



Annual Report 2006

OY TEBOIL AB

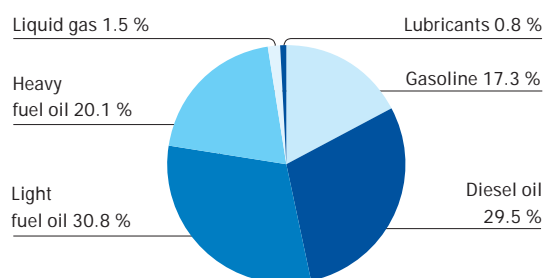
SUOMEN PETROOLI OY

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Teboil main product sales to consumers 2006
(1 906 500 tonnes)



Oy Teboil Ab and Suomen Petrooli Oy key figures

		2006	2005	2004	2003	2002
Sales	1 000 t	1 906	1 933	1 919	1 969	1 884
Market share	%	24.5	23.7	23.2	23.0	22.3
Turnover	mill. €	1 597	1 438	1 152	1 054	951
Operating margin	mill. €	13	35	32	19	25
Planned depreciation	mill. €	14	14	14	13	14
Net interest	mill. €	4	0	1	1	1
Other inc./exp	mill. €	-5	0	0	0	0
Taxes	mill. €	0	5	6	3	5
Result for financial year	mill. €	-7	15	13	9	13
Investments	mill. €	10	15	16	18	15
Storage tank capacity	1 000 m ³	415	415	415	395	395
Service stations	installations	309	293	288	283	278
Personnel at the end of the year	persons	358	358	359	357	377

Teboil is a full service oil house

- Teboil's **product range** includes vehicle fuels, light and heavy fuel oil, LPG, lubricants and automotive chemicals as well as all their related services.
- The company is engaged in the **marketing, sale and distribution** of oil and energy products and it also operates **service stations** in Finland. Teboil markets its oil products and related services to private consumers, companies, industry, municipalities and state organisations. The company has a nationwide chain of Teboil service stations and a network of D-diesel automats. Teboil lubricants are produced in Hamina. The company's lubricants plant and its laboratory develops and produces lubricants for the domestic and export markets.
- Teboil's core business activities are organised into four **business units**: Direct Sales, Service Stations, Lubricants and Liquid Petroleum Gas.
- **The company structure** changed on 1 January 2007. The Teboil Group's parent company is Oy Teboil Ab, which fully owns its subsidiaries Suomen Petrooli Oy and Suomen Tähtihoiv Oy. Suomen Petrooli Oy is responsible for the procurement and logistics of oil products as well as for producing Teboil lubricants. Suomen Tähtihoiv Oy is responsible for operating large service stations located on major traffic routes.

Business concept, strategy, and values

The company **business concept** is to be an efficient oil company that is close to the customer and reacts quickly to changes in the operating environment.

The company's **strategy** is to be viable, profitable and the second largest oil company in Finland.

Investing in customer-oriented operations, high quality products, functional logistics and its own distribution network puts the company in a position to respond to the demands set by corporate and consumer customers as well as the challenges of the times.

The company's core **values** are customer orientation, a human approach, responsibility and quality.

Owner OAO Lukoil

OAO Lukoil has owned Teboil since 23 March 2005. OAO Lukoil is one of the biggest oil companies in the world. It operates in more than 35 countries and it employs in excess of 150 000 people. The company has the second largest oil reserves in the world and it is the sixth largest producer of hydrocarbons. In 2002, Lukoil was the first Russian company to be listed on the London Stock Exchange. Its strategic partner is the US company ConocoPhillips, which owns about 20% of Lukoil's shares. Lukoil operates around 5 500 service stations, of which almost 2 000 are located in the United States and about 2 200 in Europe. The number of service stations in Europe will increase when 376 Jet service stations acquired by Lukoil from ConocoPhillips will join the Lukoil network.

Lukoil grandly celebrated its 15th anniversary in all the countries where it is stationed. Hundreds of invited guests celebrated the anniversary at Finlandia Hall in Helsinki on 5 September 2006 to the accompaniment of the Tchaikovsky Symphony Orchestra of Moscow. *Jarmo Nupponen*, the Managing Director of the Finnish Oil and Gas Federation, and his wife *Edit Kosa* arriving for the festivities.

