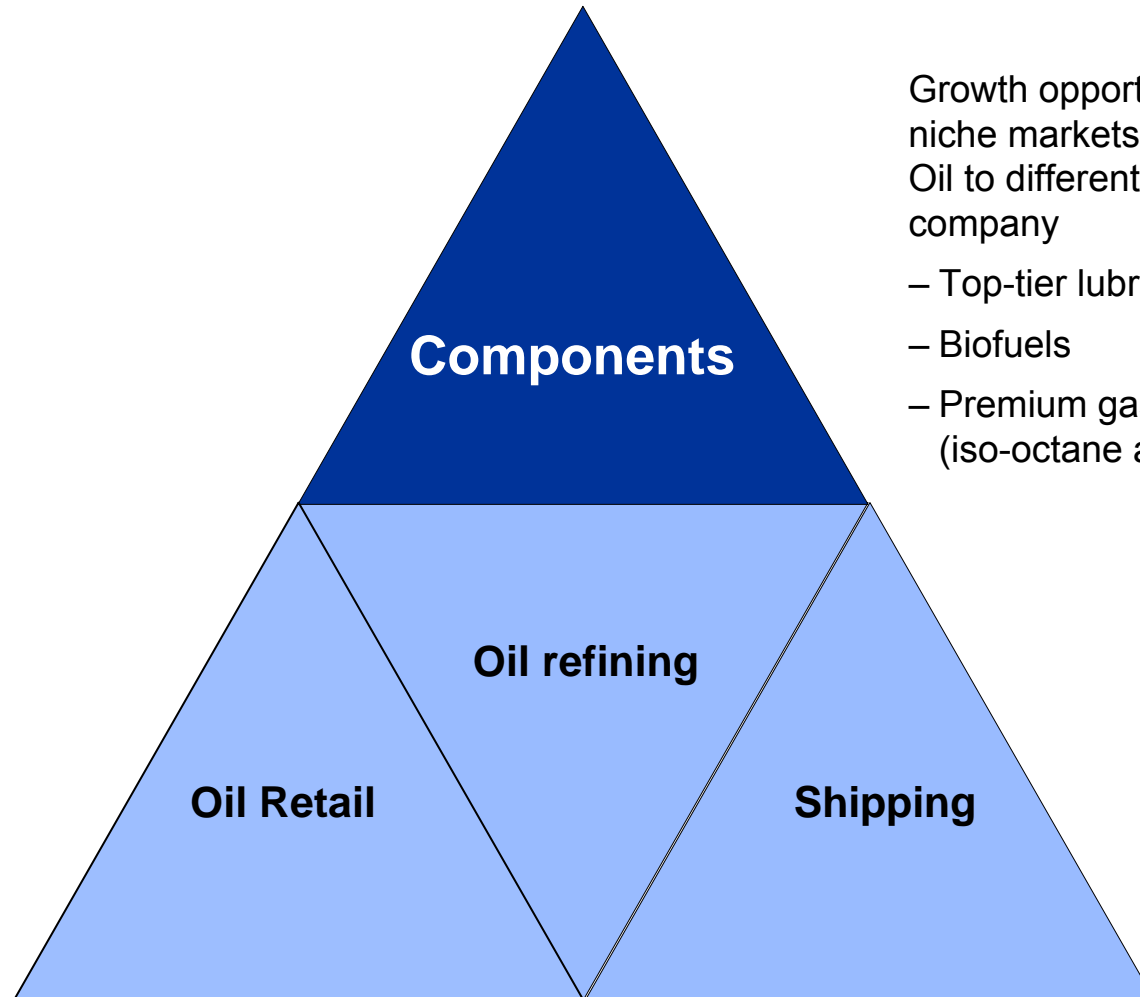




# AB Nynäs Petroleum - Bitumen and Naphthenic Base Oils

- Jointly owned by Neste Oil and the Venezuelan national oil company PdV S.A. on a 50:50 basis
- One of the largest bitumen suppliers in Europe and one of the leading producers of naphthenics in the world
- Consolidated using the equity method
- In 2004
  - Net sales of EUR 1,145 million, operating profit EUR 86 million and net profit EUR 55 million (100%) (preliminary and unaudited numbers)
  - Number of personnel: 765
  - Sales volumes ('000 tonnes)
    - Bitumen 2,592
    - Naphthenics 686
    - Fuels 454

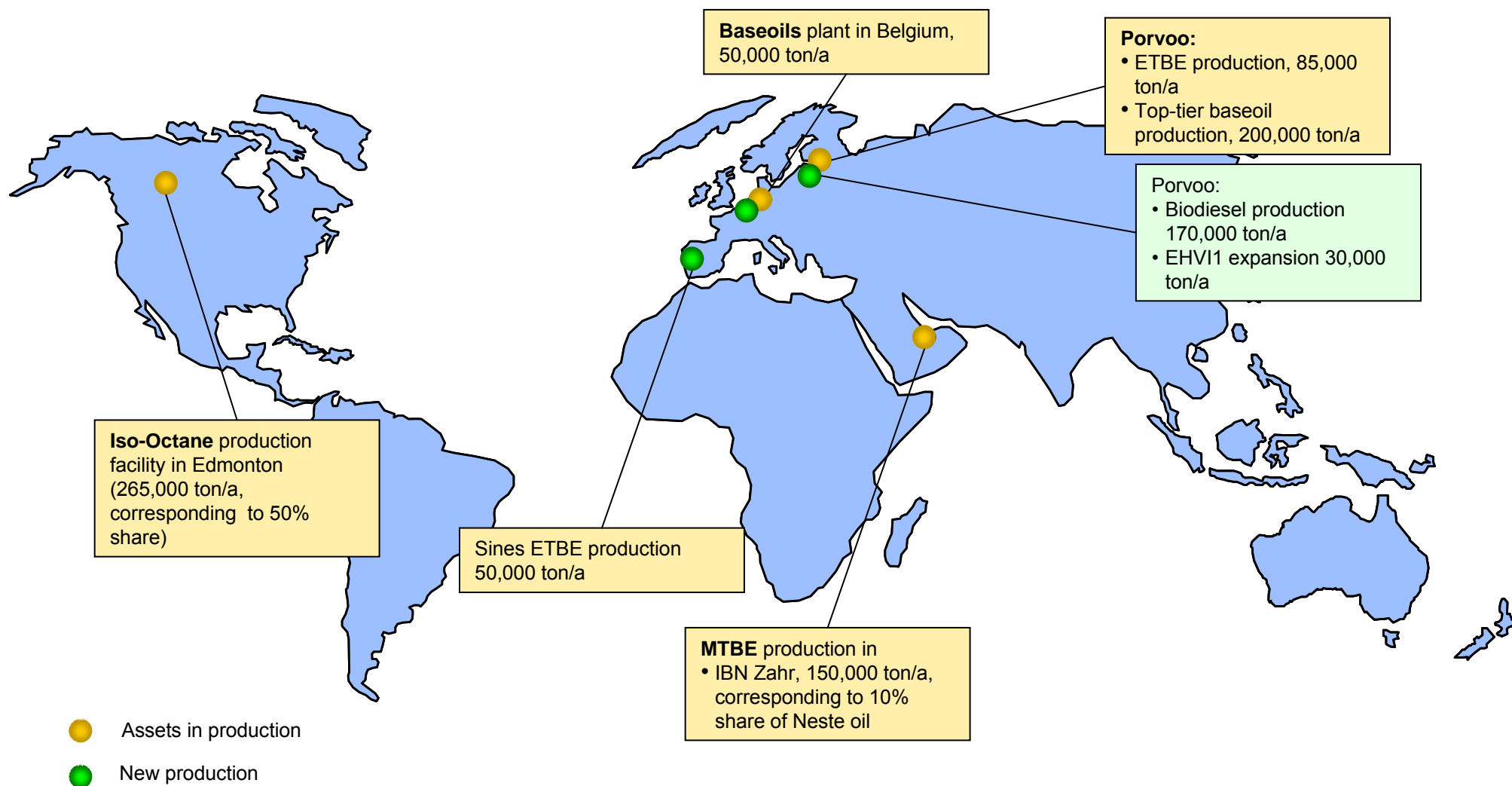
# Components – Growth Opportunities



Growth opportunities in promising niche markets also enabling Neste Oil to differentiate itself as a refining company

- Top-tier lubricant base oils
- Biofuels
- Premium gasoline components (iso-octane and ETBE)

