OFFERING MEMORANDUM

38,440,137 Ordinary Shares

NESTE OIL

Neste Oil Corporation

This Offering Memorandum relates to an offering (the "Offering") of 38,440,137 ordinary shares (the "Offer Shares") of Neste Oil Corporation (the "Company"). The Offer Shares are being sold by the Company's shareholder, Fortum Corporation (the "Selling Shareholder"). The Offering consists of: (i) a public offering to retail and institutional investors in Finland and (ii) a private placement to institutional investors in various jurisdictions, including a private placement in the United States to "qualified institutional buyers" as defined in Rule 144A under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"). All offers and sales of the Offer Shares outside the United States will be made in reliance on Regulation S under the U.S. Securities Act.

Neste Oil Corporation will not receive any of the proceeds from the Offering. See "Use of Proceeds."

In connection with the Offering, Fortum Corporation intends to distribute to its shareholders by way of dividend an aggregate of 217,963,549 Shares (as defined herein) (the "Share Dividend"), which, combined with the Offering, constitutes its entire holding of Shares and voting rights in the Company. See "Background and Reasons for the Offering—Share Dividend."

Prior to the Offering, there has been no public market for the ordinary shares of the Company (the "Shares"). Application has been made for the Shares to be listed on the main list of the Helsinki Stock Exchange Ltd. (the "Helsinki Stock Exchange"). Trading of the Shares on the pre-list of the Helsinki Stock Exchange is expected to commence on or about April 18, 2005 and on the main list of the Helsinki Stock Exchange on or about April 21, 2005.

Investing in the Offer Shares involves risks. See "Investment Considerations" beginning on page 11.

PRICE €15.00 PER OFFER SHARE

The securities offered hereby have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except to qualified institutional buyers in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A or pursuant to and in accordance with Regulation S under the U.S. Securities Act. For certain restrictions on transfer, see "Transfer Restrictions."

It is expected that the Offer Shares will be ready for delivery in book-entry form through the facilities of the Finnish Book-Entry Securities System, Euroclear Bank S.A./N.A., as operator of the Euroclear System, and Clearstream Banking, S.A., starting on or about April 21, 2005, against payment therefor in immediately available funds.

Global Coordinator

Morgan Stanley

Joint Bookrunners

ABN AMRO Rothschild *Merrill Lynch International* *Morgan Stanley* *Nordea*

April 15, 2005

CERTAIN INFORMATION WITH RESPECT TO THE OFFERING

In this Offering Memorandum, the "Company," "Neste Oil" and the "Neste Oil Group" refer to Neste Oil Corporation or Neste Oil Corporation and its subsidiaries, as the context may require, and "Fortum Corporation" and "Fortum" refer to Fortum Corporation or Fortum Corporation and its subsidiaries, as the context may require.

The Company accepts responsibility for the completeness and accuracy of the information contained in this Offering Memorandum. To the best knowledge and belief of the members of the Board of Directors of the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this Offering Memorandum is accurate and complete in all material respects and there have not been omitted material facts, the omission of which would make misleading any statements of fact or opinion herein. The Selling Shareholder accepts responsibility for the statements under the captions "Background and Reasons for the Share Dividend and the Offering," "Related Party Transactions" and "Underwriting" in this Offering Memorandum. Other than as set forth above, no representation or warranty, express or implied, is made by the Selling Shareholder as to the accuracy or completeness of information contained in this Offering Memorandum. No representation or warranty, express or implied, is made by any Manager as to the accuracy or completeness of information contained in this Offering Memorandum.

No person has been authorized to give any information or to make any representation not contained in this Offering Memorandum and, if given or made, such information or representation must not be relied upon as having been authorized by the Company, the Selling Shareholder or the Managers. Neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to the date hereof or that there has been no change in the affairs of the Neste Oil Group since such date. Nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by the Company, the Selling Shareholder or any Manager as to the future. Before the completion of the Offering, the Company shall, as deemed necessary, update information set forth in this Offering Memorandum pursuant to Chapter 2, Section 3 of the Finnish Securities Market Act (495/1989), as amended (the "Securities Market Act").

Except for certain additional information included for the benefit of non-Finnish shareholders, this Offering Memorandum is, in all essential respects, a translation of an offering document prepared under Finnish regulations in Finnish. The Finnish language offering document has been approved by the Finnish Financial Supervision Authority. However, the Finnish Financial Supervision Authority assumes no responsibility for the correctness of the information contained therein or herein.

In making an investment decision, investors must rely on their own examination of the Company and the terms of this Offering, including the merits and risks involved.

The distribution of this Offering Memorandum and the offer or sale of the Offer Shares in certain jurisdictions is restricted by law. No action has been or will be taken by the Company, the Selling Shareholder or the Managers to permit a public offering in any jurisdiction other than in Finland. Persons into whose possession this Offering Memorandum may come are required by the Company, the Selling Shareholder and the Managers to inform themselves about and to observe such restrictions. This Offering Memorandum may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstances in which such offer or solicitation is not authorized or is unlawful. Further information with regard to restrictions on offers and sales of the Offer Shares and the distribution of this Offering Memorandum is set forth under "Underwriting—Selling Restrictions." This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to buy any of the Offer Shares in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction.

Any dispute arising out of this Offering shall be settled exclusively by Finnish courts in accordance with Finnish law.

NOTICE TO INVESTORS IN THE UNITED STATES

The securities offered hereby have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense in the United States.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, the Offer Shares are being offered and sold (a) in the United States, only to "qualified institutional buyers," commonly referred to as "QIBs" (as defined in Rule 144A under the U.S. Securities Act), in transactions exempt from the registration requirements of the U.S. Securities Act, and (b) outside the United States. Prospective investors are hereby notified that the Managers may be relying on the exemption from the registration requirements of the U.S. Securities Act provided by Regulation S or Rule 144A. For certain restrictions on resale of the Shares, see "Transfer Restrictions."

In the United States, this Offering Memorandum is being furnished on a confidential basis solely for the purpose of enabling a prospective investor to consider subscribing for the particular securities described herein. The information contained in this Offering Memorandum has been provided by the Company and other sources identified herein. Distribution of this Offering Memorandum to any person other than the offeree specified by the Managers or their representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorized, and any disclosure of its contents, without prior written consent of the Company, is prohibited. Any reproduction or distribution of this Offering Memorandum in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited. This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Offer Shares.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

UNITED KINGDOM RESTRICTIONS

This Offering Memorandum does not constitute an offer of securities to the public in the United Kingdom within the meaning of the U.K. Public Offers of Securities Regulations 1995, as amended. No prospectus has been or will be registered in the United Kingdom in respect of the securities. Consequently, the securities must not be sold or offered for sale in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances that do not, and will not, constitute an offer to the public in the United Kingdom within the meaning of the U.K. Public Offers of Securities Regulations 1995, as amended.

This Offering Memorandum is communicated to or directed at persons who (i) are outside the United Kingdom or (ii) are persons falling within article 19(5) of the U.K. Financial Services and Markets Act 2000 (regulated activities) Order 2001 (the "Order") (investment professionals) or (iii) are persons falling within article 49(2)(a)-(d) of the Order (high net worth companies, unincorporated associations etc.) (all such persons together being referred to as "relevant persons"). This communication must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons.

SPECIAL NOTICE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Offering Memorandum, including certain statements set forth under the captions "Summary," "Investment Considerations," "Dividends and Dividend Policy," "Operating and Financial Review and Prospects," "Business of the Neste Oil Group" and "Regulation," are based on the beliefs of the Company's management, as well as assumptions made by and information currently available to management, and such statements may constitute "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. In particular, statements (other than statements of historical fact) regarding the Company's future results of operations, financial condition, cash flows, business strategy, plans and objectives of management for future operations, or any statements preceded by, followed by or that include the words "targets," "believes," expects," "aims," "intends," "plans,""seeks," "will," "may," "anticipates," "would," "could," "continues," or similar expressions or the negative thereof, are forward-looking statements.

Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company, or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include, among others: changes in refining margins in the refining industry; significant or extended changes in demand and supply fundamentals of crude oil and other feedstocks and refined petroleum products; increases in global refining and conversion capacity; exchange rate fluctuations; problems or delays in accessing raw materials at competitive prices; interruptions to production at the refineries; problems or delays in completing the current upgrade of the Porvoo refinery or failure to capture the anticipated benefits resulting from the upgrade; losses related to trading and risk management activities; changes in, or the failure or inability to comply with, environmental laws; tightened competition; potential liability related to MTBE; investigations by the competition authorities regarding the Swedish joint venture of the Company; oil exploration and production joint venture in Russia; labor disruptions; failure to protect proprietary technologies; operations in emerging markets; military strikes or sustained military campaigns or terrorist activity; maritime disasters; uninsured potential losses; catastrophes or deliberate sabotage; or other factors referenced in this Offering Memorandum. Should one or more of these risks or uncertainties materialize, or should any underlying assumptions prove to be incorrect, the Company's actual financial condition or results of operations could differ materially from that described herein as anticipated, believed, estimated or expected. The Company urges investors to read the sections of this Offering Memorandum entitled "Investment Considerations," "Operating and Financial Review and Prospects" and "Business of the Neste Oil Group" for a more complete discussion of the factors that could affect the Company's future performance and the industry in which the Company operates.

The Company does not intend and does not assume any obligation to update any forward-looking statements contained herein. All subsequent written and oral forward-looking statements attributable to the Company or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Offering Memorandum. See "Investment Considerations."

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EXPLANATORY NOTE REGARDING NESTE OIL AND THE DEMERGER

In September 2003, Fortum Corporation announced its intention to commence preparations to separate its oil businesses into a separate company with the aim of listing the shares of the Company on the Helsinki Stock Exchange. On September 9, 2003, the Board of Directors of Fortum Corporation passed a resolution according to which the Company should be incorporated as a separate, publicly-traded company by means of a demerger of Fortum Oil and Gas Oy, a wholly-owned subsidiary of Fortum Corporation, effected in accordance with the Finnish Companies Act (734/1978), as amended (the "Companies Act") (the "Demerger"). Under the Companies Act, a demerger is a transfer of all or part of the assets and liabilities of the demerging company to one or more newly-incorporated receiving companies in exchange for consideration in the form of shares of the receiving company issued to the shareholders of the demerging company or of other assets or undertakings.

On September 24, 2003, the Extraordinary General Meeting of the shareholders of the demerging company, Fortum Oil and Gas Oy, approved a demerger plan (the "Demerger Plan"). Under the Demerger Plan, all the assets and liabilities related to the oil businesses of Fortum Oil and Gas Oy were transferred to the Company and all other assets and liabilities of Fortum Oil and Gas Oy were transferred to another receiving company, Fortum Heat and Gas Oy. The Demerger took effect on May 1, 2004, when the relevant registration authority, the Finnish National Board of Patents and Registration, registered the execution of the Demerger with the Finnish Trade Register (the "Trade Register"). As a result of the consummation of the Demerger, Fortum Oil and Gas Oy was dissolved, and Fortum Corporation, as its former sole shareholder, received all of the outstanding shares of the Company and of Fortum Heat and Gas Oy. In addition to the Demerger Plan, the Company and Fortum Heat and Gas Oy have entered into a statement in respect of more detailed allocation of certain rights, benefits, obligations and liabilities in connection with the Demerger. See "Related Party Transactions—Allocation of Certain Rights, Benefits, Obligations and Liabilities."

FINANCIAL AND CERTAIN OTHER INFORMATION

This Offering Memorandum includes audited combined carve-out financial statements of Neste Oil (the "Combined Carve-out Financial Statements"), representing the historical operations of the oil businesses of Fortum Corporation transferred to Neste Oil in the Demerger as of and for the years ended December 31, 2002, 2003 and 2004. However, the operations and companies currently included in Neste Oil are not identical to the operations of the oil businesses of Fortum Corporation as reported in the consolidated financial statements of Fortum Corporation. Since Neste Oil did not legally exist prior to May 1, 2004, the Combined Carve-out Financial Statements have been derived or "carved-out" from the consolidated financial statements of Fortum Corporation for the periods presented using the historical results of operations and assets and liabilities (except for internal interest-bearing receivables and liabilities) of the operations transferred to Neste Oil in the Demerger. Similarly, the balance sheet of Neste Oil as of December 31, 2004 is based on the principle of continuity meaning that the assets and liabilities are transferred to Neste Oil based on the historic cost basis of Fortum for such assets and liabilities. The Combined Carve-out Financial Statements do not necessarily reflect what the actual results of operations, financial position and cash flows of the Company would have been had it been a separate, publicly-traded company during the periods presented. Similarly, they are not indicative of the future results of operations and are not indicative of the future financial position of the Company. For more information on some of the key aspects of the derivation of the Combined Carve-out Financial Statements, see Note 1 to the Combined Carve-out Financial Statements.

In addition, this Offering Memorandum includes audited consolidated financial statements of Neste Oil (the "Consolidated Financial Statements"), representing the financial results of Neste Oil for the financial period starting on May 1, 2004 and ending on December 31, 2004 and as of December 31, 2004.

Both the Combined Carve-out Financial Statements and Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles in Finland ("Finnish GAAP"). In compliance with Regulation 1606/2002 issued by the European Parliament and Council in July 2002, the consolidated financial statements of Neste Oil will be prepared in accordance with international financial reporting standards ("IFRS") from the beginning of 2005. For a discussion of the principal differences between Finnish GAAP and IFRS, in each case as currently in effect, see Note 25 to the Combined Carve-out Financial Statements and Note 24 to the Consolidated Financial Statements.

For a discussion of certain significant differences between Finnish GAAP and U.S. GAAP, in each case as currently in effect, see "Annex A: Summary of Certain Significant Differences between Finnish GAAP and U.S. GAAP."

Financial information set forth in a number of tables in this Offering Memorandum has been rounded. Accordingly, in certain instances, the sum of the numbers in a column or row may not conform exactly to the total figure given for that column or row. In addition, certain percentages presented in the tables in this Offering Memorandum reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

As used herein, references to the "euro," "€" or "EUR" are to the currency of the member states of the European Union ("EU") participating in the EU's Economic and Monetary Union, and references to the "U.S. dollar," "U.S.$" or "USD" are to the currency of the United States.

As used herein, "Nordic countries" refers to Denmark, Finland, Norway and Sweden; "Baltic states" refers to Estonia, Latvia and Lithuania and "Baltic Rim area" refers to the Baltic states, northwestern Russia and Poland.

Unless the context otherwise requires, all references to "tons" in this Offering Memorandum are to metric tons. One metric ton represents 1.102 short tons. Solely for the convenience of the reader, such metric data have also been converted into barrels. The conversion factor from tons to barrels used for Brent crude oil in this Offering Memorandum is 7.55 barrels to one ton.

FOREIGN CURRENCY PRESENTATION

The Company publishes its financial statements in euro. Solely for the convenience of the reader, this Offering Memorandum contains translations of certain euro amounts into U.S. dollars at specified rates. These translations should not be construed as representations that the euro amounts actually represent such U.S. dollar amounts, or could be converted into U.S. dollars at the rate indicated or at any other rate. Unless otherwise indicated, the translations of euro amounts into U.S. dollars have been made at the noon buying rate in The City of New York for cable transfers in foreign currencies certified by the Federal Reserve Bank of New York for customs purposes (the "Noon Buying Rate") on December 31, 2004 of EUR 1.00=U.S.$1.3588 (U.S.$1.00=EUR 0.7663). On April 14, 2005, the Noon Buying Rate was EUR 1.00=U.S.$1.2819 (U.S.$1.00=EUR 0.7801). For historical information regarding rates of exchange between the euro and the U.S. dollar, see "Exchange Rates."

ENFORCEMENT OF LIABILITIES AND SERVICE OF PROCESS

The Company is organized under the laws of Finland, with its domicile in Espoo. All of the directors and executive officers of the Company and certain of the experts named herein are non-residents of the United States. All or a substantial portion of the assets of such non-resident persons and of the Company are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or the Company or to enforce against them in U.S. courts judgments obtained in such courts. The Company has been advised by White & Case LLP that there is doubt as to the enforceability in Finland, in original actions or in actions for the enforcement of judgments of U.S. courts, of civil liability provisions of the federal or state securities laws of the United States.

In addition, the Company has been advised by White & Case LLP that the United States and Finland do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil matters. Therefore, final judgments for the payment of money rendered by a court in the United States based on civil liability, whether or not predicated solely upon the federal or state securities laws of the United States, would not automatically be enforceable in Finland.

The principal executive office of the Company is located at Keilaranta 8, FI-02150 Espoo, Finland, and its telephone number is +358 10 45811 as from April 1, 2005.

AVAILABLE INFORMATION

The Company intends to publish its annual reports, including audited consolidated financial statements commencing from the financial year ending December 31, 2005, and interim reports, including unaudited interim consolidated financial statements, commencing from the three months ending March 31, 2005. The Company intends to publish its interim reports, including unaudited interim consolidated financial statements, for the first quarter, second quarter and third quarter of each year. Quarterly reports for the year 2005 are scheduled to be published on May 3, August 4 and October 25, 2005, respectively.

The Company is not currently required to file periodic reports under Section 13 or 15 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company has, however, agreed to (i) furnish certain public reports and documents to the U.S. Securities and Exchange Commission (the "SEC") pursuant to Rule 12g3-2(b) under the Exchange Act, (ii) be subject to the periodic reporting and other requirements under the Exchange Act and, in accordance with the Exchange Act, file reports and other information with the SEC, or (iii) furnish to investors upon request such information as may be required under Rule 144A.

MARKET AND INDUSTRY INFORMATION

This Offering Memorandum contains information about the market share, market position and industry data for the operating areas of the Company and its reporting segments. Unless otherwise indicated, the statistical and other market information relating to the operating areas of the Company and its reporting segments is based on statistics prepared by the BP Statistical Review; Cambridge Energy Research Associates, Inc. ("CERA"); Danish Energy Authority; the Finnish Oil and Gas Federation; International Energy Agency ("IEA"); the Oil and Gas Journal; PennWell Corporation, Petroleum Argus; Purvin & Gertz, Inc.; Ryder Scott Company, L. P. ("Ryder Scott"), Platt's publication of Standard & Poor's Commodities Division ("Platt's") and SunGard Data System Inc. ("SunGard").

Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Company has not independently verified and cannot give any assurances as to the accuracy of market data and industry forecasts contained in this Offering Memorandum that were taken or derived from these industry publications.

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SUMMARY

The following summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Offering Memorandum, including the Combined Carve-out Financial Statements and the Consolidated Financial Statements. See "Investment Considerations" for a discussion of certain factors that should be considered in connection with an investment in the Offer Shares.

NESTE OIL

General

Neste Oil is a leading independent Northern European oil refining and marketing company focused on high-quality traffic fuels and other high value-added refined petroleum products with reduced environmental impact. Neste Oil's two wholly-owned refineries have a total atmospheric distillation capacity of approximately 12.5 million tons per annum (approximately 250,000 bpd) and are both located on the southern coast of Finland. In 2004, Neste Oil's deliveries of refined petroleum products from its Porvoo and Naantali refineries amounted to 13.6 million tons.

Neste Oil's refineries and other production facilities, together with its network of service stations and other retail outlets both in Finland and the Baltic Rim area, supply both domestic and export markets with gasolines, diesel fuels, aviation fuels, marine fuels, heating oils, heavy fuel oils, base oils, lubricants, traffic fuel components, solvents, liquefied petroleum gases ("LPGs") and bitumen. Neste Oil's supply and distribution chain includes a tanker fleet for crude oil and other feedstock imports and refined petroleum product exports. Management believes that, due to the technologically advanced configuration and location of its refineries, Neste Oil is well-positioned to take advantage of long-term supply and demand trends of crude oil and refined petroleum products in Europe and North America.

In addition to its refineries, Neste Oil owns a base oil production facility in Beringen, Belgium, and an ETBE plant in Sines, Portugal; has a 50 percent interest in an iso-octane production facility in Edmonton, Canada; and is constructing a biodiesel plant in Porvoo. The Company also has a 49.99 percent ownership interest in AB Nynäs Petroleum ("Nynäs Petroleum") in Sweden, which is one of the largest bitumen suppliers in Europe and one of the leading producers of naphthenic base oils in the world; and a 50 percent interest in CJSC SeverTEK ("SeverTEK"), an oil exploration and production joint venture in northwestern Russia.

Neste Oil had net sales of EUR 7,909 million for the year ended December 31, 2004 based upon the Combined Carve-out Financial Statements. As of December 31, 2004, it had total assets of EUR 2,711 million and 4,271 employees.

Key Strengths and Strategy

Management believes that Neste Oil's position as a leading independent Northern European oil refining and marketing company with historically high refining margins relative to other oil refiners in the region is based on the following key strengths:

- Sophisticated refining facilities and high-quality products;
- Flexible refining facilities and control of logistics chain;
- Good geographical location to benefit from increased crude oil flows from Russia;
- Strong wholesale market position in Finland and Sweden;
- Extensive retail presence in Finland and the Baltic Rim area; and
- Advanced technology base.

By utilizing its key strengths, Neste Oil will seek to enhance further its position as a leading independent Northern European oil refining and marketing company focused on high-quality traffic fuels and other high value-added petroleum products with reduced environmental impact. Neste Oil seeks to achieve this goal by implementing the following business strategies:

- Continue to focus on high-quality products;
- Capture benefits of the upgrade of the Porvoo refinery (the "Diesel Project");
- Continue to pursue attractive growth opportunities in specialty petroleum product markets;
- Maintain strong wholesale and retail market shares in Finland and take advantage of attractive growth prospects in the Baltic Rim area;
- Effectively utilize its own logistics chain; and
- Consider potential non-organic growth opportunities.

Reporting Segments of Neste Oil

Oil Refining

The Oil Refining segment focuses on developing and producing high-quality traffic fuels and other high value-added petroleum products. Neste Oil's two refineries are the only oil refineries in Finland and have a combined atmospheric distillation capacity of approximately 12.5 million tons per annum (approximately 250,000 bpd). In 2004, the total refinery feed of the Porvoo and Naantali refineries amounted to 14.1 million tons (approximately 282,000 bpd), of which 13.5 million tons of crude oil and other feedstocks were used for processing and 0.6 million tons of components for blending. Neste Oil's range of products includes gasolines, diesel fuels, aviation fuels, marine fuels, heating oils, heavy fuel oils, base oils, traffic fuel components, solvents, LPGs and bitumen. In addition, Neste Oil produces base oils at its production facilities in Beringen, Belgium, and ETBE in Sines, Portugal; has a 50 percent interest in an iso-octane production facility in Edmonton, Canada; and is constructing a biodiesel production unit in Porvoo. Neste Oil also has a 49.99 percent interest in Nynäs Petroleum, which produces bitumen and naphthenics in its refineries in Sweden and the United Kingdom.

Oil Retail

The Oil Retail segment engages in the retail and direct sales and marketing of refined petroleum products through Neste Oil's network of approximately 1,050 sales outlets operating under the Neste and A24 brands. Neste Oil is the market leader in Finland in retail and direct sales of refined petroleum products and has an extensive retail presence in the St. Petersburg area, the Baltic states and Poland. Neste Oil is the leading distributor of LPGs in Finland and Estonia and also has a presence in the LPG markets of Sweden and Latvia.

Shipping

The Shipping segment provides logistics services for the supply of raw materials to Neste Oil's refineries, and for the transport of refined petroleum products from the refineries to destinations in Finland, Sweden, throughout the Baltic Rim area and internationally. Neste Oil specializes in the marine transport of crude oil and other feedstocks as well as refined petroleum products in the Baltic Sea and North Sea areas and to the North American market. In 2004, approximately 56 percent of the net sales of Neste Oil's Shipping segment related to logistics services provided to third parties, including international oil companies. Neste Oil's shipping fleet consists of 32 tanker vessels, including ten crude oil/product carriers and 22 product carriers with a total cargo-carrying capacity of approximately 1.3 million dwt. The entire Neste Oil fleet is fully or partially double-hulled and all of the vessels owned by Neste Oil and most of the chartered vessels are ice-classified.

Other

The Other segment includes Corporate Center, which includes corporate management and corporate support functions such as corporate finance and accounting, IT services, communications, human resources, corporate development, environmental, health and safety functions, internal audit and legal affairs. In addition, the Other segment includes SeverTEK, an oil exploration and production joint venture in northwestern Russia equally owned by Neste Oil and the Russian oil company OAO LUKOIL ("Lukoil").

Background to the Share Dividend and the Offering

Currently, Neste Oil is a wholly-owned subsidiary of Fortum Corporation. Fortum Corporation is a leading energy company in the Nordic countries and the Baltic Rim area. Besides the oil businesses, Fortum Corporation is engaged in the generation, distribution and sale of electricity and heat, the operation and maintenance of power plants and certain energy-related services. Fortum Corporation's management believes that the separation of the oil businesses and the listing of Neste Oil as an independent company on the Helsinki Stock Exchange, with a focus on refining and marketing of petroleum products, will improve the strategic focus and prospects for the continued business development of both companies.

In connection with the Offering, Fortum Corporation will distribute to its shareholders as a dividend an aggregate of 217,963,549 Shares, which, combined with the Offering, constitutes all outstanding Shares and voting rights in the Company. Upon the completion of the Offering and the distribution of the Share Dividend to Fortum Corporation's shareholders, the Finnish State will hold approximately 50.1 percent of the outstanding Shares and voting rights in the Company.

THE OFFERING

The Offering	A total of 38,440,137 Offer Shares are being offered by the Selling Shareholder in connection with the Offering, of which 34,596,137 Offer Shares are being initially offered in the Institutional Offering and 3,844,000 Offer Shares initially in the Retail Offering.
Institutional Offering	34,596,137 Offer Shares are being offered by the Selling Shareholder to institutional investors within and outside the Republic of Finland. The Institutional Offering consists of (i) an offering of Shares outside the United States to institutional investors in reliance on Regulation S under the U.S. Securities Act and (ii) an offering of Shares in the United States to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act.
Retail Offering	3,844,000 Offer Shares are being offered by the Selling Shareholder to retail investors in Finland.
Offering Price	The offer price is €15.00 per Offer Share (the "Offer Price").
Shares Outstanding before and after the Share Dividend and the Completion of the Offering	256,403,686 Shares issued and outstanding.
Lock-up	The Company, the Finnish State and the directors and senior management of the Company have agreed with the Managers that, for a period of 360 days, in the case of the Company and the Finnish State, or 180 days, in the case of the directors and senior management, from the date of this Offering Memorandum, they will not, except for the Shares to be sold in the Offering and subject to certain other exceptions, without the prior written consent (which consent shall not be unreasonably delayed or withheld) of Morgan Stanley, having consulted with the other Managers, authorize the issuance of, issue, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Shares or any securities exchangeable for or convertible into or exercisable for Shares, or enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Shares, whether any such transactions are to be settled by delivery of the Shares or other securities, in cash or otherwise.
Listing and Trading	An application has been made for the Shares to be listed on the Helsinki Stock Exchange. Trading of the Shares on the pre-list of the Helsinki Stock Exchange is expected to commence on or about April 18, 2005 and on the main list on or about April 21, 2005. The Shares will be listed on the Helsinki Stock Exchange regardless of whether or not the Offering is completed.

Dividends	The Offer Shares will rank *pari passu* with all outstanding Shares and will be entitled to any future dividends. See "Description of the Shares and Share Capital."
Voting Rights	Each Offer Share entitles its holder to one vote at the shareholders' meetings of Neste Oil.
Taxation	See "Taxation" for a discussion of withholding taxes payable in respect of dividends and certain other tax considerations relevant to offerees considering the purchase of the Offer Shares.
Use of Proceeds	The Company will not receive any part of the proceeds from the sale of Offer Shares by the Selling Shareholder. See "Use of Proceeds."
Transfer Restrictions	Transfers of the Offer Shares will be subject to certain restrictions. See "Transfer Restrictions."
Payment and Settlement	It is expected that the Offers Shares will be ready for delivery in book-entry form through the facilities of the Finnish Book-Entry System, Euroclear Bank S.A./N.V., as operator of Euroclear System and Clearstream Banking S.A., starting on or about April 21, 2005, against payment therefor in immediately available funds.
Identification Number	ISIN: FI0009013296
Helsinki Stock Exchange Symbol	NES1V

SUMMARY HISTORICAL COMBINED CARVE-OUT FINANCIAL INFORMATION IN ACCORDANCE WITH FINNISH GAAP

The following summary combined carve-out financial information for the Company should be read in conjunction with, and is qualified in its entirety by reference to, the Combined Carve-out Financial Statements included elsewhere in this Offering Memorandum. The Combined Carve-out Financial Statements have been audited by PricewaterhouseCoopers Oy, authorized public accountants, as indicated in their report included elsewhere in this Offering Memorandum. The combined carve-out financial information set forth below as of and for the years ended December 31, 2002, 2003 and 2004 has been derived from the audited consolidated financial statements of Fortum Corporation. The Combined Carve-out Financial Statements have been prepared in accordance with Finnish GAAP and the principles and assumptions adopted as a basis for their presentation. Finnish GAAP differs in certain significant respects from IFRS. For a discussion of certain significant differences between Finnish GAAP and IFRS, in each case, as currently in effect, see Note 25 to the Combined Carve-out Financial Statements. For a discussion of the principal differences between Finnish GAAP and U.S. GAAP, in each case as currently in effect, see "Annex A: Summary of Certain Significant Differences between Finnish GAAP and U.S. GAAP."

The Combined Carve-out Financial Statements do not necessarily reflect what the actual results of operations, financial position and cash flows of the Company would have been had it been a separate, publicly-traded company during the periods presented. Similarly, they are not indicative of the future results of operations, financial position and cash flows of the Company. For a further discussion of the basis of presentation of the Combined Carve-out Financial Statements, see Note 1 of the Combined Carve-out Financial Statements.

	For the year ended December 31,		
	2002	2003	2004
	(EUR in millions)		
INCOME STATEMENT DATA			
Net sales	7,299	7,307	7,909
Share of profits (losses) of associated companies	3	15	36
Other operating income	95	38	37
Materials and services	(5,934)	(6,131)	(6,439)
Personnel expenses	(221)	(211)	(214)
Depreciation, amortization and write-downs	(268)	(135)	(118)
Other operating expenses	(516)	(490)	(499)
Operating profit	458	393	712
Financial income and expenses	(3)	11	10
Profit before taxes	455	404	722
Income taxes	(141)	(120)	(150)
Minority interests	(2)	(2)	(2)
Net profit for the period	312	282	570
CASH FLOW DATA			
Net cash from operating activities	657	392	525
Cash flow from investing activities	(41)	798	(274)

	As of and for the year ended December 31,		
	2002	2003	2004
	(EUR in millions, except percentages)		
BALANCE SHEET DATA			
Fixed assets and other long-term investments	2,385	1,439	1,656
Current assets	1,020	860	1,055
Total assets	3,405	2,299	2,711
Minority interests	5	3	5
Provisions for liabilities and charges	67	63	74
Deferred tax liabilities	235	164	151
Long-term liabilities	76	66	66
Short-term liabilities	908	628	698
Total liabilities	1,291	924	994
Net investment(1)	2,114	1,375	1,717
KEY RATIOS			
Capital employed(2)	2,376	1,461	1,801
Return on capital employed (ROCE) before tax, %(3)	17.6	21.4	44.6
Operating profit (loss), % of net sales	6.3	5.4	9.0
Profit (loss) before taxes	455	404	722
Gross investments in fixed assets and shares	252	204	313
Gross investments in fixed assets and shares, % of net sales	3.5	2.8	4.0

(1) For a reconciliation of net investment as of December 31, 2004 to the Consolidated Financial Statements, see Note 23 to the Combined Carve-out Financial Statements.

Share capital	40
Reserve fund	9
Retained earnings	811
Interest-bearing liabilities to other Fortum entities	970
Cash pool receivables	(124)
Interest-free receivables and liabilities from and to other Fortum entities	11
Net investment	1,717

(2) Capital employed = Total assets − interest-free liabilities − deferred tax liabilities − provisions for liabilities and charges

(3) $$\text{Return on capital employed (ROCE) before tax, \%} = \frac{\text{Profit before tax + interest and other financial expenses}}{\text{Average capital employed during the year}} \times 100$$

	As of and for the year ended December 31,		
	2002	2003	2004
	(EUR in millions, except percentages, margins and volume and unit data)		
SEGMENT DATA			
Oil Refining			
Refinery product deliveries, thousands of tons	13,040	13,391	13,609
Total refining margin, U.S.$/bbl	3.60	4.83	7.90
Net sales	5,704	5,693	6,306
EBITDA(1), after non-recurring items	294	361	649
Operating profit	195	281	573
Capital expenditures	114	97	200
Net assets(2)	1,090	1,003	1,266
Return on net assets before tax, %(3)	17.7	26.2	50.4
Oil Retail			
Total volumes of main products, millions of liters	3,923	3,908	4,008
Net sales	2,151	2,203	2,374
EBITDA(1), after non-recurring items	80	85	78
Operating profit	41	44	48
Capital expenditures	37	34	36
Net assets(2)	319	329	296
Return on net assets before tax, %(3)	11.7	13.8	15.9
Shipping			
Total deliveries, millions of tons	37	40	41
Fleet utilization rate, %	94	93	93
Net sales	266	308	339
EBITDA(1), after non-recurring items	48	92	111
Operating profit	30	78	99
Capital expenditures	26	71	74
Net assets(2)	155	121	193
Return on net assets before tax, %(3)	15.8	60.2	63.1

(1) EBITDA is defined as operating profit before depreciation and amortization.

(2) Net assets of the business segments include fixed assets, shares and working capital allocated to the business segments as well as provisions and pension liabilities.

(3) Return on net assets before tax, % $= \frac{\text{Operating profit}}{\text{Average net assets}} \times 100$

SUMMARY HISTORICAL COMBINED CARVE-OUT FINANCIAL INFORMATION AND SUMMARY HISTORICAL CONSOLIDATED FINANCIAL INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2004 IN ACCORDANCE WITH IFRS

The following historical combined carve-out financial information as of and for the year ended December 31, 2004 and selected historical consolidated financial information as of December 31, 2004 has been prepared in accordance with Finnish GAAP and reconciliated to IFRS and included elsewhere in this Offering Memorandum in Note 25 to the Combined Carve-out Financial Statements and in Note 24 to the Consolidated Financial Statements, respectively. For a discussion of certain significant differences between Finnish GAAP and IFRS, in each case as currently in effect, see Note 25 to the Combined Carve-out Financial Statements and Note 24 to the Consolidated Financial Statements.

The Combined Carve-out Financial Statements and the Consolidated Financial Statements do not necessarily reflect what the actual results of operations, financial position and cash flows of the Company would have been had it been a separate, publicly-traded company during the periods presented. Similarly, they are not indicative of the future results of operations, financial position and cash flows of the Company. For a further discussion of the basis of presentation of the Combined Carve-out Financial Statements, see Note 1 of the Combined Carve-out Financial Statements.

In compliance with Regulation 1606/2002 issued by the European Parliament and Council in July 2002, the consolidated financial statements of Neste Oil will be prepared and presented in accordance with IFRS from the beginning of 2005.

For a discussion of the principal differences between Finnish GAAP and U.S. GAAP, in each case, as currently in effect, see "Annex A: Summary of Certain Significant Differences between Finnish GAAP and U.S. GAAP."

	For the year ended December 31, 2004
	(EUR in millions, except percentages)
COMBINED CARVE-OUT FINANCIAL INFORMATION:	
INCOME STATEMENT DATA	
Net sales	7,909
Other operating income	72
Materials and services	(6,428)
Employee benefit costs	(211)
Depreciation, amortization and impairment charges	(139)
Other operating expenses	(490)
Operating profit	713
Share of profit (loss) of associated companies and joint ventures	36
Financial costs, net	18
Profit before income taxes	767
Income tax	(157)
Profit for the year	610
Attributable to:	
• Equity holders of the Company	608
• Minority interest	2
	610
KEY RATIOS	
Capital employed(1)	2,038
Net investment(2)	1,850
Return on capital employed (ROCE) before tax, %(3)	41.2

For footnotes (1), (2) and (3), see the following page.

	As of December 31, 2004
	(EUR in millions, except percentages)
CONSOLIDATED FINANCIAL INFORMATION:	
BALANCE SHEET DATA	
Property, plant and equipment	1,510
Non-current interest-bearing cash pool receivables	124
Other non-current assets	328
Total non-current assets	1,962
Inventories	415
Other current assets	726
Total current assets	1,141
Total assets	3,103
Shareholders' equity	993
Minority interest	5
Total equity	998
Non-current interest-bearing liabilities	715
Provisions	26
Other non-current liabilities	214
Total non-current liabilities	955
Current interest-bearing liabilities	438
Other current liabilities	712
Total current liabilities	1,150
Total liabilities	2,105
Total equity and liabilities	3,103
KEY RATIOS	
Capital employed(1)	2,151
Interest-bearing net debt(4)	969
Gearing, %(5)	97

(1) Capital employed = Total assets—interest-free liabilities—deferred tax liabilities—provisions for liabilities and charges

(2) For a reconciliation of net investment as of December 31, 2004 to the Consolidated Financial Statements, see Note 23 to the Combined Carve-out Financial Statements.

Share capital	40
Reserve fund	9
Retained earnings	944
Interest-bearing liabilities to other Fortum entities	970
Cash pool receivables	(124)
Interest-free receivables and liabilities from and to other Fortum entities	11
Net investment	1,850

(3) Return on capital employed (ROCE) before tax, % = $\dfrac{\text{Profit before tax + interest and other financial expenses}}{\text{Average capital employed during the year}} \times 100$

(4) Interest-bearing net debt = Interest-bearing debt − cash and cash equivalents − non-current interest-bearing cash-pool receivables.

(5) Gearing, % = $\dfrac{\text{Interest-bearing net debt}}{\text{Shareholders' equity + minority interest}} \times 100$

INVESTMENT CONSIDERATIONS

Prior to making a decision to invest in the Offer Shares, prospective investors should carefully consider all of the information in this Offering Memorandum, including the following specific investment considerations. Certain other investment considerations relating to the business of Neste Oil are discussed under "Business of the Neste Oil Group" and "Operating and Financial Review and Prospects."

Risks Relating to the Business of Neste Oil

Changes in refining margins in the refining industry may have a material negative effect on the business, financial condition and results of operations of Neste Oil

The financial results of Neste Oil are primarily affected by the price differential, or margin, between refined petroleum product prices and the prices for crude oil and other feedstocks used for refining. The cost for Neste Oil to acquire its feedstocks and the price at which it can ultimately sell its refined petroleum products depend upon a variety of factors largely beyond the control of Neste Oil. Historically, refining margins have been volatile and they are likely to continue to be volatile in the future. Future volatility in refining margins could have a material negative effect on the business, financial condition and results of operations of Neste Oil.

Factors that may affect Neste Oil's refining margins include:

- aggregate demand and supply for crude oil and refined petroleum products;
- changes in demand and supply for specific crude oils and other feedstocks as well as specific refined petroleum products such as gasoline and diesel;
- fluctuations in the prices for crude oil and refined petroleum products;
- aggregate refining capacity in the global refining industry to convert crude oil into refined petroleum products and, in particular, into the petroleum products refined by Neste Oil;
- pricing and other actions taken by competitors that impact the market;
- availability of price arbitrage for refined petroleum products between different geographical markets;
- changes in the cost and availability of logistics services for feedstocks and for refined petroleum products;
- changes in the mandatory petroleum product specifications of the EU and governmental authorities for refined petroleum products such as the EU Fuel Quality Directive; and
- general political and economic conditions.

Depending on the nature of each factor and the particular circumstances, these factors could have either a short-term or long-term effect on the business, financial condition and results of operations of Neste Oil.

Significant or extended changes in demand and supply fundamentals for crude oil and other feedstocks and for refined petroleum products may have a material impact on market prices for crude oil and other feedstocks, as well as refined petroleum products, which, in particular if affecting the pricing of traffic fuels in Europe and gasoline in the United States, could have a material negative effect on the business, financial condition or results of operations of Neste Oil

The market prices for crude oil and other feedstocks, as well as refined petroleum products, are subject to significant fluctuations resulting from a variety of factors affecting demand and supply, which are outside the control of Neste Oil. Although the strong demand for crude oil and refined petroleum products during recent years has contributed to higher refining margins, it is impossible to accurately predict future demand and supply trends and their impact on crude oil and refined petroleum product prices. Significant pricing level changes during the period between the purchase of crude oil and other feedstocks and the sale of refined petroleum products, in particular if affecting the pricing of traffic fuels in Europe and gasoline in the United States, could have a material negative effect on the business, financial condition and results of operations of Neste Oil.

Generally, there is an approximately one month lag time from the delivery of crude oil and other feedstocks to the refineries to the time when the refined petroleum products from these feedstocks are produced by Neste Oil. Neste Oil also maintains inventories of crude oil and other feedstocks and of refined petroleum products and the values of such inventories are subject to fluctuations in market prices. See "Operating and Financial Review and Prospects—Factors Affecting the Company's Results of Operations—Inventory Gain Or Loss" and "Operating and Financial Review and Prospects—Critical Accounting Policies—Inventories." Any significant or extended change in supply and demand trends may have a material impact on prices for crude oil and other feedstocks as well as refined petroleum products and may also result in inventory losses which could have a material negative effect on the business, financial condition and results of operations of Neste Oil.

Increases in global refining and conversion capacity relative to demand for the refined petroleum products could have a material negative effect on the business, financial condition and results of operations of Neste Oil

As a result of increases in demand for refined petroleum products and numerous refinery closures over the past 20 years, the difference between aggregate demand for refined petroleum products and the total refining and conversion capacity has decreased significantly. This shortage of refining and conversion capacity, which has replaced the overcapacity of the 1980s and early 1990s, has resulted in higher prices for refined petroleum products and in more volatile refining margins. With the adoption of higher environmental standards in the European Union and the United States and the current historically high level of refining margins, many of Neste Oil's competitors may decide to upgrade the conversion and desulphurization capacity of their plants, which will result in their refined petroleum product slate and quality becoming more similar to that of Neste Oil and, consequently, increase competition faced by Neste Oil's refined petroleum products. Further increases in global refining and conversion capacity relative to demand for refined petroleum products could have a material negative effect on the business, financial condition and results of operations of Neste Oil.

Exchange rate fluctuations may have a material negative effect on the business, financial condition and results of operations of Neste Oil

Neste Oil is exposed to foreign exchange risks. Accordingly, significant movements in currency rates may have a material negative effect on the business, financial condition and results of operations of Neste Oil.

Neste Oil faces foreign currency transaction risks because its operating expenses, except for procurement of crude oil and other feedstocks as well as time-chartering costs of its tanker fleet, are mainly recorded in euro, whereas most of Neste Oil's sales are denominated in U.S. dollars. If the value of the currency in which Neste Oil incurs its costs (i.e., the euro), strengthens relative to the value of the currency in which it sells its products (i.e., the U.S. dollar), there would be an adverse impact on its results of operations. See "Operating and Financial Review and Prospects—Risk Management—General."

Neste Oil reports its financial results in euro. Therefore, the Company also faces a currency translation risk to the extent that the assets, liabilities, revenues and expenses of its subsidiaries are denominated in currencies other than the euro. In order to prepare its financial statements, Neste Oil must translate the values of those assets, liabilities, revenues and expenses into euro at the applicable exchange rates. Consequently, increases and decreases in the value of the euro against other currencies will affect the value of these items in the consolidated financial statements, even if their value has not changed in their original currency.

Neste Oil is also exposed to longer-term economic exposures with respect to foreign exchange rates. Changes in exchange rate levels for an extended period may have a material negative effect on the competitive position of Neste Oil relative to its competitors.

Although Neste Oil seeks to manage its foreign exchange risks in order to minimize any negative impact caused by exchange rate volatility, there can be no assurance that Neste Oil will be able to do so successfully. Fluctuations in foreign exchange rates, in particular the exchange rate between the U.S. dollar and the euro, could have a material negative effect on its business, financial condition and results of operations. In particular, continued, long-term weakening of the U.S. dollar against the euro could have a material negative effect on the business, financial condition and results of operations of Neste Oil since its hedging arrangements are typically made for limited time periods, generally for periods of 12 months. See "Operating and Financial Review and Prospects—Factors Affecting the Company's Results of Operations—Exchange Rates."

Problems or delays in accessing raw materials at competitive prices could have a material negative effect on the business, financial condition and results of operations of Neste Oil

Neste Oil requires crude oil and other feedstocks in order for its refineries to produce various refined petroleum products. Unlike certain of its competitors that have their own oil exploration and production operations, Neste Oil is dependent, for a substantial portion of its operations, on continued access to these and other raw materials and supplies at appropriate prices. Problems or delays in accessing lower cost, heavier and more sour crude oil could increase the cost of obtaining raw materials and have a material negative effect on the business, financial condition and results of operations of Neste Oil. In particular, in 2004, Neste Oil purchased approximately 65 percent of its crude oil and other feedstock needs from countries in the former Soviet Union of which amount 67 percent was purchased from Russia. After the completion of the upgrade of Neste Oil's Porvoo refinery, it is expected that almost all of Neste Oil's feedstocks will be purchased from Russia. Neste Oil's access to Russian crude oil and other feedstocks might be interrupted as a result of, among other things, limited pipeline capacity, structural changes in the Russian oil industry, government restrictions, regional hostilities or problems in transporting sufficient quantities of oil through Primorsk, Vysotsk, Kaliningrad and other harbors on the Baltic Sea or by rail to Neste Oil's refineries. Problems in accessing Russian crude oil would require Neste Oil to ship its raw material needs from other sources thus losing the cost benefit of having its refineries located close to a major export route of Russian crude oil through the Baltic Sea. Furthermore, a significant portion of the crude oil and other feedstocks required for the operations of Neste Oil is currently supplied by a few major Russian suppliers and there is no assurance that Neste Oil will continue to be able to procure the desired quantities of crude oil and other feedstocks from these suppliers at competitive prices or at all. In addition, as a result of the recent and expected future industry consolidation in Russia, the number of oil suppliers has decreased, and may continue to decrease, which may result in less favorable supply terms. Although none of Neste Oil's suppliers currently represent individually more than 25 percent of Neste Oil's crude oil needs, any significant and extended interruptions in deliveries by one or more of these companies could have a material negative effect on the business, financial condition and results of operations of Neste Oil.

Neste Oil has a 49.99 percent ownership interest in the Swedish bitumen and naphthenics producer Nynäs Petroleum. The configurations of the refineries of Nynäs Petroleum are oriented towards refining certain dual-purpose crude oil qualities from Venezuela to produce both bitumen and naphthenics. Thus, limitations in deliveries of these crude oil qualities, such as the production restrictions in 2003 due to the general strike in Venezuela, could have a material negative effect on the business, financial condition and results of operations of Nynäs Petroleum and, thus, have a material negative effect on the value of, and expected cash flow derived from, Neste Oil's interest in Nynäs Petroleum.

An interruption to production at either of Neste Oil's two wholly-owned refineries would reduce its production and have a material negative effect on its business, financial condition and results of operations

Neste Oil's business is dependent to a material extent on its two wholly-owned refineries in Naantali and Porvoo, with the Porvoo refinery being its principal production facility. The Porvoo refinery has an annual atmospheric distillation capacity of approximately 9.8 million tons (196,000 bpd), while the Naantali refinery has an annual atmospheric distillation capacity of approximately 2.7 million tons (54,000 bpd). Neste Oil's operations would be subject to significant interruption if either or both of these two refineries were to experience a major accident or otherwise be forced to shutdown or curtail production due to unforeseen events lasting for a period of several weeks, such as extended power outages, industrial accidents or IT problems. See "Operating and Financial Review and Prospects—Liquidity and Capital Resources—Cash Flows from Investing Activities."

Historically, the refineries have been shut down for scheduled maintenance every four years. Going forward, the refineries are scheduled to be shut down every four to six years. The next scheduled shutdown for the Porvoo refinery is during the third quarter of 2005, and for the Naantali refinery during the second quarter of 2006. These scheduled and any unexpected shutdowns will have a negative effect on Neste Oil's results of operations when they take place. For further information on the maintenance shutdowns of the Porvoo and Naantali refineries, see "Operating and Financial Review and Prospects—Factors Affecting the Company's Results of Operations—Other Factors" and "Business of the Neste Oil Group—Description of Operations by Segment—Oil Refining—Facilities—General."

Problems or delays in completing the Diesel Project or failure to capture the anticipated benefits resulting from the upgrade would have a material negative effect on the business, financial condition and results of operations of Neste Oil

Neste Oil has currently budgeted EUR 532 million for the upgrade of its Porvoo refinery that is intended primarily to increase the refinery's capacity to convert heavy fuel oil refined in Porvoo or purchased from third parties into sulphur-free diesel fuel increasing the Porvoo refinery's production capacity of sulphur-free diesel fuel by approximately one million tons per annum from 3.94 million tons (81,000 bpd) in 2004 to approximately five million tons (103,000 bpd) per annum starting in 2007. The upgrade, known as the "Diesel Project," is expected to allow Neste Oil to process greater volumes of lower cost, heavier and more sour crude oils intended to be sourced mainly from Russia into greater volumes of high value-added refined petroleum products. Unanticipated problems with the implementation of these technologies, the obtaining of the necessary environmental or building permits or the deliveries of equipment for the heavy residue hydrocracking unit and the hydrogen production unit needed for the upgrade could significantly delay the completion of the upgrade of the Porvoo refinery or result in significantly lower capacities of the new units than expected. Failure to complete the Porvoo refinery as scheduled by the end of 2006 or other major problems with the new refining facility would have a material negative effect on the business, financial condition and results of operations of Neste Oil. In addition, there can be no assurance that the amount budgeted for completing the Diesel Project is sufficient and, therefore, there may be substantial additional costs for which Neste Oil has not budgeted. For further information on the Diesel project, see "Business of the Neste Oil Group—Description of Operations by Segment—Oil Refining—Facilities—Porvoo Refinery."

Starting in 2007, the Diesel Project is expected to increase the total refining margin of Neste Oil by at least U.S.$1 per barrel based on the assumptions set forth in "Operating and Financial Review and Prospects—Factors Affecting the Company's Results of Operations—Refining Margin." However, there can be no assurance that Neste Oil will be able to capture these and other anticipated benefits resulting from the Diesel Project. This will depend on a number of factors, including access to lower cost Russian crude oil as well as demand for sulphur-free diesel fuel and completion and functioning of the Diesel Project as originally scheduled and technically planned. For a description of risks relating to accessing Russian crude oil and other feedstocks, see "—Problems or delays in accessing raw materials at competitive prices could have a material negative effect on the business, financial condition and results of operations of Neste Oil" above. If Neste Oil fails to capture the anticipated benefits resulting from the Diesel Project, such failure would have a material negative effect on the business, financial condition and results of operations of Neste Oil.

Trading activities may result in losses

As part of the management of risks relating to fluctuations in prices of crude oil and other commodities related to Neste Oil's business, Neste Oil conducts trading operations in, and relating to, these commodities. Trading is conducted on international and regional markets, and involves spot transactions, such as contracts for future delivery, as well as options and other derivative products.

While Neste Oil has risk management procedures in place designed to limit Neste Oil's exposure to risks relating to trading operations, there can be no assurance that Neste Oil will not sustain losses in the future as a result of adverse movements in commodity prices or other factors affecting its trading positions. See "Operating and Financial Review and Prospects—Risk Management."

Compliance with, and changes in, environmental laws could have a negative effect on the business, financial condition and results of operations of Neste Oil

Neste Oil's operations and products are subject to extensive environmental and consumer protection laws and regulations adopted by the European Union and other jurisdictions in which Neste Oil operates. The nature of certain of Neste Oil's businesses exposes Neste Oil to risks of environmental costs and liabilities arising from the manufacture, use, storage, disposal and maritime and inland transport and sale of materials that may be considered to be contaminants when released into the environment. Liability may also arise through the acquisition or ownership or operation of properties or businesses. For a description of certain environmental laws and regulations affecting Neste Oil, see "Regulation."

Because of the nature of their business operations, oil refining, oil retail and shipping companies, including Neste Oil, may become subject to increasingly stringent environmental and other regulatory requirements. New environmental initiatives could result in significant additional expenditures or reduction or termination of certain operations, which could, in turn, have a material negative effect on the business, financial condition or results of operations of Neste Oil.

Concern over climate change and the implementation of the EU Emissions Trading Directive as well as the proposal issued by the European Commission in October 2003 for a new framework for registration, evaluation and authorization of chemicals (known as REACH) are expected to be among the significant environmental issues affecting Neste Oil's operations in the future. The climate change and emission trading issues are expected to have, directly or indirectly, an impact on all production activities of Neste Oil and have an impact on the competitiveness of different technologies and fuels. REACH is expected to have a direct or indirect impact on the oil refining business of Neste Oil. See "Regulation—Environmental Regulation—Emissions Trading" and "Regulation—Chemicals Registration Regulation."

Neste Oil faces domestic and international competition

Neste Oil faces domestic and international competition in the markets in which it participates. With the adoption of higher environmental standards in the European Union and the United States and the current historically high level of refining margins, many of Neste Oil's competitors are expected to upgrade their refining facilities, which would increase the competition faced by Neste Oil in the market for its particular slate of refined petroleum products. As discussed in "—Neste Oil is engaged in the shipping business and increased capacity in the shipping industry may have a material negative effect on the business, financial condition and results of operations of Neste Oil" below, it is also anticipated that the increased shipping capacity will increase competition in the shipping industry. Neste Oil is also facing increased competition in its retail sales business. Its market share, for example, in Finland in gasoline fuels has decreased from 29.9 percent in 2001 to 27.6 percent in 2004 and in diesel fuels from 43.1 percent to 41.6 percent, respectively. In addition to losing market share in Finland, aggressive price wars in the Finnish retail market have historically eroded Neste Oil's profit margins from time to time and may do so again in future.

Neste Oil is engaged in the shipping business and increased capacity in the shipping industry may have a material negative effect on the business, financial condition and results of operations of Neste Oil

Neste Oil provides logistics services for the supply of raw materials to Neste Oil's refineries and for the transport of refined petroleum products from its refineries to destinations in Finland, throughout the Baltic Rim area and internationally. Neste Oil also provides marine transportation services to third parties. The current strong demand for petroleum products has resulted in a high utilization rate of Neste Oil's fleet which has resulted in increased revenues from the shipping business. However, the order backlogs of the builders of tanker vessels indicate that there will be significant new carrying capacity for crude oil, other feedstocks and refined petroleum products, including new ice-classified capacity, in the global shipping market within the next few years. Since a corresponding amount of the existing capacity is not expected to be removed from use, it is anticipated that the total shipping capacity could increase significantly. Increased shipping capacity and competition in the shipping industry could decrease Neste Oil's fleet utilization rate and shipping freight rates and may have a material negative effect on the business, financial condition and results of operations of Neste Oil.

Neste Oil may become subject to significant liability related to MTBE

Neste Oil has sold approximately 4.6 million tons of methyl tertiary butyl ether, known as MTBE, to various companies operating in the United States, primarily in California, between 1992 and 2003. In recent years, public concern in the United States has grown about MTBE contamination of water supplies primarily as a result of leaks from underground storage tanks and pipes. In respect of MTBE contamination, certain researchers and regulatory agencies have expressed concern that MTBE may be a human carcinogen, although scientific research to date has not substantiated these concerns. MTBE opponents have also contended that, since MTBE is more soluble in water than other gasoline components, it is capable of traveling further in groundwater and is more likely to contaminate public and private water wells which, at a minimum, allegedly may result in bad tasting and, therefore, undrinkable water. Lastly, MTBE opponents claim that, due to MTBE's solubility, it is difficult to remediate and, as a result, MTBE clean-ups may be more costly and time-consuming than clean-ups associated with other types of gasoline components. As a result of these concerns, at least 20 states of the United States have banned, or significantly limited, the use of MTBE, including California and New York. At least seven additional states (Vermont, Massachusetts, Rhode Island, New Jersey, Pennsylvania, Delaware and Mississippi) have proposals pending to ban or limit the use of MTBE. Since the late 1990s, a series of legal actions has been filed in various states of the United States against various entities in the oil industry, many of them by municipalities and local water agencies alleging contamination of their drinking water supply. In some cases in California, oil companies have entered into multi-million dollar out-of-court settlements resulting in compensation to such water agencies. As a former manufacturer and former supplier/distributor, marketer and importer of MTBE to the United States, Neste Oil recognizes that similar claims could be asserted against it by plaintiffs alleging injury or harm or by other defendant companies who have incurred losses and are seeking contribution or indemnity from the Company. Neste Oil has marketed MTBE in countries other than the United States and continues to market MTBE in Europe (total deliveries of approximately 1.5 million tons of MTBE during the period from 2000 to 2004) and the Far East (total deliveries of approximately 0.3 million tons of MTBE during the period from 2000 to 2004) and, as a result, if concerns about MTBE were to be raised in other jurisdictions, cases in those jurisdictions could also be brought against Neste Oil. Such claims in any jurisdiction could have a material negative effect on the business, financial condition and result of operations of Neste Oil.

A joint venture of Neste Oil, Nynäs Petroleum, is the subject of legal proceedings by the EU and Swedish competition authorities concerning alleged anticompetitive conduct

In connection with widespread investigations regarding alleged asphalt cartels, the European Commission and the Swedish Competition Authority have raided several offices of Nynäs Petroleum, a Swedish bitumen producer which is 49.99 percent owned by Neste Oil. These actions were taken in connection with European Commission's investigation of possible cartels within the asphalt supply industry in the Benelux countries and Spain and the Swedish Competition Authority's investigations regarding a possible abuse of a dominant position and price setting with competitors. In December 2004, the Swedish Competition Authority filed an application for a summons against Nynäs Petroleum, regarding alleged price-setting, limiting and sharing the bitumen market and abuse of dominant position in Sweden. These legal proceedings may result in substantial adverse publicity, penalties and damages to Nynäs Petroleum. It is possible that any ultimate liability of Nynäs Petroleum could have a material negative effect on the value of, and expected cash flow derived from, Neste Oil's interest in Nynäs Petroleum. For further information on these investigations, see "Business of the Neste Oil Group—Litigation."

Neste Oil has an interest in an oil exploration and production joint venture in Russia which exposes it to certain additional risks

Neste Oil has a 50 percent interest in SeverTEK, a joint venture between Neste Oil and Lukoil, which holds licenses for oil fields in northwestern Russia. Generally, crude oil from the field is transported for export or domestic use via a pipeline controlled by Lukoil and then via additional pipelines controlled by OAO AK Transneft ("Transneft"). Currently, SeverTEK is not able to fully utilize its production capacity due to the pipeline capacity restrictions set by Transneft on its pipelines. Occasionally, mainly due to the capacity restrictions, SeverTEK transports crude oil from the field by trucks and by rail. Oil producers using the Transneft pipeline have entered into an agreement to upgrade the pipeline. This upgrade is scheduled to be completed in September 2006. However, there can be no assurance that this upgrade will be completed on time, if at all, and that the pipeline will always be functioning or that there will be sufficient capacity available for SeverTEK's logistics requirements. If the pipeline became unavailable or if SeverTEK is not allocated sufficient access to pipeline capacity, this could have a material negative effect on SeverTEK's business.

SeverTEK's development of the South Shapkino oil field has been financed in large part by a U.S.$200 million loan from the European Bank of Reconstruction and Development (the "EBRD") and commercial lenders, of which amount U.S.$25 million has been repaid. Each of Fortum Corporation and Lukoil has provided a guarantee of 50 percent of the outstanding loan amount, which guarantee amounted to U.S. $88 million (EUR 65 million) as of December 31, 2004, for the benefit of EBRD, and Neste Oil has provided a counter-guarantee for the same amount for the benefit of Fortum Corporation. The guarantee of Fortum Corporation was to be released on June 30, 2005, subject to meeting certain operational targets, but, due to the pipeline capacity constraints, SeverTEK is expected to be unable to meet these targets within the timeframe initially set. Thus, SeverTEK is currently negotiating with the EBRD for an extension of the time allowed to meet the operational targets and is proposing that Fortum Corporation's and Lukoil's guarantees would be released if, prior to June 2007, SeverTEK's oil production from the South Shapkino oil field reaches the initially agreed operational targets, including a production rate of 39,360 bpd for a period of 90 days and all the facilities being in place in accordance with the development plan of the loan agreement. Should SeverTEK not be able to meet these extended requirements or should the EBRD not provide an extension for SeverTEK, SeverTEK would be in default under the terms of the EBRD financing and, thus, Neste Oil would be obligated to make payments under its counter-guarantee to Fortum Corporation. This could have a material negative effect on the financial condition or results of operations of Neste Oil. For further information on the guarantee to the EBRD, see "Business of the Neste Oil Group—Description of Operations by Segment—Other—SeverTEK Joint Venture."

As a result of SeverTEK being an equally owned and controlled joint venture with Lukoil, Neste Oil is not in a position to make unilateral decisions with regard to SeverTEK's business. Because the interests of the other joint venture partner may not always coincide with the interests of Neste Oil, Neste Oil may face disagreements with its joint venture partner related to the production of the fields and associated transportation facilities, preventing SeverTEK from capturing the potential of the fields. These risks could have a material negative effect on the value of, and expected cash flow derived from, Neste Oil's interest in SeverTEK.

The crude oil reserve data for the oil fields of SeverTEK included in this Offering Memorandum have been derived from reports prepared by Ryder Scott, independent petroleum consultants. The reliability of proved reserve estimates depends on various factors, including the quality and quantity of SeverTEK's geological, technical and economic data; whether the prevailing tax rules and other government regulations, contracts, oil, gas and other prices will remain the same as on the date estimates are made; the production performance of SeverTEK's reservoirs; and extensive engineering and geological interpretation and judgments. Many of the factors, assumptions and variables involved in estimating reserves are beyond SeverTEK's control and may prove to be incorrect over time. Results of drilling, testing and production after the date of the estimates may require substantial upward or downward revisions in SeverTEK's reserve data. Any downward adjustment could lead to lower future production and thus have a material negative effect on the value of, and expected cash flow derived from, Neste Oil's interest in SeverTEK. See "Business of the Neste Oil Group—Description of Operations by Segment—Other—SeverTEK Joint Venture" for more information on reserve estimates of SeverTEK.

Furthermore, Neste Oil is exposed to changes in prices for exports from Russia and domestic sales in Russia as well as export duties and taxes for Russian crude oil through its ownership interest in SeverTEK. In 2004, various export duties and other taxes constituted approximately 70 percent of the total operating costs of SeverTEK. Due to Russian export restrictions for crude oil, approximately 60 percent of SeverTEK's production is currently sold to domestic Russian or other buyers located in the former Soviet Union. Any significant or extended change in supply and demand trends of or export duties and taxes for Russian crude oil could have a material negative effect on the value of, and expected cash flow derived from, Neste Oil's interest in SeverTEK.

A significant portion of Neste Oil's employees are members of labor unions and it may face labor disruptions that could interfere with its operations and have a material negative effect on the business, financial condition and results of operations of Neste Oil

Neste Oil is subject to the risk of labor disputes and adverse employee relations, and these disputes and adverse relations could disrupt its business operations and adversely affect the business, financial condition and results of operations of Neste Oil. The majority of employees of Neste Oil are represented by labor unions under several collective bargaining agreements. The new Finnish collective bargaining agreements for employees in the chemicals industry, covering most of Neste Oil's employees at the Naantali and Porvoo refineries, entered into force in February 2005 and will be in force until the end of September 2007. However, not all employees of Neste Oil represented by labor unions are currently bound by valid collective bargaining agreements. In addition, organizations collectively representing Neste Oil and other employers in its industry may not be able to renegotiate satisfactory collective labor agreements when they expire. In addition, existing labor agreements of Neste Oil may not prevent a strike or work stoppage at any of its facilities in the future, and any such work stoppage could have a material negative effect on the business, financial condition and results of operations of Neste Oil. Neste Oil has experienced work stoppages in the past. The most recent significant work stoppage at Neste Oil's facilities was by members of the labor union representing employees in the chemicals industry in March 2000, which lasted for seven days. Although Neste Oil has not had any material problems in the past with the labor unions or collective bargaining agreements, there can be no assurance that there will not be labor disputes and/or adverse employee relations in the future.

Failure to protect Neste Oil's proprietary technology may negatively affect the results of operations and/or impair growth opportunities of Neste Oil

Neste Oil is actively pursuing growth opportunities using its proprietary technology and know-how. Its technology may provide an ability to capture additional margins in selected special product markets through developing new businesses in higher margin products such as biofuels and other high-quality traffic fuels and components. To protect its rights, Neste Oil maintains numerous patents worldwide. Neste Oil also relies on a combination of international trade secret and other intellectual property laws and protective measures to establish and protect its proprietary rights in certain of its products, systems and services. The measures taken by Neste Oil to protect its technology and know-how against third party infringement and appropriation may prove inadequate as there can be no assurance that its proprietary rights will be upheld as valid or that its competitors will not develop competing technology that will not infringe Neste Oil's proprietary rights. Although Neste Oil is not dependent on one patent or group of patents or any technology licensed by third parties, should Neste Oil fail to protect its proprietary technology, it may negatively affect the results of operations and/or impair the growth opportunities of Neste Oil.

Neste Oil has operations in emerging markets which exposes it to risks inherent to such less developed markets

Neste Oil has operations in certain emerging markets, in particular in Russia. These countries are subject to greater political, economic and social uncertainties than countries with more developed institutional structures, and the risk of loss resulting from changes in law, economic and social upheaval and other factors may be substantial. Among the more significant risks of operating and investing in emerging market countries are those arising from establishment or enforcement of foreign exchange restrictions, which could effectively prevent Neste Oil from repatriating profits or liquidating assets and withdrawing from one or more of these countries, and changes in tax regulations or enforcement mechanisms, which could reduce substantially or eliminate any revenues derived from operations in these countries and reduce significantly the value of assets related to such operations.

Inadequacies of the legal systems and law enforcement mechanisms in Russia and certain other of the emerging markets in which Neste Oil operates leave it exposed to the possibility of considerable loss as a result of abusive practices by competitors, parties with which it contracts or others. In addition, the economic conditions and political instability in Russia may have a material negative effect on the operations of, and the results from, Neste Oil's service stations and related expansion plans in the St. Petersburg area, as well as the value of certain investments by Neste Oil in Russia. For more information on Neste Oil's operations and interests in Russia, see "Business of the Neste Oil Group—Description of Operations by Segment—Oil Retail—Oil Retail in Baltic Rim Area" and "Business of the Neste Oil Group—Description of Operations by Segment—Other—SeverTEK Joint Venture."

Any military strikes or sustained military campaigns or terrorist activity in the areas or regions where Neste Oil has operations could have a material negative effect on the business, financial condition and results of operations of Neste Oil

Any military strikes or sustained military campaign in areas or regions of the world where Neste Oil has business operations may affect the business of Neste Oil in unpredictable ways, including forcing Neste Oil to increase security measures and causing disruptions of supplies and markets, loss of property and incapacitation of employees. Further, like other industrial companies, the facilities of Neste Oil may be the target of terrorist activities. Any damage to infrastructure, such as power generation facilities, or injury to employees, that could be direct targets or indirect casualties, of an act of war or terrorism may have a material negative effect on the business, financial condition and results of operations of Neste Oil. Any disruption of Neste Oil's ability to produce or distribute its products could result in a significant decrease in revenues and significant additional costs to replace or repair and insure Neste Oil's assets, which could have a material negative effect on the business, financial condition and results of operations of Neste Oil.

Maritime disasters may adversely impact Neste Oil's reputation, financial condition and results of operations

The operation of Neste Oil's shipping fleet is subject to inherent risks, including the risks of maritime disaster, damage to the environment and loss of or damage to cargo and property. Such events can be caused by mechanical failure, human error or adverse weather conditions, among other factors, in the areas where the Company's shipping fleet operates. The occurrence of any of these events could result in a material adverse effect on the business, results of operations and financial condition of the Company either directly or indirectly through resulting negative publicity.

Neste Oil is not insured against all potential losses and could be seriously harmed by operational catastrophes or deliberate sabotage

Neste Oil is not insured against all potential losses and could be seriously harmed by operational catastrophes or deliberate sabotage. Many of Neste Oil's business activities are characterized by substantial investments in complex production facilities, manufacturing and transportation equipment. Many of the production processes, raw materials and certain finished products are potentially destructive and dangerous in uncontrolled or catastrophic circumstances, including fires, explosions, accidents, major equipment failures, etc. Also, Neste Oil's transportation of crude oil, other feedstocks and refined petroleum products is exposed to potential vessel collisions, especially in the Finnish Gulf due to large amounts of intersecting marine traffic. Despite insurance coverage, Neste Oil could incur significant uninsured losses and liabilities arising from such events, including damage to the reputation of Neste Oil and a substantial loss of operational capacity, which could have a material negative effect on the business, financial condition and results of operations of Neste Oil. For further information on the insurance coverage of Neste Oil, see "Business of the Neste Oil Group—Insurance."

Risks related to the Demerger

Neste Oil's limited operating history as an independent entity makes it difficult to assess its historical performance and outlook for future revenues and other operating results

Neste Oil has no operating history as an independent entity; the historical financial performance of the Company has been reported together with, and has been connected to, the results of operations, assets and cash flow of Fortum Corporation's other business segments. The Combined Carve-out Financial Statements included in this Offering Memorandum do not necessarily reflect the actual results of operations, financial position and cash flows that Neste Oil would have had if it had been a separate, publicly-traded company during the periods presented. Similarly, they are not indicative of the future results of operations and future financial position of Neste Oil. For a further discussion of the basis of presentation of the Combined Carve-out Financial Statements, see "Operating and Financial Review and Prospects—Basis of Presentation of the Combined Carve-out Financial Statements."

Neste Oil may be impacted by certain control risks as an independent entity

Neste Oil's internal governance, financial and disclosure controls have in the past been integrated with those of Fortum Corporation and, as a result, while Neste Oil has had significant internal controls and risk management procedures at a business unit level, it has had no central corporate policy framework for application of internal controls and risk management on an integrated basis across the Neste Oil Group. Neste Oil will continue the process of formalizing and documenting its internal controls and risk management procedures and policies following the completion of the Offering. As a result, there may be additional costs incurred due to the ongoing work to finalize an integrated governance, control and risk management framework for the Company and, until that integrated framework is in place, Neste Oil may be impacted by risks arising in relation to its internal controls and risk management.

Neste Oil has joint liability with Fortum Heat and Gas Oy, a wholly-owned subsidiary of Fortum Corporation, for certain obligations after the Demerger

As a result of the Demerger, the obligations of Fortum Oil and Gas Oy, a wholly-owned subsidiary of Fortum Corporation, have been divided between Neste Oil and Fortum Heat and Gas Oy in accordance with the principles set forth in the Demerger Plan. Under the Demerger Plan, all assets and liabilities related to the oil business sector were transferred to Neste Oil and all other assets and liabilities were transferred to Fortum Heat and Gas Oy. In addition, Neste Oil and Fortum Heat and Gas Oy have entered into a statement in respect of more detailed allocation of certain rights, benefits, obligations and liabilities in connection with the Demerger, see "Related Party Transactions—Allocation of Certain Rights, Benefits, Obligations and Liabilities."

If either Neste Oil or Fortum Heat and Gas Oy would be liable under the Demerger Plan for an obligation that arose prior to completion of the Demerger and would fail to satisfy that obligation, the non-defaulting party to the Demerger would, in accordance with applicable provisions of the Finnish Companies Act, be jointly and severally liable for the obligation. This statutory liability is unlimited in time, but is limited in amount to the equivalent of the net value allocated to the non-defaulting party in the Demerger provided that the liability has been allocated to the defaulting party under the Demerger Plan.

Risks Related to the Transition of Neste Oil to IFRS

Uncertainties in the implementation of IFRS may cause Neste Oil to restate or modify its financial disclosures in future periods

Beginning with the three months ending March 31, 2005, the Company's financial statements will be prepared in accordance with IFRS and the Company will no longer report under Finnish GAAP. See "Operating and Financial Review and Prospects—Impact of the Adoption of the International Financial Reporting Standards (IFRS)." For a discussion of the principal differences between Finnish GAAP and IFRS, in each case as currently in effect, see Note 25 to the Combined Carve-out Financial Statements and Note 24 to the Consolidated Financial Statements. Although management currently believes that the adoption of IFRS will only have a limited impact on the Company's results of operations, there can be no assurance that the IFRS principles and policies applied to prepare Note 25 to the Combined Carve-out Financial Statements and Note 24 to the Consolidated Financial Statements will be the same as those that management will adopt or be required to apply when the Company's first complete set of IFRS financial statements are prepared as of and for the year ended December 31, 2005, in part, because certain IFRS policies and interpretations have yet to be finalized or may change.

Certain associated companies of Neste Oil, including Nynäs Petroleum and SeverTEK, which have been consolidated according to the equity method under Finnish GAAP, will be classified as joint ventures under IFRS. These joint ventures will continue to be consolidated according to the equity method under IFRS. However, Neste Oil's associated companies and joint ventures have not converted their accounting principles to IFRS and no adjustments have been made for any eventual effects of any such conversion. In addition, for example, Nynäs Petroleum is in the process of converting to the use of IFRS. Neste Oil is currently not in a position to evaluate the impact on the future results of operations and financial condition of Neste Oil of the conversion to IFRS by Nynäs Petroleum or any other associated company or joint venture of the Company.