They were welcomed by *Vladimir Nekrasov* (right), Lukoil's First Vice-President and *Nazim Suleymanov*, Teboil's General Director.



Review by the General Director



The international oil markets

According to the International Energy Agency (IEA), the demand for oil grew by 1 per cent in 2006. However, this growth was less than it was in 2005 when it rose by 1.6 per cent. As in previous years, China and other countries outside the OECD showed the greatest increase in the consumption of oil products. China's oil consumption rose by 6 per cent. The largest oil user was still the United States, which accounted for one quarter of all oil consumption. Forecasts indicate that demand in 2007 will rise by 1.8 per cent.

The production of crude oil and gas condensates rose by just under 1 per cent, totalling 3.9 billion tons. The largest production countries were Saudi Arabia, Russia, the United States and Iran.

The year on the international oil market began rather peacefully, but rising demand as summer approached began to increase market nervousness. Political tensions, fears of hurricanes similar to those in the Gulf of Mexico the preceding year and the increased entry of funds forced at the end of summer an upswing in the price of crude oil to the highest quoted price in recorded history. For instance, Brent crude was listed at more than 78 USD a barrel at the beginning of August.

At the end of the year, the prices of crude oil and oil products was forced down by fears over a slow-down in economic growth in the USA and a warmer than normal start to the winter. The prices for crude oil and oil products dropped to the level they held at the beginning of the year.

Good economic climate encourages energy consumption in Finland

Calculations by the Bank of Finland indicate that real growth in the gross national product amounted to 5.5 per cent in 2006, which was the fastest since the peak years of the 1990s. The growth was accelerated by simultaneous strong domestic demand and export growth in many sectors of industry and services. The productivity of labour improved, unemployment was down and private consumption rose in comparison with the preceding year.

According to a forecast by the Bank of Finland, the period of rapid growth in the world and Finnish economies is over and growth in the GNP will level out at around 2.7–3.0 per cent over the coming years.

The good economic climate also affected energy consumption; total energy consumption rose by 8 per cent in 2006. The largest user of energy was industry, which accounted for 50 per cent of total consumption.

Sales of oil products decline

Total sales of oil products fell by about 1.5 per cent in 2006 compared with the preceding year. The warm autumn and high price for fuel oil led to a decline in the demand for light fuel oil by a good 7 per cent. The high price for petrol also led to a drop in sales especially during the peak period of summer. However, there was a rise in the need for diesel and heavy fuel oil. Along with economic growth, increased road transport and the increased prevalence of diesel passenger cars raised demand for diesel oil by more than three per cent. The high price of electricity affected the sale of heavy fuel oil, which resulted in electricity production using greater amounts of heavy fuel oil than normal.

In 2006, the consumption of oil products per user group was as follows: traffic 45%, raw materials and lubricants 19%, industrial energy 16%, heating 11%, agriculture, forestry and construction 9%.

Aggregate sales in Finland, including all oil products, amounted to around 9 million tons. Sales of basic products, which include petrol, diesel, light and heavy fuel oil, LPG and lubricants, came to 1 per cent less than in the preceding year or to a total of 7.8 million tons, of which Teboil sales accounted for 24.5 per cent.

Oil price rises to all time high

The price for crude oil rose to record levels in July and August and raised the mean price for crude to 65.1 dollars per barrel whereas the price was 54.4 USD/bbl in 2005. The world market price for petrol and gas oil rose to an all time high at midyear along with that for crude. According to the consumer price barometer maintained by the Finnish Oil and Gas Federation, the peak consumer price for petrol in Finland was reached in July when 95 octane cost 138.5 c/l. The peak for diesel and light fuel oil came one month later, when diesel cost 105.8 c/l and light fuel oil cost a record-breaking 71.2 c/l. The untaxed prices for oil products largely followed world market prices. In Finland, high taxation also affects consumer prices for oil; for instance in December 2006, taxes accounted for 67% on the price of petrol and 51% on the price of diesel oil.