# Components – Assets and Projects



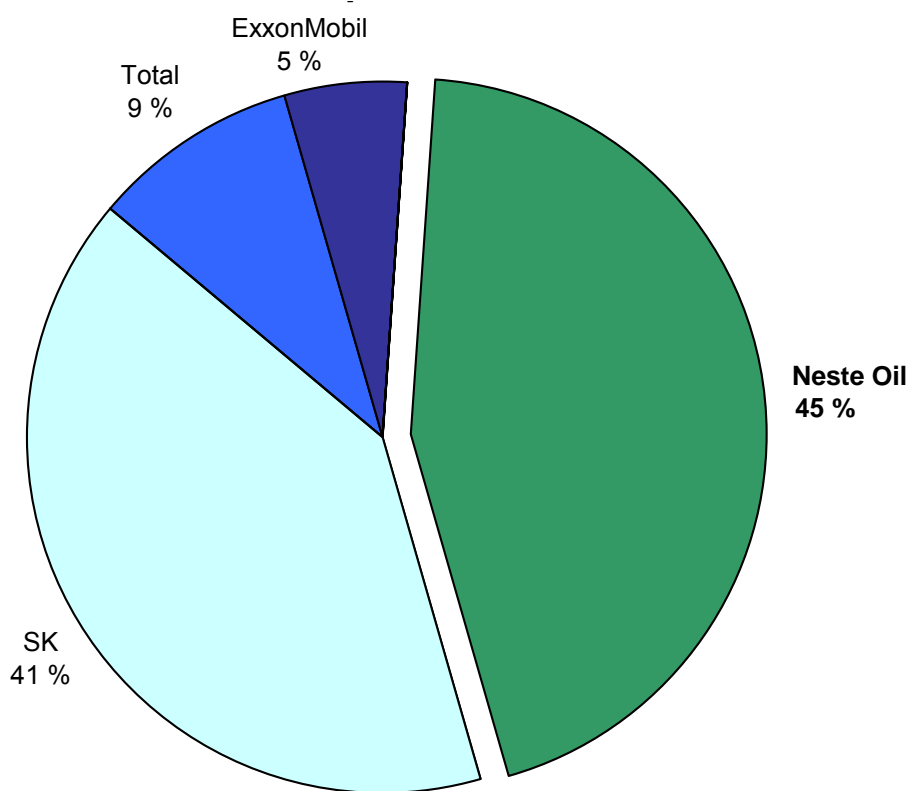
# Porvoo Biodiesel Investment Highlights

- Biodiesel plant to be built at the Porvoo Refinery
- Production capacity 170 000 ton/a
- Scheduled to start production in mid-2007
- Investment cost currently budgeted at 94 MEUR
- Based on Fortum Oil's proprietary NExBTL technology
- Flexible feedstocks: vegetable oils and animal fats
- Excellent fuel properties with reduced environmental impact
- Built to meet the growing biofuel demand in Europe

# Neste Oil – A leading VHVI Merchant

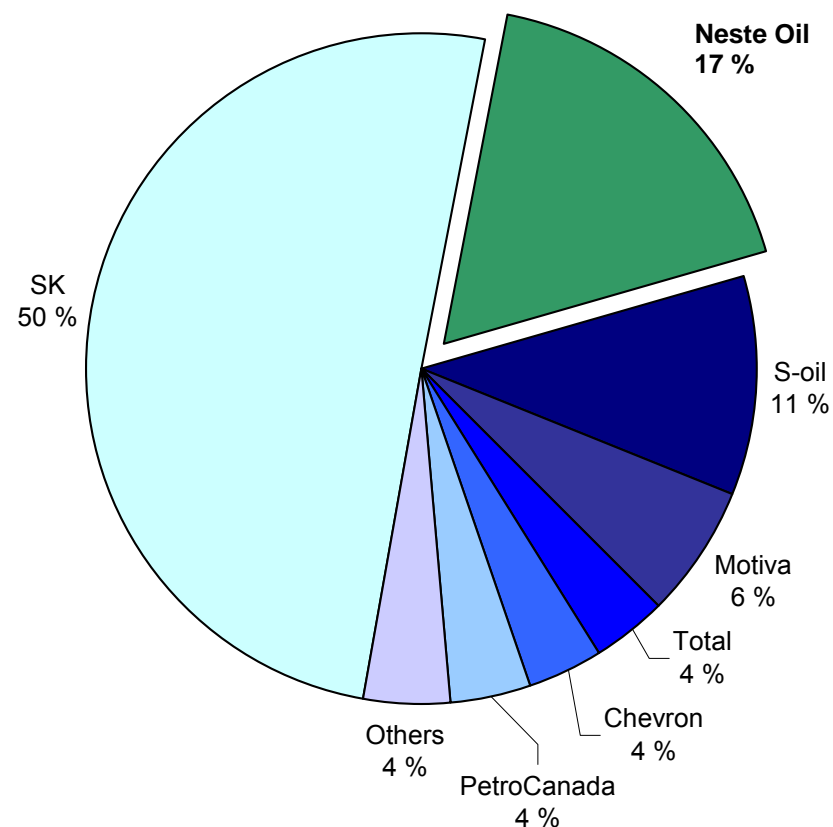
## Neste Oil's VHVI Group III Market Position

Europe 2004/2005<sup>(1)</sup>



Total merchant market in Europe 370 kt/a

Global 2004/2005<sup>(1)</sup>



Global merchant market 945 kt/a

**Notes**

1. After SK capacity expansion 2004
2. Excluding captive consumption

Sources: Oil&Gas Journal, Neste Oil estimates

# Proprietary Technological Capabilities

## **NExBTL**

- NExBTL (Biomass-To-Liquid) is a new generation technology for high quality biodiesel production. The technology enables use of a broad range of renewable feedstocks without compromising fuel qualities

## **NExTAME / NExETHERS**

- NExTAME technology is used in Porvoo refinery in production of high quality and low emission etherized gasoline. Production licenses of both technologies have been sold to third parties

## **NExOCTANE**

- NExOCTANE technology produces high-octane gasoline component for the most demanding gasoline market. This technology provides an excellent alternative for existing MTBE facilities. Production licenses of the have been sold to third parties

## **VHVI and PAO base oils**

- Neste Oil is focusing on the development and production of VHVI and PAO base oils. Sulphur-free VHVI and PAO lubricant base oils are the basic building blocks of modern high performance lubricants, which for instance reduce engine fuel consumption and exhaust gas emissions

# Components' Priority List

## **1. Develop renewable traffic fuel component business (Biodiesel and ETBE)**

- Build the Porvoo biodiesel plant by 2007
- Expand ETBE business to Sines and Stenungsund in 2005 to double the current volume

## **2. Increase top-tier lube base oils production to maintain market position in the global Group III base oil market**

- Ongoing EHVI Porvoo expansion - 2005
- Consider investment opportunity in a new worldscale plant

## **3. Divest non-core assets and complete conversion of existing MTBE production**

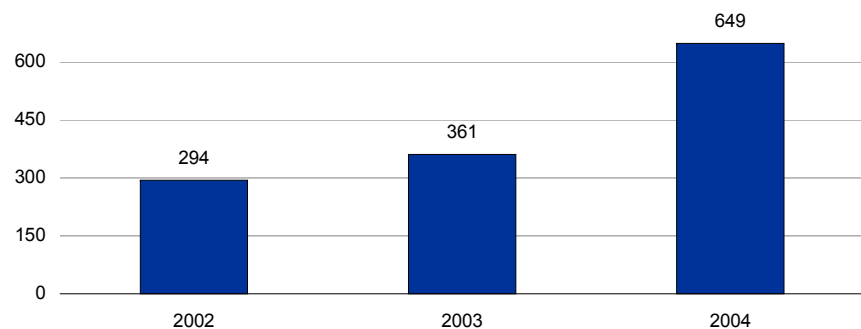
- Ibn Zahr (10 %)

## **4. Further development of likely and potential projects**

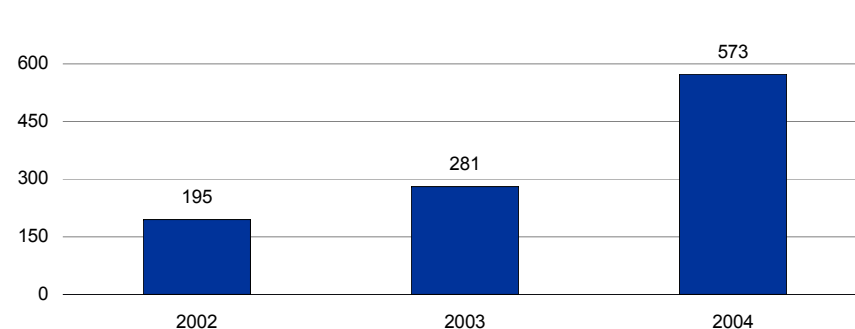
# Oil Refining Segment's Historical Financials

