We have a vision

NESTE OIL

Annual Report 2010

Business | Sustainability
Governance | Financial Statements

It's time to deliver

Neste Oil's goal is to be the leading supplier of cleaner traffic fuels. We shifted to a new stage in our strategy in 2010: delivering on our promises.

Our series of major capital projects began approaching completion during the year. Initiatives aimed at increasing production efficiency, saving costs, developing new raw materials, and enhancing our overall sustainability all began producing results.

- We started up the world's largest renewable diesel plant in Singapore in November 2010. A similar-sized plant is due to be commissioned in Rotterdam in 2011.
- We merged our Oil Products and Renewable Fuels business areas to create a single business – Oil Products and Renewables – to generate increased operational efficiency and synergy.
- We improved the efficiency of our plants and kept production costs at a low level.
- We reduced fixed costs in line with our EUR 60 million cost-saving program.
- We took some major steps forward in our research on microbial and algae oil and developing the use of wood-based biomass.
- We progressed in sustainability-related work in line with targets, concentrating on areas such as verifying the sustainability of the supply chain.

Neste Oil in brief

Neste Oil is a refining and marketing company, with a production focus on premium-quality, lower-emission traffic fuels. The company has operations in 15 countries. 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.

Business areas in brief

Neste Oil reorganized its operations in December 2010 by merging the Oil Products and Renewable Fuels business areas to create Oil Products and Renewables. Oil Products and Renewable Fuels will continue to form separate reporting segments.

Oil Products and Renewables p. 16

Business	Main markets	Capacity	Strategic role	Strengths	Market position
• Supplying petroleum products to wholesale customers. • Producing and marketing premium-quality NExBTL renewable diesel.	• Europe and North America.	• Crude oil distillation capacity 260,000 bbl/d, refining capacity approx. 15 million t/a. • NExBTL diesel production capacity 1.2 million t/a. Capacity will increase to 2 million t/a in 2011.	• Maximizing cash flow from refinery products through an enhanced customer value offering. • Generating profitable growth in the renewable fuels market.	• High-quality, lower-emission traffic fuels, ability to use Russian crude and other feedstocks. • Cutting-edge NExBTL technology and product, growing production capacity, and industry-leading operations based on sustainable raw materials procurement.	• Leading supplier of lower-emission traffic fuels in Northern Europe. • Leading supplier of top-tier base oils. • The world's leading supplier of premium-quality renewable diesel.

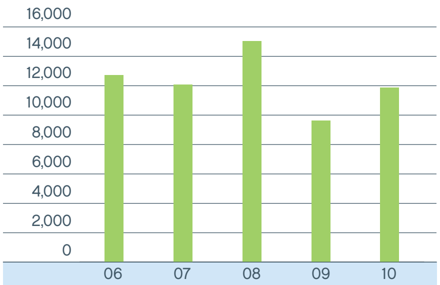
Oil Retail p. 20

Business	Main markets	Capacity	Strategic role	Strengths	Market position
• Sales of petroleum products to end-users.	• Finland and the Baltic Rim.	• Outlets: 853 in Finland, 316 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.

Key figures

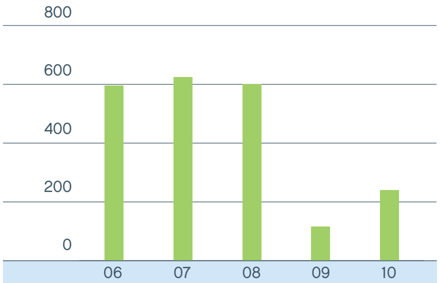
Revenue

EUR million



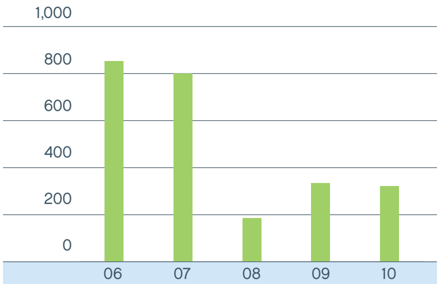
Comparable operating profit

EUR million

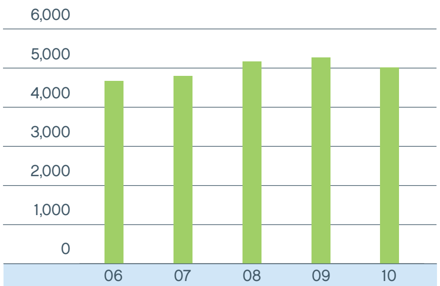


Operating profit

EUR million



Personnel (average)



	2010	2009	Change, %
Income statement, EUR million			
Revenue	**11,892**	9,636	23.41
Operating profit	**323**	335	-3.58
Comparable operating profit	**240**	116	106.90
Profit before income tax	**296**	296	0.00
Profitability, %			
Return on equity (ROE)	**9.9**	10.2	-2.94
Return on capital employed, pre-tax (ROCE)	**7.7**	9.0	-14.44
Return on average capital employed, after tax (ROACE)	**4.6**	2.5	84.00
Financing and financial position			
Total equity, EUR million	**2,426**	2,222	9.18
Interest-bearing net debt, EUR million	**1,801**	1,918	-6.10
Capital employed, EUR million	**4,607**	4,257	8.22
Equity-to-assets ratio, %	**36.5**	39.1	-6.65
Leverage ratio, %	**42.6**	46.3	-7.99
Net cash from operating activities, EUR million	**1,105**	177	524.29
Share-related indicators			
Earnings per share (EPS), EUR	**0.89**	0.86	3.49
Dividend per share, EUR	**0.35***	0.25	40.00
Dividend payout ratio, %	**39.2***	29.0	35.17
Share price at the end of the year, EUR	**11.95**	12.42	-3.78
Average share price, EUR	**11.86**	10.85	9.31
Highest share price, EUR	**13.77**	13.44	2.46
Lowest share price, EUR	**10.45**	8.8	18.75
Market capitalization at the end of the year, EUR million	**3,064**	3,185	-3.80
Other indicators			
Equity per share, EUR	**9.43**	8.64	9.14
Investments, EUR million	**943**	863	9.27
Average number of personnel	**5,030**	5,286	-4.84
R&D expenditure, EUR million	**41**	37	10.81
Refining margin, USD/bbl	**8.14**	7.35	10.75
Total Recordable Injury Frequency per million hours worked (TRIF)	**4.7**	3.1	51.61

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

Dividend equivalent to

54 %

of underlying profits*

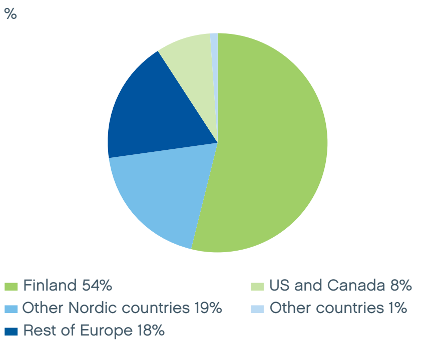
* Calculated on the basis of the profit for the year based on comparable operating profit.

Comparable operating profit

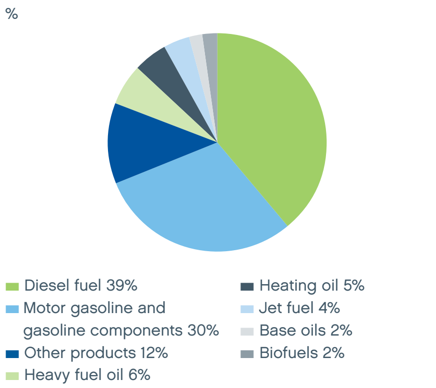
EUR **240 million**

more than doubled from 2009.

Sales by region (in-house production)



Sales by product (in-house production)



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Read more about Neste Oil at www.nesteoil.com

CEO's interview

In line with the company's strategic roadmap, 2010 was a year that saw Neste Oil delivering on its promises – as it will in 2011.

What does Neste Oil mean when it talks about delivering on its promises, President & CEO Matti Lievonen?

We have established profitable growth and operational efficiency as two of our key goals between 2010 and 2013. We started up our new renewable diesel plant in Singapore in 2010, and its sister plant in Rotterdam in due to follow in mid-2011; and we need to show that we are up to the challenges these facilities represent. Following the largest-ever maintenance turnaround at the Porvoo refinery in 2010, and thanks to the solid expertise of our people there, we are well-placed to ensure that Porvoo operates at a high standard. Raw material procurement and sales will also play a central role, alongside production, in securing our profitability.

Delivering on our promises also covers how we operate; first-class operations need to be an integral part of our day-to-day work. We have talked a lot about the importance of things like cost efficiency and customer relationship management and we need to live up to our goals in these areas as well. We will be measuring our performance here this year and over the next couple of years.

What do you find most inspiring about Neste Oil's strategy?

We have a very positive vision: to be the leading supplier of cleaner traffic fuels. This is also linked to a number of important elements from a wider social perspective. Cleaner traffic and transport mean a cleaner environment and better urban air quality, for example, and we believe that we are making a valuable contribution to solving some major global issues in this area.

I believe, we are very well-placed to turn our vision into reality. We have a unique technology in the shape of NExBTL, and the new raw materials that we are developing have the potential to open up some very exciting new opportunities. We are also very much committed to ensuring that the petroleum products we refine are the best and the cleanest available.

What are Neste Oil's strengths in such a highly competitive marketplace?

We are known for the quality of our products, and for good reason. Our products – whether conventional traffic fuels, renewable diesel, or base oils – are all truly premium-quality, and Neste Oil's extensive and very active R&D work further underpins this quality.

A good example of the premium quality of our fuels is our new renewable jet fuel, which offers significantly reduced greenhouse gas emissions and is completely sulfur-free. Given the very tough quality standards covering jet fuel, I am proud that we can meet them in both the conventional and renewable arenas. This really shows that we are a true pioneer.

There has been a lot of debate recently on Neste Oil's sustainability and particularly the sustainability of its use of palm oil. What is your response to this?

Open debate and highlighting and correcting problems are all important. Sustainability and responsibility are a central feature of our operating principles and integral to our values. We are committed to acting sustainably in all aspects of our operations. Neste Oil is, without doubt, one of the world's most responsible purchasers of palm oil. We only buy palm oil produced according to sustainable principles with a verifiable origin wherever it is available, and we have received extensive positive international recognition for our responsible approach from independent experts in a number of reviews and indexes.

I believe that it is very important that all users of palm oil, regardless of where they are based or which industry they are in, abide by strict sustainability criteria, and I would like to see legislators introduce the same strict sustainability requirements to other areas of palm oil use that they have on its use in fuel production. As only a couple of percent of world palm oil output is used in fuel production, ensuring that everyone acts sustainably is of critical importance in terms of the bigger picture.

How does Neste Oil intend to further promote sustainability?

Sustainability can be viewed from a variety of perspectives: economic, social, and environmental. Our aim is to take account of all these aspects, and we will continue to remain committed to acting sustainably throughout our operations. We have a strong track record in systematic sustainability-related work, in areas such as improving occupational safety, HR development, reducing environmental emissions, and being able to trace and verify the origins and sustainability of our renewable raw materials. We will also continue to promote sustainable development in our joint projects together with others in the field. Sustainability is a central part of our overall strategy of concentrating on premium-quality, cleaner products.

Delivering on our promises also covers how we operate; first-class operations need to be an integral part of our day-to-day work.

How would you describe Neste Oil's overall performance in 2010?

Operationally, the year went very well. We succeeded in changing many aspects of the way we work and paid particular attention to our customers and our financial performance. We also merged two business areas to enhance our operational efficiency and make the maximum benefit of the synergies between those businesses.

Are you satisfied with what we achieved?

2010 was clearly a better year for us than 2009. We continued to move ahead with implementing our strategy, we more than doubled our profitability, our cash flow was strong, and our leverage ratio remained within our target window. The Board of Directors will propose paying a dividend of EUR 0.35 per share for 2010 to the AGM, something that clearly reflects our belief in the future.

We have good reason to be satisfied with our overall performance in 2010. I would like to thank our personnel, our customers, our suppliers, our shareholders, and all our partners for the contribution they made. Thanks to you, we can move into 2011 with confidence.

What does Neste Oil's future look like over the long term?

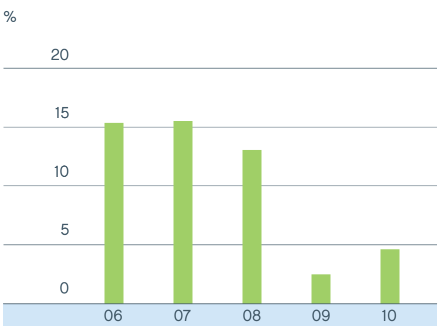
We will continue to aim for profitable growth, and stable and sustainable growth. We believe that this will guarantee a solid return for our shareholders, bring stronger partnerships for our customers, and ensure a secure workplace for our personnel. Neste Oil will continue to offer its customers a greener alternative.

Financial targets

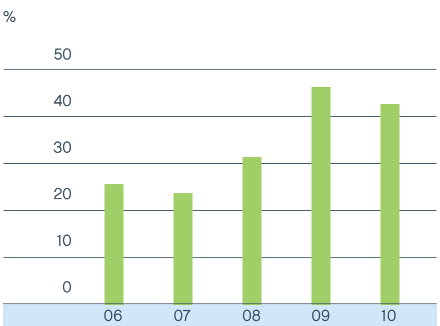
	2010	2009
Return on average capital employed after tax (ROACE) of at least 15% annually	4.6%	2.5%
Leverage ratio 25–50%	42.6%	46.3%
Dividend equivalent to at least a third of underlying profits*	54%**	119%

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

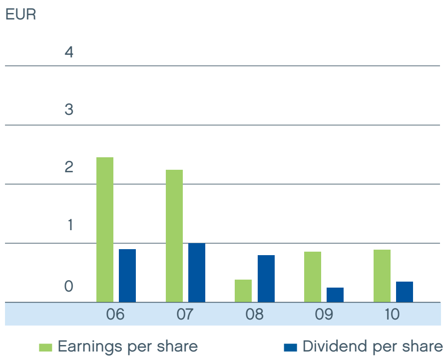
Return on average capital employed after tax (ROACE)



Leverage ratio



Earnings per share and dividend per share*



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

We will continue to move ahead with our cleaner traffic strategy in a changing world

The energy industry is facing some major changes. The amount of energy used by traffic and transport is growing as population numbers rise, while oil reserves are declining. Identifying new raw materials is challenging and the wide-scale adoption of new technologies will take time. The environment is already being pushed to its limits, and environmental legislation is being used to help mitigate the effects of climate change. The various changes under way around us represent both challenges and opportunities for Neste Oil. Our cleaner traffic strategy is focused on developing and producing premium-quality fuels that have a lower level of impact on the environment.

Growing demand for energy in traffic and transport

It is estimated that the world's population will number some 9 billion people by 2050, about one-third more than today. Energy demand will continue to rise as population numbers increase. Nature is being pushed to its limits, and we need cleaner, more energy-efficient fuels if we are to be able to meet the growing demand for energy in traffic and transport as sustainably as possible.

Biofuel legislation is developing

National mandates covering the use of renewable energy are being introduced in increasing numbers worldwide and are having a clear impact on the demand for biofuels. These fuels represent an essential tool for increasing the proportion of renewable energy used in traffic and transport. The new EU directive on renewable energy, for example, requires that renewables should account for at least 10% of the energy used in traffic and transport by 2020.

Energy security is becoming increasingly critical

As much as 96% of traffic fuels are produced from crude oil today, and oil reserves are distributed very unevenly around the world. Energy security could well become an increasingly critical economic and political question in the future; and we need new raw materials alongside oil to ensure a sufficient supply of energy.

Climate change

The world's average temperature is estimated as likely to rise by 1.1–6.4 °C this century*. This will result in higher sea levels, receding snow and ice cover, and an increase in storms and other extreme phenomena. Major action is required to mitigate global warming. One way of making an impact here is by reducing the greenhouse gas emissions released by traffic and transport.

* Source: IPCC 2007

Finding new raw materials is challenging

Oil reserves are steadily being depleted and exploration is being forced to shift to increasingly difficult locations. Renewable raw materials are needed to meet the growing demand for fuel. Finding new raw materials that can be produced sustainably and on an industrial scale is one of the biggest challenges facing the energy sector.

Vehicle fleets are slow to change

Engine technology is developing all the time, and new fuel alternatives are being introduced. The large-scale adoption of these new technologies takes time, however. Electric cars, for example, are projected to become a major solution only by 2050. Liquid fuels are likely to be a major source of energy for meeting growing demand for many years to come.

Aiming for leadership in cleaner traffic fuels

Neste Oil's goal is to be the world's leading supplier of cleaner traffic fuels. These fuels will be essential in helping meet the growing amount of energy needed in traffic and transport as sustainably as possible. By developing and producing low-emission fuels, Neste Oil can make a valuable contribution to combating climate change.

Better for engines, better for the environment

Neste Oil has long been a pioneer in developing fuels with a lower level of environmental impact. Neste Oil focuses on premium-quality fuels because it wants to offer drivers the opportunity to choose fuels with a smaller environmental footprint without compromising on quality or performance. Neste Oil sells its products both to wholesale customers and through its service stations. The company's 1,169 outlets represent a key marketing channel and brand builder.

Unique refining expertise and specialist know-how

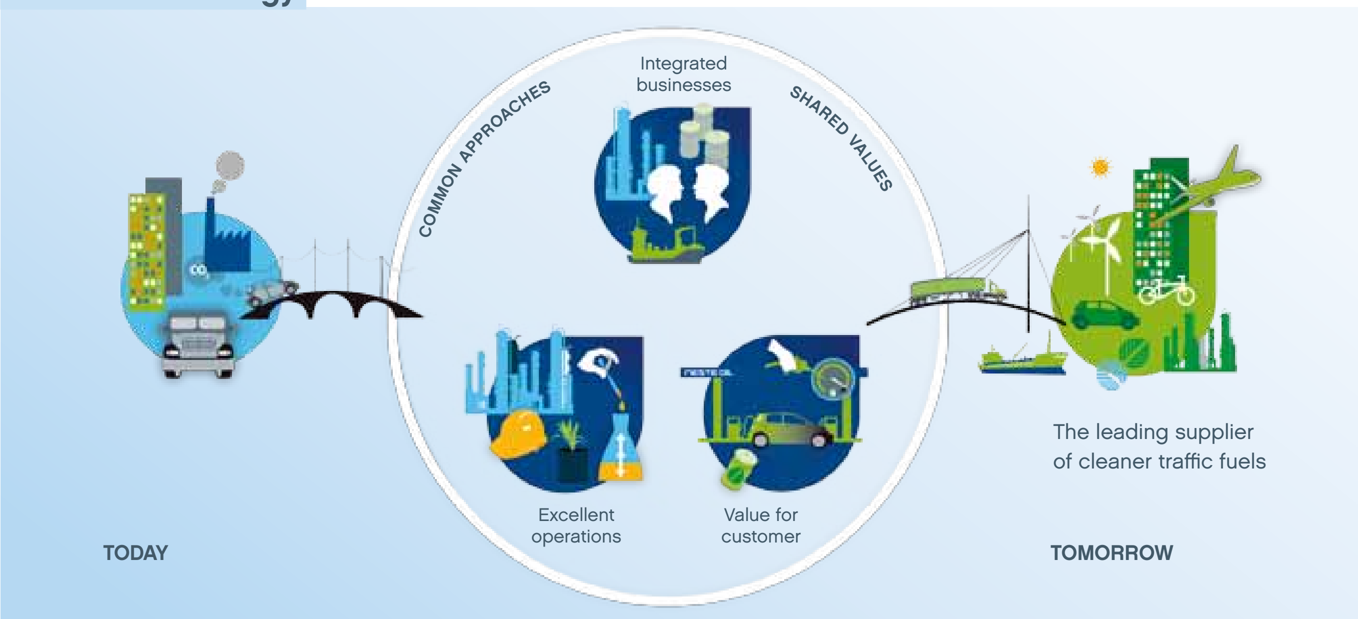
Specialization and in-depth expertise are central to enabling Neste Oil to succeed in the international marketplace, despite its small relative size. The company has a strong position on its home markets around the Baltic Rim and benefits from excellent logistics.

Neste Oil's strategy is founded on its unique ability to refine premium-quality fuels from a wide range of different, cost-effective feedstocks. This enables the company to generate true added value for both its customers and its owners.

A pioneer in technology and sustainability

A leader in technology, Neste Oil also aims to be an industry pioneer in sustainability. By acting sustainably Neste Oil aims to reduce or eliminate the negative impact associated with its operations. As the most significant area of Neste Oil's environmental impact is linked to the end-use of its products, Neste Oil concentrates on developing products that offer industry-leading performance in terms of both lower emissions and quality.

Neste Oil's strategy



In line with its corporate strategy, Neste Oil's R&D focuses on extending the current range of feedstocks and developing new refining technologies. NExBTL renewable diesel – the outcome of an extensive in-house product development effort – is the world's best and cleanest diesel fuel. Using NExBTL can help achieve a significant reduction in greenhouse gas emissions and cut particulate emissions, which affect local air quality.

Our strengths

Excellent operations

We aim for excellence in all areas of our operations. Raw materials, technology, expertise, and highly motivated people represent key resources in helping us implement our cleaner traffic strategy. We work safely, efficiently, reliably, and flexibly.

Integrated businesses

Neste Oil operates through two business areas: Oil Products & Renewables and Oil Retail. Close cooperation enables us to share innovative customer solutions and expertise across the company.

Value for the customer

By offering our customers sustainable and reliable products and services, we will secure strong future demand for our offering. The broad range of our offering, our comprehensive sales network, and our strong brand help guarantee our competitiveness in the marketplace.

Neste Oil's strategic foundation

Delivering high-quality products for cleaner traffic

Expanding the feedstock base

Leveraging refining expertise

ONE STEP AHEAD

Looking at the impact of potential changes in our operating environment

Neste Oil carried out an extensive scenario-based study during 2010 as part of the annual review of its strategy, aimed at identifying developments in the company's business environment that could impact the implementation of its strategy.

Economic growth, oil prices, environmental legislation, fuel economy, the vehicle pool, and the take-up of biofuels were defined as the key factors shaping Neste Oil's operating environment. An analysis of these variables over a 10-year timeframe resulted in four different scenarios.

1) In the Baseline scenario, the world was seen as likely to change in line with current trends, with only a modest increase in green thinking. 2) In the Green Growth scenario, technology was seen as likely to facilitate a new era in environmentally aware economic growth, with consumers willing to pay a premium for products with a smaller environmental footprint. 3) The Absolute Green scenario focused on the developments likely to occur if society decides to move towards a greener future through a much stricter regulatory framework at the expense of traditional economic growth. 4) Should developments progress as highlighted in the Ignore the Environment scenario, environmental issues are likely to be given little or no attention in promoting economic growth and major new environmental legislation is unlikely.

The results of this scenario work were used in the company's annual strategic review and in updating business areas strategies. "By systematically evaluating developments in our operating environment, we can shape what kind of future Neste Oil will have," says Juha-Pekka Kekäläinen, Neste Oil's Vice President, Strategy.

Strategic emphasis began shifting to delivering on promises

What were our targets?

- To continue moving ahead with our capital projects in Singapore, Rotterdam, and Bahrain
- To achieve profitable growth
- To improve production efficiency
- To promote an efficient and results-driven business culture

How did we perform?

- We started up the new NExBTL plant in Singapore successfully
- We progressed to plan with our other growth projects
- We improved capacity utilization at the Porvoo refinery following the major maintenance turnaround. Refining costs at Porvoo and at the Naantali refinery were both lower than previously
- We implemented a number of cost efficiency enhancement projects across the company and reduced fixed costs in line with our EUR 60 million cost-saving progam

All of Neste Oil's stock exchange and press releases for 2010 can be found at www.nesteoil.com

Neste Oil continued to move forward with its cleaner traffic strategy during 2010. The company's major capital investment program entered its final stage, and the strategic emphasis began shifting to delivering on promises. Strategy-related work in 2010 concentrated on improving profitability, enhancing production efficiency, and promoting operational excellence – all of which will continue to be focal areas for the company over the next few years.

Investment program entered its final stage

Neste Oil's major investment projects are linked to increasing the company's NExBTL renewable diesel capacity. The two plants that came on stream at Porvoo in 2007 and 2009 performed excellently during 2010. The rated production capacity of both plants was increased by 20,000 t/a and they now have a combined capacity of 380,000 t/a.

One of the most important achievements during the year was the commissioning on-schedule of a third NExBTL plant in Singapore in November. Capacity here will be ramped up on a phased basis until its reaches full output at 800,000 t/a. The Singapore plant, which is the world's largest and most advanced facility in the field, will increase Neste Oil's NExBTL diesel capacity to 1.2 million t/a and reinforce the company's position as a leading producer of renewable diesel. Construction work on a fourth NExBTL plant, in Rotterdam, progressed to plan and the plant is expected to start up in mid-2011. Thanks to the increased capacity these new plants will bring, Neste Oil will be very well-placed to meet the world's growing demand for biofuels.

> The company's major capital investment program entered its final stage, and the strategic emphasis began shifting to delivering on promises.

Neste Oil is also seeking growth on the base oil market, and has a 45% stake in a new base oil plant under construction in Bahrain. Work here progressed on-schedule and on-budget during 2010. Capable of producing 400,000 t/a of premium-quality base oil, the plant should be commissioned in the second half of 2011.

Improving operational efficiency

Particular attention was given to improving operational efficiency at all Neste Oil plants during 2010. Capacity utilization at the Porvoo and Naantali refineries improved towards the end of the year, and operating cost levels were excellent. A successful maintenance turnaround, the largest in the refinery's history, took place at Porvoo in April and May. Improvements were also made to the operational reliability of the diesel line 4 there, and the line has performed well.

Greater overall efficiency delivers good results

A number of initiatives were taken to enhance operating and working practices and promote operational excellence. Various programs designed to improve cost efficiency were implemented across the company and fixed costs were reduced in line with the EUR 60 million cost-saving program.

Sales operations focused on better customer relationship management and leveraging synergies and captive sales channels. Cooperation within the company was improved and more efficient use was also made of Neste Oil's terminals in Tallinn and Riga to drive sales in the Baltic countries.

Synergy benefits by merging two business areas

In December 2010, Neste Oil reorganized its operations by merging the Oil Products and Renewable Fuels business areas to create

Oil Products and Renewables. By integrating the businesses Neste Oil aims to generate synergies and improve operational efficiency. Oil Products and Renewable Fuels will continue to form separate reporting segments.

Successful research and technology work

Neste Oil's research and technology teams continued to move ahead successfully with their work on developing new products and technology and identifying new raw materials.

A number of major steps were taken in work on new raw materials, in areas such as microbial and algae oil and wood-based biomass. Neste Oil's and Stora Enso's joint venture, NSE Biofuels, continued to test technology at the company's demonstration plant at Varkaus and commenced environmental impact assessment work on two potential sites for a commercial biorefinery.

Neste Oil also launched trial use of a 100% biofuel in 2010. Known as Neste Green 100, this renewable diesel was successfully tested in a small fleet of cars driven by company personnel and outside participants.

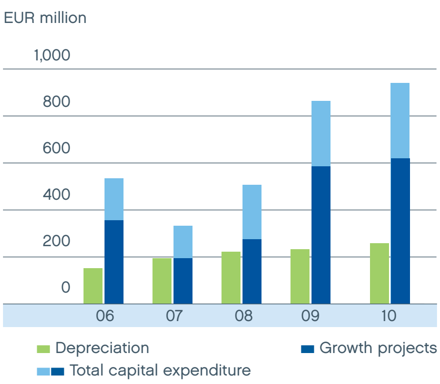
Taking action to further verify sustainability

Neste Oil continued to work actively in 2010 to verify the sustainability of its operations. The company was one of the first industrial companies in Europe to file a voluntary verification system with the European Commission, for verifying that NExBTL renewable diesel complies with sustainability requirements under the EU's new renewable energy directive. The system includes a formula for calculating greenhouse gas emissions. In addition, Neste Oil received an ISCC (International Sustainability & Carbon Certification) certificate for the NExBTL renewable diesel produced at the Porvoo refinery in Finland. The certificate confirms that NExBTL diesel produced from certified raw materials is suitable for use in meeting mandated bio-content on the German market. The certification audit for the Singapore plant was completed in December 2010, and Neste Oil received certification at the beginning of 2011.

What next?

- We will continue implementing our cleaner traffic strategy
- We will work to keep our costs and operational efficiency competitive
- We will focus on improving our sales efficiency
- We will strive for sustainable growth over the long term

Investments

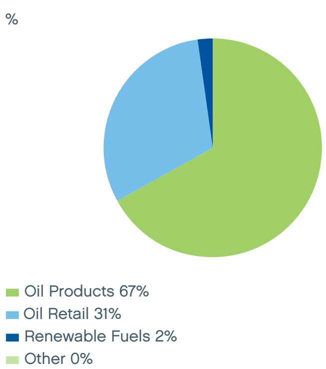


Neste Oil's NExBTL diesel capacity will increase to

2.0

million t/a

Revenue by reporting segments



Neste Oil has two business areas and four reporting segments.

The economy recovered and the market situation improved gradually

2010 saw the global economy emerge from a major downturn and return to growth. The improved economic situation was also reflected in the oil market: feedstock prices increased, product demand rose, and refining margins improved. Instability continued to affect developments, however, and the market situation remained challenging.

In 2010

- Crude oil prices rose steadily
- Oil demand and consumption both increased, growth focused on developing countries
- No problems were encountered in terms of oil supply or refining capacity, which was reflected in high inventory levels
- Higher transport volumes led to an improvement in demand for diesel fuel
- Global demand for VHVI base oils grew during the first half of 2010, which led to a tighter market in the fall
- Refining margins improved compared to 2009, but remained modest
- Renewable energy legislation affecting biofuel demand made progress
- Demand for biofuels increased as a result of the increasing adoption of biofuel mandates and the overall increase in fuel consumption
- The prices of the vegetable oil used as the main raw material for producing bio-diesel increased
- Overall fuel consumption increased and diesel consumption rose in particular
- Competition on the retail market remained tough

Up-to-date market information can be found at www.nesteoil.com

Oil refiner's operating environment

The most important factors influencing the performance of Neste Oil's Oil Products reporting segment are the differential between product and raw material prices and the price differential between Brent crude and Russian crude, and the USD/EUR exchange rate.

Crude oil prices rose

World economic growth in 2010 impacted both the commodities market and crude oil prices. Prices for Brent crude ranged between USD 70–90/bbl, and crude price fluctuations generally were modest compared to those seen in 2008 and 2009.

Factors such as the debt crisis in Eurozone countries, the slow pace of recovery in the global economy, and high crude inventory levels around the world all had a downward impact on prices. They rose towards the end of the year, however, on the back of higher demand and a weaker US dollar.

The oil spill in the Gulf of Mexico in the spring 2010 did not have an immediate impact on prices. However, the environmental damage caused by the spill, estimated as totaling 100,000 bbl/d at its worst, could well require remedial action after 2011. This could affect prices over the long term if stricter safety and environmental requirements are introduced as a result of the accident.

Demand and consumption both up

Oil demand and consumption both increased in 2010, despite continued instability in the world economy. Overall oil demand rose by 2.8 million bbl/d and reached a new record level.

Demand growth continued to shift from OECD countries to the world's developing economies, as a result of the economic growth and the increased use of cars in developing countries.

Oil consumption in OECD countries rose by 0.7 million bbl/d while that in non-OECD countries increased by 2.2 million bbl/d. Demand rose the most in China, 1.0 million bbl/d. The Middle East also saw significant growth, 0.3 million bbl/d.

Oil consumption is expected to increase by 1.5 million bbl/d in 2011, according to the IEA. The continuing uncertainty surrounding the development of the world economy makes detailed forecasting difficult, however.

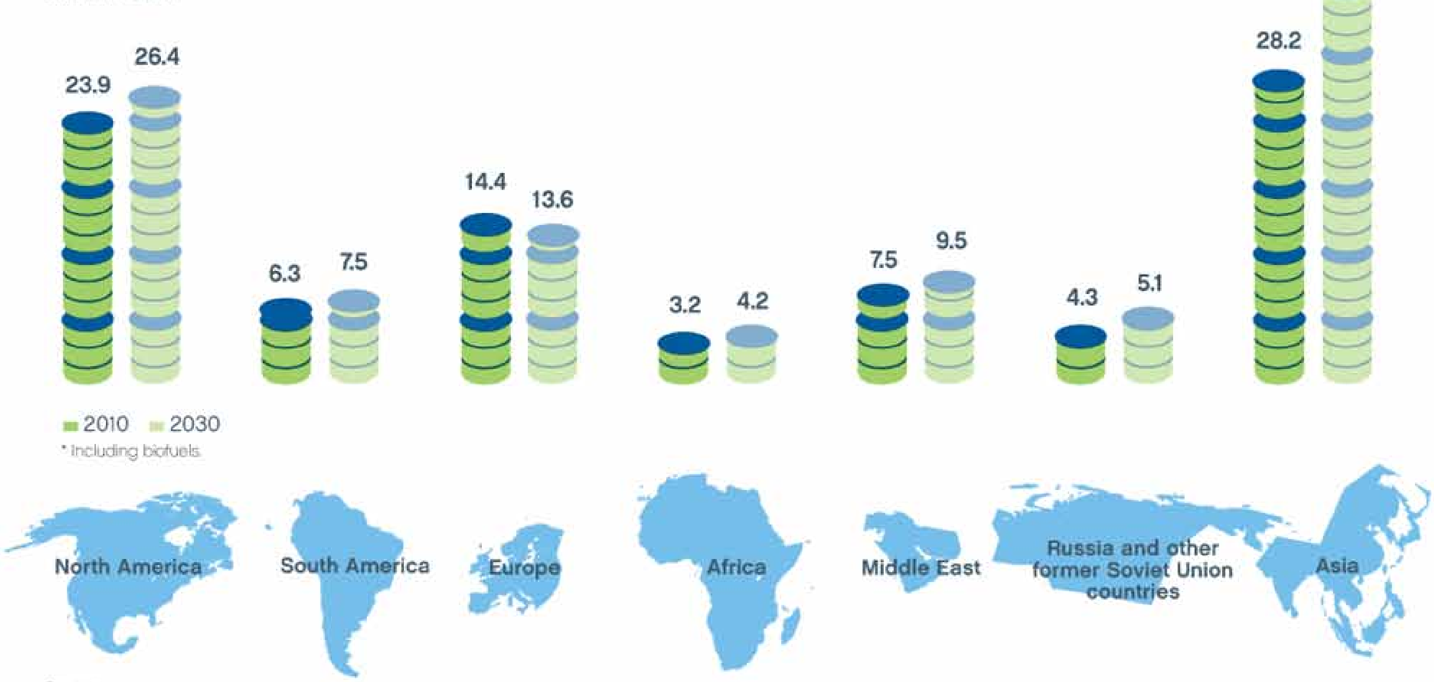
High inventory levels

No problems were encountered in terms of oil supply in 2010 and inventory levels were high. Production in non-OPEC countries rose by 1.1 million bbl/d, and OPEC made no changes to its production quota arrangements. Some flexibility was introduced, however, to meet increasing demand. Saudi Arabia continued to limit its output, while other countries increased their capacity to the upper reaches of their permitted output on the back of higher prices.

Russia maintained its position as the world's largest oil producer, and output there rose to 10.45 million bbl/d (10.21 million bbl/d). OPEC production quotas were focused on heavier, sourer grades and as a result, the price differential between REM and Brent was relatively small. Output of Brent and other crude oil from the North Sea contin-

World oil consumption* by region 2010 and the forecast for 2030

Million bbl/d

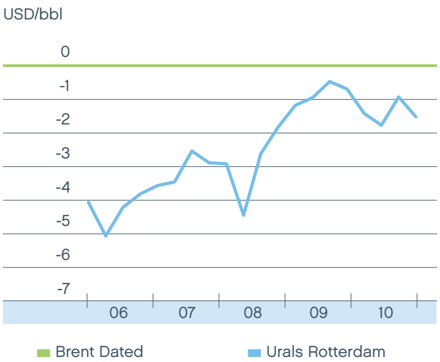


Sources
Year 2010: International Energy Agency (IEA)
Year 2030: U.S. Energy Information Administration (EIA)

USD/EUR exchange rate

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

Price differential between Urals and Brent crude



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

Crude oil price

Crude price fluctuations generally were modest in 2010 compared to those seen in 2008 and 2009.

ued to decline, although some new, small fields were opened up.

Growing demand for middle distillates

The growth in demand for petroleum products in 2010 was focused on middle distillates. Higher transport volumes led to an improvement in demand for diesel fuel, and this trend is expected to continue over the next few years.

Demand for gasoline also rose, but to a lesser extent. Growth here was focused on the world's developing economies, as diesel cars continue to be popular in Western Europe and private consumers there remained cautious. The modest demand seen during the peak driving season in the US also contributed to slow demand growth.

Demand for jet fuel increased as a result of increased air travel and air freight volumes. Increased marine shipments saw bunker fuel demand move up as well. A 1% sulfur content limit was imposed on bunker fuel used in the Baltic at the beginning of July, but its impact on refiners is expected to be small.

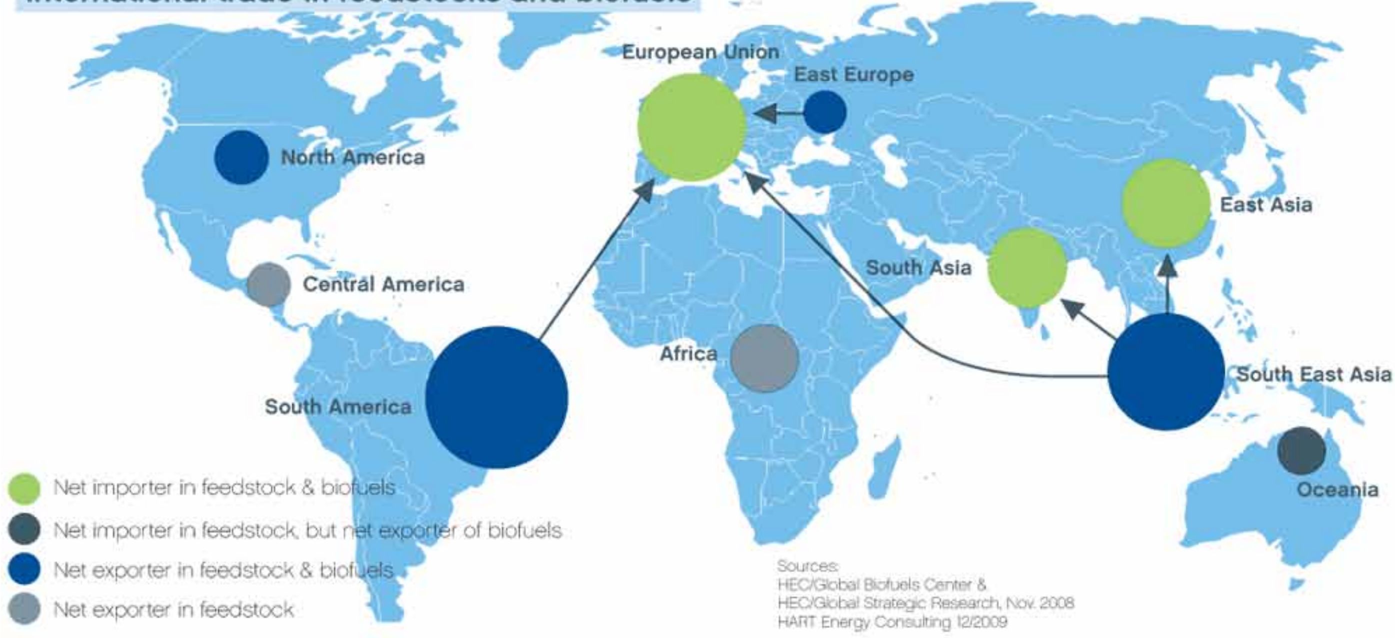
Slow improvement in refining margins

Refining margins improved on 2009. Maintenance turnarounds at European refineries in the spring resulted in higher margins. After European refineries returned to normal production following the completion of their turnarounds, inventory levels quickly rose, pushing down margins again. Increased demand resulting from the start of the winter heating season improved margins in the latter part of the year and product inventories also declined. Despite higher demand, inventories remained at virtually 2009 levels in OECD countries. The volumes stored in offshore tankers, however, fell significantly.

Low levels of capacity utilization

Demand in OECD countries is no longer growing and export opportunities are limited due to increasing production capacity in emerging markets. Overproduction of gasoline on both sides of the Atlantic, in particular, together with increased import pressure from Asia, has seen operations at basic refineries in the Western world become unprofitable.

International trade in feedstocks and biofuels



Relative size in 2015

Although demand for diesel in Europe outstrips local refining capacity, capacity utilization levels were low overall during 2010. Progress on shutting down less-competitive refineries has been slow because of the high costs associated with terminating operations at sites in Europe and the environmental challenges associated with closures.

The operating environment for renewable fuels

The growth being seen in mandated renewable content in many countries is having an impact on the demand for biofuels, as they offer a clear route for increasing overall renewable energy usage in traffic and transport.

New biofuel legislation comes into force

The European Union's Renewable Energy Directive will require renewable energy to account for at least 10% of the energy used in traffic and transport by 2020. The directive was approved in June 2009 and member states were required to incorporate it into their national legislation by the end of 2010. Although implementation of the directive was delayed in most EU member states, particularly in respect of sustainability-related legislation, the basic goal was achieved. Finland and many other countries intend increasing the proportion of renewable energy in traffic by more than 10% by 2020.

The biofuels used to meet the requirements of the directive must be produced sustainably. In practice, a verification system approved by the European Commission is necessary to confirm this, and a number of different verification systems are likely to emerge over the next few years.

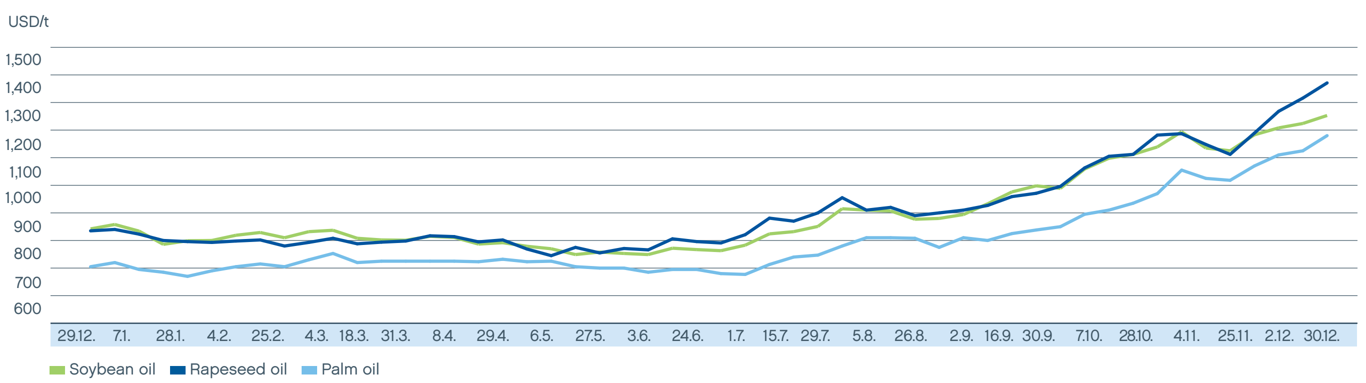
The Renewable Fuels Standard (RFS-2) introduced by the US is a volume-based biofuel mandate and classifies biofuels into four categories: Cellulosic biofuel, Biomass-based diesel, Advanced biofuel, and Renewable fuel. Fuels complying with RFS-2 requirements are expected to account for 20% of annual traffic fuel usage by 2022, increasing overall demand to 108 million tons. A national 2% biodiesel mandate is expected to come into force in Canada in the near future.

Demand for biofuels increasing

Demand for biofuels increased during 2010 and is expected to continue growing over the next 10 years, as a result of the increasing adoption of biofuel mandates and the overall increase in fuel consumption. Biodiesel demand in 2010 totaled approximately 19 million tons.

Europe is currently the world's largest market for biodiesel, accounting for over half of demand. Biodiesel represents 80% of biofuel usage in the EU, while ethanol, blended

Weekly prices for vegetable oils in Europe 2010



with gasoline, represents 20%. Although ethanol is expected to increase its share by 2020, renewable diesel is projected to remain the most widely used biofuel in Europe.

The strongest growth in the biodiesel market in 2010 was seen in Europe and South America. Argentina has become a major exporter of biodiesel to the European market, replacing imports from the US, which have dried up virtually completely following the introduction of import duties by the EU in 2009.

U.S. biodiesel demand declined when the blender's tax credit expired in late 2009, causing uncertainty among market players. This led to a situation in which the mandate was partially fulfilled by RIN certificates (Renewable Indentification Number), instead of purchases of physical product. However, the blender's tax credit was renewed by Congress in December 2010. This tax credit renewal is expected to support demand in 2011 following the RFS-2 requirements for biomass-based diesel.

Real growth in demand for biofuels in the Asia-Pacific region has yet to emerge. The region's major petroleum product consumers – China, Japan, India, and Australia – have yet to take any binding decisions on their national biofuel targets. Biofuel mandates already exist in many other countries in the region, however.

Overcapacity in conventional biodiesel

Overcapacity in the conventional biodiesel sector continued to grow in 2010, although the number of new plants producing this type of fuel is expected to drop considerably over the next few years. Overcapacity has forced many small, less-competitive plants to shut down their operations, either temporarily or permanently. Large plants capable of using a broad range of raw material inputs and with good logistics connections can expect to look forward to much better prospects. Demand for advanced fuels, such as Neste Oil's NExBTL renewable diesel, with its industry-leading product properties, is expected to remain good.

Higher raw material prices

The prices of the vegetable oil used as the main raw material for producing biodiesel increased during 2010. Palm oil prices rose the fastest during the first half of the year, reducing its price advantage over more expensive rapeseed oil. The price differential between the two was very small during the first half. This was a result of the problems affecting oil palm growers resulting from the lower yields and production caused by the El Niño and La Niña weather phenomena. The price differential returned to virtually historical average levels towards the end of the year, when longer-term production prospects improved and rapeseed oil prices increased because of a poor harvest. Looking ahead, the price differential between the two oils is expected to remain on average close to the long-term historical average.

Palm oil is expected to be the fastest-growing vegetable oil over the next few years. While rapeseed oil is currently the most widely used raw material in the European biodiesel industry, it is unlikely that volumes will be able to keep pace with the growing demand for biodiesel.

→ Renewable diesel is projected to remain the most widely used biofuel in Europe.

Retail market developments

The improvement seen in the economic situation in 2010 was reflected in a growth in overall fuel consumption. Diesel consumption in Finland rose by 8.3%, although gasoline consumption fell by 2.1%. Higher diesel demand was spurred by the continuing switch from gasoline to diesel cars among private drivers and by increased industrial output and higher transport volumes. Demand for LPG and lubricants also rose on the back of increased industrial activity. The excise duty levied on heating oil and heavy fuel oil was increased and the graduated system based on sulfur content that came into force at the turn of the year was reflected in a switch to marketing sulfur-free oil for heating purposes.