Risks Related to the Shares

Ownership and controlling interest of the Finnish State may impact future decisions by Neste Oil

Fortum Corporation owns currently 100 percent of the outstanding Shares and of the voting rights in the Company. After the payment of the Share Dividend and completion of the Offering, and assuming the distribution of 217,963,549 Shares by way of dividend to the shareholders of Fortum Corporation, the Finnish State will hold approximately 50.1 percent of the outstanding shares and voting rights of the

Company. Accordingly, the Finnish State will have a significant influence in matters submitted to a vote of shareholders, including matters such as approval of the annual financial statements, declarations of annual dividends, capital increases, amendments to the Company's Articles of Association and the election and removal of the members of the Supervisory Board and the Board of Directors of the Company. The control of the Finnish State may also limit the possibility of using shares of Neste Oil in any potential acquisition financing and may require Neste Oil to increase its leverage to meet its investment requirements. The Finnish Parliament has resolved that the Finnish State shall, together with Fortum Corporation, continue to hold more than one half of the voting rights in the Company. Inasmuch as Fortum Corporation will not retain any Shares following the completion of the Offering, any disposition of the Finnish State's shareholding in the Company following the completion of the Offering would result in a decrease in the Finnish State's shareholding below the current minimum level of more than 50 percent and would require a decision by the Finnish Parliament pursuant to applicable legislation. In connection with the Offering, the Finnish State has agreed with the Managers that, for a period of 360 days from the date of this Offering Memorandum, it will not, except for the Shares to be sold in the Offering, without the prior written consent (which consent shall not be unreasonably delayed or withheld) of Morgan Stanley, having consulted with the other Managers, authorize the issuance of, offer, sell, or otherwise transfer or dispose of, directly or indirectly, any Shares. The timing and manner of any further sale of Shares after the Offering by the Finnish State, or its effect on the Company's shareholders, cannot be determined at this time. See "Ownership Structure and Relationship with the Finnish State—Guidelines on the Finnish State's Shareholding Policy."

Absence of a prior public market, possible volatility of the share price and restrictions on transfer may have an adverse impact on holders of Shares

Prior to the Offering, there has been no public trading market for the Shares and there can be no assurance that an active market will emerge or can be sustained after the Offering. Accordingly, there can be no assurance as to the liquidity of any market for the Shares.

The initial offering price of the Offer Shares will be determined by negotiations among the Selling Shareholder and representatives of the Managers and may bear no relationship to the price at which the Shares will trade upon completion of the Offering. The market price of the Shares subsequent to the Offering could be subject to fluctuations in response to factors such as actual or anticipated variations in Neste Oil's operating results, announcements of innovations or introductions of new products or services by either Neste Oil or its competitors, changes in estimates or recommendations by financial analysts, currency exchange rates, regulatory developments, general market conditions and other factors. In addition, international financial markets have from time to time experienced price and volume fluctuations, which have been unrelated to the operating performance or prospects of individual companies. Consequently, the trading market for, and the liquidity of, the Shares may be materially adversely affected by general declines in the market or by declines in the market for similar securities.

The Offer Shares have not been registered under the U.S. Securities Act and are subject to restrictions on transferability and resale. See "Transfer Restrictions."

U.S. holders may not be able to exercise pre-emptive rights

U.S. holders of the Shares may not be able to exercise any preemptive or preferential rights in respect of Shares held by them unless a registration statement under the U.S. Securities Act is effective with respect to such rights or an exemption from the registration requirements thereunder is available. See "Description of the Shares and Share Capital—Shareholder Rights—Pre-emptive Rights."

Neste Oil's ability to pay dividends in the future will depend upon future earnings, financial condition, cash flows, working capital requirements, capital expenditures and other factors

The amount of future dividend payments, if any, will depend upon Neste Oil's future earnings, financial condition, cash flows, working capital requirements, capital expenditures and other factors. The business of Neste Oil is volatile and there can be no assurance that Neste Oil will have distributable funds in the future. In accordance with the Finnish Companies Act and the prevailing practice in Finland, dividends, if any, are generally paid only once a year and may be paid only after the annual general meeting of shareholders has approved the Company's financial statements and the amount of the dividend proposed by the Board of Directors. See "Dividends and Dividend Policy" and "Description of the Shares and Share Capital—Dividends and Other Distributions."

Holders of Shares registered in custodial nominee accounts may not be able to exercise voting rights

Beneficial owners of the Shares that are registered in a custodial nominee account may not be able to vote such Shares unless their ownership is re-registered in their names with the Finnish Central Securities Depository Ltd (the "FCSD") prior to the general meetings of the Company. The Company cannot guarantee that beneficial owners of its Shares will receive the notice for a general meeting in time to instruct their nominees to either effect a re-registration of their Shares or otherwise vote their Shares in the manner desired by such beneficial owners. See "The Finnish Securities Market—The Finnish Book-Entry Securities System."

There is doubt as to the enforceability of civil liability provisions of U.S. federal or state securities laws

The Company is organized under the laws of Finland. All of the directors and executive officers of the Company and certain of the experts named herein are non-residents of the United States. All or a substantial portion of the assets of such non-resident persons and of the Company are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or the Company, or to enforce against them in U.S. courts judgments obtained in such courts predicated upon civil liability provisions of the federal or state securities laws of the United States. The Company has been advised by White & Case LLP that there is doubt as to the enforceability in Finland, in original actions or in actions for the enforcement of judgments of U.S. courts, of civil liability provisions of the federal or state securities laws of the United States. See "Enforcement of Liabilities and Service of Process."

DIVIDENDS AND DIVIDEND POLICY

Depending on the refining margin environment and on other factors that may affect Neste Oil's results of operations and financial position, the Company intends to pay an annual dividend to the Company's shareholders with the first dividend expected to be paid after the Company's annual general meeting during the first half of 2006 in respect of Neste Oil's results of operations for the year ending December 31, 2005.

Based upon management's expectations for Neste Oil's net income for the year 2005 given current assumptions regarding key factors affecting Neste Oil's financial performance during the year 2005, the Board of Directors of the Company would expect to recommend to the annual general meeting of the Company's shareholders to be held during the first half of 2006 a dividend of 25 percent to 50 percent of the net income of Neste Oil for the year ending December 31, 2005. Following 2006, and assuming reference market and operating conditions as described under "Operating and Financial Review and Prospects—Current Outlook and Financial Performance Targets" in the relevant years, the Board of Directors of the Company would expect to propose to shareholders annual dividends at levels consistent with the Company's net results of operations and targeted and actual financial position.

The Offer Shares are entitled to any future dividend, including any dividend with respect to the year ended December 31, 2005. Under the Finnish Companies Act, the general meeting of shareholders decides on the distribution of dividends. Dividends on the shares of a Finnish company, if any, are generally paid only once a year and may be paid only after a general meeting of shareholders has approved the company's financial statements for the preceding financial year and the amount of the dividend proposed by the Board of Directors. Accordingly, the payment by the Company of a dividend in respect of the Shares will require the approval of the holders of a majority of the votes cast at the annual general meeting of shareholders. According to the Company's Articles of Association, the annual general meeting of the Company's shareholders is to be held before the end of June in each year. Under the provisions of the Companies Act, the amount of any dividend is limited to the amount of the distributable funds available at the end of the preceding financial year for the parent company, Neste Oil Corporation, or for the Neste Oil Group, on a consolidated basis, whichever is lower. As of December 31, 2004, total distributable funds for Neste Oil Corporation were EUR 185 million and for the Neste Oil Group were EUR 413 million. See "Description of the Shares and Share Capital—Shareholder Rights—Dividends and Other Distributions."

Dividends paid to holders of Shares who are non-residents of Finland will generally be subject to Finnish withholding tax currently at a rate of 28 percent, a rate which may be reduced pursuant to an applicable tax treaty to which Finland is a party. See "Taxation" for a summary of certain U.S. and Finnish tax consequences to holders of Shares.

EXCHANGE RATES

The table sets forth, for the periods and dates indicated, the average, high, low and period-end Noon Buying Rates in New York City for cable transfers in euro as certified for customs purposes by the Federal Reserve Bank of New York expressed in U.S. dollars per euro. The average rates represent the average of the Noon Buying Rates on the last business day of each month for the years 2000 to 2004 and of the daily average Noon Buying Rates for January, February and March 2005.

	Reference rates of U.S. dollars per euro			
	Average	**High**	**Low**	**Period-End**
2000	0.9207	1.0335	0.8270	0.9388
2001	0.8909	0.9535	0.8370	0.8901
2002	0.9495	1.0485	0.8594	1.0485
2003	1.1411	1.2597	1.0361	1.2597
2004	1.2477	1.3625	1.1801	1.3538
January 2005	1.3123	1.3476	1,2954	1.3049
February 2005	1.3013	1.3274	1.2773	1.3274
March 2005	1.3185	1.3465	1.2877	1.2969
April 2005 (through April 14, 2005)	1.2884	1.2972	1.2818	1.2819

As of April 14, 2005, the latest practicable date for which exchange rate information was available prior to the printing of this Offering Memorandum, the Noon Buying Rate for one euro expressed in U.S. dollars was U.S.$1.2819.

USE OF PROCEEDS

The Company will not receive any portion of the proceeds from the sale of Offer Shares by the Selling Shareholder in the Offering.

The net proceeds to the Selling Shareholder from the Offering are estimated to be approximately EUR 562 million (approximately U.S.$764 million) after deduction of the combined selling, underwriting and management commissions. See “Underwriting.”

CAPITALIZATION

The following table sets forth the capitalization of Neste Oil in accordance with Finnish GAAP and IFRS as of December 31, 2004. This table should be read in conjunction with the “Operating and Financial Review and Prospects,” the Consolidated Financial Statements for the financial period starting from May l, 2004 and ending on December 31, 2004 under Finnish GAAP and Note 24 “Transition to International Financial Reporting Standards (IFRS) in 2005” and other notes thereto included elsewhere in this Offering Memorandum.

	As of December 31, 2004	
	Finnish GAAP, Consolidated	IFRS, Consolidated
	(EUR in millions)	
Cash and cash equivalents (including marketable securities)	60	60[(1)]
Cash pool receivables	124	124
	184	184
Short-term interest-bearing liabilities (including current portion of long-term interest-bearing liabilities)	433	438[(2)]
Long-term interest-bearing liabilities	616	715
Shareholders’ equity:		
Authorized and issued share capital:		
Ordinary shares	40	40
Reserve fund	9	9
Retained earnings	811	944
Total shareholders’ equity	860	993
Minority interests	5	5
Total capitalization	1,481	1,713

(1) Neste Oil is expected to pay approximately EUR 4 million in estimated fees and expenses in connection with the Share Dividend and the Offering.

(2) A majority of the short-term interest-bearing liabilities under IFRS as of December 31, 2004 will be refinanced with funds to be drawn under Neste Oil’s new credit facility and will become long-term interest-bearing liabilities. See “Operating and Financial Review and Prospects—Liquidity and Capital Resources—New Credit Facility, Commercial Paper Program and Over-draft Facilities.”

BACKGROUND AND REASONS FOR THE SHARE DIVIDEND AND THE OFFERING

General

Currently, Neste Oil is a wholly-owned subsidiary of Fortum Corporation. Fortum Corporation is a leading energy company in the Nordic countries and the Baltic Rim area. Besides the oil businesses of Neste Oil, Fortum Corporation is engaged in the generation, distribution and sale of electricity and heat, the operation and maintenance of power plants and energy-related services. Fortum Corporation's management believes that the separation of the oil businesses and the listing of Neste Oil as an independent company on the Helsinki Stock Exchange, with a focus on refining and marketing of petroleum products, will improve the strategic focus and prospects for continued business development of Neste Oil and Fortum Corporation. The listing of Neste Oil will provide investors with a higher degree of choice regarding their asset allocation. Fortum Corporation's management also believes that the listing of Neste Oil should improve access to capital markets for both companies and improve transparency. Towards this goal, Neste Oil has implemented its own organization, legal structure and strategy with the aim of effective operation as an independent company.

History of Neste Oil and Demerger

Fortum Corporation was formed in 1998 through the combination of the IVO Group ("IVO") and the Neste Group ("Neste"), two Finnish industrial groups with extensive operations in the energy sector in the Nordic countries and certain other countries throughout the world. Prior to this combination, IVO had been 95.60 percent owned by the Finnish State, while Neste had been a publicly-quoted company, the shares of which were 83.17 percent owned by the Finnish State. Ownership of IVO and Neste was consolidated in Fortum Corporation through a series of transactions beginning in April 1998, resulting in the formation of an energy group that provided a full range of energy-related products and services in Northern Europe and in other selective markets.

After the combination and initial public offering of Fortum Corporation in 1998, Fortum Corporation focused on its core businesses in the Nordic countries and the Baltic Rim area. In 1999, Fortum Corporation sold its chemicals business, Neste Chemicals Oy, and, in 2002, Fortum Corporation sold Fortum Petroleum AS, its Norwegian exploration and production business and its 35 percent ownership interest in the Suneinah concession and associated gas exploration and production rights in Oman. As a result of these disposals, the oil businesses of Fortum Corporation became principally a pure downstream business with a focus on oil refining and marketing.

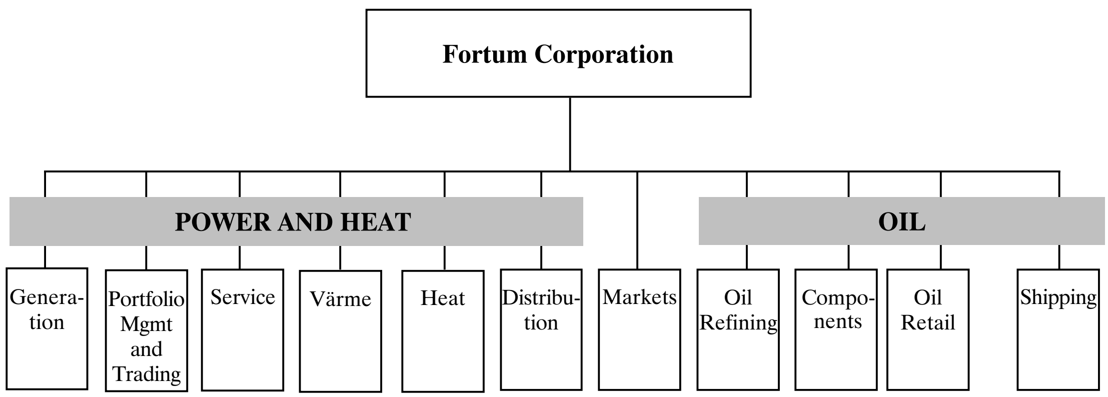
In September 2003, Fortum Corporation announced its intention to commence preparations to separate its oil businesses into a separate company with the aim of listing the shares of the Company on the Helsinki Stock Exchange. On September 9, 2003, the Board of Directors of Fortum Corporation passed a resolution according to which the Company should be incorporated as a separate, publicly-traded company by means of a demerger of Fortum Oil and Gas Oy, a wholly-owned subsidiary of Fortum Corporation, effected in accordance with the Finnish Companies Act. Under the Finnish Companies Act, a demerger is a transfer of all or part of the assets and liabilities of the demerging company to one or more newly-incorporated receiving companies in exchange for a consideration in the form of shares of the receiving company issued to the shareholders of the demerging company or of other assets or undertakings.

On September 24, 2003, the Extraordinary General Meeting of the shareholders of the demerging company, Fortum Oil and Gas Oy, approved the Demerger Plan. Under the Demerger Plan, all the assets and liabilities related to the oil businesses of Fortum Oil and Gas Oy were transferred to the Company and all other assets and liabilities of Fortum Oil and Gas Oy were transferred to another receiving company, Fortum Heat and Gas Oy. In addition, in connection with the Demerger, transfers of shares and demergers of certain subsidiary companies of Fortum Oil and Gas Oy were effected in order to separate business activities related to the oil business of Fortum Corporation from the other businesses carried out by Fortum Heat and Gas Oy and Fortum Corporation. The Demerger took effect on May 1, 2004, when the execution of the Demerger was registered with the Trade Register. As a result of the consummation of the

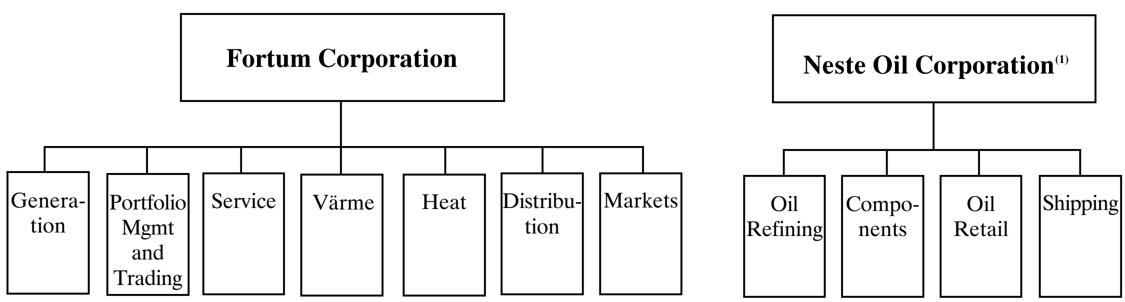
Demerger, Fortum Oil and Gas Oy was dissolved, and Fortum Corporation, as its former sole shareholder, received all of the outstanding shares of the Company and of Fortum Heat and Gas Oy. In addition to the Demerger Plan, the Company and Fortum Heat and Gas Oy have entered into a statement in respect of more detailed allocation of certain rights, benefits, obligations and liabilities in connection with the Demerger. See "Related Party Transactions—Allocation of Certain Rights, Benefits, Obligations and Liabilities."

The following charts summarize the operational business structure of Fortum Corporation prior to the payment of the Share Dividend and completion of the Offering and the operational business structures of Fortum Corporation and Neste Oil after the payment of the Share Dividend and completion of the Offering:

Prior to the Payment of the Share Dividend and Completion of the Offering:



After the Payment of the Share Dividend and Completion of the Offering:



(1) Neste Oil Corporation is the ultimate parent company of the Neste Oil Group and is responsible for carrying out most of the Group's operations except for the operations of the Oil Retail segment which are carried out by a separate subsidiary, Neste Markkinointi Oy.

Share Dividend

On March 31, 2005, the annual general meeting of shareholders of Fortum Corporation resolved to distribute to the shareholders of Fortum Corporation as dividend an aggregate of 217,963,549 Shares, which, combined with the Offering, constitutes its entire holding of the outstanding Shares and voting rights in the Company. Pursuant to the resolution, each four shares of Fortum Corporation entitle shareholders of Fortum Corporation to receive one Share as a dividend. Such Shares are expected to be distributed to shareholders who were recorded as Fortum Corporation's shareholders (or registered nominee shareholders) on the record date of April 5, 2005, and such Shares are expected to be delivered to the book-entry accounts of the relevant shareholders and to commence trading on the Helsinki Stock Exchange on or about April 18, 2005 regardless of whether the Offering is completed. Entitlements to fractional Shares will be compensated in cash. Upon the distribution of the Share Dividend to Fortum Corporation's shareholders and the completion of the Offering, the Finnish State will hold approximately 50.1 percent of the outstanding Shares and voting rights in the Company.

SELECTED HISTORICAL COMBINED CARVE-OUT FINANCIAL INFORMATION IN ACCORDANCE WITH FINNISH GAAP

The following selected historical combined carve-out financial information for the Company should be read in conjunction with, and is qualified in its entirety by reference to, the Combined Carve-out Financial Statements included elsewhere in this Offering Memorandum. The Combined Carve-out Financial Statements have been audited by PricewaterhouseCoopers Oy, authorized public accountants, as indicated in their report included elsewhere in this Offering Memorandum. The selected combined carve-out financial information set forth below as of and for the years ended December 31, 2002, 2003 and 2004 has been derived from the audited consolidated financial statements of Fortum Corporation. The Combined Carve-out Financial Statements of the Company have been prepared in accordance with Finnish GAAP and assumptions adopted as a basis for their presentation. Finnish GAAP differs in certain significant respects from IFRS. For a discussion of certain significant differences between Finnish GAAP and IFRS, in each case as currently in effect, see Note 25 to the Combined Financial Statements. For a discussion of the principal differences between Finnish GAAP and U.S. GAAP, in each case as currently in effect, see "Annex A: Summary of Certain Significant Differences between Finnish GAAP and U.S. GAAP."

The Combined Carve-out Financial Statements do not necessarily reflect what the actual results of operations, financial position and cash flows of the Company would have been had it been a separate, publicly-traded company during the periods presented. Similarly, they are not indicative of the future results of operations, financial position and cash flows of the Company. For a further discussion of the basis of presentation of the Combined Carve-out Financial Statements, see Note 1 of the Combined Carve-out Financial Statements.

	For the year ended December 31,		
	2002	2003	2004
	(EUR in millions)		
INCOME STATEMENT DATA			
Net sales	7,299	7,307	7,909
Share of profits (losses) of associated companies	3	15	36
Other operating income	95	38	37
Materials and services	(5,934)	(6,131)	(6,439)
Personnel expenses	(221)	(211)	(214)
Depreciation, amortization and write-downs	(268)	(135)	(118)
Other operating expenses	(516)	(490)	(499)
Operating profit	458	393	712
Financial income and expenses	(3)	11	10
Profit before taxes	455	404	722
Income taxes	(141)	(120)	(150)
Minority interests	(2)	(2)	(2)
Net profit for the period	312	282	570
CASH FLOW DATA			
Net cash from operating activities	657	392	525
Cash flow from investing activities	(41)	798	(274)

	As of and for the year ended December 31,		
	2002	2003	2004
	(EUR in millions, except percentages)		
BALANCE SHEET DATA			
Fixed assets and other long-term investments	2,385	1,439	1,656
Current assets	1,020	860	1,055
Total assets	3,405	2,299	2,711
Minority interests	5	3	5
Provisions for liabilities and charges	67	63	74
Deferred tax liabilities	235	164	151
Long-term liabilities	76	66	66
Short-term liabilities	908	628	698
Total liabilities	1,291	924	994
Net investment(1)	2,114	1,375	1,717
KEY RATIOS			
Capital employed(2)	2,376	1,461	1,801
Return on capital employed (ROCE) before tax, %(3)	17.6	21.4	44.6
Operating profit (loss), % of net sales	6.3	5.4	9.0
Profit (loss) before taxes	455	404	722
Gross investments in fixed assets and shares	252	204	313
Gross investments in fixed assets and shares, % of net sales	3.5	2.8	4.0

(1) For a reconciliation of net investment as of December 31, 2004 to the Consolidated Financial Statements, see Note 23 to the Combined Carve-out Financial Statements.

Share capital	40
Reserve fund	9
Retained earnings	811
Interest-bearing liabilities to other Fortum entities	970
Cash pool receivables	(124)
Interest-free receivables and liabilities from and to other Fortum entities	11
Net investment	1,717

(2) Capital employed = Total assets − interest-free liabilities − deferred tax liabilities − provisions for liabilities and charges

(3) $$\text{Return on capital employed (ROCE) before tax, \%} = \frac{\text{Profit before tax + interest and other financial expenses}}{\text{Average capital employed during the year}} \times 100$$

	As of and for the year ended December 31,		
	2002	2003	2004
	(EUR in millions, except percentages, margins and volume and unit data)		
SEGMENT DATA			
Oil Refining			
Refinery product deliveries, thousands of tons	13,040	13,391	13,609
Total refining margin, U.S.$/bbl	3.60	4.83	7.90
Net sales	5,704	5,693	6,306
EBITDA(1), after non-recurring items	294	361	649
Operating profit	195	281	573
Capital expenditures	114	97	200
Net assets(2)	1,090	1,003	1,266
Return on net assets before tax, %(3)	17.7	26.2	50.4
Oil Retail			
Total volumes of main products, millions of liters	3,923	3,908	4,008
Net sales	2,151	2,203	2,374
EBITDA(1), after non-recurring items	80	85	78
Operating profit	41	44	48
Capital expenditures	37	34	36
Net assets(2)	319	329	296
Return on net assets before tax, %(3)	11.7	13.8	15.9
Shipping			
Total deliveries, millions of tons	37	40	41
Fleet utilization rate, %	94	93	93
Net sales	266	308	339
EBITDA(1), after non-recurring items	48	92	111
Operating profit	30	78	99
Capital expenditures	26	71	74
Net assets(2)	155	121	193
Return on net assets before tax, %(3)	15.8	60.2	63.1

(1) EBITDA is defined as operating profit before depreciation and amortization.

(2) Net assets of the business segments include fixed assets, shares and working capital allocated to the business segments as well as provisions and pension liabilities.

(3) Return on net assets before tax, % = $\frac{\text{Operating profit}}{\text{Average net assets}} \times 100$

SELECTED HISTORICAL COMBINED CARVE-OUT FINANCIAL INFORMATION AND HISTORICAL CONSOLIDATED FINANCIAL INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2004 IN ACCORDANCE WITH IFRS

The following selected historical combined carve-out financial information as of and for the year ended December 31, 2004 and selected historical consolidated financial information as of December 31, 2004 has been prepared in accordance with Finnish GAAP and reconciliated to IFRS and included elsewhere in this Offering Memorandum in Note 25 to the Combined Carve-out Financial Statements and in Note 24 to the Consolidated Financial Statements, respectively. For a discussion of certain significant differences between Finnish GAAP and IFRS, in each case as currently in effect, see Note 25 to the Combined Carve-out Financial Statements and Note 24 to the Consolidated Financial Statements.

The Combined Carve-out Financial Statements and the Consolidated Financial Statements do not necessarily reflect what the actual results of operations, financial position and cash flows of the Company would have been had it been a separate, publicly-traded company during the periods presented. Similarly, they are not indicative of the future results of operations, financial position and cash flows of the Company. For a further discussion of the basis of presentation of the Combined Carve-out Financial Statements, see Note 1 of the Combined Carve-out Financial Statements.

In compliance with Regulation 1606/2002 issued by the European Parliament and Council in July 2002, the consolidated financial statements of Neste Oil will be prepared and presented in accordance with IFRS from the beginning of 2005.

For a discussion of the principal differences between Finnish GAAP and U.S. GAAP, in each case as currently in effect, see "Annex A: Summary of Certain Significant Differences between Finnish GAAP and U.S. GAAP."

	For the year ended December 31, 2004
	(EUR in millions, except percentages)
COMBINED CARVE-OUT FINANCIAL INFORMATION:	
INCOME STATEMENT DATA	
Net sales	7,909
Other operating income	72
Materials and services	(6,428)
Employee benefit costs	(211)
Depreciation, amortization and impairment charges	(139)
Other operating expenses	(490)
Operating profit	713
Share of profit (loss) of associated companies and joint ventures	36
Financial costs, net	18
Profit before income taxes	767
Income tax	(157)
Profit for the year	610
Attributable to:	
• Equity holders of the Company	608
• Minority interest	2
	610
KEY RATIOS	
Capital employed(1)	2,038
Net investment(2)	1,850
Return on capital employed (ROCE) before tax, %(3)	41.2

For footnotes (1), (2) and (3), see the following page.

	As of December 31, 2004
	(EUR in millions, except percentages)
CONSOLIDATED FINANCIAL INFORMATION:	
BALANCE SHEET DATA	
Property, plant and equipment	1,510
Non-current interest-bearing cash pool receivables	124
Other non-current assets	328
Total non-current assets	1,962
Inventories	415
Other current assets	726
Total current assets	1,141
Total assets	3,103
Shareholders' equity	993
Minority interest	5
Total equity	998
Non-current interest-bearing liabilities	715
Provisions	26
Other non-current liabilities	214
Total non-current liabilities	955
Current interest-bearing liabilities	438
Other current liabilities	712
Total current liabilities	1,150
Total liabilities	2,105
Total equity and liabilities	3,103
KEY RATIOS	
Capital employed(1)	2,151
Interest-bearing net debt(4)	969
Gearing, %(5)	97

(1) Capital employed = Total assets—interest-free liabilities—deferred tax liabilities—provisions for liabilities and charges

(2) For a reconciliation of net investment as of December 31, 2004 to the Consolidated Financial Statements, see Note 23 to the Combined Carve-out Financial Statements.

Share capital	40
Reserve fund	9
Retained earnings	944
Interest-bearing liabilities to other Fortum entities	970
Cash pool receivables	(124)
Interest-free receivables and liabilities from and to other Fortum entities	11
Net investment	1,850

(3) Return on capital employed (ROCE) before tax, % = $\frac{\text{Profit before tax + interest and other financial expenses}}{\text{Average capital employed during the year}} \times 100$

(4) Interest-bearing net debt = Interest-bearing debt − cash and cash equivalents − non-current interest-bearing cash-pool receivables.

(5) Gearing, % = $\frac{\text{Interest-bearing net debt}}{\text{Shareholders' equity + minority interest}} \times 100$

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion should be read in conjunction with the selected financial information and with the Combined Carve-out Financial Statements and the Consolidated Financial Statements and the notes thereto included elsewhere in this Offering Memorandum. Both the Combined Carve-out Financial Statements and the Consolidated Financial Statements have been prepared in accordance with Finnish GAAP. Finnish GAAP differs in certain significant respects from IFRS and U.S. GAAP. In compliance with Regulation 1606/2002 issued by the European Parliament and Council in July 2002, the consolidated financial statements of Neste Oil will be prepared in accordance with IFRS from the beginning of 2005. For a discussion of the principal differences between Finnish GAAP and IFRS, in each case as currently in effect, see Note 25 to the Combined Financial Statements and Note 24 to the Consolidated Carve-out Financial Statements. For a discussion of the principal differences between Finnish GAAP and U.S. GAAP, in each case as currently in effect, see "Annex A: Summary of Certain Significant Differences between Finnish GAAP and U.S. GAAP."

Basis of Presentation of the Combined Carve-out Financial Statements

The following discussion is based on the Combined Carve-out Financial Statements, representing the historical financial results of operations of the oil businesses of Fortum Corporation transferred to Neste Oil in the Demerger. However, the operations and companies currently included in Neste Oil are not identical to the operations of the oil businesses of Fortum Corporation as reported in the consolidated financial statements of Fortum Corporation. Since Neste Oil did not legally exist prior to May 1, 2004, the Combined Carve-out Financial Statements have been derived or "carved-out" from the consolidated financial statements of Fortum Corporation for the periods presented using the historical results of operations and assets and liabilities (except for internal interest-bearing receivables and liabilities) of the operations transferred to Neste Oil in the Demerger. Similarly, the balance sheet of Neste Oil as of December 31, 2004 is based on the principle of continuity meaning that the assets and liabilities are transferred to Neste Oil based on the historic cost basis of Fortum Corporation for such assets and liabilities. The Combined Carve-out Financial Statements do not necessarily reflect what the actual results of operations, financial position and cash flows of the Company would have been had it been a separate, publicly-traded company during the periods presented. Similarly, they are not indicative of the future results of operations and are not indicative of the future financial position of the Company. For more information on some of the key aspects of the derivation of the Combined Carve-out Financial Statements, see Note 1 to the Combined Carve-out Financial Statements.

Factors Affecting the Company's Results of Operations

General

Neste Oil's results of operations in any period are principally driven by demand for and prices of refined petroleum products relative to the supply and cost of crude oil and other feedstocks.

These factors, combined with Neste Oil's specific consumption of crude oil and other feedstocks and its specific output of refined petroleum products in a given period, as well as the utilization rate of the Company's refineries, drive results of operations and cash flows in the Company's refining operations, which is Neste Oil's largest business segment in terms of sales, profits and net assets. Crude oil and other feedstock costs and the prices of refined petroleum products have historically been subject to wide fluctuation. As a result, the Company's revenues, cost of goods sold and refining margins can vary significantly from period to period, even when the volumes of crude oil and other feedstocks purchased and refined petroleum products sold remain relatively constant.

Crude oil and refined petroleum product supply and demand patterns and the relationship between the demand for and availability of tanker capacity also affect the results of Neste Oil's shipping operations. While freight rates have historically been volatile, Neste Oil's shipping operations have benefited in recent years from geographic changes in oil production and consumption patterns with areas of high consumption of crude oil, such as Europe and the United States, experiencing declines in crude oil production. The results of Neste Oil's shipping operations have also benefited from the current relatively limited crude oil and refined petroleum product shipping capacity, especially ice class and double-hulled capacity in the Baltic Sea area, which is likely to change over the next several years as significant additional capacity that is currently on order begins to enter service.

Neste Oil's results of operations in its retail operations are less driven by the effects of global and regional supply and demand balances on refined petroleum product prices and are more influenced by the sales volumes and logistical efficiency of its distribution network as well as by competitive actions taken by other retailers and wholesale suppliers in Finland and the Baltic Rim area.

For an explanation of certain of the terms used herein, see "Industry Overview" and "Business of the Neste Oil Group."

Refining Margin

Neste Oil uses a per barrel or unit measure, quoted in U.S. dollars, to express the difference between the value of the refined petroleum products from its refineries in Porvoo and Naantali that Neste Oil sells in any period and the cost of the crude oil and other feedstocks used to produce the products sold in that period, as well as other direct refining costs such as energy and transportation (the "Total Refining Margin"). See "—Inventory Gain or Loss" below.

The Company has historically calculated its Total Refining Margin for a period by first calculating its current cost sales margin which is the euro amount equal to net sales for the period, less the cost, at average price levels, of feedstocks consumed to produce those products sold during the period, less other direct costs of the refining operations including energy and transportation. This current cost of sales margin is then translated into U.S. dollars using the average foreign exchange rate for the applicable period and is then reduced to a per barrel measure by dividing it by the sales volumes of Neste Oil's refineries from its own production (currently assuming a standard refinery yield of 94.8 percent of refined petroleum product volumes from feedstock volumes and an average of refined petroleum products in barrels per ton of 7.55). This may be expressed as:

$$R = \frac{(A \times E)}{(B/C) \times D}$$

where:

A = current cost sales margin, expressed in millions of euro

B = refined sales volume, expressed in millions of tons

C = standard refinery yield, expressed in percent and assumed to be 94.8 percent

D = standard barrels per ton, expressed in barrels and assumed to be 7.55

E = average euro/U.S. dollar exchange rate for the period

R = Total Refining Margin, expressed in U.S. dollars per barrel

The principal factors affecting Neste Oil's Total Refining Margin include:

- aggregate demand and supply for crude oil, other feedstocks and refined petroleum products;
- relative and absolute pricing of the refined petroleum products that Neste Oil sells, which affects realized sale prices and cash flows in the period;
- relative and absolute movements in the prices of the relevant crude oil and other feedstock qualities that Neste Oil refines; and
- changes in the configuration, capacity and utilization rate of Neste Oil's refineries.

Other factors affecting the refining margin of Neste Oil include changes in the cost and availability of logistics services for feedstocks (which is often reflected directly in the cost of feedstocks) and for refined petroleum products (the effect of which is likely to be greater where transport distances are greater) as well as changes in the direct costs of operating Neste Oil's refineries (e.g., energy costs).

The strength of Neste Oil's refining margins depends critically on its ability to maximize its use of lower cost feedstocks and on the availability of its technologically advanced refineries to produce the optimal mix, or slate, of higher value products. Neste Oil's refining margins in recent years have benefited from favorable trends in the key relationships between its feedstock supply costs and its refined petroleum product prices. These relationships are reflected primarily in the price differential between Dated Brent and Russian Export Blend and in the price differentials among the various refined petroleum products, in particular between gasoline and diesel on the one hand and heavy fuel oil on the other hand.

Dated Brent/Russian Export Blend Price Differential. Over the last three years, Neste Oil has refined increasing volumes of Russian Export Blend crude oil, especially shipments from Primorsk, one of the major Russian crude oil export ports. Historically, the price of Russian Export Blend has traded below the market price for the benchmark North Sea crude oil, known as Dated Brent, since Russian Export Blend is heavier and more sour and because the supply of Russian Export Blend has been increasing while that of Brent and other lighter crude oils has been decreasing. The economic benefit presented by this price differential is partly offset by the lower yields of higher value-added products as a result of refining Russian Export Blend rather than Brent. The Diesel Project is intended to allow Neste Oil to increase further its capability to refine heavier and more sour crude oil such as Russian Export Blend and to take advantage of the logistical advantages offered by the location of its refineries in close proximity to Primorsk.

Refined Petroleum Product Differentials. Higher refining margins are also driven by a refinery's ability to produce greater yields of higher value products such as gasoline, diesel, aviation fuels and base oils from a given feedstock slate with lower yields of lower value-added products such as heavy fuel oils. The configuration, flexibility and high conversion capacity of Neste Oil's refineries enable them to produce a very high proportion of high-quality traffic fuels and other high value added refined petroleum products.

The Company's Total Refining Margin may be compared with an industry benchmark refining margin, the IEA Brent Cracking Margin. The IEA Brent Cracking Margin refers to a high-conversion refinery located in the Amsterdam-Rotterdam-Antwerp region (the "ARA region") in Northwestern Europe assuming a product mix of approximately 35 percent of gasoline, approximately 25 percent of diesel, approximately 13 percent of fuel oil, approximately 11 percent of heating oil, approximately eight percent of LPG and Naphtha and approximately seven percent of aviation fuel, with the refining margin being the difference between Dated Brent and refined petroleum product market prices for the products in the ARA region. In 2004, the IEA Brent Cracking Margin increased considerably to U.S.$3.78 per barrel compared with U.S.$2.38 per barrel in 2003.

Historically, Neste Oil's Total Refining Margin has been greater than the IEA Brent Cracking Margin as a result of the refineries' high conversion capacity and consequent high output of premium products, their ability to utilize lower cost crude oil and other feedstocks and their location near to the Primorsk crude oil harbor, which results in lower logistics costs for the supply of crude oil. Furthermore, the Company's Total Refining Margin benefits from the ability of the Company to price its products in the wholesale market in Finland at import parity. In 2004, Neste Oil's Total Refining Margin was higher than the IEA Brent Cracking Margin to a greater extent than in prior years reflecting Neste Oil's increased use of lower cost feedstocks and an average price differential of nearly U.S.$4 per barrel between Russian Export Blend and Dated Brent. However, despite the continuation in early 2005 of many of the same favorable trends experienced in 2004, over the remainder of 2005 Neste Oil's Total Refining Margin may be negatively affected by a number of factors, as discussed below in more detail under "—Current Outlook and Financial Performance Targets—Current Outlook" below.

The following table sets forth Neste Oil's Total Refining Margin and the IEA Brent Cracking Margin in U.S. dollars per barrel for the years ended December 31, 2000, 2001, 2002, 2003 and 2004.

	For the year ended December 31,				
	2000	2001	2002	2003	2004
	(U.S.$ per bbl)				
Neste Oil's Total Refining Margin	4.95	4.44	3.60	4.83	7.90
IEA Brent Cracking Margin[(1)(2)]	3.38	2.04	0.74	2.38	3.78

(1) Source: IEA.

(2) The IEA Brent Cracking Margin takes into account certain fixed costs of the refinery which are not included in Neste Oil's Total Refining Margin.

The Diesel Project is intended to increase the Porvoo refinery's ability to maximize its utilization of low cost crude oil and other feedstocks and to maximize its production of diesel and aviation fuel while correspondingly reducing its production of heavy fuel oil and heating oil. By exploiting price differentials in feedstock supplies and the difference in value between traffic and aviation fuels on the one hand and heavy fuel oil on the other, the project is expected to increase Neste Oil's Total Refining Margin by at least an incremental U.S.$1 per barrel based upon assumptions used in 2003 when the investment in the Diesel Project was approved, including that Russian Export Blend will be U.S.$2.50 per barrel cheaper than Brent on a CIF Porvoo basis; that the price differential between diesel and heavy fuel oil will be U.S.$95 per ton on a CIF ARA basis; and that the annual operating and maintenance costs associated with Neste Oil's refining operations will be increased by approximately EUR 14 million to EUR 15 million.

Inventory Gain or Loss

As part of its business operations and in accordance with the minimum oil stock requirements of Finnish law, Neste Oil maintains inventories of crude oil and other feedstocks and refined petroleum products. Therefore, Neste Oil is directly exposed to variations in the prices for crude oil and other feedstocks and refined petroleum products in respect of the mandatory and operational inventory stocks that it may carry at any given time.

Neste Oil uses the first-in, first-out ("FIFO") cost accounting method for valuing inventories, as reflected in its balance sheet, and for determining the cost of feedstock, as reflected in its income statement. Using the FIFO method, feedstock inventories are consumed in the order in which they were purchased. Therefore, the cost of the earliest inventory purchased is assigned against the earliest revenue received. However, for purposes of calculating its Total Refining Margin, the Company uses the current cost method for valuing the cost of its feedstocks pursuant to which the cost of feedstock in a given period is valued at the average market prices prevailing during that period. The difference between the value of the feedstock cost calculated using the current cost method and the FIFO method is known as the "inventory gain or loss." This measure of inventory gain or loss is deemed important because it reflects the difference between the feedstock costs assigned to sales during a period using FIFO and the average prices during that period. Therefore, inventory gain or loss is disclosed as an item of additional information in the notes to the Company's financial statements.

For example, during a period of decreasing crude oil prices, use of the FIFO method causes the value of inventories to decrease, as higher priced inventory items are consumed and replaced with lower priced items. This decrease in inventory values generally decreases the sales margins as the feedstock costs assigned to the current revenue are higher compared to average market prices prevailing during the period under review. Correspondingly, during a period of increasing crude oil prices, use of the FIFO method causes inventory values to increase as lower priced inventory items are consumed and replaced with higher priced items. This increase improves the sales margin as the feedstock costs assigned to the revenue is lower compared to average market prices prevailing during the period.

The increasing price of crude oil during 2004 led to considerable inventory gains of EUR 74 million in 2004 compared to EUR 13 million in 2003, although decreases in the price of crude oil during the fourth quarter of 2004 produced inventory losses in that quarter. In 2002, inventory gains amounted to EUR 57 million.

Inventory gains or losses are expressed in euro in each period. During periods when the euro is strengthening relative to the U.S. dollar, inventory gains and losses expressed in euro are diminished and, during periods when the euro is weakening relative to the U.S. dollar, inventory gains and losses expressed in euro are magnified.

Exchange Rates

Fluctuating foreign exchange rates, in particular in the U.S. dollar/euro exchange rate, can have a material effect on the sales margin and results of operations of Neste Oil. Prices for crude oil, other feedstocks and refined petroleum products as well as for shipping freight rates are generally set in U.S. dollars whereas important elements of Neste Oil's operating expenses are accrued in euro, which is also Neste Oil's reporting currency. The impact of U.S. dollar/euro fluctuations was partially offset in the period from 2002 to 2004 by Neste Oil's policy of hedging the estimated U.S. dollar sales margins. Any continued, long-term weakening of the U.S. dollar against the euro would have a material negative effect on the business, financial condition and results of operations of Neste Oil since its hedging arrangements are typically made for limited time periods, generally for periods of 12 months. For 2005, Neste Oil has hedged the U.S. dollar/euro exchange rate at less attractive levels than for 2004 reflecting the appreciation of the euro against the U.S. dollar over the last 12–18 months. As discussed in more detail under "—Risk Management—Foreign Exchange Risk," the Company manages its exchange rate risk by entering into forward contracts, swaps and options. For an estimate of the impact on Neste Oil's profitability of changes in the U.S. dollar/euro exchange rate, see "—Risk Management—General" below.

Operating Expense Structure

The operating expense structure of Neste Oil is also important to its profitability. Major operating expenses include energy, personnel, maintenance, environmental compliance and insurance.

Other Factors

The availability and the utilization rates of Neste Oil's refineries are critical to its financial performance. Unplanned downtime of Neste Oil's refineries would generally result in lost margin opportunity and increased maintenance expense. The financial impact of planned downtime, such as major turnaround maintenance shutdowns, is mitigated through a planning process that considers such things as refining margin environment, availability of resources to perform the needed maintenance and feedstock logistics. The combined utilization rate of Neste Oil's Porvoo and Naantali refineries has been 81.1 percent, 77.8 percent, 86.8 percent, 87.6 percent and 89.2 percent for the years ended December 31, 2000, 2001, 2002, 2003 and 2004, respectively. During that period, the scheduled maintenance shutdowns of the Naantali refinery took place in 2000 and of the Porvoo refinery in 2001.

Current Outlook and Financial Performance Targets

Current Outlook

During the first quarter of 2005, the operating environment of Neste Oil continued to be favorable: Neste Oil's Total Refining Margin remained strong and average prices for crude oil and for refined petroleum products during the quarter exceeded the average prices during the fourth quarter of 2004. However, the less attractive U.S. dollar/euro hedge position of Neste Oil in 2005 relative to 2004 had a negative effect on its financial performance partially offsetting the positive effect of these factors. As a result, based upon currently available information, management believes that Neste Oil's operating results under IFRS, including estimated inventory gains, for the first quarter of 2005 will be largely at the same level as or somewhat higher than for the same period in 2004. In addition, the increasing oil price environment experienced thus far in 2005 has resulted in increased working capital requirements for Neste Oil.

The year ended December 31, 2004 was exceptional for Neste Oil in terms of its results of operations and Neste Oil had particularly strong financial performance during the last nine months of the year. The financial performance of the Company during the last nine months of 2005 compared with the same period in 2004 will be adversely affected by the impact of the planned shutdown of the Porvoo refinery, with an assumed volume loss of approximately 1.4 million tons or approximately 10.3 million barrels during 2005. In addition, a number of other factors may also have an adverse effect on Neste Oil's financial performance during the remainder of 2005. Such factors include:

- Possible weakening in the overall refining margin environment;
- Possible weakening in absolute crude oil and refined petroleum product prices with a consequent adverse impact upon inventory values;
- Possible weakening in the value of the U.S. dollar versus the euro and the less favorable hedge position of Neste Oil in 2005 relative to 2004; and
- Possible weakening in shipping freight rates based on futures markets indications and the arrival of new deliveries into the global and regional shipping fleet, with some degree of actual weakening in shipping freight rates having been observed during the first quarter of 2005.

Based upon currently available information, management expects Neste Oil to have net interest-bearing debt under IFRS of approximately EUR 1 billion as of March 31, 2005. However, inasmuch as the actual level of the Company's net interest-bearing debt as of such date and at anytime thereafter is subject to various factors, including the operating results, cash flows, working capital requirements and capital expenditures of the Company during the first quarter of 2005 and thereafter, no assurance can be given as to the actual level of net interest-bearing debt as of March 31, 2005 or at any time thereafter.

See "—Risk Management—General," for a discussion of the impact that movements in Neste Oil's key price and currency exposures would have on its operating profit for 2005 based upon management's assumptions regarding reference market and operating conditions referred to under "—Financial Performance Targets" below and without giving effect to any hedge transactions.

Financial Performance Targets

Over the longer term, Neste Oil will measure its performance using a number of operational and financial metrics. In particular, in light of the capital intensive and cyclical nature of its business, the Company will focus on its return on average capital employed after tax ("ROACE") under reference market and operating conditions. In this context, the Company will place particular emphasis on the efficient allocation of capital only to investment projects that are expected to offer appropriate risk adjusted returns. Neste Oil defines ROACE as:

$$\text{ROACE} = \frac{\text{Net profit (adjusted for inventory gains or losses and non-recurring items net of taxes)} + \text{minority interest and net interest expenses}}{\text{Average capital employed}^{(1)}}$$

(1) Capital employed = Shareholders' equity (including net profit for the period adjusted for inventory gains or losses (net of tax) and non-recurring items (net of tax)) + Minority interests + Interest-bearing net debt

Based upon information available to management as of the date of this Offering Memorandum and the present configuration of Neste Oil's refining portfolio, Neste Oil is currently seeking to maintain ROACE under reference market and operating conditions of at least 13 percent. For the purposes of this financial performance objective, it is management's view that, based upon information currently available, reference market and operating conditions comprise primarily of a Total Refining Margin of U.S.$6.0 to

6.5 per barrel, average annual production volumes of 100 million barrels through the cycle (excluding the impact of planned shutdowns) and an exchange rate of U.S.$1.30 to EUR 1.

Neste Oil's leverage ratio (i.e., the ratio of net debt to net debt plus shareholders' equity plus minority interests) is likely to fluctuate over the cycle and it will be Neste Oil's objective to maintain its leverage ratio within the range of 25 percent to 50 percent. However, because of the Diesel Project, which is scheduled to be completed by the end of 2006, Neste Oil's leverage ratio at year-end 2005 may be higher than the target leverage ratio of 25 percent to 50 percent. Furthermore, Neste Oil's leverage ratio may vary outside this target range to the extent that management identifies investment or acquisition opportunities where the risk-adjusted returns are believed to justify increases in leverage over certain periods of time.

Neste Oil's ROACE in any financial period and its ability to meet its financial performance targets will be affected by Neste Oil's ability to generate net income which is subject to numerous risks and uncertainties as described under "Investment Considerations" and under "—Factors Affecting the Company's Results of Operations" above.

Impact of the Adoption of the International Financial Reporting Standards (IFRS)

The Combined Carve-out Financial Statements and the Consolidated Financial Statements have been prepared in accordance with Finnish GAAP. In compliance with Regulation 1606/2002 approved by the European Parliament and Council in July 2002, the Company's consolidated financial statements will be presented in accordance with IFRS from the beginning of 2005.

As a part of Fortum in 2002, the Company commenced actions to be able to prepare its consolidated financial statements in accordance with IFRS. Management believes that the Company is adequately prepared for the adoption of IFRS from the beginning of 2005. According to management's current estimate, the most significant differences between Finnish GAAP, as applied by Fortum Corporation and by Neste Oil as its subsidiary, and IFRS are the accounting for finance leases, major overhauls in oil refineries and other production plants, valuation and recognition of derivative financial instruments as well as accounting for employee benefit obligations.

The classification criteria for lease agreements as operating leases and financial leases are different under IFRS and Finnish GAAP. Certain bareboat charter arrangements concerning crude oil and product tanker vessels and other vessels, where the Company is the lessee, are classified as finance leases under IFRS and, thus, the vessels are capitalized and a corresponding liability is recognized in the balance sheet of the Company. Under Finnish GAAP, obligations for future payments associated with these leases were treated as contingent liabilities.

According to Finnish GAAP, major overhaul costs are accrued in advance during the period between the scheduled maintenance shutdowns and recorded as a provision in the balance sheet. Under IFRS, the shutdown costs are capitalized when incurred and depreciated during the period between the scheduled maintenance shutdowns.

Gains or losses resulting from derivative financial instruments used for hedging purposes are entered into the income statement under Finnish GAAP when the underlying income or expense occurs. Unrealized gains are not recorded and unrealized losses are recognized only for derivative financial instrument contracts entered into for trading purposes. Under IFRS, derivative financial instruments are initially valued at their fair value and subsequently re-measured at each reporting date. Recognition of the gains or losses resulting from derivative financial instruments depends on whether the instrument qualifies for hedge accounting under IAS 39 and on the item to be hedged. If a financial derivative instrument does not qualify for hedge accounting, any fluctuation in its fair value is recognized in the income statement.

Under Finnish GAAP, pension costs are recorded in the income statement as if the underlying plans were defined contribution plans (i.e., contributions to the pension fund are entered into the income statement during the accounting period in which they are invoiced). Under IFRS, certain pension plans of

Neste Oil in Finland and Belgium are accounted for as defined benefit plans, as defined in IFRS, and the respective pension liability or asset is recognized in the balance sheet.

Under IFRS, some shareholdings which have been consolidated according to the equity method under Finnish GAAP will be classified as joint ventures. The Company has decided to apply the equity method also under IFRS when consolidating its joint ventures. Under Finnish GAAP, the share of profits (losses) of associated companies and joint ventures is included in operating profit, while under IFRS it is disclosed as a separate item after operating profit.

For further information on risks related to the adoption of IFRS, see "Investment Considerations—Risks Related to the Transition of Neste Oil to IFRS." For discussion on Neste Oil's preliminary estimates of the impact of the adoption of IFRS, see Note 25 to the Combined Carve-out Financial Statements and Note 24 to the Consolidated Financial Statements.

Critical Accounting Policies

Neste Oil has adopted a number of accounting policies under Finnish GAAP, which are discussed in Note 2 to the Combined Carve-out Financial Statements and Note 1 to the Consolidated Financial Statements.

Property, Plant and Equipment

Depreciation of tangible assets is calculated on a straight-line basis to write-down the cost of assets over their useful lives. If management becomes aware of circumstances which indicate that the carrying value of a fixed asset in the balance sheet is higher than the estimated future revenue generated through the fixed asset the balance sheet value of capitalized expenditure is reduced by an additional write-down.

Under IFRS, an impairment test should be carried out in order to assure that the values of the assets presented in the balance sheet do not exceed their fair value based on the net present value of estimated future cash-flows derived from them. The estimated future cash flows reflect management's assumptions regarding future market conditions, sales volumes and prices as well as costs. If the assumptions related to the estimates are inaccurate, additional impairment charges may be required in the future. No impairment charges have been recognized in the transition to IFRS.

Inventories

Neste Oil uses the FIFO cost accounting method for valuing inventories, as reflected in its balance sheet, and determining the cost of feedstock, as reflected in its income statement. The FIFO method assumes that inventories are consumed in the order in which they were purchased. Therefore, the cost of the earliest inventory purchased is assigned against earliest revenue. During a period of decreasing crude oil prices, use of the FIFO method causes inventories values to decrease, as higher priced inventory items are consumed and replaced with lower priced items. Correspondingly, during a period of increasing crude oil prices, use of the FIFO method causes inventory values to increase as lower priced inventory items are sold and replaced with higher priced items. This generally results in a positive effect during a period of increasing crude oil prices and weakening value of the euro and negative adjustments during periods of decreasing crude oil prices and strengthening value of the euro.

Accounting for Financial and Commodity Derivatives

Neste Oil enters into derivative contracts mainly for hedging its exposure to fluctuations in crude oil and refined petroleum product prices, foreign exchange rates and interest rates.

In the preparation of the Combined Carve-out Financial Statements and the Consolidated Financial Statements under Finnish GAAP, Neste Oil applied hedge accounting treatment to its commodity hedges and gains or losses on derivatives that hedged future cash flows were recognized in the income statement when the underlying income or expense occurred. When oil derivative contracts were used for trading purposes, unrealized losses were recognized immediately, but gains were recognized only at maturity or when the open exposure of the derivative was closed with similar derivative.

Under IFRS, derivative financial instruments are initially valued at their fair value and subsequently re-measured at each reporting date. Derivative contracts entered into in order to hedge oil price risk do not meet the criteria for hedge accounting under IAS 39. Thus, all changes in the fair values of oil derivative contracts are recognized in the income statement, which results in increased volatility in the Company's reported financial results.

In contrast, foreign exchange derivatives used for hedging forecasted future cash flows meet the criteria for hedge accounting as defined in IAS 39. Accordingly, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in shareholders' equity resulting in increased volatility in shareholders' equity. Amounts accumulated in shareholders' equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (e.g., when the forecasted sale that is hedged takes place).

Discontinued Operations

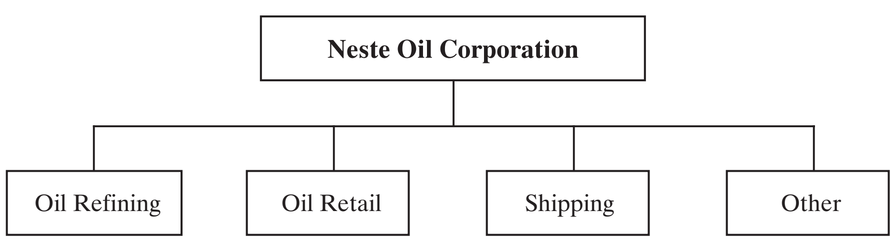
In November 2002, Neste Oil reached an agreement with ENI International B.V. ("ENI") to sell Fortum Petroleum AS, its Norwegian exploration and production business, to ENI. The transaction was completed in March 2003, but its financial impact was recorded for the financial year ended December 31, 2002.

In June 2002, Neste Oil sold its 35 percent ownership interest in the Suneinah concession, Block 9, and associated gas exploration and production rights in Oman to Mitsui & Co. Ltd. The financial impact of the transaction was recorded for the financial year ended December 31, 2002.

To the extent these disposals have affected the financial performance of Neste Oil, they are discussed below as discontinued operations in connection with the discussion of operating profit and net sales of Neste Oil for the years ended December 31, 2002, 2003 and 2004. For further information on the liabilities and obligations relating to these disposals and assumed by Neste Oil in connection with the Demerger, see "Related Party Transactions—Allocation of Certain Rights, Benefits, Obligations and Liabilities."

Results of Operations

The divisions of Neste Oil include Oil Refining, Components, Oil Retail and Shipping. For external financial reporting purposes, Neste Oil's divisions are grouped into four segments, which include Oil Refining, Oil Retail, Shipping and Other. The Oil Refining segment is comprised of two separate divisions, Oil Refining and Components. The following chart represents the current financial reporting structure of Neste Oil.



The following discussion is based on the historical results of the current four reporting segments. The operating profit of each segment includes contributions to operating profit from Neste Oil's associated companies in the business areas of such segment.

Comparison of Years Ended December 31, 2004, 2003 and 2002

Net Sales

Group

The following table sets forth the amount of Neste Oil's total net sales derived from each of its reporting segments and discontinued operations for the years ended December 31, 2002, 2003 and 2004.

	For the year ended December 31,		
	2002	2003	2004
	(EUR in millions)		
Continuing operations			
Oil Refining	5,704	5,693	6,306
Oil Retail	2,151	2,203	2,374
Shipping	266	308	339
Eliminations[1]	(927)	(897)	(1,110)
Total	7,194	7,307	7,909
Discontinued operations[2], total	105	—	—
Total net sales	7,299	7,307	7,909

(1) Eliminations relate principally to intra-group transactions for refined petroleum products between the Oil Refining and Oil Retail segments and for transportation services between the Oil Refining and Shipping segments.

(2) Includes external sales to third parties only. Discontinued operations relate to Neste Oil's oil and gas exploration and production assets in Norway and Oman, which were disposed in 2002.

In 2004, Neste Oil's net sales from continued operations increased by EUR 602 million, or 8.2 percent, to EUR 7,909 million compared to EUR 7,307 million in 2003, which represented an increase of EUR 113 million, or 1.6 percent, from EUR 7,194 million in 2002. The increase in 2004 was principally due to increased global market prices of both crude oil and refined petroleum products inasmuch as refined petroleum product prices typically follow crude oil prices. Sales volumes of refined petroleum products also increased during each of 2003 and 2004. The increase in net sales resulting from increased sales prices and volumes of refined petroleum products was partly offset by the impact of the continued strengthening of the euro against the U.S. dollar. In 2003, the level of net sales was only slightly higher than in 2002.

The following table sets forth the amount and percentage of Neste Oil's total net sales by geographic area for the years ended December 31, 2002, 2003 and 2004.

	For the year ended December 31,			For the year ended December 31,		
	2002	2003	2004	2002	2003	2004
	(EUR in millions)				(%)	
Finland	3,107	3,178	3,704	42.6	43.5	46.8
Other Nordic countries	676	593	727	9.3	8.1	9.2
Baltic states, Russia and Poland	308	358	440	4.2	4.9	5.6
Other European countries	702	708	776	9.6	9.7	9.8
United States and Canada	1,542	1,522	1,790	21.1	20.8	22.6
Other countries	964	948	472	13.2	13.0	6.0
Total net sales	7,299	7,307	7,909	100.0	100.0	100.0

Oil Refining

The following table sets forth the amount and percentage of the delivered volumes of the Oil Refining segment's two refineries for each of its refined petroleum products for the years ended December 31, 2002, 2003 and 2004.

	For the year ended December 31,			For the year ended December 31,		
	2002	2003	2004	2002	2003	2004
	(thousands of tons)			(%)		
Gasoline	4,595	4,434	4,368	35.2	33.1	32.1
Diesel fuel	3,619	3,886	4,265	28.8	29.0	31.3
Aviation fuel	586	611	705	4.5	4.6	5.2
Heating oil	1,503	1,474	1,197	11.5	11.0	8.8
Heavy fuel oil	1,233	1,314	1,280	9.5	9.8	9.4
Other	1,504	1,672	1,794	11.5	12.5	13.2
Total[1]	13,040	13,391	13,609	100.0	100.0	100.0

(1) Neste Oil's internal sales of refined petroleum products amounted to 3,571 thousand tons in 2004, 3,171 thousand tons in 2003 and 3,127 thousand tons in 2002.

In 2004, net sales for the Oil Refining segment increased by EUR 613 million, or 10.8 percent, to EUR 6,306 million from EUR 5,693 million in 2003, which represented a decrease of EUR 11 million, or 0.2 percent, from EUR 5,704 million in 2002. In 2004, EUR 1,709 million, or 27.1 percent, of net sales of the Oil Refining segment related to trading operations. Of this amount, net sales of Eastex Crude Company, in which Neste Oil has a 70 percent interest, amounted to EUR 947 million and net sales related to other trading operations in the segment amounted to EUR 762 million. In 2003, EUR 2,120 million, or 37.2 percent, and, in 2002, EUR 1,920 million, or 33.6 percent, of net sales of the Oil Refining segment related to the trading operations.

The increase in net sales in 2004 was largely due to a continued increase in refined petroleum product prices as a result of higher crude oil prices. This increase in net sales also reflected an increase in the Oil Refining segment's sales volumes of refined petroleum products from 13.4 million tons in 2003 to 13.6 millions tons in 2004. To a certain extent, this increase in net sales in 2004 was offset by the negative impact of the continued strengthening of the euro against the U.S. dollar.

The largely unchanged level of net sales in 2003 compared to 2002 was attributable to the fact that the positive impact of an increase in sales volumes of refined petroleum products from 13.0 million tons in 2002 to 13.4 million tons in 2003 and higher prices of refined petroleum products sold was offset by the negative impact of the significant strengthening of the euro against the U.S. dollar and lower sales in relation to trading operations of the segment.

Oil Retail

The following table sets forth the amount and percentage of the Oil Retail segment's sales volumes for each of its main refined petroleum products by geographic location for the years ended December 31, 2002, 2003 and 2004.

	For the year ended December 31,			For the year ended December 31,		
	2002	2003	2004	2002	2003	2004
	(thousands of cubic meters)				(%)	
Finland						
Gasoline	749.4	729.8	698.8	19.1	18.7	17.4
Diesel	951.4	976.5	987.4	24.2	25.0	24.6
Heating oil	996.7	1,009.6	940.4	25.4	25.8	23.5
Heavy fuel oil	442.2	410.6	420.2	11.3	10.5	10.5
Total, Finland	3,139.7	3,126.5	3,046.8	80.0	80.0	76.0
Baltic Rim Area						
Gasoline	528.9	539.7	612.8	13.5	13.8	15.3
Diesel	236.0	237.3	342.3	6.0	6.0	8.5
Heating oil	18.4	4.8	6.2	0.5	0.5	0.2
Total, Baltic Rim Area	783.3	781.8	961.3	20.0	20.0	24.0
Total	3,923.0	3,908.3	4,008.1	100.0	100.0	100.0

The Oil Retail segment's sales volume for aviation fuels was 271 thousand cubic meters in 2004, 253 thousand cubic meters in 2003 and 254 thousand cubic meters in 2002 and for LPGs 300 thousand tons, 323 thousand tons and 328 thousand tons, respectively.

In 2004, net sales for the Oil Retail segment increased by EUR 171 million, or 7.8 percent, to EUR 2,374 million from EUR 2,203 million in 2003, which represented an increase of EUR 52 million, or 2.4 percent, from EUR 2,151 million in 2002.

The increase in net sales in 2004 was largely due to higher refined petroleum product prices and increased sales volumes in the Baltic Rim area. The increased sales volumes in the Baltic Rim area were mainly due to Neste Oil's new retail outlets in the St. Petersburg area and in Poland.

The slight increase in net sales in 2003 compared to 2002 was primarily due to increased refined petroleum product prices. In 2003, sales volumes of gasoline by the Oil Retail segment decreased in Finland compared to 2002 due to increased competition. Total sales volumes in the Baltic Rim area, however, continued to increase as more stations were added to Neste Oil's retail network and sales volumes of the existing stations continued to increase due to increased consumption of refined petroleum products in the Baltic Rim area.

Shipping

The following table sets forth the amount and percentage of the Shipping segment's net sales for the years ended December 31, 2002, 2003 and 2004.

	For the year ended December 31,			For the year ended December 31,		
	2002	2003	2004	2002	2003	2004
	(EUR in millions)				(%)	
Net sales, services provided to other segments of Neste Oil	126	138	148	47.4	44.9	43.7
Net sales, services provided to third parties	140	170	191	52.6	55.1	56.3
Total net sales	266	308	339	100.0	100.0	100.0

In 2004, net sales for the Shipping segment increased by EUR 31 million, or 10.1 percent, to EUR 339 million from EUR 308 million in 2003, which represented an increase of EUR 42 million, or 15.8 percent, from EUR 266 million in 2002.

The utilization rates of Neste Oil's shipping fleet have remained at historical average levels during recent years. The average utilization rate of Neste Oil's shipping fleet was 93 percent both in 2004 and in 2003 and 94 percent in 2002. Globally, the utilization rates of crude oil and product shipping capacity have improved significantly along with growth in oil consumption in China and limited increases in capacity of the oil shipping industry. This improvement has been the main driver of the global increase of shipping freight rates from 2002 through 2004.

The Shipping segment's increase in net sales in 2004 was largely due to increased shipping freight rates both in crude oil and refined petroleum product transports caused by increasing global demand for shipping capacity. The increase in net sales in 2003 also resulted from an increase in shipping freight rates particularly in the first quarter of 2003 due to difficult ice conditions in the Gulf of Finland. The positive effect of increasing shipping freight rates in 2004 and 2003 was partly offset by the continued strengthening of the euro against the U.S. dollar as shipping freight rates are quoted in U.S. dollars whereas the reporting currency of Neste Oil is the euro. The total cargo-carrying capacity of Neste Oil's shipping fleet has been approximately 1.3 million dwt during the 2002 to 2004 period.

In 2001 and 2002, Neste Oil ordered four product tankers from China of which Purha was delivered in 2003 and Jurmo and Futura were delivered in 2004. There have been certain quality problems with these vessels and certain repairs will need to be made to each of the vessels already delivered. Delivery of the fourth vessel, Neste, has been postponed until the summer of 2005. Management believes that the cost of repairs should be covered by the builder of the vessels or by insurance, but there can be no assurance that this will be the case. However, it is expected that the unavailability of this shipping capacity will result in loss of business opportunities, which are estimated at approximately EUR 4 million in 2005.

Discontinued Operations

Discontinued operations resulted in net sales (excluding internal net sales) of EUR 105 million in 2002, without any comparable net sales in 2003 or 2004 due to the sale of Neste Oil's oil and gas exploration and production assets in Norway and Oman in 2002. For additional information in respect of the discontinued operations, see "—Discontinued Operations" above.

Share of Profits (Losses) of Associated Companies

The following table sets forth the amount of Neste Oil's share of profits or losses in associated companies by reporting segment for the years ended December 31, 2002, 2003 and 2004.

	For the year ended December 31,		
	2002	2003	2004
	(EUR in millions)		
Oil Refining[(1)]	4	10	27
Oil Retail[(2)]	0	0	(5)
Other[(3)]	(1)	5	14
Total	3	15	36

(1) The share of profits (losses) of associated companies of the Oil Refining segment relate mainly to Neste Oil's 49.99 percent ownership interest in Nynäs Petroleum.

(2) The share of profits (losses) of associated companies of the Oil Retail segment relate mainly to Neste Oil's 50 percent ownership interest in Pikoil Oy.

(3) The share of profits (losses) of associated companies of the Other segment relate to Neste Oil's 50 percent ownership interest in SeverTEK.

Neste Oil's share of Nynäs Petroleum's profit increased by EUR 17.0 million to EUR 29.0 million in 2004 from EUR 12.0 million in 2003, which represented an increase of EUR 6.4 million from EUR 5.6 million in 2002. The increase in operating profit of Nynäs Petroleum in 2004 was largely due to an increase in the refining margin of Nynäs Petroleum which, in turn, was principally due to an increase in the price difference between gasoil and heavy fuel oil affecting the profitability of the bitumen business of Nynäs Petroleum. The increase in the operating profit of Nynäs Petroleum in 2003 was also mainly due to an increase in the refining margin of Nynäs Petroleum, the positive impact of which was partly offset by a shortage due to a general strike in Venezuela of certain Venezuelan dual-purpose crude oil qualities necessary for the production of naphthenics and bitumen by Nynäs Petroleum and a scheduled maintenance shutdown of the Nynäshamn refinery in Sweden in 2003. Certain operations of Nynäs Petroleum are currently subject to investigations of the EU and Swedish competition authorities, see "Business of the Neste Oil Group—Litigation."

In July 2003, Neste Oil and Kesko Oyj ("Kesko") started business operations of a joint venture, Pikoil Oy, in order to operate Neste Oil's retail outlets as retailers of every-day consumer goods and to develop other non-fuel sale concepts. Thereafter, Neste Oil and Kesko have continued to transfer their own outlets to Pikoil Oy. During the first financial period of Pikoil Oy that ended on December 31, 2004, Neste Oil's share of Pikoil Oy's loss amounted to EUR 5 million. This loss was mainly caused by start-up costs of the joint venture. It is expected that Pikoil Oy will continue to report losses in 2005.

Neste Oil's share of SeverTEK's profits increased by EUR 9.4 million to EUR 14.3 million in 2004 from EUR 4.9 million in 2003. SeverTEK started its commercial oil production in July 2003. The increase in Neste Oil's share of profits in 2004 was primarily due to increased sales volumes resulting from the first full year of oil production and also due to higher sales prices for crude oil. The positive impact of these factors was partly offset by increased transportation tariffs, export duties and production taxes.

Other Operating Income

Neste Oil's other operating income decreased to EUR 37 million in 2004 from EUR 38 million in 2003. In 2002, other operating income amounted to EUR 95 million. In 2004, Neste Oil's other operating income included EUR 21 million in capital gains largely as a result of disposals of tanker vessels and the sale of a 34 percent ownership interest in Neste Jacobs Oy and fixed assets at the Muuga terminal in Estonia. In 2003, Neste Oil's other operating income included EUR 18 million in capital gains resulting primarily from disposals of tanker vessels and, in 2002, EUR 88 million as a result of the sale of oil and gas exploration and production assets in Oman and disposals of tanker vessels.

Operating Expenses

The following table sets forth the amount and percentage of Neste Oil's operating expenses for the years ended December 31, 2002, 2003 and 2004.

	For the year ended December 31,			For the year ended December 31,		
	2002	2003	2004	2002	2003	2004
	(EUR in millions)				(%)	
Materials and services[(1)]	5,934	6,131	6,439	85.5	88.0	88.6
Personnel expenses	221	211	214	3.2	3.0	2.9
Depreciation, amortization and write-downs	268	135	118	3.9	2.0	1.6
Other operating expenses[(2)]	516	490	499	7.4	7.0	6.9
Total operating expenses	6,939	6,967	7,270	100.0	100.0	100.0

(1) Almost all of the materials and services expenses of Neste Oil comprise of feedstock costs.

(2) Other operating expenses principally consist of freight costs, maintenance costs, operational costs of vessels and costs of planning, consulting and other external services.

In both 2004 and 2003, Neste Oil's operating expenses increased as compared to the previous year principally as a result of an increase in the expenses related to materials and services, which represented 85.5 percent, 88.0 percent and 88.6 percent of total operating expenses for the years 2002, 2003 and 2004, respectively. These increases were principally caused by higher delivery volumes resulting in increased procurement of, and higher prices for, crude oil and other feedstocks. The negative impact of these factors was partially offset by the positive impact of the strengthening of the euro against the U.S. dollar. In 2002, Neste Oil's operating expenses reflected a higher level of depreciation, amortization and write-downs of EUR 268 million compared to EUR 135 million in 2003 and EUR 118 million in 2004. The higher level of depreciation, amortization and write-downs in 2002 related to Neste Oil's oil and gas exploration and production assets in Norway that were sold in 2002.

Management estimates that, once completed, the Diesel Project will increase annual operating and maintenance costs of Neste Oil by approximately EUR 14 to 15 million.

Operating Profit

Group

The following table sets forth the amount of Neste Oil's total operating profit derived from each of its reporting segments and discontinued operations for the years ended December 31, 2002, 2003 and 2004.

	For the year ended December 31,		
	2002	**2003**	**2004**
	(EUR in millions)		
Continuing operations			
Oil Refining	195	281	573
Oil Retail	41	44	48
Shipping	30	78	99
Other	(21)	(15)	(7)
Eliminations	(2)	5	(1)
Total	243	393	712
Discontinued operations, total	215	—	—
Total operating profit	458	393	712

Neste Oil's operating profit from continued operations increased by EUR 319 million, or 81.2 percent, to EUR 712 million in 2004 from EUR 393 million in 2003, which represented an increase of EUR 150 million, or 61.7 percent, from EUR 243 million in 2002.

Both in 2004 and 2003, the increases in operating profit were mainly due to a continued increase in Neste Oil's Total Refining Margin and shipping freight rates as well as inventory gains. The positive impact of these factors was to some extent offset by the negative impact of the continued strengthening of the euro against the U.S. dollar.

In 2002, Neste Oil's operating profit included operating profit of EUR 215 million from discontinued operations without any comparable operating profit in 2003 or 2004. Operating profit from discontinued operations in 2002 included capital gains of EUR 67 million as a result of the sale of oil and gas exploration and production assets in Oman.

Oil Refining

Operating profit for the Oil Refining segment increased by EUR 292 million, or 103.9 percent, to EUR 573 million in 2004 from EUR 281 million in 2003, which represented an increase of EUR 86 million, or 44.1 percent, from EUR 195 million in 2002.