Based on carve-out financial statements

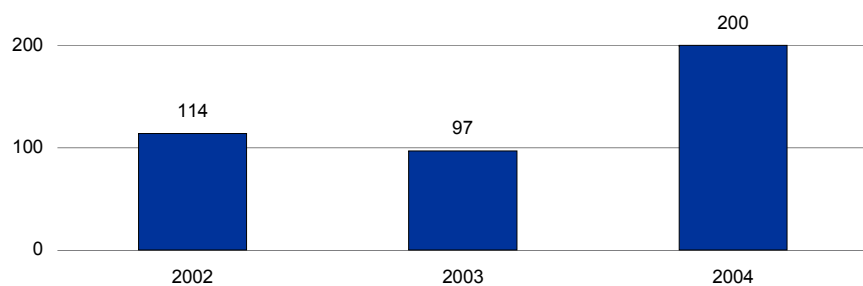
## EBITDA €MM



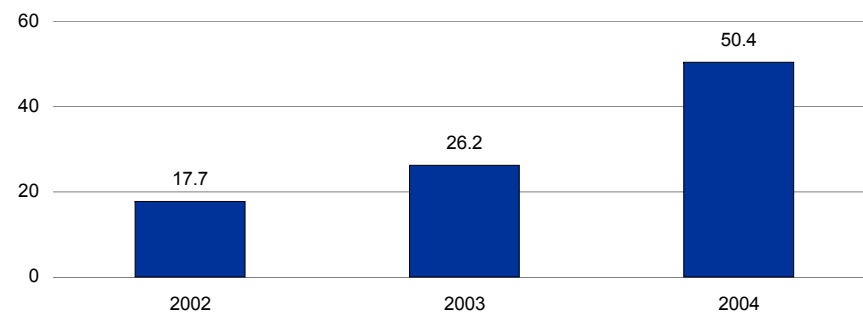
## Operating Profit €MM



## Capex €MM



## RONA (Pre-Tax) %







## **Back-up Information**

# Feedstocks

|                                      | For The Year Ended December 31 |        |        |                   |       |       |
|--------------------------------------|--------------------------------|--------|--------|-------------------|-------|-------|
|                                      | 2002                           | 2003   | 2004   | 2002              | 2003  | 2004  |
|                                      | <i>thousands of tonnes</i>     |        |        | <i>% of total</i> |       |       |
| <b>Crude oil</b>                     |                                |        |        |                   |       |       |
| Former Soviet Union                  | 6,014                          | 7,539  | 8,992  | 45.9              | 56.9  | 65.0  |
| <i>of which Russian Export Blend</i> | 3,432                          | 4,299  | 6,045  | 26.2              | 32.4  | 43.7  |
| <i>of which from Primorsk</i>        | 1,774                          | 3,145  | 5,765  | 13.5              | 23.7  | 41.6  |
| Denmark <sup>(1)</sup>               | 2,882                          | 2,183  | 1,496  | 22.0              | 16.5  | 10.8  |
| Norway <sup>(2)</sup>                | 2,031                          | 910    | 386    | 15.5              | 6.9   | 2.8   |
| United Kingdom <sup>(3)</sup>        | 73                             | 245    | 240    | 0.6               | 1.8   | 1.7   |
| Other countries                      | -                              | -      | -      | -                 | -     | -     |
| Total crude oil procurement          | 10,100                         | 10,876 | 11,114 | 77.1              | 82.0  | 80.3  |
| Condensates <sup>(4)</sup>           | 1,001                          | 1,087  | 1,198  | 7.6               | 8.2   | 8.6   |
| Other feedstocks <sup>(4)(5)</sup>   | 1,096                          | 1,293  | 1,531  | 8.3               | 9.8   | 11.1  |
| Total procurement <sup>(5)</sup>     | 13,096                         | 13,256 | 13,844 | 100.0             | 100.0 | 100.0 |

## Note

1. Consists mainly of DUC crude oil quality
2. Consists mainly of Draugen and Statfjord crude oil qualities
3. Consists mainly of Forties and Brent crude oil qualities
4. Condensates and other feedstocks used by Neste Oil's refineries are primarily imported from Russia and other countries in the former Soviet Union
5. Excluding blending components

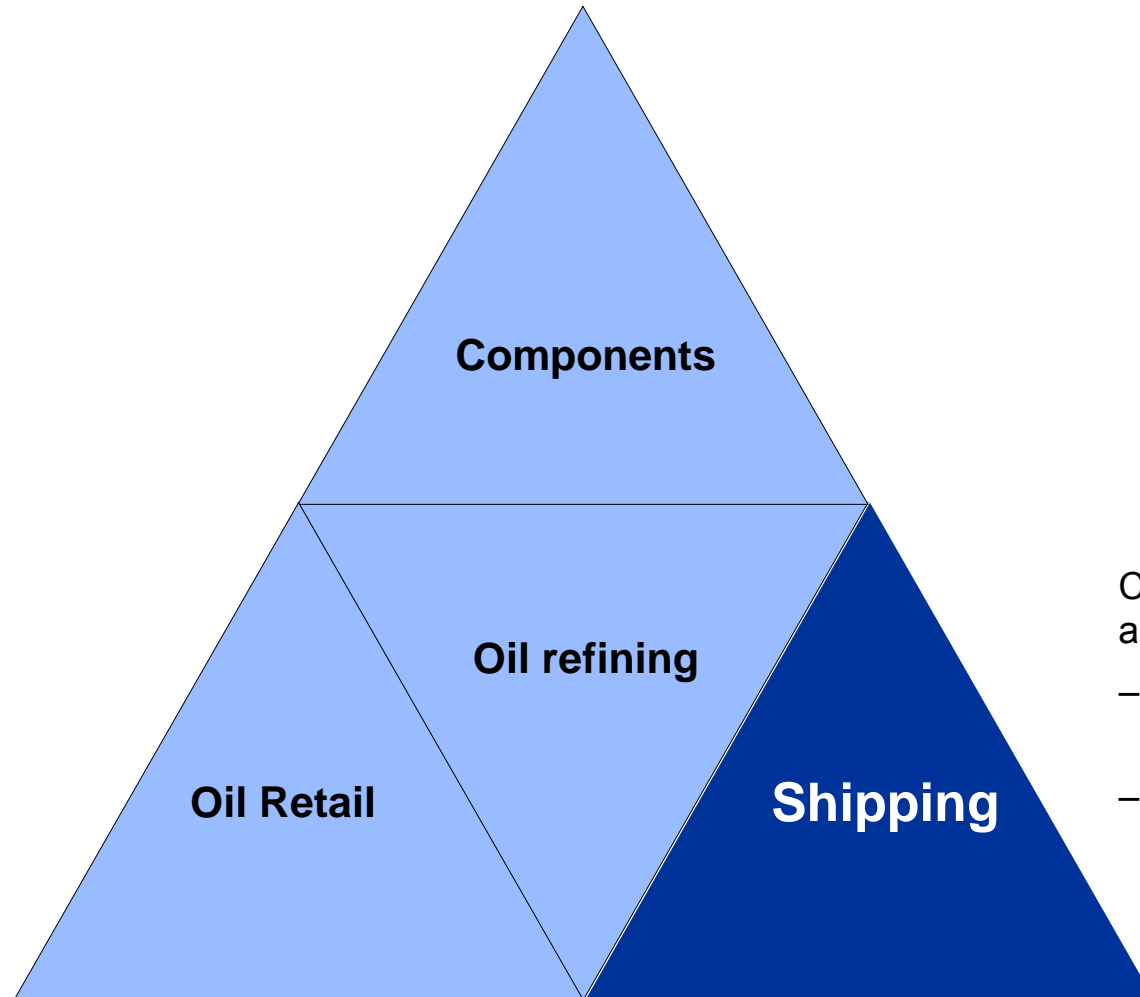
# Product Slate

|                          | For The Year Ended December 31 |        |        | For The Year Ended December 31 |      |      |
|--------------------------|--------------------------------|--------|--------|--------------------------------|------|------|
|                          | 2002                           | 2003   | 2004   | 2002                           | 2003 | 2004 |
|                          | <i>thousands of tonnes</i>     |        |        | <i>% of total</i>              |      |      |
| <b>Production</b>        |                                |        |        |                                |      |      |
| Gasolines                | 4,595                          | 4,434  | 4,368  | 35                             | 33   | 32   |
| Diesel Fuels             | 3,619                          | 3,886  | 4,265  | 28                             | 29   | 31   |
| Aviation Fuels           | 586                            | 611    | 605    | 4                              | 4    | 5    |
| Heating Oils             | 1,503                          | 1,474  | 1,197  | 12                             | 11   | 9    |
| Heavy Fuel Oils          | 1,233                          | 1,314  | 1,280  | 9                              | 10   | 9    |
| Other Petroleum Products | 1,504                          | 1,672  | 1,794  | 12                             | 12   | 13   |
| Total Production         | 13,040                         | 13,391 | 13,609 | 100                            | 100  | 100  |



