Change is a state of mind

NESTE OIL

Annual Report 2009

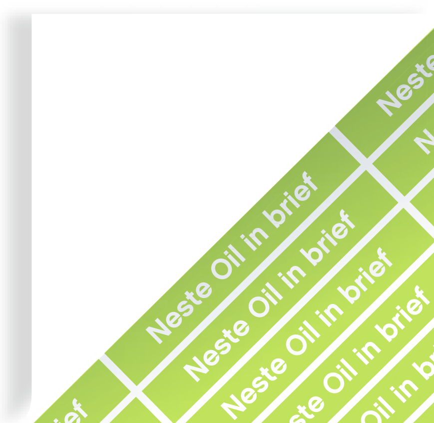
New mindset

2009 was a turning-point in many respects. We saw a dramatic change in our operating environment, and we adopted a completely new operating model internally, designed to make the most of our best practices and expertise.

As we go forward, we will focus on growth, efficient production, and excellent performance. We are building the world's largest NExBTL renewable diesel plants in Singapore and Rotterdam, and ensuring the success of their start-up and operations is among our most important short-term priorities.

Production-related efficiency is something that will be given particular attention at all our facilities, and will see us aiming for better performance and more consistent operations on diesel production line 4 at Porvoo, for example.

We will also continue enhancing the way we work, prioritizing cost efficiency and common processes and practices, and aiming to ensure that everyone across the company is committed to our common goals. Overall, our aim is to be a world-class company in all areas of our operations.



Neste Oil's strategic foundation

Key figures

	2009	2008	Change, %
Income statement, EUR million			
Revenue	**9,636**	15,043	-36
Operating profit	**335**	186	80
Comparable operating profit	**116**	602	-81
Profit before income tax	**296**	129	129
Profitability, %			
Return on equity (ROE)	**10.2**	4.4	132
Return on capital employed, pre-tax (ROCE)	**9.0**	6,1	48
Return on average capital employed, after tax (ROACE)	**2.5**	13.1	-81
Financing and financial position			
Total equity, EUR million	**2,222**	2,179	2
Interest-bearing net debt, EUR million	**1,918**	1,004	91
Capital employed, EUR million	**4,257**	3,237	32
Equity-to-assets ratio, %	**39.1**	46.3	-16
Leverage ratio, %	**46.3**	31.5	47
Net cash from operating activities, EUR million	**177**	512	-65
Share-related indicators			
Earnings per share (EPS), EUR	**0.86**	0.38	126
Dividend per share, EUR	**0.25***	0.80	-69
Dividend payout ratio, %	**29.0***	211.9	-86
Share price at the end of the year, EUR	**12.42**	10.58	17
Average share price, EUR	**10.85**	17.95	-40
Highest share price, EUR	**13.44**	24.90	-46
Lowest share price, EUR	**8.80**	9.47	-7
Market capitalization at the end of the year, EUR million	**3,185**	2,713	17
Other indicators			
Equity per share, EUR	**8.64**	8.48	2
Investments, EUR million	**863**	508	70
Average number of personnel	**5,286**	5,174	2
R&D expenditure, EUR million	**37**	37	0
Refining margin, USD/bbl	**7.35**	13.39	-45

* Proposal by the Board of Directors to the Annual General Meeting

Business areas in brief

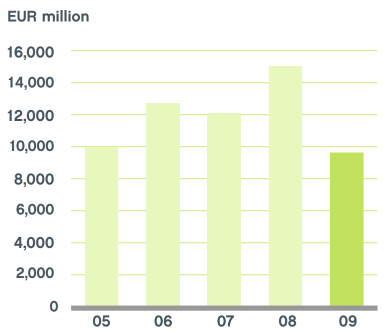
	Business	Main markets	Capacity	Strategic role	Strengths	Market position
Oil Products 	Supplying petroleum products to wholesale customers.	Europe and North America.	Crude oil distillation capacity 260,000 bbl/d, refining capacity approx. 15 million t/a.	Maximizing cash flow from refinery products through an enhanced customer value offering.	High-quality, lower-emission traffic fuels, ability to use Russian crude and other feedstocks.	Leading supplier of lower-emission traffic fuels in Northern Europe.
Renewable Fuels 	Producing and marketing premium-quality NExBTL renewable diesel.	Europe.	Production capacity 380,000 t/a. New projects under way will result in approx. 2 million t/a of capacity by 2011.	Generating profitable growth.	Cutting-edge technology and product, growing production capacity, and industry-leading operations based on sustainable raw materials procurement.	The world's leading supplier of premium-quality renewable diesel.
Oil Retail 	Sales of petroleum products to end-users.	Finland and the Baltic Rim.	Outlets: 867 in Finland, 293 in Russia, the Baltic countries, and Poland.	Captive marketing channel and spearhead for the Neste Oil brand.	High-quality traffic fuels, strong brand and market position, extensive station network, and competitive unit costs.	Market leader in Finland, second-largest player in Estonia, Latvia, and the St. Petersburg region, third-largest in Lithuania.

Neste Oil in brief

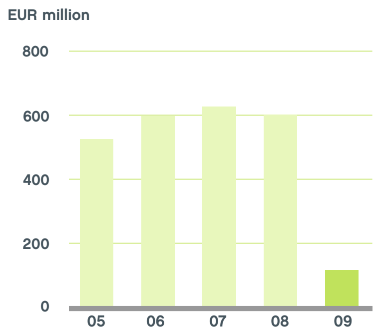
Neste Oil is a refining and marketing company, with a production focus on premium-quality, lower-emission traffic fuels. Its growth strategy is focused on producing premium-quality renewable diesel fuel. Neste Oil is committed to world-class operational and financial performance, and all its operations are driven by four core values: responsibility, cooperation, innovation, and excellence.

Neste Oil is listed on NASDAQ OMX Helsinki in the Energy sector under the trading code NES1V.HE.

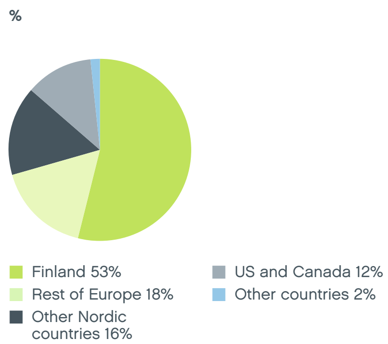
Revenue



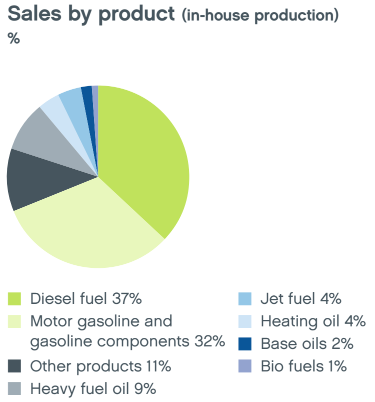
Comparable operating profit



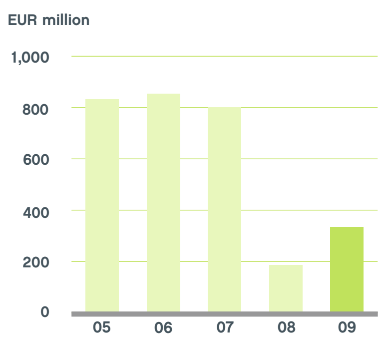
Sales by region (in-house production)



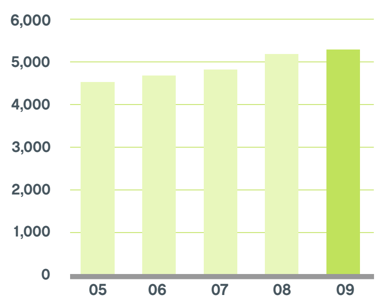
Sales by product (in-house production)



Operating profit



Personnel (average)

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How Neste Oil combats climate change?
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Vision is the art of seeing things invisible.

– Jonathan Swift

New mindset

Neste Oil's new operating model will enable us to respond more dynamically and more rapidly to the challenges presented by our operating environment. Success requires us not only to be able to produce high-quality products reliably and responsibly, but also calls for innovation and creativity.

We are fortunate to have a large pool of researchers and technical experts who are building the future. We have been pioneers for many years, and intend to remain so in the future.


RENEWABLE FUELS WILL BE A SIGNIFICANT PROFIT CONTRIBUTOR
UNTIL NOW
TARGET
Neste Oil Corporation

The year in brief

The global economic recession had a major impact on developments in 2009 and was reflected both in demand for petroleum products and on Neste Oil's financial results. The company continued its major growth projects, in the shape of two renewable diesel plants in Singapore and Rotterdam and a base oil plant in Bahrain.

- The market environment for oil refiners remained challenging throughout the year, and refining margins weakened significantly. There are no expectations for a rapid recovery.
- Demand for Neste Oil's most important product, diesel fuel, is largely dictated by industry, and industrial performance was very weak in 2009. The indications are that industrial output has bottomed out in Europe, but this has still not been reflected on Neste Oil's home markets.
- Neste Oil updated its strategy in fall 2009, although no changes were made to its main direction.
- The company focused on implementing a cost-cutting program designed to save a total of EUR 60 million, enhancing management of its working capital, and improving internal efficiency. The new matrix organization introduced in 2009 had supported these efforts.
- The company's key renewable diesel growth projects in Singapore and Rotterdam progressed according to plan.

Challenges, achievements, and targets

Challenges	Achievements	Goals 2010
• The global economic recession had a negative impact on demand for petroleum products. Margins on Neste Oil's main product, diesel fuel, were relatively low, and the price advantage normally provided by refining Russian crude oil was reduced as a result of the narrower differential between Russian crude and Brent crude from the North Sea.	• The company recorded a positive result despite a challenging market situation. • The plant construction projects in Singapore, Rotterdam, and Bahrain all moved ahead on-budget and on-schedule.	• To continue the projects in Singapore, Rotterdam, and Bahrain as planned. • Neste Oil is aiming for profitable growth.
• The company's cost structure proved out of step with the difficult market situation.	• Cost savings and operational efficiency improvements were made at all levels of the organization. • A new matrix organization was adopted to improve the implementation of the company's strategy and execution of strategic projects. • Positive improvement in safety performance.	• To improve production efficiency. • To continue developing the company's corporate culture and internal processes to ensure first-class operations. Focus on efficiency and performance.
• The use of palm oil in producing NExBTL renewable diesel was the subject of public debate on numerous occasions.	• Neste Oil contributed actively to the development of regulations covering renewable fuels, to ensure that product quality and other issues are given due attention, and promoted greater awareness of renewable energy issues among decision-makers.	• Neste Oil aims to increase the competitiveness of renewable fuels by maximizing the value of its product, contributing to the development of regulations in the field, and ensuring that it uses responsibly produced raw materials.

Q1

January 01/09
Neste Oil was selected for inclusion in The Global 100, listing the world's 100 most-responsible companies, for the third time.

February 02/09
Neste Oil announced its figures for 2008 and a comparable operating profit of EUR 602 million (2007: 626 million). The company was reorganized into three business areas and seven common functions. A new Neste Executive Board (NEB) was appointed. Cold-weather trials on NExBTL renewable diesel in Canada yielded excellent results.

March 03/09
The foundation stone of Neste Oil's new NExBTL plant in Singapore was laid. The company was once again selected for inclusion in the Ethibel Excellence Investment Register as well as the Ethibel Pioneer Investment Register.

April 04/09
The AGM decided to approve a dividend of EUR 0.80 per share for 2008. The construction of a new gasoline isomerization plant at the Porvoo refinery was postponed in response to weaker demand for petroleum products and to enable resources to be concentrated on Neste Oil's strategic growth projects. The company announced its first-quarter results and a comparable operating profit of EUR 56 million (Q1/2008: 119 million).

May 05/09
Distribution of Neste Green diesel was extended to Eastern Finland. Neste Jacobs signed a framework agreement covering engineering services for the construction of a major chemicals production center in Abu Dhabi. The foundation stone of a new NExBTL plant in Rotterdam was laid.

June 06/09
Neste Oil committed to using only certified palm oil as supplies become available in sufficient volumes, and expects to use only this type of palm oil by the end of 2015. The results of a NExBTL field trial in Germany were presented in Berlin.

Neste Oil and Stora Enso officially opened their joint venture demonstration plant for the development of traffic biofuel production technology, based on forest harvesting waste.

Q3

July 07/09
Neste Oil's second NExBTL renewable diesel plant was commissioned at Porvoo. Sulfur recovery systems at the Porvoo refinery experienced a number of incidents that resulted in a total of 219 tons of sulfur dioxide being released into the atmosphere. Neste Oil announced its first-half result and a comparable operating profit of EUR 47 million (Q2/2008: 181 million).

August 08/09
Statutory employer-employee negotiations were started, which aimed at reducing 450 jobs in Finland. A fire occurred on diesel production line 4 at the Porvoo refinery.

September 09/09
Neste Oil was selected for inclusion in the Dow Jones Sustainability World Index for the third year in succession. The company issued a EUR 300 million domestic bond and held a Capital Markets Day event in Porvoo and Helsinki.

Q4

October 10/09
The Court of Arbitration issued its ruling on a contractual dispute between Neste Oil and YIT. Neste Oil completed statutory employer-employee negotiations, which will result in 351 redundancies in Finland by the end of 2010. The company announced its third-quarter figures and a comparable operating profit of EUR 42 million (Q3/2008: 199 million).

November 11/09
Neste Oil and St1 began collaboration as part of the TransEco program coordinated by the VTT Technical Research Centre of Finland.

December 12/09
Neste Oil decided to transfer its statutory occupational pensions to Ilmarinen. Jarmo Suominen was appointed Neste Jacobs' new Managing Director. Neste Oil's Board of Directors decided on implementation of a key personnel incentive plan.

web
All of Neste Oil's stock exchange and press releases for 2009 can be found at www.nesteoil.com.

Dear shareholders,

2010 looks set to be a challenging year, although there are growing signs of a recovery in the global economy. To secure our competitiveness, we have restructured our organization and operating model, and have paid particular attention to improved cost efficiency.

2009 was a difficult year for oil refiners. Refining margins were narrow and demand for petroleum products fell sharply. Given the overall economic situation, Neste Oil performed reasonably well as we succeeded in recording a positive result.

Improving our internal efficiency was the most important focus of our development efforts during the year. Our new matrix organization was implemented at the beginning of April. Many of our people took on new responsibilities during the course of the year and everyone has been involved with new practices designed to generate better performance and cost efficiency. Although an organization cannot be transformed overnight, I believe that the central principles of our change process – from customer focus to common ways of working – have become familiar to our personnel and to our stakeholders as well.

CONTINUING ON OUR STRATEGIC PATH FORWARD

We updated our strategy in 2009, while retaining its primary focus. Our most important short-term goals are the success of our strategic growth projects in Singapore, Rotterdam, and Bahrain – and our aim is to complete these on-schedule and on-budget.

We have also highlighted the importance of increasing our focus on efficient production, excellent operational performance, and securing profitable growth. This is the way to build greater shareholder value.

NExBTL WILL BECOME INCREASINGLY IMPORTANT

The EU's new directive on renewable energy will require member states to increase the proportion of energy from renewable sources used in traffic and transport to 10% by 2020. This will create a biodiesel market of over 20 million tons if demand for fossil diesel follows current projections.

At a time when the oil industry is beginning to experience a major transformation, Neste Oil's proprietary NExBTL renewable diesel will be one of our biggest competitive advantages. NExBTL generates lower levels of tailpipe emissions and reduces greenhouse gas emissions by as much 40–80% compared to fossil diesel. This makes it an excellent means for reducing emissions and combating climate change. As the world's cleanest and best diesel, NExBTL is set to be increasingly important financially for us.

We are committed to responsible principles in all our operations worldwide.

STRONGLY COMMITTED TO ACTING RESPONSIBLY

There are a number of challenges associated with renewable fuels and the raw materials currently used to produce them. Much debate has centered on how well these materials meet responsible criteria in a world where the number of realistic alternative inputs today is really quite small.

We have put a lot of work into ensuring that the raw materials we use are produced responsibly. We have developed a unique system for tracing the origin of our palm oil and publicly committed ourselves to using only certified palm oil as soon as possible. Neste Oil became one of the world's largest users of certified palm oil in 2009, and we estimate that all our palm oil will be certified by the end of 2015.

Sustainable development will continue to be very important for us as we go forward, and we intend to maintain our active role in developing norms and systems to promote sustainability. In addition to Neste Oil's very strict criteria covering responsible operations, we play an active part in organizations such as the Roundtable on Sustainable Palm Oil and maintain close contacts with political decision-makers and other opinion leaders. I believe that it is very important to develop common ground rules regarding responsible operations that all actors can and must adhere to. It will be impossible to achieve major change if those involved do not share a similar mindset.

REMAINING A TECHNOLOGICAL PIONEER

Neste Oil has a long history as a developer of cleaner traffic fuels, and we have often gone significantly beyond what statutory regulations require. We have some 250 researchers and 700 engineering experts working on technology development today, and Neste Oil innovations have been extensively licensed worldwide.

Developing new technologies is often pioneering work and calls for extensive studies and tests, approvals from customers and partners, and even changes in legislation before a new product can be launched. While it is not an easy job, it is a very important one.

Even during economically difficult times, we need to ensure that innovations and new technologies are developed for future generations. This calls not only for corporate investments in R&D, but also requires effective networking and the support of society as a whole. Supporting technological pioneers generates benefits for everyone.

THANK YOU

I have been with Neste Oil for something over a year now and have seen and experienced a lot in a short time. During the last year, we have introduced a number of important changes in which many of our stakeholders have also played a part. I would like to thank our shareholders, our customers, our partners, and our personnel for their contribution in 2009. We have many new and interesting challenges ahead of us. I look forward to addressing them with you!

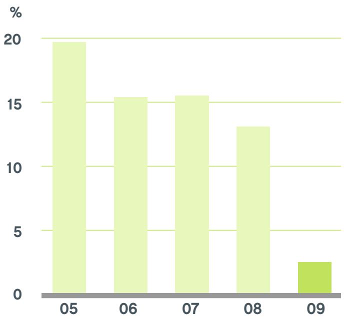
Matti Lievonen
President & CEO

Financial targets

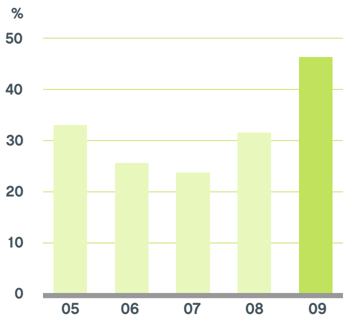
	2009	2008
Return on average capital employed after tax (ROACE) of at least 15% annually	2.5%	13.1%
Leverage ratio 25–50%	46.3%	31.5%
Dividend equivalent to at least a third of underlying profits *	119%**	51%

* Calculated on the basis of the comparable operating profit for the year
** Proposal by the Board of Directors to the Annual General Meeting

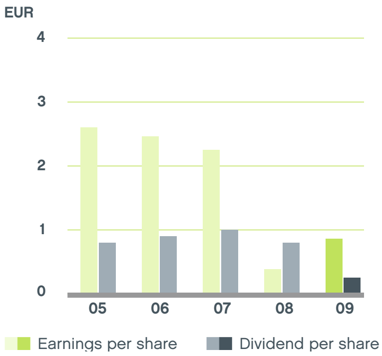
Return on average capital employed after tax (ROACE)



Leverage ratio



Earnings per share and dividend per share*



* Proposal by the Board of Directors to the Annual General Meeting.

Strategy

Neste Oil's vision is to be the world's leading supplier of lower-emission traffic fuels. The company updated its strategy in 2009 and continued to move ahead with its ambitious investment program. A new matrix organization was adopted in the spring to bring greater efficiency to the implementation of the company's strategy.

Neste Oil's strategy is based on its ability to use its unique refining expertise to produce premium-quality, lower-emission traffic fuels from a broad range of low-cost feedstocks. Specialization and a strong skills base are central to the success of a small oil company like Neste Oil in the highly competitive international marketplace. Neste Oil's strategy is seen as the best way to increase shareholder value.

The company's strategy was reviewed in 2009 in the light of the changes that have taken place in its operating environment. The role and strategic focus of each business area was clarified, and challenges, strengths, and future competitive advantages assessed. The company will continue to move ahead with its cleaner fuel strategy and will focus on delivering on its promises of profitable growth, efficient production, and high-quality operations. The importance of cost efficiency and responsibility has also been emphasized.

A new strategy was developed in 2009 for Neste Oil's engineering business, Neste Jacobs, which is 60%-owned by Neste Oil. This emphasizes the company's cutting-edge technological expertise, its customer-driven business model, and growth in selected areas. Neste Jacobs is the most important supplier of engineering services to the oil and chemical industries in the Nordic region.

INVESTMENT PROGRAM CONTINUES

Neste Oil will continue to move ahead with its investment program in 2010. The most important projects in the program are designed to increase the company's NExBTL renewable diesel capacity. Neste Oil commissioned its second NExBTL plant, at Porvoo, in summer 2009. The ramp-up was successfull. This new unit follows the first plant commissioned at Porvoo refinery in 2007.

Neste Oil is currently building two new NExBTL plants, in Singapore and Rotterdam, both with a capacity of 800,000 t/a. The Singapore facility is due to achieve mechanical completion in summer 2010, and the Rotterdam plant in the first half of 2011. Both projects have progressed on-budget and on-schedule.

We produce premium-quality traffic fuels from a range of raw materials.

Neste Oil is also expanding its production of base oils. A new base oil plant is under construction in Bahrain, and is due to be completed in the second half of 2011. Neste Oil's share of the project is 45%. A decision was taken to postpone construction of a new isomerization unit at the Porvoo refinery.

CLEANER PRODUCTS FROM LOWER-COST FEEDSTOCKS

Neste Oil's goal is to achieve as high a level of cash flow as possible from the products it refines and deliver true added value to its customers. The company has a strong position in the markets around the Baltic Rim and its plants are excellently located from a logistics standpoint. Neste Oil has also systematically invested in capacity to enable it to refine advanced, lower-emission traffic fuels from heavier, sourer Russian crude.

It proved difficult to fully exploit this competitive advantage during 2009 as a result of the exceptionally challenging market situation. Middle distillate margins were significantly weaker and the price differential between heavy Russian crude and lighter Brent crude from the North Sea was narrower. It is, however, expected that diesel margins will gradually begin to strengthen again as economic recovery gains momentum.

In addition to wholesale customers, Neste Oil also sells its products through its own service station network. This network of 1,160 stations plays an important role in marketing and developing the company's brand.

THE WORLD'S BEST AND CLEANEST DIESEL FUEL

The demand for biofuels is growing rapidly worldwide, and legislation and tax incentives have been introduced in many countries to promote their use. Neste Oil has responded to the challenge represented by the growing need for energy to transport people and products and combat climate change by investing heavily in developing NExBTL renewable diesel and building capacity to produce it. The goal is for renewable fuels to account for around a third of the company's result in the future.

The NExBTL renewable diesel is the outcome of a sustained product development effort at Neste Oil. It is a higher-quality fuel than fossil diesel as well as conventional biodiesels, and can be used as such in all current diesel engines and is fully compatible with existing distribution systems and refinery logistics without additional investments.

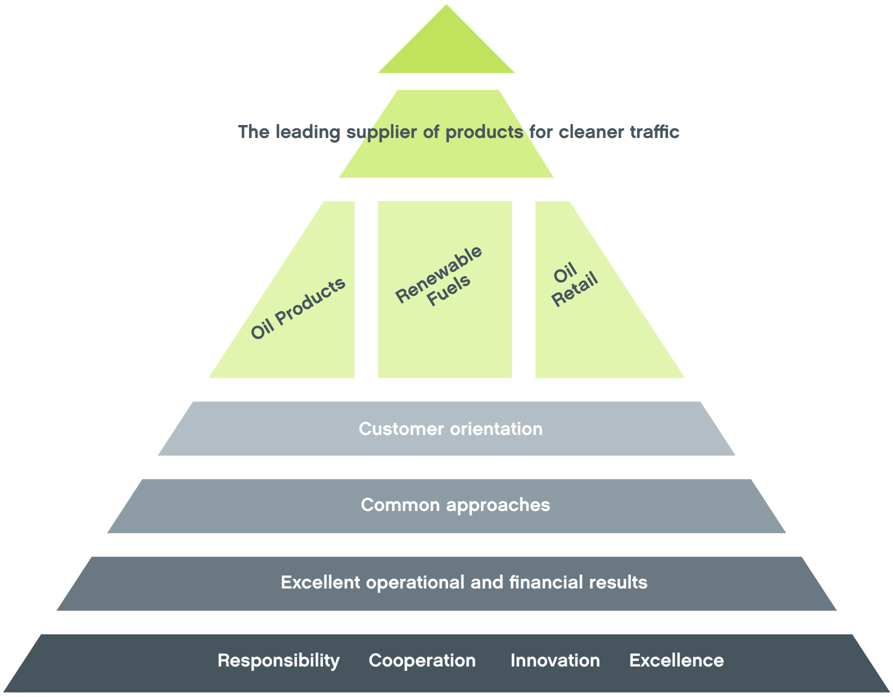
The fuel can be produced from a flexible mix of vegetable oils and waste fat from the food industry. Continuous development work is under way on extending the feedstock base further and developing new types of technology. This involves both Neste Oil's own experts as well as leading professionals and academics from around 25 universities and research bodies globally.

GREATER EFFICIENCY THROUGH A MATRIX ORGANIZATION

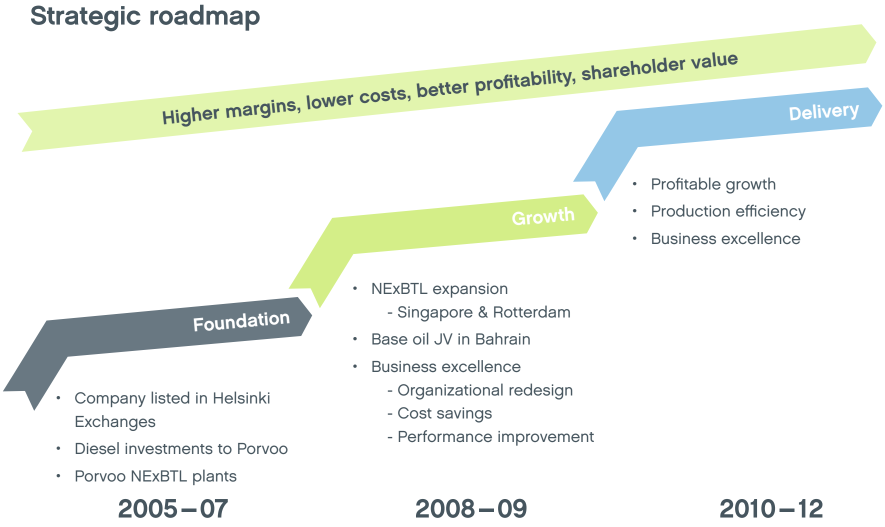
Neste Oil's organization was restructured into a matrix of three business areas and seven common functions as of 1 April, 2009. The new operating model is designed to leverage the best practices and expertise of its businesses and functions. The business areas, which also form the company's official reporting segments, are Oil Products, Renewable Fuels, and Oil Retail.

The matrix organization has been created to achieve greater cost efficiency and a more customer-driven way of working, to enable Neste Oil to implement its strategy as effectively as possible. The matrix organization is also better suited to meeting the needs of the company's new international units. This transformation of business practices and the development of new skills is continuing.

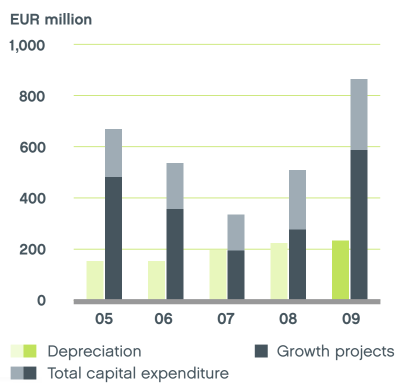
Refining the future



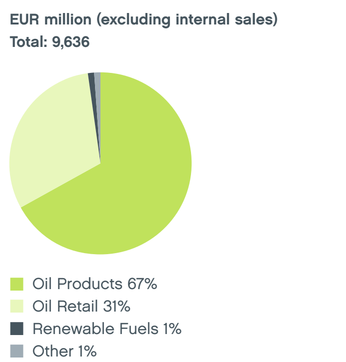
Strategic roadmap



Investments



Revenue



info

Each business area represents its own reporting segment.

Industry overview

2009 was a year of economic recession. Demand for crude oil declined as developments in the world economy impacted the petroleum products market. Refinery capacity utilization levels fell, and there were signs of structural changes developing within the industry.

Crude oil demand declined during 2009, but less than the most pessimistic forecasts. Brent crude prices reached OPEC's approx. USD 80/bbl target level at year end, despite weak demand and high inventory levels. This was mainly due to measures designed to stimulate economic recovery, the weaker dollar, and increased investor interest based on expected economic recovery.

This positive price trend for oil producers led to OPEC withholding new production cutbacks, although member countries did not adhere to agreed quotas very closely during the second half of the year. This was partly because production by non-member countries was lower than previously projected, with the exception of Russia, where output rose slightly, contrary to expectations, recovering from the slight decline seen there in 2008. Russia strengthened its position as the world's largest oil producer ahead of Saudi Arabia, which, together with the UAE and Kuwait, abided by agreed production limits more closely than other producers. Saudi Arabia accounts for the majority of OPEC's and the world's reserve production capacity.

A CLEAR DECLINE IN DEMAND FOR OIL

Overall demand for oil declined by 1.33 million barrels a day, mainly in North America (-0.91 million), Europe (-0.76 million) and the countries of the former Soviet Union (-0.24 million). Demand increased in the Middle East (0.12 million), Asia (0.82 million), South America (0.06 million), and Africa (0.03 million). Demand rose the most in China (0.57 million), while the increase in India was much smaller (0.17 million), reflecting the fact that economic growth in India is largely based on IT and services, which require significantly less energy than basic industries and transport. Demand in the Middle East was supported by the strong economic situation in the region and low consumer prices. The recession affecting OECD countries held back overall growth in Asia. Demand is estimated to grow in the developing economies, while demand in OECD countries is expected to remain flat.

The decline seen in oil consumption in 2009 was exceptional seen from the long-term perspective and began towards the end of 2008. Consumption previously fell in a similar way as a result of the second oil crisis that followed the revolution in Iran in 1979, when it took nine years for demand to regain previous peak levels. Demand began to increase again only when the long economic downturn came to an end.

Sales of new cars in the US tumbled in 2009, and two of the three major American automotive manufacturers came close to bankruptcy. Demand for cars recovered slowly, driven by gasoline prices that, at their lowest, were virtually half of the peak prices seen in summer 2008. Sales for the year as a whole were slightly below 2008. Changes in consumer preferences are likely to see future interest focused on models offering more efficient fuel consumption. Industrial difficulties also impacted consumption as a result of higher unemployment. A third of the approximately 750 million vehicles on the world's roads can be found in the US, and their above-average size means that they consume 40% of the world's gasoline output. As a result, shifts in demand there have a major impact on the market worldwide.

DIESEL FAVORED IN EUROPE

The popularity of diesel cars in Europe has been on the rise for years, and they account for as many as half of new registrations in some countries. Their share of sales was highest in 2007, remained virtually static in 2008, and declined in 2009. This was partly the result of a narrower price differential compared to gasoline in neutral taxation countries and the fact that fuel consumption in small gasoline-powered cars is now very low, which means that their lower purchase price compared to comparable diesel-powered versions tends to attract consumers more than lower fuel costs.

In terms of the overall car pool, the proportion of diesel vehicles is set to grow for many years. Diesel cars have failed to achieve a significant market share in markets outside Europe, however, where their use has not been encouraged by tax incentives in the same way that it has been in many European countries. As consumer fuel prices are significantly lower in many countries outside Europe, the lower fuel consumption of diesel cars is not as attractive. Diesel demand is expected to start growing again in line with economic recovery, and as industrial output and transport volumes begin to rise again.

DEMAND FOR DIESEL COULD RECOVER FASTER

The general consensus is that it will take around five years for demand for oil to return to the peak levels seen in 2007. In terms of individual petroleum products, developments are expected to follow a similar pattern to that seen prior to the recession, although

Structural changes likely in the oil industry

A surplus of petroleum products in a market hit by declining demand depressed product prices and had a negative impact on refining margins. Unless demand increases at a faster pace than currently projected, refining margins are likely to remain modest into 2010. New capacity similar in size to that commissioned in 2009 is nearing completion, and there are growing signs of upcoming structural changes in the refining industry worldwide.

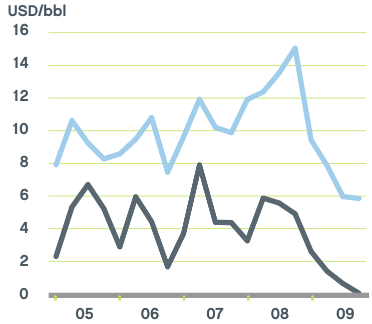
A number of major international oil companies appear keen to shed their less strategic units, but finding buyers for them in the current situation will not be easy. Refiners in the world's expanding economies, such as China, in contrast, are actively increasing their capacity to give themselves a greater degree of self-sufficiency.

It is likely that structural changes in the refining world will continue and some old capacity will be shut down. Closing down plants that have been operating for decades is expensive in OECD countries due to today's strict site cleanup requirements. The alternative is often to convert a site from refining to terminal operations. A number of closures have, however, been announced and more can be expected. When demand for petroleum products begins to rise again, the requirement for new capacity will grow over the long term. In terms of future refining margins, what will be critical is when utilization rates start to recover.

USD/EUR exchange rate

info A weak dollar in comparison to the euro reduces the company's revenue, as Neste Oil reports its figures in euros.

Refining margin



Neste Oil's refining margin
IEA Brent Cracking reference margin

info The refining margin reflects the difference between the revenue received from products and the price paid for feedstocks.

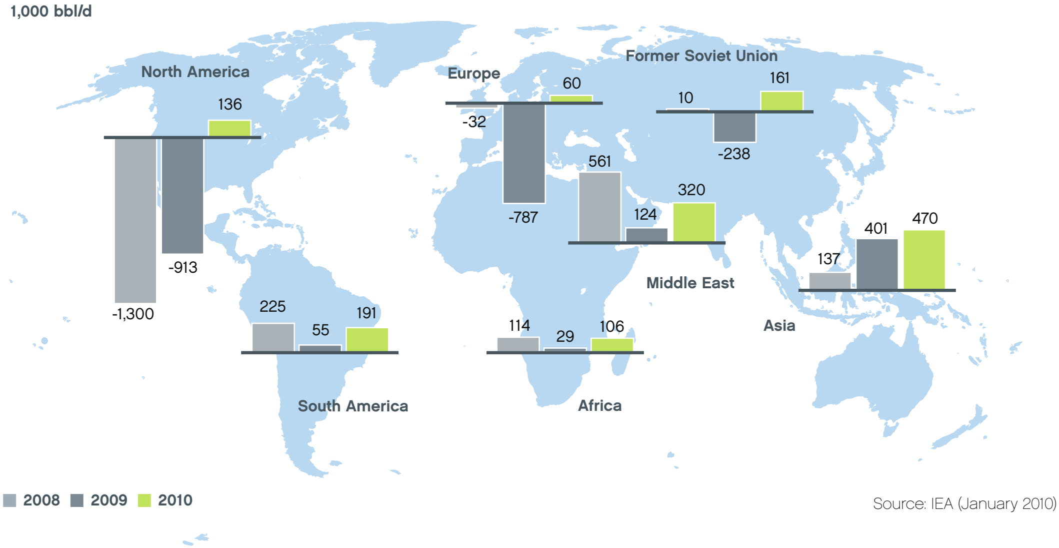
Price differential between Urals and Brent crude

Brent Dated   Urals Rotterdam

info Neste Oil is able to benefit from this differential, as it can process an increasing amount of Russian crude.

Growth in global demand for petroleum products, 2008–2010

1,000 bbl/d



2008 2009 2010

Source: IEA (January 2010)

growth now has to start from a significantly lower level. Demand for diesel, which has been hardest hit by the recession, is expected to rise the most when economic growth begins again.

The demand for jet fuel has fallen back even more than the decline in air travel, as many airlines have taken their oldest, least fuel-efficient aircraft out of service. When demand recovers, the situation is likely to be reversed, so that when air travel emerges from its current difficulties and begins to grow again the effect on demand for middle distillates could be quite significant.

NEW REFINING CAPACITY COMES ON STREAM

The impact of the approximately 1.5% drop in oil demand seen in 2009 was made much more dramatic by the fact that it was accompanied by a large amount of new refining capacity coming on stream. These projects had been started when economic prospects were much rosier and demand was expected to continue growing for many years to come. The commissioning of this new capacity inevitably resulted in a drop in global refinery capacity utilization levels. In principle, the increase in capacity and the drop in demand should have led to a 6–7% reduction in capacity utilization on average, but refiners have adapted to the changed conditions in very different ways in different parts of the world.

Refiners in OECD countries where local demand has declined the most have made the biggest cutbacks. Refinery output in Southern Europe, for example, fell by around 7% compared to 2008, and slightly less in Northwest Europe. In the US, refinery activity fell towards the end of the year, and at times capacity utilization levels went below 80%, lower than at any time since 1992 if the impact of hurricanes are excluded.

The new capacity that has come on stream mainly outside the US has usually been ramped up to full output, although start-ups were delayed in some cases by a matter of a few months. Russia represented a special case, as oil export taxes there encourage product exports. This has led to higher average capacity utilization rates, despite declining domestic demand, the relatively simple configuration of Russian refineries, and their unattractive location in terms of export flows. Russian capacity utilization levels exceeded those in Europe and the US for the first time in fall 2009.

Demand for crude oil fell by around 1.5% in 2009 and refining margins dropped significantly.

DEMAND GROWS IN BIOFUELS

Demand for biofuels continued to grow in 2009, despite the decline in demand for fossil traffic fuels, as a result of the growing number of biofuel mandates. New production capacity was built, despite the low capacity utilization affecting the industry resulting from overcapacity in Europe, where demand was largely met by imports. Production of conventional biodiesel in Europe accounts for just over half of world output. Despite overcapacity, demand for advanced renewable fuels remains good because of their better product properties.

A EU directive on renewable energy came into force in June 2009 and requires member states to increase the proportion of renewable energy used in traffic and transport to 10% by 2020. The Commission is expected to announce detailed guidelines on how to implement the directive in early 2010. Member states will be required to file their plans with the Commission by June 2010. Changes in the EU's fuel quality directive will require a reduction of 6% in greenhouse gas emissions over the life cycle of traffic fuels between 2010 and 2020. Oil companies are expected to respond to this challenge mainly by increasing their use of biofuels.

Oil refining in Europe is covered by the EU Emissions Trading Scheme, which will remain in force after the conclusion of current Kyoto commitments in 2012. Automotive manufacturers are covered by regulations on mileage performance that came into force in June 2009. These and other developments mean that a number of parallel and sometimes overlapping mechanisms are now being used in Europe to reduce GHG emissions.

Production of the vegetable oil and fats used to produce biofuels increased compared to 2008. Vegetable oil prices followed crude price developments and fell sharply from 2008's exceptionally high levels. Prices were at their lowest in the first quarter of 2009, after which they began to rise. Sustainably produced products are required. Production of palm oil certified under the system introduced by the RSPO began in Southeast Asia.

Growth in demand is expected to continue in 2010, with producers focusing on R&D and product development to extend the range of raw materials used and enhance product properties.

NEW ENGINE TECHNOLOGY

Increasing attention has been given to electric cars as an alternative to fossil fuels. Politicians have come out prominently in support of these vehicles in some countries, such as Finland and the US. While they might play a growing role in the car pool and as a means of reducing greenhouse gas emissions especially in big cities, it will take some time before they have a significant impact.

The world's first completely electric mass-produced car was launched in Japan in fall 2009. It has a limited range and is double the price of equivalent conventional small cars. Over the medium term, hybrid cars, charged from regular outlets and powered by a combination of an electric motor and a gasoline or diesel engine, are likely to have a larger impact than purely electric ones.

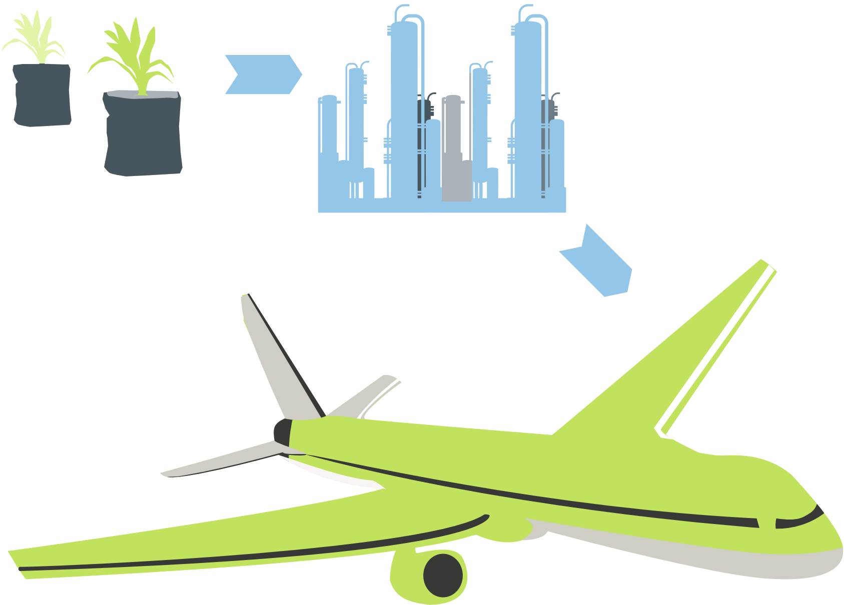
The widespread adoption of new technologies always takes time. Although by far the majority of the world's hybrid cars are in the US at the moment, they account for less than 1% of the car pool there, despite being available for 10 years. Electric cars also require new logistics systems to supply them with power, while hybrids can make use of existing service station networks.

RETAIL DEMAND TIED TO GENERAL ECONOMIC TRENDS

Retail demand for gasoline and diesel fuel is closely linked to general economic trends. Demand for traffic fuels was relatively weak in 2009, and the slowdown in the transport sector had a negative impact not only on sales of diesel but also on those of lubricants and LPG. Demand is only likely to strengthen again when industrial recovery begins to get under way.

There is heavy competition for market share in Finland, and the players are in the process of developing their business models to take account of the continuing shift from service stations to unmanned outlets.

The problems affecting international financial markets have served to increase general uncertainty and to underline the growing importance of managing receivables effectively. The uncertain mood in the marketplace has also been reflected in the decision by many players to postpone retail investments in Russia and the Baltic countries.



Case

Bio-based jet fuel on the way

The fuel efficiency of modern aircraft has improved significantly, and today's planes can use up to 70% less fuel than those of 40 years ago. Despite this progress, air transport, which carries over 2.2 billion passengers annually, accounts for 14% of total transportation energy consumption.

Fuel consumption has grown steadily over the years, with the exception of the recent economic downturn. Bio-based fuels are one way for airlines to reduce their dependency on petroleum and reduce emissions. Compared to road traffic, aviation has a smaller range of alternatives to choose from, as ethanol and conventional biodiesel, for example, do not meet the specifications required of jet fuel.

The International Air Transport Association (IATA) has set a goal of using 10% alternative fuels from non-crude oil sources by 2017. Flights inside the EU will be covered by the European Union Emission Trading System (EU ETS) in 2011, and flights to and from the EU in 2012. This will require airlines to offset their emissions by using allowances or renewable aviation fuels.

Quality is a critical issue for jet fuel, which is covered by very strict specifications, regardless of the source from which fuels are produced. A new specification has been developed for a blend of biofuel produced using Fischer-Tropsch synthesis and fossil kerosene, but no standard exists as yet for a fuel such as that produced using NExBTL technology. Work on one is under way, however, and Neste Oil is a member of the American Society for Testing and Materials (ASTM), which is the industry organization responsible.

Aviation represents an interesting market for producers of advanced biofuels, as conventional biodiesel or electricity are unsuitable for aviation use. As yet, however, no biomandates have been established for the use of renewable fuels in air traffic, unlike the situation on the road. The differences between the incentives and legislation covering the use of biofuels on the road and in the air could well change at some point, however.

Many people see things as they are and say “Why?”. We dream of things that never were and say “Why not?”

– George Bernard Shaw

New mindset

We restructured our organization in 2009 and now operate through a matrix of three business areas and seven common functions rather than five divisions.

Our operations today emphasize the importance of a customer-driven approach and common ways of working. The changes we have made have improved our effectiveness in implementing our strategy and brought clear cost savings. Rethinking how we operate is essential to ensuring our long-term success.


Business areas, refineries, and research

Oil Products

Oil Products is Neste Oil's largest business area and focuses on premium-grade traffic fuels and other high value-added petroleum products that are sold to customers worldwide. Oil Products is also responsible for procuring the feedstocks used at Neste Oil's refineries and for managing its plants and the commercial operations of Neste Oil's tanker fleet.

Neste Oil is the leading supplier of low-emission fuels in the Baltic region and an active player on the international oil market. The company's product range covers gasoline, diesel fuel, jet fuel, bunker fuel, heating oil, heavy fuel oil, base oil, gasoline components, specialty fuels, solvents, LPG, and bitumen.

Oil Products is committed to offering its customers true added value and achieving a strong level of cash flow from its refinery operations. The price differential between petroleum products and raw materials, the price differential between Brent crude and Russian crude, and the USD/EUR exchange rate represent the most important factors shaping the financial performance of the business. Variations in crude prices largely impact the business' result through inventory gains and losses.

A WEAKER REFINING MARGIN

Neste Oil's total refining margin in 2009 stood at USD 7.35/bbl (2008: 13.39). The refining margin was adversely impacted by softer demand for petroleum products and the lower margins on middle distillates that this generated, together with a very narrow differential between prices for Russian Urals and Brent crude. Neste Oil's reference refining margin was an average of USD 3.14/bbl in 2009 (9.93).

CRUDE FROM RUSSIA, EXPORTS TO EUROPE AND NORTH AMERICA

Neste Oil imported a total of 14.7 million tons (15.7 million tons) of crude oil and other feedstocks into Finland in 2009. About 84% (81%) of this originated from Russia and other countries of the former Soviet Union, while the remainder came mainly from fields in the North Sea.

Neste Oil supplied a total of 7.6 million tons (7.5 million tons) of petroleum products to the Finnish market in 2009 and had a 91% (89%) share of the domestic wholesale market.

Sales to other countries totaled 6.6 million tons (7.0 million tons), of which gasoline accounted for 2.3 million tons (2.4 million tons) and diesel fuel 2.1 million tons (2.9 million tons). Sweden, Canada, and the US were the company's most important gasoline export markets, accounting for 82% (93%) of gasoline exports. Sweden and Poland were the largest markets for Neste Oil's diesel exports and accounted for 87% (71%) of total exports of the fuel. Diesel accounted for 37% (38%) of sales.

SUPPLYING THE RETAIL MARKET

Low-emission gasoline and diesel fuel are Neste Oil's main products. Diesel is mainly exported to the Baltic Rim countries, while gasoline is exported both to these countries and to the US and Canada. Neste Oil also produces gasoline components in Canada. The high-octane hydrocarbon-based iso-octane component produced at a joint venture plant there meets the highest environmental standards.

Neste Oil is able to make use of its production and logistics flexibility in its export operations. This enables the production of specialty products as well as optimal timing of sales and feedstock procurement.

PREMIUM-QUALITY BASE OIL

Neste Oil is one of Europe's leading producers of top-tier base oils, and also has a strong global position in the business. The company's product range in base oils covers VHVI base oils (production capacity 250,000 t/a) and polyalphaolefins (production capacity 60,000 t/a). The growing number of customers in the market for VHVI base oil, together with tighter environmental standards as well as Neste Oil's close cooperation with additive and automotive manufacturers, provide good growth opportunities.

Neste Oil's share of the wholesale market for VHVI base oil in Europe in 2009 stood at 41% (40%), and its share of the global market at 17% (20%). Although demand for Neste Oil's VHVI products improved in the second half of 2009, competition remained very tough as a result of the global decline in lubricant sales. Neste Oil temporarily shut down its polyalphaolefins base oil plant in Beringen, Belgium for 8 weeks because of the market situation in 2009.

Neste Oil's VHVI investment project in Bahrain progressed as planned during 2009, and the plant is due to be completed in the second half of 2011.

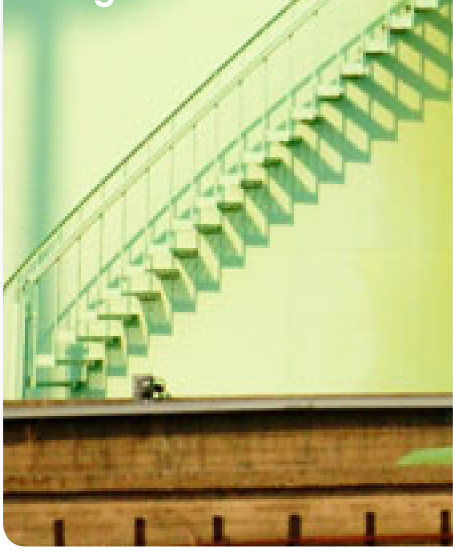
LOW FREIGHT RATES

Neste Oil's tanker fleet transports around 40 million tons of crude oil, petroleum products, and chemicals annually. Operations are concentrated in the Baltic, the North Sea, and the North Atlantic. The fleet gives the company a strong logistics advantage, and its revised strategy primarily focuses on cargoes destined for in-house use and selected customer segments where Neste Oil can offer a clear competitive benefit compared to other shipping companies.

The fleet recorded a 95% (96%) capacity utilization rate in 2009. Freight rates for both crude and petroleum products remained low throughout the year; and rates for North Sea crude cargoes were an average of 81 Aframax Worldscale points in 2009 (179).

Neste Oil's winter shipping expertise and advanced tonnage are essential for ensuring a high level of safety in the waters that the company's vessels operate in. All of Neste Oil's tankers have a double hull and are classified according to the highest Finnish-Swedish ice rating.

info Read more about investments on page 8.



Matti Lehmus: Our margins exceeded reference refining margins

Business report

"The market environment was difficult in 2009, as demand and international refining margins were significantly weaker than in recent years. Neste Oil was able to overcome these challenges thanks to the high quality of its product offering and the flexibility of its logistics. This enabled us to generate a higher margin than the very weak reference refining margins we saw during the year.

Improving our operational efficiency and cost structure, and making the most of flexibility in the timing of our sales and production runs, were among our most important achievements in 2009. Our trading operations also performed excellently, and our growth project in Bahrain moved ahead as planned.

Developing key customer accounts and the package of services we offer key customers will be one of the main areas that we will be focusing on in 2010. We will continue to improve the efficiency of our operations by enhancing the capacity utilization of our refineries, the efficacy of our working capital management, and the productivity of our fleet."

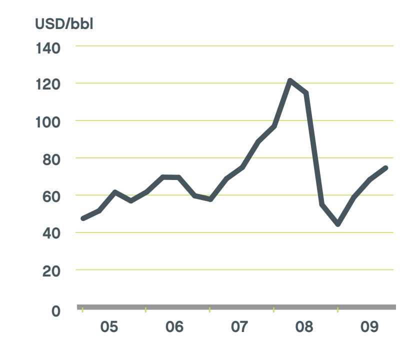
Key targets for 2010

- Strengthening Neste Oil's position around the Baltic Rim and developing export marketing channels
- Continuously improving operational efficiency
- Developing business in selected growth areas: diesel and VHVI base oil.