The Oil Refining segment's increase in operating profit has primarily been caused by an increase in Neste Oil's Total Refining Margin due to a tightening supply and demand balance in the oil refining industry in general and for the product mix of Neste Oil in particular. This environment has been clearly reflected in Neste Oil's Total Refining Margin which was U.S.$3.60 per barrel in 2002 and increased to U.S.$4.83 per barrel in 2003 and further to U.S.$7.90 per barrel in 2004. In particular in 2004, an increase in the price difference between Dated Brent and Russian Export Blend crude oils resulted in a high refining margin for Neste Oil compared to the benchmark international refining margins. The impact of the continued strengthening of the euro against the U.S. dollar and increased shipping freight rates partly offset the positive impact of the higher Total Refining Margins both in 2004 and in 2003. Operating profit in 2004 was also particularly high due to significant inventory gains as a result of the significant increase in crude oil prices in 2004. Inventory gains of the Oil Refining segment amounted to EUR 74 million in 2004 compared to EUR 13 million in 2003 and EUR 57 million in 2002.

Oil Retail

Operating profit for the Oil Retail segment increased by EUR 4 million, or 9.1 percent, to EUR 48 million in 2004 from EUR 44 million in 2003, which represented an increase of EUR 3 million, or 7.3 percent, from EUR 41 million in 2002.

The increase in Oil Retail Segment's operating profit in 2004 was largely due to capital gains from sales of fixed assets. In 2004, these capital gains amounted to EUR 7.3 million of which the sale of fixed assets at the Muuga terminal in Estonia was the largest single transaction. Excluding these capital gains in 2004 and write-downs in 2003, operating profit of the Oil Retail segment would have decreased by EUR 14 million in 2004. This decrease was primarily due to lower unit margins for refined petroleum product sales and a loss generated by Pikoil Oy.

The increase in Oil Retail Segment's operating profit in 2003 was mainly caused by an increase in sales volumes. In particular, sales volumes and unit margins in relation to sales of diesel fuels by Oil Retail's direct sales business in Finland increased due to increased consumption of traffic fuels. However, this increase in operating profit was partly offset by the tightening of the gasoline unit margins especially in Finland due to increased price competition during the fourth quarter of 2003 and by a write-down made in 2003 with respect to Neste Oil's terminals in the Baltic Rim Area. The disposition of Neste Oil's poorly performing retail operations in Sweden during the second quarter of 2002 further improved Neste Oil's operating profit in 2003.

Shipping

Operating profit for the Shipping segment increased by EUR 21 million, or 26.9 percent, to EUR 99 million in 2004 from EUR 78 million in 2003, which represented an increase of EUR 48 million, or 160.0 percent, from EUR 30 million in 2002. Freight levels in the North Sea and Baltic Sea areas are quoted by the Baltic Exchange in London based on the Aframax Worldscale freight rate, which is a freight market indicator for deliveries between Sullom Voe and Rotterdam carried by tankers with a cargo-carrying capacity of more than 80,000 tons. The annual average of Aframax Worldscale freight rates increased to 188 Aframax Worldscale points in 2004 from 163 Aframax Worldscale points in 2003 and 115 Aframax Worldscale points in 2002.

Other

Operating loss from the Other segment of Neste Oil decreased by EUR 8 million, or 53.3 percent, to an operating loss of EUR 7 million in 2004 compared to an operating loss of EUR 15 million in 2003, which represented a decrease of EUR 6 million, or 28.6 percent, from an operating loss of EUR 21 million in 2002.

These decreases in operating loss of the Other segment in each of the years 2004 and 2003 were mainly due to an improvement in the profitability of SeverTEK as a result of its increased crude oil production. For further information on SeverTEK, see "Business of the Neste Oil Group—Description of Operations by Segment—Other—SeverTEK Joint Venture."

The general corporate expenses of the Corporate Center of Neste Oil are carved out from Fortum's overhead and are included in the Other segment. Such general corporate expenses include expenses related to corporate officers, corporate governance, corporate finance and accounting, human resources and legal and regulatory affairs. Neste Oil's general corporate expenses amounted to EUR 14 million in 2004, EUR 16 million in 2003 and EUR 17 million in 2002. In the foreseeable future, management has budgeted the annual cost of the Corporate Center to be approximately between EUR 23 and 24 million although costs in 2005 are expected to be slightly higher due to expenses related to the separation of Neste Oil's newly-established corporate center function from the corporate service functions of Fortum.

Discontinued Operations

Discontinued operations resulted in an operating profit of EUR 215 million in 2002, without any comparable operating profit in 2003 or 2004 due to the sale of Neste Oil's oil and gas exploration and production assets in Norway and Oman in 2002. For more information on the discontinued operations, see "—Discontinued Operations" above.

Financial Income and Expenses

Financial net income for Neste Oil decreased by EUR 1 million to EUR 10 million in 2004 from EUR 11 million in 2003. In 2002, Neste Oil had financial net expenses of EUR 3 million. However, inasmuch as no internal interest-bearing debt to Fortum Corporation has been included in the Combined Carve-out Financial Statements, these figures are not representative of the financial net expenses that the Company would have incurred if it had been operating as an independent entity during the relevant period. For further information on the presentation of the Combined Carve-out Financial Statements, see Note 1 to the Combined Carve-out Financial Statements and, for further information on Neste Oil's liquidity and capital resources, see "—Liquidity and Capital Resources" below.

Income Taxes

Income taxes for Neste Oil increased by EUR 30 million, or 25.0 percent, to EUR 150 million in 2004 from EUR 120 million in 2003, which represented a decrease of EUR 21 million, or 14.9 percent, from EUR 141 million in 2002. However, for reasons stated above under "—Financial Income and Expenses," these figures are not representative of the income taxes that would have been payable by Neste Oil if it had been operating as an independent entity in the relevant period.

The corporate income tax rate in Finland is the main factor affecting Neste Oil's effective tax rate. As from January 1, 2005, the Finnish corporate income tax rate in Finland has decreased from 29 percent to 26 percent. Neste Oil has certain tax losses to be set off against its income in future and management estimates that this may result in a slightly lower effective tax rate for Neste Oil than the current Finnish corporate income tax rate.

Minority Interests

Minority interests represented EUR 2 million in each of the years 2004, 2003 and 2002. These minority interests represented profits attributable to a minority shareholder in Eastex Crude Company and in Neste Jacobs Oy.

Net Profit (Loss) for the Period

Net profit for the year 2004 was EUR 570 million compared to EUR 282 million for the year 2003 and EUR 312 million in 2002.

Liquidity and Capital Resources

General

Prior to the Share Dividend and the Offering, Neste Oil has not operated as an independent entity and, consequently, has not been capitalized or financed as such. Fortum Corporation manages its cash resources centrally and cash generated by Neste Oil's businesses was returned to Fortum Corporation either as distributions, transfers of profits, repayments of indebtedness or transfers of cash to Fortum Corporation's cash pools. Neste Oil's historical cash flows in respect of distributions to and indebtedness owed to Fortum Corporation are therefore not indicative of the cash flows to be expected from an independent entity.

Neste Oil's principal source of liquidity has been and is expected to continue to be cash generated from operations. Its principal liquidity requirements have been for capital expenditures and working capital, particularly to finance movements in values of crude oil and refined petroleum product inventories.

Over the period until the end of 2006 and the scheduled completion of the Diesel Project, management expects Neste Oil to face significant demands upon its cash flows and, in 2005, which is scheduled to be the year of heaviest investment in the Diesel Project and the next scheduled maintenance shutdown of the Porvoo refinery, management expects Neste Oil to experience a net cash outflow before financing activities. Neste Oil intends to use borrowings under its EUR 1.5 billion credit facility referred to below to finance this net cash outflow. As a result, Neste Oil's leverage ratio (defined as the ratio of net debt to net debt plus shareholders' equity plus minority interests) as of year-end 2005 may be higher than its target leverage ratio of 25 percent to 50 percent. See "—Current Outlook and Financial Performance Targets—Financial Performance Targets" above.

In particular, for so long as the policy of the Republic of Finland is to maintain an ownership interest of at least a majority of the share capital of the Company, management may be constrained in their ability to use equity capital if that would dilute the Finnish Government's shareholding. This may, in turn, result in any material acquisitions or investment opportunities being financed largely with debt producing significant increases in leverage for periods of time.

Cash Balances and Net Debt

Based upon the Combined Carve-out Financial Statements, Neste Oil's cash and cash equivalents amounted to EUR 60 million, EUR 47 million and EUR 37 million as of December 31, 2004, 2003 and 2002, respectively, and interest-bearing net debt amounted to EUR 19 million, EUR 36 million and EUR 220 million as of December 31, 2004, 2003 and 2002, respectively. However, inasmuch as no internal interest-bearing debt to Fortum Corporation has been included in the Combined Carve-out Financial Statements, the figures for cash and cash equivalents and interest-bearing debt are not representative of the levels that would have prevailed if Neste Oil had been operating as an independent entity during the relevant period. For further information on the presentation of the Combined Carve-out Financial Statements, see Note 1 to the Combined Carve-out Financial Statements. Based upon the Consolidated Financial Statements, Neste Oil's cash and cash equivalents and non-current interest-bearing cash pool receivables amounted to EUR 184 million and interest-bearing net debt amounted to EUR 865 million as of December 31, 2004. Under IFRS, interest-bearing net debt as of December 31, 2004 increases to EUR 969 million due to the capitalization of certain financial leases.

Cash Flows from Operating Activities

Neste Oil's net cash flow from operating activities amounted to EUR 525 million in 2004, EUR 392 million in 2003 and EUR 657 million in 2002. The increase of EUR 133 million in 2004 compared to 2003 resulted from a significant increase in operating profit during 2004 offset by increases in trade and other short-term receivables and inventories. The decrease of EUR 265 million in 2003 compared with 2002 was caused primarily by the sale of Neste Oil's oil and gas exploration and production assets in Norway and Oman in 2002.

Cash Flows from Investing Activities

Capital expenditure is Neste Oil's primary investing activity. In 2004, the Company invested a total of EUR 310 million, compared with EUR 202 million in 2003 and EUR 252 million in 2002. Excluding discontinued operations, capital expenditure in 2002 amounted to EUR 177 million. Historically, capital expenditure has related primarily to maintenance of the Company's facilities. In September of 2003, however, the Company decided to undertake the Diesel Project and its investment in this project is currently budgeted at EUR 532 million, EUR 15 million of which was invested in 2003 and EUR 108 million in 2004.

The following table sets forth the currently expected capital expenditures of Neste Oil for the years ended December 31, 2005, 2006 and 2007.

	For the year ended December 31,		
	2005	2006	2007
	(EUR in millions)		
Total ongoing annual maintenance	100–120	100–120	100–120
Oil Refining			
Diesel Project	300	110	—
Porvoo biodiesel production unit	30	55	10
Porvoo EHVI production unit (expansion)	15	5	—
Oil Retail	35	30	30
Shipping	25	—	—

In addition to its capital expenditure commitments, Neste Oil's future obligations included EUR 163 million as of December 31, 2004 in respect of operating leases of which EUR 72 million is due in 2005 and EUR 91 million is due later than in 2005. Upon transition to IFRS, certain of the operating leases under which the Shipping segment leases its vessels will be recharacterized as financial leases with an amount equal to future lease payments of approximately EUR 104 million being capitalized as debt in Neste Oil's balance sheet as of December 31, 2004. Of this amount, EUR 5 million is due for repayment in each of the years 2005, 2006 and 2007. Under IFRS, EUR 74 million of Neste Oil's future obligations in respect of operating leases will be classified as financial leases.

Neste Oil has also decided to time-charter under long-term agreements two Panamax-sized (75,000 dwt) tankers. These vessels were ordered by a joint venture formed by Neste Oil and the Swedish shipping company Concordia Maritime Aktiebolag (publ) and are currently scheduled to be delivered in 2006 and 2007, respectively. In addition, Neste Oil has entered into agreements to time-charter two smaller product tankers in 2006.

In the future, Neste Oil expects that cash flows from investing activities will include proceeds from disposals of certain non-core assets.

New Credit Facility, Commercial Paper Program and Over-draft Facilities

As of December 31, 2004, the Combined Carve-out Financial Statements of Neste Oil under Finnish GAAP indicated that Fortum Corporation's net investment in Neste Oil was EUR 1,717 million. Of that amount, EUR 860 million was reflected in the form of total equity, including share capital, reserve fund and retained earnings, EUR 846 million was in the form of interest-bearing net debt and the remaining EUR 11 million comprised interest-free receivables from and liabilities to Fortum Corporation or its subsidiaries.

At or about the time of the Offering, Neste Oil will draw approximately EUR 0.8 billion under its new EUR 1.5 billion multicurrency revolving credit facility to repay these loans from Fortum Corporation and its subsidiaries. The remaining approximately EUR 0.7 billion of commitments under this credit facility will be available for general corporate purposes, including financing of the Diesel Project. The credit facility has been underwritten by Barclays Capital, BNP Paribas, Citibank International Plc, Nordea Bank Finland Plc and SEB Merchant Banking and is expected to be syndicated to approximately 15 other banks and financial institutions after the Offering. The syndication is expected to take place in April or May 2005. The loan is a five-year bullet facility with two one-year extension options exercisable by the banks after the first and second year. The loan bears interest at the rate of 0.325 percent over the reference rate, which is normally EURIBOR. The loan has no pricing grids or financial covenants. In other respects, the loan documentation is based on the standards of the Loan Market Association and it includes customary syndicated loan market covenants, events of default and warranties and representations. The banks representing 66⅔ percent of the outstanding commitments or advances can require mandatory prepayment, if any person or group of persons acting together (other than the Finnish State): (a) acquires beneficial ownership of more than 50 percent of the voting share capital or the issued share capital of the Company; or (b) becomes capable of appointing a majority of the members of the Board of Directors of the Company.

For working capital purposes and other short-term financing needs, the Company has established a EUR 400 million domestic commercial paper program targeted to Finnish investors. The maturity of these notes varies between one and 365 days and the interest rate margin will be determined at the time of each issue. The documentation of this domestic commercial paper program is based on customary Finnish commercial paper documentation and does not include financial covenants.

In addition, Neste Oil will have overdraft facilities with selected cash pool banks amounting to an aggregate of EUR 100 million.

Other than the capital leases for ships and borrowings under the new credit facility, overdraft facilities and domestic commercial paper program, Neste Oil has no significant financial indebtedness. In the future and as described above, Neste Oil may need to increase its gross and net financial indebtedness and may seek to diversify its sources of debt funding through refinancing with further capital markets issues.

Off-Balance Sheet Arrangements

In connection with a loan financing from the EBRD and a group of commercial banks to SeverTEK, an oil and gas exploration and production joint venture in Northwestern Russia in which Neste Oil has a 50 percent interest, Fortum Corporation has provided a guarantee of 50 percent of the outstanding loan amount, which guarantee amounted to U.S.$88 million (EUR 65 million) as of December 31, 2004, for the benefit of the EBRD, and Neste Oil has provided a counter-guarantee for the same amount for the benefit of Fortum Corporation. The guarantee of Fortum Corporation would have been released if, prior to June 30, 2005, the oil production of SeverTEK had reached a production rate of 39,360 bpd for a period of 90 days and all the facilities had been in place in accordance with the development plan of the loan agreement. However, due to constraints in the Russian pipeline systems resulting in difficulties to reach the said production rate, SeverTEK is currently negotiating with the EBRD and its commercial bank syndicate to postpone the date for the production target until June 2007. For further information on the Neste Oil's guarantee relating to the EBRD financing to SeverTEK, see "Business of the Neste Oil Group—Description of Operations by Segment—Other—SeverTEK Joint Venture."

Pursuant to a statement regarding the allocation of certain rights, benefits, obligations and liabilities, Neste Oil has agreed to cause Fortum Corporation to be released from the guarantee provided by Fortum Corporation for the benefit of the EBRD and certain other Fortum Corporation guarantees relating to the operations of Neste Oil no later than August 31, 2005. If Neste Oil fails to do so, the counter-guarantees of Neste Oil shall remain in force. For further information concerning the statement regarding allocation of certain rights, benefits, obligations and liabilities between Neste Oil and Fortum Corporation, see "Related Party Transactions—Allocation of Certain Rights, Benefits, Obligations and Liabilities."

The Company has agreed to grant guarantees for the payment of the purchase prices of traded crude oil for the benefit of the counterparties of Eastex Crude Company, a 70 percent owned affiliate of Neste Oil in the United States, up to a maximum amount of U.S.$150 million. As of February 28, 2005, the total amount of such guarantees was U.S.$111 million.

Neste Oil also has a contingent liability of EUR 28 million of which EUR 25 million relates to real estate mortgages provided by Neste Oil as a general pledge to the Finnish Customs Authority to secure certain payments, such as excise duties, value-added taxes and customs relating to the importation of crude oil and other feedstocks.

Risk Management

General

The oil refining industry, by its nature, exposes Neste Oil to market, counterparty, contractual and operational risks, as well as to other risks including environmental, health and safety ("EHS") risks, IT and security risks and general political and regulatory risks. The main market risks that affect the profitability of Neste Oil are: commodity price risks and foreign exchange rate risks.

The following table sets forth the approximate impact that movements in Neste Oil's key price and currency exposures would have on its operating profit for 2005 based upon management's assumptions regarding reference market and operating conditions referred to under "—Current Outlook and Financial Performance Targets—Financial Performance Targets" above and without giving effect to any hedge transactions.

Positive or Negative Change in Average Level for 2005

	Approximate Impact (EUR in millions)
Ten percent in the euro/U.S. dollar exchange rate	+/- 50-70
U.S.$1.00 per barrel in Total Refining Margin	+/- 80
U.S.$1.00 per barrel in crude oil price	+/- 10
Ten Aframax Worldscale points in crude oil freight rate	+/- 10

In order to address the impact of these and other risks, various risk management strategies have been developed by Neste Oil. The objective of the Company's risk management program is to support the operating divisions in achieving their goals while monitoring the impact on earnings resulting from market, operational or other changes. The Board of Directors of the Company approves the corporate risk management policy, which sets forth the objectives, principles, processes and responsibilities of Neste Oil's risk management operations. The policy establishes guidelines for defining, quantifying, monitoring and reporting financial risks. In addition, each operating division of Neste Oil, which is exposed to market and financial risk, has its own risk management policies, which are approved by the Company's Chief Executive Officer. Further, Neste Oil has separate policies relating to treasury, insurance, EHS and IT risk management.

Generally, risks are managed at their source within the operating divisions. However, Neste Oil's Group Treasury is responsible for managing the foreign exchange, interest rate and refinancing risk, and Neste Oil's insurance management is responsible for establishing insurance schemes covering certain operational risks.

Neste Oil's risk management reporting is managed by the Company's Chief Financial Officer. Market and financing risks related to the divisions are reported by each division to Neste Oil's corporate risk management function, which performs a group-wide consolidation and analysis of the risks. The Chief Financial Officer reports Neste Oil Group's consolidated risk exposure to the Company's Chief Executive Officer and Board of Directors.

In addition to hedging its own commodity price exposures, Neste Oil provides services to certain of its customers who seek to hedge their oil price exposures. Neste Oil's derivative transactions for these customers are subject to its policies on counterparty creditworthiness and are matched with off-setting positions from the outset.

Market Risks

Price Risks of Commodities

Neste Oil encounters numerous risks associated with the volatility of international oil prices. Continuous changes in crude oil and refined petroleum product prices create uncertainty and can have a significant impact on the profitability of the business. Refining margin exposure and refinery inventory exposure are the primary risks.

Refining Margin Risk

As the Total Refining Margin is an important determinant of oil refining earnings, its fluctuations constitute a significant risk. With the aim of securing a minimum margin per barrel, Neste Oil hedges its refining margin with the use of derivative instruments. The level of hedging depends upon the budget for the given period and management's view of market conditions but the normal is that the Total Refining Margin for ten percent of Neste Oil's refinery output volume over each rolling 12 month period will be subject to hedging transactions. These transactions are targeted at the components of Neste Oil's Total Refining Margin, based upon its budgeted sales and refinery production, that are exposed to international market price fluctuations. Because of the differences between the qualities of underlying crude oil and refined petroleum products for which derivative instruments can be sold and purchased and the actual quality of Neste Oil's feedstock and refined petroleum product in any given period, the business will remain exposed to some degree of basis risk. The normal levels of ten percent of output over the next 12 months can be varied with separate approval.

Inventory Risk

From a risk management perspective, Neste Oil's refinery inventory consists of two components. The first and largest component of its inventory remains relatively constant over time at approximately 70-80 percent of total inventory volumes and is referred to as the "base" inventory. Base inventory consists of the minimum level of stocks that Neste Oil is required to maintain under Finnish laws and regulations plus the operational minimum level of supplies without which the refinery cannot be reasonably assured of remaining in operation. Base inventory creates a risk in Neste Oil's income statement and balance sheet inasmuch as Neste Oil applies the FIFO method for measuring the cost of goods sold, raw materials and inventories but, due to the relatively constant level of base inventory, no significant cash risk is presented thereby. As a result, hedging operations do not target the base inventory. Instead, Neste Oil's inventory risk management policies target the amount of inventories in excess of the "base inventory" inasmuch as these amounts create cash flow risks depending on the relationships over any period between feedstock purchases, refinery production and refined petroleum product sales. For example, if the inventory is increasing above the normal level and/or the price level drops before the inventory is decreased again, Neste Oil will suffer a loss. A similar result occurs with an inventory level that is below normal if the price level increases. The amount of inventories in excess of base inventory that Neste Oil will seek to hedge at any given time depends upon management's view as to the likely magnitude and duration of the excess over base inventory levels and general market conditions but, in practice, the entire excess inventory position is typically hedged.

Freight Rate Risk

In an effort to secure a minimum level for a part of Neste Oil's shipping margin, derivative transactions targeting freight rates are entered into by Neste Oil. However, as the international market for freight rate derivative instruments is relatively illiquid and as there are no derivative instruments available to hedge exposure to freight rate fluctuations in the Baltic region, the shipping business of Neste Oil will remain largely exposed to fluctuations in freight rates.

Foreign Exchange Risk

As the pricing currency of the oil markets is the U.S. dollar and Neste Oil reports in euro, this factor, among others, exposes Neste Oil's business to short-term transaction and longer-term economic currency risks, compared with companies with the same asset base and business risk, but for whom the U.S. dollar is their reporting currency. See "—Factors Affecting the Company's Results of Operations—Exchange Rates" above.

The objective of foreign exchange risk management in Neste Oil is to limit the uncertainty created by changes in foreign exchange rates on the future economic value of cash flows and earnings as well as in Neste Oil's balance sheet. Generally, this is done by hedging foreign currency risks in contracted and forecasted business transactions and balance sheet exposures (referred to as transaction exposure) and the equity of non-eurozone subsidiaries (referred to as translation exposures). Transaction and translation risk management aim to optimize the relation between the cost of foreign exchange hedging with the need to reduce volatility in Neste Oil's earnings, cash flow and balance sheet resulting from foreign exchange rate fluctuations.

Transaction exposure can be divided into cash flow exposure and balance sheet exposure where the balance sheet exposure reflects foreign currency denominated assets and liabilities that the Company carries on its balance sheet. Neste Oil's policy is that all major balance sheet exposures (accounts receivable, payables and other assets and liabilities) denominated in currencies other than the euro and exceeding the equivalent of EUR 1 million should be hedged. Exceptions from this general policy must be approved. Cash flow exposures vary among Neste Oil's different segments reflecting their different time horizons with respect to expected or contracted cash flows and the actual receipt or disbursement of cash. In general, all segments hedge contracted foreign currency cash flows in excess of the equivalent of EUR 1 million as well as expected cash flows in excess of such amount over the next 12-month period. Deviations from this benchmark period are subject to a separate approval. The net position is managed with forward contracts, swaps and put and call options.

With respect to expected and contracted cash flows in 2005, Neste Oil has in place options and, to a lesser extent, forward contracts to protect itself against movements in the euro/U.S. dollar exchange rate. Given the depreciation of the dollar against the euro over the last 12 months, Neste Oil's derivative instruments have protected it against increasingly higher euro values.

Neste Oil's Group Treasury is also responsible for managing Neste Oil's translation exposure. This consists of investments in foreign subsidiaries and associated companies, the equity value of each of which in Neste Oil's base currency (the euro) is exposed to exchange rate fluctuations. Neste Oil's policy is to seek to reduce the volatility in Neste Oil's consolidated shareholders' equity as a result of these translation exposures. Foreign currency loans and forward contracts are used to hedge the translation position. Hedging decisions are made on a case-by-case basis by the Group Treasury based upon an assessment of various factors, including the hedging costs and prevailing market conditions.

Counterparty Risk

Credit risk arises from the potential failure of a counterparty to meet its contractual payment obligations and, thus, the amount of risk depends on the creditworthiness of the counterparty. In addition, counterparty risk arises in conjunction with cash investments and with hedging instruments. The amount of risk is quantified at the expected loss to Neste Oil in the event of a default by the counterparty. Credit risk limits are set at the Group level and delegated to the divisions of Neste Oil. Limits for Neste Oil's credit risk position are defined and documented and credit limits for specific counterparties are based on the credit rating of the counterparty, duration of the exposure and monetary amount of the credit risk exposure.

Interest Rate Risk

The Company's total interest rate position, including all financial investments and debt, is managed centrally by its Group Treasury. Neste Oil's interest rate exposure is mainly related to interest-bearing net debt in the balance sheet and interest rate derivatives. The objective of the Company's interest rate risk management is to reduce the volatility of interest expense in the income statement and control the market value of Neste Oil's net debt position in line with defined risk limits.

Neste Oil's interest rate risk is the uncertainty of the market value of the Company's cash flows, assets and liabilities caused by changes in interest rates and may be divided into market risk and flow risk. Flow risk refers to the sensitivity of interest expense to changes in interest rates and depends on the average reset periods for interest-bearing assets and liabilities. Market risk refers to the effect of a change in interest rates on the present value of the net debt position. The flow risk limitation is set such that a one-percentage movement in interest rates should not affect the net interest cost of Neste Oil by more than EUR 7 million for the next 12-month period. The duration of Neste Oil's financial assets and liabilities in total and by currency is also controlled. The market risk limit is set as the maximum allowed change in the market value of the net debt portfolio assuming a defined change in interest rates.

Inflation

Inflation in Finland as measured by the consumer price index during 2004, 2003 and 2002 was 0.2 percent, 0.9 percent and 1.6 percent, respectively. Inflation in Finland did not have a significant impact on Neste Oil's operating results.

INDUSTRY OVERVIEW

Oil Refining Industry

Introduction

The oil refining industry operates in a global business environment since crude oil, other feedstocks and refined petroleum products can be transported at a relatively low cost by sea and by pipeline and there is worldwide demand for such products. The principal factors affecting refining margins are the demand for and prices of refined petroleum products relative to the supply and cost of crude oil and other feedstocks and the configuration, capacity and utilization rates of refineries.

The range and quality of refined petroleum products produced by any given refinery depend on the type of crude oil used as feedstock and the configuration of the refinery. Light and sweet crude oils are more expensive and generate greater yields of higher value refined petroleum products, such as gasolines, diesel and aviation fuels. Heavier and more sour crude oil qualities are less expensive and generate greater yields of lower value petroleum products, such as fuel oils. The configuration of certain refineries is typically oriented towards the production of gasoline whereas the configuration of others is oriented towards the production of middle distillates, such as diesel fuel and aviation fuels. In addition, there are refineries which are configured towards certain other specialty products, such as naphthenics and bitumen. Oil refineries can generally be divided into two principal categories: complex refineries and simpler hydroskimming refineries.

Overview of Refining Process

Oil refineries are uniquely designed to process specific types of crude oils and other feedstocks into selected refined petroleum products. In general, the different process units inside a refinery perform one of three functions:

- separate by distillation the many types of hydrocarbons present in crude oil and other feedstocks;
- chemically convert the separated fractions of hydrocarbons into more desirable products; and
- treat intermediate products by removing unwanted elements and compounds and blend the final end-products.

Each step in the refining process is designed to maximize the ultimate market value of the feedstocks, particularly the raw crude oil. Most simple refineries carry out only the first function, crude distillation, while more complex refineries also perform the other two functions, conversion of hydrocarbon fractions to other products and treatment of intermediate products. The following description outlines the refining process of a typical complex refinery.

The first refinery unit to process raw crude oil is typically the atmospheric distillation unit. Crude oil is separated by boiling point in the distillation units under high heat and recovered as hydrocarbon fractions. The lowest boiling fractions, including gasoline and LPG, vaporize and exit the top of the atmospheric distillation unit. Medium boiling liquids, including kerosene, which is used for aviation fuels, and distillates such as heating oil and diesel fuel, are drawn from the middle of the distillation unit. Higher boiling liquids, called atmospheric distillation residues, are drawn together from the bottom of the atmospheric distillation unit and further separated into vacuum gasoil under low pressure in the vacuum distillation unit. Vacuum residues can be used for fuel oil or bitumen production. The various fractions are then pumped to the next appropriate unit in the refinery for further processing into higher value-added products.

The next step in the refining process is to convert the vacuum gasoil into selected petroleum products. This is accomplished through “cracking,” a process that breaks or cracks large and heavier hydrocarbon molecules into lighter and smaller molecules or, in other words, cracks higher boiling fractions into more valuable products such as gasoline and gasoil.

The viscosity of residues from the vacuum distillation unit is improved in the visbreaking unit and, as a result of thermal cracking reactions, some gas, gasolines and gasoils are being produced.

The most important conversion units are the fluid catalytic cracking ("FCC") units, which typically increases the gasoline yield of the refinery; and the hydrocracker unit, which typically increases the yields of middle distillates. The FCC unit converts vacuum gasoil from the crude distillation units into liquefied petroleum gas, gasoline and distillate by applying heat in the presence of a catalyst. The hydrocracker also converts vacuum gasoil and heavy atmospheric gasoil into LPG, gasoline, naphtha, kerosene and distillates under very high pressure in the presence of hydrogen and a catalyst.

Finally, the intermediate products from the distillation and conversion processes are treated to remove impurities, such as sulphur, and are processed to enhance octane, reduce vapour pressure and meet other product specifications. One of the most important treatments is the removal of sulphur from various intermediate products. This is accomplished in hydrotreating units by heating the intermediates under high pressure in the presence of hydrogen and catalysts. Octane enhancement is accomplished primarily in a catalytic reforming unit. The reforming unit converts naphtha, or low-octane gasoline fractions, into higher octane gasoline blendstock, reformate, which is used to increase the overall octane level of the gasoline pool.

LPG fractions from the FCC unit are converted into high-octane gasoline components in the MTBE/ETBE and alkylation units. Other major gasoline blending components are produced in the FCC unit and a part of the light gasoline from the FCC unit is converted with methanol to the TAME gasoline component in the TAME unit.

Crude Oil Qualities

Crude oil quality is measured in terms of density (light to heavy) and sulphur content (sweet to sour). Density is classified by the American Petroleum Institute ("API"). API gravity is defined based on the density at a temperature of 15.6 degrees centigrade. The higher the API gravity is, the lighter is the crude oil. Light crude oils generally exceed an API gravity of 38 degrees and heavy crude oils are generally those with an API gravity of 22 degrees or less. The crude oils with API gravity between 22 and 38 degrees are generally referred as medium crude oils. With respect to sulphur content, sweet crude oil is commonly defined as crude oil with sulphur content of less than 0.5 percent while sour crude oil has sulphur content of greater than 0.5 percent.

Below are API gravities and sulphur contents for some important benchmark crude oils:

- Brent blend is a light, sweet North Sea crude oil with an API gravity of approximately 38 and sulphur content of approximately 0.4 percent. Most of the Brent blend is refined in Northwestern Europe, but significant volumes are also shipped to the United States and Mediterranean area. According to the International Petroleum Exchange, Brent blend is used for pricing of two-thirds of the world's internationally traded crude oil supplies. Brent blend has a rolling price assessment based on the physical Brent-Forties-Oseberg crude oil cargoes loading not less than ten days forward and loaded free on board at the named port of shipment (the "Dated Brent").
- Russian export blend, the Russian benchmark crude oil (the "Russian Export Blend"), is a mixture of several crude oil qualities transported for export and domestic Russian use via the Russian crude oil transportation system. Russian Export Blend is a medium and sour crude oil with an API gravity of approximately 32 and sulphur content of approximately 1.2 percent. The spot price of Russian Export Blend is reported at Augusta, Italy, and Rotterdam, the Netherlands, the two primary delivery points at which the prices are quoted.
- West Texas Intermediate, the U.S. benchmark crude oil, is a light, sweet crude oil with an API gravity of approximately 40 and sulphur content of approximately 0.3 percent. The spot price of West Texas Intermediate is reported at Cushing, Oklahoma.

The quality of crude oil and other feedstocks dictates the level of processing and conversion necessary to achieve the optimal mix of finished products. Light sweet crude oils are more expensive than heavier and more sour crude oils because they require less treatment and produce a slate of products with a greater percentage of value-added, light refined petroleum products, such as gasoline, diesel and aviation fuels. The heavier and more sour crude oils typically sell at a discount to the lighter and sweeter crude oils because they produce a greater percentage of lower value-added products with simple distillation and require additional processing to produce the higher value, light products. Consequently, refiners strive to process the optimal mix, or slate, of crude oils through their refineries, depending on each refinery's conversion and treating equipment, the desired product output and the relative prices of available crude oils.

Major Petroleum Products

The major petroleum products are:

- *Petrochemicals*: Many products derived from crude oil refining, such as ethylene, propylene, butylene and isobutylene, are primarily intended for use as petrochemical feedstock in the production of plastics, synthetic fibres, synthetic rubbers and other products. A variety of products are produced for use as solvents, including benzene, toluene and xylene.
- *LPGs*: Liquified petroleum gases, consisting primarily of propane and butane, are produced for use as a fuel and an intermediate material in the manufacturing of petrochemicals.
- *Gasoline*: Various gasoline blendstocks are blended to achieve specifications for regular and premium grades in both summer and winter gasoline formulations. Additives are often used to enhance performance and provide protection against oxidation and corrosion.
- *Naphtha*: A low-octane gasoline product used as a feedstock by the chemicals industry, as a feedstock for catalytic reforming and in the production of hydrogen.
- *Middle distillates:* Middle distillates are diesel fuels, heating oils and kerosene.
- *Fuel oils*: Many marine vessels, power plants, commercial buildings and industrial facilities use fuel oils or combinations of fuel oils and distillate fuels for heating and processing.
- *Bitumen*: The low-value residual product of crude oil vacuum distillation which is used primarily for asphalt coating of roads and roofing materials.
- *Niche, high value-added refined petroleum products*: Various refined petroleum products produced in relatively small quantities such as base oils, biofuels, MTBE, ETBE, TAME and other refined petroleum products. These products are commonly used as blending components for traffic fuels or for lubricants.

Industry Characteristics

The principal characteristics of the oil refining industry include the following:

- *Economics of oil refining*: Oil refining is primarily a margin-based business where both the feedstocks and the refined petroleum products are commodities. Because operating expenses (excluding costs of raw materials) are relatively fixed, the goal of the refineries is to maximize utilization rates, maximize the yields of higher value-added products, minimize feedstock costs and minimize operating expenses such as costs of energy.
- *Refinery configuration and complexity*: The configuration of complex oil refineries is typically oriented towards the production of gasoline (catalytic cracking) whereas the configuration of others is oriented towards the production of middle distillates (thermal conversion and/or hydrocracking). In addition, there are refineries which are configured towards certain other specialty products, such as naphthenics and bitumen. Refineries which are configured to have a high conversion and

desulphurization capacity can achieve higher yields of higher value-added refined petroleum products by processing heavier crude oil qualities than refineries with lower conversion and desulphurization capacity. More complex oil refineries can also produce special qualities of higher margin petroleum products that meet local specifications, such as traffic fuels to meet California's strict environmental requirements and MK-1 diesel for the Swedish market. Refinery complexity refers to an oil refinery's ability to process feedstocks, such as heavier and higher sulphur content crude oils, into value-added products. Generally, the higher the complexity and more flexible the feedstock slate, the better positioned the refinery is to take advantage of the more cost effective crude oils, resulting in incremental gross margin opportunities for the refinery. Refinery complexity is commonly measured by the Nelson Complexity Index, which is calculated by the Oil and Gas Journal annually. The Nelson Complexity Index assigns a complexity factor to each major piece of refinery equipment based on its complexity and cost in comparison to crude distillation, which is assigned a complexity factor of 1.0. The complexity of each piece of refinery equipment is then calculated by multiplying its complexity factor by its throughput ratio as a percentage of crude distillation capacity. Adding up the complexity values assigned to each piece of equipment, including crude distillation, determines a refinery's complexity on the Nelson Complexity Index. A refinery with a complexity of 10.0 on the Nelson Complexity Index is considered ten times more complex than crude distillation for the same amount of throughput.

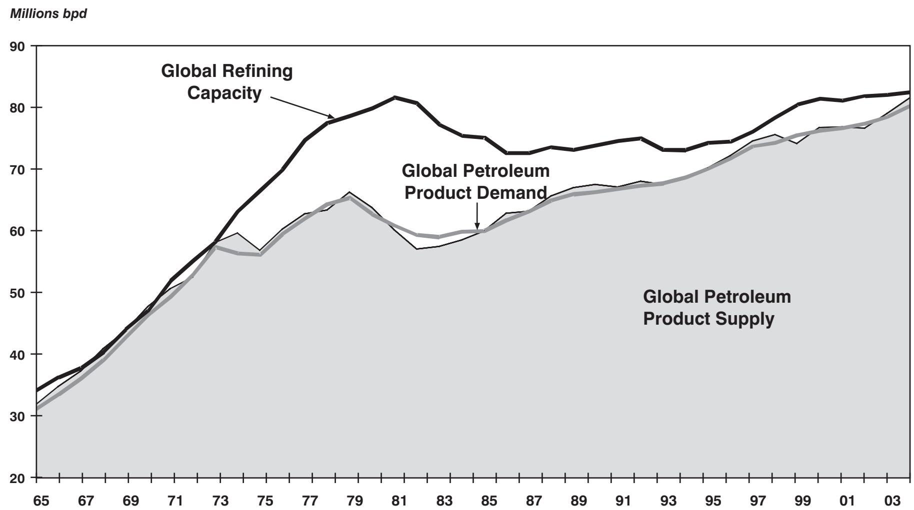
- *Location of oil refineries*: The location of an oil refinery has an important impact on its refining margin since the location influences its ability to access feedstocks and distribute its products efficiently. The location dictates also whether the feedstocks and products can be transported by tanker vessels by sea or via pipelines, rail or tank trucks. Refining companies seek to maximize their profits by placing their products in the markets where they receive highest netbacks. Due to their lower logistics costs, oil refineries located in coastal areas typically have a competitive advantage over the oil refineries located inland. On the other hand, oil refiners whose refineries and logistics systems are situated in areas of high petroleum consumption enjoy a competitive advantage over other suppliers with respect to satisfying the local demand.
- *Ownership of Oil Refining Capacity*: Oil refineries can be owned and operated as a part of integrated oil companies or as independent companies. Integrated oil companies have both upstream operations, including the exploration for and production of crude oil, and downstream operations, including refining, wholesale, retail and logistics services. Oil refining companies without their own retail network primarily distribute their products to either wholesalers or retailers. Oil refining companies who operate as wholesalers principally sell their refined petroleum products under term and spot contracts to their customers. Many oil refiners, both integrated and independent, distribute their refined petroleum products through their own retail outlets.

Industry Trends

Oil Refining Capacity

The oil refining industry was characterized by overcapacity throughout the 1980s and much of the 1990s but inasmuch as investment in additional refining and conversion capacity has been reduced since the mid-1990s, global demand for light refined petroleum products has grown faster than refining capacity for those products. Although the number of refineries in Europe and the United States has significantly decreased from the peaks in 1978 and 1981, respectively, the world's total refining capacity has remained at approximately the same level as it was in the beginning of the 1980s. This trend has been enabled in part, by upgrades and debottlenecking of existing refineries and combinations of adjacent facilities. However, management believes that tightened petroleum product specifications in Europe, the United States and most of Asia are likely to result in further closures of low complexity refineries.

The following chart sets forth global oil refining capacity and global refined petroleum product demand and supply from 1965 through 2004.



Source: IEA.

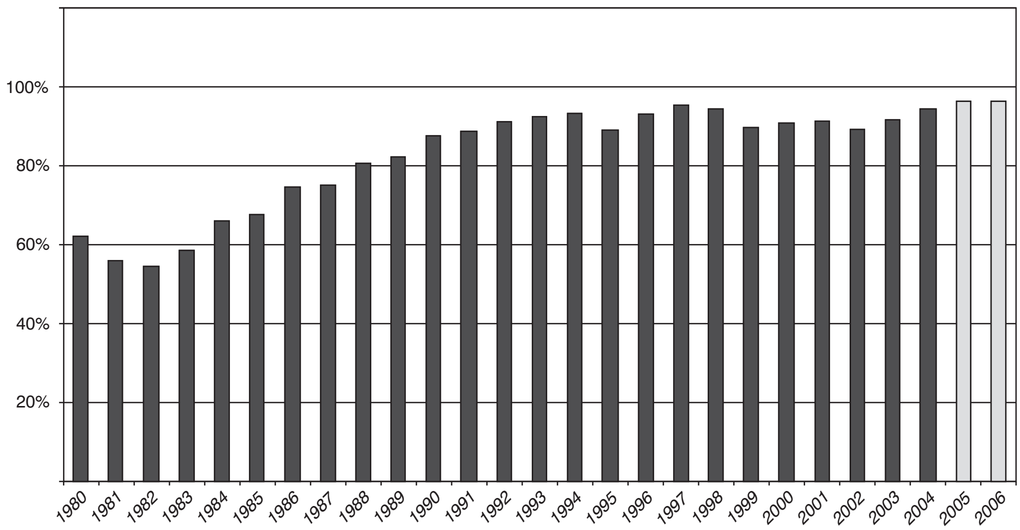
The following table sets forth the total refining capacity located in Germany, France, the United Kingdom, the Netherlands, Belgium, Poland, Sweden, Norway, Finland and Lithuania in 1994, 1999 and 2004 and its compound annual growth rate of that capacity from 1994 through 2004.

	1994	1999	2004	Compound Annual Growth Rate
	(thousand bpd)			(%)
Germany	2,243	2,203	2,302	0.11
France	1,697	1,994	1,981	0.47
United Kingdom	1,872	1,831	1,842	(0.27)
Netherlands	1,187	1,248	1,242	0.32
Belgium	698	740	751	2.84
Poland	333	382	350	0.50
Sweden	415	428	450	(0.09)
Norway	292	320	299	0.77
Finland	200	200	252	2.34
Lithuania	N/A	267	263	N/A

Source: PennWell, Oil and Gas Journal.

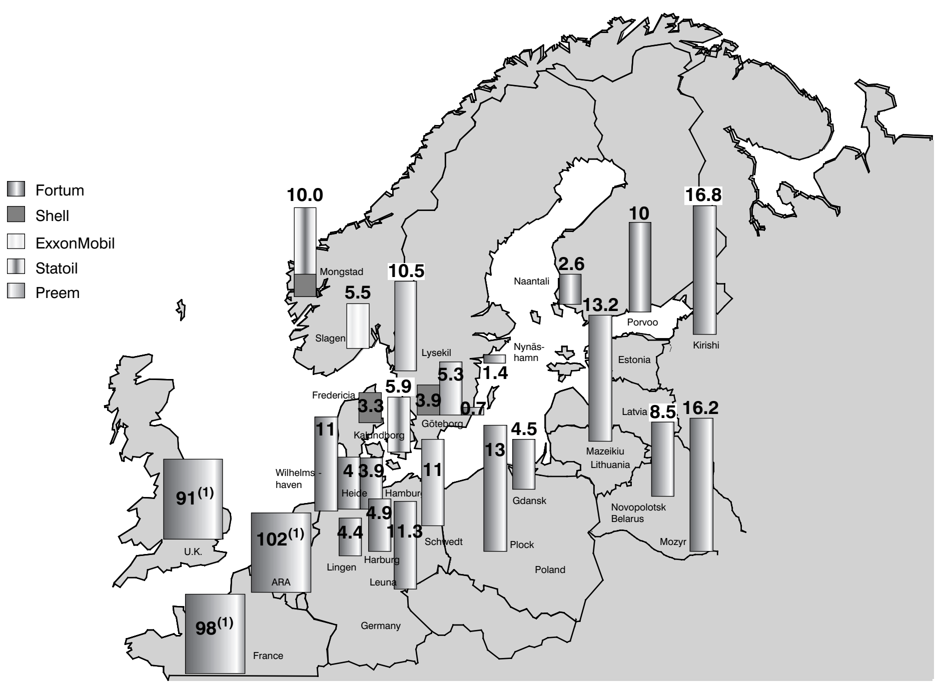
As a result of the trends noted above, the utilization rates of refining facilities in Europe have increased significantly over the last ten years. The following chart sets forth the average utilization rates of oil refineries located in the European member states of the Organization for Economic Cooperation and

Development (the "OECD") from 1980 through 2004 and the estimated average utilization rates for the years 2005 and 2006.



Source: Purvin & Gertz.

The following map sets forth the oil refineries located in Northern and Western Europe and their atmospheric crude distillation capacities in millions of tons per annum as of December 31, 2004. The atmospheric distillation capacity data relating to Neste Oil's refineries included elsewhere in this Offering Memorandum are based on Neste Oil's internal data and therefore may not be consistent with the data included in the map below.



Source: Oil and Gas Journal.

(1) The capacities of the refineries of the ARA region, France and the United Kingdom include all the refineries in each country or area.

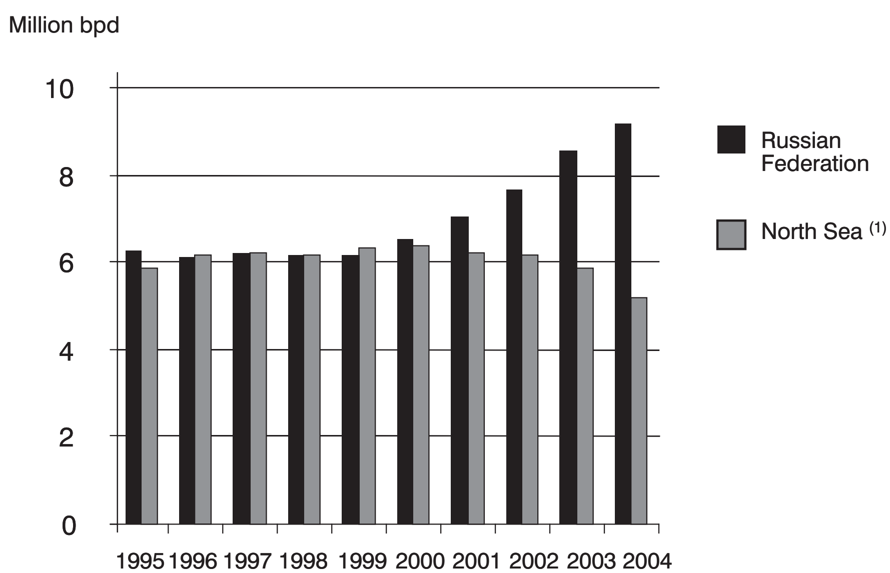
As of December 31, 2004, the total annual crude distillation capacity in the European member states of OECD was 777.5 million tons out of which capacity 116.2 million tons was located in Germany.

There are only two oil refineries in Finland, both owned and operated by Neste Oil. They make up the relatively sophisticated Finnish oil refining sector, particularly the Porvoo refinery site which has benefited from investments that have allowed it to produce ultra low sulphur traffic fuels, which meet the ten ppm maximum sulphur content requirement of European Union coming into force in 2009.

In addition to Neste Oil's Diesel Project, there are other upgrades of existing refineries expected to take place in Northwestern Europe. The upgrade of Preem Petroleum AB's refinery in Lysekil, Sweden, is expected to be completed in 2006 increasing its diesel production capacity by approximately 2.3 million tons per annum (47,260 bpd). Total S.A. is also investing in the upgrade of its refinery in Gonfreville, l'Orcher, France which would result in an increase of 1.5 to 2.0 million tons in its annual diesel production capacity of 2.4 million tons per annum once completed in 2006. The upgrade of OJSC Surgutneftegas' refinery in Kirishi, Northwestern Russia is planned to be completed in 2008 increasing its annual diesel production capacity by approximately 2 million tons (43,150 bpd). In connection with the contemplated privatization of Grupa Lotos SA, its refinery in Gdansk, Poland, is also planned to be upgraded. In Lithuania, AB Mazeikiu, an oil refining company in which OAO Yukos Oil Company has a majority ownership interest, is considering modernizing its Mazeikiai refinery to meet the new petroleum product and air emission standards of the European Union.

Crude oil production

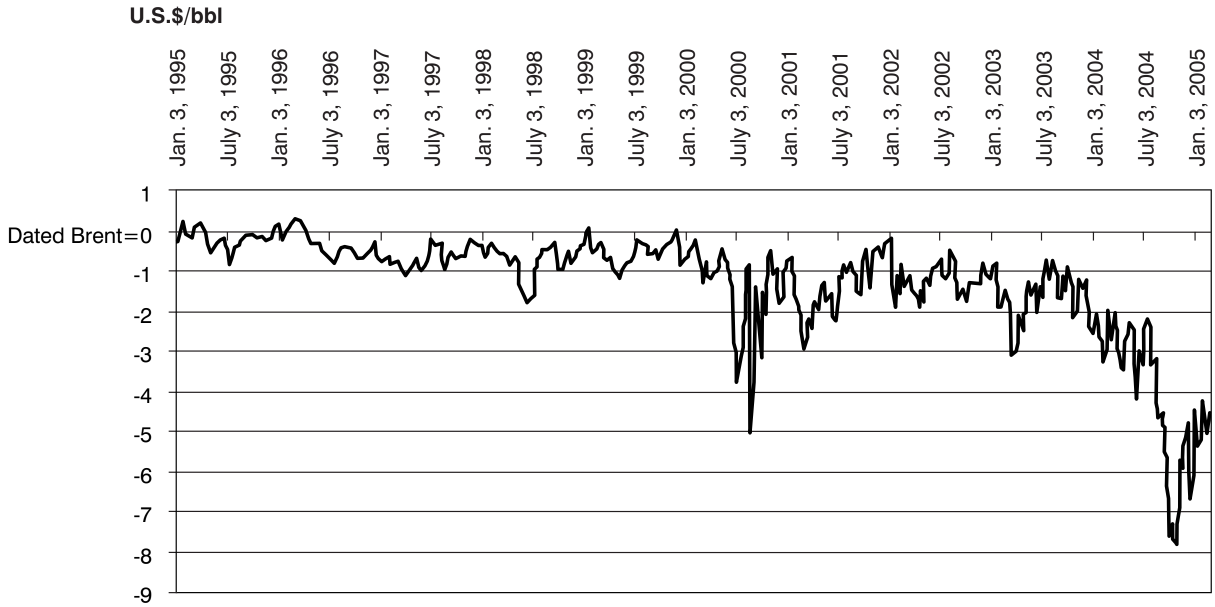
Most of the crude oil used by the Northwestern European refineries is produced in the North Sea area and Russia with the most important pricing benchmarks being Brent crude oil and Russian Export Blend, respectively. After remaining at the same level as production of the North Sea crude oil and natural gas liquids for the second half of the 1990s, the production of Russian Export Blend has increased significantly from 2000 through 2004 while the production of the North Sea crude oil and natural gas liquids is now in decline. The following chart sets forth the total production of the Russian and North Sea crude oils from year 1995 through 2004.



Source: BP, Petroleum Argus, Danish Energy Authority.

(1) The North Sea includes the crude oil production of Denmark, Norway and the United Kingdom.

Historically, the price of Russian Export Blend has traded below the market price of Dated Brent since Russian Export Blend is heavier and more sour. In addition, the increased supply of Russian and other heavier crude oils since 1999 and the declining production of North Sea crude oil have resulted in an increased price spread between the market prices of Dated Brent and Russian Export Blend. The following chart sets forth the spread in U.S. dollars between the market prices in U.S.$ per bbl of Dated Brent and of Russian Export Blend from 1995 through February 2005.



Source: Platt's.

Demand for Petroleum Products

General

Although industrialized countries continue to consume most of the world's petroleum products, growth in demand for refined petroleum products over the last few years has primarily been driven by non-OECD countries, most notably China. Stricter petroleum product specifications across Europe, in the United States and in most of Asia have resulted in larger price differentials between higher and lower value refined petroleum products with increased demand for lighter refined petroleum products, such as gasoline and middle distillates, and lower demand for heavier products, such as fuel oils. The shortage of complex refining capacity has further exacerbated this price differential. Additionally, the tightened petroleum product specifications and increased role of renewable raw materials have resulted in increasing demand for new high-quality traffic fuels and other products, such as high-viscosity base oils and biodiesel.

The following table sets forth current and future mandatory product specification standards for refined petroleum products in the European Union, the United States, Canada, Australia, Japan, Singapore and China.

Country/Region	Gasoline (sulphur ppm)			Diesel fuel (sulphur ppm)		
	Current	Required	Deadline	Current	Required	Deadline
European Union	50	10	2009	50	10	2009
United States	300	30	2006	500	15	2006
Canada	30	—	—	500	15	2006
Australia	150	50	2008	500	10	2009
Japan	100	—	—	500	50	2006
Singapore	100-150	—	—	500	350	2005
China	500	300	2006	500	—	—

Source: CERA; Neste Oil.

The structure and development of supply and demand of refined petroleum product as well as the specifications for refined petroleum product qualities vary between geographical regions. As a result, significant imbalances between demand and supply of different refined petroleum product qualities have developed in certain regions. Most importantly, there is a shortage of gasoline production capacity in the United States while Western Europe has faced an increasing shortage of diesel fuel production capacity. Globally, increased demand for lighter petroleum products, such as gasoline, and the shortage of complex refining capacity has led to an oversupply of heavy fuel oil. These increasing regional product imbalances have created attractive opportunities for those oil refiners capable of supplying products complying with the required specifications.

The following table sets forth the development in demand by product group in Europe, the United States and globally for the years ended December 31, 1993, 1998 and 2003 and the compound annual growth rate for the 1993 to 2003 period.

Product	For the years ended December 31,			Compound Annual Growth Rate
	1993	1998	2003	
	(thousand bpd)			(%)
United States				
Gasolines	7,792	8,579	9,273	1.76
Middle distillates	4,844	5,545	5,880	1.96
Fuel oil	1,062	869	762	(3.27)
Others	3,539	3,924	4,156	1.62
Total, United States	17,236	18,917	20,071	1.53
Europe(1)				
Gasolines	4,137	4,315	3,962	(0.43)
Middle distillates	5,880	6,630	7,132	1.95
Fuel oil	2,353	2,194	1,975	(1.74)
Others	2,639	2,959	3,157	1.81
Total, Europe	15,009	16,098	16,226	0.78

Source: BP Statistical Review.

(1) Including the European OECD member states and Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Cyprus, former Yugoslav Republic of Macedonia, Gibraltar, Malta, Romania, Slovenia and former Yugoslavia.

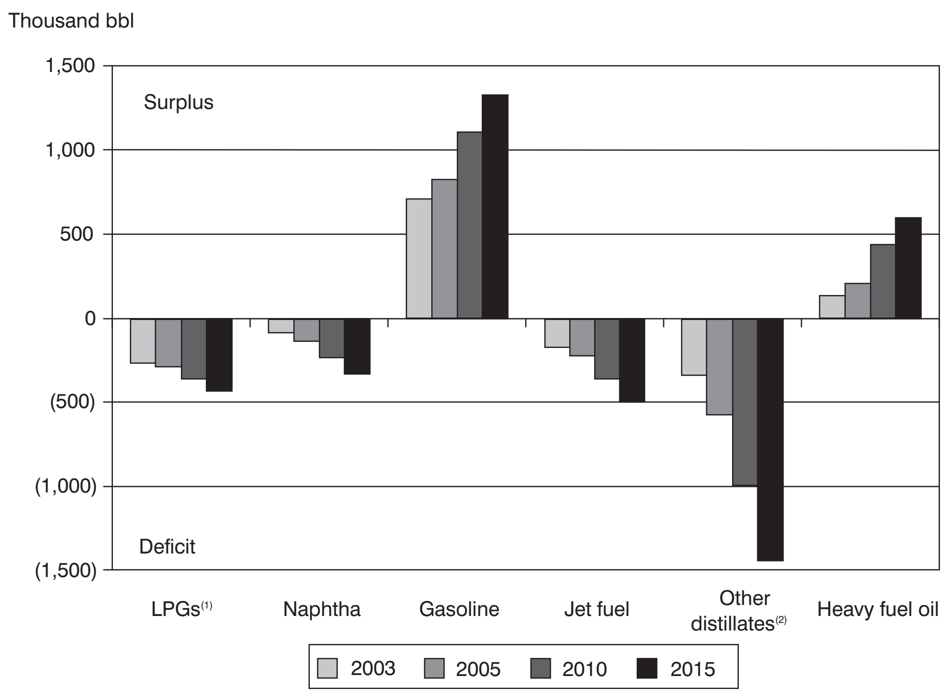
Product	For the years ended December 31, 1993	1998	2003	Compound Annual Growth Rate
	(thousand bpd)			(%)
World[(1)]				
Gasolines	18,998	21,892	23,543	2.17
Middle distillates	20,838	24,412	26,612	2.48
Fuel oil	9,787	9,837	9,099	(0.73)
Others	11,528	13,226	15,333	2.89
Total, world	61,151	69,367	74,587	2.01

Source: BP Statistical Review.

(1) Excluding countries in the former Soviet Union.

During the last ten years, the total petroleum product demand in Northwestern Europe has been largely stable while it has still been growing in Southern and Central European countries. Both in Finland and the rest of Northwestern Europe, total consumption of the traffic fuels has stayed on relatively the same level during the last ten years. However, during the same time period, the demand for gasoline and fuel oils has decreased while the demand for diesel fuels has increased.

The following chart sets forth the total deficit and surplus of the selected refined petroleum products in the EU 15 region (which includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom), Iceland, Norway, Switzerland and Turkey in 2003 and the estimated change in demand from 2003 through 2015.



Source: CERA.

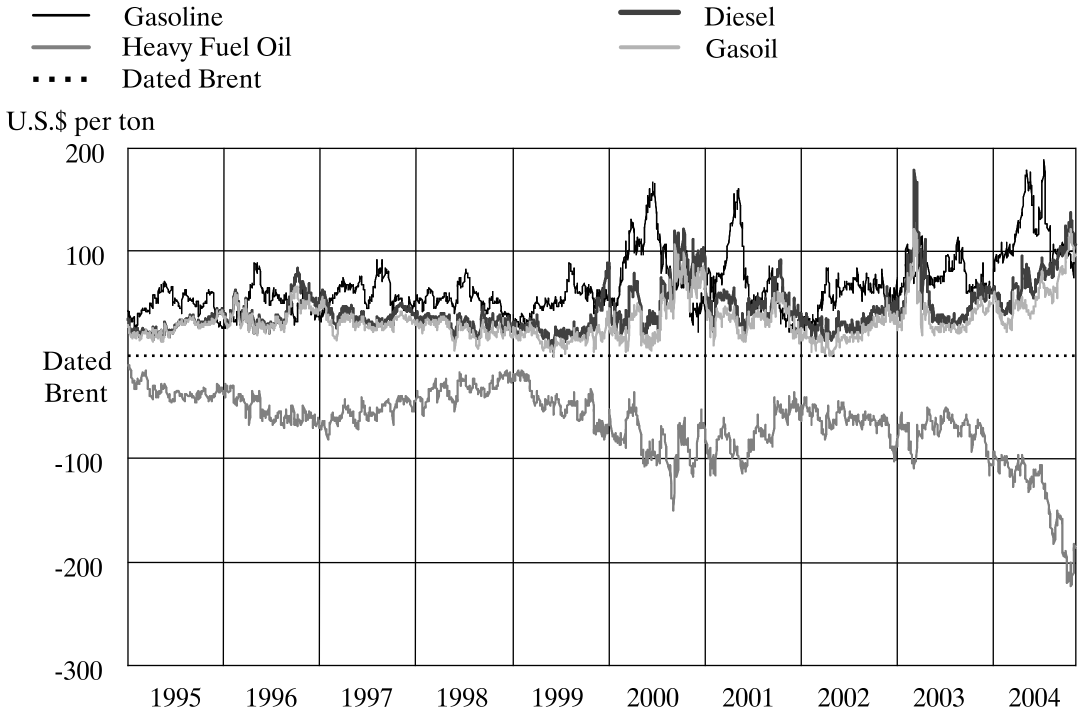
(1) Includes ethane.

(2) Includes diesel fuels.

Market Prices

The pricing of refined petroleum products is mainly driven by the prevailing demand and supply balance, movements in crude oil prices and changes in inventory levels as well as the price development of standardized transactions made on petroleum exchanges, such as International Petroleum Exchange in the United Kingdom, Nymex in the United States and Simex in Singapore.

The following chart sets forth the differences in market prices of certain refined petroleum products as quoted for the ARA area compared to the market price for Dated Brent crude oil from 1995 through 2004.



Source: Platt's; SunGard.

The following table sets forth the average market prices of certain crude oil qualities and petroleum products and the crude oil cracking margins from 2000 through 2004.

	For the year ended December 31,				
	2000	2001	2002	2003	2004
Russian Export Blend, Urals CIF Rotterdam (U.S.$/bbl)	27.07	23.11	23.80	27.07	34.13
Dated Brent, FOB Sullom Voe (U.S.$/bbl)	28.50	24.44	25.02	28.83	38.27
Gasoline, Prem Unl Cargoes CIF ARA (U.S.$/ton)	304.07	254.65	247.42	297.17	402.88
Diesel, EN590, CIF ARA (U.S.$/ton)	276.59	235.57	222.22	275.34	373.60
Gasoil, Gasoil 0.2, CIF ARA (U.S.$/ton)	259.50	221.22	210.77	259.52	357.16
Heavy Fuel Oil, HSFO 3.5%S, CIF ARA (U.S.$/ton)	132.06	108.82	127.18	145.25	149.48
IEA Brent cracking margin (U.S.$/bbl)	3.38	2.04	0.74	2.38	3.78
IEA Urals cracking margin (U.S.$/bbl)	4.39	3.08	1.77	3.93	7.22

Source: Platt's, IEA.

Distribution and Sale of Petroleum Products

Petroleum products are distributed through direct sales in the wholesale market to certain customers (such as industrial companies, other fuel retailers, trucking and bus companies, farms and homes) and through retail outlets to other end-customers, with the balance sold as spot sales to the cargo market. The level of international product prices has a significant impact on the level of wholesale prices in Finland and the Baltic Rim area, as local product suppliers, including Neste Oil, compete against imported products. Therefore, the pricing of refined petroleum products generally reflects the import parity price of each product. In Europe, the import parity price is based on the price quotations available on bulk products in the ARA area as adjusted by the cost of logistics and related import costs from that area to customers in the relevant country, with due consideration for quality differentials between the actual and benchmark grades.

The profitability of companies operating in the oil retail industry mainly depends on the structure of their distribution network, the geographical market area they cover, the efficiency of their logistics system and other processes, their capability to attract customers with competitive service concepts as well as the level and intensity of competition.

The oil retail industry is characterized by high fixed costs relative to non-fuel variable costs. Therefore, a high level of throughput, a low level of costs and having other business activity on the retail station site are critical factors for the profitability of oil retail companies. The profitability of oil retail operations in a particular region depends crucially on efficient logistical operations and the level of competition with competitive actions potentially leading to price wars.

Retail stations can be either company-owned and company-operated, company-owned and dealer-operated or dealer-owned and dealer-operated. In the case of company-owned and dealer-operated or dealer-owned and dealer-operated retail stations, wholesale companies enter into long-term supply contracts with the dealers.

During the last few years, the trend for the Northern European oil retail industry has been towards a greater distinction between manned service stations, where sales of non-fuel products contribute significantly to the turnover of the station, and unmanned service stations, which usually have a larger throughput of fuel products without any non-fuel sales. Other notable developments have included the introduction of customer loyalty schemes and the entry of hypermarkets into the oil retail market.

Oil Shipping Industry

Shipping of crude oil derives from the need to move crude oil from points of production to subsequent points for further processing, typically oil refineries and storage facilities. Marine transportation is also required for bulk movements of refined petroleum products to subsequent points of distribution. Demand for oil tankers is influenced by many factors, including international economic activity, geographic changes in oil production and consumption patterns, oil price levels and inventory policies of the oil companies.

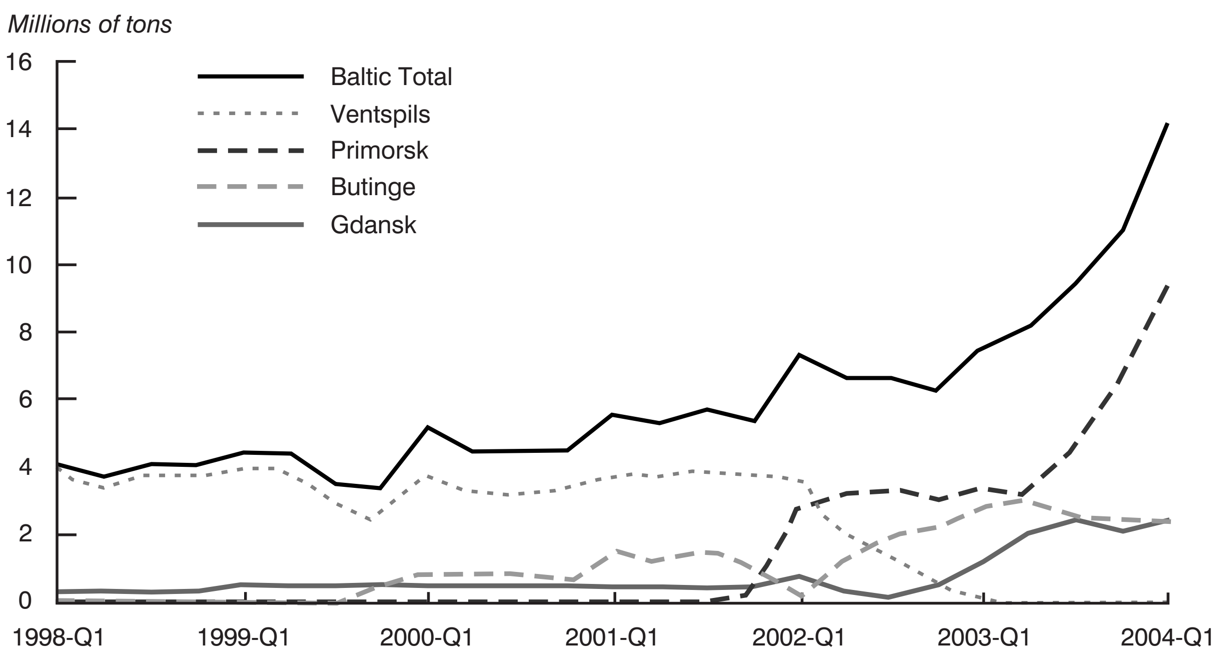
The carrying capacity of the international tanker fleet, or tanker supply, is also a critical determinant in pricing for tanker transportation services. The supply of tankers is principally a function of the balance between the completion of new vessels and the scrapping of older vessels. In addition, the tightening environmental requirements for oil tankers tend to affect the demand for certain vessel types.

The recent strong increase in global oil consumption, combined with the reduction of oil production in high-consumption areas has increased the demand for shipping capacity to the prevailing limits of the global shipping capacity. This has resulted in increased freight rates and profitability of the operations of shipping companies. The most important factor behind this change in market conditions is the increased demand for oil imports resulting mainly from the economic growth in Asia and North America. Oil imports to these regions need to be shipped from even further afar, for example, from the Middle East to the United States. The increase in global shipping capacity has fallen behind this growth in demand, as a large number of the older vessels that do not meet the new environmental standards have had to be scrapped. However, a significant amount of additional shipping capacity is currently under construction.

The increase in the volume of oil shipping in recent years has mainly been in the transport of crude oil, primarily for the growing markets of China and India, where new refinery capacity has also been built. The increase in Russia's crude oil exports from new terminals on the Baltic Sea and the Arctic Ocean has also increased the demand for ice-classified vessels.

The demand for ice-classified shipping capacity, particularly on the Baltic Sea and eastern Canada, is subject to seasonality. The current shortage of ice-classified shipping capacity has resulted in higher freight rates during the winter months. In the Baltic Sea area, the sharp increase in Russian crude oil and other feedstock deliveries as well as deliveries of refined petroleum products through the Baltic Sea has particularly favored owners of modern ice-classified vessels which have realized high premiums over the historical average levels of freight rates, particularly for crude oil shipments. As a result of this trend, a significant amount of new ice-classified capacity for use in the Baltic Sea area is either ordered or under construction, which is expected to correct the current imbalance in the near future. For example, the Russian shipping companies are in the process of increasing their ice-classified shipping capacity in the Baltic Sea area. Also, in recent years, certain oil companies have reentered the shipping industry through the commissioning or chartering of new shipping capacity. However, management anticipates that increasing crude oil exports from the White Sea, and possibly from the Pechora Sea, will continue to provide higher freight premiums for modern ice-classified shipping vessels.

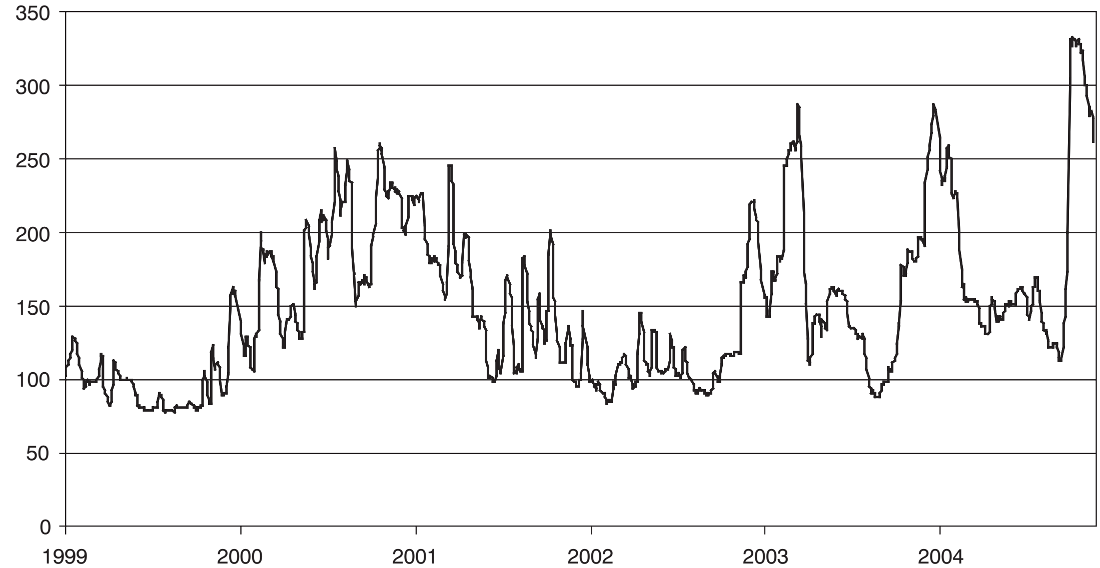
The following chart sets forth the volumes of crude oil and refined petroleum product shipments from certain oil harbours in the Baltic Sea area in millions of tons during the first quarter of the year, which comprise of winter months, from 1998 through the first quarter of 2004.



Source: CERA.

Shipping freights are characteristically subject to high volatility as illustrated by the following chart setting forth the freight rates in Aframax Worldscale points for shipments of crude oil between the North Sea and Northwestern Europe from 1999 through 2004.

Aframax Worldscale Points



Source: Neste Oil.

BUSINESS OF THE NESTE OIL GROUP

General

Neste Oil is a leading independent Northern European oil refining and marketing company focused on high-quality traffic fuels and other high value-added refined petroleum products with reduced environmental impact. Neste Oil's two wholly-owned refineries have a total atmospheric distillation capacity of approximately 12.5 million tons per annum (approximately 250,000 bpd) and are both located on the southern coast of Finland. In 2004, Neste Oil's deliveries of refined petroleum products from its Porvoo and Naantali refineries amounted to 13.6 million tons.

Neste Oil's refineries and other production facilities, together with its network of service stations and other retail outlets both in Finland and the Baltic Rim area, supply both domestic and export markets with gasolines, diesel fuels, aviation fuels, marine fuels, heating oils, heavy fuel oils, base oils, lubricants, traffic fuel components, solvents, LPGs and bitumen. Neste Oil's supply and distribution chain includes a tanker fleet for crude oil and other feedstock imports and refined petroleum product exports. Management believes that, due to the technologically advanced configuration and location of its refineries, Neste Oil is well-positioned to take advantage of long-term supply and demand trends of crude oil and refined petroleum products in Europe and North America.

In addition to its refineries, Neste Oil owns a base oil production facility in Beringen, Belgium, and an ETBE plant in Sines, Portugal; has a 50 percent interest in an iso-octane production facility in Edmonton, Canada; and is constructing a biodiesel plant in Porvoo. The Company also has a 49.99 percent ownership interest in Nynäs Petroleum in Sweden, which is one of the largest bitumen suppliers in Europe and one of the leading producers of naphthenic base oils in the world; and a 50 percent interest in SeverTEK, an oil exploration and production joint venture in northwestern Russia.

