

# Financial Targets

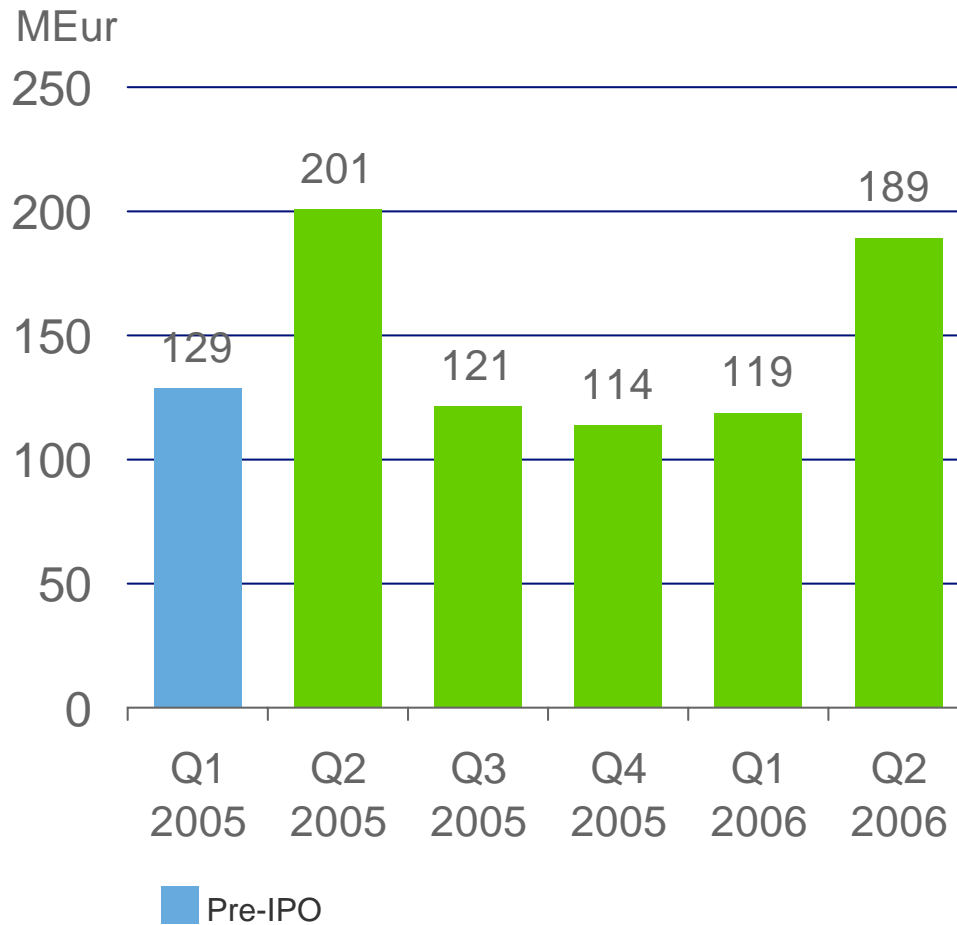
Petri Pentti

Chief Financial Officer

**NESTE OIL**

refining the future

## Quarterly comparable operating profit

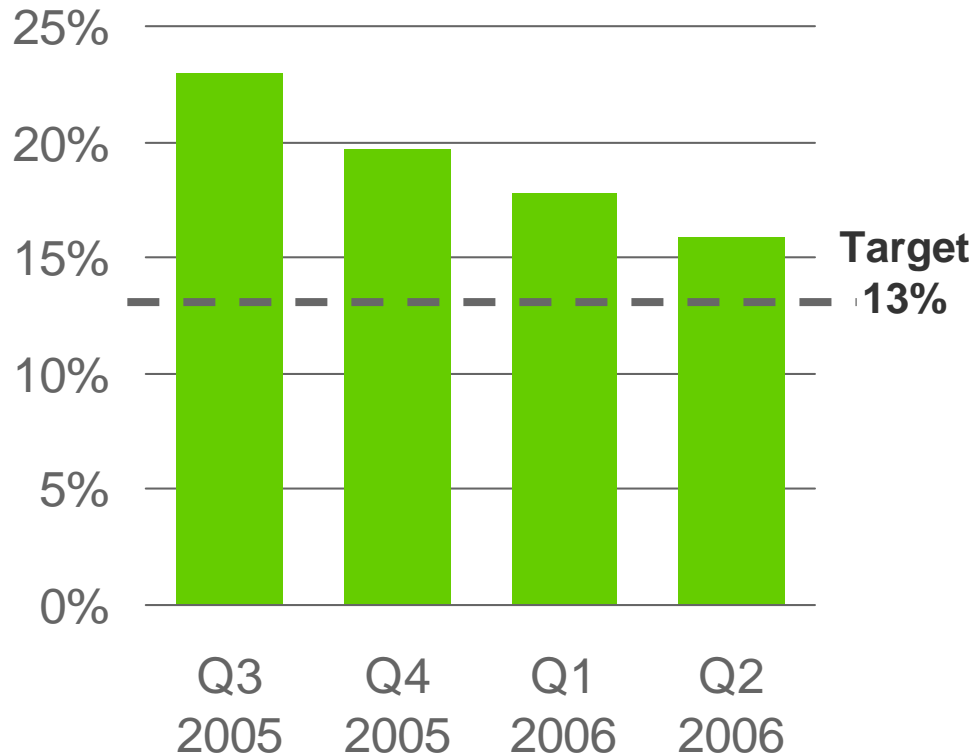


## Performance

- Listing on the Helsinki Stock Exchange on 18 April, 2005
- Planned maintenance shutdown in Porvoo during Q3 2005
- Comparable operating profit excludes
  - Inventory gains/losses
  - Fixed assets sales gains/losses
  - Changes in fair value of certain oil derivatives



ROACE (12 months after tax)



