

# Neste Oil Corporation

Consolidated Financial Statements in accordance with International Financial Reporting Standards.

Parent company Financial Statements in accordance with Finnish Gaap.

For the period 1 January to 31 December 2005.

## Contents

	page
Review by the Board of Directors	52
Consolidated income statement	58
Consolidated balance sheet	59
Consolidated cash flow statement	60
Consolidated statement of changes in equity	61
Notes to the consolidated Financial Statements	62
Parent company income statement	98
Parent company balance sheet	98
Parent company cash flow statement	99
Parent company notes	100
Proposal for the distribution of earnings	108
Auditor's report	109
Statement by the Supervisory Board	110
Quarterly segment information	111

## Review by the Board of Directors

The market in 2005 was favorable for an oil refiner with complex refining capacity. Product prices remained at historically high levels, reflecting the increasing global demand for high-quality traffic fuels and high crude prices. Neste Oil recorded a strong full-year profit and cash flow, despite a record-high level of capital expenditure and a scheduled major maintenance shutdown at its Porvoo refinery in Finland.

In April, Neste Oil was demerged from its former parent company and listed on the Helsinki Stock Exchange. The company attracted a lot of interest from investors from the start and the share price closed the year up by 65%.

### Note on the comparative figures

Comparative figures for 2004 are derived from Neste Oil's Combined Carve-out Financial Statements for the year ended 31 December 2004, which were published in stock exchange releases on 14 March 2005 and 29 April 2005 and in the Offering Memorandum related to the sale of Neste Oil's shares on 1–15 April 2005. The Neste Oil Group was incorporated through a demerger on 1 May 2004, and as a result no fully comparable income statement exists for 2004.

### The Group's sales and results

Sales at the Neste Oil Group for 2005 totaled EUR 9,974 million (7,909 million), an increase of some 26% on the figure for 2004, resulting primarily from higher crude oil and petroleum product prices.

The Group achieved an operating profit of EUR 791 million (713 million), driven by a stronger total refining margin, asset sales, and inventory gains.

Neste Oil's total refining margin stood at USD 8.82 /bbl (7.90), which is almost USD 4 /bbl above the IEA Brent Cracking reference margin of USD 4.98 /bbl (3.78). The operating profit includes a EUR 141 million gain from the sale of the Group's 50% stake in the oil production company, SeverTEK, and EUR 127 million in inventory gains.

These positive developments were negatively impacted by weaker USD/EUR hedges and a scheduled maintenance shutdown at the Porvoo refinery. Changes in the fair value of open oil derivative positions, primarily used to hedge future cash flows, had a negative impact of EUR 11 million on the operating profit; this compares to a gain of EUR 28 million in 2004. Under IFRS, outstanding oil derivative

positions are recognized at fair value for each reporting date. Since Neste Oil did not apply hedge accounting to its oil derivatives in 2005, changes in their fair value are recognized in the income statement.

The comparable operating profit for 2005, excluding inventory gains/losses, changes in the fair value of oil derivatives, and gains/losses from sales of fixed assets, was EUR 525 million (584 million).

Earnings per share were EUR 2.60 (2.37).

Given the capital-intensive and cyclical nature of its business, Neste Oil uses return on average capital employed after tax (ROACE%) as its primary financial indicator. Prior to the completion of the Diesel Project at the Porvoo refinery, the target was set at a minimum of 13% under reference market and operating conditions. This target was exceeded in 2005, and ROACE reached 13.4% (adjusted to reference market and operating conditions) and 19.0% (unadjusted).

### Comparable operating profit (MEUR)

	2005	2004
Comparable operating profit	525	584
- changes in the fair value of open oil derivative positions	-11	28
- inventory gains	127	74
- gains from sales of fixed assets	150	27
Operating profit	791	713

### Market overview

The hurricanes in the US Gulf in August and September had a major impact on oil refining in 2005, causing damage to a number of refineries and other facilities and putting some out of action for an extended period. Reference refining margins in North-West Europe peaked at record highs of approximately USD 16 /bbl, and brought the average reference refining margin for complex refineries (IEA Brent Cracking) for 2005 as a whole to USD 4.98 /bbl, over 30% up on 2004. Margins returned to more normal levels during the fourth quarter, following the restart of most idled US refineries. During the fourth quarter, the reference refining margin averaged USD 5.24 /bbl (10–12/04: 3.73).

Product prices also peaked in the aftermath of the hurricanes and began to push demand down, but this was short-lived and demand returned to normal during the course of the fourth quarter.

Gasoline prices varied in line with seasonal demand, but the average price difference between gasoline and crude oil was narrower in 2005 than in 2004. Prices reached all-time highs in August and September. The market remained strong in October, but weakened in November and December as a result of lower seasonal demand and increased supply as refineries resumed normal production.

The US gasoline market was supplied with lower-octane imported products during the early fall, which boosted global demand for high-octane gasoline components, such as iso-octane in the US, and ETBE and MTBE in Europe. Demand eased off in the fourth quarter as the need for lower-octane gasoline import in the US decreased.

Middle distillates (diesel fuel, jet fuel, and heating oil) were the strongest product category for most of the year due to strong demand driven by economic growth. In the fourth quarter, however, the price differential with crude oil narrowed because of improved supply and the relatively mild weather conditions.

The price difference between heavy and light crude remained volatile throughout the year: the average Urals Rotterdam - Brent Dated difference was approximately USD -4.42 /bbl (-3.96). In the fourth quarter, this was narrowed by USD 0.50 /bbl compared to the previous quarter to USD -3.91 /bbl (10-12/04: -6.46). Urals volumes shipped via Baltic ports were stable, while rail-based crude exports from Russia remained at a low level, as the Russian rail tariff structure and taxation practice encouraged domestic refinery usage over export by rail.

The price for Brent Dated crude oil averaged USD 54.4 /bbl (38.2) in 2005.

The current high prices of crude oil and petroleum products have encouraged public discussion on the utilization of biofuels. In line with the European Union biofuels directive, several member states have introduced national legislation promoting the use of biofuels in traffic, creating a growing market for Neste Oil's ETBE and future biodiesel businesses. The US Energy Policy Act of 2005, which was approved in August, will increase the demand for renewable fuels in the US.

Market growth for high-end lubricant base oils, especially EHVI (Enhanced High Viscosity Index), has continued, as a result of more stringent emissions and performance requirements. Despite this growth in demand, no major base oil capacity increases are expected in the near future.

The Finnish oil retail market was highly competitive in 2005, putting pressure on gasoline margins in particular. Demand for traffic fuels in the Baltic Rim area is growing steadily, which is reflected both in volume growth and good margins.

Shipping rates were somewhat lower on average in 2005 than in 2004. The difference was especially wide during the last quarter, because of lower ice premiums due to milder weather conditions.

## Segment reviews

Neste Oil's businesses are grouped into four segments for external reporting purposes: Oil Refining, Oil Retail, Shipping, and Other. The Components business is included under Oil Refining.

### Oil Refining

Oil Refining recorded a full-year operating profit of EUR 546 million in 2005 (562 million). Oil Refining's comparable operating profit for 2005 was EUR 422 million (463 million). The main reason for the segment's lower profit was the five-week scheduled maintenance shutdown at the Porvoo refinery, which coincided with the two major hurricanes in the US Gulf, and which cut production volumes. As a result, Neste Oil was unable to capitalize on the exceptionally high refining margins and product prices in the wake of the hurricanes. Weaker USD/EUR hedges also contributed to the lower profit figure.

Neste Oil's total refining margin reached USD 8.82 /bbl in 2005, exceeding 2004's total refining margin of USD 7.90 /bbl. This higher figure resulted from the strong diesel market during most of the year, and a wider price differential between heavy and light crude oil during the first three quarters than in 2004. The IEA Brent Cracking reference margin averaged USD 4.98 /bbl in 2005 (3.78).

2005 was a year of high capital expenditure in Oil Refining, totaling EUR 589 million (203 million). The main investment projects were the Diesel project and the construction of a biodiesel plant, both at the Porvoo refinery.

Oil Refining's return on net assets (RONA) was 34.7% (46.7%).

### Key figures

	2005	Carve-out 2004
Sales, MEUR	8,150	6,306
Operating profit, MEUR	546	562
Comparable operating profit, MEUR	422	463
Capital expenditure, MEUR	589	203
Total refining margin USD/bbl	8.82	7.90

Neste Oil imported a total of 10.8 million tons (12.3 million) of crude oil and condensates in 2005, of which approximately 80% was sourced from Russia and the countries of the former Soviet Union. Other feedstock supply totaled 2.2 million tons. Volumes were lower than in 2004 due to the maintenance shutdown at the Porvoo refinery. Around 50% of the crude oil and condensates was heavier, sourer crude.

Neste Oil refined a total of 12.9 million tons (13.6 million) in 2005, of which 10.3 million tons (11.1 million) at Porvoo. The Naantali refinery reached a new record of 2.6 million tons (2.5 million). Crude distillation capacity utilization at the Porvoo refinery was 89.2% (100.0%), while the Naantali refinery recorded an all-time high figure of 96.1% (93.7%).

Neste Oil's wholesale market share of key petroleum products in Finland averaged 77% in 2005 (79%).

### Components

Production of ETBE, a bioethanol-based high-quality gasoline component, was started in January 2005 at Neste Oil's facility at Sines in Portugal, and continued as planned for the rest of the year. Prior to the conversion, the plant produced MTBE. The plant has an annual capacity of 50,000 tons of ETBE.

Neste Oil and Borealis signed a marketing agreement in November 2005 covering output from Borealis' 40,000 t/a ETBE plant in Stenungsund in Sweden. Under the agreement, Neste Oil is responsible for marketing the plant's production and for procuring its feedstock ethanol.

The Alberta Envirofuels Inc. (AEF) iso-octane plant in Edmonton in Canada – a joint venture owned 50/50 by Neste Oil and Chevron – started up successfully after a planned maintenance shutdown in August and September, and reached a new monthly production record of 52,000 tons in December.

### Oil Retail

Oil Retail recorded a full-year operating profit of EUR 48 million (60 million) and a comparable operating profit of EUR 49 million (49 million). Operating profit benefited from high volumes and good margins in the Baltic Rim area, and suffered from tight gasoline margins in Finland.

Oil Retail's return on net assets (RONA) was 13.2% (18.1%).

#### Key figures

	2005	Carve-out 2004
Sales, MEUR	2,931	2,374
Operating profit, MEUR	48	60
Comparable operating profit, MEUR	49	49
Capital expenditure, MEUR	47	36
Product sales volume, 1,000 m <sup>3</sup>	4,115	4,005

Neste Oil's retail market share in Finland was slightly lower in 2005 in both gasoline and diesel fuel than in 2004, and stood at 27.2% (27.6%) in gasoline and 40.6% (41.6%) in diesel.

Neste Oil piloted a network of net-price unmanned NEX stations in Finland during 2005, and had 11 NEX outlets operational as of the end of the year. Feedback from the pilot phase has been encouraging and development of the NEX network will continue in 2006.

All together Neste Oil had 889 stations in Finland at the end of 2005.

Demand for traffic fuels continued to grow in the Baltic Rim region in 2005. Neste Oil opened new stations and total sales volumes in its retail network rose by approximately 18%. As of the end of the year, Neste Oil had 34 stations in the St. Petersburg area in Russia, 103 stations in Estonia, Latvia, and Lithuania, and 73 outlets in Poland.

A six-week labor dispute in the Finnish paper and pulp industry in May and June was reflected in lower direct sales of diesel fuel for the year as a whole. The unusually warm weather in the second half of 2005, coupled with rising petroleum product prices, made consumers cautious and reduced sales of heating oil.

LPG (Liquefied Petroleum Gas) sales totaled 235,000 tons (300,000) for the year as a whole.

### Shipping

Shipping's full-year operating profit of EUR 87 million was 23% lower than in 2004 (113 million). This reflects lower freight rates compared to the exceptionally high freight rates seen in the second half of 2004. In addition, new ice-classified tonnage entered the Baltic crude oil freight market during 2005, impacting freight rates. Higher fuel costs and time charter rates increased operating costs in the shipping business in 2005. Shipping's full-year comparable operating profit was EUR 85 million (94 million).

Shipping's return on net assets (RONA) was 26.7% (37.1%).

#### Key figures

	2005	Carve-out 2004
Sales, MEUR	352	339
Operating profit, MEUR	87	113
Comparable operating profit, MEUR	85	94
Capital expenditure, MEUR	24	77
Deliveries total, millions of tons	40.2	40.7
Fleet utilization rate, %	92	93

The fleet utilization rate remained high throughout the year, but was slightly lower than in 2004, mainly as a result of planned dockings and other repair work to the fleet.

Shipping carried a total of 40.2 million tons (40.7 million) in 2005, of which crude oil shipments accounted for 22.8 million tons (24.6 million) and products 17.4 million tons (16.1 million).

North Sea crude freights during 2005 averaged 164 Worldscales points (188). Shipping's product freight prices are mostly based on annual contracts. These reflected increased costs and were slightly higher compared to 2004. The market freight levels for Trans-Atlantic product shipments were exceptionally high in August and September, due to increased demand after the hurricanes in the US Gulf.

Neste Oil continued to renew its fleet in 2005. Two product tankers, the Sotka and the Sirri, were sold in October and December, respectively. A new 25,000-dwt product tanker, the M/T Neste, joined the fleet in December.

At the end of 2005, Neste Oil operated 30 tankers, of which 12 were company-owned and the remainder under contract. The fleet is capable of carrying approximately 1.3 million tons of crude oil and petroleum products.

## Other

Neste Oil's Other segment consists of the Group's Corporate Center. Neste Oil sold its 50% stake in SeverTEK, an oil exploration and production joint venture in northwestern Russia included in the segment, in November. A gain of EUR 141 million was booked on the sale of these shares.

## Capital expenditure

The Group's capital expenditure was high in 2005 and totaled EUR 668 million (316 million). Oil Refining accounted for EUR 589 million, Oil Retail for EUR 47 million, and Shipping for EUR 24 million. The Diesel Project's capital expenditure was EUR 361 million during the year.

Depreciation in 2005 was EUR 153 million (139 million).

## Financing

Neste Oil's interest-bearing net debt was reduced towards the end of 2005, thanks to proceeds from the sale of the Group's holding in SeverTEK and a strong cash flow from operations. Net debt amounted to EUR 796 million as of 31 December 2005 (31 Dec 2004: 969 million). Net financial expenses during the year were EUR 8 million. The average interest rate at the end of 2005 was 3.5%, and the average maturity of borrowings was 4.4 years.

Net cash from operating activities between January and December totaled EUR 596 million (1-12/04: 537 million).

Good profitability and the sale of Neste Oil's shares in SeverTEK strengthened the balance sheet significantly. The equity-to-assets ratio was 42.2% (31 Dec 2004: 32.2%), the gearing ratio 49.4% (31 Dec 2004: 97.0%), and the leverage ratio 33.0% (31 Dec 2004: 49.3%).

Cash and cash equivalents and committed, unutilized credit facilities amounted to EUR 1,429 million at the end of December.

In accordance with its hedging policy, Neste Oil has hedged the majority of its net foreign currency exposure for the next 12 months, mainly using forward contracts and currency options. The most important hedged currency is the US dollar.

Neste Oil signed a EUR 1.5 billion, 5-year revolving credit facility and a EUR 400 million domestic commercial paper program in March. Two domestic bonds were issued in June. The amount of the 4-year floating rate note was EUR 80 million, and that of the 7-year fixed rate note EUR 120 million.

Neste Oil signed a EUR 150 million, 8-year loan agreement with the European Investment Bank in January 2006. The loan will be used to finance the Diesel project at the Porvoo refinery.

## Shares, share trading, and ownership

Neste Oil's share performed positively during 2005. The listing price of Neste Oil Corporation's shares in the IPO in April 2005 was EUR 15.00, giving an initial market capitalization of EUR 3.9 billion. Share trading commenced on the Helsinki Stock Exchange on 18 April 2005.

The share price closed at EUR 16.18 after the first day of trading. At its highest during 2005, the share price reached EUR 32.19, while at its lowest the price stood at EUR 15.22, with the average for the year coming in at EUR 22.16. The share price closed the year at EUR 24.81, or 65.4% above the subscription price in April, giving the company a market capitalization of EUR 6.1 billion as of 31 December.

The share price was volatile during the course of the year, and trading was strong. A total of 2.0 million shares were traded on average daily, equal in value to EUR 44 million. This represents 0.8% of the company's shares and 0.7% of its market capitalization. On average, some 44.5 million shares were traded monthly, equal in value to EUR 872 million. During the year as a whole, 361 million shares, or 141% of the total number of shares, were traded, making Neste Oil one of the most traded stocks on the Helsinki Stock Exchange.

Neste Oil's share capital registered with the Company Register as of 31 December 2005 totaled EUR 40 million, and the total number of shares outstanding is 256,403,686. The company does not hold any of its own shares, and the Board of Directors has no authorization to buy back company shares or to issue convertible bonds, share options, or new shares.

At the end of 2005, the Finnish State held 50.1% of Neste Oil's shares outstanding, foreign institutions 34.8%, Finnish institutions 9.6%, and Finnish households 5.5%.

## Personnel

Neste Oil employed an average of 4,528 employees between January and December 2005 (Jan-Dec 2004: 4,296). As of the end of the year, Neste Oil had 4,486 employees (4,284), of whom 3,447 (3,239) worked in Finland.

## Corporate Governance

The Board of Directors that took office after the listing of Neste Oil shares in April comprises the following members: Mr Timo Peltola (Chairman), Mr Mikael von Frenckell (Vice Chairman), Ms Ainomaija Haarla, Mr Kari Jordan, Mr Juha Laaksonen, Ms Nina Linander, Mr Pekka Timonen, and Ms Maarit Toivanen-Koivisto.

The company also has a Supervisory Board. The members of the Supervisory Board are: Mr Klaus Hellberg (Chairman), Mr Markku Laukkanen (Vice Chairman), Mr Mikael Forss, Ms Heidi Hautala, Ms Satu Lähteenmäki, Mr Jouni Lappeteläinen, Mr Markus Mustajärvi, Mr Matti Neiglick, Mr Timo Nyman, Mr Juhani Sjöblom, and Ms Jutta Urpilainen. Lappeteläinen, Neiglick and Nyman represent various Neste Oil personnel groups.

The terms of the members of both Boards extend until Neste Oil's Annual General Meeting on 22 March 2006.

Shareholders' Nomination Committee was appointed in December and comprised following persons: Mr Markku Tapio, Director General, Ministry of Trade and Industry; Mr Kari Puro, President and CEO,

Ilmarinen Mutual Pension Insurance Company, and Mr Jorma Huuhtanen, Director General, Social Insurance Institution. The Chairman of Neste Oil's Board of Directors, Mr Timo Peltola served as the Committee's expert member.

### Group Management

Ms Hannele Jakosuo-Jansson, M.Sc. (Eng), was appointed Senior Vice President, Human Resources and a member of the Neste Executive Team as of 1 January 2006. Jakosuo-Jansson was previously Vice President, Human Resources in the Oil Refining division.