Key Strengths

Management believes that Neste Oil's position as a leading independent Northern European oil refining and marketing company with historically high Total Refining Margins is based on the following key strengths:

- *Sophisticated refining facilities and high-quality products.* The configuration of Neste Oil's refineries enables it to produce high-quality traffic fuels and other high value-added petroleum products which meet the most stringent environmental requirements, resulting in an annual Total Refining Margin per barrel of U.S.$3.60, U.S.$4.83 and U.S.$7.90 for the years ended December 31, 2002, 2003 and 2004, respectively. In addition, its technologically advanced refineries allow it to produce specialty products meeting specific regional standards for refined petroleum products, such as sulphur-free MK-1 diesel fuel, one of the most demanding traffic fuels to produce, for export to Sweden, and gasoline that meets California's strict environmental requirements. Furthermore, the Diesel Project, which is scheduled to be completed by the end of 2006, will allow Neste Oil to increase its utilization of lower cost, heavier and more sour crude oil, such as Russian Export Blend, and increase its production of higher value-added, sulphur-free diesel. In addition, the Diesel Project is anticipated to increase the refinery complexity of the Porvoo refinery from the current 10.4 to approximately 12.1 as measured by the Nelson Complexity Index while the average complexity of Western European refineries is approximately 7.6.
- *Flexible refining facilities and control of logistics chain.* The flexibility of Neste Oil's refineries and other production facilities, together with its blending capacity and control over its logistics chain for feedstocks and refined petroleum products, provides Neste Oil with significant flexibility in the use of feedstocks and enables it to adjust its product slate in accordance with prevailing product demand trends and specifications. Neste Oil has integrated shipping operations which provide logistics services for the supply of feedstocks to Neste Oil's refineries and for the transport of

refined petroleum products from the refineries to destinations in Finland, throughout the Baltic Rim area and internationally. Historically, slightly more than 50 percent of the Company's marine transportation revenues have been earned from third parties and the Company has enjoyed high utilization rates for its vessels. Neste Oil's modern fleet includes ice-classified, double-hull crude oil and refined petroleum product tankers to secure crude oil supply over winter months. The fleet also provides the Company with the capability to take advantage of global market opportunities for the sale of refined petroleum products. As a part of its logistics chain, Neste Oil operates extensive bedrock caverns and tank farms adjacent to the oil harbors at its refineries. The routes to these harbors are deep enabling the use of large vessels suitable for trans-Atlantic transport. Neste Oil also operates terminals elsewhere in Finland, Estonia, Latvia and St. Petersburg.

- *Good geographical location to benefit from increased crude oil flows from Russia.* Neste Oil's refineries, situated on the southern coast of Finland close to one of the principal export routes for Russian crude oil, are ideally located to benefit from the increasing Russian crude oil flows from Primorsk and other existing or potential export terminals located on the Baltic Sea. Recently, this benefit has been further enhanced by the increasing price difference between the Russian Export Blend and Brent crude oils.

- *Strong wholesale market position in Finland and Sweden.* Neste Oil is the only oil refiner in Finland and has a clear advantage in the supply of oil products to the Finnish market. The Company is the leading participant in the Finnish wholesale market, with a market share of approximately 81 percent in gasoline and approximately 93 percent in diesel in 2004. In addition, Neste Oil has a strong wholesale market position in Sweden with an approximately 25 percent share of the diesel fuel market, mainly resulting from its capacity to produce sulphur-free MK-1 diesel, and an approximately 20 percent share of the gasoline market in 2004.

- *Extensive retail presence in Finland and the Baltic Rim area.* Neste Oil is the market leader in the oil retail market and in direct sales to end-customers in Finland. The Company also has an extensive retail presence in the St. Petersburg area, Poland and the Baltic states. Neste Oil's network of retail outlets in Finland and the Baltic Rim area provides it with a natural extension of its refining operations and an important captive distribution channel for its refined petroleum products. The Company's position in retail distribution has also proven important in testing and creating markets for new products.

- *Advanced technology base.* Neste Oil's proprietary technologies combined with its engineering and project management capabilities can be used to maintain the advanced technological position of its refineries and to pursue the growing markets in biofuels within the European Union and in high performance base oils worldwide. Management believes that Neste Oil is well positioned to pursue growth opportunities in specialty product markets. The Company also possesses strong technological capabilities and market positions in the base oil and lubricant markets as well as established relationships with key customers, such as automobile manufacturers.

Business Strategy

By utilizing its key strengths, Neste Oil will seek to enhance further its position as a leading independent Northern European oil refining and marketing company focused on high-quality traffic fuels and other high value-added petroleum products with reduced environmental impact. Neste Oil seeks to achieve this goal by implementing the following business strategies:

- *Continue to focus on high-quality products.* The Company has a strong position in high-quality traffic fuels and other high value-added petroleum products due to its sophisticated refining assets and advanced technological capabilities. Neste Oil intends to continue to focus on the production of high-quality traffic fuels and other high value-added petroleum products and utilize its sophisticated refining facilities to take advantage of prevailing supply and demand trends in high-margin petroleum product markets.

- *Capture benefits of the Diesel Project.* Management expects that the Diesel Project will further enhance the Company's market position as a producer of high value-added petroleum products. This investment, currently budgeted at EUR 532 million and scheduled to be completed by the end of 2006, will allow Neste Oil to process greater volumes of lower cost, heavier and more sour crude oil and other feedstocks into higher margin products such as sulphur-free diesel fuel and largely eliminate the production of lower value-added heavy fuel oil, the demand for which has been decreasing. The Diesel Project will also give Neste Oil considerable flexibility in the use of varying qualities of crude oils from heavy and sour to light and sweet, and logistics benefits from increasing crude oil flows from Russia through the Baltic Sea. Management believes that these factors will result in an increase of at least U.S.$1 per barrel in the refining margin of the Neste Oil based on the assumptions used by management in 2003 at the time of the investment decision regarding the Diesel Project.

- *Continue to pursue attractive growth opportunities in specialty petroleum product markets.* Management believes that Neste Oil can continue to develop sustainable growth by investing in the increased production of base oils, biofuels and traffic fuel components. For example, Neste Oil is currently constructing a biodiesel production unit at the Porvoo refinery site using its proprietary technology. The biodiesel production unit is scheduled to be completed in 2007 and is currently budgeted at EUR 94 million. Neste Oil is also increasing its base oil production capacity at the Porvoo refinery and has a 50 percent ownership interest in the world's first major stand-alone iso-octane production facility in Edmonton, Canada, applying Neste Oil's own technology. In addition, Neste Oil has converted its MTBE plants in Porvoo and in Sines, Portugal, into ETBE production facilities and in 2004, exported 227,000 tons of biogasoline from Porvoo to Germany. Finally, Neste Oil may consider potential new investment opportunities in base oil production.

- *Maintain strong wholesale and retail market shares in Finland and take advantage of attractive growth prospects in the Baltic Rim area.* Neste Oil will seek to maintain its strong oil wholesale and retail market shares in Finland, partly through a strategic partnership with Kesko, Finland's largest wholesaler of consumer goods, while also seeking to maintain the profitability of its business in Finland. In addition, Neste Oil will seek to take advantage of attractive growth prospects in the Baltic Rim area by currently focusing on cost-effective unmanned stations. Neste Oil's current plans for new retail stations in the Baltic Rim area are mainly focused on the St. Petersburg area and Poland.

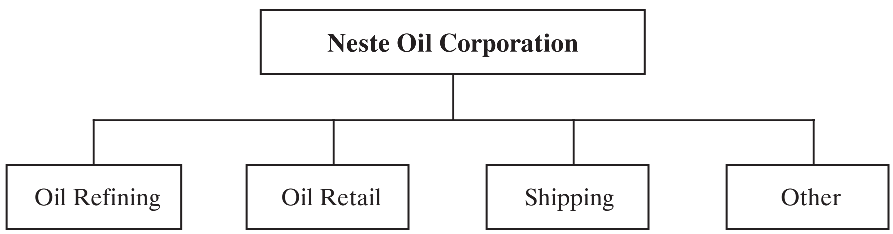
- *Effectively utilize its own logistics chain.* The Company views its shipping fleet as being important for the supply of crude oils and other feedstocks to its refineries and for the exploitation of export opportunities. As such, the Company continuously seeks to maintain the high quality of its shipping fleet, for example, by ordering two time-chartered Panamax-sized (75,000 dwt) tankers in 2004 for delivery in 2006 and 2007 and by selling older vessels from time to time.

- *Consider potential non-organic growth opportunities.* The Company may consider future acquisition opportunities that are consistent with the Company's strategy and core competences outlined above. Subject to the foregoing, the Company may also from time to time consider opportunities for mergers, strategic partnerships or other corporate transactions. In considering any potential acquisition opportunities, the Company will place particular emphasis on the projected returns on the investment and the impact on the Company's earnings and cash flows per share. The Company only expects to consider potential acquisition opportunities that are consistent with its strategy as a focused Northern European refining and marketing company or that strengthen its position as one of the world leaders in selected components for lubricants and traffic fuels.

The business strategy of Neste Oil is supported by currently favorable oil supply trends in neighboring areas and by global refining market trends, such as a growing demand for refined petroleum products, especially high-quality transportation fuels, and the limited construction of additional global refining capacity in recent decades. These trends have resulted in tightened supply and demand balances in the oil refining industry. Increasing regional product imbalances have also resulted in price arbitrage between different geographical markets and created attractive opportunities for export sales of petroleum products.

Description of Operations by Segment

Neste Oil's operations are divided into four divisions, which include Oil Refining, Components, Oil Retail and Shipping. For external financial reporting purposes, Neste Oil's operating divisions and other functions are grouped into four segments: Oil Refining, Oil Retail, Shipping and Other. The Oil Refining segment is comprised of two separate divisions, Oil Refining and Components. The following chart represents the current financial reporting structure of Neste Oil.



Oil Refining

General

The Oil Refining segment of Neste Oil focuses on the development, refining and marketing of high value-added traffic fuels, such as sulphur-free gasolines and diesel fuels. The Oil Refining segment is comprised of two separate divisions, Oil Refining and Components. Its extensive product range includes gasolines, diesel fuels, aviation fuels, marine fuels, heating oils, heavy fuel oils, traffic fuel components (such as ETBE and iso-octane), polyalphaolefin ("PAO"), enhanced high viscosity index ("EHVI") base oils, specialty fuel products, solvents, LPGs and bitumen. The main products of Neste Oil are traffic fuels and heating oils. The Oil Refining division focuses on refining crude oil and other feedstocks into high-quality traffic fuels and other high value-added petroleum products. The focus of the Components division is on the production of base-oils and traffic fuel components, such as iso-octane and biofuels.

Neste Oil emphasizes the utilization of the capabilities and capacity of its refining assets and seeks to benefit from the strategic location of its refineries relative to its export markets, especially in the Baltic Rim area. Outside the Baltic Rim area, especially in the east coast of Sweden and North America, Neste Oil produces customized products that meet the stringent local environmental specifications of the relevant markets as well as advanced fuel and lubricant components. To advance its strategic focus on high-quality products, Neste Oil is currently in the process of upgrading its Porvoo refinery. Although not increasing the total capacity of the refinery, the Diesel Project is expected to increase Porvoo's capacity to convert heavy fuel oil into sulphur-free diesel fuel.

The following table sets forth certain financial information under Finnish GAAP and certain statistical data relating to the Oil Refining segment for the years ended December 31, 2002, 2003 and 2004.

	For the year ended December 31,		
	2002	**2003**	**2004**
	(EUR in millions, except for personnel data, production volume and refining margin)		
Net sales[(1)]	5,704	5,693	6,306
Operating profit	195	281	573
Net assets	1,090	1,003	1,266
Investments	114	97	200
Average number of employees	2,706	2,707	2,608
Refinery product deliveries, thousands of tons	13,040	13,391	13,609
Total Refining Margin, U.S.$/bbl	3.60	4.83	7.90

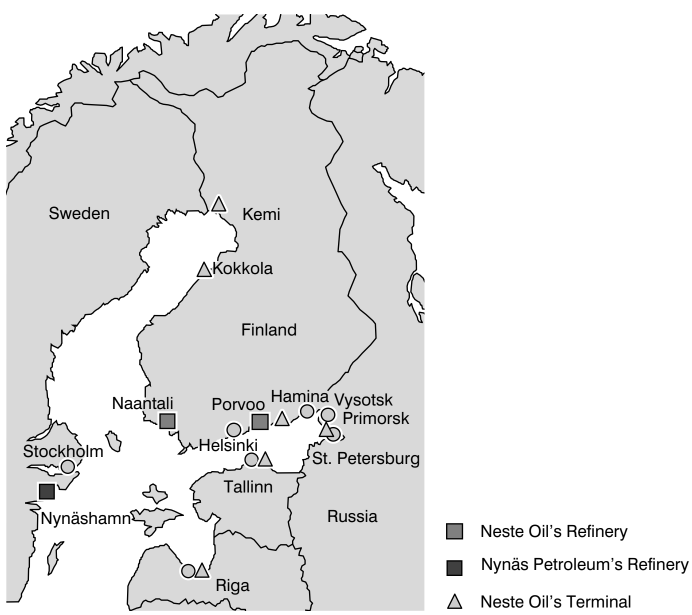
(1) Net sales for the Oil Refining segment include sales revenues from actual operations and exchange rate differences on trade receivables, less discounts, indirect taxes such as value-added tax and excise tax payable by the manufacturer and statutory minimum oil stock fees.

Facilities

General

Neste Oil owns and operates the only two oil refineries in Finland, located in Porvoo on the southern coast and Naantali on the southwestern coast of Finland. The total combined atmospheric distillation capacity of these refineries is approximately 12.5 million tons (250,000 bdp) per annum. In 2004, the total refinery feed of the Porvoo and Naantali refineries amounted to 14.1 million tons (approximately 282,000 bpd), of which 13.5 million tons of crude oil and other feedstocks were used for processing and 0.6 million tons of components were used for blending. In 2004, Neste Oil's deliveries of refined petroleum products from its Porvoo and Naantali refineries amounted to 13.6 million tons.

The following map sets forth the locations of Neste Oil's refineries and oil terminals and Nynäs Petroleum's Nynäshamn refinery.



The Porvoo and Naantali refineries have benefited from continuous maintenance and improvement. From 2000 through 2004, total investments in the two refineries amounted to approximately EUR 490 million of which EUR 123 million related to the Diesel Project, the upgrade of the Porvoo refinery. Both of the refineries have historically been shut down for scheduled maintenance every four years. Going forward, the refineries are scheduled to be shut down every four to six years. The next scheduled maintenance shutdown for the Porvoo refinery is during the third quarter of 2005 and for the Naantali refinery during the second quarter of 2006. The average duration of such shutdowns has been from five to six weeks. Management estimates that the scheduled maintenance shutdown for the Porvoo refinery in 2005 will decrease Neste Oil's annual production volume of refined petroleum products by ten percent and for the Naantali refinery in 2006 by two percent, respectively.

The following table sets forth the timing of the historical and anticipated future shutdowns for scheduled maintenance from 1992 through 2011.

Refinery	Timing of shutdowns for scheduled maintenance(1)				
Porvoo	Q3/1993	Q3/1997	Q2/2001	Q3/2005(2)	Q2/2010
Naantali	Q2/1992	Q2/1996	Q3/2000	Q2/2006	Q2/2011

(1) The timing of the shutdowns for scheduled maintenance is indicated as a calendar quarter of a relevant year in which most of the shutdown period of the relevant refinery took or is expected to take place.

(2) Preparations relating to the Diesel Project will be carried out during the scheduled shutdown in 2005. The completion of the Diesel Project will not require additional shutdowns.

The costs for scheduled maintenance shutdowns have historically been between EUR 45 million and EUR 50 million for the Porvoo refinery and between EUR 20 million and EUR 25 million for the Naantali refinery.

The Porvoo and Naantali refineries are supported by advanced logistics infrastructures. Both refineries are located at harbors and have railway links to the Russian railway network through the Finnish railway network. Neste Oil owns and operates the oil harbors at both the Porvoo and Naantali refineries. The oil harbors are utilized for the import, export and distribution of crude oil, feedstocks and chemicals and for the distribution and export of refined petroleum products. As a part of its logistics chain in Finland, Neste Oil also owns and operates terminals in Hamina, Kemi and Kokkola and cooperates with other oil companies for terminal services in other parts of Finland. Neste Oil's terminals in the Baltic Rim area are operated by the Oil Retail segment. The opening of the Primorsk crude oil harbor close to the Finnish border in 2001 provided an important source of feedstocks for the refineries.

Due to the same rail-width standard in both Finland and Russia, the railway links allow for cost-efficient importation of Russian crude oil and other feedstocks from locations outside of the reach of the Russian pipeline system. In 2004, Neste Oil transported approximately 1.5 million tons of crude oil and other feedstocks from Russia by rail. The choice between maritime and rail transportation of crude oil and other feedstocks is made on the basis of the prevailing economics and quality of a particular cargo. For example, rail transportation is used when it is beneficial for Neste Oil to segregate higher quality crude oil from other qualities or where the tariffs are attractive at any particular time.

Neste Oil utilizes extensive storage facilities at the Porvoo refinery, including 24 bedrock caverns with a total storage capacity of 5.6 million cubic meters and an oil storage tank farm with a total storage capacity of 1.6 million cubic meters. Neste Oil also uses one underground cavern and an oil storage tank farm at the Naantali refinery.

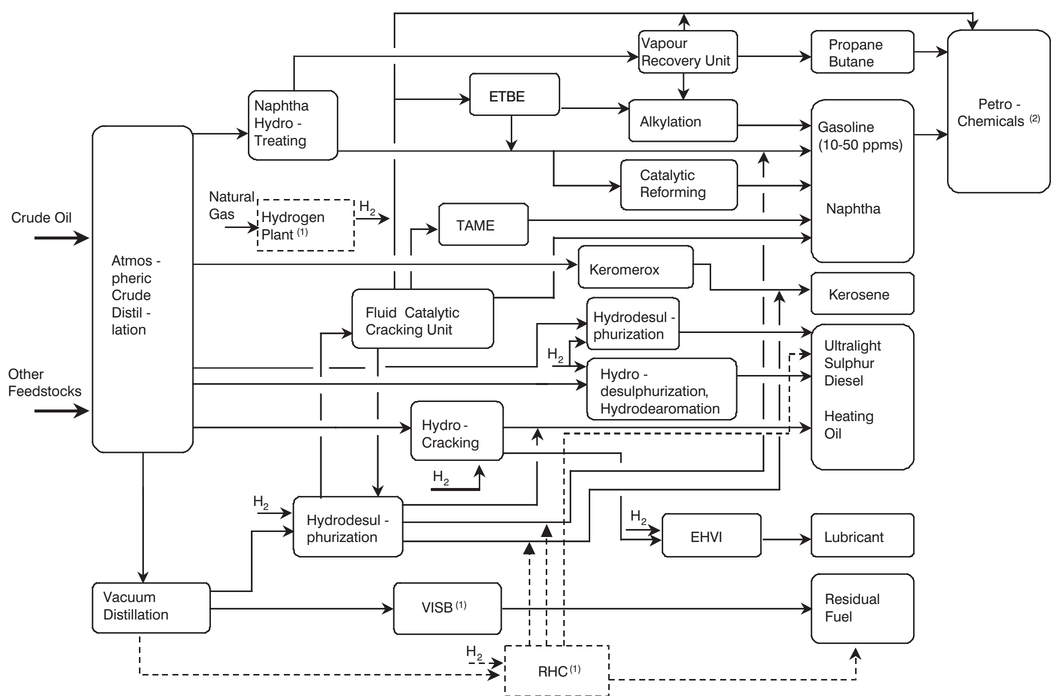
The oil harbor at Porvoo is the busiest harbor in Finland, measured by annual volume of shipments, and the harbor and its approach route are up to 15.3 meters deep, allowing the harbor to accommodate fully loaded vessels of up to 160,000 cargo tons. Furthermore, since the depth of the oil harbor at Porvoo is equal to the Danish straits, it can accommodate any vessel that is capable of passage between the North

Sea and the Baltic Sea. The Finnish Maritime Administration and the City of Naantali have decided to deepen the oil harbor and its approach route at Naantali from 13.0 meters to 15.3 meters, which is currently expected to take place in 2006.

Porvoo Refinery

The Porvoo refinery has been in operation since the mid-1960s and is Neste Oil's principal refinery. The refinery refines primarily gasolines, diesel fuels, aviation fuels, heating oil, heavy fuel oil, naphtha, base oils and LPGs. The Porvoo refinery is a highly-automated and modern facility and includes a crude oil distillation unit, a hydrocracker unit, a hydrogen plant, a reformer unit, an FCC unit, an alkylation unit and aromatic extraction unit and a sulphur recovery unit. The Porvoo refinery has an annual atmospheric distillation capacity of approximately 9.8 million tons per annum (196,000 bpd).

The following chart sets forth the refining process of crude oil and other feedstocks into refined petroleum products at the Porvoo refinery. For further information on the refining process, see "Industry Overview—Oil Refining Industry—Overview of Refining Process."



(1) As a result of the Diesel Project, the viscosity breaker ("VISB") will be replaced with a heavy residue hydrocracking ("RHC") unit and the hydrogen plant with a new hydrogen unit.

(2) The petrochemicals units are a fully-integrated petrochemical complex owned and operated by Borealis Polymers Oy and some smaller petrochemical refiners.

The following table sets forth the main process units of Porvoo refinery, their current capacities, licensors and process designers, start-up years and years of major modifications.

Fluid Process Units	**Current capacity**	**Licensor/ Process Designer**	**Start-Up Year**	**Year of Major Modifications**
	(bpd, except for hydrogen plants)[(1)]			
Atmospheric Crude Distillation	196,000	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 Catalyst Regeneration	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
RHC[(2)]	41,800	ChevronLummus	2006	
MHC[(2)]	33,500	ChevronLummus	2006	
New Hydrogen Plant[(2)], thousands of standard cubic feet per day	118,385	Uhde GmbH	2006	

(1) Current capacity calculated on a per stream day basis except for atmospheric crude distillation, which is calculated on a per calendar day basis.

(2) These new units will be commissioned in connection with the Diesel Project.

The steam and electricity consumed by the Porvoo refinery and third party companies operating on the site, such as Borealis Polymers Oy, is produced and generated by the combined heat and power ("CHP") plant owned by Neste Oil. The CHP plant has a steam production capacity of 580 tons per hour and an annual capacity of 190 MW for electric power generation. From time to time, steam and energy is sold to or procured from third parties. In addition, Neste Oil procures natural gas for the Porvoo refinery from Gasum Oy and nitrogen from Oy AGA Ab. The Porvoo refinery has its own water treatment plant.

The Porvoo refinery is one of the most sophisticated and efficient refineries in Europe, with an ability to produce a wide range of high-quality refined petroleum products. International benchmarking studies, such as Fuels Refineries Performance Analysis of Solomon Associates, Inc., have cited Porvoo as one of the highest-margin refineries in Europe.

Diesel Project

In September 2003, Neste Oil made its investment decision regarding the Diesel Project, which is currently budgeted to result in a total cost of EUR 532 million, in order to take advantage of the then emerging supply and demand trends and to improve the financial performance of the Porvoo refinery. The Diesel Project includes the installation of a heavy residue hydrocracking unit and hydrogen production unit. Both of these units are based on technologies which are already proven and tested at other production sites. The Diesel Project is anticipated to increase the refinery complexity of the Porvoo refinery from the current 10.4 to approximately 12.1 as measured by the Nelson Complexity Index. The average complexity of Western European refineries is approximately 7.6 as measured by the Nelson Complexity Index.

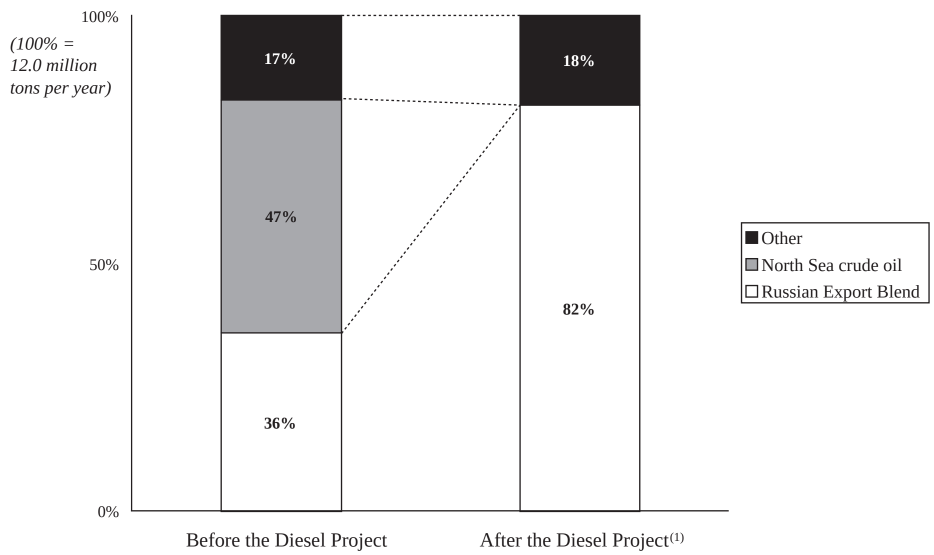
Of the total budgeted cost of Neste Oil's investment in the Diesel Project, approximately EUR 108 million was invested in 2004 and approximately EUR 15 million in 2003. The budgeted cost of the investment for the year 2005 is EUR 300 million and for the year 2006 EUR 109 million. The Diesel Project is scheduled to be completed by the end of 2006. Management estimates that, once completed, the Diesel Project will increase the annual operating and maintenance costs of Neste Oil by approximately EUR 14 million to EUR 15 million.

Key Drivers behind the Diesel Project

Historically, the lighter North Sea crude oils have been one of the principal feedstocks of the Porvoo refinery. However, the production of Russian Export Blend crude oil has increased significantly in recent years while the production of North Sea crude oil has been in decline. Production of heavier and more sour crude oil in other regions has also increased. This has resulted in an increased price difference between the lower cost, more sour and heavier Russian Export Blend crude oil and the higher cost North Sea crude oils. The Porvoo refinery, situated on the southern coast of Finland close to one of the principal export routes for Russian crude oil, is ideally located to benefit from the increasing crude oil flows from the Primorsk crude oil harbor in Russia. At the same time, stricter petroleum product specifications across Europe, the United States and most of Asia have resulted in greater price differentials between lighter and higher quality refined petroleum products such as sulphur-free gasoline and diesel fuel and decreased demand for heavy fuel oil and heating oil. For further information on the oil refining industry trends behind the Diesel Project, see "Industry Overview—Oil Refining Industry—Industry Trends."

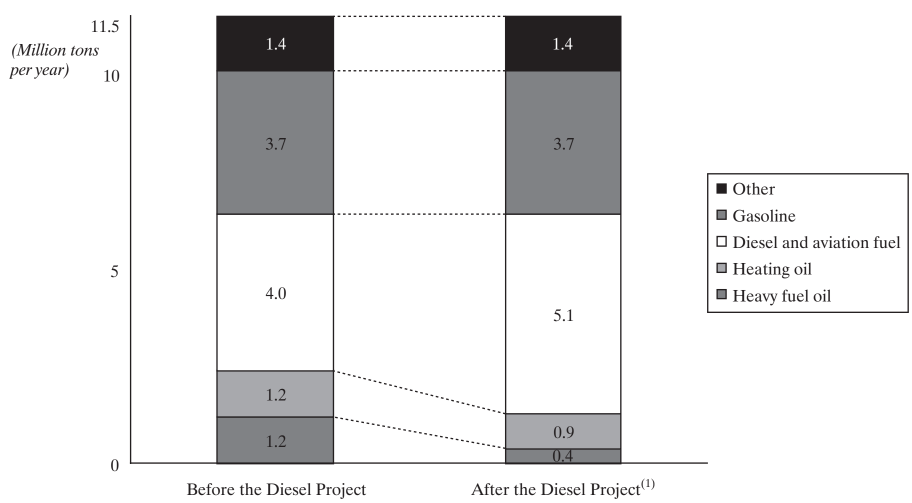
The Diesel Project is anticipated to increase the Porvoo refinery's production capacity of sulphur-free diesel fuel and aviation fuel by more than one million tons per year from 4.0 million tons to 5.1 million tons while reducing its heavy fuel oil production. Also, as a result of the Diesel Project, Neste Oil will be able to eliminate the need to purchase higher cost, lighter crude oils for the Porvoo refinery although the refinery will remain able to refine these crude oil qualities if necessary or advantageous to do so. Although the Diesel Project will not increase the total capacity of the Porvoo refinery, several units, such as cooling systems, will be significantly expanded to facilitate possible future increases in total refining capacity. By exploiting price differentials in feedstock supplies and the difference in value between traffic and aviation fuels on the one hand and heavy fuel oil on the other, the project is expected to increase Neste Oil's Total Refining Margin by at least an incremental U.S.$1 per barrel based upon assumptions used in 2003 when the investment in the Diesel Project was approved, including that Russian Export Blend will be U.S.$2.50 per barrel cheaper than Brent crude oil on a CIF Porvoo basis; that the price differential between diesel and heavy fuel oil will be U.S.$95 per ton on a CIF ARA basis; and that the annual operating and maintenance costs associated with Neste Oil's refining operations will increase by approximately EUR 14 million to EUR 15 million.

The following chart sets forth the typical composition of crude oil and other feedstock sourcing of the Porvoo refinery before the investment decision regarding the Diesel Project was made in 2003 and the expected crude oil sourcing after completion of the Diesel Project.



(1) The actual composition of Neste Oil's crude oil sourcing may from time to time differ from this estimate depending on market and other conditions outside the control of Neste Oil.

The following chart sets forth the typical product mix of the Porvoo refinery before the investment decision regarding the Diesel Project was made in 2003 and the expected product mix after completion of the Diesel Project.

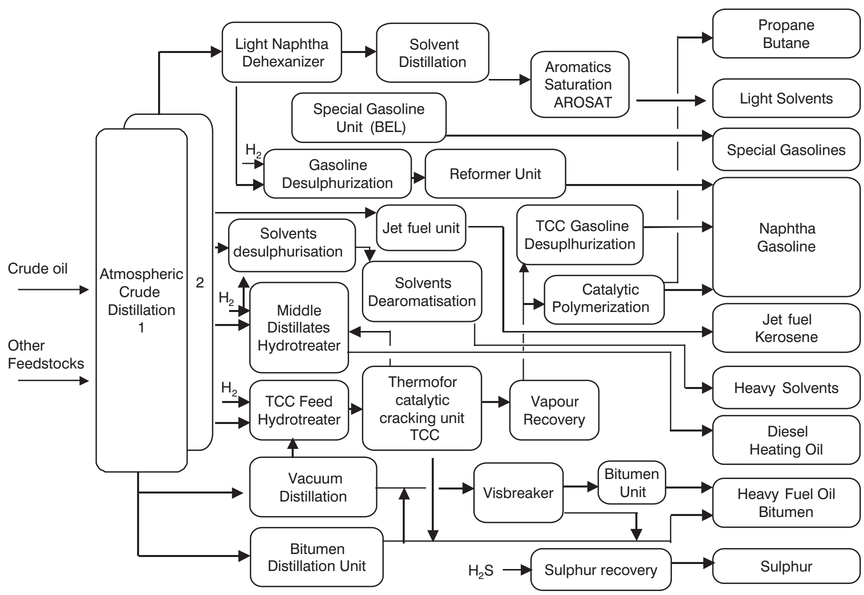


(1) The actual product mix of Neste Oil may from time to time differ from this estimate depending on market and other conditions outside the control of Neste Oil.

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 includes a crude oil distillation unit, a cracking unit, a reformer unit, an isomerization unit, aromatic extraction unit and a sulphur recovery unit. The Naantali refinery has an annual atmospheric distillation capacity of approximately 2.7 million tons per annum (54,000 bpd). The refinery complexity of the Naantali refinery is 7.1 as measured by the Nelson Complexity Index.

The following chart sets forth the refining process of crude oil and other feedstocks into refined petroleum products at Naantali refinery. For further information on the refining process, see "Industry Overview—Oil Refining Industry—Overview of Refining Process."



The following table sets forth the main process units of Naantali refinery, their current capacities, licensors and process designer, start-up years and years of major modifications.

Process units	Current capacity, bpd(1)	Licensor/ process designer	Start-up year	Year of major modifications
Crude Distillation (Unit 1)	26,900	Lummus	1957	1996
Crude Distillation (Unit 2)	26,900	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	
Thermofor 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	

(1) Current capacity calculated on a per stream day basis except for atmospheric crude distillation, which is calculated on a per calendar day basis.

With respect to utilities, the Naantali Refinery procures its steam requirements from Fortum Power and Heat Oy and electricity from Fortum Sähkönsiirto Oy, both subsidiaries of Fortum Corporation, nitrogen from Oy AGA Ab and water treatment from the Raisio-Naantali Joint Municipal Authority.

Nynäs Petroleum

Neste Oil owns 49.99 percent of Nynäs Petroleum, a Swedish company that specializes in producing and marketing bitumen in Europe and naphthenic base oils on a global basis. The remaining 50.01 percent of Nynäs Petroleum is owned by PDV Europa B.V. ("PDV Europa"), a subsidiary of the Venezuelan national oil company, Petróleos de Venezuela S.A.

Although PDV Europa owns a majority of the total share capital, some of the shares owned by it carry no voting rights and, thus, Nynäs Petroleum is governed as a 50/50 owned joint venture. Pursuant to a shareholders agreement between PDV Europa and Neste Oil, each shareholder has a right of first refusal to any shares that the other other shareholder plans to sell or transfer. In case of an unsolvable dispute between the shareholders, either party may invoke a share sale and purchase process, whereby the invoking party has the obligation to sell its shares and the other party has an option to buy such shares at the price set by the invoking party. If the other party does not use its option, the invoking party has the obligation to buy the shares of the other party at the same price.

Nynäs Petroleum is one of the largest bitumen suppliers in Europe and one the leading producers of naphthenics in the world. Nynäs Petroleum owns two smaller bitumen refineries in Sweden as well as one wholly-owned and one 50 percent owned bitumen refinery in the United Kingdom. The configurations of the refineries are oriented towards refining certain dual-purpose crude oil qualities from Venezuela to produce both bitumen and naphthenics. Thus, limitations in deliveries of these crude oil qualities, such as the production restrictions in 2003 due to the general strike in Venezuela, could have a material negative effect on the business, financial condition and results of operations of Nynäs Petroleum.

In addition to marketing its own bitumen production, Nynäs Petroleum has entered into partnership agreements with several refineries and refining companies, such as Three Rivers refinery, Texas, owned by Valero L.P.; Isla refinery in Curacao, the Netherlands Antilles, operated by Petróleos de Venezuela S.A.; as well as Antwerp refinery, Belgium, and Cressier refinery, Switzerland, each owned and operated by Petroplus International NV. In addition, Nynäs Petroleum owns 60 percent of a polymerized bitumen plant joint venture in Panjin, China. These partnerships allow Nynäs to have long-term off-take agreements for naphthenics and bitumen products.

In June 2003, Neste Oil sold its bitumen sales and marketing business to Nynas Oy, the Finnish subsidiary of Nynäs Petroleum. In connection with this transaction, the parties entered into a bitumen supply agreement pursuant to which Nynas Oy shall purchase bitumen from Neste Oil. The purchased volumes are agreed separately for each year. The supply agreement was entered into on commercial arm's length terms. In 2004, Neste Oil sold approximately 300,000 tons of bitumen and other similar products to Nynas Oy and Nynäs Petroleum.

Certain operations of Nynäs Petroleum are currently subject to investigations of the EU and Swedish competition authorities, see "—Litigation."

Components Production Facilities

Neste Oil owns in Sines, Portugal, an ETBE plant, which is a former MTBE plant and has an annual production capacity of approximately 50,000 tons. Neste Oil also has a 50 percent ownership interest in the world's first major stand-alone iso-octane plant in Edmonton, Canada, with annual production capacity of approximately 530,000 tons. Due to the ban on the use of MTBE in California and other states in the United States, Neste Oil and ChevronTexaco, joint owners of the Edmonton plant, converted the MTBE plant to an iso-octane facility. The plant is based on the proprietary NExOCTANE technology of Neste Oil for the production of high-octane gasoline components. Most of the iso-octane produced at the Edmonton plant is sold to the Californian fuel market. Furthermore, Neste Oil has a ten percent shareholding in The Saudi European Petrochemical Company Ibn Zahr, which has annual MTBE production capacity of approximately 1,580,000 tons and polypropylene production units with annual production capacity of approximately 700,000 tons in Al-Jubail, Saudi Arabia, and may divest this shareholding in the near future. Neste Oil also has a wholly-owned base oil production facility in Beringen, Belgium, producing PAO with annual production capacity of approximately 50,000 tons.

Neste Oil is currently constructing a biodiesel production unit at the Porvoo refinery site using its proprietary technology. The annual production capacity of the biodiesel production unit is expected to be approximately 170,000 tons. The new unit will enable Neste Oil to refine high-quality biodiesel from more flexible feedstocks, such as palm oil and tallow, and utilize the existing refinery infrastructure at the Porvoo refinery. The biodiesel production unit is scheduled to be completed during the first half of 2007 and its total cost is currently budgeted at EUR 94 million. The success of the Company's biodiesel investment is dependent upon a number of factors, including the availability of and the prices for feedstocks as well as the availability of fuel tax exemptions from which biodiesel currently benefits.

Feedstocks and Products

In order to optimize its refining operations, Neste Oil has diversified the types of feedstocks supplied to the refineries, with materials such as naphtha, condensates, vacuum gasoil and atmospheric residual fuels supplied in varying volumes.

The following table sets forth the volumes of different qualities of feedstocks and products of Neste Oil and their percentages of total feedstocks and production of Neste Oil for the years ended December 31, 2002, 2003 and 2004.

	For the year ended December 31,			For the year ended December 31,		
	2002	2003	2004	2002	2003	2004
	(thousands of tons)			(% of total)		
Feedstocks						
Crude oil						
Sweet crude oils	5,966	4,518	2,943	44.2	31.9	20.8
of which Light	2,807	2,057	1,427	20.8	14.5	10.1
of which Medium	3,159	2,462	1,516	23.4	17.4	10.7
Sour crude oils	5,034	6,358	8,171	37.3	44.9	57.8
of which Light	580	786	1,389	4.3	5.6	9.8
of which Medium	4,454	5,572	6,782	33.0	39.4	48.0
Total crude oils	11,000	10,876	11,114	81.5	76.8	78.6
Other feedstocks(1)	2,097	2,380	2,729	15.5	16.8	19.3
Total feedstocks procurement	13,096	13,256	13,844	97.0	93.7	98.9
Total refinery feed(2)	13,493	14,154	14,141	100.0	100.0	100.0
Production						
Gasolines	4,459	4,427	4,426	33.0	31.3	31.3
Diesel fuels	3,641	3,777	4,220	27.0	26.7	29.8
Aviation fuels	602	541	652	4.5	3.8	4.6
Heating oils	1,411	1,622	1,265	10.5	11.5	8.9
Heavy fuel oils	1,200	1,222	1,130	8.9	8.6	8.0
Other petroleum products(3)(4)	2,180	2,564	2,448	16.2	18.1	17.3
Total production	13,493	14,154	14,141	100.0	100.0	100.0

(1) Excluding blending components.

(2) Including blending components.

(3) In 2004, Neste Oil produced 250,300 tons of base oils, 109,300 tons of solvents, 266,000 tons of naphtha, 355,000 tons of LPGs and 353,000 tons of bitumen.

(4) Including the fuel used by the refineries and the refinery losses.

The following table sets forth the volumes and geographic origins of crude oil used by Neste Oil's refineries and the total volumes of condensates and other feedstocks and their percentage of total procurement used by Neste Oil in its operations for the years ended December 31, 2002, 2003 and 2004.

	For the year ended December 31,			For the year ended December 31,		
	2002	2003	2004	2002	2003	2004
	(thousands of tons)			(% of total)		
Crude oil						
Former Soviet Union	6,014	7,539	8,992	45.9	56.9	65.0
of which Russian Export Blend	3,432	4,299	6,045	26.2	32.4	43.7
of which from Primorsk	1,774	3,145	5,765	13.5	23.7	41.6
Denmark(1)	2,882	2,183	1,496	22.0	16.5	10.8
Norway(2)	2,031	910	386	15.5	6.9	2.8
United Kingdom(3)	73	245	240	0.6	1.8	1.7
Total crude oil procurement	11,000	10,876	11,114	77.1	82.0	80.3
Condensates(4)	1,001	1,087	1,198	7.6	8.2	8.6
Other feedstocks(4)(5)	1,096	1,293	1,531	8.3	9.8	11.1
Total procurement(5)	13,096	13,256	13,844	100.0	100.0	100.0

(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.

Neste Oil procures most of its crude oil and other feedstocks from Russia and other countries in the former Soviet Union due to their lower cost and the logistical advantages offered by the geographical location of its refineries. The Primorsk crude oil harbor in Russia is located close to the Finnish border and is Neste Oil's most important source of crude oil. Neste Oil is able to utilize the proximity of Primorsk throughout the year by using its ice-classified, double-hulled crude oil fleet. Transneft, a state-controlled Russian company controlling the crude oil pipeline system, has increased the throughput of the Primorsk crude oil harbor from the starting level of 12 million tons in 2001 to 50 million tons in 2004. In addition, some quantities of crude oil and other feedstocks are imported from the Vysotsk oil harbor, which is located in Russia close to the Finnish border. The Vysotsk oil harbor is not connected to the Russian pipeline system and crude oil is transported to the harbor by rail. This enables procurement of certain higher quality Russian crude oils through Vysotsk since these qualities are not mixed with other crude oil qualities that result in the Russian Export Blend transported in the Russian pipeline system. Neste Oil also procures crude oil and other feedstocks from Russia directly by rail and from other terminals in the Baltic Rim area as well as from other countries in Northwestern Europe. After completion of the Diesel Project, the Porvoo refinery will be able to utilize crude oil and other feedstocks from Russia as its sole feedstock while being also able to use crude oil and feedstock qualities from other sources if necessary or advantageous to do so.

The Components division of the Oil Refining segment focuses on serving the rapidly growing markets for traffic fuel components. Its main products include iso-octane, ETBE, PAO, EHVI base oils and biodiesel. The sole feedstock and the most significant cost factor for iso-octane production is butane. In iso-octane production, butane is typically refined to iso-octane, a more valuable form which is transferable at lower cost, at locations where butane is available with competitive terms. Butane is also the main feedstock for MTBE and ETBE production, where these ethers are produced from isobutylene and certain alcohol, which is methanol in MTBE and ethanol in ETBE production. In the PAO production, the main feedstock is decene, which is produced from ethylene by the petrochemical industry. EHVI products are crude oil based as their feedstocks are refinery hydrocracker fractions and biodiesel is derived from organic materials, such as vegetable oils and animal fat.

In 2004, Neste Oil procured approximately 65 percent of its crude oil and other feedstocks under annually renegotiated term contracts and 35 percent on a spot basis. The pricing under the term contracts is based on the market prices in a certain timeframe around the bill of lading date. The purchase price is paid once the procured crude oil and other feedstocks are discharged at their destination. Neste Oil's largest suppliers of crude oil and other feedstocks are major Russian oil companies which together accounted for 40 percent of Neste Oil's total crude oil procurement in 2004. Currently, the total supply by any of these companies alone does not represent more than 25 percent of Neste Oil's total procurement of crude oil and other feedstocks. However, after completion of the Diesel Project, the relative shares of the major Russian oil companies of the total procurement of Neste Oil's feedstock needs are likely to increase as a result of the increased use of Russian crude oil and other feedstocks. See "—Facilities—Porvoo Refinery" above.

The high-quality traffic fuel and lubricant components produced by the Components division are mainly based on Neste Oil's know-how and proprietary technologies. Some of the gasoline components produced, such as ETBE and TAME, are used in Neste Oil's own reformulated gasolines to improve gasoline combustion and reduce harmful emissions. Neste Oil is currently one of the world leaders in selected components for traffic fuels and lubricants, such as iso-octane and high-quality base oils. Management may seek opportunities to expand Neste Oil's production capacity for such selected components. Most of the iso-octane produced is sold in California. Base oils are produced for standard and synthetic lubricants. PAO is the high-end component of synthetic lubricants which Neste Oil produced approximately 48,000 tons in 2004 at its Beringen facility. Neste Oil also produces annually approximately 160,000 tons of EHVI base oils at the Porvoo refinery. EHVI base oils are used as a base oil of some of Neste Oil's own lubricants and are also sold on the international markets as a feedstock for lubricant blending.

Neste Oil is also one of the leading producers of solvents and specialty fuels in the Nordic countries. Solvents produced by Neste Oil are sulphur-free and benzene-free, with certain varieties also being aromatic-free. Specialty fuel products include aviation fuels, small engine fuels and a specialty sulphur-free heating oil.

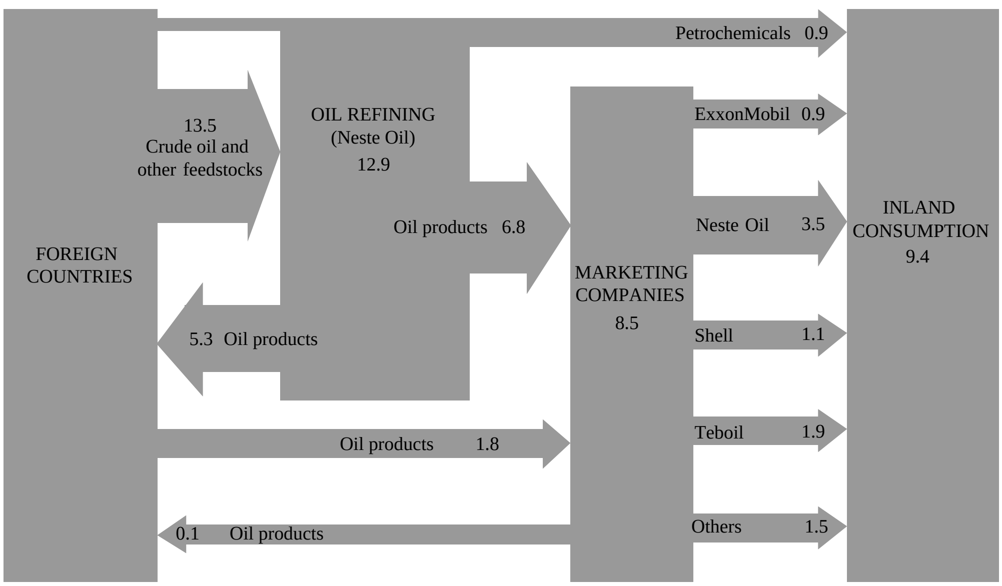
Neste Oil owns 49.99 percent of Nynäs Petroleum, a Swedish company that specializes in producing and marketing bitumen in Europe and naphthenics for the global market. In Finland, Nynas Oy, a subsidiary of Nynäs Petroleum, is the market leader for both road and industrial bitumens. In 2004, Nynäs Petroleum sold approximately 2.6 million tons of bitumen, 686,000 tons of naphthenics and 454,000 tons of fuels. See "—Facilities—Nynäs Petroleum" above.

Markets and Distribution

General

In addition to its retail operations, Neste Oil conducts wholesale distribution of refined petroleum products in Finland and internationally. Wholesale customers of Neste Oil include major oil companies, with sales made on a spot basis as well as pursuant to term contracts that are typically for one year and renegotiated annually.

The following chart sets forth in a simplified manner the flow of crude oil and refined petroleum products between the international oil markets, Finnish refining and marketing companies and domestic consumption in millions of tons per annum for the year ended on December 31, 2004. In addition to the flows described below, approximately 0.9 million tons of refined petroleum products was used as bunker fuel of the tanker vessels transporting crude oil and refined petroleum products and approximately 0.6 million tons was used by the Porvoo and Naantali refineries of Neste Oil.



Source: Finnish Oil & Gas Federation.

The following table sets forth the delivery volumes of Neste Oil's refined petroleum products by geographic area for the years ended December 31, 2002, 2003 and 2004.

	For the year ended December 31,		
	2002	2003	2004
	(thousands of tons)		
Finland			
Gasoline[1]	1,829	1,634	1,645
Diesel fuel[2]	1,715	1,714	2,342
Other petroleum products	4,301	4,541	4,314
Total, Finland	7,845	7,889	8,301
Other Nordic countries			
Gasoline	876	740	892
Diesel fuel	900	977	876
Other petroleum products	206	204	381
Total, other Nordic countries	1,982	1,921	2,149
Baltic states and Russia			
Gasoline	19	45	91
Diesel fuel	9	1	0
Other petroleum products	13	16	9
Total, Baltic states and Russia	41	62	100
North America			
Gasoline	1,276	1,252	1,239
Diesel fuel	0	0	10
Other petroleum products	0	0	11
Total, North America	1,276	1,252	1,260
Other countries			
Gasoline	602	802	513
Diesel fuel	1,001	1,162	867
Other petroleum products	293	303	419
Total, other countries	1,896	2,267	1,799
Total	13,040	13,391	13,609

(1) Approximately 568,000 tons, 548,000 tons and 525,000 tons of gasoline refined by Neste Oil was sold through Neste Oil's own retail and direct sales network in 2002, 2003 and 2004, respectively.

(2) Approximately 848,000 tons, 919,000 tons and 962,000 tons of diesel fuels refined by Neste Oil was sold through Neste Oil's own retail and direct sales network in 2002, 2003 and 2004, respectively.

Finland

In Finland, Neste Oil had an approximately 81 percent share of the wholesale market for refined petroleum products in 2004. Principal products sold to wholesale customers include sulphur-free gasolines and diesel fuel, marine and aviation fuels, heating oil, heavy fuel oil, LPGs and solvents. Neste Oil's wholesale customers include to a varying degree most of the oil companies operating in Finland, including ExxonMobil, Shell, Teboil and North European Oil Trade Oy, a joint supply company of the Finnish oil retail chains ABC and Station 1. Supply agreements with such wholesale customers are typically term contracts for one year. In 2004, 26 percent of Neste Oil's total production was sold through its own retail and direct sales network. Delivery terms for its own network are generally the same as those for other customers. Most of the products are sold through Neste Oil's own product terminals in Porvoo, Naantali, Kokkola and Kemi. The coastal transportation of the products between Neste Oil's terminals is carried out by the Shipping division of Neste Oil.

Sweden

In Sweden, Neste Oil had an approximately 20 percent share of the gasoline and 25 percent share of the diesel fuel market in 2004. Geographically, the relative market position of Neste Oil is strongest in the areas from Central to Northern Sweden inasmuch as there are no local refining assets in these parts of Sweden. Products are delivered by tanker fleet mainly to destinations on the east coast of Sweden. A significant share of sales to Sweden consists of sulphur-free MK-1 diesel. As a special product, MK-1 diesel carries a price premium over the standard specification products. The wholesale customers of Neste Oil are international and domestic oil companies operating in Sweden.

North America

Products exported to North America by Neste Oil consist primarily of gasolines but occasionally also diesel fuels. North America is Neste Oil's largest export market for gasoline. In 2004, Neste Oil delivered approximately 1.2 million tons of gasoline to the United States and Canada, which represented approximately 28 percent of the total gasoline production of Neste Oil. These transatlantic gasoline sales are typically done both pursuant to term agreements and on a spot basis and are delivered by large product tankers. As a part of its logistics chain in North America, Neste Oil has a 50 percent ownership interest in CanTerm Canadian Terminals Inc., which owns and operates terminals in Montreal and Quebec City.

Other Countries

Neste Oil's other export markets for gasoline and diesel fuel include the Baltic states, Denmark, Germany, the Netherlands, the United Kingdom and other Western European countries.

Trading and Hedging Activities

The procurement of Neste Oil's feedstocks is managed by the trading operations of the Oil Refining segment. Neste Oil's trading objective is to minimize the costs of crude oil and other feedstocks procured for its refineries. In addition, Neste Oil has a limited trading position that seeks to profit from variations in seasonal and regional spreads in prices of crude oil and other feedstocks and refined petroleum products. In 2004, EUR 1,709 million of the net sales of Neste Oil related to trading activities. All trading activities are subject to risk management policies and centralized coordination and control. For further information on the risk management of Neste Oil, see "Operating and Financial Review and Prospects—Risk Management."

Trading is also focused on the management of risks relating to price fluctuations and time lags of pricing. In connection with its management of supplies of raw materials and refined petroleum products, Neste Oil actively participates in the international markets for such products and seeks to control its overall exposure to market price swings through hedging transactions. Position-taking in connection with trading activities is conducted according to trading and risk management policies within established low position limits. As considered appropriate, Neste Oil also engages in hedging transactions as required to protect against risks arising in respect of Neste Oil's oil inventories and refining margins. Neste Oil uses a variety of futures, options, swaps and other derivatives in connection with its trading activities. Trading functions are primarily carried out from Neste Oil's office in London, where it has 22 employees. In addition, Neste Oil has trading offices in Espoo (Finland), Houston, Moscow, Singapore and Toronto, with a total of approximately 40 employees at these locations.

Neste Oil also has a 70 percent interest in Eastex Crude Company, a partnership transporting, gathering, marketing and trading crude oil in the southwestern parts of the United States. Eastex Crude Company owns approximately 120 tank trucks which it uses for transporting the traded crude oil stocks. In 2004, net sales of Eastex Crude Company amounted to approximately EUR 947 million and its operating profit was EUR 3 million.

Oil Retail

General

The Oil Retail segment engages in the retail and direct sales and marketing of refined petroleum products, such as gasolines, diesel fuels, heating oil, heavy fuel oils, aviation fuels, lubricants and LPGs, in Finland and the Baltic Rim area. Currently, nearly all petroleum products marketed in Finland through the Oil Retail segment's retail and direct sales network are refined by the Oil Refining segment. After completion of the Diesel Project, as production of heating oil and heavy fuel at the Porvoo refinery will materially decrease, Neste Oil will need to procure these products from third parties. Outside of Finland, Oil Retail sells mainly traffic fuels purchased from local refineries. In 2004, combining retail and direct sales, Neste Oil sold approximately 3,047 million liters of refined petroleum products through its retail and direct sales network in Finland and approximately 961 million liters in other markets in the Baltic Rim area.

Neste Oil also markets synthetic industrial and automotive lubricants. Management believes that demand for such lubricants will continue to increase as use of traditional mineral oils decreases in global markets. Neste Oil sells approximately 25,000 tons of finished synthetic industrial and automotive lubricants annually.

The following table sets forth the Retail segment's sales volumes of its main petroleum products for the years ended December 31, 2002, 2003 and 2004.

	For the year ended December 31,		
	2002	2003	2004
		(thousands of cubic meters)	
Retail Network			
Finland			
Gasoline	723	708	682
Diesel fuel	230	233	237
Heating oil	25	28	29
Total, Finland	977	969	949
Baltic Rim area			
Gasoline	412	458	545
Diesel fuel	98	123	173
Total, Baltic Rim area	510	581	718
Total, Retail Network	1,487	1,550	1,667

	For the year ended December 31,		
	2002	2003	2004
		(thousands of cubic meters)	
Direct Sales			
Finland			
Gasoline	26	22	16
Diesel fuel	722	744	750
Heating oil	972	981	911
Heavy fuel oil	442	411	420
Total, Finland	2,162	2,157	2,098
Baltic Rim area			
Gasoline	117	82	68
Diesel fuel	138	114	169
Heating oil	18	5	5
Total, Baltic Rim area	274	201	243
Total, Direct Sales	2,436	2,358	2,342

The following table sets forth the type, location and number of Neste Oil's retail outlets as of December 31, 2004.

	Manned stations	Unmanned stations	D-stations(1)	Total number of stations
Finland	371	182	320	873
Northwestern Russia	21	9	1	31
Baltic states	—	92	3	95
Poland	—	53	—	53
Total	392	336	324	1,052

(1) D-stations are unmanned retail outlets selling primarily diesel fuels to commercial vehicles.

In Finland, approximately two-thirds of the manned retail outlets are owned and operated by the dealers and approximately one-third is owned by the Company and operated by dealers. Nearly all of the unmanned stations and all of the D-stations are owned and operated by the Company. Neste Oil's retail outlets outside of Finland are owned and operated by the Company.

Neste Oil's network of retail outlets in Finland and the Baltic Rim area provides it with a natural extension of its refining operations. The Company's position in retail distribution has proven important in testing and creating markets for new product developments. In addition, Neste Oil's market-leading retail presence in Finland provides an important distribution channel for its refined petroleum products. Gasoline and diesel fuel products refined by Neste Oil are sold through its retail network under the Futura brand, heating oil under the Tempera brand and high- and low-sulphur fuel oils under the Mastera brand.

The following table sets forth certain financial data under Finnish GAAP and statistical data relating to the Oil Retail segment for the years ended December 31, 2002, 2003 and 2004.

	For the year ended December 31,		
	2002	2003	2004
	(EUR in millions, except personnel data and sales volume)		
Net sales	2,151	2,203	2,374
Operating profit	41	44	48
Net assets	319	329	296
Investments	37	36	36
Average number of employees	1,068	1,014	1,041
Total sale volumes of main refined petroleum products, thousands of cubic meters	3,923	3,908	4,008

Oil Retail in Finland

Neste Oil is the market leader in Finland in retail sales of petroleum products. For the year ended December 31, 2004, Neste Oil's retail sales of Futura branded gasolines had a domestic market share of 27.6 percent, and its retail sales of Futura branded diesel fuels had a domestic market share of 41.6 percent. The market shares for retail sales of heating oil and heavy fuel oils were 38.8 percent and 52.9 percent, respectively. However, the total market share of Neste Oil in retail sales of refined petroleum products has decreased from 44 percent in 2002 to 38 percent in 2003 and in 2004.

Neste Oil has a customer card base of approximately 65,000 cards for corporate customers, and it participates in a loyalty scheme of approximately 3.2 million Plussa loyalty scheme cards issued in co-operation with Kesko, Finland's largest wholesaler of consumer goods with significant retail operations. From every purchase of Neste Oil's products, the holders of the Plussa loyalty scheme cards collect points which can be used for payment of further purchases. Neste Oil has a similar loyalty scheme arrangement with Cooperative Tradeka Corporation which includes approximately 1.8 million loyalty scheme cards. The corporate customer cards entitle the cardholders to certain discount rates on petroleum products as agreed with each corporate cardholder.

In July 2003, Neste Oil and Kesko started operating a joint venture, Pikoil Oy, in order to operate Neste Oil's retail outlets as retailers of every-day consumer goods and to develop other non-fuel sale concepts. This joint venture is based on the Neste Quick Shop chain of Neste Oil and the K-Pikkolo chain of Kesko. Pikoil Oy receives a fixed commission from Neste Oil on the sales of the Neste branded traffic fuels at the "Pikkolo" branded shops. In addition, Pikoil Oy has a network of small-sized K-Pikkolo grocery stores without any petroleum product sales.

As of December 31, 2004, the Oil Retail segment had a total of approximately 1,050 retail outlets, including a total of 371 Neste service stations in Finland, of which 76 were branded "Quick Shop" or "Pikkolo" branded shops, and 182 A24 unmanned automated stations. The road transportation of the petroleum products to the service stations is outsourced through separate contracts between the Oil Retail segment and approximately 50 independent truck operators with a total of approximately 150 tank trucks.

Oil Retail in Baltic Rim Area

Neste Oil conducts retail and minor direct sales operations in the Baltic states, the St. Petersburg area and Poland. As of December 31, 2004, Neste Oil had 179 retail outlets in the Baltic Rim area. In these regions, Neste Oil's retail outlets are generally located in cities and high-traffic locations. Neste Oil's direct sales operations have been active in the Baltic states since the early 1990s. Potential growth of Neste Oil's retail and direct sales in the Baltic Rim area will depend to a considerable degree on the pace of general economic development and political stability in these areas. Neste Oil's focus in the Baltic Rim area is on cost-effective unmanned stations.

In the Baltic Rim area, Neste service stations sold 545 million liters of gasoline and 173 million liters of diesel fuel in 2004. In the Baltic states and the St. Petersburg area, the Futura-branded gasoline with additives is sold in addition to other qualities. In order to ensure appropriate quality, the products are stored in Neste Oil's own terminals where the Futura additive is added.

Neste Oil has conducted retail operations in the St. Petersburg area since 1991, starting several years before any other Western oil company entered this area, and is currently the larger of the two Western oil companies operating in the area. In the St. Petersburg area, Neste Oil operates both manned and unmanned service stations and plans to increase its number of retail outlets in the area. Neste Oil's stations in the St. Petersburg area are characterized by very high throughputs compared to Neste Oil's Finnish retail outlets mainly as a result of the high population density in the area and Neste Oil's reputation for high-quality traffic fuels.

In the Baltic states and Poland, all Neste service stations are unmanned stations. As a part of its logistics chain, Neste Oil also operates terminals in Estonia, Latvia and St. Petersburg. In Poland, Neste Oil operates with a focus on unmanned stations at prime locations in regional growth centers and hypermarket sites and is the only company with a network of unmanned retail stations. Neste Oil plans to increase the number of retail outlets in the St. Petersburg area and in Poland.

Direct Sales

Neste Oil also sells diesel fuel, gasoline, heating oil, heavy fuel oil, lubricants and aviation fuels directly to end-customers. The most important customer groups for direct sales are industrial companies, transportation companies as well as agricultural and heating customers, with Neste Oil currently being the market leader in Finland in each of these market segments. Aviation fuels are also sold in bulk directly to end-customers such as airlines.

Neste Oil has a direct sales network of 320 D-stations in Finland and four in the Baltic Rim area for heavy and other vehicles in commercial use. In 2004, the 750 million liters of diesel fuel were sold mostly through the D-station network. In addition, the Company sold 911 million liters of heating oil, 420 million liters of heavy fuel oil and 16 million liters of gasoline in 2004. Neste Oil also owns and operates a lubricants blending plant in Helsinki. Aviation fuel customers are served by five aviation refuellers at the Helsinki-Vantaa Airport, three refuellers at other airports in Finland and two refuellers at Riga, Latvia.

Liquefied Petroleum Gases (LPGs)

Neste Oil distributes LPGs in Finland and Estonia with market shares of approximately 68 percent and 46 percent in 2004, respectively, and also has a presence in Sweden and Latvia. Most of Neste Oil's sales are in the form of bulk LPGs, with the remainder consisting of retail sales of bottled LPGs.

Neste Oil has a 50 percent ownership interest in Oy Innogas Ab, which owns and operates an LPG bottling facility in Porvoo. The remaining 50 percent of Oy Innogas Ab is owned by Oy AGA Ab. Neste Oil also has LPG storage caverns in Tornio, Finland, and Sundsvall, Sweden.

Neste Oil's main customers for LPGs are in the steel, paper, metal and food industries as well as in heat generation. Bulk sales of LPGs to industrial customers are made primarily under long-term supply contracts. In 2004, total sales of LPGs by Neste Oil amounted to 300,000 tons.

Shipping

The Shipping segment provides logistics services for the supply of raw materials to Neste Oil's refineries and for the transport of refined petroleum products from the refineries to destinations in Finland, throughout the Baltic Rim area and internationally.

Management believes that Neste Oil can derive a number of benefits from operating its own shipping fleet, including having the required capacity of ice-classified crude oil and product carriers to secure crude oil, feedstock and product shipments in all weather conditions and optimization of crude oil sourcing and product shipments and capability to take advantage of attractive pricing opportunities on the global oil product markets. The Shipping segment's services specialize in the marine transport of crude oil and petroleum products in the Baltic and North Sea and petroleum products in transatlantic traffic.

In addition to providing shipping services to other Neste Oil segments, the Shipping segment operates its fleet in the international freight markets. In 2004, approximately 56 percent of net sales of the Shipping segment related to logistics services provided to third parties including international oil companies. The logistics services sold by the Shipping segment to Neste Oil are priced on market terms.

The following table sets forth certain financial data under Finnish GAAP and statistical data relating to the Shipping segment for the years ended December 31, 2002, 2003 and 2004.

	For the year ended December 31,		
	2002	2003	2004
	(EUR in millions, except personnel data, deliveries and fleet utilization rate)		
Net sales	266	308	339
Operating profit	30	78	99
Net assets (1)	155	121	193
Investments	26	71	77
Average number of employees	610	606	579
Total deliveries, millions of tons	37	40	41
Fleet utilization rate, %(2)	94	93	93

(1) The classification criteria for lease agreements as operating leases and financial leases are different under IFRS and Finnish GAAP. Certain bareboat charter arrangements where the Company is the lessee are classified as finance leases under IFRS and, thus, the vessels are capitalized and a corresponding liability is recognized in the balance sheet of the Company. Under Finnish GAAP, payments associated with these leases were treated as contingent liabilities.

(2) The fleet utilization rate is calculated by dividing the fleet earning days by the total fleet days.

Historically, the shipping fleet of Neste Oil has made approximately 1,800 voyages and has had approximately 3,500 port calls annually. In 2004, approximately 60 percent of the total deliveries were crude oil and 40 percent refined petroleum products.

Neste Oil's shipping fleet consists of 32 tankers, including two pusher-barge combinations, of which 12 are wholly owned by Neste Oil. The other 20 tankers are chartered under different arrangements. Six of these chartered vessels are chartered under long-term agreements (i.e., more than one-year term). In addition, Neste Oil has three tug vessels and one barge vessel. The total cargo-carrying capacity of the fleet is approximately 1.3 million dwt. Measured by tonnage of vessels under the Finnish flag, Neste Oil has the largest shipping fleet in Finland.

The following table sets forth Neste Oil's vessels, when they were built and their cargo-carrying capacity as of February 28, 2005.

Name of vessel	Owned/chartered	Year built	Cargo-carrying capacity, dwt
Crude Oil/Product Carriers			
Bravery	Time-chartered	1994	110,461
Stena Conductor	Time-chartered	2003	107,198
Stena Confidence	Time-chartered	2003	107,215
Petropavlovsk	Time-chartered	2002	106,538
Petrovsk	Time-chartered	2004	106,532
Tempera	Bareboat-chartered	2002	106,034
Mastera	Bareboat-chartered	2003	106,208
Natura	Owned	1993	95,468
Tervi	Owned	1985	47,750
Palva	Owned	1986	47,750
Product Carriers			
Varg	Time-chartered	1992	68,157
Futura	Owned	2004	25,084
Purha	Owned	2003	25,080
Jurmo	Owned	2004	25,049
Dorsch	Time-chartered	1991	23,400
Sidsel Knutsen	Time-chartered	1993	22,625
Turid Knutsen	Time-chartered	1993	22,617
Kihuland	Time-chartered	1984	19,999
Taviland	Time-chartered	1984	19,999
Sotka	Owned	1976	16,420
Tärnhav	Time-chartered	2002	14,796
Tärnvåg	Time-chartered	2003	14,796
Kiisla	Owned	2004	14,750
Suula	Owned	2005	14,665
Furenäs	Time-chartered	1998	12,924
Astoria	Time-chartered	1999	12,712
Omega af Donsö	Time-chartered	1982	11,538
Sinimeri	Time-chartered	1982	11,523
Dicksi	Time-chartered	1998	8,300
Sirri	Owned	1981	6,954
Bitpro 1/Kari (Pusher-Barge Combination)	Owned	1989	4,088
Bitpro 2/Aulis (Pusher-Barge Combination)	Owned	1981	4,088
Tugs and Barges			
Vesikko	Owned	1993	1,144
Esko	Owned	1981	—
Ukko	Bareboat-chartered	2002	—
Ahti	Bareboat-chartered	2002	—

The results of operations of the Shipping segment are subject to seasonality. The majority of the income of the Shipping segment is typically generated from crude oil shipments during the winter months. Due to the limited capacity of the ice-classified shipping fleet in the international shipping market, the Shipping segment has historically received materially higher freight rates during the winter months compared to the rest of the year.

For transportation of crude oil and heavy fuel oils, Neste Oil uses only double-hulled tanker vessels for oil transport in order to reduce the risk of leakage or spills. The shipping fleet does not transport crude oil or heavy fuel oils to North America. In transportation of other petroleum products, Neste Oil uses double-hull tankers except for time-chartered vessels Kihuland and Taviland and its own vessel Sirri, which are partly double-hulled (double bottom, but single sides). Pursuant to EC Regulation (2003/726/EC), all of Neste Oil's oil tankers must be double-hulled by the end of year 2006. Except for these vessels, Neste

Oil's shipping fleet used for oil transport is already in compliance with this requirement. In addition, all of the vessels owned by Neste Oil and most of the chartered vessels are ice-classified.

Neste Oil has been acquiring new vessels, selling its existing tonnage and restructuring its vessel ownership in recent years. The goal of this program has been to reduce the average age of the fleet to meet the limitations for the age of vessels set by the European Union and to be able to better meet the needs of customers. Neste Oil has decided to time-charter under long-term agreements two Panamax-sized (75,000 dwt) tankers mainly for gasoline exports to North America. These vessels were ordered by a joint venture formed by Neste Oil and the Swedish shipping company Concordia Maritime Aktiebolag (publ). The vessels are scheduled to be delivered in 2006 and 2007. In addition, Neste Oil has entered into agreements to time-charter two smaller product tankers in 2006.

In 2001 and 2002, Neste Oil ordered four product tankers from China of which Purha was delivered in 2003 and Jurmo and Futura were delivered in 2004. There have been certain quality problems with these vessels and certain repairs will need to be made to each of the vessels already delivered. Delivery of the fourth vessel, Neste, has been postponed until the summer of 2005. Management believes that the cost of repairs should be covered by the builder of the vessels or by insurance, but there can be no assurance that this will be the case. However, it is expected that the unavailability of this shipping capacity will result in loss of business opportunities, which are estimated at approximately EUR 4 million in 2005.

Other

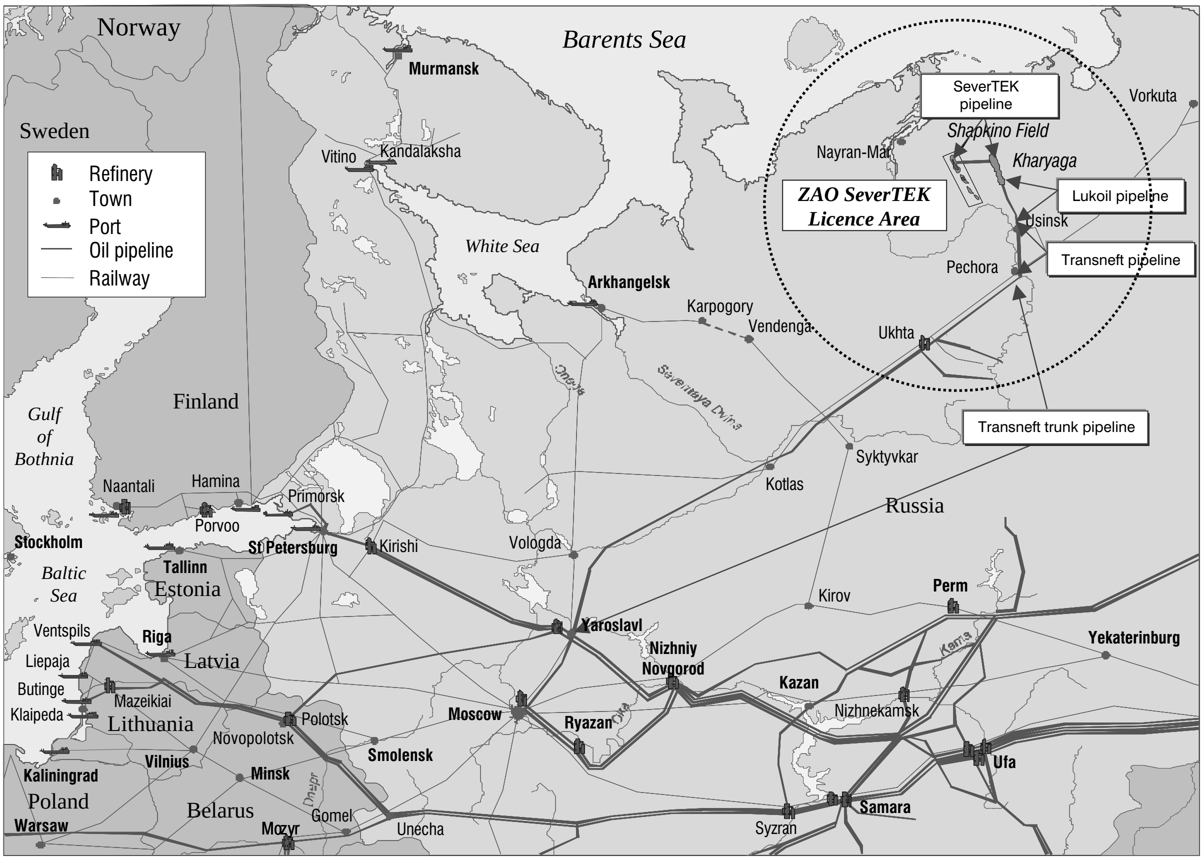
Corporate Center

The Corporate Center of Neste Oil belongs to the Other reporting segment. The Corporate Center consists of the following functions: corporate management, corporate finance and accounting, IT services, communications, human resources, corporate development, EHS, internal audit and legal affairs. Certain corporate finance and IT services are currently purchased from Fortum Corporation, see "Related Party Transactions—Service Agreements." As of December 31, 2004, the Corporate Center had approximately 78 employees.