Demand for fuel around the Baltic Rim was slightly lower overall than in 2009. Economic development in the Baltic countries moved up.

Competition remains tough

Competition on the retail market continues to remain tough. Shell decided to sell its service station networks in Finland and Sweden to St1, and the latter took over around 225 stations in Finland and around 340 in Sweden, together with a number of truck fuel outlets in both countries.

In Finland and around the Baltic Rim, demand is continuing to shift increasingly from service stations to unmanned outlets. A number of large companies have announced major plans to invest in distribution networks in Northwest Russia. The demand for environmentally friendly, quality fuels is expected to grow. Competition is likely to remain tough in all of Neste Oil's markets.

E10 - the new standard-octane gasoline

The mandated bio-content of traffic fuel in Finland increased from 4% to 6% of fuel energy content as of January 1, 2011. This will see 95 E10, containing a maximum of 10% ethanol, become the standard-octane gasoline.

What next?

- Oil consumption is expected to increase by 1.5 million bbl/d in 2011, according to the IEA
- Growing demand for diesel fuel is expected to continue over the next few years
- Biofuel mandates are expected to increase around the world
- Ethanol is expected to increase its share by 2020, but renewable diesel is projected to remain the most widely used biofuel in Europe
- The price differential between biofeedstocks is expected to remain on average close to the long-term historical average
- In Finland and around the Baltic Rim, demand is expected to shift increasingly from service stations to unmanned outlets
- Competition on the retail market continues to remain tough

Delivering on our promises through premium-quality, cleaner products

Specialization and in-depth expertise play a key role in our success in the international marketplace. By producing premium-quality products from a wide range of different and maximally cost-effective inputs, we generate clear added value for our customers and our owners. We moved ahead on delivering on this commitment in many areas in 2010.

We progressed with our projects in Rotterdam and Bahrain

We progressed with the construction of a NExBTL plant in Rotterdam and a base oil plant in Bahrain, and both projects moved ahead on-schedule and on-budget. The Rotterdam plant is due to be commissioned in mid-2011 and the Bahrain plant in the second half of 2011.

We increased sales of petroleum products around the Baltic

We strengthened our position around the Baltic, increasing sales by 10%, and are committed to further developing our business in the region. Our premium-quality, low-emission products help our customers meet their biofuel mandate requirements.

We agreed on a new biofuel initiative with Lufthansa

Lufthansa will start commercial flights powered by Neste Oil's NExBTL renewable jet fuel in spring 2011. This will be the first time that renewable fuel is used in regular commercial airline service.

We started up a new NExBTL plant in Singapore

We started up the world's largest renewable diesel plant in Singapore in November 2010. It is capable of producing 800,000 t/a of NExBTL renewable diesel.

We strengthened our position on the retail market in the Baltic

We acquired 22 unmanned fuel stations in Lithuania in 2010, complementing our existing network there, and strengthened our position as the number-three supplier on the local fuel market.

We made good progress at our biowax demonstration plant

We have successfully tested the use of wood-based biomass as a raw material for producing renewable diesel in cooperation with Stora Enso since 2009. Our joint venture, NSE Biofuels Oy, began environmental impact assessment work during 2010 for a commercial plant in Porvoo or Imatra.

We improved the efficiency of our production plants

Work on enhancing the efficiency of our refineries produced results in 2010. Capacity utilization at the Porvoo refinery improved following the major maintenance turnaround that took place there in the spring. Refining costs at Porvoo and at the Naantali refinery were both lower than previously.

New business area: Oil Products and Renewables
Neste Oil reorganized its operations in December 2010 by merging the Oil Products and Renewable Fuels business areas to create Oil Products and Renewables. Oil Products and Renewable Fuels will continue to form separate reporting segments. By integrating the businesses Neste Oil aims to generate synergies and improve operational efficiency.

Oil Products

Premium-quality traffic fuels and petroleum products for customers worldwide

Oil Products 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 optimization procedures and the commercial operations of Neste Oil's fleet of tankers. Neste Oil is aiming to develop its presence in diesel fuel and VHVI base oil, both of which have been identified as growth segments.

What were our targets?

- To strengthen our market position around the Baltic Rim and develop export market channels
- To continuously improve our operational efficiency
- To develop the business in selected growth areas: diesel fuel and VHVI base oil

How did we perform?

- We grew sales in the Baltic region by 10%
- We reduced our fixed costs and improved inventory management
- We progressed on-budget and on-schedule with the construction of the new base oil plant in Bahrain

Cleaner gasoline and diesel fuel for oil company customers

Neste Oil is the leading supplier of clean fuels around the Baltic Rim and an active player on the broader international market. The company sells its main products – low-emission gasoline and diesel fuel – to oil company customers. The product range includes:

- Gasoline
- Diesel fuel
- Jet fuel and bunker fuel
- Heating oil and heavy fuel oil
- Gasoline components
- Specialty fuels
- Solvents
- LPG, and
- Bitumen.

Neste Oil's fleet of tankers carries over 30 million tons of crude oil, petroleum products, and chemicals annually – primarily to and from destinations in the Baltic, the North Sea, and the North Atlantic. The fleet gives Neste Oil a strong competitive advantage in the logistics field and guarantees that customers receive products punctually and reliably year-round.

Increased oil consumption and improved refining margins

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 through inventory gains and losses.

Oil consumption in 2010 recovered to a similar level to that seen prior to the 2009 recession. Refining margins also improved slowly but steadily during the year, and the future prospects for margins are positive. Neste Oil's overall refining margin during 2010 stood at USD 8.14/bbl (7.35 bb/l).

Crude from Russia, exports to Europe and North America

Neste Oil imported a total of 14.5 million tons (14.7 million tons) of crude oil and other feedstocks into Finland during 2010. 80% of this flow came from Russia, while most of the remainder came from the North Sea.

Neste Oil supplied 7.9 million tons (7.6 million tons) of petroleum products to the Finnish market in 2010 and had a 92% (91%) share of the domestic wholesale market.

Neste Oil's fleet has long experience in operating in tough ice conditions, which gives the company a valuable competitive edge.

Sales to other countries totaled 6.6 million tons (6.6 million tons), of which gasoline accounted for 2.4 million tons (2.3 million tons) and diesel fuel 2.3 million tons (2.1 million tons). Sweden, Canada, and the Netherlands were the company's most important gasoline export markets, accounting for 68% of gasoline exports. Sweden, Germany and Latvia were the largest markets for Neste Oil's diesel exports and accounted for 71% of exports of the fuel. Diesel accounted for 39% (37%) of sales overall.

Leveraging growth from premium-quality diesel and base oil

In line with its strategy, Neste Oil focuses on strengthening its position around the Baltic, where it provides customers with flexible solutions to meet mandated biofuel requirements. The company succeeded in increasing sales in the region by 10% in 2010. Customers benefit from rapid and flexible service, and the opportunity to receive supplies of multiple products in the same shipment, even at short notice.

Neste Oil is also aiming to develop its reach in diesel fuel and VHVI base oil, both of which have been identified as growth segments. The company is one of the leading suppliers of top-tier base oil in Europe and has a strong position on the global market as well. Stronger demand and better margins helped strengthen the base oil business in 2010. Neste Oil had a 35% (41%) share of the wholesale VHVI market in Europe in 2010 and a 16% (17%) share of the global market.

The base oil business will benefit from growing demand in Asia and tougher lubricant quality standards worldwide. Premium-quality products that help reduce fuel consumption and emissions will play an important part in further growing the base oil business. A new joint venture base oil plant is scheduled to start up in Bahrain in the second half of 2011 and will increase Neste Oil's capacity significantly. In preparation for this, a number of initiatives were carried out in 2010 to expand the base oil customer base and strengthen sales capabilities and distribution channels.

Greater operational efficiency will bring stronger competitiveness

Oil Products succeeded in reducing its fixed costs during 2010 in line with its target. Particular attention was also given to inventory management during 2010. Optimizing inventory levels enabled the business to strengthen its operational cash flow significantly.

Another example of the greater operational efficiency is the close integration of the tanker fleet into overall operations, resulting in a more streamlined cost structure. The number of ships in the fleet was reduced to 25, and a high capacity utilization ratio of 94 % (95%) maintained. Although freight rates remained low, an improvement in the operational result could thereby be reached.

What next?

- We will develop our product and service offering around the Baltic to consolidate our market position
- We will aim to leverage sales and marketing synergies in Oil Products and Renewables
- We will continue to improve our production base to improve our margins
- We will ensure the successful start-up of the new base oil plant in Bahrain and the business there

What does delivering on our promises mean for Oil Products and Renewables?

"We will focus on developing our global customer base, securing supplies of sustainably produced raw materials and continuously improving our operational efficiency."

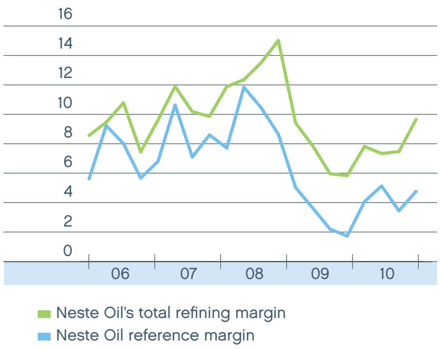
Matti Lehmus, Executive Vice President, Oil Products and Renewables

Key figures

	2010	2009
Revenue, EUR million	**9,789**	7,631
Operating profit, EUR million	**333**	318
Comparable operating profit, EUR million	**208**	105
Net assets, EUR million	**2,260**	2,943
Comparable return on net assets (RONA), %	**7.9**	4.0
Capital expenditure, EUR million	**269**	198

Refining margin

USD/bbl



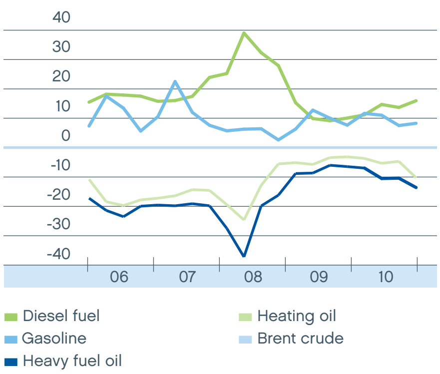
The refining margin reflects the difference between the revenue received from products and the price paid for raw materials and production.

80%

of crude oil and other feedstocks came from Russia.

Price trends for key petroleum products compared to crude oil

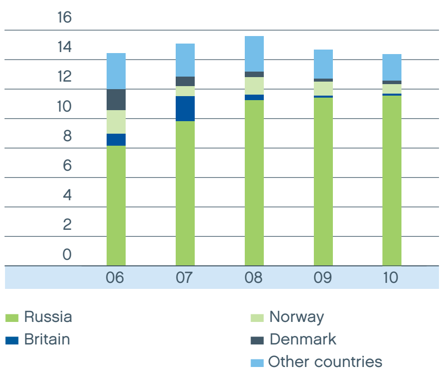
USD/bbl



The diesel price increased in 2010.

Crude oil and feedstock sources by region

1,000 t



Renewable Fuels

The world's leading producer of renewable diesel

Neste Oil produces and sells premium-quality NExBTL renewable diesel. The market for renewable diesel is growing rapidly. Based on Neste Oil technology, NExBTL renewable diesel is the most advanced biofuel on the market today. Neste Oil has invested heavily in expanding its renewable diesel capacity and successfully started up a world-scale plant in Singapore in 2010.

What were our targets?

- To move ahead as planned with our projects in Singapore and Rotterdam
- To secure our competitiveness by maximizing the value of our product, contributing to the development of the regulatory environment, and securing the sustainability of our raw material input
- To continue R&D on new products and processes

How did we perform?

- We successfully started up production at the new plant in Singapore and kept the Rotterdam project on-schedule and on-budget
- We took an active part in drafting work on biofuel legislation in Europe and North America
- We finalized our verification system for ensuring that the raw material procured for NExBTL renewable diesel and the production process complies with sustainability requirements
- We secured an ISCC certificate to enable sales of NExBTL renewable diesel to start on the German market
- We signed a number of major procurement agreements

NExBTL – The world's most advanced renewable diesel fuel

Based on Neste Oil-developed technology, NExBTL renewable diesel is a better-quality product than both conventional biodiesel and fossil diesel. Compared to fossil diesel, NExBTL reduces greenhouse gas emissions by over 50% over its entire lifecycle.

NExBTL renewable diesel offers a number of clear advantages over other renewable fuels. It meets even the toughest requirements set by automotive manufacturers and does not require any modifications to be made to vehicle engines. In fact, NExBTL renewable diesel can be used at 100% content in all modern diesel engines or can be blended with fossil diesel. It is also compatible with all existing fuel distribution systems.

The main markets for NExBTL diesel are Europe and North America. NExBTL renewable diesel has been available to drivers in Finland since 2008, and Neste Green diesel, sold at Neste Oil service stations, contains at least 10% NExBTL content. In 2010, the German airline, Lufthansa announced that it would be the first company to start commercial flights using NExBTL-based jet fuel in spring 2011.

Flexible mix of raw materials

NExBTL diesel can be produced from a flexible mix of vegetable oil and waste fat from the food industry, At the moment, Neste Oil produces NExBTL renewable diesel from a mix of palm oil, waste animal fat, and rapeseed oil. As part of its strategy, Neste Oil is committed to extending its feedstock base. Progress continued to be made in 2010 in R&D on new raw materials and the company signed a number of major raw material procurement contracts. Further information on R&D can be found on page 24 and on sustainable renewable raw material procurement on page 46.

Progress in biofuel legislation

Demand for renewable fuels is growing rapidly and is expected to total 35 million tons by 2020, spurred by new legislation under development in the field worldwide and tax incentives designed to encourage its uptake. Targets set for mandated bio-content include:

- The new EU directive on renewable energy, which has set a target of 10% to be achieved by 2020
- National legislation in Finland, which has targeted 20% content by 2020, and
- Legislation in the US, which will require 20% content by 2022.

Similar legislation is also being developed elsewhere. Most, if not all of these initiatives also establish detailed requirements covering the quality of biofuels, emission reductions, and the sustainability of the production chain.

Neste Oil is a global pioneer in renewable aviation fuel and our NExBTL jet fuel meets the industry's toughest standards.

Legislative work progressed more slowly than expected in 2010, as defining the limits of national legislation in the EU and the US took longer than originally projected. Neste Oil's expertise as a renewable fuel developer is widely respected and the company made an active contribution to legislative work in Finland, elsewhere in Europe, and the US during the year.

Neste Oil submitted a voluntary verification system to the European Commission in fall 2010 to demonstrate that NExBTL renewable diesel is produced in accordance with sustainable principles. It also shows that, produced from the all suitable raw material used at the moment, the fuel generates over

50% lower greenhouse gas emissions than fossil diesel. This figure covers the product's entire life cycle, from raw material production to end-product usage.

Major increase in capacity

Neste Oil started up a new, world-scale NExBTL plant in Singapore towards the end of the year. This is capable of producing 800,000 t/a and has raised overall NExBTL capacity to 1.2 million t/a. A similar-sized plant is under construction in Rotterdam and is expected to start up in mid-2011.

Logistics systems, raw material procurement, and sales capabilities were all upgraded during 2010 to prepare for this significantly larger volume. Output will be sold primarily on the European and US markets, with Asia possibly following later.

Excellent field trial results

A number of field trials on NExBTL renewable diesel have been carried out in Finland, Germany, and Canada, all of which have shown that it performs excellently in different blends and under different conditions. They have also generated extensive scientific data confirming that the fuel helps reduce both greenhouse gas emissions and tailpipe emissions that have an impact on urban air quality.

Neste Oil launched a new joint trial in Coburg, Germany in 2010. As part of this, Neste Oil will collaborate with automotive manufacturers, the local authorities, a university, and the Union for the Promotion of Oil and Protein Plants (UFOP) to test the properties of a new blend of renewable diesel and the contribution it can make to lower emissions. The 100% renewable fuel contains both NExBTL renewable diesel and conventional FAME-type biodiesel.

What next?

- We will focus on developing our global customer base and supply chain
- We will continue our efforts to expand the feedstock base
- We will ensure the successful completion of the Rotterdam project
- We will take part in developing and implementing new legislation

Key figures

	2010	2009
Revenue, EUR million	**328**	182
Operating profit, EUR million	**-39**	-24
Comparable operating profit, EUR million	**-65**	-29
Net assets, EUR million	**1,703**	925
Comparable return on net assets (RONA), %	**-5.1**	-4.7
Capital expenditure, EUR million	**578**	619

NExBTL production plants

Location	Capacity	Completed	Investments	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	Operational
Rotterdam	800,000 t/a	2011	EUR 670 million	Under construction

Differences between NExBTL renewable diesel and conventional biodiesel

NExBTL renewable diesel

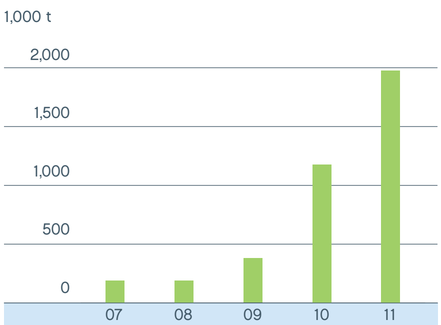
- Can be blended 0–100% content
- Complies with the strictest quality standards
- Reduces greenhouse gas and tailpipe emissions
- Offers excellent storability
- Does not require engine modifications or changes in logistics system

Traditional biodiesel

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

* Maximum allowed under the European diesel standard.

Growth in NExBTL renewable diesel production capacity



NExBTL offers over

50%

lower greenhouse gas emissions than fossil diesel*

* This covers the products' entire lifecycle from raw material production to end-product usage.

A strong retail force around the Baltic

Oil Retail has a network of 1,169 stations around the Baltic that serves as a key marketing channel for Neste Oil's premium-quality, low-emission products and a standard-bearer for the company's brand. Oil Retail's goal is to secure a leading position on its selected markets.

What were our targets?

- To maintain profitability at current levels
- To continue work on the efficiency-enhancement program
- To enhance margins management
- To continue the revamp of the service station network in Finland
- To introduce modern card-based payment systems in the Baltic countries

How did we perform?

- We improved profitability by 19% and recorded a comparative operating profit of EUR 60 million
- We introduced new logistics agreements and completed the HR program launched in Finland in 2008, which improved our cost efficiency
- We introduced a new pricing system to manage margins more effectively
- We revamped 96 stations in Finland
- We introduced new chip card-enabled payment terminals at stations in the Baltic countries

Products with a smaller environmental footprint

Oil Retail markets and sells fuels and lubricants that offer premium quality combined with a small environmental footprint. The product range includes gasoline, diesel, heating oil, heavy fuel oil, and aviation fuel. In addition, Neste Oil offers its customers a wide range of lubricants, as well as chemicals and LPG.

Neste Oil stations in southern and eastern Finland sell Neste Green diesel, which contains at least 10% renewable diesel. Compliant with the EN 590 standard, Neste Green diesel can be used in all diesel engines.

Neste Oil strengthened its position on the retail market in Lithuania by acquiring 22 unmanned fuel stations.

Distribution of the fuel will be extended to other parts of Finland on a phased basis.

Neste Oil tested a Neste Green 100 diesel grade containing 100% renewable content in Finland during 2010. The trial included private drivers and Neste Oil employees, some of whom are continuing to use the fuel. Neste Green 100 diesel will be launched as a commercial product immediately after standardization work on the fuel has been completed.

Neste Oil launched a new, sulfur-free fuel oil intended for heating and motor vehicle use at the beginning of 2011. This will have a 2% bio-content, based on Neste Oil's NExBTL renewable diesel.

Sales volumes of traffic fuels increased

Oil Retail's operating environment remained challenging during 2010. Sales volumes of traffic fuels increased towards the end of the year, however, in Finland, the Baltic countries, and Northwest Russia. Total sales of liquid fuels rose by 4% compared to 2009, to 4.2 million m^3, largely driven by increased truck and bus demand. Diesel sales rose by 7%, while gasoline sales declined by 6%.

Demand for lubricants and LPG was significantly stronger in 2010, as a result of the economic recovery in Finland and Russia and increased industrial output. Sales of aviation fuel were hit by lower demand resulting from strikes, the effects of the Icelandic ash cloud, and tough winter conditions in Northern Europe. The heating oil market benefited from cold winter.

Neste Oil took a number of measures in preparation for the introduction of E10 fuel in Finland. 95 E10 gasoline, containing a maximum of 10% ethanol, was launched at the beginning of 2011.

A stronger market position around the Baltic

Neste Oil is a major petroleum products marketing company around the Baltic, with stations not only in Finland, but also 316 in Northwest Russia, Estonia, Latvia, Lithuania, and Poland.

Neste Oil's goal is to be one of the two largest service station chains in all its selected market areas – based on high-quality products, a strong brand, an extensive station network, and competitive unit costs.

The competitive situation in Finland during 2010 was tough, and Neste Oil lost some market share as a result. Its share of the gasoline market stood at 24.9% (25.6%) and at 38.6% (39.4%) of the diesel market.

Neste Oil strengthened its market position in the Baltic countries by acquiring 22 unmanned fuel stations in Lithuania. These joined the company's existing 37 outlets there and will secure Neste Oil's position as the number-three player on the local fuel market.

The St. Petersburg region in Russia represents a natural market for Neste Oil, because of its proximity, growth potential, and size. Neste Oil opened its first service station in Veliky Novgorod, on the highway linking St. Petersburg with Moscow, in 2010.

Strengthening people's perception of the Neste Oil brand

Neste Oil continued the revamp of its station network in Finland in 2010. The project is designed to improve the customer experience at stations and provide more secure payment systems by replacing existing terminals with chip card-based ones. The revamped station network comprises three types of outlets: Neste Oil stations, offering a broad range of products and services; unmanned Neste Oil Express stations; and Neste Oil Truck outlets. Revamping was completed at 96 stations in Finland, and the project was launched in Lithuania.

A closer marketing partnership with Kesko, one of Finland's leading retailers, helped strengthen Neste Oil's position on the Finnish market. The companies launched joint marketing of Neste Oil K-market stations and agreed to work together on lubricants through Kesko's agricultural business.

In Russia, Neste Oil launched a station update program to strengthen local perceptions of the company's brand in 2010. The new station concept will profile Neste Oil as a provider of high-quality products for quality-conscious drivers.

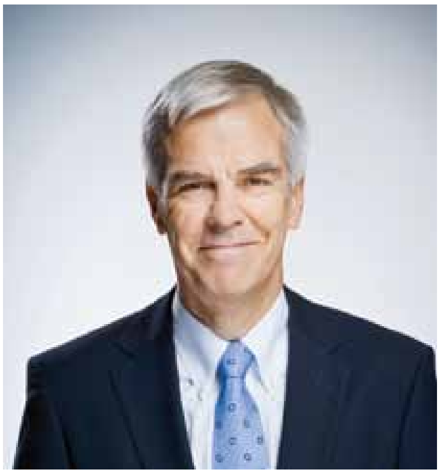
Systematic enhancement of operational efficiency

Oil Retail continued its program of enhancing operational efficiency in 2010. Efforts were made to improve profitability in Finland by introducing a new pump pricing system that gives Neste Oil greater potential for analyzing and maximizing margins. The system will be introduced in the Baltic countries in 2011.

An extensive reorganization of business processes and IT systems was launched in Oil Retail to improve our customer relationship management and service capabilities and deliver cost savings.

What next?

- We will continue the revamp of service stations outside Finland
- We will aim to improve our market position in selected markets
- We will further develop pricing to provide better margins management
- We will improve cost efficiency by optimizing processes



What does delivering on our promises mean for Oil Retail?

"We will concentrate on improving our customer relations and updating our internal processes and IT systems to reduce our unit costs and secure our profitability."

Sakari Toivola, Executive Vice President, Oil Retail

Key figures

	2010	2009
Revenue, EUR million	3,654	2,998
Operating profit, EUR million	61	50
Comparable operating profit, EUR million	60	50
Net assets, EUR million	315	305
Comparable return on net assets (RONA), %	19.3	15.8
Capital expenditure, EUR million	33	29
Total sales, 1,000 m^3	4,150	4,002

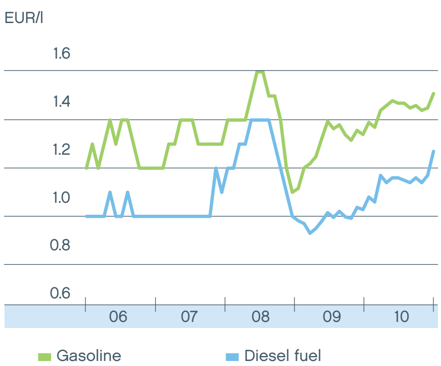
Neste Oil around the Baltic

Neste Oil stations:

- Finland 853
- St. Petersburg 54
- Estonia 47
- Latvia 52
- Lithuania 57
- Poland 106

Market position

Average retail prices for gasoline and diesel fuel in Finland



19%

improvement in profitability.

Efficient and reliable production worldwide

Neste Oil's plants in seven countries worldwide produce a comprehensive range of major petroleum products, highly efficiently and reliably, with a particular focus on low-emission traffic fuels. Output in 2010 totaled 13.6 million tons (14.5 million tons), of which NExBTL renewable diesel accounted for 0.3 million tons (0.2 million tons).

What were our targets?

- To improve our production efficiency
- To carry out the major maintenance turnaround at the Porvoo refinery on-schedule and on-budget
- To improve process and personal safety performance

How did we perform?

- We successfully completed the largest-ever maintenance turnaround at the Porvoo refinery
- We improved capacity utilization at the Porvoo refinery after the turnaround was completed. Production costs were at a lower level than previously at both the Porvoo and Naantali refineries
- We achieved good performance at our NExBTL renewable diesel plants
- We failed to achieve our safety targets, despite ongoing efforts to improve safety

Neste Oil's refineries are located in Porvoo and Naantali. The success of operations at these sites is based on a high level of refining expertise, a commitment to introducing advanced new technologies, and the ability to refine a range of different crude grades and other feedstocks. In line with Neste Oil's strategy, they are capable of producing industry-leading, low-emission traffic fuels from highly cost-effective inputs.

The Porvoo refinery is one of the most advanced and versatile refineries in Europe and is capable of refining 206,000 bbl/d and producing around 12 million tons of products annually. The refinery's average capacity utilization rate in 2010 was 82% (87%), as a result of the outages caused by the major maintenance turnaround.

The Naantali refinery produces specialty products – including bitumen, solvents, and alkylate gasoline – which gives it a higher refining margin than units of similar size. It is capable of refining 58,000 bbl/d and producing around 3 million tons of products annually. Its utilization rate in 2010 was 84% (87%).

Neste Oil refined a total of 13,0 million tons (14.0 million tons) of crude oil and hydrocarbon-based feedstocks in 2010, of which 10.6 million tons (11.5 million tons) were refined at Porvoo and 2.4 million tons (2.5 million tons) at Naantali. Production at the Porvoo refinery was lower than in 2009 due to a major maintenance turnaround. Sulfur-free and low-sulfur traffic fuels accounted for 67% (67%) of output. Diesel fuel accounted for 39% (39%) of output and gasoline 28% (27%).

Russian Export Blend accounted for 68% (62%) of total refinery input in 2010. The bulk of feedstocks, 88% (86), arrived by sea and 12% (14%) by rail.

Maintenance turnaround improves refinery performance

The Porvoo refinery successfully completed its largest-ever maintenance turnaround in 2010. The project involved close to a million man-hours of work and cost EUR 104 million. Some EUR 30 million of the turnaround's capital costs went on environmental investments. The turnaround, which lasted six weeks, included the statutory pressure vessel inspections that are required every four to six years, and other maintenance work. The turnaround was completed on-schedule and on-budget and since then operational performance at the refinery has been excellent and capacity utilization very good.

A new plant producing premium-quality base oil is due to be commissioned in Bahrain in 2011.

Preparation work on the next major maintenance turnaround at the Naantali refinery, scheduled for 2012, began in 2010.

Increasing NExBTL capacity

Neste Oil is the world's leading producer of renewable diesel. The two NExBTL units at the Porvoo refinery, with a combined capacity of 380,000 t/a, were joined in 2010 by a new plant in Singapore, which was successfully started up in November. This new facility is capable of producing 800,000 t/a and brings

Neste Oil's total NExBTL renewable diesel capacity to 1.2 million t/a. Output in 2010 totaled 0.3 million tons. A fourth NExBTL plant is expected to start up in mid-2011, which will increase the total production capacity to 2 million t/a.

New base oil capacity on the way

Neste Oil produces VHVI base oils at the Porvoo refinery, which is capable of producing around 250,000 t/a of VHVI base oil. Additional capacity is under construction in Bahrain, where Neste Oil, Bahrain Petroleum Company and nogaholding are building a plant to produce 400,000 t/a of VHVI base oil. Construction work on the plant, in which Neste Oil has a 45% stake, progressed well in 2010, and the plant is scheduled to be commissioned in the second half of 2011. Additionally, Neste Oil produces PAO base oils in Beringen, Belgium.

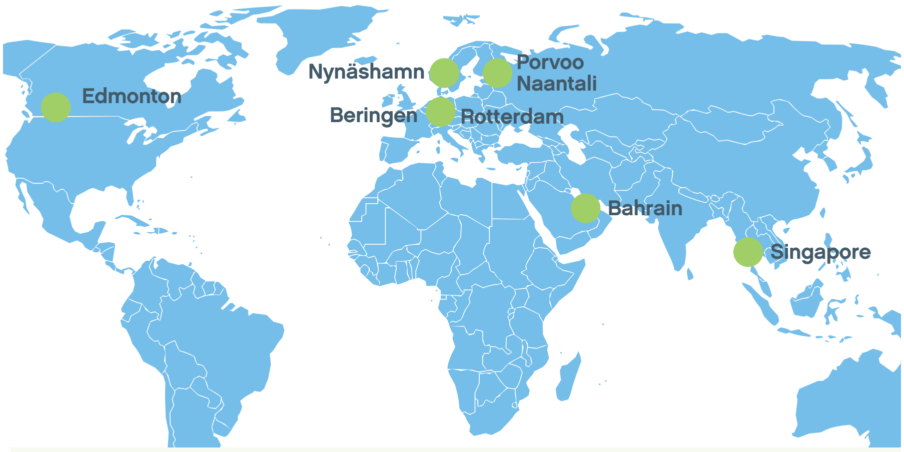
Gasoline components, specialty oils and bitumen

Neste Oil owns 50% of a 520,000 t/a isooctane facility in Edmonton and has a 49.99% holding in Nynas AB, which produces and markets naphthenic specialty oils and bitumen. Neste Oil sold its ETBE plant in Sines, Portugal in 2010.

What next?

- We will ensure the smooth operation of the new Singapore plant
- We will aim to improve energy efficiency and process safety
- We will strive to achieve greater flexibility
- We will improve the production efficiency of the diesel production line 4 at Porvoo

Neste Oil's production plants



Porvoo

- 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

Naantali

- Main output: traffic fuels and specialty products, such as bitumen, solvents, and small engine gasoline
- Refining capacity of approx. 58,000 bbl/d and produces some 3 million tons of petroleum products a year

Rotterdam

- NExBTL plant under construction and expected to start up in mid-2011
- Production capacity of 800,000 t/a

Beringen

- Produces high-quality polyalphaolefin (PAO) base oils that are marketed under the NEXBASE brand
- Production capacity of 60,000 t/a

Nynäshamn

- Nynas AB produces premium-quality naphthenic oils, bitumen, specialty bunker fuels, and other fuel products
- Neste Oil owns 49.99% of Nynas AB

Edmonton

- Alberta Envirofuels Inc. produces Isooctane, a gasoline component
- Production capacity of 520,000 t/a
- Neste Oil owns 50% of Alberta Envirofuels Inc.

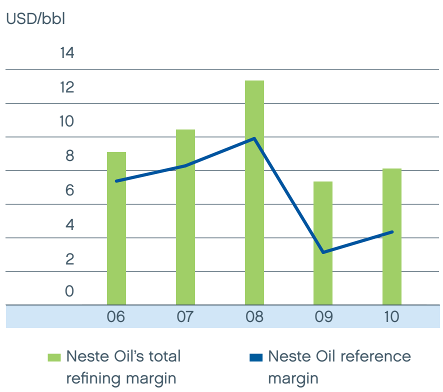
Singapore

- NExBTL plant came on stream in 2010
- Production capacity of 800,000 t/a

Bahrain

- Base oil plant under construction and expected to start up in 2011
- Production capacity of 400,000 t/a
- Neste Oil owns 45% of the plant

Total refining margin



Neste Oil's production totaled

13.6

million tons

in 2010.

Generating success by being at the cutting edge

Expertise in research and technology represents one of Neste Oil's key success factors and plays a major role in the company's cleaner traffic strategy. Neste Oil has a long tradition of being a pioneer in the oil industry and is known worldwide as a developer of advanced products and technologies. During 2010, research concentrated on extending the range of raw materials that Neste Oil uses, in line with the company's strategy.

What were our targets?

- To continue development of the diesel production line 4 at Porvoo and provide technical support for operations
- To identify new renewable raw materials
- To continue development of NExBTL technology
- To develop technology for converting wood-based biomass into fuel

How did we perform?

- We patented a waste-based microbial oil technology
- We progressed with research on algae oil and produced an initial trial batch
- We achieved good results at our pilot plant in producing biowax from wood-based biomass and started environmental impact assessments for a possible commercial plant
- We developed our innovation process and saw an increase in the number of inventions and patent applications
- We improved the operational reliability of diesel production line 4 together with Neste Jacobs

The dynamism of Neste Oil's research and technology activities is based on in-depth know-how, close cooperation between the best people in their fields, and successful partnerships with research institutions and companies. Research and technology operations are based at Porvoo, where close to 1,000 people are employed in work related to R&D and engineering. Having the Porvoo refinery, the Technology Center and its laboratories, and engineering expert, Neste Jacobs, close to each other helps promote collaborative work and creates an innovative environment for world-class R&D.

Progress on new raw materials

Neste Oil's research and technology investments totaled EUR 41 million (EUR 37 million) in 2010. A major part of this expenditure went to research into renewable raw materials and refining technologies for processing these materials, and accounted for around 80% of overall R&T expenditure.

Neste Oil is involved in research in both completely new raw materials – such as microbes, algae, and wood-based biomass – and existing alternatives – such as jatropha oil, camelina oil, soybean oil, oil waste from fish processing industry, and tall oil. The company selects the focus of its raw material research based on availability, price, and sustainability.

Research has shown that algae oil and microbial oil, together with wax derived from wood-based biomass, can all be used as feedstocks for producing NExBTL renewable diesel. Neste Oil applied for number of patens for the work that has been done on microbial oil in 2010, and the first trial batch of algae oil was produced. Good results were also achieved at Neste Oil's and Stora Enso's jointly owned demonstration plant at Varkaus. Work on testing the production chain extending from wood-based biomass to biowax suitable for refining into diesel fuel has been carried out there since 2009. In 2010, the partners' joint venture, NSE Biofuels Oy, began environmental impact assessments for a commercial plant at either Porvoo or Imatra. The partners will decide whether to go ahead with basic engineering on a 200,000 t/a plant when the question of public subsidy for the project is resolved.

Research work on other renewables also focused on the potential for using them on an industrial scale. Neste Oil's close collaboration with a network of international universities, research institutions, and other partners plays a central role here.

Products and technologies with a smaller environmental footprint

Neste Oil's R&D has long concentrated on developing products and technologies with a low level of environmental impact. Technologies developed by Neste Oil, such as NExBTL, NEXERTHERS, and NExOCTANE, embody a high level of technical and environmental know-how. NExBTL renewable diesel, for example, is the outcome of an intensive R&D effort and is the world's cleanest diesel fuel produced from renewable inputs. During 2010, R&D in the NExBTL area concentrated on further developing the capabilities of the technology.

R&D played an important part in the successful commissioning of the new NExBTL plant in Singapore and will be involved in the start-up of the Rotterdam facility as well. Work during the commissioning process involves testing raw material inputs and resolving practical operational challenges.

Expert services for the oil and gas industry

Neste Oil owns 60% of Neste Jacobs, an engineering company that offers technology, design, and project management services and solutions to customers in the oil and gas, petrochemicals, chemicals, and biotechnology sectors in Europe, North America, and the Middle East. Jacobs Engineering Group of the US owns the other 40% of the company. Neste Jacobs employs around 700 experts in Finland and Sweden.

Neste Jacobs carried out a number of major reorganization initiatives in 2010. In line with its updated strategy, Neste Jacobs' goal is to be the preferred solution provider for industrial customers refining hydrocarbons and renewable raw materials – based on the company's long experience in oil, gas, and petrochemicals and its expertise in processing renewable raw materials.

Neste Jacobs adopted a matrix-based operating model in 2010, designed to promote greater cost efficiency and a more customer-driven approach and improve its potential to implement its updated strategy.

Leveraging growth opportunities in Russia and the Middle East

Neste Jacobs' strategy is based on being a developer of world-class technology, providing even better service to its existing key customers, and growing in selected market areas. The company is looking to grow in areas such as Russia and the Middle East, for example, where major investments are expected in oil refining and petrochemicals.

Progress was made in moving ahead with this growth strategy in 2010 when the company was selected to supply the engineering for a new shale oil condensing unit in Estonia. Neste Jacobs also strengthened its organization in the Middle East, where it has licensed its technology for use in the new joint venture base oil plant being built in Bahrain by Neste Oil and Bapco. The company's office in the Middle East also serves a base oil project in Abu Dhabi, which is being developed on the basis of technology licensed from Neste Jacobs.

ONE STEP AHEAD

Using waste-based microbial oil to produce renewable diesel

Neste Oil has studied the potential for using yeasts and molds to help produce raw materials for its products since 2007 in collaboration with the Aalto University School of Science and Technology. Neste Oil applied for a number of patents in 2010 for technology capable of producing microbial oil from waste with the help of yeasts and molds for use in the NExBTL renewable diesel process. Yeasts and molds are particularly attractive because of their ability to feed off agricultural and industrial waste and sidestreams.

"We're particularly interested in non-food raw materials that have the potential to significantly reduce greenhouse gas emissions," says Markku Patajoki, Neste Oil's Biotechnology Manager. "Research has shown that waste-based microbial oil meets this requirement very well, which is why we consider it to be a very promising future raw material."

Trial quantities of NExBTL renewable diesel have already been produced from microbial oil; this type of oil is only likely to be available in commercial volumes by 2015 at the earliest, however.

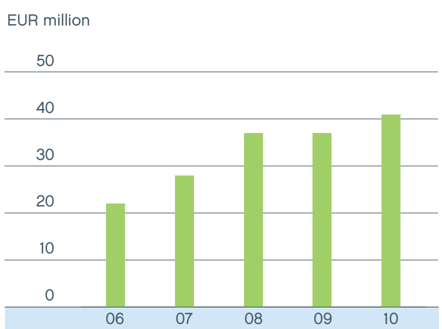
80%

of R&D investments went to research into renewable raw materials.

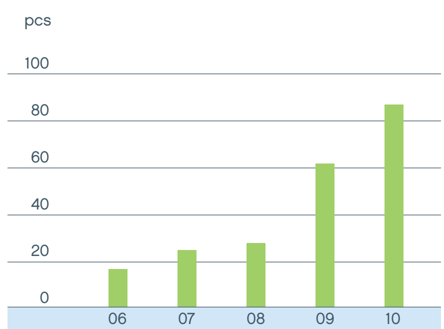
1,000

people are employed in work related to R&D and engineering.

R&D investments



Inventions and new patent applications



Delivering on our promises calls for constantly developing sustainability across our business

Our systematic, long-term work to promote sustainability continues to deliver positive results. We now have closer dialogue with our stakeholders, have developed a number of new systems to support our sustainable operations, and have received further certification verifying the sustainably of our operations. Enhancing our sustainability-related work is, however, always a work in progress. It will continue to demand continuous efforts across all areas of our business.

We studied the expectations of our stakeholders

We believe that we can move ahead in delivering on our sustainability and strategic targets most effectively by working together with our stakeholders. We carried out a survey in 2010 to identify what our stakeholders expect of us and what they think of us in terms of our operations and our sustainability. A total of 356 stakeholder representatives responded to the online survey.

We offered fuels that reduce local and CO_2 emissions

We continued our efforts to combat climate change by promoting the use of NExBTL renewable diesel in cars, public transport and trucks. Using NExBTL renewable diesel can significantly reduce greenhouse gas and tailpipe emissions.

We made progress in researching new renewable raw materials

We continued work to find new sustainable alternatives to the renewable raw materials that we already use. We took a step forward in 2010 by applying for patents covering new technology for producing microbial oil from waste using yeasts and molds. Microbial oil can be used as a feedstock for NExBTL renewable diesel. Recognizing the raw material potential of microbes was a Finnish innovation.

Sustainability of our supply chain is a key issue

We completed crafting of a verification scheme for the European Commission with which we can verify the sustainability of our raw material procurement as well as the production of our NExBTL renewable diesel as required by EU directives.

We continued expanding internationally

Although Finland continues to be the single largest country that we operate in, measured in terms of employees, we expanded significantly elsewhere during 2010. This was mainly the result of our growth projects in Singapore, Rotterdam, and Bahrain, where a total of 240 Neste Oil people were employed as of the end of the year. The majority of these employees have been recruited locally.

We developed our safety guidelines

Safety is one of the most important principles of our approach to sustainability and essential for our business success. During 2010, we concentrated on defining common operating models for process safety, covering areas such as plant management, change management, and equipment inspections.

We offer significant new income for developing regions

New bio-based raw materials and the related technologies that comply with sustainability principles can provide an excellent new and growing source of income in the developing regions of the world.

Neste Oil's sustainability focus

Sustainability is an integral part of Neste Oil's cleaner traffic strategy. By developing and producing fuels that have a lower level of impact on the environment, Neste Oil can help meet the growing energy needs of traffic and transport and make its own contribution to combating climate change. Neste Oil's sustainability is based on a thorough understanding of the impact of its products over their entire lifecycle. Additionally, the company is committed to continuous improvement.

What were our goals?

- To develop reporting and data collection processes
- To involve stakeholders in developing our sustainability reporting
- To improve our ranking in the Dow Jones Sustainability Index

How did we perform?

- We defined the main aspects of Neste Oil's sustainability in terms of our stakeholders and our business
- We developed our data collection methods and reporting process by introducing a new reporting tool and drawing up new reporting guidelines
- We improved our sustainability reporting and reached GRI Guidelines Application Level B+
- We maintained our position in the world's most important sustainability indexes. We did not, however, improve our ranking in the Dow Jones Sustainability Index

www.nesteoil.com/responsibility

Neste Oil's operations and products have an impact on society, the environment, and people. The company's goal is to reduce or eliminate negative impact, while generating added value and wellbeing for its stakeholders. Neste Oil's premium-quality products, which are some of the best worldwide, play a key role here.

Risks and opportunities related to sustainability

A number of sustainability-related risks are associated with Neste Oil's operations. The most significant of these relate to environmental impact, safety, product liability, health, accidents, and other incidents. The goal of Neste Oil's risk management is to identify these issues and help develop preventive measures to counter them. Sustainability-related risks and risk management are covered in more detail in the Sustainability Report and on page 71.

A number of sustainability questions are associated with Neste Oil's growth business: renewable fuels. Renewable raw materials, particularly palm oil, have been a topic of debate, some of which has been very critical. However, Neste Oil has played an active part in developing sustainable methods for sourcing renewable raw materials and is committed to using only sustainably produced palm oil. Various uncertainties are also associated with the development and implementation of the legislation covering renewable fuels. The work Neste Oil does to promote sustainability is very important to demonstrating that the company's products comply with all aspects of legal and regulatory requirements.

Sustainability offers Neste Oil a number of opportunities. Its premium-quality, low-emission products have a lot to offer in meeting growing energy needs sustainably Neste Oil's quality products, in-depth expertise, and extensive track record as a responsible company give the company a valuable competitive edge in the biofuel marketplace.

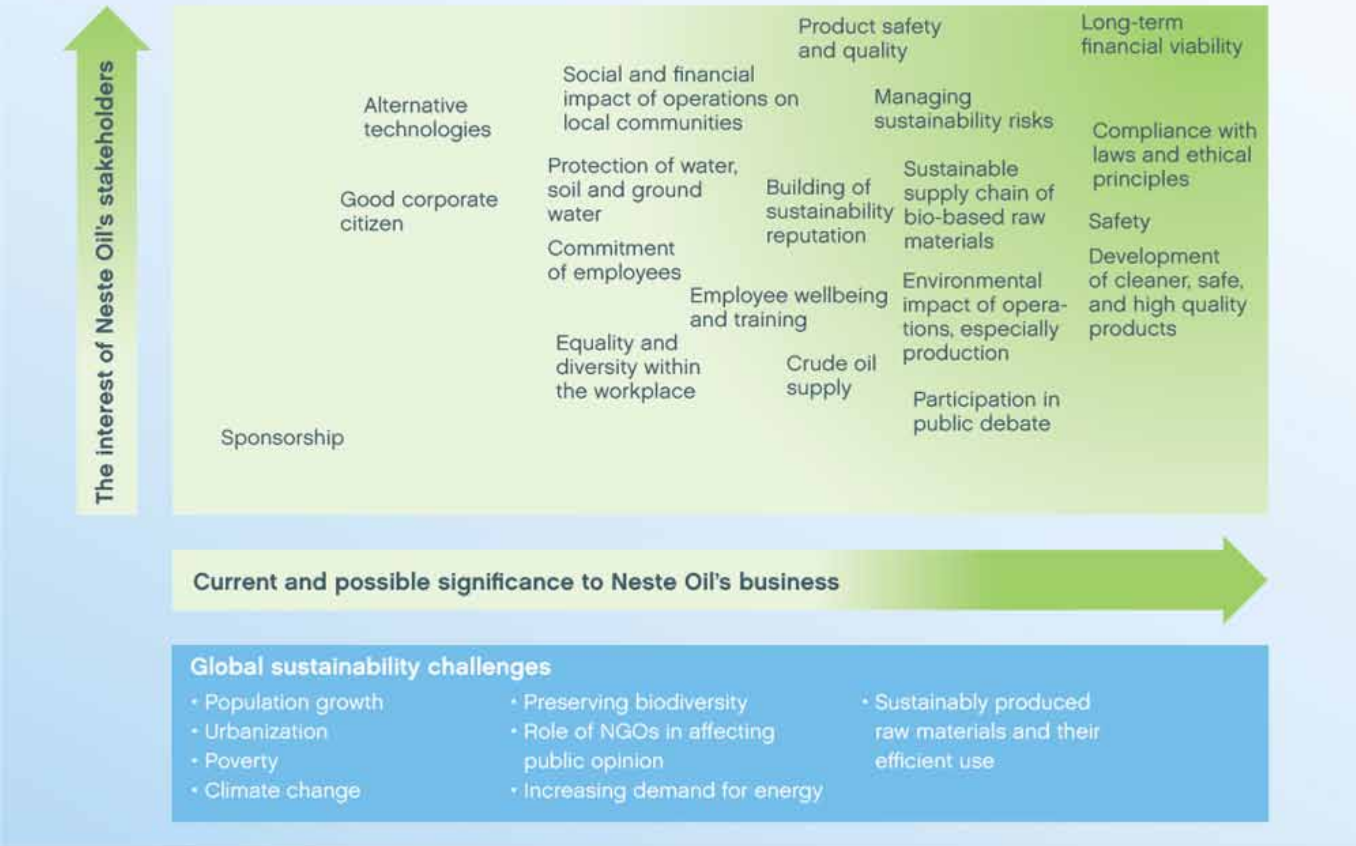
As a technological leader, Neste Oil works with its stakeholders to promote sustainable development and the adoption of sustainable operations across the industry. The company takes part in numerous joint projects with its partners to study the opportunities for reducing the negative impact of traffic and transport and promoting more sustainable technologies. Focusing on sustainability from this perspective can open up business opportunities for both Neste Oil and its partners.