### Health, safety, and the environment

The main indicator for safety performance used by Neste Oil, lost workday injury frequency (LWIF), or the number of injuries resulting in lost workdays per million hours worked, stood at 4.9 at the end of 2005. This compares to a LWIF of 4.0 in 2004. Work on further improving this figure has started.

The major maintenance shutdown at the Porvoo refinery, employing a total of 2,300 people and bringing a number of outside contractors to the site, was a success from the safety point of view. The LWIF for the entire shutdown was 4.7, a major improvement from the LWIF of 33 recorded during the 2001 shutdown.

Neste Oil has not participated in carbon dioxide (CO<sub>2</sub>) emissions trading as yet. All the arrangements required for verifying and reporting emissions, or participating in emissions trading, are in place.

The European Commission has issued a legislative proposal for a new regulatory framework for chemicals. Under the proposed new system, known as REACH (Registration, Evaluation and Authorization of Chemicals), enterprises that manufacture or import more than one ton of chemical substances a year will be required to register such chemical substances in a central database. Neste Oil's project for meeting REACH requirements has progressed according to plan.

Neste Oil performed well in a study by Stock at Stake, a corporate responsibility and advice body used for profiling oil companies by the consumer organization, ICRT. Neste Oil was ranked top in the environmental section, as well as in the overall assessment. Neste Oil has also been selected for the Ethibel Excellence Register. Ethibel is an independent consultancy agency that provides advice on socially responsible investment to financial institutions and manages a quality label and index issued to European banks and brokers with ethical saving products and funds.

### Strategy implementation and investment projects

Neste Oil aims to be a leading independent Northern European oil refiner, with a focus on high-quality petroleum products designed for cleaner traffic and a commitment to world-class operational and financial performance. Leveraging its refining excellence, Neste

Oil is ideally placed to develop new products and use a wide range of feedstocks and new technologies. Neste Oil is committed to developing its structure and business portfolio to implement this strategy effectively.

### Diesel project

The Diesel project at the Porvoo refinery progressed according to plan in 2005. By the end of the year, the last delivery of main process equipment was made to the site. Recruitment for the project was completed and the forthcoming operation and maintenance organization of the new production line, numbering more than 100 people, is now at full strength.

The project's estimated impact on Neste Oil's total refining margin was increased in 2005 to over USD 2 /bbl, following the favorable development of the key market drivers. Due to improvements in design and higher-than-expected international steel prices, the project's total investment cost is estimated to be slightly above EUR 600 million.

The new production line is expected to be in operation by the end of 2006. Once completed, it will increase Neste Oil's production capacity of sulfur-free diesel fuel by over 1 million tons a year, and reduce production of heavy fuel oil. The Porvoo refinery will also be able to switch completely to using heavier, sourer crude input.

### Biodiesel

The construction of the EUR 100 million biodiesel plant at the Porvoo refinery also proceeded as planned in 2005. The foundation stone of the facility was laid in October, and it is due to enter production in the summer of 2007. The plant will have an annual production capacity of 170,000 tons of biodiesel.

Production of biodiesel will be based on a process developed by Neste Oil that is capable of producing high-quality diesel fuel from renewable raw materials, such as vegetable oils and animal fats. Neste Oil's biodiesel (NExBTL) has superior fuel properties and meets the highest requirements set by automotive companies. Demand for biodiesel is expected to increase in the future particularly within the European Union, as the EU is encouraging member states to boost their use of renewable raw materials in traffic fuels through its biofuels directive. Several member states have introduced national legislation promoting the use of biofuels in traffic fuels, creating a growing market for biofuels.

Neste Oil and Total S.A. are continuing to evaluate the possibilities for jointly building a biodiesel plant at one of Total's refineries in Europe, with the aim of beginning production in 2008. Production will be based on Neste Oil's proprietary NExBTL technology.

### Lubricant base oils

Production of a synthetic type of sulfur-free EHVI (Enhanced High Viscosity Index) base oil, used as a raw material for lubricants, was restarted at Porvoo after the

refinery's maintenance shutdown. A 30,000 t/a capacity expansion project was completed during the shutdown and capacity now stands at 250,000 t/a.

The market for high-end lubricant base oils, especially EHVI, has continued to grow, as a result of more stringent emissions and performance requirements. No major capacity growth is expected globally in the near future for new base oil production.

Neste Oil and the Bahraini company, Bapco, proceeded with a plan announced in August aiming at a joint venture to produce high-quality lubricant base oils at Bapco's refinery in Bahrain. The planned facility will be capable of producing 400,000 t/a of EHVI base oil. The target is to commence production in 2008.

### Structural development

Neste Oil continued to focus on its core strategy by divesting some non-core businesses and assets during 2005.

The company sold its 50% interest in SeverTEK, an oil exploration and production joint venture based in northwestern Russia, to its joint venture partner Lukoil, on 22 November – booking a profit of EUR 141 million on the transaction.

In September, Neste Oil sold its 50% stake in Pikoil Oy, a retailer of traffic fuels and grocery products that operates some Neste stations. Following the transaction, Neste Oil is responsible for the retail sale of fuels from the pumps at stations managed by Pikoil, while Pikoil handles the retailing of groceries, automotive accessories, and car wash services, together with restaurant operations. The transaction did not affect operations at dealer-owned Neste stations, or Neste's unmanned D, A24, and NeX stations.

In addition, Neste Oil is evaluating the possibility of divesting its 10% holding in The Saudi European Petrochemical Company Ibn Zahr, which produces MTBE and polypropylene in Al-Jubail in Saudi Arabia.

### Change in accounting principles

Neste Oil will apply hedge accounting as defined under IFRS to certain oil commodity derivatives used for hedging forecast future cash flows as of 1 January 2006. This change in accounting principle will have no effect on reported figures for the financial period 2005.

### Outlook

The key market drivers of Neste Oil's financial performance are the international benchmark refining margin, the price differential between Russian Export Blend (REB) and Brent crude oil, and the USD/EUR exchange rate. Changes in crude oil prices impact Neste Oil's financial results mainly in the form of inventory gains or losses.

Provided that solid global economic growth continues, the company sees the long-term market fundamentals in oil refining as likely to remain unchanged supporting Neste Oil's core strategy. Tightness of complex refining capacity is expected to keep refining margins volatile,

but well over historical averages in 2006. Recent history shows that geopolitical concerns and natural disasters can significantly add to this volatility.

As in 2005, margins have been soft during the early weeks of the first quarter. Forward markets in gasoline and diesel suggest that margins could strengthen towards the end of the year, and the company is preparing for a strong gasoline season starting in the second quarter.

The price differential between REB and Brent is expected to stay at approximately the same level or slightly lower than the figure seen in 2005.

The Diesel Project at the Porvoo refinery is scheduled to be online at the end of 2006.

Growth and healthy margins are expected to continue in the oil retail market in the Baltic Rim area. Tough competition is likely to continue in the Finnish market.

In shipping, over-supply of ice-classified tonnage for crude oil shipments from Primorsk may reduce winter freight premiums.

The Group's capital expenditure in 2006 is expected to be approximately EUR 450 million.

Regularly updated market information is available on the Neste Oil website [www.nesteoil.com](http://www.nesteoil.com) from 15 February 2006 onwards.



# Consolidated income statement

MEUR	Note	1 Jan-31 Dec 2005	1 May-31 Dec 2004 <sup>1)</sup>
<b>Sales</b>	3, 4	9,974	5,454
Other income	5	170	47
Materials and services	6	-8,443	-4,462
Employee benefit costs	7	-223	-141
Depreciation, amortization and impairment charges	8	-153	-95
Other expenses	9	-534	-317
<b>Operating profit</b>		791	486
Share of profit (loss) of associates and joint ventures		40	32
<b>Financial income and expenses</b>	10		
Finance income		26	14
Finance expenses		-29	-25
Other -losses/gains - net		-5	13
		-8	2
Group contributions paid <sup>2)</sup>		0	-411
<b>Profit before income taxes</b>		823	109
Income tax expense	11	-153	12
<b>Profit for the year</b>		670	121
<b>Attributable to:</b>			
Equity holders of the Company		667	119
Minority interest		3	2
		670	121
<b>Earnings per share from profit for the period attributable to the equity holders of the company during the year basic and diluted (in euro per share)</b>	12	2.60	1.60

The notes are an integral part of these consolidated financial statements.

<sup>1)</sup> Neste Oil Group was incorporated through a demerger on 1 May 2004, and thus no fully comparable income statement exists for the full 12 months period in 2004.

<sup>2)</sup> Group contributions were paid to the former parent company, Fortum Corporation, since Neste Oil was part of the Fortum Group in 2004. Within Fortum Group, the profits and losses of Finnish group companies were combined for tax purposes through group contributions.

# Consolidated balance sheet

MEUR	Note	31 Dec 2005	31 Dec 2004
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	14	50	30
Property, plant and equipment	13	2,009	1,510
Investments in associates and joint ventures	15	126	140
Long-term interest-bearing receivables	16, 17	17	68
Pension assets	27	63	47
Deferred tax assets	25	23	17
Other financial assets	16, 17	24	28
		2,312	1,840
<b>Current assets</b>			
Inventories	18	601	415
Trade and other receivables	16, 19	837	666
Cash pool receivables	20	0	124
Cash and cash equivalents	20	79	60
		1,517	1,265
<b>Total assets</b>		<b>3,829</b>	<b>3,105</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the company</b>			
Share capital	23	40	40
Other equity		1,565	953
		1,605	993
<b>Minority interest</b>		<b>7</b>	<b>5</b>
<b>Total equity</b>		<b>1,612</b>	<b>998</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	16, 24	635	715
Deferred tax liabilities	25	192	193
Provisions	26	14	15
Pension liabilities	27	13	13
Other non-current liabilities	16, 24	24	21
		878	957
<b>Current liabilities</b>			
Borrowings	16, 24	240	438
Income tax liabilities		6	8
Trade and other payables	16, 24	1,093	704
		1,339	1,150
<b>Total liabilities</b>		<b>2,217</b>	<b>2,107</b>
<b>Total equity and liabilities</b>		<b>3,829</b>	<b>3,105</b>

The notes are an integral part of these consolidated financial statements.

# Consolidated cash flow statement

MEUR	Note	1 Jan-31 Dec 2005	1 May-31 Dec 2004
<b>Cash flows from operating activities</b>			
Profit for the year		670	121
Adjustments for			
Income tax	11	153	-12
Share of profit (loss) of associates and joint ventures	15	-40	-32
Depreciation and amortization	8	153	95
Other non-cash income and expenses		-11	-13
Finance cost-net	10	8	-2
Profit/loss from disposal of fixed assets and shares	5	-150	-20
Group contributions paid		0	411
		783	548
Change in working capital			
Decrease (+)/increase (-) in trade and other receivables		-165	26
Decrease (+)/increase (-) in inventories		-177	-93
Decrease (-)/increase (+) in trade and other payables		296	74
Change in working capital		-46	7
		737	555
Interest and other finance cost paid		-1	-12
Dividends received		22	13
Realized foreign exchange gains and losses		-23	7
Income taxes paid		-139	-1
		-141	7
<b>Net cash generated from operating activities</b>		596	562
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	13	-635	-221
Purchases of intangible assets	14	-29	-6
Purchases of associates/joint ventures	15	-4	-2
Proceeds from sale of subsidiaries, net of cash disposed		0	7
Proceeds from sale of property, plant and equipment		14	13
Proceeds from sale of associates/joint ventures		193	0
Changes in long-term receivables		43	24
<b>Net cash used in investing activities</b>		-418	-185
<b>Cash flow before financing activities</b>		178	377
<b>Cash flows from financing activities</b>			
Payment of (-)/proceeds from (+) short-term borrowings		-215	398
Proceeds from long-term liabilities		735	2
Repayments of long-term liabilities		-804	-292
Group contributions paid		0	-411
Dividends paid to minority interests		-2	0
<b>Net cash used in financing activities</b>		-286	-303
<b>Net -(decrease)/(+) increase in cash and cash equivalents</b>		-108	74
Cash and cash equivalents at beginning of the year		184	114
Exchange (+) gains/(-) losses on cash and cash equivalents		3	-4
<b>Cash and cash equivalents at end of the year</b>	20	79	184

The notes are an integral part of these consolidated financial statements.

# Consolidated statement of changes in equity

MEUR	Note	Attributable to equity holders of the Company					Minority interest	Total equity
		Share capital	Reserve fund	Hedging reserve	Translation differences	Retained earnings		
<b>Total equity at 1 May 2004</b>		40	9	2	0	795	3	849
Translation differences					-4			-4
Dividends paid								0
Cash flow hedges, net of taxes	22			32				32
Net investment hedges, net of taxes	22				0			0
Change in minority								0
Net profit for the year						119	2	121
<b>Total equity at 31 December 2004</b>		40	9	34	-4	914	5	998
<b>Total equity at 31 December 2004</b>		40	9	34	-4	914	5	998
Translation differences					21			21
Dividends paid								0
Cash flow hedges, net of taxes	22			-67				-67
Net investment hedges, net of taxes	22				-9			-9
Change in minority							-1	-1
Net profit for the year						667	3	670
<b>Total equity at 31 December 2005</b>		40	9	-33	8	1,581	7	1,612

The notes are an integral part of these consolidated financial statements.

# Notes to the consolidated Financial Statements

## 1. General information

Neste Oil Corporation (the Company) is a Finnish public limited liability company with domicile in Espoo, Finland. The Company is listed on the Helsinki Stock Exchange.

Neste Oil Corporation continues the oil operations of Fortum Oil and Gas Oy, which was demerged into two companies as per 1 May 2004. On 24 September 2003, the Extraordinary General Meeting of the shareholders of the demerging company, Fortum Oil and Gas Oy, approved a 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 at historic book values 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 1 May 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. The name of the Company was changed to Neste Oil Corporation on 8 March 2005. Since Neste Oil's operations as a separate legal entity started on 1 May 2004 and its first financial period was eight months, the income statement and cash flow statement and related notes in the financial statements for the financial period ended 31 December 2004 are not comparable with the financial statements for the period ended 31 December 2005. In segment information (note 3), the comparative segment information for 2004 is based on the audited Neste Oil Carve-out financial statements, which represent the historical operations of the oil business of Fortum Corporation transferred to Neste Oil Group in the demerger discussed above.

Neste Oil Corporation and its subsidiaries (together the Neste Oil Group) is a refining and marketing company focused on high-quality traffic fuels and other high value-added petroleum products. The Group'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 and bitumen. Neste Oil's supply and distribution chain includes a tanker fleet for crude oil and other feedstock imports and refined product exports. As an oil refiner, Neste Oil is the leading manufacturer of environmentally benign oil products. These consolidated financial statements have been approved for issue by the Board of Directors on 14 February 2006.

## 2. Summary of significant accounting policies

These consolidated financial statements are the first published financial statements of Neste Oil Group prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The consolidated financial statements have been prepared under the historic cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through income statement. The consolidated financial statements are presented in millions of euros unless otherwise stated.

The Company has adopted IFRS during the year 2005 and has applied IFRS 1, First-time Adoption of International Financial Reporting Standards to these financial statements. Consolidated financial statements of Neste Oil Group until 31 December 2004 had been prepared in accordance with Finnish Accounting Standards (FAS). FAS differ in certain respects from International Financial Reporting Standards (IFRS). When preparing these consolidated financial statements, management has amended certain accounting, measurement and consolidation methods applied in the FAS consolidated financial statements to comply with IFRS. The date of transition from FAS to IFRS was 1 May 2004. The comparative figures in respect of 2004 were restated to reflect these adjustments. Neste Oil Group has elected to apply the following exemptions from the requirements other IFRSs as allowed in IFRS 1:

- The Group will not apply IFRS 3 Business Combinations retrospectively to past business combinations but keep the same classification and recognition of assets and liabilities as in its FAS consolidated financial statements.
- The Group has elected to keep FAS revaluations net of cumulative depreciations of certain items of property, plant and equipment as deemed cost of property, plant and equipment.

- Under IAS 19 Employee Benefits the Group has elected to recognize all cumulative actuarial gains and losses at the date of transition to IFRS's and use a corridor approach for later actuarial gains and losses. The financial component of post-employment benefits is included in the employee costs.
- The Group deems all cumulative translation differences for all foreign operations to be zero at the date of transition to IFRSs.

The Group has chosen to early adopt the following amendments to existing standards:

- IAS 19 Employee benefits: the Group has prepared the additional disclosure requirements but has not changed its accounting policy for the recognition of actuarial gains or losses to the option allowed by the amendment.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2006 or later periods but which the Group has not early adopted:

- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions and IAS 39 (Amendment), The Fair Value Option, IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts: these amendments are not relevant to the Group.
- IFRS 6 Exploration for and Evaluation of Mineral Resources and IFRS 1 (Amendment) and IFRS 6 (Amendment): the standard and the related amendment are not relevant to the Group.
- IFRS 7 Financial Instruments: Disclosures and the related amendment to IAS 1 Presentation of Financial Statements - Capital Disclosures. The Group has assessed the impact of IFRS 7 and the related amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures. The Group will apply IFRS 7 and the amendment to IAS 1 from annual period beginning 1 January 2006.
- IAS 21 (Amendment) Net Investment in Foreign Operation: management estimates that the change has no effect to Group reporting.
- IFRIC 4 Determining whether an Arrangement contains a Lease: management estimates that the interpretation has no effect to Group reporting.
- IFRIC 5 Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds: the interpretation is not relevant to the Group's operations.
- IFRIC 6 Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment: the interpretation is not relevant to the Group's operations.
- IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies: the interpretation is not relevant to the Group's operations.
- IFRIC 8 Scope of IFRS 2: management estimates that the interpretation has no effect to Group reporting.

Of the above, IAS 21, IAS 39 and IFRS 4 Amendments, IFRS 1 and IFRS 6 Amendments, IFRIC 6, IFRIC 7 and IFRIC 8 are still subject to EU endorsement.

#### Use of estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

#### Consolidation

##### Subsidiaries

The consolidated financial statements include the parent company Neste Oil Corporation and all those companies in which Neste Oil Corporation has the power to govern the financial and operating policies and generally holds, directly or indirectly, more than 50% of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, subsidiaries' accounting policies have been changed to ensure consistency with the policies the Group has adopted.

##### Associates

Associated companies over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights are accounted for by the equity method of accounting and are initially recognized at cost.

The Group's share of its associates' post-acquisition profits or losses after tax is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the

Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

#### Joint ventures

Joint ventures are entities over which the Group has contractually agreed to share the power to govern the financial and operating policies of that entity with another venturer or venturers. The Group's interests in jointly controlled entities are accounted for by the equity method of accounting. Identifiable assets acquired and liabilities and contingent liabilities assumed in the investment in joint ventures are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the joint venture acquired, the difference is recognized directly in the income statement.

#### **Segment reporting**

The Group's primary format for reporting segment information is business segments and secondary format is geographical segments. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

#### **Non-current assets and disposal groups held for sale**

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

#### **Foreign currency translation**

##### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euros, which is the Company's functional and presentation currency.

##### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

##### (c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- (iii) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognized in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group deems all cumulative translation differences for all foreign operations to be zero at the date of transition.

#### **Revenue recognition**

Revenue from sale of goods is recorded into the income statement when the significant risks and rewards related to the ownership of the goods have been transferred to the buyer. Revenue from services is recorded when the services have been provided. Revenue is recorded for exchange of goods only when dissimilar goods are exchanged.

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.

#### **Government grants**

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are deducted from the acquisition cost of the asset and recognized as income by reducing the depreciation charge of the asset they relate to.

**Borrowing costs**

Borrowing costs are recognized as expense in the period in which they are incurred, except if they are directly attributable to the construction of an asset that meets the determined criteria, in which case they are capitalized as part of the cost of that asset. These determined criteria are that (a) the borrowing costs incurred for the construction of an investment that exceeds EUR 100 million that (b) it will take more than 18 months to make the related asset operational, and (c) that it is an initial investment.

**Income taxes**

The Group's income tax expense includes taxes of group companies calculated from the taxable profit for the period, with adjustments for previous periods as well as the change in deferred income taxes. For items recognized directly in equity the income tax effect is similarly recognized.

Deferred income tax are stated using the balance sheet liability method, to reflect the net tax effect of temporary differences between the financial reporting and tax bases of assets and liabilities. The main temporary differences arise from depreciation difference on property, plant and equipment, fair valuation of derivative financial instruments, pension assets recognized and tax losses carried forward. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is determined using tax rates that have been enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

**Research and development**

Research expenditure is recognized as an expense as incurred and included in other operating expenses in the consolidated financial statements. Expenditure on development activities is capitalized only when they relate to new products which are technically and commercially feasible. Majority of the Group's development expenditure do not meet the criteria for capitalisation and are recognized as expenses as incurred.

**Property, plant and equipment**

Property, plant and equipment comprise mainly oil refineries and other production plants and storage tanks, marine fleet, as well as retail station network machinery and equipment. Property, plant and equipment are stated at historical cost, less depreciation and any accumulated impairment losses, in the balance sheet. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Acquired assets on the acquisition of a new subsidiary are stated at their fair values at the date of acquisition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate,

only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Costs for major periodic overhauls at oil refineries and other production plants on a 3–5 year cycle are capitalized when they occur and then depreciated during the shutdown cycle, i.e. the time between shutdowns. All other repairs and maintenance are charged to the income statement during the financial period in which they incur.

Land areas are not depreciated. Crude oil rock inventory bottoms included in other tangible assets are depreciated according to possible usage of the crude oil. Depreciation on tangible assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

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	3–15 years
Other tangible assets	20–40 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated income statement.

**Intangible assets**

Intangible assets are stated at the historical cost and are amortized on a straight-line method over expected useful lives. The intangible assets comprise following:

Computer software

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (three to five years). Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred.

Trademarks and licences

Trademarks and licences have a definite useful life and are carried at cost less accumulated amortization. They are amortized over their estimated useful lives (three to ten years). Amortization is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is



included in 'intangible assets'. Goodwill on acquisitions of associates is included in 'investments in associates'. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

#### Emission allowances

Emission allowances purchased are accounted for as intangible assets and measured at cost, and emission allowances received free of charge are accounted for at nominal value, i.e. at zero. An impairment charge is recognized in the income statement, if the fair value is lower than the carrying value.

A provision is recognized to cover the obligation to return emission allowances, if emissions allowances received free of charge do not cover actual emissions. The provision is measured at its probable settlement amount. The difference between emissions made and emission allowances received as well as the change in the probable amount of the provision are reflected in operating profit.

#### **Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets other than goodwill that suffered and impairment are reviewed for possible reversal of the impairment at each reporting date.

#### **Financial assets**

The Group classifies financial assets in the following categories: financial assets at fair value through income statement, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired.

#### Financial assets at fair value through income statement

The assets in this category are financial assets held for trading. Derivative financial instruments are categorized into this category, if they are either held for trading or do not meet the criteria for hedge accounting as defined under IAS 39. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

#### Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of financial assets are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default in payments are considered as indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted with the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement within 'Other expenses'.

Available-for-sale financial assets and financial assets at fair value through income statement are subsequently carried at fair value. Unlisted equity securities, for which fair value cannot be reliably measured, are recognized at cost less impairment. Loans and receivables are carried at amortized cost using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of the 'financial assets at fair value through income statement' category are included in the income statement in the period in which they arise. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

**Leases**Finance leases

Lease arrangements that transfer substantially all the risks and rewards related to the leased asset to the lessee are classified as finance lease. Finance leases are capitalized at the commencement of the lease term at the lower of the fair value of the leased property or the present value of the minimum lease payments each determined at the inception of the lease. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in interest-bearing liabilities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Assets acquired under finance leases are depreciated over the useful life of the asset or the lease term, whichever is the shorter.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

**Inventories**

Inventories are stated at the lower of either cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

**Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less.

**Provisions**

Provision are recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that the obligation will result in payment, the amount of which can be reliably estimated. Provisions can arise from environmental risks, litigation, restructuring plans or onerous contracts. Environmental provisions are recorded based on current interpretations of environmental laws and regulations when the conditions referred to above are met.

**Financial liabilities**

Financial liabilities are recognized initially at net proceeds less transaction costs incurred. In subsequent periods, they are stated at amortized cost; any difference between

the net proceeds and the redemption value is recognized as interest cost over the period of the borrowing using the effective interest method. Bank overdrafts are shown in current liabilities on the balance sheet. Derivative financial instruments are categorized as held for trading and included in financial liabilities at fair value through income statement unless they are designated as hedges as defined in IA9 39. Liabilities are included in non-current liabilities, except for maturities less than 12 months after the balance sheet date.

**Employee benefits**Pension obligations

Neste Oil has number of pension plans in accordance with local practises in the countries where it operates. The plans are generally funded through Group's pension funds or through insurance companies. The Group has both defined benefit and defined contribution plans.

The Group's contributions to defined contribution plans are charged to the income statement in the period when they are due.

For defined benefit plans, pension costs are assessed using the projected unit credit method. The cost of providing pensions is charged to the income statement as to spread the service cost over the service lives of employees. The defined benefit obligation is measured as the present value of the estimated future cash flows using interest rates of high-quality corporate bonds that have terms to maturity approximating to the terms of the related pension liability. The liability or asset recognized in the balance sheet is the defined benefit obligation at the balance sheet date less the fair value of plan assets. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Actuarial gains and losses exceeding 10% of total defined benefit obligations or the present value of plan assets (whichever is higher) are recorded in the income statement over the employees' expected average remaining working lives. Past-service costs are recognized immediately in income statement. The interest cost is included in the employee benefit expense. At the date of transition all accumulated actuarial gains and losses related to defined benefit plans are recognized in the balance sheet as allowed in IFRS 1.

**Derivative financial instruments and hedging activities**

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing any 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 Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Hedge accounting for each type of hedge is described in more detail in note 22.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. Any 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 within sales or finance income and expense during the periods when the hedged item affects profit or loss, when a forecasted sale that is being hedged takes place, for example.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement within financial income and expenses 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 within financial income and expenses.

#### *Derivatives that do not qualify for hedge accounting*

Oil commodity derivatives do not qualify for hedge accounting although these instruments are largely held for economic hedging purposes. Oil commodity derivatives are also held for trading for profit purposes. Certain currency and interest rate derivatives do not qualify for hedge accounting, either. For those derivatives, which do not qualify for hedge accounting, any movement in fair value is recognized in the income statement in operating profit concerning oil commodity derivatives and in financial income and expenses concerning derivatives related to financing activities.

#### **Definitions**

##### *Operating profit*

Operating profit includes the revenue from sale of goods and services, other income such as gain from sale of shares or fixed assets, less losses from sale of shares or fixed assets as well as expenses related to the production, marketing and selling activities, administration, depreciation, amortization and impairment charges. Realized and unrealized gains or losses on oil derivatives as well as realized gains and losses from foreign currency derivatives that have been recycled in the income statement in cash flow hedges of commercial sales and purchases are also included in operating profit.

### 3. Segment information

#### Business segments

The Group's businesses are divided into the following reporting segments:

- Oil Refining segment consists of two divisions: Oil refining division and Components division. Oil refining produces and sells gasoline, diesel fuels, light and heavy fuel oils, aviation fuels, and liquefied petroleum gases. Components division produces and sells base oils and gasoline components and develops biocomponents for traffic fuels.
- Oil Retail segment markets petroleum products, LPG, and associated services directly to end-users, of which the most important are private motorists, industry, transport companies, farmers, and heating customers.

Traffic fuels are marketed through Neste Oil's own service station network.

- Shipping segment operates a tanker fleet, which carries crude oil, petroleum products, and chemicals for the Group and other customers.
- Other segment includes Group administration and shared service functions as well share of profits of SeverTEK, a crude oil producing company, the shares of which were sold in November 2005.

The accounting policies of the segments are the same as those for the Group as described in "Summary of significant accounting policies."

2005	Oil Refining	Oil Retail	Shipping	Other	Eliminations	Group
External sales	6,894	2,850	229	1	-	9,974
Internal sales	1,256	81	123	9	-1,469	-
Total Sales	8,150	2,931	352	10	-1,469	9,974
Other income	11	6	12	149	-8	170
Materials and services	-7,076	-2,701	-45	0	1,379	-8,443
Employee benefit costs	-147	-29	-34	-13	-	-223
Depreciation, amortization and impairments	-101	-28	-22	-2	-	-153
Other expenses	-291	-131	-176	-34	98	-534
Operating profit	546	48	87	110	0	791
Share of profit of associates and joint ventures	24	-3	0	19	-	40
Financial income and expense	-	-	-	-	-	-8
Profit before taxes	-	-	-	-	-	823
Income taxes	-	-	-	-	-	-153
Profit for the period	-	-	-	-	-	670
Comparable operating profit	422	49	85	-31	-	525
Capital expenditure	589	47	24	8	-	668
Segment assets	2,721	612	347	22	-158	3,544
Investment in associates and joint ventures	118	2	6	-	-	126
Deferred tax assets	-	-	-	-	-	23
Unallocated assets	-	-	-	-	-	136
Total assets	2,839	614	353	22	-158	3,829
Segment liabilities	950	239	27	16	-154	1,078
Deferred tax liabilities	-	-	-	-	-	192
Unallocated liabilities	-	-	-	-	-	947
Total liabilities	950	239	27	16	-154	2,217
Segment net assets	1,889	375	326	6	-4	2,592

2004 Based on carve-out financial statements	Oil Refining	Oil Retail	Shipping	Other	Eliminations	Group
External sales	5,351	2,366	192	-	-	7,909
Internal sales	955	8	147	-	-1,110	-
Total Sales	6,306	2,374	339	-	-1,110	7,909
Other income	34	13	23	2	-	72
Materials and services	-5,354	-2,163	-21	3	1,107	-6,428
Employee benefit costs	-141	-30	-35	-5	-	-211
Depreciation, amortization and impairments	-94	-27	-18	0	-	-139
Other expenses	-189	-107	-175	-21	2	-490
Operating profit	562	60	113	-21	-1	713
Share of profit of associates and joint ventures	27	-5	0	14	-	36
Comparable operating profit	463	49	94	-21	-1	584
Capital expenditure	203	36	77	0	-	316
Segment assets	1,928	502	361	1	-134	2,658
Investment in associates and joint ventures	112	-1	2	26	0	139
Total segment assets	2,040	501	363	27	-134	2,797
Segment liabilities	625	199	27	14	-131	734
Segment net assets	1,415	302	336	13	-3	2,063

Segment result includes gains and losses from foreign currency derivatives hedging cash flows of commercial sales and purchases that have been recycled in the income statement.

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated parties. All inter-segment sales are eliminated in consolidation.

Income statement line 'other expenses' for each of the business segments includes the following major items in the order of significance:

- Oil Refining: maintenance, freights, rents and other property costs and insurance premiums, change in the fair value of open derivative positions

- Oil Retail: rents and other property costs and maintenance

- Shipping: time-charter freights and maintenance.

Segment assets consist primarily of property, plant and equipment, intangible assets, investments, pension assets, inventories and receivables. They exclude deferred taxes, interest-bearing receivables, derivative financial instruments designated as hedges of forecasted future cash flows.

Segment liabilities comprise of operating liabilities, pension liabilities and provisions. They exclude items such as taxation, interest-bearing liabilities and derivative financial instruments designated as hedges of forecasted future cash flows.

### Geographical segments

The Group operates production facilities in Finland, Canada, Belgium and Portugal and retail selling network in Finland, Russia, Estonia, Latvia, Lithuania and Poland.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods or services.

2005	Finland	Other Nordic countries <sup>4)</sup>	Baltic rim <sup>5)</sup>	Other European countries	USA and Canada	Other countries	Elimina- tions	Group
Sales by destination <sup>1)</sup>	4,334	999	690	1,417	2,501	33	-	9,974
Total segment assets <sup>2)</sup>	3,076	127	209	59	240	0	-41	3,670
Capital expenditure <sup>3)</sup>	628	0	31	0	9	0	-	668
2004 Based on carve-out Financial Statements	Finland	Other Nordic countries <sup>4)</sup>	Baltic rim <sup>5)</sup>	Other European countries	USA and Canada	Other countries	Elimina- tions	Group
Sales by destination <sup>1)</sup>	3,687	761	449	1,028	1,842	142	-	7,909
Total segment assets <sup>2)</sup>	2,312	120	164	57	186	0	-42	2,797
Capital expenditure <sup>3)</sup>	294	0	19	0	3	0	-	316

<sup>1)</sup> Sales are allocated based on the country in which the customer is located.

<sup>2)</sup> Total segment assets are allocated based on where the assets are located.

<sup>3)</sup> Capital expenditure are allocated based on where the assets are located.

<sup>4)</sup> In "Other Nordic countries" are included Sweden, Norway and Denmark.

<sup>5)</sup> In Baltic rim are included Estonia, Latvia, Lithuania, Russia and Poland.

Comparative segment information for 2004 for business segments and geographical segments are based on carve-out financial statements. Neste Oil Group was incorporated through a demerger on 1 May, 2004, and thus no comparable segment information exists for the full 12 months period in 2004. The carve-out information cannot be reconciled to the Group balance sheet as at 31 December 2004. The full carve-out income statement for Neste Oil Group for 2004 is presented below for comparison purposes.

<b>Combined carve-out income statement</b>	<b>1 Jan-31 Dec 2004</b>
<b>Sales</b>	7,909
Other income	72
Materials and services	-6,428
Employee benefit costs	-211
Depreciation, amortization and impairment charges	-139
Other expenses	-490
<b>Operating profit</b>	713
Share of profit (loss) of associates and joint ventures	36
<b>Financial income and expense</b>	
Finance income	15
Finance expenses	-5
Other -losses/gains - net	8
	18
<b>Profit before income taxes</b>	767
Income tax expense	-157
<b>Profit for the period</b>	610
<b>Attributable to:</b>	
Equity holders of the Company	608
Minority interest	2
	610

#### 4. Analysis of sales by category

	<b>2005</b>	<b>2004</b>
Sale of goods	8,588	4,827
Revenue from services	273	161
Royalty income	1	1
Oil trading	1,096	464
Other	16	1
	9,974	5,454

EUR 52 million (2004: 72 million) of the above arise from product exchanges.

#### 5. Other income

	<b>2005</b>	<b>2004</b>
Gain on sale of SeverTEK shares	141	-
Capital gains on disposal of non-current assets	10	21
Rental income	4	2
Other	15	24
	170	47

#### 6. Materials and services

	<b>2005</b>	<b>2004</b>
Change in product inventories	-122	0
Materials and supplies		
Purchases	8,594	4,528
Change in inventories	-51	-75
External services	22	9
	8,443	4,462

#### 7. Employee benefit costs

	<b>2005</b>	<b>2004</b>
Wages, salaries	189	113
Social security costs	21	12
Pension costs-defined contribution plans	11	11
Pension costs-defined benefit plans	-8	0
Other costs	10	5
	223	141

Key management compensation is included in note 29, Related party transactions.

<b>Personnel (average)</b>	<b>2005</b>	<b>2004</b>
Oil Refining	2,720	2,614
Oil Retail	1,124	1,057
Shipping	545	581
Oil Other	139	44
	4,528	4,296

## 8. Depreciation, amortization and impairment charges

	2005	2004
Depreciation of property, plant and equipment		
Buildings and structures	44	26
Machinery and equipment	97	63
Other tangible assets	3	2
	144	91
Amortization of intangible assets	8	3
Impairment of property, plant and equipment		
Buildings	0	1
Other tangible assets	1	0
	1	1
Depreciation, amortization and impairment charges total	153	95

## 9. Other expenses

### Operating leases

Lease rental expenses amounting to EUR 92 million (2004: 54 million) relating to the lease (under operating leases) of property, plant and equipment are included in the income statement in other expenses.

## 10. Financial income and expenses

	2005	2004
<b>Finance income</b>		
- Dividend income on available for sale investments	10	3
- Interest income from loans and receivables	16	11
- Other financial income	0	0
	26	14
<b>Finance expenses</b>		
- Interest expenses for financial liabilities at amortized cost	28	25
- Interest rate derivatives	-1	0
- Other financial expenses	2	0
	29	25
<b>Other losses/gains net</b>		
Net foreign exchange gains/losses on:		
- Loans and receivables	4	10
- Other	7	42
- Non-hedge accounted foreign exchange derivatives	-16	-39
	-5	13
<b>Finance cost – net</b>	-8	2
<b>Net gains/losses on financial instruments included in operating profit</b>	<b>2005</b>	<b>2004</b>
Non-hedge accounted commodity derivatives	-25	-1
Foreign exchange rate derivatives under hedge accounting	-58	32
	-83	31

Net gains/losses include realized and unrealized gains and losses on derivative financial instruments.

## The aggregate exchange differences charged/credited to the income statement lines

	2005	2004
Sales	16	-6
Materials and services	-10	-1
	6	-7

## 11. Income tax expense

Major components of tax expenses are:

	2005	2004
Current tax expense	138	5
Adjustments recognized for current tax of prior periods	0	2
Change in deferred taxes	15	-19
	153	-12

The difference between income taxes at the statutory tax rate in Finland and income taxes recognized in the consolidated income statement is reconciled as follows:

	2005	2004
Profit before tax	823	109
Hypothetical income tax calculated at Finnish tax rate 26% (2004: 29%)	-214	-32
Effect of different tax rates of foreign subsidiaries	0	0
Tax exempt income and non-deductible expense	52	11
Utilisation of previously unrecognised tax losses	0	3
Changes in the carrying amounts of deferred tax liabilities from prior years	0	20
Taxes for prior years	0	-2
Net results of associated companies	10	9
Other	-1	3
Tax charge in the consolidated income statement	-153	12

The Group's effective tax rate is 18.54% (2004: 11.31%). The substantially low effective tax rate is caused by tax exempt capital gains incurred in 2005. Income tax expense in the financial year 2004 is not representative due to the fact that Neste Oil Group was not an independent group, since Neste Oil was part of the Fortum Group in 2004, and profits were transferred to the ultimate parent company through tax exempt group contributions.

