

CEO's review



Dear reader,

Our field of business is experiencing significant change, which reflects on us in several ways as well. Demand for energy is growing strongly, but the growth is taking place mainly outside Europe. Alternative forms of energy are being developed and taken into use. Slowing down climate change and, on the other hand, satisfying the ever growing need for energy are the great global challenges for the sector.

Neste Oil has one solution to the energy sector's challenges. Our goal is to generate strong results, even in the challenging circumstances of the future. Competitive capability arises from versatile development of the company, and sustainable operations. It is possible to respond to the challenges presented by the market by doing things consistently, and by listening to the customers.

2014 was a diverse year for Neste Oil. At the beginning of the year, we had the previous year's good performance in our minds, as well as the turning of the Renewable Fuels business towards sustainable financial success. However, it soon became clear that the year would present a lot of challenges, many of which were associated with general market factors beyond our control. We decided to accept the challenge. We focused on things that we knew we could influence by our own doings.

Better result by focusing on what we do

We launched a program to strengthen our position. First, we aimed to find ways of increasing even more profitable sales, and second, we sought operating methods that allowed us to reduce our costs. We requested the best experts in the field, in other words our employees, to submit development ideas.

I am proud to tell you that we have significantly improved our comparable operating profit through our development measures. The greatest thing about this success is that we achieved it through activity that engaged our entire personnel. We will continue to apply this approach in 2015 as well, and I believe that we will continue to find more opportunities.

Significant investments and restructuring in Finland

2014 was a year of significant investment decisions and structural reforms. We decided to consolidate our refinery operations in Naantali and Porvoo into an operating model managed as a single entity. The reform will be complete in early 2017.

The reform translates into increased efficiency, especially as we will invest over EUR 200 million in feed pre-treatment in Porvoo and some EUR 60 million in projects to make the process more efficient in Naantali as part of the arrangement. In addition, we are investing approximately EUR 250 million in energy-efficient power plant units with a lower environmental load in Kilpilahti, Porvoo. Similar to the previous decade, we will continue to be one of the biggest industrial investors in Finland.

The changes that have taken place in our operations also required our organization to undergo adjustment. In the summer, we revised the Group and business structure and management teams so as to better reflect our new operating model. In the fall, the changes and need for personnel adjustments began to influence our company more extensively. As the result of statutory employer-employee negotiations towards the end of the year, 203 Neste Oil employees had to or will have to leave the company. However, most of the need for adjustments can be covered with voluntary arrangements and retirement packages.

Desired development in safety

One of the most pleasant developments in 2014 was the improvement of both personnel safety and process safety. Personnel safety improved from the previous year, but contractor safety in particular still requires special attention. Process safety must also be developed; it is in the interest of personnel, the environment, and finances. Work to improve both areas of safety continues every day.

Growth in renewable feedstock-based markets

Cost management and restructuring are important, but they do not generate new business. That requires new solutions offering special value to our customers. In order to be able to develop such solutions, we have listened to our customers' wishes and

market requirements, and have formulated solutions for their implementation.

Oil companies rarely launch genuinely new products. Neste Oil has been different. We have been able to renew our offering and launch completely new products in recent years. In 2014, our new products included premium-quality Futura fuels in the Baltic countries, low-sulfur bunker fuel and windscreen washing fluid that utilizes nanotechnology. We are currently investing in the production of a new biopropane product in Rotterdam.

Leading operator in the Baltic Sea region

In addition to products, we developed our services. We have set our goal to be the number one in our industry in the Baltic Sea region. The significance of renewable products will grow. Despite this, most of the products on the market will remain conventional oil products for the foreseeable future. Therefore, we must create service solutions that are cost-efficient and meet customer needs. In 2014, we particularly focused on improving logistics solutions. Examples of this are giving up our own shipping operations to achieve more efficient logistical solutions and strengthening the terminal capacity in Sweden, for example.

Growth from renewable feedstock-based markets

In 2014, we achieved growth in the renewable feedstock-based markets - another of our strategic goals. In fact, we have progressed in the development of bio-based chemicals. We want to become a significant, prominent producer. New products are a key part of our growth and renewal, which will build the future of Neste Oil.

Seeking access to new growth areas requires courage. For an organization to be courageous, it must have diverse expertise and the ability to change. We do use a lot of time and resources to train and engage the entire personnel. In this way, we have been successful in changing our operating methods and increasing accountability at all levels. All of this is at the core of our success, and our Board of Directors has also strongly encouraged it.

Neste Oil's Board of Directors decided to propose changing our company name to Neste. The new name reflects the change that the company is going through and the new fields we are aiming to move on to.

The only way is forward!

The world does not look any better at the beginning of 2015 than a year ago from Neste Oil's point of view. The raw material market has once again proven its ability to surprise, as the price of crude oil, for example, has decreased by one half in a year. Market uncertainty is continuing, and the situation is no longer determined by economic regularities alone; political decisions play an increasingly important role. Similarly to last year, we will continue to focus on things that we can influence in 2015. We will develop our operating methods, products and services further so as to continue being a competitive partner for our customers and a profitable investment for our shareholders.

2014 was a challenging year, but also a successful one. I would like to extend my thanks to everyone who made our success possible. In particular, I would like to thank our customers and employees who have taken part in the development of our operations with great enthusiasm and success.

The only way is forward!

Matti Lievonen