Assessing materiality

Neste Oil systematically defined the fundamentals of its approach to sustainable operations in 2010. The process combined the company's views and those of its stakeholders to create an overview of the key components of what Neste Oil means by sustainability. The company analyzed the expectations that its stakeholders have in terms of Neste Oil's sustainability by using an online survey. More details can be found on page 51. An internal sustainability work group compared stakeholder expectations with the main sustainability issues faced by Neste Oil's business areas and the overall challenges of sustainability. The outcome of this analysis resulted in the matrix of material issues shown on page 29, which has been approved by the Neste Executive Board and the Board of Directors.

This new matrix reinforces Neste Oil's understanding of the key aspects of sustainability, and the company is committed to

Materiality assessment of Neste Oil's sustainability



continuously developing sustainable ways of working in these areas. Assessing materiality also helped Neste Oil identify new areas of particular interest to its stakeholders that could prove more significant for its business in the future. These include various sustainability-related opportunities, human rights, and water use questions. The assessment also enabled the company to identify issues that are not considered significant at the moment by Neste Oil or its stakeholders.

Sustainability reporting in 2010 primarily focuses on the material sustainability-related matters currently most relevant to Neste Oil's business and stakeholders. The relevance of issues will be reviewed regularly and the matrix updated where appropriate as part of the annual reporting process.

Reporting principles and scope

Neste Oil publishes a Sustainability Report annually as part of its Annual Report and supplements this with additional information on the company's web site. In addition to the corporate Sustainability Report, the Porvoo and Naantali refineries publish regular newsletters for residents in the surrounding areas covering local issues. These newsletters can also be found on the company's web site.

Neste Oil is committed to the principles of AA1000APS (2008) standard consisting of inclusivity, materiality, and responsiveness. For the second year, Neste Oil's Sustainability Report has been compiled in accordance with the G3 guidelines of the Global Reporting Initiative (GRI); it has also been assured by an independent third party. Neste Oil published its previous Annual Report on 4 March 2010. The Sustainability Report, like the Annual Report, covers the 1.1.–31.12.2010 financial year. The accounting principles as well as changes in the previously reported key figures or their accounting principles are reported in connection with the corresponding key figures.

The aim of this Sustainability Report is to share information on the sustainability of Neste Oil's operations and provide the information required by its stakeholders in this area. Sustainability reporting is developed each year based on the feedback from stakeholders. Feedback on Neste Oil's sustainability reporting can be sent via email to CORPCOMViestinta@nesteoil.com.

Reporting covers all operations directly controlled by Neste Oil during 2010 as well as the subsidiaries in which Neste Oil holds more than a 50% stake. Reporting on environmental and safety matters also covers suppliers and subcontractors, as well as transportation of the company's products and raw materials. The new plant in Singapore commissioned in November 2010 came within the reporting scope in July 2010. In the future, reporting will include the Rotterdam plant currently under construction.

Financial reporting complies with international IFRS accounting requirements, while corporate governance reporting complies with the relevant national legislation and the Finnish Corporate Governance Code covering listed companies. The presentation of environmental costs and liabilities is based on Finnish accounting legislation.

Financial indicator data is based on audited figures, while data on personnel comes from Neste Oil's HR system. The environmental data is gathered from various business unit operated systems. CONCAWE principles are followed in the safety related injury frequency figures.

Neste Oil further developed its data collection processes in 2010 and introduced a new reporting tool for collecting data on key indicators. New guidelines were drawn up covering the collection of sustainability data. The aim is to use the new reporting tool comprehensively from the beginning of 2011.

What next?

- We will introduce the new reporting tool and integrate it with our other systems
- We aim to achieve a high ranking in terms of sustainability compared to our industry peers

Sustainability milestones

Neste Oil has been a sustainability pioneer within its industry in Finland. The roots of the company's proactive approach to sustainability go back to the end of the 1960s and the company's product strategy has been environmentally driven for decades. Today sustainability forms an integral part of Neste Oil's corporate values and management system.

1948

- Neste was founded to secure Finland's oil supply

1960s and 1970s

- Waterborne oil emissions from Neste's refineries were reduced by over 90%
- Neste decided to acquire only double-bottomed or double-hulled tankers
- An environmental protection unit was established in 1969, after which the company's Annual Report has included a section on environmental issues

1980s

- Internal environmental audits were started and all the company's major production sites were audited
- Refinery sulfur dioxide emissions were reduced by over 50%
- The sulfur content of petroleum products was systematically reduced

1990s

- Publication of an environmental report started in 1992
- The company's environmental report for 1998 won the European Environmental Reporting Award.
- Over 90% of the company's production was environmentally certified
- Refinery sulfur dioxide emissions were further reduced by 75%
- The company made premium-quality, cleaner traffic fuels its core strategy

2000s

- A new line producing sulfur-free diesel fuel from heavy bottom oil was commissioned at Porvoo in 2007
- NExBTL technology won the product category of the national section of the 2008 European Corporate Environmental Awards
- Neste Oil announced an updated strategy emphasizing the importance of renewable fuels; two plants producing NExBTL renewable diesel become operational at Porvoo in 2007 and 2009
- Neste Oil was selected for inclusion in numerous sustainability indexes, including The Global 100 list of the world's 100 most sustainable companies for five years in succession
- A world-scale NExBTL renewable diesel plant was commissioned in Singapore in 2010

The future

- Sustainability will continue to be a central feature of Neste Oil's strategy: the company will continue to develop and produce premium-quality fuels for cleaner traffic
- Neste Oil's goal is to continue being the industry leader in terms of sustainable performance

Neste Oil's work on sustainability has received recognition in numerous international comparisons

- Dow Jones Sustainability World Index
- Global 100 (2007–2011)
- Forest Footprint Disclosure
- Ethibel Sustainability Indices (ESI) – Pioneer & Excellence
- Storebrand Best in Class

Managing sustainability systematically

Sustainability is one of Neste Oil's four values and an integral part of the company's management system. Sustainability-related work is headed by a Senior Vice President, Sustainability and HSSE, who is a member of the Neste Executive Board. Ultimate responsibility lies with the Board of Directors. Feedback from stakeholders is used to improve the company's performance in terms of sustainability.

What were our goals?

- To strengthen sustainability work with the help of the matrix organization
- To include a set of sustainable development and HSSE guidelines in the Group's management system
- To ensure that personnel gains a solid grasp of the Code of Conduct approved at the end of 2009

How did we perform?

- We reorganized sustainability work at the Group level
- We completed around 60% of our core HSSE guidelines and began training based on them
- We presented our Code of Conduct to the company's entire personnel in 2010 and trained everyone at Neste Oil on how to apply them at the beginning of 2011

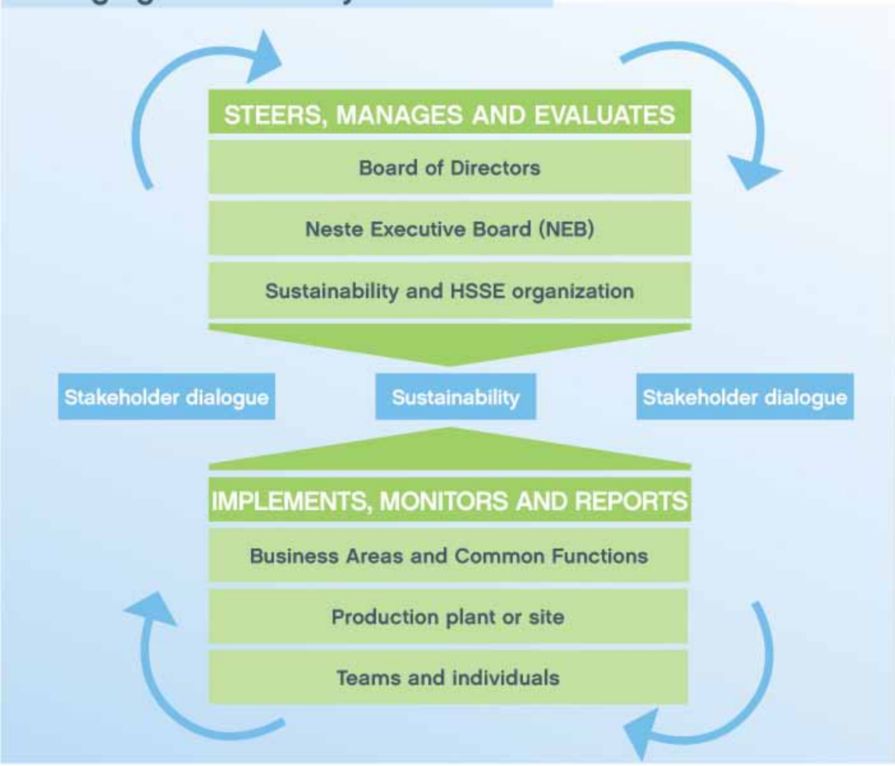
HSSE = Health, Safety, Security and Environment

Neste Oil's work in the area of sustainability is steered by the company's Sustainability and HSSE organization together with the Neste Executive Board. The latter is responsible for establishing Neste Oil's strategic approach to sustainability and for evaluating how the company performs in terms of sustainability. Ultimate responsibility lies with the Board of Directors.

The Sustainability and HSSE organization is made up of over 40 specialists and represents one of the common functions of Neste Oil's matrix organization, responsible for occupational safety, sustainable development, corporate security, as well as the environment and product safety. It is also responsible for coordinating the implementation of actions in the area, monitoring, as well as reporting in cooperation with business area and plant organizations.

HSSE matters are reviewed regularly by the Board of Directors, the Neste Executive Board, the HSSE management team, and business area and plant management teams. Every member of the company's personnel also takes part in sustainability-related work, through, for example, ongoing safety work. The HR organization, together with the

Managing sustainability in Neste Oil



Neste Oil's 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 engaging with our stakeholders and participating in multi-stakeholder initiatives 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 recommendations for multinational companies and its principles of corporate governance; and operates in accordance with the UN Charter on Human Rights and the ILO declaration on Fundamental Principles and Rights at Work.

For the operating principles based on Neste Oil's sustainability policy, see www.nesteoil.com/responsibility

Targets for 2010	Actions and achievements	Targets for 2011
Continue with measures to improve energy efficiency, with the aim of saving 660 GWh by 2016, equivalent to 5% of consumption in 2007 at the company's refineries and terminals in Finland.	Energy efficiency at the Porvoo refinery was improved through various projects implemented during the maintenance turnaround there. Through continuous development, EUR 4.3 million cost savings were achieved.	Continue efforts to achieve the 660 GWh savings target.
Improve occupational and process safety by continuing to introduce more advanced indicators.	The introduction of the LOPC indicator was continued at production plants. The PSE indicator was introduced on a trial basis. The Group's management system was supplemented with four sets of process safety guidelines.	See Neste Oil included in the top 25% of European refinery safety performance statistics by 2015.
Update the definition of leaks as well as their monitoring. Reduce the number of significant leaks (> 100 kg) into the environment compared to 2009.	Defined a new indicator for leaks to the ground, water and air. 30 leaks of over 1,000 kg, and 62 leaks of between 100 and 1,000 kg.	Further reduce the number of significant leaks (> 100 kg) into the environment.
Increase the number of safety observation tours compared to 2009 (22,605).	A total of 23,395 safety observation tours were carried out. Additionally 4,113 obervation tours were carried out during major maintenance turnaround at Porvoo refinery.	Extend the use of safety observation tours to all the company's operations.
Reduce the number of work-related injuries requiring medical attention (TRIF) per million hours to less than 3.	TRIF = 4.7. A more systematic evaluation of safety incidents was carried out, and safety guidelines and training developed. 164 managers and supervisors took part in safety training in 2010 (30%).	TRIF < 2.5
Reduce the number of work-related injuries resulting in absences from work (LWIF) to less than 1 per million hours worked.	LWIF = 3	LWIF = 0
Extend sick leave reporting outside Finland.	Sick leave reporting was extended to locations outside Finland from the beginning of 2010. Sick leave percentage of 3.6% was achieved.	Sick leave percentage at 3.4%.
Raise ROACE (Return on Average Capital Employed After Tax) to at least 15%.	ROACE = 4.6%	Continue efforts to approach a ROACE target of at least 15%.
Retain a leverage ratio of 25–50%.	Leverage ratio = 42.6%	Maintain leverage ratio below 50%.
Distribute a dividend equivalent to at least a third of underlying profits for the year.	The Board of Directors proposed that a total of EUR 90 million (54%* of comparable net result), EUR 0.34 per share, will be paid as dividends.	Distribute a dividend according to the company's dividend policy.
Improve internal efficiency through things such as continuing to move ahead with the cost-saving program launched in 2009.	Of the EUR 60 million cost-saving program the targets set for 2010 were achieved.	Continue development of the company's core businesses to secure competitiveness and maximize our future financial performance.

* Calculated on the basis of the profit for the year based on the comparable operating profit.
Targets for human resources are presented on page 52.
LOPC, PSE, LWIF, and TRIF are explained in the Glossary of terms on pages 159–160.

Senior Vice President, Human Resources, is responsible for developing employees' understanding and application of sustainable practices.

Steering sustainability

The central principles underlying Neste Oil's approach to sustainability are defined in the company's sustainablility policy (see page 31). Operations are guided by the Group's management system and plant-, business area-, and function-specific certified systems that meet the requirements of the ISO 9001, ISO 14001, and OHSAS 18001 standards in respect to quality, the environment, and occupational health and safety. Details on Neste Oil's certified plants, business areas, and functions can be found on the company's web site www.nesteoil.com/responsibility.

The Group's management system was supplemented by various sustainability- and HSSE-related guidelines during 2010. Around 60% of the core HSSE guidelines were completed and training based on these was started. Work will continue on drawing up the remaining guidelines and implementing them in 2011.

Neste Oil's Sustainability and HSSE Management Principles define the central responsibilities, practices, and overall guidelines to be followed. They set minimum requirements for sustainability, health, safety, the environment, and product safety. Based on these principles, production sites draw up their own detailed guidelines where appropriate and incorporate them in their management systems. Other Neste Oil locations, such as offices, follow the principles as they apply to their activities. HSSE training is offered to every employee.

Group-level HSSE indicators and targets are set annually as part of the business planning cycle. Indicators are reported and published monthly.

The indicators in 2010 were:

- Injury frequency: TRIF and LWIF
- The number of significant leaks (> 100 kg) to the environment
- Process safety: LOPC
- Sick leave percentage (company personnel)
- Safety observation tours

Our performance during 2010 in respect of these indicators is detailed in the table on page 32.

Legal compliance

Neste Oil always abides by the legislation of the countries in which it operates and actively monitors changes in legislation and new official initiatives. Every company location is required to have a reporting system for recording the environmental and other data required by legislation and environmental and other permits or requirements.

The company's sustainability experts closely monitor legislation in areas such as renewable fuels and are responsible for ensuring that Neste Oil's products comply with statutory sustainability requirements. They are also responsible for developing operations as required by official requirements. During 2010, Neste Oil finalized and submitted for the European Commission a voluntary sceme for verifying that NExBTL renewable diesel meets the requirements of the EU's directives on renewable energy and fuel quality.

→ Group-level HSSE indicators and targets are set annually as part of the business planning cycle. Indicators are reported monthly.

Auditing ensures that systems function as they should

Internal and external audits are used to assess the effectiveness of HSSE systems. Internal HSSE audits ensure that the Group's operations comply with the requirements of the law, regulations, and guidelines. Neste Oil uses two incident management systems covering all company operations. Experiences from all incidents reported are used to develop the management system and operating practices. A total of 1,521 audit-, HSSE-, or quality-related incidents were reported in 2010. In addition, the management systems covering Neste Oil's operations were audited by an external, independent third party.

What next?

- We will continue implementation of sustainability-related principles and guidelines
- We will ensure that all employees are familiarized with the company's Code of Conduct
- We will continue developing sustainability management methods and indicators

ONE STEP AHEAD

Familiarizing personnel with our Code of Conduct

Personnel were familiarized with the Code of Conduct with the help of a web-based game.

Neste Oil's Board of Directors approved the company's Code fo Conduct at the end of 2009 aimed at helping personnel act ethically in their day-to-day work and understand what actions comply with the requirements of the law and Neste Oil's values and principles. The Code of Conduct consists of guidelines reflecting the company's commitment to acting responsibly towards its stakeholders in an ethically sustainable way.

The new Code of Conduct was presented to personnel in 2010. The training in the area took place at the beginning of 2011 with the help of a web-based game and discussions within units and teams. Translated into 10 languages, the game guides personnel through various imaginary scenarios and shows them how to select the ethically correct solutions in difficult situations they may come across in their work. The aim is for all personnel to have familiarized themselves with the Code of Conduct during early 2011 with the help of the game. The game will also be used at a later stage as part of the induction of new personnel.

The company's Code of Conduct covers areas ranging from complying with the law and human rights requirements, through preventing bribery and corruption, to ensuring operational transparency and open communications and recognizing our responsibilities in terms of sustainability. The Code of Conduct complements Neste Oil's policies on sustainability and HR, and sustainability principles for biofuels. Managers and supervisors are responsible for helping their teams deal with and resolve practical issues related to ethical questions.

Neste Oil's Code of Conduct can be found in the sustainability section of the company's web site www.nesteoil.com/responsibility.

Aiming for profitable growth in Finland and globally

Ensuring that we are competitive, aiming for profitable growth, and making a valuable contribution to local, regional, and national economies – wherever we operate – are all part of what financial responsibility means for Neste Oil.

What were our goals?

- To continue aiming for profitable growth by moving ahead with our growth projects in Singapore, Rotterdam, and Bahrain
- To improve our internal efficiency by continuing with initiatives such as the cost-saving program introduced in 2009
- To create financial added value for our stakeholders

How did we perform?

- We achieved the savings targets set for 2010
- We continued to move ahead successfully with our projects in Singapore, Rotterdam, and Bahrain
- We completed the largest maintenance turnaround in the history of the Porvoo refinery
- We paid a dividend totaling approximately EUR 64 million to our shareholders

During 2010, Neste Oil continued with its cost-saving and efficiency-enhancement program aimed at saving over EUR 60 million in annual fixed costs by the end of 2011. Measures taken included centralizing procurement and revamping the company's ICT system environment. These and other initiatives have helped adapt the company's cost structure to the weaker market situation that has resulted from the recession and secure Neste Oil's competitiveness and the progress of its key strategic investments.

Cleaner fuels deliver real added value

Neste Oil's financial responsibility is primarily linked to its commitment to provide premium-quality, cleaner traffic fuels to its customers, which include oil companies in Finland and nearby regions, elsewhere in Europe and North America, as well as corporate and private customers in Finland, Estonia, Latvia, Lithuania, Poland, and the St. Petersburg region in Russia. Net sales in 2010 totaled EUR 11,892 million (9,636 million) and EUR 2.36 million per employee (1.82 million).

Neste Oil's petroleum products enable customers to reduce the impact their emissions have on the immediate environment, and its NExBTL renewable diesel enables the company's customers, particularly oil companies, to meet their mandated bio content requirements in respect to traffic fuels.

Long-term cooperation means ongoing improvements

Neste Oil provides a stable source of revenue for numerous suppliers of raw material, products and services, as well as contractors and other partners. The company paid EUR 11,014 million, equivalent to 93% of its net sales, to suppliers of goods, services, and feedstocks in 2010. Payments related to the purchase of crude oil, vegetable oil, animal fat, and other feedstocks, totaling EUR 10,338 million (8,535 million), accounted for the single largest item. The bulk, 68% (62%), of the crude oil refined into conventional petroleum products came from Russia, while smaller volumes were sourced from the North Sea, particularly from Britain, Norway, and Denmark. The proportion of Russian crude increased compared to 2009, while that from the North Sea declined.

Neste Oil prefers long-term contracts with its product, service, and feedstock suppliers, and offers its partners a range of services and expertise to help them develop their own operations.

The palm oil used as input for renewable fuel production was sourced from Southeast Asia, the animal and rapeseed oil from Finland and other EU countries. Neste Oil's purchases of renewable raw materials from Indonesia, Malaysia, and Europe increased compared to 2009. As a result of Neste Oil's increased use of this type of input and the broader range of inputs used today, the direct and indirect financial impact associated with this type of procurement now extends to a wider geographical area than before.

Creating financial added value for stakeholders

	2010	2009	2008
Customers			
Direct impact			
Net sales, MEUR	11,892	9,636	15,043

Indirect impact

- Neste Oil produces products and services that meet its customers' needs and expectations.
- Neste Oil's low-emission traffic fuels power vehicles in Finland, as well as the Nordic and the Baltic countries and result in lower levels of emissions in the immediate environment and lower life-time vehicle maintenance costs.
- Neste Oil's renewable fuels enable customers to achieve mandated emission levels, benefiting their businesses in the process.
- NExBTL renewable diesel is compatible with all diesel engines and existing fuel logistics and distribution systems. The use of the fuel does not require any new investments by private individuals, trucking or public transport companies, or oil companies.

	2010	2009	2008
State support			
Direct impact			
MEUR	11	13	12

Indirect impact

- Neste Oil supports society through things such as its active R&D work and investments.
- Neste Oil helps maintain Finland's shipping business.

	2010	2009	2008
Other revenue, MEUR	70	16	32

Neste Oil

	2010	2009	2008
Suppliers of products and services			
Direct impact			
Purchases of crude oil and other feedstocks, MEUR	10,338	8,535	13,519
Other (incl. goods and services), MEUR	676	280	857

Indirect impact

- Long-term cooperation between Neste Oil and its partners contributes to improved and more efficient operations and the sharing of expertise, benefiting partners in terms of the added value they receive.
- Developing sustainability in accordance with Neste Oil's requirements can open up new business opportunities for its partners.

	2010	2009	2008
Personnel			
Direct impact			
Salaries and wages, MEUR	246	233	251
Other personnel expenses, MEUR*	146	68	64
Investments in training, MEUR (training days per employee)	2 (2.2)	3 (2.4)	4 (2.5)

Indirect impact

- Neste Oil offers a wide range of career and learning on the job opportunities, enhancing employees' job satisfaction and quality of life.
- Neste Oil aims to secure the wellbeing of its personnel in all situations and stages of their life.
- Neste Oil invests in training and developing its personnel and enhancing their intellectual capital.

* Investments in training are included in other personnel costs.
** Proposal by the Board of Directors to the Annual General Meeting.

	2010	2009	2008
Shareholders and the financial community			
Direct impact			
Dividends, MEUR	90**	64	205
Interest and financial expenses, MEUR	34	44	70

Indirect impact

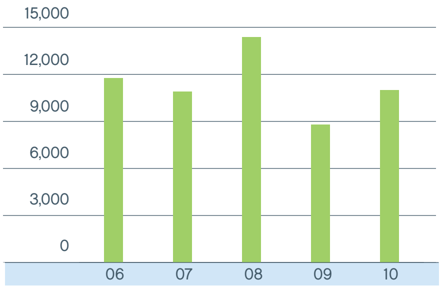
- Neste Oil is committed to growing the assets of its owners, for example, through increasing the value of their holdings.

	2010	2009	2008
Public sector and society			
Direct impact			
Income tax, MEUR	65	71	28
Fuel taxes and security of supply fees, MEUR	1,925	1,780	1,857
Environmental taxes and fees (in Finland), MEUR	20	7	9
Charity and sponsorship, MEUR	1	1	1

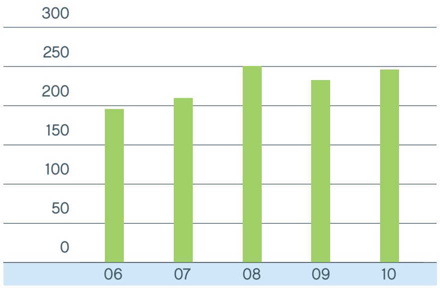
Indirect impact

- Neste Oil supports social development and the services society provides through the taxes it pays and the employment it provides either directly or indirectly through its partners in all the countries it operates.
- Neste Oil's high-quality products help meet society's growing need for energy.
- Neste Oil plays an important part in guaranteeing the security of Finland's energy supply.
- Neste Oil's renewable fuels reduce Finland's dependence on fossil fuels and imported energy.
- Neste Oil helps improve the viability of local communities through its commitment to sustainability and by cooperating with local communities, organizations, and officials. This supports the economic competitiveness and prosperity of all the countries where the company operates.
- Fuel tax is a significant source of income for the society.

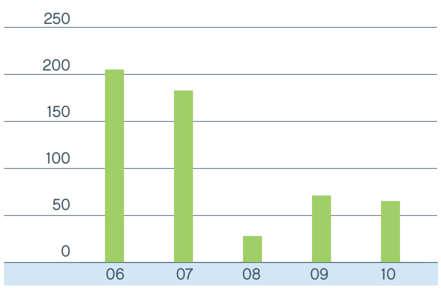
Products, materials, and services purchased



Salaries and wages



Income taxes



Income taxes include current taxes, adjustments to prior years, and changes in differed taxes.

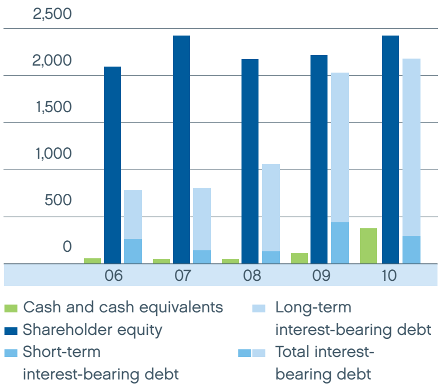
Neste Oil prefers long-term contracts with its product, service, and feedstock suppliers, and offers its partners a range of services and expertise to help them develop their own operations. This approach enhances the financial added value Neste Oil provides to those that it works with. The stable flow of revenue provided by Neste Oil enables its partners to offer permanent employment to people in their communities and procure products and services locally.

Growth projects provided employment to thousands

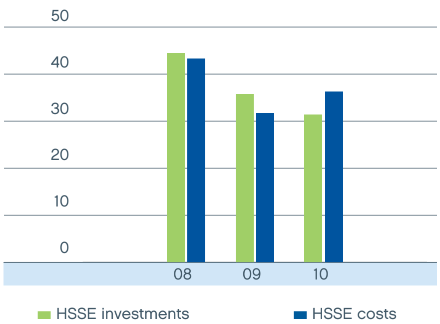
Neste Oil's largest investments during 2010 were its growth projects in Singapore, Rotterdam, and Bahrain. These sites have provided employment for thousands of local people and for Neste Oil's own personnel, both directly and indirectly. The new NExBTL plant in Singapore was started up on-schedule and on-budget in November 2010. The capital costs of the project were some EUR 550 million, and construction entailed around 13.6 million man-hours of work and employed at peak times a total of 5,000 service provider and contractor personnel. The intention is to commission the similar-sized NExBTL plant under construction in Rotterdam in mid-2011. Construction of Neste Oil's third major project, a new base oil plant in Bahrain, has progressed according to plan and the plant should be completed in the second half of 2011.

The maintenance turnaround that took place at the Porvoo refinery in spring 2010 was the largest in Neste Oil's history. Costing EUR 110 million, it was also one of Neste Oil's largest investments in 2010. The turnaround involved close to 1 million man-hours of work and employed around 2,500 personnel from outside contractors. Neste Oil's next maintenance turnaround, which will be a somewhat smaller investment, will take place at the Naantali refinery in 2012.

Capital structure



Neste Oil's HSSE costs and investments



HSSE= Health, Safety, Security, and Environment

Competitive pay

Neste Oil is a major local employer and source of salaries, wages, bonuses, and social insurance contributions at many of its major locations, such as in Porvoo, Espoo, Naantali, Singapore, Rotterdam, and Geneva. The company is committed to providing good working conditions and a competitive level of remuneration matching the requirements of people's jobs for all its employees.

Neste Oil employed an average of 5,030 personnel (5,286) in 14 (14) countries in 2010. Total salaries, wages, and remunerations, excluding other personnel expenses (e.g. training), amounted to EUR 246 million (233 million), equivalent to 2.07% (2.41%) of net sales. This figure includes performance-related pay, bonuses, and vacation pay. 22% of employees, all of them in Finland, received performance bonus-like productivity bonuses in 2010, totaling EUR 1.1 million. Other personnel expenses totaled EUR 146 million (68 million) and included pension and social insurance and unemployment and disability insurance

The maintenance turnaround at Porvoo refinery was one of the company's largest investments in 2010.

payments. Salaries and wages, other remuneration, and social benefits totaled EUR 392 million (301 million). 100% of personnel come within the scope of the company's incentive programs.

Neste Oil invested a total of EUR 2 million (3 million) in training and employee development in 2010. Personnel were provided with training in areas such as safety, languages, and IT. Training is offered to all categories of personnel. Neste Oil also has a Personnel Fund, established in 2005, covering the Group's personnel in Finland. As the criteria for payment of profit-sharing bonuses based on the 2009 result were not met, no bonuses of this type were paid to the personnel fund in 2010 (2009: 1.8 million).

Lower level of dividend

Neste Oil had 76,554 shareholders (81,357) as of the end of 2010, who benefit from their investment through the dividends they receive and possible increases in the value of Neste Oil shares. In 2010, the Finnish State owned 50.1% (50.1%) of shares, international institutions 18,6% (17.1%), Finnish institutions 18.5% (18.9%), and individual Finnish households 12.8% (14%). No significant changes took place in the ownership structure in 2010.

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 0.25 per share (0.80) on its 2009 result in spring 2010 totaling EUR 64 million (205 million) or 119% of the comparable net result for 2009. The Board of Directors proposes that a dividend of EUR 0.35 per share total totaling EUR 90 million (54 % of 2010 comparable net result) should be paid in 2010. Neste Oil's share on the NASDAQ OMX Exchange in Helsinki fell by 3.8% during 2010 compared to closing share price of the previous year. The company's market capitalization as of the end of the year stood at EUR 3.06 billion (3.19 billion).

Tax revenue benefits society

Neste Oil's operations benefit large areas of the local, regional, and national economy. The taxes and tax-like payments the company pays represent an important source of income to the public sector in Finland and other countries. Income and excise taxes amounted to EUR 2,010 million in 2010. The taxes paid by Neste Oil contribute to supporting services at both national and local level.

Based on the profit of Neste Oil, the income taxes in 2010 were EUR 65 million (71 million) of which EUR 58 million was accrued in Finland. The Finnish State and local municipalities also benefit from the income tax employees pay on their salaries and wages. Environmental taxes and fees, such as oil pollution and oil waste duties, in Finland amounted to EUR 20 million (7 million). As a fuel wholesaler, Neste Oil remitted EUR 1,925 million (1,780 million) in fuel taxes and security of supply fees. Neste Oil received EUR 11 million (13 million) in financial support from the public sector in 2010, mainly in the form of funding for shipping operations, as in previous years.

With Neste Oil's international expansion, the amount of corporate and income taxes the company pays outside Finland is growing. Such taxes were EUR 7 million in 2010, of which the majority was accrued in Switzerland and Russia. However, the taxes accrued in each operating country still remained smaller than those in Finland.

Neste Oil also supports local communities and the wellbeing of its stakeholders through sponsorship and charity work, and a total of EUR 1 million (1 million) was spent on these areas in 2010. A list of the major recipients and the sponsorship principles followed by the company can be found on the company's web site www.nesteoil.com in the Corporate info section.

What next?

- We will continue work on our growth projects in Rotterdam and Bahrain, with the aim of starting up both plants in 2011
- We will continue to develop our operational fundamentals to secure the competitiveness of our business and maximize our financial performance in the future

Long-term commitment to protect the environment

Neste Oil has a long track record in environmental protection, and activities in the area over the years have resulted in a high standard of performance. Environmental responsibility forms an integral part of Neste Oil's business strategy and its focus on premium-quality, cleaner traffic fuels.

What were our goals?

- To start harmonizing the environmental reporting across the entire Group
- To continue efforts to improve energy efficiency
- To reduce significant leaks into the environment compared to 2009

How did we perform?

- We were able to avoid all serious cases of non-compliance with HSSE permits and regulation
- In December, a significant diesel leak took place in Porvoo refinery and a heavy fuel oil leak in Naantali refinery
- We improved energy efficiency through various projects implemented during the major maintenance turnaround at the Porvoo refinery
- We received approval for the method we had developed for calculating greenhouse gas emissions
- We started introducing new systems for managing environmental and safety information

Environmental responsibility plays a major role in Neste Oil's operations. Given the high standard of practices and systems that has been developed over the years, the incremental improvements made every year are relatively small.

No significant changes took place in 2010 in Neste Oil's environmental management system, which is integrated into the company's overall management system, covered in more detail on page 31.

Environmental risks have been comprehensively identified

Neste Oil has monitored the environmental impact of its operations for decades and has reduced the level of impact significantly over the years. The direct environmental impact of normal operations is small today. The key environmental risks associated with operations have remained essentially unchanged, and the company has comprehensive, well-functioning systems and operating practices for monitoring these.

Neste Oil monitors its direct environmental impact in areas such as the following:

- emissions into the air, waterways, and the ground
- generation and treatment of waste and hazardous waste
- fuel and energy consumption as well as CO_2 and greenhouse gas emissions

Neste Oil monitors that its performance in these areas remains within the boundary values set by the law, regulations, and its own limits.

Indirect environmental impact played a larger role in 2010, as the European Commission began assessing how the indirect impact of changes in land use (ILUC) should be taken into account in analyzing the sustainability of producing and procuring renewable raw materials in respect of the EU's new directive on renewable energy. Neste Oil is monitoring legislative developments and is ready to meet possible changes in the sustainability criteria.

In addition to constantly monitoring the environmental impact of its existing plants, Neste Oil carries out environmental impact assessments where necessary prior to the construction of new plants. The latest example of this is Neste Oil's and Stora Enso's joint venture, NSE Biofuels Oy, which began an environmental impact assessment in October in Porvoo and Imatra. Work on the assessment will continue in 2011.

Making better use of natural resources

In addition to measuring and monitoring environmental impact, using natural resources efficiently and with minimal waste is also an integral part of environmental responsibility. In the case of Neste Oil, this means things like:

- continually improving energy efficiency, using the Solomon Associates' Energy Intensity Index (EII) at the Porvoo and Naantali refineries
- sourcing inputs responsibly and working through industry organizations (RSPO, RTRS, RSB, see page 46 for more)
- participating as a member of an European association of oil refiners in research and benchmarking carried out by CONCAWE

Neste Oil's Ahti escort tug can also be used in oil spill prevention and response work.

- 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
- closed circuit cooling water systems at refineries
- efficiently treating all effluent released into local waterways

Although Neste Oil's refineries are major users of energy and natural resources, the Porvoo site also generates electricity, steam, and heat in a modern combined cycle power plants fired on natural gas and fuel oil, and supplies most of the energy used by the companies in the surrounding Kilpilahti industrial area.

Improved energy efficiency

Neste Oil is committed to the national action program developed for energy-intensive industries in Finland and designed to help combat climate change in line with national climate and energy strategy.

Neste Oil's largest areas of energy use in Finland – the Porvoo and Naantali refineries, terminals, and road tanker shipments – are covered by an energy efficiency agreement, and the company's goal is to reduce energy use, particularly in production and logistics.

Neste Oil's energy efficiency goals are to:

- reduce greenhouse gas emissions cost-effectively to help prevent climate change, and increase the use of greenhouse gas-neutral energy sources
- identify more cost-efficient energy solutions with a neutral greenhouse gas balance
- implement planning, measures, and monitoring related to energy efficiency in line with the principle of continuous development
- comply with all laws and regulations associated with energy efficiency
- improve the energy efficiency of the company's customers through the solutions it offers for use in logistics and public transport

> Neste Oil has monitored the environmental impact of its operations for decades and has reduced the level of impact significantly over the years.

Neste Oil has established an energy-saving target of 660 GWh by 2016, equivalent to 5% of the energy used at the Porvoo and Naantali refineries and the company's terminals in 2007. During 2010, energy efficiency was improved, for example, at the Porvoo refinery, where the major maintenance turnaround took place.

Work started on drawing up energy efficiency plans for all the company's operations in 2010. Plans for the new plants in Singapore and Rotterdam and the company's fleet of tankers will be drafted in 2011. Neste Oil complies with all legislation, regulations, and agreements covering energy efficiency in its operations outside Finland.

Life cycle analyses and greenhouse gas emissions

Neste Oil has produced life cycle calculations of its products on a voluntary basis since the early 1990s. Today, data on the different stages of product life cycles is supplied in increasing volumes to the authorities as well. Neste Oil's expertise in life cycle calculations and analyses has reached a high level and has been further extended with the new reporting requirements associated with renewable fuels.

As part of its life cycle analysis work, Neste Oil monitors emissions of greenhouse gases, particularly carbon dioxide (CO_2). Greenhouse gas emissions are measured across the entire business and have been reported for the last five years as part of the Carbon Disclosure Project (see www.cdproject.net). The most significant sources of Neste Oil's greenhouse gas emissions are the Porvoo and Naantali refineries and the company's tanker fleet. No significant changes took place in greenhouse gas emissions in 2010 compared to 2009.

More details on the method used for calculating the greenhouse gas emissions of NExBTL renewable diesel can be found on page 44.

Developments in environmental legislation

Neste Oil has started preparing for the introduction of the EU's upcoming industrial emissions directive (IED) by analyzing its requirements and optimizing the nature of environmental investments. As the directive will be stricter than previous regulations, Neste Oil is clarifying its possible impact on the company's environmental protection program.

What next?

- We will continue drawing up unit-specific energy efficiency plans and implementing energy efficiency improvement measures
- We will continue developing our systems for monitoring environmental impacts
- We will aim to further reduce significant (> 100 kg) leaks into the environment

ONE STEP AHEAD

Water is a key element

Water is a key element in Neste Oil's operations. Water and steam are used in Neste Oil's refineries, and the company works to prevent ground water and waterways from becoming polluted or otherwise being negatively impacted.

Efficient cooling water management at Porvoo

Thin ice conditions have been observed in the sea around Neste Oil's Porvoo refinery during recent winters. The environmental authorities requested the company to analyze the issue in more detail between 2007 and 2010, paying particular attention to the area affected by the discharge of cooling water and its impact on the marine environment and ice cover in various winter conditions.

The refinery sources its cooling water from the sea. Seawater is used to cool the fresh water stored in a closed circuit. Large quantities are needed, over 100,000 m^3 an hour. The temperature of this water is around 10 °C higher when it is returned to the sea, and this warmer water changes the heat profile of the surrounding sea, which was seen as a possible cause of thinner ice cover during the winter.

The Porvoo refinery monitors the thickness of ice cover near the site during the winter and warns people of thin ice.

Luode Consulting Oy, a specialist in water research, stated in its report completed at the end of 2010 that cooling water off the Porvoo site has not been observed to melt ice in the area. The study concluded that water flows into the area near the site rather than out to sea, which indicates that thinner ice cover could be caused by thermal energy stored in deeper water layers being released, rather than by the refinery's cooling water. Similar observations of melting ice have been made all along the coast of the Gulf of Finland, not just off the Porvoo refinery.

Carrying out the study was important to establish the cause of the thinner ice cover that has sometimes been observed in the area, and will provide useful background information for discussions with local fishermen, the plant's neighbors, and officials.

A groundwater monitoring system in Bahrain will help protect the area's reserves of valuable drinking water.

Permanent groundwater monitoring system in Bahrain

Neste Oil, Bahrain Petroleum Company (BAPCO), and nogaholding have a joint venture established in 2008 to produce premium-quality base oil at BAPCO's refinery in Bahrain.

Neste Oil had already in 2007 reviewed Bahrain's environmental legislation and carried out an environmental study of the area in question. In 2010, Neste Oil and BAPCO decided to set up a permanent groundwater quality monitoring system for the new plant to monitor conditions and ensure that the plant does not endanger local groundwater reserves when it becomes operational.

As the base oil plant is being built in a hot and dry region with limited potable groundwater reserves, it will not use this water for its process needs. Instead, it will use poorer-quality brackish groundwater similar to that found in the Baltic that will be desalinated prior to use. Seawater will be used for cooling, as at Porvoo.

Operations-related environmental impact

Oil refining has a major impact on the environment, throughout the chain from feedstock procurement, 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.

Raw material-related environmental impact

Neste Oil's potential to make a positive environmental contribution differs significantly between crude oil and renewables. The international trade in crude is concentrated in a few major centers that lack any direct contact with the areas where it is produced. This means that buyers typically know only the country or area of origin when purchasing crude, in addition to its technical properties.

Neste Oil has committed itself to using only sustainably produced renewable raw materials, in line with the EU directive on renewable energy. In respect of palm oil, in particular, Neste Oil wants to see the immediate cessation of the destruction of rainforest and biodiversity, and irresponsible land use. The company strives to use only certificated palm oil to ensure that its high standards of environmental protection are maintained in respect of its raw material inputs. When assessing possible new renewable raw materials, Neste Oil calculates the level of greenhouse gas emissions likely to be generated by the material in question and the fuel produced from it over the entire life cycle involved. The greenhouse gas emissions of renewable diesel produced from such materials must be at least 35% lower than those of fossil diesel. For more on the procurement of bio-based raw materials, see page 46.

Production-related environmental impact

Neste Oil monitors the energy efficiency of its operations and the emissions to air, ground, and water they generate. Monitoring is based partly on compliance with the company's environmental permits and statutory requirements and partly on voluntary measures. Extensive efforts are made to prevent pollution of the soil, groundwater, and waterways, and damage caused in the past is systematically remedied.

Environmental emissions remain at low levels

Emission levels have fallen steadily over the years, and they continued to fall during 2010, largely remaining within permit limits.

Discharges to soil and water

Neste Oil's target is to reduce significant (> 100 kg) leaks into the soil or waterways. Levels were lower than those in 2009 until December, when two significant leaks took place at the company's refineries:

- 250 m^3 of diesel fuel leaked into the ground at the Porvoo refinery. Contaminated water entered the drainage system and a small amount was discharged into the sea in the harbor
- 250 m^3 of heavy fuel oil leaked into the containment area at the Tupavuori storage tank facility at Naantali, entering the drainage system. A small amount also found its way into the ground.

In addition to these cases, various smaller incidents also occurred. All incidents, however small, are reported and the reasons behind them investigated and appropriate corrective measures taken immediately. Information on incidents is communicated to people living nearby, the authorities, contractors, and the media.

Wastewater treatment systems at the Porvoo and Naantali refineries operated exceptionally well during 2010. Oil emissions, at 0.14 grams (0.07 g) per ton of feedstock input, were less than 5% of the 3 g/t target set by the Baltic Marine Environmental Protection Commission. Wastewater is treated using high-efficiency mechanical, chemical, and biological treatment units.

Sea conditions near both refineries in Finland continued to be monitored by sampling water quality and analyzing sediment content and the content of fish catches. No significant changes were observed compared to the good level documented in 2009. The Porvoo and Naantali refineries have had a voluntary groundwater monitoring program in place since 1995. The monitoring continued in 2010.

Emissions to air

Significant airborne emissions in 2010 remained at the low levels reached in recent years. Air quality around the company's refineries was monitored continuously in respect of sulfur dioxide, reduced sulfur compounds, nitrogen oxide, and ozone. Greenhouse gas emissions were also monitored, and no significant changes took place in these compared to 2009.

A total of over 122,000 tons of CO_2 produced during refining was recovered at a hydrogen plant. Ozone-depleting substances were completely eliminated from production and fire-fighting systems during the 1990s.

The maintenance turnaround at the Porvoo refinery in April 2010 improved the plant's operational reliability and further reduced its environmental emissions. The sulfur recovery plant there was overhauled, for example, and has since operated more efficiently. Nitrogen oxide (NOx) emissions were further reduced from the low levels recorded in 2009. Also the overall operational reliability of environmental systems at the refinery improved following the turnaround.

As an industry pioneer, Neste Oil uses only gaseous fuels in its refinery furnaces. According to a bio-indicator study completed in 2010, the forests in the areas around the Porvoo and Naantali refineries are slowly recovering from the impact of earlier pollution, based on an analysis of the impact of contaminants on lichen on the trunks of local pine trees and other factors.

Compared to fossil diesel, NExBTL renewable diesel reduces tailpipe and greenhouse gas emissions significantly.

Demolition and cleanup completed at Laajasalo

Neste Oil's lubricants plant at Laajasalo in Helsinki was demolished and the cleanup of the soil there completed in November. Neste Oil was the first company to complete this work in the Laajasalo harbor area, which has been handed over to the city, which has rezoned it for residential use. Neste Oil carried out the cleanup at its own expense to enable the use of the land for residential purposes. This benefited both the city and the future residents of the area.

Logistics-related environmental impact

Road-based deliveries of Neste Oil's liquid fuel and gas products are handled by a fleet of 194 tanker trucks owned by private contractors. Of these 130 operate in Finland, and 64 in the Baltic countries, Poland, Russia, and Sweden. Tanker trucks in Finland carried over 2.9 million tons (2.8 million tons) of products in 2010, and those in the Baltic countries, Poland Russia and Sweden 0.8 million tons (0.5 million tons). Distribution routes and cargo volumes are carefully optimized to reduce fuel consumption and tailpipe emissions. Fuel vapor released when filling up storage tanks at service stations is recovered during deliveries.

Neste Oil ships tens of millions of tons of crude, petroleum products, and chemicals by sea annually. The adoption of a basic speed of 13.5 knots at sea in 2007 and detailed guidelines on bunker fuels has resulted in a clear reduction in bunker fuel consumption and CO_2 emissions. Bunker fuel consumption during 2010 remained at the good level achieved in 2009. See page 58 for more on the safety of shipments by sea.

The International Maritime Organizations' new bunker fuel requirements will reduce ships' sulfur emission limit to 0.1% by 2015. To see how emissions can best be reduced, Neste Oil tested a flue gas scrubber system on board the Suula in cooperation with a scrubber manufacturer. In addition to scrubbers, sulfur emissions can also be reduced by using Neste Oil's own low-sulfur bunker fuel.

End-use and product-related environmental impact

Neste Oil refines a range of premium-quality traffic fuels from crude oil. These premium-quality sulfur-free products enable the latest engine technology to be used and help improve air quality and reduce the local impact of traffic and transport on the environment and health especially in large urban areas. Modern engines also offer lower levels of fuel consumption.

Neste Oil's NExBTL renewable diesel is of clearly better quality than both conventional biodiesel and fossil diesel. Compared to the latter, NExBTL renewable diesel reduces tailpipe and greenhouse gas emissions significantly (read more on page 45).