SeverTEK Joint Venture

Neste Oil has been involved in upstream oil projects in northwestern Russia since 1989. SeverTEK, a company 50 percent owned by each of Neste Oil and Russian oil company Lukoil, holds a 100 percent interest in a license for the South Shapkino and Middle Sercheiyu oil fields in the Timan-Pechora Basin, in Northwestern Russia. In addition, SeverTEK has a 100 percent interest in three other licenses for satellite oil fields in the same area in Pashor, Upper Grubeshor and South Yuriahinsk. The current license for the South Shapkino and Middle Sercheiyu oil fields will expire in 2016 and the licenses for the satellite fields in 2022. Neste Oil considers its interest in SeverTEK to represent a financial holding inasmuch as oil exploration and production ceased to be a part of its core operations in 2002.

The following map sets forth the location of SeverTEK's oil fields and the pipeline and railway network in Northwestern Russia.



All crude oil from the South Shapkino field is gathered at SeverTEK's own central processing facility and then transported for export or Russian domestic use. The oil is transported from the oil field through a pipeline of which the first 100 kilometers to Kharyaga are owned by SeverTEK. The following 150 kilometers of the pipeline from Kharyaga to Usinsk are owned by Lukoil. The use of the necessary further pipelines in Russia is controlled by Transneft and it is based on equal access among oil producers. Currently, SeverTEK is not able to fully utilize its production capacity due to pipeline capacity restrictions set by Transneft. The capacity constraints are caused by increased oil production in the area and affect the ability of all producers to export crude oil. The oil producers using the Transneft pipeline have entered into an agreement to upgrade the pipeline, with the upgrade scheduled to be completed by September 2006. The upgrade is to be financed with increased tariffs for use of the pipeline starting in September 2005. SeverTEK's management anticipates that the amount of tariffs to be paid by SeverTEK during the first 12 months after the tariff increase will be approximately U.S.$10 million as a result of the tariff increase.

The following table sets forth Neste Oil's 50 percent indirect interest in SeverTEK's total crude oil reserves as of December 31, 2004.

	Proved Reserves	Probable Reserves	Proved and Probable Reserves
		(bbl)	
South Shapkino	52,572,100	3,367,200	55,939,300
Middle Sercheiyu	—	8,926,800	8,926,800
Pashor	—	25,095,050	25,095,050
Upper Grubeshor	—	6,929,500	6,929,500
South Yuriahinsk	—	9,684,900	9,684,900
Total	52,572,100	54,003,450	106,575,550

The estimates of proved and probable reserves have been prepared by Ryder Scott, independent petroleum consultants, utilizing reserve definitions approved by the Society of Petroleum Engineers (the "SPE") and the World Petroleum Congress (the "WPC") and based on data and information available as of February 2005 using deterministic methodology. This data included well log and test data for the most recently drilled wells in the field. The reserve estimates were prepared utilizing volumetric methods due to the lack of performance data to date. Although Ryder Scott did not conduct field examinations for the purposes of these estimates, it has conducted examinations of field development activities and operations during the course of its prior reviews for SeverTEK.

As noted earlier, the proved reserves included above conform to the definitions approved by the SPE and the WPC except that they are based on price and cost parameters which allow for future changes in current economic conditions as discussed in the Ryder Scott report, whereas the definitions approved by the SPE and the WPC assume that no change in current economic conditions will occur in the future. The future changes in current economic conditions assumed a general decrease in the current price levels to price levels corresponding to Sever TEK's long-term planning assumptions but no decrease in Sever TEK's current cost levels, including costs for tariffs and taxes. The probable reserves included above conform to definitions of probable reserves approved by the SPE and the WPC. These definitions are set out under "Glossary."

Reserves are those quantities of petroleum which are anticipated to be commercially recovered from known accumulations from a given date forward. All reserve estimates involve some degree of uncertainty. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. The relative degree of uncertainty may be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Unproved reserves are less certain to be recovered than proved reserves and may be further sub-classified as probable and possible reserves to denote progressively increasing uncertainty in their recoverability.

Estimation of reserves is done under conditions of uncertainty. The method of estimation is called deterministic if a single best estimate of reserves is made based on known geological, engineering, and economic data. The method of estimation is called probabilistic when the known geological, engineering, and economic data are used to generate a range of estimates and their associated probabilities. Identifying reserves as proved, probable, and possible has been the most frequent classification method and gives an indication of the probability of recovery. Because of potential differences in uncertainty, caution should be exercised when aggregating reserves of different classifications.

The reserves presented herein are estimates only and should not be construed as being exact quantities. Moreover, estimates of reserves may increase or decrease as a result of future operations. Reserves estimates will generally be revised as additional geologic or engineering data become available or as economic conditions change. Reserves do not include quantities of petroleum being held in inventory, and may be reduced for usage or processing losses if required for financial reporting.

Production at the South Shapkino oil field started in July 2003. In 2004, SeverTEK's average production level was 27,355 bpd (approximately 1.36 million tons per annum). During the first two months of 2005, SeverTEK's production rate was approximately 30,000 bpd while its peak production capacity is expected to be on the level of approximately 40,000 bpd which SeverTEK management expects to occur in 2006 and 2007.

In 2004, due to Russian export restrictions for crude oil, approximately 48 percent of SeverTEK's oil production was sold in Russia, approximately 12 percent was exported to other countries in the former Soviet Union and approximately 40 percent was exported elsewhere. In total, SeverTEK's average netback per barrel (net sales prices paid by customers after deducting the logistics costs) for crude oil sold in Russia, to other countries in the former Soviet Union and elsewhere was U.S.$19.38, U.S.$25.11 and U.S.$32.16, respectively. In 2004, various export duties and other taxes constituted approximately 70 percent of the total operating costs of SeverTEK. For information on the risks related to Russian export duties and other taxes, see "Investment Considerations—Neste Oil has an interest in an oil exploration and production joint venture in Russia which exposes it to certain additional risks."

As of December 31, 2004, the number of employees employed by SeverTEK was approximately 640 and the total capital invested by SeverTEK in its oil fields was approximately U.S.$400 million.

According to the amended shareholders agreement entered into between Neste Oil and Lukoil in December 2004, both shareholders have a right to nominate three directors to the management board of SeverTEK to serve in certain specific positions for periods of four years. The position of general director will be held by Neste Oil's representative until 2008. Pursuant to the agreement, necessary financing for SeverTEK will be funded by cash flow from operations, third party financing and through extension of the existing shareholder loans by the shareholders in equal shares and on equal terms.

The development of the South Shapkino oil field by SeverTEK was originally financed by a U.S.$200 million loan from the EBRD and a group of commercial banks. The loan is scheduled to be repaid from the revenues of SeverTEK in installments of U.S.$25 million twice per year and repayments commenced in December 2004. The final repayment date of the loan is June 14, 2008. In addition, Neste Oil has provided financing for SeverTEK in the form of shareholder loans. On December 31, 2004, the total capitalized amount outstanding under the shareholder loans amounted to U.S.$91 million (approximately EUR 67 million). Lukoil has also provided shareholder loans to SeverTEK in the same amount and on the same terms as the shareholder loans provided by Neste Oil. The shareholder loans accrue interest at an annual rate of 15 percent and the final repayment date of the most recent shareholder loan is June 14, 2011. The shareholder loans are subordinated to the EBRD financing discussed below.

Each of Fortum Corporation and Lukoil has also provided a guarantee of U.S.$88 million (approximately EUR 65 million), or 50 percent of the outstanding loan amount, for the benefit of the EBRD, and Neste Oil has granted a counter-guarantee for the same amount for the benefit of Fortum Corporation. The guarantee of Fortum Corporation was to be released on June 30, 2005, subject to meeting certain operational targets, but, due to pipeline capacity constraints, SeverTEK is expected to be unable to meet these targets within the timeframe initially set. Thus, SeverTEK is currently negotiating with the EBRD for an extension of the time allowed to meet the operational targets and is proposing that Fortum Corporation's and Lukoil's guarantees would be released if, prior to June 2007, SeverTEK's oil production from the South Shapkino oil field reaches the initially agreed operational targets, including a production rate of 39,360 bpd for a period of 90 days and all the facilities being in place in accordance with the development plan of the loan agreement. Should SeverTEK not be able to meet these extended requirements or should the EBRD not provide an extension for SeverTEK, SeverTEK would be in default under the terms of the EBRD financing and, thus, Neste Oil would be obliged to make payments under its counter-guarantee. In any event, Neste Oil and Fortum Corporation have agreed that Neste Oil will cause Fortum Corporation to be released from the guarantee no later than August 31, 2005. If Neste Oil fails to do this, its counter-guarantee for the benefit of Fortum Corporation will remain in force. For further information on the release of this and certain other guarantees by Neste Oil, see "Related Party Transactions—Allocation of Certain Rights, Benefits, Obligations and Liabilities."

Research and Development

At its Porvoo Technology Center laboratories, Neste Oil's research and development activities focus on the development and timely introduction of low-emission traffic fuels and lubricants in different markets. Neste Oil was among the first refiners of low-emission gasoline and sulphur-free, low-aromatic diesel fuel. Recently, the focus of research and development has been shifting further to complicated raw materials including renewable organic materials as well as efficient conversion technologies of crude oil and other raw materials.

Neste Oil has recently completed a cost reduction and efficiency improvement program with respect to its research and development activities with the aim of decreasing net expenditures and the number of employees related to the research and development activities. Since the beginning of 2002, the number of personnel in research and development activities has been significantly decreased and certain measurement and analytical services have been outsourced. Neste Oil's total costs for research and development, including the cost of services sold to third parties, amounted to EUR 13.3 million in 2004, EUR 11.9 million in 2003 and EUR 22.7 million in 2002.

Neste Oil has developed the so-called NExBTL technology, which will be used at the new biodiesel unit at the Porvoo refinery and will enable the use of a broad range of renewable feedstocks for a production of very high-quality and high-performance biodiesel. Neste Oil also has developed its patented NExTAME technology, which is used at the Porvoo refinery in the production of a high-quality and low-emission etherized gasoline. Neste Oil has sold licenses for the NExTAME, NExETHERS and the new ethanol-based ETBE production technology to international oil companies. NExTAME and NExETHERS technologies result in high yields of gasoline ethers and almost total conversion of the feed alcohol. This allows refineries to maximize their oxygenate production. Neste Oil's NExOCTANE technology for the production of iso-octane has been developed commercially. NExOCTANE technology makes it possible to convert MTBE units into units producing a high-octane gasoline component in a cost effective manner. Construction of the first iso-octane production unit, based on Neste Oil's own technology, was completed in Canada in 2002 and three licenses of the iso-octane technology have been sold.

In a consortium with ABB Lummus Global Inc., which is a subsidiary of ABB Ltd., a Swiss engineering company, and Albemarle Corporation, a U.S.-based specialty chemicals supplier, Neste Oil successfully demonstrated a novel alkylation technology based on environmentally friendly heterogeneous catalysis. Alkylates are used as blending components of gasolines. This alkylation technology, the first of its kind, is now in its commercialization phase.

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

In addition, Neste Oil currently has a 66 percent ownership interest in Neste Jacobs Oy, an engineering contractor developing and applying technologies in cooperation with Neste Oil's production plants and research units. Neste Jacobs Oy has arranged for third parties licenses to Neste Oil's patented production technologies. Neste Oil sold 34 percent of Neste Jacobs Oy in June 2004 to a U.S. engineering contractor, Jacobs Engineering Group Inc. Neste Jacobs Oy has approximately 400 employees.

Competition

Neste Oil faces domestic and/or international competition in each of its business areas.

Oil Refining

Neste Oil sells its refined petroleum products in the spot market, in the wholesale market and through its own retail network. In the spot market, which is a term used to describe the international trade in one-off cargoes or shipments of refined petroleum products, Neste Oil faces global competition from all oil refiners that refine the same petroleum products as Neste Oil. The spot market is considered highly effective meaning that prices follow closely the global supply of, demand for and availability of the refined petroleum products.

In Finland, the principal source of competition in the wholesale markets is imports by competing retail chains. Certain retail chains, such as Shell and Esso, import some products through their own regional supply organizations while procuring a major part of their products from Neste Oil. The principal competitors of Neste Oil in the Finnish and Swedish wholesale market are Statoil, Preem, ExxonMobil, Shell and other coastal oil refiners in Northwestern Europe. Of the competing retail chains in Finland, ABC and Station 1 have formed a joint supply company to procure the needed products. In the Baltic Rim area, Neste Oil's main competitors in the wholesale markets include Statoil, Preem, ExxonMobil, Shell and Mazeikiu Nafta as well as Lukoil and other Russian companies.

The main competitors of Neste Oil in the base oil market include Shell, SK Corporation and S-Oil and, in the PAO product market, they include BP, ExxonMobil and ChevronPhillips Chemicals. In the ETBE market, Neste Oil's principal competitors are mainly former MTBE producers that have converted their facilities to ETBE production facilities. The main competitors of Neste Oil in the iso-octane market include BEF, ChevronTexaco, Sabina and Valero. Neste Oil's main competitors in the MTBE market are Lyondell, Sabic and Ecofuel.

With the adoption of higher environmental standards in the European Union and the United States, many of Neste Oil's competitors are expected to upgrade their refining facilities, which will result in their petroleum product range becoming more similar to that of Neste Oil and, consequently, increase competition faced by Neste Oil's petroleum products.

Oil Retail

Neste Oil owns and operates the largest retail network of both manned and unmanned stations for refined petroleum products in Finland. According to the Finnish Oil and Gas Federation, Neste Oil's Neste, A24 and D stations and its direct sales gave Neste Oil, in 2004, a market share of approximately 38 percent for all relevant products, with market shares for gasoline and diesel fuel amounting to approximately 27.6 percent and 41.6 percent, respectively.

The Finnish domestic fuel retail market is characterized by its high level of unmanned fuel retail outlets. In recent years, the market has become increasingly polarized between lower cost automated sites with lower fuel prices and larger service stations with integrated convenience stores focusing on the sale of non-fuel products. In 2004, unmanned retail stations and D-stations accounted for approximately 63 percent of the total retail network.

Overall, the Finnish retail network has not seen the rationalization experienced by many other European markets in recent years. In 2003 and 2004, official figures showed slight increases in the number of service stations in Finland. However, these figures do not take into account a number of small independent outlets.

The following table sets forth the number of service stations of oil retail companies in Finland as of December 31, 2001, 2002, 2003[(1)].

	As of December 31,		
	2001	**2002**	**2003**
Neste	564	552	543
Shell	363	325	267
Teboil	281	272	275
Station 1[(2)]	164	213	236
Esso	220	200	196
SEO	129	143	145
ABC[(3)]	90	132	182
Jet	36	38	41
Others[(3)(4)]	45	42	9
Total[(5)]	1,876	1,892	1,894

Source: Finnish Oil and Gas Federation.

(1) As of December 31, 2004, Neste Oil had 553 service stations. Recent data for the competitors of Neste Oil were not available on the date of this Offering Memorandum.

(2) The number of stations of in 2002 includes also Ysi5 and Pisara branded stations that were operated by Station 1.

(3) The number of stations in 2002 includes also 19 ABC, eight Esso, three Shell, one Neste and one Teboil stations and in 2003 seven Esso, three Shell and two Teboil stations.

(4) The dealer-operated stations of ABC are not included in the number of stations in 2003.

(5) Total number of stations in 2001 does not include independent retailers.

In Finland, Neste Oil's main competitors in the retail market for traffic fuels are Shell, Teboil, Esso (ExxonMobil), ABC and Station 1, most of which purchase gasoline and/or diesel fuel in bulk from Neste Oil. The Russian oil company Lukoil has recently purchased Teboil, which had an approximately 23 percent share of the total oil products market in Finland in 2004, and has announced plans to pursue a downstream growth strategy outside of Russia.

The market share of smaller domestic retail networks has been increasing in recent years, while the market share of Neste Oil and major international oil companies, such as Shell and ExxonMobil, has been decreasing. The new chains, such as ABC and Station 1, have rapidly increased the number of their unmanned stations and the throughput volumes of their unmanned stations are threatening Neste Oil's position as a market leader in unmanned station networks. Neste Oil also sells heating oil in Finland, where its principal competitors are Teboil, Esso and Shell.

The oil retail markets in the St. Petersburg area, the Baltic states and Poland remain highly fragmented with a low industry concentration rate and a large number of small unbranded stations, unmanned stations and a large grey market. The stricter environmental legislation resulting from the implementation of EU specifications for petroleum products and competitive pressures from large Russian oil companies, such as Lukoil, and large Western companies, such as Statoil, are putting a competitive pressure on the large independent sector. This development has resulted in a gradual rationalization of the retail networks. Similar to retail markets in other EU member states, there is an ongoing migration from gasoline to diesel fuel in the Baltic Rim area petroleum product market.

The retail markets in the Baltic Rim area have not yet faced a considerable penetration by the hypermarket sector into the oil retail market although such a trend has been developing in Poland. In recent years, there has been a shift in the Baltic states towards unmanned retail stations, mainly driven by the low retail margin environment and the expansion of international companies into the markets.

In the Baltic states, Neste Oil's main competitors in the retail market for refined petroleum products include Statoil, Lukoil and HydroTexaco. In Poland, several local and international oil companies compete in the retail market. In the St. Petersburg area, Neste Oil and Shell, the only two international oil companies in the area, compete with the retail networks of the major Russian oil companies that dominate the market.

Shipping

The main competitors of Neste Oil in the crude oil shipping market include BP Shipping, Knutsen OAS Shipping, Lundqvist Rederierna, Minerva, Novoship, Sovcomflot, Overseas Shipholding Group (OSG), Shell International, Stena Bulk and Teekay. In the refined petroleum product shipping market, the main competitors include A.P Möller, Brostöm, EK-Tank, German Tankers, Knutsen OAS Shipping, Tärntank and Litasco.

The order backlogs of the builders of tanker vessels indicate that there will be significant new crude oil-, feedstock- and petroleum product-carrying capacity, including new ice-classified capacity, in the global shipping market within the next few years. Since a corresponding amount of the existing capacity is not expected to be removed from the use, it is anticipated that the total shipping capacity will increase significantly and that competition in the relevant market will increase accordingly.

Group Structure

The majority of Neste Oil's business, including the oil refinery operations in Finland and the shipping operations, is conducted and the majority of the assets, including the oil refinery assets in Finland and assets related to the shipping operations, are held by the parent company Neste Oil Corporation. The following table sets forth Neste Oil's significant subsidiary.

Name of Company	Domicile	Ownership	External net sales for the year ended December 31, 2004
		(%)	(EUR in millions)
Neste Markkinointi Oy	Espoo, Finland	100.0	1,346

Neste Markkinointi Oy carries out Neste Oil's oil retail operations and holds its oil retail assets in Finland. A full presentation of the Company's subsidiaries and associated companies as of December 31, 2004 is included in Note 23 to the Consolidated Financial Statements.

Personnel

The average number of employees by segment for the years ended December 31, 2002, 2003 and 2004, and the number of employees by segment as of December 31, 2004, were as follows:

	Average number of employees(1) For the year ended December 31,			Number of employees as of December 31,	Percent of Group Number of employees as of December 31,
	2002	2003	2004	2004	2004
					(%)
Oil Refining	2,706	2,707	2,608	2,554	59.8
Oil Retail	1,068	1,014	1,041	1,084	25.4
Shipping	610	606	579	555	13.0
Other	10	15	30	78	1.8
Discontinued operations	58	—	—	—	—
Group Total	4,452	4,342	4,258	4,271	100.0

(1) The average number of employees represents the average of the number of employees at the end of each month.

The Diesel Project, once completed, is expected to increase the number of employees of Neste Oil by approximately 120 and the new biodiesel production unit in Porvoo by approximately 20 employees, respectively.

As of December 31, 2004, 77 percent of Neste Oil's employees were located in Finland, ten percent in Russia, five percent in North America and eight percent in other countries.

A significant portion of Neste Oil's non-management employees are members of labor unions in their home countries. Local customs and legislation are observed in labor matters and in negotiating collective bargaining agreements. Management believes that Neste Oil's relationship with employees and their representatives is good. However, Neste Oil has experienced work stoppages in the past. The most recent significant work stoppage at Neste Oil's facilities was by members of the labor union representing employees in the chemicals industry in March 2000, which lasted for seven days. Except for that, there has been no significant strikes or similar disputes in recent years that have materially impacted Neste Oil's operations. However, there can be no assurance that no significant labor disputes will occur in the future.

Litigation

Neste Oil has extensive operations and is both a defendant and a plaintiff in a number of arbitration and legal proceedings in connection with its operations. The following is a brief description of certain legal proceedings affecting Neste Oil.

In 2001, widespread investigations regarding the asphalt industry were initiated by the European Commission and local competition authorities in Europe. These investigations were initially focused on road construction companies which are the major procurers of bitumen. In October 2002, the European Commission conducted dawn raids at the Brussels and Madrid offices of Nynäs Petroleum, the Swedish bitumen producer which is 49.99 percent owned by Neste Oil. These actions were taken in connection with the European Commission's investigations of possible cartels within the asphalt supply industry in the Benelux countries and in Spain which were initiated following appeal by one bitumen producer for lenience from the European Commission. The investigations in the Netherlands have been concluded and, in October 2004, the European Commission decided to initiate proceedings against Nynäs Petroleum by communicating its statement of objections. It is likely that the European Commission will accuse Nynäs Petroleum and its subsidiary Nynas Belgium AB of an infringement of Article 81 of the EC Treaty, alleging involvement in a cartel in the bitumen market, and will seek fines to be imposed on them. The investigations of the European Commission in Belgium and Spain are still ongoing. Furthermore, the head office of Nynäs Petroleum in Johanneshov, Sweden, was raided by the Swedish Competition Authority in June 2003. The Swedish Competition Authority suspects Nynäs Petroleum of price-setting, limiting and sharing the bitumen market and abuse of a dominant position in Sweden. The Swedish Competition Authority filed an application for a summons with the Stockholm District Court in December 2004 and seeks fines of SEK 205 million from Nynäs Petroleum.

In December 2001, an oil spill occurred at Neste Oil's Naantali Refinery. Due to human error, approximately 300 cubic meters of water containing oil flooded from a collection pit at a waste water treatment plant. Most of the overflow ended up in the containment basin from where it was recovered. However, approximately three cubic meters of oil soaked through the soil into the sea. The spill also spread outside of the refinery area. Management believes that all appropriate remedial actions were taken in relation to the oil spill. In December 2004, the public prosecutor decided to raise charges against Neste Oil and four members of its responsible personnel for gross impairment of the environment and negligent impairment of the environment. In addition, the public prosecutor has requested that a corporate fine be imposed on Neste Oil in the maximum amount of EUR 850,000. Furthermore, civil claims for compensation by private landowners or businesses may arise in connection with the spill, although no such claims have yet been filed.

Intellectual Property Rights

Neste Oil owns numerous patents worldwide. Neste Oil also relies on a combination of international trade secret and other intellectual property laws and protective measures to establish and protect its proprietary rights in certain of its products, systems and services. Neste Oil is not dependent on any individual patent or any group of related patents or any technology licensed by third parties.

Insurance

Both the current and fixed assets of the Company are generally insured on an "all-risks" basis. The insurance policies also cover damages caused by breakage. The amounts covered by insurance are based on estimated full replacement values, except for hulls of the vessels, which are insured on a "first-risk" basis. Losses of profits caused by property damages are generally covered by business interruption insurance policies with a 60 days' waiting period and an aggregate limit of EUR 850 million for its refineries. These policies do not cover business interruptions of greater than two years. Insurance for onshore production plants and cargo are covered through Neste Oil Insurance Ltd., a subsidiary of Neste Oil that reinsures most of the risks in the international insurance markets.

The Company generally has unlimited liability for claims arising from its onshore and offshore operations. The Company has onshore general and product liability coverage of up to EUR 300 million, including liability for claims arising from sudden and accidental pollution.

The Company has separate liability coverage as follows:

- For its aviation refueling operations, Neste Oil has a separate liability insurance policy with a limit of U.S.$500 million.
- For its shipping fleet, Neste Oil has protection and indemnity insurance for its vessels of up to U.S.$1 billion for oil pollution liability and up to U.S.$100 million protection and indemnity insurance coverage for both time-chartered and voyage-chartered vessels.

Properties

The Company's principal executive office is located at Keilaranta 8, Espoo, Finland and is leased from the Fortum Pension Fund. Neste Oil's principal refining facilities are set forth below:

Location of Facility	Size of Site (sq. m.)
Porvoo, Finland	9,364,400
Naantali, Finland	3,085,100

See "—Description of Operations by Segment—Oil Refining—Facilities" above for a detailed description of the Porvoo and Naantali refineries.

REGULATION

General

Neste Oil's businesses are subject to a range of laws and regulations adopted by governmental and local authorities in the jurisdictions in which Neste Oil operates. For example, Neste Oil's facilities, including its refineries, plants, terminals and retail sites, are subject to increasingly stringent environmental regulation; its feedstock materials and products are classified as chemicals or hazardous chemicals and, as such, are subject to numerous regulations and controls governing their handling and storage; and the Company's tanker and carrier fleet is subject to technical approvals and certification requirements.

Certain regulatory schemes affecting Neste Oil's operations are described below.

Environmental Regulation

General

The operations of Neste Oil involve the manufacture, use, storage, disposal, transport and sale of materials that may be considered to be contaminants when released into the environment. In addition, its operations involve emissions into air, soil and water and result in waste products requiring disposal. All of these activities are subject to limits and controls designed to prevent environmental hazards. In the event that Neste Oil's operations result in the unlawful or impermissible release of contaminants into the environment, the Company may be required to pursue certain remedial and compensatory actions. In addition, the Company could be subject to criminal sanctions if the release was deemed to be intentional or due to gross-negligence. Certain areas of environmental regulation affecting the Company are described in more detail below.

To monitor and improve the environmental performance of its operations, Neste Oil has in place environmental management systems that are certified in accordance with the ISO 14001 (environmental management), OHSAS 18001 (safety management) and ISO 9001 (quality) standards at several of Neste Oil's sites. Specifically, the Company has implemented environmental management systems complying with the ISO 14001 standard at nine sites, including both the Porvoo and Naantali refineries and across its shipping fleet. Prior to the completion of the Offering, environmental regulatory compliance reports have been reviewed monthly and an annual environmental regulatory compliance summary published in a separate report. As an independent company, Neste Oil intends to implement a similar environmental regulatory compliance review. Any significant and material findings of such review will be published as a part of Neste Oil's annual report. In addition, Neste Oil is planning to carry out periodical compliance audits at its sites to verify the compliance data reported by the Company's operating divisions.

Integrated Pollution Prevention and Control Directive

The Integrated Pollution Prevention and Control Directive (1996/61/EC) (the "IPPC Directive"), issued in 1996, requires each EU member state to unify its environmental licensing regime relating to emissions into air, soil and water with the aim of minimizing pollution from various sources. In Finland, the Environmental Protection Act (2000/86), as amended, implementing the IPPC Directive, entered into force on March 1, 2000. The IPPC Directive already applies to new industrial installations and, from October 2007, existing industrial installations will be subject to the requirement to obtain national emissions permits.

Neste Oil has filed applications with the Environmental Permit Authority for Western Finland and the relevant regional environment centers to renew its environmental permits for the Porvoo and Naantali refineries and the Company's terminals in Finland prior to the end of 2004 as required by the Decree on Environmental Protection (169/2000), as amended, issued in connection with the implementation of the IPPC Directive. In the summer of 2005, the Company intends to file an application for an environmental permit for the new biodiesel production unit to be constructed at the Porvoo refinery. The current environmental permits for the Company's refineries and terminals are valid until issuance of the new permits. Typically, even following the implementation of the IPPC, environmental permits will be re-issued every fifth to tenth year.

Emissions Trading

The "Rio Convention" (United Nations Framework Convention on Climate Change, 1992) and the Conferences of Parties to the Rio Convention form the global framework for EU and national climate policies. More specific emissions targets were defined in the Kyoto Protocol of 1997, ratified by the European Union and its member states in 2002. Each Member State has an overall target for its national emissions under the European Union burden sharing agreement associated with the Kyoto Protocol. The Kyoto Protocol came into force in the European Union on February 16, 2005.

Following on from the targets identified in the Kyoto Protocol, the Emissions Trading Directive (2003/87/EC), issued in 2003, establishes a scheme for trading greenhouse gas emissions allowances. The Emissions Trading Directive introduces mandatory trading of carbon dioxide emissions from combustion plants and certain specific industry sectors effective as of January 1, 2005. Oil refineries are included in the mandatory scope of application of the Emissions Trading Scheme of the European Union (the "ETS"). At a later stage, but not before 2008, the remaining five climate gases (methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride) are expected to become subject to emissions allowances and trading.

Each EU member state has set limits on greenhouse gas emissions by allocating a specific amount of "emissions allowances" to operators of installations covered by the ETS. In Finland, allowances were allocated and set for an initial three-year period of 2005 to 2007 by a decision of the Finnish Council of State, and compliance with these allowances is monitored by the Finnish Energy Market Authority. Management currently estimates that Neste Oil's allocated allowance for the 2005 to 2007 period will cover approximately 90 to 95 percent of its aggregate projected emissions during that period. Based upon its current emissions estimates, management believes that the Company may be required to purchase additional emissions allowances in the market place for the year 2007. From 2008 onwards, the impact of the ETS cannot be determined at this stage.

EU Commission MTBE Risk Assessment

Although Neste Oil no longer markets MTBE to the United States, it continues to market it to EU member states. At the end of 2001, the European Commission published its recommendations on the results of its comprehensive risk assessment of MTBE. The Commission concluded that risks for consumers and for human health are not expected, and that risk reduction measures which are already being applied are sufficient. However, the Commission also concluded that there is a need for specific measures to limit the risks to workers and humans exposed to MTBE via the environment, aquatic ecosystem and groundwater. This is based upon, among other things, concerns for the potability of drinking water in respect of taste and odor as a consequence of exposure to MTBE because of leaking underground storage tanks or spillage from the overfilling of storage tanks. The Commission recommended that monitoring programs be implemented for the early detection of groundwater contaminated by MTBE. The Commission urged the EU member states to consider mandatory requirements, especially for service stations located in groundwater recharge areas and called for the European Committee for Standardization to develop harmonized technical standards for the construction and operation of storage tanks. In addition, the Commission recommended that potential past release sites should be investigated and, where necessary, remedied. However, neither the European Union nor Finland has yet enacted legislation to ban or significantly limit the use of MTBE.

Sulphur in Shipping Fuels Directive

On November 20, 2002, the European Commission presented a proposal aimed at reducing emissions of sulphur dioxide of ships by modifying the directive on the sulphur content of marine fuels (1999/32/EC). The key aim of the proposed amendments to the directive is to extend its scope to all petroleum-derived liquid fuels used by ships operating in waters of the EU member states. In particular, the proposal aims to remove existing derogations relating to marine gasoil, introduce a 1.5 percent sulphur limit for marine fuels used by all seagoing vessels in the North Sea, English Channel and Baltic Sea, require ships at berth in the EU harbors to use fuel containing no more than 0.2 percent sulphur and provide for the use of approved abatement technologies as an alternative to sulphur-free fuel. Should the 1.5 percent sulphur limit for marine fuels come into force, management estimates that it would increase the fuel costs of Neste Oil's shipping fleet by approximately ten percent.

Fuel Quality Regulation

As a result of the Auto Oil I program, which involved the European oil producers and vehicle manufacturers, the Council of the European Union and European Parliament adopted the Fuel Quality Directive (98/70/EC) in 1998. The Fuel Quality Directive lays down detailed specifications for gasoline and diesel fuels, which had to be complied with by January 1, 2000, and a more limited set of stricter specifications, which had to be complied with by 2005. For example, maximum limits are set for aromatics, benzene, oxygenates and sulphur content. As a result of the Fuel Quality Directive, the market for low-emission gasolines and sulphur-free diesel fuels has grown significantly.

As a result of the Auto Oil II program, which followed the Auto Oil I program, the Council of the European Union and the European Parliament adopted Directive (2003/17/EC), on March 3, 2003, amending the specifications provided for in the Fuel Quality Directive by way of a phased reduction of the sulphur content in gasoline and diesel fuels. The directive is aimed at introducing sulphur-free fuels into the market place, by requiring that fuels with maximum sulphur levels of ten ppm are marketed and made available on a balanced geographic basis as from January 1, 2005. Full conversion to such sulphur-free fuels would take place by January 1, 2009, which date is subject to review by the Commission in relation to diesel fuel. The EU member states are obliged to determine sanctions applicable to breaches of the national provisions adopted pursuant to this directive and also to establish a fuel quality monitoring system in accordance with the requirements of the relevant European standard.

The Fuel Quality Directive, amended by Directive (2003/17/EC), has been implemented in Finland by amending the Decision of the Council of the State on the Requirements for the Quality of Gasoline Motor and Diesel Fuel (1271/2000) and the Decision of the Council of the State on the Sulphur Content of Heavy Fuel and Heating oil (766/2000). As from January 1, 2005, the maximum sulphur content of all gasoline and diesel fuels is 50 ppm. The maximum sulphur level of ten ppm will be effective as from January 1, 2009, as required in the Fuel Quality Directive, amended by Directive (2003/71/EC).

The Council of the European Union and the European Parliament adopted Directive (2003/30/EC), on May 8, 2003, on the promotion of the use of biofuels or other renewable fuels for transport. The directive aims at promoting the use of biofuels or other renewable fuels to replace diesel fuel or petrol for transport purposes in each EU member state, with a view to contributing to meeting climate change commitments, environmental-friendly security of supply and promoting renewable energy sources. The EU member states must ensure that a minimum proportion of total supply of biofuels and other renewable fuels is placed on their markets and, to that effect, must set national indicative targets. A reference value for these targets shall be two percent, calculated on the basis of energy content, of all petrol and diesel fuel for transport purposes placed on their markets by December 31, 2005 and 5.75 percent by December 31, 2010.

Pursuant to Directive 2003/30/EC, the EU member states will prepare a report on the promotion of the use of biofuels or other renewable fuels for transport. The Finnish Ministry of Trade and Industry has prepared a report on the promotion of the use of biofuels or other renewable fuels for transport in Finland. Pursuant to the report prepared by the Finnish Ministry of Trade and Industry, given the current level of the use of biofuels for transportation, the limited possibilities of producing biofuels and the trend to increase the use of bioenergy for heat and power production, Finland's national indicative target for the minimum proportion of biofuels for the year 2005 is set at 0.1 percent.

Chemicals Registration Regulation

In October 2003, the European Commission issued a legislative proposal for a new regulatory framework for chemicals. Under the proposed new system called REACH (Registration, Evaluation and Authorization of Chemicals), enterprises that manufacture or import more than one ton of chemical substances per year would be required to register such chemical substances in a central database. The aim of the proposed regulation is to improve the protection of human health and the environment while maintaining the competitiveness and enhancing the innovative capability of the EU chemicals industry. Further, REACH would give greater responsibility to industry to manage the risks related to chemicals and to provide safety information on the substances.

The October 2003 proposal is currently subject to considerable discussion and debate, in particular regarding its potential cost impact. As a result, it is currently difficult to estimate the real cost impact that REACH may eventually have on the Company.

Minimum Oil Stocks Regulation

EU legislation provides for an intervention system designed to ensure a minimum level of security of regional oil supply. The legislation provides for the maintenance of minimum oil stocks and for measures to be taken in the event of an oil supply crisis. The current stockholding systems in the European Union are regulated by Directive 68/414/EEC imposing minimum stocks of crude oil and petroleum products (the "1968 Oil Stock Directive"). The directive initially required EU member states to maintain oil stocks for each of the main petroleum product categories (gasolines, middle distillates, fuel oils) at a minimum level equivalent to at least 65 days' consumption. This was increased by a 1972 directive to 90 days. Individual EU member states are left free to organize their own internal stockholding regimes as they see fit.

The 1968 Oil Stock Directive was amended in 1998 by Directive 98/93/EC in order to increase the efficiency, transparency and fairness of stockholding arrangements in the EU member states. The Directive requires the EU member states to ensure that stocks are available and accessible at all times, and that the costs resulting from maintenance of stocks are identified by transparent arrangements allowing the EU member states to make such information available to interested parties. The EU member states are encouraged to set up a stockholding body which would be responsible for holding all or part of the stocks. The required stocks may be maintained in the form of crude oil and intermediate products, as well as in the form of finished products. The EU member states would also be allowed to hold stocks in other EU member states. The EU member states are required to verify the stocks and to establish a system of sanctions to ensure the effective application of the provisions of the directive.

Finland implemented the 1968 Oil Stock Directive on January 1, 1995, through the Finnish Act on Mandatory Stocks for Imported Fuels (1994/1070), as amended. In accordance with the 1968 Oil Stock Directive and the decision of the Finnish Council of State on May 8, 2002, Finland requires importers of crude oil, feedstocks and petroleum products to maintain stocks of such imports equivalent to at least the importing company's average volume imported over a two-month period, with maintenance of the minimum stock financed by the importing company.

Safety Standards for Oil Tankers Regulation

The European Commission issued various legislative measures at the end of 2000 following the sinking of the Erika oil tanker off the northwest coast of France. One of these measures is

Regulation 417/2002, which aims to reduce the risk of accidental oil pollution in European waters by establishing a scheme for accelerating the phasing in of double-hull or equivalent design requirements for single-hull oil tankers. After the sinking of the Prestige oil tanker off the northwest coast of Spain, Regulation 417/2002 was amended by Regulation 1726/2003, which came into force on October 21, 2003. From that date, single-hull oil tankers may not be used to carry heavy grades of crude oil to or from EU harbors. In addition, the timetable for the phasing-out of such tankers has been accelerated, and oil tankers which are more than 23 years-old were banned from EU harbors. During the gradual phasing-out period, tankers that are 15 or more years-old, of which Neste Oil had four owned tanker vessels in its fleet as of February 28, 2005, must go through exhaustive technical inspections.

MANAGEMENT

General

Pursuant to the provisions of the Finnish Companies Act and the Company's Articles of Association, the control and management of the Company is divided between the shareholders, the Board of Directors, the President and Chief Executive Officer and the Supervisory Board. In addition, the Company's Executive Team assists the President and Chief Executive Officer in the management and coordination of the implementation of the Company's strategic and operational goals.

The shareholders participate in the control and management of the Company through resolutions taken at general meetings of shareholders. In general, general meetings of shareholders are convened upon notice given by the Board of Directors. In addition, general meetings of shareholders are held when requested in writing by an auditor of the Company or by shareholders representing at least one-tenth of all the issued Shares. For a more detailed description of general meetings of shareholders, see "Description of the Shares and Share Capital—Shareholder Rights—General Meetings of Shareholders."

The Board of Directors is responsible for the management of the Company and for the proper organization of the Company's activities. The Board of Directors establishes the principles of the Company's strategy, organization, accounting and financial control. The President and Chief Executive Officer, assisted by the Executive Team, is responsible for the day-to-day management of the Company's affairs in accordance with instructions and directives given by the Board of Directors. Measures which are not within the ordinary course of the Company's business may be taken by the President and Chief Executive Officer only if approved by the Board of Directors, unless the delay required to obtain Board approval would result in a substantial disadvantage. In the latter case, the Board of Directors must be informed as soon as practicable of the measures which have been taken.

The annual general meeting of the Company's shareholders on March 1, 2005 established a Supervisory Board for the Company. The Supervisory Board, which will take office at the commencement of the trading of the Shares on the Helsinki Stock Exchange, oversees the administration of the Company by the Board of Directors and the President and Chief Executive Officer.

Each of the Company's operational divisions has its own management board that has responsibility for the general management of the division. Matters material to Neste Oil as a whole are submitted to the President and Chief Executive Officer or the Board of Directors for decision.

The business address of the members of the Supervisory Board, the Board of Directors and the President and Chief Executive Officer is c/o Neste Oil, Keilaranta 8, FI-02150 Espoo, Finland.

Supervisory Board

The Supervisory Board for the Company is required to have between six and 12 members, each of whom will be appointed by the annual general meeting of shareholders for a one-year term ending with the next following annual general meeting of the Company's shareholders. In addition, it is expected that labor unions representing Neste Oil's employees will appoint one or more employee representatives to the Supervisory Board. Such representatives will have the right to be present at meetings of the Supervisory Board but will not be considered members of the Supervisory Board. The initial Supervisory Board of the Company will take office at the commencement of the trading of the Shares on the Helsinki Stock Exchange for a term of ending with the annual general meeting of the Company's shareholders to be held during the first half of 2006. The Supervisory Board will oversee the administration of the Company and submit its statement on the financial statements and auditors' report to the annual general meeting of the Company's shareholders.

The members of the Supervisory Board, taking office at the commencement of the trading of the Shares on the Helsinki Stock Exchange for a term ending with the annual general meeting of the Company's shareholders to be held during the first half of 2006, are as follows:

Name	Year born	Principal occupation
Klaus Hellberg (Chairman)	1945	Member of the Finnish Parliament
Markku Laukkanen (Vice Chairman)	1950	Member of the Finnish Parliament
Mikael Forss	1954	Director, the Social Insurance Institution of Finland
Heidi Hautala	1955	Member of the Finnish Parliament
Satu Lähteenmäki	1956	Professor, Turku School of Economics and Business Administration
Markus Mustajärvi	1963	Member of the Finnish Parliament
Juhani Sjöblom	1949	Member of the Finnish Parliament
Jutta Urpilainen	1975	Member of the Finnish Parliament

Board of Directors

The Board of Directors is responsible for the administration of the Neste Oil Group and for ensuring that the business complies with the relevant rules and regulations, the Company's Articles of Association and the instructions given by the general meeting of shareholders and the Supervisory Board. In addition, the Board of Directors is responsible for Neste Oil Group's strategic development and for supervising and steering the business. It decides on the Neste Oil Group's key operating principles; confirms the annual operating plan, annual financial statements and interim reports; decides on major investments; confirms the Neste Oil Group's ethical values and operating principles and oversees their implementation; appoints the immediate subordinates to the President and Chief Executive Officer and decides on their remuneration; confirms the Executive Team and the Neste Oil Group's organizational and operating structure at top management level; and defines Neste Oil's dividend policy for proposal to the general meeting of the shareholders. The Board of Directors is required to have between three and eight members, each of whom is appointed by the annual general meeting of shareholders for a one-year term ending with the next following annual general meeting of the Company's shareholders.

The members of the Board of Directors, on the date of this Offering Memorandum, are as follows:

Name	Year Born	Position	Occupation
Mikael Lilius	1949	Chairman of the Board	President and Chief Executive Officer of Fortum Corporation
Juha Laaksonen	1952	Member of the Board	Chief Financial Officer of Fortum Corporation
Risto Rinne	1949	Member of the Board	President and Chief Executive Officer of Neste Oil

The members of the Board of Directors, taking office at the commencement of the trading of the Shares on the Helsinki Stock Exchange for a term ending with the annual general meeting of the Company's shareholders to be held during the first half of 2006, are as follows:

Name	Year Born	Position
Timo Peltola	1946	Chairman of the Board
Mikael von Frenckell	1947	Deputy Chairman of the Board
Ainomaija Haarla	1953	Member of the Board
Kari Jordan	1956	Member of the Board
Juha Laaksonen	1952	Member of the Board
Nina Linander	1959	Member of the Board
Pekka Timonen	1960	Member of the Board
Maarit Toivanen-Koivisto	1954	Member of the Board

Timo Peltola will serve as the Chairman of the Board of Directors of the Company. Mr. Peltola is the former Chief Executive Officer of Huhtamäki Corporation from which position he retired in 2004. He serves as a member of the Boards of Directors or Supervisory Boards of a number of companies, including TeliaSonera AB and Finnish Fair Corporation Co-operative, and serves as Vice Chairman of the Board of Directors of Nordea AB (publ.) and Chairman of the Supervisory Board of Mutual Pension Fund Ilmarinen. Mr. Peltola holds a Master of Science degree and an Honorary Doctorate degree in Economics.

Mikael von Frenckell will serve as the Deputy Chairman of the Board of Directors of the Company. Mr. von Frenckell is a partner of Sponsor Capital Oy. He serves as the Chairman of the Boards of Directors of Sponsor Capital Oy and Tamfelt Corp, as the Vice Chairman of the Board of Directors of Fiskars Corporation and a member of the Board of Directors of Tamro Plc. Mr. von Frenckell holds a Master of Social Science degree.

Ainomaija Haarla is the Vice President of Business Development, Newsprint Division of UPM-Kymmene Corporation. Ms. Haarla holds a Doctor of Science degree in engineering and a Master of Business Administration degree.

Kari Jordan is the Chief Executive Officer of Metsäliitto Cooperative. He serves as the Chairman of the Board of Directors of Metsä Tissue Corporation, the Vice Chairman of the Board of Directors of Finnair Plc and a member of the Board of Directors of Julius Tallberg-Kiinteistöt Oyj and the Supervisory Board of Siemens Osakeyhtiö. He is also a member of the Supervisory Board of the Finnish Cultural Foundation. Mr. Jordan holds a Master of Science degree in Economics.

Juha Laaksonen is the Chief Financial Officer of Fortum Corporation. He serves as a member of Board of Directors of Teollisuuden Voima Oy and as a member of the Supervisory Boards of Tapiola Mutual Insurance Company and Kemijoki Oy. Mr. Laaksonen holds a Master of Science degree in Economics.

Nina Linander is the former Senior Vice President and Group Treasurer of AB Electrolux and former Director, Product Area Electricity, of Vattenfall AB. Ms. Linander holds a Master of Science degree in Economics and a Master of Business Administration degree.

Pekka Timonen is an Advisor for state ownership policy at the Finnish Ministry of Trade and Industry. He is also a docent at the University of Helsinki and University of Tampere. Mr. Timonen holds a Doctor of Laws degree.

Maarit Toivanen-Koivisto is the Chief Executive Officer of Onvest Oy. She serves as the Chairman of the Board of Directors of Onninen Oy and as a member of the Boards of Directors of Onvest Oy and Pohjola Group Plc. Ms. Toivanen-Koivisto holds a Master of Science degree in Economics.

Board and Shareholder Committees

General

The Company intends to comply with the Helsinki Stock Exchange's Recommendation on Corporate Governance (the "Recommendation") that came into effect as of July 1, 2004. Pursuant to the Recommendation, the Board of Directors may establish committees to enhance the effectiveness of preparation of matters belonging to the competence of the Board of Directors.

Board Committees

In accordance with the Recommendation, the new Board of Directors taking office at the commencement of the trading of the Shares on the Helsinki Stock Exchange is expected to establish an audit committee and a compensation committee of the Board of Directors. It may also establish a nomination committee which may be combined with the compensation committee. All members of such committees shall be elected from amongst the members of the Board of Directors. Each of these committees will assist the Board of Directors in preparing matters within its own area of responsibility. Under the Recommendation, the principal tasks of the audit committee, the nomination committee and compensation committee are expected to be defined in a written charter to be approved for each committee by the Board of Directors. Pursuant to the Recommendation, (i) tasks of the audit committee may include preparation of matters relating to financial reporting and control, (ii) tasks of the nomination committee may include the preparation of matters related to the nomination and compensation of directors and (iii) tasks of the compensation committee may include matters related to the appointment and compensation of the President and the Chief Executive Officer and other executives of the Company as well as other employee compensation matters.

Shareholders' Nomination Committee

In accordance with a request from the Finnish Ministry of Trade and Industry, as the representative of the Finnish State in the administration of its ownership interest in Fortum Corporation and, following the commencement of the trading of the Shares on the Helsinki Stock Exchange, in Neste Oil, on March 29, 2005, an extraordinary general meeting of the Company's shareholders decided to establish a nomination committee to prepare proposals on the composition and remuneration of the Company's Board of Directors for the next annual general meeting of the Company's shareholders to be held during the first half of 2006. Pursuant to such decision, the nomination committee shall consist of the Chairman of the Board of Directors, acting as an expert member, and representatives of the Company's three largest shareholders. Those three shareholders that have the largest holdings of the voting rights in the Company on December 1, 2005 are entitled to appoint the members of the nomination committee representing the shareholders of the Company. The nomination committee shall be convened by the Chairman of the Board of Directors and the committee shall elect one of its members as a chairman. The nomination committee shall give to the Board of Directors its proposal concerning the composition and remuneration of the Board of Directors by February 1, 2006. See "Ownership Structure and Relationship with the Finnish State—Guidelines on the Finnish State's Shareholding Policy."

Executive Team

The Executive Team of the Company assists the President and Chief Executive Officer of the Company in the management and coordination of the implementation of the Company's strategic and operational goals. The present members of the Company's Executive Team are as follows:

Name	Year Born	Position	Year Joined the Company or its predecessors
Risto Rinne (Chairman) . .	1949	President and Chief Executive Officer	1975
Leena Haataja	1958	Senior Vice President, Human Resources	2004
Jarmo Honkamaa	1956	Executive Vice President, Oil Refining	1987
Osmo Kammonen	1959	Senior Vice President, Communications	2004
Juha-Pekka Kekäläinen . . .	1962	Senior Vice President, Corporate Development	1987
Risto Näsi	1957	Executive Vice President, Shipping	1983
Matti Peitso	1952	Executive Vice President, Oil Retail	1980
Petri Pentti	1962	Chief Financial Officer	2004
Kimmo Rahkamo	1962	Executive Vice President, Components	1990

Risto Rinne is President and Chief Executive Officer of the Company and Chairman of the Executive Team. Prior to joining the Company, Mr. Rinne held various other executive positions at Fortum and Neste Oyj, including President, Oil Sector, of Fortum (from January 2004) and President, Oil Refining, of Fortum (1999-2004). He is the Vice Chairman of the Board of Directors of the Chemicals Industry Federation of Finland, member of the Board of Directors of EUROPIA (the European Petroleum Industry Association) and the Finnish Oil and Gas Federation and the Chairman or a member of the Board of Directors of a number of subsidiaries and associated companies of the Company. Mr. Rinne holds a Master of Science degree in Engineering.

Leena Haataja is Senior Vice President, Human Resources, of the Company. Prior to joining the Company, she worked as Director of Human Resources and Human Resources Manager of Novo Group Plc (2000-2004) and as Human Resources Manager of RAY (Finland's Slot Machine Association) (1995-2000). Ms. Haataja holds a Master of Laws degree.

Jarmo Honkamaa is Executive Vice President, Oil Refining division, of the Company. Prior to joining the Company, he held several other management and executive positions at Fortum and Neste Oyj, including Vice President, Wholesale and Supply, of Fortum (2000-2004) and Vice President, MTBE Business Unit, of Fortum (1996-2000). He is a member of the Board of Directors of the Finnish Oil and Gas Federation and the Chairman or a member of the Boards of Directors of a number of subsidiaries and associated companies of the Company. Mr. Honkamaa holds a Master of Science degree in Engineering and a Master of Laws degree.

Osmo Kammonen is Senior Vice President, Communications, of the Company. Prior to joining the Company, he worked as Senior Vice President, Corporate Communications and Investor Relations, of Elcoteq Network Corporation (1996-2004). Mr. Kammonen holds a Master of Laws degree.

Juha-Pekka Kekäläinen is Senior Vice President, Corporate Development, of the Company. Prior to joining the Company, he held several other management and executive positions at Fortum and Neste Oyj, including Vice President, Term Sales, Oil Refining, of Fortum (2001-2004) and General Manager, Business Development, Wholesale, Oil Refining, of Fortum (2000-2001). Mr. Kekäläinen holds a Master of Science degree in Engineering.

Risto Näsi is Executive Vice President, Shipping division, of the Company. Prior to joining the Company, he held several management positions at Fortum and Neste Oyj, including President, Shipping, of Fortum (2004), Vice President, Components unit, of Fortum (2001-2003) and the Chairman or a member of the Boards of Directors of a number of subsidiaries and associated companies of the Company. Mr. Näsi holds a Master of Science degree in Engineering.

Matti Peitso is Executive Vice President, Oil Retail division, of the Company. Prior to joining the Company, he held various executive positions at Fortum and Neste Oyj, including President, Oil Retail business unit, of the Fortum (2001-2004). He also is the Chairman or a member of the Board of Directors of a number of subsidiaries and associated companies of the Company. Mr. Peitso holds a Master of Science degree in Economics.

Petri Pentti is Chief Financial Officer of the Company. Prior to joining the Company, Mr. Pentti worked as Chief Financial Officer of Finnair Plc (1999-2004). Mr. Pentti holds a Master of Science degree in Economics.

Kimmo Rahkamo is Executive Vice President, Components division, of the Company. Prior to joining the Company, he held several executive positions at Fortum and Neste Oyj, including Vice President, Supply, Oil Refining, of Fortum (2001-2004), General Manager of Neste Canada Inc. (1999-2001) and General Manager of Neste Petroleum Inc. (1997-1999). He also is a member of the Boards of Directors of a number of subsidiaries and associated companies of the Company. Mr. Rahkamo holds a Master of Science degree in Engineering.

Matti Hautakangas is General Counsel of the Company as well as the Secretary of the Executive Team. Prior to joining the Company, he worked as Legal Counsel, Oil Refining, of Fortum (2003-2004) and as attorney-at-law at Procopé & Hornborg Law Offices Ltd (1988-2003). Mr. Hautakangas holds a Master of Laws degree.

Compensation of Directors and Executive Officers

Pursuant to the Companies Act, the Company's shareholders determine the amount of compensation for members of its Board of Directors at the annual general meeting of shareholders.

Since Neste Oil, prior to the Offering, has had a Board of Directors comprised of Fortum's executives and its President and Chief Executive Officer has been an executive of Fortum Corporation, no remuneration was paid by the Company to the members of its Board of Directors or to its President and Chief Executive Officer for the year ended December 31, 2004.

After the listing of the Shares on the Helsinki Stock Exchange, the Chairman of the Board of Directors will be paid EUR 55,000, the Vice Chairman will be paid EUR 42,000 and the members of the Board of Directors will be paid EUR 30,000 per year. In addition, EUR 500 will be paid to each member of the Board of Directors for each meeting attended. The same amount will also be paid for any meetings of board committees attended.

The Company may pay annual short-term incentive bonuses to its personnel in addition to their salary and fringe benefits. The criteria for any short-term incentive bonuses shall be based on Neste Oil's financial performance and success in reaching its goals.

The Company's Board of Directors has passed a decision on the adoption of a share-related incentive scheme, the so-called long-term management performance share arrangement, for the key members of the Company's management. The adoption of the share-related incentive scheme is conditional on the separation of the Company from Fortum and the listing of the Shares on the Helsinki Stock Exchange. The incentive scheme aims to increase the commitment and loyalty of the participants in the arrangement to the Company and to align the interests of the Company's shareholders and its key personnel in order to increase the value of the Company. Initially, 65 key members of the Company's management are expected to participate in the incentive scheme. The amount of Shares that may be acquired for the participants in the incentive scheme shall be based on long-term incentive bonuses (which in turn are based on annual short-term bonuses) and the annual salary of each participant. The criteria for the long-term incentive bonuses shall be based on the criteria of Neste Oil's annual short-term bonuses described above.

The share-related incentive scheme is divided into individual performance share plans, with a new plan being introduced annually and each plan having a duration of approximately six years. A new individual performance share plan will commence annually unless the Board of Directors of the Company decides otherwise. Each individual plan consists of two consecutive three-year periods. During the first three-year period (the so-called earning period), long-term incentive bonuses are accumulated for the individual participants. After this period, the number of Shares to be acquired for the individual participants will be determined based upon the accumulated long-term incentive bonuses. The earning period is followed by another three-year period (the so-called restriction period), which functions as a waiting period in relation to the Shares earned during the earning period. The Shares to be allocated may be (i) Shares held by the Company as treasury shares, (ii) Shares purchased in the name of individual participants on the open market for delivery to such participants or (iii) Shares newly issued by the Company. Any repurchase of shares by the Company from existing shareholders and redelivery of such shares from the Company's treasury and any issuance of new Shares by the Company would require an authorization by a general meeting of the Company's shareholders. Assuming that the Shares are to be purchased on the open market for delivery to individual participants, the incentive plan will have no dilutive effect. Management estimates that approximately 0.09 percent to 0.18 percent of the outstanding Shares, which corresponds to approximately 233,000 to 466,000 Shares, will be allocated under each individual plan. However, inasmuch as the number of Shares to be allocated under the share-related incentive scheme depends on a number of factors, including the Company's share price development and the financial performance of the Company during the relevant period, the actual number of Shares to be allocated under the share-related incentive scheme may differ from this estimate.

Neste Oil's share-related incentive scheme is based upon a similar share-related incentive scheme of Fortum Corporation, which was launched in 2003, with the earning period of the first individual performance share plan under such scheme starting in 2002 and closing at the end of 2004. A total of 65 key members of the Company's management have participated in Fortum Corporation's share-related incentive scheme and are entitled to receive Fortum Corporation shares pursuant to such scheme. As of December 31, 2004, such persons were entitled to receive a total of approximately 210,000 shares of Fortum Corporation based upon the earning period of 2002-2004 of the first individual performance share plan under Fortum Corporation's share-related incentive scheme. A similar right to earn long-term incentive bonuses has been created in respect of 2003 and 2004 under Fortum Corporation's second individual performance share plan and in respect of 2004 under its third individual performance share plan but the earning periods for these plans have not yet ended. It is expected that the right of key members of the Company's management to receive Fortum Corporation shares from Fortum Corporation pursuant to its share-related incentive scheme will be converted to a right to receive Shares from Neste Oil under its new share-related incentive scheme based upon certain conversion criteria, with Fortum Corporation shares expected to be valued at their market price and the Shares expected to be valued at the Offer Price.

Employment Agreements

The members of the Company's Executive Team have entered into employment agreements with Neste Oil which, among other things, provide standard employment terms, including compensation and termination provisions. The members of the Executive Team receive a base salary and are eligible for a performance-based bonus on an annual basis. In addition, all such persons receive fringe benefits. Under the employment agreements, employment can typically be terminated upon six months' notice. Several members of the Executive Team are parties to employment agreements that provide for a fixed severance payment of six or, in certain cases, 12 months' salary.

The retirement age for the President and Chief Executive Officer is 60, and the pension paid is 66 percent of his/her remuneration for the fiscal year immediately before retirement.

There are no service contracts between any members of the Board of Directors and the Company or any of its subsidiaries that provide for benefits upon termination.

Auditors

Each year, the annual general meeting of shareholders of the Company elects an auditor and no more than one deputy auditor, each of whom must be an auditing firm or auditor authorized by the Finnish Central Chamber of Commerce. Currently, the Company's auditor is PricewaterhouseCoopers Oy, authorized public accountants, with Mr. Markku Marjomaa, authorized public accountant, serving as responsible auditor.

OWNERSHIP STRUCTURE AND RELATIONSHIP WITH THE FINNISH STATE

Ownership Structure

As of the date of this Offering Memorandum, the Company's issued share capital was EUR 40,000,000 consisting of 256,403,686 Shares. The Shares have no nominal value.

The following table sets forth certain information regarding the shareholdings of the Company's shareholders immediately prior to and after the Share Dividend and the completion of the Offering:

	Before the Completion of the Offering and the Share Dividend		After the Share Dividend		After the Completion of the Offering	
Shareholder	Number of Shares	%	Number of Shares	%	Number of Shares	%
Fortum Corporation	256,403,686	100.0	38,440,137	15.0	—	—
Finnish State	—	—	128,458,247	50.1	128,458,247	50.1
Other Fortum Corporation shareholders	—	—	89,505,302	34.9	89,505,302	34.9
Investors in the Offering	—	—	—	—	38,440,137	15.0
Total	256,403,686	100.0	256,403,686	100.0	256,403,686	100.0

Guidelines on the Finnish State's Shareholding Policy

On February 19, 2004, the Finnish Council of State approved a policy decision (the "guidelines") on the principles and goals for the policies as a shareholder in companies in which the Finnish State has a majority ownership interest (each, a "state-controlled company") or in companies in which the Finnish State has a significant minority ownership interest (each, a "state-interest company"). The guidelines provide general principles that each of the ministries responsible for the administration of state-controlled companies is to observe in connection with the exercise of the Finnish State's shareholder rights and in connection with the Finnish State's internal decision-making in relation to the administration of its ownership interests in such companies. The guidelines were prepared to apply also to state-interest companies, shareholder structure and applicable laws permitting.

As of the date of this Offering Memorandum, Fortum Corporation holds 100 percent of the Shares and voting rights in Neste Oil. Upon the completion of the Offering and the distribution of the Shares to Fortum Corporation's shareholders as a dividend, the Finnish State will hold approximately 50.1 percent of the Shares and voting rights in the Company. Thus, Neste Oil is and will be considered a state-controlled company for the purposes of the guidelines. The Finnish Ministry of Trade and Industry currently has responsibility for the administration of the Finnish State's ownership interests in relation to Fortum Corporation and will also have such responsibility in relation to Neste Oil.

Pursuant to the guidelines, there are four main principles that guide the Finnish State's ownership. The first and most important general principle is the effective separation of regulatory tasks and administration of the Finnish State's ownership interests to the effect that, in the case of companies operating on market terms, the administration of the Finnish State's ownership interests is performed in an independent and consistent manner and clearly separate from any regulatory tasks.

The second general principle of the Finnish State's ownership policy is that the Finnish State, as an owner, acts in compliance with the Companies Act and the Securities Market Act, exercises its shareholder power at the shareholders' meetings and does not require or demand exemptions or rights that deviate from those of the other owners.

The guidelines are not binding upon the state-controlled companies or state-interest companies or their governing bodies but rather serve as guidelines for each of the ministries responsible for the administration of the Finnish State's ownership interest in such companies. In any decision-making concerning the Finnish State's ownership policy, the powers of the Finnish State shall be clearly allocated in line with the Finnish Act on the State's Exercise of its Partnership Authority in Certain Limited Companies Engaging in Economic Activities (740/1991), as amended (the "State-Owned Company Act"). Accordingly, the third general principle of the Finnish State's ownership policy is the clear allocation of responsibility between the Finnish Parliament and the Finnish Government in accordance with the State-Owned Company Act. The Finnish Parliament decides on the minimum level of the Finnish State's shareholding within the limits of one-third, 50 percent and two-thirds as set forth in the State-Owned Company Act and the Finnish Government is responsible for implementing any ownership arrangements in the economically best and most appropriate manner in each particular situation.

The fourth general principle of the Finnish State's ownership policy is the clear allocation of responsibility between the owners and the management. Decision-making related to its ownership policy belongs to the Finnish State and business-related decision-making to the various governing bodies of the companies. In addition, the guidelines explicitly state that, in their operations, the companies concerned must obey the Companies Act and other laws and regulations.

Pursuant to the guidelines and a decision of the Finnish Council of State, dated June 23, 2004, state-controlled companies are divided into different categories: Fortum Corporation and Neste Oil belong to the category of companies that operate on market terms and in which the Finnish state has, in addition to an interest as an investor, a strategic interest and aims to maintain a substantial shareholding or, if its shareholding is reduced, aims to otherwise protect its strategic interests.

Pursuant to the guidelines, the tasks and decision-making authority of the Supervisory Board of a state-controlled company in which the Finnish State has, in addition to an interest as an investor, a strategic interest, shall be defined in a manner that takes into account the State's strategic interests. The guidelines provide that the tasks of a Supervisory Board of a publicly-listed state-controlled company shall be of supervisory nature and in accordance with market practice and the rules and recommendations of the Helsinki Stock Exchange.

On December 3, 2003, the Finnish Parliament decided to approve the sale and distribution of Shares of Neste Oil, provided that the Finnish State will, together with Fortum Corporation, continue to hold more than one-half of the voting rights in Neste Oil. Inasmuch as Fortum Corporation will not retain any Shares following the completion of the Offering, any disposition of the Finnish State's shareholding in Neste Oil following the completion of the Offering would result in a decrease in the Finnish State's shareholding below the current minimum level of more than 50 percent and would require a decision by the Finnish Parliament pursuant to the State-Owned Company Act.

Pursuant to the guidelines, the Finnish State aims to act as an owner to the effect that each state-controlled company and state-interest company pays dividends that are predictable, take into account the owners' interests and are comparable to dividends paid by other public companies within the particular company's industry. The Finnish State's dividend expectations are annually evaluated so that the self-sufficiency needs and development potential of the companies are taken into consideration.

Pursuant to the guidelines, decisions relating to expansion of operations of a particular company within its own industry, through acquisitions or the establishment of subsidiaries, shall be made by the appropriate governing bodies of such company. Under the Companies Act, amending the purpose of a Finnish company as set out in its articles of association requires approval by a shareholders' meeting. In a state-controlled company, the Finnish State participates in strategic decisions that are submitted for the Finnish State's consideration by the management of such company, for example, in the event that decision making by the Finnish State is required in a particular matter. Such required actions could, for example, include a decision concerning participation in any issuance of shares by the Company or matters submitted to the company's general meeting of shareholders.

The guidelines provide that the operations of each company shall be the responsibility of its management and governing bodies in accordance with the Companies Act. The principal governing body of each company shall be its Board of Directors, which typically should include outside experts and a representative of the appropriate ministry. Pursuant to the guidelines, representatives of the Finnish State who serve as members of the Board of Directors of a state-controlled company shall not participate in the Finnish State's decision-making concerning the administration of the Finnish State's ownership interest in such company.

The guidelines set a goal for state-controlled companies to be exemplary employers that act in accordance with the prevailing contracts with labor unions and that continuously and actively develop their personnel policies. Pursuant to the guidelines, as an owner, the Finnish State shall, after case-by-case consideration for each company, support incentive programs that are expected to best secure the company's competitiveness in recruiting management resources. At the time of the implementation of an incentive program for a particular company's management, incentive programs for other personnel of such company should also be developed and adopted.

On February 17, 2004, the Finnish Cabinet Committee on Economic Policy adopted a statement concerning the compensation policy of state-controlled companies and state-interest companies. Pursuant to the statement, incentive programs for management and key employees shall be transparent, objective, reasonable and based on only rewarding performances exceeding normal levels. Pursuant to the decision, the Finnish State's view of share based incentive programs without involvement of direct shareholding is reserved. The incentive program shall be based on creation of shareholder value and enhancement of the success of the company in the long term.

In addition, the Finnish Cabinet Committee on Economic Policy adopted, on February 17, 2004, a statement concerning the policy for proposals for nominations of members of the Board of Directors of state-controlled companies and state-interest companies. Pursuant to the statement, the general meeting of shareholders of listed companies may, upon the proposal of the relevant ministry representing the Finnish State, resolve to establish a nomination committee comprising representatives of the largest shareholders of the company to prepare proposals on the composition and remuneration of the Board of Directors of the company for the next annual general meeting of shareholders.

RELATED PARTY TRANSACTIONS

The following is a brief summary of certain agreements, arrangements and transactions between the Company and Fortum Corporation.

Allocation of Certain Rights, Benefits, Obligations and Liabilities

Separation of the oil businesses of Fortum Corporation into a separate company, Neste Oil, was carried out by means of the demerger of Fortum Oil and Gas Oy, a wholly-owned subsidiary of Fortum Corporation, effective on May 1, 2004. Under the Demerger Plan, Fortum Oil and Gas Oy transferred all the assets and liabilities related to the oil businesses of Fortum Oil and Gas Oy to Neste Oil and all other assets and liabilities of Fortum Oil and Gas Oy to another transferee company, Fortum Heat and Gas Oy.

In January 2005, the Company and Fortum Heat and Gas Oy, entered into a statement regarding specific allocation of certain rights, benefits, obligations and liabilities related to the Demerger (the "Demerger Agreement"). The Demerger Agreement is not intended to amend the Demerger Plan but acknowledges and records in more detail the allocation of such rights, benefits, obligations and liabilities between Neste Oil and Fortum Heat and Gas Oy, a wholly-owned subsidiary of Fortum Corporation, upon the Demerger.

Pursuant to the terms of the Demerger Agreement, Neste Oil assumes all obligations and liabilities existing under certain agreements relating to the oil businesses, including all obligations and liabilities under the agreements entered into in connection with the sale of a 35 percent interest in an oil field in Oman together with the associated gas exploration and production rights in 2002, the sale of the Norwegian oil exploration and production business in 2002 and the sale of various other assets related to the oil businesses of Fortum Oil and Gas Oy during its operating history.

Neste Oil has provided counter-guarantees for the benefit of Fortum Corporation with respect to certain guarantees, undertakings and support obligations provided by Fortum Corporation in relation to the oil businesses. Neste Oil has undertaken to cause Fortum Corporation to be released from these guarantees, undertakings and support obligations no later than August 31, 2005. If Neste Oil fails to do so, its counter-guarantees for the benefit of Fortum Corporation will remain in force. As of February 28, 2005, the aggregate amount of these guarantees was approximately EUR 107 million.

Furthermore, pursuant to the terms of the Demerger Agreement, Neste Oil assumes all the obligations and liabilities related to importing, selling and distributing MTBE into various countries, including the United States. For further information on potential liability risks related to MTBE, see "Investment Considerations—Neste Oil may become subject to significant liability related to MTBE." In addition, Neste Oil assumes environmental liabilities related to certain properties, which include three former landfills, a plant site and harbour adjacent to Neste Oil's refinery in Porvoo.

Finally, the Demerger Agreement includes provisions on the allocation of tax liabilities between Neste Oil and Fortum Heat and Gas Oy. Generally, to the extent any tax liabilities or benefits are attributable to the companies, assets or liabilities allocated to Neste Oil, all such liabilities or benefits will be allocated to the relevant member of the Neste Oil Group.

Service Agreements

Before establishing its own financial, IT and other support service functions in order to be a fully independent entity, Neste Oil has entered into several transitional service agreements with Fortum Corporation. These agreements cover areas such as financial services, IT services, support services, employee health services, security services and use of certain facilities. These agreements have been entered into on commercial arm's length terms. The agreement on financial services remains in force until June 30, 2007 and, thereafter, for successive 12-month periods unless terminated with a 12-month notice. The agreement on IT services has a six month notice period, the first possible notice date being in

June 2005. The agreement on support services remains in force until December 31, 2006 and, thereafter, for successive 12-month periods unless terminated with a six-month notice.

Utilities Procurement

Most of the utilities that Neste Oil procures from third parties are currently procured from subsidiaries of Fortum Corporation. Most importantly, the Naantali refinery procures all its steam requirements from Fortum Power and Heat Oy and electricity from Fortum Sähkönsiirto Oy, which are both subsidiaries of Fortum Corporation. These transactions are being made on an arm's length basis and on commercial terms similar to those of Neste Oil's other utilities suppliers. The steam supply agreement with Fortum Power and Heat Oy remains in force until December 31, 2005 and the electricity supply agreement with Fortum Sähkönsiirto Oy until December 31, 2007.

DESCRIPTION OF THE SHARES AND SHARE CAPITAL

General

The Company was incorporated on May 1, 2004 and is organized under the laws of Republic of Finland. The registered business name of the Company is Neste Oil Oyj and, in English, Neste Oil Corporation, and it is domiciled in Espoo, Finland. The Company is registered in the Trade Register under the business identity code 1852302-9, and its registered office is located at Keilaranta 8, FI-02150 Espoo, Finland.

According to Section 2 of the Articles of Association of the Company, it may, either directly or through its subsidiaries and associated companies, engage in the production of oil and gas, in the oil, energy and chemicals industry and trade, merchant shipping and technical planning and in other related businesses. The Company may own and control real estate, shares and other securities.

Shares and Share Capital

Pursuant to the Articles of Association of the Company, its issued share capital may not be less than EUR 30 million nor more than EUR 200 million. The Company's issued share capital may be increased or decreased within these limits without amendment to its Articles of Association. Under the Articles of Association of the Company, the number of shares may not be less than 50 million nor more than 600 million. The counter-book value of the Shares is EUR 0.15600 (infinite number). As of the date of this Offering Memorandum, the Company's paid-in share capital amounted to EUR 40,000,000 consisting of one class of 256,403,686 Shares. The Shares of the Company were entered into the Finnish Book-Entry Securities System on April 1, 2005. Each Share entitles the holder to one vote at the general meetings of shareholders.

History of Share Capital

The following table sets forth a summary of the changes in the Company's share capital since the Company was incorporated on May 1, 2004, including the number of Shares into which it is divided:

Measure	Nominal value/ Counter book-value of a Share (EUR)	Increase in the number of Shares	Increase in share capital (EUR)	New number of Shares	New share capital (EUR)	Registered
Incorporation of the Company	0.40	100,000,000	40,000,000	100,000,000	40,000,000	May 1, 2004
Share split	0.15600[(1)]	156,403,686	—	256,403,686	40,000,000	March 8, 2005

(1) Infinite number.

Shareholder Rights

Pre-emptive Rights

Under the Companies Act, existing shareholders of Finnish companies have pre-emptive rights to subscribe, in proportion to their shareholdings, for new shares of such companies as well as for issues of options, warrants or convertible bonds, unless the corporate resolution approving such issue provides otherwise. Under the Companies Act, a resolution waiving pre-emptive rights must be approved by at least two-thirds of all votes cast and all shares represented at a general meeting of shareholders.

Certain shareholders resident in, or with a registered address in, certain jurisdictions other than Finland, including "U.S. Persons" (as defined in Regulation S under the U.S. Securities Act), may not be able to exercise any pre-emptive rights and preferential rights in respect of their shareholding unless a registration statement, or an equivalent thereof, under the applicable laws of their respective jurisdictions is effective or an exemption from any registration or similar requirements under the applicable laws of their respective jurisdictions is available.