Key figures

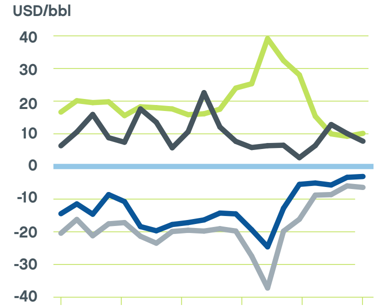
	2009	2008
Revenue, EUR million	7,631	12,641
Operating profit, EUR million	318	183
Comparable operating profit, EUR million	105	602
Net assets, EUR million	2,943	2,436
Comparable return on nets assets (RONA), %	4.0	21.2
Capital expenditure, EUR million	198	165

Crude oil price



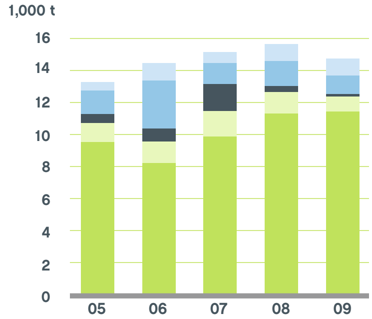
info Crude prices have fluctuated dramatically in recent years.

Price trends for key petroleum products compared to crude oil



info The diesel price was exceptionally low in 2009.

Crude oil and feedstock sources by region



Renewable Fuels

Renewable Fuels produces and markets premium-quality NExBTL renewable diesel, based on Neste Oil's proprietary technology. New NExBTL plants currently under construction in Singapore and Rotterdam will increase capacity significantly.

Demand for renewable fuels is growing rapidly. The European Union will require 10% of the energy used in traffic and transport in member countries to be renewables-based by 2020; and Finland is aiming to achieve this target even faster. In the US, the Renewable Fuels Standard (RFS 2) has set a target of around 20% for the bio content of traffic fuels by 2022. Similar legislation is either in place or being drafted elsewhere. All in all, the annual demand for biofuels used in the diesel pool is projected to grow to at least 35 million tons by 2020.

NExBTL — THE WORLD'S BEST AND CLEANEST DIESEL FUEL

Developed by Neste Oil, NExBTL renewable diesel is the most advanced diesel fuel on the market today. It easily outperforms both conventional biodiesel and fossil diesel, and can be produced from a flexible mix of vegetable oils and waste animal fat sourced from the food industry. Neste Oil's procurement chain ensures that all the raw materials it uses for NExBTL are produced responsibly. NExBTL renewable diesel has been shown to reduce greenhouse gas emissions by 40–80% over the product's entire life cycle when compared to fossil diesel.

Unlike conventional biodiesels, hydrotreated vegetable oils, such as NExBTL renewable diesel, meet even the the most stringent requirements set by automotive manufacturers. It can be used in all modern diesel engines without any modification as such or blended with fossil diesel. It is also fully compatible with existing distribution systems and requires no additional investments in this area.

PROGRESS ON NEW CAPACITY MOVING AHEAD WELL

NExBTL renewable diesel is currently produced at two plants at the Porvoo refinery in Finland, the first of which was completed in 2007 and the second in 2009, with a combined capacity of 380,000 t/a. Neste Oil is currently building two new NExBTL plants in Singapore and Rotterdam, which are due to come on stream in 2010 and 2011 respectively. Representing a combined investment of around EUR 1.2 billion, these will be the world's largest renewable diesel plants when completed, with a combined capacity of 1.6 million t/a, and will increase Neste Oil's current capacity many times over.

The start-up of the second NExBTL plant at Porvoo in summer 2009 went very well, and operations at the plant have been trouble-free. The projects in Singapore and Rotterdam progressed on-schedule and on-budget during 2009.

TEST RESULTS THAT SPEAK FOR THEMSELVES

Extensive field trials have been carried out on NExBTL renewable diesel in Finland, Germany, and Canada. The fuel has performed excellently in these, both at 100% content and a variety of blending percentages, and represents a good solution for reducing the CO_2 emissions of trucks and buses without replacing existing vehicles.

The fuel is currently being tested in Greater Helsinki in Finland as part of a joint project between Helsinki Region Transport, Proventia, Neste Oil, and VTT Technical Research Centre of Finland, which was launched in 2007. The goal of the Optibio project is to improve the quality of urban air and to promote the use of advanced biofuels in urban transport. A total of around 300 buses are involved in the project, some of which are running on 100% NExBTL. The project includes a mix of laboratory and field tests, and has already shown that the volume of fine particle emissions to the air has dropped as a result of using NExBTL renewable diesel.

The first results of a field trial in Germany were announced in June 2009 and were also very positive. Fourteen standard Mercedes-Benz trucks and buses ran on 100% NExBTL every day from mid-2008 onwards, recording over 1 million kilometers in total by June 2009. The results confirmed that using NExBTL reduces emissions significantly compared to conventional diesel fuel refined from crude oil. The trial is scheduled to last for three years in all and will end in 2011.

A NExBTL renewable diesel blend was also used in a biofuel trial that Neste Oil took part in between 2006 and 2009 in Alberta, Canada sponsored by the federal and provincial governments, together with Shell Canada. The results of laboratory and field tests were excellent here as well, and showed that a NExBTL blend can be used at temperatures as low as -44 °C. A total of 75 vehicles took part in the field trials, which lasted for 10 months.

info

Read more about the raw materials Neste Oil uses and its approach to corporate responsibility on pages 28–41.
Read more about technology and development work on new raw materials on pages 24–25.

Jarmo Honkamaa:

The competitiveness of our NExBTL renewable diesel remained extremely strong in 2009

Business report

"The successful start-up of the second NExBTL plant at Porvoo had a positive impact on sales volumes at Renewable Fuels in the second half of 2009. Our result was negatively impacted, however, by lower margins and higher costs compared to 2008. NExBTL renewable diesel's price differential compared to conventional biodiesel remained good, as customers continue to be willing to pay for a higher-quality product.

Moving ahead with the construction of new plants in Singapore and Rotterdam, and staying on-schedule and on-budget with both, were among our main achievements in 2009. A number of successful trials using NExBTL were also carried out during the year. We have been very encouraged by the recognition that NExBTL has received from companies such as Daimler, DHL, and OMV. Development work on new types of raw materials also progressed and was highlighted by the official commissioning of a demonstration plant at Varkaus, in Finland, based on the use of harvesting waste generated by the forest products industry."

Key targets for 2010

- Continued successful progress on the plant projects in Singapore and Rotterdam
- Securing the competitiveness of NExBTL renewable diesel by maximizing its value, participating in regulation work in the renewables field, and securing a responsible supply base
- R&D on new products and processes.

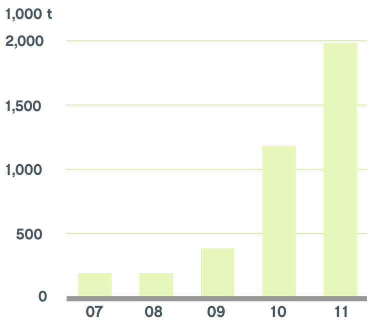
Key figures

	2009	2008
Revenue, EUR million	182	116
Operating profit, EUR million	-25	2
Comparable operating profit, EUR million	-30	2
Net assets, EUR million	940	381
Comparable return on net assets (RONA), %	-4.8	0.9
Capital expenditure, EUR million	625	249

NExBTL production plants

Location	Capacity	Completed	Investment	Status
Porvoo	190,000 t/a	2007	EUR 100 million	Operational
Porvoo	190,000 t/a	2009	Over EUR 100 million	Operational
Singapore	800,000 t/a	2010	EUR 550 million	Under construction
Rotterdam	800,000 t/a	2011	EUR 670 million	Under construction

Growth in NExBTL renewable diesel production, 2007–2011



Differences between hydrotreated vegetable oil (HVO) and conventional biodiesel

NExBTL renewable diesel

- Can be blended 0–100% content
- Complies with the strictest quality standards
- Reduces greenhouse gas and tailpipe emissions
- Offers excellent storability
- Does not require engine modifications or changes in logistics system

Traditional biodiesel

- Can only be used up to 5–7% content*
- Biofuel usage requirements cannot be met without compromising fuel quality specifications
- Increases NOx emissions
- Must be used before a specific 'best before' date
- Can cause engine problems

* Maximum allowed under the European diesel standard

Oil Retail

Oil Retail has a network of 1,160 service stations and other outlets and represents a key marketing channel for Neste Oil's high-quality, low-emission products. Oil Retail's goal is to secure a leading position on selected markets and act as a spearhead for the Neste Oil brand.

Oil Retail's operating environment proved an exceptionally challenging one in 2009. In Finland overall sales of traffic fuels were 8% lower than in 2008 as a result of depressed demand, at 4.0 million m^3. Sales of diesel fuel were 10% lower than in 2008 and sales of gasoline were down 5%. Lower cost levels, however, ensured that the business recorded a satisfactory result.

The biggest drop in diesel fuel usage was seen in heavy vehicles, while the volume of diesel sold to car drivers as a proportion of total sales increased. The diesel fuel market remains highly dependent on industry and transport, however.

Lubricant sales suffered significantly as a result of weaker demand. LPG sales were also 19% lower compared to 2008, while heating oil sales were 11% down on 2008.

MARKET LEADER IN THE FINNISH OIL BUSINESS

Oil Retail's share of the Finnish market fell slightly compared to 2008, and stood at 25.6% (27.4%) of gasoline retail sales and 39.4 (41.9%) of diesel retail sales.

Neste Oil had a total of 867 outlets in Finland as of the end of 2009, and opened seven new stations outside Finland. Oil Retail is continuing to look for growth in Northwest Russia and the countries along the southern part of the Baltic Rim, although the recession has slowed growth significantly in these markets. As of the end of the year, Neste Oil had 293 outlets outside Finland.

STRONGER MARKET SHARE AROUND THE BALTIC RIM

Overall fuel sales in the Baltic countries and Northwest Russia fell by 10–15% in 2009. Neste Oil's sales volumes fell in Russia, Estonia, and Latvia, but grew slightly in Lithuania. Gasoline consumption in Poland continued at 2008 levels, while diesel fuel consumption continued to grow. All in all, Neste Oil succeeded in increasing its share of the market around the Baltic Rim.

Many of Neste Oil's competitors have either postponed or cancelled their planned investments in Russia and the Baltic countries as a result of the recession.

AN EFFICIENT, MODERN STATION NETWORK

Revamping work on the Neste Oil station network continued in 2009 and has seen the introduction of new forecourt pump technology and greater convenience for customers. Card terminals are integrated into the new pumps being installed, reducing the time needed to fill up. Neste Oil has also been among the first companies to introduce chip card payment terminals, which offer greater security for drivers, as they will not accept fake cards.

The revamp project is designed to increase customer satisfaction and further improve Neste Oil's market share and profitability. The future Neste Oil station network will comprise three different types of outlets: Neste Oil stations, Neste Oil Express outlets, and Neste Oil Truck outlets.

The plan is to revamp all the stations, and a total of 104 outlets were revamped in 2009. The new unmanned Neste Oil Express stations have proved particularly successful, and their share of overall sales is on the increase.

BETTER FOR DRIVERS AND BETTER FOR THE ENVIRONMENT

The distribution of Neste Green diesel, launched in spring 2008, was extended to Eastern Finland in 2009, and drivers can now fill up with the fuel east of a line from Hanko in the south to Joensuu in the north. Distribution of the fuel will be extended to the rest of Finland on a phased basis.

Neste Green diesel is a premium-quality fuel containing at least 10% NExBTL renewable diesel and offers lower emissions than conventional diesel fuel. Its greenhouse gas emissions are also at least 5% lower than those of conventional diesel.

Neste Green diesel combusts more cleanly in engines than its conventional equivalent, which helps reduce carbon build-up. Cold starts are also smoother and generate less emissions.

Neste Green diesel complies with the EN 590 biofuel standard, is compatible with all diesel engines, and can be used like conventional diesel.

NEW BIO HEATING OIL

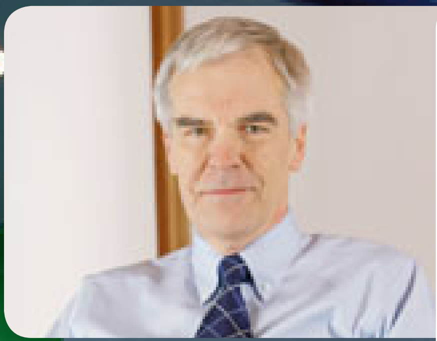
Neste Oil launched a new bio heating oil at the beginning of 2009 containing now 3% NExBTL renewable diesel. The new product has proved an excellent performer from a technical standpoint and its bio component will be increased to 10% on a phased basis by 2016.

The new heating oil can be used in all existing furnaces without any modifications or adjustments, and will not increase fuel usage or maintenance needs.

Around 250,000 homes are heated by oil in Finland, and Neste Oil had an 34% share of the country's heating oil market in 2009.

EFFORTS TO ENHANCE EFFICIENCY ARE CONTINUING

Oil Retail launched a series of reorganization and efficiency-enhancement initiatives back in 2007 and these continued during 2009. They have improved performance in a number of areas, thanks to upgraded processes, new IT systems, and better station management.



Sakari Toivola:

Internal efficiency was our competitive advantage in 2009

Business report

"Demand for traffic fuels was hit hard as a result of the economic recession in 2009. Heavy vehicles account for a large proportion of diesel sales and transport is very dependent on the overall state of the economy.

Despite this challenging market situation, Oil Retail succeeded in securing its profitability and performing relatively well, helped by our good margin management and the improvements we've made in internal efficiency. We have focused on ensuring that our costs per liter of fuel sold should either remain unchanged or drop wherever possible for some years now, and we have also improved our competitiveness by revamping our station network in Finland and by opening new stations around the Baltic Rim. 2010 will see us continuing to concentrate on many of these issues."

Key targets for 2010

- Maintaining profitability at current levels
- Continuing with the efficiency-enhancement program
- Making further margin management improvements
- Continuing the station revamp program in Finland
- Modernizing payment terminals in the Baltic countries.

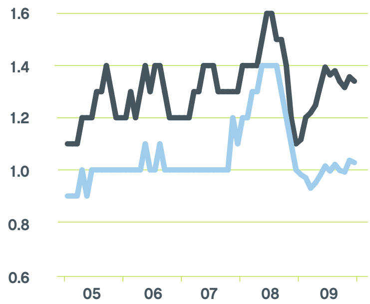
Key figures

	2009	2008
Revenue, EUR million	2,998	4,073
Operating profit, EUR million	50	25
Comparable operating profit, EUR million	50	22
Net assets, EUR million	305	351
Comparable return on net assets (RONA), %	15.8	6.0
Capital expenditure, EUR million	29	63
Total sales, 1,000 m^3	4,002	4,353

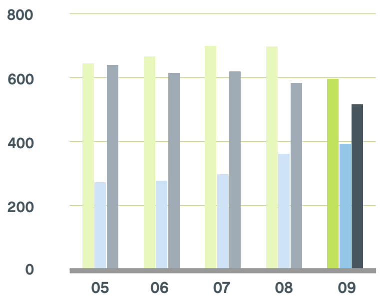
Increasing the volume of electronic transactions was one of Oil Retail's important areas of development in 2009, and was designed to improve efficiency, competitiveness, and customer service. The new systems will also provide a better foundation for customer relationship management and sales work.

The work done to improve internal efficiency and monitor costs more closely proved valuable in the tough market situation encountered in 2009 – and the operational enhancement program will continue in 2010.

Average retail prices for gasoline and diesel fuel in Finland



Breakdown of Neste Oil's fuel sales in Finland



info Unmanned stations are becoming increasingly popular.

Refineries

Neste Oil's refineries at Porvoo and Naantali in Finland produce a comprehensive range of major petroleum products, with a particular focus on low-emission traffic fuels. Their combined capacity accounts for over 20% of the Nordic region's overall refining capacity.

The continued success of Neste Oil's refineries is based on their high level of refining expertise, advanced modern technology, and their ability to refine a variety of different crudes and other feedstocks. Neste Oil's strategy is based on leveraging its cutting-edge know-how to produce premium-quality, low-emission traffic fuels from a wide range of cost-effective inputs.

The goal of the Porvoo refinery is to be Europe's most productive refinery and achieve best-in-class performance across all areas of operations, including safety. During 2009, the site focused on process development and employee safety, securing a high level of operational reliability and performance on diesel production line 4 and at the two NExBTL renewable diesel plants, as well as preparing for the site's next major maintenance turnaround.

The Naantali refinery, the smaller of Neste Oil's two refineries, produces specialty products, which gives it a higher refining margin than units of similar size.

15 MILLION TONS OF PETROLEUM PRODUCTS

Neste Oil's total production in 2009 was 15.5 million tons (15.5 million), of which 0.2 million tons (0.1 million) took the form of NExBTL renewable diesel. A total of 15.1 million tons of crude oil and other hydrocarbon-based feedstocks were refined in 2009 (15.2 million), of which 12.5 million tons at Porvoo (12.4 million) and 2.6 million tons at Naantali (2.8 million). 67% (65%) of refinery output comprised sulfur-free or low-sulfur traffic fuels. Diesel fuel accounted for 39% of refinery output (38%) and gasoline 27% (28%).

The utilization rate at Porvoo was 87% (82%) and 87% (92%) at Naantali. Porvoo is capable of refining 206,000 bbl/d and Naantali 58,000 bbl/d.

The bulk of feedstocks used at the company's refineries, 86% (86%), were supplied by sea and 14% (14%) by rail. Russian Export Blend accounted for 63% (57%) of total input.

SECOND NExBTL PLANT UP AND RUNNING

Neste Oil increased its NExBTL renewable diesel capacity in the summer with the commissioning of a second NExBTL plant at Porvoo. Like the first plant that came on stream there in summer 2007, this also has a capacity of 190,000 t/a. The two plants produced a combined total of 219,000 tons of renewable diesel in 2009.

Neste Oil decided to postpone construction of a new gasoline isomerization plant at Porvoo in response to the weaker level of demand for petroleum products and to concentrate resources on the company's strategic growth projects. A decision to build an EUR 80 million isomerization plant at Porvoo was taken in summer 2008. The majority of engineering work for the facility has been completed, and the plan is to start construction when the market situation improves.

Dredging work began in shallow water in the approaches to the harbor at the Naantali refinery in August 2009, and was followed by dredging work on the main channel to the site in September. Work continued until the end of the year. With the completion of the deeper channel, tankers carrying up to 100,000 tons of crude can now dock at the refinery.

BASE OIL AND GASOLINE COMPONENTS

In addition to its Porvoo and Naantali refineries, Neste Oil operates a plant in Beringen in Belgium producing premium-grade PAO base oil. This 60,000 t/a facility was shut down for a total of 8 weeks in 2009 for market-related reasons. Base oils are also produced at Porvoo, which is capable of producing 250,000 t/a of VHVI base oil.

New premium-quality base oil capacity is under construction in Bahrain as part of a joint venture between Neste Oil, nogaholding, and Bahrain Petroleum Company (Bapco). When completed at the end of 2011, the new plant, in which Neste Oil has a 45% stake, will have a nameplate capacity of 400,000 t/a of VHVI base oil.

Neste Oil also produces gasoline components in the shape of ETBE at a 50,000 t/a plant in Sines, in Portugal, and iso-octane at a 520,000 t/a plant in Edmonton, in Canada. Neste Oil has a 50% holding in the latter plant and an equivalent holding in Nynas AB, which produces naphthenic specialty oils and bitumen at plants in Sweden, Belgium, Britain, and the Antilles.

Construction work continued on new NExBTL renewable diesel plants in Singapore and Rotterdam. Both of these will have a nameplate capacity of 800,000 t/a and are due to be completed in 2010 and 2011 respectively.

info

Read more about the projects in Singapore and Rotterdam on page 8.
A number of unscheduled sulfur emissions took place at Porvoo in 2009.
See page 35 for more details.

Case

Major maintenance turnaround at Porvoo in 2010

Regular maintenance turnarounds every four to six years play an important part in keeping operations at Neste Oil's refineries running at peak efficiency. Statutory pressure vessel inspections and maintenance also call for shutdowns at regular intervals. The next major turnaround at Neste Oil is scheduled for the Porvoo refinery in April 2010.

The upcoming turnaround will be the largest in the refinery's history, as the site now has four main production lines, including diesel production line 4, which is the most recent. As a result, the turnaround will cover 30–50% more equipment than the previous one in 2005.

Maintenance work will take around four weeks. In addition, the refinery will be off-stream for around a week before and a week after this period because of unit shutdowns and start-ups. The turnaround is estimated to involve close to a million man-hours of work and will employ some 2,500 people from outside contractors on site.

Very strict timetable and cost targets have been set for the turnaround, and particular attention will be paid to safety, which will be monitored in detail. Preparation and engineering work for the turnaround began in 2008 and progressed throughout 2009.

The next major turnaround at the Naantali refinery is scheduled for 2012, and preparation work for this will begin in 2010.

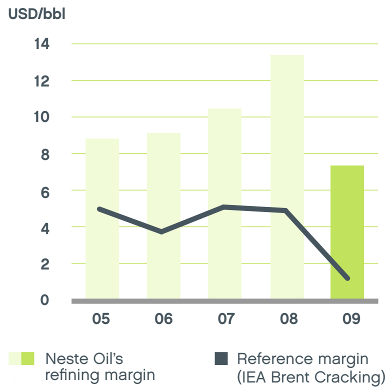
Naantali refinery

- Came on stream in 1957
- Main output: traffic fuels and specialty products, such as bitumen, solvents, and small engine gasoline
- Higher refining margin than that of comparable-sized refineries, thanks to its focus on specialty products
- Refining capacity of approx. 58,000 bbl/d and produces some 3 million tons of petroleum products a year
- Over 1 million m^3 of crude and product storage capacity
- Runs on heavy sour crude oil
- Employs approx. 400 people.

Porvoo refinery

- Came on stream in 1965
- One of Europe's most advanced and versatile refineries
- Concentrates on premium-quality, low-emission traffic fuels
- Refining capacity of approx. 206,000 bbl/d and produces some 12 million tons of petroleum products a year
- 7 million m^3 of crude and product storage capacity
- Finland's largest port in terms of volume of cargo throughput. 16–19 million tons of crude oil and petroleum products pass through the harbor annually
- Employs approx. 1,000 people.

Total refining margin



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Neste Oil's refining margin exceeded the IEA Brent Cracking margin significantly.

Research, technology, and engineering

Neste Oil committed itself to adopting advanced technologies many years ago and has a long track record in developing lower-emissions traffic fuels. Neste Oil was the first company to offer unleaded and sulfur-free fuels, as well as biofuels, on the Finnish market. Today, Neste Oil produces the world's cleanest diesel fuel from renewables and is researching a range of new raw materials. Neste Oil's engineering expertise is also world-class.

The number of R&D projects under way at Neste Oil has grown steadily, and their role is expected to continue growing in the future. The current focus of research is on identifying and developing new bio feedstocks that are expected to become available in industrial-scale in five to 10 years' time. R&D expenditure in 2009 totaled EUR 37 million (37 million).

R&D projects in 2009 focused on:

- Technical support for the diesel production line 4 at Porvoo and developing its technology further
- New renewable raw materials
- NExBTL technology development, and
- Biomass-to-liquid (BTL) fuel technology based on wood-derived biomass.

FOCUS ON RAW MATERIALS

Researching renewable raw materials represents an important part of Neste Oil's R&D effort. Some 80% of R&D project expenditure is linked to developing these types of inputs and the refining technology needed to make use of them. R&D expenditure in this area totaled EUR 20 million (18 million) in 2009.

Neste Oil works closely with leading research institutions in a number of fields, and over 20 universities and research organizations around the world are the company's partners on research on renewable raw materials.

Neste Oil is working on six main areas aimed at discovering and developing new raw materials, including nonfood oil plants such as jatropha, algae, microbes, and by-products from the forest products industry.

It is already possible to produce oil from microbes and algae at laboratory scale, and the biggest challenge will be in raising output to industrial levels of millions of tons a year. There are still a number of questions to be resolved here, which is why the bulk of research is focusing on this area.

PRODUCT DEVELOPMENT

Products and technologies developed by Neste Oil – such as NExBTL, NExETHERS, and NExOCTANE – have long been at the cutting edge from both a technological and environmental standpoint. Developing new traffic fuels with a lower environmental impact and the technology needed to produce them has been a key area of Neste Oil's product development for years. Product testing is also an important part of R&D work at Neste Oil.

ENGINEERING SERVICES FROM NESTE JACOBS

Investments and technological developments in the oil and chemical industries call for high-quality engineering resources, such as those offered by Neste Jacobs, the Nordic region's leading provider of engineering services for the oil, chemical, and biotechnical sectors. Neste Jacobs offers its services not only to Neste Oil but also to other oil & gas and chemical companies, and has close to 50 years of experience in designing and executing oil refining, plastics, and chemical plants in Europe, North America, and the Middle East. Neste Oil owns 60% of the company and Jacobs Engineering Group Inc. of the US 40%.

Neste Jacobs employs around 700 people, of which a third are involved in capital projects and the other two thirds in plant and maintenance support and technological development.

The company also subcontracts work to a significant number of engineers at other Finnish and international engineering companies.

Neste Jacobs signed a long-term framework agreement with the Abu Dhabi National Chemicals Company (ChemaWEyaat) in 2009 covering engineering on the world's largest single chemicals production site.

Strategy and brand development

Neste Jacobs is looking for growth in a number of areas, such as new technology development and consultancy, particularly internationally. As part of efforts to develop its operations and enhance its competitiveness, the company is reorganizing itself to respond to changes in its workload more effectively. Neste Jacobs expects to see growing demand for renewable fuels in particular and is developing its marketing and sales processes to take this into account. A new brand will also provide greater visibility for the business as an international service provider.

web

More information about Neste Jacobs can be found at www.nestejacobs.com.

Case

New raw materials from forest industry by-products

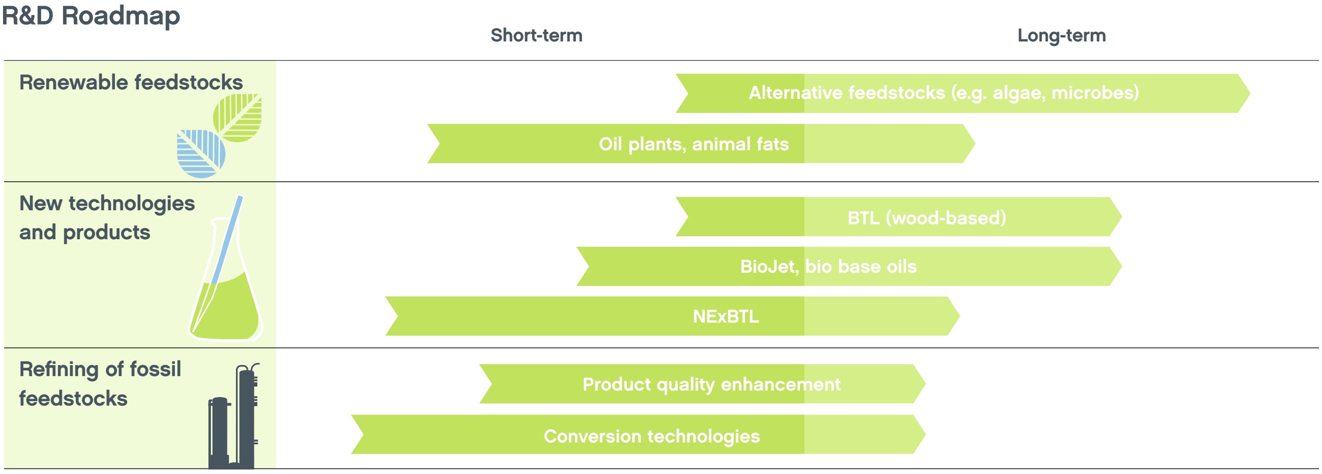
Neste Oil and Stora Enso are working together to develop new-generation technology for producing premium-quality biofuels from forest harvesting waste and mill by-products, such as branches, stumps, bark, and sawdust. The goal is to develop a viable alternative to fossil fuels and reduce greenhouse gas emissions.

The process being developed is highly efficient, and benefits other process industries.

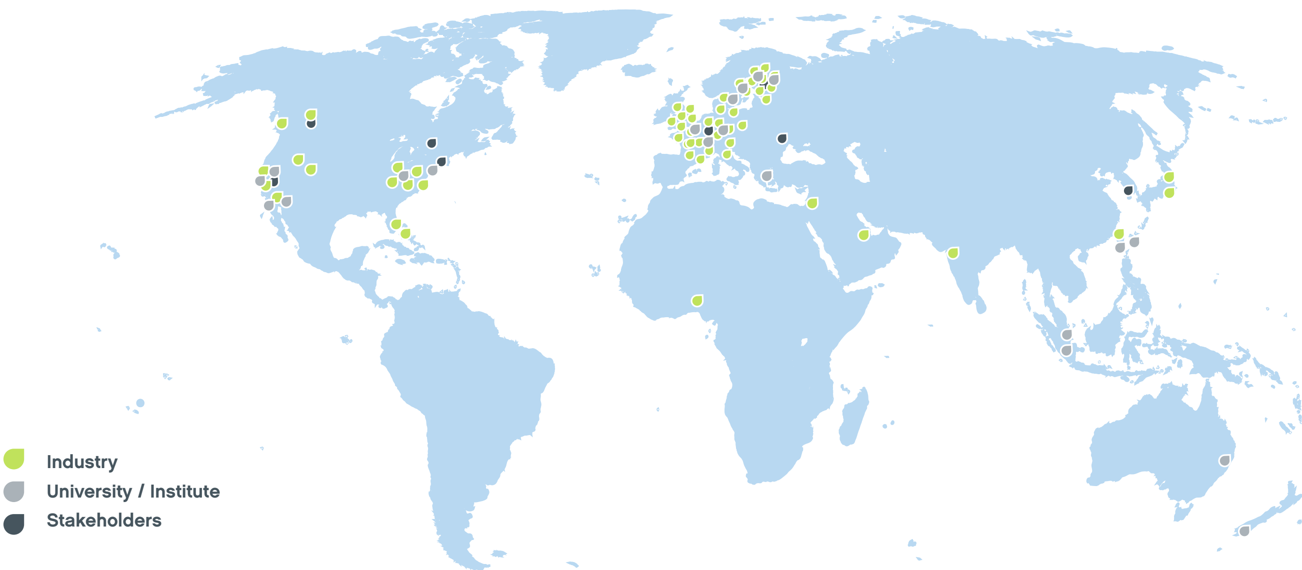
Forest biomass is dried prior to gasification and the resulting gas then cleaned and sent through a synthesis process to produce biowax for conversion into premium-quality diesel fuel.

A pilot plant jointly owned by the two companies was officially opened at Varkaus, Finland in summer 2009.

R&D Roadmap



Research & Technology partners worldwide



If you only look at what is, you might never attain what could be.

– Anonymous

New mindset

The world needs new ways to combat climate change. Ensuring that people and goods can move smoothly and efficiently also remains important. As a result, new cleaner energy alternatives are essential.

Neste Oil is committed to continuing the pioneering work that it has done for decades in developing cleaner traffic fuels. The clearly measurable benefits that its products and technological innovations offer underline what can be achieved.


Palm oil
Rapeseed oil
NExBTL dies
Algae oil
Responsibility

Responsibility at Neste Oil

By acting responsibly, Neste Oil aims to reduce or eliminate the negative impact of its operations. Lower-emission traffic and innovative energy solutions are central to the company's approach.

Oil refining, by definition, always involves some environmental impact. Neste Oil's operations affect many different stakeholders and also have a significant economic impact on society.

As a responsible energy company, Neste Oil understands the impact that its products have on the environment throughout their life cycle and is committed to continuously improving its performance. Minimizing the impact of raw material supply, production, and logistics is a key priority. The greatest impact on the environment occurs during the use of products, however, which is why we focus on developing and producing lower-emission, premium-quality products. The company has a long track record in supplying products that have a lower level of impact on the environment and it is one of the industry leaders in this area.

The use of renewable raw materials, particularly palm oil, is the subject of some debate, both at national and international level. In line with its pioneering heritage, Neste Oil has played an active role in developing responsible methods for procuring renewable raw materials like this.

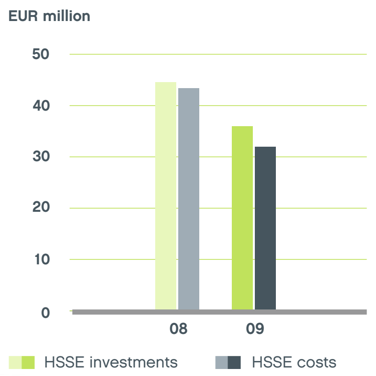
HOW SUSTAINABILITY AFFECTS NESTE OIL

The EU approved a new renewable energy directive in April 2009, under which member states will be required to increase their use of renewable energy to 10% by 2020. The aim is to secure a major reduction in greenhouse gas emissions and to enhance energy efficiency. Similar developments are being seen elsewhere.

Europe and the rest of the world are already preparing for the three decades between 2020 and 2050, when the plan is to reduce greenhouse gas emissions by as much as 80% compared to 1990. Environmental concerns are growing all the time, as is the need for high-quality products and services that are better for the environment. Leading companies are changing their processes and the way they operate to deliver results in these areas.

Consistency and clear ground rules are important for industry, and all players need to address the requirements of sustainable development as well as the indirect impact associated producing the raw materials used in biofuels.

Neste Oil's HSSE costs and investments



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HSSE=Health, Safety, Security and Environment.
2008 figures are corrected.

Sustainability policy

- We are socially responsible, environmentally sound, and economically viable.
- All our actions are safe for us, our neighbors, contractors, customers, and the environment.
- We act responsibly in society and respect human rights wherever we operate.
- We provide our customers with products that help tackle sustainability issues, such as global climate change and improving local air quality.
- We are committed to working with our stakeholders to help develop more sustainable solutions.
- We use natural resources responsibly and are actively working towards a more sustainable supply chain.
- Neste Oil observes the OECD's recommendations for multinational companies and its recommendations on good corporate governance, and operates in accordance with the UN Charter on Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work.

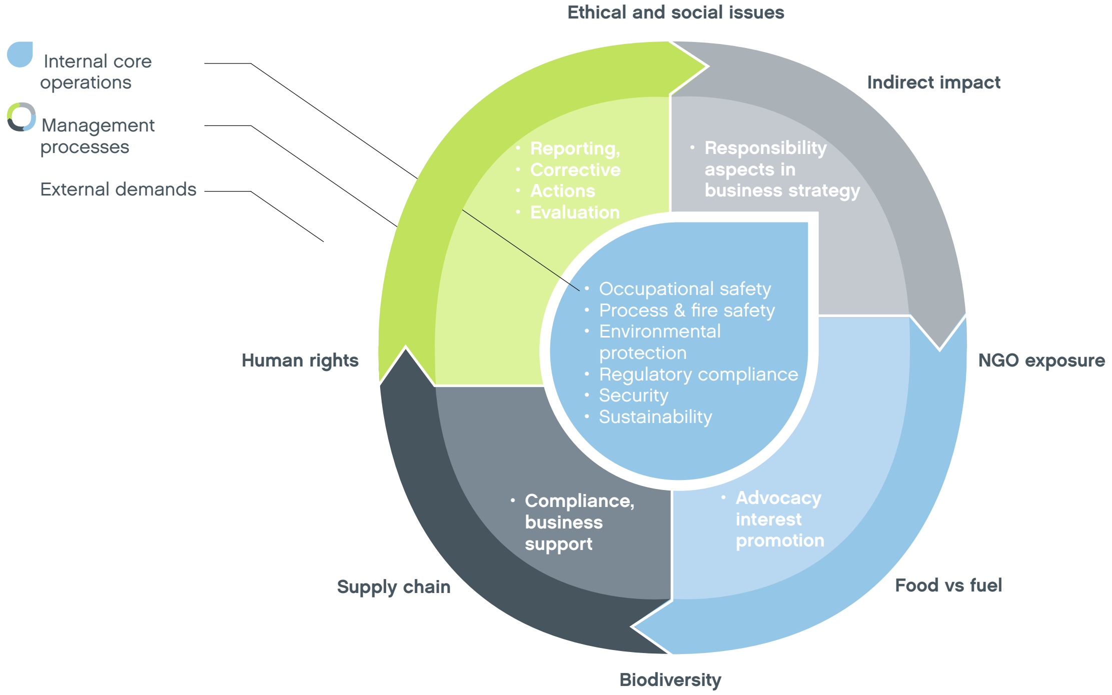
web

For the operating principles based on Neste Oil's sustainability policy, see www.nesteoil.com (Responsibility).

Results of responsibility-related initiatives

Targets for 2009	Actions and achievements	Targets for 2010
Environmental responsibility		
Compliance with all official HSE-related permits and requirements.	No major deviations. Compliance with permits and requirements followed systematically,	Compliance with all official HSE-related permits and requirements.
Smaller number of uncontained major spills than in 2008.	One uncontained major spill in 2009. Three uncontained major spills in 2008.	Two new indicators introduced from the beginnig of 2010: 'LOPC (loss of primary containment)' as a process safety indicator and 'all spills' as a environmental indicator. Target for both indicators is better result than the previous year.
Evaluate all new Neste Oil's biofeedstock suppliers against the company's supplier selection criteria.	All new significant suppliers evaluated.	Evaluate all new Neste Oil's biofeedstock suppliers against the company's supplier selection criteria.
Continue the biofeedstock supplier audit program that gives particular emphasis to reviewing corrective actions.	Certified lots audited. Suppliers are committed to the certification program. Uncertified palm oil origin traceability process in place. Read more on page 34 and 40.	Continue and expand the biofeedstock supplier audit program that gives particular emphasis to reviewing corrective actions.
Achieve a reduction of 320,000 tons of greenhouse gases through the use of NExBTL renewable diesel compared to those generated by high-quality conventional diesel.	Calculated greehouse gas reduction through the life cycle is 420,000 tons.	Achieve a reduction of 640,000 tons of greenhouse gases through the use of NExBTL renewable diesel compared to those generated by high-quality conventional diesel.
Social responsibility		
A new proactive safety indicator.	16,700 observation tours at refineries.	Larger number of observation tours than in 2009.
Achieve a total recordable injury frequency (TRIF) of under 4 per million hours worked.	TRIF 3.1 is the best result ever in Neste Oil's history.	TRIF target is 3.
Achieve a lost workday injury frequency (LWIF) of under 2 per million hours worked.	LWIF 2.2 is the best result ever in Neste Oil's history.	LWIF target is 1.
Develop leadership training programs further and ensure quality implementation.	A total of 361 managers took part in the management training program, which received an average feedback of 4.22 on a scale of 1–5 from participants. In addition, 131 managers in Finland received training on managing redundancy situations, which received an average feedback of 4.3. The training program was updated to match the needs of Neste Oil's new matrix-based operating model.	Quality implementation of management training, extending the range of participants covered in line with the new matrix model, and developing training for senior management.
Ensure that equality of pay continues to be prioritized, and work to increase the number of women in different positions, and including interns and graduate students.	Common global remuneration principles have been defined. Updating the position evaluation classes used for managerial and professional personnel in Finland began. Equality of pay between men and women in Finland was promoted through payment of a special equality supplement. The proportion of women in business area and common function management teams increased from 13.5% to 21.9% following the company's reorganization in 2009.	Introducing global remuneration principles. Updating the gender equality plan in Finland. Introducing a position evaluation concept for managerial and professional personnel internationally.
Communicate the results of the wellbeing development project and launch new measures and courses on the basis of its results.	The factors affecting wellbeing at work were defined, and wellbeing-related matters were highlighted in reviewing the results of the personnel survey at company, business, and team level. Four rehabilitation courses were held.	Extending the sick leave reporting system globally. Monitoring wellbeing at work through personnel surveys. Developing a system for evaluating the effectiveness of rehabilitation courses.
Strengthen Neste Oil's profile as an employer in Finland and other countries, and promote the general recognition of the chemical industry.	Summer intern places for 270 young people, and training and diploma places for 20 students. Increased visibility in Singapore and the Netherlands. Participation in recruitment fairs in Finland and arranging visits for many student groups.	Building and strengthening Neste Oil's employer profile in Finland and the new countries in which the company is now operating.
Financial responsibility		
Return on average capital employed after tax (ROACE) of at least 15%.	2.5%	Return on average capital employed after tax (ROACE) of at least 15%.
Leverage ratio of 25–50%.	46.3%	Leverage ratio of 25–50%.
Distribute a dividend equivalent to at least a third of underlying profits for the year.	119%	Distribute a dividend equivalent to at least a third of underlying profits for the year.
Responsible corporate citizen		
Retain Neste Oil's position in four corporate responsibility rankings and improve the company's performance in the Dow Jones Sustainability Index.	Achieved.	Improve the company's performance in the Dow Jones Sustainability Index.

Sustainability management



SUSTAINABILITY MANAGEMENT

Responsibility is a key driver of Neste Oil's management system and one of the company's four core values. A Senior Vice President, Sustainability & HSSE (Health, Safety, Security, Environment) oversees responsibility-related matters and is a member of the Neste Executive Board; and Sustainability & HSSE is one of the seven common functions in Neste Oil's matrix organization. The company's business areas and organizations at its sites are responsible for implementing, monitoring, and reporting on responsibility practices; and HSSE matters are discussed regularly at management meetings. The Neste Executive Board reviews corporate-level HSSE matters as needed. In addition, a separate HSSE Steering Group meeting is held every quarter to analyze reporting in more detail. HSSE matters are also covered as part of normal monthly reporting. The Neste Executive Board evaluates its corporate responsibility processes and procedures as part of its annual self-assessment.

Progress in promoting and implementing responsibility practices is monitored using appropriate relevant indicators that are clearly measurable.

Common guidelines covering the management of responsibility practices and procedures are included in Neste Oil's internal management system. New HSSE management instructions will be introduced as part of the corporate management system at the beginning of 2010. Business areas and common functions also have supplementary guidelines of their own.

Neste Oil always abides by the legislation of the countries in which it operates and monitors changes in legislation on an active basis.

NESTE OIL'S STRATEGY ON RESPONSIBILITY

Neste Oil is a leader in technology and aims to have corporate leadership in sustainability. As a world-class company, we have outstanding products. We are a safe workplace. We monitor and minimize the impact of our operations and products on the environment. We run a clear management system and are committed to improving our performance in a proactive and efficient manner.

COMMITMENTS AND JOINT INITIATIVES

Neste Oil was committed to the following organizations and joint initiatives dedicated to promoting sustainable development in 2009:

- Responsible Care
- Responsible Care Global Charter
- Roundtable on Sustainable Palm Oil (RSPO)
- Roundtable on Sustainable Biofuels (RSB)
- Round Table on Responsible Soy (RTRS)
- A coalition on rainforest moratorium.

REPORTING PRINCIPLES

Neste Oil publishes a corporate responsibility report annually as part of its Annual Report and files supplementary information on the company's web site. Reporting follows the same principles as statutory reporting. Neste Oil has adopted the guidelines outlined by the Global Reporting Initiative (GRI) for the first time this year. Reporting is primarily intended to serve the needs of investors with an interest in sustainability issues, customers, and other stakeholders.

Neste Oil develops its responsibility-related reporting in line with accounting legislation, and aims to present the fundamental factors, targets, and risks associated with its operations and products as they affect stakeholders. We observe IFRS accounting practices in our financial reporting. The environmental costs and liabilities presented by Neste Oil are based on Finnish accounting legislation and rules.

Reporting covers all operations over which Neste Oil had immediate control during 2009. ETBE unit in Sines and joint ventures Alberta Envirofuels and Nynas do not come within the scope of reporting. In the future, reporting will cover the major plants currently under construction in Singapore and Rotterdam.

The Porvoo and Naantali refineries have produced their own environmental or responsibility reports for nearly 20 years. The information contained in these reports is now published locally in bulletins throughout the year and on the company's web site.

OPERATING SYSTEM AND CERTIFICATES

Neste Oil's operations are guided by its corporate management systems and certified plant-, business area-, and operation-specific operating systems that match the requirements of ISO and OHSAS environmental, health, safety, and quality standards.

In addition to internal HSSE audits, systems are reviewed and audited annually by independent, third party experts.

info

A comparison of the scope of Neste Oil's reporting compared to GRI indicators and a statement by an external independent body can be found on pages 48 and 49.

web

For HSSE contacts, management systems, certificates and glossary, see the Responsibility section at www.nesteoil.com.

Case

Education for 265 children annually

Malaysia is one of the most developed countries in Southeast Asia, with steadily rising living standards and a growing range of educational opportunities. Children living in remote areas often lack access to a school, however. This is particularly the case with the children of immigrant workers from the Philippines and Indonesia working on oil palm plantations.

Children are offered basic education opportunities by responsible palm oil producers in cooperation with the Borneo Child Aid Society, based in the Sabah province of Malaysia. This non-profit organization helps educate over 8,000 children in more than 100 schools.

The activities of the Borneo Child Aid Society are supported by numerous charities, states, companies, and private individuals. The Finnish embassy in Malaysia is one of its most important supporters.

Following a review of the activities of various organizations in 2009, Neste Oil now supports the Borneo Child Aid Society, and the assistance it provides covers education for 265 children annually.

Stakeholder	Interaction	Evaluation and feedback
Customers	Daily interaction, customer support, customer events and seminars, fairs and other events, customer feedback, stakeholder publications, web site, extranets.	Customer satisfaction and brand surveys show that Neste Oil is seen as a company that stands for quality and reliability.
Personnel	Quarterly results meetings and other internal information meetings, performance and development discussions, employee committees, corporate Intranet, employee magazine, initiative system, remuneration system, training.	The workplace atmosphere at Neste Oil is good, according to the results of personnel and brand surveys. A strong employer profile image and good internal communication are seen as particular strengths.
Owners and investors	Meetings with investors and analysts, daily interaction, capital market days, fairs and events, AGM, press conferences, Annual Report, stock exchange and press releases, web site.	Brand and IR studies indicate that the perception of the Neste Oil brand has declined in all areas, particularly in terms of efficiency.
Suppliers of products and services	Daily interaction, supplier meetings and events, purchasing systems, trade fairs and events, stakeholder publications, web site, extranets.	Audits, supplier reviews.
Society	Cooperation with the authorities and official reporting at international, national, and local level, open door days, refinery visits, refinery publications, web site, press releases.	Brand studies, local surveys, and direct feedback indicate that the public at large value Neste Oil's reliability, quality, and environmental awareness.
Organizations	Memberships, working groups, other forms of cooperation, regular contacts, reports, web site.	Direct feedback from environmental organizations and other NGOs underline the need for using bio-based raw materials responsibly.
Universities and research institutions	Joint R&D projects, participation in projects, sponsorship and other support, internships and graduate thesis opportunities for students, web site.	Neste Oil's expertise is highly rated in direct feedback.
Media	Regular contacts, stock exchange and press releases, Annual Report, background briefings, interviews, visits, web site, image bank.	Brand and communications studies, media monitoring, and direct feedback indicate that the media's image of Neste Oil has improved and is generally good.
Students and job applicants	Recruitment fairs, recruitment section at web site, student events, refinery visits, visits to schools and universities, cooperation with Finland's Youth Academy.	Studies on Neste Oil's image as an employer show that the company is considered a good employer. This perception has been further consolidated in recent years.

Financial responsibility

Neste Oil is committed to profitable growth and increasing shareholder value. Providing good conditions and competitive pay for employees, supplying customers with quality products and services, and working effectively with stakeholders are all essential to achieving this. Wherever it operates, Neste Oil makes a valuable contribution to local, regional, and national economies.

Neste Oil creates added value for its customers by supplying a range of products and services that meet their needs and expectations. To ensure that it can continue to serve them in the best possible way into the future, Neste Oil carries out long-term R&D and makes major investments in its businesses. The goal is for renewable fuels to account for around a third of the company's result in the future.

Neste Oil's direct customers include other oil companies, enterprises, and consumers. Net sales in 2009 totaled EUR 9,636 million (15,043 million). Net sales per employee totaled EUR 1.82 million (2.91 million).

Neste Oil offers a solid source of business to numerous suppliers and subcontractors. The company paid EUR 8,815 million (14,376 million) to suppliers of goods and services in 2009, equivalent to 91% of its net sales. Payments related to the purchase of crude oil and other feedstocks, totaling EUR 8,535 million (13,519 million), accounted for the single largest item.

The bulk of Neste Oil's feedstocks came from Russia and other countries of the former Soviet Union (84%); smaller volumes were sourced from Britain, Norway, Denmark, and Malaysia.

COMPETITIVE REMUNERATION

Neste Oil employed an average of 5,286 (5,174) personnel in 14 countries in 2009. Total salaries, wages, and remunerations, excluding social benefits, amounted to EUR 233 million (251 million), equivalent to 2.41% (1.67%) of net sales. This figure includes performance-related pay, bonuses, and vacation pay. The company paid totaled EUR 11.3 million performance bonuses for 95 % of it's employees in 2009.

Social benefits totaled EUR 68 million (64 million) and included pension and social insurance and unemployment and disability insurance payments. Salaries and wages, other remuneration, and social benefits totaled EUR 301 million (315 million).

Neste Oil observes the requirements of local employment legislation and employment contracts in all the countries in which it operates. Salaries are set on the basis of people's responsibilities and education in the light of local pay scales. Although legislation and other regulations set minimum pay levels, actual salaries and wages are typically higher. The ultimate sum paid is determined by local conditions, the nature of a person's responsibilities, their capabilities, and their performance. 100% of employees come within the scope of a bonus or incentive scheme.

A MAJOR LOCAL EMPLOYER

Neste Oil plays a major role in the local economy in Porvoo, Finland, where it has its largest site, and the company is the town's second-largest employer after the municipal authority. The company also has a significant indirect impact on employment levels.

Neste Oil's major investments under way in Singapore and Rotterdam have provided jobs for thousands local people, and local subcontractors have been used extensively.

DIVIDEND FOR SHAREHOLDERS

Neste Oil had 81,357 shareholders as of the end of 2009, who benefit from their investment through the dividends they receive and possible increases in the share price. The Finnish State owned 50.1% of shares, international shareholders 17.1%, Finnish institutions 18.9%, and individual Finnish shareholders 14%.

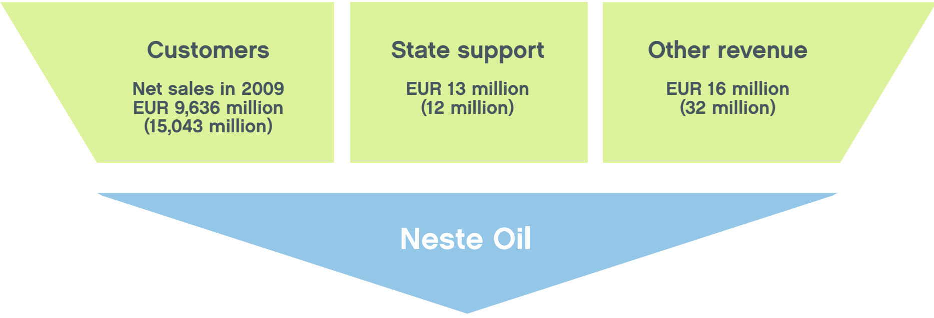
Neste Oil's policy is to distribute a minimum of one third of its underlying profit in the form of an annual dividend. The company paid a dividend of EUR 0.80 per share on its 2008 result in spring 2009, equivalent to EUR 205 million. The Board of Directors will propose that a dividend of EUR 0.25 per share be paid for 2009, or a total of EUR 64 million. Neste Oil's share price on the NASDAQ OMX Exchange in Helsinki rose by 17% during 2009, and the company's market capitalization as of the end of the year stood at EUR 3.18 billion, or 17% more than at the end of 2008.

GENERATING TAX REVENUE FOR SOCIETY

Corporate taxes represent an important source of income to the public sector. Neste Oil paid a total of EUR 71 million of tax on its result in 2009 (28 million). Finnish State and local municipalites also benefit from the income tax employees pay on their salaries and wages. Environmental taxes and fees, such as oil pollution fees and oil waste duties, amounted to EUR 7 million (9 million). As a fuel wholesaler, Neste Oil collected a total of EUR 1,780 million (1,857 million) in fuel taxes and security of supply fees paid for by end-users in fuel prices.