Supply chain-related environmental impact

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. Neste Oil uses internal audits and external audits carried out by an independent third party to monitor that its suppliers systematically comply with its sustainability-related minimum requirements.

Neste Oil's material balance in 2010

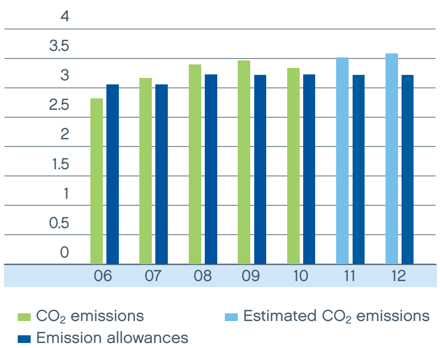
Neste Oil's feedstock use, production, and emissions[1]

	2010	2009	2008
Feedstocks			
Crude oil (t/a)	**10,600,000**	11,960,000	12,180,000
Other feedstocks (t/a)	**3,786,000**	3,100,000	3,020,000
Energy consumption			
Electricity (GWh/a)	**1,318**	1,320	1,230
Oil (t/a)	**97,100**	85,500	73,600
Natural gas (billion Nm^3/a)	**0.5**	0.5	0.6
Water			
Water consumption (m^3/a)	**8,410,000**[2]	7,830,000[2]	7,904,000[2]
Wastewater (m^3)	**7,910,000**	7,988,000	9,182,000
Waste			
Ordinary waste (t/a)	**8,630**	6,100	3,400
Recycled waste (t/a)	**48,400**[3]	15,000	10,800
Hazardous waste (t/a)	**6,900**[4]	3,600[4]	9,500[4]
Emissions to air			
Direct CO_2 (carbon dioxide), (t/a)	**3,754,000**	3,981,000	4,008,411
Indirect CO_2 (carbon dioxide), (t/a)	**25,700**[5]	15,000[5]	
VOC (volatile organic compounds), (t/a)	**5,600**	4,000	4,900
NO_x (nitrogen oxide) (t/a)	**11,900**	14,800	16,900
SO_2 (sulfur dioxide), (t/a)	**10,200**	12,100	13,200
Emissions to water			
Oil (t/a)	**2.1**	1.1	1.8
COD (chemical oxygen demand), (t/a)	**390**	390	510
Products			
LPG (liquefied petroleum gas), (t/a)	**298,300**	327,100	427,600
Gasoline (t/a)	**3,988,500**	4,361,200	4,425,000
Diesel fuel and heating oil (t/a)	**7,448,800**	7,459,500	7,200,400
Heavy fuel oil (t/a)	**534,300**	1,288,200	1,178,800
Bitumen (t/a)	**928,900**	385,600	717,400
Sulfur (t/a)	**121,700**	126,300	117,000
Solvents (t/a)	**251,300**	241,200	216,300
Other products	**168,700**	184,900	210,200
Services			
Marine shipments (t/a)	**30,700,000**	38,000,000	40,100,000
Marine shipments (km/a)	**2,422,000**	3,000,000	4,300,000
Fuel usage (t/a)	**136,000**	161,600	218,000
Road shipments (t/a)	**3,700,000**	3,300,000	3,100,000
Road shipments (km/a)	**27,000,000**	25,000,000	25,400,000
Fuel usage (t/a)	**12,200**		

[1] Some emission figures are preliminary.
[2] Does not include cooling water.
[3] The storage of waste at Porvoo refinery's recycling area was reduced in 2010, which explains the higher figure.
[4] Does not include contaminated soil.
[5] Proportion of purchased electricity.
The material balance table in 2009 report (p. 39) was based on data from Porvoo and Naantali refineries. The table above covers the operations of the entire Neste Oil Corporation.

Neste Oil's refineries' CO_2 emissions and emission allowances

Million tons of CO_2 annually



The oil leaks of the company's refineries in Finland in 2010 were 0.14 g per ton of feedstock input, which is less than

5%

of the target set by the Baltic Marine Environmental Commission (3 g/t).

Proven to be sustainably produced

Companies producing renewable fuels need to be able to provide evidence that their production chain embodies the principles of sustainable development and reduces greenhouse gas (GHG) emissions. The following pages outline how Neste Oil ensures the sustainability of its production chain, and reduces the GHG emissions of traffic with its bio-based products.

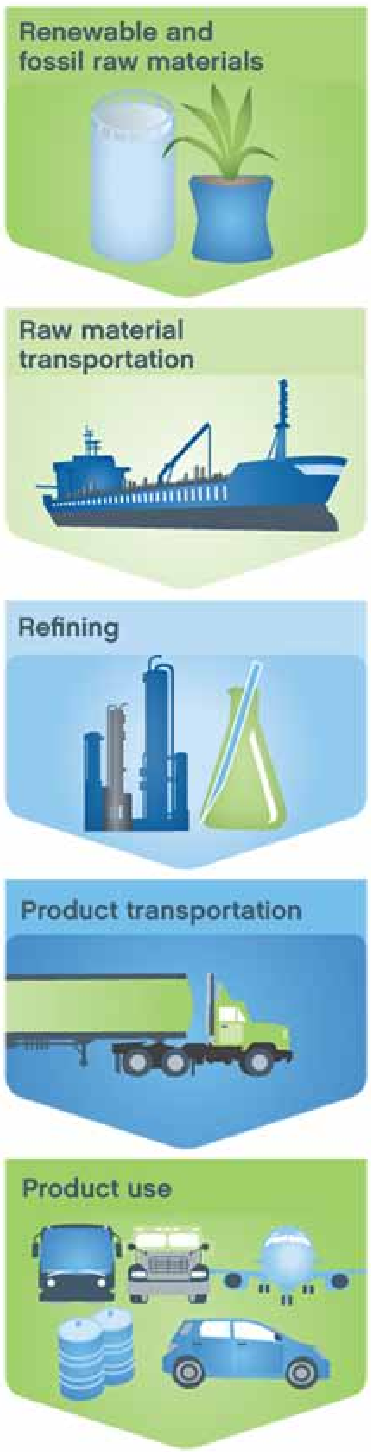
Verification scheme for a sustainable supply chain

Neste Oil supplied the EU Commission in September 2010 with a description of the sustainability verification system that it currently uses and has developed in accordance with the renewable energy directive covering all parts of the production chain and under which verification is carried out by an independent certification company. Neste Oil's goal is to have the system approved by the EU and receive certification for its supply chain. The system only covers renewable fuels.

Calculation method for GHG emission reduction

Neste Oil received an ISCC (International Sustainability & Carbon Certification) certificate in November 2010 for the NExBTL renewable diesel produced at its Porvoo plant, verifying that the fuel is suitable for use in meeting mandated bio content requirements in Germany. The certification audit for the Singapore plant was completed in December, and Neste Oil received its certificate at the beginning of 2011.

Certification also verified the suitability of Neste Oil's method that it currently uses for calculating the reduction in greenhouse gases offered by NExBTL, which covers the product's entire life cycle from production to end-use.



How we help combat climate change

Neste Oil's most effective tool for combating climate change is reducing the volume of greenhouse gases released into the atmosphere by producing and supplying NExBTL renewable diesel. This fuel, produced from today's raw materials, results in over 50% lower greenhouse gas emissions than fossil diesel – as measured over the product's entire life cycle from raw material production to end-use.

As part of our verification scheme, we monitor:	Greenhouse gas emissions
• Cultivation data provided by our raw material suppliers • Historical data on land use and when cultivation or growing started • Data on raw material suppliers drawn from the verification process, audits, and certificates • Production of renewable raw materials such as the cultivation and pressing of vegetable oil	The crude oil used to produce fossil diesel comes from underground reserves, and extraction and flaring account for the largest greenhouse gas emissions associated with this phase. The majority of the greenhouse gas emissions of fuels produced from renewable raw materials are associated with cultivation in respect of rapeseed oil and pressing in respect of palm oil. The greenhouse gases associated with animal fat (waste fat from food industry) are released during fat processing. Palm oil is better than most other vegetable oils in terms of its CO_2 emissions because of the excellent yields provided by oil palms and the fact that harvesting is done manually. Palm oil's greenhouse gas balance can be improved substantially if the generation of methane is prevented or it is recovered during pressing. Neste Oil is researching a number of new renewable raw materials that do not need new cultivated land to be cleared. The company opposes the felling of rainforest or the use of peat land for cultivation, as this significantly increases overall CO_2 emissions. 3.3 | 32.09 | 35.57 | 13
• Mode of transport used • Compliance with international regulations (vetting)	Fossil-based and renewable raw materials are transported from where they are produced to where they are refined by ship, train, and road. CO_2 emissions are always generated during transportation; levels depend on fuel consumption, engine efficiency, and how well machinery is maintained. 0.8 | 2.89 | 0.27 | 0.65
• Process energy use • Energy generation configuration • Certifications and permits	Refining is one of the stages of the production chain to generate the most CO_2 emissions in the case of both fossil and renewable fuels. CO_2 is released, for example, when producing the hydrogen used in refining. Recovering CO_2 generated during refining can reduce emissions during this phase. Refineries come under the EU Emissions Trading Scheme. 8.6 | 5 | 5 | 5
• Mode of transport used • Energy consumption	Neste Oil sells the bulk of its fossil and renewable diesel to wholesale customers, both in Finland and elsewhere. These include all of Finland's oil companies and some international ones. Road transport generates the largest amount of CO_2 emissions, shipments by sea generate less emissions per ton of product. Road transport emissions have been reduced through transport companies' more efficient engines and with speed limiters. 0.17 | 0.17 | 0.17 | 0.17
• Neste Oil's verification scheme does not cover product use	The majority of emissions from fossil diesel are generated when it is used, when the carbon stored in the crude oil used to produce it is released into the atmosphere as CO_2 during combustion. Similar volumes of CO_2 emissions are also generated during the use of NExBTL renewable diesel, but these emissions do not add fossil-based carbon to the CO_2 in the atmosphere. As a result, emissions produced when using renewable fuels are not included in the CO_2 balance figures for the production chain.* The levels of tailpipe emissions are significantly lower than those of fossil diesel: • Nitrogen oxide (NOx) -10% • Particulates (PM) -28% • Carbon monoxide (CO) -28% • Hydrocarbons (HC) -50% Premium-quality fuels can be used in the latest engines, which offer lower fuel consumption and lower CO_2 emissions. 70.93 | 0 | 0 | 0 * Based on the EU's renewable energy directive (2009/28/EC).

GHG emissions during entire life cycle (g CO_2eq/MJ)

Total	
Fossil diesel	83.8
NExBTL produced from palm oil	40.15
NExBTL produced from rapeseed oil	41.01
NExBTL produced from animal fat	18.82

GHG emission reduction: palm oil 52%, rapeseed oil 51% and animal fat 78%

Sustainable procurement of bio-based raw material

Neste Oil is committed to using only sustainably produced bio-based raw materials in producing NExBTL renewable diesel. The company only selects partners that are committed to the principles of sustainability and to continuously developing their operations.

What were our goals?

- To extend our raw material base with new, sustainably produced renewable raw materials
- To only procure sustainably produced raw materials

How did we perform?

- We applied for patents for our new microbial oil technology
- We began environmental impact analyses at sites in Porvoo and Imatra for a biorefinery using wood-based biomass
- 22% of the palm oil we bought was certified. We verified the sustainability of the remainder through our own verification scheme
- Our NExBTL unit in Porvoo received ISCC certification towards the end of the year. The certification audit for the Singapore plant was completed in December, and Neste Oil received its certificate at the beginning of 2011

Neste Oil has undertaken to produce all of its NExBTL renewable diesel from sustainable renewable raw materials – in line with the EU directive on renewable energy, which establishes strict sustainability criteria for the production of these fuels.

When selecting its partners, Neste Oil gives preference to raw material suppliers that are committed to international certification projects and that contribute to developing regulations and standards covering health, safety, and the environment and sustainable development in cooperation with governments and others in the field. Prior to selecting its raw material suppliers, Neste Oil reviews the standard of their health, safety, and environmental performance and the plans they have for developing these areas. The company also monitors how development plans are implemented, and works closely with suppliers to ensure that, for example, RSPO principles and criteria are applied.

Up until now, palm oil has been the only vegetable oil to have its own certification system. This system, coordinated by the Roundtable on Sustainable Palm Oil (RSPO), covers the entire palm oil production chain, from land use and waste recycling all the way to the working conditions of employees.

In 2010, total volumes of palm oil produced in the world reached 46 million tons (40 million), of which Neste Oil used only a fraction, 1 % (0.6%). Only 3.5 million tons, or 7.6% of all palm oil produced worlwide, was certified in 2010. Neste Oil is one of the world's largest users of this certified and sustainably produced palm oil, sourcing 28% of certified volumes.

In addition to the RSPO, Neste Oil has also committed itself to the Round Table on Responsible Soy (RTRS) and the Roundtable on Sustainable Biofuels (RSB) and these organizations' sustainability criteria covering raw material production. A set of sustainability principles and criteria were approved for soybean oil in summer 2010.

Neste Oil uses its own sustainability verification system which exceeds the industry standards for raw material procurement. If a raw material is not covered by an international certification system, Neste Oil evaluates the sustainability of how it is produced on the basis of the principles and criteria included in its own verification scheme (see pages 44–45 for more). These principles and criteria meet the requirements of the EU directive on renewable fuels and the RSPO's certification system. The production chains of raw materials that are selected for use are monitored through regular audits carried out by an independent third party.

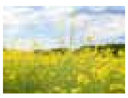
When reviewing whether to use a raw material, Neste Oil calculates the greenhouse gas emissions of the production chain. The greenhouse gas emissions released by renewable diesel produced from this material must be at

Current raw materials

Palm oil, stearin, and palm fatty acid distillate

Palm oil is currently Neste Oil's most widely used renewable input, because of its good greenhouse gas balance, availability, and price. The oil palm is also the highest-yielding oil plant, producing around 4 tons of oil per hectare year-round. The company knows the origin of all the palm oil volumes it procures and has verified the sustainability of their production. Neste Oil's goal is to use solely certified palm oil by the end of 2015. Some 22% of the palm oil procured in 2010 was RSPO-certified and sourced from Southeast Asia.

Neste Oil also uses the by-products of palm oil production, such as stearin and palm fatty acid distillate. These are procured as much as they are available to the company.



Rapeseed oil

Neste Oil buys all the surplus rapeseed oil produced at Raisio's plants in Finland, and sources the remainder of what it uses from other EU countries. A field of oilseed rape produces around 1 ton of oil per hectare, which is a quarter of palm oil yields. Around 23 million tons of rapeseed oil were produced in 2010, of which Neste Oil used 0.05%. Approximately three-quarters of the European rapeseed oil is used to produce biofuels.

Waste fat from the food industry

Neste Oil uses waste and by-products from the food industry that are unsuitable for human consumption in producing NExBTL renewable diesel. Neste Oil currently buys practically all the waste animal fat available in Finland. The company also procures animal fat from other EU countries. The procurement will be expanded to other regions, as well, in order to secure a versatile raw material base for the new refineries.

Future raw materials, e.g.

- Waste oil from fish processing industry
- Biowax produced from wood-based biomass
- Soybean oil
- Microbial oil
- Micro-algae
- Jatropha oil
- Camelina oil

More about research on new raw materials can be found in the Research, technology, and engineering section on page 24.

least 35% lower than those of fossil diesel. The final decision whether to use a material is shaped not only by compliance with this requirement, but also by its security of supply, availability, and price.

The NExBTL technology developed by Neste Oil can make use of virtually any vegetable oil or animal fat as a raw material for producing NExBTL renewable diesel. Although the company currently uses palm oil and rapeseed oil, together with waste fat from the food industry, widening the raw material base is one of the company's main future goals. Neste Oil is researching a variety of non-food raw materials and entirely new raw materials capable of reducing greenhouse gas emissions significantly. The biggest challenge here is to scale production volumes up to industrial levels, in other words to millions of tons a year.

What next?

- We will continue researching and introducing new raw materials
- We will continue promoting sustainable raw material production
- We will continue ensuring that our renewable products conform with regulation-based requirements

Bio-based ethanol

The ethanol that Neste Oil procures for blending into E10 gasoline in Finland is also produced from renewable raw materials. Ethanol is blended as it is, not used as a raw material for gasoline production. Ethanol is produced around the world and from many different raw materials, such as sugarcane, sugarbeet, and corn. Neste Oil buys ethanol – depending on the market situation – from different locations and based on different raw materials. Neste Oil requires all its ethanol suppliers to operate according to the sustainability criteria of the EU's renewable energy directive. This includes being able to show a verifiable reduction in greenhouse gas emissions and using only permitted areas for cultivation purposes. See p. 59 for more.

ONE STEP AHEAD

Criticism directed against palm oil

Palm oil production and use have been criticized by a number of non-governmental organizations. Despite disagreeing on some points, Neste Oil and these organizations share many common goals. The palm oil industry is one of the major means of fighting poverty in Southeast Asia. Addressing the challenges associated with the industry, therefore, calls for close and constructive collaboration among all the parties involved.

Demand for palm oil has increased in recent years, as a result of growing purchases by India and China in particular. General industrial demand also rose during 2010. This increasing demand can best be met by improving the yields of oil palm plantations; yields can be nearly doubled by using more efficient cultivation methods. Wasteland, of which there are several million hectares in Malaysia and Indonesia, can also be cultivated and brought into production.

The food and chemical industries continue to be the major users of the world's palm oil, accounting for approx. 95% of use. The remainder is used by the energy sector, partly to produce biofuels for transportation. Neste Oil procured 1% of the world's palm oil for NExBTL renewable diesel production in 2010.

Neste Oil's NExBTL capacity will increase to 2.0 million tons in 2012, and the amount of raw material needed for production purposes could rise to 2.4 million tons. The company's main focus, however, will be on sidestreams and waste products produced during palm oil production, such as stearin and palm fatty acid distillate. Neste Oil will also continue to utilize other raw materials, such as waste fat from the food industry and other vegetable oils; and continue R&D on new raw materials, such as algae and microbial oil.

Only sustainably produced, 100%-traceable palm oil

Neste Oil does not own any palm oil plantations or grow any oil palms itself, and is committed to purchasing only sustainably produced palm oil from reputable and traceable sources.

Neste Oil strongly opposes the destruction of rainforests and irresponsible land use, as well as the mistreatment of indigenous peoples. The company cooperates with local NGOs in Southeast Asia and actively supports work in the areas of legislation and certification aimed at preventing the irresponsible production of palm oil. The palm oil companies that supply Neste Oil are RSPO members and committed to certification. Neste Oil can trace the palm oil it uses all the way to the plantation and gives preference to UTZ-certified volumes to ensure full traceability. This is not the case with many other palm oil users.

EU directives have established more demanding sustainability and traceability criteria for bio-based raw materials used for energy purposes than for any other industry. Overall sustainability could be enhanced if the strict criteria set for biofuels were extended to all palm oil users.

Monitoring the sustainability of Neste Oil's raw material suppliers

Palm oil suppliers are monitored through independent third party audits. Neste Oil primarily signs long-term partnership agreements with its suppliers, as this offers the best foundation for developing operations. The company supports its suppliers in correcting shortcomings in their operations and achieving lasting improvements. Neste Oil respects the agreements that it has signed and does not publish the names of its suppliers, in line with general practice in the industry.

The challenges related to the palm oil industry are complicated, and no company can solve them alone. To ensure better sustainability, Neste Oil would like to see close, long-term cooperation involving all palm oil users, producers, non-governmental organizations, political decision-makers, and other significant stakeholders. Cooperation between governments, supporting the Indonesian and Malaysian governments to reinforce their environmental legislation, and increasing the productivity of oil palm plantations represent some of the most effective means of preventing the destruction of rainforests and solving the challenges facing the industry.

Neste Oil's procurement plan 2011 for NExBTL renewable diesel raw materials

	Volume share, %
Crude palm oil	46%
PFAD, palm fatty acid distillate	7%
Stearin	28%
Waste animal fat	17%
Other (e.g. rapeseed oil)	2%
Total	100%

Broad range of social impacts

Neste Oil's approach to social sustainability is based on close and constructive cooperation with all the company's stakeholders. Social responsibility covers both the direct and indirect impact the company's operations inflict on its stakeholders.

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 in respect of human and labor rights. Human and labor rights also cover Neste Oil's raw material suppliers and are integrated into the criteria used when sourcing raw materials.

Neste Oil strives to be a good corporate citizen in all the countries that it operates in and complies with all applicable national and international laws and regulations, international agreements, and generally accepted corporate governance practices. The company's Code of Conduct forbids involvement in bribery or corruption, and Neste Oil expects the same of its suppliers, customers, and business partners.

Human rights and equality

Neste Oil offers its personnel a healthy and safe workplace in which to develop their skills and capabilities. All forms of harassment, discrimination, child labor, forced labor, and other forms of exploitation are strictly forbidden. All employees have the right to organize among themselves and belong to associations. No significant risks related to freedom of association and collective bargaining were identified in 2010 in any of the company's functions. Neste Oil treats all its employees fairly and equally, regardless of gender, nationality, age, religious beliefs, political convictions, and other similar factors. Neste Oil is committed to respecting human rights and treats all its employees as individuals.

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 reviews that Neste Oil has carried out in respect of all its suppliers of renewable raw materials, including those supplying palm oil, the company has made a thorough assessment of human rights issues, including questions such as the use of child and forced labor.

Cooperation

Neste Oil believes in an open flow of information and that good relations between management and personnel form an important foundation for its success. Dialogue is promoted through the use of a diverse set of internal communications channels, including a company intranet and employee magazine, as well as employee briefings. Personnel manage the Employee Profit-Sharing Fund. Open and ongoing dialogue between company and personnel representatives is encouraged through numerous official meetings and internal bodies. Meetings held by the Finnish Management-Employee Group review matters affecting the company in Finland, while those covered by the Corporate Management-Employee Group include those required under employer-employee legislation and other topical issues affecting personnel.

Actively evaluating indirect impact

Neste Oil strives to understand the indirect impact of its operations, and during 2010 paid particular attention to identifying the indirect impact associated with its production of renewable fuels. Company representatives visited the plantations run by the suppliers it sources its renewable raw materials from and discussed sustainability questions with the managers and employees of these suppliers and with non-governmental organizations that actively monitor the field. Neste Oil has also worked to promote and support dialogue between raw material suppliers and local communities.

Managing social sustainability

Neste Oil's values – excellence, responsibility, innovation, and cooperation – provide a solid foundation for its management of social responsibility. This is guided through the Group's management system and the principles covering the management of sustainability and HSSE matters in particular, which are supplemented by the company's Code of Conduct. Communications and training are used to bring these principles closer to employees' everyday work. These principles also set a clear target level for developing Neste Oil's social responsibility.

Responsibility for managing social sustainability is divided between a number of people and units. The Group's Senior Vice President, Human Resources is responsible for developing the company's leadership and personnel-related matters; the HSSE organization is responsible for product and safety-related matters; and the Senior Vice President, Communications, Marketing and Public Affairs, for these aspects of stakeholder engagement. These set detailed targets for their own area of responsibility. Further information on stakeholder engagement and HR can be found on the following pages, while safety-related matters are covered from page 57 onwards.

Neste Oil observes a number of principles and guidelines to prevent and deal with misconduct. Compliance with these is monitored by Internal Audit. Issues related to misconduct are covered in more detail in the Corporate Governance section on page 68.

Working with stakeholders to promote development and sustainable operations

The work Neste Oil does with its stakeholders is aimed at promoting the company's strategic goals and development of sustainability, as well as maintaining a positive and predictable business environment. It enables the company to better understand the challenges and opportunities of the environment in which it operates and associated with sustainability generally. Engaging stakeholders is based on open dialogue as a means of enhancing stakeholder trust.

How did we perform?

- We carried out a stakeholder survey on Neste Oil's sustainability
- We focused on developing customer relationships by launching a key account management project
- We took an active part in public affairs both in Finland and the EU
- We launched local communications with those living and working near our new plant in Singapore and prepared for a similar initiative for the Rotterdam plant, which is due to start up in 2011
- We promoted the production of sustainable palm oil in collaboration with industry organizations, the authorities, and our raw material suppliers

Neste Oil's operations have an impact on numerous stakeholders, primarily our customers, personnel, shareholders and investors, suppliers of goods and services, people living and working near our plants, political decision-makers, organizations, universities and research institutions, the media, students, and people wanting to work for us. Neste Oil strives to tell all its stakeholders about the main impact of its operations and products, its goals, and its risks. The company also listens to the opinions and views of its stakeholders. More details on what the stakeholders expect of the company can be found in the table on page 50.

Interacting through multiple channels

Neste Oil's web site (www.nesteoil.com) is the company's most important channel for communicating topical information to all stakeholders. The company's annual Sustainability Report also plays a central role, particularly for investors, customers, and personnel. Interaction with customers, suppliers of goods and services, and organizations and others active in society generally is concentrated on one-on-one meetings and various

Neste Oil's experts answering employee questions on renewable fuels.

events. More on how we work with personnel, students, and job applicants can be found in the HR section on page 52 and with the research community on page 24.

How well we succeed in our work with stakeholders is systematically measured through various studies and surveys coordinated by Neste Oil's Market Research team. The largest of these is the annual brand survey, which addresses all of the company's stakeholders. The results of this survey show that Neste Oil is considered a quality company that is seen as reliable and environmentally responsible. The satisfaction of the company's customers and personnel are measured through numerous smaller studies, as well.

Cooperation to promote sustainable development

Neste Oil is involved in many joint projects designed to promote sustainability. Partnerships in this area expand the company's own expertise and help advance common causes. During 2010, Neste Oil committed itself to the following organizations and projects, amongst others:

- Responsible Care
- Responsible Care Global Charter
- Roundtable on Sustainable Palm Oil (RSPO)
- Round Table on Sustainable Biofuels (RSB)
- Round Table on Responsible Soy (RTRS)
- International coalition on moratiorium for rainforest destruction

Making our voice heard in Finnish and European society

Neste Oil's know-how and expertise is respected nationally and internationally. The company's experts are regularly consulted during the drafting of fuel-related legislation, for example, and are popular speakers at oil and biofuel conferences.

Neste Oil takes an active part in political and social debate on matters related to its operations and operating environment. A major part of this involvement is linked to renewable fuels. In Finland, the company discusses issues with ministries and officials responsible for drafting legislation in the field, as well as political decision-makers generally.

Neste Oil was particularly actively involved in society during 2010. Changes in legislation related to EU directives on renewable energy and fuel quality were an important factor in raising Neste Oil's level of involvement, both at EU and national level in Finland. For this reason and in order to ensure transparency, Neste Oil registered itself with the European Commission register of interest representatives. Neste Oil was also active in other EU countries that play a major role in its business.

Neste Oil makes its views known through industry organizations and public debate. The company takes part in the activities of the following organizations, amongst others, through active participation through their board of directors or various working groups:

- Chemical Industry Federation of Finland
- Finnish Petroleum Federation
- Europia, the European Petroleum Industry Association
- CONCAWE, the oil companies' European association for environment, health and safety in refining and distribution
- European Biofuels Board
- ASFE, Alliance for Synthetic Fuels in Europe
- European Biofuels Technology Platform

Stakeholder	Expectations	Actions in 2010
Customers	High-quality, reliable products and services, security of supply, expertise, responsible operations.	Development of systems and processes to improve customer relationship management, traffic services for motorists, key account management program, customer events and seminars, trade fairs and other events.
Personnel	Good management, career development opportunities, openness and collaboration between different parts of the organization.	Management and leadership development: performance and development discussions, professional development, strategy days, matrix training, supporting wellbeing at work. Open communications: quarterly performance updates, employee magazine, Renewable Fuels morning, E10 info sessions.
Shareholders and investors	Dividends, increase in shareholder value, reliable information about the company and its future prospects.	Meetings with investors and analysts, AGM, press conferences, stock exchange and press releases, Investors section of the web site, teleconferences, webcasts.
Suppliers of goods and services	Reasonable prices, commitment, partnerships, revenue flow.	Systematic development of procurement processes, procurement principles covering renewable raw materials, improved support for suppliers, meetings, visits, and other events for suppliers, trade fairs and other events, web site, extranet.
People living and working near our plants	Honest, open, and current information on plant operations and events.	Open doors events, visits to refineries, local newsletters, updates on incidents, donations and assistance to local schools and sports clubs.
Society	Compliance with legislation and statutory reporting, fuel-related expertise.	Collaboration with and reporting to the authorities at international, national, and local level, expert position papers, and other involvement in public debate.
Organizations	Active participation and commitment to common goals.	Memberships, participation in work groups, conferences and seminars.
Universities and research institutions	Career opportunities, graduate thesis and internship opportunities for students. Commercialization of research findings. Research projects.	Joint R&D projects, participation in projects, internships and graduate thesis opportunities.
Media	Reliable, sufficient, and up-to-date information on the company's operations.	Activated relations with the international media, stock exchange and press releases, press conferences, background briefings and interviews, visits.
Students and job applicants	Interesting and challenging positions, comprehensive information about Neste Oil as an employer.	Development of the Neste Oil Careerpaths and Job Openings sections of the company's web site, summer and other internships, graduate thesis opportunities, visits to sites and colleges, student and professional publications, trade fairs, Chemistry Lab Gadolin and collaboration with Finland's Youth Academy, studies on Neste Oil's employer image.

Neste Oil does not take part in political activity, nor does it finance or support any parties or political institutions in any way.

Close local cooperation at our production sites

Neste Oil's operations have a major impact on the environment of people living close to its production plants, which is why links to local decision-makers and official agencies, such as fire and rescue services, are very important for the company. Nese Oil strives for active and open cooperation with all its neighbors.

The open doors events held at the Porvoo and Naantali refineries in 2010 were attended by a total of around 2,900 people. The company also regularly organizes smaller events and updates local residents on current issues and developments.

Local communications and engaging the people living and working close to our plants are particularly important in Singapore and in Rotterdam. The company organized its first outreach event in Singapore to give people the opportunity to get to know the company's operations and ask questions about them. Representatives of local stakeholders groups also visited the construction site of Rotterdam plant, where Neste Oil will start production in mid-2011.

Stakeholder collaboration helps promote sustainable palm oil production

Sustainable palm oil production is a central concern for Neste Oil's stakeholders. The company recognizes the problems that have resulted from misconduct in this area by others in the field and is actively involved in developing international standards covering oil palm cultivation. Neste Oil takes part in the activities of the Roundtable on Sustainable Palm Oil (RSPO) and many of its working groups that are addressing issues such as greenhouse gas emissions, the use of peat land, the position of small farmers, communications, and the impact of the EU directive on renewable energy on the industry. As part of its work with raw material suppliers, the company takes part in searching for ways, for example, to reduce greenhouse gas emissions and improve the efficiency of wastewater treatment.

Neste Oil also maintains an active dialogue with the authorities in the world's largest palm oil-producing countries, Malaysia and Indonesia. Neste Oil's researchers and experts work regularly and closely, for example, with the Indonesian Ministry of Agriculture, the Indonesian Palm Oil Commission (IPOC), the Malaysia Palm Oil Board (MPOB), and the Malaysian Palm Oil Council (MPOC).

Non-governmental organizations have taken an active role in questions related to palm oil production. Unlike organizations in Southeast Asia, European environmental organizations have come out against the use of palm oil in biofuel production. Neste Oil's position on these issues is covered in more detail on pages 46–47.

What next?

- We will deepen our involvement with all our stakeholders
- We will continue to monitor the implementation of the EU's renewable energy and fuel quality directives in member states
- We will continue to ensure that key decision-makers are aware of our goals

Positive recognition for Neste Oil's service stations

Oil Retail received positive recognition in a number of surveys and competitions during 2010:

- Neste Oil was chosen as Estonia's most customer-friendly company among the country's large businesses.
- Three stations in Finland received awards for the healthy food they offer and their participation in the 'Stay Fresh at the Wheel' campaign.
- Neste Oil's stations were again named the best service station chain in terms of their environmental performance in a survey commissioned by Reader's Digest in Finland.

Excellent forest footprint ranking

Neste Oil was again chosen as the best oil & gas company for its forest footprint reporting in a survey by Forest Footprint Disclosure (FFD), which assessed companies' expertise in measuring and reducing the forest footprint of their supply chain.

Improving safety at sea in the Baltic

Neste Oil committed itself in 2010 to the Tanker Safety project launched to improve safety at sea in the Gulf of Finland. The goal of the project is to significantly reduce the risk of a major accident involving an oil tanker in the Gulf of Finland, and project activities have seen the development of a new service for communicating ships' planned routes, which will help anticipate possible risk situations and search for alternatives routes where necessary. The service is being tested aboard Neste Oil ships.

Greater emphasis on the customer

Neste Oil concentrated on more systematic management of its wholesale customers in its customer relationship management work in 2010. A key account management project was launched to help promote a more customer-driven operating model. Development work will aim to take account of both Neste Oil's own expectations and those of its customers.

ONE STEP AHEAD

Sustainability survey highlighted stakeholder expectations

Neste Oil carried out a survey among its stakeholders in fall 2010 to explore their views on the sustainability of Neste Oil's operations. Coordinated by an outside partner, a web-based questionnaire was sent to a total of 1,290 stakeholder representatives and generated replies from 356 persons, primarily motorists, students and job applicants, employees, and corporate customers in Finland. Respondents also included representatives of various organizations, researchers, the media, political decision-makers, government and other officials, investors, and analysts. Although the questionnaire was sent to all of Neste Oil's main operating countries, the bulk of replies were received from Finland.

Respondents said they considered the following areas the most important aspects of Neste Oil's sustainability:

- Anti-corruption measures, compliance with laws and regulations, and commitment to ethical business principles
- High-quality, safe products
- Development work on more environmentally friendly fuels
- Environmental impact associated with raw material procurement
- Long-term financial profitability
- Production-related environmental impact
- Safe and secure logistics
- Occupational health and safety
- Employee well-being

Respondents said that they would like to see Neste Oil concentrating in the future on developing cleaner fuels, sustainable raw material procurement, occupational health and safety, human rights questions, managing the risks associated with sustainability, long-term financial profitability, and the responsible management of the company's supply chain.

The replies to the questionnaire were reviewed by the company's Sustainability Group and were used in defining the material issues of Neste Oil's sustainability presented on page 29. The 2010 Sustainability Report is intended to meet the information needs of the company's stakeholders. The intention is to engage stakeholders in developing the sustainability of Neste Oil's operations in the future as well.

"The survey has helped us identify and better understand the expectations that our stakeholders have of us in respect to the sustainability of our operations. We believe that developing our sustainable operating practices can best be advanced by working together with our stakeholders," says Simo Honkanen, Senior Vice President, Sustainability and HSSE.

A dynamic and increasingly international employer

Neste Oil provided employment for 5,030 persons on average in Finland and around the world in 2010. The company prioritized systematic leadership and management development, delivering the right level of support for its matrix organization. The company also succeeded in securing new talent for its international needs.

What were our targets?

- To successfully carry out our management training programs, promote the way we work in line with our matrix model, and develop training for senior management
- To introduce global remuneration principles and evaluate different positions across the Group using a common method
- To continue long-term work on developing Neste Oil's employer image in Finland and its new operating countries

How did we perform?

- We provided management training for both new and more experienced managers and supervisors, and launched planning work for a training program for senior management
- We published a set of Group-wide remuneration principles, based in part on our evaluation of different positions
- We further developed our employer image in Finland, and succeeded in recruitment in new operating countries

Cost consciousness was an important issue throughout 2010, and we succeeded in achieving our target of cutting fixed personnel costs by EUR 30 million set in 2009. The last stages of planned personnel reductions were also completed.

Following the completion of the measures agreed under statutory employer-employee negotiations in 2009, Neste Oil employed 3,431 people (3,668) in Finland at the end of the year. Although the majority, 70.4% (72%) of the Group's employees continue to work in Finland, the number of employees based in other countries increased in 2010.

Neste Oil's employee structure has become more international, largely because of the company's growth projects under way in Singapore, Rotterdam, and Bahrain, where a total of 240 company personnel (4.9%) were employed as of the end of 2010. Russia remained the second-largest country in terms of Neste Oil personnel, because of the number of people employed by the company's local service station chain. The size of the sales unit in Geneva has also continued to grow.

The number of people on overseas assignments remained similar to 2009, while the number of those on long-term working trips abroad rose significantly. There were a total of 88 Finnish specialist personnel – primarily from the Porvoo refinery, Neste Jacobs Oy, and Neste Oil's common functions – on overseas assignments or long-term working trips ranging in length from one to three months in Singapore and Rotterdam during 2010. Some employees on overseas assignments were also based in Geneva and Bahrain. Some of the local personnel from Singapore, Rotterdam, and Bahrain visited Finland as part of their induction program, and some people from Rotterdam followed the commissioning of the new plant in Singapore there to prepare them for the similar process in Rotterdam in 2011. Experts from Neste Jacobs were also involved in other customers' projects around the world.

Neste Oil's aim is that local personnel should primarily be responsible for local operations. Following recruitment in Singapore and the surrounding region, the number of company employees in Singapore rose to 117 in 2010. The experts and other employees from Finland that assisted in the start-up of the plant there will return to Finland by early 2011 at the latest.

A total of 60 people were recruited in Rotterdam, and a few additional people will be recruited in 2011. Employer-employee cooperation was started in Rotterdam in the spring in accordance with local legislation to promote mutual dialogue.

Neste Oil employs the same recruitment principles in all its operating countries. The aim is to achieve normal manning levels in Singapore and Rotterdam during 2011, with the local organizations there numbering around 100 people each.

Job rotation motivates people and promotes expertise

The special skills and expertise of the company's personnel represent some of Neste Oil's most important competitive strengths. In addition to recruiting the right skills needed, the company also focuses

Neste Oil's employee structure has become increasingly international, as a result of the company's growth projects in Singapore, Rotterdam, and Bahrain.

	2010	2009	2008
Number of employees, average	**5,030**	5,286	5,174
Number of employees at the end of the year	**4,874**	5,092	5,262
Proportion of employees by country at the end of the year (%)			
Finland	**70.4**	72.0	75.9
Russia	**17.9**	18.3	17.5
Singapore	**2.4**	2.0	0.2
The Netherlands	**2.4**	1.0	0.1
Others [1]	**6.9**	6.7	6.3
Type of employment contract at the end of year (%)			
Permanent	**96.4**	95.1	94.5
Temporary	**3.6**	4.9	5.5
Full-time (in Finland)	**97.4**	97.4	97.0
Gender ratio at the end of the year (%) [2]			
Men	**69.5**	68.9	69.2
Women	**30.5**	31.1	30.8

[1] Bahrain, Belgium, Canada, Estonia, Latvia, Lithuania, Poland, Sweden, Switzerland, USA, and in 2008 Great Britain.

[2] Gender ratio in 2009 and 2008 does not include temporary employees.

heavily on promoting the engagement of its people by offering a range of opportunities for professional development and challenging responsibilities and careers in Finland and internationally. Engaging the company's knowledgeable and experienced personnel has been highlighted as an important international goal in the Production and Logistics function in particular.

The leaving rate of company permanent personnel in 2010 was 12.4%, which increased compared to previous years (2009: 8.9%; 2008: 6.5%). 37% of those who left the company retired during 2010, while 63% left for other reasons. The hiring rate of the company's permanent employees was 7.1% (7.8%).

Internal job rotation is seen as an important means of developing and engaging personnel. The proportion of employees switching jobs within the company in 2010 was 9.7%, which is slightly higher than Neste Oil's 8% average. The aim is to keep job rotation at a 6–8% level in 2011.

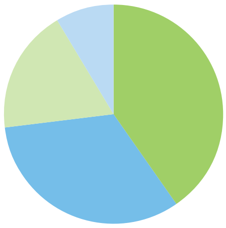
Neste Oil updated its strategic HR plan in 2010 to optimize the availability and sufficiency of the skills and resources that the company expects to need today and long term. A number of major changes took place in Neste Oil's operating environment, operating model, and organization, top management included, in 2009 – and a wider-ranging review was carried out in 2010 of the duties of the Neste Executive Board and other management teams as well as strategically important experts. Covering around 10% of employees, this review looked at areas such as the skills of people in key positions, their performance, and future potential. Development and successor plans were drawn up for these people on the basis of the review.

Systematic development of leadership competences continued

Investments in training and related areas decreased to EUR 2 million compared to 2009 (3). Corresponding training days per employee were 2.2 in 2010 and 2.4 in 2009. The company has invested heavily in improving the management skills of its people since 2006, and this continued during 2010. Project management-related training was also organized.

Neste Oil launched planning work on a new leadership training program for senior managers in 2010 and decided to start cooperation on training for these managers and other key personnel with Swiss-based International Institute for Management Development (IMD). The aim of the specially tailored program will be to promote a new coaching-based leadership culture and

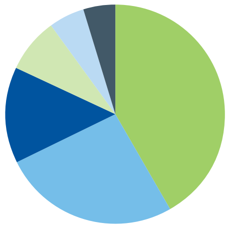
Personnel by personnel group as of 31 December 2010



- Blue-collar 40.3%
- Management and upper white-collar 32.9%
- White-collar 18.2%
- Sea personnel 8.6%

Personnel by segment as of 31 December 2010

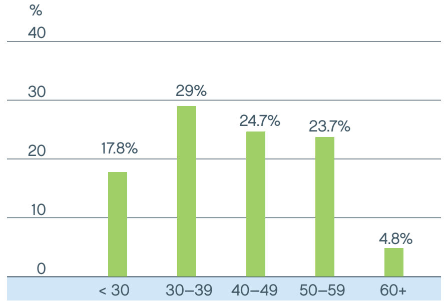
Total 4,874 (5,092)



- Oil Products 41.8% (42.4)
- Oil Retail 26% (26.8)
- Neste Jacobs 14.4% (13.8)
- Others 7.8% (8.9)
- Renewable Fuels 5.3% (3.4)
- Technology and Strategy 4.7% (4.7)

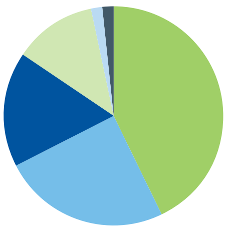
Breakdown by age as of 31 December 2010

Average 41.5 years (2009: 42.3; 2008: 42.6)



Average age in 2009 and 2008 does not include temporary employees.

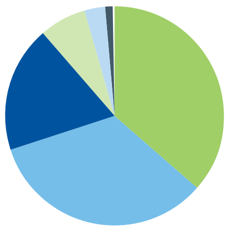
Educational background of employees as of 31 December 2010



- Technical and natural sciences 42.9% (49)
- Other 24.7% (26.9)
- Information not available* 17.0%
- Commercial and law 12.3% (16.3)
- Logistics and transport 1.7% (2)
- Social sciences and humanities 1.4% (5.8)

* Information not available on service station personnel in Russia and some of personnel in the Netherlands.
The breakdown for 2009 does not include temporary employees.

Educational level of employees as of 31 December 2010

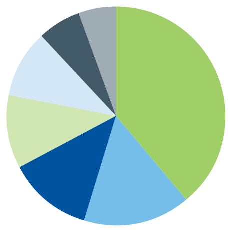


- Bachelor's degree or equivalent 36.7% (40*)
- Vocational degree or high school 33.6% (29.7*)
- Master's degree or equivalent 18.4% (18.7)
- Compulsory education 7.0% (10.4)
- Information not available** 3.1%
- Doctorate 1.3% (1.2)

* Grouping of educational level has been redefined; data of 2009 has been reported accordingly.
** Information not available of all personnel.
The breakdown for 2009 does not include temporary employees.

Length of employment of employees as of 31 December 2010

Average: 13.1 years (2009: 13.9; 2008: 14.3)



- Less than 5 years 39% (36.9)
- 5–9 years 15.7% (13.1)
- More than 30 years 12.5% (14.9)
- 20–24 years 10.9% (11)
- 10–14 years 10% (9.8)
- 25–29 years 6.3% (6.7)
- 15–19 years 5.5% (7.5)

Average length of employment in 2009 and 2008 does not include temporary employees.
The breakdown for 2009 does not include temporary employees.

strengthen competences that are especially critical for Neste Oil's strategy. Some 130 people will take part in the program, which will begin in 2011.

The development of better management skills continued to be supported through training for new and more experienced managers and supervisors, as in previous years. A total of 313 managers and supervisors from Finland and elsewhere took part in management training in 2010. Feedback gave these courses an average rating of 4.25 on a scale of 1–5. Training was also provided on preventive support as a means of reducing sick leave and supporting people's return to work after a long period of leave.

Employees' satisfaction with leadership, other management performance, and the progress made in this area, are surveyed annually. In the wake of the employer-employee negotiations in 2009 and changes in the company's organization, this declined in 2010. The company will continue concentrating on improving leadership and management performance to correct this in 2011.

Regular performance and development discussions form an integral part of Neste Oil's management approach based on clear goals and involving people. Each manager draws up personal development plans for the personnel in his or her unit. These plans are reviewed annually as part of performance and development discussions covering 84% of personnel in Finland and abroad, but not service station personnel in Russia. HR development is based on the company's short- and long-term business goals. During 2010, the focus was on communicating and implementing Neste Oil's strategy, and personal target-setting was advanced to enable targets for 2011 to be set already by the end of 2010.

Supporting managers to make the most of the matrix organization

To continue the training program started in 2009 to support matrix-based operations, Neste Oil organized matrix training for all members of the company's management teams.

The company also launched a program for line and matrix managers, as well as project managers, aimed at consolidating people's skills in terms of customer orientation, cost efficiency, and common operating practices in Finland and internationally. All managers and specialist personnel in matrix positions will be invited to the next stage of the program in early 2011. The shift to matrix-based operations has been a major change for the Neste Oil organization; the process of adapting to this change is continuing, which is why training in the area will continue in 2011.

Further progress in promoting equality

Neste Oil applies and observes the requirements of local employment legislation and collective bargaining agreements wherever it operates. Salary levels are compared on a job-by-job basis and on the basis of the education and training needed to general salary levels. Although legislation and other regulations set minimum levels, actual salaries and wages are normally higher.

Neste Oil has worked systematically to promote equality in the workplace for many years, and these issues are taken into account in its Group-wide recruitment and salary principles and HR policy. Neste Oil published a set of Group-wide remuneration principles in spring 2010 designed to cement the framework for equal pay and remuneration. In line with these principles, remuneration should always be based on Group-wide job categorization by job complexity, employee performance and equal treatment of all employees despite factors such as their gender or employee group. The ratio between average basic salaries of women and men working full-time and belonging to upper white-collar, white-collar, and blue-collar employee categories in Finland vary between 92% and 108%, depending on the responsibilities of the people concerned and the category of employee.

These principles are applied wherever Neste Oil operates within the framework of local collective bargaining agreements and the national labor market and competitive situation. To help ensure that local issues are taken into account appropriately and to secure its competitiveness as an employer, Neste Oil takes part in national salary market studies. The introduction of the new remuneration principles will continue in 2011 and local remuneration guidelines, for example, will be drawn up and local fringe benefit issues surveyed.