## 12. Earnings per share

Basic and diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. Since the number of outstanding shares has not changed and the company has granted no options, there is no dilution.

When calculating earnings per share for 2004, group contribution has not been deducted from the profit for the period. Instead, a tax charge of EUR 119 million has been deducted. This amount represents the additional taxes Neste Oil would have paid, if the group contribution had not been paid to Fortum Corporation.

	2005	2004
Profit attributable to the equity holders of the company	667	119
Group contribution paid	-	411
Taxes on group contribution	-	-119
	667	411
Weighted average number of ordinary shares in issue (thousands)	256,404	256,404
Earnings per share basic and diluted (euro per share)	2.60	1.60

## 13. Property, plant and equipment

	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Assets under construction	Total 2005	Total 2004
Gross carrying amount at the beginning of period <sup>1)</sup>	42	1,054	1,683	86	241	3,106	2,942
Exchange differences	0	36	4	0	1	41	-6
Additions	9	80	234	7	305	635	221
Disposals	-1	-6	-91	0	-2	-100	-51
Transfers between categories	0	3	1	0	0	4	0
Gross carrying amount at 31 December 2005 (2004)	50	1,167	1,831	93	545	3,686	3,106
Accumulated depreciation and impairment losses at the beginning of period <sup>1)</sup>	0	545	1,014	37	-	1,596	1,545
Exchange differences	0	22	4	0	-	26	-4
Disposals	0	-3	-86	0	-	-89	-38
Transfers between categories	0	0	0	-1	-	-1	1
Depreciation for the period	0	44	97	3	-	144	91
Impairment charges	0	0	0	1	-	1	1
Accumulated depreciation and impairment losses at 31 December 2005 (2004)	0	608	1,029	40	-	1,677	1,596
Carrying amount at the beginning of period <sup>1)</sup>	42	509	669	49	241	1,510	1,397
Carrying amount at 31 December 2005 (2004)	50	559	802	53	545	2,009	1,510

<sup>1)</sup> 1 January 2005 or 1 May 2004

### 1. Finance leases

Machinery and equipment includes the following amounts where the Group is a lessee under a finance lease:

	2005	2004
Gross carrying amount	137	137
Accumulated depreciation	22	17
Carrying amount	115	120

### 2. Capitalized borrowing costs

Borrowing costs of EUR 9 million (2004: 2 million) arising on financing specifically entered into for the construction of Porvoo Diesel investment were capitalized during the year and are included in 'Additions' of buildings and structures and machinery and equipment. A capitalization rate of 3.74% (2004: 4.20%) was used, representing the borrowing cost of the loan used to finance the project.



## 14. Intangible assets

	Goodwill	Other intangible assets	Total 2005	Total 2004
Gross carrying amount at the beginning of period <sup>1)</sup>	63	74	137	145
Exchange differences	0	1	1	0
Additions	0	29	29	6
Disposals	0	0	0	-12
Transfers between categories	0	3	3	-2
Gross carrying amount at 31 December 2005 (2004)	63	107	170	137
Accumulated depreciation and impairment losses at the beginning of period <sup>1)</sup>	52	55	107	118
Exchange differences	0	1	1	0
Disposals	0	0	0	-13
Transfers between categories	0	4	4	-1
Depreciation for the period	0	8	8	3
Accumulated depreciation and impairment losses at 31 December 2005 (2004)	52	68	120	107
Carrying amount at the beginning of period <sup>1)</sup>	11	19	30	27
Carrying amount at 31 December 2005 (2004)	11	39	50	30

<sup>1)</sup> 1 January 2005 or 1 May 2004

### Impairment test of goodwill

Goodwill is allocated to the Group's cash-generating units (CGU's), which are identified as the Group's business divisions, Oil Refining, Components, Oil Retail and Shipping. The recoverable amount of goodwill is based on value in use.

A segment-level summary of the goodwill allocation is presented below:

	2005	2004
Oil Refining	2	2
Oil Retail	9	9
	11	11

## 15. Investments in associates and joint ventures

### 1. Associates

	2005	2004
At 1 January (at 1 May in 2004)	7	7
Share of results of associates	0	0
Investments in associates	0	0
Sales of associates	-2	0
Translation differences	0	0
Other equity movements	0	0
At 31 December	5	7

Summarized financial information in respect of the Group's associates all of which are unlisted, is set out below:

	2004
Assets	28
Liabilities	19
Sales	47
Profit/loss	0

The Group's principal associate as at 31 December 2005 is CanTerm Canadian Terminals Inc. In December 2005 the Group sold 25% of its interest in the joint venture CanTerm and the investment was reclassified to associated companies. A complete list of Group's associated companies, countries of incorporation and interest held is disclosed in note 30.

The financial statements of the Group's associates are not published within the Group's reporting timetable. Thus the summarized financial information presented above are from the latest published financial statements of the associates.

### 2. Joint ventures

	2005	2004
At 1 January (at 1 May in 2004)	133	109
Share of results of joint ventures	40	32
Investments in joint ventures	4	2
Sales of joint ventures	-41	0
Translation differences	-3	0
Other equity movements	-12	-10
At 31 December	121	133

The Group's interest in its principle joint ventures at 31 December all of which are unlisted, were as follows:

	Country of incorporation	2005 % interest held	2004 % interest held
AB Nynäs Petroleum	Sweden	49.99	49.99
CanTerm Canadian Terminals Inc.	Canada	-	50.00
Lacus Ltd	Bermuda	50.00	50.00
Terra Ltd	Bermuda	50.00	50.00
Pikoil Oy	Finland	-	50.00
SeverTEK ZAO	Russia	-	50.00

**AB Nynäs Petroleum** is a Swedish company that specializes in producing and marketing bitumen in Europe and naphthenics on a global basis. The sales volumes, incl. various fuels as side products amounted to 3.8 million tons in total in 2005. The remaining 50.01% of the shares of Nynäs Petroleum is owned by a subsidiary of a Venezuelan oil company, Petroleos de Venezuela S.A. AB Nynäs Petroleum is governed as a 50/50 owned joint venture although the other party owns majority of the total share capital. Nynäs Petroleum is the subject of legal proceedings by EU and Swedish competition authorities concerning alleged anticompetitive conduct.

**Terra Ltd and Lacus Ltd** are two Joint Venture Companies (JVC's) owned 50/50 basis by NesteOil and Concordia Maritime AG (part of Stena Group) to acquire

two Panamax size tankers from Brodosplit ship yard in Croatia. Neste Oil Shipping has entered into a 10 years time charter contract with the JVC's for the acquired vessels.

**Pikoil Oy** is a Finnish company established by Neste Oil and Kesko in 2003 to operate nationwide retail chain selling petroleum products and every-day consumer goods. Neste Oil sold it's 50% stake in Pikoil to Kesko in November 2005.

**SeverTEK** is a Russian legal entity, which was owned 50/50 ultimately by Neste Oil and Lukoil, and which is developing and producing the South Shapkino oil field located in the Komi Republic. Neste Oil sold it's 50% stake in SeverTEK to Lukoil in November 2005.

Joint ventures have been consolidated using the equity method.

Summarized financial information in respect of the Group's joint ventures is set out below:

2004	AB Nynäs Petroleum	Lacus Ltd	Terra Ltd	Pikoil Oy	SeverTEK ZAO
<b>Assets:</b>					
Non-current assets	261	2	2	2	304
Current assets	285	0	0	8	40
	546	2	2	10	344
<b>Liabilities:</b>					
Non-current liabilities	107	0	0	0	235
Current liabilities	239	0	0	9	55
	346	0	0	9	290
Net assets	200	2	2	1	54
<b>Group's share of joint ventures' net assets</b>	100	1	1	1	27
Income	1,164	0	0	87	156
Expenses	1,108	0	0	97	124
Profit after income tax	56	0	0	-10	32
<b>Group's share of joint ventures' profit based on the company's latest published financial statements (2004)</b>	<b>28</b>	<b>0</b>	<b>0</b>	<b>-5</b>	<b>16</b>
<b>Group's share of joint ventures' profit consolidated in the Group accounts</b>	<b>24</b>	<b>0</b>	<b>0</b>	<b>-3</b>	<b>19</b>

The financial period of the joint ventures is from 1 January to 31 December, excluding Pikoil Oy. Pikoil Oy was established 1 July 2003 and the first financial period is from 1 July 2003 to 31 December 2004.

The financial statements of the Group's joint ventures are not finalised within the Group's reporting timetable. Thus the summarized financial information presented above are from the latest published financial statements of the joint ventures (2004). The share of profits of joint ventures for 2005 are consolidated based on their preliminary results.

## 16. Carrying amounts of financial assets and liabilities by measurement categories

2005 Balance sheet item	Financial assets at fair value through income statement	Loans and receivables	Available- for-sale financial assets	Financial liabilities at fair value through income statement	Financial liabilities measured at amortized cost	Carrying amounts by balance sheet item	Fair value	Note
<b>Long-term interest-bearing receivables</b>		17				<b>17</b>	<b>16</b>	17
<b>Other financial assets</b>	7	0	17	0	0	<b>24</b>	<b>24</b>	
- Other shares and holdings			17			17	17	17
- Derivative financial instruments	7					7	7	21
<b>Trade and other receivables</b>	72	765	0	0	0	<b>837</b>	<b>837</b>	
- Trade and other receivables		765				765	765	19
- Derivative financial instruments	72					72	72	21
<b>Non-current liabilities</b>	0	0	0	10	649	<b>659</b>	<b>660</b>	
- Derivative financial instruments				10		10	10	21
- Other non-current liabilities					649	649	650	24
<b>Current Interest-bearing liabilities</b>					240	<b>240</b>	<b>240</b>	24
<b>Trade and other payables</b>	0	0	0	104	995	<b>1,099</b>	<b>1,099</b>	
- Derivative financial instruments				104		104	104	21
- Trade and other payables					995	995	995	24
<b>Carrying amount by category</b>	<b>79</b>	<b>782</b>	<b>17</b>	<b>114</b>	<b>1,884</b>			
<b>2004 Balance sheet item</b>	<b>Financial assets at fair value through income statement</b>	<b>Loans and receivables</b>	<b>Available- for-sale financial assets</b>	<b>Financial liabilities at fair value through income statement</b>	<b>Financial liabilities measured at amortized cost</b>	<b>Carrying amounts by balance sheet item</b>	<b>Fair value</b>	<b>Note</b>
<b>Long-term interest-bearing receivables</b>		68				<b>68</b>	<b>84</b>	17
<b>Other financial assets</b>	10	0	18	0	0	<b>28</b>	<b>28</b>	
- Other shares and holdings			18			18	18	17
- Derivative financial instruments	10					10	10	21
<b>Trade and other receivables</b>	74	593	0	0	0	<b>667</b>	<b>667</b>	
- Trade and other receivables		593				593	593	19
- Derivative financial instruments	74					74	74	21
<b>Non-current liabilities</b>	0	0	0	12	724	<b>736</b>	<b>737</b>	
- Derivative financial instruments				12		12	12	21
- Other non-current liabilities					724	724	725	24
<b>Current Interest-bearing liabilities</b>					438	<b>438</b>	<b>438</b>	24
<b>Trade and other payables</b>	0	0	0	20	692	<b>712</b>	<b>712</b>	
- Derivative financial instruments				20		20	20	21
- Trade and other payables					692	692	692	24
<b>Carrying amount by category</b>	<b>84</b>	<b>661</b>	<b>18</b>	<b>32</b>	<b>1,854</b>			

The fair values of each class of financial assets and financial liabilities are presented in the detailed note for each balance sheet item referred to in the table above.

## 17. Other financial assets

<b>Available-for-sale financial assets</b>	<b>2005</b>	<b>2004</b>
At 1 January (at 1 May in 2004)	18	18
Disposals	1	0
At 31 December	17	18
Investments in unlisted equity instruments	17	18
	17	18

Available for sale financial assets are investments in unlisted equity instruments and they are measured at cost, because their fair value cannot be reliably measured in the absence of active market.

<b>Non-current interest-bearing receivables</b>	<b>Fair value</b>		<b>Book value</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Receivables from associated companies and joint ventures				
<i>Loan receivables</i>	0	69	0	54
Loan receivables	14	15	15	14
Other receivables	2	0	2	0
	16	84	17	68

The carrying amounts of loan receivables are measured at amortized cost using the effective interest rate method and the fair values are determined by using discounted cash flow method applying the market interest rate at the balance sheet date.

<b>%</b>	<b>2005</b>	<b>2004</b>
The effective interest rates on non-current receivables	3.5	11.6

## 18. Inventories

	<b>2005</b>	<b>2004</b>
Materials and supplies	211	185
Work in progress	118	75
Finished products and goods	253	137
Other inventories	19	18
	601	415

## 19. Current trade and other receivables

<b>Current receivables</b>	<b>Fair value</b>		<b>Book value</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Trade receivables	662	493	662	493
Receivables from associated companies and joint ventures				
<i>Trade receivables</i>	0	1	0	1
<i>Other receivables</i>	2	0	2	0
<i>Advances paid</i>	0	2	0	2
<i>Accrued income and prepaid expenses</i>	0	16	0	16
Other receivables	51	20	51	20
Advances paid	20	19	20	19
Accrued income and prepaid expenses	30	42	30	42
	765	593	765	593

The carrying amounts of current receivables are reasonable approximations of their fair value. Impairment of trade receivables amounted to EUR 2 million (2004: 1 million).

## 20. Cash and cash equivalents

Cash and cash equivalents include the following:

	2005	2004
Cash at bank and in hand	78	60
Cash pool receivables	0	124
Short term bank deposits	1	0
	79	184

%	2005	2004
The effective interest rates on short term bank deposits	2.2	0.0

## 21. Derivative financial instruments

2005	Notional amount		Total	Fair value	
	Remaining maturities Under 1 year	Above 1 year		Positive	Negative
<b>Interest rate and currency derivatives</b>					
Interest rate swaps		308	308	1	4
Forward foreign exchange contracts	942		942	2	29
Currency options					
- Purchased	835		835		17
- Written	835		835	4	7
<b>Total</b>				<b>7</b>	<b>57</b>
<b>Fair value hedging interest rate derivatives</b>		60	60		1
<b>Cash flow hedging interest rate derivatives</b>		48	48		3
<b>Non-hedging interest rate derivatives</b>		200	200	1	
<b>Cash flow hedging foreign exchange derivatives</b>	2,341		2,341	4	51
<b>Non-hedging foreign exchange derivatives</b>	270		270	2	2
<b>Total</b>				<b>7</b>	<b>57</b>

2005	Volume 1,000 bbl		Total	Fair value	
	Remaining maturities Under 1 year	Above 1 year		Positive	Negative
<b>Oil derivatives</b>					
Futures and forwards					
- Sales contracts	47,333	7,163	54,496	47	26
- Purchase contracts	72,398	27,490	99,888	21	27
Options					
- Purchased	5,654	1,250	6,904	1	3
- Written	5,289	300	5,589	3	1
<b>Total</b>	<b>130,674</b>	<b>36,203</b>	<b>166,877</b>	<b>72</b>	<b>57</b>

### Non-hedging oil derivatives

Balance sheet reconciliation	Asset	Liability
Non-current derivative financial instruments	7	10
Current derivative financial instruments	72	104

2004	National amount		Total	Fair value	
	Remaining maturities Under 1 year	Above 1 year		Positive	Negative
<b>Interest rate and currency derivatives</b>					
Interest rate swaps		59	59	6	
Forward foreign exchange contracts	567		567	10	
Currency options					
- Purchased	438		438	17	
- Written	438		438	6	
<b>Total</b>				<b>33</b>	<b>6</b>
<b>Fair value hedging interest rate derivatives</b>					
<b>Cash flow hedging interest rate derivatives</b>					
<b>Non-hedging interest rate derivatives</b>					
		59	59	6	
<b>Cash flow hedging foreign exchange derivatives</b>	1,135		1,135	33	
<b>Non-hedging foreign exchange derivatives</b>	308		308		
<b>Total</b>				<b>33</b>	<b>6</b>

2004	Volume 1,000 bbl		Total	Fair value	
	Remaining maturities Under 1 year	Above 1 year		Positive	Negative
<b>Oil derivatives</b>					
Futures and forwards					
- Sales contracts	43,195	2,354	45,549	27	11
- Purchase contracts	55,399	14,185	69,584	17	8
Options					
- Purchased	4,797		4,797	4	2
- Written	6,784		6,784	3	5
<b>Total</b>	<b>110,175</b>	<b>16,539</b>	<b>126,714</b>	<b>51</b>	<b>26</b>
<b>Non-hedging oil derivatives</b>					
				51	26
<b>Balance sheet reconciliation</b>					
				<b>Asset</b>	<b>Liability</b>
Non-current derivative financial instruments				10	12
Current derivative financial instruments				74	20

#### Fair value estimations

Derivative financial instruments are initially and subsequently measured at their fair values e.g. at the amount which could be used if willing parties would make transactions at the balance sheet date. The fair values are determined by using variety of methods and financial valuation techniques and the assumptions are based on market quotations existing on each balance sheet date.

Fair values of the interest rate swaps are the present values of the estimated future cash flows. Changes in the fair value of interest rate swaps are reported either in equity or in income statement depending on whether they qualify for hedge accounting or not.

Foreign exchange forward contracts are measured using the market rates on the balance sheet date. The fair

value of currency options are calculated using market rates on the balance sheet date and by using the Black and Scholes option valuation model. Changes in the fair value of foreign currency derivatives are reported either in equity or in the income statement depending on whether they qualify for hedge accounting or not.

The fair value of exchange traded oil commodity futures and option contracts is determined using the forward exchange market quotations at the balance sheet date. The fair value of over-the-counter oil commodity derivative contracts is calculated using the net present value of the forward derivatives quoted market prices at the balance sheet date.

## 22. Hedge accounting

The Group uses foreign currency derivatives in order to reduce the uncertainty created by changes in foreign exchange rates on the future cash flows of forecasted future sales and earnings, as well as in Neste Oil's balance sheet. Foreign exchange derivatives have been designated as hedges of the forecasted transactions e.g. cash flow hedges, hedges of net investments or as derivatives not meeting the hedge accounting criteria. The Group uses mainly foreign exchange forwards and options as hedging instruments.

The Group uses interest rate derivatives in order to reduce the volatility of interest expenses in the income statement and in order to adjust the duration of the debt portfolio. Interest rate derivatives have been designated as hedges of forecasted transactions e.g. cash flow hedges, hedges of the fair value of recognized assets or liabilities or as derivatives not meeting the hedge accounting criteria. The Group uses interest rate swaps as hedging instruments.

