

Analyst Day

London

2 November 2007

NESTE OIL

refining the future

Agenda

Introduction	15 min	09:00 - 09:15
Strategy update	15 min	09:15 - 09:30
Oil Refining	20 min + 15 min Q&A	09:30 - 10:05
Biodiesel	20 min + 15 min Q&A	10:05 - 10:40

Break 20 min 10:40 - 11:00

Specialty products	20 min	11:00 - 11:20
Oil Retail	15 min	11:20 - 11:35
Shipping	15 min	11:35 - 11:50
	15 min Q&A	11:50 - 12:05
Financials	15 min	12:05 - 12:20
Summary + discussion	30 min	12:20 - 12:50

Lunch 1 hour 1:00 - 2:00

Update on Strategy

Jarmo Honkamaa
Deputy CEO

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A close-up, low-angle shot of a field of tall, vibrant green grass. The blades are sharp and detailed in the foreground, while the background is softly blurred, showing more grass and a clear blue sky. The overall mood is fresh and natural.

Vision:

The leading provider of cleaner traffic fuels

●●● We'll continue reinforcing the key elements of our strategy...

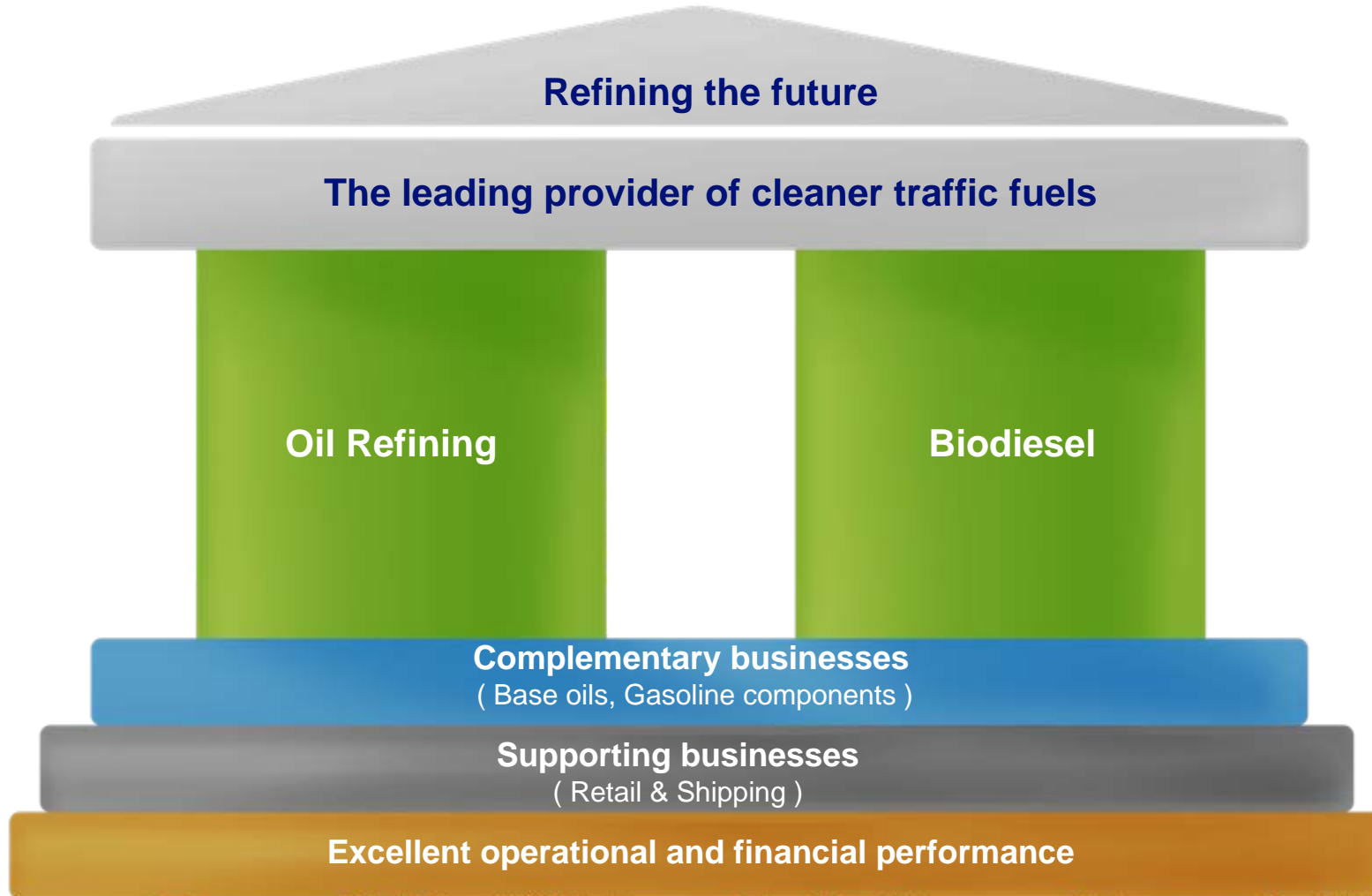
Delivering high-quality products for cleaner traffic

Increasing the range of feedstocks

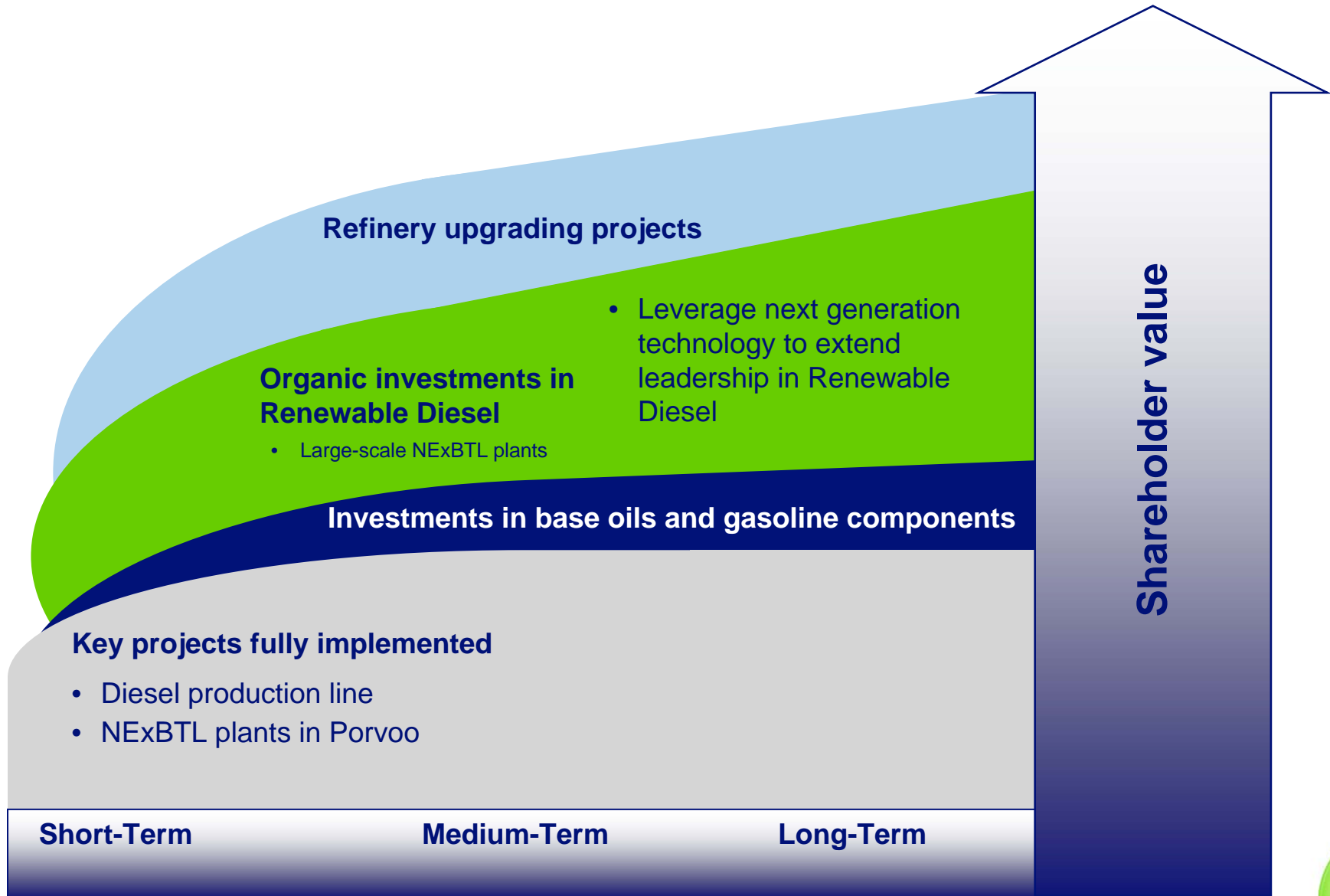
Leveraging refining excellence



●●● ...which is based on two main growth areas



●●● Growth is aimed at maximizing the shareholder value





The new divisional structure

President & CEO
Risto Rinne

Specialty Products

Kimmo Rahkamo

Base Oils

Gasoline Components

Nynäs

Oil Refining

Jorma Haavisto

Porvoo Refinery

Naantali Refinery

Wholesale

Trading & Supply

Biodiesel

Jarmo Honkamaa
(Deputy CEO)

NExBTL Production

NExBTL Projects

Sales & Supply

Oil Retail

Sakari Toivola

Retail Station Networks

Direct Sales

LPG Distribution

Shipping

Risto Näsi

Tanker Operations

Chartering



Oil Refining

- Organic growth through profitable conversion projects
- Enhance productivity of Porvoo and Naantali refineries

Biodiesel

- Establish global operations and leading market position
- Develop technology and expand feedstock base

Specialty Products

- Implement growth investments in Base Oils
- Utilize growth opportunities in Gasoline Components
- Maximize our shareholder value in Nynäs

Oil Retail

- Maintain leading brand and market position in Finland
- Improve profitability
- Continue profitable growth in Baltic Rim

Shipping

- Improve profitability
- Create alternatives to maximize value



Oil Refining

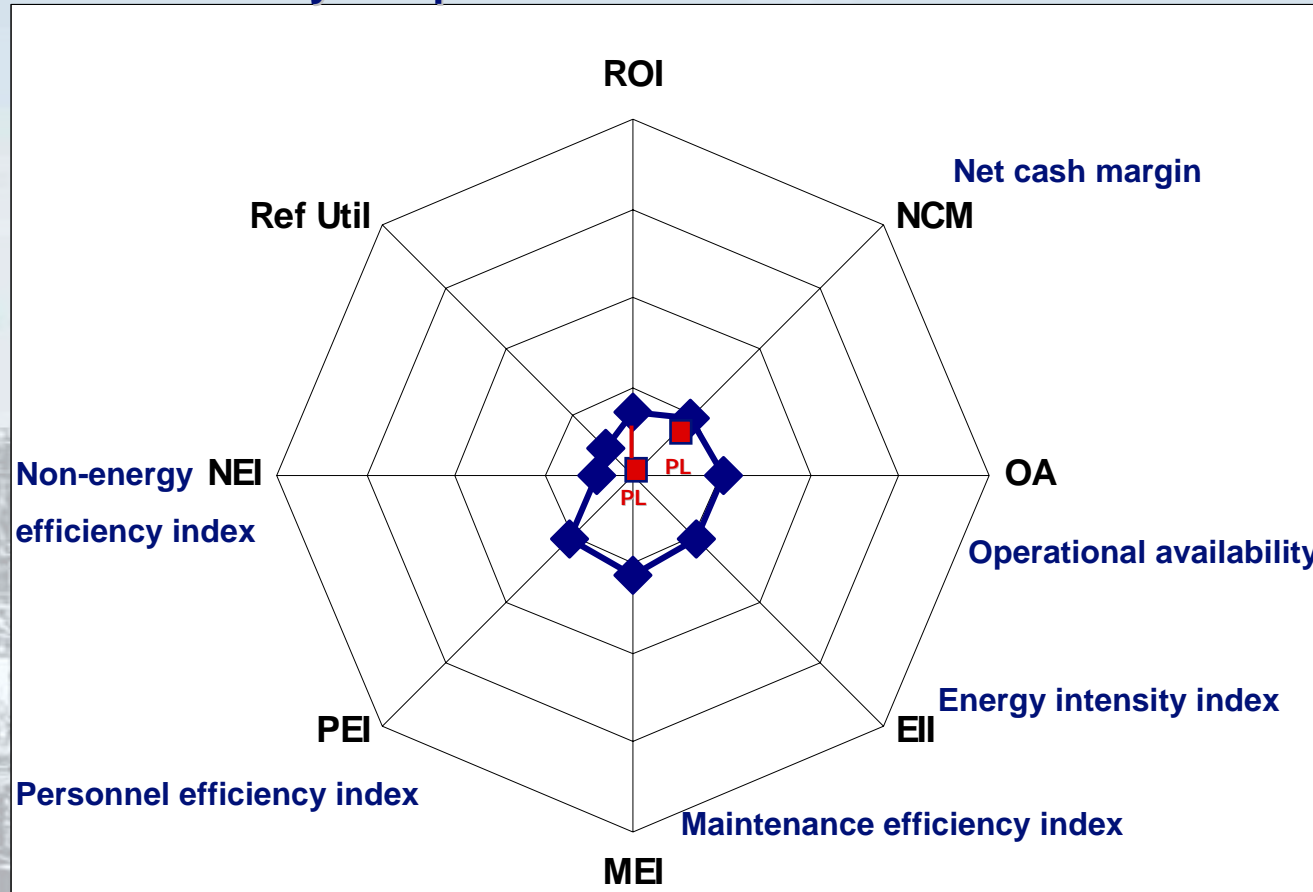
Jorma Haavisto
Executive Vice President

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Highly advanced Porvoo refinery; ensuring our ever-better performance

Porvoo refinery compared to WE refineries



Note: rankings based on Solomon Study 2006



Our production and export flexibility gives NESTE OIL ability to serve different markets