Neste Oil has succeeded in promoting salary equality among its personnel in Finland for a number of years by making separate equality payments. An analysis of the salaries of upper white-collar and white-collar employees in Finland was carried out by the Mercer consultancy company in summer 2010. It showed that equality between male and female employees in those positions, as measured in terms of the salaries they receive, is clearly better than in the private sector on average. The aim is to extend this type of monitoring outside Finland in 2011, and the company is ready to make equality payments here too if such a need should be identified.

The company updated its equality plan covering operations in Finland, adding a new indicator, male use of family time off, which will be monitored in 2011. The number of women in business area and common function management teams rose to 27% (21.9%) in 2010. As in 2009, three out of eight members (37.5%) of the Board of Directors were women.

Pension Fund closed

The operations of the Neste Oil Pension Fund ended in March 2010 and the management of the company's statutory occupational pensions in Finland, together with the associated pension portfolio, was transferred to the Ilmarinen Mutual Pension Insurance Company.

The additional pension benefits provided to people who joined the company before

ONE STEP AHEAD

Prevention is the main focus of occupational health care

The comprehensive occupational health care provided to Neste Oil personnel focuses on preventive measures and promoting employees' health and their ability to do their job; the company also takes part in initiatives to develop working conditions and wellbeing at work.

Neste Oil's medical care focuses on preventing, caring for, and monitoring work-related illnesses.

Development work on tools to measure the effectiveness of the company's various rehabilitation courses for promoting and supporting employees' capabilities started in 2010, and new monitoring indicators will be introduced for courses that start in 2011. Medical care provided by the company concentrates on preventing, caring for, and monitoring work-related illnesses. The number of work-related illnesses and diseases continued at a low level in 2010. There were no reported cases of work-related illnesses in 2010.

Neste Oil makes use of an alternative work procedure for personnel injured by accidents at work, under which the employees concerned and the occupational health care physician treating them discuss the possibility of their doing alternative work during their recovery. Occupational health care services are provided at the company's main locations in Finland by Neste Oil's own occupational health care units. These services are supplemented through voluntary membership in the Enerkemi Insurance Fund.

Sick leave figures are monitored on a monthly basis; monitoring was extended to locations outside Finland at the beginning of 2010. No significant changes took place in the amount of sick leave taken in Finland during 2010 compared to 2009. The current sick leave percentage calculated as a proportion of the theoretical regular working hours per month was 3.6% at Group level (3.4%, monitored only in Finland in 2009). The company's aim is to reach the 3.4% level in the future.

Occupational health care services and HR developed and launched a comprehensive early support model in Finland in 2010. Involving employees' managers, this is intended to identify factors that might undermine people's ability to do their job at as early a stage as possible and support people's return to work after a long period of sick leave. Employees' wellbeing at work is also monitored through the company's personnel surveys. The 2010 survey showed that employees' evaluation of their capabilities was similar to the good level recorded in 2007, when the last survey addressed this issue. The section of the survey on wellbeing at work will be updated in 2011.

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 the continuous development of leadership and corporate culture.
- Acting in line with the company's values and underlining every-one'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.
- 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.

Young professionals rated Neste Oil as the number one ideal employer within the chemical industry.

1994 were transferred to the OP Life Assurance Company Ltd. as part of the closure. The most important benefit of this additional cover is the opportunity to retire earlier than the statutory minimum age of 63.

No changes have taken place in employees' pension cover since the closure of the Pension Fund. The pensions of seaman continue to be covered in respect of their statutory occupational pension by the Seamen's Pension Fund, in accordance with the relevant legislation.

No significant changes have taken place in the age structure of Neste Oil personnel in recent years. The number of people likely to retire in the near future, according to the strategic HR plan made in spring 2010, is projected to be around 100 a year on average from 2011 onwards. Developments in this area will be reviewed again in spring 2011.

Building a positive, long-term employer image

Neste Oil has continued its long-term efforts to develop its employer image. Numerous stakeholder visits took place at Neste Oil locations during 2010, and the company participated in recruiting events in Finland and elsewhere. The company also offered summer internships to a total of around 250 young people in Finland (270), despite the challenging economic situation. The work of ChemistryLab Gadolin and the Finnish Youth Academy also continued to be supported.

Neste Oil received the Finnish Employer Image Developer of the Year award from recruitment company Monster in spring 2010, together with particular praise for its efforts in developing contacts with future professionals. The company again placed among the 10 most attractive companies to work for in Finland among students and young professionals in the technology and natural science fields, according to a survey by Universum. Young professionals also again chose Neste Oil as the most attractive ideal employer in the chemical field in Finland. Neste Jacobs received an honorable mention by the student section of the Confederation of Unions for Professional and Managerial Staff in Finland (Akava) for the well-planned nature and quality of the summer internships it offers students.

Neste Oil is both too small and still reasonably unknown an employer to rank highly in international employer image surveys. The company is nevertheless considered an attractive workplace in its own field internationally, which has been reflected in the success of recruitment work in Singapore and Rotterdam.

Neste Oil monitors the development of its internal employer image through its annual personnel survey, and the results of the 2010 survey in the spring were slightly down on those recorded in 2009, as expected. Criticism focused on company-level issues, such as financial performance. People's commitment remained at a relatively good level, taking into account the state of the economy and the reorganization and statutory employer-employee negotiations that took place in 2009. People appeared satisfied with work in their own teams. Communications and decision-making, together with relations with their immediate superiors and other teams, were seen as largely functioning well.

A total of 3,259 persons from across the company in Finland and abroad responded to the survey. Supervisor-lead discussions on the results were organized in teams and action plans drawn up on their basis. An international cross-border working group was established to discuss the results of the survey and the development of matrix-based operations. The working group produced a proposal to the Neste Executive Board (NEB) covering general development measures and highlighting, for example, the need for more effective strategic communication.

All the company's supervisors and managers were invited to strategy sessions led by the President & CEO to promote progress on Neste Oil's strategy. 70% of managers in Finland took part in these events during the end of 2010. NEB members fielded questions on strategy during visits to locations outside Finland.

What next?

- We will continue to invest heavily in supporting management work and implementing and developing training programs for managers and senior managers
- We will continue to promote the company's equality-driven remuneration principles by drawing up local remuneration guidelines and supporting the implementation of these principles
- We will continue to strengthen our internal and external employer image in Finland and internationally

Preventive safety work is integral to good risk management

Neste Oil's business is exposed to a number of safety-related risks, the largest of which are associated with working practices, as well as processing, logistics, and the storage of raw materials and products. Safe operations are one of the most important principles in Neste Oil's approach to sustainability and essential for the success of its business. Achieving these requires commitment to the safety of the company's personnel, partners, customers, neighbors, and the environment. By focusing on preventive safety work, Neste Oil aims to prevent accidents from happening, damage being caused, and major problems developing.

What were our goals?

- To achieve a Total Recordable Injury Frequency (TRIF) of under 3
- To achieve a Lost Workday Injury Frequency (LWIF) of under 1
- To continue development of preventive safety work
- To introduce a corporate-level system for monitoring preventive safety measures

How did we perform?

- We recorded a TRIF of 4.7
- We recorded a LWIF of 3
- We continued developing our safety guidelines and safety training
- We adopted new, internationally comparable safety indicators, such as process safety incidents
- We adopted a Group-level system for monitoring preventive safety measures

Safety is a common priority for everyone at Neste Oil. Safety management forms an integral part of the company's overall management system covered on pages 31–33. Local statutory requirements are taken into account in the management systems and safety practices of the company's operating sites. CONCAWE principles are followed in safety-related injury frequency figures.

Neste Oil employees are required to follow the company's safety guidelines and report any action that conflicts with these guidelines or any other shortcomings in safety to their manager or supervisor or correct the problem in question themselves.

In addition to the company's own personnel, safety work also involves Neste Oil's partners and contractors that operate at the company's sites. Safety is a key criterion that is reviewed when selecting service providers.

As Neste Oil's operations can impact the safety of people living close to its production sites and other companies in the vicinity of sites, both groups are regularly updated on safety issues through regular communication, as well as during visits and other events.

International expansion brings both challenges and opportunities

The new plant commissioned in Singapore in 2010 and the two more due to come on stream in 2011, in Rotterdam and Bahrain, represent new challenges for Neste Oil in terms of safety management. As Neste Oil becomes more international, the need to share information and provide common guidelines on safety issues will become evermore important. During 2010, the company focused on developing Group-level guidelines and safety-related communications. International expansion also opens up new opportunities in terms of developing safety practices, as people from different cultures and backgrounds can contribute useful new ideas for developing and improving safety.

Target-driven work to improve safety performance

Neste Oil's goal is to be one of the best European oil companies in terms of safety, and has set zero accidents as its long-term target. To achieve this goal, Neste Oil's refineries in Porvoo and Naantali have joined the 'Zero Accidents Forum' in Finland.

Extensive maintenance work on process units at various sites was carried out in 2010, together with a major maintenance turnaround at the Porvoo refinery. A Total Recordable Injury Frequency per million hours worked (TRIF) of 4.7 (2.9) was recorded, which missed the target of under 3 that had been set for the year. Nevertheless, the figure was a good average for the European oil industry. At 3 (2), Lost Workday Injury Frequency (LWIF) was below the 2010 target, but still significantly better than the average for the Finnish chemical industry. One fatal accident (0) took place during 2010, when an employee of a Neste Oil contractor died as a result of an accident at the Porvoo refinery.

Management responded to the shortcomings in safety performance by instituting a thorough analysis around mid-year of the reasons behind the accidents that had taken place to date. Based on this analysis, the Neste Executive Board approved an action plan to improve safety practices. This concentrated on areas such as systematically investigating all incidents and introducing new preventive safety tools, including the more efficient use of risk assessments.

A total of 23,395 (22,605) safety observation tours were carried out at Neste Oil during 2010, during which managers, supervisors, and other personnel observed safety of working practices and addressed safety shortcomings. The number of these observation tours will be increased in the future, and the aim is to extend them to all the company's operations.

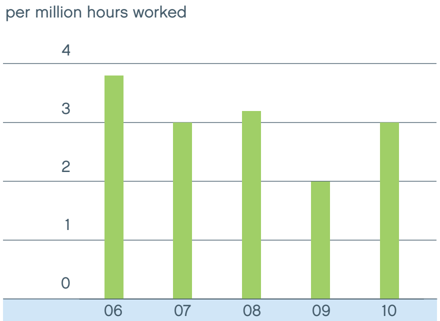
Neste Oil has been one of the first European oil companies to introduce a new safety indicator, process safety incidents, to record the number of process leaks that occur that have had serious repercussions. A total of 1.32 process safety incidents per million hours worked was logged in 2010, which is average for the European industry.

Safety performance at the renewable diesel sites in Singapore and Rotterdam and the base oil site in Bahrain remained good. As calculated from the start of each project, the TRIF for Singapore was 0.95, for Rotterdam 2.7, and for Bahrain 0.4. Safety data for these sites is not included in Neste Oil's overall safety figures.

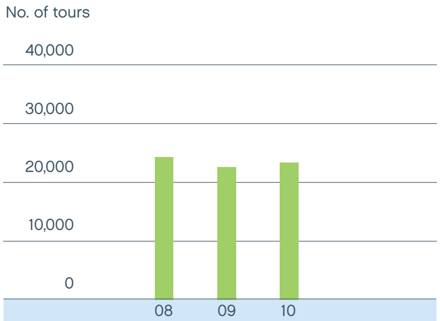
All injuries and accidents are preventable

Neste Oil's underlying safety principle is that all injuries and accidents are preventable, which is why safety work concentrates on the use of preventive measures and tools, including safety training, observation and monitoring of working practices from a safety perspective, and communications.

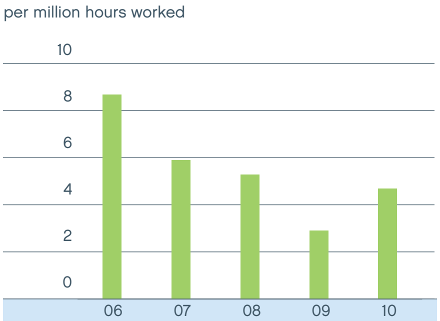
Lost Workday Injury Frequency (LWIF)



Safety observation tours



Total Recordable Injury Frequency (TRIF)



Every manager and supervisor is required to take part in safety training, and 30% (30%) of these took part during 2010. Safety training for other personnel is tailored to the needs of the site where they work and people's individual responsibilities. Training is also organized at sites on working instructions, access permits, and safety procedures. Safety training was given to 5,252 contractor employees representing 35 nationalities during the major maintenance turnaround at the Porvoo refinery in 2010, for example. Safe behavior is evaluated during regular performance reviews, safety observation tours, and safety discussions held between managers and their teams. Safety-related guidelines and internal communications also form part of preventive safety work. Safety issues are discussed regularly at personnel info sessions, in the employee magazine, and on the Neste Oil intranet.

All incidents are logged in Neste Oil's incident management system. All cases are investigated in detail and corrective measures drawn up to prevent similar cases occurring in the future.

Process safety covers the entire refining chain

The central goal of process safety is to prevent personnel from being injured or being exposed to danger, to protect the environment and the company's assets, and to prevent or minimize collateral financial losses. Identifying and evaluating operational dangers and risks lies at the heart of this approach and used to develop technical or operational methods for dealing with these issues and minimizing the impact should a risk develop into a concrete problem.

The foundations of good process safety are laid during the design, engineering, and construction of a site. High standards of operations, maintenance, and personal performance are also essential to good process safety.

Work on drawing up Group-level guidelines on process safety for use across Neste Oil was started in 2010, with the aim of creating common operating models for defining minimum process safety standards at all sites. These guidelines define areas such as best operating practices, change management, equipment inspections, and how to react to emergency situations.

Safety training is tailored based on the site in which employees work and their individual responsibilities.

Safe transport of feedstocks and products

In Finland, Neste Oil transports 2.9 million tons (2.8 million) of petroleum products by road annually, and some 0.8 million tons (0.5 million) in the Baltic countries, Poland, Russia and Sweden. Road transport safety is covered by statutory and contractual requirements associated with the transport of hazardous materials that determine how long drivers are allowed to drive for and how long their breaks should be, for example. In addition to these requirements, Neste Oil also organizes preventive driving courses for all the drivers of its transport companies in Finland. Five major traffic accidents (3) involving Neste Oil tanker trucks took place in Finland in 2010 that resulted in either environmental impact or personal injury. There were no such accidents in other countries in 2010 (2009: 1). Accidents were reviewed in accordance with the company's incident handling process.

In addition to road shipments, Neste Oil transports some 30.7 million tons (38.0 million) of crude oil, petroleum products, and chemicals by sea every year. The growing volume of shipping in the Gulf of Finland and the challenging nature of the marine environment there represent a clear safety risk that could result in major environmental impact.

All of Neste Oil's tankers are ice-strengthened and double-hulled, and escort tugs are employed to ensure the safe passage of large tankers in the approaches to the company's harbors. Neste Oil also trains personnel in how best to maintain on-board equipment and develop safety management systems for shipping needs. During 2010, Neste oil also committed itself to the Tanker Safety project that is covered on page 51.

What next?

- We aim to reduce our total number of work-related injuries (TRIF) to under 2.5 per million hours worked and avoid lost workday injuries (LWIF)
- We will ensure the safe start-up of the new plant in Rotterdam
- We will begin preparations to ensure the safe management of the next major maintenance turnaround at the Naantali refinery in 2012
- We will further develop safety training
- We will begin monitoring preventive safety measures at Group level in 2011, covering areas such as safety observation tours, safety discussions, and safety inspections

Safe, premium-quality products play a key role

Neste Oil is responsible for the safety of the products that it sells, both to its customers and to the authorities. The company's aim is to ensure that products are handled safely throughout their life, all the way from product development to end-use and possible recycling.

How did we perform?

- We completed chemical registration under REACH procedures
- We began changing the system of classification and labeling of products in accordance with the CLP regulation
- We trained personnel on labeling changes and informed customers
- We provided expert input to help communicate the introduction of E10 gasoline to the public

Neste Oil's product safety work is aimed at ensuring that customers are provided with the information needed for the safe handling of products. It also ensures that the company's products comply with national legislative requirements. As the majority of the products sold by Neste Oil are classified as hazardous, this places a number of special requirements on how they are classified, labeled, and transported, and on the information provided to customers. Neste Oil complies with International Chamber of Commerce (ICC) guidelines in the marketing of its products and country-specific legislation covering the advertising and marketing of hazardous substances.

The principles followed by Neste Oil in the product safety area are defined in the company's management system and are monitored as part of the auditing process. Any issues associated with product safety are reported through the company's incident management system. No significant incidents associated with product safety were identified during 2010.

REACH registration was completed

The EU's REACH chemical regulatory framework, which came into force in 2007, required large volume chemical substances in the EU to be registered by 30 November 2010. Neste Oil completed REACH registration for all the chemical substances that it produces according to the required timetable, covering a total of 71 items.

Neste Oil also made two registrations of its own, covering NExBTL renewable diesel and the TAEE gasoline component. The total cost of the registration project, including payments made to the European Chemicals Agency, came to EUR 4.2 million. REACH requirements are incorporated in procurement and sales contracts, R&D, and risk management processes at Neste Oil's refineries.

Labeling changes for chemicals

The European Union's new Classification, Labelling and Packaging (CLP) Regulation came into force in 2009 and is designed to harmonize European practice with UN global recommendations. The transition to the new system began in 2010 and will continue until 2015; both new and old labeling will be used during this period. The new labeling procedures will be reflected at Neste Oil sites and on its products, as the introduction of the CLP system will require changes in the labeling of Neste Oil products and in the company's guidelines. Training related to the new system was launched for Neste Oil personnel in 2010. Customers are informed of the changes through a safety data sheet, the company's web site, new labeling, and by sales personnel.

Fuel standards guarantee high quality

Neste Oil has long been a pioneering developer of cleaner, premium-quality fuels. All the fuels sold by Neste Oil to consumers meet the relevant international standards, which ensure that the fuels function properly in all circumstances and define their statutory properties in terms of emissions.

Neste Oil is actively involved in work on product standards. A new Finnish standard for gasoline, SFS 5979, was drafted in 2010 to enable the introduction of E10 gasoline. Work to update the equivalent European standard, EN 228, is ongoing. The EN 590 diesel fuel standard is also being updated to take account of developments in engine technology and the need to increase bio content.

What next?

- We will aim to ensure that the shift to E10 gasoline takes places as smoothly as possible
- We will continue to monitor developments in fuel standards and ensure that our products comply with any changes
- We will continue training our personnel in the new system being introduced for labeling chemicals

ONE STEP AHEAD

New 95 E10 gasoline

The bio-content of gasoline sold in Finland was increased as of the beginning of 2011 in compliance with the national biofuel mandate. This has seen 95 E10 gasoline, which contains a maximum of 10% by volume of bioethanol, become the most widely used gasoline on Finland's roads. Neste Oil's fuel experts played a key role in updating the public on the change. For more information (in Finnish only), see www.e10bensiini.fi.

GRI content index

PricewaterhouseCoopers Oy has checked our reporting and has confirmed it to be Application Level B+.

Included: yes
partly

	GRI Content	Included	Page	Remarks
	1. Strategy and Analysis			
1.1	CEO's statement		2–3	
1.2	Key impacts, risks and opportunities		4–7, 28, 32	
	2. Organizational Profile			
2.1–2.3	Name, Primary brands, products and services, Operational structure		Front cover, 16, 20–21	
2.4–2.5	Location of operations and headquarters		Front cover, 21, 23, 64	
2.6	Nature of ownership and legal form		81–82	
2.7–2.8	Markets served and scale of the organisation		Front cover, 16, 21	
2.9	Significant changes regarding size, structure or ownership		8–9	
2.10	Awards received in the reporting period		30, 51, 56	
	3. Reporting Principles			
3.1–3.4	Report profile		29	
3.5–3.11	Report scope and boundary		28–29	
3.12	GRI content index		60	
3.13	Assurance		29, 61	
	4. Governance, Commitments and Engagement			
4.1–4.7, 4.9–4.10	Governance		31, 64–67, 74–75, 78–80	
4.8	Mission, values, code of conduct and other principles		6, 31–33	
4.11–4.13	Commitments to external initiatives		31, 49, 71–73	
4.14–4.17	Stakeholders and stakeholder engagement		46–51	
	Economic Performance Indicators			
	Management approach to economic responsibility		31–32, 34	
EC1*	Direct economic value generated and distributed		35–37	
EC2*	Financial implications, risks and opportunities due to climate change		18–19, 43, 73	
EC3*	Coverage of defined benefit plan obligations		55	
EC4*	Significant subsidies received from government		35	
EC5	Entry level wage compared to local minimum wage		54–55	Remuneration principles described.
EC7*	Local hiring procedures and proportion of local senior management		52	Recruitment principles and recruitments in Singapore and Rotterdam.
EC9	Significant indirect economic impacts		35, 47–48	
	Environmental Performance Indicators			
	Management approach to environmental responsibility		31–33, 38	
EN1*	Materials used by weight or volume		43	
EN3*	Direct energy consumption by primary source		43	Oil t, natural gas Nm3, fuel usage t.
EN4*	Indirect energy consumption by primary source		43	Electricity consumption reported.
EN5	Energy saved due to conservation and efficiency improvements		39	Energy savings not reported.
EN6	Initiatives to provide energy-efficient or renewable energy based products and services		18–19, 44–45	
EN8*	Total water withdrawal by source		43	Total water consumption, not reported by water source.
EN9	Water sources significantly affected by withdrawal of water		40	Water sources in Porvoo and Bahrain described.
EN13	Habitats protected or restored		42	
EN14	Managing impacts on biodiversity		41, 46–47	
EN16*–EN17*	Total direct and indirect greenhouse gas emissions		43	
EN18	Initiatives to reduce greenhouse gas emissions		39	Emissions reductions not reported.
EN19*	Emissions of ozone-depleting substances		41	
EN20*	NO_x, SO_x, and other significant air emissions		43	
EN21*	Total water discharge		41, 43	
EN22*	Total amount of waste by type and disposal method		43	
EN23*	Significant spills		41	
EN25	Water bodies and habitats affected by discharges of water		40	Discharge of cooling water in Porvoo refinery.
EN26*	Mitigating environmental impacts of products and services		44–45	
EN28*	Non-compliance with environmental regulations		41	No incidents of non-compliance during the reporting period.
EN29	Environmental impacts of transportation		42–45	Fuel usage and CO_2 emissions of transportation.
EN30	Environmental protection expenditures and investments		36	HSSE costs and investments.
	Social Performance Indicators			
	Management approach to sosial responsibility		31–33, 46, 48, 57	
	Labor Practices and Decent Work			
LA1*	Total workforce by employment type, employment contract and region		53	
LA2*	Total number and rate of employee turnover		53	Hiring rate and leaving rate of permanent employees.
LA4*	Coverage of collective bargaining agreements		54	89.3% of personnel were covered by collective pay agreements. Collective agreements are not used in all of the company's operating countries and they do not cover senior management.
LA5*	Minimum notice period regarding operational changes		54	
LA7*	Rates of injury, occupational diseases, lost days, fatalities and absenteeism		55, 57–58	Injury rate: Total Recordable Injury Frequency (TRIF), and Lost Workday Injury Frequency (LWIF) per million hours worked.
LA8*	Education and prevention programmes regarding serious diseases		55	Preventive occupational health care.
LA10*	Training hours per employee		35	Training days per employee.
LA11	Programmes for skills management and lifelong learning		53–54	
LA12	Employees receiving regular performance and career development reviews		54	
LA13*	Composition of governance bodies and breakdown of employees		53–55	Breakdown of employees by gender, age and educational background.
LA14*	Ratio of basic salary of men to women		54–55	
	Human Rights			
HR2*	Suppliers and contractors that have undergone human rights screening		41, 47–48	
HR3	Human rights related training for employees		33	
HR4*	Incidents of discrimination and actions taken		48	No incidents if discrimination during the reporting period.
HR5*	Supporting right to freedom of association and collective bargaining in risk areas		48	
HR6*–HR7*	Measures taken to eliminate child and forced labour in risk areas		48	No risks related to child and forced labour in company's own operations during the reporting period.
	Society			
SO1*	Managing impacts of operations on communities		48–50	
SO3*	Anti-corruption training		33, 48	
SO5*	Public policy positions and participation in public policy development and lobbying		18, 47, 49	
SO6	Contributions to political parties and related institutions		50	
SO4* SO7 SO8*	Corruption, Anti-competitive behavior, Compliance		68	No incidents of corruption or non-compliance during the reporting period.
	Product Responsibility			
PR1*–PR2	Assessment of health and safety impacts of products		59	
PR3*	Product information required by procedures		59	
PR6*	Adherence to marketing communications laws, standards and voluntary codes		59	
PR4 PR7 PR8 PR9*	Product and Service Labeling, Marketing communications, Customer privacy, and Compliance			No incidents of non-compliance during the reporting period.

* GRI Core indicator

Following GRI core indicators not reported: EC6, EC8, EN2, EN11, EN12, EN27, HR1

Independent assurance statement

To the management of Neste Oil Corporation

We have been engaged by the Management of Neste Oil Corporation to perform a limited assurance engagement on the information on economic, social and environmental responsibility disclosed in Neste Oil Corporation's Annual Report 2010 on pages 26–60 for the reporting period of January 1, 2010 to December 31, 2010 (hereinafter "Sustainability information").

Management's responsibility

The Management of Neste Oil Corporation is responsible for preparing the Sustainability information according to the reporting criteria as set out in Neste Oil Corporation's internal sustainability reporting guidelines, the Global Reporting Initiative's Sustainability Reporting Guidelines version G3, as well as AA1000 Accountability Principles Standard 2008 issued by AccountAbility.

Practitioner's responsibility

It is our responsibility to present a conclusion on the Sustainability information based on our work performed. This assurance report has been prepared in accordance with the terms of our engagement. We do not accept, nor assume responsibility to anyone else, except to Neste Oil Corporation for our work, for this report, or for the conclusions that we have reached.

We have conducted the assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 "Assurance engagements other than audits or reviews of historical financial information". The ISAE 3000-standard requires compliance with ethical principles as well as planning and performing the assurance engagement to obtain limited assurance on whether any matters have come to our attention that would cause us to believe that the Sustainability information has not been prepared, in all material respects, in accordance with the Reporting criteria.

In addition, we have conducted our work in accordance with the AA 1000 Assurance Standard 2008. For conducting a Type 2 assurance engagement as agreed with Neste Oil Corpo-ration the AA 1000 Assurance Standard 2008 requires planning and performing of the assurance engagement to obtain limited assurance on whether any matters have come to our attention that would cause us to believe that Neste Oil Corporation does not in all material respects apply the principles of AA1000 Accountability Principles Standard 2008 (inclusivity, materiality and responsiveness) and that the Sustainability information would not be reliable based on the reporting criteria.

We have not been engaged to provide assurance on amounts or other disclosures relating to the prior reporting periods presented in the Sustainability information.

In a limited assurance engagement the evidence-gathering procedures are more limited than in a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. The selection of procedures is based on the practitioner's judgment which includes an assessment of the risks that the information disclosed in the Report is not in all material respects prepared according to the reporting criteria. Among others, we have performed the following evidence-gathering procedures:

- interviewed five (5) representatives of the top management of Neste Oil Corporation in order to clarify the targets for Neste Oil Corporation's sustainability as part of the business strategy and operations;
- interviewed relevant staff from various organizational levels of Neste Oil Corporation in order to clarify stakeholder expectations towards Neste Oil Corporation, the meeting of those expectations as well as stakeholder engagement;
- assessed Neste Oil Corporation's materiality definition process and evaluated defined material sustainability aspects as well as assessed Sustainability information with respect to these aspects;
- performed a media analysis and an internet search for references to Neste Oil Corporation during the reporting period;
- interviewed persons responsible for the collection and reporting of sustainability information at group level as well as at site level in Finland;
- assessed the systems and practices used for the collection and consolidation of quantitative information;
- tested the accuracy of the information from original documents and systems on a sample basis;
- tested the consolidation of information and performed recalculations on a sample basis.

Conclusion

Based on our limited assurance engagement nothing has come to our attention that would cause us to believe that Neste Oil Corporation would not in all material respects comply with the AA1000 Accountability Principles Standard 2008 principles.

Furthermore nothing has come to our attention that would cause us to believe that Neste Oil Corporation's Sustainability information has not been prepared, in all material respects, in accordance with the Reporting criteria, or that the Sustainability information would not in all material respects be reliable based on the reporting criteria.

Our assurance report should be read in conjunction with the inherent limitations of accuracy and completeness for corporate social responsibility information. This independent assur-ance report is not intended to be used for assessing Neste Oil Corporation's performance in relation to its sustainability policy.

Recommendations

Based on our limited assurance engagement we provide the following observations and recommendations related to the AA1000APS 2008 principles. These observations and recommendations do not affect the conclusions presented earlier.

- During the reporting period, Neste Oil Corporation carried out a stakeholder survey to understand stakeholders' expectations on the sustainability of its operations. We recommend that Neste Oil Corporation surveys stakeholders' expectations on a regular basis, and further develops the systematic management of stakeholder dialogue as well as the inclusion of stakeholders' concerns into its operations.
- During the reporting period, Neste Oil Corporation performed a materiality assessment of its sustainability as part of sustainability management and report development. We recommend that Neste Oil Corporation performs the materiality assessment regularly and that the updated results of the assessment are incorporated in sustainability management and report development in the future as well.

Practitioner's independence and qualifications

PricewaterhouseCoopers' own Global Independence Policy is applicable to PricewaterhouseCoopers Oy, its partners and professional staff, including all members of the assurance engagement team.

Our multi-disciplinary team of sustainability and assurance specialists possesses the requisite skills and experience within financial and non-financial assurance, sustainability strategy and management, social and environmental issues as well as knowledge of the energy industry to undertake this assurance engagement.

Helsinki, 18 February 2011

PricewaterhouseCoopers Oy

Sirpa Juutinen
Partner, Sustainability & Climate Change Leader

pwc

AA1000 Licensed Assurance Provider 000-29

Governance & Shares and shareholders

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 living up to our values of responsibility, cooperation, innovation, and excellence. We work very actively to identify best practices and aim for continuous improvement.

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 2010 Corporate Governance Code.

Neste Oil's Corporate Risk Management Policy and Principles define the risk management principles for managing the risks. The Risk Management Policy emphasizes the awareness and proactive management of risks.

Neste Oil's remuneration principles have been developed to secure company's competitiveness in the oil industry.

Corporate governance statement 2010

This Corporate Governance Statement has been prepared pursuant to Recommendation 54 of the Corporate Governance Code 2010 and Chapter 2, Section 6 of the Securities Markets Act. The Corporate Governance Statement is issued separately from the Review by the Board of Directors and can be consulted online at www.nesteoil.com/Investors/Corporate Governance.

Table of contents

The Company's Articles of Association can be found at www.nesteoil.com/Investors/Corporate governance

The AGM invitation, agenda, and other meeting material shall also be made available online at www.nesteoil.com/Investors/AGM

The decisions taken by the AGM can be consulted in full online at www.nesteoil.com/Investors/AGM

Regulatory framework

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 2010 Corporate Governance Code. The Corporate Governance Code can be found at www.cgfinland.fi. Neste Oil also 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 Audit Committee has reviewed the Corporate Governance Statement, and the Company's Auditor, Ernst & Young Oy, has monitored that it has been issued and that the description of the main features of the internal control and risk management related to the financial reporting process included in the statement matches the Financial Statements.

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

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. Neste Oil has one official auditor, chosen by shareholders at the AGM.

Neste Oil's headquarters are located in Espoo, Finland.

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 including:

- 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, and
- 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 can be held, when considered necessary by the Board of Directors, or when requested in writing by the Company's Auditor or by shareholders representing at least one-tenth of all Company shares.

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 three weeks prior to a meeting, but at least nine days before the record date set for the meeting under the terms of the Companies Act. 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 invitation, agenda, and other meeting material shall also be made available online at www.nesteoil.com/Investors/AGM at least three weeks prior to the meeting.

Neste Oil is not aware of any shareholders' agreement regarding the Company's shares.

2010
The 2010 AGM was held in Helsinki on 15 April and adopted the Parent Company's Financial Statements and the Consolidated Financial Statements for 2009 and discharged the Supervisory Board, the Board of Directors, and management from liability for 2009. The AGM also approved the Board of Directors' proposal regarding the distribution of the Company's profit for 2009, sanctioning payment of a dividend of EUR 0.25 per share. This was paid to all shareholders included in the register of shareholders maintained by Euroclear Finland on the record date set for payment of the dividend, which was 20 April 2010. The AGM also decided the composition of the Board of Directors and the Supervisory Board and the remuneration to be paid to the members of both bodies, and appointed the Company Auditor.

Nomination Committee

A position paper issued by the Finnish Cabinet Committee on Economic Policy in February 2004 stressed that general meetings of shareholders of publicly listed State-owned companies and companies partly owned by the State should appoint a committee to prepare a proposal covering the composition of the board of directors for the following general meeting of shareholders to vote on. The paper indicated that these AGM nomination committees should generally select representatives from a company's largest shareholders and propose an expert member as chairman.

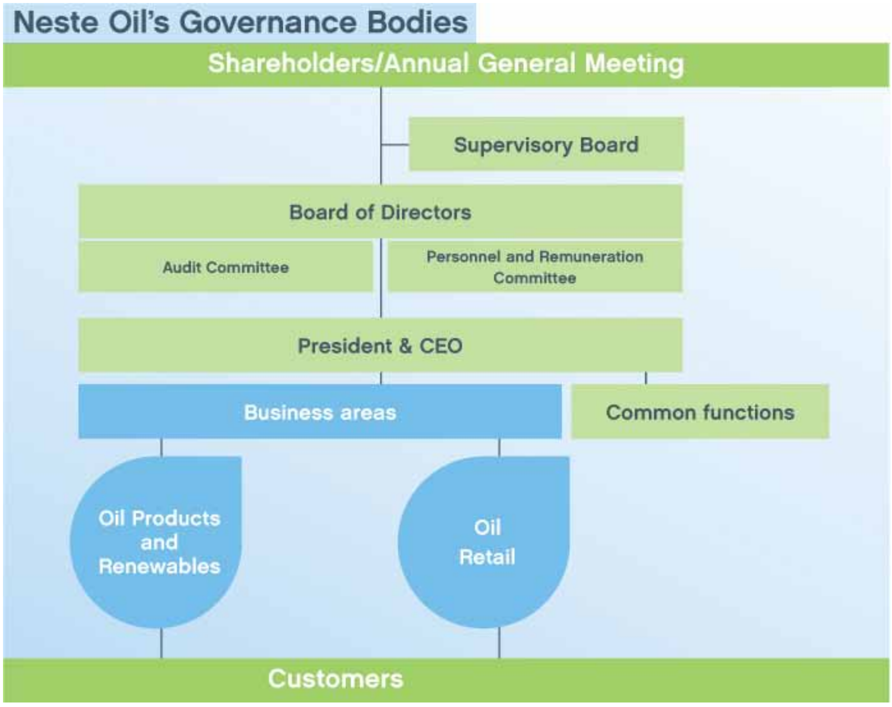
The position paper is based on the belief that a company's board of directors should enjoy the trust of its owners and that it should act in the interests of shareholders, and that the preparations for its election should lie in the hands of its owners. This, the paper indicates, will strengthen the potential of owners to make their voice heard as effectively and as openly as possible.

The paper suggests that a nomination committee appointed by a board of directors itself, in line with the Governance Code covering listed companies in Finland, is best suited to companies with a diverse ownership base. In the case of companies owned in full or in part by the State, with large owners that are both well-known to the public and active, the approach recommended under the Governance Code is not to be recommended because of the nature of the ownership involved and the responsibility associated with this type of major holding.

As a listed State-owned company, Neste Oil observes the recommendation contained in the above position paper in respect of its Nomination Committee.

Annual General Meetings are responsible for establishing a Nomination Committee, selecting its members, and deciding its duties. Representatives of the Company's three largest shareholders are normally elected as members, together with the Chairman of the Board of Directors as an expert member. The right to appoint the shareholder representatives on this Committee lies with the three shareholders holding the largest number of votes associated with all the Company's shares on 1 November preceding the AGM. In the event that a shareholder does not wish to exercise his right to appoint a representative, this right shall pass to the next-largest shareholder. The Company's largest shareholders shall be determined on the basis of the information on holdings registered in the book-entry system, with the proviso that the holdings of a shareholder required under securities legislation to flag certain changes in his holdings, and with shares spread across a number of funds, for example, shall be combined if the shareholder informs the Company of his wishes to this effect in writing.

The Chairman of the Board generally convenes the Nomination Committee, while the Committee elects its Chairman from among its members. The Committee is required to present its proposal to the Board by 1 February prior to the AGM at the latest.



Neste Oil respects the principles of sustainability and aims to implement best practices in all its operations, and is committed to living up to its values of responsibility, cooperation, innovation, and excellence.

Activities

The Nomination Committee drafts proposals for the following AGM on the following:

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

Composition of the Nomination Committee prior to the 2010 AGM

The AGM Nomination Committee responsible for preparing the 2010 AGM 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 of Neste Oil's Board of Directors, and Mikael von Frenckell, Vice Chairman of the Neste Oil Board, acted as the Committee's expert members. The Committee convened twice and presented its proposal covering the members of the Board of Directors and the remuneration to be paid to them on 1 February 2010.

Following a proposal by the Prime Minister's Office, representing the Finnish State, the AGM decided on 15 April 2010 to establish a Nominations Committee to prepare proposals covering the members of the Board of Directors and their remuneration for consideration by the next AGM.

Supervisory Board members' attendance at meetings in 2010

	Membership in the Supervisory Board	Attendance at meetings
Heidi Hautala	1.1.–31.12.	6/6
Kimmo Tiilikainen	1.1.–31.12.	5/6
Esko Ahonen	1.1.–31.12.	3/6
Timo Heinonen	1.1.–31.12	3/6
Miapetra Kumpula-Natri*	15.4.–31.12	4/5
Markus Mustajärvi	1.1.–31.12	5/6
Anne-Mari Virolainen	1.1.–31.12	3/6

* Supervisory Board member since 15 April 2010, when Mikael Forss and Jutta Urpilainen left Neste Oil's Supervisory Board.

Composition of the Nomination Committee prior to the 2011 AGM

The AGM Nomination Committee responsible for preparing the 2011 AGM comprised Pekka Timonen of the Prime Minister's Office, Timo Ritakallio of the Ilmarinen Mutual Pension Insurance Company, and Mika Kivimäki of the OP-Pohjola Group. Timo Peltola, Chairman of Neste Oil's Board of Directors, acted as the Committee's expert member.

The Committee convened two times and presented its proposal covering the members of the Board of Directors and the remuneration to be paid to them on 1 February 2011.

Supervisory Board

The Supervisory Board is required to have between six and 12 members, each 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 with a term of office starting on 15 April 2010 and ending at the next AGM to be held in the first half of 2011 are:

- 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
- Timo Heinonen, born 1975, M.Sc., Member of the Finnish Parliament
- Markus Mustajärvi, born 1963, M.Sc., Forest Engineer, Member of the Finnish Parliament
- Anne-Mari Virolainen, born 1965, M.Sc., Member of the Finnish Parliament, and
- Miapetra Kumpula-Natri, born 1972, B.Sc., Member of the Finnish Parliament.

Shareholdings of members

Anne-Mari Virolainen owned 125 and Kimmo Tiilikainen 200 Neste Oil shares as of 31 December 2010. No other members of the Supervisory Board owned Neste Oil shares as of the end of the year. The members of the Supervisory Board are not included in Neste Oil's incentive or pension schemes.

Activities

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 takes the minutes of meetings.

Duties

The Supervisory Board is responsible for:

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

2010

The Supervisory Board met six times in 2010 and discussed issues including the Company's interim reports and financial statements and business plans. In addition, it also reviewed the renewable fuels business and sustainability issues related to the procurement of renewable raw materials.

The remuneration paid to the Supervisory Board in in 2010 was as follows:

- Chairman: EUR 1,000 per month
- Vice Chairman: EUR 600 per month
- Other members: EUR 500 per month.

In addition, EUR 200 was paid to each member for attending meetings. As the members of the Supervisory Board are not included in Neste Oil's incentive or pension schemes, they are not entitled to any performance-related or share-based remuneration. The remuneration paid to members and their attendance at meetings are presented in a table on page 79.

Board of Directors

In accordance with Neste Oil's Articles of Association, the Board of Directors has between five and eight members, which are elected at the AGM for a period of office that extends to the following AGM. Anyone over 68 years of age cannot be elected to the Board.

Activities

The Board shall meet as frequently as necessary, with approximately six to eight regular 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 its period of office between Anual 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 after the end of each financial year.

Duties

The Board's responsibilities and duties are defined in detail in the Board's Charter 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, and
- determining the Company's dividend policy to be followed when making proposal regarding dividends to the AGM.

A member of the Board of Directors may not take part in matters regarding (i) agreements between such member and any entity within the Neste Oil Group, (ii) agreements between any entity within the Neste Oil Group and third parties where such member has a material interest in the matter which may conflict with the interest of Neste Oil or any other entity within the Neste Oil Group, and (iii) agreements be-

Board of Directors, 31 December 2010

	Position	Born	Education	Main Occupation	Independent of the company	Independent of major shareholders	Personnel and Remuneration Committee	Audit Committee	Attendance at meetings Board	Committees
Timo Peltola	Chairman	1946	M.Sc. (Econ.)	Prof. board member	●	●	●		100%	100%
Mikael von Frenckell	Vice Chairman	1947	M.Sc. (Soc.)	Partner	●	●	●		100%	100%
Michiel Boersma	Member	1947	Ph.D (Chem. Tech.)	Prof. board member	●	●	●		100%	100%
Maija-Liisa Friman*	Member	1952	M.Sc. in Chem. Eng.	Prof. board member	●	●		●	100%	100%
Ainomaija Haarla	Member	1953	Ph.D (Tech.), MBA	President and CEO	●	●	●		88.8%	100%
Nina Linander	Member	1959	M.Sc. (Econ.), MBA	Partner	●	●		●	100%	100%
Hannu Ryöppönen	Member	1952	B.A. (Business Adm.)	Prof. board member	●	●		●	100%	100%
Markku Tapio	Member	1948	M.Sc. (Econ.)	Senior Financial Counselor	●			●	100%	100%

* Board member since 15 April 2010, when Maarit Toivanen-Koivisto left Neste Oil's Board of Directors.

tween any entity within the Neste Oil Group and a legal entity which such member may represent, either individually or together with any other person; provided, however, that this point (iii) does not apply where the party contracting with Neste Oil is a company within the Neste Oil Group. The term 'agreement' as used here includes litigation or other legal proceedings arising from or relating to such agreements.

2010

The Board met nine times in 2010 and the attendance percentage on average was 98.6%. The Board focused in particular on reviewing the Company's strategic position and success factors, monitoring the growth projects associated with its renewable fuels strategy, and tracking market developments. In addition, it also monitored the implementation of the efficiency enhancement program that has improved cash flow through more effective management of fixed costs, investments, and working capital.

The 2010 AGM elected eight members to the Board that will sit until the end of the next AGM. Timo Peltola was elected Chairman and Mikael von Frenckell as Vice Chairman; and Maija-Liisa Friman as a new member. Michiel Boersma, Ainomaija Haarla, Nina Linander, Hannu Ryöppönen, and Markku Tapio were re-elected as members of the new Board. Details on the independent status of members, their role in committee work, and their attendance at meetings can be found in the table on page 67. The shareholdings of members and the remuneration paid to them are detailed in a table on page 79.

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 committee members. 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 Audit Committee shall consist of a minimum of three Board members that 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 financial statement reporting process, and, as 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, which includes a description of the main features of the internal control and the risk management systems pertaining to the financial reporting process
- 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 or 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, and
- monitoring the Company's financial position.

2010

The Audit Committee comprised Nina Linander (Chairman), Hannu Ryöppönen, Markku Tapio, and Maija-Liisa Friman. The Committee convened seven times, and the attendance rate was 100%. In addition to its normal duties, the Committee focused on monitoring and reviewing the development of risk management and financial reporting as well as monitored and reviewed the market risk management related to the growth in Renewable Fuels business.

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 its 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.

Fees charged by the statutory auditor, EUR 1,000

	2010	2009
Audit fees	995	916
Others	338	470
Total	1,333	1,386

2010
The Personnel and Remuneration Committee comprised Timo Peltola (Chairman), Michiel Boersma, Mikael von Frenckell, and Ainomaija Haarla. The Committee convened five times, and the attendance rate was 100%. Key activities during 2010 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

Neste Oil's President & CEO, Matti Lievonen (b. 1958, eMBA), 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 shall see to the executive management of the company in accordance with the instructions and orders given by the Board of Directors and he is responsible for ensuring that the Company's accounts 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. 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 criteria for any short-term incentive bonuses shall be based on an individual's success in reaching their personal goals, and on the Company's financial performance and success in reaching its goals. The bonus paid to the President & CEO may not exceed 40% of his annual salary. Further information on the remuneration and shareholdings of the President & CEO can be found on page 79.

The retirement age of the President & CEO is 60 years and he has a defined benefit plan. The pension paid is 60% of retirement salary and is insured by an insurance company. The insurance contributions for 2010 totaled EUR 333,917.

Neste Executive Board

The Neste Executive Board (NEB) assists the President & CEO in managing the Company 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. Further information on the remuneration and shareholdings of the members of the NEB can be found on page 79.

2010
The Neste Executive Board comprised 10 members until 1 December 2010 when Neste Oil announced the merger or the Oil Products and Renewable Fuels business areas. Parallel to the reorganization, Neste Oil's Deputy CEO and Executive Vice President, Renewable Fuels, Jarmo Honkamaa, left the company.

As of the end of 2010, the NEB consisted of the President & CEO, two 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. Details on members can be found on pages 76–77.

The NEB met 11 times in 2010 and focused in particular on the implementation of the Company's new operating model, the management and monitoring of its strategic growth investments, the major maintenance turnaround at the Porvoo refinery, and enhancing cash flow management through more effective monitoring of fixed costs, investments, and working capital.

Neste Executive Management Board

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

2010
The Neste Executive Management Board comprised the President and CEO, business area Executive Vice Presidents, the CFO and the Senior Vice President, Production and Logistics; and met 11 times in 2010.

Company 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.

The Auditor is responsible for auditing the Company's accounts, its financial statements, the Review of the Board of Directors, and Neste Oil's administration.

The Auditor's Report covers the Review by the Board of Directors, the Consolidated Financial Statements, and the Parent Company's Financial Statements, and can be found on page 155.

2010
Ernst & Young Oy was elected as Neste Oil's Auditor, with Anna-Maija Simola, Certified Public Accountant, as main responsible auditor. Ernst & Young have acted as the Company's Auditor since 2007, when the function was last put out to tender.

The fees paid to the Auditor are shown in the table on page 68.