### Cash flow hedges

The portion of the Group's foreign currency derivatives and interest rate swaps, which meet the qualifications for hedge accounting, are designated as cash flow hedges. Under cash flow hedging, the Group has predetermined a portion of the estimated US Dollar sales for the next 12 month period as well as a portion of the interest expense cash flow during periods 2006–2010. The effective portion of the changes in the fair value of the derivatives that are designated as and qualify for cash flow hedges are recognized in equity. Any 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 during the periods when the hedged item affects profit or loss, e.g. when a forecasted sale that is being hedged takes place. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

	2005	2004
Hedging reserve opening balance	34	2
Amounts recognized in equity during the current period	-65	32
- Deferred tax	23	-11
Amounts removed from equity and reported in sales	-25	11
Hedging reserve closing balance	-33	34

### Fair value hedges

Certain interest rate swaps are designated as fair value hedges in 2005. Changes in the fair value of the derivatives designated and qualifying as fair value hedges, and which are highly effective, are recorded in the income statement, together with any changes in the fair value of the hedged assets or liabilities attributable to the hedged risk. Ineffective portion is recognized in the income statement.

	2005	2004
- gains or loss on the hedging instrument	1	0
- gain or loss on the hedged item	-1	0

### Hedge of net investment in foreign entity

Hedges of the net investments in the foreign operations are accounted for in a similar way to the cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in the equity, while any gain or loss relating to the ineffective portion is recognized immediately in the income statement. Gains and losses accumulated in the equity are included in the income statement when the foreign operation is disposed of.

Group translation exposure	Investment	Hedge	Hedge %
USD	37	9	23
SEK	84	67	60
CAD	89	66	71
PLN	15	8	53
GBP	2	2	92
Other	97	0	0
	324	152	42

## 23. Equity

Calculation of distributable funds	2005	2004
Retained earnings	1,581	914
Negative hedging reserves	-33	-
Untaxed reserves in retained earnings	-419	-397
Distributable funds	1,129	517

## 24. Non-current and current liabilities

Non-current liabilities	Fair value		Book value	
	2005	2004	2005	2004
Bonds	199	0	198	0
Loans from financial institutions	289	19	289	19
Pension loans	40	42	40	41
Finance lease liabilities	107	99	107	99
Long-term liabilities to associated companies				
<i>Advances received</i>	1	2	1	2
Other long-term liabilities	6	556	6	556
Accruals and deferred income	8	7	8	7
<b>Non-current liabilities total</b>	<b>650</b>	<b>725</b>	<b>649</b>	<b>724</b>
of which interest-bearing			635	715

The carrying amounts of non-current liabilities are measured at amortized cost using the effective interest rate method and the fair values are determined by using discounted cash flow method applying the market interest rates or market values at the balance sheet date.

Current liabilities	Fair value		Book value	
	2005	2004	2005	2004
Loans from financial institutions	211	10	211	10
Finance lease liabilities	5	5	5	5
Advances received	27	2	27	2
Trade payables	625	349	625	349
Liabilities to associated companies				
<i>Advances received</i>	0	1	0	1
<i>Trade payables</i>	1	1	1	1
<i>Other short-term liabilities</i>	1	0	1	0
Other short-term liabilities	298	687	298	687
Accruals and deferred expenses	67	75	67	75
<b>Current liabilities total</b>	<b>1,235</b>	<b>1,130</b>	<b>1,235</b>	<b>1,130</b>
of which interest-bearing			240	438

The carrying amounts of current interest-free liabilities are reasonable approximations of their fair value. The carrying amounts of current interest-bearing liabilities are measured at amortized cost using the effective interest rate method and the fair values are determined by using discounted cash flow method applying the market interest rates at the balance sheet date.

The effective interest rates on interest-bearing liabilities were as follows:

%	2005	2004
Bonds	3.2	-
Loans from financial institutions	2.7	4.6
Pension loans	6.2	6.2
Finance lease liabilities	4.1	4.1
Other	4.2	2.8



The contractual maturity of non-current interest-bearing liabilities is as follows:

	2006 <sup>1)</sup>	2007	2008	2009	2010	2011–	Total
Bonds and debentures	0	0	0	80	0	118	198
Loans from financial institutions	211	2	0	0	247	40	289
Pension loans	0	0	0	0	0	40	40
Finance lease liabilities <sup>2)</sup>	8	8	8	8	8	89	121
- less finance charges	3	2	2	2	2	6	14
Carrying amount of finance lease liabilities	5	6	6	6	6	83	107
Other long-term liabilities	24	0	1	0	0	0	1
	240	8	7	86	253	281	635

<sup>1)</sup> Repayments in 2006 are included in current liabilities

<sup>2)</sup> The amounts presented are the gross finance lease obligations before deducting finance charges

## Finance lease liabilities

### The future minimum lease payments and their present value at the balance sheet

	2005 Minimum lease payments	Future finance charges	Present value of minimum lease payments	2004 Minimum lease payments	Future finance charges	Present value of minimum lease payments
Amounts payable under finance lease:						
Within one year	8	2	6	7	2	5
Between one and five years	39	11	28	36	10	26
More than 5 years	82	4	78	78	5	73
Total amounts payable	129	17	112	121	17	104

Finance lease liabilities relate to Shipping segment and arise from bareboat agreements on crude oil tankers *Tempera* and *Mastera* delivered 2002 and 2003, escort tugs *Ukko* and *Ahti* delivered 2002 and a leasing agreement made in 2003 on spare parts of *Mastera* that are classified as finance lease agreements under IAS 17. The lease terms are 12 years for all the vessels with the lessor having an option to extend the term with additional 3 years, and 7 years for spare part leasing agreement. Bareboat agreements of the vessels include a call option to purchase the leased asset at 10th and 11th year of the

lease period at a value determined at the inception of the lease. Spare part leasing agreement includes a call option to purchase the leased asset at termination of the agreement at a value determined at the inception of the lease. The option prices stated in the agreements are used as the residual values for the leased assets. Minimum lease payments in each agreement include these option prices as terminal payments. Contingent rentals arising from the fluctuation of interest rates are excluded from the minimum lease payments. Contingent rents amounted to EUR 1.6 million (2004: -0.4 million).

## 25. Deferred income taxes

### The movement in deferred tax assets and liabilities during the year 2005

	at 1 Jan 2005	Charged to income statement	Charged in equity	at 31 Dec 2005
<b>Deferred Tax Assets</b>				
Temporary differences by each type:				
Tax loss carried forwards	12	6	0	18
Provisions	4	0	0	4
Effects of consolidations and eliminations	1	-1	0	0
Other temporary differences	0	1	0	1
Total deferred tax assets	17	6	0	23
<b>Deferred Tax Liabilities</b>				
Depreciation difference and untaxed reserves	140	7	0	147
Temporary differences	43	11	0	54
Cash flow hedges	10	3	-22	-9
Total deferred tax liabilities	193	21	-22	192

### The movement in deferred tax assets and liabilities during the year 2004

	at 1 May 2004	Charged to income statement	Charged in equity	at 31 Dec 2004
<b>Deferred Tax Assets</b>				
Temporary differences by each type:				
Tax loss carried forward	0	12	0	12
Provisions	5	-1	0	4
Effects of consolidations and eliminations	0	1	0	1
Other temporary differences	0	0	0	0
Total deferred tax assets	5	12	0	17
<b>Deferred Tax Liabilities</b>				
Depreciation difference and untaxed reserves	150	-10	0	140
Temporary differences	42	1	0	43
Cash flow hedges	-2	1	11	10
Total deferred tax liabilities	190	-8	11	193

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

<b>Deferred tax assets</b>	<b>2005</b>	<b>2004</b>
Deferred tax asset to be recovered after more than 12 months	13	4
Deferred tax asset to be recovered within 12 months	10	13
	23	17
<b>Deferred tax liabilities</b>		
Deferred tax liability to be recovered after more than 12 months	192	176
Deferred tax liability to be recovered within 12 months	0	17
	192	193

Deferred income tax assets are recognized for tax loss carry forwards to the extent that realization of the related tax benefit through the future taxable profits is probable.

Deferred tax liability on undistributed earnings of subsidiaries has not been recognized in the consolidated balance sheet because distribution of the earnings is in the control of the Group and such distribution, which will realize a relevant tax effect, is not probable within foreseeable future. The Finnish dividend taxation system, which came into effect in the beginning of 2005, enables distribution of earnings in Finnish entities without any compensatory tax.

## 26. Provisions for other liabilities and charges

	Environmental provisions	Other provisions	Total
At 1 January 2005	11	4	15
Charged to income statement			
Additional provisions	2	3	5
Used during the year	-4	-2	-6
At 31 December 2005	9	5	14

The nature of certain of Neste Oil's businesses exposes Neste Oil to risks of environmental costs and potential contingent 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 environment. Liability may arise also through the acquisition, ownership or operation of properties or businesses.

## 27. Retirement benefit obligations

### Defined benefit pension plans

The amounts recognized in the balance sheet	2005	2004
Present value of funded obligations	566	495
Fair value of plan assets	-696	-556
	-130	-61
Unrecognized actuarial gains and losses	80	27
Unrecognized past service cost	0	0
Liability (+)/asset (-) in the balance sheet	-50	-34

The amounts recognized in the income statement	2005	2004
Current service cost	10	3
Interest cost	24	7
Expected return on plan assets	-38	-10
Net actuarial gains and losses recognized during the year	0	0
Increase in obligation	2	0
TEL-adjustment	-6	0
Total included in personnel expenses (note 7)	-8	0

The actual return on plan assets was EUR 128 million (2004: 45 million).

The movement in the asset/liability recognized in the balance sheet	2005	2004
At the beginning of the period	-34	-32
Total expense charged in the income statement	-8	0
Contributions paid	-8	-2
At the end of the period	-50	-34
Defined benefit pension obligations	13	13
Defined benefit pension assets	-63	-47
Net asset (-)/liability (+)	-50	-34

Changes in the present value of the defined benefit obligation	2005	2004
Opening defined benefit obligation	495	479
Service cost	10	3
Interest cost	24	7
Increase in obligation	2	0
New pension plans	17	0
Actuarial losses	34	10
Benefits paid	-16	-4
Closing defined benefit obligation	566	495

Changes in the fair value of plan assets	2005	2004
Opening fair value of plan assets	556	511
Expected return	38	10
Actuarial gains	87	38
Contributions by employer	7	1
TEL-adjustment	6	0
New pension plans	18	0
Benefits paid	-16	-4
Closing fair value of plan assets	696	556

Analysis of the fair value at the balance sheet date	2005	2004
Equity instruments	354	255
Debt instruments	275	250
Property	60	47
Other assets	7	4
	696	556

Pension plan assets include the Parent Company's ordinary shares with a fair value of EUR 30 million (2004: 0, related party shares EUR 73 million) and a building occupied by the Group with a fair value of EUR 29 million (2004: 25 million).

The principal actuarial assumptions used, %	2005	2004
Discount rate	4.5–5.0	4.0–5.0
Expected return on plan assets	4.5–7.5	4.0–7.0
Future salary increases	3.5–5.0	3.5–4.0
Future pension increases	1.3–3.0	1.8–3.0

The Group has several pension arrangements in different countries. In Finland, the statutory TEL plan as well as voluntary pension plans are funded through Group's own pension fund. Since the employer has the ultimate responsibility for the return of the plan assets, in own pension funds, also the Finnish statutory TEL plan is accounted for as defined benefit plan under IAS 19. The Group has a defined benefit plan also in Belgium and UK. Pension plans in other countries are defined contribution plans.

The Finnish TEL plan is a statutory earnings-related plan. The plan is, to a large extent, funded on a pay-as-you go basis, although there is an element of advance funding. The benefits provided under TEL are old age pensions, disability pensions, unemployment pensions and survivors' pensions. The Group's voluntary pension plan grants additional pension benefits in excess of the statutory benefits. The fund provides old age pensions, disability pensions, survivors' pensions and funeral grants. The voluntary pension fund has been closed since 1995.

## 28. Share-based payment

The Group has implemented a long-term management performance share arrangement for the key members of top management. At the moment, approximately 60 members participate in the arrangement. The amount of shares that may be acquired for the participants in the incentive scheme will be based on long-term incentive bonuses and the annual salary of each participant. The criteria for the long-term incentive bonuses shall be based on the performance and success in reaching the personal goals set for each individual and/or on the Group's financial performance and success in reaching its goals.

The arrangement is divided into individual performance share plans, with a new plan being introduced annually and each plan having a duration of approximately six years. The Board decides annually as to the inclusion of participants in commencing Performance Share Plans. Each performance share plan begins with a three-year earning period, during which a participant accumulates the annual bonus percentages, followed by a three-year restriction period, at the end of which a participant receives a pre-determined number of Neste Oil shares. Before delivering the shares to the participant, the company deducts all taxes and other charges payable by the participant, and the participant receives the remaining portion (in Finland currently approx 40–50%) of the value in shares.

The number of shares granted after the three-year earning period (share participation) is based on the annual bonus percentages accumulated over those three years. In order to determine the number of shares, the participant's annual salary is multiplied by the cumulative annual bonus percentages, and this figure is divided by the share price at the time of grant. The number of shares granted under each annual share plan is adjusted during the restriction period by potential dividends paid up until the share delivery, which takes place at the end of the restriction period. The first plan began in 2002, when Neste Oil was part of Fortum Group. The shares earned during the years 2002–2004 were converted from Fortum shares to Neste Oil shares in 2005.

Participants included in the first plan will not receive any shares until the spring of 2008. The maximum value in shares a participant can be granted after the first three years is equal to one year's salary (incl. fringe benefits). The actual final value of each share plan is always dependent on the performance of Neste Oil and each individual during the earning period, as well as the Neste Oil share price development over the course of the restriction period.

The earned bonuses and related social charges are entered in the income statement spread over the earnings period and restriction period, and a respective liability is entered into the balance sheet. Assuming that the shares are to be purchased in the name of individual participants on the open market for delivery to such participants, the incentive plan will have no dilutive effect. The Group has hedged its exposure to the share price development during the restriction period in relation to the granted shares.

## 29. Related party transactions

The Group is controlled by the Finnish State, which owns 50.10% of the Company's shares. The remaining 49.9% of the shares are widely held.

The group has a related party relationship with subsidiaries, associates, joint ventures (see note 30) and with its directors and executive officers. The transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on

consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

In 2004 the ultimate parent of the Group was Fortum Corporation. Transactions with Fortum and its subsidiaries, which are not part of Neste Oil Group are reported on line "Parent" in the table below.

### The following transactions were carried out with related parties

2005	Sales	Purchases	Interest income	Interest expense	Loan receivables	Other receivables	Loan payable	Other liabilities
Associates	3	9	0	0	0	2	0	3
Joint ventures	59	4	10	0	0	0	0	0
	62	13	10	0	0	2	0	3
2004	Sales	Purchases	Interest income	Interest expense	Loan receivables	Other receivables	Loan payable	Other liabilities
Parent	15	37	8	21	0	5	538	25
Associates	2	6	0	0	0	3	0	1
Joint ventures	40	1	3	0	54	16	0	3
	57	44	11	21	54	24	538	29

The major part of business between Neste Oil and its joint venture, Nynäs Petroleum, comprise of sales of bitumen production of Naanatali refinery to Nynäs Petroleum based on a long term agreement. Also, process oils were sold from Porvoo refinery to Nynäs Petroleum.

Key management compensation	2005	2004
Salaries and other short-term		
employee benefits	2	1

Key management consists of the Members of Board of Directors, President and CEO and other members of the Executive Team. There were no outstanding loans receivable from Key Management on 31 Dec 2005 or 31 Dec 2004.

The members of Neste Executive Team have been granted share participations equivalent to 49,510 shares (of which 16,477 were granted to the President and CEO) in 2005 as part of the long term management performance share arrangement described in note 28. The number of share participations will be adjusted during the restriction period by potential dividends paid up until the share delivery. After deducting taxes and other charges payable by the participants the final number of shares will be diminished to approximately 50% of the granted number. These shares will be delivered to the recipients in 2008.

### Compensation to President and CEO, Board of Directors and Supervisory Board

Euros	2005	2004
Risto Rinne, President and CEO	578,250	187,231
Board of Directors		
Timo Peltola, chairman	44,750	-
Mikael von Frenckell, vice chairman	35,500	-
Ainomaija Haarla	26,500	-
Kari Jordan	26,500	-
Juha Laaksonen	26,500	-
Nina Linander	26,500	-
Pekka Timonen	26,500	-
Maarit Toivanen-Koivisto	26,500	-
Board of Directors, all members total	239,250	-
Supervisory Board, all members total	45,200	-

The figures above for 2004 represent compensation for the eighth months period from May to December 2004. The President and CEO was not at that time responsible for a separate listed company and the Members of the Board of Directors received no remuneration.

In the event the Company decides to give notice of termination to the President and Chief Executive Officer, he is entitled to compensation equalling 24 months' salary. The retirement age of the President and CEO is 60, and the pension paid is 66% of his remuneration for the fiscal year immediately before retirement.

### 30. Group companies on 31 December 2005

Name of the subsidiary	Group holding%	Country of incorporation
Best Chain Oy	100.00	Finland
Eastex Crude Company Partnership	70.00	USA
Kide Automaatit Oy	100.00	Finland
Kiinteistö Oy Janakkalan Linnatuuli	70.14	Finland
Neste Canada Inc.	100.00	Canada
Neste Crude Oil Inc.	100.00	USA
Neste Eesti AS	100.00	Estonia
Neste Jacobs Oy	66.00	Finland
Neste LPG AB	100.00	Sweden
Neste Markkinointi Oy	100.00	Finland
Neste Oil AB	100.00	Sweden
Neste Oil BR Ltd	100.00	Belarus
Neste Oil Components Finance B.V	100.00	The Netherlands
Neste Oil Finance B.V	100.00	The Netherlands
Neste Oil Holding (U.S.A.) Inc.	100.00	USA
Neste Oil Insurance Ltd	100.00	Guernsey
Neste Oil Ltd	100.00	Great Britain
Neste Oil Markets Oy	100.00	Finland
Neste Oil N.V.	100.00	Belgium
Neste Oil Portugal S.A.	100.00	Portugal
Neste Oil Services Inc.	100.00	USA
Neste Oil US, LLC	100.00	USA
Neste Petroleum Inc.	100.00	USA
Neste Polska Sp.zoo	100.00	Poland
Neste Production Russia Oy	100.00	Finland
Neste St. Petersburg OOO	100.00	Russia
Neste Trading (U.S.A.) Inc.	100.00	USA
Neste USA, L.L.C.	100.00	USA
Neste/Wright Asphalt Products Company Partnership	60.00	USA

Name of the subsidiary	Group holding%	Country of incorporation
Reola Gaas AS	93.85	Estonia
SlA Neste Latvija	100.00	Latvia
SlA Saskidrinata Naftas Gaze	100.00	Latvia
Tehokaasu Oy	100.00	Finland
UAB Neste Lietuva	100.00	Lithuania

Name of the associated company	Group holding%	Country of incorporation
Alberta Envirofuels Inc.	50.00	Canada
Borealis Electricidade E Calor Ace	33.33	Portugal
CanTerm Canadian Terminals Inc.	25.00	Canada
Innogas Oy AB	50.00	Finland
Kiinteistö Oy Helsingin Asesepänkuja 2	26.74	Finland
Kiinteistö Oy Porvoon Leporanta	50.00	Finland
Nemarc Shipping Oy	50.00	Finland
Neste Arabia Co. Ltd	48.00	Saudi Arabia
OAD Pechormornef	39.00	Russia
Oy Atlas-Öljy AB	40.00	Finland
Porvoon Alueverkko Oy	33.33	Finland
Svartså Vattenverk-Mustijoen Vesilaitos	40.00	Finland
Tahkoluodon Polttoöljy Oy	31.50	Finland
Tapaninkylän Liikekeskus Oy	40.03	Finland
Variston Liikekeskus Oy	25.00	Finland
Vaskiluodon Kalliovarasto Oy	50.00	Finland

Name of the joint venture	Group holding%	Country of incorporation
AB Nynäs Petroleum	50.00	Sweden
Lacus Ltd	50.00	Bermuda
Terra Ltd	50.00	Bermuda

### 31. Contingencies and commitments

#### Contingent liabilities

	2005 Debt	Value of collateral	2004 Debt	Value of collateral
On own behalf				
For debt				
Pledges	3	5	4	6
Real estate mortgages	1	28	1	28
For other commitments				
Real estate mortgages	0	1	0	0
Other contingent liabilities	0	16	0	2
Total	4	50	5	36
On behalf of associated companies and joint ventures				
Pledges and real estate mortgages	0	0	0	9
Guarantees	0	10	0	8
Other contingent liabilities	0	3	0	0
Total	0	13	0	17
On behalf of others				
Guarantees	0	1	0	0
Other contingent liabilities	0	0	0	3
Total	0	1	0	3
	4	64	5	56

<b>Operating lease liabilities</b>	<b>2005</b>	<b>2004</b>
Due within one year	73	76
Due between one and five years	58	46
Due in more than five years	60	54
	191	176
<b>Commitments</b>	<b>2005</b>	<b>2004</b>
Commitments for purchase of property, plant and equipment	95	225
Commitments for purchase of intangible assets	2	3
	97	228

EUR 2 million of the above relates to the joint venture Terra Ltd.