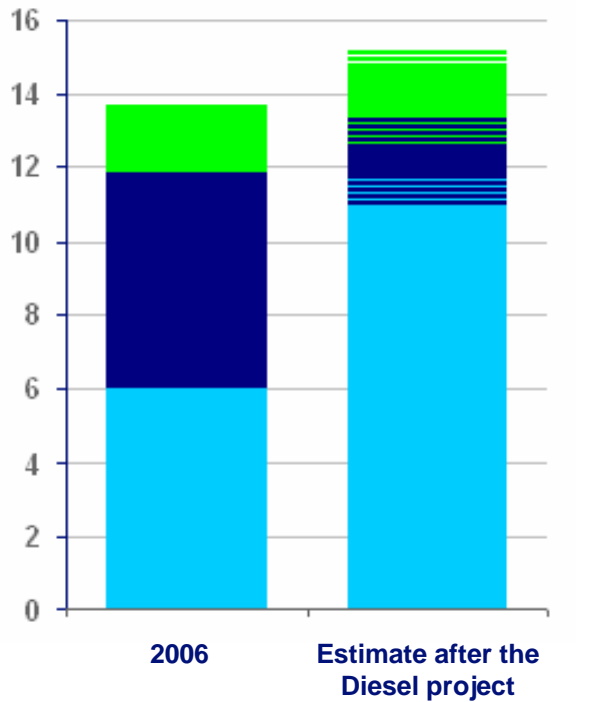
- Strong position in the home markets
- Almost half of our diesel production being winter grade
- Approximately 1/3 of total gasoline sales goes to North America



Changes in input and output after the new NESTE OIL diesel line is fully operational

Russian crude replaces North Sea crude

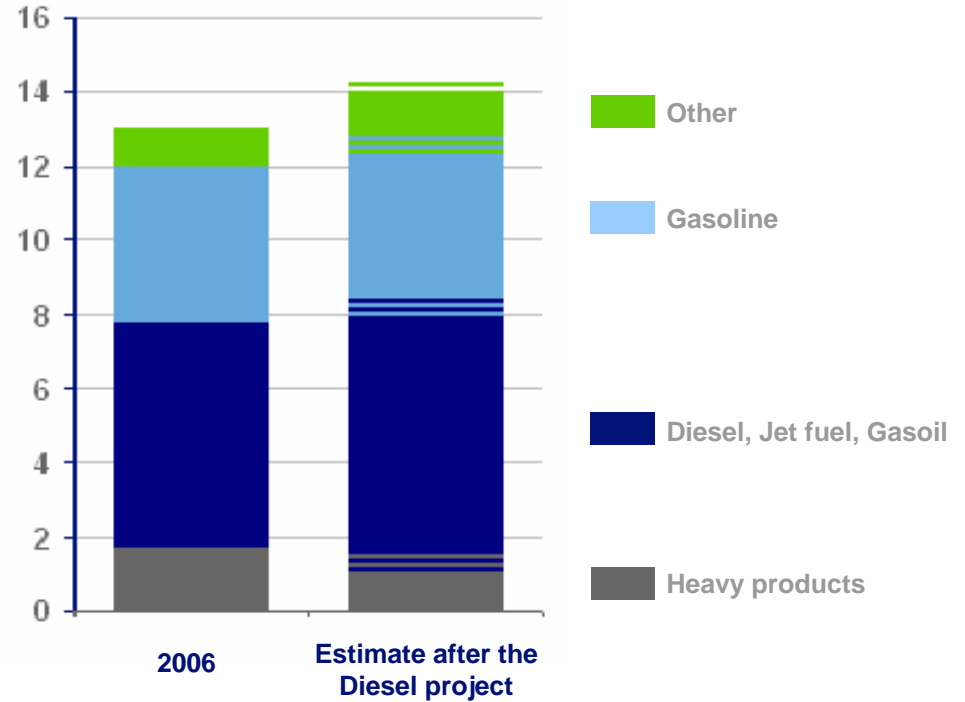
Crude Oil Sourcing, Porvoo + Naantali (MT)



Other crudes
 Other feedstocks
 Russian export blend

Diesel replaces heavy fuel oil

Production, Porvoo+Naantali (MT)



Other
 Gasoline
 Diesel, Jet fuel, Gasoil
 Heavy products



●●● The new diesel line already contributed positively in the third quarter

- The line was running for only part of the quarter
- Taken down in mid-September for maintenance, which was prolonged due to faulty valves
- Moving on the learning curve; still room for yield improvement
- Experience from operating the line proves the estimate of an additional refining margin of more than USD 2 /bbl valid



Crude prices

- sustained high crude prices expected
- short-term heavy-light crude differentials tighter than historically

Demand

- demand growth +1,6 %/a through 2015 with middle distillates driving growth - macroeconomic growth as key sensitivity

Supply

- major capacity growth in Asia and Middle East
- ME and India to become major exporters

Investment bottlenecks

- investment costs have increased 6-7 %/a in 2003-07 - continued cost escalation expected mid-term
- lack of engineering and other resources

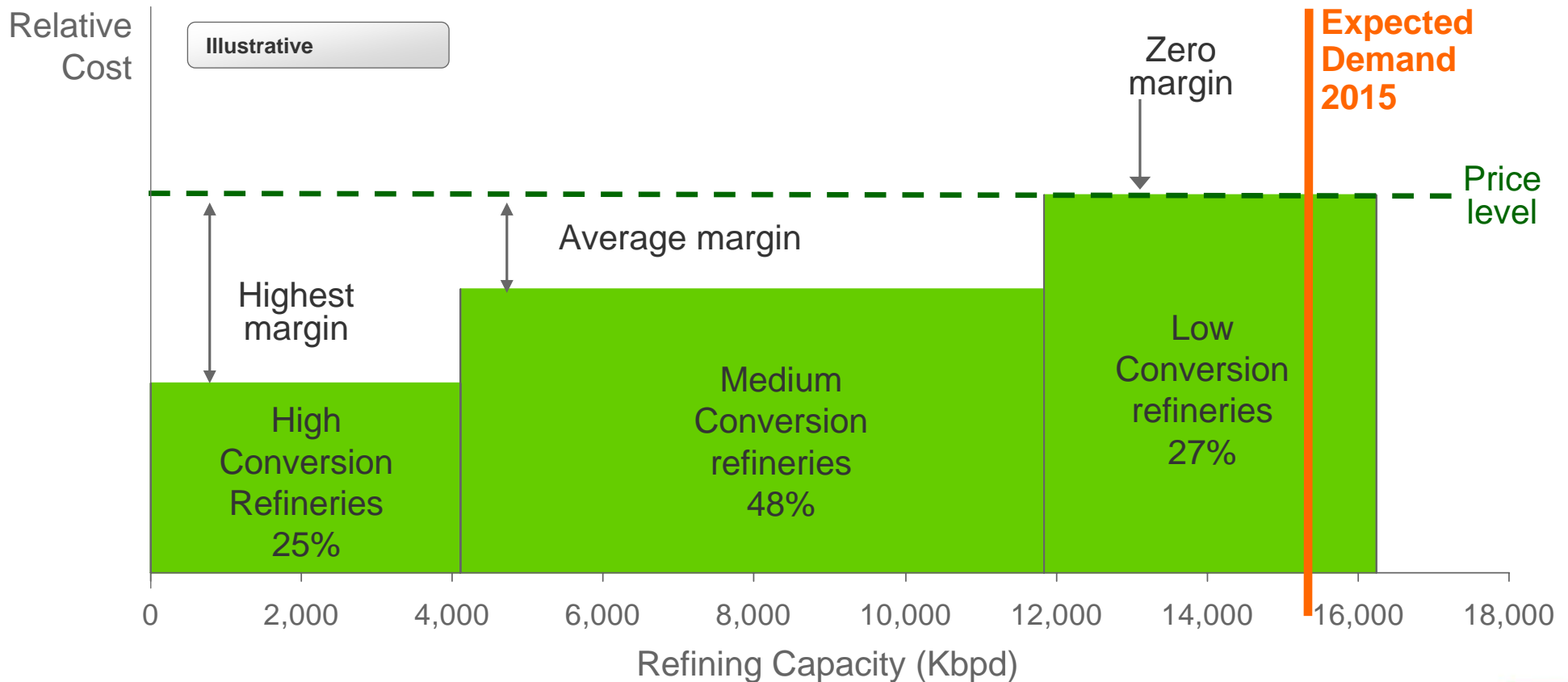
Supply/Demand Balance

- tight balance seems to remain
- demand growth and project delays as key sensitivities



Our complexity will increase and ensure healthy margins

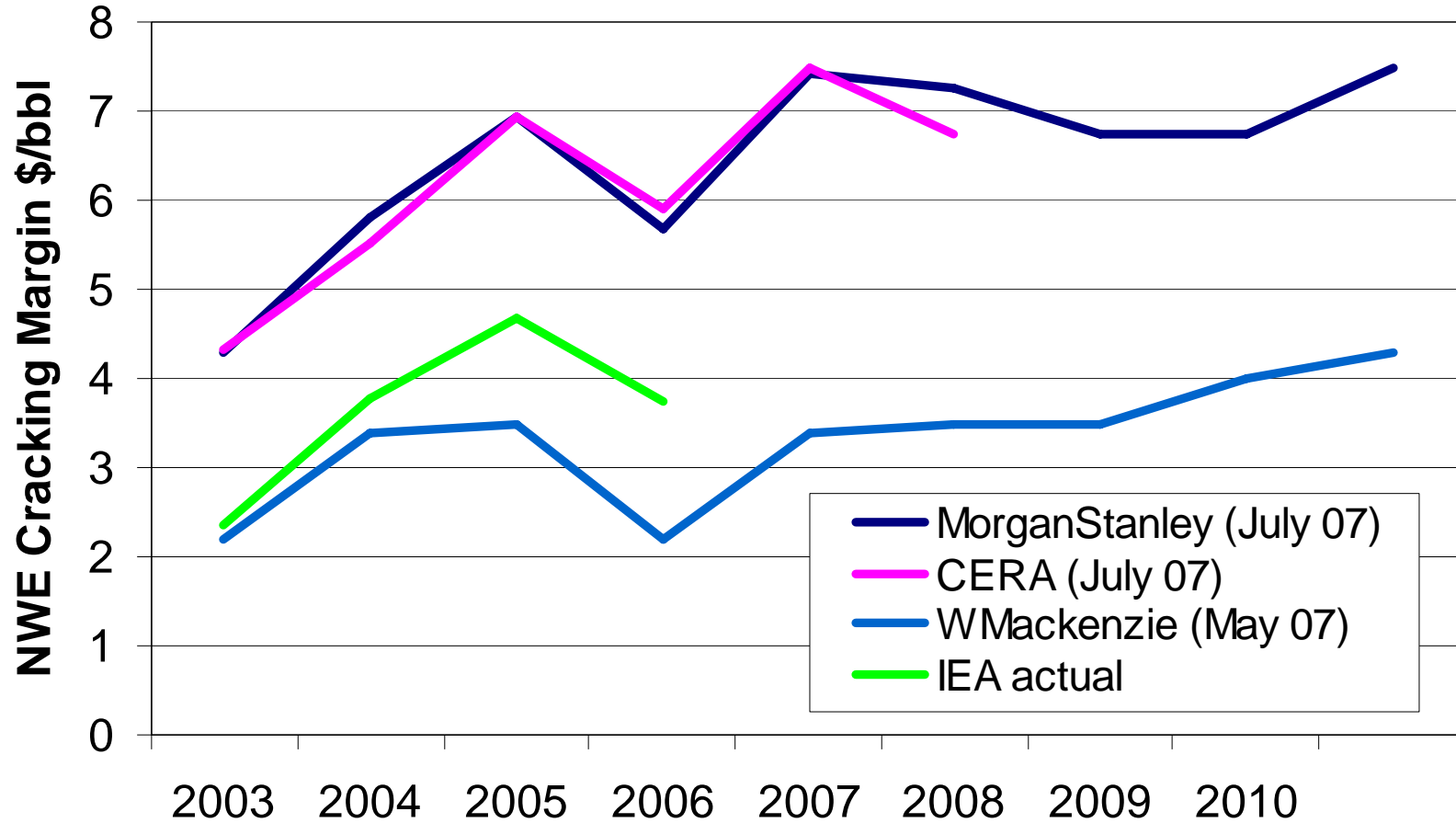
2015 supply curve vs demand
Western Europe



Notes: Low Conversion < 25%, Medium Conversion >25% <50%, High Conversion >50% Relative Normalised Conversion Capacity
Sources: Oil and Gas Journal; Internal Analysis



●●● Refining margins expected to remain at historically high levels



Implementing bottom-of-the-barrel upgrades at existing sites

- Naantali hydrocracker in planning phase
- Porvoo coker following after learnings from the new diesel line
- Both aiming at increased diesel production and use of external feedstock
- Both valued at hundreds of millions of euros depending on the scope

Continuous focus on productivity

- A number of smaller investments valued at roughly EUR 50-100 million a year
- Examples of these are isomerization and cracker feedstock optimization



- 
- **Advanced refining assets and high-quality products provide competitive edge**
 - **Flexibility to play different markets and exploit opportunities**
 - **Strong focus in further upgrades at Naantali and Porvoo; careful planning needed in the wake of higher costs**
 - **Market fundamentals attractive for clean fuel strategy; demand growth being a key issue**
 - **Our in-house R&D and engineering provide valuable support for future projects**



Q&A

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Biodiesel

Jarmo Honkamaa
Executive Vice President
Deputy CEO

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- **Technological Neutrality**
 - legislation not to choose technology winners
- **Performance Driven**
 - legislation to set standards for outcome
- **Sustainable Feedstock**
 - criteria for feedstock sustainability
 - based on sound science, not to be used as trade barriers
- **Cost-Efficiency And Energy-Efficiency**
 - industrial scale solutions
 - "well-to-wheel" energy-efficiency
- **Maintain Fuel Quality**
 - no backsliding in performance standards or emissions





How does the market look like?