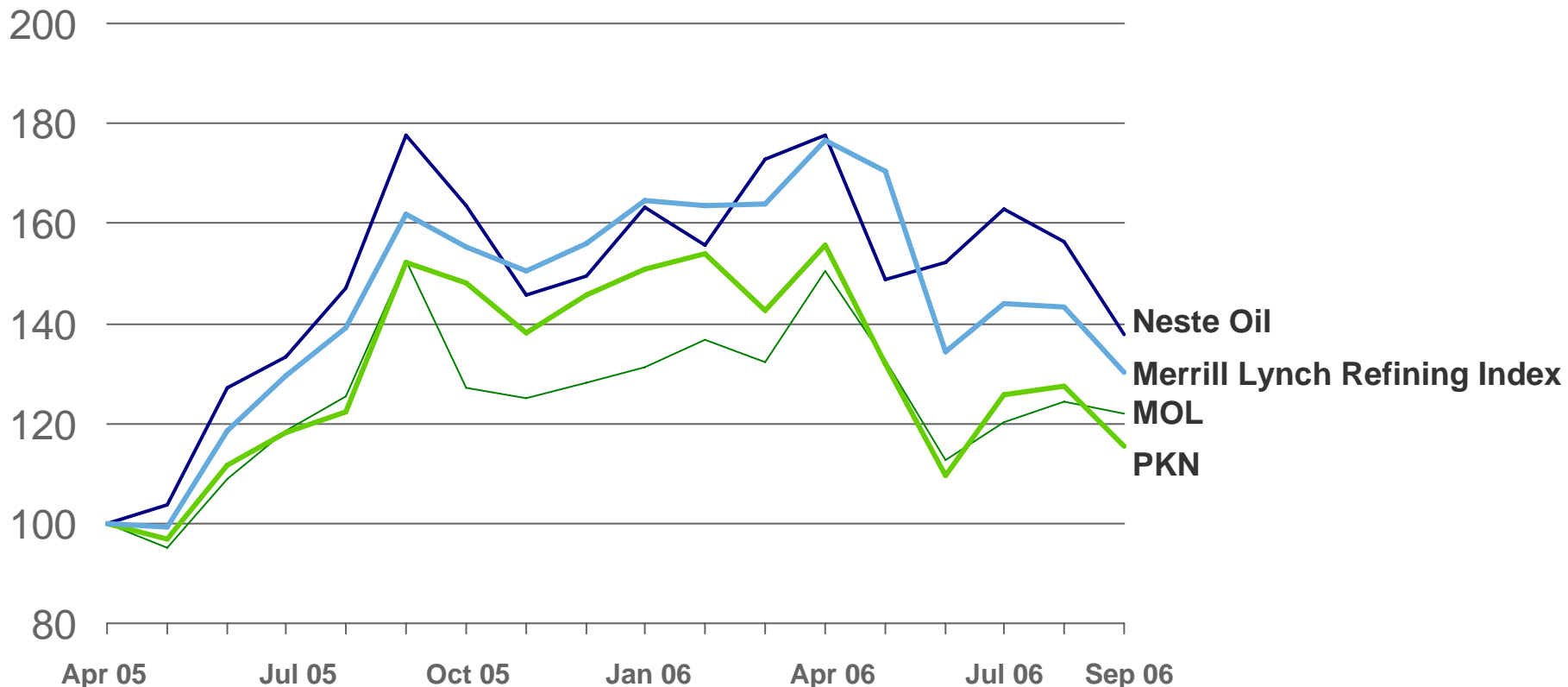
ROACE trend explained by

- Good margin environment
- Strategic investments that increased Capex are not yet revenue generating
- Working capital increase due to high oil price environment



**Monthly rebased price development  
18.4.2005 - 18.9.2006**

Rebased share price



Notes: Rebased share price since IPO 18 April; x-axis' labels