Neste Oil received EUR 13 million (12 million) in financial support from the public sector in 2009, mainly in the form of funding for ship management operations.

Generating financial added value for stakeholders



Suppliers of products and services

EUR million	2009	2008
Purchases of crude oil and other refinery feedstocks	8,535	13,519
Other	280	857

Personnel

EUR million	2009	2008
Salaries and wages	233	251
Social benefits	68	64

Owners and financial community

EUR million	2009	2008
Dividends	64*	205
Interest and financial costs	44	70

* Proposal by the Board of Directors to the Annual General Meeting.

Public sector and society

EUR million	2009	2008
Income tax	71	28
Fuel taxes and security of supply fees	1,780	1,857
Environmental taxes and fees	7	9
Charity and sponsorship	1	1

PROMOTING GREATER COST EFFICIENCY

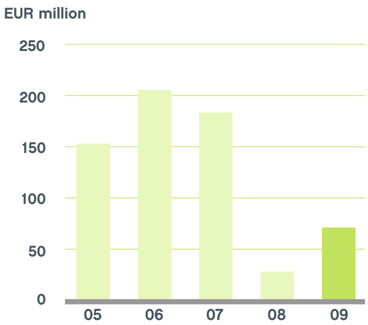
Neste Oil set itself a target in 2009 of saving over EUR 60 million in annual fixed costs, of which around EUR 30 million were to be achieved through personnel-related measures. A number of savings and efficiency enhancement initiatives were made during the year, including canceling or postponing some investments, improving procurement operations, and reducing fixed costs. The overall aim was to adapt the company's cost structure to the changed market situation, Neste Oil's new operating model, and to secure the implementation of its strategic investments and future competitiveness.

RECOGNITIONS

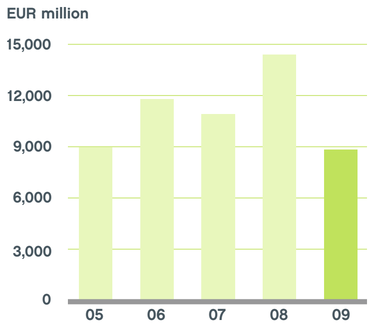
A number of financial institutions and other bodies have evaluated Neste Oil's performance as a responsible company and have recognized its achievements through including the company in lists such as the following:

- Ethibel Sustainability Indices (ESI) – Pioneer & Excellence
- The Global 100
- Dow Jones Sustainability World Index
- Dow Jones STOXX Sustainability Index
- Storebrand Best in Class
- Forest Footprint Disclosure (2010).

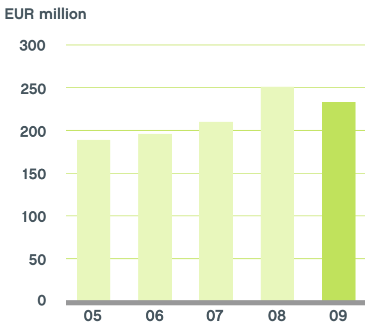
Income tax



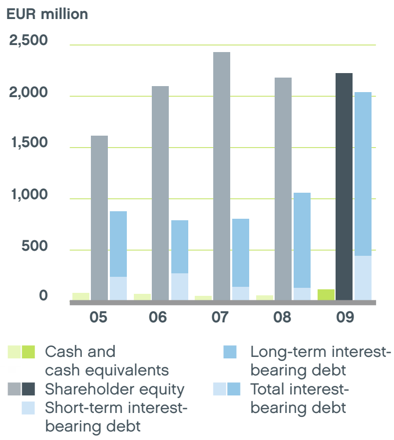
Products, materials, and services purchased



Salaries and wages



Capital structure



Environmental responsibility

Environmental responsibility forms an integral part of Neste Oil's business strategy. The company has been a pioneer of lower-emissions traffic fuels for many years, and environmental issues are prioritized throughout the product development process. Ensuring trouble-free operations and minimizing environmental impact are also priorities.

Oil refining has a major impact on the environment, throughout the chain from feedstock supply, production, and transport to refining and end-product use. The majority of the impact that Neste Oil's own operations have on the environment is linked to the use of the products it refines and refining itself. Neste Oil believes that by developing advanced, lower-emission traffic fuel it can reduce its environmental impact and help combat climate change. A good example of this is NExBTL renewable diesel, which is based on Neste Oil's proprietary innovative technology. Neste Oil contributed to a reduction in greenhouse emissions of 420 000 tons during 2009 thanks to renewable diesel.

ENVIRONMENTAL RISKS

Neste Oil's operations impact the environment, and a number of health, safety, and environmental risks are associated with its processes. Identifying these risks and taking them into account helps reduce the likelihood of accidents occurring and improve how they are managed should any occur. Neste Oil has reviewed the health, safety, and environmental impacts of its operations in detail and the risks associated with potential major accidents – and uses this data to update an action program covering these issues annually. Together with other companies based in the Kilpilahti industrial area at Porvoo, Neste Oil has commissioned an analysis of how the risks associated with major accidents should best be prepared for locally.

The largest risks associated with production operations are linked to occupational and process safety, fires, explosions, soil and groundwater contamination, accidents and other incidents, work-related diseases, and effects on the health of people living close to sites or damage to people and properties. These risks could affect the company's financial performance, operational targets, or reputation.

Exercises covering crisis management and communications during major accidents are carried out at least once a year. The company also produces an annual review of the environmental risks and liabilities associated with its operations, assesses the provisions required under accounting standards, and makes its liabilities public.

Normal operations have only a minimal impact on the environment and do not involve hazards that are likely to lead to a greater degree of potential liability.

PROCUREMENT-RELATED ENVIRONMENTAL IMPACT

Neste Oil's potential to make a positive environmental contribution differs significantly between the two main raw materials that it uses: namely crude oil and renewables.

Monitoring crude oil production is challenging

The international trade in crude oil is concentrated in a few major oil industry centers which lack any link where it is produced. This means that buyers typically know only the country of origin when purchasing crude in Rotterdam, for example, in addition to its technical properties. Establishing the origin of Russian Export Blend crude is equally challenging. The crude loaded by Neste Oil at the Primorsk terminal north of St. Petersburg comes from fields across Russia via a pipeline network stretching thousands of kilometers. The situation is slightly clearer in respect of the feedstocks that the company imports by rail, as Neste Oil generally knows where these originate.

Renewables are better documented

As part of its strategy, Neste Oil is committed to extending its feedstock base. Although palm oil and other types of vegetable oil, together with waste fats from the food industry, currently provide a good basis for producing renewable fuels, important new alternatives will be added in the future. The origins of the renewable raw materials that Neste Oil uses are much better documented than crude oil.

Neste Oil has committed itself to using solely certified palm oil as and when it becomes available in sufficient volumes. It is estimated that it will be possible to achieve this goal by the end of 2015. Neste Oil has developed a unique system for monitoring its supplies of palm oil that complies with future EU regulations. This allows the company to trace the source of palm oil all the way back to the plantation where it was produced, and ensures a transparent production chain.

Neste Oil took part in the ISCC (International Sustainability and Carbon Certification) trial in Germany in 2009 aimed at establishing the sustainability and traceability of segregated palm oil and clarifying the greenhouse gas calculations used with this oil. Working together with outside experts in 2009, Neste Oil also developed a model to establish the sustainability and development

Case

Problems with sulfur recovery

A number of problems affecting sulfur recovery occurred at the Porvoo refinery in the summer and fall of 2009. The biggest of these took place in July. These incidents resulted in higher-than-normal sulfur dioxide emissions at the site and elevated concentrations of sulfur dioxide in the atmosphere in the area surrounding the refinery on three separate days, causing odor nuisance and irritation to some local people.

As a result, the regional environmental authorities issued a request to the police to investigate the problem, and Neste Oil informed the authorities, the media, and the public about the issue.

Corrective measures were taken immediately and the plan is to introduce a permanent solution to the problem during the major maintenance turnaround at the site in 2010. The company has invested several hundreds of thousand euros in corrective actions and process development.

issues involved with producing and using jatropha oil.

info For more on palm oil, see pages 40 and 41. Environmental provisions can be found on page 118.

Protecting biodiversity

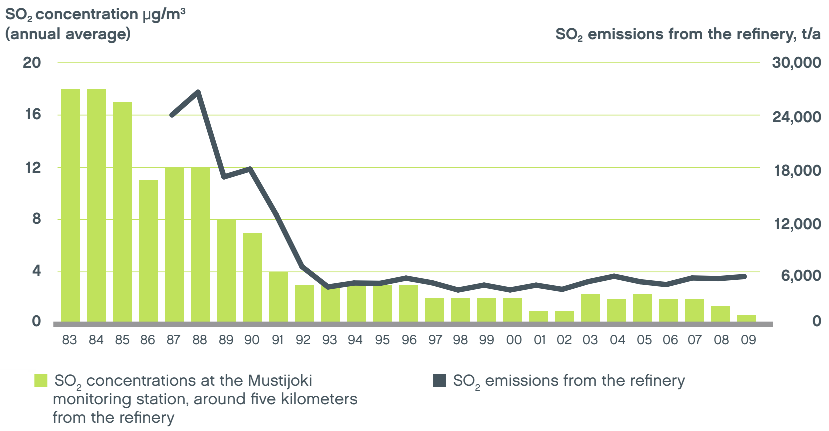
The Stormossen area west of the Porvoo refinery was declared a protected site in 1993, and the domed bog-type marshland there, covering 75 hectares, forms part of the European Natura 2000 network of nature conservation sites. The Vanto area of deciduous woodland close to the Naantali refinery, owned by Neste Oil, was declared a protected area under Finnish nature conservation legislation at the end of 2008.

Neste Oil is committed to efforts aimed at immediately halting the destruction of rainforest and developments that reduce biodiversity, together with irresponsible land use. The company has been an active promoter of common ground rules and standards covering the raw materials used in producing biofuels that governments, the international community, and all those in the industry can abide by. Neste Oil is also a member of an alliance dedicated to opposing the felling of rainforests.

PRODUCTION-RELATED ENVIRONMENTAL IMPACT

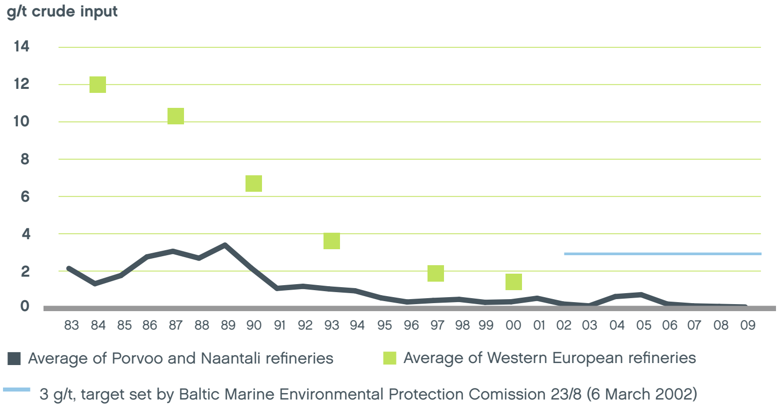
Environmental emissions at Neste Oil's production plants were at a low level in 2009, as they have been in previous years. Emissions remained within environmental permit levels for the major part. Extensive work has been done at all sites to prevent soil, ground-water, and waterways becoming polluted, and

SO_2 concentrations in ambient air around the Porvoo refinery



info The limit value for SO_2 to protect the ecosystem has been set at 20 µg/m³ (VnA 711/2001).

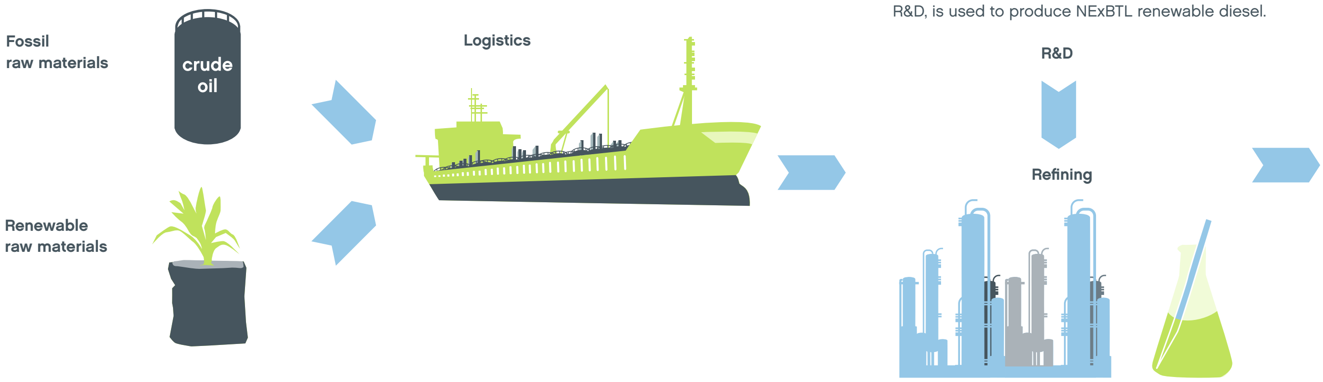
Neste Oil's refinery oil discharges into the sea compared to the Western European refinery average



How we combat climate change

New and better raw materials
Neste Oil is researching potential new raw material sources that will not require the use of additional agricultural land to further improve the greenhouse gas balance of its renewable fuels.

Advanced technology for producing renewable diesel
Proprietary technology, based on Neste Oil's own R&D, is used to produce NExBTL renewable diesel.



Palm oil as a raw material for producing NExBTL renewable diesel
Neste Oil primarily uses palm oil for producing NExBTL renewable diesel at the moment. The oil palm is easily the best source of vegetable oil today, as it offers the highest yields and most productive use of land.

Efficient transport by sea
Fuel consumption per ton of cargo carried is reviewed constantly, with the aim of cutting consumption through more efficient planning and more detailed monitoring of hull and machinery performance.

Increased energy efficiency at Neste Oil's refineries
The energy efficiency of both refineries was improved in 2009. Neste Oil has committed itself to a national program aimed at improving energy efficiency in energy-intensive industries – and has set itself a target of achieving a 660 GWh reduction, equivalent to 5% of the energy used by its refineries and terminals, by 2016.

systematic cleanups have been carried out to eliminate past problems. Environmental performance is monitored regularly.

Energy and natural resource usage
Neste Oil's largest single user of energy and natural resources is the Porvoo refinery. Electricity, steam, and heat are generated at the site in a modern combined cycle power plant fired on natural gas and fuel oil. Neste Oil supplies most of the energy used by the companies in the Kilpilahti industrial area.

In line with the pioneering nature of its operations, Neste Oil uses only gaseous fuels in its refinery furnaces, in contrast to the majority of European refiners, which continue to use more polluting liquid fuels.

Wastewater is processed in highly efficient treatment plants equipped with mechanical, chemical, and biological treatment processes.

Making better use of natural resources
Using natural resources efficiently is an integral part of environmental responsibility, and in the case of Neste Oil means things like:

- continually improving energy efficiency, using the Solomon Associates' Energy Intensity Index (EII)
- sourcing inputs responsibly and working through organizations such as the Roundtable on Sustainable Palm Oil (RSPO), the Round Table on Responsible Soy (RTRS), and the Roundtable on Sustainable Biofuels (RSB)
- participating in research and benchmarking carried out by CONCAWE, a European association of oil refiners established to carry out research on environmental issues
- using responsibly produced services and utilities; in Finland, for example, Neste Oil only buys carbon-free electricity
- committing the company's Head Office to the WWF's Green Office initiative
- optimizing the use of clean water for process, firefighting, and cooling purposes
- introducing a closed cooling water system at the Porvoo and Naantali refineries
- treating all effluent released into local waterways very efficiently.

Low level of airborne emissions
Neste Oil's airborne emissions in 2009 remained at the low levels seen in recent years. Details on the company's material balance and on refinery emissions can be found on page 39. CO_2 emissions have increased at the Porvoo refinery as a result of the hydrogen plant. The plant's overall impact has been neutral, however, as the hydrogen content of fossil fuels supplied to customers has risen and their relative carbon content is now lower. A total of 137 000 tons of CO_2 produced was recovered at the hydrogen plant.

Substances contributing to the destruction of the ozone layer were eliminated from all production and firefighting systems in the 1990s.

Waterborne emissions
Wastewater treatment systems at both Neste Oil refineries operated well during 2009. Oil discharges, at 0.07 grams per ton of crude input, were less than 2.2% of the 3 g/t target set by the Baltic Marine Environmental Protection Commission.

The Porvoo and Naantali refineries have had a voluntary groundwater monitoring program in place since 1995, and this work is ongoing. Groundwater contaminants have not been found off-site.

Monitoring emissions
Neste Oil has monitored its impact on the environment for over 20 years. Data from this work confirms that a major reduction has taken place over the years and provides a solid base of information for understanding the nature of the impact involved.

Monitoring takes place as follows:

- air quality is monitored by measuring ambient concentrations of sulfur dioxide, reduced sulfur concentrations, NO_x, and ozone
- the impact of airborne emissions is monitored using bioindicators to analyze how pollutants affect the incidence and quality of lichen on the bark on local pine trees

Lower emissions using NExBTL renewable diesel
NExBTL renewable diesel represents Neste Oil's most important contribution to combating climate change. Greenhouse gas emissions over the product's life cycle are 40–80% lower than those of fossil diesel.

Premium lubricants keep things running smoother
Lubricants based on premium-quality base oils reduce friction and wear and tear in engines and transmissions, and cut fuel consumption by 1–2% compared to less-advanced lubricants. Oil change intervals are also up to 10 times longer.

Eco-aware driving reduces tanker truck impact
Courses to promote eco-aware driving practices among tanker truck drivers have reduced fuel consumption by an estimated 2 l/100 km.

Better combustion thanks to advanced gasoline components
Advanced gasoline components promote better combustion and reduce tailpipe emissions.

Using products correctly reduces consumption
Neste Oil's product guides, technical assistance, and customer service help users get the most out of products. How well motorists maintain their vehicles, how they drive, and the technology they have under the hood all have a significant impact on emissions.

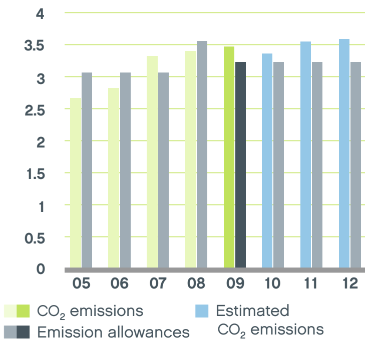
- seawater quality and sediment composition are monitored, together with local fisheries
- groundwater and surface water quality at refineries is monitored regularly
- plant noise is measured regularly at locations in the surrounding environment.

Tough permit limits
The Supreme Administrative Court ruled an environmental permit of Porvoo refinery related sulphur emission limit value issue by returning it to be re-solved by the Environmental Permit Authority.

Major incidents in 2009
- incidental sulfur emissions at the Porvoo refinery during the summer and fall
- catalyst dust emission at the Porvoo refinery in March.

In addition to these cases, various smaller incidents also occurred. All incidents, however small, are reported and the reasons behind

Neste Oil's CO_2 emissions and emission allowances
Million tons of CO_2 annually



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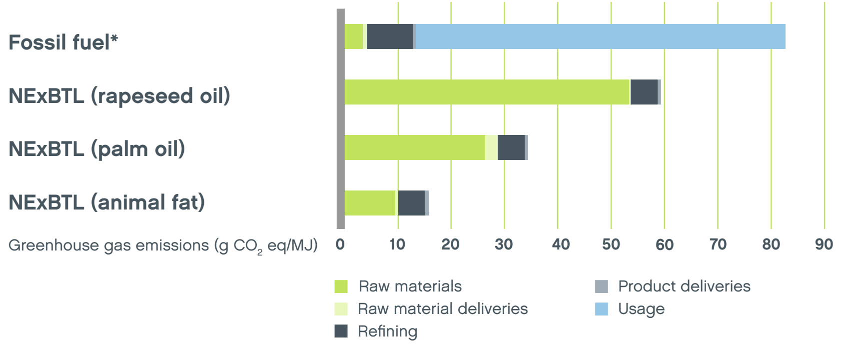
The company will acquire emission allowances between 2008 and 2012 to match the level of its emissions.

Greenhouse gas emissions generated during the product chain – NExBTL renewable diesel compared to fossil diesel
Source: Nikander (2008)



- The majority of the greenhouse gas emissions generated by renewable fuels are released during cultivation and refining of the raw materials used in producing them. While usage of these fuels generates CO_2 emissions, this does not add fossil carbon to the CO_2 in the atmosphere, which is why emissions from renewable fuels are not included in the balance figures for the production chain.
- The majority of the emissions generated by fossil diesel refined from crude oil are generated during usage, when the carbon contained in the crude is released into the atmosphere in the form of CO_2.

* EU directive on promoting the use of energy from renewable sources 2009/28/EC.

them investigated and corrective measures taken immediately where appropriate. Information on incidents is communicated to people living nearby, the authorities, contractors, and the media.

LOGISTICS-RELATED ENVIRONMENTAL IMPACT

Road-based deliveries of Neste Oil's petroleum products are handled by a fleet of 150 tanker trucks owned by private contractors, which carry over 3 million tons of products annually. Particular attention has been given to promoting safe driving practices that anticipate road and traffic conditions through things like driver training. This has resulted in an estimated 2 l/100 km reduction in fuel consumption. Tanker truck safety was further enhanced in 2009 by reducing the maximum speed limit for trucks from 89 km/h to 82 km/h. Distribution routes and cargo volumes are carefully optimized to be as efficient as possible. Vehicles are kept up-to-date by increasing the use of engines compliant with Euro 3 and Euro 4 standards.

Neste Oil ships tens of millions of tons of crude, petroleum products, and chemicals by sea annually. All ships are ice-strengthened and double-hulled, and escort tugs are used to accompany large tankers in and out of the company's harbors.

The adoption of a basic speed of 13.5 knots at sea starting in 2007 and detailed guidelines on bunker fuels has resulted in a reduction in marine fuel consumption and CO_2 emissions. The company reached the same level also in 2009. Neste Oil is also testing flue gas scrubber systems in cooperation with a scrubber manufacturer to reduce sulfur emissions.

NExBTL diesel is an effective tool for reducing CO_2 emissions of heavy traffic.

Neste Oil took part in the Tanker Safety project aimed at reducing the risk of a major tanker accident occurring in the Baltic.

Shipping feedstocks and products by sea can result in the spread of non-indigenous marine species, through bilge water. Neste Oil has worked with the authorities to study and clarify the implications of this issue.

ENVIRONMENTAL IMPACT OF PRODUCT USE

Neste Oil makes its biggest contribution to combating climate change through its products, as the latter generate more than 10 times the emissions released during refining and transportation.

Improvements in product quality and the new engine technology made possible as a result contribute to improving air quality, particularly in urban areas, reducing the environmental and health impact of fuel usage. These developments have seen traffic-related emissions move down.

Lower-emission traffic fuels

Neste Oil is a pioneer in developing and producing products that have a lower level of impact on the environment. The company's R&D work has resulted in a range of high-quality products with an excellent environmental profile.

Neste Oil refines an increasing volume of lower-emission traffic fuels from crude oil, and modern engines need less of these fuels to run further.

Neste Green diesel, which contains a minimum of 10% NExBTL renewable diesel, is one such innovation and makes a useful contribution to combating climate change by cutting tailpipe emissions and improving urban air quality.

Lower emissions using NExBTL

Neste Oil's NExBTL renewable diesel has been tested in large-scale field trials using fleets of typical standard vehicles in Finland, Germany, and Canada – all of which have shown that the fuel is a highly effective tool for reducing CO_2 emissions without the need to modernize existing vehicles or distribution systems.

SUPPLY CHAIN RESPONSIBILITY

The service providers, suppliers, and contractors used by Neste Oil play a major role in how well the company lives up to its sustainability principles in practice. Neste Oil trains its partners regularly and communicates its position on responsibility-related matters actively. How responsibly a supplier or contractor operates is a key criterion when selecting new partners.

Partners are expected to meet the following minimum requirements:

Neste Oil's material balance 2009

Neste Oil

Feedstocks [1]
- 15,100,000 tons, of which crude oil totaled 11,960,000 tons

Additional energy inputs
- Electricity: 1,320 GWh
- Oil: 65,170 tons
- Natural gas: 0.5 billion Nm^3

Water
- 7,830,000 m^3

Waste [2]
- Ordinary waste: 6,100 tons
- Hazardous waste: 3,600 tons
- Recycled waste: 15,000 tons
- Wastewater [3]: 7,988,000 m^3

Airborne emissions
- VOC: 4,000 tons
- NO_x: 14,600 tons
- SO_2: 12,100 tons
- Direct CO_2: 3,981,000 tons
- Indirect CO_2 [4]: 15,000 tons

Products
- Petroleum products: 14,061,000 tons
- Other products: 310,000 tons

Services
- Marine shipments: 38,000,000 tons 3,000,000 kms
- Road shipments: 3,300,000 tons 25,000,000 kms

1) Raw materials include primary and secondary raw materials.
2) Waste figures do not include waste generated by the service station network.
3) Refinery effluent contained 1 ton of oil.
4) Purchased electricity (Scope 2).

- be committed to environmental responsibility
- have an environmental management system in place covering all of their operations
- respect employees' rights
- not to discriminate on the basis of race, gender, or other factors
- ban the use of forced and slave labor
- ban the use of child labor
- ban the use of physical punishment
- allow employees to associate freely
- provide occupational health and safety care
- regulate working hours, and
- follow clear guidelines when using their own subcontractors.

Neste Oil carries out internal audits and commissions third-party audits on a systematic basis to ensure that its suppliers and service providers comply with these requirements.

web Details on the sustainable principles for biofeedstock suppliers can be found in the responsibility section at www.nesteoil.com.

NExBTL offers lower emissions compared to fossil diesel

- 40–80% lower greenhouse gas emissions
- 10% lower NO_x emissions
- 28% lower particle emissions (PM)
- 28% lower carbon monoxide (CO) emissions
- 50% lower hydrocarbon emissions (CH).

info Read more about NExBTL field trials on page 18.

Neste Oil's refinery emissions**, feedstocks, and products

	Porvoo refinery			Naantali refinery		
	2009	2008	2007	**2009**	2008	2007
Emissions to air						
CO_2 (t/a)	**3,076,000**	2,981,000	2,754,000	**395,000**	417,000	412,000
VOC (t/a)	**2,460**	2,700	3,000	**947**	923	921
NO_x (t/a)	**3,600**	3,500	3,700	**339**	343	290
SO_2 (t/a)	**5,500**	5,300	5,300	**1,370**	1,420	1,630
Discharges to water						
Oil (t/a)	**0.82**	1.06	1.56	**0.18**	0.50	0.34
Chemical oxygen demand, COD (t/a)	**335**	372	359	**58**	138	82
Waste						
Ordinary waste (t/a)	**15,500**	11,200	15,800	**920**	1,110	1,200
Hazardous waste (t/a)	**10,900***	17,900*	13,300*	**2,970***	3,500*	5,850*
Feedstocks						
Crude oil (t/a)	**9,384,000**	9,410,000	9,350,000	**2,576,000**	2,771,000	2,761,000
Other feedstocks (t/a)	**3,085,000**	2,990,000	2,066,000	**1,980**	910	3,290
Products						
LPG (t/a)	**305,000**	400,000	357,000	**22,100**	27,170	27,180
Gasoline (t/a)	**3,760,000**	3,767,000	3,891,000	**601,000**	658,000	681,000
Diesel fuel and heating oil (t/a)	**6,452,000**	6,133,000	5,713,000	**1,008,000**	1,067,000	1,070,000
Heavy fuel oil (t/a)	**970,000**	866,000	755,000	**318,000**	313,000	308,000
Bitumen (t/a)	**130,000**	386,000	324,000	**256,000**	331,000	292,000
Sulfur (t/a)	**113,000**	101,000	84,000	**13,800**	15,700	14,100
Solvents (t/a)	**0**	0	0	**241,000**	216,000	225,000

* Includes contaminated soil ** Some of emission figures are preliminary

info The production and emission figures for the Porvoo and Naantali refineries presented in the table above represent the majority of Neste Oil's total figures.

web Environmental and safety issues at Porvoo and Naantali will be profiled in NaapuriSanomat, which will be published a number of times a year and can be found in Finnish at www.nesteoil.fi.

Palm oil is a truly sustainable raw material

Plantations
Plantations follow the sustainable development principles established by the RSPO. Palm oil destined for Neste Oil is fully traceable throughout the supply chain.

Using sustainable palm oil for producing renewable diesel

The need for renewable raw materials is growing all the time because of the growing use of bio-based fuels to combat climate change. Sustainably produced palm oil represents an excellent raw material for renewable diesel fuel in terms of its availability, price, and greenhouse gas balance.

Neste Oil's use of palm oil

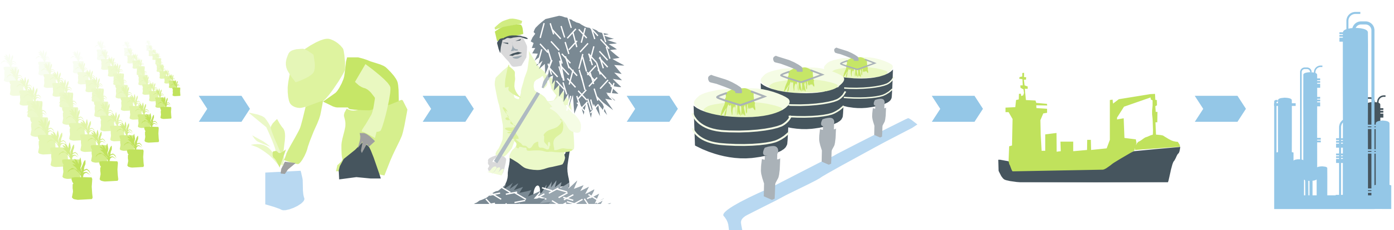
Neste Oil used a total of 0.6% of the palm oil produced worldwide in 2009 in manufacturing NExBTL renewable diesel. The company's total raw material requirement will rise to 2.4 million tons in 2012 when all its new plants are on stream. Neste Oil already uses rapeseed oil and waste fats from food industry alongside palm oil, and new potential raw material sources are being investigated and developed.

Over 40 million tons of palm oil are produced worldwide annually. The largest user at the moment is the food industry, which accounts for around 80% of production, followed by the chemical industry, which used 18.5% of output in 2007, and the energy sector, which uses 1.5–2%.

One of largest user of certified palm oil in the world

Neste Oil prioritizes responsible and sustainable operations and producer commitment to continuous development when selecting the raw materials it purchases.

Neste Oil has invested a lot of time and effort into ensuring that sustainable princi-



Saplings
Oil palm saplings are grown in nurseries alongside plantations.

Cultivation
Saplings are planted when they are around one year old. The cultivation methods used ensure healthy growth and that palms can be harvested for around 25 years.

Harvesting
During harvesting, the bunches of ripe fruit are cut and transported to a pressing plant. Loads are segregated to ensure traceability.

Pressing
The fruit are removed and pressed mechanically to release the oil they contain. This is piped to tanks to await transport. Waste is recycled as fertilizer.

Transportation
Neste Oil's palm oil is shipped by sea in sealed tanks to Europe.

Refining
Palm oil is refined at the Porvoo refinery into premium-quality NExBTL renewable diesel.

ples are followed at all stages of the production chain. It develops its procurement processes and auditing tools continuously to evaluate how responsible potential raw material suppliers are and to ensure that they are committed to long-term, target-driven cooperation.

The company took delivery of its first cargo of certified palm oil at Porvoo in April 2009, and has set itself the target of using solely certified palm oil by end of 2015.

Oil palm cultivation reduces poverty

Palm oil cultivation is a major source of income in Indonesia, where 23% of the population does not have access to clean drinking water and 15% live below the poverty line. Over 7 million people work in palm oil production, and palm oil is a major source of export revenue for Malaysia and Indonesia.

Small holders, farming between two and four hectares of land, grow some 40% of oil palms. The proportion of small holders in the industry is expected to grow in the next few years.

More land is being brought under cultivation all the time to combat poverty. It is important to ensure that valuable habitats are not destroyed in the process. Raw materials from new plantations cleared from forestland are forbidden for energy use.

An excellent raw material when cultivated appropriately

Oil palm cultivation is cost-effective and ecological compared to growing other oil plants, and oil palms offer by far the highest yields per hectare. Palm oil accounts for 38% of the world's vegetable oil today, although oil palms only take up 7% of the land devoted to growing oil plants. Palm oil production can easily be increased without encroaching on valuable forestland, by developing and introducing better cultivation methods capable of producing higher yields and by extending cultivation to wasteland unsuitable for growing food crops. Wasteland is estimated to be double the 10 million hectares currently under cultivation. Palm oil cultivation is the most cost-efficient type of oil plant cultivation and uses the least amount of energy.

Lower levels of greenhouse gas emissions

Determining greenhouse gas emission levels and reducing emissions across the life cycle of a product are important factors when selecting the raw materials used to produce it.

NExBTL renewable diesel produced from sustainable palm oil offers an approximately 60% smaller greenhouse gas footprint over its entire life cycle than fossil diesel fuel. Of the raw materials currently available, only waste fats from the food industry offers larger reductions in greenhouse gas emissions.

Involving stakeholders

Neste Oil recognizes the problems caused by irresponsible players in the palm oil industry, which is why it is closely involved in developing international standards for palm oil cultivation.

Neste Oil has taken an active role in promoting the adoption of an international system of certification for palm oil production through the Roundtable on Sustainable Palm Oil (RSPO), an organization that brings together palm oil producers, users, and non-governmental organizations to advance the cause of more sustainable cultivation and production. Neste Oil has been an active member of the RSPO since 2006 and requires its palm oil suppliers to be members of the organization and to commit themselves to the principles of sustainable development and continuous improvement. Ensuring that the RSPO certification system is used as widely as possible is essential if it is to deliver results. Further felling of rainforests must be prevented wherever possible.

info

Read more about research into new raw materials on page 24.

More information on NExBTL renewable diesel can be found on page 18.

web

A review of the principles of sustainable development Neste Oil applies in its raw material procurement can be found at www.nesteoil.com.

For the principles behind the RSPO's certification system, see www.rspo.org.

Sources: e.g. Indonesian Palm Oil in numbers 2008, Statistics dept, Malaysia and Statistics Bureau Indonesia 2008, MPOB (2009), Woodmackenzie multi-client study Global Biofuels 2020, Oil world 2009, USDA 2009.

Stakeholders highlight the importance of certified palm oil

Liisa Rohweder, Secretary General, WWF, Finland

"Shifting as rapidly as possible to using certified raw material represents an important aspect of Neste Oil's approach to corporate responsibility. Biofuels will provide major climate benefits, and it will be important to minimize the indirect impact of producing them on food production and deforestation."

Donald C. Grubba, Global Director Sustainability, IOI Group

"We have undergone a number of sustainability audits by several regional and international bodies with affirmative results. Our objective is for all our plantation estates to be RSPO certified by end 2011."

Dr Vengeta Rao, Secretary General, Roundtable on Sustainable Palm Oil (RSPO)

"In response to the urgent and pressing global call for sustainably produced palm oil, the RSPO was formed in 2004 with the objective of promoting the growth and use of sustainable oil palm products through credible global standards and engagement of stakeholders. Significant progress was achieved in 2009."

Social responsibility

Neste Oil's approach to social responsibility is based on good cooperation with all its stakeholders. Responsible operating practices benefit the company and its internal and external stakeholders by improving profitability and competitiveness.

Neste Oil promotes the principles contained in the central articles of the United Nations' Declaration of Human Rights and the central conventions of the International Labour Organization (ILO). These international agreements form the foundation for the principles and practices followed by the company in respect of human and labor rights.

Neste Oil offers its personnel a healthy and safe workplace in which to develop their skills and capabilities. All forms of harassment and discrimination, together with child labor, forced labor, and other forms of exploitation are strictly forbidden. Employees are allowed to organize among themselves and belong to associations. All forms of punishment are forbidden.

Human and labor rights are also linked to Neste Oil's raw material procurement, and the company's human and labor rights principles also cover Neste Oil's raw materials suppliers and are integrated into the criteria used when sourcing raw materials. Neste Oil recognizes the economic and cultural needs of native populations, their traditional way of life, and their legal entitlement to their land. As part of the due diligence review that Neste Oil has carried out in respect of all its palm oil suppliers, the company has made a thorough assessment of human rights issues, including things such as the use of child and forced labor. Only companies that operate ethically are approved as partners.

EQUALITY

Neste Oil treats all its employees fairly and equally, regardless of gender, nationality, age, religious beliefs, political opinions, and other similar factors.

Equality between men and women is promoted throughout the company. Gender is not allowed to affect recruitment, salary levels or career and personal development. Neste Oil believes that a more balanced gender distribution within the company in the future will give Neste Oil a competitive edge, both in the marketplace and in competing for the best people.

COOPERATION

Neste Oil believes that good relations between management and personnel, an open flow of information, and positive cooperation form an important foundation for the company's success.

Quarterly result meetings, to which all personnel are invited, are organized at the company's main sites and are used to update employees on the company's performance, operations, and topical issues, and to offer personnel the opportunity to put questions directly to the CEO and other senior executives. In addition, monthly info meetings are arranged at sites and in teams.

Open and ongoing dialogue between company and personnel representatives is encouraged through numerous official meetings and internal bodies. Three employee representatives attend meetings of the Supervisory Board. Meetings held by the Management-Employee Group review matters affecting the company in Finland. Matters covered at Group-level meetings, which generally number six a year, include those required under employer-employee legislation and other topical issues affecting personnel in Finland. The procedures followed for meetings covering local issues are agreed at business area, function, or site level.

Internal communications channels, such as the company's Intranet and employee magazine, are used to reach personnel at all levels of the organization. The Employee Profit-Sharing Fund is managed by personnel; and employee representatives sit on the Boards of the Pension Fund and the Insurance Fund.

AIMING FOR EXCELLENT PERFORMANCE

Neste Oil's four core values are: excellence, responsibility, innovation, and cooperation. Clearly defined roles and responsibilities, together with common ways of working, are designed to improve cooperation across the company and promote efficient decision-making. Strengthening the company's performance-driven mindset is very important for ensuring that the organization delivers better results.

Neste Oil's management system is designed to ensure that the company can implement its strategy successfully and to provide a framework for employees' day-to-day work. The management system includes the key policies, principles, processes, and common procedures and guidelines covering how the company is managed, and also outlines Neste Oil's strategy and its leadership competences and development programs, based on its values and the environment in which it operates.

PREVENTING MISCONDUCT

Neste Oil observes a number of principles and guidelines to prevent and deal with misconduct. These cover misuse of assets, systems, or a person's position within the company aimed at benefiting one or more people either directly or indirectly. Regulations cover areas including:

- fraudulent financial reporting
- unauthorized use of company assets
- income or assets acquired fraudulently or illegally
- evading costs or responsibilities using fraudulent or illegal means
- generating unnecessary costs in a fraudulent or illegal way.

Regulations also include principles covering how supply, purchase, and service contracts should be negotiated and the company's policy on receiving gifts. Guidelines are also provided for managing and dealing with abuse and misconduct. The Board of Directors approved the Neste Oil Code of Conduct in 2009, which includes the guidelines outlined above and the companys operating principles.

The prime focus is on preventing abuse and misconduct occurring. Identifying and evaluating risks in this area is an ongoing part of operations. If Neste Oil employees notice or suspect misconduct, they are required to inform the company immediately. No cases of misconduct appeared in 2009 that would have had material impact on Neste Oil's financial statement.

STAKEHOLDER COOPERATION

Neste Oil is committed to working with its stakeholders to promote sustainable development and the achievement of the company's strategic goals.

A major part of this work is linked to renewable fuels. Neste Oil takes an active part in debate in this area and aims to build cooperation and shape opinions at national and international level.

Neste Oil is also committed to positive and open cooperation at local level, with schools and people living close to its sites, for example. Thousands of people visit the company's refineries annually.

An extensive brand study is carried out annually to review stakeholders' perceptions. Feedback from these has shown that Neste Oil is seen as a quality and responsible company. A number of smaller studies are also carried out regularly. Feedback is also received from other sources, including the company's web site.

POLITICAL STATEMENTS AND INFLUENCING POLITICAL DEBATE

Neste Oil takes part in political and social debate on matters related to its business and the environment in which its operates, and presents its views to those responsible for drafting legislation or other regulations through industry organizations or public debate. Neste Oil does not take part in party politics.

Neste Oil does not make financial contributions to political parties or political institutions or provide any form of support to candidates in political elections.

Neste Oil's values

VALUE-DRIVEN SPONSORSHIP

Neste Oil follows a systematic, long-term approach to sponsorship and supports carefully selected international, national, and local activities and events that promote the company's links with its customers and the community. Sponsorship is designed to promote the company's values and build an image of Neste Oil as a responsible member of society.

Compatibility with Neste Oil's values and the potential to make use of activities and events in stakeholder relations and gain positive media coverage are key factors in selecting sponsorship partners.

The following are some examples of the organizations and events in sport, the arts, and the environment that Neste Oil supports:

- Neste Oil Rally
- Avanti! Summer Sounds Festival in Porvoo
- Naantali Music Festival
- Espoo Blues ice hockey team
- Superpesis Finnish baseball league
- Finnish road safety guide for young people
- Finnish Youth Academy
- Millennium Technology Prize.
- ChemistryLab Gadolin

info

A list of Neste Oil's most important stakeholders can be found on page 31.

Human resources

Neste Oil employs some 5,000 people and creates indirect employment for the employees of many other companies in Finland and internationally through its procurement. The company offers an inspiring and safe workplace for its personnel.

Neste Oil aims to be an attractive and competitive employer that offers its personnel a well-functioning, balanced, and inspiring place to work. The company's ongoing international expansion calls for developing skill sets, common ways of working, and organizational models on a continuous basis.

The expertise of Neste Oil's people, their motivation, and the way the company is managed all have a key role to play in achieving results. A drive to get things done, combined with the expertise needed to do that, generates added value for the company's customers. Innovation and a willingness to change and develop create the foundation needed for responding rapidly to the changes affecting Neste Oil's business environment, and doing so in a uniquely Neste Oil way.

SYSTEMATIC HR DEVELOPMENT

The skills and competence of its personnel represent one of Neste Oil's most important competitive strengths. Every employee is responsible for his or her personal development, and every manager for supporting their team and individual team members to develop their full potential.

HR development is based on the company's short-and long-term business goals. Managers are expected to develop the capabilities of the people in their unit in a target-driven, planned manner. Personal development plans are drawn up and reviewed annually as part of annual performance and development discussions, which form an integral part of a management approach based on clear goals and involving people and designed to promote a performance-driven mindset. During 2009, Neste Oil's personnel took part in a total of 2.4 days of professional training per person, and EUR 3 million was spent on training.

Neste Oil also promotes internal job rotation as a means of developing the company's skills base. A total of 458 people were offered new positions within the company as a result of the reorganization introduced in 2009. International business skills have become increasingly important, and overseas assignments play an important part in developing these types of capabilities. A total of 93 people in 12 countries were on overseas assignments in 2009.

STRENGTHENING LEADERSHIP COMPETENCES

Neste Oil has paid particular attention to developing management and leadership skills within the company. A leadership development program was launched in 2006, based around six core leadership competences: being a people champion, a visionary, a renewer, an enabler, a cooperation builder, and an achiever.

The company's leadership development program is designed to promote the implementation of Neste Oil's strategy, reinforce corporate culture, encourage the sharing of best practices, and provide managers and supervisors with the capabilities they need in their work. It also aims to give managers an opportunity to establish peer groups.

The 'Licence to Lead' program is intended for new managers or members of staff transferring to a managerial or supervisor position and is designed to equip people with the basic knowledge and skills necessary for success. As of the end of 2009, a total of 520 managers from different countries had taken part in 'Neste Oil Leader' training, intended for all management personnel. Advanced management training is based on developing skills in the six core leadership competences.

Feedback from training has been very positive. The results of the personnel survey implemented at the end of 2008 and analyzed at the beginnig of 2009 indicated that managerial performance has developed and is at a good level compared to other companies.

NEW ORGANIZATIONAL MODEL PROVIDES NEW DRIVE

The concept of 'One company, common goals' underpinning Neste Oil's reorganization in 2009 has acted as an important underlying idea for the company. Drivers for change have been efficient strategy implementation, customer focus and common approach. The importance of profitability and cost efficiency has also been emphasized.

Neste Oil's operations were restructured into three business areas and seven common functions as part of the reorganization introduced on 1 April 2009, and designed to bring a more cost-efficient and customer-driven operating model capable of turning the company's strategy into reality more effectively. The new matrix structure is intended to put the best practices and skills of different business areas and functions to work for the common success of the company.

HR policy

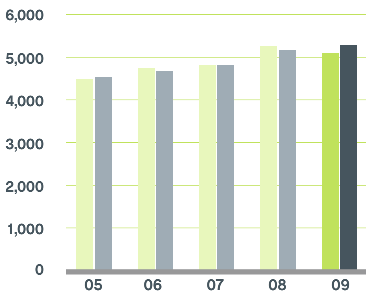
Neste Oil's HR policy is outlined in the company's management system and includes the following key principles:

- emphasizing the importance of continuous development of leadership and corporate culture
- acting in line with the company's values and underlining everyone's responsibility for their professional development as a means to achieving excellent results
- guaranteeing equal rights and opportunities regardless of gender, ethnic origin, age, religion, political convictions, and other similar issues
- promoting a workplace where everyone understands the importance of their work in achieving common goals, and
- providing equal and fair compensation based on individual and team performance.

One of Neste Oil's central principles is to abide by all laws, statutes, and official regulations wherever the company operates and in all aspects of its operations and follow clear ethical standards and good practices.

Social responsibility key figures

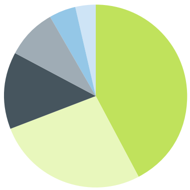
Personnel



As of the end of the year · Average

Personnel by segment, as of 31 December 2009

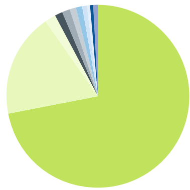
Total: 5,092



- Oil Products 42.4%
- Renewable Fuels 3.4%
- Oil Retail 26.8%
- Neste Jacobs 13.8%
- Research and Technology 4.7%
- Other 8.9%

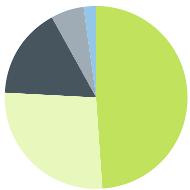
Personnel by country, as of 31 December 2009

Total: 5,092



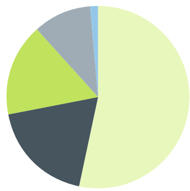
- Finland 72.0%
- Belgium 1.3%
- Estonia 1.4%
- Latvia 1.3%
- Lithuania 0.6%
- Russia 18.3%
- Singapore 2.0%
- Sweden 0.6%
- Switzerland 0.6%
- Holland 1.0%
- Other 0.9%

Educational background of permanent employees as of 31 December 2009



- Technical and natural sciences 49.0%
- Commercial and law 16.0%
- Social sciences and humanities 6.0%
- Logistics and transport 2.0%
- Other 27.0%

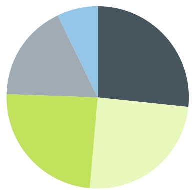
Educational level of permanent employees as of 31 December 2009



- Doctorate 1.2%
- University degree 18.7%
- College degree 16.3%
- Vocational qualification 53.4%
- Compulsory education 10.4%

Breakdown by age of permanent employees as of 31 December 2009

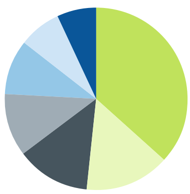
Average 42.3 years



- Under 30 years 17.3%
- 30–39 years 26.7%
- 40–49 years 24.9%
- 50–59 years 24.1%
- Over 60 years 7.0%

Length of employment of permanent employees as of 31 December 2009

Average: 13.9 years



- Less than 5 years 36.9%
- 5–9 years 13.1%
- 10–14 years 9.8%
- 15–19 years 7.5%
- 20–24 years 11.0%
- 25–29 years 6.7%
- More than 30 years 14.9%

Gender ratio of permanent employees as of 31 December 2009

- Men 69.0%
- Women 31.0%

Type of employment contract as of 31 December 2009

- Permanent 95.1%
- Temporary 4.9%

Key figures

	2009	2008
Average age	42.3	42.6
Average length of time with the company	13.9	14.3
Training expenditure, EUR	2,951,000	3,980,000

Case

In Gadolin's footsteps

Neste Oil has worked with schools for many years, and the company was closely involved in developing the learning on the job section of the secondary education syllabus in Finland. One of the fruits of this collaboration has been a three-year project known as ChemistryLab Gadolin, which offers groups of students from schools, high schools, and colleges the opportunity to experience hands-on chemistry.

The project is designed to help develop chemistry teaching and the way young people learn about chemistry, promote a positive image of the field, and increase the attractiveness of chemistry education – and support the development of future chemistry-related skills.

The goal is to encourage young people to study chemistry and how it is used and to strengthen chemistry's position as a test-based science. Teaching and learning at the ChemistryLab is based on empirical methods and learning by doing.

Two classrooms have been allocated to the project at the University of Helsinki's Department of Chemistry, equipped with modern laboratory facilities and computers for carrying out chemistry-related work – funded by the University and a group of companies sponsoring the project, including Neste Oil.

Students visiting ChemistryLab have the opportunity to study green chemistry, energy and energy generation, the chemistry of materials, and everyday chemistry. Inspired by the positive experience they gain, the hope is that more students will want to study chemistry later.

ChemistryLab Gadolin is named after Johan Gadolin, a renowned Finnish chemist, physicist, and mineralogist active.

RECRUITING NEW PERSONNEL IN GROWTH BUSINESSES

Recruitment during 2009 was concentrated in Singapore and Rotterdam, where two major new plant projects are under way. The majority of recruitment took place locally and saw the best people appointed to the various positions in line with the Group's recruitment principles. A total of 75 local employees were recruited for the plant being built in Singapore. For the Rotterdam plant, a total of 31 local employees were recruited. Personnel on overseas assignments from Finland are playing an important role in advisory tasks.

Neste Oil's profile as an employer has improved further in recent years, and the company is Finland's tenth-most attractive company to work for among students according to a study by Universium in the technology field and the twenty-eighth from a general business perspective. Neste Oil offered summer internships to a total of 269 young people in Finland in 2009.

STATUTORY EMPLOYEE CONSULTATIONS IN FINLAND

Neste Oil set itself a target in 2009 of achieving savings of over EUR 60 million in annual fixed costs, of which some EUR 30 million were to come from personnel-related measures. As part of its cost-saving program, Neste Oil began statutory employer-employee negotiations on possible permanent reductions in the number of personnel employed by the company and its subsidiaries in Finland in August 2009.

The consultation process aimed at finding alternatives to redundancies. A total of 351 people left the company as a result of the process, of which 240 were voluntary retirements. Neste Oil offered outplacement services to the other people affected. Temporary layoffs might also be made at Neste Jacobs in 2010.

The reductions took effect from the beginning of October 2009, and the last related job losses will take place during 2010. Temporary layoffs in 2010 will be determined by work requirements. These job losses impacted total employee turnover, which stood at 8.9% (6.5) in 2009.

Internal communication, training, and managerial support were given particular emphasis during the consultation process. Personnel posted some 200 questions related to the process, all of which were answered, and were offered the possibility of discussing the issues anonymously on the company's Intranet.

PENSION SCHEMES

Neste Oil companies in Finland have arranged statutory pension cover under the Finnish TYEL pension system through the Neste Oil Pension Fund. Neste Oil decided in 2009 to transfer the management of its statutory occupational pensions and the associated pension portfolio to the Ilmarinen Mutual Pension Insurance Company as of 1 April 2010.