Energy and climate policy has been the subject of fervent discussion, and it gained pace with the approach of the general election in Finland. The European Union's energy and climate regimen has also been very dynamic, with the objective of making the consumption of energy more efficient and increasing the proportion of renewable energy sources used for energy consumption. The European Commission has drawn up a wide-ranging package for an energy policy. According to information supplied by the Commission, the EU shall increase its energy efficiency by 20 per cent by the year 2020 and increase the proportion of biofuels to 10 per cent. The company is actively monitoring this development and it is prepared to fulfil the obligations placed upon it.

The 49 Jet stations will be converted into Teboil Express automat stations by autumn 2007.

The company's market position gains strength

In its first year of operations under its new owner Lukoil, the company continued with its traditional approach under the Teboil brand. During the year, Teboil renewed and expanded its service station and D-networks for commercial traffic. The number of automat stations will increase during 2007. OAO Lukoil acquired 376 ConocoPhillips JET stations in seven European countries. ConocoPhillips Finland will be merged into Teboil and the 49 Jet stations will be converted into Teboil Express automat stations by autumn 2007. Growth of the distribution network in the Turku and Tampere regions, and particularly in the Greater Helsinki area, will strengthen the company's position in fuel sales.

Teboil expanded the sale of the consumer oil products it represents by more than 2 per cent whereas sales for the entire country declined by around 1 per cent. When measured by market share, the company's position on the Finnish oil market gained further strength as virtually all products increased their market share.

The Finnish oil product market is highly competitive in all product segments. Competition for customers led to fierce price rivalry where from time to time it was necessary to sell below procurement prices, which weakened the company's result. The company has a solid, faithful customer base that it has expanded purposefully and successfully. Customers have confidence in the quality of Teboil's products and services, reliable delivery and professional sales. A large international owner also brings financial security and the opportunities to develop business operations.

I would like to express my warm thanks to all our interest groups, company personnel and Teboil dealers. I believe that customers, partners and personnel can confidently look to the future.

Nazim Suleymanov

General Director

Oy Teboil Ab – Suomen Petrooli Oy



Animated discussion continues on the environmental impacts of energy forms

The discussion on climate change and the impacts of fossil fuels gained strength during 2006. In particular, the solutions for heating energy became distorted and alternative forms of energy rose to the fore based on populist thinking and little fact.

Oil heating continues to retain its strong position in Finland in that approximately one million people live in 260 000 houses heated with oil. Oil heating also holds a key position with respect to national emergency supply. Oil is often a back up fuel and along with the oil heating the necessary oil transport equipment can also be maintained for the needs of times of crisis.

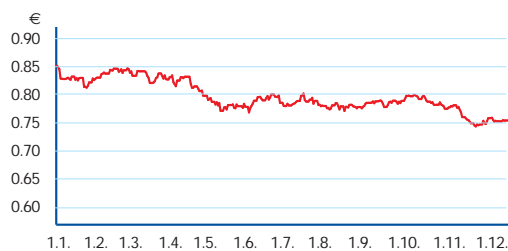
The specific emissions from oil heating in proportion to useful energy are less than they are with other forms of primary heating; carbon dioxide emissions are equal to the average for district heating but nitrous oxides, sulphur dioxides and particle emissions are lower than they are for other forms of primary heating.

The oil industry constantly works to reduce both emissions and consumption. Since 1997, the oil industry has participated in the Höylä energy savings programme, which for its part implements the national climate regimen. The programme was launched by the Ministry of Trade and Industry and the Ministry of the Environment and it aims to reduce the oil consumption of small properties by 10% from the 1997 level by the year 2010.

Crude oil price development 2006 (Brent spot)



US dollar exchange rate development in 2006



According to forecasts, the annual energy savings in 2010 will amount to approximately 200 million litres, which is equivalent to the average annual consumption of 57 000 houses. The most important method has been to repair or renew oil heaters. Around 10 000 to 12 000 oil boilers are renewed each year and so far, about 85 000 oil heaters have been repaired.