# **Overview of Shipping and Oil Retail**

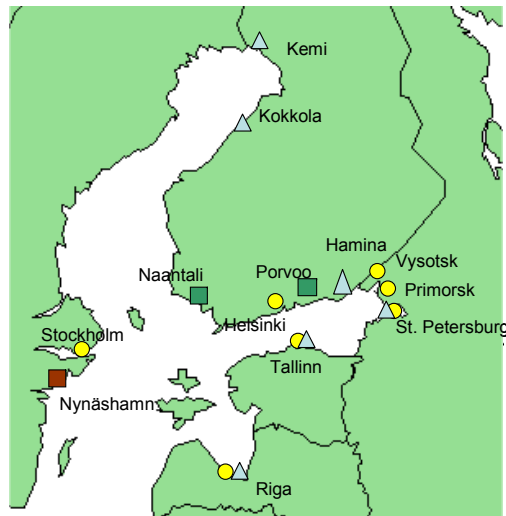
# Shipping – Flexible Logistics



Capability to secure crude and supply products

- Modern ice-classed and double-hulled fleet
- Large cargo sizes

# Shipping - a Key Element of an Integrated Logistics System



- Neste Oil's Refinery
- Nynäs Petroleum's Refinery
- ▲ Neste Oil's Terminal



## Refinery logistics systems

- Large storage capacity for crude and fuel products
- Deep harbours for large ships

## Benefits for refining margin

- Security of supply, especially during winter months
- Capability to schedule crude supply and product exports to benefit from market opportunities
- Using larger cargo sizes in product exports to gain scale benefits

## Crude oil and product shipping

- Modern ice-classed and double-hulled fleet consisting of crude oil and product tankers
- High safety standards

# Assets in Shipping



## Ice classified tanker fleet

- Flexible portfolio of 32 crude, product and chemical carriers
  - 12 owned
  - 2 bareboat chartered
  - 18 time chartered
- Total capacity of approximately 1.3 million DWT
- 100% Finnish flagged (vessels and crew)

## Crude and product shipments

- 62% crude
- 38% product

## Both internal and external customers

- Approx. 50% of capacity used internally
- Main focus on operations in North-West Europe
- 41 million tons of cargo with 1,760 voyages and 3,750 port calls in 2004

# Planned Investments / Divestments 2004 - 2006

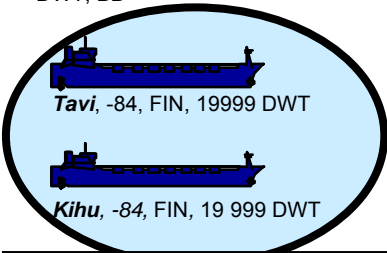
## DIVESTMENTS



*Vikla*, -82, FIN 8 388 DWT



*Melkki*, -82, FIN, 11 538 DWT, BB



*Tavi*, -84, FIN, 19999 DWT



*Kihu*, -84, FIN, 19 999 DWT



*Sirri*, -82, FIN 8 388 DWT



*Sotka*, -76, FIN, 16420 DWT

2004

2005

2006

2007



*Jurmo*, -04, 25 000 DWT, Ice 1A



*Futura*, -04, 25 000 DWT, Ice 1A



*Kiisla*, -04, 14 000 DWT, Ice 1A



*Suula*, -05, 14 000 DWT, Ice 1A



*Neste* -05, 25 000 DWT, Ice 1A



*Panamax*, 2006, 75 000 DWT, 1A



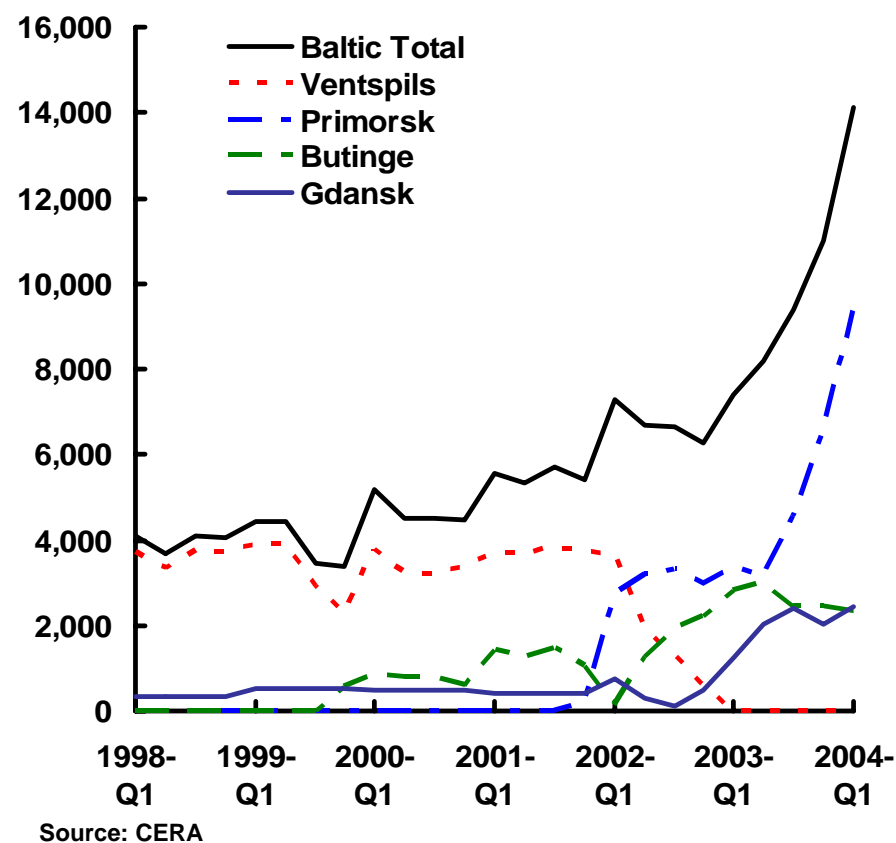
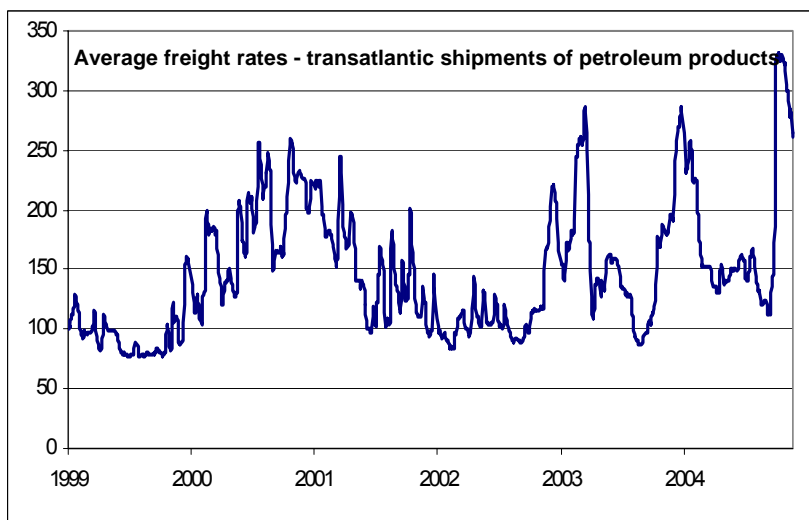
*Panamax*, 2007, 75 000 DWT, 1A

## INVESTMENTS



# Baltic Traffic Increases

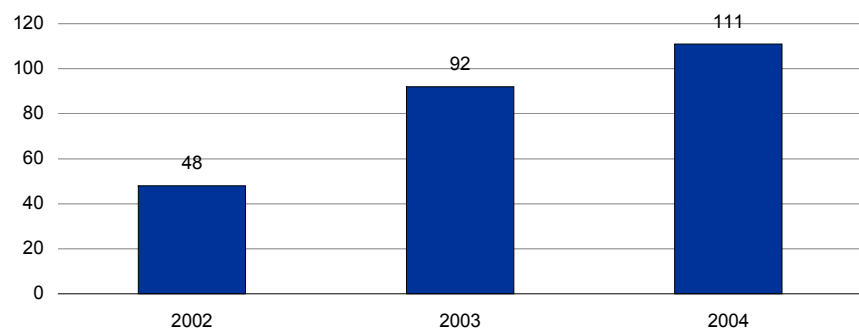
- Freight rates have shown considerable strength during the last two years as a result of the tight global tanker market
- Crude oil volumes have increased considerably in the Baltic Sea region
- Product volumes will continue to increase in the future
- However, competition may increase as more ice-class vessels expected to enter the Baltic Sea area in 2005/2006 onwards



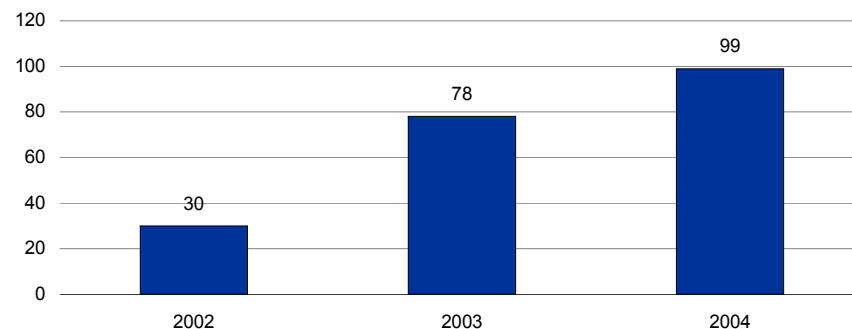
# Shipping Segment's Historical Financials