The pensions of seamen are insured in the Seamen's Pension Fund. Retirement age is 63 to 68 years.

The Neste Oil Pension Fund provides additional pension benefits, in addition to the statutory pension, to people who joined the company before 1994. The most important additional benefit is the opportunity to retire at the age of 60, and covers women and men who select a reduced pension. Neste Oil decided in January 2009 to transfer the management of its supplementary pension benefits and the associated pension portfolio of its Finnish companies to OP Life Assurance Company Ltd as of 1 April 2010.

WELL-BEING AT WORK IS VERY IMPORTANT

Neste Oil defined its position on the key aspects of well-being at work during 2009 and established responsibilities in the area and a common set of indicators to be used for measuring performance. People's sense of well-being at work is born out of what their jobs involve and plays an important role in creating the potential for them to succeed and achieve their goals. Well-being at work at Neste Oil is defined in terms of six key areas: leadership, work community, working environment, competence, work motivation, and health.

The company's 2008 personnel survey identified common areas that called for improvement and these were discussed by groups across the organization during spring 2009.

Safety

Neste Oil believes that all injuries and incidents are preventable. Total recordable injury frequency per million working hours was 3.1 in 2009, which was the best result ever in Neste Oil's history.

Safety is promoted through a safety management system covering the entire company. Safety training forms an integral part of employee introduction programs and management practices. All employees are provided with safety training, and every manager or supervisor is required to take part in a one to three day safety training course.

Safety performance is reviewed as part of annual development discussions between managers and their team members and during observation tours.

KEY PROCESS SAFETY GOALS

Preventing anyone being injured or being exposed to unnecessary danger, protecting the environment and the company's assets, and preventing or minimizing financial losses are the key goals of process safety-related work. Process safety is based on identifying the risks associated with the company's operations, taking them into account wherever appropriate, and minimizing the impact should a risk transpire.

Neste Oil had a total recordable injury frequency per million hours worked (TRIF) of 3.1 and lost worksday injury frequency (LWIF) of 2.2 in 2009. This compared to an average of 15.7 (LWIF) in the Finnish chemical industry in 2008.

DEALING WITH THE THREAT OF PANDEMICS

Neste Oil has plans in place for dealing with possible pandemics designed to secure the continuity of the company's business operations and reduce the risk of employees contracting or spreading dangerous infectious diseases in carrying out their duties and at company locations. These plans include arrangements for communicating information, providing details on how to protect oneself against the diseases in question, and supporting personnel.

Services essential for ensuring business continuity in a situation where a large number of employees are incapacitated have been identified and included in these plans.

PRODUCT LIABILITY

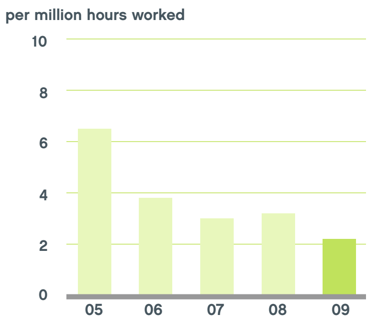
Neste Oil began preparations for complying with the EU's new REACH regulatory framework that requires manufacturers and importers to register chemicals used in the EU back in 2005, and has preregistered the substances that it produces or imports into the EU. These number a total of nearly 150 substances. Registration will take place mainly during 2010.

Harmonized chemical classification and labeling system

The register of safety data information maintained and developed by Neste Oil at its sites plays an important part in managing the chemicals produced and handled by the company. All products are covered and are classified and labeled according to their hazards.

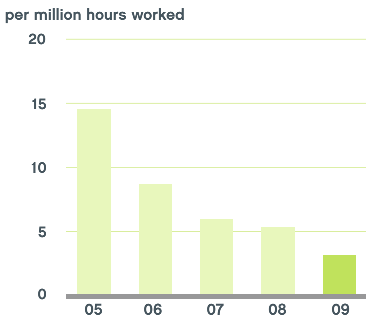
The company will begin shifting to the Globally Harmonized System of Classification and Labeling of Chemicals (GHS) in 2010, and the process is expected to take until 2015. GHS will impact safety data sheets, the labeling of packaging and storage tanks, permitting, and workplace surveys as a result of changes in classification.

Lost Workday Injury Frequency (LWIF)



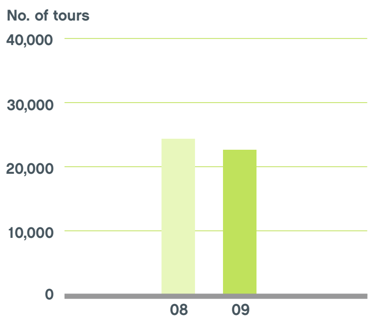
info Figures include own personnel and subcontractors. No fatal incidents in 2009.

Total Recordable Injury Frequency (TRIF)



info Figures include own personnel and subcontractors.

Observation tours



info Observation tours is a new corporate level safety indicator.

GRI content index

Reported

Tofuture Oy has checked this report and confirms that Responsibility Review presented in the Neste Oil Annual Report 2009 pages 24–49 conforms to GRI Guidelines Application Level C+. Adherence to GRI indicators is illustrated and explained by a GRI index on this page.

Code	GRI Standard Disclosure Items	Extent of reporting	Page	Comments
1.	Strategy and Analysis			
1.1	CEO Statement		p. 6	
1.2	Description of key impacts, risks, and opportunities		p. 6; 8–9; 10–13 and 28	
2.	Organizational Profile			
2.1–2.10	Organizational Profile		Neste Oil in brief, front cover	
3.	Report Parameters			
3.1–3.4	Report Profile		p. 30	
3.5–3.11	Reporting Principles		p. 30	
3.12	GRI Content Index		p. 48	
3.13	Assurance		p. 49	
4.	Governance, Commitments & Engagement			
4.1–4.10	Governance		p. 52–53	
4.12–4.13	Commiments		p. 30	
4.14–4.17	Stakeholder Engagement		p. 31; 40–41 and 43	
5.	Disclosure on Management Approach and Performance Indicators			
	Management Approach		p. 29–30; 52–53	
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EC3	Coverage of the organization's defined benefit plan obligations		p. 46, Notes to the consolidated financial statements 29, p. 118–120	
EC4	Significant financial assistance received from government		p. 33	
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EN3	Direct energy consumption		p. 39	Group material balance, trend data from Neste Oil's refineries
EN4	Indirect energy consumption		p. 39	Group material balance, origin of purchased electricity in Finland
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EN21	Total water discharge		p. 39	Group material balance, trend data from Neste Oil's refineries
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	Society			
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting		p. 43	
SO5	Public policy positions and participation in public policy development and lobbying		p. 43	
	Product Responsibility			
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements		p. 47	Chemicals registration

GRI Core Performance Indicators: EC2, EC6-8, EN2, EN11-12, EN17, EN19, EN27, LA4-5, LA14, SO2-4, SO8, PR1, PR6, PR9 are not reported

Independent assurance statement

TO THE MANAGEMENT AND STAKEHOLDERS OF NESTE OIL CORPORATION

Scope and Objectives

The Management of Neste Oil Corporation has commissioned us to perform a limited assurance engagement on the Responsibility Review ("Report") presented in the Neste Oil Corporation's Annual Report 2009, in pages 26–48. The assurance engagement was conducted in accordance with the AA1000 Assurance Standard (2008). We have performed a limited assurance engagement, the objective of which was to evaluate:

- Neste Oil Corporation's adherence to the AA1000 Accountability Principles of inclusivity, materiality and responsiveness,
- Reliability of performance information presented in the Report according to the Quality of Information Principles defined in the Global Reporting Initiative Guidelines, and
- GRI application level of the Report.

Responsibilities of the Management of Neste Oil Corporation and Assurance Providers

Neste Oil Corporation's Management is responsible for the preparation of the Report, the presented performance data including statements expressed within the Report; and has approved them. The reporting criteria used for our assessment are the Global Reporting Initiative Guidelines and Neste Oil Corporation's internal responsibility reporting guidelines. Our responsibility is to express a conclusion on the information disclosed in the Report based on our work performed.

Assurance Provider's Independence and Competence

An assurance provider is required to be independent and impartial from the reporting organization. We were not involved in the preparation of the Report, and have no other engagement with Neste Oil Corporation. Our assurance team consists of competent and experienced responsibility reporting and assurance experts, who have necessary skills to perform an assurance process. Further information, including a statement of competencies related to the team can be found at: www.tofuture.eu.

Basis of Our Opinion and Limitations

An assurance process is required to be planned and performed in a way in which the assurance provider collects adequate evidence for the conclusion. The procedures selected depend on the assurance provider's judgement, including the assessment of the risk of material misstatement adhere to the reporting criteria. We have performed the following procedures:

- Assessment of Neste Oil Corporation's procedures in place to adhere to principles of stakeholder inclusivity, materiality and responsiveness.
- Evaluation of performance information presented in the Report against stakeholder expectations. For this purpose we have conducted a materiality test and collected 11 external experts' views on material stakeholder expectations for Neste Oil Corporation.
- Interviews with managers responsible for performance data collection at Group level and in selected sites.
- Review of Group level systems and procedures to generate, collect and report performance data for the Report.
- Evaluation of Group level calculations and data consolidation procedures and internal controls to ensure data accuracy.
- Review of data sources, data generation and reporting processes at Neste Oil Porvoo Refinery and Neste Shipping.

Conclusions

Adherence to AA1000 Accountability Principles

- Inclusivity: Neste Oil Corporation was found to have systems in place for stakeholder involvement, and the company has made a commitment to stakeholder dialogue
- Materiality: Neste Oil Corporation has defined material responsibility reporting issues as a part of the Neste Oil responsibility management model
- Responsiveness: Neste Oil Corporation has policies, guidelines and procedures in place to respond to stakeholder's expectations.

Reliability of Performance Information

We have reviewed the basis of the responsibility information in the report. Based on the review, nothing has come to our attention that would suggest, that the report does not give, in all material issues, a fair and balanced view of Neste Oil Corporation's responsibility performance, and that the information presented is not, in all material issues, reliable based on the reporting criteria.

GRI Application Level

The Report corresponds to the GRI application level C+.

Observations and Recommendations

Based on our limited level assurance engagement, we present the following observations and recommendations, which do not affect our conclusion presented above.

- Neste Oil Corporation is applying the Global Reporting Initiative (GRI) Framework in its responsibility reporting for the first time. We recommend further developing the responsibility reporting in accordance with the GRI Reporting Principles, presenting more trend information to enable better comparability between years and more comprehensive reporting on GRI core indicators especially in the areas of social responsibility
- The materiality determining process is based on the company's responsibility strategy, target-setting and stakeholder's concerns. We recommend more systematic inclusion of stakeholder dialogue in the materiality determination process, and also further developing the documentation and reporting of the materiality determining process
- Neste Oil Corporation is renewing the corporate responsibility performance indicators monitoring processes. We recommend further developing the documentation of the data gathering process, and also developing more systematic data gathering procedures and Group level responsibility data management
- A primary concern to stakeholders, presented in the report, is the origin of renewable raw materials. We recommend to continue developing supply chain responsibility practices and reporting on information about raw material suppliers.

Espoo, 12th February 2010

Tofuture Oy
Sustainability Assurance

Mikael Niskala
Director of Assurance Practicer

AA1000
Licensed Assurance Provider
000-35

Jani Alenius
Senior Assurance Practitioner

It is not best that we should all think alike; it is a difference of opinion that makes horse races.

– Mark Twain

New mindset

High-quality performance is always our key goal. We follow legislative and regulatory requirements in all aspects of our work, together with our own management system principles. We are committed to good corporate governance and acting responsibly in all our operations worldwide. We work very actively to identify best practices and aim for continuous improvement.


Governance & Shares and shareholders

Corporate Governance Statement

Neste Oil observes good corporate governance practices in accordance with the laws and regulations applicable to Finnish listed companies, the company's own Articles of Association and the Finnish Corporate Governance Code. Neste Oil aims to implement best practices in all its operations, living up to its values of responsibility, cooperation, innovation, and excellence.

This Corporate Governance Statement has been prepared pursuant to Recommendation 51 of the new Corporate Governance Code and Chapter 2, Section 6 of the Securities Markets Act. The Corporate Governance Statement is issued separately from the company's Review by the Board of Directors.

Neste Oil abides by the principles of good corporate governance within the framework of Finland's Companies Act, its own Articles of Association, and the Governance Code covering listed companies in Finland, as it is introduced. Furthermore, Neste Oil complies with the rules of NASDAQ OMX Helsinki Ltd, where it is listed, and the rules and regulations of the Finnish Financial Supervisory Authority. Neste Oil's headquarters is located in Espoo, Finland.

Neste Oil diverges from the recommendations of the Corporate Governance Code in that the proposals covering the members of the Board of Directors and the remuneration paid to the Board presented to the Annual General Meeting are drafted by the AGM Nomination Committee rather than a Board committee. The exception is based on a position adopted by the Cabinet Committee on Economic Policy in February 2004 covering the nomination procedure related to candidate board members of publicly listed state companies.

Neste Oil issues consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards (IFRS), as adopted by EU, the Securities Markets Act, as well as the appropriate Financial Supervisory Authority's standards and NASDAQ OMX Helsinki Ltd's rules. The company's Review by the Board of Directors and Parent Company's financial statements are prepared in accordance with the Finnish Accounting Act and the opinions and guidelines of the Finnish Accounting Board.

The auditor's report covers the Review by the Board of Directors, consolidated financial statements, and the parent company financial statements.

GOVERNANCE BODIES

The control and management of the Company is divided between the Annual General Meeting of Shareholders (AGM), the Supervisory Board, the Board of Directors and its two Committees, and the President & Chief Executive Officer. The Neste Executive Board (NEB) assists the President & CEO in the management and coordination of the implementation of the Company's strategic and operational goals. Each of the Company's operational business areas has its own management team.

Matters material to the Company as a whole are submitted to the President & CEO or the Board of Directors for decision. Neste Oil has one official auditor, chosen by shareholders at the AGM.

ANNUAL GENERAL MEETING

Under the Finnish Companies Act, shareholders exercise their decision-making power at General Meetings of Shareholders, and attend meetings in person or through an authorized representative. Each share entitles the holder to one vote.

Shareholders at the Annual General Meeting take decisions on matters such as:

- the adoption of the Financial Statements
- the distribution of profit for the year detailed in the Balance Sheet
- discharging the members of the Supervisory Board, the Board of Directors, and the President & CEO from liability
- the election and remuneration of the members of the Supervisory Board, the Board of Directors, and the Auditor.

The Annual General Meeting is held annually before the end of June. An Extraordinary General Meeting addressing specific matters shall be held, when considered necessary by the Board of Directors, or when requested in writing by a Company auditor or by shareholders representing at least one-tenth of all shares of the Company.

Under the Articles of Association, an invitation to the Annual General Meeting shall be delivered to shareholders no earlier than two months and no later than 17 days prior to the meeting. The invitation must be announced in at least two newspapers that are published regularly as decided by the Board of Directors, or in another verifiable manner.

The 2009 AGM

The 2009 Annual General Meeting was held on Friday, 3 April. At the meeting, the income statements and balance sheets of the Parent Company and the Group for 2008 were adopted, and the Supervisory Board, the Board of Directors, and the President & CEO were discharged from liability for 2008. The Board of Directors' proposal on the distribution of profits for 2008 by paying a dividend of EUR 0.80 per share was approved. Shareholders registered in the register of shareholders maintained by Euroclear Finland Oy on the record date for dividend payment (8 April 2009) were entitled to a dividend. In addition, decisions were made regarding the members of the Board of Directors and the Supervisory Board and their remuneration, and an auditor was elected.

NOMINATION COMMITTEE

The AGM appointed a Nomination Committee comprising the Chairman and Vice Chairman of the Board as expert members, and representatives of the Company's three largest web

The Finnish Corporate Governance Code issued by the Securities Market Association can be consulted at www.cgfinland.fi.

shareholders holding the largest number of votes associated with all the Company's shares on the first working day of November preceding the AGM 2010. The Chairman of the Board of Directors was responsible for convening the committee, and the committee for electing its chairman.

Duties

The Nomination Committee was responsible for drafting proposals for the following AGM on the following:

- the number of members of the Board of Directors
- the members of the Board
- the remuneration to be paid to the Chairman, Vice Chairman, and members of the Board.

The Nomination Committee was required to present its proposal to the Board of Directors by February 1 prior to the next AGM at the latest.

In 2009

The Nomination Committee comprised Pekka Timonen of the Prime Minister's Office, Timo Ritakallio of the Ilmarinen Mutual Pension Insurance Company, and Risto Murto of the Varma Mutual Pension Insurance Company. Timo Peltola, Chairman, and Mikael von Frenckell, Vice Chairman of Neste Oil's Board of Directors, acted as the Committee's expert members. The Nomination Committee met twice and made its proposal concerning Board members and the remuneration payable to them on 1 February 2010.

SUPERVISORY BOARD

The Supervisory Board is required to have between six and 12 members, including Chairman and Vice Chairman. The members are appointed by the Annual General Meeting for a one-year term ending with the next AGM. It is also expected that labor unions representing Neste Oil's employees will appoint a maximum of three employee representatives, who shall be entitled to attend Supervisory Board meetings but are not its members.

Members

The members of the Supervisory Board, whose term began on 3 April 2009 and will end at the Annual General Meeting to be held in the first half of 2010, are as follows:

- Heidi Hautala (Chairman), born 1955, M.Sc., Member of the European Parliament
- Kimmo Tiilikainen (Vice Chairman), born 1966, M.Sc., Member of the Finnish Parliament
- Esko Ahonen, born 1955, Construction Engineer, Member of the Finnish Parliament
- Mikael Forss, born 1954, Ph.D, Director, Social Insurance Institution of Finland
- Timo Heinonen, born 1975, M.Sc., Member of the Finnish Parliament
- Markus Mustajärvi, born 1963, M.Sc., Forest Engineer, Member of the Finnish Parliament
- Jutta Urpilainen, born 1975, M.Sc., Member of the Finnish Parliament
- Anne-Mari Virolainen, born 1965, M.Sc., Member of the Finnish Parliament

Area of responsibility

The Supervisory Board meets as frequently as necessary, and is convened by the Chairman or by the Vice Chairman in his absence. The Supervisory Board plans a schedule for its regular meetings. Meetings shall be held at the Company's Head Office or at another specified location. With the Chairman's consent, meetings may also be held as teleconferences. A secretary appointed by the Supervisory Board shall take the minutes of the meeting.

Duties

- overseeing the administration of the Company by the Board of Directors and the President & CEO
- submitting a statement on the Financial Statements, Review by the Board of Directors, and the Auditors' Report to the AGM.

In 2009

The Supervisory Board convened five times in 2009, and the average attendance rate was 69%. Meetings covered subjects such as the Company's interim reports, financial statements, and business plans.

BOARD OF DIRECTORS

Under the Company's Articles of Association, the Board of Directors consists of five to eight members elected at the Annual General Meeting for a term ending at the following AGM. A person who has reached the age of 68 cannot be elected. All members are required to deal at arm's length with the Company and its subsidiaries and to disclose all circumstances that might constitute a conflict of interest. Board members are not covered by the Company's incentive or pensions schemes.

Members were elected for a new term on 3 April 2009. The Board consists of eight members, all of who are independent, with the exception of Markku Tapio, who represents the Company's majority shareholder. To be considered independent, a Board member may not have any material relationship with the Company other than Board membership and may not be dependent on any of the company's major shareholders.

Area of responsibility

The Board shall meet as frequently as necessary, with approximately six to eight regular

Board of Directors, 31 December 2009

	Born	Education	Position	Main occupation	Independent of the company	Independent of major shareholders	Personnel and Remuneration Committee	Audit Committee	Attendance at meetings	
									Board	Committees
Timo Peltola	1946	M.Sc. (Econ.)	Chairman	Prof. board member	●	●	●		100%	100%
Mikael von Frenckell	1947	M.Sc. (Soc.)	Vice Chairman	Partner	●	●	●		100%	100%
Michiel Boersma	1947	Ph.D (Chem. Tech.)	Member	Prof. board member	●	●	●		100%	100%
Ainomaija Haarla	1953	Ph.D (Tech.), MBA	Member	President and CEO	●	●	●		100%	100%
Nina Linander	1959	M.Sc. (Econ.), MBA	Member	Partner	●	●		●	100%	100%
Hannu Ryöppönen*	1952	B.A. (Business Adm.)	Member	Prof. board member	●	●		●	100%	100%
Markku Tapio	1948	M.Sc. (Econ.)	Member	Senior Financial Counselor	●			●	100%	100%
Maarit Toivanen-Koivisto	1954	M.Sc. (Econ.)	Member	CEO	●	●		●	100%	100%

* Board member since 3 April 2009, when Antti Tanskanen left Neste Oil's Board of Directors.

meetings annually, all scheduled in advance. In addition, extraordinary meetings, if requested by a Board member or the President & CEO, shall be convened by the Chairman, or, if the Chairman is prevented from attending, by the Vice Chairman, or if deemed necessary by the Chairman. The Board constitutes a quorum if more than half of its members are present. The Board is responsible for preparing an operating plan for itself for the period between Annual General Meetings, to include a timetable of meetings and the most important matters to be addressed at each meeting. The Board evaluates its performance annually to determine whether it is functioning effectively, and shall discuss its review after the end of each fiscal year at the latest.

Duties

The Board's responsibilities and duties are defined in detail in the Charter of the Board approved by the Board and cover the following main areas:

- being responsible for the administration and appropriate organization of the operations of the Neste Oil Group in compliance with the relevant legislation and regulations, the Company's Articles of Association, and instructions provided by the Annual General Meeting
- being responsible for the strategic development of Neste Oil and for supervising and steering its business.
- deciding on Neste Oil's key operating principles
- confirming the annual business plan
- approving the annual financial statements and interim reports
- deciding on major investments and divestments
- confirming Neste Oil's values and most important policies and overseeing their implementation
- appointing the President & CEO and his or her immediate subordinates and deciding on their remuneration
- confirming the Neste Executive Board's and Neste Oil's organizational and operational structure at senior management level
- determining the Company's dividend policy to be followed when making proposal regarding dividends to the AGM.

In 2009

The Board convened nine times in 2009, and the attendance rate at meetings was 100%.

BOARD COMMITTEES

The Board has established an Audit Committee and a Personnel and Remuneration Committee, both of which have four members. A quorum exists when more than two members, including the Chair, are present. All members are elected from amongst the members of the Board for a one-year term. The tasks and responsibilities of each Committee are defined in their Charters, which are approved by the Board. The schedule and frequency of Committee meetings is determined by the Chair and the members of the Committees. Committees meet at least twice a year. Each Committee reports regularly on its meetings to the Board. Reports include a summary of the matters addressed and the measures undertaken. Each Committee conducts an annual self-evaluation of its performance and submits a report to the Board.

Audit Committee

Under its Charter, the Committee shall consist of a minimum of three Board members who are independent of and not affiliated with the Company or any of its subsidiaries, and have sufficient knowledge of accounting practices and the preparation of financial statements and other qualifications the Board deems necessary. The Audit Committee is permitted to use external consultants and experts when deemed necessary.

Duties

The responsibilities and duties of the Audit Committee are defined in detail in the Charter approved by the Board and cover the following main areas:

- monitoring the Company's reporting process of the financial statements and – to the extent appropriate – interim reports
- supervising the financial reporting process
- monitoring the efficiency of the Company's internal control, internal audit, and risk management systems
- reviewing the Company's Corporate Governance Statement in which the description of the main features of the internal control and the risk management systems pertaining to the financial reporting process are included
- monitoring the statutory audit of the financial statements and consolidated financial statements
- evaluating the independence of the Company's Statutory Auditor particularly the provision of related services to the company to be audited
- preparing the proposal or recommendation for resolution on the election of the Statutory Auditor
- reviewing all the material reports produced by the Statutory Auditor addressed to the Company or its subsidiaries
- evaluating the Company's compliance with laws and regulations
- approving internal audit policy and reviewing the annual plan for Internal Audit and internal audit reports
- monitoring the Company's financial position.

In 2009

The Audit Committee comprised Nina Linander (Chair), Hannu Ryöppönen (as of 3 April 2009), Markku Tapio, Maarit Toivanen-Koivisto, as well as Antti Tanskanen, whose membership of the Board and the Audit Committee ended on 3 April 2009. The Committee convened six times, and the attendance rate

Fees charged by the statutory auditor EUR 1,000

	2009	2008
Audit fees	916	786
Others	470	1,022
Total	1,386	1,808

was 100%. In addition to its normal duties in 2009, the Committee focused on monitoring and reviewing the development of risk management and financial reporting.

Personnel and Remuneration Committee

The Personnel and Remuneration Committee consists of the Chairman of the Board and at least two non-executive members of the Board.

Duties

The responsibilities and duties of the Personnel and Remuneration Committee are defined in detail in the Charter approved by the Board and cover the following main areas:

- preparing the appointments of key executive personnel and making proposals to the Board on compensation and incentive systems for key personnel
- preparing and proposing to the Board the appointments of the President & CEO and the members of the Neste Executive Board, and the terms and conditions of their employment, and
- monitoring and evaluating the performance of the President & CEO and the members of the Neste Executive Board.

In 2009

The Personnel and Remuneration Committee comprised Timo Peltola (Chair), Michiel Boersma, Mikael von Frenckell, and Ainomaija Haarla. The Committee convened six times, and the attendance rate was 100%. Key activities during 2009 included appointing the members of the Neste Executive Board, monitoring the implementation of the Company's reorganization and change management, and developing a new long-term share incentive system and remuneration arrangements for the Company's key personnel.

PRESIDENT & CEO

The President & CEO manages the Company's business operations in accordance with the Finnish Companies Act and instructions issued by the Board of Directors. The President and CEO is responsible for ensuring that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

The President & CEO is appointed by the Board of Directors, which evaluates the performance of the President & CEO annually and approves his remuneration on the basis of a proposal by the Personnel and Remuneration Committee.

In addition to a monthly salary and fringe benefits, the President & CEO is eligible for an annual performance-based bonus (see pages 64–65). In the event that the Company decides to give notice of termination, the President & CEO is entitled to his or her salary during his or her period of notice (6 months) and a severance payment equaling 18 months' salary.

The retirement age of the President & CEO is 60 years, and the pension paid is 60% of retirement salary. The pension is insured by an insurance company. The insurance contributions for 2009 totaled EUR 387,000.

In 2009

Matti Lievonen, born 1958, B.Sc. (Eng.), eMBA, acted as the Company's President & CEO.

NESTE EXECUTIVE MANAGEMENT BOARD (NEMB)

The Neste Executive Management Board (NEMB) is responsible for leading and setting operational business targets and monitoring progress on achieving them.

In 2009

The Neste Executive Management Board met nine times and comprised the President and CEO, business area Executive Vice Presidents, the CFO and the Senior Vice President, Production and Logistics.

NESTE EXECUTIVE BOARD (NEB)

The Neste Executive Board (NEB) assists the President & CEO in Company management and in the deployment of the Company's strategic and operational goals. Members are appointed by the Board of Directors.

The NEB meets regularly, on average once a month. Members receive a base salary and are eligible for an annual performance-based bonus. In addition, all members are entitled to fringe benefits. Their typical period of notice is six months. NEB members have signed employment agreements that provide for a fixed severance pay equal to six or, in the case of Deputy CEO, 12 months salary.

The retirement age of NEB members is 60–62 years. The pension paid can be a maximum of 66% or 60% of the retirement salary. In the first case the pensions are insured and paid by Neste Oil Pension Fund, and in the latter, pensions are insured by an insurance company. Pension benefits concerning persons, who have joined the management team after year 2007, are defined contribution plans. Pension insurance contributions for 2009 totaled EUR 592,000.

In 2009

The Neste Executive Board comprised 10 members and met 15 times in 2009. The NEB in 2009 consisted of the President & CEO, three business area Executive Vice Presidents, and the heads of Production and Logistics, Communications, Marketing and Public Affairs, Technology and Strategy, Sustainability and HSSE, and Human Resources, and the CFO.

AUDITOR

The Annual General Meeting elects an auditor annually, which must be an auditing company approved by the Finnish Central Chamber of Commerce. The auditor's term of office ends at the end of the next AGM following the election.

In 2009

Ernst & Young Oy was elected as Neste Oil's auditor, with Anna-Maija Simola, certified public accountant, as main responsible auditor.

INTERNAL AUDIT

The Internal Audit Unit is an independent corporate function and its operations are based on international professional standards covering internal audits and rules of ethics.

Duties

The Internal Audit Unit:

- provides objective assurance and consultation services designed to add value and improve the Company's operations
- assists the organization in evaluating and improving the effectiveness of risk management, financial control, and governance processes
- audits the operations of Neste Oil's refineries, subsidiaries, and other units on a regular basis, and
- carries out assignments requested by management or the Board of Directors' Audit Committee.

The roles, responsibilities, and authorities of Internal Audit are covered in the Internal Audit Charter. Together with an annual operating plan, it is approved by the Board of Directors' Audit Committee.

Internal Audit reports to the Board's Audit Committee and administratively to the President & CEO. Internal Audit is a staff function without any direct authority over the activities it reviews.

INSIDER GUIDELINES

Neste Oil complies with the Insider Guidelines of the Helsinki exchanges established on 2 June 2008. The Company has also approved its own Guidelines for Insiders, which are stricter in some areas. The Company's closed window (see below), for example, exceeds minimum NASDAQ OMX Helsinki requirements.

The Company's Guidelines for Insiders are updated regularly and are available to all personnel. The Company arranges training on insider guidelines for personnel and expects that its guidelines are followed. The Company supervises compliance with insider guidelines by checking disclosed information with those concerned annually. The Company's General Counsel is responsible for the coordination and supervision of insider matters. The head of each common function or business area is responsible for supervising insider matters within his or her organization.

The members of the Board of Directors and the Supervisory Board, the President & CEO, the Company's main responsible auditor, and the members of the Neste Executive Board and its secretary have all been classified as insiders subject to a declaration requirement. The holdings of Company securities by such insiders are filed in the public Insider Register, which can be consulted at the Company's web site. A public register is maintained in the insider register system of Euroclear Finland Oy (www.ncsd.eu).

The Company has also designated certain other executives, as well as certain individuals responsible for the Company's finances, financial reporting, and communications, who receive inside information on a regular basis due to their position or duties, as permanent Company-specific insiders.

Permanent insiders may not trade in any Company securities during the period from the closing date of an interim or annual accounting period to the date of publication of the interim report or financial statements bulletin for that period. The minimum period concerned is always 28 days prior to the date of publication of the interim report or the financial statements bulletin ('closed window'). The publication dates of interim reports and financial statements bulletins are shown in the financial calendar at www.nesteoil.com.

Individuals who participate in the development and preparation of projects that involve inside information, such as mergers and acquisitions, are considered project-specific insiders. Such people are included in a separate register of Project-Specific Insiders maintained by the Company's Legal Department.

RISK MANAGEMENT

The objective, framework, and process of risk management

The Corporate Risk Management Policy and Principles approved by the Board of Directors define the risk management principles to be used for managing the risks associated with the strategic and operational targets of the Group as a whole and its business areas and common functions. The Board is also responsible for approving Neste Oil's Treasury Risk Management Principles and Credit and Counterparty Risk Management Principles.

Business areas and corporate common functions have additional principles, instructions, and procedures related to risk management, approved by the President & CEO or the executive vice presidents of business areas.

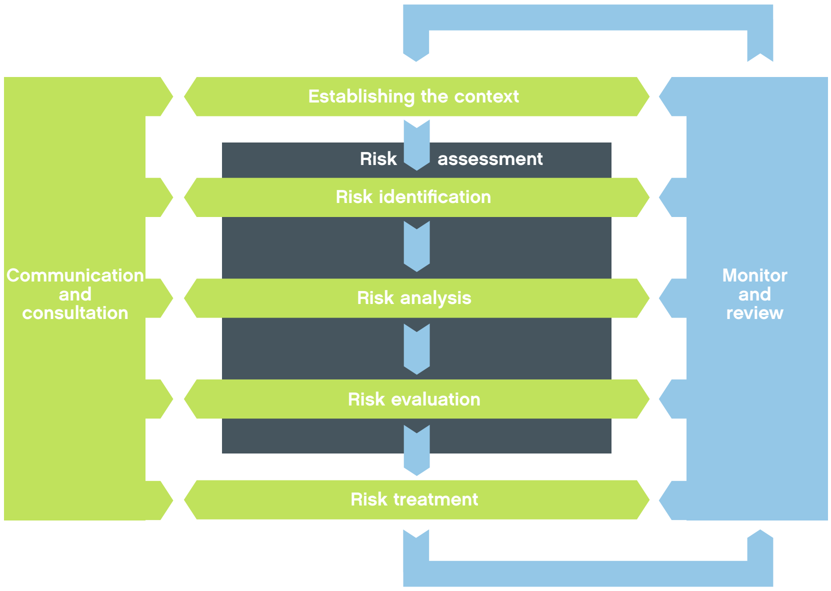
Neste Oil's business, personnel, assets, and operating environment are exposed to a wide range of operational risks due to the extent, diversity, and nature of the Company's business activities and areas. Continuous operational activities are involved in tackling risks in functions such as finance, HSSE, ICT, as well as those related to reputation, legal affairs, technology, investments, and HR.

Neste Oil recognizes that risk is an integral and unavoidable component of its business and is characterized by both threat and opportunity.

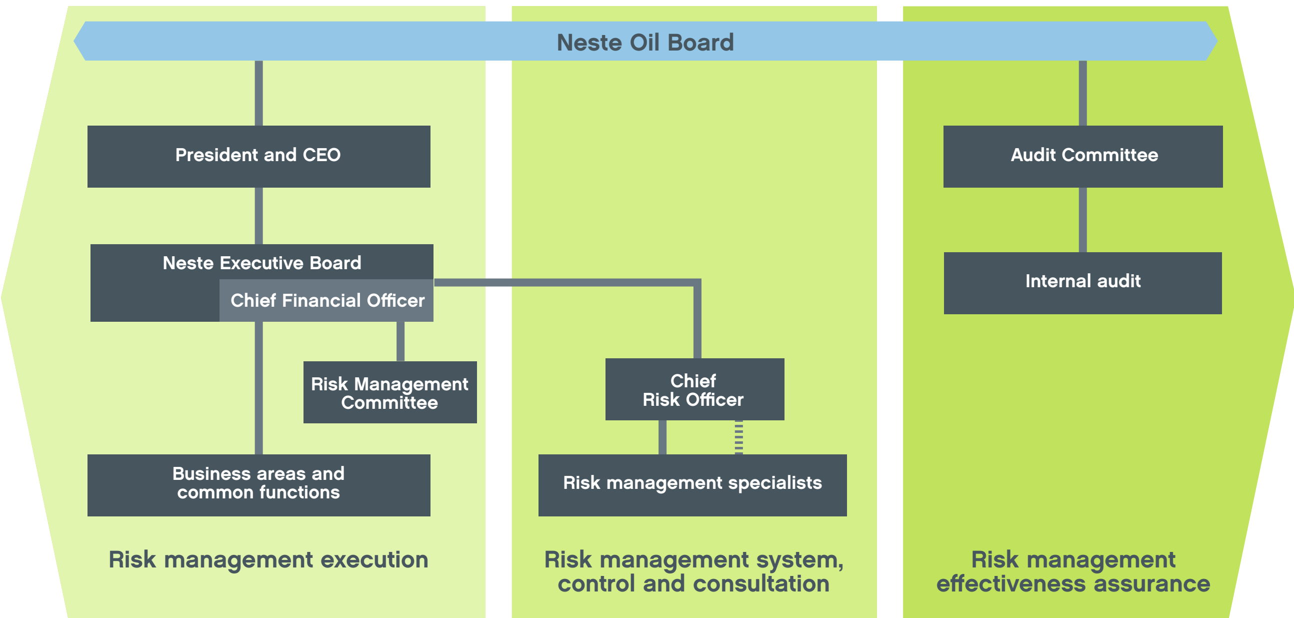
The company's Risk Management Policy is based on:

- emphasizing the awareness and proactive management of risks
- exploiting risk management to enhance opportunities and reduce threats thus gaining competitive advantage
- ensuring that sufficient attention is given to risks and risk control, particularly in the areas of HSSE and sustainability
- managing risks as an integrated part of planning, decision-making, and operational

Risk management process



Risk Management Governance



processes, with a defined structure of roles and responsibilities.

Neste Oil's risk management framework is based on three risk assessment elements:

1. An Enterprise Risk Management (ERM) process. This is a systematic way of identifying threats and opportunities related to strategic targets and business plans.
2. Risk manuals for specific risk disciplines. Risk manuals and defined processes cover e.g. credit and counterparty risk principles, price risk management principles and instructions, treasury principles and instructions, and proprietary trading manuals and instructions.
3. Risk awareness in the organization. This is based on proactive thinking and behavior among individual employees.

Risk management is realized through these three elements by following the basic risk management process (above).

Risk management governance framework

The Board of Directors is responsible for setting the Group's risk appetite and for approving the Corporate Risk Management Policy and Principles for managing risk.

The Group's risk management governance is based on the three lines of defense model, which distinguishes between:

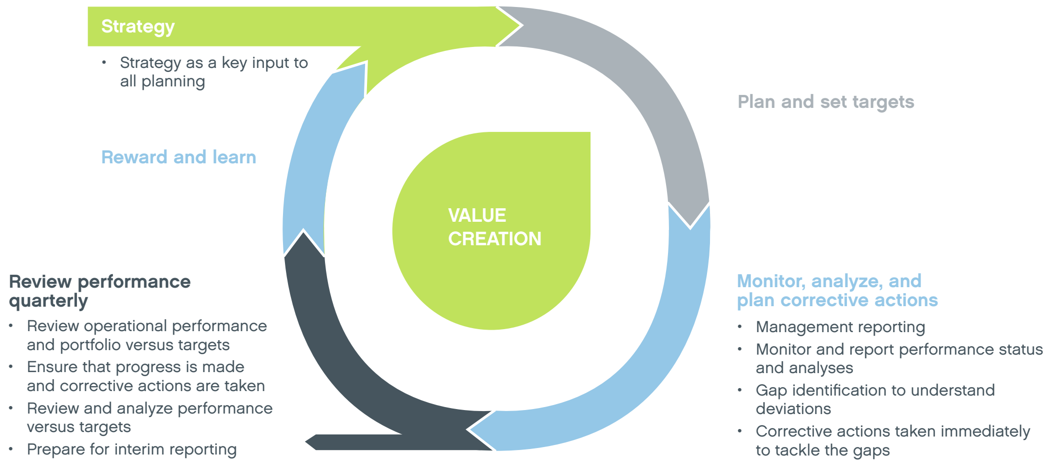
1. Business areas and common functions owning and managing risk
2. Risk management specialists controlling, consulting, and developing systems, and
3. The Audit Committee, which provides independent assurance of the overall efficacy of the company's risk management.

Risk management line responsibility

As part of the first line of defense, the President and CEO, supported by the Neste Executive Board, has overall responsibility for the management of risks.

In late 2009, Neste Oil established a Risk Management Committee steered by the Chief Financial Officer. The committee provides a comprehensive understanding of the overall risks the organization faces to the

Performance Management



Neste Executive Board, particularly related to risks that threaten the company's strategy and business plans, as well as investments and new business models.

Management and staff in Neste Oil's business areas and common functions are responsible for assessing and managing risks related to planning, decision-making, and operational processes in their areas.

Risk management control and consultation

The second line of defense comprises the Chief Risk Officer, supported by the risk management specialists in the Corporate Risk Management function and other common functions and business areas. They are responsible for overseeing specific risk disciplines, consulting and facilitating risk management processes, and developing risk management systems.

Risk management effectiveness assurance

The third line of defense, led by the Audit Committee, is designed to provide an independent assurance on the efficacy of systems of governance and risk management. Internal Audit plays a key role in the third line of defense and provides assurance to the Audit Committee.

Risk reporting

Corporate risk reporting to the Board of Directors, the Audit Committee, the President & CEO, and the Neste Executive Board takes place according to the following main principles:

- risks threatening strategic and business plan targets are reported as part of the corporate planning process
- risk treatments are reported through the Risk Management Committee as part of the corporate reviewing process
- reporting on the overall financial risk situation is provided as part of monthly reporting.

PERFORMANCE MANAGEMENT PROCESS

The Neste Oil Performance Management Process plays an essential role in helping the Group reach its strategic goals and reinforcing performance culture.

Excellent operational performance is based on setting challenging targets, executing action plans, reviewing progress, giving feedback, and measuring results and performance.

From the financial reporting point of view, Neste Oil's Performance Management Process consists of the monthly Management Reporting Process and the quarterly Performance Review Process. At corporate level, results and information in management reporting and performance reviews are compared to strategic goals and business plans and to analyses and planned corrective actions throughout the year. Business areas and common functions follow a similar approach, but emphasize a more detailed analysis and definition of corrective actions, as well as continuous improvement and prioritization of actions and development projects.

INTERNAL CONTROL

Objectives for internal control

The objective of internal control in Neste Oil is to ensure efficient implementation of the company's strategy and effective operations, assure compliance with both internal instructions and laws and regulations, achieve appropriate financial reporting, and prevent fraud. Internal control is integrated into daily processes and activities, as well as risk management.

The main responsibility for internal control lies with the line organizations of business areas and common functions. Identifying the main risks of processes and defining adequate control points are essential to ensuring an appropriate level of control. In addition to daily monitoring, line organizations evaluate their level of internal control by reviewing, assessing, and auditing their processes, and develop their system by taking corrective actions as needed.

Line management also has primary responsibility for organizing sufficient control to ensure compliance with the company's overall management principles, policies, principles, and instructions.

Roles and responsibilities

Under the Finnish Companies' Act, the Board of Directors is responsible for ensuring that there is adequate control over the company's accounts and finances. Responsibility for arranging this control is delegated to the CEO, who is required to ensure that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

The heads of business areas and common functions are responsible for establishing and maintaining adequate and effective controls in their operations. Responsibility for the practical implementation of this is delegated to each organizational level. Managers at each of these levels are responsible for implementing corporate principles and instructions in their organization, and for assessing the effectiveness of controls as often as needed.

To ensure sufficient control and support the line organization, business controllers and their teams have an independent role in controlling their business line as agreed. In certain areas such as credit and counterparty risks, Risk Management has risk control responsibility. In respect of financial reporting, Finance has a key role in control activities. Other corporate functions also play a role in assisting, assuring, and monitoring the operation of internal control procedures, such as HSSE audits.

Internal Audit has overall responsibility for evaluating that internal control processes and procedures operate adequately and effectively.

As part of Corporate Governance, the Audit Committee oversees the Company's finances, financial reporting, risk management, and internal auditing.

Components of internal control

Neste Oil's internal control framework is based on the COSO (The Committee of Sponsoring Organizations of the Treadway Commission) framework.

Control environment

Neste Oil's values and management systems are the foundation of the control environment and provide the background for shaping people's consciousness. With respect to financial reporting:

- the CEO and corporate management are responsible for underlining the importance of ethical principles and correct financial reporting;
- the Audit Committee, appointed by the Board of Directors, is responsible for overseeing the financial reporting process and related controls;
- clearly defined financial reporting roles, responsibilities, and authorities provide a clear framework for everyone; and
- the structure of the organization and the resources allocated within it (segregation of duties, adequate financial reporting competencies recruited and retained) are designed to provide effective control over financial reporting.

Risk assessment

The Enterprise Risk Management (ERM) process defines the mechanisms used to identify, analyze, and manage the potential risks related to Neste Oil's objectives. The process is primarily focused on strategic, business, and operational risks, and does not cover all the risks threatening the reliability of reporting.

As a prerequisite for risk assessment, the organization's objectives need to be established. With respect to financial reporting, the general objective is to have reliable reporting and ensure that transactions are recorded and reported completely and correctly.

Based on risk assessment, the requirement for internal control has been included in the Principle and Instruction for Control over Financial Reporting.

Control activities

Control activities are instructions, guidelines, and procedures established and executed to help ensure that the actions identified by management as necessary to address the relevant risks are effectively carried out. Policies and other principles to be followed are documented in Neste Oil's management systems. The most important areas from the standpoint of financial reporting are included in the Controller's Manual.

Neste Oil's entity-level and process-level control activities with respect to reliable financial reporting are described in the Principle and Instruction for Control over Financial Reporting. These establish the minimum controls to be used and include controls related to transactions in a specific process as well as controls carried out as part of the monthly reporting process. Typical control activities include authorizations, automatic or manual reconciliations, third party confirmations, control reports, access controls to IT systems, and analytical reviews.

The principle and related detailed Instruction were implemented in selected businesses and units during 2009 that represent the majority of Neste Oil's reported results and are also representative from a risk management point of view. Neste Oil's other businesses and units will implement the principle during 2010.

Information and communication

Information and communication systems enable Neste Oil's personnel to capture and exchange the information needed to conduct, manage, and control operations. With respect to controlling financial reporting, this means that there is adequate information and communication regarding accounting and reporting principles.

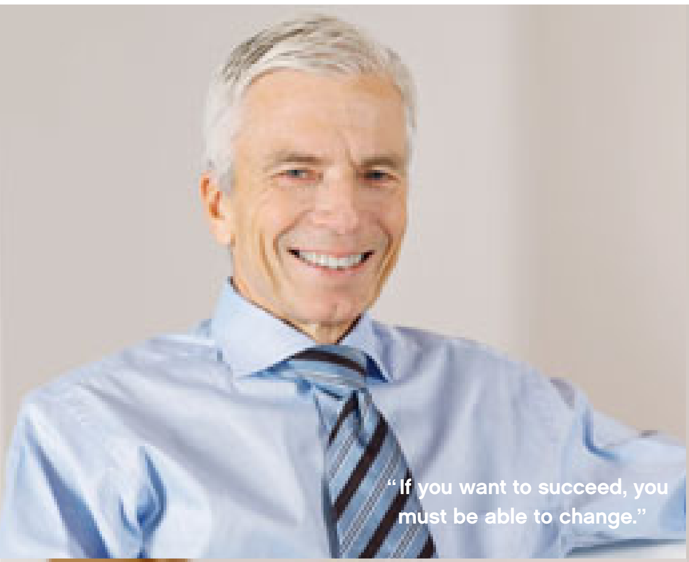
The main means of communicating the matters relevant for correct financial reporting are the Controller's Manuals used at common function and business area levels, which include instructions covering accounting principles, planning, estimating, and reporting, as well as periodic controllers' meetings.

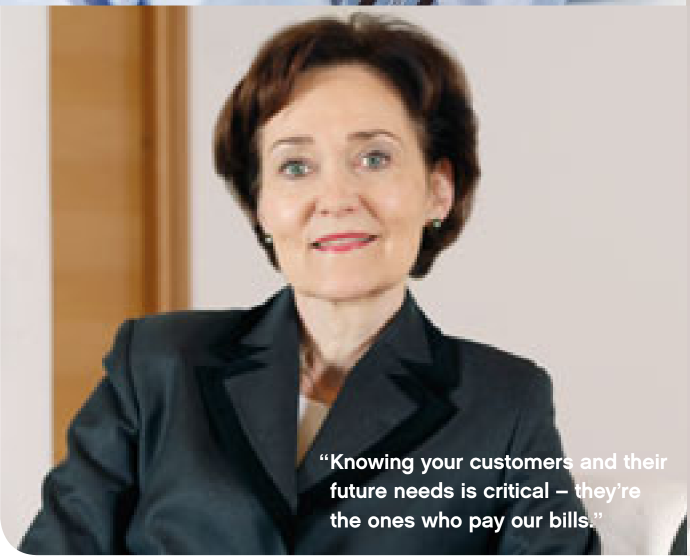
Monitoring

Monitoring is a key component of the internal control system and enables management and the Board of Directors and the Audit Committee to determine whether the other components of the system are functioning as they should and to ensure that internal control deficiencies are identified and communicated in a timely manner to those responsible for taking corrective action and to management and the Board as appropriate.

Effective monitoring is based on an initial evaluation of controls and whether they are effective in mitigating the risks identified. The ongoing operation of controls is regularly monitored as part of regular management activities, as the efficacy of controls can diminish over time due to changes in the operating environment that affect the risks that controls are designed to mitigate, or due to changes in the controls themselves caused by changes in processes, IT, personnel, or other factors.

Board of Directors





Timo Peltola

M.Sc. (Econ.), Hon. Ph.D (Econ.). Chairman of the Board. Member of the Board since 2005. Independent member.
Born in 1946. Former Chief Executive Officer of Huhtamäki Corporation, Member of the Boards of Nordea AB (publ.), AW-Energy, TeliaSonera AB and SAS AB, and an adviser to CVC Capital Partners, CapMan Public Market Fund and Sveafastigheter. Chairman of Neste Oil's Personnel and Remuneration Committee.

Mikael von Frenckell

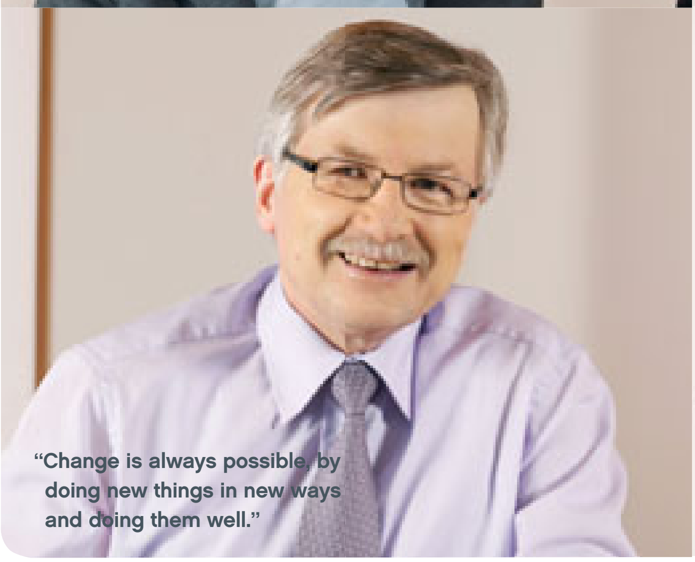
M.Sc. (Soc.). Vice Chairman of the Board. Member of the Board since 2005. Independent member.
Born in 1947. Partner at Sponsor Capital Oy. Chairman of the Boards of Sponsor Capital Oy and Tamfelt Corp. Member of the Board of Tamro Plc. Member of Neste Oil's Personnel and Remuneration Committee.

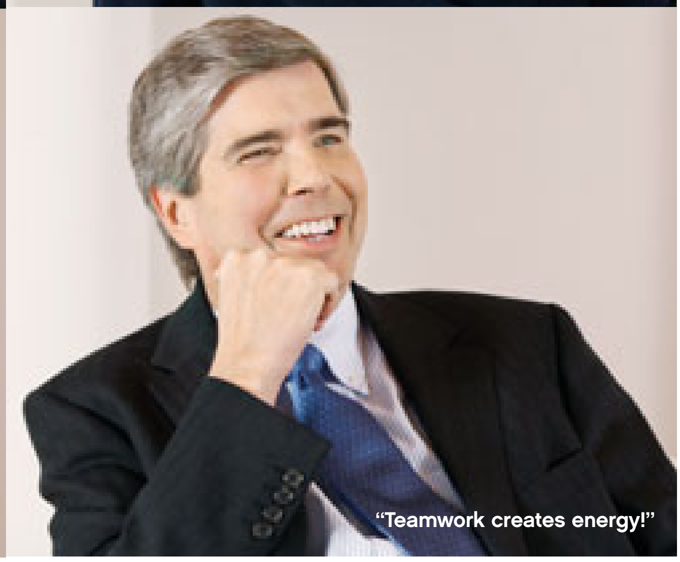
Ainomaija Haarla

Ph.D (Tech.), MBA. Member of the Board since 2005. Independent member.
Born in 1953. President and Chief Executive Officer, Technology Academy Foundation. Chairman of the Board of Korona Invest Oy, and Member of the Board of Altia Oyj. Former Managing Director of ProConsilium Ltd. Served in several managerial positions at UPM-Kymmene Corporation and as Vice President, Corporate Marketing at Metso Corporation. Member of Neste Oil's Personnel and Remuneration Committee.