#### **Other contingent liabilities**

Neste Oil Corporation 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.

## **32. Financial risk management**

### **Financial risk management principles**

Neste Oil, due to the nature of its operations, is exposed to a number of financial risks. The objective of financial risk management in Neste Oil is to decrease volatility in earnings, balance sheet and cash flow while securing effective and competitive financing for the Group. In order to address the impact of these risks, various risk management policies and strategies have been developed by Neste Oil. The Board of Directors of Neste Oil approves the umbrella policy document, 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. Neste Oil has established several sub-policies to support Company's risk management objectives.

The objectives and principles of financial risk management are defined in the Group Treasury Risk Policy, as well as division risk management policies and their sub-policies such as Oil Price Risk Management Manual. All divisions exposed to financial risks have their own policies for financial risk management within their respective divisions. Risk management for certain financial risks is centralized to Group Treasury, which works in close co-operation with Group's divisions. Group Treasury is responsible for currency risk, interest rate risk and liquidity and refinancing risks. Corporate Credit Control in Corporate Risk Management is responsible for monitoring and evaluating counterparty risks and credit worthiness.

Oil price risk management is organized in Risk Management unit within Oil Refining division, where hedging is conducted for refining margin and refinery inventory price risk. Risk Management unit is providing oil price hedging services to internal and external counterparties, as well.

## **Market risks**

### **1. Oil price risk**

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 globally. 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 and other feedstocks. These factors, combined with Neste Oil's specific consumption of crude oil and other feedstocks and its specific output of refined products drive results of operations and cash flows in the refining operations, which is Neste Oil's largest business segment in terms of sales, profits and net assets.

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 convention 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.

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. 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.

The Company estimates the oil price risk by measuring the impact of changes in refining margin and crude oil price by using Value-at-Risk sensitivities based on forward price curves and historical volatilities. Scenario analyses for other business areas are used, as well.

At 31 December 2005, a change of U.S. dollar 1.00 per barrel in Neste Oil's total refining margin with all other variables held constant, would have increased/decreased operating profit by EUR 80 million.

At 31 December 2005, a change of U.S. dollar 1.00 per barrel in crude oil price related to Neste Oil's refinery inventory with all other variables held constant, would have increased/decreased operating profit by EUR 10 million. The impacts of the movements stated above are based on a data giving no effect to any hedge transactions.

Note 21 summarises the exposure to oil derivative open positions as per 31 December 2005.

## 2. Foreign exchange risk

As the pricing currency of the oil markets is 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.

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 value of cash flows and earnings as well as in Neste Oil's balance sheet. Generally, this is done by hedging currency risks in contracted and forecasted cash flows and balance sheet exposures (referred to as transaction exposure) and the equity of non-eurozone subsidiaries (referred to as translation exposure).

### Transaction exposure

In general, all divisions hedge their transaction exposure related to highly probable future cash flows over the next 12 month period. Deviations from this risk neutral benchmark position are subject to separate approvals set by the Group Treasury Risk Policy. The net exposure is managed with forward contracts, swaps and options. All transactions are primarily made in hedging purposes and they are partly hedge accounted for and partly treated as economic hedges. The most important hedged currency is U.S. dollar.

Neste Oil has several currency denominated assets and liabilities in its balance sheet, such as foreign currency loans, deposits, accounts payable/receivable and cash in other currencies than home currency. Company hedges this balance sheet exposure with forwards and options. The largest item in the balance sheet exposure is net working capital. Since many of the Group's business transactions, sales of products and services and purchases of crude oil and other feedstocks, are related to U.S. dollar

environment, the daily exposure of net working capital is hedged as part of the above mentioned balance sheet hedge in order to neutralize the effect of volatility in euro/U.S. dollar exchange rate movements. During 2005 the range of the daily exposure has fluctuated between EUR 30 and 300 million.

The Company estimates the foreign exchange risk by measuring the impact of currency rate changes based on the historical volatility. Stress testing is also done based on extreme market movements.

### Translation exposure

Neste Oil's Group Treasury is responsible for managing Neste Oil's translation exposure. This consists of net investments in foreign subsidiaries and associated companies. Neste Oil's policy is to seek to reduce the volatility in Neste Oil's consolidated shareholder's equity as a result of these translation exposures. Forward contracts are used to hedge the translation exposure. Hedging decisions are made on a case-by-case basis by the Group Treasury based upon an assessment of various factors, including hedging costs and prevailing market conditions. The total non-euro-denominated equity of the Group's subsidiaries and associated companies was EUR 385 million as per 31 December 2005.

Note 21 summarises the nominal and fair values of outstanding foreign exchange derivative contracts as per 31 December 2005 (includes also closed positions).

The table below shows the nominal values of the Group's interest-bearing debt by currency as per 31 December 2005.

Currency	Amount in MEUR
EUR	732
USD	122
Other	21
	875

At 31 December 2005, if the euro had weakened/strengthened by 10% against U.S. dollar with all other variables held constant, operating profit for the year would have been EUR 80–90 million higher/lower.

The impact of the movement stated above is based on a data giving no effect to any hedge transactions.

## 3. Interest rate risk

Neste Oil is exposed to interest rate risk mainly through its interest-bearing net debt. The objective of the Company's interest rate risk management is to reduce the volatility of interest expense in the income statement. The risk neutral benchmark duration for the debt portfolio is 12 months, and the duration can vary +/- 6 months from the benchmark. Interest rate derivatives have been used to adjust the duration of the net debt portfolio. Group's interest rate risk management is centralized to Group Treasury. Note 21 summarizes the nominal and fair values of outstanding interest rate derivative contracts as per 31 December 2005 (includes also closed positions).



The Company applies IFRS hedge accounting treatment for interest rate derivatives that are directly linked to underlying funding transactions. Other interest

rate derivatives are measured at fair value through income statement.

The following table summarizes the re-pricing of the Group's interest-bearing debt:

Period in which the repricing occurs	within 1 year	1 year – 5 years	more than 5 years	Total
<b>Financial instruments with floating interest rate</b>				
Financial liabilities				
Bonds	80			80
Loans from financial institutions	499			499
Pensions loans	40			40
Finance lease liabilities	112			112
Other	26			26
Effect of interest rate swaps	-308	200	108	0
<b>Financial instruments with fixed interest rate</b>				
Bonds			118	118
				875

As the Group has no significant interest-bearing assets, the Group's operating profit and operating cash flows are substantially independent of changes in market interest rates.

At 31 December 2005, a one per cent parallel shift in the interest rates would have increased/decreased net financial expenses by EUR 5 million over the next twelve month period. The impacts of the movements stated above are based on a data giving no effect to any hedge transactions.

#### Liquidity and Refinancing Risks

Liquidity and refinancing risk is defined as the amount by which earnings and/or cash flows are affected as a result of the Company not being able to secure sufficient financing. Neste Oil's principal source of liquidity is expected to be cash generated from operations. In addition, the Company seeks to reduce liquidity and re-financing risks with diversified maturity profile of its loan portfolio. Certain other limits have also been set to minimize the liquidity and refinancing risks. The Company must at all times have access to unutilized, committed credit facilities to cover all loans maturing within the next twelve months. In all cases, the unutilized committed credit facilities must always amount to at least 400 million euros.

The average loan maturity as per 31 December was 4.4 years. The most important financing programs in place are:

- Domestic commercial paper program (uncommitted), EUR 400 million
- Revolving multicurrency credit facility (committed), EUR 1,500 million
- Overdraft facilities (committed), EUR 100 million

As per 31 December 2005, the Company had cash and cash equivalents and committed, unutilized credit facilities totaling EUR 1,429 million at its disposal.

	2005
Floating rate	
- cash and cash equivalents	79
- overdraft facilities, expiring within one year	100
- revolving multicurrency credit facility, expiring beyond one year	1,250
	1,429

#### Credit 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 as the expected loss to Neste Oil in the event of a default by the counterparty. Credit risk limits are set at the corporate 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.

Treasury reduces credit risk by executing transactions only with most creditworthy counterparties with approved counterparty risk limits. Minimum counterparty rating requirement by Treasury is BBB. Business divisions reduce credit risk by counterparty specific screening. From counterparties with no granted open credit line, a satisfactory collateral is required. There is no concentration of credit risk with respect to receivables, as the Group has a large number of internationally dispersed customers and counterparties.

### 33. Key financial indicators

		2005	2004
<b>Income statement</b>			
Sales	MEUR	9,974	5,454
Operating profit	MEUR	791	486
- of sales	%	7.9	8.9
Comparable operating profit	MEUR	525	388
Profit before income tax	MEUR	823	109
- of sales	%	8.3	2.0
<b>Profitability</b>			
Return on equity (ROE) <sup>1)</sup>	%	51.3	19.7 <sup>1)</sup>
Return on capital employed, pre-tax (ROCE)	%	37.0	40.3 <sup>1)</sup>
Return on average capital employed, after tax (ROACE)	%	19.0	-
<b>Financing and financial position</b>			
Interest-bearing net debt	MEUR	796	969
Gearing	%	49.4	97.0
Leverage ratio	%	33.0	49.3
Equity-to-assets ratio	%	42.4	32.2
<b>Other indicators</b>			
Capital employed	MEUR	2,487	2,151
Investments	MEUR	668	229
- of sales	%	6.7	4.2
Research and development expenditure	MEUR	8	10
- of sales	%	0.1	0.2
Average number of personnel		4,528	4,296
<b>Share-related key figures</b>			
Earnings per share (EPS)	EUR	2.60	1.60
Equity per share	EUR	6.26	3.87
Cash flow per share	EUR	2.33	2.19
Price/earnings ratio		9.5	N/A
Share prices			
At the end of the period		24.81	N/A
Average share price		22.16	N/A
Lowest share price		15.22	N/A
Highest share price		32.19	N/A
Market capitalization at the end of the period	MEUR	6,123	N/A
Trading volumes			
Number of shares traded	1,000	360,876	N/A
In relation to weighted average number of shares	%	141	N/A
Number of shares		256,403,686	256,403,686

<sup>1)</sup> The figure for 2004 includes the group contribution paid to the former parent company, Fortum Corporation.

<sup>1)</sup> The ROCE %, and ROE % reported for the 2004 have been calculated by annualizing the May-December 2004 results.

## Calculation of key figures

### Calculation of key financial indicators

Comparable operating profit	=	Operating profit +/- inventory gains/losses +/- gains/losses from sales of fixed assets and investments - change in fair value of oil derivatives
Return on equity, (ROE) %	= 100 x	$\frac{\text{Profit before taxes} - \text{taxes}}{\text{Total equity average}}$
Return on capital employed, pre-tax (ROCE) %	= 100 x	$\frac{\text{Profit before taxes} + \text{interest and other financial expenses}}{\text{Capital employed average}}$
Return on average capital employed, after-tax (ROACE) %	= 100 x	$\frac{\text{Net profit (adjusted for inventory gains/losses and gains/losses from sales of fixed assets and investments net of taxes) + minority interest + interest expenses and other financial expenses related to interest-bearing liabilities (net of taxes)}}{\text{Average capital employed (= total equity + interest-bearing debt)}}$
Capital employed	=	Total assets – interest-free liabilities – deferred tax liabilities – provisions for liabilities and charges
Return on net assets, %	= 100 x	$\frac{\text{Operating profit} + \text{share of profits of associates and joint ventures}}{\text{Average net assets}}$
Segments net assets	=	Fixed assets, shares, pension assets and working capital allocated to the business segment, provisions and pension liabilities
Interest-bearing net debt	=	Interest-bearing liabilities – cash and marketable securities
Gearing, %	= 100 x	$\frac{\text{Interest-bearing net debt}}{\text{Total equity}}$
Equity-to assets ratio, %	= 100 x	$\frac{\text{Total equity}}{\text{Total assets} - \text{advances received}}$
Leverage ratio, %	= 100 x	$\frac{\text{Net debt}}{\text{Net debt} + \text{total equity}}$

### Calculation of key share ratios

Earnings per share (EPS)	=	$\frac{\text{Profit before taxes} - \text{taxes on regular business operations} - \text{minority interest}}{\text{Adjusted average number of shares during the period}}$
Equity per share	=	$\frac{\text{Shareholder's equity attributable to Company's equity holders}}{\text{Adjusted average number of shares at the end of the period}}$
Cash flow per share	=	$\frac{\text{Net cash generated from operating activities}}{\text{Adjusted average number of shares during the period}}$
Price/earnings ratio (P/E)	=	$\frac{\text{Share price at the end of the period}}{\text{Earnings per share}}$
Average share price	=	$\frac{\text{Amount traded in euros during the period}}{\text{Number of shares traded during the period}}$
Market capitalization at the end of the period	=	Number of shares at the end of the period x share price at the end of the period
Trading volume	=	Number of shares traded during the period, and in relation to the weighted average number of shares during the period

### 34. IFRS Transition information

Neste Oil adopted the International Financial Reporting Standards (IFRS) as of 1 January, 2005 as the Group's accounting principles for financial reporting. Prior to 1 January, 2005, Neste Oil's accounting principles were in accordance with Finnish GAAP. The date of transition from Finnish GAAP to IFRS for Neste Oil is 1 May, 2004. An overview of the effects of IFRS transition on Neste Oil's income statement and balance sheet was included in the notes to the financial statements for the 1 May – 31 December, 2004 accounting period, prepared in accordance with Finnish GAAP.

The following section presents the major changes in accounting principles and effects of the transition to IFRS on Neste Oil's consolidated financial statements for the financial period 1 May – 31 December, 2004, as well as the reconciliation of equity and net profit reported under Finnish GAAP to IFRS.

#### Major changes to accounting principles affecting the financial statements

Neste Oil has applied the exemptions allowed in IFRS 1, First-Time Adoption, in its IFRS transition. However, financial instruments have been initially recognized at fair value as of 1 May, 2004 and subsequently for the comparative income statement and balance sheet for the 1 May – 31 December, 2004 financial period. No impairment charges have been recognized in the IFRS opening balance sheet.

The major changes in the transition to IFRS relate to the following standards:

- IAS 17 (Leases)
- IAS 19 (Employee Benefits)
- IAS 39 (Financial Instruments: Recognition and Measurement) and IAS 32 (Financial Instruments: Disclosure and Presentation)
- IAS 16 (Property, Plant and Equipment)
- IAS 37 (Provisions, Contingent Liabilities and Contingent Assets)
- IAS 2 (Inventories)
- IAS 23 (Borrowing Costs)

#### IAS 17 (Leases)

Lease arrangements that transfer substantially all the risks and rewards related to the leased asset to the lessee are classified as finance leases. Finance leases are capitalized at the commencement of the lease term at the lower of the fair value of the leased property and the present value of the minimum lease payments as determined at the inception of the lease. Assets acquired under finance leases and recognized in the balance sheet are depreciated over the useful life of the asset or the lease term, whichever is the shorter. The lease liability is recognized as an interest-bearing liability.

Under Finnish GAAP, all leases were accounted for as operating leases.

#### IAS 19 (Employee Benefits)

Neste Oil has a number of pension plans in accordance with local practices in the countries where it operates. The Group has both defined benefit and defined contribution plans. The Group's contributions to defined contribution plans are charged to the income statement in the period to which the contributions relate.

For defined benefit plans, pension costs are assessed using the projected unit credit method. The cost of providing pensions is charged to the income statement so as to spread the service cost over the service lives of employees. The defined benefit obligation is measured as the present value of the estimated future cash flows using interest rates of high-quality corporate bonds with terms to maturity approximating to the terms of the related pension liability. The liability or asset recognized in the balance sheet is the defined benefit obligation at the balance sheet date less the fair value of plan assets. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

All accumulated actuarial gains and losses related to defined benefit plans are recognized in the balance sheet at the date of transition as allowed by IFRS 1. The interest component is included in employee benefit costs in the income statement.

The Finnish TEL pension scheme, including the disability part, has been accounted for as a defined benefit plan, since the TEL pension scheme is covered in the Group's own pension fund for the most part.

Under Finnish GAAP, all pension plans were accounted for as defined contribution plans.

#### IAS 39 (Financial Instruments: Recognition and Measurement) and IAS 32 (Financial Instruments: Disclosure and Presentation)

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing any resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if is, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of highly probable forecasted 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. Any 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 during the periods when the hedged item affects profit or loss, when a forecasted sale that is being hedged takes place, for example.

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 derivatives entered into to hedge price risks are economical hedges and do not qualify for hedge accounting under IAS 39. All fair value changes are recognized in the operating profit.

Foreign exchange derivatives are used to hedge forecasted sales and purchases transactions, assets and liabilities in the balance sheet and net investments in foreign operations. Hedge accounting is applied to foreign exchange derivatives used to hedge forecasted future cash flows. Interest rate derivatives and currency derivatives used to hedge Shipping leasing liabilities apply hedge accounting starting on January 1, 2005.

Hedges of net investments in foreign operations are accounted for in a similar way to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in equity; while any gain or loss relating to the ineffective portion is recognized immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

Under Finnish GAAP, gains or losses on derivative financial instruments for hedging purposes were recognized once the underlying income or expense occurred. Open financial instrument positions were not initially recognized at fair value in the balance sheet.