Based on carve-out financial statements

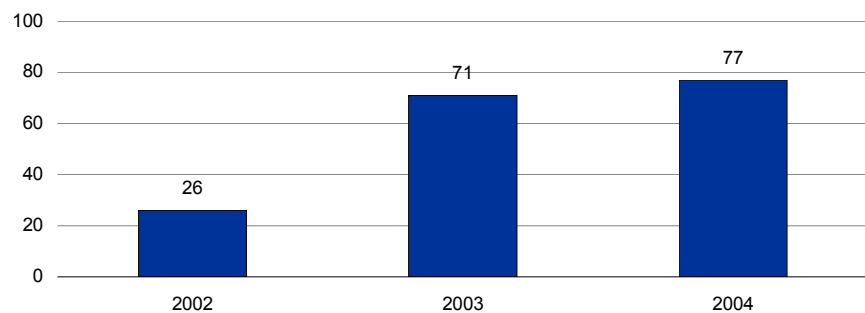
## EBITDA €MM



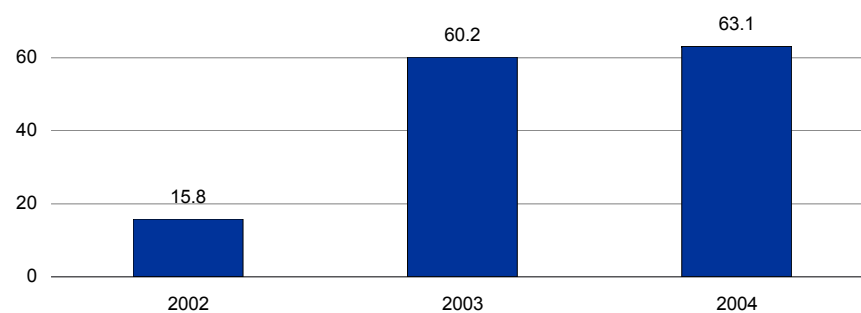
## Operating Profit €MM



## Capex €MM



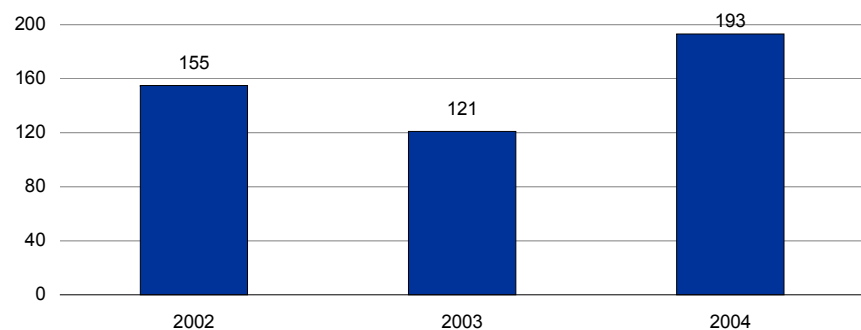
## RONA (Pre-Tax) %



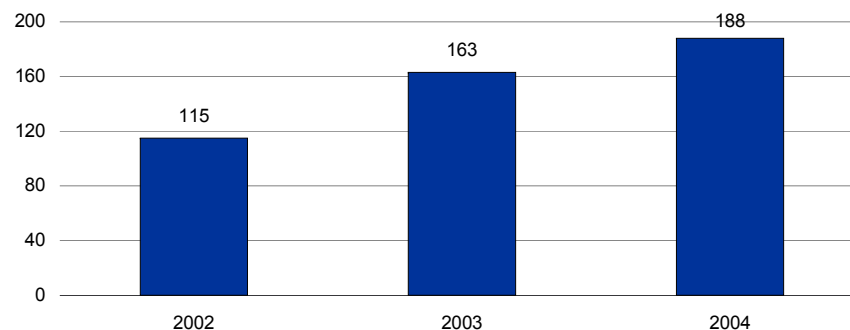
# Shipping Segment's Historical Statistics

Based on carve-out financial statements and other information

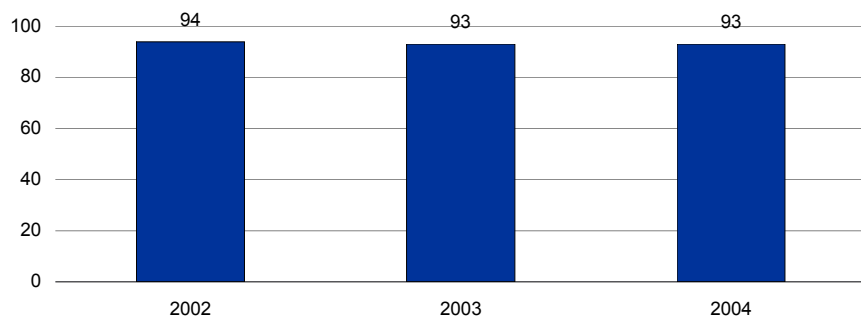
## Net Assets €MM



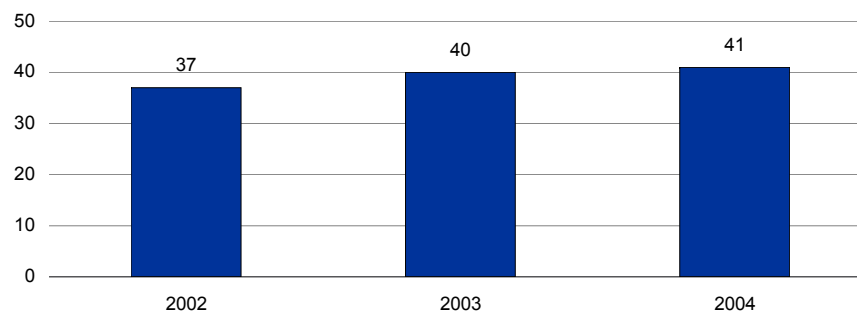
## Aframax Worldscale Points – Annual Average



## Fleet Utilisation Rate<sup>(1)</sup> %



## Total Deliveries MM Tonnes



### Notes

1. The fleet utilisation rate is calculated by dividing the fleet earning days with the total fleet days

# Oil Retail has a Strong Position in its Key Markets

## Retail Finland

- Market leader in traffic fuel retail (gasoline market share 28%, diesel market share 42%, 2004)
- Total sales volume 1,686 cubic meters (gasoline and diesel combined, 2004)
- Most recognised retail brand in Finland
- 371 traffic stations and 182 automated/unmanned stations
- 76 Quick shops and/or Pikoil stations



## Retail Baltic Rim

- St. Petersburg: 30 stations (of which 9 automated), 1 D-station, 1 terminal
- Estonia: 32 automated stations, 1 depot D-station, 1 terminal
- Latvia: 32 automated stations, 2 D-stations, 1 terminal
- Lithuania: 31 automated stations
- Growing presence in Poland, 53 automated stations
- Total sales volume 2004 (gasoline and diesel) 955 cubic meters

## Direct Sales

- Overall market leader in Finland in B2B and B2C sales of diesel, lubricants for traffic and industry, light fuel oil for heating and traffic, heavy fuel oil, and aviation fuels
- 320 D-stations in Finland
- Lubes blending plant in Helsinki

## LPG

- Leading distributor of LPG in Finland and Estonia with market shares of 70% and 45%, respectively
- Presence in Sweden and Latvia

# Direct Sales and Retail Network<sup>(1)</sup>

- Volume sales in Oil Retail are split between direct sales (58%) and retail network (42%)
- We have a leading position in the Finnish market and we have experienced growth in the Baltic Rim area due to investments and underlying market trends
- Our direct sales business has 160,000 customers