refer to the 18th of each month; Merrill Lynch refining index includes OMV, PKN, MOL, ERG, Hellenic and Neste Oil (all equally weighted)

Source: Bloomberg



**Ambitious growth strategy seeks to maximize shareholder value**

- Clear financial targets
- Consistent shareholder returns

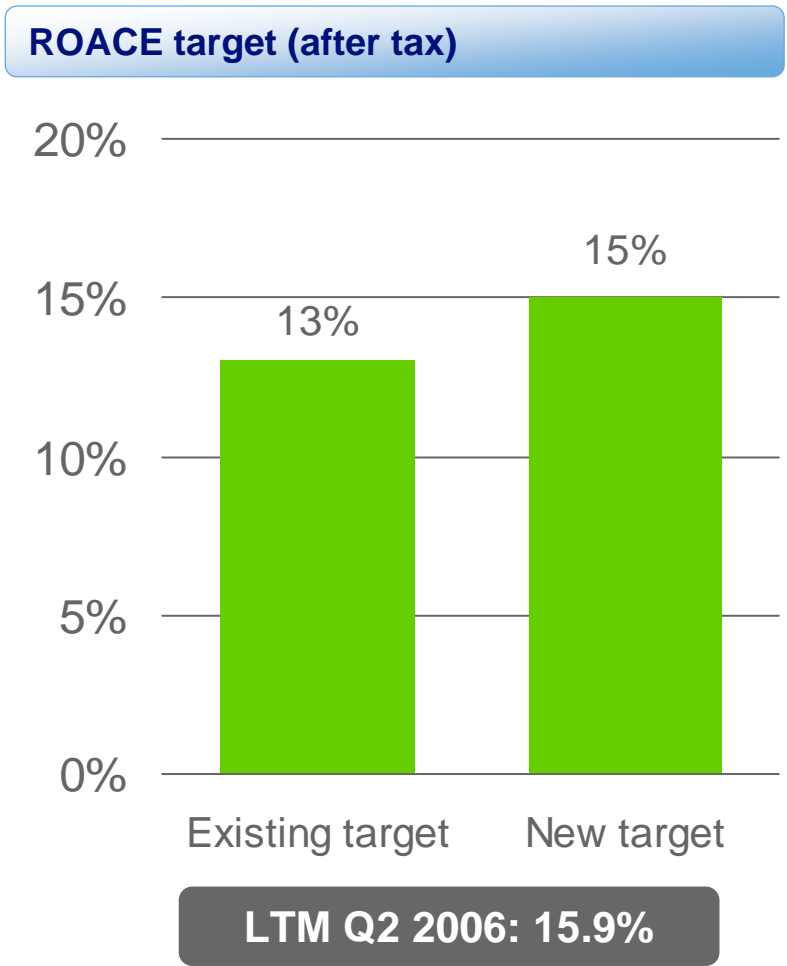
**Growth pursued with capital discipline**