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.
The duties of the Internal Audit Unit are to:

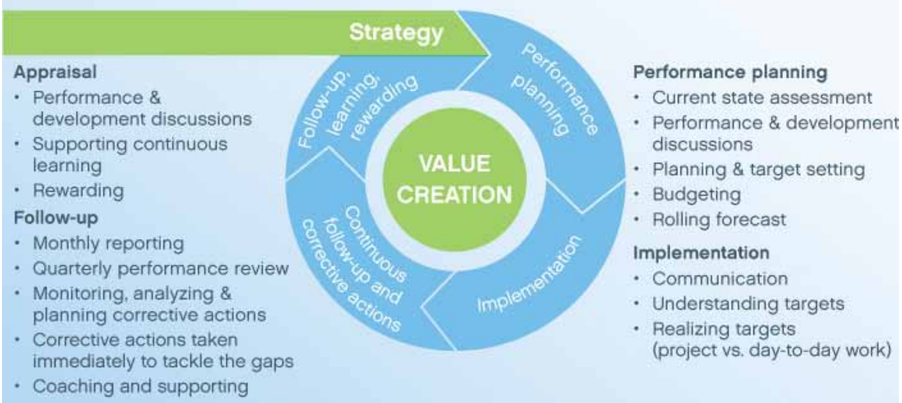
- provide objective assurance and consultation services designed to add value and improve the Company's operations
- assist the organization in evaluating and improving the effectiveness of risk management, financial control, and governance processes
- audit the operations of Neste Oil's refineries, subsidiaries, and other units on a regular basis, and
- carry 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, this 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.

Misconduct

Preventing misconduct in the Company's operations represents one of Neste Oil's primary goals. Continuous efforts are made to identify and evaluate the risks associated with possible misconduct.

Performance management



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, and
- generating unnecessary costs in a fraudulent or illegal way.

Regulations also include principles covering how supply, purchase, and service contracts should be negotiated. The Neste Oil Code of Conduct defines the general approach that every Company employee is expected to follow.

Should employees notice or suspect misconduct, they can inform their manager or supervisor, the head of Internal Audit, the head of the Group's Corporate Security Unit, HR personnel or via an online tool. Internal Audit is responsible for evaluating cases that are reported and investigating them thoroughly if appropriate. Legal Affairs is responsible for any legal action taken in response to cases of misconduct. Misconduct and suspected misconduct is reported to the Board of Directors' Audit Committee.

2010

No cases of misconduct appeared in 2010 that would have had a material impact on Neste Oil's Financial Statement.

During 2010, Neste Oil focused on efforts designed to prevent misconduct occurring, following the start of a program of communicating information on the Code of Conduct approved by the Board ion 2009. Neste Oil also introduced an online tool to enable personnel to report cases of unethical behavior anonymously.

→ The Neste Executive Board focused in particular on the implementation of the Company's new operating model, the management and monitoring of its strategic growth investments, the major maintenance turnaround at the Porvoo refinery, and enhancing cash flow.

Insider guidelines

Neste Oil complies with the Insider Guidelines of NASDAQ OMX Helsinki Ltd. that came into force as from 9 October 2009. The Company has also approved its own Guidelines for Insiders, which are stricter in some areas. The Company's closed window, 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.

Performance Management Process

The Neste Oil Performance Management Process plays an essential role in helping the Group attain its strategic goals and reinforcing its performance-driven mindset.

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

From a 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 Group 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.

Main features of the internal control and risk management systems pertaining to the financial reporting process

Objectives

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 and other misconduct.

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.

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

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 President & CEO, who is required to ensure that the Company's accounts 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, Neste Oil's controllers and their teams have an independent role in controlling their business line. 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.

The Audit Committee oversees the Company's finances, financial reporting, risk management, and internal auditing.

Control environment

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

- the President & 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 awareness across the organization is based on proactive thinking and behavior among individual employees.

Risk assessment

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 responsible for controlling, consulting, and developing systems.
3. The Audit Committee, which provides independent assurance of the overall efficacy of the company's risk management.

There are three risk assessment elements at Neste Oil. An Enterprise Risk Management (ERM) process that provides a systematic approach to identifying threats and opportunities related to strategic targets and business plans. Risk manuals consist of risk principles, guidelines and instructions. Risk awareness across the organization is based on proactive thinking and behavior among individual employees.

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 specific processes, 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.

Group guidelines related to monitoring financial reporting were implemented in business areas and units on a phased basis during 2009 and 2010. Neste Oil's new units will adopt the new Group guidelines during 2011.

Internal communications

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 financial reporting, this means that personnel have access to adequate information and communication regarding accounting and reporting principles.

The main means of communicating the matters relevant for appropriate 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, or personnel.

Risk management

Neste Oil's business, personnel, assets, and environment are exposed to wide range of operational risks due to the extent, diversity, and nature of the company's business activities and areas. Neste Oil recognizes that risk is an integral and unavoidable component of its business, and continuous operational activities are involved in tackling risks. Neste Oil promotes a risk-aware culture in all decision-making.

Risk management in 2010

Neste Oil focused on managing risks related to the volatile commodities and foreign exchange markets. Neste Oil's foreign exchange risks have been hedged according to the company's corporate risk management principles. The quarterly hedging ratios used for the refining margin varied between 1% and 15% during 2010.

Neste Oil transferred the management of Neste Oil's statutory occupational pensions and the associated pension portfolio to the Ilmarinen Mutual Pension Insurance Company. In addition to statutory pension cover, the management of supplementary pension benefits and the associated pension portfolio of Neste Oil's Finnish companies were transferred to OP Life Assurance Company Ltd.

Neste Oil received insurance compensation totaling EUR 47.5 million from a syndicate of international reinsurers related to damage and lost production following a fire on diesel line 4 at the Porvoo refinery on 4 April 2008.

The corporate risk management and hedging principles were reviewed to support the expanding renewable fuels business. The risk management perspective was strengthened with new procedures and tools for assessing investments and contractual risks.

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 for managing the risks associated with the Group's strategic and operational targets and those of 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 a member of the Neste Executive Board.

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. Continuous operational activities are involved in tackling risks in functions such as Finance, Sustainability and HSSE, and 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 threats and opportunities. Neste Oil promotes a risk-aware culture in all decision-making.

Neste Oil's Risk Management Policy emphasizes:

- the awareness and proactive management of risks
- the value of risk management in enhancing opportunities and reducing threats, and thereby gaining competitive advantage
- the importance of sufficient risk treatment and risk control, particularly in respect of HSSE and sustainability
- the benefits of managing risks as an integrated part of planning, decision-making, and operational processes with a defined structure of roles and responsibilities.

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

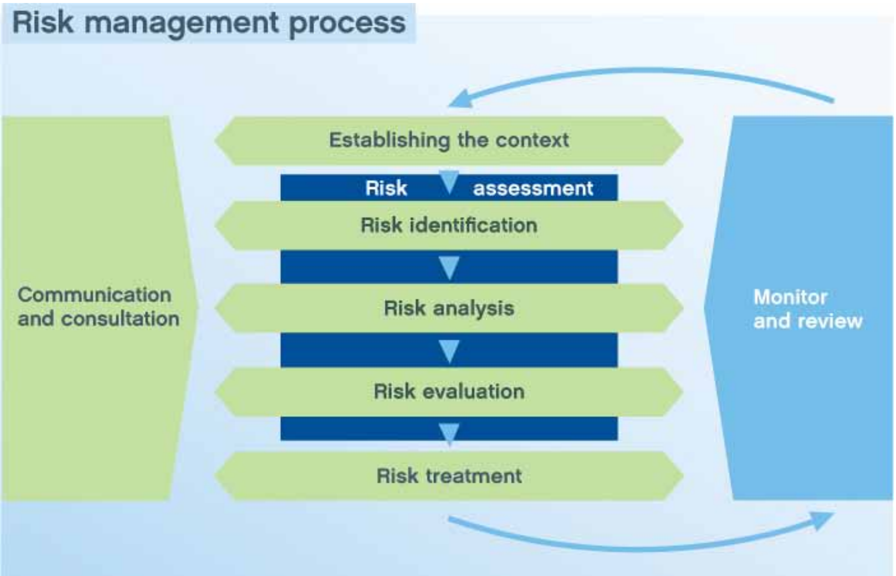
1. An Enterprise Risk Management (ERM) process that provides a systematic approach to identifying threats and opportunities related to strategic targets and business plans.
2. Risk manuals for specific risk disciplines. Risk manuals and defined processes cover areas such as credit and counterparty risk principles, price risk management principles and instructions, treasury principles and instructions, and proprietary trading manuals and instructions.
3. Risk awareness across the organization, based on proactive thinking and behavior among individual employees.

Risk management is handled through these three elements by following the basic risk management process (shown in the figure on page 72).

Risk management governance

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

Risk management governance is based on the 'three lines of defense' model (shown in the figure on page 73), which distinguishes between:



1. Business areas and common functions owning and managing risk
2. Risk management specialists responsible for 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. A Risk Management Committee steered by the Chief Financial Officer provides a comprehensive understanding of the overall risks faced by the organization to the Neste Executive Board, particularly in respect of risks that threaten the company's strategy and business plans, as well as investments and new business models. The 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 particular 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. These personnel 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 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 review process
- reporting on the overall financial risk situation is provided as part of monthly reporting.

Risk relating to Neste Oil's business

The nature of the oil refining industry, regardless of the feedstocks used, exposes Neste Oil to market, counterparty, contractual, and operational risks, as well as other risks in areas such as sustainability, health, safety and the environment, IT and security, and general political and regulatory issues. In particular, risks related to legislation, technology, and intellectual property rights, as well as feedstock supply, are likely to be of greater significance in the renewable fuels business than in traditional oil refining. Any of the above risks, either alone or jointly, may have a material adverse effect on Neste Oil's business, financial condition, results of operations, and future prospects.

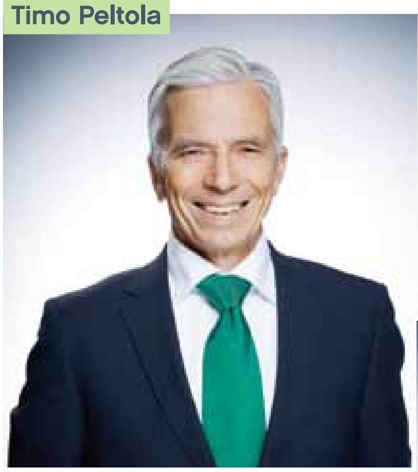
Changes in refining margins of oil products and renewable fuels may also have a material adverse effect on Neste Oil. The company's financial result is primarily affected by the price differential or margin between refined product prices and the price of the crude oil, vegetable oil, and other feedstocks used in refining. The cost of the feedstocks Neste Oil acquires and the price at which it can ultimately sell its products depend upon a variety of factors largely beyond the company's control. Historically, refining margins have been volatile and are likely to continue to remain so in the future. Future volatility in refining margins may have a material adverse effect on Neste Oil's business, financial condition, results of operations, and future prospects.

Risk management governance

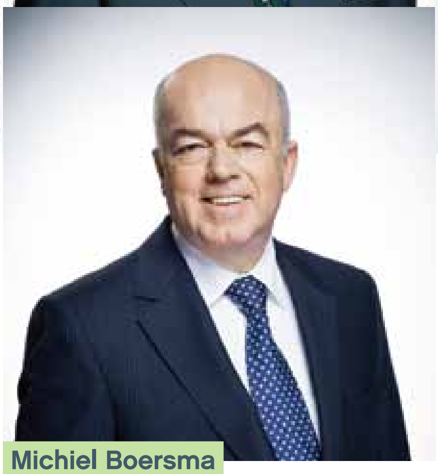
Neste Oil recognizes the following major risks and uncertainties in its business:

- Changes in the overall supply and demand of crude oil, vegetable oil, and refined products
- Changes in the supply and demand of specific crude grades, vegetable oil, and other feedstocks, as well as specific refined products such as gasoline and diesel or renewable fuels
- Fluctuations in the price of crude oil, vegetable oils, and refined products
- Evolution of worldwide refining capacity and, in particular, refining capacity that relates to the products refined by Neste Oil
- Pricing and other actions taken by competitors that impact the market
- Availability of price arbitrage for refined products between different geographical markets
- Changes in the cost and availability of logistics services for feedstocks and refined products
- Changes in environmental and other regulations that could require Neste Oil to make substantial investments without necessarily increasing the capacity or operational efficiency of its refineries
- Changes in the mandatory product specifications used by the EU and governmental authorities for refined products, such as the EU Fuel Quality Directive and general political and economic conditions
- Pace of the EU Renewable Energy Directive (RED) execution into national regulations
- Pace of the United States Renewable Fuel Standard (RFS-2) legislation carried into execution


Mikael von Frenckell


Timo Peltola


Maija-Liisa Friman


Michiel Boersma

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, Vice Chairman of TeliaSonera Ab, Member of the Boards of SAS Ab and AW-Energy Oy, and an advisor to CVC Capital Partners Svenska Ab, Sveafastigheter Ab, CapMan Public Market Fund and Citigroup's Nordic Advisory Board. 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 Board of Sponsor Capital Oy and Member of the Boards of Metso and Tamro Plc. Chairman of the Waldemar von Frenckell Foundation. Member of Neste Oil's Personnel and Remuneration Committee.

Michiel Boersma

Ph.D (Chem. Techn.). Member of the Board since 2007. Independent member.

Born in 1947. Former CEO of Essent NV. Chairman of the Supervisory Boards of ProRail, KEMA, Hexing Europe and Vie Curie Medical Centre, Chairman of the Board of Prometheus Energy 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.

Maija-Liisa Friman

M.Sc. in Chemical Engineering. Member of the Board since 2010. Independent member.

Born in 1952. President and CEO of Aspocomp Group Oyj in 2004–2007. Managing Director of Vattenfall Oy in 2000–2004 and Managing Director of Gyproc Oy in 1993–2000. Chairman of the Board of Ekokem and Vice Chairman of the Board of Metso. Member of the Board of TeliaSonera and LKAB. Chairman of TeliaSonera's Audit Committee. Vice Chairman of the Board of Finnish Medical Science Foundation and Member of the Board of Helsinki Deaconess Institute Foundation. Member of the Board and Partner of Boardman Oy. Member of Neste Oil's Audit Committee.

Nina Linander

Ainomaija Haarla

Hannu Ryöppönen

Markku Tapio

Ainomaija Haarla

D.Sc. (Tech.), MBA. Member of the Board since 2005. Independent member.

Born in 1953. President and Chief Executive Officer, Technology Academy Finland. Chairman of the Board of Korona Invest Oy, Member of the Boards of Biohit Oyj and 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 Altia's Audit Committee and 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 AB, AWA Konsult AB and Fofinontot BV. Former Group Treasurer of AB Electrolux and former Director, Product Area Electricity at Vattenfall AB. Chairman of Neste Oil's Audit Committee.

Markku Tapio

M.Sc. (Econ.). Member of the Board since 2008. Independent of 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.

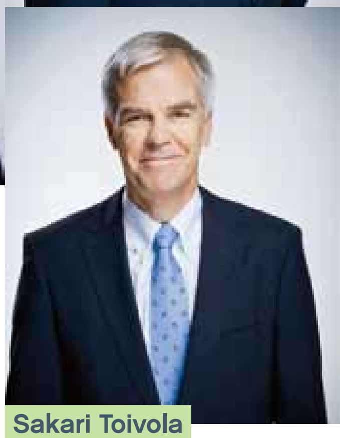
Born 1952. Chairman of the Boards of Tiimari Oyj and Altor Private Equity Funds. Vice Chairman of of the Board of Rautaruukki Oyj and Member of the Boards of AmerSports Oyj, Novo Nordisk A/S and Korsnäs AB. Member of Neste Oil's Audit Committee

Simo Honkanen

Matti Lehmus

Matti Lievonen

Hannele Jakosuo-Jansson



Sakari Toivola

Members of the Neste Executive Board

Matti Lievonen

President & CEO, Chairman of the Neste Executive Board.

Born 1958. B.Sc. (Eng.), eMBA. President & CEO as of 1 December 2008.

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 Boards of Rautaruukki Oyj and 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.

Matti Lehmus

Executive Vice President, Oil Products and Renewables

Born 1974. M.Sc. (Eng.) and eMBA. Member of the Neste Executive Board since 2009.

Joined the company in 1997. Responsible for the Oil Products and Renewables business area. Previously served as Executive Vice President of the Oil Products business area (2009–2010), Vice President of the Base Oils business in the Specialty Products Division (2007–2009), Vice President in the Oil Refining Business Development (2007) and Gasoline Exports and Trading Manager (2004–2007) in the Oil Refining Division. Chairman of the Board of the Finnish Petroleum Federation.

Sakari Toivola

Executive Vice President, Oil Retail

Born in 1953. M.Sc. (Eng.). Member of the Neste Executive Board since 2007.

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 Petroleum Federation.

Simo Honkanen

Senior Vice President, Sustainability and HSSE

Born 1958. M.Sc. (Econ.). Member of the Neste Executive Board since 2009.

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.). Member of the Neste Executive Board since 2006.

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

Ilkka Poranen

Matti Hautakangas

Lars Peter Lindfors

Ilkka Salonen

Osmo Kammonen

Senior Vice President, Communications, Marketing and Public Affairs

Born in 1959. M.Sc. (Laws). Member of the Neste Executive Board since 2004.

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. Member of the Neste Executive Board since 2009.

Joined the company in 2007. Responsible for Research and Technology, Neste Jacobs, strategic development, business excellence and investment management. Served previously as Vice President of 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.). Member of the Neste Executive Board since 2009.

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. Secretary to the Neste Executive Board since 2004.

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 follows remuneration principles for senior management approved by the Board, recommendations made by the Ownership Steering Department of the Prime Minister's Office, and the 2010 Corporate Governance Code covering Finnish listed companies. The remuneration principles and incentive programs covering senior management have been developed to secure Neste Oil's competitiveness in the oil industry. The Company may also pay annual short-term incentive bonuses to senior managers and other personnel.

Remuneration

Neste Oil's Board of Directors is responsible for making decisions on compensation and incentive arrangements for Group management and key personnel based on proposals made by its Personnel and Remuneration Committee. The Company follows remuneration principles for senior management approved by the Board, recommendations made by the Ownership Steering Department of the Prime Minister's Office, and the 2010 Corporate Governance Code covering Finnish listed companies. The Remuneration Statement required by the latter Code can be consulted at www.nesteoil.com.

Short-term incentive bonuses

The Company may pay annual short-term incentive bonuses to senior managers and other personnel in addition to their salary and fringe benefits. The criteria for any short-term incentive bonuses are based on individuals' success in reaching their personal targets 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

Incentive plan for key personnel

The Board of Directors decided on 16 December 2009 to establish a new share-based incentive plan for the Group's key personnel – to align the objectives of Neste Oil's owners and key personnel through such things as increasing the value of the Company and committing key personnel to the Company by offering them a competitive reward plan based on owning Company shares. The Board is responsible for annually selecting the members of Neste Oil's senior management entitled to participate in this plan (LTI scheme). Currently, 64 members of Neste Oil's management come within the scope of the plan, which complies with the recommendations of the Ownership Steering Department of the Prime Minister's Office.

The plan includes three three-year earning periods beginning 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 reward payable, for each earning period in the December preceding each earning period. The earnings criteria for the 2010–2012 and 2011–2013 periods are sales volumes at Renewable Fuels and the total shareholder return on Neste Oil's stock in relation to the Dow Jones Nordic Return Index.

Any possible payments will be made partly in Company shares and partly in cash in 2013, 2014, and 2015. The maximum sum payable may not exceed the annual gross salary of the year in question during any earning year. The proportion to be paid in cash will cover taxes and any tax-related costs.

The plan prohibits the transfer of shares for a period of three years from the end of the earning period, i.e. the length of the plan is six years for each share allocation. Following this, key personnel must retain 50% of any shares received on the basis of the plan until the total value of the shares held corresponds to their annual gross salary. This obligation shall be valid for the duration of a person's employment or service with the Group.

If all the set targets are met, the maximum rewards to be paid on the basis of the 2010–2012 and 2011–2013 earning periods will correspond to the approximate value of a maximum total of 809,000 (2010–2012) and 842,000 (2011–2013) Neste Oil Corporation shares (including the proportion to be paid in cash).

Remuneration principles for senior management

The Board of Directors is responsible for making decisions on remuneration and incentives for Group management and key personnel based on proposals by its Personnel and Remuneration Committee. The Committee, assisted by Company experts, drafts proposals to be put before the Board covering salary increases for senior management, the various elements involved in determining remuneration levels, performance targets, and any possible changes in the Company's remuneration principles that are considered necessary. The Committee makes use of data on comparative salaries in other companies and outside specialists where appropriate. The remuneration paid to senior management is discussed by the Board once a year and at other times where appropriate. The Committee reviews the Company's remuneration principles twice a year, unless there are appropriate grounds for more urgent consideration.

The intention of the remuneration principles followed in respect of senior management is to:

- align the remuneration provided to managers with Neste Oil's strategic objectives, operational business targets, and core values, and encourage and motivate senior man-

Shareholdings and remuneration of the Board of Directors as of 31 December 2010

	Shareholdings as of 31 December			Annual remuneration, EUR	
	2010	2009	Change	2010	2009
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	5,000	-	35,400	35,400
Maija-Liisa Friman*	3,000	-	+3,000	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	35,400
Markku Tapio	-	-	-	35,400	35,400

* Board member since 15 April 2010, when Maarit Toivanen-Koivisto 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. A double payment is made to 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 2010

				Shareholdings as of 31 December		
Name	Born	Position	NEB member since	2010	2009	Change
Matti Lievonen	1958	President and CEO	2008	15,000	10,000	+5,000
Matti Lehmus	1974	EVP, Oil Products and Renewables	2009	6,010	3,310	+2,700
Sakari Toivola	1953	EVP, Oil Retail	2007	500	500	-
Simo Honkanen	1958	SVP, Sustainability & HSSE	2009	2,222	-	+2,222
Hannele Jakosuo-Jansson	1966	SVP, Human Resources	2006	3,779	514	+3,265
Osmo Kammonen	1959	SVP, Communications, Marketing & Public Affairs	2004	9,022	1,843	+7,179
Lars Peter Lindfors	1964	SVP, Technology & Strategy	2009	1,450	1,450	-
Ilkka Poranen	1960	SVP, Production & Logistics	2009	5,942	3,244	+2,698
Ilkka Salonen	1965	Chief Financial Officer	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.

Supervisory Board remuneration, EUR / month

	2010	2009
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 2010. 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.

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

	2010			2009
	Salaries and benefits	Performance bonuses for 2009	Total	Total
President and CEO	651,446.73	0	651,446.73	602,417.96
Other NEB members	1,734,765.65	0	1,734,765.65	1,861,377.46

In addition, the President and CEO was paid a reward equaling the amount of 10,000 shares. The President and CEO received 5,000 shares, and the rest of the reward was paid in cash to cover the relevant taxes and other statutory fees. The members of the Neste Executive Board received a reward equaling a gross amount of 37,374 shares.
No performance bonus for 2009 was paid to the President and CEO and NEB members.

Supervisory Board remuneration and attendance at meetings

2010	Membership in the Supervisory Board	Attendance at meetings	Remuneration per year, EUR	Attendance payments per year, EUR
Heidi Hautala	1.1.–31.12.	6/6	12,000	1,200
Kimmo Tiilikainen	1.1.–31.12.	5/6	7,200	1,000
Esko Ahonen	1.1.–31.12.	3/6	6,000	600
Timo Heinonen	1.1.–31.12.	3/6	6,000	600
Miapetra Kumpula-Natri*	15.4.–31.12.	4/5	6,000	800
Markus Mustajärvi	1.1.–31.12.	5/6	6,000	1,000
Anne-Mari Virolainen	1.1.–31.12.	3/6	6,000	600

* Supervisory Board member since 15 April 2010 when Mikael Forss and Jutta Urpilainen left Neste Oil's Supervisory Board.

agement to achieve better performance
- reward individuals based on achieved targets and excellent performance
- attract and retain top talent
- underline the shared interests of owners and key personnel, and
- increase the value of the Company and shareholder value.

The principles guiding remuneration are as follows:
- Remuneration shall be fair and competitive, but not market-leading, and shall be based on individual and collective performance and the Company's financial performance
- Neste Oil treats senior managers and key personnel equally and impartially, regardless of their gender, national origin, age, religion, political opinion, or other similar factors
- Remuneration shall be appropriate and based on the needs and requirements of Neste Oil
- Remuneration shall support the essential foundations of Neste Oil's business and its strategic agenda, with an emphasis on performance and sustainable long-term performance potential
- The Company's largest shareholder, the Finnish State, provides guidelines related to remuneration at Neste Oil, and these are reviewed and taken into account by the Board of Directors
- The remuneration principles covering senior management should align the interests of shareholders, the Company, and senior managers
- These principles cover senior managers and specific key personnel working for Neste Oil.

The two key components of senior managers' remuneration are:
1. A base salary benchmarked internationally against peer companies operating in the same labor markets and, in Finland, primarily against listed companies and secondarily industrial companies. This ensures that managers have a competitive base salary on the local market.

2. A short-term incentive program that rewards managers on the basis of the annual performance of their unit, organization, and the Company as a whole. This is tied to the financial and strategic performance goals approved by the Board of Directors and approved individual performance goals that are set annually as part of the performance management process by managers and their superiors.

In addition, overall remuneration includes the following components:
- a long-term, share-based incentive program that is discretionary in nature and restricted to a limited number of participants by the Board of Directors
- other benefits benchmarked against local peers
- recognition awards made under separate Neste Oil guidelines
- intangibles linked to Neste Oil's concept of wellbeing at work, including challenging responsibilities, career opportunities, personal development, management development, an inspiring workplace, and a positive balance between work and leisure time.

The remuneration principles and incentive programs covering senior management have been developed to secure Neste Oil's competitiveness in the oil industry as a company that is a pioneer in the industry and has set itself the goal of becoming the world's leading producer of renewable fuels.

The remuneration system detailed above is intended to ensure that Neste Oil can recruit and retain capable managers and key personnel and motivate them to work for Neste Oil's success and help the Company achieve its strategic goals. Neste Oil's remuneration policy for senior management is intended to promote the Company's long-term financial success and support managers in their work in line with the Company's interests and those of shareholders.

Other agreements and pension arrangements for senior management

Neste Executive Board members are paid basic salary and, furthermore, they are entitled to fringe benefits. In addition, they can receive annual performance-based remuneration equivalent to a maximum 40 % of their annual salary including fringe benefits. They have concluded director agreements that specify a typical termination period of six months and possible six-months of severance pay.

The members of the Neste Executive Board come within the scope of the Finnish national pension and supplementary pension system. Pensionable age is either 60 or 62. Under the terms of the oldest defined benefit plans, pensions can be a maximum of 60% or 66% of a person's pensionable salary. Pensions are calculated on the basis of the average annual monthly salary paid in accordance with the Finnish national pension system during the 10 years preceding retirement. Newer supplementary pension arrangements specify a retirement age of 62 for everyone and they take a form of defined contribution plans. Pension insurance payments in 2010 totaled EUR 490,300. Future director agreements will specify a retirement age of 63. Both defined benefit and contribution plans are insured by a pension company.

Information on the remuneration and shareholdings of the President and CEO can be found on pages 68 and 79.

Personnel Fund

Neste Oil's Personnel Fund was established in spring 2005 and covers the Group's personnel in Finland. Those participating in the Group's share-based incentive program 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.

In 2010

Neste Oil did not pay any profit-sharing earnings into the Fund for 2009, as the criteria for payment of these bonuses were not met.

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 76,554 shareholders as of the end of 2010.

Share capital

The Company's share capital registered with the Trade Register on 31 December 2010 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
- Ethibel Sustainability Index
- Dow Jones Sustainability Index
- Dow Jones STOXX Nordic Return 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.

The Dow Jones Sustainability Index (DJSI) includes 318 companies, 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 2010 at 3.8% below the price at the end of 2009. The share price started the year at EUR 12.44, reached EUR 13.77 at its highest and EUR 10.45 at its lowest. The weighted average price was EUR 11.95. The closing price at the end of the year was EUR 11.95, giving the company a market capitalization on December 31 of EUR 3.1 billion.

The share price showed strong daily fluctuation during the year and trading was brisk. Average daily trading amounted to some 961,000 shares, or 0.4% of the company's shares, equivalent to EUR 11.4 million. The average monthly trading volume was 20.2 million shares, or EUR 240 million. During the year as a whole, 242.2 million shares were traded, accounting for 94.5% 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 net profit for the year in the form of dividends. At the Annual General Meeting in 2011, the Board of Directors will propose a dividend of EUR 0.35 per share for 2010, representing 54% of underlying net profits. The dividend for 2009 was EUR 0.25 per share, representing 119% of underlying net profits.

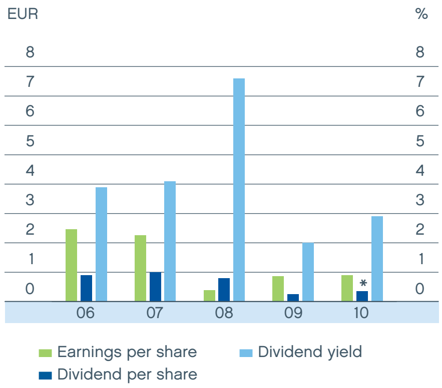
Shareholders

Neste Oil had 81,357 shareholders as of the beginning of 2010 and 76,554 as of the end of the year.

IR activities in 2010

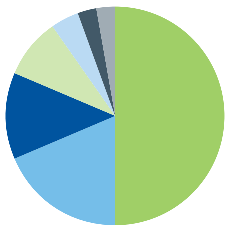
Top management and IR personnel met investors in Finland and elsewhere in Europe as well as in the US in 2010. Regular contacts were also maintained with analysts and brokers.

Earnings per share, dividend, and dividend yield

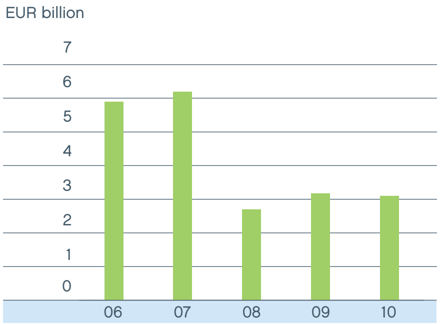


* Proposal by the Board of Directors to the Annual General Meeting.

Shareholders by category



Market capitalization on NASDAQ OMX Helsinki 2006–2010



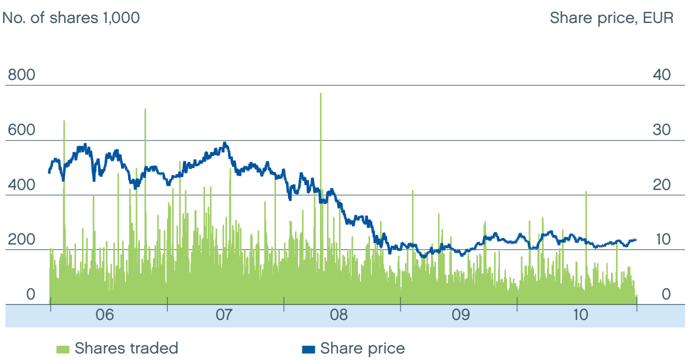
Largest shareholders by size of holding as of 31 December 2010

		Shares	Holding, %	Change
1.	Prime Minister's Office	128,458,247	50.10	0
2.	Ilmarinen Mutual Pension Insurance Company	6,876,590	2.68	-80,000
3.	Varma Mutual Pension Insurance Company	4,420,152	1.72	1,570,000
4.	The State Pension Fund	3,440,000	1.34	795,000
5.	The Social Insurance Institution of Finland, KELA	2,648,424	1.03	0
6.	OP-Delta Fund	1,700,000	0.66	177,709
7.	The City of Kurikka	1,550,875	0.60	0
8.	Mutual Insurance Company Pension-Fennia	1,085,000	0.42	470,000
9.	OP-Finland Value Fund	750,000	0.29	175,000
10.	OP Life Assurance Company Ltd	672,533	0.26	595,403
11.	Danske Fund Finnish Equity	633,418	0.25	65,000
12.	Nordea Fennia Fund	588,000	0.23	157,999
13.	Veritas Pension Insurance Company Ltd	585,000	0.23	585,000
14.	Etera Mutual Pension Insurance Company	550,722	0.21	88,671
15.	Kaleva Mutual Insurance Company	520,000	0.20	100,000
16.	ABN AMRO Finland	517,405	0.20	-389,085
17.	Alexander Management Oy	485,000	0.19	-5,000
18.	Danske Fund Finnish Institutional Equity	481,737	0.19	90,000
19.	Veikko Laine Oy	450,000	0.18	0
20.	SEB Gyllenberg Finlandia Fund	440,000	0.17	170,000
Total of 20 largest shareholders		156,853,103	61.17	
Nominee registrations		45,867,609	17.89	
Other shareholders		53,682,974	20.94	
Total shares		256,403,686	100	

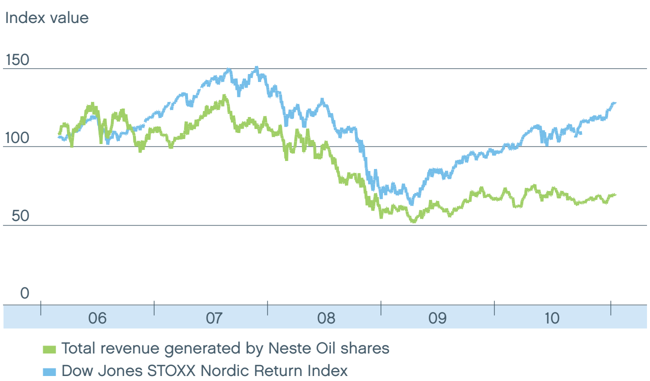
Breakdown of share ownership as of 31 December 2010

No. of shares owned	No. of shareholders	%	No. of shares	%
1–100	26,364	34.44	1,545,170	0.60
101–500	34,117	44.57	8,705,695	3.40
501–1,000	8,577	11.20	6,664,274	2.60
1,001–5,000	6,468	8.45	13,346,811	5.21
5,001–10,000	563	0.74	4,077,002	1.59
10,001–50,000	355	0.46	7,229,716	2.82
50,001–100,000	44	0.06	3,213,745	1.25
100,001–500,000	46	0.06	11,440,758	4.46
yli 500,000	20	0.03	200,180,515	78.07
Total	76,554	100.00	256,403,686	100.00
of which nominee registrations	13		45,867,609	17.89

Share performance and trading



Shareholder's total return on their investments



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 2010

Review by the Board of Directors 2010

Neste Oil's comparable operating profit more than doubled in 2010 compared to 2009, thanks to higher refining margins and cost savings and despite a major maintenance turnaround at the Porvoo refinery. Implementation of the company's strategy proceeded as planned and an important milestone was reached when the new renewable diesel plant in Singapore came on stream in November. The Board of Directors will propose a dividend of EUR 0.35 per share for 2010, totaling 90 million.

Figures in parentheses refer to the full-year financial statements for 2009, unless otherwise noted.

The Group's results for 2010

Neste Oil's revenue in 2010 totaled EUR 11,892 million (9,636 million). This increase resulted from higher oil prices compared to 2009. The Group's comparable operating profit for the year increased to EUR 240 million from the EUR 116 million reported in 2009, and was driven by higher refining margin and an insurance compensation payment of EUR 48 million received in the first quarter. The maintenance turnaround at the Porvoo refinery in April and May had a negative impact of EUR 65 million. Oil Products and Oil Retail recorded a higher comparable operating profit year-on-year, whereas Renewable Fuels posted lower result. The Group's fixed costs declined to EUR 575 million (604 million), excluding EUR 68 million related to the transfer of the Neste Oil Pension Fund to outside management. Additional negative item of EUR 10 million related to this transaction was booked in the fourth quarter. EUR 58 million was originally booked in the second quarter.

Oil Products' full-year comparable operating profit was EUR 208 million (105 million), Renewable Fuels' EUR -65 million (-29 million), and Oil Retail's EUR 60 million (50 million). The comparable operating profit of the Others segment totaled EUR 45 million (-8 million), including an insurance compensation payment received totaling EUR 48 million. Profit from associated companies and joint ventures accounted for EUR 15 million (20 million) of the comparable operating profit booked in the Others segment.

The Group's full-year IFRS operating profit was EUR 323 million (335 million), which was impacted by inventory gains totaling EUR 121 million (261 million). Pre-tax profit was EUR 296 million (296 million), profit for the period EUR 231 million (225 million), and earnings per share EUR 0.89 (0.86).

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 figures are based on comparable results. As of the end of 2010, the rolling twelve-month ROACE was 4.6% (2009 financial year: 2.5%).

Group key figures, MEUR

	2010	2009
Comparable operating profit	**240**	116
- inventory gains/losses	**121**	261
- changes in the fair value of open oil derivatives	**24**	-43
- capital gains/losses	**-62**	1
IFRS operating profit	**323**	335
Revenue	**2010**	2009
Oil Products	**9,789**	7,631
Renewable Fuels	**328**	182
Oil Retail	**3,654**	2,998
Others	**169**	164
Eliminations	**-2,048**	-1,339
Total	**11,892**	9,636
Comparable operating profit	**2010**	2009
Oil Products	**208**	105
Renewable Fuels	**-65**	-29
Oil Retail	**60**	50
Others	**45**	-8
Eliminations	**-8**	-2
Total	**240**	116
IFRS operating profit	**2010**	2009
Oil Products	**333**	318
Renewable Fuels	**-39**	-24
Oil Retail	**61**	50
Others	**-24**	-7
Eliminations	**-8**	-2
Total	**323**	335

Cash flow, investments and financing

Neste Oil Group's net cash from operating activities in 2010 was strong, at EUR 1,105 million (177 million), as a result of successful working capital management and a EUR 85 million positive impact related to the transfer of the liabilities of the Neste Oil Pension Fund to insurance companies.

Investments totaled EUR 892 million (863 million) in 2010, excluding the EUR 51 million purchase of the company's head office building, a transaction that formed part of the transfer of the liabilities associated with the Neste Oil Pension Fund. Oil Products' capital spending was EUR 269 million (198 million), of which EUR 104 million was related to the major maintenance turnaround at the Porvoo refinery. Renewable Fuels investments were EUR 578 million (619 million), and Oil Retail's EUR 33 million (29 million). Investments in the Others segment totaled EUR 63 million (17 million), including the purchase of the head office building.

Interest-bearing net debt was EUR 1,801 million as of the end of December, compared to EUR 1,918 at the end of 2009. Net financial expenses between January and December were EUR 27 million (39 million). The average interest rate of borrowings at the end of December was 3.2%, and the average maturity 4.6 years. The equity-to-assets ratio was 36.5% (31 Dec 2009: 39.1%), the leverage ratio 42.6% (31 Dec 2009: 46.3%), and the gearing ratio 74.3% (31 Dec 2009: 86.3%).

The Group's cash and cash equivalents and committed, unutilized credit facilities amounted to EUR 1,745 million as of the end of December (31 Dec 2009: 1,407 million). At the end of June 2010, the company issued a EUR 300 million bond, with a maturity of five years and a coupon of 4.875%. In December, Neste Oil signed a new EUR 1.5 billion multi-currency revolving credit facility, which will mature in March 2016. The new facility refinanced the Group's EUR 1.5 billion facility dating from March 2005. There are no financial covenants in current 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 2010

On 12 January, Neste Oil announced the transfer of the management of its supplementary pension benefits and the associated pension portfolio of its Finnish companies to OP Life Assurance Company Ltd. The transfer took place on 1 April 2010. Neste Oil had previously decided to transfer its statutory occupational pensions to Ilmarinen in December 2009.

On 1 February, Neste Oil announced that it would receive a total of EUR 47.5 million in compensation from a syndicate of international reinsurers related to damage and lost production volumes following a fire on Diesel Production Line 4 at the Porvoo refinery on 4 April 2008.

On 23 March, Neste Oil announced that it would acquire 22 unmanned fuel stations in Lithuania, increasing its share of the local market to nearly 15% and confirming Neste Oil's position as the country's number-three oil retailer, with 59 stations. The transaction was closed on 28 May.

On 6 April, a major planned maintenance turnaround began at the Porvoo refinery. The refinery was back on stream on 14 May.

On 28 June, Neste Oil issued a EUR 300 million five-year bond with a coupon of 4.875%.

On 30 June, Neste Oil sold its Portuguese subsidiary, Neste Oil Portugal S.A., owner of an ETBE plant in Sines, to Repsol Polimeros LDA for an undisclosed sum.

On 11 October, Neste Oil's and Stora Enso's joint venture, NSE Biofuels Oy, commenced environmental impact assessments at Porvoo and Imatra in Finland. The two locations are seen as potential sites for a commercial-scale biorefinery unit capable of producing approximately 200,000 t/a of premium-quality renewable diesel from wood biomass.

On 15 November, Neste Oil announced that it had successfully started up the world's largest renewable diesel plant in Singapore. The plant, employing some 120 people, was completed on-schedule and on-budget and marks a major step forward in Neste Oil's clean traffic fuel strategy.

On 25 November, Neste Oil received an ISCC (International Sustainability & Carbon Certification) certificate for the NExBTL renewable diesel produced at the company's Porvoo refinery in Finland. The certificate confirms that NExBTL diesel produced from certified raw materials is suitable for use in meeting mandated bio-content on the German market. Beginning in 2011, sustainability certification has been required for all biofuels sold in Germany.

On 29 November, Neste Oil and Lufthansa signed a cooperative arrangement that will see Lufthansa begin commercial flights using Neste Oil's NExBTL renewable jet fuel in spring 2011. The agreement represents a major step forward for both companies, as this will be the first time that renewable fuel is used on normal scheduled flights. Flights will begin after official approval has been received from the ASTM (American Society for Testing and Materials) allowing the use of jet fuel produced using Neste Oil's NExBTL technology, which is expected to take place in spring 2011.

On 1 December, Neste Oil announced that it would reorganize its operations as its renewable fuels business is now entering a new phase following two major investment projects. The Oil Products and Renewable Fuels business areas were merged as of 20 December into a single new business area: Oil Products and Renewables. Oil Products and Renewable Fuels will continue to form separate segments for financial reporting purposes.

On 20 December, Neste Oil signed a new EUR 1.5 billion multi-currency revolving credit facility with a syndicate of 19 core relationship banks. The new facility refinanced the Group's EUR 1.5 billion facility dating from March 2005 and will be used for general corporate purposes. The facility matures in March 2016.

Strategy implementation

Neste Oil continued to implement its clean fuel strategy during 2010. The company's capital projects consist of new plants designed to increase production of renewable diesel and high-quality base oil.

A major 800,000 t/a renewable diesel plant in Singapore was completed in the summer and started up at the beginning of November 2010. The project was a success and came in on its budget of EUR 550 million and on-schedule. A project to build a similar plant in Rotterdam is proceeding according to plan, with start-up expected towards the end of the first half of 2011. The Rotterdam plant is expected to come in under its EUR 670 million budget.

Neste Oil has a 45% stake in a joint venture that is building a 400,000 t/a base oil plant in Bahrain. The project is proceeding on-schedule and on-budget, and the plant is scheduled to be completed in the second half of 2011. Neste Oil's share of the investment cost is EUR 130 million.

Market overview

Crude oil prices fluctuated throughout 2010, with Brent Dated mostly trading in the USD 70–85 /bbl range. Expectations for a recovery of the world economy and geopolitical tensions in oil-producing countries pushed prices up until an evolving Euro zone debt crisis and a sell-off in global equity markets caused a sharp downturn in May. Supply disruptions and stronger financial markets saw prices recover for a short while until they fell back again in August, as a result of increasing supply, high global oil stocks, and concerns over a slowdown in the world economy. In September, crude prices started to rise, mainly driven by strong demand growth and the weakening US dollar. Brent Dated ended the year above USD 90 /bbl, for the first time since fall 2008.

The price difference between heavier and lighter crude also fluctuated and widened on average compared to 2009, mainly reflecting weakening fuel oil margins and increased supplies of heavier crude. For the second consecutive year, differentials matched long-time averages, in contrast to the exceptionally wide differentials seen in the middle of the first decade of the new millennium.

Refining margins improved compared to 2009, supported in particular by higher gasoline margins at the beginning of the year and middle distillate margins later on. The improvement remained modest, however, as there was sufficient spare refining capacity to keep the market well supplied.

Due to good demand and limited supply, gasoline margins recovered during the first months of the year from the decline seen in 2009. High inventory levels and strong crude oil prices pulled margins down again, however, and annual averages were only slightly higher than in 2009, although gasoline prices climbed to two-year highs towards the end of 2010. Margins for middle distillates strengthened steadily on the back of increasing global demand. Middle distillate supply was limited by refinery outages. Cold weather and higher demand from China during the last quarter drove margins to their highest level since early 2009. Fuel oil margins weakened compared to 2009, reflecting increasing supply and higher crude prices.

The supply and demand balance on the European market for high-performance base oils was tighter in 2010 than in 2009.

Prices of renewable feedstocks increased significantly during the second half of 2010, which put pressure on renewable diesel margins.

The shift in demand from gasoline to diesel continued, and stronger economic performance resulted in higher overall demand in the oil retail market.

Crude freight rates were poor, though somewhat higher than those in 2009.

Key drivers

	2010	2009
Reference refining margin, USD/bbl	**4.36**	3.14
Neste Oil total refining margin, USD/bbl	**8.14**	7.35
Urals-Brent price differential, USD/bbl	**-1.40**	-0.81
NWE Gasoline margin, USD/bbl	**9.70**	9.26
NWE Diesel margin, USD/bbl	**13.97**	11.18
NWE Heavy fuel oil margin, USD/bbl	**-10.32**	-7.44
Brent Dated crude oil, USD/bbl	**79.47**	61.51
USD/EUR, market rate	**1.32**	1.39
USD/EUR, hedged	**1.37**	1.41
Crude freights, WS points (TD7)	**113**	81

Production and sales

Neste Oil's production totaled 13.6 million tons (14.5 million) in 2010, of which 0.3 million tons (0.2 million) took the form of NExBTL renewable diesel. Production was lower than in 2009 due to a major maintenance turnaround at the Porvoo refinery in April and May.

Neste Oil's production, by plant (1,000 t)

	2010	2009
Porvoo refinery	**10,587**	11,520
Naantali refinery	**2,410**	2,438
Beringen polyalfaolefin plant	**45**	35
Edmonton iso-octane plant (Neste Oil's share)	**214**	256
NExBTL plants	**337**	219

Average capacity utilization rate at the Porvoo refinery was 82% (87%) in 2010. Excluding the maintenance turnaround, the refinery operated at a higher rate than in 2009, boosted by the improved performance of Diesel Production Line 4. Capacity utilization at Naantali was 84% (87%), impacted by planned maintenance shutdowns in May and a small fire in August. The proportion of Russian Export Blend (REB) in Neste Oil's total refinery input rose to 68% (62%), and refinery production costs were USD 3.9/bbl (4.4).

Cold weather and strong demand increased Neste Oil's diesel fuel sales in 2010. Diesel continued to account for close to 40% of total sales, while the proportion of gasoline and heavy fuel oil decreased from 2009. Due to less favorable arbitrage economics in the US, Neste Oil's gasoline exports were focused on the Nordic, Baltic, and Russian markets.