## Retail Outlets

Neste Oil's Retail Outlets as of December 31, 2004

|                      | Manned Stations | Unmanned Stations | D-Stations | Total No. of Stations |
|----------------------|-----------------|-------------------|------------|-----------------------|
| Finland              | 371             | 182               | 320        | 873                   |
| North-Western Russia | 21              | 9                 | 1          | 31                    |
| Baltic States        | 0               | 92                | 3          | 95                    |
| Poland               | 0               | 53                | 0          | 53                    |
| <b>Total</b>         | <b>392</b>      | <b>336</b>        | <b>324</b> | <b>1,052</b>          |

| Sales Volume Retail Network  |              |              |              |
|------------------------------|--------------|--------------|--------------|
| '000 m <sup>3</sup>          | 2002         | 2003         | 2004         |
| <b>Finland</b>               |              |              |              |
| Gasoline                     | 723          | 708          | 682          |
| Diesel fuel                  | 230          | 233          | 237          |
| Heating oil                  | 25           | 28           | 29           |
| <b>Total Finland</b>         | <b>977</b>   | <b>969</b>   | <b>949</b>   |
| <b>Baltic Rim area</b>       |              |              |              |
| Gasoline                     | 412          | 458          | 545          |
| Diesel fuel                  | 98           | 123          | 173          |
| <b>Total Baltic Rim area</b> | <b>510</b>   | <b>581</b>   | <b>718</b>   |
| <b>Total Retail Network</b>  | <b>1,487</b> | <b>1,550</b> | <b>1,667</b> |

| Sales Volume Direct Sales         |              |              |              |
|-----------------------------------|--------------|--------------|--------------|
| '000 m <sup>3</sup>               | 2002         | 2003         | 2004         |
| <b>Finland</b>                    |              |              |              |
| Gasoline                          | 26           | 22           | 16           |
| Diesel fuel (includes D stations) | 722          | 744          | 750          |
| Heating oil                       | 972          | 981          | 911          |
| Heavy fuel oil                    | 442          | 411          | 420          |
| <b>Total Finland</b>              | <b>2,162</b> | <b>2,157</b> | <b>2,098</b> |
| <b>Baltic Rim area</b>            |              |              |              |
| Gasoline                          | 117          | 82           | 68           |
| Diesel fuel                       | 138          | 114          | 169          |
| Heating oil                       | 18           | 5            | 6            |
| <b>Total Baltic Rim area</b>      | <b>274</b>   | <b>201</b>   | <b>243</b>   |
| <b>Total Direct Sales</b>         | <b>2,436</b> | <b>2,358</b> | <b>2,342</b> |

### Note

1. The diesel station network sales volumes are included in the direct sales diesel volumes

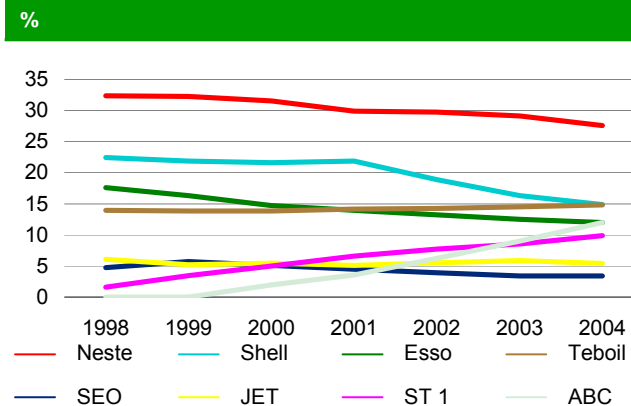
# Finnish Market Shares in Sales of Petroleum Products

- Neste Oil holds a strong market position in most petroleum products in the Finnish market
- Neste Oil's focus has been to maintain leadership in the market without sacrificing profitability
  - e.g. we have closed 100 unprofitable stations between 1997 and 2001

| Market Shares in Sales of Petroleum Products in 2004 |              |              |              |              |
|--|--------------|--------------|--------------|--------------|
| %  | Gasoline     | Diesel Fuel  | Heating Oil  | Fuel Oil     |
| Neste Oil  | 27.6         | 41.6         | 38.8         | 52.9         |
| Shell  | 14.9         | 13.6         | 16.0         | 5.0          |
| Teboil   | 14.8         | 24.6         | 26.6         | 40.4         |
| ABC  | 12.0         | 3.8          | -            | -            |
| ExxonMobil   | 12.0         | 9.1          | 12.8         | 1.8          |
| Station 1  | 9.9          | 4.5          | 3.3          | -            |
| Jet  | 5.4          | 0.7          | -            | -            |
| Seo  | 3.4          | 2.0          | 1.8          | -            |
| Others   | 0.1          | 0.1          | 0.8          | -            |
| <b>Total</b>   | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> |

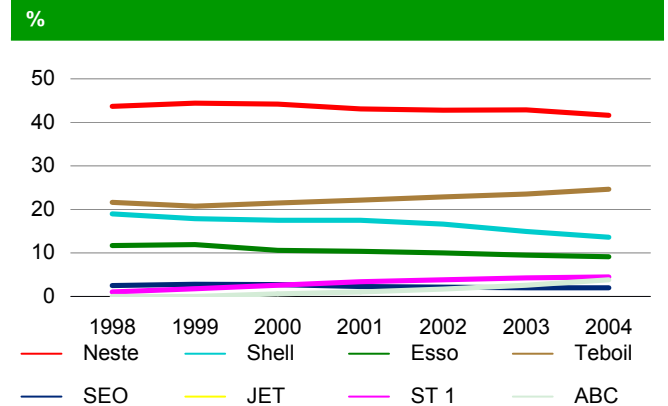
Source Finnish Oil and Gas Federation

## Gasoline Market Shares in Finland



Source Finnish Oil and Gas Federation

## Diesel Market Shares in Finland

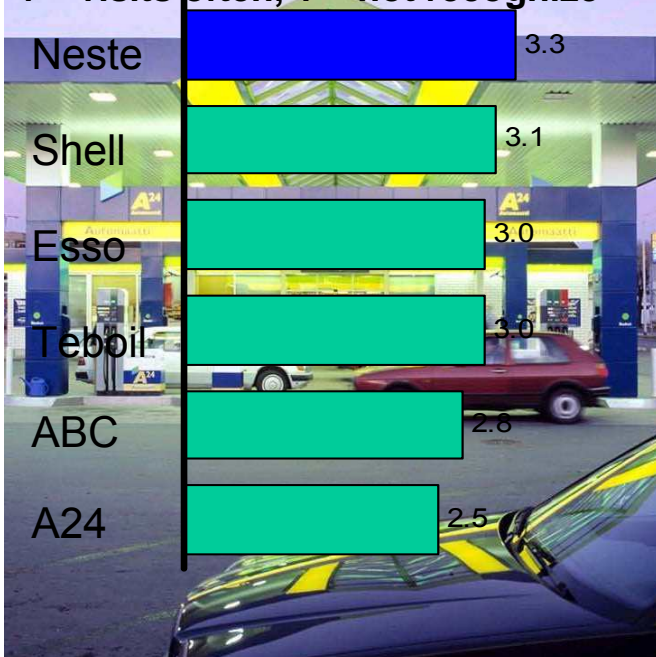


# Business in Oil Retail is built on the leading brands in the market

Neste is the most recognized and visited of the fuel chains

Brand awareness and usage of chains in Finland

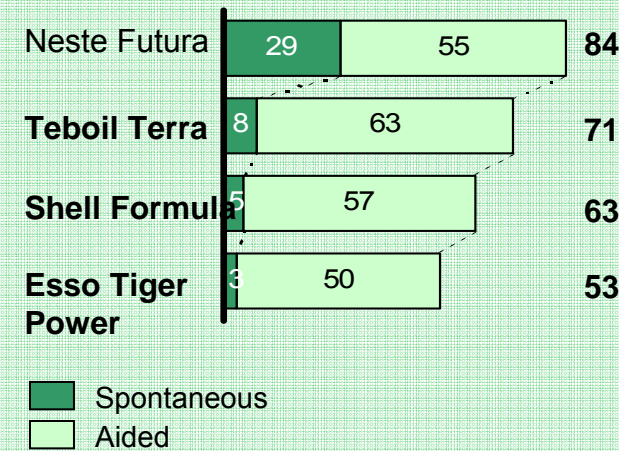
4 = visits often, 1 = not recognize



Futura is the best known fuel brand in Finland

Fuel brand recognition

% of respondents



**FUTURA**

Quick Shops are the best known among fuel stores

Brand awareness and usage of shops in Finland

4 = visits often, 1 = not recognize



Quick Shops are being converted to Pikkolo by the Pikoil JV

# Initiatives that Focus on Profitability

|                          | Focus of business   | Key initiatives  |
|--------------------------|---|--|
| <b>Retail Finland</b>    | <ul style="list-style-type: none"><li>• Maintain market share with focus on high profitability</li></ul>  | <ul style="list-style-type: none"><li>• Invest to keep station network competitive</li><li>• Establish strong Pikoil through<ul style="list-style-type: none"><li>– Converting Neste Quick Shops to K-Pikkolo shops</li><li>– Maintaining control over fuel retail</li><li>– Managing station concept through JV</li></ul></li></ul> |
| <b>Retail Baltic Rim</b> | <ul style="list-style-type: none"><li>• Focus on areas where<ul style="list-style-type: none"><li>– Current position is strong</li><li>– Opportunities for growth exist</li><li>– Operations are profitable</li></ul></li></ul> | <ul style="list-style-type: none"><li>• Invest to capture growth in St. Petersburg and Poland</li></ul>  |
| <b>Direct Sales</b>      | <ul style="list-style-type: none"><li>• Capture customer and cost benefits of a broad oil product portfolio</li></ul>   | <ul style="list-style-type: none"><li>• Service models for different segments within the customerships to maximize efficiency</li></ul>  |