- ROACE target of at least 15% over the cycle
- Significant growth related investments
- Leverage target of 25-50%

**Consistent dividend policy**

- Competitive payout ratio of at least 33%
- Return funds to shareholders if attractive growth opportunities do not materialize





- ### ROACE target
- Despite all the growth investments in coming years, we expect to deliver at least 15% ROACE over the cycle
  - Higher ROACE expectations in the short-term
  - Start-up of Diesel project and Biodiesel plant will help to achieve the target
  - Margin improvements in various areas

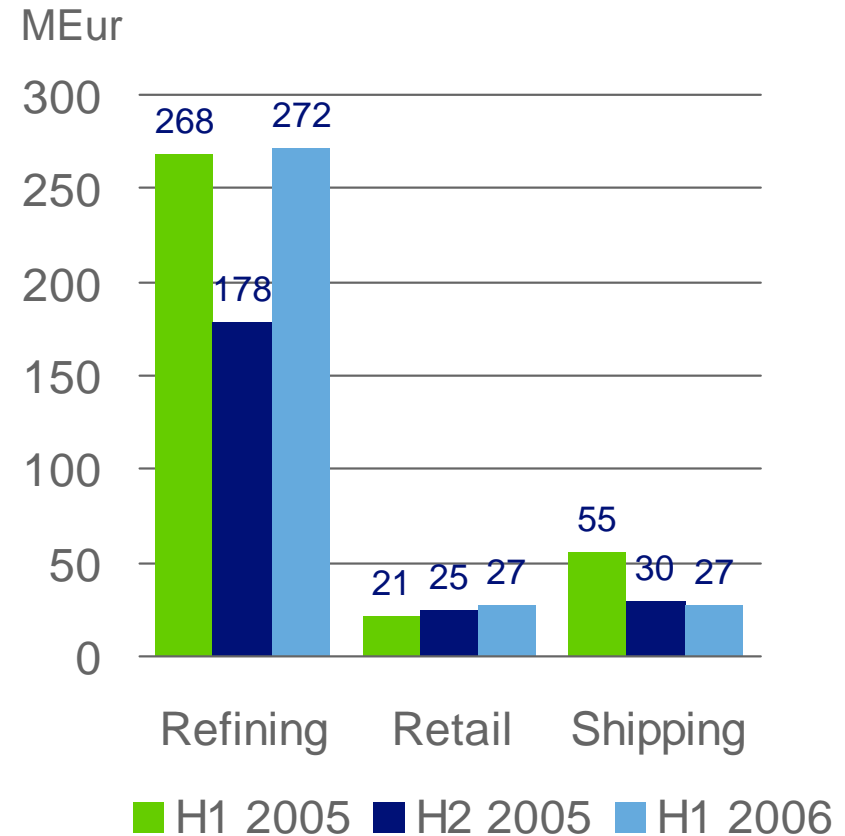
*Notes: Return on average capital employed after tax, (ROACE) % = [Net profit (adjusted for inventory gains/losses and gains/losses from sales of fixed assets and investments net of taxes) + minority interest + interest expenses and other financial expenses related to interest-bearing liabilities (net of taxes)] / Average capital employed (= total equity + interest-bearing debt)*