Poor profitability of FAME industry likely to ease in the long run

- Over-capacity mitigated by increasing mandated demand
- US B99 imports shaping the current market situation

Mandatory legislation winning ground

- Legislation still fragmented, moving towards mandatory markets
- Biodiesel pricing not linked to fossil fuels pricing

Feedstock price differentials converged

- Price level of all vegetable oils has increased

Trend towards environmental criteria

- Increasing sustainability requirements from both customers and regulators
- Feedstock certification progressing faster than anticipated

Healthy demand prospects for NExBTL

- Quality implications from FAME usage
- Environmental benefits
- Product price premiums higher than expected



●●● Building blocks of NExBTL strategy – Leading provider of biodiesel globally

Build Capacity

- Growth and economies of scale by large-scale plants and efficient implementation
- Product price premium & feedstock cost advantage key drivers

Develop Premium Biodiesel Market

- Proactive work with oil majors and engine manufacturers
- Requirement for high-quality fuels supports the value of NExBTL

Feedstock management - Get Away from the Food Chain

- Sustainable feedstock required
- Develop new feedstock, particularly in bio-organisms
- CO2 balance efficiency

Define Investment Program and Secure Resources

- Secure resources
- Utilize partnerships
- Manage investment portfolio



- ✓ The need for sustainable feedstocks continues
- ✓ Sustainable feedstocks are the only solution
- ✓ Complete traceability of the palm oil
- ✓ We actively contribute to building certification systems
- ✓ Ways to grow production of vegetable oils
 - Increasing yields from current land areas
 - Utilization of wasteland
 - Not acceptable to exploit rainforests
- ✓ No human rights should ever be violated



Technology

- Porvoo 1 has confirmed that the NExBTL process works
- Solved problems with standard equipment not related to NExBTL technology

Sustainable feedstock

- Availability of sustainable feedstock remains a bottleneck in the industry
- This challenge can be mitigated by
 - The flexibility of the NExBTL technology, whereas competitors have limitations
 - Good supplier base, contacts and partnerships
 - Active involvement in the development work of sustainability targets, principles and certification
 - Focused R&D to develop alternative feedstock

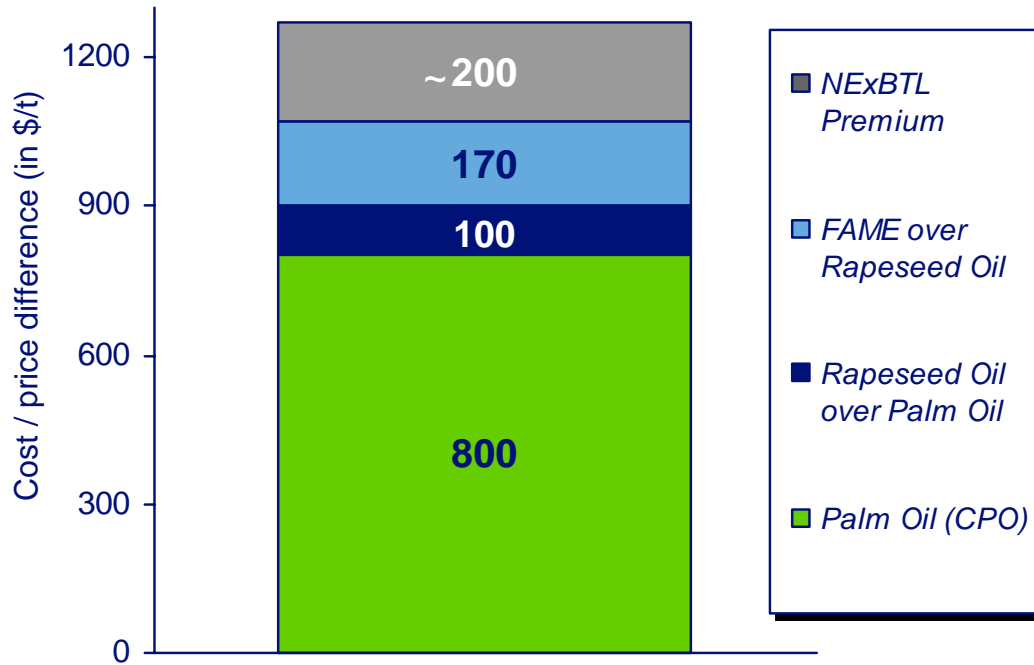
Competitive edge

- Demand for high-quality renewable diesel is strong
- We have the first-mover advantage
- Alternative hydro-treatment solutions emerging

=> No show-stoppers for the strategy implementation



Components of NExBTL price



Assumptions

- NExBTL premium of ~200 USD/t includes:
 - density premium
 - energy content premium
 - premium for higher cetane, better cold properties and branding value
- FAME premium of 170 USD/t over Rapeseed oil to keep the existing biodiesel industry alive
- Price differential between Palm oil and Rapeseed oil 100\$/t
- Base price for Palm Oil is 800 USD/t



Porvoo 1 (170 000 t/a)

- Plant restarted in October
- Technology working as planned, some equipment and catalyst defective
- Learnings transferred to other projects

Porvoo 2 (170 000 t/a)

- Some designs being reviewed and modified
- Start-up in 2009

Schwechat (200 000 t/a)

- JV with OMV
- Environment Impact Analysis ongoing
- Investment decision in H1 2008, start-up 2010/2011

World-scale plants

- Two projects in advanced planning phase, located in Europe and Asia
- Capacity ~800,000 t/a each
- Construction will take 2.5-3 years after investment decision



Alternative feedstocks: get out from the food chain!

- **Food should not be used as fuel, but**
 - that is all we have currently
 - all feedstock should have equal treatment
- **Long-term solutions include**
 - use of non-edible vegetable oils (Jatropha, Castor etc.)
 - new feedstock as algae and bacteria
 - 3rd generation solutions (wood gasification FT etc.)
- **Extensive R&D needed**





- **Aiming to produce renewable diesel from forest chip raw materials**
- **Based on biomass gasification and Fischer-Tropsch**
- **Low feedstock cost and heat integration compensate high capital costs**
- **Demonstration plant at Stora Enso's Varkaus Mill in Finland, start-up in 2009**
- **Commercial plant development in the second phase**



Q&A

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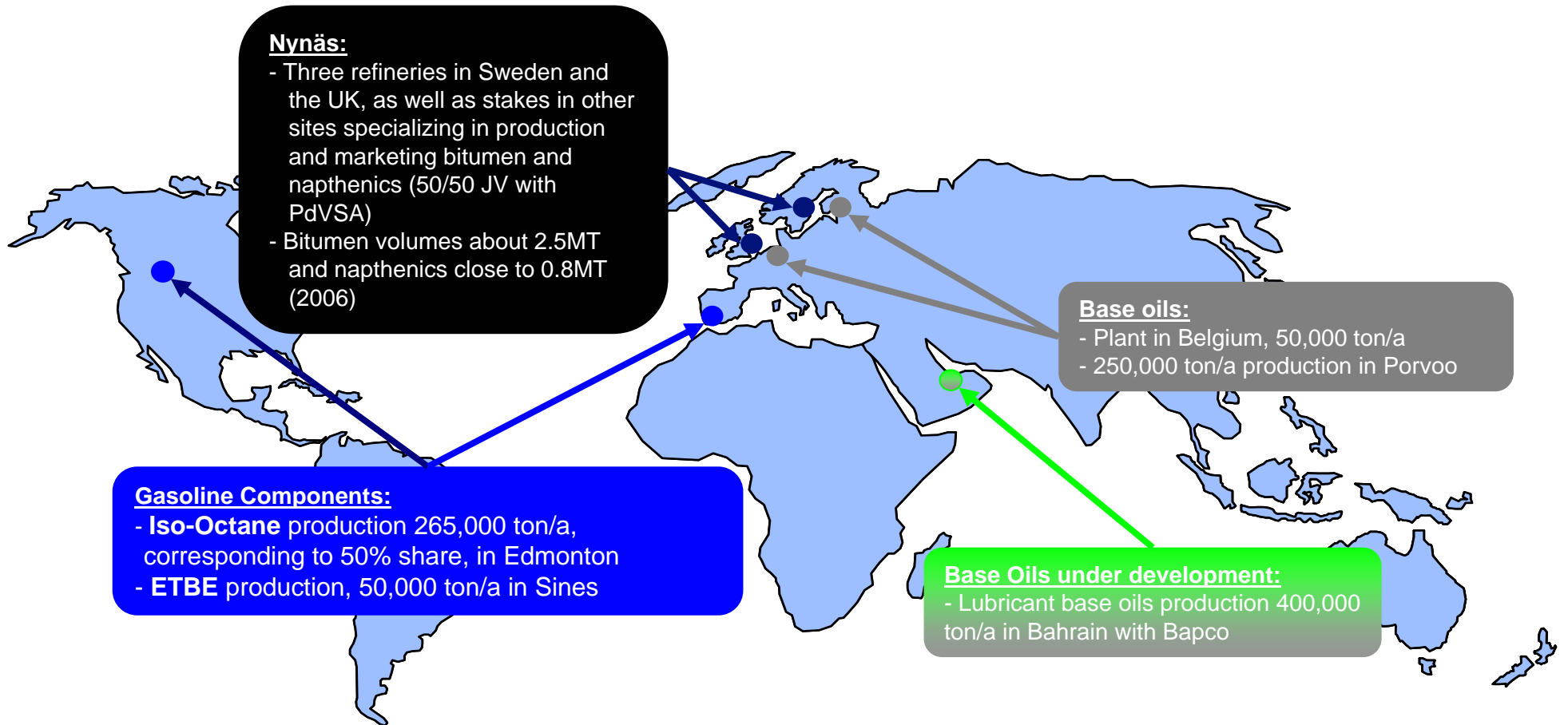
Specialty Products

Kimmo Rahkamo
Executive Vice President

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Specialty Products businesses have grown and provide attractive possibilities



- Gasoline Components' assets in production
- Base Oils' assets in production
- Nynäs' assets in production
- Projects under development



Base oils are key component in automotive lubricant production

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Base oils companies

Additive companies

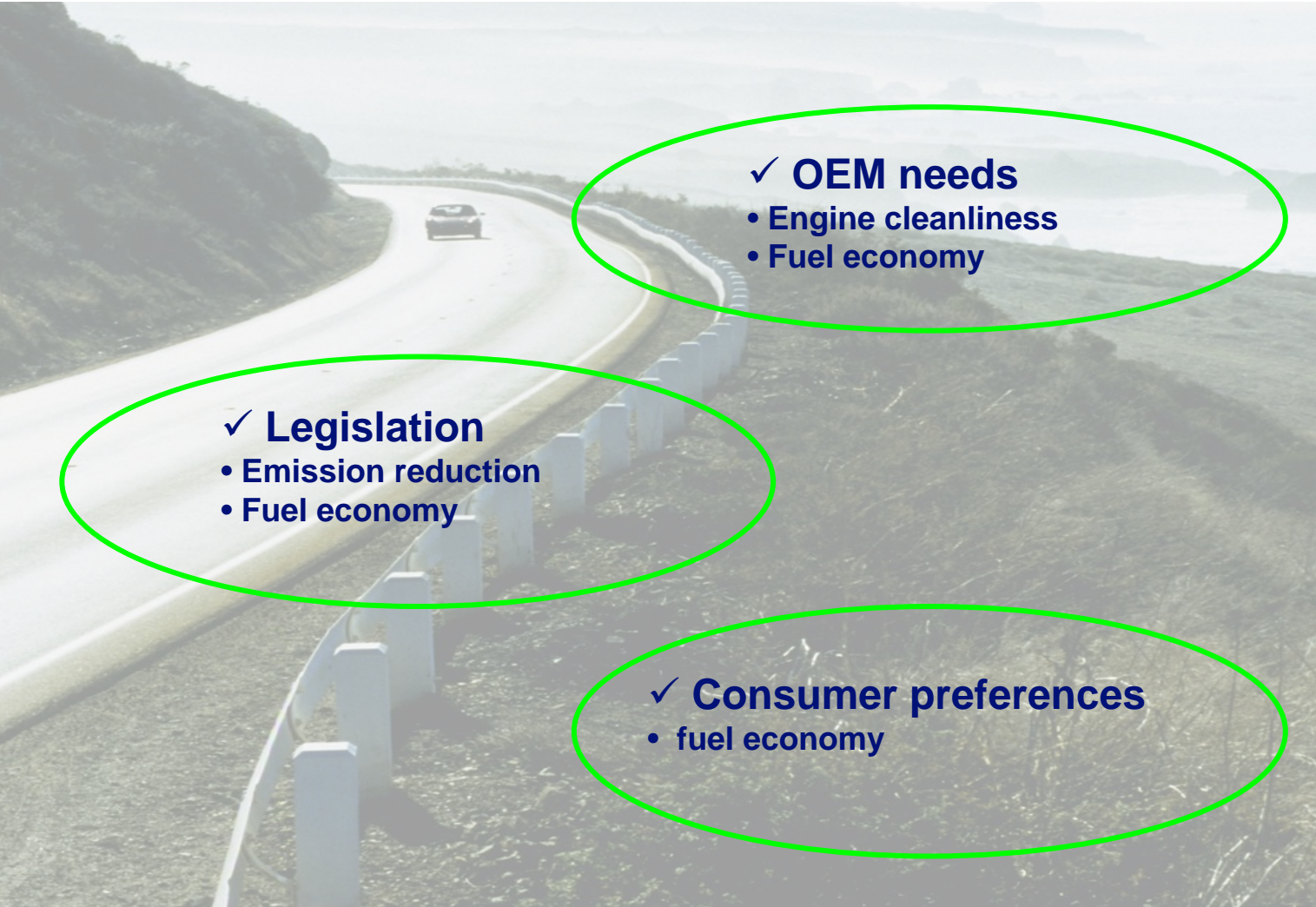
Lubricant manufacturer

Retail channel (Service fill)