#### **IAS 16 (Property, Plant and Equipment) and IAS 37 (Provisions, Contingent Liabilities and Contingent Assets)**

Property, plant, and equipment are stated at historic cost, less depreciation, in the balance sheet. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and that the cost of the item can be measured reliably. Costs for major periodic overhauls at oil refineries and other production plants on a 3–5 year cycle are capitalized when they occur and then depreciated during the shutdown cycle, i.e. the time between shutdowns. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Under Finnish GAAP, the costs of major overhauls were accrued in advance of the shutdown and accounted for as a provision in the balance sheet.

#### **IAS 2 (Inventories)**

Inventories are stated at the lower of either cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Under Finnish GAAP, production overheads were not capitalized to the cost of finished goods and work in progress.

#### **IAS 23 (Borrowing costs)**

Borrowing costs are recognized as expense in the period in which they are incurred, except if they are directly attributable to the construction of an asset that meets determined criteria, in which case they are capitalized as part of the cost of that asset. These determined criteria are that (a) the borrowing costs incurred for the construction of an investment that exceeds EUR 100 million that (b) it will take more than 18 months to make the related asset operational, and (c) that it is an initial investment.

Under Finnish GAAP, no borrowing costs were capitalized.

#### **Changes in classification**

Some shareholdings that have been consolidated according to the equity method under Finnish GAAP are classified as joint ventures under IFRS. However, joint ventures will also be consolidated according to the equity method under IFRS. The share of profit from associated companies and joint ventures is presented below operating profit in the income statement.

Crude oil rock inventory bottoms have been reclassified to fixed assets from inventory. Certain minority shareholdings are classified as available for sale financial assets. These assets are measured at fair value, and the change in fair value is recorded in the fair value reserve in equity. Unquoted shares, whose fair value cannot be reliably measured, are measured at cost.

The effects of IFRS transition are summarised in the following consolidated income statement and balance sheet 2004, reconciliation of net profit and equity, as well as the related specification of each balance sheet line item affected.

## Consolidated income statement

	Note	Finnish GAAP 1 May-31 Dec 2004	Effect of transition to IFRS	IFRS 1 May-31 Dec 2004
<b>Sales</b>		5,454		5,454
Share of profit (loss) of associates and joint ventures		32	-32	0
Other income		20	27	47
Materials and services		-4,468	6	-4,462
Employee benefit costs		-142	1	-141
Depreciation, amortization and impairment charges		-81	-14	-95
Other expenses		-324	7	-317
<b>Operating profit</b>		491	-5	486
Share of profit (loss) of associates and joint ventures		0	32	32
Finance costs, net		-10	12	2
Group contributions paid <sup>1)</sup>		-411	0	-411
<b>Profit before income taxes</b>		70	39	109
Income tax expense		18	-6	12
<b>Profit for the period</b>	1	88	33	121
<b>Attributable to:</b>				
Equity holders of the Company		86	33	119
Minority interest		2		2
		88	33	121
<b>Earnings per share attributable to the equity holders of the company during the year (in euro per share)<sup>2)</sup></b>				1.60

<sup>1)</sup> Group contributions were paid to the former parent company, Fortum Corporation, since Neste Oil was part of the Fortum Group in 2004. Within Fortum Group, the profits and losses of Finnish group companies were combined for tax purposes through group contributions.

<sup>2)</sup> When calculating Earnings per share, group contribution has not been deducted from the profit for the period. Instead, a tax charge of EUR 119 million has been deducted. This amount represents the additional taxes Neste Oil would have paid, if the group contribution had not been paid to Fortum Corporation.

## Consolidated balance sheet

	Note	Finnish GAAP 1 May 2004	Effect of transition to IFRS	IFRS 1 May 2004	Finnish GAAP 31 Dec 2004	Effect of transition to IFRS	IFRS 31 Dec 2004
<b>ASSETS</b>							
<b>Non-current assets</b>							
Intangible assets	2	27	1	28	27	3	30
Property, plant and equipment	3	1,241	154	1,395	1,373	137	1,510
Investments in associates and joint ventures		116	0	116	140	0	140
Long-term interest-bearing receivables		73	0	73	68	0	68
Pension asset	4	0	43	43	0	47	47
Deferred tax assets	13	16	-11	5	30	-13	17
Other financial assets	5	18	6	24	18	10	28
		1,491	193	1,684	1,656	184	1,840
<b>Current assets</b>							
Inventories	6	329	-5	324	420	-5	415
Trade and other receivables	7	636	39	675	578	88	666
Cash pool receivable		13	0	13	124	0	124
Cash and cash equivalents		101	0	101	60	0	60
		1,079	34	1,113	1,182	83	1,265
<b>Total assets</b>		<b>2,570</b>	<b>227</b>	<b>2,797</b>	<b>2,838</b>	<b>267</b>	<b>3,105</b>
<b>EQUITY</b>							
<b>Capital and reserves attributable the Company's equity holders</b>							
Share capital and other equity		49	2	51	49	34	83
Retained earnings		730	65	795	725	66	791
Profit for the period		0	0	0	86	33	119
<b>Total equity attributable to the Company's equity holders</b>		<b>779</b>	<b>67</b>	<b>846</b>	<b>860</b>	<b>133</b>	<b>993</b>
<b>Minority interest</b>		<b>3</b>	<b>0</b>	<b>3</b>	<b>5</b>	<b>0</b>	<b>5</b>
<b>Total equity</b>	8		<b>67</b>	<b>849</b>		<b>133</b>	<b>998</b>
<b>LIABILITIES</b>							
<b>Non-current liabilities</b>							
Interest-bearing liabilities	9	907	123	1,030	616	99	715
Deferred tax liabilities	13	163	27	190	151	42	193
Provisions	10	63	-40	23	74	-59	15
Defined pension liabilities		0	0	0	0	13	13
Other non-current liabilities	11	3	17	20	6	15	21
		1,136	127	1,263	847	110	957
<b>Current liabilities</b>							
Interest-bearing liabilities	9	27	6	33	433	5	438
Trade and other payables	12	625	27	652	693	19	712
		652	33	685	1,126	24	1,150
<b>Total liabilities</b>		<b>1,788</b>	<b>160</b>	<b>1,948</b>	<b>1,973</b>	<b>134</b>	<b>2,107</b>
<b>Total equity and liabilities</b>		<b>2,570</b>	<b>227</b>	<b>2,797</b>	<b>2,838</b>	<b>267</b>	<b>3,105</b>

## 1. Reconciliation of profit for the period attributable to the equity holders of the company Finnish GAAP to IFRS

	1 May-31 Dec 2004
Net profit according to Finnish GAAP	86
Financial instruments	14
Leasing	15
Employee Benefits	3
Overhauls	-2
Capitalized interests	2
Capitalization of fixed costs in inventory	0
Other	1
<b>Net profit according to IFRS</b>	<b>119</b>

## 2. Intangible assets

The increase in intangible assets results from the reversal of goodwill amortisation.

## 3. Property, plant and equipment

The increase in property, plant, and equipment results from certain lease agreements, all of which relate to leased ships, classified as a finance lease (31 December 2004 EUR 122 million), capitalized overhaul costs (31 December 2004 EUR 12 million), accumulated depreciation on revaluations (31 December 2004 EUR -13 million), reclassification of crude oil rock inventory as tangible assets (31 December 2004 EUR 13 million) and capitalization of borrowing costs (31 December 2004 EUR 2 million)

## 4. Pension asset

The pension asset comprises the defined benefit plan assets in excess of the corresponding pension liability. The asset relates mainly to the Group's pension fund in Finland.

## 5. Other non-current assets

Other non-current assets show an increase, due to the recognition of derivative financial instruments with a maturity exceeding 12 months in the balance sheet.

## 6. Inventories

The value of inventories decreases due to the reclassification on crude oil rock inventory to tangible assets (31 December 2004 EUR -13 million). This decrease is offset by capitalized production overheads, (31 December 2004 EUR 8 million).

## 7. Current receivables

The increase in current receivables relates to the recognition of derivative financial instruments with a maturity of less than 12 months in the balance sheet.

## 8. Shareholder's equity

	1 May 2004	31 Dec 2004
Equity according to Finnish GAAP	779	860
Minority FAS	3	5
Financial instruments	1	48
Leasing	0	14
Employee Benefits	31	34
Overhauls	48	46
Revaluations	-17	-16
Other	4	7
<b>Equity according to IFRS</b>	<b>849</b>	<b>998</b>

## 9. Interest-bearing liabilities

Non-current interest-bearing liabilities show an increase of EUR 99 million and current interest-bearing liabilities an increase of EUR 5 million (31 December 2004), due to finance lease liabilities recognized in the balance sheet.

## 10. Provisions

Provisions are reduced by EUR 48 million (31 December 2004) as a result of the reversal of the Finnish GAAP provision for refinery major overhauls.

## 11. Other non-current liabilities

Other non-current liabilities increase due to the recognition of derivative financial instruments with a maturity exceeding 12 months in the balance sheet.

## 12. Other current liabilities

Other current liabilities show an increase, due to the recognition of derivative financial instruments with a maturity of less than 12 months in the balance sheet.

## 13. Deferred taxes

Deferred taxes are recognized for all taxable temporary differences in accordance with IAS 12 (Income taxes).



# Parent company income statement and balance sheet

MEUR	Note	1 Jan-31 Dec 2005	1 May-31 Dec 2004
<b>Income statement</b>			
<b>Net sales</b>	2	6,509	3,543
Change in product inventories and work in progress		107	0
Other operating income	3	24	18
Materials and services	4	-5,449	-2,712
Personnel expenses	4	-159	-94
Depreciation, amortisation and write-downs	8	-91	-51
Other operating expenses	4	-411	-294
<b>Operating profit</b>		530	410
Financial income and expenses	5	30	-3
<b>Profit before extraordinary items</b>		560	407
Extraordinary items	6	16	-392
<b>Profit before appropriations and taxes</b>		576	15
Appropriations		-30	-19
Income taxes	7	-128	24
<b>Net profit for the period</b>		418	20

MEUR	Note	31 Dec 2005	31 Dec 2004
<b>Balance sheet</b>			
<b>Assets</b>			
<b>Fixed assets and other long-term investments</b>	8, 9		
Intangible assets		23	11
Tangible assets		1,514	1,069
Shares in group companies		226	225
Shares in associated companies		7	3
Other shares		15	15
Interest bearing receivables		203	246
		1,988	1,569
<b>Current assets</b>			
Inventories	10	431	307
Trade receivables		493	402
Other receivables	11	78	63
Deferred tax assets		24	27
Cash and cash equivalents		25	4
		3,039	2,372
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity</b>	12		
Share capital		40	40
Retained earnings		185	165
Net profit for the period		418	20
		643	225
<b>Accumulated appropriations</b>	13	535	506
<b>Provisions for liabilities and charges</b>	14	37	72
<b>Liabilities</b>	15, 16		
Long-term liabilities			
Interest-bearing		558	581
Interest-free		4	3
		562	584
Short-term liabilities			
Interest-bearing		451	425
Interest-free		811	560
		1,262	985
		3,039	2,372

# Parent company cash flow statement

MEUR	1 Jan-31 Dec 2005	1 May-31 Dec 2004
<b>Cash flow statement</b>		
<b>Cash flows from operating activities</b>		
Profit before extraordinary items	560	407
Depreciation, amortisation and write-downs	91	51
Other non-cash income and expenses	-32	14
Financial income and expenses	-30	3
Divesting activities, net	-5	-7
<b>Operating cash flow before change in working capital</b>	<b>584</b>	<b>468</b>
Change in working capital		
Decrease (+)/increase (-) in interest-free trade and other receivables	-88	70
Decrease (+)/increase (-) in inventories	-137	-55
Decrease (-)/increase (+) in interest-free liabilities	247	43
Change in working capital	22	58
<b>Cash generated from operations</b>	<b>606</b>	<b>526</b>
Interest and other financial expenses paid, net	-4	-11
Dividends received	55	7
Income taxes paid	-126	-1
Realized foreign exchange gains and losses	-24	7
Cash flow before extraordinary items	-99	2
Group contributions received, net	2	-
<b>Net cash from operating activities</b>	<b>509</b>	<b>528</b>
<b>Cash flows from investing activities</b>		
Capital expenditures	-542	-191
Proceeds from sales of fixed assets	11	9
Investments in shares in subsidiaries	-1	-3
Investments in shares in associated companies	-4	-2
Proceeds from sales of shares in subsidiaries	-	7
Change in other investments, increase (-), decrease (+)	43	-100
	-493	-280
<b>Cash flow before financing activities</b>	<b>16</b>	<b>248</b>
<b>Cash flows from financing activities</b>		
Proceeds from long-term liabilities	762	2
Payments of long-term liabilities	-782	-272
Change in short-term liabilities	25	415
Group contributions paid	-	-395
<b>Cash flow from financing activities</b>	<b>5</b>	<b>-250</b>
<b>Net increase (+)/decrease (-) in cash and marketable securities</b>	<b>21</b>	<b>-2</b>
Cash and marketable securities at the beginning of the period	4	6
Cash and marketable securities at the end of the period	25	4
<b>Net increase (+)/decrease (-) in cash and marketable securities</b>	<b>21</b>	<b>-2</b>

## Notes to the Financial Statements

### 1. Accounting policies

The financial statements of Neste Oil Corporation (Parent company) are prepared in accordance with Finnish GAAP.

#### 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 and contributions received 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 in financial income or expenses.

#### Derivative financial instruments

Neste Oil enters into derivative contracts mainly to hedge oil price, foreign exchange and interest rate exposures.

Oil commodity derivatives hedging future cash flow are booked once the underlying exposure occurs. Unrealized losses on derivatives held for trading purposes are booked immediately, but gains are booked only at maturity or when the open exposure of the derivative is closed with similar derivative.

There are three different types of foreign exchange derivatives: hedges for future cash flow, hedges of balance sheet items and derivatives held for trading purposes. 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. 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. Gains or losses for derivatives used to hedge the interest rate risk exposure are accrued over the period to maturity and are recognized as an adjustment to the interest income or expense of the underlying liabilities.

#### 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. 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	20–40 years
Production machinery and equipment	15–20 years
Marine fleet	15–20 years
Other equipment and vehicles	3–15 years
Other tangible assets	20–40 years
Intangible assets	5–10 years

#### 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. Crude oil rock inventory bottoms (EUR 13 million) have been transferred from inventories to other tangible assets.

#### Research and development

Research and development expenditures are expensed as incurred with the exception of investments in buildings and equipment.

#### Pension expenses

Statutory pension obligations 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 company itself have been entered as a provision in the balance sheet.

#### Extraordinary items

Extraordinary items consist of received or given group contributions from or to Neste Oil Group companies.

#### Deferred taxes

Deferred taxes are determined on the basis of temporary differences between the financial statement and tax bases of assets and liabilities. Deferred income tax is determined using tax rates that have been enacted at the balance sheet date and are expected to apply.

#### Provisions

Foreseeable future expenses and losses that have no corresponding revenue and which Neste Oil Corporation 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 pension liabilities, guarantee obligations, expenses relating to the future clean-up of proven environmental damage and obligation to return emission allowances. Provisions are recorded based on management estimates of the future obligation. The shutdown provision concerning Porvoo refinery has been reversed against the costs incurred. The shutdown provision concerning Naantali refinery will be reversed during the next shutdown (year 2006). Costs for new shutdowns are not provided for.

## 2. Net Sales

<b>Net Sales by segment</b>	<b>2005</b>	<b>2004</b>
Oil Refining	6,281	3,385
Oil Retail	25	106
Shipping	350	205
Other	11	1
Eliminations	-158	-154
<b>Total</b>	<b>6,509</b>	<b>3,543</b>

<b>Net Sales by market area</b>	<b>2005</b>	<b>2004</b>
Finland	3,349	1,974
Other Nordic countries	978	545
Baltic States, Russia and Poland	70	41
Other European countries	1,363	604
USA and Canada	614	267
Other countries	135	112
<b>Total</b>	<b>6,509</b>	<b>3,543</b>

## 3. Other operating income

	<b>2005</b>	<b>2004</b>
Rental income	7	4
Gains on sales of fixed assets	5	13
Government grants	10	0
Other	2	1
<b>Total</b>	<b>24</b>	<b>18</b>

## 4. Other operating expenses

<b>Other operating expenses</b>	<b>2005</b>	<b>2004</b>
Materials and services		
Materials and supplies		
Purchases during the period	5,478	2,766
Change in inventories	-29	-55
External services	0	1
Personnel expenses		
Wages, salaries and remunerations	130	76
Indirect employee costs		
Pension costs	16	11
Other indirect employee costs	13	7
Other operating expenses	411	294
<b>Total</b>	<b>6,019</b>	<b>3,100</b>

### Divesting activities included in other operating expenses

Losses on sales of fixed assets and write-offs	0	5
<b>Total</b>	<b>0</b>	<b>5</b>

### Salaries and remuneration

Key management compensations are presented in Note 29 in the Neste Oil Group consolidated financial statements

<b>Average number of employees</b>	<b>2005</b>	<b>2004</b>
Oil Refining	1,987	1,938
Oil Retail	14	76
Shipping	545	578
Other	135	41
<b>Total</b>	<b>2,681</b>	<b>2,633</b>

## 5. Financial income and expenses

<b>Financial income and expenses</b>	<b>2005</b>	<b>2004</b>
Income from other long-term investments		
Dividend income from Group companies	44	5
Interest income from Group companies	14	5
Dividend income from others	10	3
Other interest and financial income		
From Group companies	3	7
Other	2	0
Exchange rate differences	-6	1
Interest expenses and other financial expenses		
To Group companies	-11	-21
Other	-26	-3
<b>Total</b>	<b>30</b>	<b>-3</b>

### Total interest income and expenses

Interest income	19	13
Interest expenses	-35	-24
Net interest expenses	-16	-11

## 6. Extraordinary items

	<b>2005</b>	<b>2004</b>
Extraordinary income		
Group contributions	17	3
Extraordinary expenses		
Group contributions	-1	-395
<b>Total</b>	<b>16</b>	<b>-392</b>

## 7. Income taxes

	<b>2005</b>	<b>2004</b>
Taxes on regular business operations	124	90
Taxes on extraordinary items	4	-114
<b>Total</b>	<b>128</b>	<b>-24</b>
Taxes for the period	124	2
Taxes for the previous periods	1	1
Change in deferred tax assets	3	-27
<b>Total</b>	<b>128</b>	<b>-24</b>

## 8. Fixed assets and long-term investments

### Change in acquisition cost 2005

Intangible assets	Goodwill	Other intangible assets	Total
Acquisition cost as of 1 January 2005	1	43	44
Increases	-	19	19
Decreases	-	2	2
Acquisition cost as of 31 December 2005	1	60	61
Accumulated depreciation, amortization and write-downs as of 1 January 2005	1	32	33
Accumulated depreciation, amortization and write-downs of decreases and transfers	-	1	1
Depreciation and amortization for the period	0	6	6
Accumulated depreciation, amortization and write-downs as of 31 December 2005	1	37	38
Balance sheet value as of 31 December 2005	0	23	23
Balance sheet value as of 31 December 2004	0	11	11

### Tangible assets

	Land areas	Buildings and structures	Machinery and equipments	Other tangible assets	Advances paid and construction in progress	Total
Acquisition cost as of 1 January 2005	10	636	1,247	44	224	2,161
Increases	3	62	148	6	304	523
Decreases	1	3	36	0	1	41
Transfer between categories	-	0	0	13	-	13
Acquisition cost as of 31 December 2005	12	695	1,359	63	527	2,656
Accumulated depreciation, amortization and write-downs as of 1 January 2005	0	315	788	20	-	1,123
Accumulated depreciation, amortization and write-downs of decreases and transfers	-	3	32	0	-	35
Depreciation, amortization and write downs for the period	0	22	62	1	-	85
Accumulated depreciation, amortization and write-downs as of 31 December 2005	0	334	818	21	-	1,173
Revaluations	6	25				31
Balance sheet value as of 31 December 2005	18	386	541	42	527	1,514
Balance sheet value as of 31 December 2004	16	346	459	24	224	1,069
Balance sheet value of machinery and equipments used in production						333

### 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 1 January 2005	225	240	3	1	15	6	490
Increases	1	132	4	0	0	-	137
Decreases	0	174	-	0	-	2	176
Acquisition cost as of 31 December 2005	226	198	7	1	15	4	451
Accumulated depreciation, amortization and write-downs as of 1 January 2005	-	-	-	-	0	1	1
Accumulated depreciation, amortization and write-downs of decreases and transfers	-	-	-	-	-	1	1
Accumulated depreciation, amortization and write-downs as of 31 December 2005	-	-	-	-	0	-	0
Balance sheet value as of 31 December 2005	226	198	7	1	15	4	451
Balance sheet value as of 31 December 2004	225	240	3	1	15	5	489

## 9. Revaluations

	Revaluations as of 1 Jan	Increases	Decreases	Revaluations as of 31 Dec
Land areas	6	-	-	6
Buildings	25	-	0	25
Total	31	-	0	31

### Policies and principles for revaluations and evaluation methods

The revaluations are based on fair values at the moment of revaluation.