General Meetings of Shareholders

Under the Companies Act, shareholders exercise their power to decide on corporate matters at general meetings of shareholders. The Company's Articles of Association require that a general meeting of shareholders be held annually by the end of June, at the latest, on a date determined by the Board of Directors. Pursuant to the Articles of Association of the Company, general meetings of shareholders shall be held in Helsinki, Espoo or Vantaa. At the annual general meeting of shareholders, the financial statements, including the income statement, balance sheet, annual report and the consolidated income statement, and the auditors' report are presented to the shareholders for adoption. At the annual general meeting, the shareholders also take decisions, among other things, on any measure warranted by the profit or loss shown in the adopted balance sheet, the date of payment of dividends, if any, discharge from liability for the members of the Supervisory Board, the Board of Directors and the Chief Executive Officer as well as on elections of members of the Supervisory Board, the Board of Directors and the auditor and their respective remuneration. An extraordinary general meeting of shareholders in respect of specific matters shall be held when considered necessary by the Board of Directors, or when requested in writing by an auditor of the Company or by shareholders representing at least one-tenth of all the issued Shares.

Under the Company's Articles of Association, the notice for the general meetings of shareholders shall be sent to the shareholders not later than 17 days and not sooner than two months prior to the meeting.

In order to have the right to attend and vote at a general meeting of shareholders, a shareholder must be registered not later than ten days prior to the relevant general meeting of shareholders in the register of shareholders maintained by the FCSD in accordance with Finnish law (see "The Finnish Securities Market—The Finnish Book-Entry Securities System"). A beneficial owner wishing to attend and vote at the general meeting of shareholders should seek a temporary registration in the register of shareholders maintained by the FCSD no later than ten days prior to the relevant general meeting of shareholders. There are no quorum requirements for general meetings of shareholders in the Finnish Companies Act or the Company's Articles of Association.

Voting Rights

A shareholder may attend and vote at a general meeting of shareholders in person or through an authorized representative. Each Share entitles its holder to one vote. At a general meeting of shareholders, resolutions generally require the approval of a majority of the votes cast. However, certain resolutions, such as a resolution to amend the Articles of Association, a resolution to issue shares in deviation from the shareholders' preferential subscription rights and, in certain cases, a resolution regarding a merger or liquidation of the Company, require a majority of two-thirds of the votes cast and of the shares represented at the general meeting of shareholders. In addition, certain resolutions, such as amendments to the Articles of Association which change the respective rights of shareholders holding the same class of shares, increase the redemption rights of the Company or its shareholders or decrease the redemption price under the Articles of Association, require the consent of all shareholders, or, where the rights of certain shareholders only are affected, in addition to the applicable majority requirement, the consent of all those shareholders whose shares are affected by the amendment.

Dividends and Other Distributions

Under the Companies Act and in accordance with prevailing practice in Finland, dividends on shares of a Finnish company are generally only paid annually and only after shareholder approval of the company's financial statements and of the amount of the dividend proposed by the Board of Directors.

Accordingly, the payment by the Company of a dividend in respect of the Shares will require the approval of the holders of a majority of the Shares represented at a general meeting of shareholders.

Under the Companies Act, the shareholders' equity of a Finnish company is divided into restricted and unrestricted equity. Restricted equity consists of the share capital, the share premium fund, the reserve fund and the revaluation fund. Other reserves are included in unrestricted equity. The amount of any dividend is limited to the amount of distributable funds according to the audited financial statements for the preceding financial year. Distributable funds include the net profit for the preceding financial year, retained earnings from previous years and other unrestricted equity adjusted for the loss set forth in the balance sheet and the amounts that the Articles of Association of the Company require to be held or transferred to a reserve fund or otherwise to be left undistributed. Distributable funds are, where applicable, to be further adjusted for capitalized incorporation, research and certain development costs in accordance with a transitional provision of the Companies Act related to the amendment of Finnish book-keeping legislation as of December 31, 2004 to incorporate the requirements of IFRS. A parent company of a consolidated group of companies may not distribute more than the amount of distributable funds shown on the parent company's financial statements or the consolidated financial statements, whichever is lower. When calculating the distributable equity for dividend purposes, the distributable funds shown on the consolidated financial statements are also reduced by the amount of untaxed reserves included in retained earnings (voluntary reserves and the difference between actual depreciation and depreciation according to plan). The dividend may not exceed the amount proposed by the Board of Directors unless so requested at the annual general meeting by the holders of not less than ten percent of all shares of the company, in which case the dividend, if so requested, shall amount to the lower of (i) at least one-half of the profit for the last preceding financial period less the amount that the Articles of Association of the company require to be held or transferred to a reserve fund or otherwise left undistributed, and (ii) the amount of distributable funds as defined above. However, in such case the dividend may not exceed eight percent of the total shareholders' equity of the company. The company may not, under the Companies Act, pay interim dividends based on the current financial year's earnings.

A government proposal on reform of Companies Act is anticipated to be passed to the Finnish Parliament for approval during the spring of 2005 (the "Companies Act Reform"). The working group of the Finnish Ministry of Justice preparing the government proposal for the Companies Act Reform is proposing amended provisions on dividends and other distributions prohibiting any distributions of funds if a company is insolvent or such distribution would cause the company to be insolvent. It is also proposed that companies would be able to distribute interim dividends based on the earnings of the current financial year.

Dividends and other distributions are paid to shareholders or their nominees entered in the register of shareholders on the relevant record date. Such register is maintained by the FCSD through the relevant book-entry account operators. Under the Finnish Book-Entry Securities System, dividends are paid by account transfers to the accounts of the shareholders appearing in the registry. All of the Shares, including the Offer Shares, carry equal rights to dividends and other distributions by the Company (including distributions of assets in the event of the liquidation of the Company).

The Offer Shares are entitled to dividends as described in the section entitled "Dividends and Dividend Policy." The right to dividend expires five years from the date on which it would have been payable, or, in the event such date is not explicitly defined in the annual general meeting's decision, the right to dividend expires five years from the date of the annual general meeting's decision on the dividends.

For information relating to taxation of dividends, see "Taxation."

Treasury Shares

Under the Companies Act, a company may acquire its own shares using distributable funds. Decisions on the acquisition of a company's own shares must be taken by a general meeting of shareholders, unless the general meeting of shareholders has authorized the Board of Directors to decide upon share repurchases. Any such authorization to the Board of Directors of a company may remain in effect for a period not exceeding one year. As of March 9, 2005, a public limited company may neither directly nor through a subsidiary hold its own shares in an amount in excess of ten percent of the company's share capital or voting rights. As of the date of this Offering Memorandum, Neste Oil does not own any of the Shares and the Board of Directors of the Company has not been authorized by the general meeting of shareholders of the Company to purchase any of the Shares.

In connection with the Companies Act Reform, the working group of the Finnish Ministry of Justice has proposed that the decision-making procedure for share repurchases should be made easier and that the provisions of the Companies Act on share repurchases should be simplified in general.

Transfers

Upon a sale of shares through the Finnish Book-Entry Securities System, the relevant shares are transferred from the seller's book-entry account to the buyer's book-entry account as an account transfer. The sale is registered as an advance transaction until the settlement thereof and the payment for the shares, after which the buyer will automatically be registered in the register of shareholders of the relevant company. In the case of registration in the name of a nominee, a sale of shares does not require any entries into the Finnish Book-Entry Securities System unless the nominee is changed pursuant to the sale.

Redemption Liability

The Company's Articles of Association contain a redemption clause under which a shareholder whose holding in the Company, alone or together with certain other shareholders, reaches or increases above either 33⅓ percent or 50 percent of the shares or the voting rights attached to the shares of the Company is required to purchase the shares of all other shareholders who request such purchase. The Articles of Association of the Company specify that the purchase price of such shares shall be the highest of the following:

(i) the weighted average trading price of the shares on the Helsinki Stock Exchange during the ten business days prior to the date on which the Company has been notified by the shareholder subject to redemption liability that such shareholder's ownership has reached or increased above the ownership or voting right ceiling referred to above or, in the absence of such notification or its failure to arrive within the specified period, the date on which the Board of Directors otherwise learns of this or, in the absence of trading, the last preceding trading price;

(ii) the average trading price of the shares on the Helsinki Stock Exchange during the period of 12 months preceding the date referred to in paragraph (i) above;

(iii) the highest price which the shareholder subject to redemption liability has paid for the shares that such shareholder has purchased or otherwise acquired during the period of 12 months preceding the date referred to in paragraph (i) above; and

(iv) in the event the shareholder subject to redemption liability has failed to notify the Company within the specified period, the highest price which the shareholder subject to redemption liability has paid for the shares that such shareholder has purchased or otherwise acquired during the period of 12 months beginning on the date the redemption liability arose and terminating on the date referred to in paragraph (i) above.

Such shareholder is also obligated to purchase any subscription rights, warrants, convertible bonds and certain other securities issued by the Company if so requested by the holder thereof. For a full description of the redemption clause, see "Annex B: Articles of Association of Neste Oil."

Pursuant to the Securities Market Act, a shareholder whose holding in a listed company increases above two-thirds of the total voting rights attached to the shares after the commencement of a public quotation of the shares must make a public tender offer to purchase the remaining shares and other securities entitling their holder to shares of the company for a fair market value. Under the Finnish Companies Act, a shareholder holding shares representing more than 90 percent of all the shares in a company and more than 90 percent of the votes entitled to be cast at a general meeting of shareholders has the right to require the minority shareholders to sell the remaining shares of such company to such shareholder for fair market value. In addition, any minority shareholder that possesses shares that may be so purchased by a majority shareholder is entitled to require such majority shareholder to purchase its shares. Detailed rules apply for the calculation of the above proportions of shares and votes.

Restrictions on Foreign Ownership

Restrictions on foreign ownership of Finnish companies were abolished as of January 1, 1993. However, under the Act on the Control of Foreigners' Acquisition of Finnish Companies (1612/1992), as amended (the "Control Act"), clearance by the Finnish Ministry of Trade and Industry would be required if a foreign person or entity, other than a person or entity from another member state of the European Economic Area or the OECD, or a Finnish entity controlled by one or more such foreign persons or entities, were to acquire a holding of one-third or more of the voting rights of the company. The Control Act is applicable for acquisitions of companies (i) with more than 1,000 employees during the preceding or current financial year; (ii) with the net sales exceeding EUR 168.2 million at the end of the last financial year; or (iii) with total assets exceeding EUR 168.2 million as of the date of the latest financial statements. The Ministry of Trade and Industry could refuse clearance where the acquisition would jeopardize important national interests, in which case the matter is referred to the Finnish government.

Foreign Exchange Control

Other than as described above, shares of a Finnish company may be purchased by non-residents of Finland without any separate Finnish exchange control consent. Non-residents may receive dividends without separate Finnish exchange control consent, the transfer out of Finland being subject to payment by the company of withholding taxes in the absence of an applicable double taxation treaty. Non-residents having acquired shares may receive shares pursuant to a bonus issue or through participation in a new issue without a separate Finnish exchange control consent. Shares of a Finnish company may be sold in Finland by non-residents, and the proceeds of such sale may be transferred out of Finland in any convertible currency. There are no Finnish exchange control regulations applying to the sale of shares of a Finnish company by non-residents to other non-residents.

THE FINNISH SECURITIES MARKET

Trading and Settlement on the Helsinki Stock Exchanges

Trading in, and clearing of, securities on the Helsinki Stock Exchange takes place in euro, with the minimum tick size for trading quotations being 0.01 euro. All price information is produced and published only in euro.

In September 2004, the Helsinki Stock Exchange transferred to a new Saxess trading platform. Saxess is an order-based system in which orders are matched to trade when price and volume match. Following the transfer to Saxess trading platform, the main trading phases of the Helsinki Stock Exchange are pre-trading, trading and post-trading. For shares, pre-trading begins at 8:30 a.m. and ends at 9:45 a.m. at the prices established during the previous trading day. Trading with calls and continuous trading takes place from 9:45 a.m. to 6:30. p.m. Opening call begins at 9:45 a.m. and ends at 10:00 a.m. Round lot orders entered during the pre-trading session and existing orders with several days' validity are automatically transferred into the opening call. Continuous trading begins sequentially after the opening call ends at 10:00 a.m. when the first share is assigned its opening price and then becomes subject to continuous trading. After approximately ten minutes, the opening prices for all the shares have been established and trading continues at prices based on market demand until 6:20 p.m. when the closing call is initiated. The closing call ends at approximately 6:30 p.m. when the closing prices are determined. Post-trading, during which only contract transactions for shares can be registered at the prices established during the trading day, takes place from 6:40 p.m. to 7:00 p.m.

Trades are normally cleared in the FCSD's automated clearing and settlement system on the third banking day after the trade date unless otherwise agreed by the parties.

Regulation of the Finnish Securities Market

The securities market in Finland is supervised by the Finnish Financial Supervision Authority. The principal statute governing the securities market is the Securities Market Act, which contains regulations with respect to company and shareholder disclosure obligations, admission to listing and trading of listed securities, public tender offers and insider dealing, among other things. The Finnish Financial Supervision Authority monitors compliance with these regulations.

The Securities Market Act specifies minimum disclosure requirements for Finnish companies applying for listing on the Helsinki Stock Exchange or making a public offering of securities in Finland. The information provided must include sufficient information on matters that have a material impact on the value of the securities and be sufficient to enable investors to make a sound evaluation of the securities being offered and the issuing company. Finnish listed companies have a continuing obligation to publish regular financial information and to inform the market of any matters likely to have a material impact on the value of their securities.

A shareholder is required, without undue delay, to notify a Finnish listed company and the Finnish Financial Supervision Authority when its voting interest in, or its percentage ownership of, the issued share capital of such Finnish listed company reaches, exceeds or falls below five percent, ten percent, 15 percent, 20 percent, 25 percent, 33⅓ percent, 50 percent or 66⅔ percent, calculated in accordance with the Securities Market Act, or when it enters into an agreement or other arrangement that, when effective, leads to a crossing of any of such thresholds. If a Finnish listed company receives information indicating that a voting interest or ownership interest has reached, exceeded or fallen below any of these thresholds, it must disclose such information without undue delay to the Helsinki Stock Exchange and to the public.

Pursuant to the Securities Market Act, a shareholder whose holding in a listed company increases above two-thirds of the total voting rights attached to the shares of the company, calculated in accordance with the Securities Market Act, after the commencement of a public quotation of such shares must make a public tender offer to purchase the remaining shares and other securities entitling its holder to shares of such company for fair market value. However, pursuant to the Takeover Directive (2004/25/EC), the EU member states must ensure by May 20, 2006 that a shareholder whose holding in a company gives the shareholder control of the company must make a public tender offer to purchase the remaining shares. The Takeover Directive provides that EU member states, when implementing the Directive, may not adopt a threshold for a mandatory tender offer that exceeds 50 percent. The member states may, however, adopt thresholds lower than 50 percent. Under the Finnish Companies Act, a shareholder holding shares representing more than 90 percent of all the shares in a company and more than 90 percent of the votes entitled to be cast at a general meeting of shareholders has the right to require the minority shareholders to sell the remaining shares of such company to such shareholder for fair market value. In addition, any minority shareholder that possesses shares that may be so purchased by a majority shareholder is entitled to require such majority shareholder to purchase its shares. Detailed rules apply for the calculation of the above proportions of shares and votes.

The Finnish Penal Code of 1889, as amended (the "Penal Code"), contains provisions relating to breach of disclosure requirements, the misuse of privileged or inside information and market manipulation. Breach of these provisions constitutes a criminal offense. Pursuant to the anticipated amendments to the Securities Market Act, the Penal Code and the Finnish Act on the Financial Supervision Authority (587/2003), as amended, to be made due to the implementation of the EU Market Abuse Directive (2003/6/EC), the Finnish Financial Supervision Authority and the Finnish Market Court would be authorized to impose administrative sanctions for breach of the proposed provisions, to the extent the offense does not fall within the scope of the Penal Code. The Financial Supervision Authority could, for example, issue a public notice or warning or impose monetary penalties or, in more serious cases, request the Finnish Market Court to issue a warning and impose monetary penalties for the breach of disclosure or reporting requirements, insider register provisions, misuse of insider information or market manipulation. The implementation of the Market Abuse Directive in Finland is currently delayed due to the possible conflict between the Finnish constitution and certain of the legislative changes proposed by the government proposal for the implementation of the Market Abuse Directive. Pursuant to the Market Abuse Directive, its provisions were required to be implemented in EU member states by October 12, 2004.

The Finnish Book-Entry Securities System

General

Use of the book-entry securities system is mandatory for shares listed on the Helsinki Stock Exchange. The Company's shares were entered into the Finnish book-entry system on April 1, 2005.

The Finnish book-entry securities system is centralized at Finnish Central Securities Depository Ltd, or the FCSD, which provides national clearing and settlement as well as registration services for securities. The FCSD maintains a central book-entry securities system for both equity and debt securities.

The FCSD maintains a register of the shareholders of listed companies and book-entry accounts for shareholders that do not wish to utilize the services of a commercial account operator. The expenses incurred by the FCSD in connection with maintaining the central book-entry securities system are borne by the issuers participating in the book-entry securities system and the account operators. The account operators, which consist of credit institutions, investment services companies and other institutions licensed to act as account operators by the FCSD (each, an "account operator"), are entitled to make entries in the book-entry register and administer the book-entry accounts.

Registration

In order to effect entries in the Finnish Book-Entry Securities System, a security holder or such holder's nominee must establish a book-entry account with an account operator or with the FCSD or register its securities through nominee registration. Shareholders who are not Finnish citizens or entities may register their securities through nominee registration. For shareholders who have not transferred their shares into book-entries, a joint book-entry account shall be opened with the FCSD, the registered holder of which shall be the issuer. All transactions in securities registered with the book-entry securities system are executed as computerized book-entry transfers. The account operator confirms book-entry transfers by sending notifications of transactions to the holder of the respective book-entry account. The account holders also receive an annual statement of their holdings as of the end of each calendar year.

Each book-entry account is required to contain specified information with respect to the account holder or the custodian administering the assets of a nominee account. Such information includes the type and number of book-entry securities registered and the rights and restrictions pertaining to the account and to the book-entry securities registered in the account. A nominee account is identified as such on the entry. The FCSD and the account operators are required to observe strict confidentiality, although certain information (e.g., the name, nationality and address of each account holder) contained in the register of shareholders maintained by the FCSD must be made available to the public by the FCSD and the company, save in the case of nominee registration. The Finnish Financial Supervision Authority is entitled to receive certain information on nominee registrations upon request.

Each account operator is strictly liable for errors and omissions on the registers maintained by it and for any unauthorized disclosure of information. However, if an account holder has suffered a loss as a result of a faulty registration or an amendment to, or deletion of, rights in respect of registered securities and the account operator is unable to compensate such loss, such account holder is entitled to receive compensation from the statutory registration fund of the FCSD. The capital of the registration fund must be at least 0.000048 percent of the average of the total market value of the book-entries kept in the book-entry system during the last five calendar years and it must not be less than EUR 20 million. The compensation to be paid to one injured party shall be equal to the amount of damages suffered by such injured party from a single account operator subject to a maximum amount of EUR 25,000. The liability of the registration fund to pay damages in relation to each incident is limited to EUR 10 million.

Custody of the Shares and Nominees

A non-Finnish shareholder may appoint an account operator (or certain non-Finnish organizations approved by the FCSD) to act as a custodial nominee account holder on its behalf. A nominee shareholder is entitled to receive dividends and to exercise all share subscription rights and other financial and administrative rights attaching to the shares held in its name. A beneficial owner wishing to attend and vote at meetings of shareholders must seek a temporary registration and be registered in the register of shareholders not later than ten days prior to the relevant general meeting. A custodial nominee account holder is required to disclose to the Finnish Financial Supervision Authority and the relevant company on request the name of the beneficial owner of any shares registered in the name of such custodial nominee account holder, where the beneficial owner is known, as well as the number of shares owned by such beneficial owner. If the name of the beneficial owner is not known, the custodial nominee account holder is required to disclose said information on the representative acting on behalf of the beneficial owner and to submit a written declaration to the effect that the beneficial owner of the shares is not a Finnish natural person or legal entity.

Finnish Depositories for both Euroclear Bank, S.A./N.V., as operator of Euroclear, and Clearstream have nominee accounts within the book-entry securities system and, accordingly, non-Finnish shareholders may hold their shares through their accounts with Euroclear or Clearstream.

Shareholders wishing to hold their shares in the book-entry securities system in their name and who do not maintain a custody account in Finland are required to open a book-entry account at an authorized account operator in Finland and a convertible euro account.

TAXATION

The following summary is based on the tax laws of Finland and the United States as in effect and applied on the date of this Offering Memorandum, and is subject to changes in Finnish or United States law, including changes that could have a retroactive effect. The following summary is not exhaustive and does not take into account or discuss the tax laws of any country other than Finland or the United States. You are advised to consult your own professional tax advisors as to the Finnish, United States or other tax consequences of the Offering and the purchase, ownership and disposition of Shares.

Prospective investors who may be affected by the tax laws of other jurisdictions should consult their tax advisors with respect to the tax consequences applicable to their particular circumstances.

Finnish Tax Considerations

The following is a description of the material Finnish income and net wealth tax consequences that may be relevant with respect to this Offering. The description below only addresses Finnish tax legislation and does not take into account the tax laws of any other countries.

The description below is applicable to both residents and non-residents of Finland for the purposes of Finnish domestic tax legislation. This description does not address tax considerations applicable to holders of Shares or subscription rights or warrants that may be subject to special tax rules, including, among others, non-business carrying entities, tax-exempt entities or general or limited partnerships. Furthermore, this description addresses neither Finnish inheritance nor gift tax consequences.

This description is based on:

- The Finnish Income Tax Act (1535/1992), as amended;
- The Finnish Net Wealth Tax Act (1537/1992), as amended;
- The Finnish Business Income Tax Act (360/1968), as amended; and
- The Finnish Transfer Tax Act (931/1996), as amended.

In addition, relevant case law, decisions and statements made by the tax authorities in effect and available on the date of this Offering Memorandum have been taken into account.

All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below.

In 2004, the Finnish Parliament approved new rules regarding Finnish corporate and capital tax legislation. Under these new rules, the Finnish *avoir fiscal* system was abolished effective as of January 1, 2005.

General

Residents and non-residents of Finland are treated differently for tax purposes. The worldwide income and net wealth of persons resident in Finland is subject to taxation in Finland. Non-residents are not generally liable for tax in Finland and are taxed on Finnish source income and net wealth located in Finland only. However, shares in Finnish limited liability companies, except for housing companies, held by non-residents are not included in the taxable net wealth. In addition, and subject to applicable double taxation treaty provisions, all income of a non-resident derived from, and net wealth allocable to, a permanent establishment located in Finland will be taxed in Finland.

Generally, an individual is deemed a resident of Finland if such individual stays in Finland for more than six consecutive months or if the permanent home and dwelling of such individual is in Finland. Earned income, including salary, is taxed at progressive rates while capital income is currently taxed at a flat rate of 28 percent. Corporate entities established under the laws of Finland are regarded as residents of Finland. Finnish companies are subject to corporate income tax on their worldwide income. Currently, the corporate income tax rate is 26 percent.

The following is a summary of certain Finnish tax consequences relating to the purchase, ownership and disposition of the Shares by Finnish resident and non-resident shareholders.

Taxation of the Share Dividend to the Shareholders of Fortum Corporation

Distribution of the Shares by Fortum Corporation to shareholders of Fortum Corporation is considered a dividend for tax purposes and is therefore subject to tax as described below. Fortum Corporation is obligated to collect withholding tax in respect of the Shares distributed as dividends to non-resident shareholders and cause advance tax withholding from the Shares distributed as dividends to resident individuals.

The withholding tax or advance tax will be withheld from the cash dividend paid by Fortum Corporation concurrently with the distribution of the Shares. To the extent the cash dividend does not suffice to cover the entire withholding tax or advance tax for the distribution of the Shares, the shareholders in question will be, by way of assessment, liable for any unpaid or uncollected withholding tax or advance tax to the tax authorities. For further information on advance tax withholdings and withholding tax, see below "—Taxation of Dividends."

Taxation of Dividends

Resident Individuals

If the shareholder is an individual, 70 percent (57 percent during a transitional period in 2005) of dividends paid by a company listed on the Helsinki Stock Exchange, as the Company is expected to be at the time of the completion of the Offering, to a Finnish individual shareholder is considered as capital income of the recipient, taxable at the flat rate of 28 percent, while the remaining 30 percent (43 percent during a transitional period in 2005) is tax-exempt.

The company distributing dividends is obligated to cause advance tax withholding from dividends paid to resident individuals. In 2005, the amount of the advance tax withholding is 15 percent of the amount of the dividend. The advance tax withheld by the distributing company is credited against the final tax payable by the individual shareholder for the dividend received. Resident individuals must report in their tax return any dividend income received during the calendar year.

Finnish Limited Liability Companies

Dividends received by a company listed on the Helsinki Stock Exchange from another company listed on the Helsinki Stock Exchange are generally tax-exempt. However, in cases where the underlying shares are included in the investment assets of the shareholder, 75 percent (60 percent during a transitional period in 2005) of the dividend is taxable income while the remaining part of the dividend is tax-exempt.

In the case of non-listed companies (privately held companies) holding less than ten percent of the share capital of a company listed on the Helsinki Stock Exchange or booking the underlying shares as investment assets, 75 percent (60 percent during a transitional period in 2005) of the dividend received on such shares is considered to be the shareholder's taxable income, while the remaining part of the dividend is tax-exempt. In other cases, dividends received by a privately held company from a company listed on the Helsinki Stock Exchange are fully tax-exempt.

Dividend in Kind

Dividend distributions can be effected through payment in kind, for example, in the form of shares in a subsidiary of the payer company. Taxation of a dividend distribution in kind is similar to the taxation of a dividend distribution in cash. Distributions in kind are regarded as taxable income of the shareholder. For tax purposes, the assets distributed are valued at their fair market value.

Non-Residents

Non-residents are subject to Finnish withholding tax on dividends paid by a Finnish company. The tax for dividends is withheld at source in Finland. It means that the Finnish company distributing the dividend is responsible for deducting any applicable Finnish withholding tax. In the absence of any applicable double taxation treaty, the rate of such withholding tax is currently 28 percent.

Finland has entered into double taxation treaties with many countries pursuant to which the withholding tax rate is reduced on dividends paid to persons entitled to the benefits under such treaties. For example, in the case of the treaties with the following countries, Finnish withholding tax rates regarding portfolio shares are generally reduced to the percentages given: Austria: ten percent; Belgium: 15 percent; Canada: 15 percent; Denmark: 15 percent; France: zero; Germany: 15 percent; Ireland: 15 percent; Italy: 15 percent; Japan: 15 percent; the Netherlands: 15 percent; Norway: 15 percent; Spain: 15 percent; Sweden: 15 percent; Switzerland: ten percent; the United Kingdom: zero; and the United States: 15 percent. Please note that this list is not exhaustive. A further reduction in the withholding tax rate is usually available to corporate shareholders for distributions on qualifying holdings (usually direct ownership of at least ten percent of the capital of the distributing company).

Where shares in a Finnish company are held through a nominee account, the Finnish distributing company pays the dividends to the nominee account managed by the custodian, who then delivers the dividend payment to the beneficial owner. In such case, the Finnish company automatically applies the withholding tax rate of 28 percent. In the event that the beneficial owner is resident of a country with whom Finland has entered into a double taxation treaty which provides for a lower withholding tax rate, such beneficial owner can obtain a reduction of the 28 percent withholding tax rate at source upon submission of a Source Tax Card or other required information (name, date of birth, any personal or corporate code in the home country and address) to the payer prior to the payment of dividends. If such a Source Tax Card or such information is not submitted in a timely manner, a refund of tax withheld in excess of the applicable double taxation treaty rate can be obtained upon application to the local tax authority.

No withholding tax shall be levied under Finnish tax laws on dividends paid to corporate entities that reside in an EU member state as specified in Article 2 of the Parent-Subsidiary Directive (90/435/EEC) and that directly hold at least 20 percent of the capital of the distributing Finnish company.

Capital Gains

Resident Individuals

Capital gain or loss arising from the sale of Shares (other than in the context of business activities) is taxable as capital gain or deductible as capital loss for resident individuals. Capital gains are currently taxed at a rate of 28 percent. Any capital gain or loss is calculated by deducting the original acquisition cost and sales related expenses from the sales price. Alternatively, individuals may, in lieu of applying the actual acquisition costs, choose to apply a so-called presumptive acquisition cost, which is equal to 20 percent of the sales price or, in the case of Shares which have been held for at least ten years, 40 percent of the sales price. If the presumptive acquisition cost is used instead of the actual acquisition cost, any selling expenses are deemed to be included therein and, therefore, are not separately deducted from the presumptive acquisition cost.

However, capital gains arising from the sale of assets, such as the Shares, are exempt from tax provided that the proceeds of all assets sold by the resident individual during the calendar year do not, in the aggregate, exceed EUR 1,000. Correspondingly, capital losses are not tax deductible if the acquisition cost of all assets sold during the calendar year do not, in the aggregate, exceed EUR 1,000.

A capital loss arising from the sale of securities, such as the Shares, is deductible from the resident individual's capital gains arising in the same year and during the following three calendar years. As capital losses are not deductible from any other capital income apart from capital gains, they will not be taken into account when calculating the capital income deficit for the calendar year. Thus, such capital losses do not increase the amount of the deficit-credit that is deductible from the taxes under the deficit-crediting scheme.

Resident individuals must report in their tax return (Form 9A) any sales of securities, such as the Shares, made during the calendar year.

Finnish Limited Liability Companies

The following applies only to Finnish limited liability companies that are taxed on the basis of the Business Income Tax Act.

Any sales price from the sale of securities, such as the Shares, is generally included in the business income of a Finnish company. The acquisition cost of the shares is similarly deductible from business income upon disposal of the shares. However, a participation exemption for capital gains on share disposals is available for Finnish companies, provided that certain strict requirements are met.

Under the participation exemption, capital gains arising from the sale of shares that are part of the fixed assets of the selling company, except for investment companies, are not considered as taxable business income and, correspondingly, capital losses incurred on the sale of these shares are not tax deductible provided, among other things, that (i) the selling company owns at least ten percent of the share capital in the company whose shares are sold, (ii) the company has directly and continuously owned the shares for at least one year, and (iii) the company whose shares are sold is a resident in Finland, another EU member state as specified in Article 2 of the Parent-Subsidiary Directive (1990/435/EEC) or a country with whom Finland has entered into a tax treaty for the elimination of double taxation.

Tax deductible capital losses pertaining to the sale of shares that are part of the fixed assets of the selling company can only be deducted from capital gains arising from the sale of shares in the same fiscal year and the subsequent five years. Capital losses pertaining to the sale of shares that are not part of fixed assets are tax deductible from taxable income in the same fiscal year and the subsequent ten years in accordance with the general rules concerning losses carried forward.

Non-Residents

Non-residents who are not generally liable for tax in Finland generally will not be subject to Finnish taxes on capital gains realized on the sale of shares of a Finnish company, unless the non-resident taxpayer is deemed to have a permanent establishment for income tax purposes in Finland and the shares are considered as assets of that permanent establishment.

Wealth Taxation

Shares are included in the taxable net wealth of individuals resident in Finland and Finnish estates. The shares of a company listed on the Helsinki Stock Exchange are valued for net wealth tax purposes at 70 percent of their market value at the end of the relevant fiscal year.

Finnish limited liability companies are not subject to wealth taxation.

Non-residents are generally subject to net wealth tax in Finland on their Finnish net assets. However, the Shares will not be included in the tax base when computing such tax liability of a non-resident, unless they are related to the business of a permanent establishment located in Finland. Tax treaties may limit the taxation of wealth of non-residents.

For individuals, the rate of net wealth tax is EUR 80 plus 0.8 percent of the net wealth exceeding EUR 250,000 (EUR 135,000 for non-residents) in 2005. If the individual's net wealth does not exceed the threshold, no tax will be levied.

Finnish Transfer Tax

There is no transfer tax payable in Finland on transfers or sales of the Shares made on the Helsinki Stock Exchange. If the transaction is executed by a foreign broker not having a branch or office in Finland, the precondition for the tax exemption is that the transferee notifies the Finnish tax authorities within two months after such transfer. If the transfer or sale of Shares is not made on the Helsinki Stock Exchange, a transfer tax at the rate of 1.6 percent of the sales price is payable by the buyer. However, if the buyer is neither a resident of Finland nor a Finnish branch of a foreign credit institution nor of a foreign investment firm, the seller must collect the tax from the buyer. A Finnish securities dealer or credit institution, a Finnish branch office of a foreign securities dealer, or a foreign credit institution acting as a broker in the transaction, is liable to collect and pay the transfer tax on behalf of the buyer. If neither the buyer nor the seller is a resident of Finland or a Finnish branch or office of a foreign credit institution or foreign investment firm, the transfer of Shares will be exempt from Finnish transfer tax. Transfer tax is not payable in connection with the issuance of new shares. The minimum amount of transfer tax collected is EUR 10.

Fortum Corporation will be responsible for any Finnish transfer tax that may be payable in respect of the sale by Fortum Corporation of the Offer Shares in the Offering.

United States Federal Income Taxation

The following is a summary of the principal U.S. federal income tax consequences that may be relevant with respect to the acquisition, ownership and disposition of Shares. This summary addresses only the U.S. federal income tax considerations of holders that will hold the Shares as capital assets. Except to the extent set forth below, this summary does not address tax considerations applicable to holders that are subject to special tax rules, such as, insurance companies, tax-exempt entities, grantor trusts, certain financial institutions, dealers or traders in securities or currencies, real estate investment trusts, regulated investment companies, persons that have a "functional currency" other than the U.S. dollar, persons who hold Shares as a position in a "straddle" or as part of a "hedging" or "conversion" transaction for U.S. federal income tax purposes, persons who receive Shares as compensation for the performance of services and holders owning (actually or constructively) ten percent or more (by voting power or value) of the stock of the Company. Moreover, this summary does not address the U.S. federal estate and gift or alternative minimum tax consequences of the acquisition, ownership or disposition of Shares nor does this summary address the U.S. federal income tax consequences of the Demerger.

This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended (the "Code"), U.S. Treasury Regulations and judicial and administrative interpretations thereof, in each case as in effect and available on the date of this Offering Memorandum. All of the foregoing are subject to change (possibly with retroactive effect) which could affect the tax consequences described herein.

For purposes of this discussion, a "U.S. Holder" is a beneficial owner of Shares, that for U.S. federal income tax purposes is (i) a citizen or resident of the United States, (ii) a corporation or partnership created in or organized under the laws of the United States or any state thereof (including the District of Columbia), (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust if such trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes or if (x) a court within the United States is able to exercise primary supervision over its administration and (y) one or more U.S. persons have the authority to control all of the substantial decisions of such trust. A "Non-U.S. Holder" is a beneficial owner of Shares that is not a U.S. Holder.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds Shares, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its own tax advisor as to its consequences.

Each prospective purchaser should consult its own tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, owning or disposing of Shares.

This discussion assumes that the Company is not, and will not become, a "passive foreign investment company," as described below.

Distributions

The gross amount of any distribution by the Company of cash or property (other than certain distributions, if any, of Shares distributed *pro rata* to all shareholders of the Company) with respect to Shares, before reduction for any Finnish taxes withheld therefrom, will be includible in income by a U.S. Holder as dividend income to the extent such distributions are paid out of the current or accumulated earnings and profits of the Company as determined under U.S. federal income tax principles. Certain non-corporate U.S. Holders generally will be taxed on such dividends at the lower rates applicable to long-term capital gains for taxable years beginning on or before December 31, 2008 (i.e., gains from the sale of capital assets held for more than one year). However, a U.S. Holder's eligibility for such preferential rate is subject to certain holding period requirements and the non-existence of certain risk reduction transactions with respect to the Shares. Dividends will not be eligible for the dividends received deduction generally allowed to corporate U.S. Holders. To the extent, if any, that the amount of any distribution by the Company exceeds the Company's current and accumulated earnings and profits as determined under U.S. federal income tax principles, it will be treated first as a tax-free return of the U.S. Holder's adjusted tax basis in the Shares and thereafter as capital gain. The Company does not maintain calculations of its earnings and profits under U.S. federal income tax principles.

Any dividend paid in euro (or any currency other than the U.S. dollar) will be included in the gross income of a U.S. Holder in an amount equal to the U.S. dollar value of the euro (or, if not in euro, the currency in which the dividend was paid) amount on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder generally should not be required to recognize foreign currency gain or loss in respect of the dividend. A U.S. Holder may have foreign currency gain or loss if it does not convert the amount of such dividend into U.S. dollars on the date of its receipt. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution.

Dividends received by a U.S. Holder with respect to the Shares will be treated as foreign source income, which may be relevant in calculating such holder's foreign tax credit limitation. Subject to certain conditions and limitations, Finnish tax withheld on dividends at a rate not exceeding the rate provided in the income tax treaty between the United States and Finland (the "Treaty") may be deducted from taxable income or credited against a U.S. Holder's U.S. federal income tax liability. Finnish tax withheld in excess of the Treaty rate for which a refund is available is not eligible for credit against a U.S. Holder's U.S. federal income tax liability. See "—Finnish Tax Considerations—Taxation of Dividends—Non-Residents" for a discussion of how a U.S. Holder may obtain the Treaty rate. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by the Company generally will constitute "passive income," or, in the case of certain U.S. Holders, "financial services income." U.S. Holders should note, however, that recently enacted legislation eliminates the "financial services income" category with respect to taxable years beginning after December 31, 2006. Under this legislation, the foreign tax credit limitation categories will be limited to "passive category income" and "general category income." U.S. Holders should consult their tax advisors regarding the availability of, and limitation on, any such foreign tax credit.

Subject to the discussion below under "—Backup Withholding Tax and Information Reporting Requirements," a Non-U.S. Holder of Shares generally will not be subject to U.S. federal income or withholding tax on dividends received on Shares, unless such income is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States.

Sale or Other Disposition of Shares

A U.S. Holder generally will recognize gain or loss on the sale or other disposition of Shares equal to the difference between the amount realized on such sale or other disposition and the U.S. Holder's adjusted tax basis in the Shares. Such gain or loss will be capital gain or loss. In the case of a non-corporate U.S. Holder, the maximum marginal U.S. federal income tax rate applicable to such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income (other than certain dividends) if such U.S. Holder's holding period for such Shares exceeds one year (i.e., such gain is long-term capital gain). Gain or loss, if any, recognized by a U.S. Holder generally will be treated as U.S. source income or loss, as the case may be, for U.S. foreign tax credit purposes. The deductibility of capital losses is subject to limitations.

The initial tax basis of the Shares to a U.S. Holder will be the U.S. dollar value of the euro denominated purchase price determined on the date of purchase. If the Shares are treated as traded on an "established securities market," a cash basis U.S. Holder (or, if it elects, an accrual basis U.S. Holder) will determine the U.S. dollar value of the cost of such Shares by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. The conversion of U.S. dollars to euro and the immediate use of that currency to purchase Shares generally will not result in taxable gain or loss for a U.S. Holder.

With respect to the sale or other disposition of Shares, the amount realized generally will be the U.S. dollar value of the payment received determined on (i) the date of receipt of payment in the case of a cash basis U.S. Holder and (ii) the date of disposition in the case of an accrual basis U.S. Holder. If the Shares are treated as traded on an "established securities market," a cash basis U.S. Holder (or, if it elects, an accrual basis U.S. Holder) will determine the U.S. dollar value of the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale.

Subject to the discussion below under "—Backup Withholding Tax and Information Reporting Requirements," a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on any gain realized on the sale or exchange of Shares unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale or exchange and certain other conditions are met.

Passive Foreign Investment Company Considerations

A non-U.S. corporation is a "passive foreign investment company" (a "PFIC") for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules, either (i) at least 75 percent of its gross income is "passive income" or (ii) at least 50 percent of the gross value of its assets is attributable to assets that produce "passive income" or are held for the production of "passive income." Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions.

Based on certain estimates of the gross income and the average value of the gross assets of the Company and the nature of the Company's business, the Company does not expect to be a PFIC for the 2005 taxable year. The Company's status in future years will depend on the Company's assets and activities in those years. The Company has no reason to believe that its assets or activities will change in a manner that would cause it to be classified as a PFIC, but there can be no assurance that the Company will not be considered a PFIC for any taxable year. If the Company were a PFIC, a U.S. Holder of Shares generally would be subject to imputed interest charges and other disadvantageous tax treatment (including the denial of the taxation of dividends at the lower rates applicable to long-term capital gains, as discussed above under "—Distributions") with respect to any gain from the sale or other disposition of, and certain distributions with respect to, the Shares.

If the Company were a PFIC, a U.S. Holder could make a variety of elections that could help to alleviate certain of the tax consequence referred to above, and one of these elections may be made retroactively. However, it is expected that the conditions necessary for making certain such elections will not apply in the case of the Shares. U.S. Holders should consult their own tax advisors regarding the tax consequences that would arise if the Company were treated as a PFIC.

Backup Withholding Tax and Information Reporting Requirements

U.S. backup withholding tax and information reporting requirements generally will apply to certain payments to non-corporate holders of stock. Information reporting generally will apply to payments of dividends on, and to proceeds from the sale or redemption of, Shares made within the United States, or by a U.S. payor or U.S. middleman, to a holder of Shares (other than an "exempt recipient," including a corporation, a payee that is not a U.S. person that provides an appropriate certification and certain other persons). A payor within the United States will be required to withhold backup withholding tax from any payments of the proceeds from the sale or other disposition of Shares or dividends paid with respect to the Shares within the United States to a holder (other than an "exempt recipient") if such holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with such backup withholding tax requirements. The backup withholding tax rate is 28 percent for taxable years through 2010. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that the required information is furnished to the Internal Revenue Service.

In the case of such payments made within the United States to a foreign simple trust, a foreign grantor trust, or a foreign partnership (other than payments to a foreign simple trust, a foreign grantor trust or a foreign partnership that qualifies as a "withholding foreign trust" or a "withholding foreign partnership" within the meaning of the applicable U.S. Treasury Regulations and payments to a foreign simple trust, a foreign grantor trust or a foreign partnership that are effectively connected with the conduct of a trade or business in the United States), the beneficiaries of the foreign simple trust, the persons treated as the owners of the foreign grantor trust or the partners of the foreign partnership, as the case may be, will be required to provide the certification discussed above in order to establish an exemption from backup withholding tax and information reporting requirements. Moreover, a payor may rely on a certification provided by a payee that is not a U.S. person only if such payor does not have actual knowledge or a reason to know that any information or certification stated in such certificate is unreliable.

THE ABOVE SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO OWNERSHIP OF SHARES. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATIONS.

UNDERWRITING

The Offering

Under the terms and subject to the conditions set forth in the Purchase Agreement, dated April 15, 2005, among the Company, the Selling Shareholder and the Managers named below (the "Purchase Agreement"), for whom Morgan Stanley & Co. International Limited is acting as representative, the Managers have severally agreed to procure purchasers for, or failing which to purchase themselves, and the Selling Shareholder has agreed to sell to purchasers procured by the Managers, or failing which to the Managers themselves, the number of Offer Shares indicated below:

Managers	Number of Offer Shares
ABN AMRO Rothschild	9,610,034
Merrill Lynch International	9,610,034
Morgan Stanley & Co. International Limited	9,610,035
Nordea Bank Finland Plc	9,610,034
Total	38,440,137

The Purchase Agreement provides that the obligations of the several Managers to procure purchasers for, or failing which to purchase themselves, the Offer Shares are subject to the approval of certain legal matters by counsel and to certain other conditions.

In consideration of the agreement by the Managers to procure purchasers for, or failing which to purchase themselves, the Offer Shares at the Offer Price and subject to the Offer Shares being issued and sold as provided for in the Purchase Agreement, the Selling Shareholder has agreed to pay to the Managers combined selling, underwriting and management commissions of EUR 0.375 per Offer Share. In addition to the combined selling, underwriting and management commissions, the Selling Shareholder may pay to the Managers, at its sole discretion, an incentive fee of up to EUR 0.075 per Offer Share which may be allocated among the Managers as directed by the Company and the Selling Shareholder. In addition, the Company and the Selling Shareholder have agreed to reimburse the Managers in respect of certain expenses and indemnify them against certain losses and liabilities arising out of or in connection with the Offering, including liabilities under applicable securities laws.

The Company and the Selling Shareholder have been advised by the Managers that the Managers propose to offer the Offer Shares initially at the price set forth on the cover page of this Offering Memorandum (i) in a public offering in Finland, (ii) in the United States only to "qualified institutional buyers" as defined in Rule 144A under the U.S. Securities Act pursuant to an exemption from the registration requirements of the U.S. Securities Act and (iii) otherwise in compliance with Regulation S under the U.S. Securities Act. The Offer Shares have not been registered under the U.S. Securities Act and may not be offered or sold within the United States except as described in the immediately preceding sentence.

Any offer and sale in the United States will be made by affiliates of the Managers who are broker-dealers registered under the Exchange Act.

The offer period for the Retail Offering to the public in Finland commenced on April 4, 2005 and ended on April 14, 2005. The Offer Shares to be sold in the Retail Offering to the public in Finland are included in the table above. The offering price in the Retail Offering to the public in Finland is the same as the offering price in the offering to institutional investors within and outside Finland.

In order to facilitate the Offering, Morgan Stanley as the stabilizing manager, or its agents, on behalf of the Managers may engage in transactions that stabilize, maintain or otherwise affect the price of the Offer Shares for up to 30 days from the commencement of trading of the Shares on the Helsinki Stock Exchange. Specifically, the Managers, the Selling Shareholder and the Company have agreed that the

Managers may accept offers to purchase a greater number of Offer Shares than for which they are obligated to procure purchasers under the Underwriting Agreement (the "Overallotment Facility"). An exercise of the Overallotment Facility in this Offering would create an uncovered short position, which the stabilization manager or its agents may close out by purchasing Shares in the open market. An uncovered short position is more likely to be created if the stabilizing manager is concerned that there may be downward pressure on the price of the Shares in the open market after pricing that could adversely affect investors who purchase in the Offering. Any uncovered short position resulting from an exercise of the Overallotment Facility will not exceed an amount equal to five percent of the original number of Offer Shares offered. As an additional means of facilitating the Offering, the stabilizing manager or its agents may effect transactions to stabilize the price of the Shares. These activities may raise or maintain the market price of the Shares above independent market levels or prevent or retard a decline in the market price of the Shares. Such transactions may be effected on the Helsinki Stock Exchange, in the over-the-counter markets or otherwise. The stabilizing manager and its agents are not required to engage in any of these activities and, as such, there is no assurance that these activities will be undertaken; if undertaken, the stabilizing manager or its agents may end any of these activities at any time and they must be brought to an end after a limited period. Save as required by law or regulation, the stabilizing manager does not intend to disclose the extent of any stabilization transactions under the Offering.

The Company, the Finnish State and the directors and senior management of the Company have agreed with the Managers that, for a period of 360 days, in the case of the Company and the Finnish State, or 180 days, in the case of the directors and senior management, from the date of this Offering Memorandum, they will not, except for the Shares to be sold in the Offering and subject to certain other exceptions, without the prior written consent (which consent shall not be unreasonably delayed or withheld) of Morgan Stanley, having consulted with the other Managers, authorize the issuance of, issue, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Shares or any securities exchangeable for or convertible into or exercisable for Shares, or enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Shares, whether any such transactions are to be settled by delivery of the Shares or other securities, in cash or otherwise.

Certain of the Managers have in the past provided, and may in the future from time to time provide, investment banking services to the Company and the Selling Shareholder for which they have in the past received, and may in the future receive, fees and commissions.

In connection with the Offering, each of the Managers and any affiliate acting as an investor for its own account may take up the Offer Shares and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the Offering. Accordingly, references in this document to the Offer Shares being offered or placed should be read as including any offering or placement of securities to any of the Managers and any affiliate acting in such capacity. The Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Prior to this Offering, there has been no public market for the Shares. The Offer Price will be determined by negotiations between the Selling Shareholder and the Managers. The estimated initial offering price range set forth on the cover page of this Offering Memorandum is subject to change as a result of market conditions and other factors. There can be no assurance that an active market will develop for the Shares or that the Shares will trade in the public market at or above the initial offering price.

Selling Restrictions

United Kingdom

Each Manager, severally and not jointly or jointly and severally, has represented and warranted that it (1) as agents of the Company and the Selling Shareholder, prior to the date six months after the closing date offer, will not offer or sell any Offer Shares to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, (2) has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the "FSMA") with respect to anything done by it in relation to the Offer Shares in, from or otherwise involving the United Kingdom and (3) has only communicated and caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any Offer Shares in circumstances in which section 21(1) of the FSMA does not apply to the Company or the Selling Shareholder.

Japan

The Offer Shares have not been and will not be registered under the Securities and Exchange Law of Japan (Law No. 25 of 1948), as amended, or the Securities and Exchange Law, and may not be offered or sold, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and other relevant laws and regulations of Japan. Accordingly, the Offer Shares are being offered and sold only to 49 or less purchasers in Japan pursuant to the Securities and Exchange Law.

Each purchaser of the Offer Shares in Japan may not offer, sell, resell or otherwise transfer the Offer Shares or any interest therein, directly or indirectly, in Japan to or for the account of any resident of Japan except where all the Offer Shares held by such purchaser are sold or transferred to one person in whole but not in part. For the purposes hereof, "resident of Japan" has the meaning defined in Article 6, Paragraph 1, Subparagraph 5 of the Foreign Exchange and Foreign Trade Law (Law No. 228 of 1949), as amended.

Netherlands

The Offer Shares may not be offered, sold, transferred or delivered, directly or indirectly, to any individual or legal entity situated in the Netherlands, other than to individuals or legal entities who or which trade or invest in securities in the conduct of a profession or trade within the meaning of Section 2 of the Exemption Regulation to the Netherlands Securities Market Supervision Act 1995, as amended from time to time, (Vrijstellingsregeling Wet toezicht effectenverkeer 1995), which includes banks, securities firms, insurance companies, pension funds, investment institutions, central governments, large international and supranational organizations, other institutional investors and other parties, including treasury departments of commercial enterprises, which are regularly active in the financial markets in a professional manner.

TRANSFER RESTRICTIONS

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws.

Each purchaser of the Offer Shares outside the United States pursuant to Regulation S will be deemed to have represented and agreed that it has received a copy of the Offering Memorandum and such other information as it deems necessary to make an informed investment decision and that:

(1) The purchaser acknowledges that the Offer Shares have not been and will not be registered under the U.S. Securities Act, or with any securities regulatory authority of any state of the United States, and are subject to significant restrictions on transfer;

(2) The purchaser is, and the person, if any, for whose account or benefit the purchaser is acquiring the Offer Shares, was located outside the United States at the time the buy order for the Offer Shares was originated and continues to be located outside the United States and has not purchased the Offer Shares for the benefit of any person in the United Sates or entered into any arrangement for the transfer of the Offer Shares to any person in the United States;

(3) The purchaser is not an affiliate of the Company or a person acting on behalf of such affiliate; and it is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Offer Shares from the Company or an affiliate thereof in the initial distribution of the Offer Shares;

(4) The purchaser is aware of the restrictions on the offer and sale of the Offer Shares pursuant to Regulation S described in this Offering Memorandum;

(5) The Offer Shares have not been offered to it by means of any "directed selling efforts" as defined in Regulation S under the U.S. Securities Act; and

(6) The Company or the Selling Shareholder shall not recognize any offer, sale, pledge or other transfer of the Offer Shares made other than in compliance with the above-stated restrictions.

Each purchaser of the Offer Shares within the United States pursuant to Rule 144A will be deemed to have represented and agreed that it has received a copy of the Offering Memorandum and such other information as it deems necessary to make an informed investment decision and that:

(1) The purchaser acknowledges that the Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions on transfer;

(2) The purchaser (i) is a qualified institutional buyer (as defined in Rule 144A under the U.S. Securities Act), (ii) is aware that the sale to it is being made in reliance on Rule 144A, and (iii) is acquiring such Offer Shares for its own account or for the account of a qualified institutional buyer;

(3) The purchaser is aware the Offer Shares are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act;

(4) If in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Offer Shares, such Offer Shares may be offered, sold, pledged or otherwise transferred only (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (ii) in accordance with Regulation S under the U.S. Securities Act, or (iii) in accordance with Rule 144

under the U.S. Securities Act (if available), in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;

(5) The Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any Offer Shares;

(6) The purchaser will not deposit or cause to be deposited such Offer Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act; and

(7) The Company shall not recognize any offer, sale pledge or other transfer of the Offer Shares made other than in compliance with the above-stated restrictions.

LEGAL MATTERS

Certain legal matters in connection with the Offerings will be passed upon for the Company and the Selling Shareholder by White & Case LLP, international and Finnish counsel to the Company and the Selling Shareholder, and for the Managers by Davis Polk & Wardwell, international counsel to the Managers, and Waselius & Wist, Finnish counsel to the Managers. In addition, Merilampi Marttila Laitasalo has advised the Company and the Selling Shareholder in respect of certain corporate law matters.

AUTHORIZED PUBLIC ACCOUNTANTS

The Combined Carve-out Financial Statements of Neste Oil for each of the years ended December 31, 2002, 2003 and 2004 and as of December 31, 2002, 2003 and 2004 and the Consolidated Financial Statements of Neste Oil for the financial period starting on May 1, 2004 and ending on December 31, 2004 and as of December 31, 2004 included in this Offering Memorandum have been audited by PricewaterhouseCoopers Oy, authorized public accountants, to the extent indicated in their report herein.

GLOSSARY

The following explanations are not intended as technical definitions, but to assist the general reader to understand certain terms as used in this Offering Memorandum.

"Aframax Worldscale freight rate" . . .	A freight market indicator quoted based on Worldscale by the Baltic Exchange in London for deliveries between Sullom Voe and Rotterdam carried by tankers with a cargo-carrying capacity of more than 80,000 tons.
"API gravity"	The API gravity illustrates the density of crude oil classified by the American Petroleum Institute. The API gravity is defined as: $\frac{141.5}{\text{Gravity of specific crude oil at } 15.6°C} - 131.5$ Thus, the higher the API gravity is, the lighter is the crude oil.
"Aromatics"	Hydrocarbons characterized by having at least one benzene ring and known as aromatics because of their distinctive, sweet odor. Common aromatics include toluene and xylene.
"Atmospheric crude distillation"	The first step in the refining process. Before atmospheric crude distillation, crude oil is heated up to temperatures of about 600 Fahrenheit degrees (316°C) to 750 Fahrenheit degrees (399°C), depending on the nature of the crude oil and desired refined petroleum products. During atmospheric crude distillation, crude oil components are separated at atmospheric pressure in the distillation tower. The components of crude oil vaporize in succession at their various boiling points, then rise to prescribed levels within the distillation tower according to their densities, condense in distillation trays and are finally drawn off for further refining.
"Atmospheric crude distillation capacity"	A maximum amount of feedstock that the atmospheric crude distillation units of a refinery are able to process.
"Aviation fuels"	Jet fuels and aviation gasolines.
"Barrel" or "bbl"	Barrel of crude oil, 159 liters by volume.
"Base oil"	The main component of lubricant blends.
"Biodiesel".	Diesel fuel which contains components derived from renewable raw materials, such as vegetable oils and animal fat.
"Biofuel"	Gasoline or diesel fuel, which contains components derived from renewable raw materials, such as vegetable oils and grain.
"Bitumen"	The residual product of crude oil vacuum distillation. A black or dark brown solid or semi-solid organic compound that gradually softens and turns to liquid when heated.

"Bpd"	Barrels per day.
"CIF"	Cost, insurance and freight. A delivery term that includes the costs as well as freight and insurance charges of the delivery of goods to a named destination as defined in the ICC Incoterms 2000.
"CO_2"	Carbon dioxide, a significant greenhouse gas.
"Condensates"	Natural gas liquids used as feedstocks in oil refining.
"Cracking"	The conversion of large hydrocarbon molecules into smaller ones. Cracking is carried out either at high temperatures (thermal cracking), or with the aid of a catalyst and high pressure (catalytic cracking and hydrocracking). The cracking process enables greater quantities of saturated hydrocarbons suitable for gasoline and other light fractions to be recovered from crude oil.
"Distillate"	Any of wide range petroleum products produced by distillation, the primary refining step in which crude oil is separated into fractions or components.
"Dwt"	Dead-weight ton. A vessel's cargo-carrying capacity measured in tons.
"EHVI base oil"	Enhanced high viscosity index base oil, a key component of high-quality motor oils that reduce engine fuel consumption.
"ETBE"	Ethyl tertiary butyl ether, ethanol based gasoline component reducing the overall environmental impact of gasoline.
"Feedstocks"	Crude oil and other hydrocarbons used as basic materials in a refining or manufacturing process.
"Fluid catalytic cracking"	The refining process of breaking down the larger, heavier, and more complex hydrocarbon molecules into simpler and lighter molecules. Fluid Catalytic Cracking is accomplished by the use of a catalytic agent, which is continuously regenerated and is an effective process for increasing the yield of gasoline from crude oil. Catalytic cracking processes fresh feedstocks as well as recycled feedstocks.
"FOB"	Free on board. A delivery term denoting that the seller is responsible for delivering goods on board a ship or other conveyance for carriage to the consignee at a specified loading port as defined in the ICC Incoterms 2000.
"Futura"	A brand name for Neste Oil's gasolines and special gasolines as well as for diesel oils.
"Gasoil"	A general term for diesel fuel and heating oil.

"Gasoline"	A light liquid petroleum product with a boiling range of 30–200°C which is typically used as a fuel for internal combustion engines.
"Heating oil"	A fuel oil with an ignition temperature over 55°C. Heating oil is used in oil-fired heating plants and boilers, and as a diesel-equivalent to power some types of machinery.
"Heavy fuel oil"	Fuel oil with a distillation range of over 350°C. Heavy fuel oil is used in heat plants, power stations and industrial furnaces.
"Heavy residue hydrocracking unit"	A hydrocracking unit of an oil refinery that converts vacuum residue (i.e., short residue) into traffic fuels.
"ICC Incoterms 2000"	Standardized delivery terms for goods issued by the International Chamber of Commerce, which allocate the costs and liabilities of deliveries between sellers and purchasers of goods.
"ISO"	The International Organization for Standardization.
"ISO 9001"	An international standard established by the ISO to certify quality management systems.
"ISO 14001"	An international standard established by the ISO to certify environmental management systems.
"Iso-octane"	A high-octane and low RVP gasoline blending component derived and produced from field butane.
"LPG"	Liquefied petroleum gas. A gas mixture used for fuel purposes, containing propane, propene, butane, or butene as its main components, that has been liquefied to enable it to be transported and stored under pressure.
"Lubricants"	Fluids used to reduce friction and wear between solid surfaces (typically metals) in relative motion. Lubricants are generally derived from petroleum.
"MK-1 diesel"	A Swedish diesel fuel quality. MK-1 diesel has a low density (minimum of 800 kg/m^3 and maximum of 820 kg/m^3 at 15°C), low aromatics content (maximum of five volume percent), non-measurable polyaromatics content and maximum sulphur content of 10 ppm. The 95 percent point of distillation is more than 285 °C.
"MTBE"	Methyl tertiary butyl ether, a high-octane component, and oxygenate, used in the production of low-emission gasoline.
"Naphtha"	A low-octane gasoline product used as a feedstock by the chemicals industry, as a feedstock for catalytic reforming, and in the production of hydrogen.

"Natural gas"	Any hydrocarbons or mixture of hydrocarbons and other gases consisting primarily of methane which at normal operating conditions is in a gaseous state.
"NExETHERS" and "NExTAME"	NExETHERS and NExTAME are Neste Oil's proprietary technologies for combined production of ethers in one unit. The technologies result in high yields of gasoline ethers and almost total conversion of feed alcohol and offer refiners an opportunity to maximize oxygenate production. Ethanol ethers give an easy access for refineries to blend biofuels into the gasoline pool.
"NExOCTANE"	NExOCTANE is Neste Oil's proprietary technology and it converts selectively isobutylene to premium quality gasoline. The product comprises primarily of iso-octane that can be saturated from iso-octene. Both iso-octene and iso-octane have excellent blending properties. The technology gives a cost effective route to convert MTBE units into production of a high-value product.
"NO_x"	Nitrogen oxides. Permanent nitrogen compounds, some of which destroy stratospheric ozone and some of which are "greenhouse" gases that may contribute to global warming.
"OHSAS 18001"	International standards used to certify occupational health and safety management systems.
"PAO"	Polyalphaolefin. The main component of synthetic lubricants.
"Petrochemicals"	An intermediate product of oil refining which is used as a feedstock for polymers and various other chemical products.
"Ppm"	Parts per million.
"Probable reserves"	Under the definitions approved by the SPE and the WPC, probable reserves are a category of unproved reserves. Unproved reserves are based on geologic and/or engineering data similar to that used in estimates of proved reserves but technical, contractual, economic, or regulatory uncertainties preclude such reserves being classified as proved. Unproved reserves may be estimated assuming future economic conditions different from those prevailing at the time of the estimate. The effect of possible future improvements in economic conditions and technological developments can be expressed by allocating appropriate quantities of reserves to the probable and possible classifications. Probable reserves are those unproved reserves which analysis of geological and engineering data suggest are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves.

In general, probable reserves may include (1) reserves anticipated to be proved by normal step-out drilling where subsurface control is inadequate to classify these reserves as proved, (2) reserves in formations that appear to be productive based on well log characteristics but lack core data or definitive tests and which are not analogous to producing or proved reserves in the area, (3) incremental reserves attributable to infill drilling that could have been classified as proved if closer statutory spacing had been approved at the time of the estimate, (4) reserves attributable to improved recovery methods that have been established by repeated commercially successful applications when (a) a project or pilot is planned but not in operation and (b) rock, fluid, and reservoir characteristics appear favorable for commercial application, (5) reserves in an area of the formation that appears to be separated from the proved area by faulting and the geologic interpretation indicates the subject area is structurally higher than the proved area, (6) reserves attributable to a future workover, treatment, re-treatment, change of equipment, or other mechanical procedures, where such procedure has not been proved successful in wells which exhibit similar behavior in analogous reservoirs, and (7) incremental reserves in proved reservoirs where an alternative interpretation of performance or volumetric data indicates more reserves than can be classified as proved.

"Proved reserves" . . . . Under the definitions approved by the SPE and the WPC, proved reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations. Proved reserves can be categorized as developed or undeveloped.

If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimate.

Establishment of current economic conditions should include relevant historical petroleum prices and associated costs and may involve an averaging period that is consistent with the purpose of the reserve estimate, appropriate contract obligations, corporate procedures, and government regulations involved in reporting these reserves.

In general, reserves are considered proved if the commercial producibility of the reservoir is supported by actual production or formation tests. In this context, the term proved refers to the actual quantities of petroleum reserves and not just the productivity of the well or reservoir. In certain cases, proved reserves may be assigned on the basis of well logs and/or core analysis that indicate the subject reservoir is hydrocarbon bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests.

The area of the reservoir considered as proved includes (1) the area delineated by drilling and defined by fluid contacts, if any, and (2) the undrilled portions of the reservoir that can reasonably be judged as commercially productive on the basis of available geological and engineering data. In the absence of data on fluid contacts, the lowest known occurrence of hydrocarbons controls the proved limit unless otherwise indicated by definitive geological, engineering or performance data.

Reserves may be classified as proved if facilities to process and transport those reserves to market are operational at the time of the estimate or there is a reasonable expectation that such facilities will be installed.

Reserves which are to be produced through the application of established improved recovery methods are included in the proved classification when (1) successful testing by a pilot project or favorable response of an installed program in the same or an analogous reservoir with similar rock and fluid properties provides support for the analysis on which the project was based, and (2) it is reasonably certain that the project will proceed. Reserves to be recovered by improved recovery methods that have yet to be established through commercially successful applications are included in the proved classification only (1) after a favorable production response from the subject reservoir from either (a) a representative pilot or (b) an installed program where the response provides support for the analysis on which the project is based and (2) it is reasonably certain the project will proceed.

"Refinery" . . . . A facility used to process crude oil. The basic process unit in a refinery is a crude oil distillation unit, which splits crude oil into various fractions through a process of heating and condensing. Simple, or hydroskimming, refineries normally have crude oil distillation, catalytic reforming, and hydrotreating units. The demand for lighter petroleum products, such as motor gasoline and diesel fuel, has increased the need for more sophisticated processing. Complex refineries have vacuum distillation, catalytic cracking, or hydrocracking units. Cracking units process vacuum oil into gasoline, gasoil, and heavy fuel oil.

"Reformulated gasoline" . . . . An advanced type of motor gasoline formulated to produce lower environmental emissions than conventional gasolines.

"Renewable energy" . . . . Renewable energy sources include wood and biomass, as well as solar, wind and tidal energy, and hydroelectric power.

"SO_2" . . . . Sulphur dioxide, the combustion product of sulphur, which is formed through the use of fuels containing sulphur.

"Solvent" . . . . A liquid that is used for diluting or thinning a solution. A liquid that absorbs another liquid, gas, or solid in order to form a homogeneous mixture.

"SPE" . . . . Society of Petroleum Engineers.

"Spot market" . . . . With respect to commodities such as oil, a term used to describe the international trade in one-off cargoes or shipments of commodities, such as crude oil, in which prices closely follow demand and availability.

"Sulphur-free fuel" . . . . Fuel with a sulphur content less than 10 mg/kg (ppm).

"TAME" . . . . Tertiary amyl methyl ether, a high-octane component, or oxygenate, used in the production of low-emission gasoline.

"Ton" . . . . 1 metric ton (1,000 kilograms) or approximately 2,205 pounds.

"WPC" . . . . World Petroleum Congress.

"Worldscale" . . . . A standard system for assessing freight rates. A set of base charter rates is published annually for a theoretical standard vessel plying its trade between each of the world's most common shipping origins and destinations. Spot freight rates are commonly expressed as percentages of those theoretical rates.

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INDEX TO FINANCIAL STATEMENTS

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AUDITOR'S OPINION

Pursuant to Chapter 2, Section 3, Paragraph 5 in the Finnish Securities Market Act and Section 5 in the Ordinance for the Offering Memorandum (19.6.2002/539) legislated by the Finnish Ministry of Finance we state the following:

We have examined the combined carve-out financial statements of Fortum Oil Oy (currently, Neste Oil Corporation) for the years ended December 31, 2002, 2003 and 2004. In addition, we have audited the accounting, the statutory financial statements and the corporate governance of Fortum Oil Oy for the period from May 1 to December 31, 2004. The Auditors' Reports on the combined carve-out financial statements for 2002, 2003 and 2004 as well as on the statutory financial statements as of December 31, 2004 have been included in this Offering Memorandum.

The correctness and completeness of information presented in the Offering Memorandum is the responsibility of the management of Neste Oil Corporation. Within the preparation of the Offering Memorandum there have been deviations from the appropriate rules based on the permission of the Finnish Financial Supervision Authority (diario nr. 34/250/2005).

Helsinki, March 29, 2005

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Tuomala
Authorised Public Accountant

Markku Marjomaa
Authorised Public Accountant

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NESTE OIL CORPORATION
(FORMERLY, FORTUM OIL CORPORATION)

COMBINED CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2002, 2003 AND 2004
AND AS OF DECEMBER 31, 2002, 2003 AND 2004

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AUDITORS' REPORT

We have examined the combined carve-out financial statements of Fortum Oil Oy (currently, Neste Oil Corporation) for the years ended December 31, 2002, 2003 and 2004. The management of Fortum Oil Oy is responsible for the preparation of the combined carve-out financial statements, which include income statements, balance sheets, cash flow statements and the notes, as well as the assumptions, adjustments and allocation principles used in those statements. Our responsibility is to express an opinion on the combined carve-out financial statements of Fortum Oil Oy (currently Neste Oil Corporation) based on our examination.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the combined carve-out financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation.

In our opinion, the combined carve-out financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Finnish Accounting Act, of the company's result of operations as well as of the financial position.

Without qualifying our opinion, we draw attention to Note 1 to the combined carve-out financial statements, which indicates that these financial statements have been derived from the statutory consolidated financial statements and accounting records of Fortum Oyj and reflect significant assumptions and allocations. Consequently, the financial statements may not be representative of the results, cash flows and financial position that would have occurred had Neste Oil Corporation been a stand-alone entity. Additionally, and without qualifying our opinion, we draw attention to the supplemental Reconciliation of Net Investment disclosure on the Combined Carve-out Balance Sheet, which indicates that Net Investment in Fortum Oil Oy (currently, Neste Oil Corporation) contains certain liabilities and receivables to other Fortum Group entities.

Helsinki, March 8, 2005

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Tuomala
Authorised Public Accountant

Markku Marjomaa
Authorised Public Accountant

NESTE OIL GROUP (FORMERLY, FORTUM OIL GROUP)
COMBINED CARVE-OUT INCOME STATEMENT
(amounts in millions of euro, except where indicated)

	Note	Year ended December 31, 2002	2003	2004
Net sales	3,4	7,299	7,307	7,909
Share of profits of associated companies	3	3	15	36
Other operating income	5	95	38	37
Materials and services	7	(5,934)	(6,131)	(6,439)
Personnel expenses	7	(221)	(211)	(214)
Depreciation, amortization and write-downs	3,6	(268)	(135)	(118)
Other operating expenses	7	(516)	(490)	(499)
Operating profit	3	458	393	712
Financial income and expenses	8	(3)	11	10
Profit before taxes		455	404	722
Income taxes	9	(141)	(120)	(150)
Minority interests		(2)	(2)	(2)
Net profit for the period		312	282	570
Earnings per share, EUR		1.22	1.10	2.22
Number of shares		256,403,686	256,403,686	256,403,686

NESTE OIL GROUP (FORMERLY, FORTUM OIL GROUP)

COMBINED CARVE-OUT BALANCE SHEET

(amounts in millions of euro, except where indicated)

	Note	As of December 31, 2002	2003	2004
ASSETS				
Fixed assets and other long-term investments	10			
Intangible assets	11	33	29	27
Tangible assets	12,15	2,166	1,198	1,373
Shares in associated companies	13,14	107	112	140
Other shares	13,14	18	18	17
Interest-bearing loan receivables	13,17	46	66	68
Other long-term receivables	13	2	—	1
Deferred tax assets	20	13	16	30
		2,385	1,439	1,656
Current assets				
Inventories	16	306	323	420
Trade receivables	17	596	417	495
Other short-term interest-bearing receivables	17	20	16	8
Other short-term interest-free receivables	17	61	57	72
Cash and cash equivalents	18	37	47	60
		1,020	860	1,055
Total assets		3,405	2,299	2,711
LIABILITIES				
Minority interests		5	3	5
Provisions for liabilities and charges	19	67	63	74
Deferred tax liabilities	20	235	164	151
Long-term liabilities				
Long-term interest-bearing liabilities *(external)*	21	73	63	60
Other long-term liabilities		3	3	6
		76	66	66
Short-term liabilities				
Short-term interest-bearing liabilities *(external)*	21	184	20	19
Trade payables	22	381	329	350
Other short-term liabilities	22	343	279	329
		908	628	698
Total liabilities		1,291	924	994
NET INVESTMENT	23	2,114	1,375	1,717
Capital employed		2,376	1,461	1,801
Return on capital employed before tax (%)		17.6	21.4	44.6

Reconciliation of the Net investment to Fortum Oil Group Financial Statement as of December 31, 2004

Share capital	40
Reserve fund	9
Retained earnings	811
Interest-bearing liabilities to other Fortum	970
Cash pool receivables	(124)
Interest-free receivables and liabilities from and to other Fortum	11
Net investment	1,717

NESTE OIL GROUP (FORMERLY, FORTUM OIL GROUP)
COMBINED CARVE-OUT CASH FLOW STATEMENT
(amounts in millions of euro)

In the cash flow statement, the Cash generated from operations and the Capital expenditure in the Cash flows from investing activities reflect and are representative of the historical cash flows of the company to be listed. The residual in the Cash flow statement (i.e. the Cash flow surplus) has not been left in the Fortum Oil Group, because it has not in the past formed a separate independent legal Group.

	Year ended December 31,		
	2002	**2003**	**2004**
Cash flows from operating activities			
Profit before taxes	455	404	722
Depreciation, amortization and write-downs	268	135	118
Other non-cash income and expenses	2	(1)	(11)
Financial income and expenses	3	(11)	(10)
Divesting activities, net	(73)	(12)	(21)
Operating cash flows before change in working capital	655	515	798
Change in working capital			
Decrease/(increase) in interest-free trade and other short-term receivables	(131)	132	(94)
Decrease/(increase) in inventories	97	(20)	(99)
(Decrease)/increase in interest-free liabilities	105	(62)	70
Change in working capital	71	50	(123)
Cash generated from operations	726	565	675
Interest and other financial expenses paid, net	(15)	(1)	(1)
Dividends received	14	16	16
Income taxes paid	(86)	(197)	(166)
Realised foreign exch. gains and losses	18	9	1
	(69)	(173)	(150)
Net cash from operating activities	657	392	525
Cash flows from investing activities			
Capital expenditures	(252)	(202)	(310)
Proceeds from sales of fixed assets	46	99	29
Investments in shares in associated companies	—	(2)	(3)
Proceeds from sales of shares in subsidiaries net of cash disposed(1)	171	924	7
Proceeds from sales of shares in associated companies	—	3	—
Proceeds from sales of other shares	—	1	1
Change in other investments, (increase)/decrease	(6)	(25)	2
	(41)	798	(274)
Cash flow before financing activities	616	1,190	251
Cash flows from financing activities			
Change in external loans	(310)	(158)	(3)
Cash flow surplus	306	1,032	248

(1) Proceeds from sales of E&P Oman in 2002 and E&P Norway in 2003.