Auto manufacturers



●●● Demand for high quality base oils is growing....NESTE OIL



✓ OEM needs

- Engine cleanliness
- Fuel economy

✓ Legislation

- Emission reduction
- Fuel economy

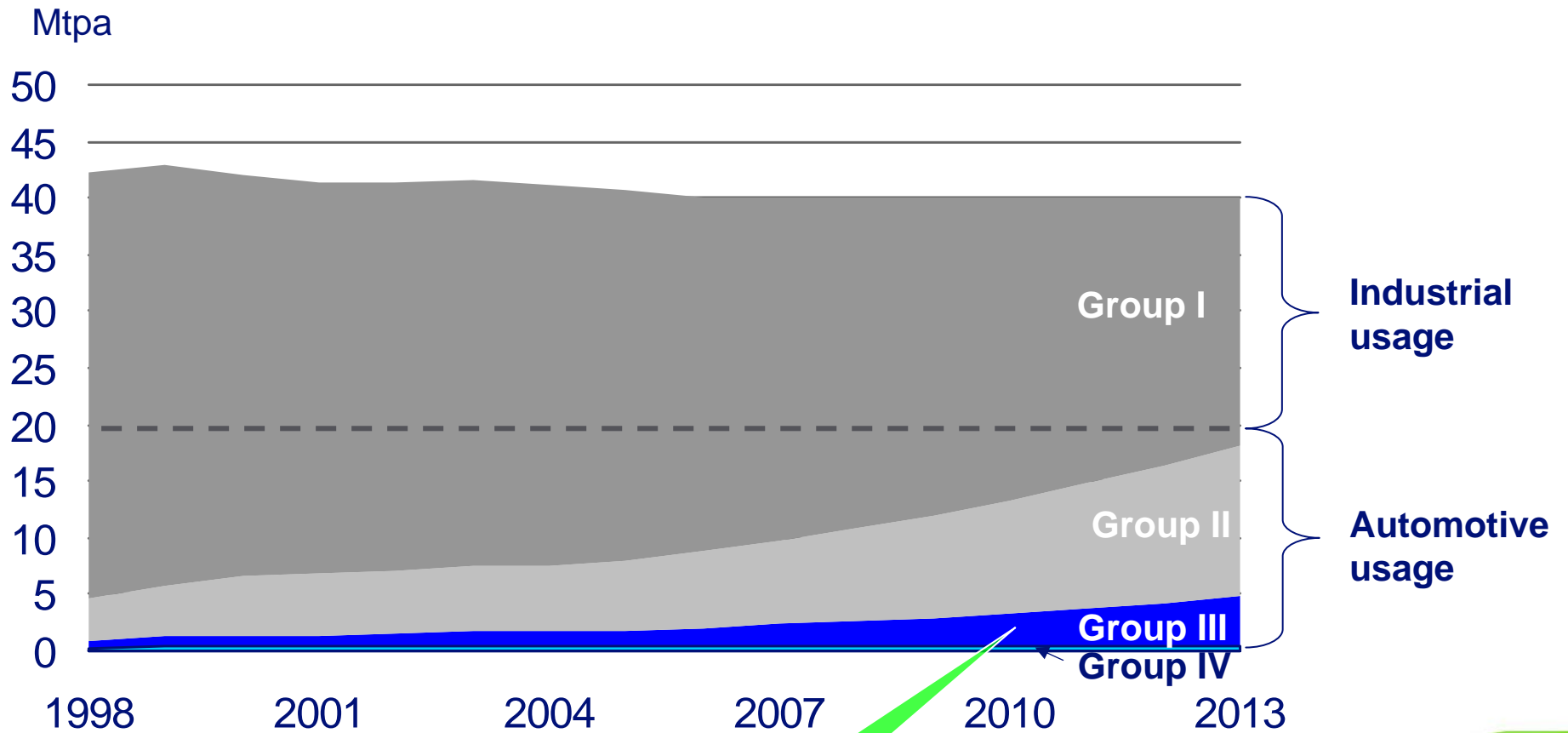
✓ Consumer preferences

- fuel economy



Market shift increases attractiveness of high-quality base oils

Global Base oils capacity outlook

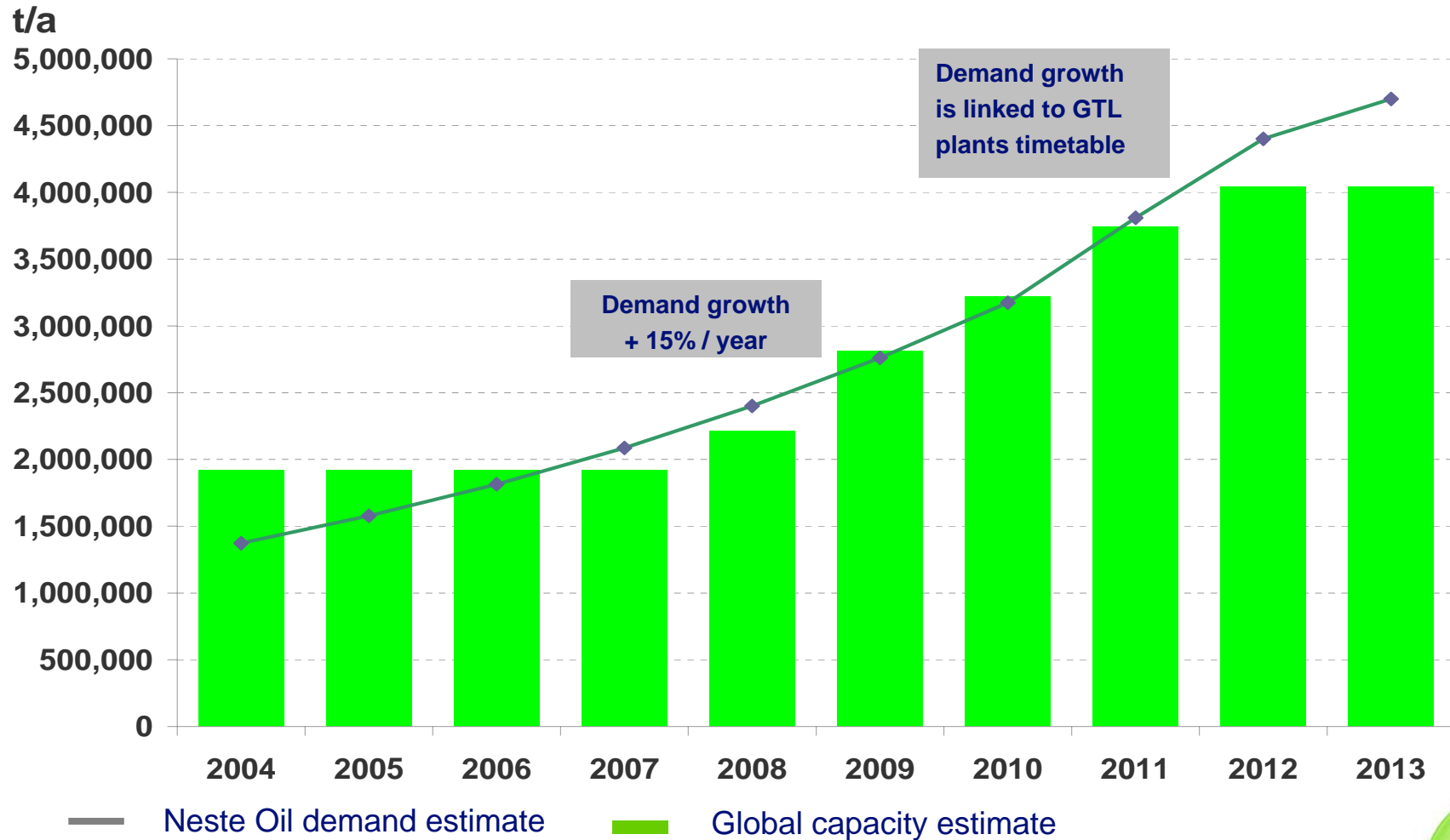


Our focus

Sources: ExxonMobil; Neste Oil; Fuels & Lubes

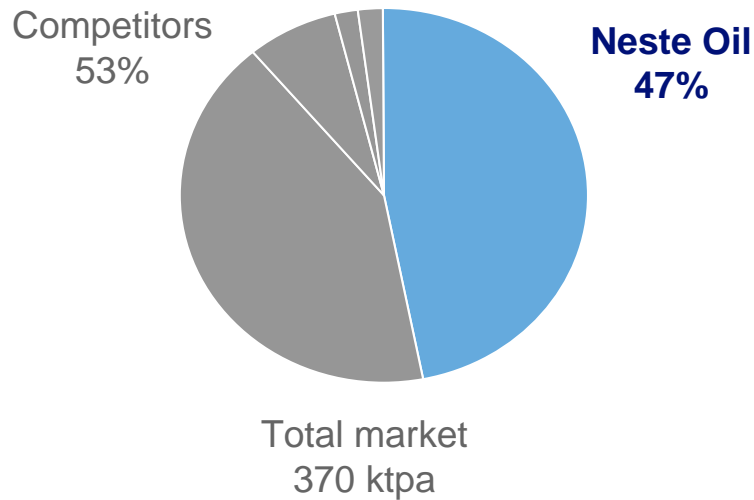


..and that's why supply-demand balance forecast for Group III base oils is lucrative...

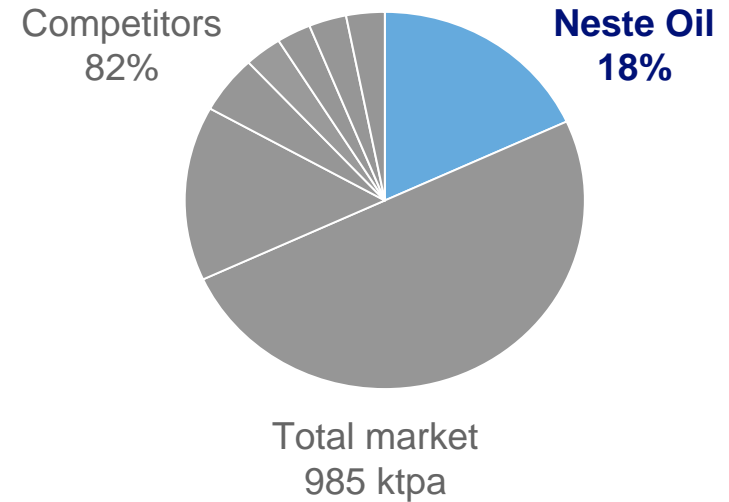


...and we will leverage our market position to exploit those growth opportunities

European merchant market (group III) 2006



Global merchant market (group III) 2006



Key strategic advantages

- Focus on higher quality base oils
- Extensive portfolio of car industry approvals
- Broad customer portfolio
- Leading position in Europe

●●● Iso-octane - a bespoke component for the US gasoline pool

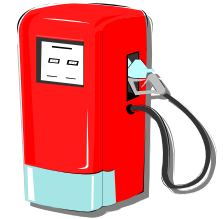
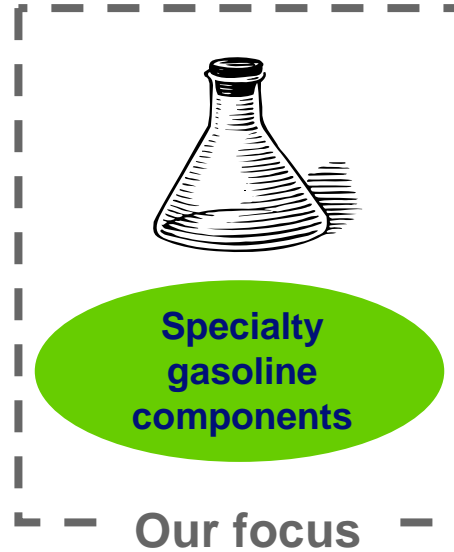