## Short-term focus areas

- Refining
  - Start-up of Porvoo diesel plant
  - Productivity and reliability improvements
- Biodiesel
  - Start-up of Porvoo biodiesel plant in summer 2007
- Retail
  - Improve operational and capital efficiency
  - Continued growth in the Baltic Rim
- Shipping
  - Higher efficiency via fleet renewal and partnerships
  - Continued operational and financial risk management

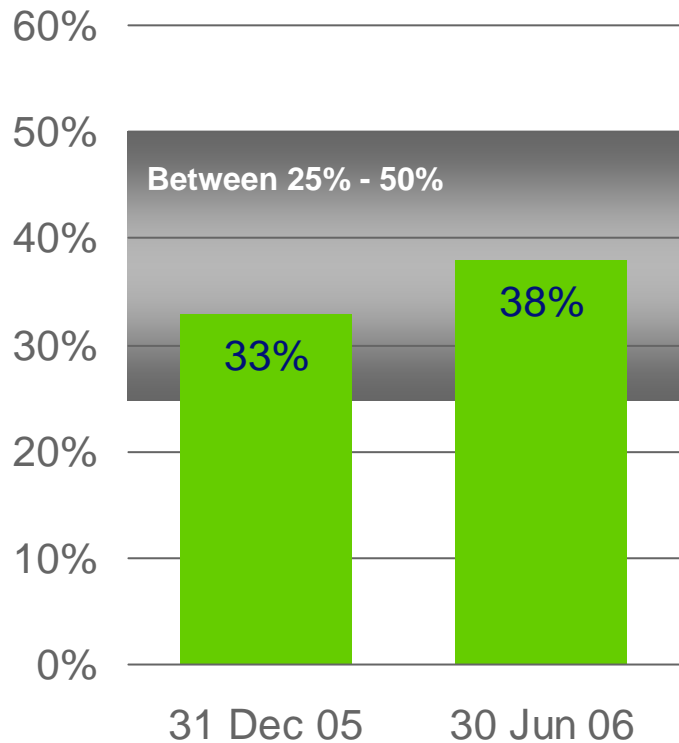
## Comparable operating profit by division



*Note: Comparable operating profit is calculated by excluding inventory gains/losses, gains/losses from sales of fixed assets, and changes in the fair value of oil derivatives from the reported operating profit.*



Leverage ratio



### Capital structure

- We expect to invest several billion euros in growth projects
- Strong focus on ROE by retaining efficient capital structure
- In the short-term, leverage is impacted by increase/decrease in working capital

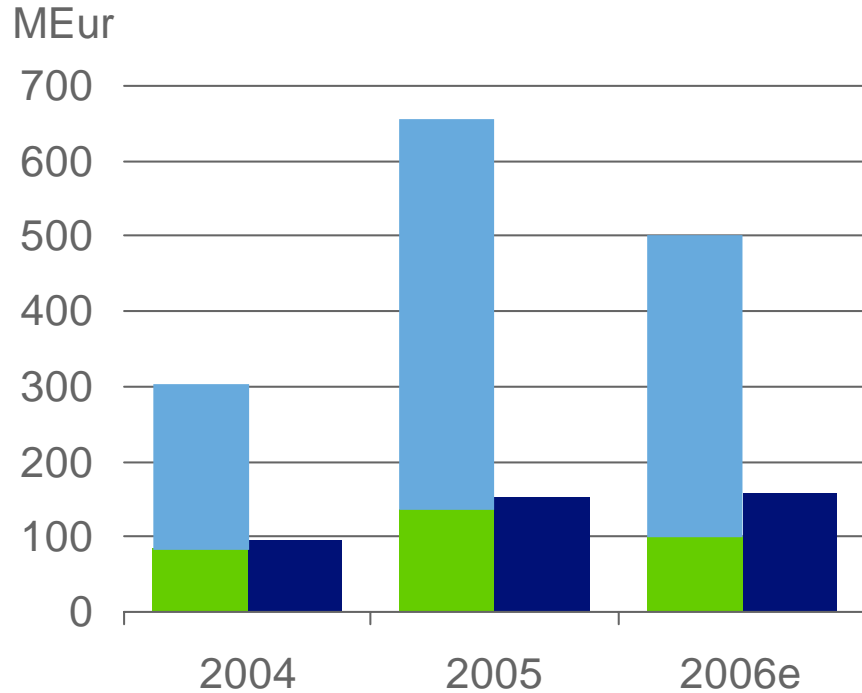
Note:  $Leverage\ ratio, (\%) = \frac{Net\ debt}{(Net\ debt + total\ equity)}$