1. Basis for Presentation of Combined Carve-out Financial Statements

Fortum Oil Group (the "Company") is a refining and marketing company focused on high-quality traffic fuels and other high value-added petroleum products. The Company's refineries and other production facilities, together with its network of service stations and other retail outlets both in Finland and the Baltic Rim area, supply both domestic and export markets with gasolines, diesel fuels, aviation fuels, marine fuels, heating oils, heavy fuel oils, base oils, lubricants, traffic fuel components, solvents, liquefied petroleum gases ("LPGs") and bitumen. The Company's supply and distribution chain includes a tanker fleet for crude oil and other feedstock imports and refined product exports.

Incorporation of Fortum Oil

In September 2003, Fortum Corporation announced its intention to commence preparations to separate its oil business into a separate company with the aim of listing the shares of the Company on the Helsinki Stock Exchange. On September 9, 2003, the Board of Directors of Fortum Corporation passed a resolution according to which the Company should be incorporated as a separate, publicly-traded company by means of a demerger of Fortum Oil and Gas Oy, a wholly-owned subsidiary of Fortum Corporation, effected in accordance with Finnish law (the "Demerger"). Under Finnish law, a demerger is a transfer of all or part of the assets and liabilities of the demerging company to one or more newly-incorporated receiving companies in exchange for a consideration in the form of shares of the receiving company issued to the shareholders of the demerging company or of other assets and undertakings of the demerging company.

On September 24, 2003, the Extraordinary General Meeting of the shareholders of the demerging company, Fortum Oil and Gas Oy, approved the demerger plan. Under the demerger plan, all the assets and liabilities related to the oil business of Fortum Oil and Gas Oy were transferred to the Company and all other assets and liabilities of Fortum Oil and Gas Oy were transferred to another receiving company, Fortum Heat and Gas Oy. The Demerger took effect on May 1, 2004, when the relevant registration authority, the National Board of Patents and Registration, registered the execution of the Demerger with the Trade Register. As a result of the consummation of the Demerger, Fortum Oil and Gas Oy was dissolved, and Fortum Corporation, as its former sole shareholder, received all of the outstanding shares of the Company and of Fortum Heat and Gas Oy.

Basis of preparation

The Combined Carve-Out Financial Statements of the Company have been prepared in accordance with generally accepted accounting principles in Finland ("Finnish GAAP").

Balance sheet

The combined carve-out financial statements of the Company as of and for the years ended December 31, 2002, 2003 and 2004, represent the historical operations of the oil businesses of Fortum Corporation transferred to the Fortum Oil Group in the Demerger discussed above. These combined carve-out financial statements are derived from the audited consolidated financial statements and accounting records of Fortum Corporation. Additionally, Fortum Corporation had upstream operations that related to the operations of Fortum Oil Group. In 2002, Fortum signed agreements to divest these operations. These upstream operations have been included in the combined carve-out financial statements of the Fortum Oil Group and are presented as discontinuing operations in segment information in note 3.

Interest-bearing short-term and long-term liabilities and interest-bearing loan and other receivables included in the combined carve-out Fortum Oil Group financial statements represent unaffiliated third-party loans and other interest-bearing liabilities of the Company. Additionally, cash and cash equivalents represents only cash and cash equivalents held by unaffiliated third-parties and does not include any allocation of pooled cash held by other entities in Fortum Corporation.

Capitalization of Fortum Oil Group is presented as Net investment because, prior to May 1, 2004, the Company was not a separate legal entity. The net investment represents the residual of the total assets less total liabilities derived in accordance with Finnish GAAP and reflects the shareholder's historical investment in the Company. As there is no historical capital structure for the Company, share capital and other components of shareholders' equity are not presented.

The financial information included herein may not necessarily reflect the consolidated results of operations, financial position, changes in shareholders' equity and cash flows of the Company in the future or what they would have been had it been a separate, stand-alone entity during the periods presented.

Income Statement

Corporate staff costs

The combined carve-out financial statements include allocations of certain general corporate expenses. The general corporate expenses allocated to the Company are primarily for corporate officers, corporate governance, corporate finance and accounting, human resources, and legal and regulatory affairs. These costs have been allocated based on EBITDA excluding non-recurring items (mainly sales gains and losses, inventory gains and losses). EBITDA is defined as operating profit before depreciation and amortization. Total costs allocated to the Company are EUR 17, EUR 16, and EUR 14 for 2002, 2003, and 2004, respectively. Management believes the costs of these services charged to the Company are a reasonable allocation of the costs historically incurred by Fortum Corporation. Following the separation, the Company will perform these functions using its own resources or through purchased services.

Financial items

In the income statement, financial items include: interest expenses on the unaffiliated third-party interest-bearing liabilities; interest income from cash and cash equivalents, unaffiliated third-party loans receivable and other external interest-bearing receivables; and dividend income from investments of the Fortum Oil Group. In the financial items, there is assumed no foreign exchange gains or losses because in the Fortum Group the foreign currency exposure has been hedged.

Taxes

Tax expense is based on the operating profit and net financial income and expenses of the Company on a separate return basis, i.e., taxes of the subsidiaries of Fortum Oil and Fortum Oil taxes based on the taxable profit derived from the carve-out operating profit and net financial items allocated to the Fortum Oil including financial income and expenses arising from intercompany financing in the Fortum Oil Group. For operations within Finland, generally taxable income can be allocated among operating subsidiaries and a group parent company. Tax expense in the combined carve-out financial statements has been determined as if this allocation had occurred only within the operations of the Company, excluding any allocation to other entities within Fortum Corporation that are not part of the Company.

Cash flow statement

The cash generated from operations and capital expenditures in the cash flow from investing activities are representative of the historical cash flows of Fortum Oil to be listed. The residual in the cash flow statement, (i.e., the cash flow surplus) has not been left in the Company, because it has not formed a separate independent legal group in the past. The proceeds from divestiture of the exploration and production operations of E&P Oman in 2002 and E&P Norway in in 2003 have been recorded as cash inflows from investing activities.

Foreign exchange rate differences arising from hedging the foreign currency exposure have been included in the cash flow statement as realized. Taxes paid in the cash flow statement include taxes paid by the entities included in the combined financial statements of the Company adjusted with the allocated income tax receivables and liabilities as well as change of deferred tax assets and liabilities.

2. Accounting policies and principles

Combination

The combined financial statements include the parent company and all those companies in which the parent company holds, directly or indirectly, more than 50 percent of the voting rights.

Fortum Oil's combined carve-out financial statements represent a combination of the former oil businesses of Fortum Corporation. Fortum Corporation's audited consolidated financial statements have been prepared applying the acquisition-cost method. When the acquisition cost of a subsidiary exceeds the subsidiary's shareholders' equity at the time of acquisition the difference has been allocated to fixed assets at the time of acquisition to the extent that their fair value exceeded the book value. The remaining difference is recorded as goodwill on consolidation. Items allocated to the fixed assets are depreciated according to the depreciation plan of the underlying asset. Goodwill on consolidation is amortised over its estimated lifetime subject to a maximum of 20 years. Goodwill relating to acquired retail network chains has a useful lifetime exceeding five years and is depreciated in 10–20 years.

Subsidiaries acquired during the year are consolidated from the date of acquisition. Likewise, subsidiaries divested during the accounting period are included in the consolidated accounts until the date of divestment.

Intragroup transactions, receivables, liabilities, unrealised profits and internal profits resulting from assets sold within the group have been eliminated. Minority interests have been reported separately in the income statement and the balance sheet.

Associated companies material to Fortum Oil, in which the Group holds between 20 percent and 50 percent of the voting rights, have been consolidated using the equity method. Accordingly, the Company's share of the net result of an associated company and its share of other changes in the equity, less depreciation on goodwill on consolidation, is entered to the income statement and added to the value of the shares in the consolidated balance sheet. Dividends received are deducted from the balance sheet value of the shares.

Joint ventures are companies for which Fortum Oil exercises joint control together with an outside party.

Net sales

Net sales include sales revenues from actual operations and exchange rate differences on trade receivables, less discounts, indirect taxes such as value-added tax and excise tax payable by the manufacturer and statutory stockpiling fees.

Trading sales include the value of physical deliveries and the net result of derivative contracts.

Other operating income

Other operating income includes gains on the sale of fixed assets, as well as all other operating income not related to the sales of products or services, such as rents.

Foreign currency items

Transactions denominated in foreign currencies have been valued using the exchange rate at the date of the transaction. Receivables and liabilities denominated in foreign currencies outstanding on the balance sheet date have been valued using the exchange rate quoted on the balance sheet date. Exchange rate differences have been entered in the income statement. Net exchange rate differences relating to financing have been entered under financial income or expenses.

The income statements of foreign subsidiaries have been translated into euro using an annual average exchange rate based on month-end exchange rates, while the balance sheets have been translated employing the exchange rate on the balance sheet date.

Derivative financial instruments

Fortum Oil Group enters into derivative contracts mainly for hedging oil price, foreign exchange and interest rate exposures.

Oil price derivatives hedging future cash flow are booked once the underlying exposure occurs. Unrealized losses on trading deals are booked immediately, but gains on oil price trading derivatives are booked only at maturity or when the open exposure of the derivative is closed with a similar derivative.

Foreign exchange derivatives are booked in four different ways: future cash flow hedges, hedges of balance sheet items, net investment hedges and trading. Gains or losses on derivatives that hedge future cash flows are recognized once the underlying income or expense occurs. Derivatives used to hedge balance sheet items (e.g., bank accounts, loans or receivables) are valued employing the exchange rate quoted on the balance sheet date, and gains or losses are recognized in the income statement. Gains and losses on net investment hedges are booked against equity, net of tax effect. Foreign exchange gains on trading deals are booked only at maturity, but losses are recognized immediately. The interest element on all forward contracts is accrued.

Option premiums are treated as advances paid or received until the option matures, and any losses on options entered into other than hedging purposes are entered as an expense in the income statement.

Interest income or expense for derivatives used to hedge the interest rate risk exposure is accrued over the period to maturity and is recognized as an adjustment to the interest income or expense of the underlying liabilities.

Sales and procurement contracts

Possible losses on sales and procurement contracts have been estimated and expensed when the purchase price is higher than the estimated sales price.

Fixed assets and depreciation

The balance sheet value of fixed assets consists of historical costs less depreciation according to plan and other possible write-offs, plus revaluation permitted by local regulations. The differences between fair values and book values at the time of the acquisition and the related deferred tax liabilities, have been allocated to fixed assets.

Fixed assets are depreciated using straight-line depreciation based on the expected useful life of the asset. Depreciation on oil and gas reserves and production equipment is calculated using the unit-of-production method.

The depreciation is based on the following expected useful lives:

Buildings and structures including terminals	20–40 years
Production machinery and equipment	15–20 years
Marine fleet	15–20 years
Retail station network machinery and equipment	5–15 years
Other equipment and vehicles	5–15 years
Other tangible assets	20–40 years
Intangible assets	5–10 years
Goodwill	5–20 years

Oil and gas reserves are valued by field on the historical cost basis but if impairment is necessary the carrying value is based on the discounted future cash flows in line with the practice of the country concerned.

Leases

The Group leases certain tangible assets, mainly ships, under various different lease arrangements. The lease payments on operating lease agreements are entered into other operating expenses in the income statement on an accrual basis. Some lease agreements are accounted for as financial leases, which have been recognized as assets and interest bearing liabilities in the balance sheet. Lease payments on financial leases are entered as debt service.

Inventories

Inventories have been valued on the FIFO principle at the lower of direct acquisition cost or market value, taking into account the impact of possible hedging operations. In the case of some foreign subsidiaries, the acquisition cost also includes indirect expenses in line with the accounting practice of the country concerned. Valuation differences do not have a material impact on the consolidated financial statements.

Net assets

Net assets of the business segments include fixed assets, shares and working capital allocated to the business segments as well as provisions and pension liabilities. Net assets are distinguished from Net investment disclosed in Note 23.

Research and development

Research and development expenditures are expensed as incurred with the exception of investments in buildings and equipment.

Pension expenses

Pension expenses are recognized in accordance with local regulations in each country. Statutory pension obligations in Finland are covered through a compulsory pension insurance policy. Payments to Group's pension fund are recorded in the income statement in amounts determined by the pension fund according to the actuarial assumptions pursuant to the Finnish Employee's Pension Act. The liabilities on pensions granted by the Group itself have been entered as a provision in the balance sheet.

Share based compensation benefits

Social charges related to Fortum Corporation options have been entered as expense to the income statement in the accounting period during which the options have become exercisable. Costs related to the

Fortum long-term incentive plans are entered as expense in the income statement and as liability in the balance sheet according to the estimated bonuses earned during the financial year. The costs are accrued over the plan period. No other charges related to share based compensation are recorded in the combined carve-out income statement.

Change in tax rate

On June 30, 2004, the Finnish Parliament passed new tax laws that include, among other things, a reduction in the Finnish corporate income tax rate from 29 percent to 26 percent from the beginning of the tax year 2005. The effect of the tax rate change has been booked as a tax reduction in the income statement and correspondingly as a reduction of deferred tax liabilities in the balance sheet. The change in deferred tax liabilities does not have any immediate cash flow effect.

Deferred tax liabilities

In the combined carve-out financial statements, deferred income taxes have been calculated using the full liability method. Under the full liability method, deferred tax liabilities and assets are determined on the basis of temporary differences between the financial statement and tax bases of assets and liabilities using enacted tax rates. Deferred tax liabilities are also recorded relating to fair value adjustments of fixed in business combinations.

Provisions

Foreseeable future expenses and losses that have no corresponding revenue and which Fortum Oil is committed or obliged to settle, and whose monetary value can reasonably be assessed, are entered as expenses in the income statement and included as provisions in the balance sheet. These items include expenses relating to the planned refinery maintenance and upgrade shutdowns, guarantee obligations, expenses relating to the future clean-up of proven environmental damage, pension liabilities and provision for residual value of the ships. Provisions are recorded based on management estimates of the future obligation. Future expenses for planned refinery maintenance and upgrade shutdowns are provided for during the periods prior to the shutdown.

Exchange rates

The table below shows the most important exchange rates used in the combined carve-out financial statements for the years 2002, 2003 and 2004:

	Exchange rates at the balance sheet date for 1 EUR			Average exchange rates over the period for 1 EUR		
	2002	2003	2004	2002	2003	2004
USD	1.0487	1.2630	1.3621	0.9420	1.1346	1.2474
GBP	0.6505	0.7048	0.7051	0.6279	0.6901	0.6813
SEK	9.1528	9.0800	9.0206	9.1442	9.1430	9.1203
NOK	7.2756	8.4141	8.2365	7.5144	7.9801	8.3702

Calculation of key ratios

Earnings per share = Profit before taxes—Income taxes—Minority interests/Number of shares

Capital employed = Total assets—interest-free liabilities—deferred tax liabilities—provisions for liabilities and charges

Return on capital employed (ROCE) before tax, % = 100 × (Profit before taxes + interest and other financial expenses)/Average capital employed during the year

(amounts in millions of euro, except where indicated)

3. Segment information

	Oil Refining 2002	Oil Retail 2002	Shipping 2002	Oil other 2002	Eliminations 2002	Continuing operations 2002	Discontinued operations 2002	Fortum Oil Group 2002
Net sales(1)	5,704	2,151	266	—	(927)	7,194	105	7,299
External net sales	4,916	2,138	140	—	—	7,194	105	7,299
EBITDA before non-recurring items	237	78	42	(21)	(2)	334	260	594
EBITDA after non-recurring items	294	80	48	(21)	(2)	399	327	726
Share of profits from associated companies(2)	4	—	—	(1)	—	3	—	3
Depreciation, amortization and write-downs	99	39	18	—	—	156	112	268
Operating profit	195	41	30	(21)	(2)	243	215	458
Operating assets	1,769	506	184	8	(173)	2,294	986	3,280
Operating liabilities	679	187	29	2	(166)	731	59	790
Net assets	1,090	319	155	6	(7)	1,563	927	2,490
Investments in associated companies(3)	97	3	—	7	—	107	—	107
Return on net assets (RONA), %(4)	17.7	11.7	15.8	—	—	—	—	—
Capital expenditure	114	37	26	—	—	177	75	252
Investments in shares	—	—	—	—	—	—	—	—
Investments	114	37	26	—	—	177	75	252
Inventory gains and losses(5)	57	—	—	—	—	57	—	57
Capital gains and losses	—	2	17	—	—	19	67	86
Other	—	—	(11)	—	—	(11)	—	(11)
Non-recurring items in EBITDA	57	2	6	—	—	65	67	132
Write-downs and additional depreciation	(15)	(1)	(1)	—	—	(17)	(13)	(30)
Non-recurring items in operating profit	42	1	5	—	—	48	54	102
Average number of employees	2,706	1,068	610	10	—	4,394	58	4,452

(1) In discontinued operations, internal net sales are excluded.

(2) The biggest associated companies accounted for under the equity method are 49.99% ownership in AB Nynäs Petroleum, a Swedish company that specializes in producing and marketing bitumen and naphthenics in Oil Refining segment; 50% ownership in Pikoil Oy, a Finnish retail chain selling fuel and and every-day comsumer goods in Oil Retail segment, and 50% ownership in SeverTEK, an upstream company in northwestern Russia in Oil other.

(3) Investments in associated companies are included in the operating assets.

(4) Return on net assets % before tax = 100 x operating profit/average net assets.

(5) The difference between the value of the feedstock cost calculated using the current cost method and the FIFO method is known as the "inventory gain or loss."

(amounts in millions of euro, except where indicated)

	Oil Refining 2003	Oil Retail 2003	Shipping 2003	Oil other 2003	Eliminations 2003	Continuing operations 2003	Discontinued operations 2003	Fortum Oil Group 2003
Net sales(1)	5,693	2,203	308	—	(897)	7,307	—	7,307
External net sales	4,945	2,192	170	—	—	7,307	—	7,307
EBITDA before non-recurring items	347	84	82	(15)	5	503	—	503
EBITDA after non-recurring items	361	85	92	(15)	5	528	—	528
Share of profits from associated companies(2)	10	—	—	5	—	15	—	15
Depreciation, amortization and write-downs	80	41	14	—	—	135	—	135
Operating profit	281	44	78	(15)	5	393	—	393
Operating assets	1,629	460	151	13	(120)	2,133	—	2,133
Operating liabilities	626	131	30	1	(118)	670	—	670
Net assets	1,003	329	121	12	(2)	1,463	—	1,463
Investments in associated companies(3)	95	4	—	13	—	112	—	112
Return on net assets (RONA), %(4)	26.2	13.8	60.2	—	—	—	—	—
Capital expenditure	97	34	71	—	—	202	—	202
Investments in shares	—	2	—	—	—	2	—	2
Investments	97	36	71	—	—	204	—	204
Inventory gains and losses(5)	13	—	—	—	—	13	—	13
Capital gains and losses	1	1	10	—	—	12	—	12
Other	—	—	—	—	—	—	—	—
Non-recurring items in EBITDA	14	1	10	—	—	25	—	25
Write-downs and additional depreciation	—	(10)	—	—	—	(10)	—	(10)
Non-recurring items in operating profit	14	(9)	10	—	—	15	—	15
Average number of employees	2,707	1,014	606	15	—	4,342	—	4,342

(1) In discontinued operations, internal net sales are excluded.

(2) The biggest associated companies accounted for under the equity method are 49.99% ownership in AB Nynäs Petroleum, a Swedish company that specializes in producing and marketing bitumen and naphthenics in Oil Refining segment; 50% ownership in Pikoil Oy, a Finnish retail chain selling fuel and and every-day comsumer goods in Oil Retail segment, and 50% ownership in SeverTEK, an upstream company in northwestern Russia in Oil other.

(3) Investments in associated companies are included in the operating assets.

(4) Return on net assets % before tax = 100 x operating profit/average net assets.

(5) The difference between the value of the feedstock cost calculated using the current cost method and the FIFO method is known as the "inventory gain or loss."

(amounts in millions of euro, except where indicated)

	Oil Refining 2004	Oil Retail 2004	Shipping 2004	Oil other 2004	Eliminations 2004	Continuing operations 2004	Discontinued operations 2004	Fortum Oil Group 2004
Net sales(1)	6,306	2,374	339	—	(1,110)	7,909	—	7,909
External net sales	5,352	2,366	191	—	—	7,909	—	7,909
EBITDA before non-recurring items	569	72	102	(8)	(1)	734	—	734
EBITDA after non-recurring items	649	78	111	(7)	(1)	830	—	830
Share of profits from associated companies(2)	27	(5)	—	14	—	36	—	36
Depreciation, amortization and write-downs	76	30	12	—	—	118	—	118
Operating profit	573	48	99	(7)	(1)	712	—	712
Operating assets	1,915	494	221	27	(134)	2,523	—	2,523
Operating liabilities	649	198	28	14	(131)	758	—	758
Net assets	1,266	296	193	13	(3)	1,765	—	1,765
Investments in associated companies(3)	112	(1)	2	26	—	139	—	139
Return on net assets (RONA), %(4)	50.4	15.9	63.1	—	—	—	—	—
Capital expenditure	200	36	74	—	—	310	—	310
Investments in shares	—	—	3	—	—	3	—	3
Investments	200	36	77	—	—	313	—	313
Inventory gains and losses(5)	74	—	—	—	—	74	—	74
Capital gains and losses	9	7	7	—	—	23	—	23
Other	(2)	(1)	2	1	—	—	—	—
Non-recurring items in EBITDA	81	6	9	1	—	97	—	97
Write-downs and additional depreciation	—	—	—	—	—	—	—	—
Non-recurring items in operating profit	81	6	9	1	—	97	—	97
Average number of employees	2,608	1,041	579	30	—	4,258	—	4,258

(1) In discontinued operations, internal net sales are excluded.

(2) The biggest associated companies accounted for under the equity method are 49.99% ownership in AB Nynäs Petroleum, a Swedish company that specializes in producing and marketing bitumen and naphthenics in Oil Refining segment; 50% ownership in Pikoil Oy, a Finnish retail chain selling fuel and and every-day comsumer goods in Oil Retail segment, and 50% ownership in SeverTEK, an upstream company in northwestern Russia in Oil other.

(3) Investments in associated companies are included in the operating assets.

(4) Return on net assets % before tax = 100 x operating profit/average net assets.

(5) The difference between the value of the feedstock cost calculated using the current cost method and the FIFO method is known as the "inventory gain or loss."

(amounts in millions of euro)

4. Net sales by market area

	2002	2003	2004
Finland	3,107	3,178	3,704
Other Nordic countries	676	593	727
Baltic states, Russia and Poland	308	358	440
Other European countries	702	708	776
USA and Canada	1,542	1,522	1,790
Other international sales	964	948	472
Total net sales	7,299	7,307	7,909

5. Other operating income

	2002	2003	2004
Rental income	6	4	3
Gains on sales of fixed assets	88	18	21
Other	1	16	13
Total other operating income	95	38	37

6. Depreciation, amortization and write-downs

	2002	2003	2004
Goodwill	6	3	3
Goodwill on consolidation	2	1	1
Other intangible assets	6	5	5
Buildings and structures	48	33	36
Machinery and equipment	177	80	69
Other tangible assets	14	3	3
Total depreciation and amortization	253	125	117
Goodwill on consolidation	2	—	—
Buildings and structures	—	7	1
Machinery and equipment	11	1	—
Other tangible assets	2	2	—
Total write-downs on fixed assets	15	10	1

(amounts in millions of euro)

7. Operating expenses

	2002	2003	2004
Change in product inventories	25	(16)	(21)
Materials and services			
Materials and supplies			
Purchases	5,806	6,111	6,508
Change in inventories	72	15	(60)
External services	31	21	12
Materials and services total	5,934	6,131	6,439
Personnel expenses			
Wages, salaries and remunerations	163	159	166
Other indirect employee costs	21	26	27
Pension costs	37	26	21
Personnel expenses total	221	211	214
Other operating expenses	516	490	499
Total operating expenses	6,671	6,832	7,152

8. Financial income and expenses

	2002	2003	2004
Interest income	9	11	9
Interest expenses	(15)	(6)	(5)
Dividend income	3	6	6
Total financial income and expenses	(3)	11	10

9. Income taxes

Tax cost is based on the taxes in the subsidiaries of Fortum Oil and parent company taxes based on the taxable profit on the carve-out operating profit and net financial items allocated to the parent company including financial income and expenses arising from the intercompany financing in the Fortum Oil Group.

(amounts in millions of euro)

10. Fixed assets and other long-term investments

	2002	2003	2004
Goodwill	9	7	4
Goodwill on consolidation	6	5	4
Other intangible assets	18	17	19
Intangible assets	33	29	27
Land areas	38	38	41
Buildings and structures	504	519	523
Machinery and equipment	1,265	459	532
Other tangible assets	166	36	36
Construction in progress and advances paid	193	146	241
Tangible assets	2,166	1,198	1,373

11. Acquisition cost and accumulated depreciation of intangible assets

	2002			
Intangible assets	Goodwill	Goodwill on consolidation	Other intangible assets	Total
Acquisition cost as of January 1	70	19	93	182
Exchange rate differences and other adjustments	—	—	(3)	(3)
Increases	—	—	2	2
Decreases	—	—	3	3
Acquisition cost as of December 31	70	19	89	178
Accumulated depreciation, amortization and write-downs as of January 1	55	9	70	134
Exchange rate differences and other adjustments			(2)	(2)
Accumulated depreciation, amortization and write-downs of decreases and transfers	—	—	3	3
Depreciation and amortization for the period	6	2	6	14
Write-downs for the period	—	2	—	2
Accumulated depreciation, amortization and write-downs as of December 31	61	13	71	145
Balance sheet value as of December 31	9	6	18	33

(amounts in millions of euro)

	2003			
Intangible assets	**Goodwill**	**Goodwill on consolidation**	**Other intangible assets**	**Total**
Acquisition cost as of January 1	70	19	89	178
Exchange rate differences and other adjustments	—	—	(1)	(1)
Increases	—	—	5	5
Decreases	17	7	14	38
Acquisition cost as of December 31	53	12	79	144
Accumulated depreciation, amortization and write-downs as of January 1	61	13	71	145
Accumulated depreciation, amortization and write-downs of decreases and transfers	18	7	14	39
Depreciation and amortization for the period	3	1	5	9
Accumulated depreciation, amortization and write-downs as of December 31	46	7	62	115
Balance sheet value as of December 31	7	5	17	29

	2004			
Intangible assets	**Goodwill**	**Goodwill on consolidation**	**Other intangible assets**	**Total**
Acquisition cost as of January 1	53	12	79	144
Increases	—	—	9	9
Decreases	2	—	12	14
Transfers between categories	—	—	(2)	(2)
Acquisition cost as of December 31	51	12	74	137
Accumulated depreciation, amortization and write-downs as of January 1	46	7	62	115
Accumulated depreciation, amortization and write-downs of decreases and transfers	2	—	12	14
Depreciation and amortization for the period	3	1	5	9
Accumulated depreciation, amortization and write-downs as of December 31	47	8	55	110
Balance sheet value as of December 31	4	4	19	27

(amounts in millions of euro)

12. Acquisition cost and accumulated depreciation of tangible assets

	2002					
Tangible assets	**Land areas**	**Buildings and structures**	**Machinery and equipment**	**Other tangible assets**	**Advances paid and construction in progress**	**Total**
Acquisition cost as of January 1	33	948	3,017	472	135	4,605
Exchange rate differences and other adjustments	(1)	(28)	(255)	(65)	(17)	(366)
Increases	1	61	94	13	82	251
Decreases	1	10	168	165	6	350
Acquisition cost as of December 31	32	971	2,688	255	194	4,140
Accumulated depreciation, amortization and write-downs as of January 1	—	470	1,421	200	—	2,091
Exchange rate differences and other adjustments		(19)	(94)	(28)		(141)
Accumulated depreciation, amortization and write-downs of decreases and transfers	—	6	92	98	—	196
Depreciation and amortization for the period	—	48	177	14	—	239
Write-downs	—	—	11	1	1	13
Accumulated depreciation, amortization and write-downs as of December 31	—	493	1,423	89	1	2,006
Revaluations	6	26				32
Balance sheet value as of December 31	38	504	1,265	166	193	2,166

(amounts in millions of euro)

Tangible assets	2003 Land areas	Buildings and structures	Machinery and equipment	Other tangible assets	Advances paid and construction in progress	Total
Acquisition cost as of January 1	32	971	2,688	255	194	4,140
Exchange rate differences and other adjustments	(1)	(4)	(220)	(32)	(5)	(262)
Increases	2	60	91	2	41	196
Decreases	1	13	1,195	155	82	1,446
Transfers between categories	—	1	—	1	(2)	—
Acquisition cost as of December 31	32	1,015	1,364	71	146	2,628
Accumulated depreciation, amortization and write-downs as of January 1	—	493	1,423	89	1	2,006
Exchange rate differences and other adjustments	—	—	(86)	(10)		(96)
Accumulated depreciation, amortization and write-downs of decreases and transfers	—	11	513	49	1	574
Depreciation and amortization for the period	—	33	80	3	—	116
Write-downs	—	7	1	2	—	10
Accumulated depreciation, amortization and write-downs as of December 31	—	522	905	35	—	1,462
Revaluations	6	26				32
Balance sheet value as of December 31	38	519	459	36	146	1,198

(amounts in millions of euro)

Tangible assets	2004 Land areas	Buildings and structures	Machinery and equipment	Other tangible assets	Advances paid and construction in progress	Total
Acquisition cost as of January 1	32	1,015	1,364	71	146	2,628
Exchange rate differences and other adjustments	—	(6)	4	(1)	(1)	(4)
Increases	3	50	150	4	99	306
Decreases	—	15	44	1	4	64
Transfers between categories	—	(1)	—	—	1	—
Acquisition cost as of December 31	35	1,043	1,474	73	241	2,866
Accumulated depreciation, amortization and write-downs as of January 1	—	522	905	35	—	1,462
Accumulated depreciation, amortization and write-downs of decreases and transfers	—	14	32	1	—	47
Depreciation and amortization for the period	—	36	69	3	—	108
Write-downs	—	1	—	—	—	1
Accumulated depreciation, amortization and write-downs as of December 31	—	545	942	37	—	1,524
Revaluations	6	25				31
Balance sheet value as of December 31	41	523	532	36	241	1,373

13. Acquisition cost and accumulated write-downs of other long-term investments

Other long-term investments	2002 Shares in associated companies	Other shares	Interest-bearing loan receivables	Other long-term receivables	Total
Acquisition cost as of January 1	65	18	47	3	133
Exchange rate differences and other adjustments					
Increases	—	—	2	—	2
Decreases	—	—	—	1	1
Acquisition cost as of December 31	65	18	49	2	134
Accumulated depreciation, amortization and write-downs as of January 1	4	—	3	—	7
Accumulated depreciation, amortization and write-downs as of December 31	4	—	3	—	7
Retained earnings in associated companies	46				46
Balance sheet value as of December 31	107	18	46	2	173

(amounts in millions of euro)

Other long-term investments	2003 Shares in associated companies	Other shares	Interest-bearing loan receivables	Other long-term receivables	Total
Acquisition cost as of January 1	65	18	49	2	134
Exchange rate differences and other adjustments					
Increases	2	—	23	—	25
Decreases	—	—	3	2	5
Acquisition cost as of December 31	67	18	69	—	154
Accumulated depreciation, amortization and write-downs as of January 1	4	—	3	—	7
Accumulated depreciation, amortization and write-downs of decreases and transfers	1	—	—	—	1
Accumulated depreciation, amortization and write-downs as of December 31	3	—	3	—	6
Retained earnings in associated companies	48				48
Balance sheet value as of December 31	112	18	66	—	196

Other long-term investments	2004 Shares in associated companies	Other shares	Interest-bearing loan receivables	Other long-term receivables	Total
Acquisition cost as of January 1	67	18	69	—	154
Increases	2	—	4	1	7
Decreases	—	1	2	—	3
Acquisition cost as of December 31	69	17	71	1	158
Accumulated depreciation, amortization and write-downs as of January 1	3	—	3	—	6
Accumulated depreciation, amortization and write-downs as of December 31	3	—	3	—	6
Retained earnings in associated companies	74				74
Balance sheet value as of December 31	140	17	68	1	226

14. Shares and shareholdings as of December 31, 2004

Name of the company	Domicile	No of shares	Group Holding (%)	Nominal value Curr. 1,000		Book value €1,000
Subsidiaries						
Oil Refining						
Eastex Crude Company Partnership	USA	—	70.0	USD	—	846
Fortum Components Finance B.V	The Netherlands	40	100.0	EUR	18	22
Fortum Oil AB	Sweden	2,000,000	100.0	SEK	200,000	23,972
Fortum Oil & Gas Ltd	Great Britain	500,100	100.0	GBP	500	1,793
Fortum Oil Finance B.V	The Netherlands	26,088	100.0	EUR	26	15,763
Fortum Oil N.V.	Belgium	60,389	100.0	EUR	14,970	13,641
Neste Canada Inc.	Canada	30,000	100.0	CAD	6,000	13
Neste Crude Oil Inc.	USA	1,000	100.0	USD	1	1,776
Neste Jacobs Oy	Finland	2,310	66.0	EUR	231	482
Neste MTBE S.A.	Portugal	60,000	100.0	PTE	600,000	2,096
Neste Oil Holding (U.S.A.) Inc.	USA	1,000	100.0	USD	1	18,428
Neste Oil Services Inc.	USA	1,000	100.0	USD	1	31,336
Neste Oil US, LLC	USA	—	100.0	USD	—	1,100
Neste Petroleum Inc.	USA	1,000	100.0	USD	1	461
Neste Trading (U.S.A.) Inc.	USA	1,000	100.0	USD	1	324
Neste USA, L.L.C.	USA	1	100.0	USD	1	64
Neste/Wrigth Asphalt Products Company Partnership	USA	—	60.0	USD	—	710
Oil Retail						
AS Estonian Transoil	Estonia	400	100.0	EEK	—	3,766
Best Chain Oy	Finland	112,800	100.0	EUR	11,280	45,413
Fortum LPG AB	Sweden	50,000	100.0	SEK	5,000	1,663
Fortum Oil Markets Oy	Finland	2,280	100.0	EUR	2,280	6,609
Fortum Polska sp.z.o.o.	Poland	—	100.0	PLN	—	1,235
Kide Automaatit Oy	Finland	8	100.0	EUR	8	8
Kiinteistö Oy Helsingin Hietalahdenranta 6	Finland	10	100.0	EUR	500	500
Kiinteistö Oy Janakkalan Linnatuuli	Finland	881	70.1	EUR	15	1,323
Kiinteistö Oy Lahden Launeenkatu 14	Finland	16	100.0	EUR	8	471
Neste Eesti AS	Estonia	10,000	100.0	EEK	10,000	5,926
Neste Markkinointi Oy	Finland	210,560	100.0	EUR	21,056	47,567
Neste Oil BR Ltd	Belarus	1	100.0	EUR	—	—
Neste St. Petersburg OOO	Russia	10	100.0	RUR	1,052,821	58,427
Reola Gaas AS	Estonia	31,910	93.9	EEK	3,191	674
Saskidrinata Naftas Gaze SIA	Latvia	3,715	100.0	LVL	301	1,247
SIA Neste Latvija	Latvia	180	100.0	LVL	11,318	2,450
Tehokaasu Oy	Finland	7,200	100.0	EUR	3,027	3,900
UAB Neste Lietuva	Lithuania	709,830	100.0	LTL	70,983	15,650
Shipping						
NS-Management S.A.	Luxemburg	100	100.0	EUR	31	31
Oil Other						
Fortum Oil Insurance Ltd	Great Britain	2,000,000	100.0	EUR	200,000	2,000
Neste Production Russia Oy	Finland	2	100.0	EUR	—	8
GROUP SHARES TOTAL						311,695

Name of the company	Domicile	No of shares	Group Holding (%)	Nominal value Curr. 1,000		Book value €1,000
Associated companies						
Oil Refining						
AB Nynäs Petroleum	Sweden	33,765	50.0	SEK	33,765	43,972
Alberta Envirofuels Inc.	Canada	1	50.0	CAD	—	—
Borealis Electricicade E Calor Ace	Portugal	1	33.3	PTE	—	8
CanTerm Canadian Terminals Inc.	Canada	50	50.0	CAD	10,000	6,092
Kiinteistö Oy Porvoon Leporanta	Finland	300	50.0	EUR	30	300
Nynas Oy	Finland	—	50.0	EUR	—	—
OAO Pechormornef	Russia	39	39.0	RUR	—	6
Svartså Vattenverk-Mustijoen Vesilaitos	Finland	14	40.0	EUR	24	124
Tahkoluodon Polttoöljy Oy	Finland	630	31.5	EUR	106	490
Vaskiluodon Kalliovarasto Oy	Finland	330	50.0	EUR	17	17
Oil Retail						
Innogas Oy AB	Finland	400	50.0	EUR	673	673
Kiinteistö Oy Helsingin Asesepänkuja 2	Finland	580	26.7	EUR	24	443
Oy Atlas-Öljy AB	Finland	40	40.0	EUR	7	7
Pikoil Oy	Finland	200	50.0	EUR	2,000	2,000
Tapaninkylän Liikekeskus Oy	Finland	458	40.0	EUR	4	245
Variston Liikekeskus Oy	Finland	15	25.0	EUR	3	223
Shipping						
Lacus Ltd	USA	6,000	50.0	USD	6	1,142
Nemarc Shipping Oy	Finland	2,000	50.0	EUR	33	33
Terra Ltd	USA	6,000	50.0	USD	6	1,142
Oil Other						
Neste Arabia Co. Ltd	Saudi Arabia	480	48.0	SAR	480	156
Porvoon Alueverkko Oy	Finland	40	33.3	EUR	7	7
SeverTEK ZAO	Russia	50,000	50.0	USD	10,000	8,668
SHARES IN ASSOCIATED COMPANIES TOTAL						65,748

Name of the company	Domicile	No of shares	Group Holding (%)	Nominal value Curr. 1,000		Book value €1,000
Other shares						
Oil Refining						
Asunto Oy Poutapolku	Finland	287	1.9	EUR	—	106
EEBIC N.V.	Belgium	100	1.2	BEF	1,000	25
Finnish Measurement Systems FMS Oy	Finland	80	15.1	EUR	13	13
Kokonhalli Oy Ab	Finland	55	20.0	EUR	92	93
Pohjanmaan Puhelinosuuskunta PPO	Finland	1	—	EUR	—	—
Posintra Oy	Finland	50	—	EUR	10	17
Rintekno Oy	Finland	200	6.6	EUR	34	36
Saudi European Petrochemical Company Ibn Zahr	Saudi Arabia	98,832	10.0	SAR	98,832	14,851
Oil Retail						
International Cooperative Petroleum Association	USA	10	0.1	USD	—	1
Kajaanin Pohjolankulma Oy	Finland	4	0.8	EUR	—	—
Kiinteistö Oy Laukaan Virastosydän	Finland	124	3.6	EUR	—	149
Kiinteistö Oy Pyhtään Kultakaari	Finland	50	4.6	EUR	—	7
Kiinteistöpalvelu Koivu Oy	Finland	21	0.2	EUR	—	—
Kiuruveden Vesihuolto Oy	Finland	75	—	EUR	—	—
Lapin Matkailu Oy	Finland	13	0.3	EUR	—	—
Luottokunta	Finland	1	—	EUR	—	—
Mikkelin Puhelinyhdistys	Finland	1	—	EUR	—	—
Oulun Puhelin Oyj	Finland	4,250	—	EUR	2	9
Pietarsaaren Seudun Puhelin	Finland	6	—	EUR	—	2
Puhelinosuuskunta KPY	Finland	3	—	EUR	—	1
Runoilijan Tie Oy	Finland	50	—	EUR	—	—
Satakunnan Puhelin Oyj A	Finland	776	—	EUR	7	3
Suomen Asiakastieto Oy	Finland	18	—	EUR	—	—
Suomen Kaukokiito Oy	Finland	1,000	—	EUR	—	3
Tampereen Autokuljetus Oy	Finland	54	—	EUR	—	3
Tennis-Tapiola Oy	Finland	4	—	EUR	—	5
Tuulissuon Teollisuuskiinteistöt Oy	Finland	180	18.0	EUR	15	200
Vaasan Läänin Puhelin Oy	Finland	1	—	EUR	—	—
Yrittäjien Oikeussuoja Oy	Finland	2	—	EUR	—	—
Oil Other						
Cristal Ltd	Great Britain	1	—	USD	—	—
Ekokem Oy Ab	Finland	392	2.8	EUR	132	130
Kymen Puhelin	Finland	1	—	EUR	—	—
Lännen Puhelin Oy	Finland	20	—	EUR	—	5
Savonlinnan Puhelinosuuskunta SPY	Finland	1	—	EUR	—	1
Connection fees						1,646
OTHER SHARES AND HOLDINGS TOTAL		13				17,306

(amounts in millions of euro)

15. Revaluations

	2002	
	Land areas	Buildings
Revaluations as of January 1	6	32
Decreases	—	6
Revaluations as of December 31	6	26

	2003	
	Land areas	Buildings
Revaluations as of January 1	6	26
Revaluations as of December 31	6	26

	2004	
	Land areas	Buildings
Revaluations as of January 1	6	26
Decreases	—	1
Revaluations as of December 31	6	25

Revaluations are based on current replacement cost.

16. Inventories

	2002	2003	2004
Materials and supplies	110	122	190
Work in progress	71	81	75
Products and finished goods	117	110	137
Other inventories	7	10	18
Advances paid	1	—	—
Total inventories	306	323	420

Difference between replacement value and book value of inventories is EUR 35 million, EUR 26 million and EUR 30 million in 2002, 2003 and 2004, respectively.

(amounts in millions of euro)

17. Receivables from associated companies

	2002	2003	2004
Interest-bearing loan receivables from associated companies in other long-term investments	31	54	54
Trade receivables	2	2	2
Other short-term interest-free receivables	9	12	18
Total receivables from associated companies in current assets	11	14	20

18. Cash and cash equivalents

Cash and cash equivalents presented is the external cash in Fortum Oil and the subsidiaries in 2002, 2003 and 2004.

19. Provisions for liabilities and charges

	2002	2003	2004
Provisions for pensions	12	16	11
Provision for planned refinery maintenance and upgrade shutdown	24	37	49
Other provisions	31	10	14
Total provisions for liabilities and charges	67	63	74

20. Deferred tax assets and liabilities

	2002	2003	2004
Change in deferred tax assets and liabilities			
Appropriations	(1)	—	(12)
Combination entries	69	(70)	1
Separate financial statements of subsidiaries	(10)	(3)	(17)
Total change in deferred tax assets and liabilities	58	(73)	(28)
Deferred tax assets			
Combination entries	2	2	1
Separate financial statements of subsidiaries	11	14	29
Total deferred tax assets	13	16	30
Deferred tax liabilities			
Appropriations	152	152	140
Combination entries	70	—	—
Separate financial statements of subsidiaries	13	13	11
Total deferred tax liabilities	235	165	151

21. Interest-bearing liabilities

Interest-bearing short-term and long-term liabilities included in the balance sheet are loans and other interest-bearing liabilities of Fortum Oil and its subsidiaries from entities other than Fortum Corporation and its consolidated subsidiaries.

22. Liabilities to associated companies

	2002	2003	2004
Other interest-free long-term liabilities to associated companies	—	3	2
Trade payables	8	8	8
Other short-term liabilities	—	1	1
Total short-term liabilities to associated companies	8	9	9

23. Net investment

Capitalization of Fortum Oil Group is presented as Net investment, because it has not in the past formed a separate legal Group. The net investment is the residual of the total assets and total liabilities derived in accordance with the carve-out principles reflecting the shareholder's interest in the Fortum Oil Group.

Net investment is distinguished from Net assets disclosed in Note 2.

(amounts in millions of euro)

24. Contingent liabilities

In the following disclosure of contingent liabilities, pledges are shown at net book values of the pledged assets, mortages are shown at their nominal values, sale-and-leaseback obligations are shown at nominal values, and guarantees are shown at their nominal outstanding value of the related liability.

	2002	2003	2004
On own behalf			
Pledges	9	7	6
Real estate mortgages	28	28	28
Other mortgages	26	—	—
Sale-and-leaseback	15	8	—
Other contingent liabilities	32	40	2
Total	110	83	36
On behalf of associated companies			
Pledges	9	9	9
Guarantees	75	79	73
Total	84	88	82
On behalf of others			
Other contingent liabilities	2	3	3
Total	2	3	3
Total contingent liabilities	196	174	121
Operating leasing liabilities			
Due within a year	57	66	72
Due after a year	90	93	91
Total operating leasing liabilities	147	159	163

Derivatives

	2002		
Interest and currency derivatives	Contract or notional value	Fair value	Not recognized as an income
Interest rate swaps	76	(10)	(9)
Forward foreign exchange contracts	962	52	52
Currency swaps			
Purchased currency options	139	11	11
Written currency options	66	1	1

(amounts in millions of euro)

Interest and currency derivatives	2003 Contract or notional value	2003 Fair value	2003 Not recognized as an income
Interest rate swaps	64	(7)	(6)
Forward foreign exchange contracts	652	54	50

Interest and currency derivatives	2004 Contract or notional value	2004 Fair value	2004 Not recognized as an income
Interest rate swaps	59	(7)	(6)
Forward foreign exchange contracts	567	10	9
Currency swaps			
Purchased currency options	438	17	17
Written currency options	438	6	6

Foreign currency derivatives have been used to hedge the foreign currency exposure of Fortum Oil. The hedging of foreign currecy exposure has been taken care of by the centralised Treasury operations in Fortum Group. The exposure has been hedged as part of the Fortum Group's total net exposure.

Oil futures and forward instruments	2002 Volume 1000 bbl	2002 Fair value	2002 Not recognized as income
Sales contracts	10,697	(11)	(11)
Purchase contracts	12,170	13	13

	2003 Volume 1000 bbl	2003 Fair value	2003 Not recognized as income
Sales contracts	22,304	(11)	(11)
Purchase contracts	37,239	14	14
Purchased options	150	—	—
Written options	600	—	—

	2004 Volume 1000 bbl	2004 Fair value	2004 Not recognized as income
Sales contracts	44,588	26	26
Purchase contracts	70,258	7	7
Purchased options	4,797	2	2
Written options	6,784	(2)	(2)

25. Transition to International Financial Reporting Standards (IFRS) in 2005

Introduction

Fortum Corporation including Fortum Oil adopted the International Financial Reporting Standards (IFRS) as of January 1, 2005. The date of transition from Finnish GAAP to IFRS for Fortum Corporation is January 1, 2004. The first interim report of Fortum Corporation under IFRS will be published on May 3, 2005.

The purpose of this IFRS summary is to give an overview of the impact of the transition for the Fortum Oil Group and to describe the effects of those IFRS accounting principles and rules that will have a material impact on the consolidated income statement and certain key ratios. The IFRS financial information presented in this summary may require adjustments before its inclusion as comparative information in the Fortum Oil Group's first set of IFRS financial statements for the year ending December 31, 2005 due to ongoing changes in IFRS that might have an effect on the accounts of the companies applying IFRS from 2005.

Fortum's IFRS project

In order to evaluate the impact of the transition to IFRS, Fortum Corporation established a project in the autumn of 2002. The IFRS project organisation included participants from corporate center as well as from all business units. The IFRS project worked under the leadership of a steering committee, the Chief Financial Officer acting as a chairman. The auditors of Fortum Corporation assisted the different project sub groups and also took part in the work of steering committee. The results of the project have been communicated to the Fortum Corporation Corporate Executive Committee and the Audit Committee on a continuous basis.

Fortum Oil has participated in the Fortum Corporation's IFRS project with representatives from the business units and corporate treasury participating in different project sub groups as well as in the steering committee.

The main impact for Fortum Oil will result from the changes in the recognition and measurement principles of financial instruments, differences in the classification of leasing arrangements compared to Finnish GAAP, changes in the accounting for pension obligations and difference in accounting for overhaul costs.

In the IFRS transition, Fortum has elected to apply exemptions allowed in the First-Time Adoption standards (IFRS 1). Acquisitions made before January 1, 2004 have not been restated. No revaluation of property, plant and equipment have been performed at the date transition and thus the balance sheet values continue the historic cost less depreciations (the cost model under IFRS 16). No impairment charges have been recognized in the IFRS opening balance sheet.

In Fortum Oil, some shareholdings which have been consolidated according to equity method under Finnish GAAP will be classified as joint ventures under IFRS. However, the joint ventures will also be consolidated according to equity method under IFRS. The associated companies and joint ventures in Fortum Oil have not changed accounting principles to IFRS and no adjustments have been made for any eventual effects.

Fortum has chosen to apply IAS 32 and 39 standards regarding financial instruments also for the comparison year 2004.

(amounts in millions of euro, except where indicated)

JANUARY 1–DECEMBER 31, 2004

The preliminary impact of the transition to IFRS on the Neste Oil Group's (formerly, the Fortum Oil Group) income Statement and key ratios

COMBINED CARVE-OUT INCOME STATEMENT

	January 1– December 31, 2004	Financial Instruments	Leasing	Employee Benefits	Overhauls	Revaluations	Other IFRS adjustments	Total IFRS impact	IFRS January 1– December 31, 2004
Net sales	7,909							0	7,909
Other operating income	37	29	6					35	72
Materials and services	(6,439)		11					11	(6,428)
Employee benefit costs	(214)			6			(3)	3	(211)
Depreciation, amortization and impairment charges	(118)		(6)		(17)	(1)	3	(21)	(139)
Other operating expenses	(499)	—	(3)	—	12	—	—	9	(490)
Operating profit	676	29	8	6	(5)	(1)	0	37	713
Share of profits of associated companies and joint ventures(*)	36							0	36
Finance costs—net	10	(1)	6	—	—	—	3	8	18
Profit before taxes	722	28	14	6	(5)	(1)	3	45	767
Income taxes	(150)							(7)	(157)
Profit for the year	572							38	610
Attributable to:									
Equity holders of the Company	570							38	608
Minority interest	2							—	2
	572							38	610

(*) Share of profits of associated companies and joint ventures is included in operating profit in Finnish GAAP.

Earnings per share (€)	2.22	2.37
Number of shares	256,403,686	256,403,686

KEY RATIOS	January 1, 2004	Financial Instruments	Leasing	Employee Benefits	Overhauls	Revaluations	Other IFRS adjustments	Total IFRS impact	IFRS January 1, 2004
Capital employed	1,461	32	154	28	48	(17)	3	248	1,709
Interest-bearing net debt	36		151					151	187
Minority interest	3							0	3
Net investment	1,375	32	3	28	48	(17)	3	97	1,472

(amounts in millions of euro, except where indicated)

KEY RATIOS	December 31, 2004	Financial Instruments	Leasing	Employee Benefits	Overhauls	Revaluations	Other IFRS adjustments	Total IFRS impact	IFRS December 31, 2004
Capital employed	1,801	48	118	34	46	(16)	7	237	2,038
Interest-bearing net debt(1)	19		104					104	123
Minority interest	5							0	5
Net investment	1,717	48	14	34	46	(16)	7	133	1,850
Return on capital employed (ROCE) before tax, %	44.6								41.2

Reconciliation of the Net investment to Fortum Oil Group Financial Statement as of December 31, 2004	December 31, 2004	Total IFRS impact	IFRS December 31, 2004
Share capital	40	—	40
Reserve fund	9	—	9
Retained earnings	811	133	944
Interest-bearing liabilities to other Fortum(1)	970	—	970
Cash pool receivables(1)	(124)	—	(124)
Interest-free receivables and liabilities from and to other Fortum	11	—	11
Net investment	1,717	133	1,850

(1) Consolidated interest-bearing net debt total	865		969

Financial Instruments

General principles

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of highly probable forecast transactions (cash flow hedges); (2) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or (3) hedges of net investments in foreign operations.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss, for instance when the forecast sale that is hedged takes place.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If derivatives do not qualify for hedge accounting, any movement in fair value is recognized in the income statement.

Oil commodity derivatives

Oil derivatives entered into to hedge price risk are economical hedges and they do not qualify for hedge accounting under IAS 39. All fair value changes, EUR 24 million in 2004, are recognized in the operating profit.

Treasury derivatives (foreign exchange and interest rate derivatives)

Foreign exchange derivatives are used for hedging forecast cash flows of the sales and purchases and assets and liabilities in the balance sheet and net investments in foreign operations.

During 2004, hedge accounting was applied to all Fortum Oil cash flow hedges to decrease the volatility in operating profit in the income statement.

The Group has chosen not to apply hedge accounting for foreign exchange derivatives hedging balance sheet items. Interest rate derivatives hedging shipping leasing liabilities do not apply for hedge accounting and they create volatility in financial items.

Net investments in foreign subsidiaries are hedged according to the approved Treasury policy. In IFRS, as in Finnish GAAP, gains and losses on net investments are recognized in the equity.

Leasing

The classification criteria, when considering whether a lease arrangement is an operating lease or financial lease, are different under IFRS than under Finnish GAAP.

In Fortum Oil, this means that some lease arrangements, where Fortum Oil is the lessee, are reclassified as financial leases. The liabilities under agreements that have previously been reported as contingent liabilities are, under IFRS, included in the balance sheet. The resulting increase in the interest-bearing liabilities at year-end 2004 is EUR 104 million, all of which relates to shipping leases.

Employee benefits

Fortum Oil has various pension plans in accordance with local practices in the countries where it operates. Under Finnish GAAP, the Group's pension obligations have been reported according to local regulations. In IFRS financial statements, pension obligations are treated in accordance with IAS 19 *Employee Benefits* and all accumulated actuarial gains and losses related to defined benefit plans are recognized in the balance sheet of the transition date as allowed by IFRS 1. The interest component is included in the employee benefit costs in the income statement.

The major impact from the transition to IFRS is due to the accounting for Finnish statutory employment pension scheme (TEL), which in Fortum Oil is covered for the most part by pension funds and to a lesser extent by insurance companies.

In the IFRS transition balance sheet as at January 1, 2004, the impact of the Finnish pensions covered by pension funds was approximately EUR 28 million on capital employed. This resulted from the fact that the fair value of the assets of the Fortum pension funds exceeded the obligations arising under different pension plans. This has been reported as other non-current assets.

The disability part of the Finnish TEL pension scheme has been accounted for as a defined benefit plan in both the opening and the closing balance since the TEL pension scheme is covered in the Group's own pension fund for the most part. The fund as a whole has been accounted for as a defined benefit plan.

Overhauls

According to Finnish GAAP accounting principles, costs for major overhauls in Oil Refining are accrued in advance of the shutdown and accounted for as a provision in the balance sheet. Under IFRS, these costs are treated according to the asset component approach. The costs are capitalised when they occur and then depreciated during the shutdown cycle, i.e., the time period between shutdowns.

Revaluations

Fortum has elected to keep Finnish GAAP revaluations net of cumulative depreciations relating to certain items of property, plant and equipment as deemed cost of property, plant and equipment. Under Finnish GAAP, no depreciations are recorded for these revaluations as long as the fair value of the assets is higher than the book value. However, under IFRS, adjustments are made retrospectively for depreciations following the underlying asset.

Other IFRS transition impacts

Other IFRS adjustments include, for example:

- The tax expense related to IFRS adjustments reported in the income statement, EUR 7 million, includes a positive one-time adjustment of EUR 5 million concerning the change in the corporate tax rate in Finland from 29 percent to 26 percent from 2005 onwards.

Impact on certain key ratios

Capital employed

The IFRS adjustments increase the capital employed by Fortum Oil. The changes in accounting for certain lease agreements are the main reason for the change in the capital employed, being an increase of EUR 248 million in the opening balance and an increase of EUR 237 million in the closing balance in 2004.

Interest-bearing net debt

Net debt increases under IFRS due to the change in accounting treatment of shipping leases with EUR 151 million in the opening balance and with EUR 104 million in the closing balance 2004.

Net investment

The net effect of the IFRS adjustments to net investment is EUR 133 million at year-end 2004. In the opening balance, this effect amounts to EUR 97 million. The change is mainly due to the change in fair value of financial instruments.

Key ratios

Return on capital employed is slightly lower when including the 2004 IFRS adjustments to the underlying profit and balance sheet items.

NESTE OIL CORPORATION
(FORMERLY, FORTUM OIL CORPORATION)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM MAY 1, 2004 TO DECEMBER 31, 2004
AND AS OF DECEMBER 31, 2004

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AUDITOR'S REPORT

To the shareholders of Fortum Oil Oy

We have audited the accounting, the financial statements and the corporate governance of Fortum Oil Oy for the period from May 1 to December 31, 2004. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the President and Chief Executive Officer. Based on our audit, we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Board of Directors and the President and Chief Executive Officer have legally complied with the rules of the Finnish Companies Act.

In our opinion the financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Finnish Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the President and Chief Executive Officer of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distributable assets is in compliance with the Finnish Companies Act.

Espoo, March 1, 2005

PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Marjomaa
Authorised Public Accountant

NESTE OIL GROUP (FORMERLY, FORTUM OIL GROUP)

CONSOLIDATED INCOME STATEMENT

(amounts in millions of euro)

	Note	May 1– December 31, 2004
Net sales	3	5,454
Share of profits of associated companies and joint ventures	4	32
Other operating income	5	20
Materials and services	7	(4,468)
Personnel expenses	7	(142)
Depreciation, amortization and write-downs	6	(81)
Other operating expenses	7	(324)
Operating profit		491
Financial income and expenses	8	(10)
Profit before extraordinary items		481
Extraordinary items	9	(411)
Profit before taxes		70
Income taxes	10	18
Minority interests		(2)
Net profit for the period		86

NESTE OIL GROUP (FORMERLY, FORTUM OIL GROUP)
CONSOLIDATED BALANCE SHEET
(amounts in millions of euro)

	Note	December 31, 2004	opening balance May 1, 2004
Assets			
Fixed assets and other long-term investments			
Intangible assets	11	27	27
Tangible assets	12, 14	1,373	1,241
Shares in associated companies and joint ventures	13	140	116
Non-current interest-bearing receivables	13	68	73
Non-current interest-bearing cash-pool receivables	13	124	13
Other non-current assets	13	18	18
Deferred tax assets	19	30	16
		1,780	1,504
Current assets			
Inventories	15	420	329
Trade receivables	16	495	521
Other short-term receivables	16	83	115
Cash and cash equivalents		60	101
		2,838	2,570
Shareholders' equity and liabilities			
Shareholders' equity	17		
Share capital		40	40
Reserve fund		9	9
Retained earnings		725	730
Net profit for the period		86	—
		860	779
Minority interests		5	3
Provisions for liabilities and charges	18	74	63
Deferred tax liabilities	19	151	163
Liabilities	20		
Long-term liabilities			
Interest-bearing		616	907
Interest-free		6	3
		622	910
Short-term liabilities			
Interest-bearing		433	27
Interest-free		693	625
		1,126	652
		2,838	2,570

NESTE OIL GROUP (FORMERLY, FORTUM OIL GROUP)

CONSOLIDATED CASH FLOW STATEMENT

(amounts in millions of euro, except where indicated)

	May 1– December 31, 2004
Cash flows from operating activities	
Profit before extraordinary items	481
Depreciation, amortization and write-downs	81
Other non-cash income and expenses	(14)
Financial income and expenses	10
Divesting activities, net	(14)
Operating cash flow before change in working capital	544
Change in working capital	
Decrease/(increase) in interest-free trade and other short-term receivables	26
Decrease/(increase) in inventories	(93)
(Decrease)/increase in interest-free liabilities	73
Change in working capital	6
Cash generated from operations	550
Interest and other financial expenses paid, net	(13)
Dividends received	13
Income taxes paid	(1)
Realised foreign exchange gains and losses	7
	6
Net cash from operating activities	556
Cash flows from investing activities	
Capital expenditures	(225)
Proceeds from sales of fixed assets	13
Investments in shares in associated companies and joint ventures	(2)
Proceeds from sales of shares in subsidiaries net of cash disposed	7
Change in other investments, (increase), decrease	24
Net cash from investing activities	(183)
Cash flow before financing activities	373
Cash flows from financing activities	
(Payment of)/proceeds from short-term borrowings	402
Proceeds from long-term liabilities	2
Group contributions paid	(411)
Payments of long-term liabilities	(292)
Cash flow from financing activities	(299)
Net increase/(decrease) in cash and marketable securities	74
Cash and marketable securities at the beginning of the period	101
Non-current interest-bearing cash-pool receivables at the beginning of the period	13
Foreign exchange adjustment	(4)
Total at the beginning of the period	110
Cash and marketable securities at the end of the period	60
Non-current interest-bearing cash-pool receivables at the end of the period	124
Total at the end of the period	184
Net increase/(decrease) in cash and marketable securities	74

NESTE OIL GROUP (FORMERLY, FORTUM OIL GROUP)
KEY RATIOS AND DEFINITIONS

	December 31, 2004	May 1, 2004
Earnings per share Ia, EUR(1)	0.86	
Earnings per share IIa, EUR(3)	0.34	
Earnings per share Ib, EUR(2)	3.78	
Earnings per share IIb, EUR(4)	1.47	
Shareholders' equity per share I, EUR(1)	8.60	
Shareholders' equity per share II, EUR(3)	3.35	
Capital employed, EUR million	1,914	1,717
Return on capital employed (ROCE) before tax, %	41.9	
Return on equity (ROE), % a(1)	16.0	
Return on equity (ROE), % b(2)	69.2	
Long-term interest-bearing liabilities	616	
Short-term interest-bearing liabilities	433	
Cash and cash equivalents	(60)	
Non-current interest-bearing cash-pool receivables	(124)	
Net debt	865	
Gearing, %	100	
Equity-to-assets ratio, %	30	
Average number of shares I	100,000,000	
Average number of shares II(5)	256,403,686	
Total number of shares as at December 31, 2004 I	100,000,000	
Total number of shares as at December 31, 2004 II(5)	256,403,686	

Calculation of key financial indicators

Earnings per share (EPS) = Profit before taxes—taxes on regular business operations—minority interests/ Adjusted average number of shares during the period.

Shareholders' equity per share = Shareholders' equity/Adjusted average number of shares at the end of the period.

Capital employed = total assets—interest-free liabilities—deferred tax liabilities—provisions for liabilities and charges.

Return on capital employed (ROCE) before tax, % = 100 × (profit before extraordinary items + interest and other financial expenses)/Average capital employed during the year.

Return on equity (ROE), % = 100 × Profit before taxes—taxes/(Shareholders' equity + minority interest) average.

Interest-bearing net debt = interest-bearing debt—cash and cash equivalents—non-current interest-bearing cash-pool receivables.

Gearing, % = 100 × interest-bearing net debt/(shareholders' equity + minority interest).

Equity to assets ratio, % = 100 × (shareholders' equity + minority interest)/(total assets—advances received)

(1) Group contribution paid to the parent company, EUR 411 million, has been included in the calculation as presented in the income statement. The average number of shares is 100,000,000.

(2) Group contribution paid to the parent company, EUR 411 million, has been eliminated from the income statement. The respective tax charge has been recorded in the income statement. In the balance sheet, the group contribution has been deducted net of tax from the equity in the period as if it was dividend paid to the shareholder. The average number of shares is 100,000,000.

(3) Group contribution paid to the parent company, EUR 411 million, has been included in the calculation as presented in the income statement. The average number of shares is 256,403,686.

(4) Group contribution paid to the parent company, EUR 411 million, has been eliminated from the income statement. The respective tax charge has been recorded in the income statement. In the balance sheet, the group contribution has been deducted net of tax from the equity in the period as if it was dividend paid to the shareholder. The average number of shares is 256,403,686.

(5) On February 28, 2005, the extraordinary general meeting decided to increase the number of shares from 100,000,000 to 256,403,686. In calculating the key figures with the new number of shares, the change has been treated as it had taken place as at May 1, 2004.

NESTE OIL GROUP (FORMERLY, FORTUM OIL GROUP)
NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies and principles

Fortum Oil's financial statements are prepared in accordance with Finnish GAAP.

Consolidation

The consolidated financial statements include the parent company Fortum Oil Oy and all those companies in which Fortum Oil Oy holds, directly or indirectly, more than 50 percent of the voting rights.

Fortum Oil Oy continues the oil operations of Fortum Oil and Gas Oy, which was demerged into two companies as per May 1, 2004. The consolidation of Fortum Oil Group continues the historic acquisition values from the Fortum Oil and Gas Group.

Fortum Oil's consolidated financial statements have been prepared applying the acquisition-cost method. When the acquisition cost of a subsidiary exceeds the subsidiary's shareholders' equity at the time of the acquisition, the difference has been allocated to fixed assets at the time of acquisition to the extent that their fair value exceeded the book value. The remaining difference is recorded as goodwill on consolidation. Items allocated to the fixed assets are depreciated according to the depreciation plan of the underlying asset. Goodwill on consolidation is amortised over its estimated lifetime subject to a maximum of 20 years. Goodwill relating to acquired retail network chains has a useful lifetime exceeding five years and is depreciated in 10–20 years.

Subsidiaries acquired during the year are consolidated from the date of acquisition. Likewise, the subsidiaries divested during the accounting period are included in the consolidated accounts until the date of divestment.

Intragroup transactions, receivables, liabilities, unrealised profits and internal profits resulting from assets sold within the group have been eliminated. Minority interests have been reported separately in the income statement and the balance sheet.

Associated companies material to Fortum Oil, in which the Group holds between 20 percent and 50 percent of the voting rights, have been consolidated using the equity method. Accordingly, the Company's share of the net result of an associated company and its share of other changes in the equity, less depreciation on goodwill on consolidation, is entered in the income statement and added to the value of the shares in the consolidated balance sheet. Dividends received are deducted from the balance sheet value of the shares.

Joint ventures are companies for which Fortum Oil exercises joint control together with an outside party. Joint ventures have been consolidated using the equity method.

Net sales

Net sales include sales revenues from actual operations and exchange rate differences on trade receivables, less discounts, indirect taxes such as value-added tax and excise tax payable by the manufacturer and statutory stockpiling fees.

Trading sales include the value of physical deliveries and the net result of derivative contracts.

Other operating income

Other operating income includes gains on the sales of fixed assets, as well as all other operating income not related to the sales of products or services, such as rents.

Foreign currency items

Transactions denominated in foreign currencies have been valued using the exchange rate at the date of the transaction. Receivables and liabilities denominated in foreign currencies outstanding on the balance sheet date have been valued using the exchange rate quoted on the balance sheet date. Exchange rate differences have been entered in the income statement. Net exchange rate differences relating to financing have been entered under financial income or expenses.

The income statements of foreign subsidiaries have been translated into euro using an annual average exchange rate based on month-end exchange rates, while the balance sheets have been translated employing the exchange rate on the balance sheet date. The resulting translation differences have been netted against the translation differences arising from the contracts hedging net investments in foreign subsidiaries and entered under non-restricted equity.

Derivative financial instruments

Fortum Oil Group enters into derivative contracts mainly for hedging oil price, foreign exchange and interest rate exposures.

Oil price derivatives hedging future cash flow are booked once the underlying exposure occurs. Unrealized losses on trading deals are booked immediately, but gains on oil price trading derivatives are booked only at maturity or when the open exposure of the derivative is closed with similar derivative.

Foreign exchange derivatives are booked in four different ways: future cash flow hedges, hedges of balance sheet items, net investment hedges and trading. Gains or losses on derivatives that hedge future cash flows are recognized once the underlying income or expense occurs. Derivatives used to hedge balance sheet items (e.g., bank accounts, loans or receivables) are valued employing the exchange rate quoted on the balance sheet date, and gains or losses are recognized in the income statement. Gains and losses on net investment hedges are booked against equity, net of tax effect. Foreign exchange gains on trading deals are booked only at maturity, but losses are recognized immediately. The interest element on all forward contracts is accrued.

Option premiums are treated as advances paid or received until the option matures, and any losses on options entered into other than hedging purposes are entered as an expense in the income statement.

Interest income or expense for derivatives used to hedge the interest rate risk exposure is accrued over the period to maturity and is recognized as an adjustment to the interest income or expense of the underlying liabilities.

Sales and procurement contracts

Possible losses on sales and procurement contracts have been estimated and expensed when the purchase price is higher than the estimated sales price.

Fixed assets and depreciation

The balance sheet value of fixed assets consists of historical costs less depreciation according to plan and other possible write-offs, plus revaluation permitted by local regulations. The differences between fair values and book values at the time of the acquisition and the related deferred tax liabilities, have been allocated to fixed assets.

Fixed assets are depreciated using straight-line depreciation based on the expected useful life of the asset.

The depreciation is based on the following expected useful lives:

Buildings and structures including terminals	20–40 years
Production machinery and equipment	15–20 years
Marine fleet	15–20 years
Retail station network machinery and equipment	5–15 years
Other equipment and vehicles	5–15 years
Other tangible assets	20–40 years
Intangible assets	5–10 years
Goodwill	5–20 years

Leases

The Group leases certain tangible assets, mainly ships, under various different lease arrangements. The group has chosen the option from the Finnish Accounting Act not to separate lease agreements to operative and finance leasing. The lease payments are entered into other operating expenses in the income statement on an accrual basis.

Investments

Interest-bearing net debt of acquired companies has been included in investments.

Inventories

Inventories have been valued on the FIFO principle at the lower of direct acquisition cost or market value, taking into account the impact of possible hedging operations. In the case of some foreign subsidiaries, the acquisition cost also includes indirect expenses in line with the accounting practice of the country concerned. Valuation differences do not have a material impact on the consolidated financial statements.

Net assets

Net assets of the business segments include fixed assets, shares and working capital allocated to the business segments as well as provisions and pension liabilities.

Research and development

Research and development expenditures are expensed as incurred with the exception of investments in buildings and equipment.

Pension expenses

Pension expenses are recognized in accordance with local regulations in each country. Statutory pension obligations in Finland are covered through a compulsory pension insurance policy. Payments to Group's pension fund are recorded in the income statement in amounts determined by the pension fund according to the actuarial assumptions pursuant to the Finnish Employee's Pension Act. The liabilities on pensions granted by the Group itself have been entered as a provision in the balance sheet.

Share based compensation benefits

Social charges related to Fortum Corporation options have been entered as expense in the income statement in the accounting period during which the options have become exercisable.

Costs related to the Fortum long-term incentive plans are entered as expense in the income statement and liability in the balance sheet according to the estimated bonuses earned during the financial year. The costs are accrued over the plan period. No other charges related to share based compensation are recorded in the consolidated income statement.

Extraordinary items

Extraordinary items consist of received or given group contributions from or to Fortum Group companies. For tax purposes in Finland, profits and losses of companies within a group are combined through group contributions.

Change in tax rate

On June 30, 2004, the Finnish Parliament passed new tax laws that include, among other things, a reduction in the Finnish corporate income tax rate from 29 percent to 26 percent from the beginning of the tax year 2005. The effect of the tax rate change has been booked as a tax reduction in the income statement and correspondingly as a reduction of deferred tax liabilities in the balance sheet. The change in deferred tax liabilities does not have any immediate cash flow effect.

Deferred tax liabilities

In the consolidated financial statements, deferred income taxes have been calculated using the full liability method. Under the full liability method, deferred tax liabilites and assets are determined on the basis of temporary differences between the financial statement and tax bases of assets and liabilities using enacted tax rates. Deferred tax liabilities are also recorded relating to the fair value adjustment of fixed assets in business combinations.

Provisions

Foreseeable future expenses and losses that have no corresponding revenue and which Fortum Oil is committed or obliged to settle, and whose monetary value can reasonably be assessed, are entered as expenses in the income statement and included as provisions in the balance sheet. These items include expenses relating to the planned refinery maintenance and upgrade shutdowns, guarantee obligations, expenses relating to the future clean-up of proven environmental damage and pension liabilities. Provisions are recorded based on management estimates of the future obligation. Future expenditure for planned refinery maintenance and upgrade shutdowns are provided for during the periods prior to the shutdown.

Exchange rates May 1, 2004–December 31, 2004

The table below shows the most important exchange rates used in the opening balance sheet and the December 31, 2004 financial statements:

	Exchange rates at the balance sheet date		Average exchange rates over the period
	May 1, 2004	December 31, 2004	December 31, 2004
USD	1,1947	1,3621	1,2475
GBP	0,6737	0,7051	0,6813
SEK	9,1483	9,0206	9,1204

Cash Pool

The cash pool receivables and payables are booked on a gross basis by counterparties. The receivables are booked as long-term interest-bearing receivables and liabilities are booked as long-term interest-bearing liabilities. In the cash flow, cash pool receivables are presented as part of cash and cash pool liabilities in financing activities.

(amounts in millions of euro)

2. Information by segment

	May 1– December 31, 2004
Net Sales	
Oil Refining	4,371
Oil Retail	1,661
Shipping	206
Oil other	—
Eliminations	(784)
Total	5,454
Operating profit	
Oil Refining	413
Oil Retail	33
Shipping	41
Oil other	4
Eliminations	—
Total	491
Depreciation, amortization and write-downs	
Oil Refining	51
Oil Retail	21
Shipping	9
Oil other	—
Total	81
Net assets	
Oil Refining	1,266
Oil Retail	296
Shipping	193
Oil other	13
Eliminations	(3)
Total	1,765
Investments	
Oil Refining	158
Oil Retail	30
Shipping	39
Oil other	—
Total	227
Average number of employees	
Oil Refining	2,614
Oil Retail	1,057
Shipping	581
Oil other	44
Total	4,296

(amounts in millions of euro)

3. Net sales by market area

	May 1–December 31, 2004
Finland	2,627
Other Nordic countries	527
Baltic states, Russia and Poland	319
Other European countries	559
USA and Canada	1,196
Other International sales	226
Total	5,454

4. Share of profits of associated companies and joint ventures

	May 1–December 31, 2004
Nynäs Petroleum Group	27
SeverTEK	10
Other associated companies	(5)
Total	32
Undepreciated consolidation differences in connection with associated companies and joint ventures	9

5. Other operating income

	May 1–December 31, 2004
Rental income	2
Gains on sales	15
Other	3
Total	20

6. Depreciation, amortization and write-downs

	May 1–December 31, 2004
Depreciation and amortization according to the plan	80
Write-downs on fixed assets	1
Total	81

(amounts in millions of euro)

7. Other operating expenses

	May 1– December 31, 2004
Change in product inventories	—
Materials and external services	
Materials and supplies	
Purchases	4,533
Change in inventories	(74)
External services	9
Personnel expenses	
Wages, salaries and remunerations	113
Other indirect employee costs	
Pension costs	13
Other indirect employee costs	16
Other operating expenses	324
Total	4,934
Divesting activities included in other operating expenses	
Sales losses	1
Write-offs	7
Total	8
Salaries and remunerations	
Managing directors and members of the Board of Directors	1

Pension commitments to group management

Certain people in Fortum Oil Group management are eligible for retirement at the age of 60.