1. Gasoline blend-stocks from main refinery units

- Lower than desired octane

2. Bio-components blended per regulation

- Increasing use of ethanol as blending components increases vapour pressure



Gasoline that meets stringent specifications



Gasoline that DOES NOT meet stringent specifications

1. or 2. without addition of specialty gasoline components

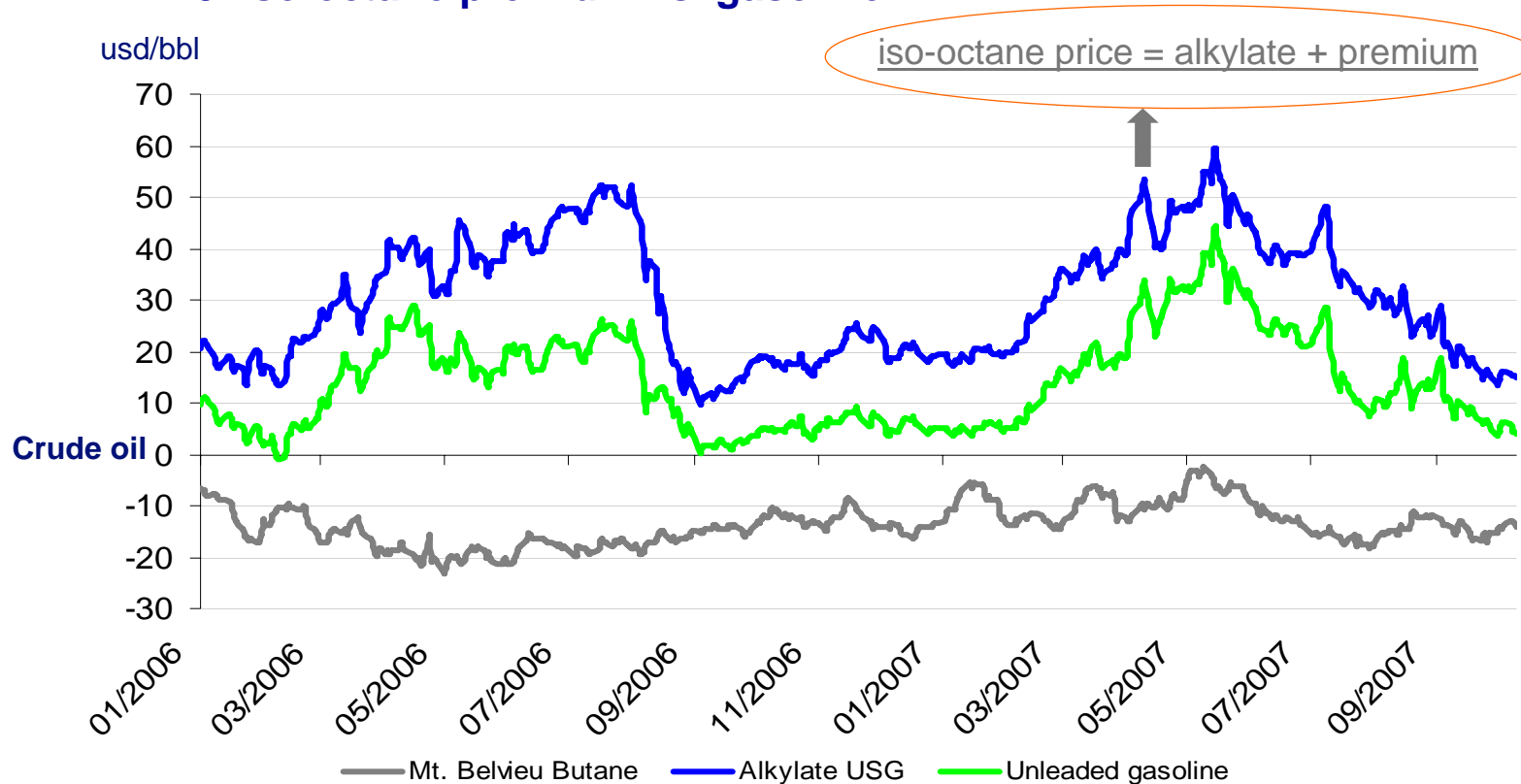


- **Market value driven by**
 - ✓ **blending value driven by specifications**
 - ✓ **Renewable fuel standard**
- **Strong seasonality in pricing**
 - ✓ **pricing peaks in summer**
 - ✓ **gasoline vs. crude oil**
 - ✓ **expensive butane feedstock during wintertime**



➤ Production margin is affected by three drivers:

1. butane-crude price differential
2. gasoline price differential vs. crude
3. iso-octane premium vs. gasoline



●●● We'll increase the shareholder value of Nynäs Petroleum

PdVSA's crude sourcing combined with Neste Oil's refining excellence = "a winning formula"

Positive outlook for naphthenics

Demand growth driven by legislative changes (tyre oils)

Positive outlook for bitumen

Reduced supply due to resid upgrading capacity growth FSU imports as main threat for European bitumen market

Current performance

Nynäs has fulfilled Neste Oil profitability criteria since 2004

Selected strategy

Support Nynäs shareholder value growth



Aim to increase capacity growth in both base oils and gasoline components

Gasoline Components:

- We are looking for several possibilities in North-America to meet growing demand for gasoline components due to increasing use of ethanol



Base Oils:

- Lubricant base oils production 400,000 ton/a in Bahrain with Bapco
- We are aiming to increase base oil capacity at our Naantali and Porvoo refineries
- We are also looking for possibilities in Middle East



Oil Retail

Sakari Toivola

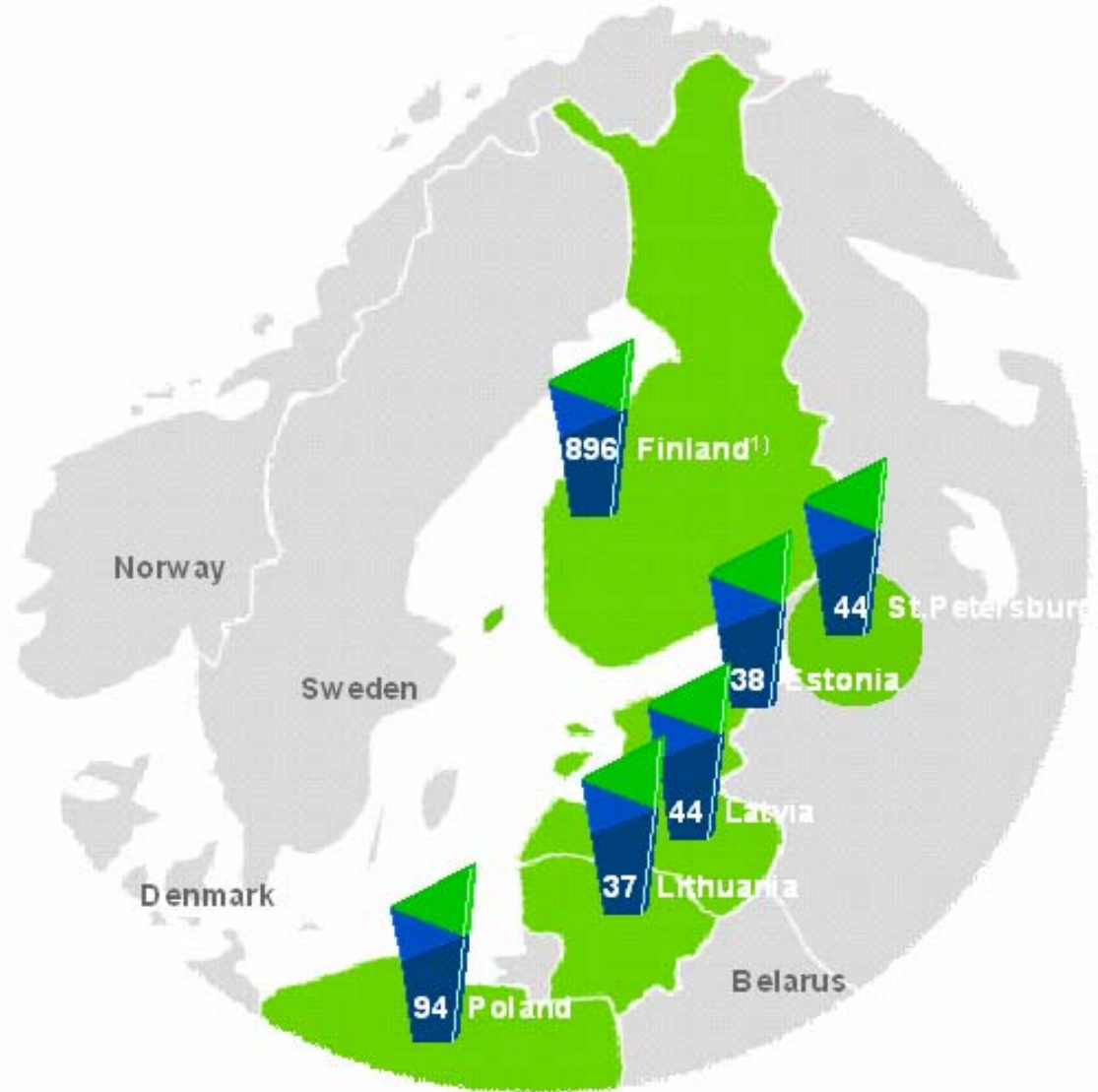
Executive Vice President

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Neste Oil Retail

- The leading petroleum products marketer and distributor in Finland
- Important player in the growing markets in Baltic Rim including the St. Petersburg area
- An important channel for
 - testing new products
 - launching new products
 - collecting market data

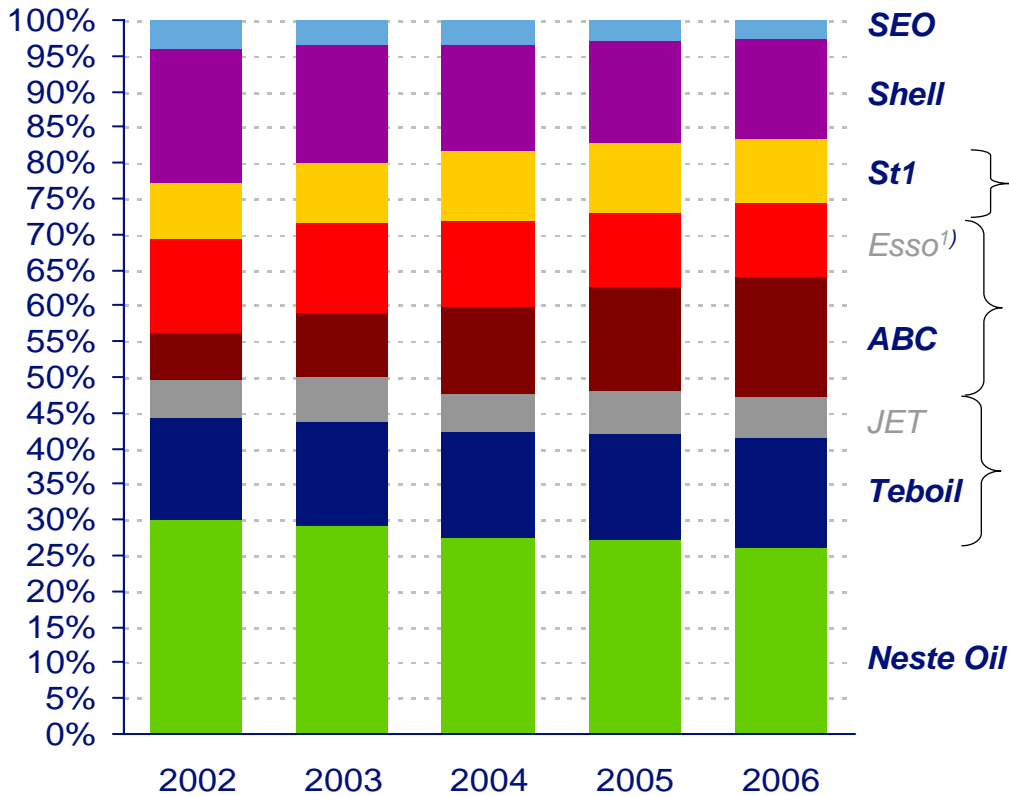


Note: 9/2007

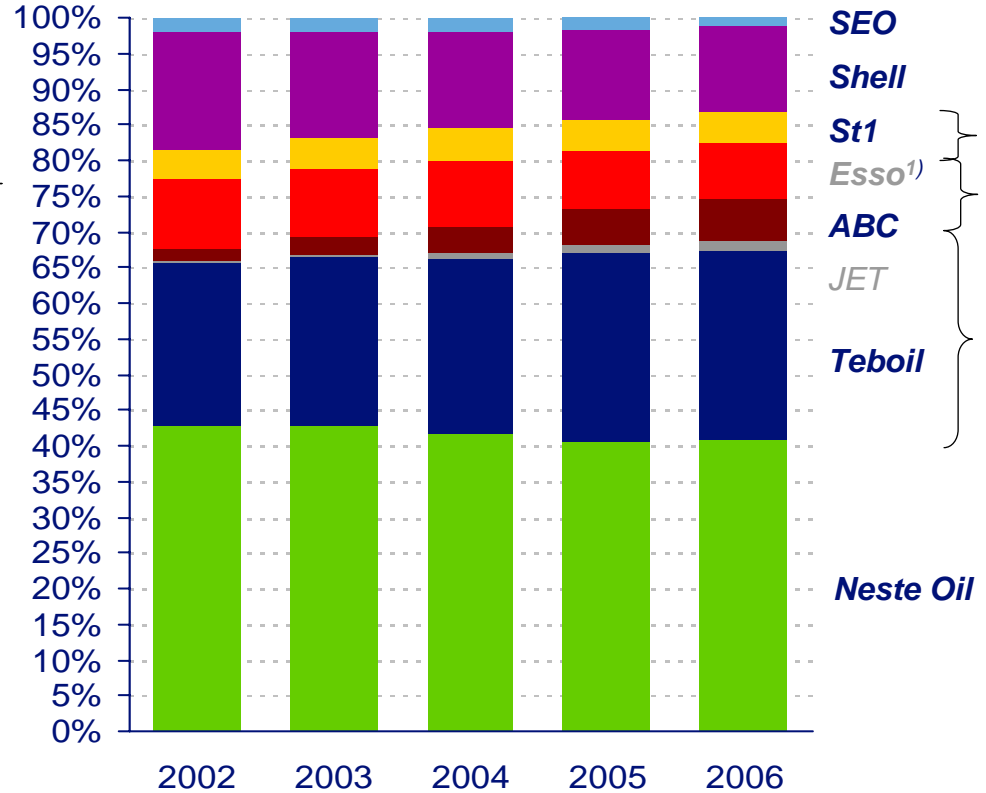
1) including D-stations and sales points

Significant restructuring on the Finnish market

Development Of Market Shares Gasoline 2002 - 2006



Development Of Market Shares Diesel 2002 - 2006



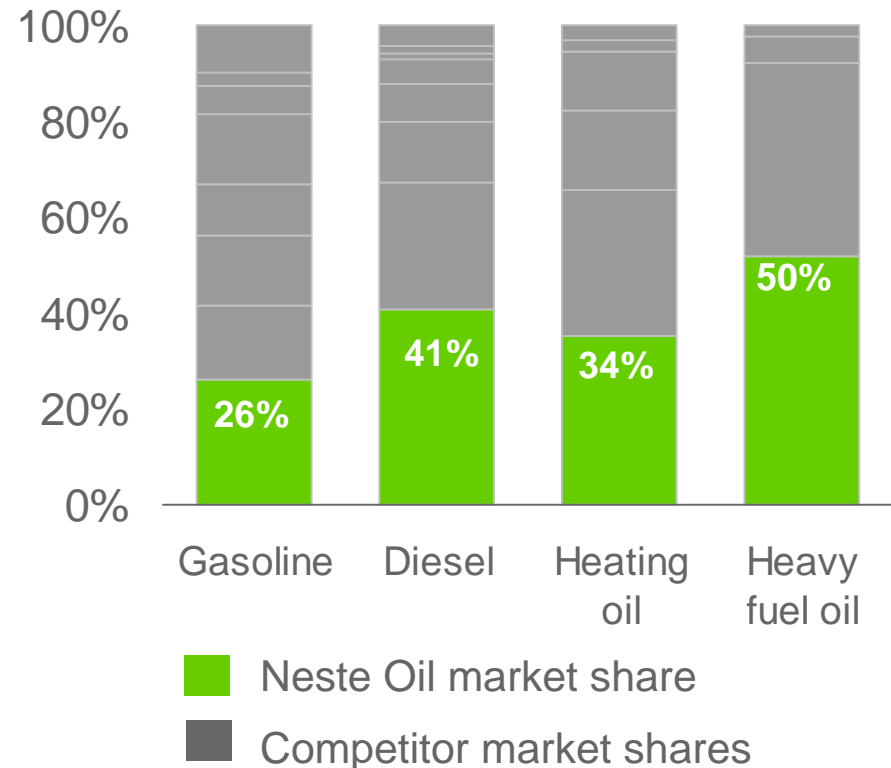
Note : Sale of Esso and JET has resulted in significant redistribution of market shares
 Sources: Oil & Gas Federation; Neste Oil; BAH analysis