Michiel Boersma

Ph.D (Chem. Tech.). Member of the Board since 2007. Independent member.
Born in 1947. Former CEO of Essent NV. Chairman of the Boards of Prometheus Energy and Vie Curie Medical Centre. Member of the Supervisory Board of ProRail and Member of the Boards of various Dutch foundations. Served for many years in the Shell Group, most recently as President, Shell Global Solutions and Executive Vice President of the Shell Oil Products Executive Committee. Member of Neste Oil's Personnel and Remuneration Committee.





Nina Linander

M.Sc. (Econ.), MBA. Member of the Board since 2005.
Independent member.

Born in 1959. Partner and Member of the Board of Stanton Chase International AB. Member of the Boards of Opcon AB, Specialfastigheter AB, Awapatent, AWA Konsult AB and Fofinontot BV. Former Group Treasurer of AB Electrolux and former Director, Product Area Electricity at Vattenfall AB. Chairs Neste Oil's Audit Committee.

Maarit Toivanen-Koivisto

M.Sc. (Econ.). Member of the Board since 2005.
Independent member.

Born in 1954. Chief Executive Officer and Chairman of the Board of Onvest Oy and Chairman of the Boards of Are Group and Onninen Group. Member of the Boards of Itella Oyj and Tulikivi Oyj. Member of Neste Oil's Audit Committee.

Markku Tapio

M.Sc. (Econ.). Member of the Board since 2008.
Independent of the company, but dependent on a major shareholder.

Born 1948. Senior Financial Counselor at the Prime Minister's Office, Ownership Steering Department. Member of the Board of Directors of VR-Group Ltd. Member of Neste Oil's Audit Committee.

Hannu Ryöppönen

B.A. (Business Adm.). Member of the Board since 2009.
Independent member.

Born 1952. Chairman of the Boards of Tiimari Oyj and Altor Private Equity Funds. Member of the Boards of Rautaruukki Oyj, AmerSports Oyj, Novo Nordisk A/S and Value Creation Investments Limited. Member of Neste Oil's Audit Committee.

Members of Neste Executive Board

"We are one company with one set of common goals."

Matti Lievonen

"It's not enough just to keep busy, results are what count."

Jarmo Honkamaa

"Business is all about understanding the customer."

Matti Lehmus

"We're here to get things done."

Sakari Toivola

"You don't run away from your responsibilities, you address them."

Simo Honkanen

"Skills are essential, but people's attitude generally counts the most."

Hannele Jakosuo-Jansson

"The big picture's always important, but it's made up of many smaller ones."

Osmo Kammonen

"Cooperation is essential for achieving results."

Lars Peter Lindfors

"We always need to focus on improving things."

Ilkka Poranen

"Every player's important in a team game."

Ilkka Salonen

"Don't make a number about yourself, make what you achieve number one."

Matti Hautakangas

Matti Lievonen

**President & CEO,
Chairman of the Neste Executive Board**

Born 1958. B.Sc. (Eng.), eMBA. Joined the company in 2008. Served as President of the Fine and Speciality Papers Division at UPM-Kymmene Corporation, and in a number of other senior positions at UPM, between 1986 and 2008, and was with ABB earlier. Member of UPM-Kymmene's Executive Board between 2002 and 2008. Member of the Board of the Chemical Industry Federation of Finland. Member of the Supervisory Board of Ilmarinen Mutual Pension Insurance Company. Chairman of the Advisory Board, Excellence Finland. Member of the Advisory Board, National Emergency Supply Agency.

Jarmo Honkamaa

**Deputy CEO, Executive Vice President,
Renewable Fuels**

Born in 1956. M.Sc. (Eng.), M.Sc. (Laws). Joined the company in 1987. Responsible for renewable fuels business. Served as Executive Vice President, Oil Refining (2005–2007), Vice President, Wholesale and Supply (2000–2004), and Vice President, MTBE Business Unit (1996–2000). Member of the Board of Directors of EUROPIA, European Petroleum Industry Association in Brussels.

Matti Lehmus

**Executive Vice President,
Oil Products**

Born 1974. M.Sc. (Eng.), eMBA. Joined the company in 1997. Responsible for the Oil Products business area covering fuels, base oils and chartering. Previously served as Vice President of the Base Oils business in the Specialty Products Division (2007–2008), Vice President in the Oil Refining Business Development (2007) and Gasoline Exports and Trading Manager (2004–2007) in the Oil Refining Division. Member of the Board of the Finnish Oil and Gas Federation.

Sakari Toivola

**Executive Vice President,
Oil Retail**

Born in 1953. M.Sc. (Eng.). Joined the company in 2007. Responsible for oil retailing in Finland and the Baltic Rim, direct sales, and LPG. Served previously as Managing Director (2002–2007) and Retail Sales Director (2001–2002) of oy Esso ab (Finland). Member of the Boards of Directors of Luottokunta Oy and the Finnish Oil and Gas Federation.

Simo Honkanen

**Senior Vice President,
Sustainability and HSSE**

Born 1958. M.Sc. (Econ.). Joined the company in 2006. Responsible for the Sustainability and HSSE corporate function. Served previously as Vice President, Marketing and Stakeholder Relations in the Renewable Fuels Division (2008–2009), Vice President, New Ventures in the Components Division (2006–2007) and prior to that as Strategy Director in Shell Finland, Marketing Director, Retail in Shell Benelux and France, and in several other managerial positions in Finland and Sweden (1985–2005).

Hannele Jakosuo-Jansson

**Senior Vice President,
Human Resources**

Born in 1966. M.Sc. (Eng.). Joined the company in 1990. Responsible for the Group's human resources function. Served as Laboratory and Research Manager at the Technology Center (1998–2004) and Vice President, Human Resources at Oil Refining (2004–2005).

Osmo Kammonen

**Senior Vice President,
Communications, Marketing
and Public Affairs**

Born in 1959. M.Sc. (Laws). Joined the company in 2004. Responsible for the Group's communications, marketing and public affairs activities. Served as Senior Vice President, Corporate Communications and Investor Relations and Communications Manager in various companies in the electronics, engineering, construction materials, and forest products industries. Member of the Board of Directors of Finnfacts.

Lars Peter Lindfors

**Senior Vice President,
Technology and Strategy**

Born 1964. Ph.D. (Tech.) and MBA. Joined the company in 2007. Responsible for Research and Technology, Neste Jacobs, strategic development, business excellence and investment management. Served previously as Vice President for the company's Research and Technology unit (2007-2009), as Executive Vice President, Renewal and Development at Perstorp Group (2004–2007), Executive Vice President, R&T&D at Perstorp Group (2001–2004) and prior to that at Neste (1989–2001) as R&D Manager and various other positions.

Ilkka Poranen

**Senior Vice President,
Production and Logistics**

Born 1960. M.Sc. (Eng.). Joined the company in 1985. Responsible for production and logistics. Previously served as Vice President, Corporate Safety function (2007–2009), Vice President, Base Oils (1997–2007) and as Plant Manager at the Porvoo Refinery (1986–1997).

Ilkka Salonen

Chief Financial Officer

Born in 1965. M.Sc. (Econ.), CEFA. Joined the company in 2009. Responsible for the Group's financial management, investor relations, risk management, corporate IT, and procurement. Served previously as Chief Financial Officer at Pohjola Bank and the OKO Group.

Matti Hautakangas*

**General Counsel and Secretary to the
Neste Executive Board and the Board of
Directors and the Supervisory Board**

Born in 1963. M.Sc. (Laws). Joined the company in 2003. Responsible for the Group's legal affairs. Served previously as Legal Counsel, Oil Refining (2003–2004) and an attorney-at-law at Procopé & Hornborg Law Offices Ltd. (1994–2003).

* Not a member of the Neste Executive Board.

Remuneration and shareholdings

Neste Oil's remuneration policy is based on a number of components, in addition to basic pay or salary, which is the central one. These include a Personnel Fund, performance incentive and production bonus systems, and a wide range of benefits. The company's share-based incentive systems are designed to align the goals of shareholders and Neste Oil's key personnel.

The Board makes decisions on compensation and incentive systems for Group management and personnel based on a proposal by the Personnel and Remuneration Committee.

Short-term incentive bonuses

The Company may pay annual short-term incentive bonuses to senior executives and other personnel in addition to their salary and fringe benefits. The criteria for any short-term incentive bonuses shall be based on individuals' success in reaching their personal goals, and on the Company's financial performance and success in reaching its goals. The bonus paid to senior managers may not exceed 40% of their annual salary.

Bonus payments in 2009

In Finland, the average performance bonus paid to personnel in 2009 for 2008 was 7% of employees' annual average salary, and totaled EUR 11.3 million.

Management performance share arrangement

Neste Oil had a Management Performance Share Arrangement for senior managers and other key personnel. This aimed to increase the commitment and loyalty of participants to the Company and to align the interests of the Company's shareholders and key executives to increase the value of the Company.

The Board of Directors established a scheme in 2006 that was launched at the beginning of 2007 and included some 50 key personnel. This had a three-year earning period, starting in 2007. If the maximum targets had been reached during the first earning period, the maximum reward for key personnel would have equalled the value of 360,000 Neste Oil shares. The maximum reward for the President & CEO that took over on 1 December 2008 in respect of the first earning period would have equalled the value of 13,300 shares.

The reward for the three-year earning period could not have exceeded a person's total fixed gross annual salary over three years. The share paid out in cash would have covered any relevant taxes and other similar payments.

The criteria for the incentive system included the development of Neste Oil's comparable operating profit and the Company's share price development as benchmarked against the international oil industry share index (FTSE Global Energy Total Return Index). Based on the earning criteria, no reward was earned during the earning period 2007–2009.

New key personnel incentive plan

The Board of Directors of Neste Oil Corporation decided on 16 December 2009 to establish a new share-based incentive plan for the Group's key personnel. The aim of the plan is to align the objectives of the owners and key personnel of Neste Oil: e.g. increasing the value of the Company and committing key personnel to the Company by offering them a competitive reward plan based on holding Company shares.

The plan includes three three-year earning periods, which will start in 2010, 2011 and 2012. The Board of Directors will decide the earnings criteria and targets to be met as well as the maximum level of the payable reward for each earning period in December preceding the earning period. The earnings criteria for the 2010–2012 period are the sales volume at Renewable Fuels and total shareholder return on Neste Oil share in relation to the Dow Jones Nordic Return Index.

The potential reward will be paid partly in Company shares and partly in cash in 2013, 2014 and 2015. The maximum level of payable reward may not, during any earning year, exceed the annual gross salary of the year in question. The proportion to be paid in cash will cover taxes and tax-related costs arising from the reward.

The plan prohibits the transfer of shares within three years from the end of the earning period, i.e. the length of the plan is six years for each share allocation. Even after this, key personnel must hold 50% of the shares received on the basis of the plan as long as the value of the shares held in total corresponds to their annual gross salary. This obligation to own shares is valid as long as the employment or service in the Group continues.

The maximum rewards to be paid on the basis of the 2010–2012 earning period if all the set targets are met will correspond to the approximate value of a maximum total of 850,000 Neste Oil Corporation shares (including the proportion to be paid in cash).

Neste Oil's Personnel Fund

Neste Oil's Personnel Fund was set up in spring 2005 and covers the Group's personnel in Finland. Those participating in the Group's share-based incentive system cannot be members. The Board of Directors determines the criteria for the profit-sharing bonus paid into the Fund annually.

Personnel employed under both permanent and fixed-term employment contracts are members of the Personnel Fund. Membership begins after an uninterrupted period of six months of employment, and ends once a member has received his or her share of the Fund in full.

The profit-sharing bonuses paid into the Fund are distributed equally between members. Each employee's share is divided into a tied amount and an amount available for withdrawal. When an employee has been a member of the Fund for five years, he or she can transfer an amount equivalent to no more than 15% of the capital from the tied amount for withdrawal. The amount available for withdrawal will be determined annually and paid to members who wish to exercise their withdrawal rights. Members can choose whether they want to receive the amount available for withdrawal in cash, or in Neste Oil shares acquired through the Personnel Fund.

Payments in 2009

Neste Oil paid a total of EUR 1.8 million in profit-sharing earnings for 2008 into the Fund in 2009.

Shareholdings and remuneration of the Board of Directors as of 31 December 2009

	Shareholdings as of 31 December			Annual remuneration, EUR	
	2009	2008	Change	2009	2008
Timo Peltola	6,250	6,250	-	66,000	66,000
Mikael von Frenckell	100,000	100,000	-	49,200	49,200
Michiel Boersma	5,000	2,500	+2,500	35,400	35,400
Ainomaija Haarla	2,200	2,200	-	35,400	35,400
Nina Linander	1,100	1,100	-	35,400	35,400
Hannu Ryöppönen*	-	-	-	35,400	-
Markku Tapio	-	-	-	35,400	35,400
Maarit Toivanen-Koivisto	6,032	6,032	-	35,400	35,400

* Board member since 3 April 2009, when Antti Tanskanen left Neste Oil's Board of Directors.
Information on shareholdings cover Neste Oil shares directly, through organizations in which those concerned have a controlling interest, and in their capacity as trustees. A payment of EUR 600 per meeting is made for attendance and for committee meetings attended by a Board member. It is paid in double for the members living outside Finland. Members of the Board are not included in Neste Oil's incentive or pension schemes. Regularly updated data can be consulted at www.nesteoil.com/investors.

Shareholdings and share incentives of the Neste Executive Board as of 31 December 2009

				Shareholdings as of 31 December			Share participations from the closed share arragement*
Nimi	Born	Position	NEB member since	2009	2008	Change	2009
Matti Lievonen	1958	President and CEO	2008	10,000	-	+10,000	10,000**
Jarmo Honkamaa	1956	Deputy CEO	2004	14,400	9,821	+4,579	17,860
Matti Lehmus	1974	EVP, Oil Products	2009	3,310	-	+3,310	5,511
Sakari Toivola	1953	EVP, Oil Retail	2007	500	300	+200	-
Simo Honkanen	1958	SVP, Sustainability & HSSE	2009	-	-	-	4,629
Hannele Jakosuo-Jansson	1966	SVP, HR	2006	514	-	+514	7,022
Osmo Kammonen	1959	SVP, Communications, Marketing & Public Affairs	2004	1,843	500	+1,343	14,650
Lars Peter Lindfors	1964	SVP, Technology & Strategy	2009	1,450	-	+1,450	-
Ilkka Poranen	1960	SVP, Production & Logistics	2009	3,244	-	+3,244	5,562
Ilkka Salonen	1965	CFO	2009	-	-	-	-

Information on shareholdings cover Neste Oil shares directly, through organizations in which those concerned have a controlling interest, and in their capacity as trustees.
* Refers to the total number of shares those concerned have been confirmed as being entitled to under the share programs that began in 2004, 2005 and 2006 under the Management Performance Share Agreement. The net number of shares received is projected to be 40–50% of the figures shown here following the payment of taxes and other statutory fees. Shares will be distributed in spring 2010. Regularly updated data can be consulted at www.nesteoil.com/investors.
** The President and CEO has been granted a reward equaling the amount of 10,000 shares.

Remuneration paid to the President & CEO and NEB members, EUR

	2009			2008
	Salaries and benefits	Performance bonuses for 2008	Total	Total
President and CEO	602,417.96	-	602,417.96	612,614.69
Other NEB members	1,701,271.90	160,105.56	1,861,377.46	1,762,596.90

In addition, the President and CEO was paid a reward equaling the amount of 20,000 shares. The President and CEO received 10,000 shares, and the rest of the reward was paid in cash to cover the relevant taxes and other statutory fees. The members of Neste Executive Board received a reward equaling a gross amount of 17,977 shares.
No performance bonus for 2009 will be paid to the President and CEO and NEB members.

Supervisory Board remuneration, EUR/month

	2009	2008
Chairman	**1,000**	1,000
Vice Chairman	**600**	600
Members	**500**	500
Attendance fee/meeting	**200**	200

Kimmo Tiilikainen owned 200 and Anne-Mari Virolainen 125 Neste Oil shares as of 31 December 2009. No other members of the Supervisory Board owned Neste Oil shares as of the end of the year. Members of the Supervisory Board are not included in Neste Oil's incentive or pension schemes.

Shares and shareholders

The goal of Neste Oil's investor relations (IR) work is to ensure that investors can form an accurate and appropriately detailed picture of the company's current and future business and financial position. Neste Oil had 81,357 shareholders as of the end of 2009.

SHARE CAPITAL

The Company's share capital registered with the Trade Register on 31 December 2009 totaled EUR 40,000,000, divided into one class of 256,403,686 shares. Each share entitles a shareholder to one vote at the Annual General Meeting.

SHARE REGISTRATION

Neste Oil's shares are included in the book-entry securities systems maintained by Euroclear Finland Oy. The latter is also the official keeper of Neste Oil's list of shareholders.

TRADING INFORMATION

Neste Oil shares are traded on NASDAQ OMX Helsinki under the trading code NES1V.HE. The ISIN code is FI0009013296 and trading takes places in euros (EUR).

INDEXES

Neste Oil is included in the following indexes:

- OMX Helsinki 25
- OMXHPI
- Dow Jones EURO STOXX Oil & Gas
- Dow Jones Sustainability Index
- Dow Jones STOXX Nordic Return Index
- Ethibel Sustainability Index.

The Ethibel Sustainability Index evaluates companies worldwide on criteria based on their financial performance, environmental values, and internal and external social responsibility, and follows the industry weighting used in the S&P Global 1200 Index. For more information, see www.ethibel.org.

Neste Oil is also included in the Dow Jones Sustainability Index (DJSI), which includes 317 companies from 27 countries, chosen because of their class-leading commitment to sustainable development. For further information, see www.sustainability-index.com.

SHARE PERFORMANCE AND TRADING

Neste Oil's stock closed 2009 at 17% above the price at the end of 2008. The share price started the year at EUR 10.70 and peaked at EUR 13.44 in October. It reached a low of EUR 8.80 in March, equivalent to a weighted average of EUR 10.85. The closing price at the end of the year was EUR 12.42, giving the company a market capitalization on December 31 of EUR 3,2 billion.

The share price showed strong daily fluctuation during the year and trading was brisk. Average daily trading amounted to some 1.1 million shares, or 0.4% of the company's shares, equivalent to EUR 11,6 million. The average monthly trading volume was 22.4 million shares, or EUR 243 million. During the year as a whole, 269 million shares were traded, accounting for 105% of stock.

SHARE BUYBACK AND ISSUE AUTHORIZATIONS

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

DIVIDEND

Neste Oil's dividend policy is to distribute at least one third of its underlying profit for the year in the form of a dividend. At the Annual General Meeting in 2010, the Board of Directors will propose a dividend of EUR 0,25 per share for 2009, representing 119% of underlying profits. The dividend for 2008 was EUR 0.80 per share, representing 51% of underlying profits.

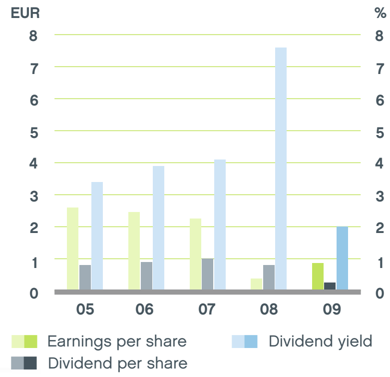
SHAREHOLDERS

Neste Oil had 66,859 shareholders as of the beginning of 2009 and 81,357 as of the end of the year.

IR ACTIVITIES IN 2009

Senior Managers and IR personnel met investors at around 150 meetings in Europe in 2009. Regular contacts were also maintained with analysts and brokers. Neste Oil held a Capital Markets Day on 29 September 2009 in Helsinki and Porvoo.

Earnings per share, dividend*, and dividend yield



* Proposal by the Board of Directors to the Annual General Meeting.

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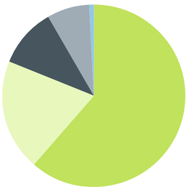
Target is to deliver at least one third of underlying profits in the form of dividends.

Shareholders by region*

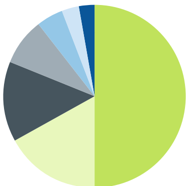
(excluding the Finnish state)



- Scandinavia and Finland 61.4%
- Continental Europe 10.4%
- Great Britain and Ireland 7.6%
- North America 19.9%
- Rest of the World 0.7%

* Neste Oil estimate

Shareholders by category



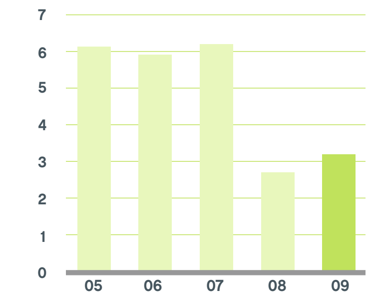
- State of Finland 50.1%
- Non-Finnish shareholders 17.1%
- Households 14%
- General goverment 8.4%
- Financial and insurance companies 4.8%
- Corporations 3.1%
- Non-profit organizations 2.6%

Largest shareholders by size of holding as of 31 December 2009

		Shares	Holding, %	Change
1.	Prime Minister´s Office	128,458,247	50.1	0
2.	Ilmarinen Mutual Pension Insurance Company	6,956,590	2.71	-1,377,000
3.	Varma Mutual Pension Insurance Company	2,850,152	1.11	-479,011
4.	The Social Insurance Institution of Finland, KELA	2,648,424	1.03	0
5.	The State Pension Fund	2,645,000	1.03	250,000
6.	The City of Kurikka	1,550,875	0.6	0
7.	OP-Delta Fund	1,522,291	0.59	-261,704
8.	Neste Oil Pension Fund	1,258,738	0.49	0
9.	Mandatum Life Insurance Company Limited	1,032,533	0.4	434,197
10.	Alfred Berg mutual funds	906,490	0.35	378,363
11.	Svenska Handelsbanken AB (publ), Branch Operation in Finland	712,529	0.28	95,852
12.	Suomi Mutual Life Assurance Company	650,000	0.25	260,000
13.	Mutual Insurance Company Pension-Fennia	615,000	0.24	179,700
14.	OP-Finland Value Fund	575,000	0.22	45,000
15.	Danske Fund Finnish Equity	568,418	0.22	5,000
16.	Alexander Management Oy	490,000	0.19	-10,000
17.	Etera Mutual Pension Insurance Company	462,051	0.18	-952,449
18.	Mutual Fund Evli Select	459,281	0.18	-155,000
19.	Veikko Laine Oy	450,000	0.18	300,000
20.	Folketrygdfondet	450,000	0.18	0
Total of 20 largest shareholders		155,261,619	60.55	
Other shareholders		59,141,744	23.07	
Total shares		256,403,686	100	

Market capitalization on NASDAQ OMX Helsinki, 2005–2009

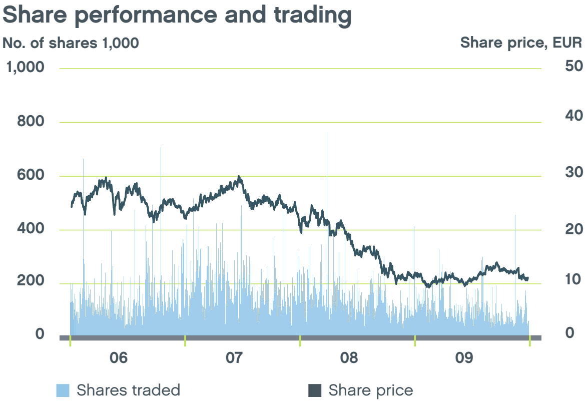
EUR billion



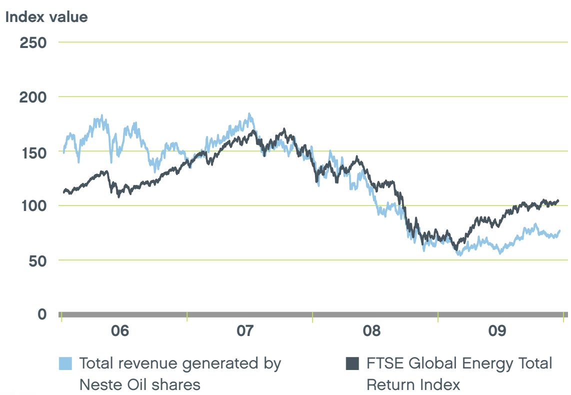
Breakdown of share ownership as of 31 December 2009

No. of shares owned	No. of shareholders	%	No. of shares	%
1–100	27,449	33.74	1,621,018	0.6
101–500	36,097	44.37	9,241,667	3.6
501–1,000	9,526	11.71	7,374,964	2.9
1,001–5,000	7,175	8.82	14,734,774	5.7
5,001–10,000	613	0.75	4,398,468	1.7
10,001–50,000	375	0.46	7,599,092	3.0
50,001–100,000	46	0.06	3,466,819	1.4
100,001–500,000	58	0.07	14,257,505	5.6
over 500,000	18	0.02	193,709,379	75.5
Total	81,357	100.00	256,403,686	100.0
of which nominee registrations	14		42,000,323	16.4

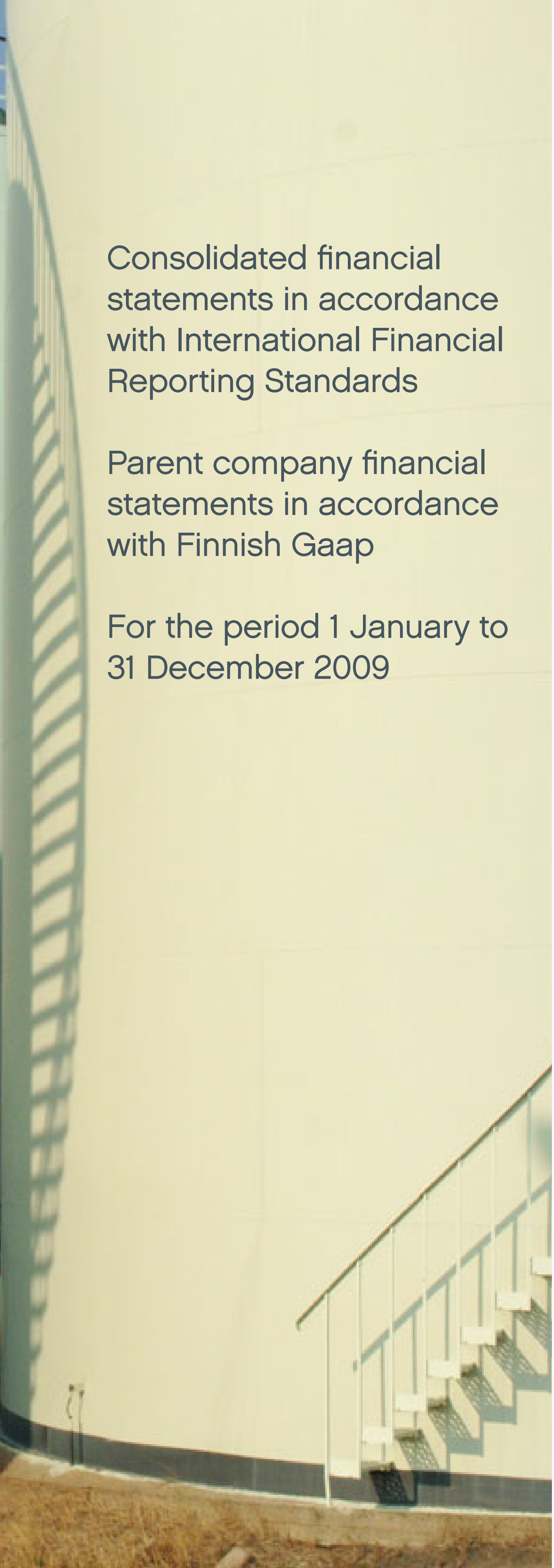
Share performance and trading



Shareholder's total return on their investment



Financial statements



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 2009

Review by the Board of Directors

The oil refining market was very challenging throughout 2009 and refining margins weakened towards the end of the year. This had a significant negative impact on Neste Oil's results.

Neste Oil's comparable operating profit decreased to EUR 116 million (602 million).

IFRS operating profit, supported by inventory gains, was EUR 335 million compared to EUR 186 million in 2008. The Board of Directors will propose a dividend of EUR 0.25 for 2009, totaling EUR 64 million.

Figures in parentheses refer to the full-year financial statements for 2008, unless otherwise stated.

THE GROUP'S RESULTS FOR 2009

Revenue at the Neste Oil Group totaled EUR 9,636 million, compared to EUR 15,043 million in 2008. The decline primarily resulted from lower petroleum product prices.

The Group's comparable operating profit was EUR 116 million (602 million). The most important negative contributor was the significantly weaker market environment experienced in all segments, particularly Oil Products. This was only partly offset by an 11% reduction in fixed costs, which totaled EUR 604 million (679 million).

Oil Products' full-year comparable operating profit was EUR 105 million (602 million), Renewable Fuels' EUR -30 million (2 million), Oil Retail's EUR 50 million (22 million), and Others' -7 million (-29 million).

Profits from associated companies and joint ventures totaled EUR 20 million (13 million).

Operating profit under IFRS was EUR 335 million (186 million). The increase originated from inventory gains that totaled EUR 261 million and compares to an inventory loss of EUR 453 million in 2008. The full-year profit before taxes was EUR 296 million (129 million) and the effective tax rate was 23.8% (21.8%). Profit for 2009 was EUR 225 million (101 million) and earnings per share were EUR 0.86 (0.38).

Given the capital-intensive nature of its business, Neste Oil uses return on average capital employed after tax (ROACE) as its primary financial target. ROACE calculation is based on comparable results. At the end of 2009, the rolling twelve-month ROACE was 2.5% (13.1%).

GROUP KEY FIGURES, MEUR	2009	2008
Comparable operating profit	116	602
- inventory gains/losses	261	-453
- changes in the fair value of open oil derivatives	-43	24
- capital gains/losses	1	13
Operating profit	335	186
Revenue	2009	2008
Oil Products	7,631	12,641
Renewable Fuels	182	116
Oil Retail	2,998	4,073
Others	164	143
Eliminations	-1,339	-1,930
Total	9,636	15,043
Comparable operating profit		
Oil Products	105	602
Renewable Fuels	-30	2
Oil Retail	50	22
Others	-7	-29
Eliminations	-2	5
Total	116	602
IFRS operating profit		
Oil Products	318	183
Renewable Fuels	-25	2
Oil Retail	50	25
Others	-6	-29
Eliminations	-2	5
Total	335	186

CASH FLOW, INVESTMENTS AND FINANCING

Neste Oil Group's net cash from operating activities between January and December totaled EUR 177 million (512 million). The difference compared to 2008 resulted from an increase in working capital, largely due to the contango storage of petroleum products. Approximately EUR 250 million was tied up in contango storage as of the end of the year.

Investments totaled EUR 863 million in 2009 compared to EUR 508 million in 2008. Oil Products' capital spending was EUR 198 million (165 million), Renewable Fuels' EUR 625 million (249 million), Oil Retail's EUR 29 million (63 million), and Others' EUR 11 million (31 million).

The Group's interest-bearing net debt was EUR 1,918 million at the end of the year (1,004 million). Net financial expenses between January and December were EUR 39 million (57 million). The average interest rate of borrowings at the end of 2009 was 2.2%, and the average maturity 3.8 years.

The year-end equity-to-assets ratio was 39.1% (46.3%), the leverage ratio 46.3% (31.5%), and the gearing ratio 86.3% (46.1%).

The Group's liquidity remained healthy. Cash and cash equivalents and committed, unutilized credit facilities amounted to EUR 1,407 million at the end of December (1,536 million). In September, Neste Oil issued a EUR 300 million seven-year domestic bond with an annual coupon of 6.00%, and raised a bilateral bank loan of EUR 200 million in December. There are no financial covenants in existing loan agreements.

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.

MAIN EVENTS DURING THE REPORTING PERIOD

On 5 February 2009, Neste Oil announced that its operations would be reorganized around three business areas, Oil Products, Renewable Fuels, and Oil Retail, and seven common functions as of 1 April 2009. The new Neste Executive Board (NEB) was nominated.

On 28 April, Neste Oil announced that it would postpone its plans to invest in an isomerization unit at the Porvoo refinery. The decision resulted from the weaker demand for petroleum products, and enabled resources to be concentrated on the company's strategic growth projects. The cost of the isomerization unit was estimated to be approximately EUR 80 million. The engineering work for the unit is largely complete, and the intention is to move ahead with construction when the market situation improves.

On 11 June, Neste Oil and Stora Enso inaugurated their demonstration plant for biomass-to-liquid production utilizing forestry residues in Varkaus, Finland. A 50/50 joint venture, NSE Biofuels Oy, has been established to develop technology for commercial-scale biocrude and later to produce this product as a feedstock for renewable diesel.

On 29 July, Neste Oil announced that it had successfully started up its second NExBTL plant at the Porvoo refinery, bringing the company's nameplate capacity of renewable diesel to 340,000 t/a.

On 5 August, Neste Oil announced its intention to save over EUR 60 million in annual fixed costs and to secure around EUR 30 million of this through personnel-related measures. Statutory employer-employee negotiations and a consultation process were started in Finland and it was anticipated that 450 people would be affected.

On 6 August, a fire broke out on the main diesel production line at the Porvoo refinery. Fortunately, no injuries were caused to personnel and no one outside the immediate area was exposed to danger. The line was back in normal operation in late September.

On 7 September, Neste Oil issued a EUR 300 million seven-year domestic bond with an annual coupon of 6.00%. The proceeds of the offering were used for general corporate and refinancing purposes.

On 29 September, Neste Oil hosted a Capital Markets Day in Porvoo and Helsinki. The event covered topical issues, such as the profitability of the company's key growth business, renewable fuels, and the company's cost structure and capital investments. The main message of the event was that Neste Oil remains fully committed to its clean traffic fuel strategy. It was also announced that the company's financial targets remain unchanged.

On 1 October, the Finnish Court of Arbitration issued an arbitration award on the contract dispute between Neste Oil and YIT Industrial and Network Services relating to disagreements linked to the final financial settlement of mechanical installation work on diesel production line 4 at Neste Oil's Porvoo refinery, which was completed and came on stream in summer 2007. The dispute was put before the Court of Arbitration in April 2008. The final decision had no material impact on Neste Oil's result.

On 13 October, Neste Oil completed statutory employer-employee negotiations covering the Finnish-based personnel employed by the company and its subsidiaries, which began on 5 August 2009. As a result of the negotiations, Neste Oil's personnel in Finland will be reduced by a total of 351. Of these, around 240 people will leave the company through voluntary retirement. The last job losses related to these reductions will take place during 2010.

On 7 December, Neste Oil announced that it will transfer the management of its statutory occupational pensions and the associated pension portfolio to the Ilmarinen Mutual Pension Insurance Company as of 1 April 2010. The statutory pension liabilities that are currently the responsibility of the Neste Oil Pension Fund and that will be transferred to Ilmarinen totaled approximately EUR 310 million as of the end of 2009. As a result of the transfer, a non-recurring charge is expected to be booked against Neste Oil's consolidated IFRS financial statements in the second quarter of 2010. The transfer is expected to have a positive cash flow impact.

Strategy implementation

Neste Oil continued to implement its clean fuel strategy in 2009. The company's current capital projects consist of new plants designed to increase production of renewable diesel and high-quality base oil.

Strategic projects

Construction of two world-scale, 800,000 t/a renewable diesel plants continued in Singapore and Rotterdam. The plants are expected to be mechanically complete in summer 2010 and spring 2011 respectively. Both projects proceeded on-schedule and on-budget.

Two smaller renewable diesel plants are operational at the Porvoo refinery. The second of these achieved mechanical completion in summer 2009 and was started up very successfully in a couple of weeks. The nameplate capacity of both Porvoo plants has been increased to 190,000 t/a from the original 170,000 t/a.

Construction of a 400,000 t/a base oil plant in Bahrain, jointly owned by Neste Oil (45%) and local partners, has proceeded according to plan. The plant is expected to be mechanically complete at the end of 2011.

Key drivers

	2009	2008
Reference refining margin, USD/bbl	3.14	9.93
Neste Oil total refining margin, USD/bbl	7.35	13.39
Urals-Brent price differential, USD/bbl	-0.81	-2.95
NWE Gasoline margin, USD/bbl*	9.26	5.34
NWE Diesel margin, USD/bbl*	11.18	31.23
NWE Heavy fuel oil margin, USD/bbl*	-7.44	-25.16
Brent Dated crude oil, USD/bbl	61.51	96.98
USD/EUR, market rate	1.39	1.47
USD/EUR, hedged	1.41	1.42
Crude freights, WS points (TD7)	81	179

MARKET OVERVIEW

After collapsing in the second half of 2008, crude oil prices increased steadily in the first half of 2009 and continued to rise towards the end of the year, despite some short-lived downturns. Brent Dated doubled from around USD 40/bbl to nearly USD 80/bbl towards the end of the year. Prices were mainly driven by news of a recovery in the global economy, strengthening stock and commodity markets, and a weaker US dollar – although oil market fundamentals remained weak. Price differentials between heavier and lighter crudes were very narrow, reflecting the reduced supply of heavier grades following OPEC production cuts.

Refining margins weakened significantly compared to 2008 on the back of poor product demand, especially for middle distillates. As a consequence, refinery runs declined to record low levels, especially in OECD countries. Gasoline margins recovered from the low level seen in 2008 but fell again in the latter half of 2009. Demand for gasoline was quite stable, but production was limited due to low refinery runs. The margins for middle distillates continued to decline and sank to their lowest level in five years during the summer. Demand for middle distillates was hit by the economic recession, and stocks built up to record-high levels despite low refinery runs. The European market nevertheless attracted large import volumes from the US and Asia.

Fuel oil margins were stronger than in 2008, supported by demand in Asia and the US and cuts in refinery output. In addition, due to reduced crude oil usage, some refineries refined light products from fuel oil.

In the biofuel market, feedstock prices increased through the end of 2009, after the low levels seen in spring. This led to lower margins for biofuel producers. The price premium between high-quality renewable diesel and conventional biodiesel remained stable.

In the oil retail market, demand dropped year-on-year in all market areas, and this was most evident in trucking and other business-related traffic. Oil demand decreased in Finland by around 7% in 2009, whereas Baltic Rim markets showed declines of over 10% and even close to 20% in the case of gasoline in the last quarter.

Freight rates for crude tankers in North Sea were only half of those seen in 2008, impacted by the increased number of vessels available.

PRODUCTION AND SALES

Neste Oil's total production in 2009 was 15.5 million tons (15.5 million), of which 0.2 million tons (0.1 million) took the form of NExBTL renewable diesel. A total of 15.1 million tons (15.2 million) of crude oil and other hydrocarbon-based feedstocks were refined, 12.5 million tons (12.4 million) at Porvoo and 2.6 million tons (2.8 million) at Naantali.

The Porvoo refinery operated at an average capacity utilization rate of 87% (82%) in 2009, while Naantali reached 87% (92%). Utilization at the Porvoo refinery was negatively affected in August and September by a fire on Line 4. Excluding the latter incident, the line's performance improved compared to 2008, which was the main reason behind Porvoo's higher utilization rate. At Naantali, capacity utilization was negatively affected by unplanned maintenance shutdowns during the first half of the year.

The proportion of Russian Export Blend (REB) in Neste Oil's total refinery input rose to 63% (57%). Refinery production costs decreased to USD 4.4/bbl (5.9). The proportion of diesel fuel in Neste Oil's sales remained close to 40% in 2009, while the proportion of gasoline and heavy fuel oil increased. Less favorable arbitrage economics caused gasoline exports to be shifted from the US to other markets.

During the fourth quarter, a total of 400,000 tons of gasoline and middle distillates were stored in preparation for the Porvoo refinery's scheduled maintenance shutdown during the second quarter of 2010. As of the end of 2009, Neste Oil's contango storage stood at around 570,000 tons, which is scheduled to be sold during the second quarter of 2010.

Neste Oil's sales from in-house production, by product category (1,000 t)

	2009	%	2008	%
Motor gasoline	**4,218**	**30**	4,056	28
Gasoline components	**270**	**2**	253	2
Diesel fuel	**5,228**	**37**	5,583	38
Jet fuel	**613**	**4**	658	5
Base oils	**257**	**2**	278	2
Heating oil	**631**	**4**	763	5
Heavy fuel oil	**1,300**	**9**	981	7
LPG	**220**	**2**	340	2
NExBTL renewable diesel	**209**	**1**	94	1
Other products	**1,233**	**9**	1,565	11
Total	**14,178**	**100**	14,571	100

Neste Oil's sales from in-house production, by market area (1,000 t)

	2009	%	2008	%
Finland	**7,580**	**53**	7,537	52
Other Nordic countries	**2,210**	**16**	2,056	14
Other Europe	**2,488**	**18**	3,028	20
USA & Canada	**1,686**	**12**	1,857	13
Other countries	**214**	**2**	94	1
Total	**14,178**	**100**	14,571	100

SEGMENT REVIEWS

As of April 2009, Neste Oil's businesses were grouped into four reporting segments: Oil Products, Renewable Fuels, Oil Retail, and Others.

Oil Products

	2009	2008
Revenue, MEUR	**7,631**	12,641
Comparable operating profit, MEUR	**105**	602
Operating profit, MEUR	**318**	183
Total refining margin, USD/bbl	**7.35**	13.39

Oil Products posted a significantly lower comparable operating profit of EUR 105 million in 2009 compared to EUR 602 million in 2008. This decrease is mainly attributable to a major drop in total refining margin, which averaged USD 7.35/bbl (13.39) during the year. The negative impact of market conditions and lower sales volumes was only partly offset by better productivity, contango and trading benefits, and cost reductions. The base oil business suffered from significantly lower demand, and the oil tanker chartering business from very low freight rates. Gasoline components performed better year-on-year, thanks to a better overall gasoline market.

Oil Products' comparable return on net assets was 4.0% (21.2%) in 2009.

Renewable Fuels

	2009	2008
Revenue, MEUR	**182**	116
Comparable operating profit, MEUR	**-30**	2
Operating profit, MEUR	**-25**	2

Renewable Fuels' comparable operating profit was EUR -30 million in 2009, compared to EUR 2 million in 2008. This was the result of lower margins, partly because of fixed feedstock price in 2008, and costs related to the expansion of business and R&T.

Renewable Fuels' comparable return on net assets was -4.8% in 2009 (0.9%).

Oil Retail

	2009	2008
Revenue, MEUR	**2,998**	4,073
Comparable operating profit, MEUR	**50**	22
Operating profit, MEUR	**50**	25
Total sales volume*, 1,000 m^3	**4,002**	4,353
- gasoline station sales, 1,000 m^3	**1,405**	1,479
- diesel station sales, 1,000 m^3	**1,331**	1,406
- heating oil, 1,000 m^3	**714**	759
- heavy fuel oil, 1,000 m^3	**287**	356

* includes both station and terminal sales

Oil Retail's comparable operating profit totaled EUR 50 million in 2009, compared to EUR 22 million in 2008. The comparable operating profit for 2008 included a EUR 15 million write-down on bad debts and EUR 10 million in inventory losses. Volumes were lower in 2009 and there was substantial pressure on margins. A reduction in fixed costs year-on-year provided a positive contribution.

Oil Retail's comparable return on net assets was 15.8% (6.0%) in 2009.

SHARES, SHARE TRADING AND OWNERSHIP

Neste Oil's shares are traded on the NASDAQ OMX Helsinki Ltd. The share price closed 2009 at EUR 12.42, which is 17% higher compared to the end of 2008. At its highest during 2009, the share price reached EUR 13.44, while at its lowest the price stood at EUR 8.80, with the weighted average for the year coming in at EUR 10.85. Market capitalization was EUR 3.2 billion as of 31 December 2009. An average total of 1.1 million shares were traded daily. This represents 0.4% of the company's shares. An average of 22.4 million shares was traded monthly. During the year as a whole, 269 million shares, or 105% of the total number of shares, were traded.

Neste Oil's share capital registered with the Company Register as of 31 December 2009 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. As of the end of 2009, the Finnish State owned 50.1% (50.1%) of outstanding shares, foreign institutions 17.1% (20.6%), Finnish institutions 18.9% (19.5%), and Finnish households 14.0% (9.8%).

Largest shareholders as of 31 December 2009

Shareholder	Shares	%
Prime Minister´s Office	128,458,247	50.10
Ilmarinen Mutual Pension Insurance Company	6,956,590	2.71
Varma Mutual Pension Insurance Company	2,850,152	1.11
The Social Insurance Institution of Finland, KELA	2,648,424	1.03
The State Pension Fund	2,645,000	1.03
The City of Kurikka	1,550,875	0.60
OP-Delta Fund	1,522,291	0.59
Neste Oil Pension Fund	1,258,738	0.49
Mandatum Life Insurance Company Limited	1,032,533	0.40
Alfred Berg mutual funds	906,490	0.35
Svenska Handelsbanken AB (publ), Branch Operation in Finland	712,529	0.28
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Mutual Fund Evli Select	459,281	0.18
Veikko Laine Oy	450,000	0.18
Folketrygdfondet	450,000	0.18

Shareholder	Shares	%
20 largest shareholders	155,261,619	60.55
Nominee registrations	42,000,323	16.38
Other	59,141,744	23.07
Total number of shares	256,403,686	100.00

Breakdown of share ownership as of 31 December 2009
By number of shares owned

No. of shares	No. of share-holders	% of share-holders	No. of shares	% of shares
1–100	27,449	33.74	1,621,018	0.6
101–500	36,097	44.37	9,241,667	3.6
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Over 500,000	18	0.02	193,709,379	75.5
Total	81,357	100.00	256,403,686	100.0
of which nominee registrations	14		42,000,323	16.4

By shareholder category

	% of shares
State of Finland	50.1
Corporations	3.1
Financial and insurance companies	4.8
Non-profit organizations	2.5
General Government	8.4
Households	14.0
Non-Finnish shareholders	17.1
Total	100.0

CORPORATE GOVERNANCE

The control and management of Neste Oil Corporation is divided between shareholders, the Supervisory Board, the Board of Directors and its two Committees, and the President & Chief Executive Officer. Neste Oil's Supervisory Board is appointed by the General Meeting of Shareholders for a term that will end at the end of the next Annual General Meeting following election. A person who has reached the age of 68 cannot be elected to the Supervisory Board. The General Meeting of Shareholders also appoints the Board of Directors based on a proposal made by the AGM's Nomination Committee. The term of office of the Board of Directors will expire at the end of the next Annual General Meeting following its election. A person who has reached the age of 68 cannot be elected to the Board of Directors. Neste Oil's President & CEO is appointed and dismissed by the Board of Directors.

Changes to the company's Articles of Association can be made at the General Meeting of Shareholder based on a proposal by the Board of Directors.

Neste Oil's Annual General Meeting 2009 was held on 3 April at the Helsinki Fair Centre. The AGM adopted the company's financial statements and consolidated financial statements for 2008 and discharged the Supervisory Board, Board of Directors, and management from liability for 2008. The AGM also approved the Board of Directors' proposal regarding the distribution of the company's profit for 2008, sanctioning payment of a dividend of EUR 0.80 per share. Payment was made on Friday, 17 April 2009.

In accordance with a proposal made by the AGM Nomination Committee, the AGM confirmed the membership of the Board of Directors at eight members, and the following were re-elected to serve until the end of the next AGM: Mr. Timo Peltola, Mr. Mikael von Frenckell, Mr. Michiel Boersma, Ms. Ainomaija Haarla, Ms. Nina Linander, Mr. Markku Tapio and Ms. Maarit Toivanen-Koivisto. Mr. Hannu Ryöppönen was elected as a new member. Mr. Timo Peltola continued as Chairman and Mr. Mikael von Frenckell as Vice Chairman. The AGM decided to pay the following remuneration to the Board: Chairman EUR 66,000 a year, Vice Chairman EUR 49,200 a year, and members EUR 35,400 a year. In addition, those participating at Board meetings and meetings convened by the Board's committees will receive a payment of EUR 600 per meeting, together with their traveling costs, in accordance with the company's travel policy. A payment of double this, EUR 1,200 per meeting, will be made to Board members living outside Finland. Convening after the Annual General Meeting, Board of Directors elected the members of its two Committees. Timo Peltola was elected Chairman and Michiel Boersma, Mikael von Frenckell, and Ainomaija Haarla as members of the Personnel and Remuneration Committee. Nina Linander was elected Chairman and Hannu Ryöppönen, Markku Tapio, and Maarit Toivanen-Koivisto as members of the Audit Committee.

The AGM confirmed that the Supervisory Board shall comprise eight members and the following members were elected: Ms. Heidi Hautala (Chairman), Mr. Kimmo Tiilikainen (Vice Chairman), Mr. Esko Ahonen, Mr. Mikael Forss, Mr. Timo Heinonen, Mr. Markus Mustajärvi, Ms. Jutta Urpilainen, and Ms. Anne-Mari Virolainen. Mr. Kimmo Tiilikainen was elected for the first time. Members are all Finnish Members of Parliament, with the exception of Mr. Mikael Forss, who is a Director at the Social Insurance Institution of Finland. No changes were made to the remuneration paid to the Supervisory Board, which remains as follows: Chairman EUR 1,000 a month, Vice Chairman EUR 600 a month, and members EUR 500 a month. In addition, those participating at Supervisory Board meetings receive a payment of EUR 200 per meeting.

In accordance with a proposal by the Board of Directors, Ernst & Young Oy, Authorized Public Accountants, were appointed as the company's Auditor, with Authorized Public Accountant Anna-Maija Simola as Responsible Auditor, until the end of the next AGM. Payment for their services shall be made in accordance with their invoice that is accepted by the company.

Following a proposal by the Prime Minister's Office, representing the Finnish State, the AGM decided to establish a Nomination Committee to prepare proposals covering the members of the Board of Directors and their remuneration for consideration by the next AGM. The Nomination Committee comprises representatives of the Company's three largest shareholders and shall also include, as expert members, the Chairman of the Board, together with one member elected by the Board from among its members unaffiliated with any of the Company's major shareholders. In 2009, the Nomination Committee comprised Director General Pekka Timonen from the Ownership Steering Department at the Prime Minister's Office; Timo Ritakallio, Deputy CEO, Ilmarinen Mutual Pension Insurance Company; and Risto Murto, Chief Investment Officer, Varma Mutual Pension Insurance Company. The Chairman of Neste Oil's Board of Directors Timo Peltola and Vice Chairman Mikael von Frenckell served as the Committee's expert members.

Neste Oil's Corporate Governance Statement is issued as a separate document.

ORGANIZATIONAL RESTRUCTURING

Neste Oil's operations were reorganized around three business areas and seven common functions as of 1 April 2009. The new structure is designed to give the company a more cost-efficient and customer-driven operating model, and one that will be better capable of implementing corporate strategy. The new matrix organization will ensure that the best practices and know-how of business areas and functions will benefit the entire company, and that new international units, such as the renewable diesel plants currently being built, can be integrated into the Group's operations more effectively and that reporting will be more efficient.

The business areas are as follows: Oil Products, Renewable Fuels, and Oil Retail. Activities outside these business areas are grouped under Others. The common functions are: Production & Logistics, Finance, Human Resources, Sustainability & HSE, Technology & Strategy, Communications, and Legal Affairs.