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

	2010	%	2009	%
Motor gasoline	**4,111**	**28**	4,218	30
Gasoline components	**229**	**2**	270	2
Diesel fuel	**5,655**	**39**	5,228	37
Jet fuel	**640**	**4**	613	4
Base oils	**307**	**2**	257	2
Heating oil	**691**	**5**	631	4
Heavy fuel oil	**908**	**6**	1,300	9
LPG	**273**	**2**	220	2
NExBTL renewable diesel	**270**	**2**	209	1
Other products	**1,401**	**10**	1,232	9
Total	**14,485**	**100**	14,178	100

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

	2010	%	2009	%
Finland	**7,881**	**54**	7,580	53
Other Nordic countries	**2,685**	**19**	2,210	16
Other Europe	**2,659**	**19**	2,488	17
USA & Canada	**1,081**	**7**	1,686	12
Other countries	**179**	**1**	214	2
Total	**14,485**	**100**	14,178	100

Segment reviews

Neste Oil's businesses are grouped into four reporting segments: Oil Products, Renewable Fuels, Oil Retail, and Others.

Oil Products

	2010	2009
Revenue, MEUR	**9,789**	7,631
Comparable operating profit, MEUR	**208**	105
IFRS operating profit, MEUR	**333**	318
Total refining margin, USD/bbl	**8.05**	7.35

Oil Products' comparable operating profit for 2010 amounted to EUR 208 million, compared to EUR 105 million in 2009. This improvement was largely due to better refining margins, lower fixed costs, and better profitability in the base oils business. Neste Oil's total refining margin totaled USD 8.05/bbl in 2010, which compares to the USD 7.35/bbl reported in 2009. Fixed costs in refining operations were USD 0.5/bbl lower compared to 2009. The major maintenance turnaround at the Porvoo refinery had a negative impact of EUR 65 million on the segment's comparable operating profit. Oil Product's comparable return on net assets was 7.9% (4.0%) in 2010.

Renewable Fuels

	2010	2009
Revenue, MEUR	**328**	182
Comparable operating profit, MEUR	**-65**	-29
IFRS operating profit, MEUR	**-39**	-24

Renewable Fuels' comparable operating profit was EUR -65 million in 2010, compared to EUR -29 million in 2009. This resulted from higher fixed costs year-on-year due to increased activity at the sites in Singapore and Rotterdam. Sales volumes increased compared to 2009, but renewable diesel margins were somewhat softer due to a narrowing price differential between alternative feedstocks. The price premium of renewable diesel compared to biodiesel remained healthy. Renewable Fuels' comparable return on net assets was -5.1% (-4.7%) in 2010.

Oil Retail

	2010	2009
Revenue, MEUR	**3,654**	2,998
Comparable operating profit, MEUR	**60**	50
IFRS operating profit, MEUR	**61**	50
Total sales volume*, 1,000 m3	**4,150**	4,002
- gasoline station sales, 1,000 m3	**1,328**	1,405
- diesel station sales, 1,000 m3	**1,423**	1,331
- heating oil, 1,000 m3	**749**	714
- heavy fuel oil, 1,000 m3	**347**	287

*includes both station and terminal sales

Oil Retail posted a full-year comparable operating profit of EUR 60 million compared to EUR 50 million in 2009. The increase resulted from better margins and lower fixed costs year-on-year. Increased diesel volumes compensated for lower gasoline sales. Oil Retail's comparable return on net assets was 19.3% (15.8%) in 2010.

Shares, share trading, and ownership

Neste Oil's shares are traded on NASDAQ OMX Helsinki Ltd. The share price closed the year at EUR 11.95, down by 3.8% compared to the end of 2009. At its highest during 2010, the share price reached EUR 13.77, while at its lowest the price stood at EUR 10.45. Market capitalization was EUR 3.1 billion as of 31 December 2010. An average of 961,000 shares were traded daily, representing 0.4% of the company's shares.

Neste Oil's share capital registered with the Company Register as of 31 December 2010 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 issue convertible bonds, share options, or new shares.

As of the end of the year, the Finnish State owned 50.1% (50.1%) of outstanding shares, foreign institutions 18.6% (17.1%), Finnish institutions 18.5% (18.9%), and Finnish households 12.8% (14.0%).

Largest shareholders as of 31 December 2010

Shareholder	Shares	%
Prime Minister´s Office	128,458,247	50.10
Ilmarinen Mutual Pension Insurance Company	6,876,590	2.68
Varma Mutual Pension Insurance Company	4,420,152	1.72
The State Pension Fund	3,440,00	1.34
The Social Insurance Institution of Finland, KELA	2,648,424	1.03
OP-Delta Fund	1,700,000	0.66
The City of Kurikka	1,550,875	0.60
Mutual Insurance Company Pension-Fennia	1,085,000	0.42
OP-Finland Value Fund	750,000	0.29
OP Life Assurance Company Ltd	672,533	0.26
Danske Fund Finnish Equity	633,418	0.25
Nordea Fennia Fund	588,000	0.23
Veritas Pension Insurance Company Ltd.	585,000	0.23
Etera Mutual Pension Insurance Company	550,722	0.21
Kaleva Mutual Insurance Company	520,000	0.20
ABN AMRO Finland	517,405	0.20
Alexander Management Oy	485,000	0.19
Danske Fund Finnish Institutional Equity	481,737	0.19
Veikko Laine Oy	450,000	0.18
SEB Gyllenberg Finlandia Fund	440,000	0.17
20 largest owners total	156,853,103	61.17
Nominee registrations	45,867,609	17.89
Others	53,682,974	20.94
Number of shares, total	256,403,686	100.00

Breakdown of share ownership as of 31 December 2010
By the number of shares owned

No. of shares	No. of share-holders	% of share-holders	No. of shares	% of shares
1–100	26,364	34.44	1,545,170	0.60
101–500	34,117	44.56	8,705,695	3.40
501–1 000	8,577	11.20	6,664,274	2.60
1 001–5 000	6,468	8.45	13,346,811	5.21
5 001–10 000	563	0.74	4,077,002	1.59
10 001–50 000	355	0.46	7,229,716	2.82
50 001–100 000	44	0.06	3,213,745	1.25
100 001–500 000	46	0.06	11,440,758	4.46
Over 500 000	20	0.03	200,180,515	78.07
Total	76,554	100.00	256,403,686	100.00
of which nominee registrations	13		45,867,609	17.89

By shareholder category

	% of shares
State of Finland	50.1
Corporations	2.9
Financial and insurance companies	4.1
Non-profit organizations	2.6
General government	8.9
Households	12.8
Non-Finnish shareholders	18.6
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 expelled by the Board of Directors.

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

Neste Oil's Annual General Meeting 2010 was held on 15 April 2010 in Helsinki. The AGM adopted the company's financial statements and consolidated financial statements for 2009 and discharged the Supervisory Board, the Board of Directors, and President & CEO from liability for 2009. The AGM also approved the Board of Directors' proposal regarding the distribution of the company's profit for 2009, sanctioning payment of a dividend of EUR 0.25 per share. The dividend was paid on 27 April 2010.

In accordance with the 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 Hannu Ryöppönen, and Mr Markku Tapio. Ms Maija-Liisa Friman was elected as a new member. Mr Timo Peltola will continue as Chairman and Mr Mikael von Frenckell as Vice Chairman. The AGM decided to keep the remuneration paid to Board members unchanged. Convening after the Annual General Meeting, the 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 Maija-Liisa Friman as members of the Audit Committee.

The AGM confirmed that the Supervisory Board shall comprise seven members and the following members were re-elected: Ms Heidi Hautala (Chairman), Mr Kimmo Tiilikainen (Vice Chairman), Mr Esko Ahonen, Mr Timo Heinonen, Mr Markus Mustajärvi and Ms Anne-Mari Virolainen. Ms Miapetra Kumpula-Natri was elected for the first time. All are Finnish Members of Parliament, with the exception of Ms Heidi Hautala, who is a Member of the European Parliament. No changes were made to the remuneration paid to the Supervisory Board. A proposal to abolish the Supervisory Board was not accepted.

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 will be made in accordance with their invoice.

In accordance with a proposal by the Board of Directors, Subsection 1 of Section 11 of the Articles of Association was amended and now requires that the invitation to an AGM should be made at least three weeks prior to a meeting and at least nine days prior to the record date set for the meeting as defined in Subsection 2 of Section 2 of Chapter 4 of the Companies Act.

Following a proposal by the Prime Minister's Office, representing the Finnish State, the AGM decided to establish a Nominations 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 an expert member, the Chairman of the Board. In 2010, 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 Mika Kivimäki, Managing Director, OP Fund Management Company Ltd. The Chairman of Neste Oil's Board of Directors, Timo Peltola, served as the Committee's expert member.

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

Organizational restructuring

As of 20 December 2010, Neste Oil reorganized its operations now that the renewable fuels business has entered a new phase following two major investment projects. The Oil Products and Renewable Fuels business areas were merged into one business area: Oil Products and Renewables. Matti Lehmus, formerly Executive Vice President, Oil Products, was appointed Executive Vice President, Oil Products and Renewables. Neste Oil's financial reporting remains unchanged and Oil Products and Renewable Fuels continue to form separate reporting segments. Parallel to the reorganization, Neste Oil's Deputy CEO and Executive Vice President, Renewable Fuels, Jarmo Honkamaa, left the company.

Personnel

Neste Oil employed an average of 5,030 (5,286) employees in 2010, of which 1,448 (1,333) were based outside Finland. As of the end of 2010, the company had 4,874 employees (5,092), of which 1,443 (1,424) were located outside Finland. Wages and salaries paid by the company totaled EUR 246 million in 2010 (233 million).

Health, safety, and the environment

The environmental emissions of Neste Oil's operations remained low throughout the year. No serious environmental accidents resulting in liability occurred at Neste Oil's refineries or other production facilities in 2010. Permitted emission limit values were not exceeded. Energy efficiency and operational reliability were further improved at the main refinery site, Porvoo, following a major turnaround. The wastewater treatment plants at the company's refineries operated very well. The oil content of waterborne emissions was 0.14 g/ton of crude oil processed.

Neste Oil has received emission rights for 3.2 million tons of CO_2 emissions a year between 2008 and 2012, and will need to acquire rights from the market to cover expected future emissions. The verification of emissions for 2010 is scheduled, and the company is able to report and surrender allowances equal to its total emissions in 2010.

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 4.7 (2.9) at the end of December 2010. The target for 2010 was below 3. Lost workday injury frequency (LWIF) stood at 3.0 (2.0). The target was below 1. Implementing harmonized corporate occupational and process safety procedures remains a high priority.

The REACH (Registration, Evaluation and Authorization of Chemicals) regulation's first major deadline was the end of November 2010, by which time Neste Oil had successfully registered all required substances. A total of 72 individual registrations were made.

The European Renewable Energy Directive (RED) was still in its implementation phase at the end of 2010. Neste Oil's internal procedures have been updated to meet the directive's requirements, and the company filed a voluntary scheme for verifying the sustainability of its biofuels with the EU. The NExBTL plants in Porvoo and Singapore received International Sustainability and Carbon Certification (ISCC) system certificates, ensuring that their output is eligible for use on the German biofuel market.

Neste Oil retained its position in or was selected for inclusion in a number of sustainability indexes during 2010, and was included in the Dow Jones Sustainability World Index for the fourth year in succession. Neste Oil has been included in the Global 100 list of the world's most sustainable companies four times, and featured in both the Ethibel PIONEER and the Ethibel EXCELLENCE Investment Registers. The company was also rated the top performer in the oil & gas sector by the Forest Footprint Disclosure Project, surveying industries using forest risk commodities.

In January 2011, after the reporting period, Neste Oil was ranked as the best performer in the oil & gas sector for its reporting and transparency for the second year in succession in the Forest Footprint Disclosure (FFD) 2010 report. The company was also selected for inclusion in the Global 100 list of the world's most sustainable companies for the fifth year in succession, and was ranked 20th, compared to 85th in 2010. Companies selected for inclusion in the Global 100 list are considered the most capable in their sectors in managing environmental, social, and governance issues and in their ability to make use of new business opportunities in these areas.

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 41 million in 2010 (37 million). The company's main R&D projects were related to extending the raw material and technological base for renewable fuels.

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 uncertainty over the short term continues to be the pace of the 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 change in working capital. These may have a material impact on the company's IFRS operating profit and net cash from operations.

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 also include any problems or delays in completing the company's NExBTL renewable diesel investments or failure to capture the anticipated benefits from these investments. Over the longer term, failure to protect Neste Oil's proprietary technology or the introduction and implementation of competing renewable fuel technologies or hybrid and electric engines may have a negative impact on the company's results.

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 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 has only grown as the company has moved ahead with its major projects and as turbulence has continued 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 Financial Statements for 2010.

Outlook

The market environment appears to be strengthening in 2011 compared to 2010, thanks to increasing demand for oil and petroleum products in emerging markets in particular. In addition, less new capacity is expected to come on stream during the year, leading to a somewhat tighter supply and demand balance on the refining market.

The market appears to expect that margins for complex refiners, such as Neste Oil, will increase in 2011, supported by stronger oil demand and a lower level of inventories compared to 2010. Diesel is projected to be the strongest part of the barrel going forward, while gasoline margins are expected to stay roughly at 2010 levels. Weaker heavy fuel oil margins will also benefit complex refiners.

Neste Oil expects to have a good operational year at its Porvoo and Naantali refineries, with higher production volumes.

The ramp-up of the renewable fuels business will continue in 2011. Sales volumes of renewable diesel are expected to increase as volumes from the recently commissioned Singapore plant increase, and the Rotterdam plant is due to come on stream in the second half of the year. The progress of biofuel legislation in Europe and the US will play an important role in sales development. When combining this with continued weak renewable diesel margins, the comparable operating profit of the Renewable Fuels segment is expected to remain negative in 2011. Renewable Fuels' comparable operating loss is expected to be higher in the first quarter of 2011 than in the fourth quarter of 2010.

Increased demand for diesel looks set to continue on the Finnish retail market, whereas gasoline demand will probably continue to decline. The same trend in the case of diesel is likely to be seen in the Baltic countries, where the outlook for gasoline is slightly positive. Demand is anticipated to increase for both products in Northwest Russia.

The Group's fixed costs are estimated to be roughly EUR 650 million in 2011 compared to EUR 575 million in 2010, which is largely due to higher maintenance and personnel costs at the new plants.

The Group's investments are expected to be around EUR 300 million (2010: 892 million), of which maintenance investments will account for 176 million (2010: 245 million), strategic investments 113 million (2010: 633 million), and productivity investments 11 million (2010: 14 million).

Dividend distribution proposal

The parent company's distributable equity as of 31 December 2010 amounted to EUR 987 million, and there have been no material changes in the company's financial position since the end of the financial year. The Board of Directors will propose to the Annual General Meeting that Neste Oil Corporation pay a cash dividend of EUR 0.35 per share for 2010, totaling EUR 90 million based on the number of registered shares as of 3 February 2011.

Key financial indicators

		2010	2009	2008
Income statement				
Revenue	EUR million	**11,892**	9,636	15,043
Operating profit	EUR million	**323**	335	186
- of revenue	%	**2.7**	3.5	1.2
Comparable operating profit	EUR million	**240**	116	602
Profit before income taxes	EUR million	**296**	296	129
- of revenue	%	**2.5**	3.1	0.9
Profitability				
Return on equity (ROE)	%	**9.9**	10.2	4.4
Return on capital employed, pre-tax (ROCE)	%	**7.7**	9.0	6.1
Return on average capital employed, after tax (ROACE)	%	**4.6**	2.5	13.1
Financing and financial position				
Interest-bearing net debt	EUR million	**1,801**	1,918	1,004
Leverage ratio	%	**42.6**	46.3	31.5
Gearing	%	**74.3**	86.3	46.1
Equity-to-assets ratio	%	**36.5**	39.1	46.3
Other indicators				
Capital employed	EUR million	**4,607**	4,257	3,237
Capital expenditure and investments in shares	EUR million	**943**	863	508
- of revenue	%	**7.9**	9.0	3.4
Research and development expenditure	EUR million	**41**	37	37
- of revenue	%	**0.3**	0.4	0.2
Average number of personnel		**5,030**	5,286	5,174
Share-related indicators				
Earnings per share (EPS)	EUR	**0.89**	0.86	0.38
Equity per share	EUR	**9.43**	8.64	8.48
Cash flow per share	EUR	**4.32**	0.69	2.00
Price/earnings ratio (P/E)		**13.38**	14.42	28.03
Dividend per share	EUR	**0.35** [1]	0.25	0.80
Dividend payout ratio	%	**39.2** [1]	29.0	211.9
Dividend yield	%	**2.9** [1]	2.0	7.6
Share prices				
At the end of the period	EUR	**11.95**	12.42	10.58
Average share price	EUR	**11.86**	10.85	17.95
Lowest share price	EUR	**10.45**	8.80	9.47
Highest share price	EUR	**13.77**	13.44	24.90
Market capitalization at the end of the period	EUR million	**3,064**	3,185	2,713
Trading volumes				
Number of shares traded	1,000	**242,190**	269,159	381,525
In relation to weighted average number of shares	%	**95**	105	149
Average number of shares		**255,913,809**	255,903,960	255,903,686
Number of shares at the end of the period		**255,918,686**	255,913,686	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) + non-controlling interests + 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 2010	1 Jan–31 Dec 2009
Revenue	4, 6	**11,892**	9,636
Other income	7	**81**	29
Share of profit (loss) of associates and joint ventures	18	**15**	20
Materials and services	8	**-10,493**	-8,167
Employee benefit costs	9	**-392**	-301
Depreciation, amortization and impairments	10	**-259**	-234
Other expenses	11	**-521**	-648
Operating profit		**323**	335
Financial income and expenses	12		
Financial income		**4**	10
Financial expenses		**-34**	-44
Exchange rate and fair value gains and losses		**3**	-5
Total financial income and expenses		**-27**	-39
Profit before income taxes		**296**	296
Income tax expense	13	**-65**	-71
Profit for the period		**231**	225
Attributable to:			
Owners of the parent		**229**	221
Non-controlling interest		**2**	4
		231	225
Earnings per share from profit attributable to owners of the parent basic and diluted (in euro per share)	14	**0.89**	0.86

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

Consolidated statement of comprehensive income

MEUR	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Profit for the period	**231**	225
Other comprehensive income for the period, net of tax:		
Translation differences and other changes	**43**	9
Cash flow hedges		
recorded in equity	**-18**	3
transferred to income statement	**19**	15
Net investment hedges	**-3**	0
Hedging reserves in associates and joint ventures	**1**	-2
Other comprehensive income for the period, net of tax	**42**	25
Total comprehensive income for the period	**273**	250
Attributable to:		
Owners of the parent	**271**	246
Non-controlling interest	**2**	4
	273	250

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

Consolidated balance sheet

MEUR	Note	31 Dec 2010	31 Dec 2009
ASSETS			
Non-current assets			
Intangible assets	17	43	48
Property, plant and equipment	16	3,979	3,235
Investments in associates and joint ventures	18	214	216
Non-current receivables	19, 20	8	3
Pension assets	29	0	111
Deferred tax assets	27	31	11
Derivative financial instruments	19, 24	18	3
Available-for-sale financial assets	19, 20	4	1
Total non-current assets		4,297	3,628
Current assets			
Inventories	21	1,079	1,148
Trade and other receivables	19, 22	866	757
Derivative financial instruments	19, 24	42	50
Cash and cash equivalents	23	380	117
Total current assets		2,367	2,072
Total assets		6,664	5,700
EQUITY			
Capital and reserves attributable to owners of the parent	25		
Share capital		40	40
Other equity		2,374	2,170
Total		2,414	2,210
Non-controlling interest		12	12
Total equity		2,426	2,222
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities	19, 26	1,882	1,590
Deferred tax liabilities	27	347	328
Provisions	28	20	22
Pension liabilities	29	47	10
Derivative financial instruments	19, 24	23	15
Other non-current liabilities	19, 26	1	0
Total non-current liabilities		2,320	1,965
Current liabilities			
Interest-bearing liabilities	19, 26	299	445
Current tax liabilities	19, 26	38	5
Derivative financial instruments	19, 24	34	83
Trade and other payables	19, 26	1,547	980
Total current liabilities		1,918	1,513
Total liabilities		4,238	3,478
Total equity and liabilities		6,664	5,700

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

Consolidated cash flow statement

MEUR	Note	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Cash flows from operating activities			
Profit for the period		**231**	225
Adjustments for			
Income tax	13	**65**	71
Share of profit (loss) of associates and joint ventures	18	**-15**	-20
Depreciation and amortization	10	**259**	234
Other non-cash income and expenses		**131**	17
Financial expenses - net	12	**27**	39
Profit/loss from disposal of fixed assets and shares	7	**-7**	-2
		691	564
Change in working capital			
Decrease (+)/increase (-) in trade and other receivables		**-148**	-4
Decrease (+)/increase (-) in inventories		**76**	-508
Decrease (-)/increase (+) in trade and other payables		**558**	62
Change in working capital		**486**	-450
		1,177	114
Interest and other finance cost paid		**-29**	-40
Interest income received		**4**	8
Dividends received		**0**	17
Realized foreign exchange gains and losses		**-14**	35
Income taxes paid		**-33**	43
		-72	63
Net cash generated from operating activities		**1,105**	177
Cash flows from investing activities			
Purchases of property, plant and equipment	16	**-924**	-807
Purchases of intangible assets	17	**-8**	-9
Purchases of subsidiaries, net of cash acquired	5	**-8**	-
Purchases of associates and joint ventures	18	**0**	-47
Purchases of other shares		**-3**	-
Proceeds from sale of subsidiaries, net of cash disposed	5	**6**	-
Proceeds from sale of property, plant and equipment		**4**	7
Proceeds from sale of other shares		**0**	0
Changes in non-current receivables		**19**	-29
Net cash used in investing activities		**-914**	-885
Cash flow before financing activities		**191**	-708
Cash flows from financing activities			
Payment of (-) / proceeds from (+) current interest-bearing liabilities		**-142**	370
Proceeds from non-current interest-bearing liabilities		**1,171**	1,212
Repayments of non-current interest-bearing liabilities		**-893**	-607
Dividends paid to the owners of the parent		**-64**	-205
Dividends paid to non-controlling interests		**-2**	-
Other financing activities		**0**	0
Net cash used in financing activities		**70**	770
Net decrease (-)/increase (+) in cash and cash equivalents		**261**	62
Cash and cash equivalents at beginning of the period		**117**	55
Exchange gains (+)/losses (-) on cash and cash equivalents		**2**	0
Cash and cash equivalents at end of the period	23	**380**	117

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

Consolidated statement of changes in equity

MEUR	Note	Share capital	Reserve fund	Fair value and other reserves	Translation differences	Retained earnings	Non-controlling interest	Total equity
		Attributable to owners of the parent						
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
Total equity at 1 January 2010		**40**	**11**	**9**	**-45**	**2,195**	**12**	**2,222**
Dividend paid						**-64**	**-2**	**-66**
Share-based compensation						**-3**		**-3**
Transfer from retained earnings			**1**	**-5**		**4**		**0**
Total comprehensive income for the year			**1**	**2**	**39**	**229**	**2**	**273**
Total equity at 31 December 2010	25	**40**	**13**	**6**	**-6**	**2,361**	**12**	**2,426**

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, cleaner 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 4 February 2011.

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 2010:

- IFRS 3 Business Combinations - Revised
- IAS 24 Related Party Disclosures - Revised
- IAS 27 Consolidated and Separate Financial Statements - Revised.

The following interpretations or amendments to existing standards are mandatory for accounting periods beginning on or after 1 January 2010 but are not relevant to the Group's operations:

- Annual improvements 2009
- 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 Transfer of Assets from Customers
- Amendments to IFRS 2 Share-Based Payment: Group Cash-Settled Share-Based Payment Transactions
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items.

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 2011. They are not expected to be relevant to the Group's operations:

- Annual improvements 2010
- Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- 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.

In respect of interest of jointly controlled assets the Group recognises its share of the jointly controlled assets and liabilities as well as its part of any income or expenses incurred. Because the assets, liabilities, income and expenses are recognised in the financial statements of the Group, no adjustments of other consolidation procedures are required.

Segment reporting

Until 20 December 2010 the reportable segments of the Group were presented in line with the Company's internal organizational and reporting structure adopted as of 1 April 2009. These business areas also represented the reporting segments. On 20 December 2010 the Group reorganized its operations so that the Oil Products and Renewable Fuels business areas were merged to create one business area Oil Products and Renewables. Financial reporting has remained unchanged, and Oil Products and Renewable Fuels are continuing to form separate 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 includes 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 liabilities 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. 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. 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.

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. Risks are generally managed at source, within the Group's business areas and common functions. 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 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 management principles and instructions. The Treasury Policy 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

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.

Neste Oil's Group Treasury is responsible for managing foreign exchange, credit and counterparty, interest rate, liquidity, and refinancing risks as well as insurance management. The price risk management i.e. hedging of the Group's refining margin and refinery inventory price risk is also organized in Group Treasury. In addition, Group Treasury coordinates the management of the price risk associated with utilities and the obligation to return emission allowances, and provides price hedging services to internal and external counterparties.

The Corporate Risk Management and Group Treasury 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.

Oil Products and Renewables 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 and Renewables business area also enters into derivative transactions for trading purposes within authorized risk limits.

Risk Management Committee monitors credit and counterparty risk management process. 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 Risk Management 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 reporting segments and the Group is included in the monthly management report.

Market risks

1. Oil price risk

The market prices for crude oil and other feedstocks, as well as refined petroleum and renewable 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 and Renewables, 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 and Renewables business area's earnings, its fluctuations constitute a significant risk. With the aim of securing its margin per barrel, Neste Oil from time to time hedges part of its refining margin using derivative financial instruments. Hedging transactions are targeted at the components of Neste Oil's total refining margin, based on its forecasted sales and refinery production, which are exposed to international market price fluctuations. Because of the differences between the qualities of the underlying feedstock 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. In practice the entire excess inventory position is typically hedged.

Note 24 summarizes the exposure to open positions of oil derivative contracts as of 31 December 2010 (2009).

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 12-month period on a rolling basis, 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 Treasury Principles. The most important hedged currency is the U.S. dollar. The company anticipates MYR to become a significant hedged currency in 2011. 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 is also hedge accounted for according to IFRS. 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 Treasury 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 2010, the daily balance sheet exposure fluctuated between approximately EUR 335 million and 1,077 million. During 2010 the company has changed its foreign exchange hedging approach in relation to base inventory to align with the hedging principles for price risk hedging, and hence the hedging operations do not target the base inventory. 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 2010 and 2009, in millions of euros.

Currency	2010	2009
EUR	**1,997**	1,943
SGD	**82**	-
USD	**101**	87
Other	**1**	5
	2,181	2,035

Note 24 summarizes the nominal and fair values of outstanding foreign exchange derivative contracts as of 31 December 2010 (2009).

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 by Group Treasury. The total non-euro-denominated equity of the Group's subsidiaries and associated companies was EUR 509 million as of 31 December 2010 (2009: EUR 439 million), and the exposures and hedging ratios are summarized in the following table.

Group translation exposure

	2010			2009		
EUR million	Net invest-ment	Hedge	Hedge %	Net invest-ment	Hedge	Hedge %
USD	**57**	**-**	**0%**	49	-	0%
SEK	**171**	**33**	**19%**	127	29	23%
CAD	**72**	**-**	**0%**	64	-	0%
PLN	**17**	**-**	**0%**	17	-	0%
RUB	**58**	**-**	**0%**	54	-	0%
EEK	**61**	**-**	**0%**	54	-	0%
LTL	**29**	**-**	**0%**	30	-	0%
BHD	**25**	**-**	**0%**	24	-	0%
Other	**19**	**-**	**0%**	20	-	0%
	509	**33**	**7%**	439	29	7%

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 limit the volatility of interest expenses in the income statement. The risk-neutral benchmark duration for the net 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 2010 (2009).

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

Period in which re-pricing occurs	within 1 year	1 year - 5 years	>5 years	Total
Financial instruments with floating interest rate				
Financial liabilities				
Loans from financial institutions	1,304	-	-	1,304
Finance lease liabilities	75	-	-	75
Effect of interest rate swaps	197	53	-250	0
Financial instruments with fixed interest rate				
Bonds	-	420	300	720
Finance lease liabilities	-	-	82	82
	1,576	473	132	2,181

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 2011 (2010), 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

		2011	2010
+/- 10% in the EUR/USD exchange rate	EUR million	- 90 / + 110	**- 65 / + 80**
+/- USD 1.00/barrel in total refining margin	USD million	+/- 110	**+/- 110**
+/- USD 10/barrel in crude oil price	USD million	+/- 100	**+/- 100**
+/- USD 100/t in palm oil price	USD million	+/- 15	**+/- 5**
+/- USD 10/t in Renewable Fuels refining margin	USD million	+/- 15	**+/- 5**

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 2010 (2009). 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, trade and other 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

		2010	
		Income statement	Equity
+/- 10% change in oil price	EUR million	**-/+ 10**	**-/+ 4**
+/- 10% change in EUR/USD exchange rate	EUR million	**+ 61 / - 75**	**+ 52 / - 51**
1% parallel shift in interest rates	EUR million	**+/- 10**	**+/- 0**

		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

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.

With the aim of securing a minimum refining margin per barrel, the Group hedges its refining margin using commodity derivative contracts. Certain commodity derivative contracts have been designated as hedges of forecasted transactions, e.g. cash flow hedges.

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 2010 and 2009 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 comprehensive income.

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

	2010	2009
gain or loss on the hedging instrument	2	3
gain or loss on the hedged item	-3	-3

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 4.6 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 2010, the Company had cash and cash equivalents and committed, unutilized credit facilities totaling EUR 1,745 million at its disposal.

Cash and cash equivalents and committed unutilized credit facilities

	2010	2009
Floating rate		
– cash and cash equivalents	380	117
– overdraft facilities, expiring within one year	150	150
– revolving credit facilities, expiring beyond one year	1,215	1,140
	1,745	1,407

The contractual maturity of interest-bearing liabilities as of 31 December 2010 is presented in the following table.

	2011 [1)]	2012	2013	2014	2015	2016-	Total
Bonds and debentures	36	157	32	33	333	318	909
- less finance charges	36	37	32	33	33	18	189
Repayment of bonds and debentures	-	120	-	-	300	300	720
Loans from financial institutions	299	13	217	377	45	430	1,381
- less finance charges	6	5	9	19	1	30	70
Repayment of loans from financial institutions	293	8	208	358	44	400	1,311
Finance lease liabilities	18	19	50	42	12	217	358
- less finance charges	13	13	12	12	11	140	201
Repayment of finance lease liabilities	5	6	38	30	1	77	157
Interest rate swaps							
- less finance charges	0	0	-1	-6	-6	-5	-18

1) Repayments in 2011 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 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
Repayment 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

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, which 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 unrated 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 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.

Neste Oil reduces credit risk by executing treasury transactions only with approved counterparties. 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, the biggest receivable balances were from the customers in the Scandinavian wholesale markets, but the Group also has a large number of different customers and counterparties on the 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 amount to approximately EUR 7 million due to the nature of the oil business, where cargoes including large volumes of refined oil products, for example 10,000 tons, are sold as one transaction. For this example, oil product price is based on a crude oil price of USD 90/barrel representing the price level prevailing at the turn of the financial period 2010/2011.

Vis-à-vis counterparties to the contracts comprising the derivative financial instruments exposure as at 31 December 2010, approximately 95% 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 2010 with banks, of which all have investment grade rating at a minimum. Derivative transactions are also done through exchange, which reduces credit risk.

The following table shows an analysis of trade receivables by age. 37% of the trade receivables portfolio exposure is from counterparties or their parent companies having credit rating BBB- (S&P) minimum. 63% 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 2010 that the counterparties would not meet their obligations.

Analysis of trade receivables by age

	2010	2009
Undue trade receivables	**709**	539
Trade receivables 1-30 days overdue	**38**	24
Trade receivables 31-60 days overdue	**1**	2
Trade receivables more than 60 days overdue	**0**	5
	748	570

Capital risk management

The Group's objective when managing capital is to secure a capital structure that ensures 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 2010 and 2009 was as follows:

	2010	2009
Total interest-bearing liabilities	**2,181**	2,035
Cash and cash equivalents	**380**	117
Interest-bearing net debt	**1,801**	1,918
Total equity	**2,426**	2,222
Interest-bearing net debt and total equity	**4,227**	4,140
Leverage ratio	**42.6%**	46.3%

4 Segment information

Operating segments

The Group reorganized its operations so that the Oil Products and Renewable Fuels business areas were merged to create one business area Oil Products and Renewables. The change took effect as of 20 December 2010. Neste Oil's financial reporting has remained unchanged, however. Oil Products and Renewable Fuels are continuing to form separate reporting segments.

The Group's operations are now built around two business areas and seven common functions. Business areas act as profit centers and are responsible for their customers, products, and business development. Business areas are: Oil Products and Renewables, and Oil Retail. The common functions are: Production & Logistics, Finance, Human Resources, HSE, Technology & Strategy, Communications, and Legal Affairs. Production & Logistics is responsible for operating the production facilities of Oil Products and Renewables. The result and net assets of Production & Logistics are accounted within reporting segments Oil Products and Renewable Fuels.

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

- Oil Products segment 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 consists of Group administration, shared service functions, Research and Technology, Neste Jacobs and Nynas AB. NSE Biofuels Oy is also included in the Others segment as of Q2/2010. The comparative figures have been adjusted accordingly.

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, 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 2010 and 2009 did not result in any major concentration in any given geographical area or reporting segment.

2010	Oil Products	Renewable Fuels	Oil Retail	Others	Eliminations	Group
External revenue	8,009	202	3,650	31	-	11,892
Internal revenue	1,780	126	4	138	-2,048	0
Total revenue	9,789	328	3,654	169	-2,048	11,892
Other income	25	-	4	64	-12	81
Share of profit of associates and joint ventures	-	-	-	15	-	15
Materials and services	-8,751	-258	-3,394	-7	1,917	-10,493
Employee benefit costs	-163	-20	-34	-175	0	-392
Depreciation, amortization and impairments	-187	-27	-34	-11	-	-259
Other expenses	-380	-62	-135	-79	135	-521
Operating profit	333	-39	61	-24	-8	323
Financial income and expense						-27
Profit before taxes						296
Income taxes						-65
Profit for the period						231
Comparable operating profit	208	-65	60	45	-8	240
Changes in the fair value of open oil and freight derivative positions	18	6	0	-	-	24
Inventory gains/losses	101	20	-	-	-	121
Sales gains/losses	6	-	1	-69	-	-62
Operating profit	333	-39	61	-24	-8	323
Capital expenditure and investments in shares	269	578	33	63	-	943
Segment operating assets	3,606	1,814	595	171	-242	5,944
Investment in associates and joint ventures	15	-	1	198	-	214
Deferred tax assets						31
Unallocated assets						475
Total assets	3,621	1,814	596	369	-242	6,664
Segment operating liabilities	1,361	111	282	93	-233	1,614
Deferred tax liabilities						347
Unallocated liabilities						2,277
Total liabilities	1,361	111	282	93	-233	4,238
Segment net assets	2,260	1,703	315	276	-10	4,544
Return on net assets, %	12.6	-3.0	19.6	-8.8		
Comparable return on net assets, %	7.9	-5.1	19.3	16.5		

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	0	0	20	-	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	-24	50	-7	-2	335
Financial income and expense						-39
Profit before taxes						296
Income taxes						-71
Profit for the period						225
Comparable operating profit	105	-29	50	-8	-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	-24	50	-7	-2	335
Capital expenditure	198	619	29	17	-	863
Segment operating assets	3,695	1,065	544	136	-190	5,250
Investment in associates and joint ventures	55	0	1	160	-	216
Deferred tax assets						11
Unallocated assets						223
Total assets	3,750	1,065	545	296	-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	925	305	249	1	4,423
Return on net assets, %	12.0	-3.9	15.8	-3.0		
Comparable return on net assets, %	4.0	-4.7	15.8	-3.5		

Geographical information

The Group operates production facilities in Finland, Canada, Belgium and Singapore and retail selling network in Finland, North-west Russia, Estonia, Latvia, Lithuania and Poland. Production facilities in 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.

2010	Finland	Other Nordic countries	Baltic rim	Other European countries	North and South America	Other countries	Eliminations	Group
Revenue by destination	5,699	1,917	1,501	1,707	950	118	0	11,892
Non-current assets	2,507	195	168	592	33	741	0	4,236
Capital expenditure	302	0	23	292	4	322	0	943

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

5 Acquisitions and disposals of subsidiaries

Acquired subsidiaries

UAB Neste Lietuva, subsidiary of Neste Oil Group, acquired 100% of the shares and voting rights of UAB Alexela Oil which operates 22 unmanned fuel stations in Lithuania. The acquisition was closed on 28 May 2010. Neste Oil strengthens its position on the retail market in Lithuania, as the acquisition complements the company's existing network of 37 stations in the country.

The profit of UAB Alexela Oil included in the Neste Oil consolidated income statement 1 January – 31 December 2010 is immaterial. Also, the management estimates that UAB Alexela Oil's effect on Neste Oil's consolidated revenue or profit for the period would have been immaterial as at 31 December 2010, had the acquisition taken place on 1 January 2010.

The company was merged into UAB Neste Lietuva on 1 November 2010.

Assets and liabilities of UAB Alexela Oil

2010	Acquired fair value	Acquired book value
Intangible and tangible assets	7	5
Current assets	3	3
Cash and cash equivalents	0	0
Total assets	**10**	**8**
Trade and other payables	2	1
Total liabilities	**2**	**1**
Acquired net assets	**8**	**7**
Purchase consideration		8
Goodwill		**0**
Purchase consideration settled in cash		8
Cash and cash equivalents in UAB Alexela Oil		0
Cash outflow on acquisition		**8**

Disposed subsidiaries

During the financial period 2010, the Group sold its 100% interest in its subsidiary Neste Oil Portugal S.A. The sale was completed on 30 June 2010 and a capital gain amounting to EUR 5 million resulting from the transaction has been included in the consolidated financial statements.

Assets and liabilities of Neste Oil Portugal S.A.

	Neste Oil Portugal S.A 30 June 2010
Property, plant and equipment	0
Shares in subsidiaries and associates	0
Inventories	0
Trade and other receivables	1
Cash and cash equivalents	0
Total assets	**1**
Trade and other payables	0
Total liabilities	**0**
Sold net assets	**1**
Gain on disposal	5
Total consideration	**6**
Cash consideration received	6
Cash and cash equivalents disposed of	0
Cash inflow arising from disposal	**6**

6 Analysis of revenue by category

	2010	2009
Sale of goods	**11,703**	9,436
Revenue from services	**166**	198
Royalty income	**1**	0
Other	**22**	2
	11,892	9,636

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 1,146 million (2009: EUR 1,126 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 107 million (2009: EUR 7 million).

7 Other income

	2010	2009
Gain on sale of subsidiaries	**5**	-
Capital gains on disposal of other non-current assets	**2**	2
Rental income	**9**	7
Government grants	**11**	13
Other	**54**	7
	81	29

Government grants relate mainly to the shipping operations, which is entitled to apply for certain grants based on Finnish legislation. EUR 4 million (2009: EUR 5 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.

An insurance compensation of EUR 48 million is included in the line 'Other' in 2010.

8 Materials and services

	2010	2009
Change in product inventories	142	-392
Materials and supplies		
Purchases	10,408	8,656
Change in inventories	-66	-117
External services	9	20
	10,493	8,167

Purchases include excise taxes included in the retail selling price of petroleum products amounting to EUR 1,146 million (2009: EUR 1,126 million). The corresponding amount is included in 'Revenue', Note 6.

9 Employee benefit costs

	2010	2009
Wages, salaries	246	233
Social security costs	20	20
Pension costs-defined contribution plans	57	18
Pension costs-defined benefit plans	62	22
Other costs	7	8
	392	301

EUR 68 million of the pension costs was accounted for by the transfer of the pension liabilities of the Neste Oil Pension Fund to insurance companies. 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)

	2010	2009
Oil Products	2,125	2,354
Renewable Fuels	228	96
Oil Retail	1,318	1,411
Others	1,359	1,425
	5,030	5,286

10 Depreciation, amortization and impairment charges

	2010	2009
Depreciation of property, plant, and equipment		
Buildings and structures	56	53
Machinery and equipment	182	162
Other tangible assets	12	8
	250	223
Amortization of intangible assets	9	11
Depreciation, amortization and impairment charges total	259	234

11 Other expenses

	2010	2009
Operating leases and other property costs	**117**	138
Freights relating to sales	**95**	95
Repairs and maintenance	**80**	120
Services	**66**	79
Other	**163**	216
	521	648

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. In addition in 2010 other expenses include write-offs of fixed assets in progress amounting to EUR 13 million.

Fees charged by the statutory auditor, EUR thousands

	2010	2009
Audit fees	**995**	916
Auditor's mandatory opinions	**30**	14
Tax advisory	**52**	114
Other advisory services	**256**	342
	1,333	1,386

12 Financial income and expenses

	2010	2009
Financial income		
Dividend income on available-for-sale investments	**0**	0
Interest income from loans and receivables	**4**	10
Other financial income	**0**	0
	4	10
Financial expenses		
Interest expenses for financial liabilities at amortized cost	**-31**	-36
Interest rate derivatives, hedge accounted	**-1**	1
Interest rate derivatives, non-hedge accounted	**1**	-5
Other financial expenses	**-3**	-4
	-34	-44
Exchange rate and fair value gains and losses		
Loans and receivables	**-6**	4
Other	**8**	-7
Foreign exchange derivatives, non-hedge accounted	**1**	-2
	3	-5
Financial cost - net	**-27**	-39

Net gains/losses on financial instruments included in operating profit

	2010	2009
Foreign exchange rate and oil derivative financial instruments designated as cash flow hedges	**-27**	-20
Non-hedge accounted foreign exchange rate, oil and freight derivative instruments	**-60**	-66
	-87	-86

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 -64 million (2009: EUR -42 million), and transactions entered into for trading purposes amounting to EUR 3 million (2009: EUR -24 million).

Aggregate exchange differences charged/credited to the income statement

	2010	2009
Revenue	8	-12
Materials and services	-8	11
	0	-1

13 Income tax expense

The major components of tax expenses are presented in the following table.

	2010	2009
Current tax expense	66	38
Adjustments recognized for current tax of prior periods	-1	5
Change in deferred taxes	0	28
	65	71

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.

	2010	2009
Profit before tax	296	296
Hypothetical income tax calculated at Finnish tax rate 26%	-77	-77
Effect of different tax rates of foreign subsidiaries	7	4
Tax exempt income	12	11
Non-deductible expense	-2	-2
Taxes for previous periods	1	-5
Net results of associated companies	4	5
Tax losses with no tax benefit	-9	-5
Other	-1	-2
Tax charge in the consolidated income statement	-65	-71

The Group's effective income tax rate was 22.07% (2009: 23.75%). 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 owners of the parent 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, 485,000 shares (2009: 490,000), as described in note 25.

	2010	2009
Profit attributable to owners of the parent, MEUR	229	221
Weighted average number of ordinary shares in issue (thousands)	255,914	255,904
Earnings per share basic and diluted (euro per share)	0.89	0.86

15 Dividend per share

The dividends paid in 2010 were EUR 0.25 per share, totalling EUR 64 million and 2009 EUR 0.80 per share, totalling EUR 205 million. A dividend of EUR 0.35 per share will be proposed at the Annual General Meeting on 14 April 2011, corresponding to total dividends of EUR 90 million for 2010. This dividend is not reflected in the financial statements.

16 Property, plant and equipment

2010	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Assets under construction	Total
Gross carrying amount at 1 January 2010	71	1,491	2,836	123	848	5,369
Exchange differences	1	29	4	1	3	38
Additions	9	100	330	21	464	924
Increases through business combinations	1	3	2	-	-	6
Disposals	0	-6	-90	0	-17	-113
Reclassifications	7	213	365	14	-541	58
Gross carrying amount at 31 December 2010	89	1,830	3,447	159	757	6,282
Accumulated depreciation and impairment losses at 1 January 2010	-	689	1,385	60	-	2,134
Exchange differences	-	22	2	0	-	24
Disposals	-	-5	-90	0	-	-95
Reclassifications	-	-5	-4	-1	-	-10
Depreciation for the period	-	56	182	12	-	250
Accumulated depreciation and impairment losses at 31 December 2010	-	757	1,475	71	-	2,303
Carrying amount at 1 January 2010	71	802	1,451	63	848	3,235
Carrying amount at 31 December 2010	89	1,073	1,972	88	757	3,979

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	-	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	-	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

Finance leases

Machinery and equipment include assets where the Group is a lessee under a finance lease as specified in the following table.

	2010	2009
Gross carrying amount	227	145
Accumulated depreciation	50	46
Carrying amount	177	99

Capitalized borrowing costs

Borrowing costs amounting to EUR 22 million (2009: EUR 10 million) were capitalized during the financial period related to the Renewable Fuels investment projects in Singapore and Rotterdam as well as Oil Products investment project in Bahrain. They are included in 'Property, Plant and Equipment'. The Group's average interest rate of borrowings for each month was applied as the capitalization rate, which resulted in average capitalization rate of 2.53% (2009: 2.60%).

17 Intangible assets

2010	Goodwill	Other intangible assets	Total
Gross carrying amount at 1 January 2010	11	129	140
Exchange differences	-	2	2
Additions	-	8	8
Increases through business combinations	-	1	1
Disposals	-	-4	-4
Reclassifications	-	-6	-6
Gross carrying amount at 31 December 2010	11	130	141
Accumulated amortization and impairment losses at 1 January 2010	-	92	92
Exchange differences	-	2	2
Disposals	-	-4	-4
Reclassifications	-	-1	-1
Amortization for the period	-	9	9
Accumulated amortization and impairment losses at 31 December 2010	-	98	98
Carrying amount at 1 January 2010	11	37	48
Carrying amount at 31 December 2010	11	32	43

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

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 2010 estimated obligation to purchase emission allowances were reflected in the balance sheet of Neste Oil in provisions amounting to EUR 7 million. The actual amount of CO_2 emissions in 2010 were 3.4 million tons (2009: 3.5 million tons). The Group has purchased emission allowances for 50 thousand tons during the financial period ended 31 December 2010 (2009: 350 thousand tons). The Group has exchanged an immaterial amount of emission allowances to Certified Emission Reduction (CER) during the financial period ended 31 December 2010.

Impairment test of goodwill

Goodwill is allocated to Group's cash-generating units (CGU's). From 11 identified CGU's goodwill is allocated to the following: Traffic Fuels within Oil Products segment and Neste Jacobs sub-group within Others segment.

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

	2010	2009
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 9.0%, 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

	2010	2009
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:

	2009
Assets	10
Liabilities	8
Revenue	17
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 (2009).

Investments in joint ventures

	2010	2009
Carrying amount		
At 1 January	**214**	150
Share of profits of joint ventures	**15**	20
Investments in joint ventures during the financial period	**0**	47
Translation differences	**22**	7
Hedging reserves in joint ventures	**1**	-2
Reclassification of shareholder loan to investment to joint venture	**-**	9
Other reclassifications	**-40**	-
Dividends	**-**	-17
At 31 December	**212**	214

The Accounting treatment of Bahrain Lube Base Oil Company B.S.C (Closed) has been changed in 2010 from joint venture to jointly controlled assets. Accordingly the assets have been reclassified from investments in joint ventures to property, plant and equipment.