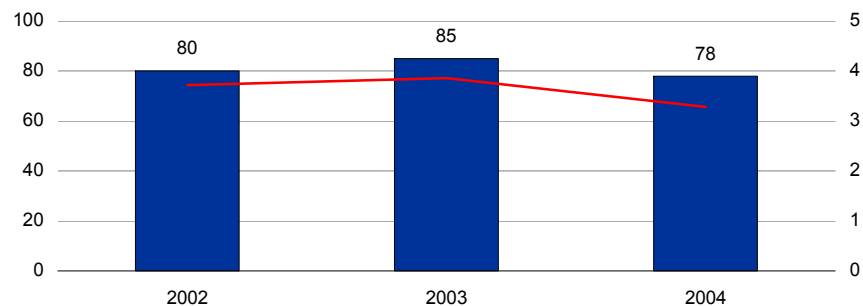


# Oil Retail Segment's Historical Financials

Based on carve-out financial statements

**EBITDA**  
€MM

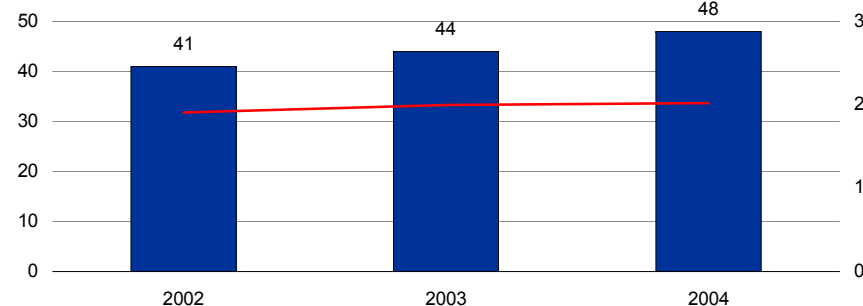
%



■ EBITDA    — Margin

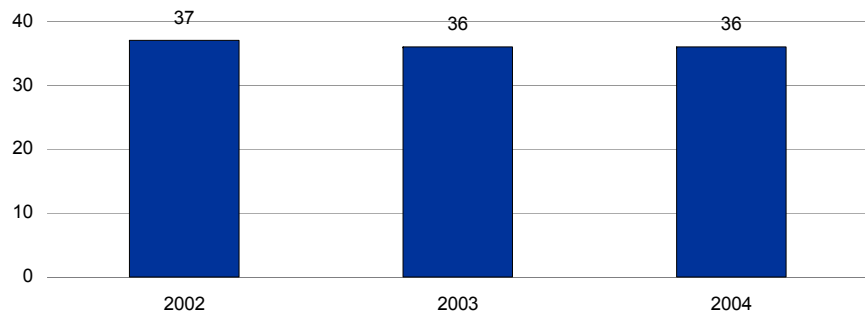
**Operating Profit**  
€MM

%

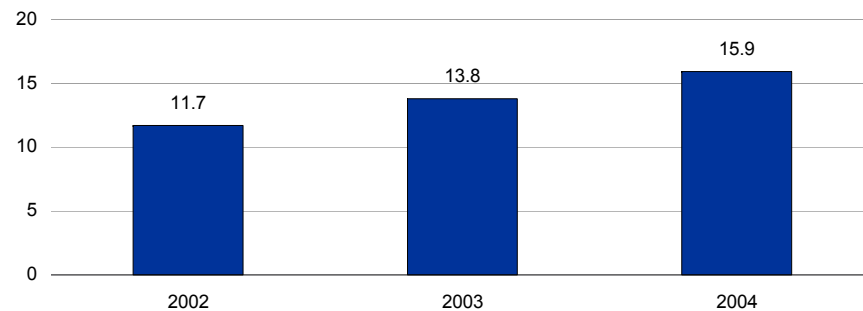


■ Operating Profit    — Margin

**Capex**  
€MM



**RONA (Pre-Tax)**  
%



# SeverTEK – Oil Production in Timan-Pechora



## SeverTEK

- A JV 50/50 owned by Fortum and Lukoil
- Additional licences for 4 oil fields
- Consolidation with equity method
- Part of Other reporting segment

## South Shapkino

- Oil production started in July 2003
- Current daily production approx. 30,000 bbl/d
  - Currently, SeverTEK is not able to fully utilize its production capacity due to the pipeline capacity restrictions set by Transneft
  - Oil producers using the Transneft pipeline have entered into an agreement to upgrade the pipeline

- USD 400 million investment
- USD 200 million project financing from EBRD (of which USD25 MM has been repaid) which is guaranteed by the JV partners on a 50/50 basis