●●● Aim to strengthen position in Finland

- Build network concepts for customer segments
- Improve loyalty system
- Refresh brand image
- Optimize network
- Enhance functional quality
- Improve cost efficiency

Retail market shares in Finland ¹⁾



1) 12-month period of Sept 06 - Aug 07

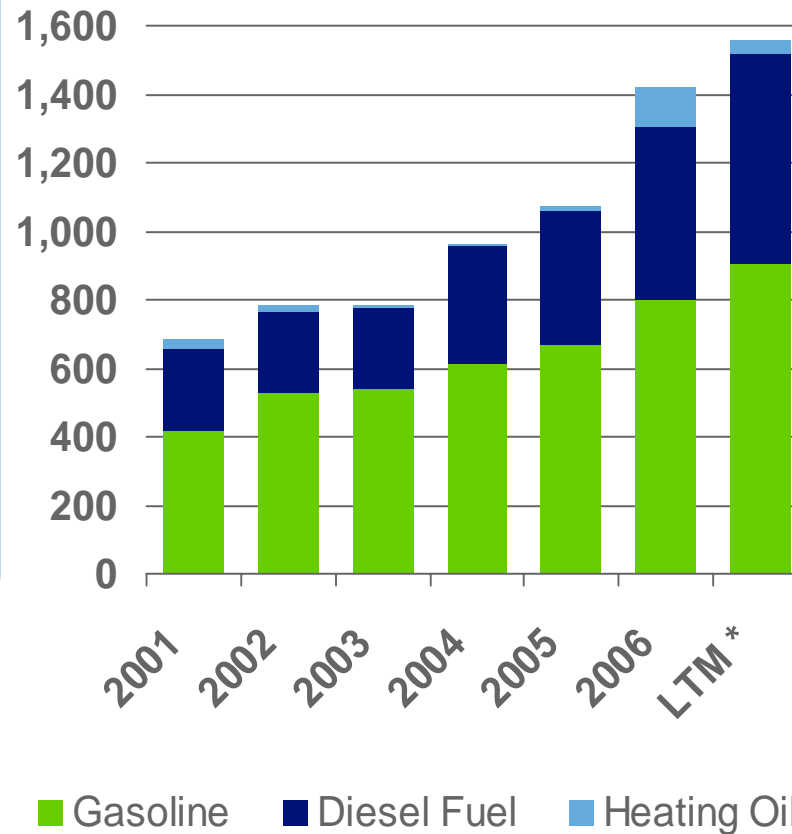
Source: Finnish Oil and Gas Federation



Retail position outside Finland

- A significant player in the Baltic Rim – especially in the St. Petersburg area
- Growing market with healthy margins
- Neste Oil's operations are set to grow on this market

Baltic Rim sales volumes 1,000 m3



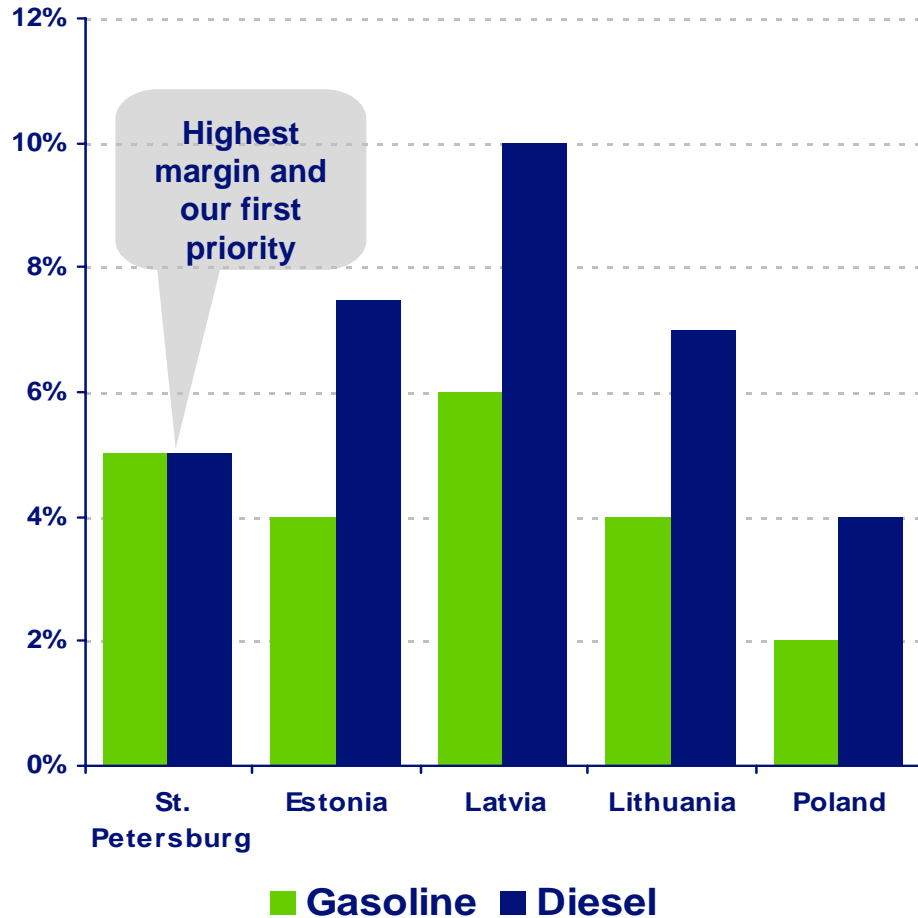
Notes: Baltic rim = Estonia, Latvia, Lithuania, Poland, St. Petersburg area.

47 Figures include both direct sales and sales through retail network.

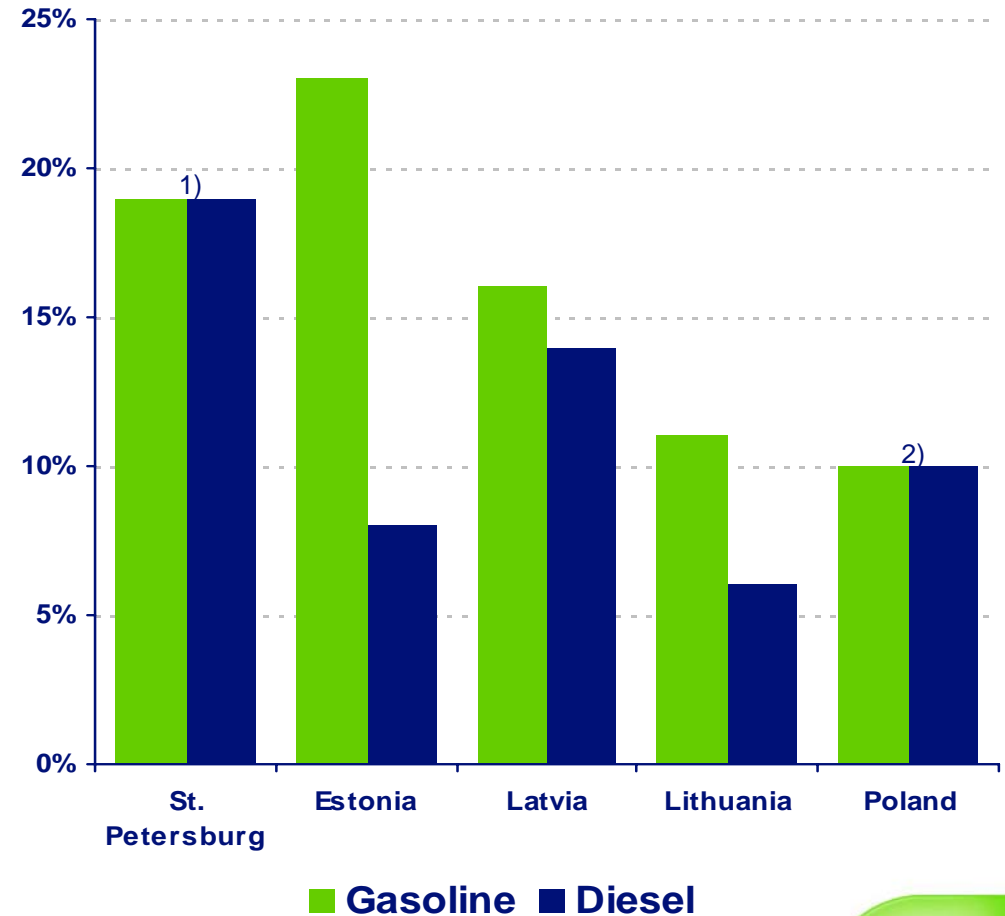
*LTM = last 12 months (Oct 06 - Sept 07)



Estimated Baltic Rim total market growth in 2007



Estimate for our market shares in Baltic Rim area in 2007



1) Gasoline and diesel together

2) Market share is around 10% in selected areas





- **Maintain leading brand and market position in Finland**
- **Improve profitability**
- **Continue profitable growth in Baltic Rim**



Shipping

Risto Näsi

Executive Vice President

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**Security of supply
and exports, especially in
winter time**

**Capability to schedule
crude supply and
product exports**

**Leverage scale benefits
by using larger cargo
sizes**

▶ **Shipping plays an
important role in our growth
in oil refining and NExBTL
Renewable Diesel**



- Deep knowledge of the business environment
- Neste Oil refineries are the only refineries in the world surrounded by ice part of the year
- Good communication and cooperation with our ports
- Better understanding of value creation process to our customers
- The largest ice classed tanker fleet operating regularly in ice conditions
- Arctic experience since 1948
- Motivated and skillful personnel
- Continuous upgrade and maintenance of professional skills



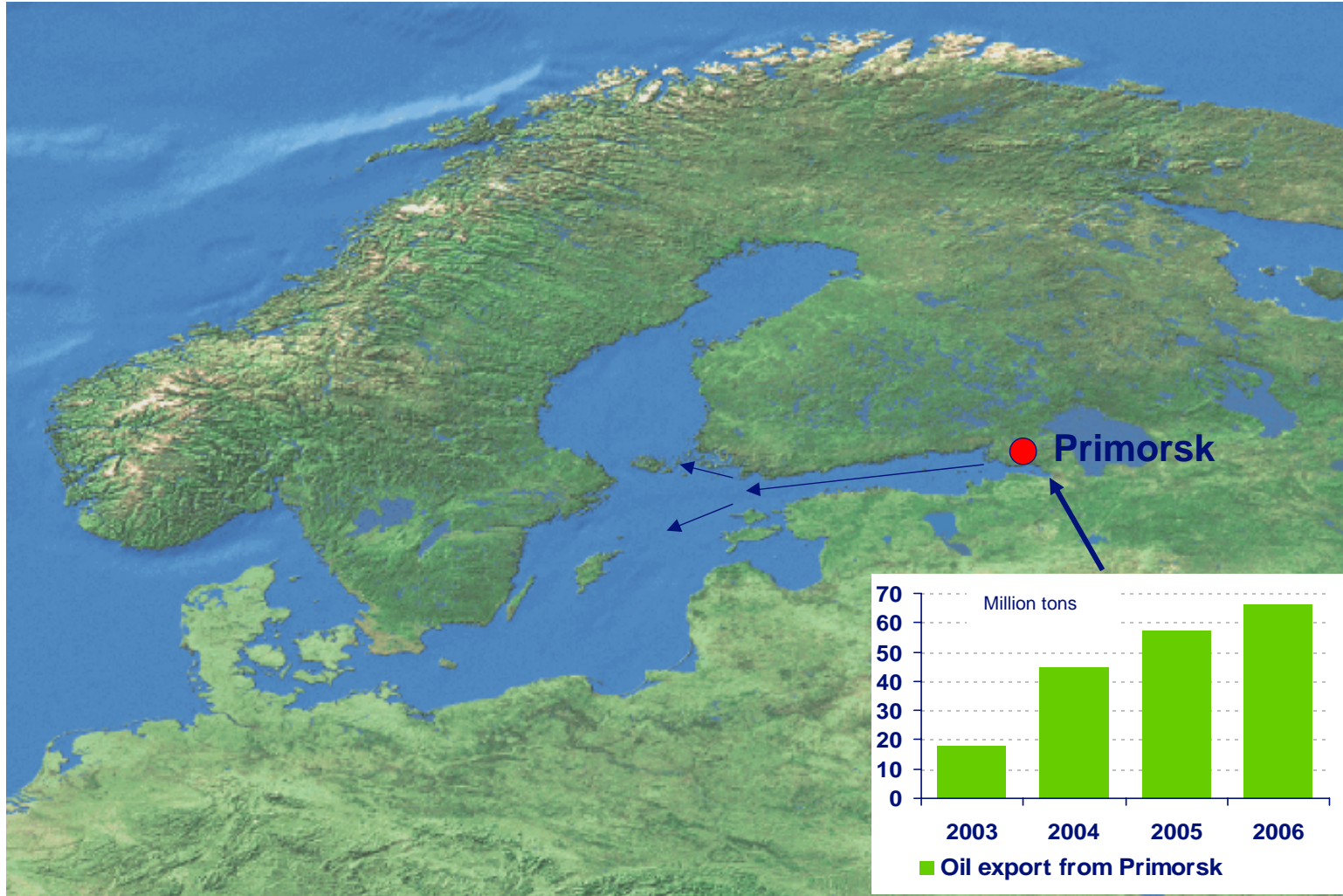
Simulator training in Sydväst maritime school, Turku