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	2010 % interest held	2009 % 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

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 6 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 6 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 company has built a demonstration plant that gasifies wood-based biomass and produces biocrude by the Fischer-Tropsch method. 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 marketing and producing bitumen in Europe and naphthenics globally. The sales volumes, including side products, amounted to 3.4 million tons in total in 2010. Neste Oil owns 49.99% of the shares of the company. 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.

2010	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Profit/loss
Glacia Ltd	43	11	34	3	8	2
Lacus Ltd	31	5	22	2	5	1
NSE Biofuels Oy Ltd	3	1	-	1	2	-26
Terra Ltd	31	6	22	2	6	2

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
Nynas AB	309	532	292	252	1,899	45
Terra Ltd	30	3	22	2	5	1

The financial statements of Nynas AB are not published within the Group's reporting timetable. The share of profits of joint ventures for 2010 is consolidated based on the company's preliminary results for the financial period.

Bahrain Lube Base Oil Company B.S.C. (Closed) is a joint venture between nogaholding, Bapco and Neste Oil, of which Neste Oil owns 45%. The plant constructed and operated by the company will be one of the biggest VHVI (very high viscosity index) base oil plants. Production is planned to start by the end of year 2011. The plant is expected to produce 400,000 metric tons of VHVI base oil which is used in producing of 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). In 2010 the Group changed the accounting treatment from joint venture to jointly controlled assets.

19 Carrying amounts of financial assets and liabilities by measurement categories

2010 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	-	-	8	-	-	8	8	20
Derivative financial instruments	7	11	-	-	-	18	18	24
Available-for-sale financial assets	-	-	-	4	-	4	4	20
Current financial assets								
Trade and other receivables	-	-	866	-	-	866	866	22
Derivative financial instruments	22	20	-	-	-	42	42	24
Carrying amount by category	29	31	874	4	-	938	938	
Non-current financial liabilities								
Interest-bearing liabilities	-	-	-	-	1,882	1,882	1,913	26
Derivative financial instruments	5	18	-	-	-	23	23	24
Other non-current liabilities	-	-	-	-	1	1	1	26
Current financial liabilities								
Interest-bearing liabilities	-	-	-	-	299	299	299	26
Current tax liabilities	-	-	-	-	38	38	38	26
Derivative financial instruments	16	18	-	-	-	34	34	24
Trade and other payables	-	-	-	-	1,547	1,547	1,547	26
Carrying amount by category	21	36	-	-	3,767	3,824	3,855	

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	

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.

Fair value hierarchy

Financial assets	Level 1	Level 2	Level 3	Total
Non-current derivative financial instruments	-	18	-	18
Current derivative financial instruments	1	41	-	42

Financial liabilities				
Non-current derivative financial instruments	-	23	-	23
Current derivative financial instruments	3	31	-	34

During the financial period 2010 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	
	2010	2009	**2010**	2009
Non-current interest-bearing receivables	**1**	1	**1**	1
Other non-current receivables	**7**	2	**7**	2
	8	3	**8**	3

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

	2010	2009
At 1 January	**1**	1
Additions	**3**	-
Disposals	**0**	-
At 31 December	**4**	1
Investments in unlisted equity instruments	**4**	1
	4	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

	2010	2009
Materials and supplies	**358**	272
Finished products and goods	**717**	875
Other inventories	**4**	1
	1,079	1,148

Inventories held for trading purposes are measured at fair value, less selling expenses. They amounted to EUR 1 million as at 31 December 2010 (2009: EUR 1 million). Write downs of inventories amounted to EUR 0 million as at 31 December 2010 (2009: EUR 6 million).

22 Current trade and other receivables

	Fair value		Carrying amount	
	2010	2009	**2010**	2009
Trade receivables	**748**	570	**748**	570
Other receivables	**82**	144	**82**	144
Advances paid	**4**	13	**4**	13
Accrued income and prepaid expenses	**32**	30	**32**	30
	866	757	**866**	757

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 2 million (2009: EUR 3 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:

	2010	2009
Cash at bank and in hand	**379**	117
Short term bank deposits	**1**	0
	380	117

The maximum exposure to credit risk at the reporting date is the carrying amount of the cash and cash equivalents.

24 Derivative financial instruments

Nominal values of interest rate and currency derivative contracts and share forward contracts

	2010 Remaining maturities			2009 Remaining maturities		
	< 1 year	1–6 years	Total	< 1 year	1–7 years	Total
Derivative financial instruments designated as hedges of net investment in foreign operations						
Forward foreign exchange contracts	**33**	**-**	**33**	29	-	29
	33	**-**	**33**	29	-	29
Derivative financial instruments designated as cash flow hedges						
Interest rate swaps [1]	**-**	**33**	**33**	-	33	33
Forward foreign exchange contracts	**741**	**-**	**741**	692	-	692
Currency options						
- Purchased	**43**	**-**	**43**	115	-	115
- Written	**36**	**-**	**36**	114	-	114
	820	**33**	**853**	921	33	954
Derivative financial instruments designated as fair value hedges						
Interest rate swaps [1]	**-**	**460**	**460**	-	310	310
	-	**460**	**460**	-	310	310
Non-hedge accounting derivative financial instruments						
Interest rate swaps [1]	**-**	**230**	**230**	150	230	380
Forward foreign exchange contracts	**700**	**-**	**700**	1,038	-	1,038
Share forward contracts	**-**	**-**	**-**	9	-	9
	700	**230**	**930**	1,197	230	1,427

[1] Interest rate swaps mature in 6 years.

Volumes of commodity derivative contracts

	2010 Volume million bbl Remaining maturities			2009 Volume million bbl Remaining maturities		
	< 1 year	1–3 years	Total	< 1 year	1–3 years	Total
Commodity derivative contracts designated as cash flow hedges [2]						
Futures and forwards						
- Sales contracts	11	-	11	-	-	-
	11	-	11	-	-	-
Non-hedge accounting commodity derivative contracts [3]						
Futures and forwards						
- Sales contracts	7	1	8	18	-	18
- Purchase contracts	12	-	12	7	-	7
Options						
- Purchased	-	1	1	1	0	1
- Written	-	1	1	1	0	1
	19	3	22	27	0	27

[2] Commodity derivative contracts with hedge accounting status are oil derivatives.
[3] Commodity derivative contracts with non-hedge accounting status include oil, freight and palm oil derivative contracts. They consist of trading derivative contracts and cash flow hedges without hedge accounting status.

Fair values of derivative financial instruments

	Fair value 2010				Fair value 2009			
	Positive		Negative		Positive		Negative	
Interest rate and currency derivative contracts and share forward contracts	< 1 year	1–6 years	< 1 year	1–6 years	< 1 year	1–7 years	< 1 year	1–7 years
Derivative financial instruments designated as hedges of net investment in foreign operations								
Forward foreign exchange contracts	-	-	1	-	-	-	0	-
	-	-	1	-	-	-	0	-
Derivative financial instruments designated as cash flow hedges								
Interest rate swaps [1]	-	-	-	3	-	-	-	3
Forward foreign exchange contracts	17	-	8	-	20	-	8	-
Currency options								
- Purchased	0	-	0	-	1	-	2	-
- Written	1	-	-	-	2	-	0	-
	18	-	8	3	23	-	10	3
Derivative financial instruments designated as fair value hedges								
Interest rate swaps [1]	-	7	-	2	-	3	-	-
	-	7	-	2	-	3	-	-
Non-hedge accounting derivative financial instruments								
Interest rate swaps [1]	-	-	-	11	-	-	1	12
Forward foreign exchange contracts	6	-	4	-	1	-	20	-
Share forward contracts	-	-	-	-	-	-	4	-
	6	-	4	11	1	-	25	12

[1] Interest rate swaps mature in 6 years.

Commodity derivative contracts	Fair value 2010 Positive < 1 year	1–3 years	Negative < 1 year	1–3 years	Fair value 2009 Positive < 1 year	1–3 years	Negative < 1 year	1–3 years
Commodity derivative contracts designated as cash flow hedges [2]								
Futures and forwards								
- Sales contracts	4	-	7	-	-	-	-	-
	4	-	7	-	-	-	-	-
Non-hedge accounting oil derivative contracts [3]								
Futures and forwards								
- Sales contracts	8	10	13	6	5	-	37	-
- Purchase contracts	6	-	1	-	13	-	3	-
Options								
- Purchased	-	0	-	1	0	0	8	-
- Written	-	1	-	0	8	0	0	-
	14	11	14	7	26	0	48	-

[2] Commodity derivative contracts with hedge accounting status are oil derivatives.
[3] Commodity derivative contracts with non-hedge accounting status include oil, freight and palm oil derivative contracts. They consist of trading derivative contracts and cash flow hedges without hedge accounting status.

Balance sheet reconciliation	2010 Assets Current	Non-current	Liabilities Current	Non-current	2009 Assets Current	Non-current	Liabilities Current	Non-current
Derivative financial instruments	42	18	34	23	50	3	83	15

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 2010. 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 2010. 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.

25 Equity

Share capital

Neste Oil's share capital registered with the Trade Register as of 31 December 2010 totalled EUR 40,000,000, divided into 256,403,686 shares of equal value.

	Number of shares, 1000	Share capital MEUR
Registered at 1 January 2009	256,404	40
Registered at 31 December 2009	256,404	40
Registered at 1 January 2010	**256,404**	**40**
Registered at 31 December 2010	**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 2010 Neste Oil decided to assign 5,000 shares (2009: 10,000 shares) held by the third party service provider. At the date of the transfer, the value of the shares was 60 thousand euros (2009: 119 thousand euros). As at 31 December 2010 there were 485,000 shares (2009: 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	**2010**	2009	**2010**	2009
Bonds	**749**	434	**721**	420
Loans from financial institutions	**1,013**	1,101	**1,010**	1,100
Finance lease liabilities	**151**	70	**151**	70
Other non-current liabilities	**0**	0	**0**	0
Accruals and deferred income	**1**	0	**1**	0
Non-current liabilities total	**1,914**	1,605	**1,883**	1,590
of which interest-bearing			**1,882**	1,590

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	**2010**	2009	**2010**	2009
Loans from financial institutions	**268**	394	**268**	399
Pension loans	**-**	20	**-**	20
Finance lease liabilities	**6**	4	**6**	4
Advances received	**13**	13	**13**	13
Trade payables	**1,040**	576	**1,040**	576
Other current liabilities	**429**	347	**429**	347
Current tax liabilities	**38**	5	**38**	5
Accruals and deferred expenses	**90**	66	**90**	66
Current liabilities total	**1,884**	1,425	**1,884**	1,430
of which interest-bearing			**299**	445

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

	2010			2009		
	Minimum lease payments	**Future finance charges**	**Present value of minimum lease payments**	Minimum lease payments	Future finance charges	Present value of minimum lease payments
Amounts payable under finance lease:						
Within one year	**7**	**0**	**7**	5	1	4
Between one and five years	**74**	**2**	**72**	70	0	70
More than 5 years	**76**	**-3**	**79**	-	-	-
Total amounts payable	**157**	**-1**	**158**	75	1	74

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 (2009: EUR 1 million).

In addition, finance lease liabilities arise from two finance lease agreements for the Singapore production plant. The agreements are made with two local companies that provide utilities and jetty- and storage services that are used by the production facility. The major assets under these agreements are a jetty used for loading and discharging of vessels, a pipeline for off-gas produced as a side product in the production process, and product tanks used for storing of the end product. The leasing contracts are 30 and 15 years long.

27 Deferred income taxes

The movement in deferred tax assets and liabilities during 2010:

	at 1 Jan 2010	Charged to Income Statement	Charged in Equity	Exchange rate differences and other changes	at 31 Dec 2010
Deferred tax assets					
Tax loss carried forward	**0**	**7**	**-**	**-**	**7**
Provisions	**4**	**0**	**-**	**-**	**4**
Pensions	**-**	**12**	**-**	**-**	**12**
Other temporary differences	**7**	**1**	**-**	**-**	**8**
Total deferred tax assets	**11**	**20**	**-**	**-**	**31**

	at 1 Jan 2010	Charged to Income Statement	Charged in Equity	Exchange rate differences and other changes	at 31 Dec 2010
Deferred tax liabilities					
Depreciation difference and untaxed reserves	**270**	**21**	**-**	**-**	**291**
Excess of book basis over tax basis of property, plant and equipment	**9**	**19**	**-**	**-**	**28**
Pensions	**29**	**-29**	**-**	**-**	**0**
Cash flow hedges	**-3**	**2**	**-1**	**-**	**-2**
Finance leases	**7**	**-1**	**-**	**-**	**6**
Capitalized interest	**12**	**4**	**-**	**-**	**16**
Capitalization of fixed costs of inventories	**10**	**-5**	**-**	**-**	**5**
Other temporary differences	**-6**	**9**	**0**	**-**	**3**
Total deferred tax liabilities	**328**	**20**	**-1**	**-**	**347**

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	1	328

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 (2009: EUR 12 million) have been netted in the balance sheet.

Deferred tax assets	**2010**	2009
Deferred tax asset to be recovered after more than 12 months	**25**	8
Deferred tax asset to be recovered within 12 months	**6**	3
	31	11
Deferred tax liabilities	**2010**	2009
Deferred tax liability to be recovered after more than 12 months	**341**	297
Deferred tax liability to be recovered within 12 months	**6**	31
	347	328

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 2010	9	3	6	4	22
Charged to income statement					
Additional provisions	2	4	-	2	8
Amounts used during the period	-5	-	-4	-1	-10
At 31 December 2010	6	7	2	5	20

	2010	2009
Current provisions	6	13
Non-current provisions	14	9
	20	22

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' until 31 March 2010. On 1 April 2010 the Finnish statutory pensions and the associated pension portfolio as well as the voluntary pension benefits and the associated pension portfolio in Finland were transferred to insurance companies, and the Group's own pension fund seized to provide for pension benefits.

Finnish statutory pensions that are managed in a pension insurance company are accounted for as a defined contribution plan in the group financial statements. The Finnish voluntary pension plan in the form provided by Neste Oil continues to be accounted for as a defined benefit plan. The voluntary pension plan grants additional pension benefits in excess of statutory benefits. The plan provides old age pensions, disability pensions, survivors' pensions, and funeral grants. The voluntary pension plan has been closed since 1 January 1994.

During the financial period 2009 the group decided to wind up its defined benefit plan in the UK. The transfer of the associated pension portfolio to an insurance company by means of purchase of annuities was completed during the financial period 2010.

The above mentioned changes in the Group's defined benefit plans have been accounted for as settlements of defined benefit plans in the consolidated financial statements. The effect of the settlement has been presented in the notes below. No curtailment of benefits provided by existing plans took place in connection with the transfer to insurance companies.

The Group has defined benefit plans also in Belgium and in Switzerland. As at 31 December 2010 the defined benefit plans comprised of the Finnish voluntary pension plans as well as pension plans in Belgium and Switzerland.

Defined benefit pension plans

Amounts recognized in the income statement

	2010	2009
Current service cost	8	14
Interest cost	20	34
Expected return on plan assets	-20	-37
Net actuarial gains and losses recognized during the period	3	11
Settlements	51	-
Total included in personnel expenses (Note 9)	62	22

Amounts recognized in the balance sheet

	2010	2009
Present value of funded obligations	**336**	710
Fair value of plan assets	**-289**	-720
	47	-10
Unrecognized actuarial gains and losses	**0**	-91
Net liability (+) / asset (-)	**47**	-101

Movement in the net pension asset/liability recognized in the balance sheet

	2010	2009
At the beginning of the period	**-101**	-93
Total expense charged in the income statement	**62**	22
Refund from the foundation to the employer	**85**	-
Contributions paid	**1**	-30
At the end of the period	**47**	-101

Amounts recognized in the balance sheet

	2010	2009
Defined benefit pension obligations	**47**	10
Defined benefit pension assets	**0**	-111
Net asset (-) / liability (+)	**47**	-101

Changes in the present value of the defined benefit obligation

	2010	2009
Opening defined benefit obligation	**710**	627
Service cost	**8**	14
Interest cost	**20**	34
Net transfer from TyEL pooling	**-**	2
Actuarial gains / losses	**-**	56
Benefits paid	**-20**	-24
Settlements	**-383**	-
Translation differences	**1**	1
Closing defined benefit obligation	**336**	710

Changes in the fair value of plan assets

	2010	2009
Opening fair value of plan assets	**720**	601
Expected return on plan assets	**20**	36
Actuarial gains/losses	**-7**	74
Contributions by employer	**-1**	30
Refund from the foundation to the employer	**-85**	-
Net transfer from TyEL pooling	**-**	2
Benefits paid	**-20**	-24
Settlements	**-339**	-
Translation differences	**1**	1
Closing fair value of plan assets	**289**	720

Analysis of the fair value of plan assets at the balance sheet date

	2009
Equity instruments	251
Debt instruments	178
Property	77
Other assets	214
	720

The assets are the responsibility of the insurance company and a part of the insurance company's investment assets. The distribution in categories is not possible to provide

The actual return on plan assets was EUR 15 million (2009: EUR 113 million).

Pension plan assets included in 2009 Parent Company's ordinary shares with a fair value of EUR 16 million and buildings occupied by the Group with a fair value of EUR 62 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

	2010	2009	2008	2007	2006
Present value of funded obligation	**336**	710	627	704	623
Fair value of plan assets	**289**	720	601	781	759
Deficit (+) / surplus (-)	**47**	-10	26	-77	-136
Experience adjustments on plan assets	**-5**	74	-225	-10	32
Experience adjustments on plan liabilities	**1**	-15	0	12	8

Contributions amounting to EUR 5 million are expected to be paid to the plan during 2011.

The principal actuarial assumptions used

Finland

	2010	2009
Discount rate	**4.5–5.0%**	4.5–5.5%
Expected return on plan assets	**4.5–6.04%**	5.0–6.25%
Future salary increases	**3.5%**	3.5%
Future pension increases	**0.0–2.7%**	1.0–2.7%

Other countries

	2010	2009
Discount rate	**2.5–5.0%**	5.25–5.4%
Expected return on plan assets	**2.5–4.5%**	4.5–5.1%
Future salary increases	**1.5–2.0%**	4.5%
Future pension increases	**3.5%**	3.8%

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.

30 Share-based payments

Share-based incentive plan as of 1 January 2010

The Board of Directors decided in 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, first one of which started in 2010 and the latter ones to start in 2011 and 2012. The Board of Directors decides the earnings criteria and targets to be met as well as the maximum level of the payable reward for each earnings 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 earnings year, exceed the annual gross salary of the year in question. The portion 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 amount of reward for key personnel equals the value of 809,000 Neste Oil shares, of which 747,000 shares were allocated as at 31 December 2010. The maximum reward for the members of the Neste Executive Board equaled the value of 335,000 shares, of which the maximum reward for the President & CEO equaled the value of 75,000 shares.

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 2010

Grant dates	4 Jan 2010
Grant prices, euros	11.50
Share price as at grant date, euros	12.70

Term of the plan

Beginning of earnings period	1 Jan 2010
End of earnings period	31 Dec 2012
End of restriction period	31 Dec 2015

Assumptions used in calculating the value of the reward

	2010
Amount of granted shares at the beginning of the period, maximum reward	-
Amount of shares granted during the period, maximum reward	809,000
Adjustments to the amount of shares	-62,000
Amount of granted shares at the end of the period, maximum reward	747,000
Number of participants at the end of the financial period	45
Share price at the end of the financial period, euros	11.95
Estimated rate of realization of the earnings criteria, %	55%
Estimated termination rate before the end of the restriction period, %	10%

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 2010–2012.

Management Performance Share Arrangement in place during the financial periods 2007–2009

Neste Oil had a Management Performance Share Arrangement for senior management and other key personnel in place during the financial periods 2007–2009. The Board of Directors established the scheme in 2006, which was launched at the beginning of the financial period ending 31 December 2007. Based on the earnings criteria, no reward was earned during the earnings period 2007–2009. In December 2009 the Board of Directors decided to establish a new share-based incentive plan for the Group key personnel. This plan has been described above. 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.

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, the President and CEO was paid a reward equaling the amount of 10,000 shares in December 2010 based on shares granted in 2009. The President & CEO received 5,000 shares and the rest of the reward was paid in cash to cover the relevant taxes and similar payments.

Management Performance Share Arrangement in place during previous accounting periods

The previous Management Performance Share Arrangement was in force during the financial period ended 31 December 2006 and previous financial periods.

Delivery of shares to the participants based on this arrangement took place in February 2010, 2009 and 2008. A reward equaling the gross amount of 276,747 shares (2009: 168,050), or EUR 3 million (2009: EUR 2 million), was paid in 2010. The net amount shares delivered to the participants totaled 157,536 shares (2009: 92,191) 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 10.50 euros (2009: 11.05 euros). The members of Neste Executive Board received a reward equaling the gross amount of 55,234 shares (2009: 17,977). The share delivery that took place in February 2010 was the last one based on this Management Performance Share Arrangement.

Accounting treatment

The Share-based incentive plans described above are accounted for as a share based transaction with cash alternative. The portion of the earned reward (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 reward 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 reward is 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.

The expense included in the income statement is specified in the following table.

	2010	2009
Expense recognized in the income statement	4	0
Change in fair value of the liability recognized in the balance sheet	-4	1
Total expense charged to the income statement	0	1
Change in fair value of the hedging instrument	1	-3
Net effect of share based payments in the income statement	1	-2

The liability recognized in the balance sheet related to share based payments amounted to EUR 1 million (2009: EUR 1 million). The expense to be recognized during the financial periods 2011–2015 is estimated as at 31 December 2010 to amount to 5 million. The actual amount may differ from this estimate.

Hedging

The Group hedges its exposure to the share price development during the time period between the grant date and the delivery date. The hedging arrangement is accounted for as treasury shares and has been described in detail in Note 25.

The previous Management Performance Share Arrangement was hedged using a net cash settled share forward. The hedge covered both the equity settled and the cash settled portions of the earned reward. The hedging instrument was measured at fair value at each reporting date and the change in the fair value of the hedging instrument was recognized in the income statement to offset the change in the fair value of the liability. The nominal and fair value of the hedging instrument is disclosed in Note 24.

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 (key management persons), close members of the families of the mentioned key management persons and entities controlled or jointly controlled by the mentioned key management persons or close members of those persons' families. The group has also related party relationship with its' pension fund.

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

2010	Sales of goods and services	Purchases of goods and services	Receivables	Financial income and expense	Liabilities
Associates	1	7	2	0	2
Joint ventures	91	52	3	0	0
Key management persons and entities controlled by them	0	2	-	-	-
Pension fund	1	2	-	-	-
	93	63	5	0	2

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
Key management persons and entities controlled by them	0	12	0	-	1
Pension fund	1	6	0	-	-
	71	66	23	0	3

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. The transactions with Key management persons and entities controlled by them consists of purhases relating to maintenance work.

Purchases from pension fund are rents for the buildings occupied by the Group. On 1 April 2010 all the pension liabilities were transfered from Pension fund to insurance companies. Consequently the overfunding was returned to the companies, part of the amount consisted of shares in Keilaranta 21.

Key management compensation, EUR thousand

	2010	2009
Salaries and other short-term employee benefits	**2,813**	2,889
Share-based payments	**700**	437
	3,513	3,326

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 2010 or 31 Dec 2009.

The amounts of share participations granted to the President and CEO and other members of the Neste Executive Board 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, EUR thousand

	2010	2009
Matti Lievonen, President and CEO	**772**	840
Board of Directors		
Timo Peltola, chairman	**74**	75
Mikael von Frenckell, vice chairman	**58**	58
Michiel Boersma	**52**	54
Maija-Liisa Friman	**35**	-
Ainomaija Haarla	**43**	44
Nina Linander	**55**	54
Hannu Ryöppönen	**55**	42
Antti Tanskanen	**-**	10
Markku Tapio	**45**	44
Maarit Toivanen-Koivisto	**10**	44
Board of Directors, all members total	**427**	425
Supervisory Board, all members total	**58**	61

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 2010

Subsidiaries	Group holding%	Country of incorporation
AS Reola Gaas	93.85%	Estonia
Kide Automaatit Oy	100.00%	Finland
Kiinteistö Oy Espoon Keilaranta 21 [1)]	100.00%	Finland
LLC Neste Saint-Petersburg	100.00%	Russia
Neste Canada Inc.	100.00%	Canada
Neste Eesti AS	100.00%	Estonia
Neste Jacobs Aktiebolag [2)]	100.00%	Sweden
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.	100.00%	Bahrain

Subsidiaries	Group holding%	Country of incorporation
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 Services Inc.	100.00%	USA
Neste Oil Singapore Pte. Ltd.	100.00%	Singapore
Neste Oil (Suisse) S.A.	100.00%	Switzerland
Neste Oil US Inc.	100.00%	USA
Neste Petroleum Inc.	100.00%	USA
Neste Polska Sp. z o.o.	100.00%	Poland
Neste Renewable Fuels Oy	100.00%	Finland
Neste Shipping Oy	100.00%	Finland
Neste Trading (U.S.A.) Inc.	100.00%	USA
Neste USA, L.L.C.	100.00%	USA
Rintekno Oy	100.00%	Finland
SIA Neste Latvija	100.00%	Latvia
Systecon Inc.	100.00%	USA
UAB Neste Lietuva	100.00%	Lithuania
US Active Oy	100.00%	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
Bahrain Lube Base Oil Company B.S.C (closed) [3]	45.00%	Bahrain
Nemarc Shipping Oy	50.00%	Finland
Neste Arabia Co. Ltd	48.00%	Saudi-Arabia
Oy Innogas Ab	50.00%	Finland
Porvoon Alueverkko Oy	33.33%	Finland
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
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] Acquired during the financial period
[2] Name change during the financial period
[3] Bahrain Lube Base Oil Company B.S.C (closed), previously classified as a joint venture, is now reported as jointly controlled assets and is therefore classified as an associated company.

33 Contingencies and commitments

Contingent liabilities

	2010 Value of collateral	2009 Value of collateral
On own behalf for commitments		
Real estate mortgages	26	26
Pledged assets	2	2
Other contingent liabilities	43	48
Total	71	76
On behalf of associates and joint ventures		
Guarantees	3	4
Other contingent liabilities	-	2
Total	3	6
On behalf of others		
Guarantees	14	18
Total	14	18
	88	100

Operating lease liabilities

	2010	2009
Due within one year	76	82
Due between one and five years	164	166
Due later than five years	108	120
	348	368

Operating leases

Lease rental expenses amounting to EUR 95 million (2009: EUR 121 million) relating to the lease (under operating leases) of property, plant and equipment are included in the income statement in other expenses.

Commitments

	2010	2009
Commitments for purchase of property, plant and equipment	76	431
	76	431

The Group's operating lease commitments primarily relate to time charter vessels, land and office space.

The Group's take-or-pay contracts relate to hydrogen supply agreements. The total fixed fees payable under the agreements during 2011–2026 as at 31 December 2010 are presented in the table below.

Fixed fees payable under take-or-pay contracts

	2010
Payable 2011	14
Payable after 2011	229
Total payable	243

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 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 difficult to predict but not likely to have material effect on the Group's financial position.

35 Events after the balance sheet date

No significant events took place in the Group after the balance sheet date.

Parent company income statement

MEUR	Note	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Revenue	2	**8,697**	6,921
Change in product inventories		**-188**	348
Other operating income	3	**68**	29
Materials and services	4	**-7,719**	-6,398
Personnel expenses	5	**-99**	-167
Depreciation, amortization and write-downs	6	**-138**	-135
Other operating expenses	7	**-322**	-302
Operating profit		**299**	296
Financial income and expenses	8	**-29**	19
Profit before extraordinary items		**270**	315
Extraordinary items	9	**-8**	-103
Profit before appropriations and taxes		**262**	212
Appropriations	10	**-55**	-65
Income tax expense	11	**-50**	-23
Profit for the year		**157**	124

Parent company balance sheet

MEUR	Note	31 Dec 2010	31 Dec 2009
ASSETS			
Fixed assets and other long-term investments	12,13		
Intangible assets		14	17
Tangible assets		1,679	1,711
Other long-term investments		2,387	1,613
		4,080	3,341
Current assets			
Inventories	14	679	819
Long-term receivables	15	178	143
Short-term receivables	16	720	688
Cash and cash equivalents		282	78
		1,859	1,728
Total assets		5,939	5,069
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	17		
Share capital		40	40
Retained earnings		830	771
Profit for the year		157	124
		1,027	935
Accumulated appropriations	18	893	838
Provisions for liabilities and charges	19	9	19
Liabilities	20		
Long-term liabilities		2,191	1,857
Short-term liabilities		1,819	1,420
		4,010	3,277
Total equity and liabilities		5,939	5,069

Parent company cash flow statement

MEUR	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Cash flows from operating activities		
Profit before extraordinary items	271	315
Depreciation, amortization and write-downs	138	135
Other non-cash income and expenses	0	-1
Financial income and expenses	29	-19
Divesting activities, net	-1	-1
Operating cash flow before change in working capital	437	429
Change in working capital		
Decrease (+) / increase (-) in interest-free receivables	-73	12
Decrease (+) / increase (-) in inventories	140	-375
Decrease (-) / increase (+) in interest-free liabilities	584	-41
Change in working capital	651	-404
Cash generated from operations	1,088	25
Interest and other financial expenses paid, net	-49	-41
Dividends received	21	63
Income taxes paid	-18	42
Realized foreign exchange gains and losses	-10	38
Group contributions received, net	-103	19
Net cash from operating activities	929	146
Cash flows from investing activities		
Capital expenditure	-83	-157
Proceeds from sale of fixed assets	3	11
Investments in shares in subsidiaries	-755	-706
Investments in shares in other shares	-3	-
Change in other investments, increase (-) / decrease (+)	-26	46
Net cash used in investing activities	-864	-806
Cash flow before financing activities	65	-660
Cash flows from financing activities		
Proceeds from long-term liabilities	1,204	1,212
Payments of long-term liabilities	-888	-616
Change in short-term liabilities	-113	341
Dividends paid	-64	-205
Cash flow from financing activities	139	732
Net increase (+) / decrease (-) in cash and cash equivalents	204	72
Cash and cash equivalents at the beginning of the period	78	6
Cash and cash equivalents at the end of the period	282	78
Net increase (+) / decrease (-) in cash and cash equivalents	204	72

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 revenues from actual operations and exchange rate differences on trade receivables, less discounts, indirect taxes such as value added tax and excise tax payable by the manufacturer and statutory stockpiling fees. Trading sales include the value of physical deliveries and the net result of derivative 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

The statutory TyEL plan, as well as voluntary pension plans, were funded through pension fund, Neste Oil Eläkesäätiö, until 31 March 2010. The liabilities on pensions granted by the Company itself were entered as a provision in the balance sheet. On 1 April the statutory pensions and the associated pension portfolio as well as the voluntary pension benefits and the associated pension portfolio were transferred to insurance companies. Also the pensions granted by the Company were moved to the insurance company. The pension expenses are booked to income statement during the year they occur.

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

	2010	2009
Oil Products	**8,656**	6,884
Renewable Fuels	**7**	1
Oil Retail	**0**	1
Other	**96**	68
Eliminations	**-62**	-33
	8,697	6,921

Revenue by market area

	2010	2009
Finland	**4,779**	3,385
Other Nordic countries	**1,600**	986
Baltic countries, Russia and Poland	**510**	495
Other European countries	**1,188**	1,391
North and South America	**536**	625
Other countries	**84**	39
	8,697	6,921

3 Other operating income

	2010	2009
Rental income	**13**	13
Gain on sale of intangible and tangible assets	**1**	2
Insurance compensations	**50**	1
Government grants	**3**	3
Other	**1**	10
	68	29

4 Materials and services

	2010	2009
Materials and supplies		
Purchases during the period	**7,764**	6,424
Change in inventories	**-48**	-28
	7,716	6,396
External services	**3**	2
	7,719	6,398

5 Staff costs

	2010	2009
Wages, salaries and remunerations	**138**	128
Indirect employee costs		
Pension costs*)	**-48**	29
Other indirect employee costs	**9**	10
	99	167

*) All the pension plans were moved from pension fund to insurance companies on 1 April 2010, pension fund returned the overfunding to the company. The amount is included in the pension costs as an income.

Salaries and remuneration

Key management compensations are presented in Note 31 in the Neste Oil Group consolidated financial statements.

Average number of employees

	2010	2009
Oil Products	**1,553**	1,761
Other	**704**	632
	2,257	2,393

6 Depreciation, amortization and write-downs

	2010	2009
Depreciation according to plan	**137**	134
Write-offs	**1**	1
	138	135

7 Other operating expenses

	2010	2009
Operating leases and other property costs	**21**	19
Freights relating to sales	**67**	79
Repairs and maintenance	**125**	85
Other	**109**	119
	322	302
Other operating expenses include losses on sales of tangible assets and write-offs of fixed assets in progress	**11**	0

Fees charged by the statutory auditor, EUR thousands

	2010	2009
Audit fees	**306**	299
Auditor's mandatory opinions	**2**	13
Tax advisory	**47**	59
Other advisory services	**39**	302
	394	673

8 Financial income and expenses

	2010	2009
Dividend income		
From Group companies	21	63
Dividend income total	21	63
Interest income from long-term loans and receivables		
From Group companies	0	4
Interest income from long-term loans and receivables total	0	4
Other interest and financial income		
From Group companies	2	1
Other	0	7
Other interest and financial income total	2	8
Interest expenses and other financial expenses		
To Group companies	-2	-6
Other	-53	-46
Interest expenses and other financial expenses total	-55	-52
Exchange rate differences	3	-4
Financial income and expenses total	-29	19

Total interest income and expenses

	2010	2009
Interest income	2	12
Interest expenses	-53	-50
Net interest expenses	-51	-38

9 Extraordinary items

	2010	2009
Group contributions		
Group contributions received	33	15
Group contributions given	-41	-118
	-8	-103

10 Appropriations

Change in depreciation difference

	2010	2009
Difference between depreciation according to plan and depreciation in taxation	-55	-65

11 Income tax expense

	2010	2009
Income taxes on regular business operations	51	49
Income taxes on extraordinary items	-2	-27
Change in deferred tax assets	1	1
	50	23

12 Fixed assets and long-term investments

Change in acquisition cost 2010

Intangible assets	Goodwill	Other intangible assets	Total
Acquisition cost as of 1 January 2010	1	74	75
Increases	-	2	2
Decreases	-	-2	-2
Acquisition cost as of 31 December 2010	1	74	75
Accumulated depreciation, amortization and write-downs as of 1 January 2010	1	57	58
Accumulated depreciation, amortization and write-downs of decreases and transfers	-	-2	-2
Depreciation and amortization for the period	-	5	5
Accumulated depreciation, amortization and write-downs as of 31 December 2010	1	60	61
Balance sheet value as of 31 December 2010	-	14	14
Balance sheet value as of 31 December 2009	-	17	17

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 2010	25	990	1,941	77	131	3,164
Increases	0	45	120	1	-50	116
Decreases	0	-3	-9	0	-15	-27
Acquisition cost as of 31 December 2010	25	1,032	2,052	78	66	3,253
Accumulated depreciation, amortization and write-downs as of 1 January 2010	0	421	1,035	27	-	1,483
Accumulated depreciation, amortization and write-downs of decreases and transfers	-	-3	-10	0	-	-13
Depreciation, amortization and write downs for the period	-	31	101	2	-	134
Accumulated depreciation, amortization and write-downs as of 31 December 2010	0	449	1,126	29	-	1,604
Revaluations	6	24	-	-	-	30
Balance sheet value as of 31 December 2010	31	607	926	49	66	1,679
Balance sheet value as of 31 December 2009	31	593	906	50	131	1,711

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 2010	1,594	4	1	0	0	14	1,613
Increases	755	13	-	-	3	5	776
Decreases	-	-1	-	0	0	0	-1
Acquisition cost as of 31 December 2010	2,349	16	1	0	3	19	2,388
Accumulated depreciation, amortization and write-downs as of 1 January 2010	-	-	-	0	0	0	0
Accumulated depreciation, amortization and write-downs as of 31 December 2010	-	-	-	0	0	0	0
Balance sheet value as of 31 December 2010	2,349	16	1	0	3	19	2,388
Balance sheet value as of 31 December 2009	1,594	4	1	0	0	14	1,613

Interest-bearing and interest-free receivables

	2010	2009
Interest-bearing receivables	16	5
Interest-free receivables	18	12
	34	17

13 Revaluations

	Revaluations as of Jan 1 2010	Increases	Decreases	Revaluations as of Dec 31 2010
Land areas	6	-	-	6
Buildings	24	-	-	24
	30	-	-	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

	2010	2009
Raw materials and supplies	261	210
Products/finished goods	418	609
	679	819
Replacement value of inventories	682	826
Book value of inventories	679	819
Difference	3	7

15 Long-term receivables

	2010	2009
Receivables from Group companies		
Other long-term receivables	175	139
Deferred tax assets	3	4
	178	143

16 Short-term receivables

	2010	2009
Trade receivables	**377**	294
Receivables from Group companies		
Trade receivables	**230**	221
Other receivables	**38**	48
Accrued income and prepaid expenses	**2**	5
Total	**270**	274
Receivables from associated companies		
Trade receivables	**1**	1
Other receivables	**0**	18
Total	**1**	19
Other receivables	**56**	87
Accrued income and prepaid expenses	**16**	14
	720	688

Short-term accrued income and prepaid expenses

	2010	2009
Accrued interest	**5**	5
Accrued taxes	**0**	4
Other	**12**	10
	17	19

17 Changes in shareholders' equity

	2010	2009
Share capital at 1 January	**40**	40
Share capital at 31 December	**40**	40
Retained earnings at 1 January	**894**	976
Dividends paid	**-64**	-205
Profit for the year	**157**	124
Retained earnings at 31 December	**987**	895
Distributable equity	**987**	895

18 Accumulated appropriations

	2010	2009
Depreciation difference	**893**	838

19 Provisions for liabilities and charges

	Restructuring provisions	Provision for pensions	Provision for environment	Other provision	Total
Provisions as of 1 January 2010	3	10	6	0	19
Increase	-	-	4	-	4
Decrease	-2	-10	-2	0	-14
Provisions as of 31 December 2010	1	0	8	0	9

20 Liabilities

Long-term liabilities

	2010	2009
Bonds	**715**	417
Loans from financial institutions	**1,010**	1,100
Liabilities to Group companies		
Other long-term liabilities	**465**	340
Accruals and deferred income	**1**	-
	2,191	1,857

Interest-bearing liabilities due after five years

	2010	2009
Bonds	**298**	295
Loans from financial institutions	**393**	84
Liabilities to Group companies	**465**	339
	1,156	718

Short-term liabilities

	2010	2009
Loans from financial institutions	**258**	395
Pension loans	**0**	20
Advances received	**1**	9
Trade payables	**820**	350
Liabilities to Group companies		
Advances received	**0**	-
Trade payables	**48**	25
Other short-term liabilities	**189**	239
Accruals and deferred income	**8**	2
Total	**245**	266
Liabilities to associated companies		
Trade payables	**2**	1
Total	**2**	1
Other short-term liabilities	**402**	313
Accruals and deferred income	**90**	66
	1,818	1,420

Short-term accruals and deferred income

	2010	2009
Salaries and indirect employee costs	**40**	31
Accrued interests	**19**	15
Other short-term accruals and deferred income	**40**	22
	99	68

Interest-bearing and interest-free liabilities

	2010	2009
Long-term liabilities		
Interest-bearing liabilities	**2,190**	1,857
Interest-free liabilities	**1**	-
	2,191	1,857
Short-term liabilities		
Interest-bearing liabilities	**430**	557
Interest-free liabilities	**1,389**	863
	1,819	1,420

21 Contingent liabilities

Contingent liabilities

	2010	2009
Operating lease liabilities		
Due within a year	3	7
Due after a year	2	12
	5	19
Contingent liabilities given on own behalf		
Real estate mortgages	23	24
Pledged assets	2	1
Other contingent liabilities	3	5
	28	30
Contingent liabilities given on behalf of Group companies		
Real estate mortgages	2	2
Guarantees	202	251
	204	253
Contingent liabilities given on behalf of associated companies		
Guarantees	3	3
	3	3
Contingent liabilities given on behalf of others		
Guarantees	14	18
	14	18
Contingent liabilities total	254	323

22 Derivative financial instruments

Interest and currency derivative contracts and share forward contracts

	2010			2009		
	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	-9	-9	723	-13	-13
Forward foreign exchange contracts	1,791	2	2	2,051	-8	-9
Currency options						
Purchased	43	0	0	108	-1	-1
Written	36	1	1	108	1	1
Share forward contracts	0	0	0	9	-4	-4

Oil and freight derivative contracts

	2010			2009		
	Volume million bbl	Fair value	Not recognized as an income	Volume million bbl	Fair value	Not recognized as an income
Sales contracts	14	2	2	11	-13	-13
Purchase contracts	11	-5	-5	4	-6	-6

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 2010 if the taxable utilization of real estate will decrease during a 10 year control period.

24 Shares and holdings

	Country of incorporation	No of shares	Holding -%	Book value 31 Dec 2010 EUR thousands
Subsidiary shares				
Kiinteistö Oy Keilaranta 21	Finland	16,000	100.00	39,725
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	996,901
Neste Shipping Oy	Finland	101	100.00	55,452
				2,348,643
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	75,000	2.13	125
Fine Carbon Fund Ky	Finland	1		1
Kiinteistö Oy Hiekkaharju II	Finland	51		296
Kiinteistö Oy Himoksen Aurinkopaikka	Finland	51		457
Kiinteistö Oy Katinkullan Hiekkahelmi	Finland	102		903
Kiinteistö Oy Katinkultaniemi	Finland	51		398
Kiinteistö Oy Kuusamon Tähti I	Finland	51		457
Kiinteistö Oy Laavutieva	Finland	51		311
Koy Lapinniemi IV-X & Oy Lapinniemi XV	Finland	10		125
Nordic Carbon Fund ky	Finland	1		1
Posintra Oy	Finland	190		34
				3,208
Telephone shares				
Kymen Puhelin Oy	Finland	1		-
Pietarsaaren Seudun Puhelin Oy	Finland	3		1
Pohjanmaan Puhelinosuuskunta PPO	Finland	1		-
Savonlinnan Puhelinosuuskunta SPY	Finland	1		1
				2
Connection fees				65
Total				2,352,712

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 2010 stood at EUR 987 million.

The Board of Directors proposes Neste Oil Corporation to pay a dividend of EUR 0.35 per share for 2010, totalling EUR 90 million, and that any remaining distributable funds be allocated to retained earnings.

Espoo, 4 February 2011

Timo Peltola	Michiel Boersma	Mikael von Frenckell	Maija-Liisa Friman
Ainomaija Haarla	Nina Linander	Hannu Ryöppönen	Markku Tapio

Matti Lievonen
President and CEO

Auditor's 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 financial period 1.1.–31.12.2010. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, 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.

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 consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view 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 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 express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about 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 are guilty of an act or negligence which may result in liability in damages towards the company or violated the Limited Liability Companies Act or the articles of association of the company.

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, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. 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.

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 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, February 4, 2011

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 2010, 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 7 February 2011

Heidi Hautala   Kimmo Tiilikainen   Esko Ahonen   Timo Heinonen

Miapetra Kumpula-Natri   Markus Mustajärvi   Anne-Mari Virolainen

Quarterly segment information

Revenue

(MEUR)	10–12/2010	7–9/2010	4–6/2010	1–3/2010	10–12/2009	7–9/2009	4–6/2009	1–3/2009
Oil Products	2,962	2,491	2,064	2,272	1,987	1,971	2,091	1,582
Renewable Fuels	112	120	60	36	61	59	38	24
Oil Retail	1,004	917	884	849	791	789	727	691
Others	37	38	45	49	44	37	41	42
Eliminations	-589	-501	-477	-481	-392	-356	-305	-286
Total	3,526	3,065	2,576	2,725	2,491	2,500	2,592	2,053

Operating profit

(MEUR)	10–12/2010	7–9/2010	4–6/2010	1–3/2010	10–12/2009	7–9/2009	4–6/2009	1–3/2009
Oil Products	170	116	-18	65	27	80	105	106
Renewable Fuels	-7	2	-19	-15	-11	-1	-2	-10
Oil Retail	17	24	14	6	6	19	13	12
Others	-27	2	-42	43	-11	17	-2	-11
Eliminations	-7	-1	2	-2	-2	-2	4	2
Total	146	143	-63	97	9	113	118	95

Comparable operating profit

(MEUR)	10–12/2010	7–9/2010	4–6/2010	1–3/2010	10–12/2009	7–9/2009	4–6/2009	1–3/2009
Oil Products	108	45	-3	58	-11	15	37	64
Renewable Fuels	-13	-12	-23	-17	-10	-6	-6	-7
Oil Retail	18	23	13	6	5	19	14	12
Others	-16	2	16	43	-11	16	-2	-11
Eliminations	-7	-1	2	-2	-2	-2	4	-2
Total	90	57	5	88	-29	42	47	56

Information for shareholders

Annual General Meeting

Neste Oil Corporation's Annual General Meeting will be held on Thursday, 14 April 2011 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 11 April 2011 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 11 April 2011 at the latest.

AGM and dividend payment in 2011

4 April	AGM record date
14 April	AGM
19 April	Dividend payment record date
28 April	Dividend payable

Dividend

The Board of Directors will propose to the AGM that a dividend of EUR 0.35 per share shall be paid for the financial year ending 31 December 2010.

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 2010

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 on the company's web site. 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 decreased by five during 2010. As of the end of the year, 21 banks published research on the company.

Banks following Neste Oil

- ABG Sundal Collier
- Barclays Capital Research
- Carnegie
- Cheuvreux
- Credit Suisse
- Danske Bank
- Deutsche Bank
- DnBNOR
- Enskilda Securities
- Evli Securities
- Exane BNP Paribas
- FIM
- Goldman Sachs
- Handelsbanken
- Jefferies International
- Bank of America Merrill Lynch
- Morgan Stanley
- Nordea Markets
- Pohjola
- Swedbank
- Öhman

Contact information for the analysts following Neste Oil at the organizations listed here can be found at the company's website.

Contact information

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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 daily and a share yield calculator.

Interim Reports in 2011

- January–March Interim Report
  29 April 2011
- January–June Interim Report
  28 July 2011
- January–September Interim Report
  25 October 2011

Interim Reports are published in Finnish and English and can be downloaded in pdf format at www.nesteoil.com.

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 biocomponent, 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.

LOPC (Loss of Primary Containment) – any non-planned discharge of material that gets outside its primary containment or from area of intended use; may also mean two products mixing by accident

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.

PSE (Process Safety Event) – an unplanned or uncontrolled discharge of material (LOPC) from a process, or an undesired event or condition that, under slightly different circumstances, could have resulted in a LOPC of a material.

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.

A more detailed glossary can be found at www.nesteoil.com.

Delivering on our promises also covers how we operate; first-class operations need to be an integral part of our day-to-day work.

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Responsible Care
Vastuu Huomisesta

Paving the way for sustainable traffic

Refining the future

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