Teboil sells one third of the country's light fuel oil

The temperature has significant bearing on the consumption of light fuel oil for both heating and agricultural use. The average temperature for 2006 was in the 10–15 warmest years for the 1900–2006 period under review. The early winter was colder than the preceding year but autumn and the remainder of the year was warmer.

The dry summer and early autumn brought about a reduction in the energy needs for agriculture, particularly for drying grain.

According to the Finnish Oil and Gas Federation, the average consumer price in Finland for light fuel oil was 63.6 cents per litre, which was 5.6 c/l higher than in 2005. The monthly average price was at its highest in August, at 71.2 c/l.

The warm weather and robust price caused a decline in the demand for light fuel oil.

Sales of light fuel oil for domestic consumption, which includes heating oil and engine fuel oil, declined by 7.2 per cent during the preceding year, amounting to just under 2.3 million m³. The company's sales declined slightly less than the general level, i.e. 5.4 per cent or about 680 000 m³. The market share grew by 0.6 percentage points to 30 per cent.

Teboil underpinned its second place in the heating oil and engine fuel oil markets. The company continued to increase its share of light fuel oil deliveries to small heating oil consumers and industrial customers. Hankkija-Maatalous Oy transferred its purchases to another supplier, but increased effort into sales and marketing to agricultural customers successfully managed to cover the loss of the customer.

The preceding year saw the launch of an extranet service for heating oil customers. Small property and agricultural customers can now conduct their business with Teboil online and make price comparisons and orders.

Use of diesel becomes more widespread

The good economic trend and its related growth in road transport contributed to the rise in diesel oil sales. A major part of diesel oil sales can be attributed to a rise in the number of diesel passenger cars. Compared with the preceding year, the forest industry processes proceeded uninterrupted and this also had an impact on the growth of diesel oil consumption.

The issues of environmental policy, such as the use of biodiesel on the markets, were undergoing public discussion throughout the entire year. In line with the Government decision, traffic fuel distributors were under the obligation to supply a minimum proportion of biofuels for consumption. The minimum proportion increased so that the proportion in 2008 would come to a minimum of 2 per cent of the total amount of energy content in engine fuel oil, diesel oil and biofuels. In 2009, the proportion will come to a total of 4 per cent and in 2010 and thereafter, it will amount to a minimum of 5.75 per cent. For its part, the

Oil product sales to consumers in Finland 2006

		National		Teboil			Change, %
		Total Sales	Change, %	Sales	Change, %	Market share, %	
Basic products	t	7 780 805	-1.0	1 906 465	2.2	24.5	0.8
Gasoline	m ³	2 482 762	-0.7	381 923	1.5	15.4	0.4
Diesel oil	m ³	2 458 730	3.2	652 063	3.4	26.5	0.0
Light fuel oil	m ³	2 265 590	-7.2	679 198	-5.4	30.0	0.6
Heavy fuel oil	t	1 071 263	3.4	443 223	11.9	41.4	3.2
Liquid gas	t	294 269	5.1	34 141	14.8	11.6	1.0
Lubricants	t	79 242	0.2	17 739	-1.0	22.4	-0.3

company is prepared to respond to the obligations specified in the Government decision.

In 2006, Teboil included the AdBlue® into its product range. AdBlue is a solution of urea in demineralised water used as an operating fluid in freight trucks equipped with SCR diesel technology to improve emissions. AdBlue satisfies the Euro 4 standards set for exhaust gas emissions as well as the future Euro 5 standards.

Around one-fifth of the costs for commercial traffic stem from fuel. Consequently, price competition remains fierce. Besides price, the extent of the network and easy availability of the product are also important factors in giving a competitive edge. The company's D-network has expanded vigorously and new D-automats opened last year in Raahe, Polvijärvi, Lapväärtti, Teuva and Eurajoki. At the end of the year, there were a total of 209 D-automats. The D-card for commercial traffic can also be used in Teboil's service station network, amounting to more than 400 refuelling points.

The company continued the traditional quality policy for its D-automats in which it supplies special summer quality diesel in place of normal summer quality as well as winter quality during the coldest winter months. Since the majority of commercial traffic in winter is able to use the special summer quality, the policy has resulted in providing commercial traffic with cost savings.