- **Condition of Ships:** Best in the World ('Port State Control' Assessment)
- **Standards:** First to implement international standards within Shipping
- **Innovation:** European Innovation Prize in tanker class
- **Improved safety:** First ice-strengthened escort tugs
- **Quality of fleet:** All vessels registered to the highest Finnish-Swedish ice-class
- **Utilization rate:** ~96 % average, one of the highest



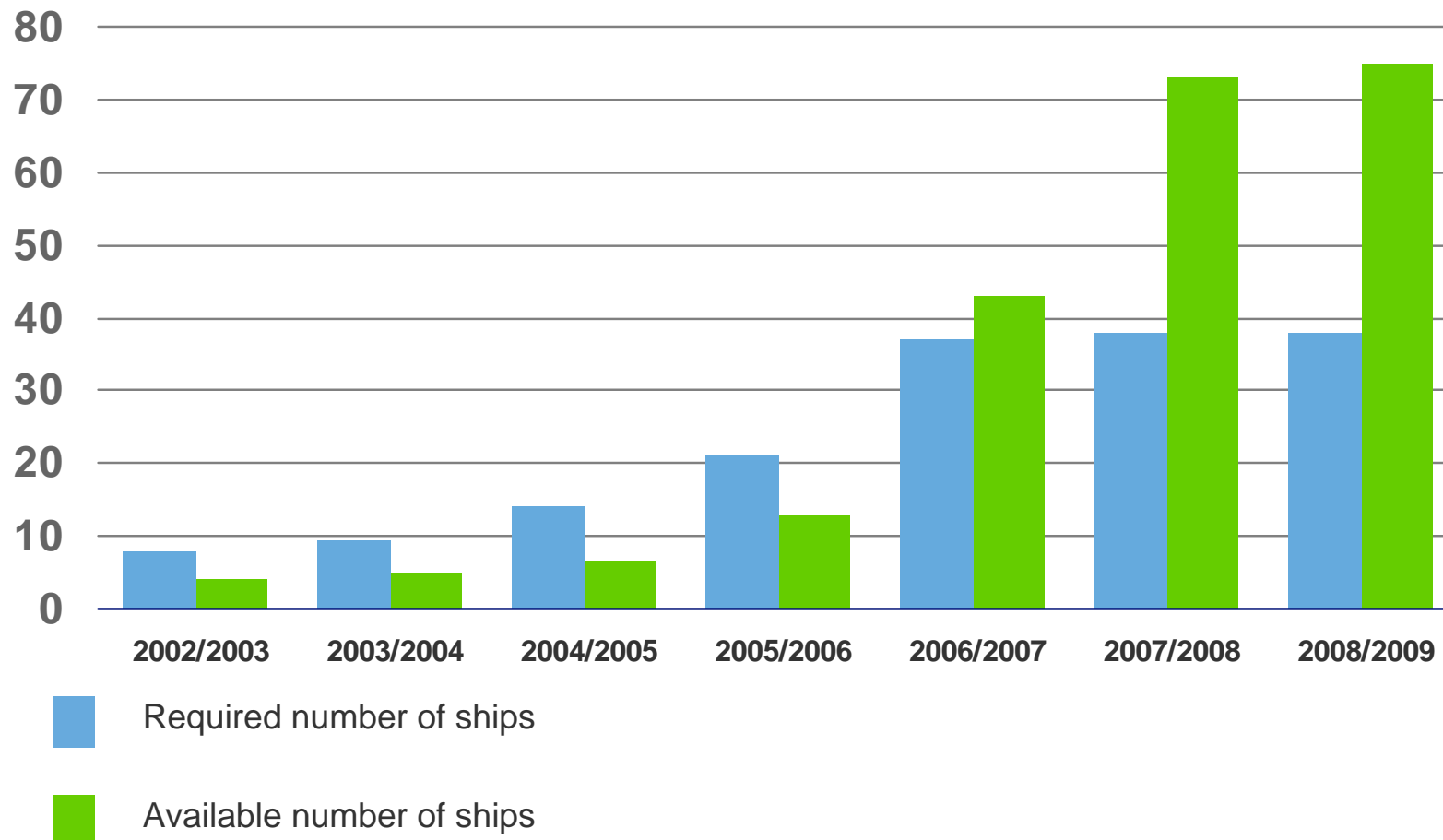
●●● Tanker capacity in general as well as crude oil **NESTE OIL** transportations in the Baltic Sea are growing (Million tons)

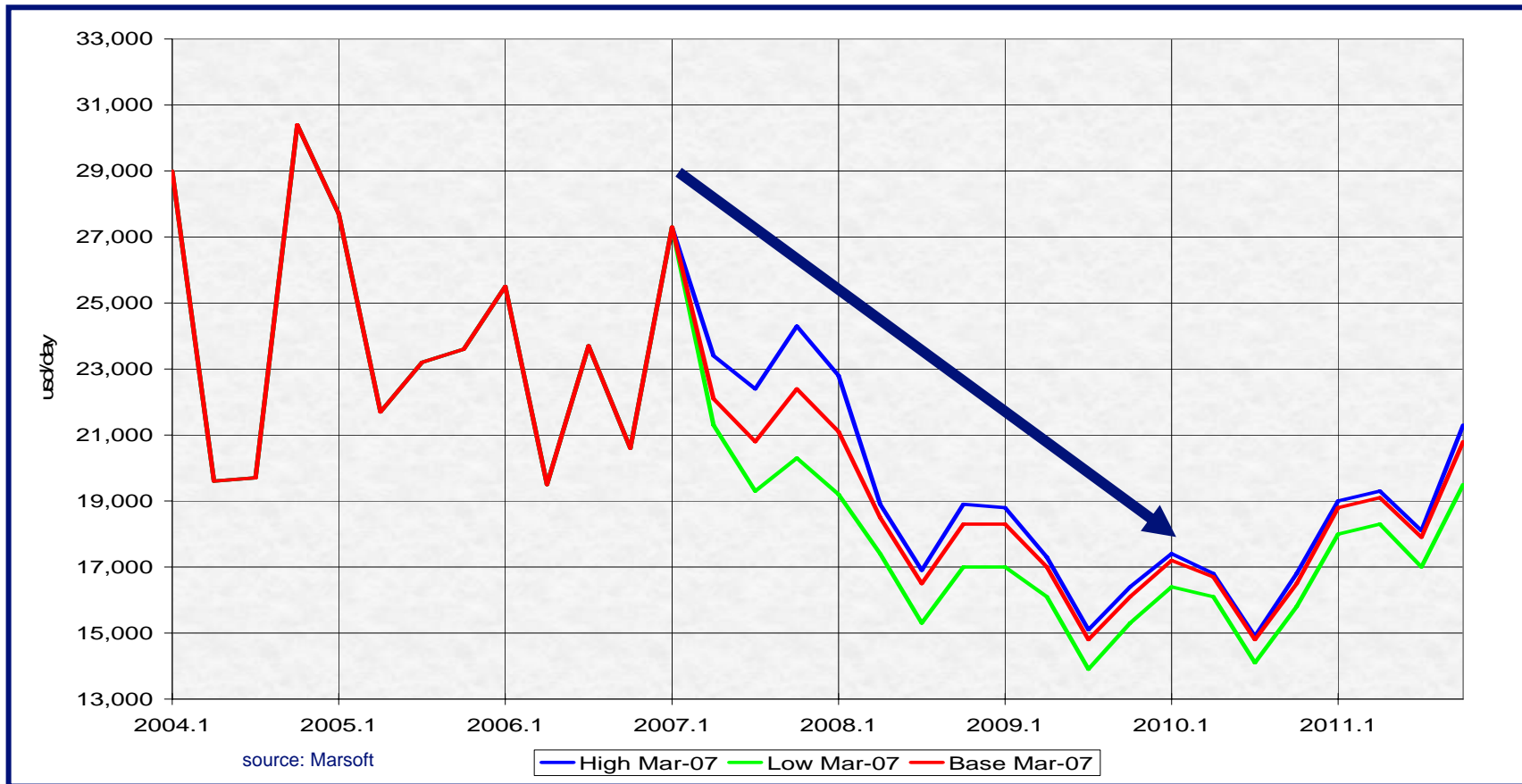




Supply of and demand for ice-classed tankers on the Baltic continues to change

Number of ships



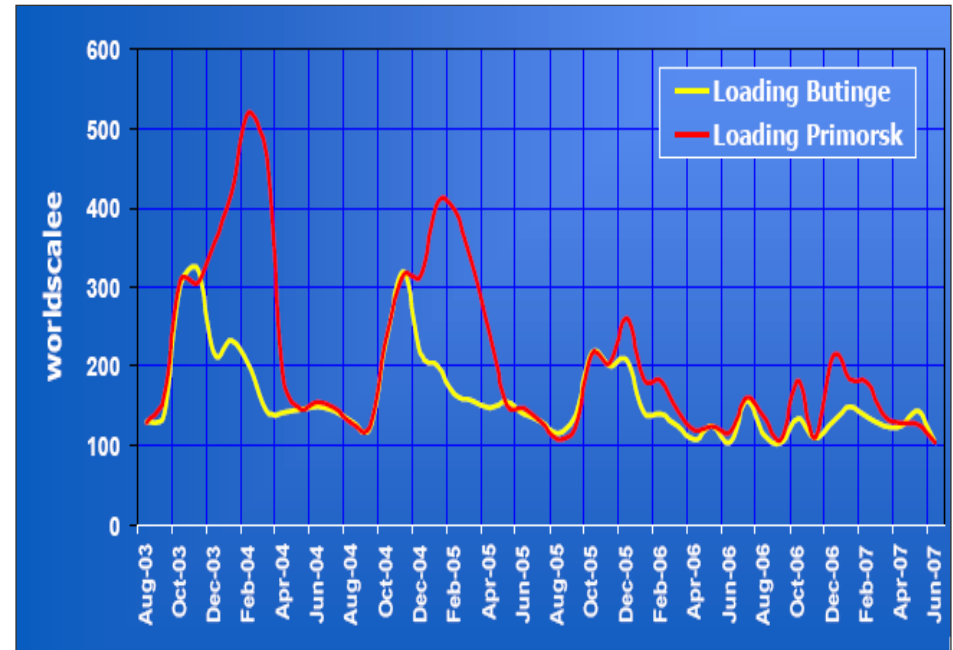


TANKER MARKET RATES WILL BE CHALLENGING IN THE NEXT FEW YEARS



●●● Primorsk rates and ice premium have decreased

- Ice premium has basically eroded because of oversupply of ice class tanker capacity
- In case of harsh winter, ice premium will still exist

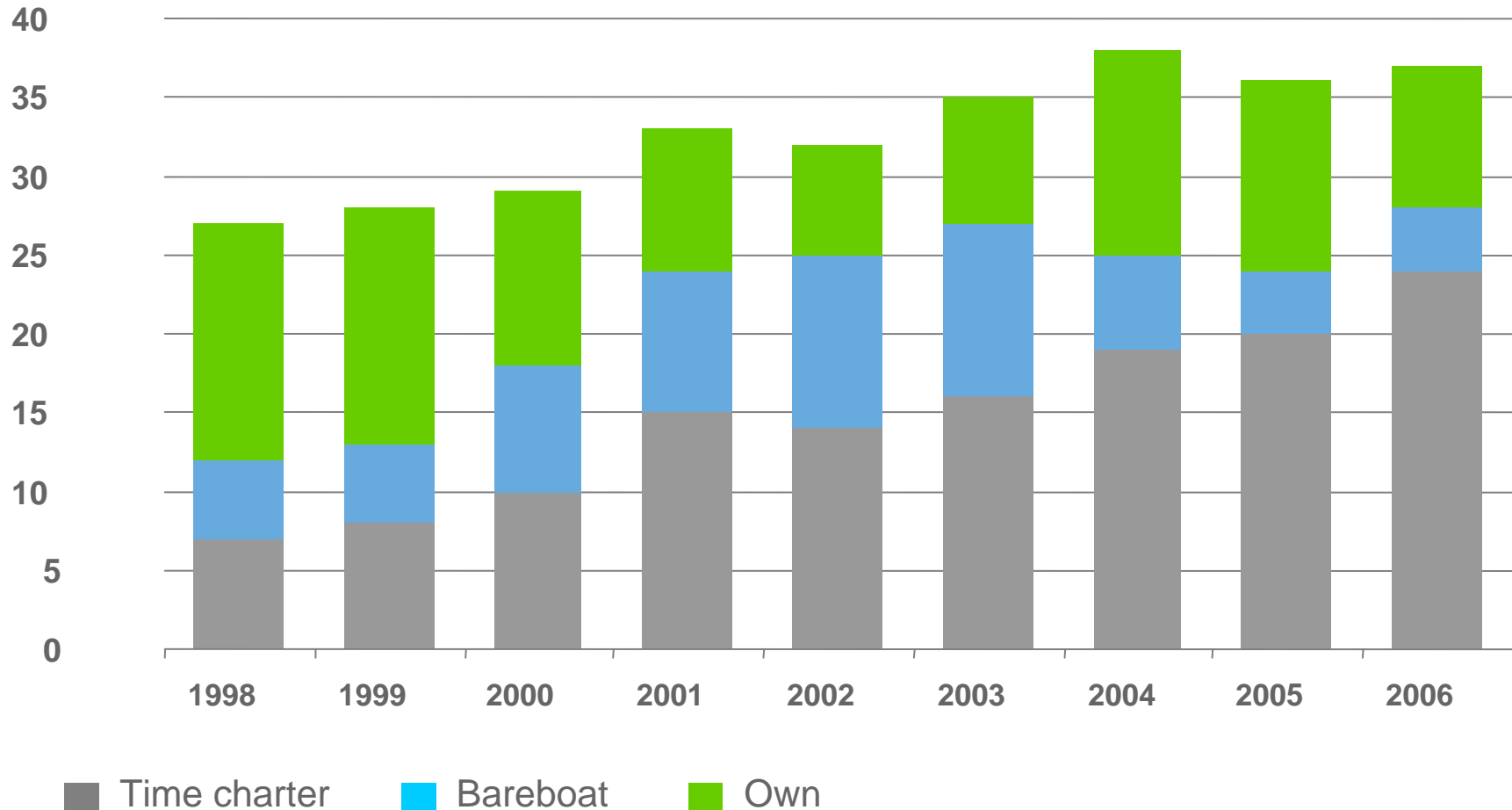


Source: Braemar Seascope



We have already reacted to the changing situation by renewing and modernizing our fleet