# Maintenance expenditure target at or below depreciation

## Capital expenditure and depreciation



- Depreciation, amortization and impairment
- Maintenance expenditure
- Growth investments

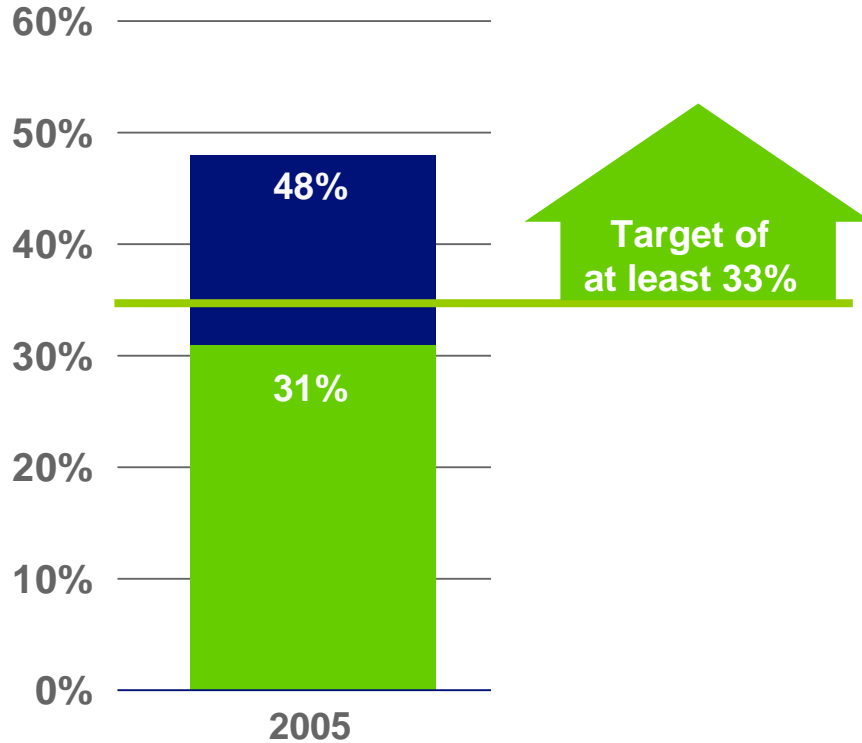
## Capital expenditure

- Maintenance related expenditure at or below depreciation also in the coming years
- Significant growth related investments expected



Payout ratio

% of EPS



- Adjusted for non-recurring items
- Payout from reported EPS of EUR 2.60

### Shareholder returns

- Ambition to create significant value to our shareholders
- Target payout ratio of at least 33% of underlying profits
- Return funds to shareholders if not required to finance growth



- We expect to invest several billion euros in growth projects
- Growth strategy seeks to maximize shareholder value
  - focus on financial returns
  - exercise capital discipline
  - competitive payout ratio
- Maintain efficient capital structure
- Funds to be returned to shareholders if not required to finance growth



**Q&A**

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