Teboil preserved its strong second place in the commercial traffic customer segment. The total consumption of diesel oil rose by 3.3 per cent, which amounted to 2.5 million m³. The company's diesel sales grew by 3.4 %, totaling 650 000 m³. The market share came to 26.5 percent, which was the same as the preceding year.

Teboil increases its share of heavy fuel oil and marine fuel sales

Sales of heavy fuel oil are strongly dependent on the weather. Heavy fuel oil is often used as a backup source of power for forms of energy production. The high price of electricity increased the demand for heavy fuel oil because greater quantities of heavy fuel oil were used to produce electricity. The sales also increased due to the forest industry's capacity utilisation rate, which was good when compared with the preceding year.

More than 95 per cent of the heavy fuel oil supplied to Teboil's Finnish customers is low sulphur, environmentally

friendly heavy fuel oil. The combustion catalyst added to the product also significantly reduces particle emissions.

Teboil's heavy fuel oil sales grew by 11.9 per cent, or 440 000 tons, compared with 2005; domestic sales of the product rose by 3.4 per cent and total sales of all companies in Finland came to slightly less than 1.1 million tons. The company's market share rose by 3.2 percentage points and stood at 41.4 per cent at year-end.

The sales of marine fuels increased in Finland by around 9 per cent when compared with the preceding year. The maximum sulphur limit in marine fuels used by shipping in the Baltic Sea was lowered to 1.5 percentage of weight on 19 May 2006. As a result, the market underwent redistribution: the price level in Central European countries lost its relative competitive edge when compared to Finland. Moreover, with the introduction of the Directive limiting product sulphur concentration to 1.5 per cent,

there was a shortage of the product on the market.

Teboil's products have corresponded to customer expectations, and the company's investments in equipment, the product range facilitated by those investments and the company's

extensive network of depots have given Teboil a competitive edge. At the beginning of the year, the company made several new bunker oil agreements with the major Finnish shipping companies. Teboil's sales grew two-and-a-half times and the market share at the end of the year came to 19.6 per cent.

The company's agreements with the shipping companies are long term and allow for changes in the future. As from autumn 2007, the ARA area (Amsterdam-Rotterdam-Antwerp) and the North Sea will also be included in the low sulphur concentration area for heavy fuel oil, which will increase the demand for products with a sulphur concentration of 1.5 percentage of weight.

Slight decline in petrol sales

The weighted retail prices for monthly sales of traffic fuels were higher than in 2005. According to statistics maintained by the Finnish Oil and Gas Federation, the average price for 95-octane petrol was 129.2 c/l in 2006 and 121.6 c/l in 2005. The corresponding prices for diesel oil were 102.2 c/l and 97.0 c/l. The cost of petrol reached its peak in July, when the average service station price for

In 2006, Teboil included the AdBlue® into its product range.

95-octane petrol was 138.5 c/l. The price was at its lowest in December, at 121.4 c/l. The reason for the high retail prices was the high price for oil products on the world market.

Domestic sales of engine fuel fell as in the preceding year, when sales dropped by 0.7 per cent. The major factors behind this were improved vehicle technology, due to which new vehicles consume less petrol, and the high price for petrol, which reduced consumer use of their vehicles. Ever increasing numbers of passenger car buyers chose a diesel vehicle. Last year, the proportion of diesel vehicles registered for the first time came to 20.3 per cent, and this trend is seen in petrol consumption.

The decline in petrol sales and the growth in the number of business sites gave rise to extremely tough competition in the service station market, which continued throughout the year. At many locations, the retail petrol price was below that of the procurement price for long periods of time. The price war weakened the profitability of service station operations.

The animated discussion on traffic emissions and bio-fuels continued. Of the traffic fuels sold for consumption, 2 per cent will consist of biofuel in 2008, 4 per cent will consist of biofuel in 2009 and 5.75 per cent will consist of biofuel in 2010.

Finnish service station market undergoing change

There were 2013 different types of service station in Finland at year-end, which were 12 stations more than in the preceding year. The number of automat stations rose by 45, making a total of 943 year-end.