Number of ships



“Northern Gates” project is interesting also from our point of view



Q&A

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Financials

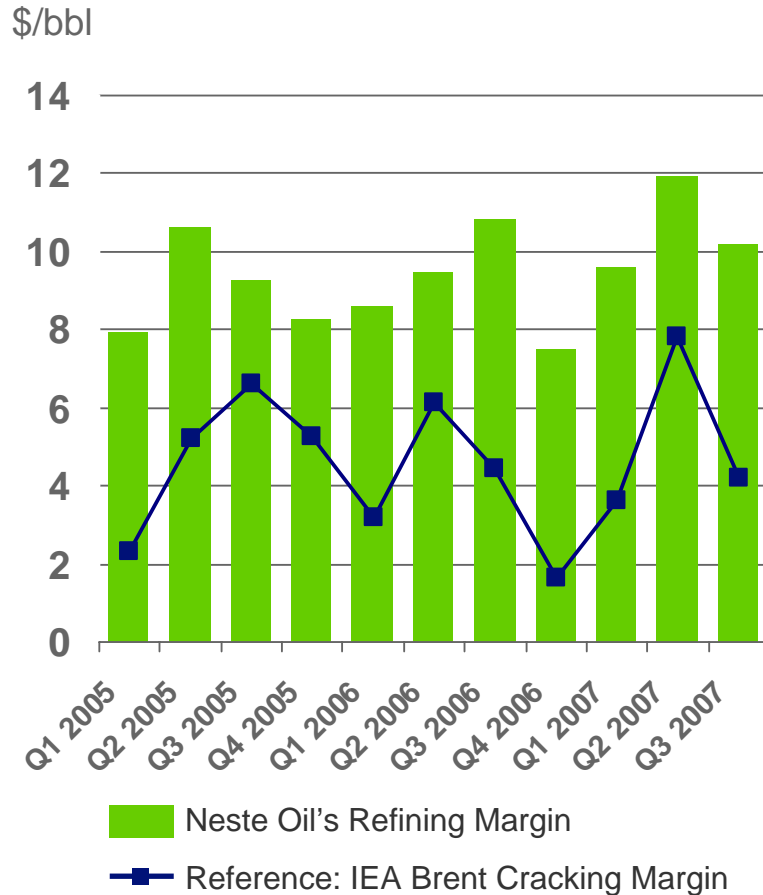
Petri Pentti

Chief Financial Officer

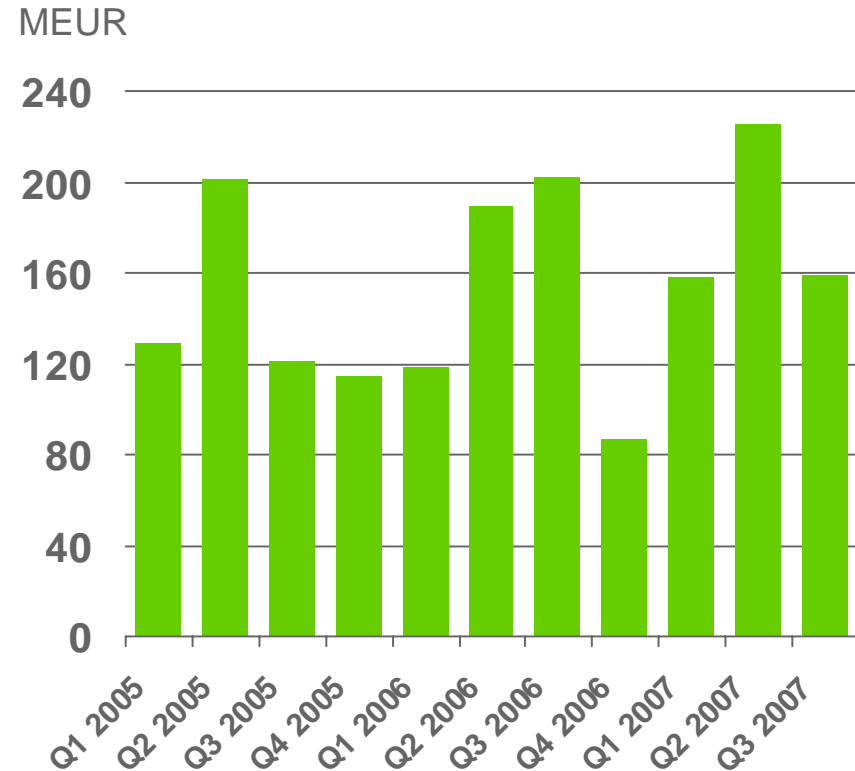
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Cracking refining margins



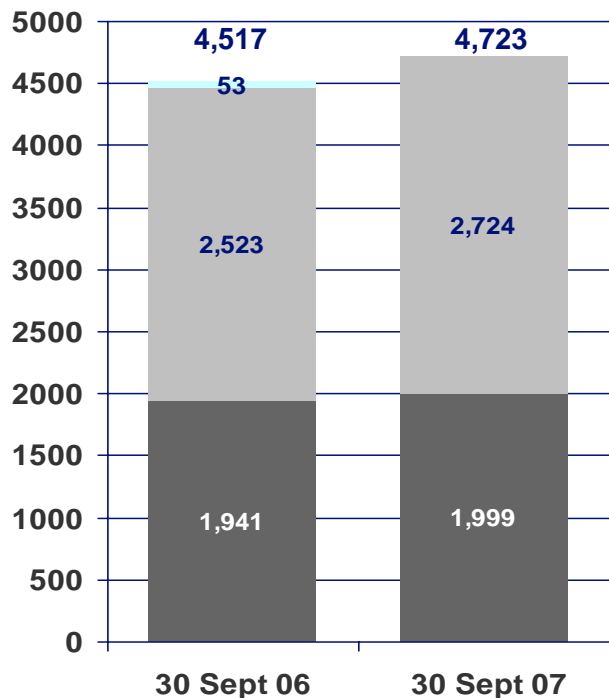
The Group's comparable operating profit



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.

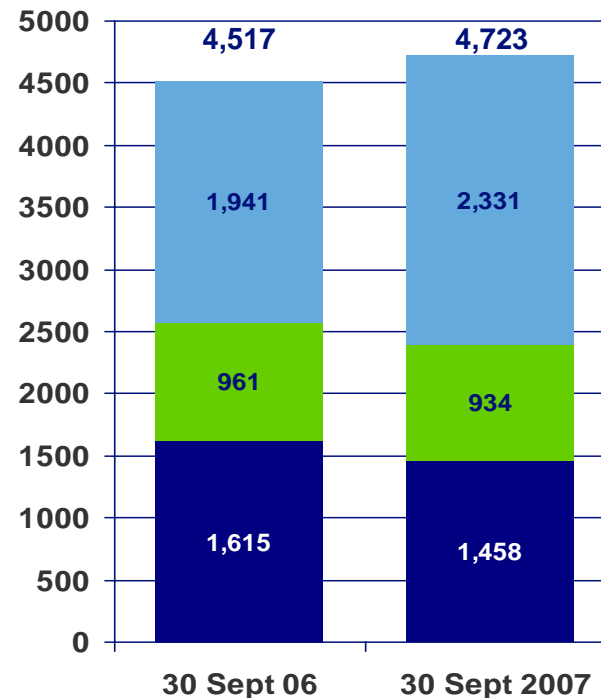


Total assets



Non-current assets
 Current assets

Total equity and liabilities



Equity
 Int-bear. liabilities
 Int-free liabilities

30 Sept 07

30 Sept 06

Capital employed, MEUR
 Equity-to-assets, %
 Leverage, %
 Gearing, %

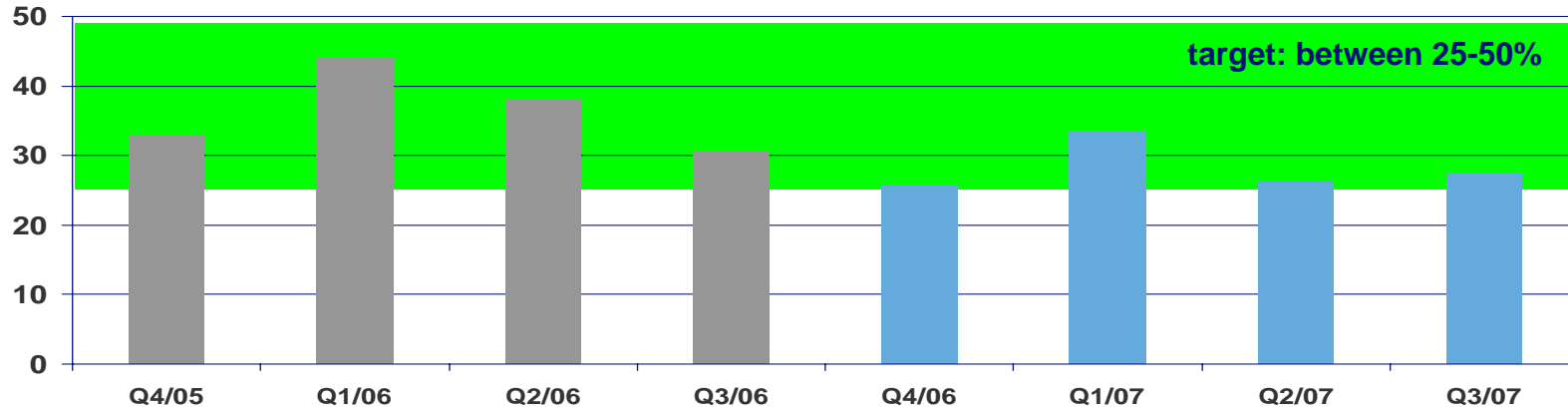
3,265
 49.4
 27.4
 37.7

2,902
 43.0
 30.5
 43.8

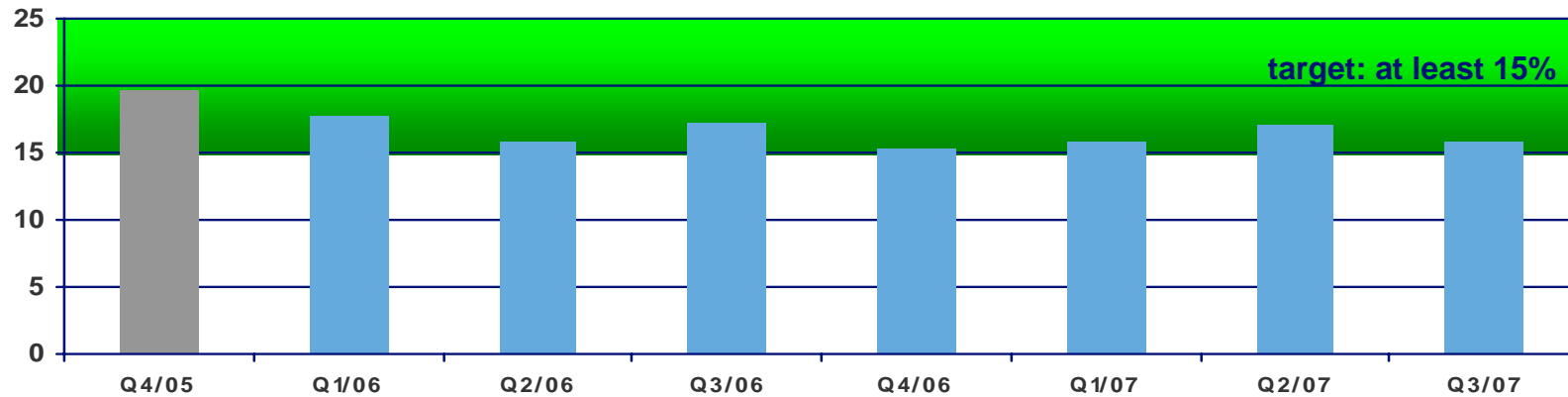


Key ratios well in target

Leverage ¹⁾, %



ROACE ²⁾, %



1) Net debt/Net debt + equity
2) After tax, rolling 4 quarters



Current segments



Segments in 2008



Neste Oil Corporation

- Neste Oil's commercial paper spread has not widened (outstanding 250M€ at + 5 bps)
- Due to the higher level of interest rates, interest costs will rise approx. 1.5 M€ during the next 12 mths
- Domestic bond spreads:
 - 2009: unchanged
 - 2012: widening of approx. 5 b.p. from June (mid-swap + 40 b.p.)
- Impact on new funding would be approximately 20 - 30 b.p. increase in spreads
- The continued weakness of the US dollar likely to have an impact on Neste Oil in 2008



Neste Oil Pension Fund (total assets 800 M€)

- Since 2006, Pension Fund assets have been diversified in order to decrease risk
- Year-to-date return is 8.0 % (At the end of Q3)
- Investments in 'Risk Free' assets are 162 M€ (Money Market and reborrowing)
- Investments in equity markets are 380 M€
- Assets where the negative influence, primarily on valuation, have been higher
 - Hedge Fund of Funds 40 M€
 - High Yield loans 12 M€
 - Investment Grade loans 79 M€



Summary and discussion

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