Pension liability followed from any such agreement has been taken into account in pension fund's pension reserve.

(amounts in millions of euro)

8. Financial income and expenses

	May 1– December 31, 2004
Income from other long-term investments	
Dividend income	3
Interest income	—
Other interest and financial income	
From Group companies	8
Other	5
Exchange rate differences	—
Write-downs on other long-term investments	—
Interest expenses and other financial expenses	
To Group companies	(21)
Other	(5)
Total	(10)
Total interest income and expenses	
Interest Income	13
Interest expenses	(26)
Net interest expenses	(13)

9. Extraordinary items

	May 1– December 31, 2004
Extraordinary income	
Group contributions	3
Total	3
Extraordinary expenses	
Group contributions	414
Total	414
Extraordinary items, total	(411)

(amounts in millions of euro)

10. Income taxes

	May 1– December 31, 2004
Taxes on regular business operations	101
Taxes on extraordinary items	(119)
Total	(18)
Taxes for the period	5
Taxes for the previous periods	2
Change in deferred tax liabilities	(25)
Total	(18)

Fixed assets and long-term Investment

11. Intangible assets

	Goodwill	Goodwill on consolidation	Other intangible assets	Total
Acquisition cost as of May 1, 2004	53	12	80	145
Increases	—		7	7
Decreases	2	—	11	13
Transfer between categories	—	—	(2)	(2)
Acquisition cost as of December 31, 2004	51	12	74	137
Accumulated depreciation, amortization and write-downs as of May 1, 2004	47	7	64	118
Accumulated depreciation, amortization and write-downs of decrease and transfers	2	—	12	14
Depreciation and amortization for the period	2	1	3	6
Write-downs of the period	—	—	—	—
Accumulated depreciation, amortization and write-downs as of December 31, 2004	47	8	55	110
Balance sheet value as of December 31, 2004	4	4	19	27

(amounts in millions of euro)

12. Tangible assets

	Land areas	Buildings and structures	Machinery and equipment	Other tangible assets	Advances paid and construction in progress	Total
Acquisition cost as of May 1, 2004	32	1,013	1,412	70	167	2,694
Exchange rate differences and other adjustments	—	(6)	1	—		(5)
Increases	3	41	91	4	78	217
Decreases	—	5	32	1	4	42
Transfer between categories	—	—	2	—	—	2
Acquisition cost as of December 31, 2004	35	1,043	1,474	73	241	2,866
Accumulated depreciation, amortization and write-downs as of May 1, 2004	—	526	922	36	—	1,484
Translation differences and other adjustments	—	(2)	(2)	—	—	(4)
Accumulated depreciation, amortization and write-downs of decrease and transfers	—	5	25	1	—	31
Depreciation and amortization for the period	—	26	47	2	—	75
Accumulated depreciation, amortization and write-downs as of December 31, 2004	—	545	942	37	—	1,524
Revaluations	6	25	—	—	—	31
Balance sheet value as of December 31, 2004	41	523	532	36	241	1,373

(amounts in millions of euro)

13. Other long-term investments

	Shares in associated companies and joint ventures	Other shares	Receivables from associated companies	Receivables from group companies	Other long-term receivables	Total
Acquisition cost as of May 1, 2004	66	18	57	18	14	173
Exchange rate differences and other adjustments	—	—	—			—
Increases	3	—	—	111	7	121
Decreases	—	1	3	5	3	12
Acquisition cost as of December 31, 2004	69	17	54	124	18	282
Accumulated depreciation, amortization and write-downs as of May 1, 2004	3	—	—	—	3	6
Translation differences and other adjustments	—	—	—	—	—	—
Accumulated depreciation, amortization and write-downs of decreases and transfers	—	—	—	—	—	—
Write-downs for the period	—	—	—	—	—	—
Accumulated depreciation, amortization and write-downs as of December 31, 2004	3	—	—	—	3	6
Revaluations:						
Retained earnings in associated companies	74					74
Balance sheet value as of December 31, 2004	140	17	54	124	15	350

The acquisition cost of the fixed assets of the companies acquired during the financial year is transferred to the Group's acquisition cost and accumulated depreciation to the Group's accumulated depreciation.

14. Revaluations

	December 31, 2004			
	Revaluations as of May 1	Increases	Decreases	Revaluations as of December 31
Land areas	6	—	—	6
Buildings	25	—	—	25
	31	—	—	31

Policies and principles for revaluations and evaluation methods

Revaluations are based on current replacement cost.

(amounts in millions of euro)

15. Inventories

	December 31, 2004
Raw materials and supplies	190
Work in progress	75
Products/finished goods	137
Other inventories	18
Total	420

Difference between replacement value and book value of inventories is EUR 30 million as of December 31, 2004.

16. Short-term receivables

	December 31, 2004
Trade receivables	490
Receivables from Group companies:	
Trade receivables	3
Other receivables	3
Accrued income and prepaid expenses	1
Total	7
Receivables from associated companies:	
Trade receivables	2
Other receivables	1
Accrued income and prepaid expenses	16
Total	19
Other receivables	39
Accrued income and prepaid expenses	23
Total	578
Short-term accrued income and prepaid expenses:	
Accrued interests	18
Other	22
Total	40

(amounts in millions of euro)

17. Changes in shareholders' equity

	December 31, 2004
Share capital at the beginning of the period	40
Share capital at the end of the period	40
Reserve fund at the beginning of the period	9
Reserve fund at the end of the period	9
Retained earnings at the beginning of the period	730
Translation differences and other changes	(5)
Net profit for the period	86
Retained earnings at the end of the period	811
Distributable funds	413

18. Provisions for liabilities and charges

	December 31, 2004
Provisions for pensions	11
Provisions for a planned refinery maintenance and upgrade shutdown	49
Other provisions	14
Total	74

19. Deferred tax liabilities

	December 31, 2004
Change in deferred tax liabilities and assets	
Appropriations	(10)
Consolidation entries	1
Separate financial statements of subsidiaries	(16)
Total	(25)
Deferred tax assets	
Consolidation entries	1
Separate financial statements of subsidiaries	29
Total	30
Deferred tax liabilities	
Appropriations	140
Consolidation entries:	
Separate financial statements of subsidiaries	11
Total	151

(amounts in millions of euro)

20. Liabilities

	December 31, 2004
Long-term liabilities	
Loans from financial institutions	19
Pension loans	41
Liabilities to Group companies:	
Other liabilities	556
Other long-term liabilities	6
Total	622
Short-term liabilities	
Trade payables	334
Liabilities to Group companies:	
Trade payables	8
Accruals and deferred income	4
Other	426
Total	438
Liabilities to associated companies:	
Trade payables	8
Other	1
Total	9
Other short-term liabilities	292
Accruals and deferred income	53
Total	1,126
Interest-bearing and interest-free liabilities	
Interest-bearing liabilities	1,049
Interest-free liabilities	699
Total	1,748
Liabilities due after five years	
Loans from financial institutions	1
Pension loans	41
Other long-term liabilities	538
Total	580
Short-term accruals and deferred income	
Accrued interests	6
Other short-term accruals and deferred income	51
Total	57

(amounts in millions of euro)

21. Contingent liabilities

Collaterals and other undertakings on own behalf	December 31, 2004 Debt	December 31, 2004 Value of collateral
Own debt secured by pledged assets		
Pension loans	4	4
Trade payables	—	2
Total	4	6
Own debt secured by real estate mortgages		
Loans from financial institutions	1	2
Trade payables	—	25
Other liabilities	—	1
Total	1	28
Collaterals given on behalf of associated companies		
Pledges		9
Collaterals total	5	43

Other contingent liabilities	December 31, 2004
Leasing liabilities	
Due within a year	72
Due after a year	91
Total	163
Other contingent liabilities given on own behalf	2
Other undertakings given on behalf of associated companies	
Guarantees	8
Other contingent liabilities given on behalf of others	
Other contingent liabilities	3
Total	3
Other contingent liabilities total	176

(amounts in millions of euro)

22. Derivatives

Interest and currency derivatives	December 31, 2004 Contract or notional value	Fair value	Not recognized as an income
Interest rate swaps	59	(7)	(6)
Forward foreign exchange contracts	567	10	9
Currency swaps:			
Purchased currency options	438	17	17
Written currency options	438	6	6

Oil futures and forward instruments	December 31, 2004 Volume 1,000 bbl	Fair value	Not recognized as an income
Sales contracts	44,588	26	26
Purchase contracts	70,258	7	7
Options:			
Purchased	4,797	2	2
Written	6,784	(2)	(2)

The fair values of derivative contracts subject to public trading are based on market prices as of the balance sheet date. The fair values of other derivatives are based on the present value of cash flows resulting from the contracts, and, in respect of options, on evaluation models.

Other contingent liabilities

The Company has a collective contingent liability with Fortum Heat and Gas Oy of the demerged Fortum Oil and Gas Oy's liabilities based on Chapter 14a, Paragraph 6, of the Finnish Companies Act.

(amounts in millions of euro)

23. Group shares and holdings

	Domicile	No of shares	Group holding %	Nominal value Curr. 1,000		Book value December 31, 2004 €1,000
Group shares						
Oil Refining						
Eastex Crude Company Partnership	USA	—	70.0	USD	—	846
Fortum Components Finance B.V	The Netherlands	40	100.0	EUR	18	22
Fortum Oil AB	Sweden	2,000,000	100.0	SEK	200,000	23,972
Fortum Oil & Gas Ltd	Great Britain	500,100	100.0	GBP	500	1,793
Fortum Oil Finance B.V	The Netherlands	26,088	100.0	EUR	26	15,763
Fortum Oil N.V.	Belgium	60,389	100.0	EUR	14,970	13,641
Neste Canada Inc.	Canada	30,000	100.0	CAD	6,000	13
Neste Crude Oil Inc.	USA	1,000	100.0	USD	1	1,776
Neste Jacobs Oy	Finland	2,310	66.0	EUR	231	482
Neste MTBE S.A.	Portugal	60,000	100.0	PTE	600,000	2,096
Neste Oil Holding (U.S.A.) Inc.	USA	1,000	100.0	USD	1	18,428
Neste Oil Services Inc.	USA	1,000	100.0	USD	1	31,336
Neste Oil US, LLC	USA	—	100.0	USD	—	1,100
Neste Petroleum Inc.	USA	1,000	100.0	USD	1	461
Neste Trading (U.S.A.) Inc.	USA	1,000	100.0	USD	1	324
Neste USA, L.L.C.	USA	1	100.0	USD	1	64
Nesle/Wrigth Asphalt Products Company Partnership	USA	—	60.0	USD	—	710
Oil Retail						
AS Estonian Transoil	Estonia	400	100.0	EEK	—	3,766
Best Chain Oy	Finland	112,800	100.0	EUR	11,280	45,413
Fortum LPG AB	Sweden	50,000	100.0	SEK	5,000	1,663
Fortum Oil Markets Oy	Finland	2,280	100.0	EUR	2,280	6,609
Fortum Polska sp.z.o.o.	Poland	—	100.0	PLN	—	1,235
Kide Automaatit Oy	Finland	8	100.0	EUR	8	8
Kiinteistö Oy Helsingin Hietalahdenranta 6	Finland	10	100.0	EUR	500	500
Kiinteistö Oy Janakkalan Linnatuuli	Finland	881	70.1	EUR	15	1,323
Kiinteistö Oy Lahden Launeenkatu 14	Finland	16	100.0	EUR	8	471
Neste Eesti AS	Estonia	10,000	100.0	EEK	10,000	5,926
Neste Markkinointi Oy	Finland	210,560	100.0	EUR	21,056	47,567
Neste Oil BR Ltd	Belarus	1	100.0	EUR	—	—
Neste St. Petersburg OOO	Russia	10	100.0	RUR	1,052,821	58,427
Reola Gaas AS	Estonia	31,910	93.9	EEK	3,191	674
Saskidrinata Naflas Gaze SIA	Latvia	3,715	100.0	LVL	301	1,247
SIA Neste Latvija	Latvia	180	100.0	LVL	11,318	2,450
Tehokaasu Oy	Finland	7,200	100.0	EUR	3,027	3,900
UAB Neste Lietuva	Lithuania	709,830	100.0	LTL	70,983	15,650
Shipping						
NS-Management S.A.	Luxemburg	100	100.0	EUR	31	31
Oil Other						
Fortum Oil Insurance Ltd	Great Britain	2,000,000	100.0	EUR	200,000	2,000
Neste Production Russia Oy	Finland	2	100.0	EUR	—	8
GROUP SHARES TOTAL						311,695

(amounts in millions of euro)

	Domicile	No of shares	Group holding %	Nominal value Curr. 1,000		Book value December 31, 2004 €1,000
Associated companies						
Oil Refining						
AB Nynäs Petroleum	Sweden	33,765	50.0	SEK	33,765	43,972
Alberta Envirofuels Inc.	Canada	1	50.0	CAD	—	—
Borealis Electricicade E Calor Ace	Portugal	1	33.3	PTE	—	8
CanTerm Canadian Terminals Inc.	Canada	50	50.0	CAD	10,000	6,092
Kiinteistö Oy Porvoon Leporanta	Finland	300	50.0	EUR	30	300
Nynas Oy	Finland	—	50.0	EUR	—	—
OAO Pechormornef	Russia	39	39.0	RUR	—	6
Svartsä Vattenverk-Mustijoen Vesilaitos	Finland	14	40.0	EUR	24	124
Tahkoluodon Polttoöljy Oy	Finland	630	31.5	EUR	106	490
Vaskiluodon Kalliovarasto Oy	Finland	330	50.0	EUR	17	17
Oil Retail						
Innogas Oy AB	Finland	400	50.0	EUR	673	673
Kiinteistö Oy Helsingin Asesepänkuja 2	Finland	580	26.7	EUR	24	443
Oy Atlas-Öljy AB	Finland	40	40.0	EUR	7	7
Pikoil Oy	Finland	200	50.0	EUR	2,000	2,000
Tapaninkylän Lilkekeskus Oy	Finland	458	40.0	EUR	4	245
Variston Liikekeskus Oy	Finland	15	25.0	EUR	3	223
Shipping						
Lacus Ltd	USA	6,000	50.0	USD	6	1,142
Nemarc Shipping Oy	Finland	2,000	50.0	EUR	33	33
Terra Ltd	USA	6,000	50.0	USD	6	1,142
Oil Other						
Neste Arabia Co. Ltd	Saudi Arabia	480	48.0	SAR	480	156
Porvoon Alueverkko Oy	Finland	40	33.3	EUR	7	7
SeverTEK ZAO	Russia	50,000	50.0	USD	10,000	8,668
SHARES IN ASSOCIATED COMPANIES TOTAL						65,748

(amounts in millions of euro)

	Domicile	No of shares	Group holding %	Nominal value Curr. 1,000		Book value December 31, 2004 €1,000
Other shares and holdings						
Oil Refining						
Asunto Oy Poutapolku	Finland	287	1.9	EUR	—	106
EEBIC N.V.	Belgium	100	1.2	BEF	1,000	25
Finnish Measurement Systems FMS Oy	Finland	80	15.1	EUR	13	13
Kokonhalli Oy Ab	Finland	55	20.0	EUR	92	93
Pohjanmaan Puhelinosuuskunta PPO	Finland	1	—	EUR	—	—
Posintra Oy	Finland	50	—	EUR	10	17
Rintekno Oy	Finland	200	6.6	EUR	34	36
Saudi European Petrochemical Company						
Ibn Zahr	Saudi Arabia	98,832	10.0	SAR	98,832	14,851
Oil Retail						
International Cooperative Petroleum Association	USA	10	0.1	USD	—	1
Kajaanin Pohjolankulma Oy	Finland	4	0.8	EUR	—	—
Kiinteistö Oy Laukaan Virastosydän	Finland	124	3.6	EUR	—	149
Kiinteistö Oy Pyhtään Kultakaari	Finland	50	4.6	EUR	—	7
Kiinteistöpalvelu Koivu Oy	Finland	21	0.2	EUR	—	—
Kiuruveden Vesihuolto Oy	Finland	75	—	EUR	—	—
Lapin Matkailu Oy	Finland	13	0.3	EUR	—	—
Luottokunta	Finland	1	—	EUR	—	—
Mikkelin Puhelinyhdistys	Finland	1	—	EUR	—	—
Oulun Puhelin Oyj	Finland	4,250	—	EUR	2	9
Pietarsaaren Seudun Puhelin	Finland	6	—	EUR	—	2
Puhelinosuuskunta KPY	Finland	3	—	EUR	—	1
Runoilijan Tie Oy	Finland	50	—	EUR	—	—
Satakunnan Puhelin Oyj A	Finland	776	—	EUR	7	3
Suomen Asiakastieto Oy	Finland	18	—	EUR	—	—
Suomen Kaukokiito Oy	Finland	1,000	—	EUR	—	3
Tampereen Autokuljetus Oy	Finland	54	—	EUR	—	3
Tennis-Tapiola Oy	Finland	4	—	EUR	—	5
Tuulissuon Teollisuuskiinteistöt Oy	Finland	180	18.0	EUR	15	200
Vaasan Läänin Puhelin Oy	Finland	1	—	EUR	—	—
Yrittäjien Oikeussuoja Oy	Finland	2	—	EUR	—	—
Oil Other						
Cristal Ltd	Great Britain	1	—	USD	—	—
Ekokem Oy Ab	Finland	392	2.8	EUR	132	130
Kymen Puhelin	Finland	1	—	EUR	—	—
Lännen Puhelin Oy	Finland	20	—	EUR	—	5
Savonlinnan Puhelinosuuskunta SPY	Finland	1	—	EUR	—	1
Connection fees		13				1,646
OTHER SHARES AND HOLDINGS TOTAL						17,306

24. Transition to International Financial Reporting Standards (IFRS) in 2005

Introduction

Fortum Corporation, including Fortum Oil, adopted the International Financial Reporting Standards (IFRS) as of January 1, 2005. The date of transition from Finnish GAAP to IFRS for Fortum Corporation is January 1, 2004. The first interim report under IFRS will be published on May 3, 2005. Fortum Oil Group was established through a demerger of Fortum Oil and Gas Oy on May 1, 2004. The date of transition from Finnish GAAP to IFRS for Fortum Oil Group is May 1, 2004.

The purpose of this IFRS summary is to give an overview of the impact of the transition for the Fortum Oil Group and to describe the effects of those IFRS accounting principles and rules that will have a material impact on the consolidated income statement and certain key ratios. The IFRS financial information presented in this summary may require adjustments before its inclusion as comparative information in the Fortum Oil Group's first set of IFRS financial statements for the year ending December 31, 2005 due to ongoing changes in IFRS that might have an effect on the accounts of the companies applying IFRS from 2005.

Fortum's IFRS project

In order to evaluate the impact of the transition to IFRS, Fortum Corporation established a project in the autumn of 2002. The IFRS project organisation included participants from corporate center as well as from all business units. The IFRS project worked under the leadership of a steering committee, the Chief Financial Officer acting as a chairman. The auditors of Fortum Corporation assisted the different project sub groups and also took part in the work of steering committee. The results of the project have been communicated to the Fortum Corporation Corporate Executive Committee and the Audit Committee on a continuous basis.

Fortum Oil has participated in the Fortum Corporation's IFRS project with representatives from the business units and corporate treasury participating in different project sub groups as well as in the steering committee.

The main impact for Fortum Oil will result from the changes in the recognition and measurement principles of financial instruments, differences in the classification of leasing arrangements compared to Finnish GAAP and from the changes in the accounting for pension obligations and difference in accounting for overhaul costs.

In the IFRS transition, Fortum has elected to apply exemptions allowed in the First-Time Adoption standards (IFRS 1). Acquisitions made before January 1, 2004 have not been restated. No revaluation of property, plant and equipment have been performed at the date transition and thus the balance sheet values continue the historic cost less depreciations (the cost model under IFRS 16). No impairment charges have been recognized in the IFRS opening balance sheet.

In Fortum Oil, some shareholdings which have been consolidated according to equity method under Finnish GAAP will be classified as joint ventures under IFRS. However, the joint ventures will also be consolidated according to equity method under IFRS. The associated companies and joint ventures in Fortum Oil have not changed accounting principles to IFRS and no adjustments have been made for any eventual effects.

Fortum has chosen to apply IAS 32 and 39 standards regarding financial instruments also for the comparison year 2004.

(amounts in millions of euro, except where indicated)

The preliminary impact of the transition to IFRS on the Neste Oil Group's (formerly the Fortum Oil Group) Income Statement, Balance Sheet and key ratios

CONSOLIDATED INCOME STATEMENT

May 1–December 31 2004

	May 1–December 31, 2004	Financial Instruments	Leasing	Employee Benefits	Overhauls	Revalua-tions	Other IFRS adj.	Group contribution	Total IFRS Impact	IFRS May 1–December 31, 2004
Net sales	5,454								0	5,454
Other operating Income	20	21	6						27	47
Materials and services	(4,468)		6						6	(4,462)
Employee benefit costs	(142)			2			(1)		1	(141)
Depreciation, amortization and impairment charges	(81)		(3)		(13)	0	2		(14)	(95)
Other operating expenses	(324)				7				7	(317)
Operating profit	459	21	9	2	(6)	0	1	0	27	486
Share of profits of associated companies and joint ventures(*)	32								0	32
Finance costs—net	(10)	(1)	11				2		12	2
Profit before taxes	481	20	20	2	(6)	0	3	0	39	520
Extraordinary items	(411)							411	411	0
Income taxes	18							(119)	(125)	(107)
Profit for the year	88							292	325	413
Attributable to:										
Equity holders of the Company	86								325	411
Minority Interest	2									2
	88								325	413

(*) Share of profits of associated companies and joint ventures is included in operating profit in Finnish GAAP.

Earnings per share, EUR	0.86	4.11
Number of shares	100,000,000	100,000,000
Earnings per share, EUR	0.34	1.60
Number of shares	256,403,686	256,403,686

(amounts in millions of euro, except where indicated)

CONSOLIDATED BALANCE SHEET

	December 31, 2004	Financial Instruments	Leasing	Employee Benefits	Overhauls	Revalua-tions	Other IFRS adjustments	Group contribution	Total IFRS impact	IFRS December 31, 2004
ASSETS										
Property, plant and equipment	1,373		122		12	(13)	16		137	1,510
Other non-current assets	407	10	(1)	45	(12)		3		45	452
Total non-current assets	1,780	10	121	45	—	(13)	19		182	1,962
Inventories	420						(5)		(5)	415
Other current assets	638	88							88	726
Total current assets	1,058	88	—	—	—	—	(5)		83	1,141
TOTAL ASSETS	2,838	98	121	45	—	(13)	14	—	265	3,103
EQUITY										
Shareholders' equity	860	48	14	34	46	(16)	7	—	133	993
Minority interest	5								—	5
Total equity	865	48	14	34	46	(16)	7	—	133	998
LIABILITIES										
Interest bearing liabilities	616		99						99	715
Provisions	74				(49)		1		(48)	26
Other non-current liabilities	157	29	5	11	3	3	6		57	214
Total non-current liabilities	847	29	104	11	(46)	3	7		108	955
Interest bearing liabilities	433		5						5	438
Other current liabilities	693	21	(2)						19	712
Total current liabilities	1,126	21	3	—	—	—	—		24	1,150
Total liabilities	1,973	50	107	11	(46)	3	7		132	2,105
TOTAL EQUITY AND LIABILITIES	2,838	98	121	45	—	(13)	14	—	265	3,103

KEY RATIOS

	May 1, 2004	Financial Instruments	Leasing	Employee Benefits	Overhauls	Revalua-tions	Other IFRS adjustments	Group contribution	Total IFRS impact	IFRS May 1, 2004
Capital employed	1,717	1	129	31	48	(17)	4	—	196	1,913
Interest-bearing net debt	821		129						129	950
Total equity including minority interest	782	1	—	31	48	(17)	4	—	67	849
of which minority interest	3								—	3

(amounts in millions of euro, except where indicated)

KEY RATIOS

	December 31, 2004	Financial Instruments	Leasing	Employee Benefits	Overhauls	Revalua-tions	Other IFRS adjustments	Group contribution	Total IFRS impact	IFRS December 31, 2004
Capital employed	1,914	48	118	34	46	(16)	7	0	237	2,151
Interest-bearing net debt	865		104						104	969
Total equity including minority Interest	865	48	14	34	46	(16)	7	0	133	998
of which minority interest	5								0	5
Return on equity (ROE), %	16.0									67.1
Return on capital employed (ROCE), before tax, %	41.9									40.3
Gearing, %	100									97

Financial Instruments

General principles

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of highly probable forecast transactions (cash flow hedges); (2) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or (3) hedges of net investments in foreign operations.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss, for instance when the forecast sale that is hedged takes place.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If derivatives do not qualify for hedge accounting, any movement in fair value is recognized in the income statement.

Oil commodity derivatives

Oil derivatives entered into to hedge price risk are economical hedges and they do not qualify for hedge accounting under IAS 39. All fair value changes, EUR 18 million in 2004, are recognized in the operating profit.

Treasury derivatives (foreign exchange and interest rate derivatives)

Foreign exchange derivatives are used for hedging forecast cash flows of the sales and purchases, assets and liabilities in the balance sheet and net investments in foreign operations.

During 2004, hedge accounting was applied to all Fortum Oil cash flow hedges to decrease the volatility in operating profit in the income statement.

The Group has chosen not to apply hedge accounting for foreign exchange derivatives hedging balance sheet items. Interest rate derivatives hedging shipping leasing liabilities do not apply for hedge accounting and they create volatility in financial items.

Net investments in foreign subsidiaries are hedged according to the approved Treasury policy. In IFRS, as in Finnish GAAP, gains and losses on net investments are recognized in the equity.

Leasing

The classification criteria, when considering whether a lease arrangement is an operating lease or financial lease, are different under IFRS than under Finnish GAAP.

In Fortum Oil, this means that some lease arrangements, where Fortum Oil is the lessee, are reclassified as financial leases. The liabilities under agreements that have previously been reported as contingent liabilities are, under IFRS, included in the balance sheet. The resulting increase in the interest-bearing liabilities at year-end 2004 is EUR 104 million, all of which relates to shipping leases.

Employee benefits

Fortum Oil has various pension plans in accordance with local practices in the countries where it operates. Under Finnish GAAP, the Group's pension obligations have been reported according to local regulations. In IFRS financial statements, pension obligations are treated in accordance with IAS 19 *Employee Benefit* and all accumulated actuarial gains and losses related to defined benefit plans are recognized in the balance sheet of the transition date as allowed by IFRS 1. The interest component is included in the employee benefit costs in the income statement.

The major impact from the transition to IFRS is due to the accounting for Finnish statutory employment pension scheme (TEL), which in Fortum Oil is covered for the most part by pension funds and to a lesser extent by insurance companies.

In the IFRS transition balance sheet as at May 1, 2004, the impact of the Finnish pensions covered by pension funds was approximately EUR 31 million on capital employed. This resulted from the fact that the fair value of the assets of the Fortum pension funds exceeded the obligations arising under different pension plans. This has been reported as other non-current assets.

The disability part of the Finnish TEL pension scheme has been accounted for as a defined benefit plan in both the opening and the closing balance since the TEL pension scheme is covered in the Group's own pension fund for the most part. The fund as a whole has been accounted for as a defined benefit plan.

Overhauls

According to Finnish GAAP accounting principles costs for major overhauls in Oil Refining are accrued in advance of the shutdown and accounted for as a provision in the balance sheet. Under IFRS, these costs are treated according to the asset component approach. The costs are capitalised when they occur and then depreciated during the shutdown cycle, i.e., the time period between shut downs.

Revaluations

Fortum has elected to keep Finnish GAAP revaluations net of cumulative depreciations relating to certain items of property, plant and equipment as deemed cost of property, plant and equipment. Under Finnish GAAP, no depreciations are recorded for these revaluations as long as the fair value of the assets is higher than the book value. However, under IFRS, adjustments are made retrospectively for depreciations following the underlying asset.

Group Contribution

The group contribution to Fortum Group companies, entered as an extraordinary item in the income statement, has been eliminated. Instead, the respective tax charge has been recorded in the income statement. In the balance sheet, the group contribution net of tax has been deducted from retained earnings as if it was dividend paid to the shareholder.

Other IFRS transition impacts

Other IFRS adjustments include, for example:

- The tax expense related to the IFRS adjustments reported in the income statement, EUR 6 million, has been affected by a positive one-time adjustment of EUR 5 million concerning the change in the corporate tax rate in Finland from 29 percent to 26 percent from 2005 onwards.

Impact on certain key ratios

Capital employed

The IFRS adjustments increase the capital employed by Fortum Oil. The changes in accounting for certain lease agreements are the main reason for the change in the capital employed, being an increase of EUR 196 million in the opening balance and an increase of EUR 237 million in the closing balance in 2004.

Interest-bearing net debt

Net debt increases under IFRS due to the change in accounting treatment of shipping leases with EUR 129 million in the opening balance and with EUR 104 million in the closing balance in 2004.

Total equity including minority interest

The net effect of the IFRS adjustments to total equity is EUR 133 million at year-end 2004. In the opening balance, this effect amounts to EUR 67 million. The change is mainly due to the change in fair value of financial instruments.

Key ratios

Earnings per share increase as a result of the IFRS adjustments. Return on equity increases significantly mainly as a result of the treatment of group contribution as dividend paid during the period. Return on capital employed is slightly lower when including the 2004 IFRS adjustments to the underlying profit and balance sheet items. Gearing is decreasing from 100 percent to 97 percent.

NESTE OIL CORPORATION (FORMERLY, FORTUM OIL OY)

INCOME STATEMENT

(amounts in millions of euro)

	Note	May 1– December 31, 2004
Net sales	1	3,543
Other operating income	2	18
Materials and services	4	(2,712)
Personnel expenses	4	(94)
Depreciation, amortization and write-downs	3	(51)
Other operating expenses	4	(294)
Operating profit		410
Financial income and expenses	5	(3)
Profit before extraordinary items		407
Extraordinary items	6	(392)
Profit before appropriations and taxes		15
Appropriations		(19)
Income taxes	7	24
Net profit for the period		20

NESTE OIL CORPORATION (FORMERLY, FORTUM OIL OY)

BALANCE SHEET

(amounts in millions of euro)

	Note	December 31, 2004	May 1, 2004
Assets			
Fixed assets and other long-term investments	8, 9		
Intangible assets		11	11
Tangible assets		1,069	938
Shares in group companies		225	222
Shares in associated companies		3	1
Other shares		15	15
Interest bearing loan receivables		246	140
Other long-term receivables			
		1,569	1,327
Current assets			
Inventories	10	307	252
Trade receivables	11	402	474
Other short-term receivables	11	63	69
Deferred tax assets		27	—
Cash and cash equivalents		4	6
		2,372	2,128
Shareholders' equity and liabilities			
Shareholders' equity	12		
Share capital		40	40
Retained earnings		165	165
Net profit for the period		20	—
		225	205
Accumulated appropriations	13	506	486
Provisions for liabilities and charges	14	72	58
Liabilities			
Long-term liabilities			
Interest-bearing	15, 16	581	850
Interest-free		3	3
		584	853
Short-term liabilities			
Interest-bearing		425	11
Interest-free		560	515
		985	526
		2,372	2,128

NESTE OIL CORPORATION (FORMERLY, FORTUM OIL OY)

CASH FLOW STATEMENT

(amounts in millions of euro)

	May 1– December 31, 2004
Cash flows from operating activities	
Profit before extraordinary items	407
Depreciation, amortization and write-downs	51
Other non-cash income and expenses	14
Financial income and expenses	3
Divesting activities, net	(7)
Operating profit before change in working capital	468
Change in working capital	
Decrease/(increase) in interest-free trade and other receivables	70
Decrease/(increase) in inventories	(55)
(Decrease)/increase in interest-free liabilities	43
Change in working capital	58
Cash generated from operations	526
Interest and other financial expenses paid, net	(11)
Dividends received	7
Income taxes paid	(1)
Realised foreign exchange gains and losses	7
	2
Net cash from operating activities	528
Cash flows from investing activities	
Capital expenditures	(191)
Proceeds from sales of fixed assets	9
Acquisition of shares in subsidiaries net of cash acquired	(3)
Investments in shares in associated companies	(2)
Proceeds from sales of shares in subsidiaries net of cash disposed	7
Change in other investments, (increase)/decrease	(100)
	(280)
Cash flow before financing activities	248
Cash flows from financing activities	
Proceeds from long-term liabilities	2
Payments of long-term liabilities	(272)
Change in short-term liabilities	20
Group contributions paid	—
Cash flow from financing activities	(250)
Net increase/(decrease) in cash and marketable securities	(2)
Cash and marketable securities at the beginning of the period	6
Cash and marketable securities at the end of the period	4
Net increase/(decrease) in cash and marketable securities	(2)

NESTE OIL CORPORATION (FORMERLY, FORTUM OIL OY)
NOTES TO THE FINANCIAL STATEMENTS
(amounts in millions of euro)

1. Net Sales

	May 1– December 31, 2004
Net Sales by segment	
Oil Refining	3,385
Oil Retail	106
Shipping	205
Other Oil	1
Eliminations	(154)
Total	3,543
Net Sales by market area	
Finland	1,991
Other Nordic countries	507
Baltic States, Russia and Poland	35
Other European countries	511
USA and Canada	246
Other international sales	253
Total	3,543

2. Other operating income

	May 1– December 31, 2004
Rental income	4
Gains on sales of fixed assets	13
Other	1
Total	18

3. Depreciation, amortization and write-downs

	May 1– December 31, 2004
Depreciation and amortization according to the plan	51

(amounts in millions of euro)

4. Other operating expenses

	May 1– December 31, 2004
Other operating expenses	
Change in product inventories	—
Materials and external services	
Materials and supplies	
Purchases	2,766
Change in inventories	(55)
External services	1
Personnel expenses	
Wages, salaries and remunerations	76
Indirect employee costs	
Pension costs	11
Other indirect employee costs	7
Other operating expenses	294
Total	3,100
Divesting activities included in other operating expenses	
Losses on sales of fixed assets	—
Write-offs	5
Total	5
Salaries and remuneration	
President and members of the Board of Directors	1
Average number of employees	
Oil Refining	1,938
Oil Retail	76
Shipping	578
Other Oil	41
Total	2,633

(amounts in millions of euro)

5. Financial income and expenses

	May 1– December 31, 2004
Financial income and expenses	
Income from other long-term investments	
Dividend income from Group companies	5
Interest income from Group companies	5
Dividend income from others	3
Interest income from others	—
Other interest and financial income	
From Group companies	7
Other	—
Exchange rate differences	1
Write-downs on other long-term investments	—
Interest expenses and other financial expenses	
To Group companies	(21)
Other	(3)
Total	(3)
Total interest income and expenses	
Interest income	13
Interest expenses	(24)
Net interest expenses	(11)

6. Extraordinary items

	May 1– December 31, 2004
Extraordinary income	
Group contributions	3
Extraordinary expenses	
Group contributions	(395)
Total	(392)

(amounts in millions of euro)

7. Income taxes

	May 1– December 31, 2004
Taxes on regular business operations	90
Taxes on extraordinary items	(114)
Total	(24)
Taxes for the period	2
Taxes for the previous periods	1
Change in deferred tax assets	(27)
Total	(24)

8. Fixed assets and long-term investments

Intangible assets	Goodwill	Other intangible assets	Total
Acquisition cost as of May 1, 2004	1	49	50
Increases	—	3	3
Decreases	—	7	7
Transfer between categories		(2)	(2)
Acquisition cost as of December 31, 2004	1	43	44
Accumulated depreciation, amortization and write-downs as of May 1, 2004	1	38	39
Accumulated depreciation, amortization and write-downs of decreases and transfers	—	8	8
Depreciation and amortization for the period	—	2	2
Accumulated depreciation, amortization and write-downs as of December 31, 2004	1	32	33
Balance sheet value as of December 31, 2004	—	11	11

(amounts in millions of euro)

Tangible assets	Land areas	Buildings and structures	Machinery and equipment	Other tangible assets	Advances paid and construction in progress	Total
Acquisition cost as of May 1, 2004	9	606	1,187	42	156	2,000
Increases	1	32	80	2	72	187
Decreases	—	2	22	—	4	28
Transfer between categories	—	—	2	—	—	2
Acquisition cost as of December 31, 2004	10	636	1,247	44	224	2,161
Accumulated depreciation, amortization and write-downs as of May 1, 2004	—	304	769	19	—	1,092
Accumulated depreciation, amortization and write-downs of decreases and transfers	—	1	17	—	—	18
Depreciation and amortization for the period	—	12	36	1	—	49
Accumulated depreciation, amortization and write-downs as of December 31, 2004	—	315	788	20	—	1,123
Revaluations	6	25				31
Balance sheet value as of December 31, 2004	16	346	459	24	224	1,069

Other long-term investments	Shares in group companies	Receivables from group companies	Shares in associated companies	Receivables from associated companies	Other shares and holdings	Other receivables	Total
Acquisition cost as of May 1, 2004	247	133	1	1	15	7	404
Increases	3	134	2	—	—	—	139
Decreases	25	27	—	—	—	1	53
Acquisition cost as of December 31, 2004	225	240	3	1	15	6	490
Accumulated depreciation, amortization and write-downs as of May 1, 2004	24	—	—	—	—	1	25
Accumulated depreciation, amortization and write-downs of decreases and transfers	24	—	—	—	—	—	24
Write-downs for the period	—	—	—	—	—	—	—
Accumulated depreciation, amortization and write-downs as of December 31, 2004	—	—	—	—	—	1	1
Balance sheet value as of December 31, 2004	225	240	3	1	15	5	489

(amounts in millions of euro, except where indicated)

9. Revaluations

	Revaluations as of May 1,	Increases	Decreases	Revaluations as of December 31,
Land areas	6	—	—	6
Buildings	25	—	—	25
Total	31	—	—	31

Policies and principles for revaluations and evaluation methods

Revaluations are based on fair values at the moment of revaluation.

10. Inventories

	December 31, 2004
Raw materials and supplies	154
Work in progress	75
Products/finished goods	78
Total	307

Difference between replacement value and book value of inventories is EUR 26 million.

11. Short-term receivables

	December 31, 2004
Trade receivables	245
Receivables from Group companies	
Trade receivables	156
Other receivables	3
Accrued income and prepaid expenses	19
Total	178
Receivables from associated companies	
Trade receivables	1
Total	1
Other receivables	25
Accrued income and prepaid expenses	15
Total	464
Short-term accrued income and prepaid expenses	
Accrued interest	19
Other	15
Total	34

(amounts in millions of euro)

12. Changes in shareholders' equity

	December 31, 2004
Share capital at the beginning of the period	40
Share capital at the end of the period	40
Retained earnings at the beginning of the period	165
Net profit for the period	20
Retained earnings at the end of the period	185

13. Accumulated appropriations

	December 31, 2004
Accumulated depreciation above the plan	506

14. Provisions for liabilities and charges

	December 31, 2004
Provisions for pensions	11
Provisions for planned refinery maintenance and upgrade shutdown	49
Other provisions	12
Total	72

15. Liabilities

	December 31, 2004
Long-term liabilities	
Loans from financial institutions	2
Pension loans	41
Liabilities to Group companies	
Other	538
Liabilities to associated companies	
Advances received	2
Accruals and deferred income	1
Total	584

(amounts in millions of euro)

	December 31, 2004
Short-term liabilities	
Trade payables	254
Liabilities to Group companies	
Trade payables	14
Other	428
Accruals and deferred income	7
Total	449
Liabilities to associated companies	
Advances received	1
Total	1
Other short-term liabilities	243
Accruals and deferred income	38
Total	985
Interest-bearing and interest-free liabilities	
Interest-bearing liabilities	1,005
Interest-free liabilities	564
Total	1,569
Liabilities due after five years	
Pension loans	41
Liabilities to Group companies	539
Total	580

	December 31, 2004
Short-term accruals and deferred income	
Accrued interests	5
Taxes	1
Other short-term accruals and deferred income	39
Total	45

(amounts in millions of euro)

16. Contingent liabilities

Collaterals and other undertakings on own behalf	December 31, 2004 Debt	Value of collateral
Own debt secured by pledged assets		
Pension loans	4	4
Trade payables	—	2
Total	4	6
Own debt secured by real estate mortgages		
Loans from financial institutions	1	2
Trade payables	—	23
Total	1	25
Total	5	31
Collaterals given on behalf of Group companies		
Real estate mortgages		2
Total		2
Collaterals total		33

Other contingent liabilities	December 31, 2004
Leasing liabilities	
Due within a year	72
Due after a year	88
Total	160
Other contingent liabilities given on own behalf	1
Other contingent liabilities given on behalf of Group companies	
Guarantees	68
Other contingent liabilities total	229

17. Derivatives

Interest and currency derivatives	December 31, 2004 Contract or notional value	Fair value	Not recognized as an income
Interest rate swaps	58	(7)	(6)
Forward foreign exchange contracts	567	10	9
Currency options			
Purchases	438	17	17
Written	438	6	6

(amounts in millions of euro)

	December 31, 2004		
Oil futures and forward instruments	**Volume 1000 bbl**	**Fair value**	**Not recognized as an income**
Sales contracts	42,083	20	20
Purchase contracts	67,098	2	2
Options			
Purchased	4,797	2	2
Written	6,784	(2)	(2)

The fair values of derivative contracts subject to public trading are based on market prices as of the balance sheet date.

The fair values of other derivatives are based on the present value of cash flows resulting from the contracts, and, in respect of options, on evaluation models.

Other contingent liabilities

The Company has a collective contingent liability with Fortum Heat and Gas Oy of the demerged Fortum Oil and Gas Oy's liabilities based on the Finnish Companies Act's Chapter 14a Paragraph 6.

18. Fortum Oil Oy

Shares and holdings

	No. of shares	Holding %	Nominal value Curr. 1,000		Book value EUR December 31, 2004 €1,000
Group shares					
Best Chain Oy	112,800	100.00	EUR	11,280	45,413
Fortum Components Finance B.V.	40	100.00	EUR	18	22
Fortum Oil and Gas Ltd	500,100	100.00	GBP	500	1,793
Fortum Oil AB	2,000,000	100.00	SEK	200,000	23,972
Fortum Oil Finance B.V.	26,088	100.00	EUR	26	15,763
Fortum Oil Insurance Ltd	2,000,000	100.00	EUR	2,000	2,000
Fortum Oil N.V	1	0.00	EUR	—	—
Neste Eesti AS	10,000	100.00	EEK	10,000	5,926
Neste Jacobs Oy	2,310	66.00	EUR	231	482
Neste Markkinointi Oy	210,560	100.00	EUR	21,056	47,567
Neste Oil BR Ltd	1	100.00		—	—
Neste Oil Holding (USA) Inc	1,000	100.00	USD	1	18,428
Neste Oil US, LLC		100.00		—	1,100
Neste St.Petersburg OOO	10	100.00	RUR	1,052,821	58,427
NS-Management S.A	99	99.00	EUR	31	31
Tehokaasu Oy	7,200	100.00	EUR	3,027	3,900
					224,824
Associated companies					
Kiinteistö Oy Porvoon Leporanta	300	50.00	EUR	30	300
Lacus Ltd	6,000	50.00	USD	6	1,142
Nemarc Shipping Oy	2,000	50.00	EUR	33	33
Neste Arabia Co. Ltd	480	48.00	SAR	480	156
Porvoon Alueverkko Oy	40	33.33	EUR	7	7
OAO Pechormornef	39	39.00	RUR		6
Svartså Vattenverk-Mustijoen Vesilaitos	14	40.00	EUR	24	124
Tahkoluodon Polttoöljy Oy	630	31.50	EUR	106	490
Terra Ltd	6,000	50.00	USD	6	1,142
Vaskiluodon Kalliovarasto Oy	330	50.00	EUR	17	17
					3,417
Other shares and holdings					
Cristal Ltd	1			—	—
Ekokem Oy Ab	375	2.68	EUR	126	125
Finnish Measurement Systems FMS Oy	80	15.09	EUR	13	13
Nymex Holdings Inc	2		USD	—	—
Posintra Oy	50		EUR	10	17
Saudi European Petrochemical Company lbn Zahr	98,832	10.00	SAR	98,832	14,851
					15,006
Real estate companies					
Asunto Oy Poutapolku	287	1.91	EUR	—	106
Oy Kokonhalli Ab	55	20.00	EUR	93	93
					199
Telephone shares					
Kymen Puhelin Oy		1			—
Lännen Puhelin Oy		20			5
Pietarsaaren Seudun Puhelin Oy		3			1
Pohjanmaan Puhelinosuuskunta PPO		1			—
Savonlinnan Puhelinosuuskunta SPY		1			1
					7
Connection fees					67
Total					243,520

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Annex A

SUMMARY OF CERTAIN SIGNIFICANT DIFFERENCES BETWEEN FINNISH GAAP AND U.S. GAAP

Certain significant differences between Finnish GAAP and U.S. GAAP as they relate to the Combined Carve-out Financial Statements are summarized below. This summary highlights the major significant differences between Finnish GAAP and U.S. GAAP that may affect the Company's combined net income and shareholders' equity for the periods presented and should not be construed to be as exhaustive. The Company has not quantified these differences, nor undertaken a reconciliation of Finnish GAAP and U.S. GAAP in the Combined Carve-out Financial Statements. Had the Company undertaken any such quantification or preparation or reconciliation, other potentially significant accounting and disclosure differences might have come to their attention, which are not identified below. Accordingly, the Company can provide no assurance that the identified differences between Finnish GAAP and U.S. GAAP are complete. No attempt has been made to identify all future differences between Finnish GAAP and U.S. GAAP that may affect the Combined Carve-out Financial Statements as a result of transactions or events that may occur. Finally, U.S. GAAP is generally more restrictive and comprehensive than Finnish GAAP regarding account classification and disclosure requirements, respectively. Such differences are not discussed in this document.

Derivative Financial Instruments, including Commodity Transactions

Under Finnish GAAP, derivatives are off-balance sheet items and, thus, their nominal amounts are not recorded on the balance sheet. Commodity derivative and trading contracts, which expire within the following year, can be valued at the lower of cost or market or marked to market. Finnish GAAP does not have any specific guidance for hedge accounting.

Under U.S. GAAP, all derivatives are recognized on the balance sheet as either financial assets or liabilities. They are initially measured at cost and subsequently measured at fair value. Changes in the fair value are recognized in the income statement as they arise, unless they satisfy the criteria for hedge accounting.

U.S. GAAP also provides guidance on the accounting for energy trading contracts, including those that are not considered derivatives. This guidance includes examples of factors or indicators that should be considered in evaluating whether an entity's energy contracts are entered into for trading purposes and prescribes the appropriate accounting for energy trading contracts. Under such guidance, energy trading contracts, including those that are not derivatives or leases, are required to be measured at fair value with gains and losses included in earnings. Furthermore, energy contracts and energy trading contracts may be designated as hedging instruments, if all of the applicable hedging criteria are met.

Pensions and Other Post-Retirement Benefits

Finnish GAAP does not specifically address the accounting for pensions and other post-retirement benefits. In Finland, pension schemes, either defined benefit or defined contribution plans, with retirement, disability, death and termination benefits are accounted for as defined contribution plans and are generally funded through payments to insurance companies or to trustee-administered pension funds.

Under U.S. GAAP, net benefit obligations for pensions and other post-retirement benefits that are considered to be defined benefit plans are calculated and recorded based on specific actuarial calculations using prescriptive methods and assumptions.

Leases

Finnish GAAP allows, but does not require, leases to be classified and accounted for as capital leases only in the Combined Carve-out Financial Statements if substantially all the benefits and risks of ownership have been transferred to the lessee. The Company currently accounts for all leases as operating leases under Finnish GAAP. Finnish GAAP also does not specifically address situations where assets are sold to a third party and then leased back by the sellor.

Under U.S. GAAP, a lease that transfers substantially all the benefits and risks of ownership is accounted for as an acquisition of an asset and the incurrence of an obligation by the lessee (a capital lease). Leases must be accounted for as a capital lease if: (1) the lease automatically transfers title of the leased asset to the lessee, (2) the lease contains a bargain purchase option, (3) the lease term equals or exceeds 75 percent of the remaining estimated economic life of the leased property or (4) the present value of minimum lease payments equals or exceeds 90 percent of the excess of fair value of leased property over any related investment tax credit retained by the lessor. Leases without any of these four characteristics are accounted for as operating leases. Further, in situations where assets are sold to a third party and then leased back (sale-leaseback transactions), U.S. GAAP requires that any gain on the sale of the asset be deferred and recognized over the life of the lease.

Stock Options

Finnish GAAP does not address the accounting for stock options. When shares are issued upon the exercise of stock options, the proceeds of their issuance are recorded in share capital and paid-in capital of the Company in the same manner as any other share issue. No stock compensation expense is recorded under Finnish GAAP.

Under U.S. GAAP, there are two alternative methods for accounting for stock options granted to employees: (1) the fair value method, where the fair value of the stock option is determined at the grant date using an option-pricing model, which is then expensed over the service period, generally the vesting period, of the stock option; or (2) the intrinsic value method, where the difference, if any, between the market value of the stock and the exercise price of the option at the measurement date, generally the date of grant, is recorded as compensation expense over the vesting period.

Under the intrinsic value method of U.S. GAAP, stock plans can also be variable plans when either the exercise price or the number of shares, or both, are not known at the grant date. In this case, the intrinsic value at each balance sheet date must be determined and recognized as compensation expense based on the percentage vested until the exercise date.

Under Finnish GAAP, there is no specific guidance that discusses the accounting for social charges on stock options should. Currently, the Company expenses social charges on stock options when the options become exercisable.

Under US GAAP, social charges are expensed when the options are exercised and the social charges become payable.

Provisions

Finnish GAAP requires recognition of a provision when the probable expense or loss relates to the current or prior financial period and the expense or loss is based on law or on an obligation towards a third party. However, in certain circumstances, a provision may also be recognized even if the latter criterion regarding obligation is not fulfilled but the other criteria are met. Additionally, under Finnish GAAP, a provision is recognized for future expected overhauls (shutdown provision) in oil refineries that are necessary to assure that refining equipments will function as planned.

Under US GAAP, an entity is not allowed to recognize a provision if there is not a present obligation. Additionally, under U.S. GAAP, costs associated with overhauls and shutdowns are capitalized as incurred and then amortized over the period until the next expected overhaul or shutdown.

Consolidation

The general principle under Finnish GAAP is that the results of operations of all subsidiaries, in which the Company owns a majority of the voting rights or the right to appoint or dismiss the majority of the board of directors, should be consolidated. In exceptional cases, such as where a subsidiary has virtually no operations, where the Company's ownership of the subsidiary is temporary or where the subsidiary's financial statements cannot be obtained without unreasonable costs, the subsidiary need not be consolidated.

Under U.S. GAAP, consolidation is based on two models: the voting interest model and the variable interest model. Under the voting interest model, the entity with majority ownership consolidates the subsidiary. Under the variable interest model, a variable interest entity ("VIE"), in which a parent does not have a controlling voting interest but the parent, as the primary beneficiary of that entity, absorbs the majority of the VIE's expected losses or residual returns, must also be consolidated.

Business Combinations

Under Finnish GAAP, the excess of the cost of an acquired company over the fair value allocated to identifiable assets and liabilities is recorded as goodwill. Under Finnish GAAP, the concept of "fair value" is not explicitly defined. Additionally, under Finnish GAAP, there is no specific guidance relating to the recognition of restructuring accruals as part of the assumed liabilities in a business combination. Finally, under Finnish GAAP, goodwill arising from a purchase business combination is amortized over five years, unless a longer amortization period, not to exceed 20 years, can be justified.

Under U.S. GAAP, the fair value of assets and liabilities acquired should be supported by market evidence or valuations. Additionally, U.S. GAAP requires a more extensive search for intangible assets, which should also be recorded at their fair value. These intangible assets should be amortized over their expected useful lives, unless their estimated life is indefinite, in which case the intangible assets should not be amortized and should be tested for impairment annually until such time as the useful life is considered to be definite. Restructuring obligations can be recognized as an acquired liability if certain requirements regarding the communication and commitment to a restructuring plan are executed in conjunction with the acquisition. Finally, any goodwill recognized in the business combination is not amortized, but rather is tested annually for impairment based on expected future cash flows.

In addition, under U.S. GAAP, business combinations must be accounted for by the purchase method of accounting. Under Finnish GAAP, the pooling-of interests method can also be applied if certain conditions are met.

Deferred Income Taxes

In consolidated financial statements, Finnish GAAP allows recognition of deferred income taxes using three alternative methods: (1) the income statement method (deferred income taxes are mainly recognized based on timing differences arising through the income statement only), (2) the full liability method (deferred tax liabilities and assets are determined on the basis of temporary differences between the financial statement and tax bases of assets and liabilities using enacted tax rates) or (3) a combination of both the income statement method and the full liability method. Currently, the Company follows the full liability method under Finnish GAAP.

U.S. GAAP requires recognition of deferred income taxes using the full liability method. Under this method, deferred tax liabilities and assets are determined on the basis of temporary differences between the financial statement and tax bases of assets and liabilities using enacted tax rates. Deferred tax assets are recognized to the extent that it is "more likely than not" that the company will realize a tax benefit.

Asset Revaluation

Finnish GAAP permits revaluations of certain tangible fixed assets to their fair value with any resulting surplus recorded directly to shareholders' equity. However, there is no amortization charge for the restated amounts under Finnish GAAP.

Under U.S. GAAP, the revaluation (or write up) of fixed assets is not permitted.

Impairment of Long-Lived Assets

Under Finnish GAAP, if a long-lived asset is permanently impaired, an impairment loss shall be recognized if the carrying value exceeds fair value. The method in which fair value is to be determined is not defined within Finnish GAAP.

Under U.S. GAAP, an entity is required to review long-lived assets and certain identifiable intangibles held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such impairment exists, an entity shall estimate the fair value of the asset (for example by using discounted future cash flows expected to result from the use of the asset) and record an impairment loss if the sum of the expected discounted future cash flows is less than the carrying amount of the asset. The impairment loss to be recorded would be the difference between the carrying amount and the fair value of the asset.

Capitalization of Interest Costs

Under Finnish GAAP, interest charges and indirect costs incurred during the construction of certain assets may either be capitalized or expensed. Currently, the Company expenses these costs under Finnish GAAP.

Under U.S. GAAP, if certain criteria are met, the estimated amount of interest cost incurred in connection with capital expenditure projects is included in property, plant and equipment and depreciated over the lives of the related assets. The amount of interest capitalized is determined by reference to the average interest rates on outstanding borrowings.

Investments in Equity and Debt Securities

Under Finnish GAAP, short-term investments in equity and debt securities are recorded at the lower of cost or market value and adjustments reflecting changes in market value are included in earnings. Long-term investments in equity and debt securities are recorded at the lower of cost or market value (absent significant and permanent declines), determined on an individual security basis. Write-downs for significant, permanent declines in value are included in earnings. Write-downs can subsequently be reversed if the estimated recoverable amount of the investment increases.

Under U.S. GAAP, investments in equity securities with readily determinable fair values and debt securities are required to be classified into one of the following three categories and accounted for as noted below:

(1) debt securities that the enterprise has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and are reported at amortized cost;

(2) debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading and reported at fair value, with unrealized gains and losses included in earnings; and

(3) debt and equity securities not classified as either held-to-maturity securities or trading securities are classified as available-for-sale securities and reported at fair value, with unrealized gains and

losses excluded from earnings and reported, net of applicable taxes, in a separate component of shareholders' equity.

Transactions in Foreign Currencies

Under Finnish GAAP, exchange gains and losses arising from long-term debt can be deferred. Foreign currency derivative contracts can be accounted for as hedges without specific designation as hedge instruments.

Under U.S. GAAP, all unrealized gains and losses on foreign currency denominated monetary balances, except for those effectively hedged by currency swap agreements, are recognized in income for the period. Exchange gains and losses are deferred only for those derivative financial instruments, which are designated in advance as hedges and qualify for hedge accounting.

Inventories

Under Finnish GAAP, production overhead costs may either be capitalized as a component of inventory or expensed as incurred. The Company currently expenses all production overhead costs under Finnish GAAP.

U.S. GAAP requires the capitalization of production overhead costs as a component of inventory.

Comprehensive Income

U.S. GAAP requires presentation of comprehensive income and its components either as a separate statement or as a component of the statement of operations or statement of shareholder's equity. Items in comprehensive income include unrealized gains and losses on available-for-sale securities, cumulative translation adjustments and minimum pension liabilities. A company is required to disclose the components of comprehensive income by their nature and display the accumulated balance of accumulated comprehensive income separately in the equity section of a balance sheet. There is no such requirement under Finnish GAAP.

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Annex B

ARTICLES OF ASSOCIATION OF NESTE OIL[1]

1 § Company's business name and domicile

The business name of the company is Neste Oil Oyj, in Swedish Neste Oil Abp and in English Neste Oil Corporation. The company is domiciled in Espoo.

2 § Field of business

The company engages, both directly and through its subsidiaries and affiliated companies, in oil and gas production, in oil, energy and chemical industries and trade, in merchant shipping, in technical planning and other business operations related to the above. The company may own and administer real property, shares and other securities.

3 § Minimum and maximum capital

The company's minimum share capital is thirty million (30,000,000) euro and the maximum share capital is two hundred million (200,000,000) euro, within which limits the share capital may be increased or decreased without amending the Articles of Association.

4 § Number of shares

The company has a minimum of fifty million (50,000,000) shares and a maximum of six hundred million (600,000,000) shares. The shares do not have a nominal value.

5 § Book-entry securities system

The company's shares are included in the book-entry system after the registration date.

The right to receive funds distributed by the company and the right to subscribe for new shares when the share capital is increased shall only belong to a person:

1. Who has been entered in the register of shareholders as a shareholder on the record date;
2. Whose right to performance has been registered in the book-entry account of a registered shareholder and entered in the register of shareholders on the record date; or
3. In case the share is registered in the name of a nominee, in whose book-entry account the share is registered on the record date, and whose custodian is, on the record date, entered in the register of shareholders as the custodian of the shares.

If the company's Board of Directors notes that the holding registered in the register of shareholders exceeds the holding limits in a manner described in Article 15 below, the shares in excess of this holding cannot be used to vote at the General Meeting of Shareholders. Upon a resolution of the Board of Directors, the exceeding amount of shares is entered in the register of restricted voting shares, until it has been determined that other shareholders of the company shall not exercise their redemption right or until the Board of Directors has noted that the consent of other shareholders shall be regarded as given. This register is maintained in connection with the register of shareholders.

As long as a share remains registered in the register of restricted voting shares, the company shall deposit the dividend payable on the shares registered in this register with the State Provincial Office whose jurisdiction includes the City of Espoo.

(1) To be registered with the Trade Register on April 18, 2005.

6 § Supervisory Board

The company has a Supervisory Board, consisting of at least six (6) and no more than twelve (12) members.

The General Meeting of Shareholders elects the Chairman, Vice Chairman and members of the Supervisory Board. A person who has reached the age of 68 cannot be elected to the Supervisory Board.

The term of office of a member of the Supervisory Board expires at the end of the next Annual General Meeting following his/her election.

The Supervisory Board shall supervise the management of the company by the Board of Directors and the President and give a statement on the financial statements and auditor's report to the Annual General Meeting.

The Supervisory Board may also issue instructions to the Board of Directors in matters that are extensive or important in principle.

7 § Board of Directors

The company has a Board of Directors, which consists of at least three (3) and no more than eight (8) members.

The General Meeting of Shareholders elects the Chairman, Vice Chairman and members of the Board of Directors. The term of office of a member of the Board of Directors expires at the end of the next Annual General Meeting following his/her election. A person who has reached the age of 68 cannot be elected to the Board of Directors.

The Chairman or, should he/she be unable to do so, the Vice Chairman, shall call the Board of Directors to convene.

The Board of Directors constitutes a quorum if more than half of its members are present. The Board of Director's decision will be the opinion supported by more than half of the members present at the meeting, or if the votes are evenly divided, the opinion supported by the Chairman

8 § Responsibilities of the Board of Directors

The Board of Directors shall be responsible for:

- the management and proper arrangement of the company's operations,
- representing the company in accordance with the provisions of law and the Articles of Association and resolutions passed by higher company organs,
- organizing the proper supervision of accounting and financial matters, and
- resolving upon the right to sign for the company and procurations.

9 § President

The company has a President, whose task is to manage the company's business operations in accordance with the Finnish Companies Act and the instructions issued by the Board of Directors. The President is appointed by the company's Board of Directors.

10 § Signing for the company

The President alone, and the members of the Board of Directors and those authorized by the Board of Directors, two together, shall sign for the company.

Procurations may only be granted in such a manner that the holders of procuration sign for the company two together or each separately together with a member of the Board of Directors, or with a person to whom the Board of Directors has given the right to sign for the company.

11 § Financial year

The company's financial period is a calendar year.

12 § Auditors

The company has one regular auditor, which shall be an auditing firm approved by the Central Chamber of Commerce.

The auditor's term of office expires at the end of the next Annual General Meeting of Shareholders following the election.

13 § Notice to a General Meeting of Shareholders

The Board of Directors shall deliver a notice to a General Meeting of Shareholders. The notice shall be delivered by publishing it in at least two (2) regularly published newspapers determined by the Board of Directors or otherwise in a verifiable manner no earlier than two (2) months and no later than seventeen (17) days before the General Meeting of Shareholders.

In order to participate in the General Meeting of Shareholders, a shareholder must register with the company by the date specified in the notice, which date shall not be earlier than ten (10) days before the General Meeting of Shareholders. Since the company's shares are included in the book-entry system, the provisions of the Finnish Companies Act concerning the right to participate in the General Meeting of Shareholders shall also be taken into account.

The General Meetings of Shareholders shall be held in Espoo, Helsinki or Vantaa.

14 § Annual General Meetings of Shareholders

The Annual General Meeting shall be held annually by the end of June.

At the Annual General Meeting of Shareholders, the following shall be presented:

1. the financial statements and the consolidated financial statements;
2. the auditor's report;
3. the statement of the Supervisory Board on the financial statements and the auditor's report;

resolved upon:

4. adoption of the income statement and balance sheet and the consolidated income statement and consolidated balance sheet;
5. measures prompted by the profit or loss shown on the adopted balance sheet or the consolidated balance sheet and the time of payment of dividends, if any;
6. granting of discharge from liability to the members of the Supervisory Board, members of the Board of Directors and the President;
7. remuneration for the members of the Supervisory Board and the Board of Directors as well as the auditors;
8. the number of members of the Supervisory Board;

9. the number of members of the Board of Directors; and

elected:

10. the Chairman, Vice Chairman and members of the Supervisory Board;
11. the Chairman, Vice Chairman and members of the Board of Directors; and
12. the auditor.

15 § Redemption of shares

A shareholder whose holding of all the shares in the company, or of the number of votes the shares carry, either alone or together with other shareholders in the manner defined hereinafter, reaches or exceeds 33⅓ percent or 50 percent (a shareholder subject to redemption liability) is obliged, at the request of other shareholders (shareholders entitled to redemption), to redeem the shares held by such shareholders and any securities entitling to shares pursuant to the Finnish Companies Act in the manner stipulated in this Article.

When calculating a shareholder's proportion of company shares and of the votes they carry, the calculation shall also include the shares belonging:

1) to a corporation which according to the Finnish Companies Act belongs to the same group of companies as the shareholder;
2) to an enterprise which in the preparation of consolidated financial statements in accordance with the Finnish Accounting Act is deemed to belong to the same group of companies as the shareholder;
3) to pension foundations or pension funds of the corporations or enterprises referred to above;
4) to a corporation or enterprise, other than Finnish, which, if it were Finnish, would under the Finnish Accounting Act belong to the same group of companies as the shareholder;
5) to a corporation or enterprise or private individual who, if a corresponding right of ownership belonged to a corporation or enterprise holding shares in the foregoing, would belong to the same group of companies as the shareholder; and
6) to shareholders who are parties to an agreement or other arrangement, the implementation of which would result in reaching or exceeding of the above-mentioned thresholds for shareholding or voting rights.

If a redemption obligation arises from combined shareholdings or voting rights, the shareholders subject to redemption liability shall be jointly and severally liable for the implementation of the redemption with respect to the shareholders entitled to redemption.

In the event that two shareholders reach or exceed the threshold for ownership or voting rights resulting in the redemption obligation in such a manner that both are simultaneously subject to redemption liability, a shareholder entitled to redemption may demand redemption from both separately.

The redemption price of shares is the highest one of the following:

1) the weighted average price over the last ten stock exchange days on the Helsinki Stock Exchange prior to the day on which the company received from the shareholder subject to redemption liability a notification regarding the reaching or exceeding of the above-mentioned threshold for shareholding or voting rights or, in the absence of such notification or if it fails to arrive within the prescribed time, before the day on which the company's Board of Directors became aware of it otherwise, or if there is no trading, the last preceding trading price;

2) the average price of shares of the trades completed on the Helsinki Stock Exchange over the last 12 months preceding the day defined above in item 1;

3) the highest single price which the shareholder subject to redemption liability has paid for a share purchased or acquired otherwise for a consideration during the last 12 months preceding the day defined above in item 1;

4) if the shareholder subject to redemption liability fails to give the notification mentioned in subparagraph 8 within the stipulated time, the highest price which the shareholder subject to redemption liability has paid for a share purchased or acquired otherwise for a consideration within a period of time calculated as having begun 12 months before the arising of the redemption obligation and having ended on the day defined above in item 1.

If an acquisition affecting the average price is denominated in any other currency than euro, the corresponding value in euro shall be calculated in accordance with the average rate confirmed by the European Central Bank for the currency in question seven days before the day when the Board of Directors notifies the shareholders about the possibility to redeem shares or, if there is no such rate, the nearest corresponding rate chosen by the Board of Directors.

What is stated above concerning determination of the redemption price of shares shall, as applicable, apply to other securities to be redeemed, such as subscription rights independent of shares, convertible bonds, bonds with warrants, warrants and capital loans, inasmuch as a right to subscribe for shares is included in them. Should such a security lack a market price as referred to in this Article, the redemption price shall be calculated as though the right of subscription attached to the security had arisen at the moment when the redemption obligation arose. If a right of subscription related to a security is determined by the market rate, the price referred to above in subparagraph 5, item 2 shall be used.

A shareholder subject to redemption liability shall within seven days of the arising of the redemption obligation notify the company's Board of Directors thereof in writing at the company's address. The notification shall state the number of shares held by the shareholder subject to redemption liability and the number and prices of shares he/she has purchased or otherwise acquired over the last 12 months. An address where the shareholder subject to redemption liability can be reached shall be appended to the notification.

The Board of Directors shall notify the shareholders of the arising of the redemption obligation within three weeks of the reception of the above-mentioned notification or, if there is no such notification or it fails to arrive within the stipulated time, after it has otherwise become aware of the arising of the redemption obligation. The notification shall include information on when the redemption obligation arose and on what grounds the redemption price is determined, to the extent these facts are known by the Board of Directors, and it shall state the date by which demands for redemption must be presented. The notification to the shareholders must be given in compliance with the provisions in Article 13 of the Articles of Association concerning delivery of a notice to a meeting.

A shareholder entitled to redemption shall in the manner determined by the Board of Directors demand redemption in writing within three weeks of the publication of the notification by the Board of Directors concerning the redemption liability.

The demand for redemption, which is delivered to the company, shall state how many shares and securities the demand concerns.

A shareholder demanding redemption shall at the same time provide the company with share certificates, if any, or with any other documents giving the right to the shares, for transfer to the shareholders subject to redemption liability against the redemption price. However, if the shares are collateral for a debt or other commitment, the shareholder demanding redemption must present the creditor's consent for the release of the shares against payment of the redemption price.

The shareholder shall simultaneously notify whether he/she wishes to use his/her right mentioned hereinafter in subparagraph 20 to redeem the shares in case the shareholder subject to redemption liability has failed to meet his/her redemption obligation. This shareholder's right of redemption belongs to every shareholder even if he/she has not demanded redemption of the shares and even if the shareholder subject to redemption liability has failed only partly to meet his/her obligation. However, the redemption obligation and the right of redemption do not exist if, before the presentation of the demand for redemption, the number of shares held by the shareholder subject to redemption liability has decreased below the ownership threshold resulting in a redemption obligation, referred to in subparagraph 1 in a redemption obligation.

In the event that no demand is presented within the stipulated time in the manner defined above, the shareholder's right to demand redemption shall lapse as regards the redemption situation in question. A shareholder entitled to redemption has the right to withdraw his/her demand as long as the redemption has not taken place.

The Board of Directors shall notify the shareholders if, as a result of a redemption as defined in this Article, a shareholder subject to redemption liability holds a proportion of all the shares in the company or of the number of votes carried by the shares reaching or exceeding 50 percent, whereby the period of time for presentation of the demand for redemption as defined in subparagraph 10 shall be extended by two weeks.

Should the period of time mentioned in subparagraphs 8–18 end on a day other than a banking day, it shall continue till the end of the following banking day.

Upon expiry of the prescribed time reserved for shareholders entitled to redemption, the Board of Directors shall notify the shareholder subject to redemption liability of any demands for redemption that have been presented. Within two weeks of receiving the notification of the demands for redemption, the shareholder subject to redemption liability shall pay the redemption price in the manner determined by the Board of Directors against delivery of the shares or securities giving the right to the shares or, if the shares to be redeemed are entered on book-entry accounts of the concerned shareholders, against a receipt issued by the company. In the latter case, the Board of Directors shall ensure that the redeemer is entered forthwith in the book-entry account as the owner of the shares.

An annual penalty interest of nine per cent shall be calculated on a redemption price not paid within the stipulated time from the day by which the redemption ought to have taken place at the latest. Should a shareholder subject to redemption liability fail to comply with the above provisions concerning the obligation to notify, the penalty interest shall be calculated from the day by which the obligation to notify ought to have been fulfilled.

If a shareholder subject to redemption liability fails to pay the redemption price within the period of time mentioned in subparagraph 18, and even after a request by the Board of Directors fails to pay the redemption price by the given date, all other shareholders of the company have the right to redeem such a number of the shares of the shareholder subject to redemption liability which resulted in the reaching or exceeding of the ownership threshold defined above in subparagraph 1. Provisions concerning the use of the right of redemption mentioned herein are defined above in subparagraphs 10 to 13. The redemption price of shares is in this case the lowest redemption price of those mentioned in subparagraph 5, items 1 to 4, or the price, if lower than the above, which is the lowest price used in trades completed through the Helsinki Stock Exchange, after the determination of the first-mentioned prices but before the expiry of the prescribed time included in the request referred to below.

If several shareholders entitled to redemption under subparagraph 20 wish to use their right of redemption, the Board of Directors shall allocate the shares subject to redemption between those wishing to redeem in proportion to their respective shareholdings. If such a division of shares is not even or if in the Board's opinion the value of shares to be redeemed is insignificant compared with the costs of executing the redemption, any remaining shares or such other shares shall be allocated by lot between the shareholders wishing to redeem. The redemption price shall be paid in the manner determined by the Board of Directors within three weeks of the determination of the redemption price and against delivery of the shares or securities giving the right to the shares or, if the shares to be redeemed are entered on the book-entry accounts of the shareholders concerned, against a receipt issued by the company. In this case, the Board of Directors shall ensure that the redeemer is entered forthwith in the book-entry account as the owner of the shares.

When the redemption price has been paid to the company's Board of Directors, the Board of Directors shall deposit it for safekeeping with the State Provincial Office whose area of jurisdiction includes the city of Espoo, until any disputes between the shareholder subject to redemption liability and the shareholder who presented the demand for redemption are finally settled and the proper division of the assets has been settled. However, the above provisions do not limit the right of a pledgee of a share to collect the redemption price.

The redemption obligation defined in this Article does not apply to a shareholder who shows that the threshold for ownership or voting rights resulting in the redemption obligation was reached or exceeded before trading in the company's shares began at the Helsinki Stock Exchange, nor to a shareholder who has reached or exceeded the threshold for ownership or voting rights resulting in the redemption obligation by acquiring new shares directly from the company when the company increased its share capital through a share issue, in deviation from the shareholders' pre-emptive right to subscribe for new shares.

Any disagreements concerning the redemption obligation, the related right to demand redemption and the amount of the redemption price shall be decided by arbitration procedure in the company's domicile in compliance with the provisions of the Finnish Arbitration Proceedings Act. The Arbitration Institute of the Central Chamber of Commerce shall elect the necessary number of arbitrators and appoint a chairman for the arbitrators.

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