## 10. Inventories

	2005	2004
Raw materials and supplies	172	154
Work in progress	113	75
Products/finished goods	146	78
Total	431	307

Difference between replacement value and book value of inventories is EUR 34 million (2004: 26 million).

## 11. Short-term receivables

	2005	2004
Trade receivables	320	245
Receivables from Group companies		
Trade receivables	173	156
Other receivables	17	3
Accrued income and prepaid expenses	2	19
Total	192	178
Receivables from associated companies		
Trade receivables	0	1
Total	0	1
Other receivables	38	25
Accrued income and prepaid expenses	21	15
Total	571	464

### Short-term accrued income and prepaid expenses

Accrued interest	3	19
Accrued taxes	2	0
Other	18	15
Total	23	34

## 12. Changes in shareholders' equity

	2005	2004
Share capital at the beginning of the period	40	40
Share capital at the end of the period	40	40
Retained earnings at the beginning of the period	185	165
Net profit for the period	418	20
Retained earnings at the end of the period	603	185
Distributable equity	603	185

## 13. Accumulated appropriations

	2005	2004
Accumulated depreciation above the plan	535	506

## 14. Provisions for liabilities and charges

	2005	2004
Provisions for pensions	10	11
Provisions for planned refinery maintenance and upgrade shutdown	16	49
Other provisions	11	12
Total	37	72

## 15. Liabilities

	2005	2004
<b>Long-term liabilities</b>		
Bonds	199	-
Loans from financial institutions	288	2
Pension loans	40	41
Liabilities to Group companies		
Other long-term liabilities	30	538
Liabilities to associated companies		
Advances received	1	2
Other long-term liabilities	1	0
Accruals and deferred income	3	1
Total	562	584

### Short-term liabilities

Loans from financial institutions	190	0
Advances received	24	-
Trade payables	487	254
Liabilities to Group companies		
Trade payables	8	14
Other short-term liabilities	240	428
Accruals and deferred income	1	7
Total	249	449
Liabilities to associated companies		
Advances received	1	1
Trade payables	1	0
Total	2	1
Other short-term liabilities	260	243
Accruals and deferred income	50	38
Total	1,262	985

### Interest-bearing and interest-free liabilities

Interest-bearing liabilities	1,009	1,005
Interest-free liabilities	815	564
Total	1,824	1,569

### Liabilities due after five years

Bonds	120	-
Loans from financial institutions	40	1
Pension loans	40	41
Liabilities to Group companies	30	538
Total	230	580

### Short-term accruals and deferred income

Salaries and indirect employee costs	35	32
Accrued interests	6	5
Accrued taxes	1	1
Other short-term accruals and deferred income	9	7
Total	51	45

## 16. Contingent liabilities

Collaterals and other undertakings on own behalf	2005 Debt	Value of collateral	2004 Debt	Value of collateral
<b>Own debt secured by pledged assets</b>				
Pension loans	3	3	4	4
Trade payables	0	2	0	2
Total	3	5	4	6
<b>Own debt secured by real estate mortgages</b>				
Loans from financial institutions	1	2	1	2
Trade payables	0	23	0	23
Total	1	25	1	25
Total	4	30	5	31
<b>Collaterals given on behalf of Group companies</b>				
Real estate mortgages		2		2
Total		2		2
<b>Collaterals total</b>				
		32		33
<b>Other contingent liabilities</b>				
	<b>2005</b>		<b>2004</b>	
<b>Leasing liabilities</b>				
Due within a year		71		74
Due after a year		129		89
Total		200		163
<b>Other contingent liabilities given on own behalf</b>				
		1		1
<b>Other contingent liabilities given on behalf of Group companies</b>				
Guarantees		157		68
<b>Other contingent liabilities total</b>				
		358		232

## 17. Derivatives

Interest and currency derivatives	2005 Contract or notional value	Fair value	Not recog- nized as an income	2004 Contract or notional value	Fair value	Not recog- nized as an income
Interest rate swaps	308	-3	-3	58	-6	-6
Forward foreign exchange contracts	942	-27	-24	567	10	9
Currency options						
Purchases	835	-17	-17	438	17	17
Written	835	-3	-3	438	6	6
<b>Oil futures and forward instruments</b>						
	Volume 1,000 bbl	Fair value	Not recog- nized as an income	Volume 1,000 bbl	Fair value	Not recog- nized as an income
Sales contracts	45,665	20	20	45,549	19	19
Purchase contracts	92,101	-6	-6	69,584	6	6
Options						
Purchased	6,905	-2	-2	4,797	2	2
Written	5,589	2	2	6,784	-2	-2

The fair values of foreign exchange currency derivatives are based on market values at the balance sheet date. The fair values of interest rate swaps are the present values of the estimated future cash flows and the fair values of currency options are calculated with option valuation model.

The fair value of exchange traded oil commodity futures and option contracts are based on the forward exchange market quotations at the balance sheet date. The fair value of over-the-counter oil commodity derivative contracts is based on the net present value of the forward

derivatives quoted market prices at the balance sheet date. Physical sales and purchase agreements within trading activities are treated as derivatives and reported in the Derivatives table.

### 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. Shares and shareholders

### Share capital

Under Neste Oil's Articles of Association, the Company's minimum share capital is set at EUR 30 million, and its maximum share capital at EUR 200 million. Within these limits, share capital can be increased or reduced without amending the Articles of Association. The Company's Articles of Association also state that the Company should have a minimum of 50 million shares and a maximum of 600 million shares. The Company's share has a book countervalue of EUR 0.15600 (infinite number).

Neste Oil's share capital registered with the Trade Register as of 31 December 2005 totalled EUR 40,000,000, divided into 256,403,686 shares of equal value. Until 8 March 2005 the number of shares was 100,000,000.

### Quotation and trading of shares

Neste Oil's shares were listed for trading on the Helsinki Stock Exchange on 18 April 2005. At its highest during

2005, the share price reached EUR 32.19, while at its lowest the price stood at EUR 15.22, with the average for the year coming in at EUR 22.16. The share price closed the year at EUR 24.81, giving the company a market capitalization of EUR 6,123 million as of 31 December.

### Share buyback and issue authorizations

The Board of Directors is not authorized to issue new Company shares or other securities. The Company does not have a share buyback program in place and the Board is not authorized to buy back Company shares.

### Management shareholding

On 31 December 2005, the members of Board Directors and the President and CEO owned a total of 34,362 shares, which corresponds to 0.01% of the company's shares and voting rights. The members of the Supervisory Board owned no shares as per 31 December 2005.

### Shareholders on 31 December 2005

Shareholder	No. of shares	Holding %
Finnish State	128,458,247	50.10
Ilmarinen Mutual Pension Insurance Company	3,465,800	1.35
Social Insurance Institution	2,648,424	1.03
The municipality of Kurikka	1,550,875	0.60
State Pension Fund	1,500,000	0.59
Neste Oil Pension Fund	1,258,738	0.49
OP-Delta Investment Fund	1,085,377	0.42
Etera Mutual Pension Insurance Company	927,470	0.36
Fennia Mutual Pension Insurance Company	890,000	0.35
Varma Mutual Pension Insurance Company	870,000	0.34
Special Investment Fund OMX Helsinki 25	450,688	0.18
Nordea Henkivakuutus Suomi Oy	442,149	0.17
Investment Fund Nordea Fennia	321,925	0.13
Finnish National Fund for Research and Development	302,525	0.12
The Local Government Pensions Institution	298,578	0.12
Investment Fund Alfred Berg Finland	293,750	0.11
Kirkon keskusrahasto	293,562	0.11
OP-Focus Special Investment Fund	285,050	0.11
The municipality of Kauhajoki	284,560	0.11
Investment Fund Gyllenberg Finlandia	268,750	0.10
<b>20 largest shareholders</b>	<b>145,896,468</b>	<b>56.89</b>
Nominee registrations	87,574,225	34.15
Other	22,932,993	8.96
<b>Total number of shares</b>	<b>256,403,686</b>	<b>100.00</b>



## Breakdown of share ownership on 31 December 2005

By number of shares owned					
No. of shares	No. of share-holders	% of share-holders	No. of shares	% of shares	
1-100	20,622	39.2	1,123,672	0.4	
101-500	25,100	47.8	5,717,385	2.2	
501-1,000	4,001	7.6	2,902,050	1.1	
1,001-5,000	2,471	4.7	4,773,449	1.9	
5,001-10,000	170	0.3	1,178,233	0.5	
10,001-50,000	116	0.2	2,568,062	1.0	
50,001-100,000	34	0.1	2,369,120	0.9	
100,001-500,000	28	0.1	6,503,952	2.5	
Over 500,000	13	0.00	229,267,763	89.4	
Total	52,555	100.00	256,403,686	100.00	
of which nominee registrations	15		87,574,225	34.2	

### By shareholder category

	% of shares
Finnish State	50.1
Corporations	0.9
Financial and insurance institutions	1.6
Non-profit organizations	1.2
General government	5.9
Households	5.5
Non-Finnish shareholders	34.8
Total	100.0

## 19. Shares and holdings

	Country of incorporation	No. of shares	Holding %	Book value 31 Dec 2005 EUR 1,000
<b>Subsidiaries</b>				
Best Chain Oy	Finland	112,800	100.00	45,413
Neste Eesti AS	Estonia	10,000	100.00	5,926
Neste Jacobs Oy	Finland	2,310	66.00	482
Neste Markkinointi Oy	Finland	210,560	100.00	47,567
Neste Oil Ab	Sweden	2,000,000	100.00	23,972
Neste Oil Ltd	Great Britain	500,100	100.00	1,794
Neste Oil N.V.	Belgium	1	0.00	0
Neste Oil BR Ltd	Belarus	1	100.00	-
Neste Oil Components Finance B.V.	The Netherlands	40	100.00	22
Neste Oil Finance B.V.	The Netherlands	26,088	100.00	15,763
Neste Oil Holding (USA) Inc	USA	1,000	100.00	18,428
Neste Oil Insurance Ltd	Guernsey	7,000,000	100.00	3,000
Neste Oil US, LLC	USA		100.00	1,100
Neste St.Petersburg OOO	Russia	10	100.00	58,427
Tehokaasu Oy	Finland	7,200	100.00	3,900
				225,794
<b>Associated companies</b>				
Kiinteistö Oy Porvoon Leporanta	Finland	300	50.00	300
Lacus Ltd	Bermuda	6,000	50.00	2,973
Nemarc Shipping Oy	Finland	2,000	50.00	33
Neste Arabia Co. Ltd	Saudi Arabia	480	48.00	156
Porvoon Alueverkko Oy	Finland	40	33.33	7
OAO Pechormornef	Russia	39	39.00	6
Svartså Vattenverk-Mustijoen Vesilaitos	Finland	14	40.00	124
Tahkoluodon Polttoöljy Oy	Finland	630	31.50	490
Terra Ltd	Bermuda	6,000	50.00	2,985
Vaskiluodon Kalliovarasto Oy	Finland	330	50.00	17
				7,091
<b>Other shares and holdings</b>				
Cristal Ltd	Great Britain	1		0
Ekokem Oy Ab	Finland	375	2.68	125
Finnish Measurement Systems FMS Oy	Finland	80	10.91	13
Nymex Holdings Inc	USA	2		-
Posintra Oy	Finland	50		17
Saudi European Petrochemical Company	Saudi Arabia	102,567	10.00	14,851
				15,006
<b>Real estate companies</b>				
Asunto-Oy Poutapolku	Finland	287	1.91	106
Oy Kokonhalli Ab	Finland	55	20.00	93
				199
<b>Telephone shares</b>				
Kymen Puhelin Oy	Finland	1		0
Lännen Puhelin Oy	Finland	20		5
Pietarsaaren Seudun Puhelin Oy	Finland	3		1
Pohjanmaan Puhelinosuuskunta PPO	Finland	1		-
Savonlinnan Puhelinosuuskunta SPY	Finland	1		1
				7
<b>Connection fees</b>				
				70
<b>Total</b>				248,167

# Proposal for the distribution of earnings

The Group's non-restricted equity as of 31 December stood at EUR 1,556 million, of which distributable equity totalled EUR 1,129 million. The parent company's distributable equity stood at EUR 603 million.

The Board of Directors proposes Neste Oil Corporation to pay a dividend of EUR 0.80 per share for 2005, totalling EUR 205 million, and that any remaining distributable funds to be allocated to retained earnings.

Espoo, 14 February 2006

Timo Peltola

Mikael von Frenckell

Ainomaija Haarla

Kari Jordan

Juha Laaksonen

Nina Linander

Pekka Timonen

Maarit Toivanen-Koivisto

Risto Rinne  
President and CEO

# Auditor's report

## To the shareholders of Neste Oil Corporation

We have audited the accounting records, the financial statements and the administration of Neste Oil Corporation for the period 1 January – 31 December 2005. The Board of Directors and the President and CEO have prepared the report of the Board of Directors and the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU and the parent company's financial statements prepared in accordance with prevailing regulations in Finland, that include the parent company's balance sheet, income statement, cash flow statement and the notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, the parent company's financial statements and on the administration of the parent company.

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 administration is to examine that the members of the Supervisory Board and the Board of Directors as well as the President and CEO of the parent company have complied with the rules of the Companies' Act.

## Consolidated financial statements

In our opinion the consolidated financial statements give a true and fair view, as referred to in the International Financial Reporting Standards as adopted by the EU and defined in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position. The consolidated financial statements can be adopted.

## Parent company's financial statements and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Finnish Accounting Act, of the parent company's result of operations as well as of the financial position. The financial statements can be adopted and the members of the Supervisory Board and the Board of Directors as well as the President and CEO 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 funds is in compliance with the Companies' Act.

Espoo, 14 February 2006

PricewaterhouseCoopers Oy  
Authorised Public Accountants

Markku Marjomaa  
Authorised Public Accountant

## Statement by the Supervisory Board

The Supervisory Board has today reviewed Neste Oil Corporation's income statement, balance sheet, notes to the financial statements, consolidated financial statements, the review by the Board of Directors and the related Board of Director's proposal concerning the distribution of earnings, and the auditors' report provided by the Company's auditor. The Supervisory Board has no comments to make on these. The Supervisory Board

recommends that the income statement, balance sheet and consolidated financial statements can be approved and concurs with the Board of Directors' proposal for the allocation of profit.

The Supervisory Board is satisfied that its instructions have been followed and that it has received adequate information from the Board of Directors and the Company's management

Espoo, 15 February 2006

Klaus Hellberg

Markku Laukkanen

Mikael Forss

Heidi Hautala

Satu Lähteenmäki

Markus Mustajärvi

Juhani Sjöblom

Jutta Urpilainen

## Quarterly segment information

<b>Quarterly sales</b> <b>MEUR</b>	<b>10-12/2005</b>	<b>7-9/2005</b>	<b>4-6/2005</b>	<b>1-3/2005</b>	<b>Carve-out</b> <b>10-12/2004</b>	<b>7-9/2004</b>	<b>4-6/2004</b>	<b>1-3/2004</b>
Oil Refining	2,282	2,111	2,135	1,622	1,727	1,641	1,635	1,303
Oil Retail	782	834	695	620	611	666	566	531
Shipping	93	69	87	103	91	69	78	101
Other	2	4	3	1	0	0	0	0
Eliminations	-407	-433	-343	-286	-321	-285	-279	-225
<b>Total</b>	<b>2,752</b>	<b>2,585</b>	<b>2,577</b>	<b>2,060</b>	<b>2,108</b>	<b>2,091</b>	<b>2,000</b>	<b>1,710</b>

<b>Quarterly operating profit</b> <b>MEUR</b>	<b>10-12/2005</b>	<b>7-9/2005</b>	<b>4-6/2005</b>	<b>1-3/2005</b>	<b>Carve-out</b> <b>10-12/2004</b>	<b>7-9/2004</b>	<b>4-6/2004</b>	<b>1-3/2004</b>
Oil Refining	132	96	194	124	152	129	180	101
Oil Retail	11	18	21	-2	13	16	24	7
Shipping	31	3	19	34	27	22	19	45
Other	135	-6	-13	-6	-6	-6	-3	-6
Eliminations	-1	4	-2	-1	0	0	0	-1
<b>Total</b>	<b>308</b>	<b>115</b>	<b>219</b>	<b>149</b>	<b>186</b>	<b>161</b>	<b>220</b>	<b>146</b>

<b>Quarterly comparable operating profit</b> <b>MEUR</b>	<b>10-12/2005</b>	<b>7-9/2005</b>	<b>4-6/2005</b>	<b>1-3/2005</b>	<b>Carve-out</b> <b>10-12/2004</b>	<b>7-9/2004</b>	<b>4-6/2004</b>	<b>1-3/2004</b>
Oil Refining	82	80	168	92	165	86	125	87
Oil Retail	7	19	12	11	8	17	17	7
Shipping	28	2	20	35	18	14	18	44
Other	-6	-6	-13	-6	-6	-6	-3	-6
Eliminations	-1	4	-2	-1	0	0	0	-1
<b>Total</b>	<b>110</b>	<b>99</b>	<b>185</b>	<b>131</b>	<b>185</b>	<b>111</b>	<b>157</b>	<b>131</b>