As of 1 April, the Neste Executive Board (NEB) comprises the following members: Matti Lievonen, President & CEO; Matti Lehmus, Executive Vice President, Oil Products; Jarmo Honkamaa, Executive Vice President, Renewable Fuels, Deputy CEO; Sakari Toivola, Executive Vice President, Oil Retail; Ilkka Poranen, Senior Vice President, Production & Logistics; Ilkka Salonen, CFO; Hannele Jakosuo-Jansson, Senior Vice President, Human Resources, Simo Honkanen, Senior Vice President, Sustainability and HSSE; Osmo Kammonen, Senior Vice President, Communications, Marketing and Public Affairs; and Lars Peter Lindfors, Senior Vice President, Technology and Strategy. Matti Hautakangas, General Counsel, acts as secretary to the NEB.

PERSONNEL

Neste Oil employed an average of 5,286 (5,174) employees in 2009, of which 1,333 are based outside Finland. As of the end of December, the company had 5,092 employees (5,262), of which 1,424 are located outside Finland. Wages and salaries paid by the company totaled EUR 233 million in 2009 (251 million).

HEALTH, SAFETY AND THE ENVIRONMENT

The main indicator for safety performance used by Neste Oil – total recordable injury frequency (TRIF, number of cases per million hours worked) for all work done for the company, combining the company's own personnel and contractors – stood at 3.1 (5.2) at the end of 2009. The target for 2009 was below 4. Lost workday injury frequency (LWIF) stood at 2.2. The target for 2009 was below 2. LWIF in 2008 was 3.2. Safety performance during 2009 was the best in the company's history.

No serious environmental accidents resulting in liability occurred at Neste Oil's refineries or other production facilities in 2009. The environmental emissions of Neste Oil's operations remained low throughout the year, with the exception of short-term sulfur dioxide emissions in July, resulting from flaring due to technical and operational problems. Permitted emission limit values were not exceeded. The wastewater treatment plants at the refineries operated very well. The oil content of waterborne emissions was 0.07 g/ton of crude oil processed. This is less than 2.2% of the 3 g/ton maximum emission recommendation of the Baltic Marine Environment Protection Commission.

Neste Oil has successfully fulfilled all the requirements related to carbon dioxide emissions in 2009. The verification of emissions for 2009 is scheduled, and the company is able to report and surrender allowances equal to its total emissions in 2009. The company has received emission rights for 3.2 million tons of CO2 emissions a year between 2008 and 2012, and will need to acquire rights from the market to cover expected future emissions.

The REACH (Registration, Evaluation and Authorization of Chemicals) regulation came into force in the EU on 1 June 2007. Neste Oil has contributed to joint work carried out under the framework of the European oil companies' organization, Concawe, and the company's project for meeting REACH requirements has progressed according to plan.

Neste Oil retained its position in or was selected for inclusion in a number of sustainability indexes during 2009. It was included in the Dow Jones Sustainability World Index for the third year in succession. Neste Oil has been awarded 'Best in Class' recognition for its social accountability by the Norwegian banking group, Storebrand, and has been included in Innovest's Global 100 list of the world's most sustainable companies three times, and featured in the Ethibel Pioneer Investment Register.

RESEARCH AND DEVELOPMENT

Research and development focusing on both crude oil-based and renewable fuels is crucial in implementing Neste Oil's strategy. Neste Oil's R&D expenditure totaled EUR 37 million in 2009 (37 million). The company's main R&D projects were related to extending the raw material and technological base for renewable fuels.

EVENTS AFTER THE REPORTING PERIOD

On 12 January 2010, Neste Oil decided to transfer the management of its supplementary pension benefits and the associated pension portfolio of its Finnish companies to OP Life Assurance Company Ltd. The move is expected to take place on 1 April 2010. A non-recurring charge is expected to be booked against Neste Oil's consolidated IFRS financial statements in the second quarter of 2010. The transfer is expected to have a positive cash flow impact.

On 1 February 2010, Neste Oil announced that it is to receive a total of EUR 47.5 million in compensation for damage and lost production volumes following a fire on Line 4 at the Porvoo refinery on 4 April 2008. The compensation will be booked against the company's first-quarter 2010 result.

POTENTIAL SHORT-TERM AND LONG-TERM RISKS

The oil market has been and is expected to continue to be very volatile. Oil refiners are exposed to a variety of political and economic trends and events, as well as natural phenomena that affect the short- and long-term supply of and demand for the products that they produce and sell. The largest uncertainty over the short term continues to be the pace of the anticipated recovery of the world economy, which is likely to have a material impact on the demand for petroleum products generally and diesel fuel in particular. Sudden and unplanned outages at Neste Oil's production units or facilities continue to represent a short-term operational risk. Rapid and large changes in feedstock and product prices may lead to significant inventory gains or losses, or changes in working capital. These may have a material impact on the company's IFRS operating profit and net cash from operations.

Over the longer term, access to funding and rising capital costs, as well as challenges in procuring and developing new competitive and reasonably priced raw materials, may impact the company's growth plans. The implementation of biofuel legislation in the EU and other key market areas may influence the speed at which the demand for these fuels develops. Risks include also any problems or delays in completing the NExBTL renewable diesel investments or failure to capture the anticipated benefits from these investments. In the longer term, failure to protect its proprietary technology or introduction and implementation of competing renewable fuel technologies or hybrid and electric engines may have a negative impact on the company's results.

The key market drivers for Neste Oil's financial performance are international refining margins, the price differential between Russian Export Blend (REB) and Brent crude, and the USD/EUR exchange rate.

RISK MANAGEMENT

Neste Oil recognizes that risk is an integral and unavoidable component of its business and is characterized by both threat and opportunity. Neste Oil uses risk management in order to enhance opportunities and reduce threats, thus gaining competitive advantage. Risk management is a central part of Neste Oil's management system, and its importance will only grow as the company moves ahead with its major projects and as turbulence continues in the global economy. Neste Oil aims to manage the impact of risks on its operations through a range of risk management strategies. The Corporate Risk Management Policy and Principles approved by the Board of Directors define the risk management principles to be used for managing the risks associated with the strategic and operational targets of the Group as a whole and its business areas and common functions. Business areas and common functions have additional principles, instructions, and procedures related to risk management, approved by the President & CEO.

Risk management in the area of strategic and operational management aims at recognizing risks on a rolling basis, assessing and prioritizing them on a consistent basis, and managing them proactively.

For more detailed information on Neste Oil's risks and risk management, please refer to the company's Corporate Governance Statement, which has been published as a separate document, and to the Note 3 of the Financial Statements for 2009.

OUTLOOK

The market environment is likely to remain challenging in 2010. It is still too early to say whether the global economy has returned to sustainable growth, even if there are some positive signs. Oil demand forecasts for 2010 indicate growth, primarily in non-OECD countries, after the historical collapse seen in 2009, but demand will be largely dictated by general economic developments.

Refining margins are expected to increase only gradually, due to the slow recovery of demand and the new capacity set to come on stream in 2010, as well as high petroleum product inventories. It is likely that refinery utilization rates will be limited globally and that more capacity will be closed either temporarily or for good. Diesel and middle distillate margins have strengthened somewhat during January 2010, resulting from the cold weather and normal seasonal demand. Margins are not expected to increase significantly before inventories, both over ground and floating, which are running at high levels have been drawn down. This is expected to take at least six months, depending on how demand develops. Gasoline inventories are close to normal levels, and there is a possibility of a positive seasonal impact on gasoline margins ahead of the driving season.

A major planned six-week turnaround will be carried out at Neste Oil's Porvoo refinery starting at the beginning of April. During this, Neste Oil will sell stored products, which totaled close to 600,000 tons (over 4 million barrels) at the end of 2009. This will have a positive impact on the company's operational cash flow in the second quarter.

The Renewable Fuels business is anticipated to report negative results until sales volumes increase significantly, which is expected during the last months of 2010 when the new plant in Singapore is scheduled to come on stream.

No significant recovery of demand is expected on oil retail markets, either in Finland or elsewhere. Increased economic activity would have a positive impact on diesel demand in trucking and other transport use. Neste Oil will continue to offset the impact of a weak market by increasing its internal efficiency.

A non-recurring insurance compensation of EUR 47.5 million will be booked in the first quarter operating profit.

A non-recurring charge is expected to be booked in the second quarter 2010 operating profit relating to the transfer of the Neste Oil Pension Fund outside the company. The cash flow impact of these transfers in the second quarter will be positive.

The Group's fixed costs are estimated to be on a similar level compared to those booked in 2009.

The Group's cash investments are expected to be around EUR 920 million (870 million), of which maintenance investments will account for 310 million (160 million), strategic investments 580 million (670 million), and productivity investments 30 million (40 million).

DIVIDEND DISTRIBUTION PROPOSAL

The Board of Directors' dividend proposal to the Annual General Meeting is EUR 0.25 per share for 2009, totaling EUR 64 million.

Key financial indicators

		2009	2008	2007
Income statement				
Revenue	EUR million	**9,636**	15,043	12,103
Operating profit	EUR million	**335**	186	801
- of revenue	%	**3.5**	1.2	6.6
Comparable operating profit	EUR million	**116**	602	626
Profit before income taxes	EUR million	**296**	129	763
- of revenue	%	**3.1**	0.9	6.3
Profitability				
Return on equity (ROE)	%	**10.2**	4.4	25.6
Return on capital employed, pre-tax (ROCE)	%	**9.0**	6.1	26.2
Return on average capital employed, after tax (ROACE)	%	**2.5**	13.1	15.5
Financing and financial position				
Interest-bearing net debt	EUR million	**1,918**	1,004	755
Leverage ratio	%	**46.3**	31.5	23.7
Gearing	%	**86.3**	46.1	31.1
Equity-to-assets ratio	%	**39.1**	46.3	49.9
Other indicators				
Capital employed	EUR million	**4,257**	3,237	3,234
Capital expenditure and investments in shares	EUR million	**863**	508	334
- of revenue	%	**9.0**	3.4	2.8
Research and development expenditure	EUR million	**37**	37	28
- of revenue	%	**0.4**	0.2	0.2
Average number of personnel		**5,286**	5,174	4,810
Share-related indicators				
Earnings per share (EPS)	EUR	**0.86**	0.38	2.25
Equity per share	EUR	**8.64**	8.48	9.47
Cash flow per share	EUR	**0.69**	2.00	2.11
Price/earnings ratio (P/E)		**14.42**	28.03	10.71
Dividend per share	EUR	**0.25** [1]	0.80	1.00
Dividend payout ratio	%	**29.0** [1]	211.9	44.4
Dividend yield	%	**2.0** [1]	7.6	4.1
Share prices				
At the end of the period	EUR	**12.42**	10.58	24.13
Average share price	EUR	**10.85**	17.95	25.48
Lowest share price	EUR	**8.80**	9.47	21.82
Highest share price	EUR	**13.44**	24.90	29.80
Market capitalization at the end of the period	EUR million	**3,185**	2,713	6,187
Trading volumes				
Number of shares traded	1,000	**269,159**	381,525	469,889
In relation to weighted average number of shares	%	**105**	149	183
Average number of shares		**255,903,960**	255,903,686	255,971,365
Number of shares at the end of the period		**255,913,686**	255,903,686	255,903,686

[1] Board of Directors' proposal to the Annual General Meeting

Calculation of key financial indicators

Calculation of key financial indicators

Operating profit	=	Operating profit includes the revenue from the sale of goods and services, other income such as gain from sale of shares or non-financial assets, share of profit (loss) of associates and joint ventures, less losses from sale of shares or non-financial assets, as well as expenses related to production, marketing and selling activities, administration, depreciation, amortization, and impairment charges. Realized and unrealized gains or losses on oil and freight derivative contracts together with realized gains and losses from foreign currency and oil derivative contracts hedging cash flows of commercial sales and purchases that have been recycled in the income statement, are also included in operating profit.
Comparable operating profit	=	Operating profit -/+ inventory gains/losses -/+ gains/losses from sale of shares and non-financial assets - unrealized change in fair value of oil and freight derivative contracts. Inventory gains/losses include the change in fair value of all trading inventories.
Return on equity, (ROE)%	= 100 x	Profit before taxes - taxes / Total equity average
Return on capital employed, pre-tax (ROCE) %	= 100 x	Profit before taxes + interest and other financial expenses / Capital employed average
Return on average capital employed, after-tax (ROACE) %	= 100 x	Profit for the period (adjusted for inventory gains/losses, gains/losses from sale of shares and non-financial assets and unrealized gains/losses on oil and freight derivative contracts, net of tax) + minority interest + interest expenses and other financial expenses related to interest-bearing liabilities (net of tax) / Capital employed average
Capital employed	=	Total assets - interest-free liabilities - deferred tax liabilities - provisions
Interest-bearing net debt	=	Interest-bearing liabilities - cash and cash equivalents
Leverage ratio, %	= 100 x	Interest-bearing net debt / Interest bearing net debt + total equity
Gearing, %	= 100 x	Interest-bearing net debt / Total equity
Equity-to-assets ratio, %	= 100 x	Total equity / Total assets - advances received
Return on net assets, %	= 100 x	Segment operating profit / Average segment net assets
Comparable return on net assets, %	= 100 x	Segment comparable operating profit / Average segment net assets
Segment net assets	=	Property, plant and equipment, intangible assets, investment in associates and joint ventures including shareholder loans, pension assets, inventories and interest-free receivables and liabilities allocated to the business segment, provisions and pension liabilities
Research and development expenditure	=	Research and development expenditure comprise of the expenses of the Research & Technology unit serving all business areas of the Group, as well as research and technology expenses incurred in business areas, which are included in the consolidated income statement. Depreciation and amortization are included in the figure. The expenses are presented as gross, before deducting grants received

Calculation of share-related indicators

Earnings per share (EPS)	=	Profit for the period attributable to the equity holders of the company / Adjusted average number of shares during the period
Equity per share	=	Shareholder's equity attributable to the equity holders of the company / Adjusted average number of shares at the end of the period
Cash flow per share	=	Net cash generated from operating activities / Adjusted average number of shares during the period
Price / earnings ratio (P/E)	=	Share price at the end of the period / Earnings per share
Dividend payout ratio, %	= 100 x	Dividend per share / Earnings per share
Dividend yield, %	= 100 x	Dividend per share / Share price at the end of the period
Average share price	=	Amount traded in euros during the period / 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 number of shares traded during the period in relation to the weighted average number of shares during the period

Consolidated income statement

MEUR	Note	1 Jan–31 Dec 2009	1 Jan–31 Dec 2008
Revenue	4, 6	9,636	15,043
Other income	7	29	44
Share of profit (loss) of associates and joint ventures	18	20	13
Materials and services	8	-8,167	-13,657
Employee benefit costs	9	-301	-315
Depreciation, amortization and impairments	10	-234	-223
Other expenses	11	-648	-719
Operating profit		335	186
Financial income and expenses	12		
Financial income		10	8
Financial expenses		-44	-70
Exchange rate and fair value gains and losses		-5	5
Total financial income and expenses		-39	-57
Profit before income taxes		296	129
Income tax expense	13	-71	-28
Profit for the period		225	101
Attributable to:			
Equity holders of the Company		221	97
Minority interest		4	4
		225	101
Earnings per share from profit attributable to the equity holders of the Company basic and diluted (in euro per share)	14	0.86	0.38

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

Consolidated statement of comprehensive income

MEUR	1 Jan–31 Dec 2009	1 Jan–31 Dec 2008
Profit for the period	225	101
Other comprehensive income for the period, net of tax:		
Translation differences and other changes	9	-44
Cash flow hedges		
recorded in equity	3	-23
transferred to income statement	15	-25
Net investment hedges	0	0
Hedging reserves in associates and joint ventures	-2	-1
Other comprehensive income for the period, net of tax	25	-93
Total comprehensive income for the period	250	8
Attributable to:		
Owners of the parent	246	4
Minority interest	4	4
	250	8

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

Consolidated balance sheet

MEUR	Note	31 Dec 2009	31 Dec 2008
ASSETS			
Non-current assets			
Intangible assets	17	48	51
Property, plant and equipment	16	3,235	2,675
Investments in associates and joint ventures	18	216	152
Non-current receivables	19, 20	3	13
Pension assets	29	111	105
Deferred tax assets	27	11	16
Derivative financial instruments	19, 24	3	16
Available-for-sale financial assets	19, 20	1	1
Total non-current assets		3,628	3,029
Current assets			
Inventories	21	1,148	637
Trade and other receivables	19, 22	757	786
Derivative financial instruments	19, 24	50	213
Cash and cash equivalents	23	117	55
Total current assets		2,072	1,691
Total assets		5,700	4,720
EQUITY			
Capital and reserves attributable to equity holders of the company	25		
Share capital		40	40
Other equity		2,170	2,131
Total		2,210	2,171
Minority interest		12	8
Total equity		2,222	2,179
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities	19, 26	1,590	926
Deferred tax liabilities	27	328	297
Provisions	28	22	24
Pension liabilities	29	10	12
Derivative financial instruments	19, 24	15	32
Other non-current liabilities	19, 26	0	3
Total non-current liabilities		1,965	1,294
Current liabilities			
Interest-bearing liabilities	19, 26	445	133
Current tax liabilities	19, 26	5	1
Derivative financial instruments	19, 24	83	197
Trade and other payables	19, 26	980	916
Total current liabilities		1,513	1,247
Total liabilities		3,478	2,541
Total equity and liabilities		5,700	4,720

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

Consolidated cash flow statement

MEUR	Note	1 Jan–31 Dec 2009	1 Jan–31 Dec 2008
Cash flows from operating activities			
Profit for the period		225	101
Adjustments for			
Income tax	13	71	28
Share of profit (loss) of associates and joint ventures	18	-20	-13
Depreciation and amortization	10	234	223
Other non-cash income and expenses		17	-6
Financial expenses - net	12	39	57
Profit/loss from disposal of fixed assets and shares	7	-2	-12
		564	378
Change in working capital			
Decrease (+)/increase (-) in trade and other receivables		-4	232
Decrease (+)/increase (-) in inventories		-508	324
Decrease (-)/increase (+) in trade and other payables		62	-308
Change in working capital		-450	248
		114	626
Interest and other finance cost paid		-40	-50
Interest income received		8	7
Dividends received		17	19
Realized foreign exchange gains and losses		35	-5
Income taxes paid		43	-85
		63	-114
Net cash generated from operating activities		177	512
Cash flows from investing activities			
Purchases of property, plant and equipment	16	-807	-487
Purchases of intangible assets	17	-9	-10
Purchases of subsidiaries, net of cash acquired	5	-	-10
Purchases of associates and joint ventures	18	-47	-1
Proceeds from sale of subsidiaries, net of cash disposed		-	-
Proceeds from sale of property, plant and equipment		7	9
Proceeds from sale of other shares		0	12
Changes in non-current receivables		-29	-8
Net cash used in investing activities		-885	-495
Cash flow before financing activities		-708	17
Cash flows from financing activities			
Payment of (-) / proceeds from (+) current interest-bearing liabilities		370	-91
Proceeds from non-current interest-bearing liabilities		1,212	1,453
Repayments of non-current interest-bearing liabilities		-607	-1,117
Dividends paid to the equity holders of the company		-205	-256
Other financing activities		0	-1
Net cash used in financing activities		770	-12
Net decrease (-)/increase (+) in cash and cash equivalents		62	5
Cash and cash equivalents at beginning of the period		55	52
Exchange gains (+)/losses (-) on cash and cash equivalents		0	-2
Cash and cash equivalents at end of the period	23	117	55

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

Consolidated statement of changes in equity

		Attributable to equity holders of the Company						
MEUR	Note	Share capital	Reserve fund	Fair value and other reserves	Translation differences	Retained earnings	Minority interest	Total equity
Total equity at 1 January 2008		40	10	42	-11	2,342	4	2,427
Dividend paid						-256		-256
Share-based compensation						0		0
Total comprehensive income for the year				-49	-43	96	4	8
Total equity at 31 December 2008	25	40	10	-7	-54	2,182	8	2,179
Total equity at 1 January 2009		**40**	**10**	**-7**	**-54**	**2,182**	**8**	**2,179**
Dividend paid						**-205**		**-205**
Share-based compensation						**-2**		**-2**
Transfer from retained earnings			**1**			**-1**		**0**
Total comprehensive income for the year				**16**	**9**	**221**	**4**	**250**
Total equity at 31 December 2009	25	**40**	**11**	**9**	**-45**	**2,195**	**12**	**2,222**

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 domiciled in Espoo, Finland. The Company is listed on the NASDAQ OMX Helsinki.

Neste Oil Corporation and its subsidiaries (together referred to as the Neste Oil Group) is a refining and marketing company focused on advanced, clean traffic fuels. The Group's refineries and other production facilities, together with its network of service stations and other retail outlets in Finland and the Baltic Rim area, supply both domestic and export markets with gasoline, diesel fuel, aviation fuel, marine fuel, heating oil, heavy fuel oil, base oil, lubricant, traffic fuel component, solvent, liquefied petroleum gas, bitumen and NExBTL renewable diesel based on Neste Oil's proprietary technology. Neste Oil's supply and distribution chain includes a tanker fleet for carrying crude oil and other feedstock imports and refined product exports. As an oil refiner, Neste Oil is a leading manufacturer of environmentally benign petroleum products.

The Board of Directors has approved these consolidated financial statements for issue on 3 February 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been 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 the income statement. The consolidated financial statements are presented in millions of euros unless otherwise stated.

The Group adopted IFRS 8 Operating Segments as of 1 January 2008.

The Group applies the following interpretations or amendments as of 1 January 2009:

- IAS 1 Presentation of Financial Statements - Revised. This revised standard separates changes in equity of an entity arising from transactions with owners from other changes in equity.
- Amendments to IFRS 7 Financial Instruments: Disclosures. This amendment enhances disclosures about fair value measurement and liquidity risk.
- IAS 23 Borrowing Costs - Revised. The Group has revised the accounting principle for capitalizing borrowing costs in accordance with the revised standard. The revised accounting principle had no effect to the reported figures.

The following interpretations or amendments to existing standards are mandatory for accounting periods beginning on or after 1 January 2009 but are not relevant to the Group's operations:

- IFRIC 13 Customer Loyalty Programmes
- Annual improvements 2008
- Amendments to IFRS 2 Share-Based Payment: Vesting Conditions and Cancellations
- Amendments to IAS 32 Financial instruments: Presentation and IAS 1 Presentation of Financial Statements - Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation
- Amendments to IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurements - Embedded derivatives.

The following amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010:

- IFRS 3 Business Combinations - Revised
- IAS 27 Consolidated and Separate Financial Statements - Revised.

Certain new interpretations or amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010. They are not expected to be relevant to the Group's operations:

- IFRIC 12 Service Concession Arrangements
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 Distributions of Non-Cash Assets to Owners
- IFRIC 18 Transfers of Assets from Customers
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items
- Amendments to IAS 32 Financial instruments: Presentation - Classification of Right Issue.

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. Such estimates include the expected useful lifetimes of tangible and intangible assets, the amount of income taxes recognized as expense and deferred tax assets or liabilities, actuarial assumptions applied in the calculation of defined benefit obligations, and assumptions made in the recognition of provisions or valuation of receivables. Actual results may differ from these estimates.

Consolidation

Subsidiaries

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

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the date of acquisition. 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 modified to ensure consistency with Group policies.

Associates and joint ventures

Associated companies are entities over which the Group has significant influence but not control, and generally involve a shareholding of between 20% and 50% of voting rights. 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 company or companies. The Group's interests in associates and joint ventures are accounted for by the equity method of accounting.

Identifiable assets acquired and liabilities and contingent liabilities assumed in the investment in associates and joint ventures are measured initially at their fair value at the date of acquisition. 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.

The Group's share of the post-acquisition profits or losses after tax of its associates and joint ventures 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 or joint venture equals or exceeds its interest in the associate or joint venture, 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 or joint venture.

Unrealized gains on transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Segment reporting

The reportable segments of the Group are presented in line with the Company's internal organizational and reporting structure adopted as of 1 April 2009. These business areas also represent the reporting segments.

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 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') or the functional currency of the Group. 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 of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates, 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 Group entities (none of which uses a hyperinflationary economy currency) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate quoted on the relevant balance sheet date;
- income and expenses 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);
- 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 booked to shareholders' equity. When a foreign operation is sold, exchange differences are recognized in the income statement as part of the gain or loss on the sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the entity in question and translated at the closing rate.

Revenue recognition

Revenue from the sale of goods is recorded in 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 services have been provided. Revenue is recorded for the exchange of goods only when dissimilar goods are exchanged.

Revenue include sales 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. Where forward sale and purchase contracts for crude oil or oil products have been determined to be for trading purposes, the associated sales and purchases are reported net within sales whether or not physical delivery has occurred. Excise taxes included in the retail price of petroleum products according to prevailing legislation in some countries are included in product sales. The corresponding amount is included in the purchase price of petroleum products and included in 'Materials and services' in the income statement.

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 that the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognized in the income statement in 'Other income' 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 expenses 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 criteria are that the borrowing costs incurred for the construction of a major initial investment, such as a new production facility.

Income taxes

The Group's income tax expenses include taxes of Group companies calculated on the basis of 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 taxes 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 the depreciation difference on property, plant and equipment, the fair valuation of derivative financial instruments, pension assets recognized in the balance sheet, provisions 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 are in force 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 it relates to new products that are technically and commercially feasible. The majority of the Group's development expenditure does not meet the criteria for capitalization and are recognized as expenses as incurred.

Property, plant and equipment

Property, plant, and equipment mainly comprise oil refineries and other production plants and storage tanks, marine fleet, and retail station network infrastructure and equipment. Property, plant, and equipment are stated at historical cost in the balance sheet, less depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items in question. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges related to foreign currency purchases of property, plant, and equipment. Assets acquired through the acquisition of a new subsidiary are stated at their fair value 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. The same principle is applied to the costs incurred for compulsory periodic docking of ships. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land areas are not depreciated. The bottom of crude oil rock inventory is included in other tangible assets and is 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 infrastructure and equipment 5–15 years
- Other equipment and vehicles 3–15 years
- Other tangible assets 20–40 years

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

Intangible assets

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

Computer software

Computer software licences are capitalized on the basis of the costs incurred to acquire and introduce the software in question. Costs are amortized over their estimated useful lives (three to five years). Costs associated with developing or maintaining computer software programs are recognized as an expense.

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).

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 or joint venture 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, using 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 amount.

A provision is recognized to cover the obligation to return emission allowances if emission 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 any change in the probable amount of the provision, are reflected in the 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 to the extent that 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 an 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.

Purchases and sales of financial assets are recognized on the date on which the Group commits to purchase or sell the asset known as the trade date. 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 derecognized 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.

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 measured reliably, 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 assets in '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 whether there is objective evidence that a financial asset or a group of financial assets is impaired at each balance sheet date.

Financial assets at fair value through income statement

The assets in this category are financial assets held for trading, and include derivative financial instruments, if they are 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 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, which are classified as non-current assets. Loans and receivables are included in 'Trade and other receivables' in the balance sheet.

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 the 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 a trade receivable is impaired. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted the effective interest rate. The amount of the loss is recognized in the income statement within 'Other expenses'.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any other category. They are included in non-current assets unless management intends to dispose of the asset within 12 months of the balance sheet date. Gains or losses on the sale of available-for-sale financial assets are included in 'Other income' or 'Other expenses'.

Leases

Finance leases

Lease arrangements that transfer substantially all the risks and rewards related to a 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, as determined at the inception of the lease. Lease payments are 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 shortest.

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 either cost or net realizable value, whichever is the lowest. 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. Inventories held for trading purposes are measured at fair value less 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, and other short-term, highly liquid investments with original maturities of three months or less.

Provisions

A provision is 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, and the amount of payment can be estimated reliably. 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 as net proceeds less any transaction costs incurred, and subsequently at amortized cost. Any difference between net proceeds and 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 IAS 39. Liabilities are included in non-current liabilities, except for items with maturities less than 12 months after the balance sheet date.

Employee benefits

Pension obligations

Neste Oil has a number of pension plans in accordance with local practices in the countries where it operates. These plans are generally funded through insurance companies or through the Group's pension funds. 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 fall 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 in order to spread the cost over the service lives of employees. The defined benefit obligation is measured as present value of the estimated future cash flows, using interest rates of high-quality corporate bonds that have similar maturity terms to those 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 expected average remaining working lives of employees. Past-service costs are recognized immediately in the income statement. The interest cost is included in employee benefit expenses.

Share-based payments

Expenses related to share-based payments are recorded in the income statement and a respective liability is recognized in the balance sheet for share-based payments settled in cash. The liability recognized in the balance sheet is measured at fair value at each reporting date. For transactions settled in equity, an increase corresponding to the expense in the income statement is entered in shareholders' equity.

Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognized at fair value on the date a 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 financial instrument is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivative financial instruments 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 3.

The effective portion of changes in the fair value of derivative financial instruments 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 in the periods when the hedged item affects the income statement, e.g. for example when a forecasted sale, that is being hedged, takes place. The gain or loss relating to the effective portion of the foreign exchange derivative contracts hedging of the future USD-sales are recorded within revenue. When the forecast transaction that is being hedged results in the recognition of a non-financial asset, for example property, plant and equipment, the gain or loss is included in the cost of the asset. The amounts are ultimately recognized in depreciation in the income statement. Interest element of interest rate swaps hedging variable rate interest-bearing liabilities is recognized in the income statement within 'financial expenses', and the change in fair value of the hedging instrument is accumulated in equity. 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.

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recorded in the income statement in '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 derivative financial instruments do not qualify for hedge accounting, any movement in fair value is recognized in the income statement.

Derivative financial instruments that do not qualify for hedge accounting

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

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35

Definitions

Operating profit

Operating profit includes the revenue from the sale of goods and services, other income such as gains on sale of shares or non-financial assets, less losses from the sale of shares or non-financial assets, as well as expenses related to production, marketing, and selling activities, administration, depreciation, amortization, and impairment charges. Realized and unrealized gains or losses on oil and freight derivative contracts together with realized gains and losses from foreign currency and oil derivative contracts hedging cash flows of commercial sales and purchases that have been recycled in the income statement, are also included in the operating profit.

Comparable operating profit

Comparable operating profit is calculated by excluding inventory gains/losses, gains/losses from sale of shares and non-financial assets, and unrealized changes in the fair value of oil and freight derivative contracts from the reported operating profit. Inventory gains/losses include the change in fair value of all trading inventories.

Segment net assets

Segment net assets include property, plant and equipment, intangible assets, investment in associates and joint ventures including shareholder loans, pension assets, inventories and interest-free receivables and liabilities allocated to the business segment as well as provisions and pension liabilities.

Return on net assets, %

Return on net assets is calculated by dividing segment operating profit with average segment net assets.

Comparable return on net assets, %

Comparable return on net assets is calculated by dividing segment comparable operating profit with average segment net assets.

3. FINANCIAL RISK MANAGEMENT

Risk management principles

Neste Oil recognizes that risk is an integral and unavoidable component of its business and is characterized by both threat and opportunity. The Corporate Risk Management and risk management professionals in business areas and common functions are responsible for controlling special risk disciplines, consulting and facilitating risk management processes and developing risk management systems. A number of risk management strategies have been developed to address the impact of the risks related to Neste Oil's business activities. The Neste Oil Corporate Risk Management Policy, the updated umbrella policy document, with the related Corporate Risk Management Principles, approved by the Board of Directors, defines risk management governance, responsibilities, processes, and terminology for communicating and reporting risks and risk management.

The documents define detailed principles covering strategic risks, market risks, including counterparty risks, operational and functional risks, including risks involving human safety, and legal liabilities. The Corporate Risk Management Policy and Principles complement Neste Oil's other risk management principles and instructions. The Treasury Risk Management Principles and the Credit and Counterparty Risk Management Principles are also approved by the Board of Directors. The Board of Directors' Audit Committee regularly reviews and monitors financial risk management policy, principles, risk limits, and other risk management activities.

The management of financially related risks aims to reduce the volatility in earnings, the balance sheet, and cash flow, while securing effective and competitive financing for the Group.

Risk management organization

Risks are generally managed at source, within the Group's business areas and common functions. Corporate Risk Management is responsible for managing and coordinating the enterprise risk management process, as well as consulting and facilitating risk management processes and developing risk management systems.

Neste Oil's Group Treasury is responsible for managing foreign exchange, interest rate, liquidity, and refinancing risks as well as insurance management. Group Treasury and Corporate Risk Management units are organized within Neste Oil's Finance function, headed by the Chief Financial Officer and both units work in close cooperation with the Group's business areas.

Credit and counterparty risk management is organized within Corporate Risk Management. Decisions on the creditworthiness of counterparties are decentralized at the relevant authorized levels of the line organization. The tasks of the Credit Committee, who used to monitor credit and counterparty risk management process, were transfered for the Risk Committee, founded in late 2009.

Oil price risk management is organized in Oil Products business area's Price Risk Management unit, which manages hedging for the Group's refining margin, refinery inventory price risk, and various position transactions, including managing the price risk associated with the obligation to return emission allowances. The Price Risk Management unit also provides oil price hedging services to internal and external counterparties. Oil Products business area and other functions to a smaller degree, enter into derivative contracts to limit the price risk associated with certain physical oil and freight contracts. Oil Products business area also enters into derivative transactions for trading purposes within authorized risk limits.

Neste Oil's risk management reporting is coordinated by the Chief Financial Officer. Major Group-level risks are reported to the Board of Directors, the Audit Committee, the President & Chief Executive Officer, and other corporate management as part of the strategy and planning process. A report on the market and financing risks of divisions and the Group is included in the monthly management report.

Market risks

1. Oil price risk

The market prices for crude oil and other feedstock, 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 given period are principally driven by the demand for and prices of refined petroleum products relative to the supply and cost of crude and other feedstock. These factors, combined with Neste Oil's own consumption of crude oil and other feedstock and output of refined products, drive operational performance and cash flows in Oil Products, which is Neste Oil's largest business area in terms of revenue, profits, and net assets.

As the total refining margin is an important determinant of Oil Products business area's earnings, its fluctuations constitute a significant risk. With the aim of securing a minimum margin per barrel, Neste Oil hedges its refining margin using derivative financial instruments. The level of hedging depends on the forecast for the period in question and management's view of market conditions. The normal convention, however, is that up to 10% of the total refining margin of Neste Oil's refinery output volume over each rolling 12-month period will be hedged. Hedging transactions are targeted at the components of Neste Oil's total refining margin, based on its forecasted sales and refinery production, that are exposed to international market price fluctuations. Because of the differences between the qualities of the underlying crude oil and refined petroleum products for which derivative financial instruments can be sold and purchased, and the actual quality of Neste Oil's feedstock and refined petroleum products in any given period, the business will remain exposed to some degree of basis risk.

From a risk management perspective, Neste Oil's refinery inventory consists of two components. The first and largest component remains relatively constant over time, at approximately 70–80% of total inventory volumes, and is referred to as the 'base' inventory. This 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 its refineries 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. Hedging operations related to price risk do not target the base inventory. Instead, Neste Oil's inventory risk management policies target inventories in excess of the 'base inventory' inasmuch as these stocks create cash flow risks depending on the relationships between feedstock purchases, refinery production and refined petroleum product sales over any given period.

The amount of inventories in excess of base inventory that Neste Oil will seek to hedge at any given time depends on management's view as to the likely magnitude and duration of the excess inventory over base levels and general market conditions. In practice, however, the entire excess inventory position is typically hedged.

Note 24 summarizes the exposure to open positions of oil derivative contracts as of 31 December 2009 (2008).

2. Foreign exchange risk

As the pricing currency used in the oil industry is the U.S. dollar and Neste Oil reports in euro, this factor, among others, exposes Neste Oil's business to short-term transaction and longer-term economic currency risks.

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, and in the Group'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) as well as the equity of non-euro zone subsidiaries (referred to as translation exposure).

Transaction exposure

In general, all business areas hedge their transaction exposure related to highly probable future cash flows. Net foreign currency cash flows are forecasted over a maximum of 12-month period on a rolling basis depending on the hedged item, and hedged 100% for the first six months and 50% for the following six months. Deviations from this risk-neutral benchmark position are subject to separate approvals set by the Group Treasury Risk Principles. The most important hedged currency is the U.S. dollar. The Group's net exposure is managed through the use of forward contracts and options. All transactions are made for hedging purposes and the majority are also hedge accounted for. Business areas are responsible for forecasting net foreign currency cash flows, while Group Treasury is responsible for implementing hedging transactions.

Neste Oil has several currency-denominated assets and liabilities in its balance sheet, such as foreign currency loans, deposits, net working capital and cash in other currencies than home currency. The principle is to hedge this balance sheet exposure fully using forward contracts and options. Open exposures are allowed based on risk limits set by the Group Treasury Risk Principles. The largest and most volatile item in terms of 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 feedstock are linked to the U.S. dollar environment, the daily exposure of net working capital is hedged as part of the balance sheet hedge in order to neutralize the effect of volatility in EUR/USD exchange rate. During 2009, the range of daily balance sheet exposure fluctuated between approximately EUR 205 million and 804 million. Group Treasury is responsible for consolidating various balance sheet items and carrying out hedging transactions. Foreign exchange risk is estimated by measuring the impact of currency rate changes based on historical volatility.

The table below shows the nominal values of the Group's interest-bearing debt by currency as of 31 December 2009 and 2008, in millions of euros.

Currency	2009	2008
EUR	**1,943**	974
USD	**87**	72
Other	**5**	13
	2,035	1,059

Note 24 summarizes the nominal and fair values of outstanding foreign exchange derivative contracts as of 31 December 2009 (2008).

Translation exposure

Group Treasury is responsible for managing Neste Oil's translation exposure. This consists of net investments in foreign subsidiaries, joint ventures, and associated companies. Although the main principle is to leave translation exposure unhedged, Neste Oil may seek to reduce the volatility in equity in the consolidated balance sheet through hedging transactions. Forward contracts are used to hedge translation exposure. Any hedging decisions are made on a case-by-case basis by Group Treasury, based on 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 439 million as of 31 December 2009 (2008: EUR 424 million), and the exposures and hedging ratios are summarized in the following table. As at 31 December 2008 the Group had not hedged the translation exposure.

Group translation exposure

	2009			2008		
EUR million	Invest-ment	Hedge	Hedge %	Invest-ment	Hedge	Hedge %
USD	**49**	**-**	**0%**	57	-	0%
SEK	**127**	**29**	**23%**	125	-	0%
CAD	**64**	**-**	**0%**	70	-	0%
PLN	**17**	**-**	**0%**	16	-	0%
RUB	**54**	**-**	**0%**	62	-	0%
EEK	**54**	**-**	**0%**	46	-	0%
LTL	**30**	**-**	**0%**	29	-	0%
BHD	**24**	**-**	**0%**	-	-	0%
Other	**20**	**-**	**0%**	19	-	0%
	439	**29**	**7%**	424	-	0%

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 expenses in the income statement. The risk-neutral benchmark duration for the debt portfolio is 12 months, and duration can vary between six and 36 months. Interest rate derivatives have been used to adjust the duration of the net debt portfolio. The Group's interest rate risk management is handled by Group Treasury. Note 24 summarizes the nominal and fair values of outstanding interest rate derivative contracts as of 31 December 2009 (2008).

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

Period in which repricing occurs	within 1 year	1 year - 5 years	Total
Financial instruments with floating interest rate			
Financial liabilities			
Loans from financial institutions	1,521		1,521
Pension loans	20		20
Finance lease liabilities	74		74
Other liabilities	0		0
Effect of interest rate swaps	47	-47	0
Financial instruments with fixed interest rate			
Bonds		420	420
Total	1,662	373	2,035

4. Key sensitivities to market risks

Sensitivity of operating profit to market risks arising from the Group's operations

Due to the nature of its operations, the Group's financial performance is sensitive to the market risks described above. The following table details the approximate impact that movements in the Group's key price and currency exposures would have on its operating profit for 2010 (2009), based on assumptions regarding the Group's reference market and operating conditions, but excluding the impact of hedge transactions.

Approximate impact on operating profit, excluding hedges

		2010	2009
+/- 10 % in the EUR/USD exchange rate	EUR million	- 65/+ 80	**- 100/+ 120**
+/- USD 1.00/barrel in total refining margin	USD million	+/- 110	**+/- 110**
+/- USD 1.00/barrel in crude oil price	USD million	+/- 10	**+/- 10**

Sensitivity to market risks arising from financial instruments as required by IFRS 7

The following analysis, required by IFRS 7, is intended to illustrate the sensitivity of the Group's profit for the period and equity to changes in oil prices, the EUR/USD exchange rate, and interest rates, resulting from financial instruments, such as financial assets and liabilities and derivative financial instruments, as defined by IFRS, included in the balance sheet as of 31 December 2009 (2008). Financial instruments affected by the above market risks include working capital items, such as trade and other receivables and trade and other payables, interest-bearing liabilities, deposits, cash and cash equivalents, and derivative financial instruments. When cash flow hedge accounting is applied, the change in the fair value of derivative financial instruments is assumed to be recorded fully in equity.

The following assumptions were made when calculating the sensitivity to the change in oil prices:

- the flat price variation for oil derivative contracts of crude oil and refined oil products is assumed to be +/- 10%
- the sensitivity related to oil derivative contracts held for hedging refinery oil inventory position is included; the underlying physical oil inventory position is excluded from the calculation, since inventory is not a financial instrument
- the sensitivity related to oil derivative contracts held for hedging expected future refining margin is included; the underlying expected refining margin position is excluded from the calculation
- the sensitivity related to oil derivative contracts for the price difference between various petroleum product qualities is excluded from the calculation, as the price variation of these contracts is assumed to be zero
- the sensitivity related to oil derivative contracts for the time spread of crude oil and petroleum products is excluded from the calculation, as the price variation of these contracts is assumed to be zero.

The following assumptions were made when calculating the sensitivity to changes in the EUR/USD exchange rate:

- the variation in EUR/USD-rate is assumed to be +/- 10%
- the position includes USD-denominated financial assets and liabilities, such as interest-bearing liabilities, deposits, trade and other receivables, liabilities, and cash and cash equivalents, as well as derivative financial instruments
- the position excludes USD-denominated future cash flows.

The following assumptions were applied when calculating the sensitivity to changes in interest rates:

- the variation of interest rate is assumed to be a 1% parallel shift in the interest rate curve

- the interest rate risk position includes interest-bearing liabilities, interest-bearing receivables, and interest rate swaps
- the income statement is affected by changes in the interest rates of floating-rate financial instruments, excluding those derivative financial instruments that are designated as and qualifying for cash flow hedges, which are recorded directly in equity.

The sensitivity analysis presented in the following table may not be representative, since the Group's exposure to market risks also arises from other balance sheet items than financial instruments, such as inventories. As the sensitivity analysis does not take into account future cash flows, which the Group hedges in significant volumes, it only reflects the change in fair value of hedging instruments. In addition, the size of the exposure sensitive to changes in the EUR/USD exchange rate varies significantly, so the position on the balance sheet date may not be representative for the financial period on average. Equity in the following table includes items recorded directly in equity. Items affecting the income statement are not included in equity.

Sensitivity to market risks arising from financial instruments as required by IFRS 7

		2009	
		Income statement	Equity
+/- 10% change in oil price	EUR million	**-/+ 28**	**0**
+/- 10% change in EUR/USD exchange rate	EUR million	**+ 45 /- 54**	**+ 30 /- 31**
1% parallel shift in interest rates	EUR million	**+/- 11**	**+/- 0**

		2008	
		Income statement	Equity
+/- 10% change in oil price	EUR million	-/+ 11	0
+/- 10% change in EUR/USD exchange rate	EUR million	+ 20 /- 17	+ 43 /- 54
1% parallel shift in interest rates	EUR million	+/- 4	+/- 0

5. Hedge accounting

The Group uses foreign currency derivative contracts 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 derivative contracts have been designated as hedges of forecasted transactions, e.g. cash flow hedges, net investment hedges, or as derivative financial instruments not meeting hedge accounting criteria. The Group uses foreign exchange forward contracts and options as hedging instruments.

The Group uses interest rate derivatives and its variations e.g. callable swaps to reduce the volatility of interest expenses in the income statement and by adjusting the duration of the debt portfolio. Interest rate derivative contracts 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 derivative financial instruments not meeting hedge accounting criteria. The Group uses interest rate swaps as hedging instruments.

Cash flow hedges

Derivative financial contracts that meet the qualifications for hedge accounting are designated as cash flow hedges. Such contracts are foreign currency derivatives contracts hedging USD-sales or capital expenditure denominated in foreign currencies for the next twelve months, and interest rate swaps directly linked to underlying funding transactions maturing 2013.

The effective portion of the changes in the fair value of the derivative financial instruments 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. In 2009 and 2008 the ineffective portion has been immaterial. Back testing is conducted on a quarterly basis to review the effectiveness of hedging transactions.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects the income statement, e.g. when a forecasted sale, that is being hedged, takes place. The gain or loss relating to the effective portion of the foreign exchange derivative contracts hedging of the future USD-sales are recorded within sales. This is expected to take place within the next 12 months from the balance sheet date. When the forecast transaction that is being hedged results in the recognition of a non-financial asset, for example property, plant and equipment, the gain or loss is included in the cost of the asset. The amounts are ultimately recognized in depreciation in the income statement. Interest element of interest rate swaps hedging variable rate interest-bearing liabilities is recognized in the income statement within finance costs, and the change in fair value of the hedging instrument is accumulated in equity. Movements in hedging reserve are presented in the statement of changes in equity.

Fair value hedges

Certain interest rate swaps are designated as fair value hedges. Changes in the fair value of the derivative financial instruments 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. The ineffective portion is also recognized in the income statement.

Items recognized in the income statement	2009	2008
- gain or loss on the hedging instrument	**3**	4
- gain or loss on the hedged item	**-3**	-4

Hedges of net investments in foreign entities

Hedges of the 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.

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 Group 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 Group seeks to reduce liquidity and refinancing risks by maintaining a diversified maturity profile in its loan portfolio. Certain other limits have also been set to minimize liquidity and refinancing risks. The Group must always have access to unutilized, committed credit facilities to cover all loans maturing within the next 12 months and any potential forecasted negative cash flows after investment activities. Unutilized committed credit facilities must always amount to at least EUR 500 million. In addition, total short-term financing shall not account for more than 30% of the total interest-bearing liabilities.

The average loan maturity as of 31 December was 3.8 years. The most important financing programs in place are:

- Revolving multicurrency credit facility (committed), EUR 1,500 million
- Overdraft facilities (committed), EUR 150 million
- Revolving credit facility (committed), EUR 75 million
- Domestic commercial paper program (uncommitted),EUR 400 million.

As of 31 December 2009, the Company had cash and cash equivalents and committed, unutilized credit facilities totaling EUR 1,407 million at its disposal.

Cash and cash equivalents and committed unutilized credit facilities

	2009	2008
Floating rate		
– cash and cash equivalents	**117**	55
– overdraft facilities, expiring within one year	**150**	146
– revolving credit facilities, expiring beyond one year	**1,140**	1,335
	1,407	1,536

The contractual maturity of interest-bearing liabilities as of 31 December 2009 is presented in the following table.

	2010 [1)]	2011	2012	2013	2014	2015-	Total
Bonds and debentures	22	22	142	18	18	336	**558**
- less finance charges	22	22	22	18	18	36	**138**
Repayment of bonds and debentures	-	-	120	-	-	300	**420**
Loans from financial institutions	434	20	452	216	363	86	**1 571**
- less finance charges	13	12	9	8	5	2	**49**
Repayment of loans from financial institutions	421	8	443	208	358	84	**1 522**
Pension loans	21	-	-	-	-	-	**21**
- less finance charges	1	-	-	-	-	-	**1**
Repayment of pension loans	20	-	-	-	-	-	**20**
Finance lease liabilities	5	5	6	36	26	-	**78**
- less finance charges	1	1	1	1	0	-	**4**
Repayment of finance lease liabilities	4	4	5	35	26	-	**74**
Other liabilities	0	-	-	-	-	-	**0**
- less finance charges	0	-	-	-	-	-	**0**
Rpayment of other long-term liabilities	0	-	-	-	-	-	**0**
Interest rate swaps							
- less finance charges	6	2	2	1	-5	-10	**-4**

1) Repayments in 2010 are included in current liabilities in the balance sheet

Finance charges are primarily interest expenses. The contractual maturities of derivative financial instruments are included in Note 24.

The contractual maturity of interest-bearing liabilities as of 31 December 2008 is presented in the following table.

	2009 [1]	2010	2011	2012	2013	2014-	Total
Bonds and debentures	86	4	4	124	-	-	218
- less finance charges	6	4	4	4	-	-	18
Repayment of bonds and debentures	80	-	-	120	-	-	200
Loans from financial institutions	87	37	41	275	227	259	926
- less finance charges	39	33	33	27	19	17	168
Repayment of loans from financial institutions	48	4	8	248	208	242	758
Pension loans	1	1	1	1	1	21	26
- less finance charges [2]	1	1	1	1	1	1	6
Repayment of pension loans	-	-	-	-	-	20	20
Finance lease liabilities	9	9	7	8	39	28	100
- less finance charges	4	3	3	3	3	1	17
Repayment of finance lease liabilities	5	6	4	5	36	27	83
Interest rate swaps							
- less finance charges	-4	0	-1	-2	-1	-	-8

1) Repayments in 2009 are included in current liabilities in the balance sheet

2) While pension loan was a perpetual loan, finance charges in 2014 include payment only from one year

Credit and counterparty risk

Credit and counterparty risk arises from sales, hedging and trading transactions as well as from cash investments. The risk arises from the potential failure of a counterparty to meet its contractual payment obligations, and the risk depends on the creditworthiness of the counterparty as well as the amount of the exposure. The objective of credit and counterparty risk management is to minimize the losses incurred as a result of a counterparty not fulfilling its obligations. The management principles for credit and counterparty risk are covered in the Neste Oil Credit and Counterparty Risk Management Principles approved by the Board of Directors, and risk management is implemented through authority mandates across the organization.

The amount of risk is quantified as the expected loss to Neste Oil in the event of a default by a counterparty. Credit risk limits are set at the Group level, designated by different levels of authorization and delegated to Neste Oil's business areas. The latter are responsible for counterparty risk management within these limits. When determining the credit lines for sales contracts for oil deliveries, counterparties are screened and evaluated vis-à-vis their creditworthiness to decide whether an open credit line is acceptable or a collateral or other credit enhancements such as letter of credit, bank guarantee or parent company guarantee have to be posted. In the event that a collateral is required, the credit risk is evaluated based on a financial evaluation of the party posting the collateral. If appropriate in terms of the potential credit risk associated with a specific customer, advance payment is required before delivery of products or services.

The credit lines for counterparties are divided into two categories according to contract type: physical sales contracts and derivative contracts. Credit lines are restricted in terms of the time horizon associated with the payment and credit exposure risk. In determining counterparty credit limits, two levels of delegation are used: authority mandates to the rated counterparties by the general rating agencies and authority mandates related to other counterparties. For OTC (over-the-counter) derivative financial instrument contracts, Neste Oil has negotiated a framework agreement in the form of an ISDA (International Swaps and Derivatives Association, Inc.) agreement with the main counterparties concerning oil commodity, currency and interest rate derivative financial instruments. These contracts permit netting and allow for termination of the contract on the occurrence of certain events of defaults. Some of these agreements concerning commodity derivatives include Credit Support Annexes with the aim of reducing credit and counterparty risk by requiring margin call deposits in the form of cash or letter of credit for balances exceeding the mutually agreed limit.

Group Treasury reduces credit risk by executing transactions only with counterparties with approved counterparty risk limits. All counterparties are rated with the minimum counterparty credit rating requirement being BBB (S&P). Foreign subsidiaries may have bank accounts in unrated financial institutions. In order to decrease credit risk associated with local banks used by subsidiaries in foreign countries, the subsidiaries are required to deposit their excess cash balances with the Group Treasury on an ongoing basis.

As to counterparty risk management vis-à-vis insurance companies for Neste Oil Group, the minimum credit rating requirement for the insurers and/or reinsurers is A- (S&P).