## **Back-up Information**

# Neste Oil Shipping Fleet 2004

## Crude/Product Carriers



Bravery, -94, MH, 110461 DWT, II, DH



Stena Conductor, -03, PA, 107000 DWT, DH



Stena Confidence, -03, PA, 107000 DWT, DH



Petrovsk, -04, LIB, 106532 DWT, II, DH



Petropavlovsk, -02, LIB, 106300 DWT, II, DH



Mastera, -03, FI, 106208 DWT, 1A S, DH



Tempera, -02, FI, 106034 DWT, 1A S, DH



Natura, -92, FI, 95468 DWT, 1C, DH



Tervi, -86, FI, 47750 DWT, 1A, DH



Palva, -86, FI, 47750 DWT, 1A, DH

## Product Carriers



Varg, -92, LIB, 68157 DWT, 1C, DH



Futura, -04, FI, 25048 DWT, 1A S, DH



Jurmo, -04, FI, 25049 DWT, 1A S, DH



Purha, -03, FI, 25000 DWT, 1A S, DH



Dorsch, -91, GER, 23400 DWT, 1A, DH



Kihuland, -84, MT, 19999 DWT, 1A, PDH



Turid Knutsen, -93, NIS, 22617 DWT, 1A, DH



Sidsel Knutsen, -93, NIS, 22625 DWT, 1A, DH



Taviland, -84, MT, 19999 DWT, 1A, PDH



Sotka, -76, FI, 16420 DWT, 1A S, DH

## Product Carriers



Tärnhav, -02, S, 14796 DWT, 1A, DH



Tärnvåg, -03, S, 14796 DWT, 1A, DH



Kiisla, -04, FI, 14750 DWT, 1A S, DH



Furenäs, -98, S, 12924 DWT, 1A, DH



Astoria, -99, S, 12712 DWT, 1A, DH



Omega af Donsö, -82, S, 11538 DWT, 1A, DH



Sinimeri, -82, NIS, 11523 DWT, 1A, DH



Dicksi, -98, NIS, 8300 DWT, 1A, DH



Sirri, -81, FI, 6954 DWT, 1A, PDH

## Fortum Shipping New Buildings

### Product Carriers



Suula, -05, FI, 14665 DWT, 1A S, DH



Neste, -05, FI, 25080 DWT, 1A S, DH

### Pushers, Barges, Tugs



Bitpro 1/Kari, -89, FIN, 4088 DWT, 1A



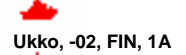
Bitpro 2/Aulis, -90, FIN, 4088 DWT, 1A



Vesikko, -93, FIN, 1144 DWT, PDH



Esko, -81, FIN



Ukko, -02, FIN, 1A



Ahti, -02, FIN, 1A

-  Crude/Product Carriers
-  Product Carriers
-  Pushers, Barges, Tugs

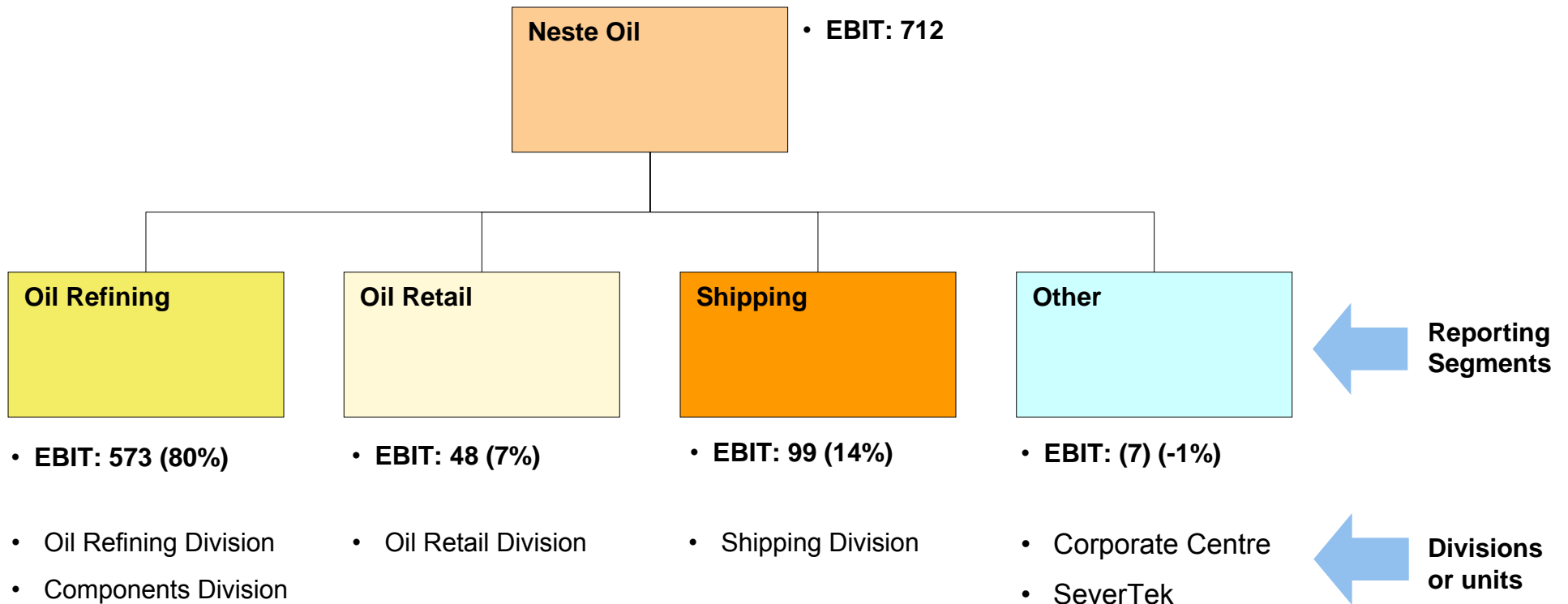
DH = Double Hull  
PDH = Partially Double Hull



# **Additional Information**

# Planned Financial Reporting Structure from 1 January 2005

Financials based on carve-out financial statement for 2004 in Finnish GAAP, in MEUR



# Effects of IAS/IFRS

According to the current estimate of management, the most significant differences between Finnish GAAP and IFRS, as applied by Fortum Corporation and Neste Oil as its subsidiary are:

- Accounting for finance leases
- Provisions for major overhauls in oil refineries and other production plants
- Valuation and recognition of derivative financial instruments
- Accounting for employee benefit obligations

# Investment Program Overview

## Investment Program Overview

| MEUR  | 2005    | 2006    | 2007    |
|---|---------|---------|---------|
| Ongoing annual maintenance capex<br>(all segments)  | 100-120 | 100-120 | 100-120 |
| <ul style="list-style-type: none"> <li><i>The turnaround costs have historically been 45-50 MEUR for Porvoo and 20-25 MEUR for Naantali (target turnaround period has historically been every 4-5 years)</i></li> </ul> |         |         |         |
| Diesel project  | 300     | 110     | -       |
| Porvoo biodiesel  | 30      | 55      | 10      |
| Porvoo EHVI expansion   | 15      | 5       | -       |
| Shipping fleet renewal <sup>(1)</sup>   | 25      | -       | -       |
| Oil Retail growth   | 35      | 30      | 30      |

**Note**

1. Presently all new vessels coming after this year such as the Panamax are time-charter based (not capex even under IFRS based on today's interpretation)



# Key Sensitivities

## Approximate Effect on Neste Oil's 2005 EBIT

| Annual Change  | €MM         |
|--|-------------|
| Eur/usd-rate + / - 10% <sup>(1)</sup>                              | + / - 50-70 |
| Refining margin, + / - 1 USD/bbl                                   | + / - 80    |
| Crude oil price, + / - 1.0 USD/bbl (primary impact on inventories) | + / - 10    |
| Crude oil freight price, + / - 10 WS points                        | + / - 10    |

**Note**

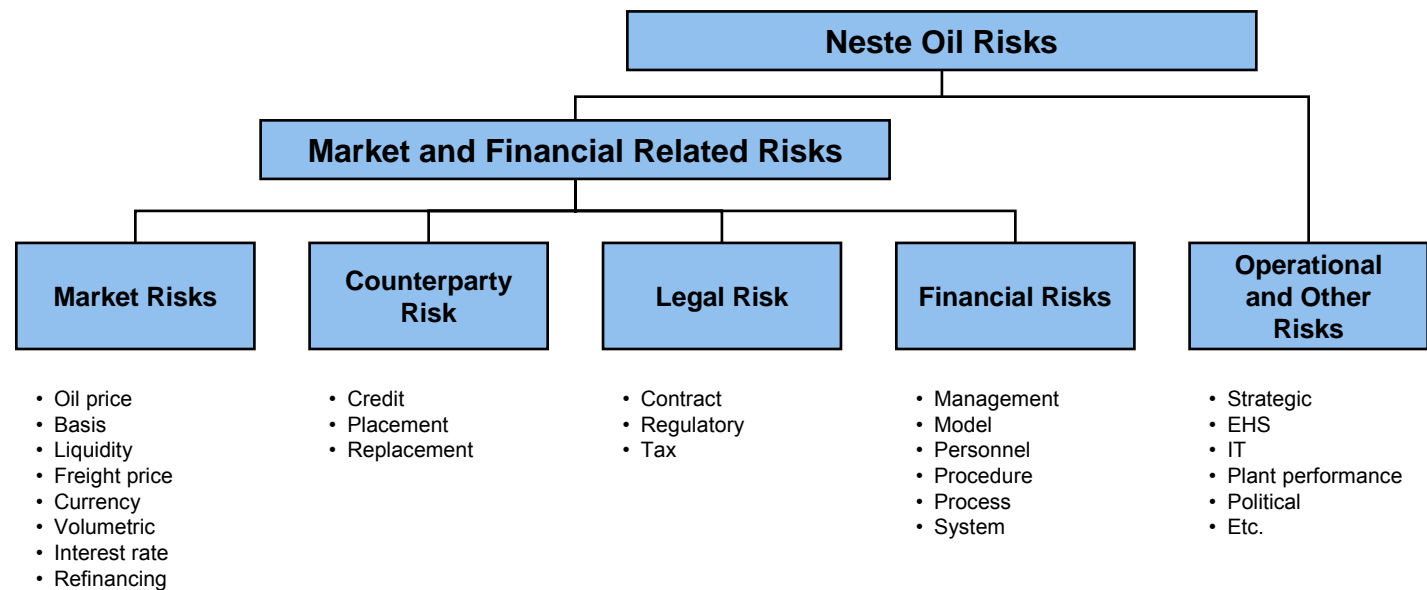
1. Before hedges
2. Before Diesel Project

# Initial Funding Strategy

- Revolving Multicurrency Facility
  - Unsecured senior debt to repay parent debt and for general corporate purposes
  - Facility size max. EUR 1.5 billion
  - Tenor 5 years (+1+1)
  - Fully underwritten facility documentation signed not later than mid March
- Domestic Commercial Paper Programme
  - EUR 400 million
  - Unsecured short term notes with maturities less than one year
- Overdraft facilities for bank accounts with selected cash pool banks
  - Max. EUR 50 million per bank

# Risk Management and Organisation

- Neste Oil's risk management is based on the policies practised by Fortum Corp.
- The objective of Neste Oil's risk management is to support the achievement of agreed targets
- Each Business Unit is responsible for managing the market risk that arises within their operations
  - The exceptions to this are currency risk, interest rate risk and refinancing risk which are managed by Neste Oil Treasury
- Neste Oil manages risks by using standard instruments such as futures and swaps



# Corporate Center

- **Includes the following corporate functions:**
  - **Corporate management**
  - **Corporate finance (including IT)**
  - **Legal affairs**
  - **Human resources**
  - **Communications**
  - **Environment, health and safety (EHS)**
- **Total number of staff around 75 persons at year end 2004**
- **Annual cost level around 22-26 MEUR**
- **Corporate center costs are included in Other segment**

# Key Events

| 2005   | 2006  | 2007   |
|--|---|--|
| <ul style="list-style-type: none"><li>• Porvoo shut-down in Q3<ul style="list-style-type: none"><li>– Scheduled maintenance and integration work related to the Diesel Project</li><li>– Estimated volume loss of approximately 10% of normal Neste Oil production</li></ul></li></ul> | <ul style="list-style-type: none"><li>• Completion of Diesel Project in Q4</li><li>• Return to normal volumes at Porvoo</li><li>• Scheduled maintenance shut-down at Naantali<ul style="list-style-type: none"><li>– Estimated volume loss of approximately 2% of normal Neste Oil production</li></ul></li></ul> | <ul style="list-style-type: none"><li>• First full year of operations after completion of Diesel Project</li><li>• No scheduled shut-downs of refineries</li><li>• Commissioning of Biodiesel unit at Porvoo</li></ul> |