The second half of the year was coloured by rearrangements on the Finnish oil market. In December, oy Esso ab announced the sale of its entire shares outstanding to SOK and the follow up transaction between SOK and ST1 Holding Oy. This transaction will result in the Esso chain disappearing from the Finnish market.

Lukoil, which owns Teboil, announced on 18 December 2006 that it had concluded a transaction to acquire 376 Jet service stations in seven different European countries from ConocoPhillips. In Finland, the transaction affects 49 Jet automat stations that will be added to the Teboil chain during 2007. In practice, this transaction reinforces Teboil's market position especially in the Greater Helsinki area.



Teboil service station chain operated out of 309 business locations, of which 117 were automat stations.

The Teboil service station network underwent many changes during 2006. Old business premises were closed or changed over to automat stations. Along with rebuilding and developing the basic network, the key point of investment was constructing automat stations. Five new automat stations were opened in various parts of Finland and some of them operate in conjunction with D-automats for commercial traffic. At the end of the year, the Teboil service station chain operated out of 309 business locations, of which 117 were automat stations.

In order to improve safety and take measures to prevent environmental damage, the company continued its comprehensive safety programme throughout the entire oil product delivery chain and gave its staff the necessary training. Soil remediation measures were taken in cooperation with the authorities in conjunction with the investments made into service stations.

Suomen Tähtihovit Oy, a member of the Teboil Group, operates seven business sites and the company began construction of service stations along the major traffic routes in Hyvinkää and Ilmajoki in 2006. Other service stations are operated by Teboil dealers.



The improvement of service station operations continued with the revamping of business premises based on the Teboil concept of service for vehicles and people.

Teboil continues improving its servicing concept

The basic idea is to differentiate from other service station chains by offering more services for vehicles. The emphasis on developing car service operations was taken a stage further by arranging Service Centre staff training oriented towards a qualification for car mechanics and by improving car wash services. The quality of service and automat stations was coordinated using an external assessment system.

Teboil's regular customer programme constitutes the basic framework for marketing its service stations. Regular customers receive a discount for traffic fuel and heating oil as well as benefits for other products and services available at a service station. The main media for marketing to regular customers was Etuvilkku, a direct advertising publication that was mailed to customers five times during the year.

Membership card cooperation with trade unions and other interest groups was purposefully continued, which had a positive impact on the increase in service station customer volumes. The service Station Unit implemented a monthly marketing programme at business outlets that specified the measures to be taken for different product and service groups. The main media used in the campaigns were TV, radio and newspaper and business location advertising.

Petrol sales rose at the beginning of the 2000's but started to fall during 2005 and the trend continued last year. Sales of petrol in Finland amounted to almost 2.5 million m³, which was 0.7 per cent less than the preceding year. However, Teboil's petrol sales rose by 1.5 per cent, amounting to approximately 380 000 m³. The market share increased by 0.4 percentage points to 15.4 per cent.

Price rise for raw materials affects the lubricants market

The lubricant market was shaken by the tremendous price increases in the raw materials used in the products, which continued the trend that started in the preceding year. The hurricane damage to basic oil refineries in the Gulf of Mexico in 2005 continued to affect the availability and price trend of basic oil qualities in 2006. At the same time, there was noticeable growth on the world market in the demand for specific synthetic oils that generated difficulties in the availability of qualities.

Fierce competition continued on domestic market, which was further amplified by the price rises for raw materials. The Finnish lubricants market has been undergoing a constant 2–3 per cent decline for several years but in 2006, the market exceptionally remained on a par with the preceding year. Close on 80,000 tons of lubricants were sold. Teboil's domestic sales dropped slightly to around 18,000 tons. The company was the second largest lubricant supplier on the market with a 22.4 per cent market share.

Demand for engine oils fell 3 per cent when compared with the preceding year, which was the result of increasingly longer intervals between oil changes. Over the past 10 years, the average interval between oil changes has lengthened by almost 50 per cent longer. The change has been significant, particularly with respect to heavy vehicles.