As of the balance sheet date, there was no major concentration of credit risk in respect of trade receivables from any single counterparty or counterparties within a same group, as the Group has a large number of different customers and counterparties on international markets. As to the range of the counterparties, the most significant types are mainly large international oil companies and financial institutions. However, the Group's exposure to unexpected credit losses within one reporting segment may increase with the concentration of credit risk through a number of counterparties operating in the same industry sector or geographical area, which may be adversely affected by changes in economic, political or other conditions. These risks are reduced by taking geographical risks into consideration in decisions on creditworthiness.

The Group follows the credit and counterparty guidelines in review and follow-up process of the credit limits daily. The impact of the financial market conditions to the Group's counterparties with regard to the associated credit risk are also assessed in the process, by taking into account all available information about counterparties, their financial situation and business activities. Balances due from a single sales transaction to a counterparty with open credit line may typically amount to approximately EUR 10 million due to the nature of the oil business, where cargoes including large volumes of refined oil products, for example 20,000 tons, are sold as one transaction. For this example, oil product price is based on a crude oil price of USD 75/barrel representing the price level prevailing at the turn of the financial period 2009/2010.

Vis-à-vis counterparties to the contracts comprising the derivative financial instruments exposure as at 31 December 2009, approximately two thirds of the counterparties or their parent companies related to commodity derivative contracts have investment grade rating from Standard & Poor's, Moody's or Fitch. Respectively, Group Treasury had an exposure for currency and interest rate derivative contracts as at 31 December 2009 with banks, of which all have investment grade rating. Considerable part of the oil derivative transactions is done through exchange, which reduces credit risk.

The following table shows an analysis of trade receivables by age. 68% of the trade receivables portfolio exposure are from counterparties or their parent companies having credit rating BBB- (S&P) minimum. 32% consists of trade receivables from the counterparties not having credit rating, most of it comprising from a large number of corporate and private customers. With respect to undue trade receivables, there were no indications as of 31 December 2009 that the counterparties would not meet their obligations.

Analysis of trade receivables by age

	2009	2008
Undue trade receivables	**539**	529
Trade receivables 1–30 days overdue	**24**	34
Trade receivables 31–60 days overdue	**2**	2
Trade receivables more than 60 days overdue	**5**	9
Total	**570**	574

Capital risk management

The Group's objective when managing capital is to secure a capital structure that gives the Group access to capital markets at all times despite the volatile nature of the industry in which Neste Oil operates. Despite the fact that the Group does not have a public rating, the Group's target is to have a capital structure equivalent to that of other oil refining companies with a public investment grade rating. The capital structure of the Group is reviewed by the Board of Directors on a regular basis.

The Group monitors its capital on the basis of leverage ratio, the ratio of interest-bearing net debt to interest-bearing net debt plus total equity. Interest-bearing net debt is calculated as interest-bearing liabilities less cash and cash equivalents.

Over the cycle, the Group's leverage ratio is likely to fluctuate, and it is the Group's objective to maintain the leverage ratio within the range of 25–50%. The leverage ratio as of 31 December 2009 and 2008 was as follows:

	2009	2008
Total interest-bearing liabilities	**2,035**	1,059
Cash and cash equivalents	**117**	55
Interest-bearing net debt	**1,918**	1,004
Total equity	**2,222**	2,179
Interest-bearing net debt and total equity	**4,140**	3,183
Leverage ratio	**46.3%**	31.5%

4. SEGMENT INFORMATION

Operating segments

The Group reorganized its operations around three business areas and seven common functions, and introduced a new organization reflecting this on 1 April 2009. The new business areas act as profit centers and are responsible for their customers, products, and business development. Business areas are: Oil Products, Renewable Fuels, and Oil Retail. The common functions are: Production & Logistics, Finance, Human Resources, HSSE, Technology & Strategy, Communications, and Legal Affairs. Production & Logistics is responsible for operating the production facilities of Oil Products and Renewable Fuels. The result and net assets of Production & Logistics are accounted within those Business areas.

The segments market and sell different products and services for different customer groups using different delivery chanels.

- Oil Products markets and sells gasoline, diesel fuel, light and heavy fuel oil, aviation fuel, base oils, gasoline components and liquefied petroleum gas to domestic and international wholesale markets.
- Renewable Fuels segment markets and sells NExBTL renewable diesel based on Neste Oil's proprietary technology to domestic and international wholesale markets.
- Oil Retail segment markets and sells petroleum products and associated services directly to end-users, of which the most important are private motorists, industry, transport companies, farmers, and heating oil customers. Traffic fuels are marketed through Neste Oil's own service station network and direct sales.
- Others segment includes Group administration, the common functions, investment in Nynas AB and Neste Jacobs Group.

Reporting segments presented above don't include any segments which are formed from aggregating two or more smaller segments.

The segments' operating results are measured based on comparable operating profit and return on comparable net assets. The accounting policies of the segments are the same as those for the Group, as described in 'Summary of significant accounting policies'. All inter-segment transactions are on arm's length basis and are eliminated in consolidation. Segment operating profit include realized gains and losses from foreign currency and oil derivative contracts hedging cash flows of commercial sales and purchases that have been recycled in the income statement. The 'other expenses' included in the income statement for each business segment includes the following major items:

- Oil Products: maintenance, freights, rents, and other property costs and insurance premiums, change in the fair value of open oil derivative positions
- Renewable Fuels: project costs, planning and consultancy costs and maintenance
- Oil Retail: rents and other property costs and maintenance

Segment operating assets and liabilities comprise of assets and liabilities utilized in the segments' business operations. Assets consist primarily of property, plant and equipment, intangible assets, investment in associates and joint ventures including shareholder loans, pension assets, inventories and receivables. They exclude deferred taxes, interest-bearing receivables, and derivative financial instruments designated as hedges of forecasted future cash flows. Segment operating liabilities comprise operating liabilities, pension liabilities, and provisions; and exclude items such as current and deferred taxes, interest-bearing liabilities, and derivative financial instruments designated as hedges of forecasted future cash flows.

Group's customer structure in 2009 and 2008 did not result in any major concentration in any given geographical or business area.

2009	Oil products	Renewable fuels	Oil retail	Others	Eliminations	Group
External revenue	6,499	100	2,991	46	-	9,636
Internal revenue	1,132	82	7	118	-1,339	0
Total revenue	7,631	182	2,998	164	-1,339	9,636
Other income	21	0	3	24	-19	29
Share of profit of associates and joint ventures	0	-1	0	21	-	20
Materials and services	-6,501	-142	-2,750	-19	1,245	-8,167
Employee benefit costs	-160	-9	-31	-101	0	-301
Depreciation, amortization and impairments	-178	-14	-31	-11	-	-234
Other expenses	-495	-41	-139	-84	111	-648
Operating profit	318	-25	50	-6	-2	335
Financial income and expense						-39
Profit before taxes						296
Income taxes						-71
Profit for the period						225
Comparable operating profit	105	-30	50	-7	-2	116
Changes in the fair value of open oil and freight derivative positions	-43	-	-	-	-	-43
Inventory gains/losses	256	5	-	-	-	261
Sales gains/losses	-	-	-	1	-	1
Operating profit	318	-25	50	-6	-2	335
Capital expenditure and investments in shares	198	625	29	11	-	863
Segment operating assets	3,695	1,065	544	136	-190	5,250
Investment in associates and joint ventures	55	15	1	145	-	216
Deferred tax assets						11
Unallocated assets						223
Total assets	3,750	1,080	545	281	-190	5,700
Segment operating liabilities	807	140	240	47	-191	1,043
Deferred tax liabilities						328
Unallocated liabilities						2,107
Total liabilities	807	140	240	47	-191	3,478
Segment net assets	2,943	940	305	234	1	4,423
Return on net assets, %	12.0	-4.0	15.8	-2.7		
Comparable return on net assets, %	4.0	-4.8	15.8	-3.2		

2008	Oil products	Renewable fuels	Oil retail	Others	Eliminations	Group
External revenue	10,826	97	4,065	55	-	15,043
Internal revenue	1,815	19	8	88	-1,930	0
Total revenue	12,641	116	4,073	143	-1,930	15,043
Other income	34	0	4	23	-17	44
Share of profit of associates and joint ventures	0	0	-	13	-	13
Materials and services	-11,627	-67	-3,819	-18	1,874	-13,657
Employee benefit costs	-170	-7	-41	-105	8	-315
Depreciation, amortization and impairments	-175	-7	-31	-10	-	-223
Other expenses	-520	-33	-161	-75	70	-719
Operating profit	183	2	25	-29	5	186
Financial income and expense						-57
Profit before taxes						129
Income taxes						-28
Profit for the period						101
Comparable operating profit	602	2	22	-29	5	602
Changes in the fair value of open oil and freight derivative positions	22	0	2	-	-	24
Inventory gains/losses	-453	-	-	-	-	-453
Sales gains/losses	12	0	1	0	-	13
Operating profit	183	2	25	-29	5	186
Capital expenditure	165	249	63	31	-	508
Segment operating assets	3,337	439	567	130	-155	4,318
Investment in associates and joint ventures	15	11	1	135	-	162
Deferred tax assets						16
Unallocated assets						224
Total assets	3,352	450	568	265	-155	4,720
Segment operating liabilities	916	69	217	65	-160	1,107
Deferred tax liabilities						297
Unallocated liabilities						1,137
Total liabilities	916	69	217	65	-160	2,541
Segment net assets	2,436	381	351	200	5	3,373
Return on net assets, %	6.4	0.9	6.8	-12.9		
Comparable return on net assets, %	21.2	0.9	6.0	-12.9		

Geographical information

The Group operates production facilities in Finland, Canada, Belgium and Portugal, and retail selling network in Finland, North-west Russia, Estonia, Latvia, Lithuania and Poland. Production facilities in Singapore, the Netherlands and Bahrain are under construction. The following table provides information of the Group's revenue by geographical area, irrespective of the origin of the goods or services, and non-current assets and capital expenditure by geographical area.

Revenue is allocated based on the country in which the customer is located. Non-current assets and capital expenditure are allocated based on where the assets are located. Non-current assets comprise of intangible assets, property, plant and equipment and investments in associates and joint ventures including shareholder loans. 'Other Nordic countries' include Sweden, Norway, Denmark and Iceland. 'Baltic Rim' includes Estonia, Latvia, Lithuania, Russia and Poland. The Group's activities in this geographical area comprise mainly of retail activities in the mentioned countries.

2009	Finland	Other Nordic countries	Baltic rim	Other European countries	North and South America	Other countries	Eliminations	Group
Revenue by destination	**4,375**	**1,089**	**1,422**	**1,686**	**1,003**	**61**	**0**	**9,636**
Non-current assets	**2,454**	**147**	**161**	**302**	**32**	**403**	**0**	**3,499**
Capital expenditure	**281**	**0**	**14**	**265**	**2**	**301**	**0**	**863**

2008	Finland	Other Nordic countries	Baltic rim	Other European countries	North and South America	Other countries	Eliminations	Group
Revenue by destination	6,446	1,396	1,986	3,395	1,779	41	0	15,043
Non-current assets	2,390	137	166	50	37	98	0	2,878
Capital expenditure	384	0	25	5	14	80	0	508

5. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Acquired subsidiaries

No acquisitions took place in 2009.

Neste Jacobs, subsidiary of Neste Oil Group, acquired 90% of the shares of an engineering company, Rintekno, which employs 230 people. The acquisition was closed on 29 February 2008. Prior to this, Neste Jacobs already owned 10% of the company. Rintekno is an engineering company specialized in engineering services for oil refining, chemicals and biopharma industries. Neste Jacobs and Rintekno have worked together for a number of years in connection with engineering of Neste Oil's investment projects.

On consolidation, intangible assets related to order backlog, customer relationships and trade name have been recognized at fair value in the balance sheet. Total amount recognized is EUR 1 million and the assets are depreciated during their expected life time, in 1–5 years. Goodwill recognized in the consolidated balance sheet is attributable to the experienced and capable personnel employed by Rintekno Group and to synergies achieved in engineering projects due to Rintekno's previous experience as a subcontractor in Neste Oil's major investment projects.

The profit of Rintekno Group included in the Neste Oil consolidated income statement 1 January–31 December 2008 is immaterial. Also, management estimates that Rintekno Group's effect on Neste Oil's consolidated revenue or profit for the period would have been immaterial as at 31 December 2008, had the acquisition taken place on 1 January 2008.

Assets and liabilities of Rintekno Group

2008	Aquired fair value	Aquired book value
Intangible assets	1	0
Property, plant and equipment	1	1
Trade and other receivables	5	5
Cash and cash equivalents	6	6
Total assets	13	12
Trade and other payables	5	5
Pension liabilities	1	1
Total liabilities	6	6
Acquired net assets	7	6
Purchase consideration		16
Direct costs related to the acquisition		0
Goodwill		9
Purchase consideration settled in cash		16
Direct costs related to the acquisition		0
Cash and cash equivalents in Rintekno Group		-6
Cash outflow on acquisition		10

Disposed subsidiaries

During the financial periods 2009 and 2008 there were no disposals of subsidiaries.

6. REVENUE

	2009	2008
Sale of goods	**9,436**	14,715
Revenue from services	**198**	285
Royalty income	**0**	1
Other	**2**	42
	9,636	15,043

Sale of goods include product sales from the Group's own refineries, other production facilities and retail stations as well as other sale of petroleum products, feedstock, raw materials and oil trading. Excise taxes included in the retail selling price of finished oil products amounting to EUR 1,126 million (2008: EUR 1,213 million) are included in product sales. The corresponding amount is included in 'Materials and services', Note 8.

Oil trading included in Sale of goods comprise of revenue from physical and derivative financial instrument trading activities conducted on international and regional markets by taking delivery of and selling petroleum products and raw materials within a short period of time for the purpose of generating a profit from short term fluctuations in product and raw material prices and margins. Trading mainly involves transactions based on the use of derivative financial instruments.

Revenue from services mainly comprises revenue from the chartering services and Neste Jacobs included in Others segment.

Revenue from product exchanges included in 'Sale of goods' amounted to EUR 7 million (2008: EUR 126 million).

7. OTHER INCOME

	2009	2008
Capital gains on disposal of other non-current assets	**2**	12
Rental income	**7**	4
Government grants	**13**	12
Other	**7**	16
	29	44

Government grants relate mainly to the shipping operations, which is entitled to apply for certain grants based on Finnish legislation. EUR 5 million (2008: EUR 9 million) of the amount is included in 'Trade and other receivables' in the consolidated balance sheet. This amount relating to operations in the financial period ended 31 December are applied for and received during the following financial period. The Group believes that it has fullfilled all the conditions related to the grants recognized in the income statement.

8. MATERIALS AND SERVICES

	2009	2008
Change in product inventories	**-392**	115
Materials and supplies		
Purchases	**8,656**	13,328
Change in inventories	**-117**	195
External services	**20**	19
	8,167	13,657

Purchases include excise taxes included in the retail selling price of petroleum products amounting to EUR 1,126 million (2008: EUR 1,213 million). The corresponding amount is included in 'Revenue', Note 6.

9. EMPLOYEE BENEFIT COSTS

	2009	2008
Wages, salaries	**233**	251
Social security costs	**20**	24
Pension costs-defined contribution plans	**18**	28
Pension costs-defined benefit plans	**22**	2
Other costs	**8**	10
	301	315

Detailed information concerning pension costs is included in Note 29, ' Retirement benefit obligations'.
Key management compensation is included in Note 31, 'Related party transactions'.

Number of personnel (average)

	2009	2008
Oil Products	**2,354**	2,488
Renewable Fuels	**96**	42
Oil Retail	**1,411**	1,392
Others	**1,425**	1,252
	5,286	5,174

10. DEPRECIATION, AMORTIZATION AND IMPAIRMENT CHARGES

	2009	2008
Depreciation of property, plant, and equipment		
Buildings and structures	**53**	51
Machinery and equipment	**162**	152
Other tangible assets	**8**	10
	223	213
Amortization of intangible assets	**11**	10
Depreciation, amortization and impairment charges total	**234**	223

11. OTHER EXPENSES

	2009	2008
Operating leases and other property costs	**138**	149
Freights relating to sales	**95**	108
Repairs and maintenance	**120**	124
Services	**79**	98
Other	**216**	240
	648	719

Operating leases include rents for land, premises, machinery and equipment as well as time charter vessels.
Services include planning- and consulting services, IT-services and other services. Other expenses include selling expenses, insurance premiums and unrealized changes in the fair value of open oil and freight derivative positions when negative.

Fees charged by the statutory auditor, EUR thousands

	2009	2008
Audit fees	916	786
Auditor's mandatory opinions	14	19
Tax advisory	114	157
Other advisory services	342	846
	1,386	1,808

12. FINANCIAL INCOME AND EXPENSES

	2009	2008
Financial income		
Dividend income on available-for-sale investments	0	0
Interest income from loans and receivables	10	8
Other financial income	0	0
	10	8
Financial expenses		
Interest expenses for financial liabilities at amortized cost	-36	-53
Interest rate derivatives, hedge accounted	1	0
Interest rate derivatives, non-hedge accounted	-5	-14
Other financial expenses	-4	-3
	-44	-70
Exchange rate and fair value gains and losses		
Loans and receivables	4	-12
Other	-7	3
Foreign exchange derivatives, non-hedge accounted	-2	14
	-5	5
Financial cost - net	-39	-57

Net gains/losses on financial instruments included in operating profit

	2009	2008
Foreign exchange rate and oil derivative financial instruments designated as cash flow hedges	-20	34
Non-hedge accounted foreign exchange rate, oil and freight derivative instruments	-66	-11
	-86	23

Net gains/losses include realized and unrealized gains and losses on derivative financial instruments. Finacial instruments held for trading purposes incude also the net result of physical trading transactions for those contracts that meet the criteria specified in IAS 39.5-6. Non-hedge accounted derivative financial instruments include net result of transactions entered into for hedging purposes amounting to EUR -42 million (2008: EUR 10 million), and transactions entered into for trading purposes amounting to EUR -24 million (2008: EUR -21 million).

Aggregate exchange differences charged/credited to the income statement

	2009	2008
Revenue	-12	29
Materials and services	11	-12
	-1	17

13. INCOME TAX EXPENSE

The major components of tax expenses are presented in the following table.

	2009	2008
Current tax expense	38	15
Adjustments recognized for current tax of prior periods	5	-3
Change in deferred taxes	28	16
	71	28

The difference between income taxes at the statutory tax rate in Finland and income taxes recognized in the consolidated income statement is reconciled in the following table.

	2009	2008
Profit before tax	296	129
Hypothetical income tax calculated at Finnish tax rate 26%	-77	-34
Effect of different tax rates of foreign subsidiaries	4	-1
Tax exempt income	11	4
Non-deductible expense	-2	-2
Taxes for previous periods	-5	3
Net results of associated companies	5	3
Tax losses with no tax benefit	-5	-
Other	-2	-1
Tax charge in the consolidated income statement	-71	-28

The Group's effective income tax rate was 23,75% (2008: 21,79%). The effective tax rate is continually being slightly lower than the Finnish corporate tax rate of 26%. The share of profits of associates and joint ventures and tax-exempt items decreased the effective tax rate. The main reason for the effective tax rate is the effect of Finnish on-going business operations.

14. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. Since the Company has not granted any options, there is no dilution. The average number of shares has been adjusted with treasury shares, 490,000 shares (2008:500,000), as described in note 25.

	2009	2008
Profit attributable to equity holders of the Company	221	97
Weighted average number of ordinary shares in issue (thousands)	255,904	255,904
Earnings per share basic and diluted (euro per share)	0.86	0.38

15. DIVIDEND PER SHARE

The dividends paid in 2009 were EUR 0.80 per share, totalling EUR 205 million and 2008 EUR 1.00 per share, totalling EUR 256 million. A dividend of EUR 0.25 per share will be proposed at the Annual General Meeting on 15 April 2010, corresponding to total dividends of EUR 64 million for 2009. This dividend is not reflected in the financial statements.

16. PROPERTY, PLANT AND EQUIPMENT

2009	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Assets under construction	Total
Gross carrying amount at 1 January 2009	69	1,352	2,655	115	417	4,608
Exchange differences	0	17	0	0	0	17
Additions	2	127	205	8	466	808
Disposals	0	-6	-29	0	-31	-66
Reclassifications	0	1	5	0	-4	2
Gross carrying amount at 31 December 2009	71	1,491	2,836	123	848	5,369
Accumulated depreciation and impairment losses at 1 January 2009	0	627	1,254	52	-	1,933
Exchange differences	-	16	0	0	-	16
Disposals	-	-7	-31	0	-	-38
Reclassifications	-	0	0	0	-	0
Depreciation for the period	-	53	162	8	-	223
Accumulated depreciation and impairment losses at 31 December 2009	0	689	1,385	60	-	2,134
Carrying amount at 1 January 2009	69	725	1,401	63	417	2,675
Carrying amount at 31 December 2009	71	802	1,451	63	848	3,235

2008	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Assets under construction	Total
Gross carrying amount at 1 January 2008	67	1,317	2,579	110	143	4,216
Exchange differences	-3	-41	-7	-1	-3	-55
Additions	6	88	100	5	288	487
Acquisition of subsidiaries	-	-	2	-	-	2
Disposals	-1	-6	-21	0	-8	-36
Reclassifications	0	-6	2	1	-3	-6
Gross carrying amount at 31 December 2008	69	1,352	2,655	115	417	4,608
Accumulated depreciation and impairment losses at 1 January 2008	-	616	1,122	42	-	1,780
Exchange differences	-	-28	-4	0	-	-32
Disposals	-	-6	-16	0	-	-22
Reclassifications	-	-6	0	-	-	-6
Depreciation for the period	-	51	152	10	-	213
Accumulated depreciation and impairment losses at 31 December 2008	-	627	1,254	52	-	1,933
Carrying amount at 1 January 2008	67	701	1,457	68	143	2,436
Carrying amount at 31 December 2008	69	725	1,401	63	417	2,675

Finance leases

Machinery and equipment include assets where the Group is a lessee under a finance lease as specified in the following table.

	2009	2008
Gross carrying amount	145	145
Accumulated depreciation	46	38
Carrying amount	99	107

Capitalized borrowing costs

Borrowing costs amounting to EUR 10 million (2008: EUR 2 million) were capitalized during the financial period related to the Renewable Fuels investment projects in Singapore and Rotterdam. They are included in 'Assets under construction'. The Group's average interest rate of borrowings for each month was applied as the capitalization rate, which resulted in average capitalization rate of 2.60% (2008: 4.00%).

17. INTANGIBLE ASSETS

2009	Goodwill	Other intangible assets	Total
Gross carrying amount at 1 January 2009	11	119	130
Exchange differences	-	1	1
Additions	-	9	9
Disposals	-	-1	-1
Reclassifications	-	1	1
Gross carrying amount at 31 December 2009	11	129	140
Accumulated amortization and impairment losses at 1 January 2009	-	79	79
Exchange differences	-	2	2
Disposals	-	0	0
Reclassifications	-	0	0
Amortization for the period	-	11	11
Accumulated amortization and impairment losses at 31 December 2009	-	92	92
Carrying amount at 1 January 2009	11	40	51
Carrying amount at 31 December 2009	11	37	48

2008	Goodwill	Other intangible assets	Total
Gross carrying amount at 1 January 2008	2	112	114
Exchange differences	-	-1	-1
Additions	9	10	19
Disposals	-	-8	-8
Reclassifications	-	6	6
Gross carrying amount at 31 December 2008	11	119	130
Accumulated amortization and impairment losses at 1 January 2008	-	73	73
Exchange differences	-	-2	-2
Disposals	-	-8	-8
Reclassifications	-	6	6
Amortization for the period	-	10	10
Accumulated amortization and impairment losses at 31 December 2008	-	79	79
Carrying amount at 1 January 2008	2	39	41
Carrying amount at 31 December 2008	11	40	51

Emission allowances

Neste Oil's Porvoo and Naantali refineries come under the European Union's greenhouse gas emission trading system, and were granted a total of 16.1 million tons emission allowances for the period 2008–2012. 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 emission 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.

As at 31 December 2009 estimated obligation to purchase emission allowances were reflected in the balance sheet of Neste Oil in provisions amounting to EUR 3 million. The actual amount of CO_2 emissions in 2009 were 3.5 million tons (2008: 3.4 million tons). The Group has purchased emission allowances for 350 thousand tons during the financial period ended 31 December 2009 (2008: 0 tons). The Group has exchanged an immaterial amount of emission allowances to Certified Emission Reduction (CER) during the financial period ended 31 December 2009.

Impairment test of goodwill

Goodwill is allocated to the Group's cash-generating units (CGU's), which are identified as the Group's operating segments, Oil Products, Renewable Fuels, Oil Retail, and Neste Jacobs sub-group within Others segment.

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

	2009	2008
Oil Products	2	2
Other	9	9
	11	11

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial plans approved by the management covering a period of three years. The key assumptions used for the plans in Neste Jacobs are the demand and the price level for engineering services within oil refining, chemicals and biopharma industries, as well as the billability rate.

Cash flows beyond the period are extrapolated for Neste Jacobs Group using a negative nominal growth rate. The negative nominal growth rate is due to goodwill being attributable to the experienced and capable personnel employed by the acquired Rintekno Group. The negative growth rate takes into account the potential turnover of personnel. The discount rate used is 9.2%, representing the WACC specified for the business area in question after tax, which is adjusted by tax effects in connection with the test. The WACC formula inputs are risk-free rate of return, market risk premium, industry-specific beta factor, target capital structure, borrowing cost and country risks.

The key assumptions used in the impairment test in Neste Jacobs are the billability rate affecting the EBITDA, and the discount rate. A reasonably possible change in the key assumptions would not create a situation in which the carrying amounts of the cash generating units would exceed their recoverable amounts.

18. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates

	2009	2008
Carrying amount		
At 1 January	2	2
At 31 December	2	2

A complete list of Group's associated companies, countries of incorporation, and interests held is disclosed in Note 32.

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

	2008
Assets	17
Liabilities	15
Revenue	57
Profit/loss	0

The financial statements of the Group's associates are not published within the Group's reporting timetable. The summarized financial information presented above, therefore, is from the latest published financial statements of the associates concerned (2008).

Investments in joint ventures

	2009	2008
Carrying amount		
At 1 January	150	176
Share of profits of joint ventures	20	13
Investments in joint ventures during the financial period	47	1
Translation differences	7	-20
Hedging reserves in joint ventures	-2	-1
Reclassification of shareholder loan to investment to joint venture	9	-
Dividends	-17	-19
At 31 December	214	150

The Group's interest in its principle joint ventures at 31 December, all of which are unlisted, are listed in the following table.

	Country of incorporation	2009 Interest held %	2008 Interest held %
Bahrain Lube Base Oil Company B.S.C (Closed)	Bahrain	45.00	-
Glacia Ltd	Bermuda	50.00	50.00
Lacus Ltd	Bermuda	50.00	50.00
NSE Biofuels Oy Ltd	Finland	50.00	50.00
Nynas AB	Sweden	49.99	49.99
Terra Ltd	Bermuda	50.00	50.00

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35

Bahrain Lube Base Oil Company B.S.C. (Closed) is a joint venture of nogaholding, Bapco and Neste Oil, of which Neste Oil owns 45%. The plant owned by the company will be one of the biggest VHVI (very high viscosity index) base oil factories, and the production is planned to start by the end of 2011. The plant is expected to produce 400,000 metric tons of VHVI base oil which is used in producing high quality lubricants. The company was founded during the financial period 2009. Decision making in the joint venture company is subject to mutual approval by the partners (shareholders).

Glacia Ltd is a joint venture company owned on a 50/50 basis by Neste Oil and Stena Maritime AG (part of the Stena Group). The company owns an Aframax-size crude tanker, which joined the Neste Oil fleet in January 2007. Neste Oil has entered into a 10-year time charter contract with the joint venture for the vessel of which 7 years remain.

Lacus Ltd and Terra Ltd are two joint venture companies owned on a 50/50 basis by Neste Oil and Concordia Maritime AG (part of the Stena Group). Both companies own Panamax-size product tankers, which joined the Neste Oil fleet in January and February 2007. Neste Oil has entered into a 10-year time charter contract with the joint ventures for the vessels of which 7 years remain.

NSE Biofuels Oy Ltd is a joint venture company owned on a 50/50 basis by Neste Oil and Stora Enso located in Varkaus, Finland. The purpose of the company is to build a demonstration plant for biowax production based on gasification of wood-based biomass. The target of the demonstration facility is to develop production process for future commercialization. The company was established during the financial period 2007.

Nynas AB (formerly AB Nynäs Petroleum) is a Swedish company that specializes in producing and marketing bitumen in Europe and naphthenics globally. The sales volumes, incl. various fuels produced as side products, amounted to 3.7 million tons in total in 2009. The remaining 50.01% of the shares of Nynas is owned by a subsidiary of a Venezuelan oil company, Petroleos de Venezuela S.A. Nynas AB is governed as a 50/50 owned joint venture, although the other party owns the majority of the company's total share capital.

Joint ventures have been consolidated using the equity method.

Summarized financial information in respect of the Group's joint ventures is set out in the following table.

2009	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Profit/loss
Glacia Ltd	**42**	**7**	**33**	**2**	**7**	**2**
Lacus Ltd	**30**	**3**	**22**	**2**	**5**	**2**
NSE Biofuels Oy Ltd	**26**	**1**	**20**	**1**	**1**	**-1**
Terra Ltd	**30**	**3**	**22**	**2**	**5**	**1**

2008	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Profit/loss
Glacia Ltd	46	4	36	2	5	1
Lacus Ltd	31	3	24	2	5	1
NSE Biofuels Oy Ltd	15	9	18	5	0	0
Nynas AB	259	576	269	299	2,412	37
Terra Ltd	31	3	24	2	5	1

The financial statements of Nynas AB and Bahrain Lube Base Oil Company B.S.C. (Closed) are not published within the Group's reporting timetable. The share of profits of joint ventures for 2009 is consolidated based on the company's preliminary results for the financial period.

19. CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORIES

2009 Balance sheet item	Financial assets/liabilities at fair value through income statement: Hedge accounting	Financial assets/liabilities at fair value through income statement: Non-hedge accounting	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Carrying amounts by balance sheet item	Fair value	Note
Non-current financial assets								
Non-current receivables	-	-	3	-	-	3	3	20
Derivative financial instruments	3	0	-	-	-	3	3	24
Available-for-sale financial assets	-	-	-	1	-	1	1	20
Current financial assets								
Trade and other receivables	-	-	757	-	-	757	757	22
Derivative financial instruments	23	27	-	-	-	50	50	24
Carrying amount by category	26	27	760	1	-	814	814	
Non-current financial liabilities								
Interest-bearing liabilities	-	-	-	-	1,590	1,590	1,605	26
Derivative financial instruments	3	12	-	-	-	15	15	24
Other non-current liabilities	-	-	-	-	0	0	0	26
Current financial liabilities								
Interest-bearing liabilities	-	-	-	-	445	445	445	26
Current tax liabilities	-	-	-	-	5	5	5	26
Derivative financial instruments	10	73	-	-	-	83	83	24
Trade and other payables	-	-	-	-	980	980	980	26
Carrying amount by category	13	85	-	-	3,020	3,118	3,133	

2008 Balance sheet item	Financial assets/liabilities at fair value through income statement: Hedge accounting	Financial assets/liabilities at fair value through income statement: Non-hedge accounting	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Carrying amounts by balance sheet item	Fair value	Note
Non-current financial assets								
Non-current receivables	-	-	13	-	-	13	13	20
Derivative financial instruments	-	16	-	-	-	16	16	24
Available-for-sale financial assets	-	-	-	1	-	1	1	20
Current financial assets								
Trade and other receivables	-	-	786	-	-	786	786	22
Derivative financial instruments	13	200	-	-	-	213	213	24
Carrying amount by category	13	216	799	1	-	1,029	1,029	
Non-current financial liabilities								
Interest-bearing liabilities	-	-	-	-	926	926	925	26
Derivative financial instruments	5	27	-	-	-	32	32	24
Other non-current liabilities	-	-	-	-	3	3	3	26
Current financial liabilities								
Interest-bearing liabilities	-	-	-	-	133	133	133	26
Current tax liabilities	-	-	-	-	1	1	1	26
Derivative financial instruments	37	160	-	-	-	197	197	24
Trade and other payables	-	-	-	-	916	916	916	26
Carrying amount by category	42	187	-	-	1,979	2,208	2,207	

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.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35

Fair value hierarchy

Financial assets	Level 1	Level 2	Level 3	Total
Non-current derivative financial instruments	0	3	-	3
Non-current available-for-sale financial assets	0	-	-	0
Current derivative financial instruments	1	49	-	50
Financial liabilities				
Non-current derivative financial instruments	0	15	-	15
Current derivative financial instruments	17	66	-	83

During the financial period 2009 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

20. NON-CURRENT RECEIVABLES AND AVAILABLE-FOR-SALE FINANCIAL ASSETS

Non-current receivables	Fair value		Carrying amount	
	2009	2008	**2009**	2008
Non-current interest-bearing receivables	**1**	12	**1**	12
Other non-current receivables	**2**	1	**2**	1
	3	13	**3**	13

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 the discounted cash flow method, applying the market interest rate at the balance sheet date. The maximum exposure to credit risk at the reporting date is the carrying amount of the loan receivables.

Available-for-sale financial assets	**2009**	2008
At 1 January	**1**	2
Disposals	**-**	-1
At 31 December	**1**	1
Investments in unlisted equity instruments	**1**	1
	1	1

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

21. INVENTORIES

	2009	2008
Materials and supplies	**272**	237
Finished products and goods	**875**	399
Other inventories	**1**	1
	1,148	637

Inventories held for trading purposes are measured at fair value, less selling expenses. They amounted to EUR 1 million as at 31 December 2009 (2008: EUR 17 million). Write downs of inventories amounted to EUR 6 million as at 31 December 2009 (2008: EUR 43 million).

22. CURRENT TRADE AND OTHER RECEIVABLES

	Fair value		Carrying amount	
	2009	2008	**2009**	2008
Trade receivables	**570**	574	**570**	574
Other receivables	**144**	85	**144**	85
Advances paid	**13**	16	**13**	16
Accrued income and prepaid expenses	**30**	111	**30**	111
	757	786	**757**	786

The carrying amounts of current receivables are reasonable approximations of their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of the trade and other receivables. Impairment of trade receivables amounted to EUR 3 million (2008: EUR 18 million). Analysis of trade receivables by age is presented in Note 3, Financial risk management, section 'credit and counterparty risk'.

23. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following:

The maximum exposure to credit risk at the reporting date is the carrying amount of the cash and cash equivalents.

	2009	2008
Cash at bank and in hand	**117**	54
Short term bank deposits	**0**	1
	117	55

24. DERIVATIVE FINANCIAL INSTRUMENTS

Nominal values of interest rate and currency derivative contracts and share forward contracts

	2009 Remaining maturities			2008 Remaining maturities		
	< 1 year	1–7 years	Total	< 1 year	1–5 years	Total
Derivative financial instruments designated as hedges of net investment in foreign operations						
Forward foreign exchange contracts	**29**	**-**	**29**	-	-	-
	29	**-**	**29**	-	-	-
Derivative financial instruments designated as cash flow hedges						
Interest rate swaps [1]	**-**	**33**	**33**	-	35	35
Forward foreign exchange contracts	**692**	**-**	**692**	604	-	604
Currency options						
- Purchased	**115**	**-**	**115**	336	-	336
- Written	**114**	**-**	**114**	256	-	256
	921	**33**	**954**	1,196	35	1,231
Derivative financial instruments designated as fair value hedges						
Interest rate swaps [1]	**-**	**310**	**310**	-	60	60
	-	**310**	**310**	-	60	60
Non-hedge accounting derivative financial instruments						
Interest rate swaps [1]	**150**	**230**	**380**	-	380	380
Forward foreign exchange contracts	**1,038**	**-**	**1,038**	777	-	777
Share forward contracts [2]	**9**	**-**	**9**	5	9	14
	1,047	**230**	**1,427**	782	389	1,171

[1] Interest rate swaps mature in 7 years.

[2] Share forward contracts relate to share based payments (Note 30) and in 2008 they matured in 0–2 years.

Volumes of oil and freight derivative contracts

	2009 Volume million bbl Remaining maturities			2008 Volume million bbl Remaining maturities		
	< 1 year	1–3 years	Total	< 1 year	1–2 years	Total
Non-hedge accounting oil derivative contracts [3]						
Futures and forwards						
- Sales contracts	18	-	18	26	1	27
- Purchase contracts	7	-	7	19	1	20
Options						
- Purchased	1	0	1	-	1	1
- Written	1	0	1	-	1	1
	27	0	27	45	4	49
Non-hedge accounting freight derivative contracts [3]						
Futures and forwards						
- Sales contracts	-	-	-	1	-	1
- Purchase contracts	-	-	-	12	-	12
Options						
- Purchased	-	-	-	-	-	-
- Written	-	-	-	-	-	-
	-	-	-	13	-	13

[3] Oil and freight derivative contracts with non-hedge accounting status consist of trading derivative contracts and cash flow hedges without hedge accounting status.

Fair values of derivative financial instruments

	Fair value 2009				Fair value 2008			
	Positive		Negative		Positive		Negative	
Interest rate and currency derivative contracts and share forward contracts	< 1 year	1–7 years	< 1 year	1–7 years	< 1 year	1–5 years	< 1 year	1–5 years
Derivative financial instruments designated as hedges of net investment in foreign operations								
Forward foreign exchange contracts	-	-	0	-	-	-	-	-
	-	-	0	-	-	-	-	-
Derivative financial instruments designated as cash flow hedges								
Interest rate swaps [1]	-	-	-	3	-	-	-	4
Forward foreign exchange contracts	20	-	8	-	12	-	20	-
Currency options								
- Purchased	1	-	2	-	1	-	6	-
- Written	2	-	0	-	0	-	11	-
	23	-	10	3	13	-	37	4
Derivative financial instruments designated as fair value hedges								
Interest rate swaps [1]	-	3	-	-	-	-	-	-
	-	3	-	-	-	-	-	-
Non-hedge accounting derivative financial instruments								
Interest rate swaps [1]	-	-	1	12	-	-	-	8
Forward foreign exchange contracts	1	-	20	-	28	-	3	-
Share forward contracts [2]	-	-	4	-	-	-	3	5
	1	-	25	12	28	-	6	13

[1] Interest rate swaps mature in 7 years.

[2] Share forward contracts relate to share based payments (Note 30) and in 2008 they matured in 0–2 years.

	Fair value 2009				Fair value 2008			
	Positive		Negative		Positive		Negative	
Oil and freight derivative contracts	< 1 year	1–3 years	< 1 year	1–3 years	< 1 year	1–2 years	< 1 year	1–2 years
Non-hedge accounting oil derivative contracts [3]								
Futures and forwards								
- Sales contracts	5	-	37	-	169	4	8	-
- Purchase contracts	13	-	3	-	3	-	137	3
Options								
- Purchased	0	0	8	-	-	-	-	12
- Written	8	0	0	-	-	12	-	-
	26	0	48	-	172	16	145	15
Non-hedge accounting freight derivative contracts [3]								
Futures and forwards								
- Purchase contracts	-	-	-	-	-	-	9	-
Options								
- Purchased	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	9	-

[3] Oil and freight derivative contracts with non-hedge accounting status consist of trading derivative contracts and cash flow hedges without hedge accounting status.

	2009				2008			
	Assets		Liabilities		Assets		Liabilities	
Balance sheet reconciliation	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Derivative financial instruments	50	3	83	15	213	16	197	32

Fair value estimations

Derivative financial instruments are initially recognized and subsequently re-measured at their fair values i.e. at the amount which could be used if willing parties would make transactions at the balance sheet date. The fair values are determined using a variety of methods and financial valuation techniques, and assumptions are based on market quotations on the relevant balance sheet date.

The fair values of the interest rate swaps and their variations are the present values of the estimated future cash flows. Changes in the fair value of interest rate swaps and their variations are reported either in equity or in the income statement depending on whether they qualify for hedge accounting. Foreign exchange forward contracts are calculated using the valuation model and the market rates at the balance sheet date. The fair value of currency options are calculated using market rates at the balance sheet date and by using the Black and Scholes option valuation model. Changes in the fair value of foreign currency derivative contracts are reported either in equity or in income statement depending on whether they qualify for hedge accounting.

The fair value of exchange traded oil commodity futures and option contracts is determined using the forward exchange market quotations as per 30 December 2009. Due to the early closing of the exchanges (ICE Futures Europe and NYMEX, New York Merchantile Exchange) and low liquidity of the market as at the balance sheet date, those quotations were not regarded as representative. Thus, the quotations of the last normal trading day of the financial period were used in the fair value calculations. The fair value of over-the-counter oil and freight derivative contracts is calculated using the net present value of the forward derivative contracts quoted market prices as per 30 December 2009. Changes in the fair value of oil commodity derivative contracts are reported either in equity or in the income statement depending on whether they qualify for hedge accounting.

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25. EQUITY

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 2009 totalled EUR 40,000,000, divided into 256,403,686 shares of equal value.

	Number of shares, 1 000	Share capital MEUR
Registered at 1 January 2008	256,404	40
Registered at 31 December 2008	256,404	40
Registered at 1 January 2009	**256,404**	**40**
Registered at 31 December 2009	**256,404**	**40**

Treasury shares

Neste Oil has entered into an agreement with a third party service provider concerning the administration of the share-based management share performance arrangement for key management personnel. As part of the agreement, the service provider purchased a total of 500,000 Neste Oil shares in February 2007 in order to hedge part of Neste Oil's cash flow risk in relation to the possible future payment of the rewards, which will take place partly in Neste Oil shares and partly in cash during 2013. Despite the legal form of the hedging arrangement, it has been accounted for as if the share purchases had been conducted directly by Neste Oil, as required by IFRS 2, Share based payments and SIC-12, Consolidation - Special purpose entities. The consolidated balance sheet and the consolidated changes in total equity reflect the substance of the arrangement with a deduction amounting to EUR 12 million in equity. This amount represents the consideration paid for the shares by the third party service provider. In December 2009 Neste Oil decided to assign 10,000 shares held by the third party service provider. At the date of the transfer, the value of the shares was 119 thousand euros. As at 31 December 2009 there were 490,000 shares accounted for as treasury shares.

Other reserves

Reserve fund comprises of restricted reserves other than share capital.

Fair value and other reserves include the effective portion of the change in fair value of derivative financial instruments that are designated as and qualify for cash flow hedges, amounts recognized directly in equity concerning available-for-sale investments, and concerning equity settled share based payments, the amount corresponding to the expense recognized in the income statement.

Translation differences include exchange differences arising from the translation of the net investment in foreign entities on consolidation, change in the fair value of currency instruments designated as hedges of the net investment, and exchange differences resulting from the translation of income statement of foreign entities at the average exchange rates and balance sheet at the closing rates.

26. NON-CURRENT AND CURRENT LIABILITIES

	Fair value		Carrying amount	
Non-current liabilities	**2009**	2008	**2009**	2008
Bonds	**434**	115	**420**	120
Loans from financial institutions	**1,101**	712	**1,100**	708
Pension loans	**-**	20	**-**	20
Finance lease liabilities	**70**	78	**70**	78
Other non-current liabilities	**0**	1	**0**	1
Accruals and deferred income	**0**	2	**0**	2
Non-current liabilities total	**1,605**	928	**1,590**	929
of which interest-bearing			**1,590**	926

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 the discounted cash flow method employing market interest rates or market values at the balance sheet date.

	Fair value		Carrying amount	
Current liabilities	**2009**	2008	**2009**	2008
Bonds	**-**	80	**-**	80
Loans from financial institutions	**394**	43	**399**	43
Pension loans	**20**	-	**20**	-
Finance lease liabilities	**4**	5	**4**	5
Advances received	**13**	15	**13**	15
Trade payables	**576**	496	**576**	496
Other current liabilities	**347**	327	**347**	327
Current tax liabilities	**5**	1	**5**	1
Accruals and deferred expenses	**66**	83	**66**	83
Current liabilities total	**1,425**	1,050	**1,430**	1,050
of which interest-bearing			**445**	133

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 the discounted cash flow method employing market interest rates at the balance sheet date.

The future minimum lease payments of finance lease liabilities and their present value in the balance sheet

	2009			2008		
	Minimum lease payments	Future finance charges	Present value of minimum lease payments	Minimum lease payments	Future finance charges	Present value of minimu lease payments
Amounts payable under finance lease:						
Within one year	**5**	**1**	**4**	10	5	5
Between one and five years	**70**	**0**	**70**	85	7	78
More than 5 years	**-**	**-**	**-**	-	-	-
Total amounts payable	**75**	**1**	**74**	95	12	83

Finance lease liabilities arise from bareboat agreements on crude oil tankers Tempera and Mastera delivered in 2002 and 2003, escort tugs Ukko and Ahti delivered in 2002 and a leasing agreement made in 2008 on spare parts of Mastera that are classified as finance lease agreements under IAS 17. The spare part leasing agreement was redeemed in 2009. The lease terms are 12 years for all the vessels with the lessor having an option to extend the term with additional 3 years. The bareboat agreements covering the vessels include call options to purchase the leased assets in the 10th and 11th year of the lease period at a value determined at the inception of the lease. Neste Oil has announced it will exercise the call options. 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 rents amounted to EUR 1 million (2008: EUR 2 million).

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27. DEFERRED INCOME TAXES

The movement in deferred tax assets and liabilities during 2009:

	at 1 Jan 2009	Charged to Income Statement	Charged in Equity	Exchange rate differences and other changes	at 31 Dec 2009
Deferred tax assets					
Tax loss carried forward	1	-1	-	-	0
Provisions	3	1	-	-	4
Other temporary differences	12	-5	-	-	7
Total deferred tax assets	16	-5	-	-	11
Deferred tax liabilities					
Depreciation difference and untaxed reserves	240	30	-	-	270
Excess of book basis over tax basis of property, plant and equipment	14	-6	-	1	9
Pensions	27	2	-	-	29
Cash flow hedges	-12	2	7	-	-3
Finance leases	7	0	-	-	7
Capitalized interest	10	2	-	-	12
Other temporary differences	11	-7	0	-	4
Total deferred tax liabilities	297	23	7	-	328

The movement in deferred tax assets and liabilities during 2008:

	at 1 Jan 2008	Charged to Income Statement	Charged in Equity	Exchange rate differences and other changes	at 31 Dec 2008
Deferred tax assets					
Tax loss carried forward	0	1	-	-	1
Provisions	2	1	-	-	3
Other temporary differences	5	7	-	-	12
Total deferred tax assets	7	9	-	-	16
Deferred tax liabilities					
Depreciation difference and untaxed reserves	211	29	-	-	240
Excess of book basis over tax basis of property, plant and equipment	19	-5	-	-	14
Pensions	21	6	-	-	27
Cash flow hedges	14	-10	-16	-	-12
Finance leases	8	-1	-	-	7
Capitalized interest	10	0	-	-	10
Other temporary differences	6	6	-1	-	11
Total deferred tax liabilities	289	25	-17	-	297

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. Deferred tax assets and liabilities in the same jurisdictions amounting to EUR 4 million (2008: EUR 13 million) have been netted in the balance sheet.

Deferred tax assets

	2009	2008
Deferred tax asset to be recovered after more than 12 months	8	10
Deferred tax asset to be recovered within 12 months	3	6
	11	16

Deferred tax liabilities

	2009	2008
Deferred tax liability to be recovered after more than 12 months	297	290
Deferred tax liability to be recovered within 12 months	31	7
	328	297

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.

The deferred tax liability on undistributed earnings of subsidiaries has not been recognized in the consolidated balance sheet because distribution of the earnings is controlled by 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.

28. PROVISIONS

	Environmental provisions	Provision to return emission allowances	Restructuring provisions	Other provisions	Total
At 1 January 2009	7	3	9	5	24
Charged to income statement					
Additional provisions	2	-	5	0	7
Amounts used during the period	0	0	-8	-1	-9
At 31 December 2009	9	3	6	4	22

	2009	2008
Current provisions	13	16
Non-current provisions	9	8
	22	24

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 as well as 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.

29. RETIREMENT BENEFIT OBLIGATIONS

The Group has several pension arrangements in different countries. In Finland, the statutory TyEL plan, as well as voluntary pension plans, were funded through Group's own pension fund 'Neste Oil Eläkesäätiö' during years 2009 and 2008. The fund is under the supervision of Financial Supervisory Authority. Since the employer has ultimate responsibility for the return of the plan assets, the funded portion of the TyEL and the future disability pensions are accounted for as a defined benefit plan under IAS 19. The Group also has a defined benefit plans in Belgium, Switzerland and in the UK. The unfunded portion of the Finnish TyEL as well as pension plans in other countries are defined contribution plans.

In December 2009 Neste Oil announced that it will transfer the management of the Finnish statutory pensions and the associated pensions portfolio to a pension insurance company. The transfer will take place in 2010. In January 2010 Neste Oil announced that it will transfer also the management of its voluntary pension benefits and the associated pension portfolio of its Finnish companies to a pension insurance company. Finnish statutory pensions that are managed in a pension insurance company will be accounted for as a defined contribution plan in the group financial statements. Voluntary pension plan in the form provided by Neste Oil will be accounted for as a defined benefit plan also in the future. These future transfers have no effect to the 31 December 2009 consolidated financial statements.

During the financial period 2009 the group decided to wind up the defined benefit plan in the UK. The liabilities of the plan are being transferred to an insurance company by means of purchase of annuities. The transfer commenced in 2009 and is expected to be completed during the financial period 2010.

The Finnish TyEL plan is a statutory earnings-related plan, funded largely on a pay-as-you-go basis, although there is an element of advance funding. The benefits provided under TyEL are old age pensions, disability pensions, unemployment pensions, and survivors' pensions. The Group's voluntary pension plan grants additional pension benefits in excess of statutory benefits. The fund provides old age pensions, disability pensions, survivors' pensions, and funeral grants. The voluntary pension fund has been closed since 1 January 1994.

Defined benefit pension plans

Amounts recognized in the income statement

	2009	2008
Current service cost	**14**	17
Interest cost	**34**	31
Expected return on plan assets	**-37**	-46
Net actuarial gains and losses recognized during the period	**11**	0
Total included in personnel expenses (Note 9)	**22**	2

Amounts recognized in the balance sheet

	2009	2008
Present value of funded obligations	**710**	627
Fair value of plan assets	**-720**	-601
	-10	26
Unrecognized actuarial gains and losses	**-91**	-119
Net liability (+) / asset (-)	**-101**	-93

Movement in the net pension asset/liability recognized in the balance sheet

	2009	2008
At the beginning of the period	**-93**	-70
Total expense charged in the income statement	**22**	2
Contributions paid	**-30**	-25
At the end of the period	**-101**	-93

Amounts recognized in the balance sheet

	2009	2008
Defined benefit pension obligations	**10**	12
Defined benefit pension assets	**-111**	-105
Net asset (-) / liability (+)	**-101**	-93

Changes in the present value of the defined benefit obligation

	2009	2008
Opening defined benefit obligation	**627**	704
Service cost	**14**	17
Interest cost	**34**	31
Net transfer from TyEL pooling	**2**	1
Actuarial gains / losses	**56**	-101
Benefits paid	**-24**	-21
Translation differences	**1**	-4
Closing defined benefit obligation	**710**	627

Changes in the fair value of plan assets

	2009	2008
Opening fair value of plan assets	**601**	781
Expected return on plan assets	**36**	46
Actuarial gains/losses	**74**	-227
Contributions by employer	**30**	25
Net transfer from TyEL pooling	**2**	1
Benefits paid	**-24**	-21
Translation differences	**1**	-4
Closing fair value of plan assets	**720**	601

Analysis of the fair value of plan assets at the balance sheet date		
	2009	2008
Equity instruments	**251**	235
Debt instruments	**178**	212
Property	**77**	77
Other assets	**214**	77
	720	601

The actual return on plan assets was EUR 113 million (2008: EUR -181 million).

Pension plan assets include the Parent Company's ordinary shares with a fair value of EUR 16 million (2008: EUR 13 million) and in 2009 buildings occupied by the Group with a fair value of EUR 62 million (2008: EUR 61 million).

The following table shows the time series of the present value of the funded defined benefit obligation and the fair value of the plan assets, as well as experience adjustments included in them.

As at 31 December					
	2009	2008	2007	2006	2005
Present value of funded obligation	**710**	627	704	623	566
Fair value of plan assets	**720**	601	781	759	696
Deficit(+)/surplus(-)	**-10**	26	-77	-136	-130
Experience adjustments on plan assets	**70**	-225	-10	32	87
Experience adjustments on plan liabilities	**-15**	0	12	8	0

Contributions amounting to EUR 8 million are expected to be paid to the plan during 2010.

The principal actuarial assumptions used

Finland		
	2009	2008
Discount rate	**4.5–5.5%**	5.5%
Expected return on plan assets	**5.0–6.25%**	5.0–6.25%
Future salary increases	**3.5%**	3.5%
Future pension increases	**1.0–2.7%**	2.1–2.7%
Other countries		
	2009	2008
Discount rate	**5.25–5.4%**	6.0–6.6%
Expected return on plan assets	**4.5–5.1%**	4.5–5.9%
Future salary increases	**4.5%**	2.0–5.3%
Future pension increases	**3.8%**	3.3%

The expected return on plan assets is based on the weighted long term return for each class of plan assets, namely equity instruments, debt instruments and investment property. The returns are based on projections and estimations from external sources.

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30. SHARE-BASED PAYMENTS

Management Performance Share Arrangement in force as of 1 January 2007

Neste Oil has a Management Performance Share Arrangement for senior management and other key personnel. The Board of Directors established the scheme in 2006, which was launched at the beginning of the financial period ending 31 December 2007. As at 31 December 2009, 44 members of senior management or other key personnel were included in the arrangement. The arrangement had two three-year earning periods, starting in 2007 and 2010. Payments would be made in 2010 and 2013, partly in the form of Company shares and partly in cash. The Board of Directors made decisions concerning the personnel included in the scheme only for the first earnings period which started in 2007. If the maximum targets were reached during the first earnings period, the maximum amount of reward for senior management and other key personnel would equal the value of 360,000 Neste Oil shares, of which 300,733 shares were allocated as at 31 December 2009. The maximum reward for the members of the Neste Executive Board equaled the value of 93,230 shares, of which the maximum reward for the President & CEO equaled the value of 13,330 shares. The reward for the three-year earning period could not exceed each person's total fixed gross annual salary over three years. The sum paid out in cash would cover the relevant taxes and other similar payments. The earnings criteria for the scheme included the development of Neste Oil's comparable operating profit and the Company's total shareholder value development, benchmarked against the international oil industry share index (FTSE Global Energy Total Return Index). Based on the earnings criteria, no reward was earned during the earnings period 2007–2009.

In December 2009 the President & CEO was paid a reward equaling the amount of 20,000 shares based on shares granted in 2008. The President & CEO received 10,000 shares and the rest of the reward was paid in cash to cover the relevant taxes and similar payments. Further, it was decided that the President and CEO will be granted a reward equaling the amount of 10,000 shares in December 2010.

In December 2009 the Board of Directors decided to establish a new share-based incentive plan for the Group key personnel. At the same time, the Board of Directors decided that the previous Management Performance Share Arrangement will not be continued with a new earnings period.

The following tables summarize the terms and the assumptions used in accounting for the performance share plan.

Grant dates and prices during the financial period 2009

Grant dates	**2 Jan. 2009**
Grant prices, euros	**10.44**
Share price as at grant date, euros	**11.54**

Grant dates and prices during the financial period 2008

Grant dates	2 Jan 2008	23 April 2008	1 Dec 2008
Grant prices, euros	22.80	19.50	10.44
Share price as at grant date, euros	24.90	20.60	11.54

Grant dates and prices during the financial period 2007

Grant dates	2 Jan 2007	25 April 2007
Grant prices, euros	20.13	24.57
Share price as at grant date, euros	23.13	26.67

The grant price, i.e. fair value at grant date, has been determined as follows: grant price equals the share price as at grant date deducted by expected dividends payable during the three year earnings period 2007–2009.

Term of the plan	
Beginning of earnings period	1 Jan 2007
End of earnings period	31 Dec 2009
End of restriction period	31 Dec 2010

Assumptions used in calculating the value of the reward

	2009	2008	2007
Amount of granted shares at the beginning of the period, maximum reward	**353,033**	319,000	0
Amount of shares granted during the period, maximum reward	**5,000**	62,363	329,000
Adjustments to the amount of shares	**-57,300**	-28,330	-10,000
Amount of granted shares at the end of the period, maximum reward	**300,733**	353,033	319,000
Number of participants at the end of the financial period	**44**	49	49
Share price at the end of the financial period, euros	**12.42**	10.58	24.13
Estimated rate of realization of the earnings criteria, %	**22%**	58%	60%
Estimated termination rate before the end of the restriction period, %	**10%**	10%	10%

An estimate of the realization of the earnings criteria, 22% (2008: 58%), as well as an estimate of the termination rate, 10% (2008 10%) were made at grant date and adjusted during the earnings period.

Management Performance Share Arrangement in force as at 31 December 2007 and during previous accounting periods

The previous Management Performance Share Arrangement was in force during the financial period ended 31 December 2007 and previous financial periods. The criteria used in respect of the previous scheme were based on each participant's performance and their success in meeting their personal targets, as well as the targets set for the Company's financial performance and success. Approximately 60 members participated in the arrangement.

The arrangement was 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 decided annually as to the inclusion of participants in commencing performance share plans. Each performance share plan begun with a three-year earning period, during which a participant accumulated annual bonus percentages, followed by a three-year restriction period, at the end of which a participant received a pre-determined number of Neste Oil shares.

The maximum value in shares a participant could be granted after the first three years was equal to one year's salary (incl. fringe benefits). The actual final value of each share plan was 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 number of shares granted after the three-year earning period (share participation) was based on the annual bonus percentages accumulated over those three years. In order to determine the number of shares, the participant's annual salary was multiplied by the cumulative annual bonus percentages, and this figure was divided by the grant price. The number of shares granted under each annual share plan was adjusted during the restriction period by potential dividends paid up until the share delivery, which had taken place at the end of the restriction period. After deducting taxes and other charges payable by the participants the final number of shares diminished to approximately 50% of the granted number. The first plan began in 2002, when Neste Oil was part of Fortum Group. The shares earned during 2002–2004 were converted from Fortum shares to Neste Oil shares in 2005.

As at 31 December 2009, three separate plans were in place, which had started in 2004, 2005 and 2006. In December 2006 the Board of Directors decided that no new plans will commence in 2007, and that the earnings period for all remaining plans would end as at 31 December 2006. As a result, the earnings period for the plans started in 2005 and 2006 were two years and one year respectively. The restriction period for the 2004, 2005 and 2006 plans is 2007–2009. As at 31 December 2009 the members of Neste Executive Board had been granted share participations equivalent to a total number of 55,234 shares as part of the above described scheme.

Delivery of shares to the participants took place in February 2009 and 2008. A reward equaling the gross amount of 168,050 shares (2008: 205,899), or EUR 2 million (2008: EUR 4 million), was paid. The net amount shares delivered to the participants totaled 92,191 shares (2008: 110,219) and the rest of the reward was paid in cash to cover taxes and other charges payable by the participants. The fair value of the share as at delivery date was 11,05 euros (2008: 20,39 euros). The members of Neste Executive Board received a reward equaling the gross amount of 17,977 shares (2008: 48,654).

The following terms and assumptions have been used in accounting for the performance share plan. The assumptions included in each column are those concerning the share participations granted during that financial period.

	2009	2008	2007	2006
Grant date	**-**	-	19.2.2007	23.2.2006
Grant price, euros	**-**	-	23.85	25.02
Estimated termination rate before the end of the restriction period, %	**0%**	3%	3%	3%
Share price at the end of the financial period, euros	**12.42**	10.58	24.13	23.03
Number of share participations at the beginning of the period	**514,354**	731,466	393,693	217,047
Number of share participations granted during the period	**-**	-	358,789	177,174
Adjustments to the number of share participations granted initially	**-25,454**	-11,213	-21,016	-528
Number of shares delivered during the period	**-168,050**	-205,899	0	0
Total number of granted share participations outstanding at the end of the period	**320,850**	514,354	731,466	393,693

After deducting taxes and other charges payable by the participants the actual number of shares delivered to the participants were approximately 50% of the granted amounts presented in the table above.

The grant price for the purpose of determining the number of shares allocated as a share participation was the trade-weighted average price of the Company's share as quoted on Helsinki Exchange during the last five trading days preceding the grant date.

Accounting treatment

The performance share arrangements are accounted for as a share based transaction with cash alternative. The portion of the earned bonus (approximately 50%) for which the participants will receive shares of Neste Oil is accounted for as an equity settled transaction, and the portion of the earned bonus to be settled in cash to cover tax and other charges payable by the participants (approximately 50%), is accounted for as a cash settled transaction. The earned bonuses are entered into the income statement spread over the earnings period and restriction period. In respect of the equity settled portion, the amounts recognized in the income statement are accumulated in equity; and in respect of the cash settled portion, a respective liability is entered into the balance sheet. The liability is measured at fair value at each reporting date, and the respective change in the fair value is reflected in operating profit in the income statement.

	2009	2008
Expense recognized in the income statement	**0**	4
Change in fair value of the liability recognized in the balance sheet	**1**	-5
Total expense charged to the income statement	**1**	-1
Change in fair value of the hedging instrument	**-3**	10
Net effect of share based payments in the income statement	**-2**	9

The expense included in the income statement is specified in the following table.

The liability recognized in the balance sheet related to share based payments amounted to EUR 1 million (2008: EUR 2 million). No expense is expected to be recognized in the future periods based on the above described performance share arrangements.

Hedging

The Group hedges its exposure to the share price development during the time period between the grant date and the delivery date concerning both Performance Share Arrangements. The hedging arrangement concerning the Management Performance Share Arrangement in force as of 1 January 2007 is accounted for as treasury shares and has been described in detail in Note 25.

The previous Management Performance Share Arrangement is hedged using a net cash settled share forward. The hedge covers both the equity settled and the cash settled portions of the earned bonus. The hedging instrument is measured at fair value at each reporting date and the change in the fair value of the hedging instrument is recognized in the income statement to offset the change in the fair value of the bonus liability. The nominal and fair value of the hedging instrument is disclosed in Note 24.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35

31. RELATED PARTY TRANSACTIONS

The Group is controlled by the State of Finland, which owns 50.1% of the Company's shares. The remaining 49.9% of shares are widely held.

The group has a related party relationship with its subsidiaries, associates, joint ventures (Note 32) and with the members of the Board of Directors, the President and CEO and other members of the Neste Executive Board. Parent company of the Group is Neste Oil Corporation. The transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated during consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below. All transactions between Neste Oil and other companies controlled by the State of Finland are on an arm's length basis.

Transactions carried out with related parties

2009	Sales of goods and services	Purchases of goods and services	Receivables	Financial income and expense	Liabilities
Associates	0	12	0	0	2
Joint ventures	70	36	23	0	0
	70	48	23	0	2

2008	Sales of goods and services	Purchases of goods and services	Receivables	Financial income and expense	Liabilities
Associates	0	9	0	0	4
Joint ventures	110	63	14	0	5
	110	72	14	0	9

The major part of business between Neste Oil and its joint venture, Nynas, comprises sales of bitumen production from the Naantali refinery to Nynas based on a long term agreement. Process oils were sold from the Porvoo refinery to Nynas.

Key management compensation, EUR million

	2009	2008
Salaries and other short-term employee benefits	3	3
Share-based payments	0	1
	3	4

Key management consists of the members of the Board of Directors, President and CEO and other members of the Neste Executive Board. There were no outstanding loan receivables from key management on 31 Dec 2009 or 31 Dec 2008.

The amounts of share participations granted to the members of the Neste Executive Team and the President and CEO based on Management Performance Share Arrangements have been disclosed in Note 30, Share based payments.

Compensation to President and CEO, Board of Directors and Supervisory Board	2009	2008
Matti Lievonen, President and CEO as of 1 December 2008	**840,163**	50,040
Risto Rinne, President and CEO until 30 September 2008	**-**	562,575
Board of Directors		
Timo Peltola, chairman	**75,000**	75,050
Mikael von Frenckell, vice chairman	**58,200**	59,200
Michiel Boersma	**53,400**	56,450
Ainomaija Haarla	**44,400**	45,850
Nina Linander	**53,400**	51,650
Hannu Ryöppönen	**42,150**	-
Antti Tanskanen	**10,050**	43,450
Markku Tapio	**44,400**	34,950
Pekka Timonen	**-**	8,500
Maarit Toivanen-Koivisto	**44,400**	43,450
Board of Directors, all members total	**425,400**	418,550
Supervisory Board, all members total	**61,000**	61,600

Compensation to the Board of Directors include annual remuneration and meeting fee paid to each member of the Board for each meeting attended as well as for any meetings of the Board committees attended.

In the event the Company decides to give notice of termination to the President and Chief Executive Officer, he will be entitled to compensation equalling 24 months' salary. The retirement age of the President and CEO is 60, and the pension paid is 60% of his retirement salary.

32. GROUP COMPANIES ON 31 DECEMBER 2009

Subsidiaries	Group holding %	Country of incorporation
AS Reola Gaas	93.85%	Estonia
Kide Automaatit Oy	100.00%	Finland
LLC Neste Saint-Petersburg	100.00%	Russia
Neste Canada Inc.	100.00%	Canada
Neste Crude Oil Inc.	100.00%	USA
Neste Eesti AS	100.00%	Estonia
Neste Jacobs Oy	60.00%	Finland
Neste LPG AB	100.00%	Sweden
Neste Markkinointi Oy	100.00%	Finland
Neste Oil AB	100.00%	Sweden
Neste Oil Bahrain W.L.L. [1)]	100.00%	Bahrain
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 Limited	100.00%	Guernsey
Neste Oil Limited	100.00%	Great Britain
Neste Oil Netherlands B.V	100.00%	The Netherlands
Neste Oil N.V.	100.00%	Belgium
Neste Oil Portugal S.A.	100.00%	Portugal

Subsidiaries	Group holding %	Country of incorporation
Neste Oil Services Inc.	100%	USA
Neste Oil Singapore Pte. Ltd.	100%	Singapore
Neste Oil (Suisse) S.A.	100%	Switzerland
Neste Oil US Inc.	100%	USA
Neste Petroleum Inc.	100%	USA
Neste Polska Sp.z o.o.	100%	Poland
Neste Renewable Fuels Oy	100%	Finland
Neste Shipping Oy	100%	Finland
Neste Trading (U.S.A.) Inc.	100%	USA
Neste USA, L.L.C.	100%	USA
Rintekno Aktiebolag	100%	Sweden
Rintekno Oy	100%	Finland
SIA Neste Latvija	100%	Latvia
SIA Saskidrinata Naftas Gaze	100%	Latvia
Systecon Inc.	100%	USA
UAB Neste Lietuva	100%	Lithuania
US Active Oy	100%	Finland

Associated companies	Group holding %	Country of incorporation
A/B Svartså Vattenverk - Mustijoen Vesilaitos O/Y	40.00%	Finland
Alberta Envirofuels Inc.	50.00%	Canada
Innogas Oy Ab	50.00%	Finland
Nemarc Shipping Oy	50.00%	Finland
Neste Arabia Co. Ltd	48.00%	Saudi-Arabia
Oy Atlas-Öljy Ab	40.00%	Finland
Porvoon Alueverkko Oy	33.33%	Finland
Repsol Producao de Electricidade e Calor, Ace	33.33%	Portugal
Tahkoluodon Polttoöljy Oy	31.50%	Finland
Tapaninkylän Liikekeskus Oy	40.03%	Finland
Vaskiluodon Kalliovarasto Oy	50.00%	Finland

Joint ventures	Group holding %	Country of incorporation
Bahrain Lube Base Oil Company B.S.C (closed) [1)]	45.00%	Bahrain
Glacia Ltd	50.00%	Bermuda
Lacus Ltd	50.00%	Bermuda
NSE Biofuels Oy Ltd	50.00%	Finland
Nynas AB	49.99%	Sweden
Terra Ltd	50.00%	Bermuda

[1)] Founded during the financial period

33. CONTINGENCIES AND COMMITMENTS

Contingent liabilities

	2009 Value of collateral	2008 Value of collateral
On own behalf for commitments		
Real estate mortgages	**26**	26
Pledged assets	**2**	3
Other contingent liabilities	**48**	37
Total	**76**	66
On behalf of associates and joint ventures		
Guarantees	**4**	5
Other contingent liabilities	**2**	2
Total	**6**	7
On behalf of others		
Guarantees	**18**	12
Total	**18**	12
	100	85

Operating lease liabilities

	2009	2008
Due within one year	**82**	106
Due between one and five years	**166**	190
Due later than five years	**120**	123
	368	419

Operating leases

Lease rental expenses amounting to EUR 121 million (2008: EUR 132 million) relating to the lease (under operating leases) of property, plant and equipment are included in the income statement in other expenses.

Commitments

	2009	2008
Commitments for purchase of property, plant and equipment	**431**	540
	431	540

The Group's operating lease commitments primarily relate to time charter vessels, land and office space. In 2008 the lease commitments included operating leases contained in hydrogen supply agreements. Based on updated information the hydrogen supply agreements have been reassessed in 2009 and will be accounted for as take-or-pay contracts. The previous years figures concerning operating lease liabilities have been restated accordingly. The total fixed fees payable under the agreements during 2010-2026 as at 31 December 2009 are presented in the table below.

	2009
Payable 2010	**3**
Payable after 2010	**224**
Total payable	**227**

Other contingent liabilities

Neste Oil Corporation has a collective contingent liability with Fortum Heat and Gas Oy related to liabilities of the demerged Fortum Oil and Gas Oy (30 April 2004) based on Chapter 17 Paragraph 16.6 of the Finnish Companies Act.

34. DISPUTES AND POTENTIAL LITIGATIONS

Some Group companies are involved in legal proceedings or disputes incidental to their business. In management's opinion, the outcome of these cases is not likely to have material effect on Group's financial position. The Group is also involved as a claimant or defendant in certain potential legal disputes, whose outcomes are difficult to predict.

35. EVENTS AFTER THE BALANCE SHEET DATE

Transfer of voluntary pension benefits to insurance company

On 12 Janyary 2010 Neste Oil announced that it has decided to transfer the management of voluntary pension benefits and the associated pension portfolio of its Finnish companies to OP Life Assurance Company Ltd. The move is expected to take place on 1 April 2010. It will not affect the level or scope of pension cover provided to personnel or people who have already retired.

The voluntary pension obligations that are currently the responsibility of the Neste Oil Pension Fund and that will be transferred to OP Life Assurance totalled approximately EUR 270 million as of the end of 2009. As a result of the transfer, a non-recurring charge is expected to be booked against Neste Oil's consolidated IFRS financial statements in the second quarter of 2010. The transfer is expected to have a positive cash flow impact.

The transfer will require the approval of the Finnish Financial Supervisory Authority and the Finnish Competition Authority.

Insurance compensation

Neste Oil is to receive a total of EUR 47.5 million in compensation from a syndicate of international reinsurers. The compensation, to be booked against Neste Oil's result for the first quarter of 2010 and payable on the basis of property damage and business interruption insurance cover held by the company, relates to damage and lost production volumes following a fire on diesel production line 4 at the Porvoo refinery on 4 April 2008.

Parent company income statement

MEUR	Note	1 Jan–31 Dec 2009	1 Jan–31 Dec 2008
Revenue	2	**6,921**	12,398
Change in product inventories		**348**	-99
Other operating income	3	**29**	31
Materials and services	4	**-6,398**	-11,499
Personnel expenses	5	**-167**	-173
Depreciation, amortization and write-downs	6	**-135**	-136
Other operating expenses	7	**-302**	-420
Operating profit		**296**	102
Financial income and expenses	8	**19**	-4
Profit before extraordinary items		**315**	98
Extraordinary items	9	**-103**	19
Profit before appropriations and taxes		**212**	117
Appropriations	10	**-65**	-89
Income tax expense	11	**-23**	1
Profit for the year		**124**	29

Parent company balance sheet

MEUR	Note	31 Dec 2009	31 Dec 2008
ASSETS			
Fixed assets and other long-term investments	12,13		
Intangible assets		**17**	21
Tangible assets		**1,711**	1,723
Other long-term investments			
Shares in group companies		**1,594**	888
Shares in associated companies		**1**	1
Other shares and holdings		**18**	124
		3,341	2,757
Current assets			
Inventories	14	**819**	444
Long-term receivables	15	**143**	133
Short-term receivables	16	**688**	713
Cash and cash equivalents		**78**	6
		1,728	1,296
Total assets		**5,069**	4,053
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	17		
Share capital		**40**	40
Retained earnings		**771**	947
Profit for the year		**124**	29
		935	1,016
Accumulated appropriations	18	**838**	773
Provisions for liabilities and charges	19	**19**	18
Liabilities	20		
Long-term liabilities		**1,857**	1,209
Short-term liabilities		**1,420**	1,037
		3,277	2,246
Total equity and liabilities		**5,069**	4,053

Parent company cash flow statement

MEUR	1 Jan–31 Dec 2009	1 Jan–31 Dec 2008
Cash flows from operating activities		
Profit before extraordinary items	315	98
Depreciation, amortization and write-downs	135	136
Other non-cash income and expenses	-1	10
Financial income and expenses	-19	4
Divesting activities, net	-1	-12
Operating cash flow before change in working capital	429	236
Change in working capital		
Decrease (+) / increase (-) in interest-free receivables	12	156
Decrease (+) / increase (-) in inventories	-375	292
Decrease (-) / increase (+) in interest-free liabilities	-41	-276
Change in working capital	-404	172
Cash generated from operations	25	408
Interest and other financial expenses paid, net	-41	-50
Dividends received	63	39
Income taxes paid	42	-54
Realized foreign exchange gains and losses	38	-5
Group contributions received, net	19	23
Net cash from operating activities	146	361
Cash flows from investing activities		
Capital expenditure	-157	-217
Proceeds from sale of fixed assets	11	5
Investments in shares in subsidiaries	-706	-300
Proceeds from sale of other shares	-	12
Change in other investments, increase (-) / decrease (+)	46	-1
Net cash used in investing activities	-806	-501
Cash flow before financing activities	-660	-140
Cash flows from financing activities		
Proceeds from long-term liabilities	1,212	1,573
Payments of long-term liabilities	-616	-1,108
Change in short-term liabilities	341	-72
Dividends paid	-205	-257
Cash flow from financing activities	732	136
Net increase (+) / decrease (-) in cash and cash equivalents	72	-4
Cash and cash equivalents at the beginning of the period	6	10
Cash and cash equivalents at the end of the period	78	6
Net increase (+) / decrease (-) in cash and cash equivalents	72	-4

Notes to the parent company financial statements

1. ACCOUNTING POLICIES

The financial statements of Neste Oil Corporation (Parent company) are prepared in accordance with Finnish GAAP. The financial statements are presented in millions of euros unless otherwise stated.

Revenue

Revenue include sales 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 financial instruments.

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 uses derivative financial instruments mainly to hedge oil price, foreign exchange and interest rate exposures.

Oil commodity derivative contracts 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 is closed with a similar instrument.

There are two different types of foreign exchange derivative contracts: hedges for future cash flow and hedges of balance sheet items. Gains or losses on derivative financial instrument that hedge future cash flows are recognized once the underlying income or expense occurs. Derivative financial instruments 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. The interest element on all forward contracts is accrued. Option premiums are treated as advances paid or received until the option matures.

Gains or losses for derivative financial instrument 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. Land areas are not depreciated. The depreciation is based on the following expected useful lives:

- Buildings and structures — 20–40 years
- Production machinery and equipment — 15–20 years
- Other equipment and vehicles — 3–15 years
- Other tangible assets — 20–40 years
- Intangible assets — 3–10 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.

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, restructuring provisions, 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.

2. REVENUE

Revenue by segment

	2009	2008
Oil Products	**6,884**	12,310
Renewable Fuels	**1**	69
Oil Retail	**1**	1
Other	**68**	42
Eliminations	**-33**	-24
	6,921	12,398

Revenue by market area

	2009	2008
Finland	**3,385**	5,376
Other Nordic countries	**986**	1,374
Baltic countries, Russia and Poland	**495**	816
Other European countries	**1,391**	3,434
North and South America	**625**	1,357
Other countries	**39**	41
	6,921	12,398

3. OTHER OPERATING INCOME

	2009	2008
Rental income	**13**	9
Gain on sale of intangible and tangible assets	**2**	-
Gain on sale of other shares	**-**	12
Government grants	**3**	3
Other	**11**	7
	29	31

4. MATERIALS AND SERVICES

	2009	2008
Materials and supplies		
Purchases during the period	**6,424**	11,305
Change in inventories	**-28**	193
	6,396	11,498
External services	**2**	1
	6,398	11,499

5. STAFF COSTS

	2009	2008
Wages, salaries and remunerations	**128**	127
Indirect employee costs		
Pension costs	**29**	34
Other indirect employee costs	**10**	12
	167	173

Salaries and remuneration

Key management compensations are presented in Note 31 in the Neste Oil Group consolidated financial statements.

Average number of employees

	2009	2008
Oil Products	**1,761**	1,877
Other	**632**	504
	2,393	2,381

6. DEPRECIATION, AMORTIZATION AND WRITE-DOWNS

	2009	2008
Depreciation according to plan	**134**	135
Write-offs	**1**	1
	135	136

7. OTHER OPERATING EXPENSES

	2009	2008
Operating leases and other property costs	**19**	18
Freights relating to sales	**79**	138
Repairs and maintenance	**85**	89
Other	**119**	175
	302	420
Other operating expenses include losses on sales of intangible and tangible assets and write-offs of fixed assets in progress	**0**	3

Fees charged by the statutory auditor, EUR thousands

	2009	2008
Audit fees	**299**	289
Auditor's mandatory opinions	**13**	4
Tax advisory	**59**	133
Other advisory services	**302**	839
	673	1,265

8. FINANCIAL INCOME AND EXPENSES

	2009	2008
Dividend income		
From Group companies	63	39
Dividend income total	63	39
Interest income from long-term loans and receivables		
From Group companies	4	2
Interest income from long-term loans and receivables total	4	2
Other interest and financial income		
From Group companies	1	4
Other	7	3
Other interest and financial income total	8	7
Interest expenses and other financial expenses		
To Group companies	-6	-13
Other	-46	-52
Interest expenses and other financial expenses total	-52	-65
Exchange rate differences	-4	13
Financial income and expenses total	19	-4

Total interest income and expenses

	2009	2008
Interest income	12	9
Interest expenses	-50	-62
Net interest expenses	-38	-53

9. EXTRAORDINARY ITEMS

	2009	2008
Group contributions		
Group contributions received	15	19
Group contributions given	-118	-
	-103	19

10. APPROPRIATIONS

Change in depreciation difference

	2009	2008
Difference between depreciation according to plan and depreciation in taxation	-65	-89

11. INCOME TAX EXPENSE

	2009	2008
Income taxes on regular business operations	49	-4
Income taxes on extraordinary items	-27	5
Change in deferred tax assets	1	-2
	23	-1

12. FIXED ASSETS AND LONG-TERM INVESTMENTS

Change in acquisition cost 2009

Intangible assets	Goodwill	Other intangible assets	Total
Acquisition cost as of 1 January 2009	1	72	73
Increases	-	3	3
Decreases	-	-1	-1
Acquisition cost as of 31 December 2009	1	74	75
Accumulated depreciation, amortization and write-downs as of 1 January 2009	1	51	52
Accumulated depreciation, amortization and write-downs of decreases and transfers	-	-1	-1
Depreciation and amortization for the period	-	7	7
Accumulated depreciation, amortization and write-downs as of 31 December 2009	1	57	58
Balance sheet value as of 31 December 2009	-	17	17
Balance sheet value as of 31 December 2008	-	21	21

Tangible assets	Land areas	Buildings and structures	Machinery and equipment	Other tangible assets	Advances paid and construction in progress	Total
Acquisition cost as of 1 January 2009	25	934	1,903	76	123	3,061
Increases	-	59	49	1	45	154
Decreases	-	-3	-11	0	-37	-51
Acquisition cost as of 31 December 2009	25	990	1,941	77	131	3,164
Accumulated depreciation, amortization and write-downs as of 1 January 2009	0	395	948	26	-	1,369
Accumulated depreciation, amortization and write-downs of decreases and transfers	-	-3	-10	0	-	-13
Depreciation, amortization and write downs for the period	-	29	97	1	-	127
Accumulated depreciation, amortization and write-downs as of 31 December 2009	0	421	1,035	27	-	1,483
Revaluations	6	24	-	-	-	30
Balance sheet value as of 31 December 2009	31	593	906	50	131	1,711
Balance sheet value as of 31 December 2008	31	564	955	50	123	1,723

Balance sheet value of machinery and equipments used in production	866

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 2009	888	110	1	0	0	14	1,013
Increases	706	-	-	-	-	0	706
Decreases	-	-106	-	-	-	-	-106
Acquisition cost as of 31 December 2009	1,594	4	1	0	0	14	1,613
Accumulated depreciation, amortization and write-downs as of 1 January 2009	-	-	-	0	0	0	0
Accumulated depreciation, amortization and write-downs as of 31 December 2009	-	-	-	0	0	0	0
Balance sheet value as of 31 December 2009	1,594	4	1	0	0	14	1,613
Balance sheet value as of 31 December 2008	888	110	1	0	0	14	1,013

Interest-bearing and interest-free receivables

	2009	2008
Interest-bearing receivables	5	97
Interest-free receivables	12	27
	17	124

13. REVALUATIONS

	Revaluations as of Jan 1	Increases	Decreases	Revaluations as of Dec 31
Land areas	6	-	-	6
Buildings	25	-	-1	24
Total reveluations	31	-	-1	30

Policies and principles for revaluations and evaluation methods

The revaluations are based on fair values at the moment of revaluation.
Deferred taxes have not been booked on revaluations.

14. INVENTORIES

	2009	2008
Raw materials and supplies	210	163
Products/finished goods	609	281
	819	444
Replacement value of inventories	826	444
Book value of inventories	819	444
Difference	7	0

15. LONG-TERM RECEIVABLES

	2009	2008
Receivables from Group companies		
Other long-term receivables	139	129
Deferred tax assets	4	4
	143	133

16. SHORT-TERM RECEIVABLES

	2009	2008
Trade receivables	294	337
Receivables from Group companies		
Trade receivables	221	197
Other receivables	48	19
Accrued income and prepaid expenses	5	2
Total	274	218
Receivables from associated companies		
Trade receivables	1	1
Other receivables	18	0
Total	19	1
Other receivables	87	53
Accrued income and prepaid expenses	14	104
	688	713

Short-term accrued income and prepaid expenses

	2009	2008
Accrued interest	5	5
Accrued taxes	4	69
Other	10	32
	19	106

17. CHANGES IN SHAREHOLDERS' EQUITY

	2009	2008
Share capital at 1 January	40	40
Share capital at 31 December	40	40
Retained earnings at 1 January	976	1,204
Dividends paid	-205	-257
Profit for the year	124	29
Retained earnings at 31 December	895	976
Distributable equity	895	976

18. ACCUMULATED APPROPRIATIONS

	2009	2008
Depreciation difference	838	773

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

19. PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring provisions	Provision for pensions	Provision for environment	Other provision	Total
Provisions as of 1 January 2009	-	10	6	2	18
Increase	3	-	-	-	3
Decrease	-	-	-	-2	-2
Provisions as of 31 December 2009	3	10	6	0	19

20. LIABILITIES

Long-term liabilities

	2009	2008
Bonds	**417**	120
Loans from financial institutions	**1,100**	709
Pension loans	**-**	20
Liabilities to Group companies		
Other long-term liabilities	**340**	355
Accruals and deferred income	**-**	5
	1,857	1,209

Interest-bearing liabilities due after five years

	2009	2008
Bonds	**295**	-
Loans from financial institutions	**84**	242
Pension loans	**-**	20
Liabilities to Group companies	**339**	355
	718	617

Shor-term liabilities

	2009	2008
Bonds	**-**	80
Loans from financial institutions	**395**	34
Pension loans	**20**	-
Advances received	**9**	8
Trade payables	**350**	372
Liabilities to Group companies		
Advances received	**-**	1
Trade payables	**25**	29
Other short-term liabilities	**239**	157
Accruals and deferred income	**2**	13
Total	**266**	200
Liabilities to associated companies		
Trade payables	**1**	5
Total	**1**	5
Other short-term liabilities	**313**	286
Accruals and deferred income	**66**	52
	1,420	1,037

Short-term accruals and deferred income		
	2009	2008
Salaries and indirect employee costs	**31**	35
Accrued interests	**15**	16
Other short-term accruals and deferred income	**22**	15
	68	66

Interest-bearing and interest-free liabilities		
	2009	2008
Long-term liabilities		
Interest-bearing liabilities	**1,857**	1,204
Interest-free liabilities	**-**	5
	1,857	1,209
Short-term liabilities		
Interest-bearing liabilities	**557**	272
Interest-free liabilities	**863**	765
	1,420	1,037

21. CONTINGENT LIABILITIES

Contingent liabilities		
	2009	2008
Operating lease liabilities		
Due within a year	**7**	7
Due after a year	**12**	18
	19	25
Contingent liabilities given on own behalf		
Real estate mortgages	**24**	24
Pledged assets	**1**	3
Other contingent liabilities	**5**	2
	30	29
Contingent liabilities given on behalf of Group companies		
Real estate mortgages	**2**	2
Guarantees	**251**	277
	253	279
Contingent liabilities given on behalf of associated companies		
Guarantees	**3**	4
	3	4
Contingent liabilities given on behalf of others		
Guarantees	**18**	12
	18	12
Contingent liabilities total	**323**	349

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

22. DERIVATIVE FINANCIAL INSTRUMENTS

Interest and currency derivative contracts and share forward contracts

	2009			2008		
	Contract or notional value	Fair value	Not recognized as an income	Contract or notional value	Fair value	Not recognized as an income
Interest rate swaps	**723**	**-13**	**-13**	475	-13	-13
Forward foreign exchange contracts	**2,051**	**-8**	**-9**	1 607	21	20
Currency options						
Purchased	**108**	**-1**	**-1**	303	5	5
Written	**108**	**1**	**1**	236	-15	-15
Share forward contracts	**9**	**-4**	**-4**	14	-8	-8

Oil and freight derivative contracts

	2009			2008		
	Volume million bbl	Fair value	Not recognized as an income	Volume million bbl	Fair value	Not recognized as an income
Sales contracts	**11**	**-13**	**-13**	28	176	176
Purchase contracts	**4**	**-6**	**-6**	22	-149	-147

The fair values of foreign exchange currency derivative contracts 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 contracts quoted market prices at the balance sheet date. Physical sales and purchase agreements within trading activities are treated as derivatives and reported in the 'Derivative financial instruments' table.

23. OTHER CONTINGENT LIABILITIES

Real estate investments

The Group is obliged to adjust VAT deductions made from real estate investments finished during 2009 if the taxable utilization of real estate will decrease during a 10 years controlperiod.

24. SHARES AND HOLDINGS

	Country of incorporation	No. of shares	Holding, %	Book value 31 Dec 2009 EUR thousands
Subsidiary shares				
LLC Neste Saint-Petersburg	Russia	10	100.00	58,427
Neste Eesti AS	Estonia	10,000	100.00	5,926
Neste Jacobs Oy	Finland	2,100	60.00	438
Neste Markkinointi Oy	Finland	210,560	100.00	51,467
Neste Oil AB	Sweden	2,000,000	100.00	23,972
Neste Oil BR Ltd	Belarus	1	100.00	-
Neste Oil Components Finance B.V	The Netherlands	40	100.00	8,022
Neste Oil Finance B.V	The Netherlands	26,090	100.00	69,177
Neste Oil Holding (USA) Inc.	USA	1,000	100.00	18,428
Neste Oil Insurance Limited	Guernsey	7,000,000	100.00	3,000
Neste Oil Limited	Great Britain	500,100	100.00	1,793
Neste Oil N.V.	Belgium	4,405,414	99.99	1,014,753
Neste Oil (Suisse) S.A.	Switzerland	200	100.00	62
Neste Oil US Inc.	USA	1,000	100.00	1,100
Neste Renewable Fuels Oy	Finland	200	100.00	281,900
Neste Shipping Oy	Finland	101	100.00	55,452
				1,593,917
Associated companies				
A/B Svartså Vattenverk - Mustijoen Vesilaitos O/Y	Finland	14	40.00	124
Neste Arabia Co. Ltd	Saudi-Arabia	480	48.00	156
Porvoon Alueverkko Oy	Finland	40	33.33	7
Tahkoluodon Polttoöljy Oy	Finland	630	31.50	490
Vaskiluodon Kalliovarasto Oy	Finland	330	50.00	17
				794
Other shares and holdings				
CLEEN Oy	Finland	100		100
Ekokem Oy Ab	Finland	375	2.68	125
Fine Carbon Fund Ky	Finland	1		1
Nordic Carbon Fund ky	Finland	1		1
Posintra Oy	Finland	190		34
				261
Telephone shares				
Kymen Puhelin Oy	Finland	1		0
Pietarsaaren Seudun Puhelin Oy	Finland	3		1
Pohjanmaan Puhelinosuuskunta PPO	Finland	1		-
Savonlinnan Puhelinosuuskunta SPY	Finland	1		1
				2
Connection fees				70
Total				1,595,044

Proposal for the distribution of earnings and signing of the Review by the Board of Directors and the Financial Statements

The parent company's distributable equity as of 31 December 2009 stood at EUR 895 million.

The Board of Directors proposes Neste Oil Corporation to pay a dividend of EUR 0.25 per share for 2009, totalling EUR 64 million, and that any remaining distributable funds be allocated to retained earnings.

Espoo, 3 February 2010

Timo Peltola Michiel Boersma Mikael von Frenckell Ainomaija Haarla
Nina Linander Hannu Ryöppönen Markku Tapio Maarit Toivanen-Koivisto

Matti Lievonen
President and CEO

Auditors' report

TO THE ANNUAL GENERAL MEETING OF NESTE OIL CORPORATION

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Neste Oil Corporation for the year ended on 31 December, 2009. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

The responsibility of the Board of Directors and the President and CEO

The Board of Directors and the President and CEO are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the parent company's financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Supervisory Board as well as of the Board of Directors of the parent company and the President and CEO have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements or of the report of the Board of Directors, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the report of the Board of Directors in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position of the company in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the members of the Supervisory Board as well as of the Board of Directors of the parent company and the President and CEO should be discharged from the liability for the financial period audited by us.

Espoo, 3 February 2010

Ernst & Young Oy
Authorized Public Accountant Firm

Anna-Maija Simola
Authorized Public Accountant

Statement by the Supervisory Board

The Supervisory Board has today at its meeting reviewed Neste Oil Corporation's financial statements for the financial period ended 31 December 2009, including also consolidated financial statements, Review by the Board of Directors and the related Board of Directors' proposal on the distribution of the profit shown in the balance sheet, as well as the Auditor's report provided by the Company's Auditor. The Supervisory Board has no comments to make on these. The Supervisory Board recommends that the financial statements, including also the consolidated financial statements, can be adopted and concurs with the Board of Directors' proposal on the distribution of the profit shown in the balance sheet.

The Supervisory Board states that it has received adequate information from the Board of Directors and the Company's management.

Espoo, 4 February 2010

Heidi Hautala	Kimmo Tiilikainen	Esko Ahonen	Mikael Forss
Timo Heinonen	Markus Mustajärvi	Jutta Urpilainen	Anne-Mari Virolainen

Quarterly segment information

Revenue

MEUR	10–12/2009	7–9/2009	4–6/2009	1–3/2009	10–12/2008	7–9/2008	4–6/2008	1–3/2008
Oil Products	1,987	1,971	2,091	1,582	2,221	3,907	3,798	2,715
Renewable Fuels	61	59	38	24	20	27	46	23
Oil Retail	791	789	727	691	915	1,132	1,078	948
Others	44	37	41	42	43	36	33	31
Eliminations	-392	-356	-305	-286	-394	-581	-535	-420
Total	2,491	2,500	2,592	2,053	2,805	4,521	4,420	3,297

Operating profit

MEUR	10–12/2009	7–9/2009	4–6/2009	1–3/2009	10–12/2008	7–9/2008	4–6/2008	1–3/2008
Oil Products	27	80	105	106	-301	15	272	197
Renewable Fuels	-11	-1	-3	-10	-9	-2	12	1
Oil Retail	6	19	13	12	-6	9	11	11
Others	-11	17	-1	-11	-38	21	-4	-8
Eliminations	-2	-2	4	-2	2	1	-1	3
Total	9	113	118	95	-352	44	290	204

Comparable operating profit

MEUR	10–12/2009	7–9/2009	4–6/2009	1–3/2009	10–12/2008	7–9/2008	4–6/2008	1–3/2008
Oil Products	-11	15	37	64	154	173	162	113
Renewable Fuels	-10	-6	-7	-7	-10	-3	13	2
Oil Retail	5	19	14	12	-5	7	11	9
Others	-11	16	-1	-11	-38	21	-4	-8
Eliminations	-2	-2	4	-2	2	1	-1	3
Total	-29	42	47	56	103	199	181	119

Information for shareholders

ANNUAL GENERAL MEETING

Neste Oil Corporation's Annual General Meeting will be held on Thursday, 15 April 2010 at 11.00 am EET in the Congress Wing of the Helsinki Fair Centre, Messuaukio 1, FI-00520 Helsinki. Registration and the distribution of voting papers will begin at 10.00 am.

Shareholders wishing to participate in the Annual General Meeting should inform the company by 4.00 pm on 9 April 2010 at the latest by:

- visiting www.nesteoil.com and following the instructions given there, or
- sending an email to nesteoil.yhtiokokous@yhteyspalvelut.elisa.fi, or
- faxing +358 (0)10 458 5440
- phoning +358 (0)10 458 9595, or
- writing to Neste Oil Corporation, Marja Telenius, POB 95, FI-00095 Neste Oil.

Holders of proxies are requested to forward them when stating their wish to participate, ensuring that they reach the company by 4.00 pm on 9 April 2010 at the latest.

AGM and dividend payment in 2010

1 April	AGM record date
15 April	AGM
20 April	Dividend payment record date
27 April	Dividend payable

DIVIDEND

The Board of Directors will propose to the AGM that a dividend of EUR 0.25 per share shall be paid for the financial year ending 31 December 2009.

INVESTOR RELATIONS

Neste Oil's Investor Relations observes the principles of providing accurate and timely information, commitment, transparency, accessibility, and equal treatment of all investors. To view Neste Oil's IR policy in its entirety, see www.nesteoil.com.

ANNUAL REPORT FOR 2009

The Annual Report will be published in Finnish and English, and will be posted to all those requesting a copy. The Annual Report will also be available in pdf format at www.nesteoil.com.

STOCK EXCHANGE RELEASES

Stock exchange releases are available in Finnish and English immediately after publication at www.nesteoil.com. Anyone wanting to be placed on the email distribution list for releases can find a form for the purpose at www.nesteoil.com.

CLOSED PERIOD

Neste Oil observes a closed period ('closed window') prior to the publication of its results lasting a minimum of four weeks. During this period, the company will not comment on non-disclosed developments or the prospects for its business in the quarter concerned, nor will company representatives meet analysts or investors, or take part in capital markets events.

ANALYSTS FOLLOWING NESTE OIL

The number of banks providing analyses of Neste Oil increased by three during 2009. As of the end of the year, 26 banks produced forecasts on Neste Oil.

BANKS FOLLOWING NESTE OIL

- ABG Sundal Collier
- Barclays Capital Research
- Bernstein Research
- Carnegie
- Cheuvreux
- Citigroup
- Credit Suisse
- Danske Bank
- Deutsche Bank
- DnBNOR
- Enskilda Securities
- Evli Securities
- Exane BNP Paribas
- FIM
- Goldman Sachs
- Handelsbanken
- JP Morgan
- Merrill Lynch
- Morgan Stanley
- Natixis Securities
- Nomura
- Pohjola
- Sofia Bank
- Standard & Poor's
- UBS
- Öhman

Contact information for the analysts following Neste Oil at the organizations listed here can be found at the company's website.

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Neste Oil's general e-mail address for investors is oilinvestors@nesteoil.com.

INVESTOR SERVICES ON THE INTERNET

The Investors section of Neste Oil's website (www.nesteoil.com/investors) contains the information presented here, together with other IR-related information, including a real-time stock monitor, delayed by 15 minutes, a list of the company's insiders and their holdings, extensive presentation material, current oil market information, such as prices and refining margins updated weekly, as well as services such as analyst forecasts and a share yield calculator.

INTERIM REPORTS IN 2010

- January–March interim report 29 April 2010
- January–June interim report 29 July 2010
- January–September interim report 29 October 2010

Interim reports are published in Finnish and English and can be downloaded in pdf format at www.nesteoil.com.

web www.nesteoil.com/investors

Glossary of terms

Aframax Worldscale A marine cargo rate index calculated by the Baltic Exchange in London and based on shipments carried between Sullom Voe and Rotterdam in vessels capable of loading in excess of 80,000 tons of cargo.

Alkylate A premium gasoline component with a high octane number and excellent antiknock properties.

Barrel (b or bbl) A standard unit of crude oil measurement, equivalent to 42 gallons and approx. 159 liters, 0.137 tons, or 0.159 m^3.

Base oil The main component in lubricant blends.

Biofuels Fuels produced from vegetable oil and other organic sources. Use of these fuels reduces greenhouse gas emissions (CO_2).

Biogasoline Gasoline that includes a bio-component, typically ethanol or ETBE.

Bitumen The bottom product of crude oil vacuum distillation; solid or semi-solid at room temperature.

Brent Light crude oil from the North Sea, named after one of the region's largest fields.

BTL Biomass-to-liquid technology.

Catalysis A phenomenon that takes place on the surface of a catalyst in which a chemical reaction is accelerated without the catalyst itself being consumed.

Catalyst A substance used to accelerate a chemical reaction that does not take part in the reaction itself.

Contango Refers to a product in storage contracted for sale at a higher price in the future than immediate delivery.

Coker A processing unit that converts residual oil into gasoline, diesel, or jet fuel, and petroleum coke.

Component A term used to describe the constituents used in producing fuels. Gasoline, for example, can comprise over 10 individual components.

Cracking A process in which heavy fractions are broken down into simpler molecules, either at high temperatures (thermal cracking) or with the help of catalysts and high pressure (catalytic cracking, hydrocracking). Cracking yields large volumes of hydrocarbons that can be used to produce gasoline and other light distillates.

Dwt, deadweight ton A unit of measurement referring to the total weight of a vessel, including cargo, fuel, fresh water, stores, and crew.

ERM Enterprise Risk Management – a systematic process designed to manage the opportunities, goals, risks, and threats associated with a company's strategy, annual planning, and operations.

Esterification A process in which alcohol and acid react to produce ester and water.

ETBE Ethyl Tert-Butyl Ether – a bioethanol-based gasoline component designed to enhance combustion and reduce tailpipe emissions.

Ethibel (www.ethibel.org) An independent consultancy agency that provides advice on socially responsible investment to financial institutions and manages a quality label and index awarded to European banks and brokers offering ethical products and funds.

EtOH Ethanol.

FAME Fatty Acid Methyl Ester – conventional biodiesel produced by esterification.

Feedstocks Crude oil, condensate, components, and other materials used by refineries and other facilities as their raw material input.

Fossil fuels Fuels originating from organic material laid down millions of years ago, including oil, coal, and natural gas.

Gallon The US gallon (3.8 liters) is the standard unit of measurement used in the oil industry. The imperial gallon is slightly larger, equivalent to 4.5 liters.

GRI Global Reporting Initiative - A network-based organization that has developed the world's most widely used sustainability reporting framework.

HSSE An abbreviation of Health, Safety, Security, and the Environment.

HVO Hydrotreated Vegetable Oil – a high-quality biofuel produced by hydrotreating vegetable oil or animal fat.

Hydrocracker A unit used to 'crack' heavy hydrocarbons at high pressure and high temperature in the presence of hydrogen, to produce fractions for premium-quality fuels.

IEA Brent Cracking A reference refining margin that refers to the typical margin achieved by refineries in Northern Europe using Brent crude. Calculated by the International Energy Agency (IEA).

ISO International Organization for Standardization – ISO 9000/14000/18000 standards covering quality, the environment, and safety are widely used in industry.

Isomerate A gasoline component used to improve a fuel's octane rating.

Isomerization A reaction that modifies the structure and property of a hydrocarbon without changing its molecular weight.

Iso-octane A high-octane, low vapor pressure hydrocarbon component used in producing low-emission gasoline. Produced from butane.

LWIF Lost Workday Injury Frequency – the number of accidents resulting in absences from work per million hours worked. The figure includes both Neste Oil's own personnel and those of its contractors and subcontractors.

Middle distillate A distillate with a distillation range of 180–350 °C. Middle distillates typically refer to products such as kerosene, heating oil, and diesel fuel.

MTBE Methyl Tert-Butyl Ether – an oxygenate designed to promote cleaner gasoline combustion.

Naphthenic specialty oils Oils produced from base oil containing a high proportion of cyclic hydrocarbon fractions and used in certain specialty applications.

Neste Oil Reference Margin A composite reference refining margin used by Neste Oil to monitor the impact of the differential between the prices of its end-products and feedstocks on its financial result. For further information on reference refining margins and how they are calculated, see www.nesteoil.com.

NExBTL A renewable diesel fuel based on Neste Oil's proprietary technology that can be produced from virtually any vegetable oil or animal fat. The first NExBTL production unit was completed at Porvoo in 2007 and the second in 2009.

Panamax A class of ship with the maximum dimensions that will fit through the locks of the Panama Canal (60,000–80,000 dwt).

PAO Polyalphaolefin – a synthetic base oil used in the production of premium-quality lubricants.

Pinch analysis A method used to optimize energy usage.

Ppm Parts per million, e.g. milligrams per kilo.

RC Responsible Care – a voluntary environment, health, and safety program developed and promoted by the international chemical industry.

Reference refining margin An indicator used to reflect the price differential between end-products and feedstocks. For further information on reference refining margins and how they are calculated, see www.nesteoil.com.

Refining margin The difference in value between the products produced by a refinery and the cost of the feedstocks and operations used to produce them.

RSB Roundtable on Sustainable Biofuels – an organization to advance the cause of more sustainable biofuels.

RSPO Roundtable on Sustainable Palm Oil – an organization that brings together palm oil producers, users, and non-governmental organizations to advance the cause of more sustainable cultivation and production.

RTRS Round Table on Responsible Soy – an organization to advance the cause of more sustainable cultivation and production of soy.

Russian Export Blend (REB) A blend that contains crude oil from a number of fields connected to the Russian pipeline network.

Specification A detailed, officially recognized requirement, typically used to specify a product's target performance.

Sulfur-free fuel A fuel that contains less than 10 mg/kg (ppm) of sulfur.

TRIF Total Recordable Injury Frequency – the number of incidents requiring medical attention per million hours worked. The figure includes both Neste Oil's own personnel and those of its contractors and subcontractors.

Urals Rotterdam The spot price quoted in Rotterdam for Russian crude oil loaded in the Baltic.

Vacuum Gas Oil VGO – produced by vacuum distillation and used as a cracking feedstock.

VHVI Very High Viscosity Index – a base oil used to produce premium-quality motor oils that contribute to reduced fuel consumption.

web

A more detailed glossary can be found at www.nesteoil.com.

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We have been a pioneer for many years – and we intend remaining one into the future.

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