Demand for industrial oils grew 2.7 per cent in comparison with the preceding year, which was largely due to the paper industry stoppage in 2005. As a result, there was a noticeable decline in the market for industrial oils. Due to the price trend, the sale of basic oils to the chemical

industry, for instance, fell when the industry transferred its procurements to other raw materials. However, sales to other industries rose as a result of intensified sales measures.

The export of lubricants primarily focused on Russia and the Baltic countries. Teboil's exports did well despite toughening competition on the Russian market. The positive export sales trend that has been underway for several years continued throughout 2006 and several new customers came on board. The export share of the company's lubricant sales rose to exceed 40 per cent of total sales.

Teboil Diamond does well in engine oil comparisons

The primary objective of the lubricant product policy is to maintain a high-quality product range that fulfils market needs. Product properties take into account the special demands set by the Northern climate. One indication of the high quality of Teboil's products is the excellent reception given to Teboil Diamond in a comparison of engine oils carried out by Tekniikan Maailma magazine in autumn 2006.

During 2006, Teboil introduces several new or renewed lubricants onto the market. Development has been extremely fast particularly with respect to engine oils, which is due to longer oil change intervals and tightening limitations on vehicle emissions. Teboil brought on to the market such things as the new Diamond Carat engine oils that are intended for the latest passenger car engines that are in accordance with the Euro 4 emission limitations for certain makes of vehicle.

Teboil also introduced onto the market new or renewed products for heavy vehicles. Super HPD, Teboil's traditional engine oil series for heavy vehicles, was updated to correspond to the new Euro 4 emissions limitations, and the new Super XLD L-SAPS is intended for Euro 4 vehicles fitted with particle filters.

The future opens up simultaneously challenges and opportunities for the lubricants business. The greatest challenges relate to maintaining the product range needed by the market because the demand for new products will grow in line with the requirements set by engine and equipment manufacturers.

The close proximity of Russia and the growing need generated by the market trend for higher quality lubricants will create a superb opportunity to increase sales.

Popularity of LPG on the rise

In 2006, the liquid gas market in Finland grew by 5.1 percent and totalled 294 000 tons. Teboil's liquid gas sales amounted to more than 34 000 tons. The company's sales increased at a clearly higher rate than the national trend, by 14.8 per cent. The market share rose one percentage point to 11.6 per cent.

Suomen Petrooli, which imported from Russia a total of 35 300 tons of LP gas, propane and butane during 2006, is responsible for importing the LPG sold by the company. The imports were by rail, direct either to customers or to Onttola LP gas depot in Joensuu.

Deliveries of LPG to industry grew considerably during 2006 and the company gained many new customers from the foodstuffs, construction and metal industries. Teboil also supplied LPG to heat various special locations such as paintshops and industrial halls.

Several factors affected the acquisition of new customers. They seem to particularly value the total supplies of LP gas consumption installations, which include tanks, pipe systems, burners, planning and licensing. It was also possible to satisfactorily resolve for customers the issues related to the more stringent requirements for explosion and protection plans.

The company continued the product development of steamer and container packets designed for industry. The sale and rental to customers of the mass-produced small tanks imported from Germany increased to levels beyond expectations. These competitive products helped the company to obtain a record number of new container gas



During 2006, Teboil introduces several new or renewed lubricants onto the market.

customers. Cooperative partners skilled in their professions, successful solutions to equipment, and correctly planned marketing and sales made it easier for customers to choose LPG as their fuel.

Sales of bottled liquid gas to households exceeded all expectations, and the sale of composite bottles, which became especially popular last year, continued to grow.

Import and logistics

Suomen Petrooli, a subsidiary of Teboil, is responsible for the procurement and logistics of the oil products marketed and sold by the company. Altogether, Suomen Petrooli procured about 2.1 million tons of oil products that it purchased both on the international market as well as from domestic refineries. One fundamental requirement for the procurements is to guarantee a high standard of quality and advantageous procurement price that corresponds to the Finnish market.

Imports were primarily via sea in the ice-reinforced vessels of the contracting shipping companies, thus ensuring uninterrupted supply throughout the year even in difficult conditions.

The liquid fuel network consisted of six coastal depots (Oulu, Pietarsaari, Vaasa, Pori, Turku and Hamina) and two inland depots (Kuopio and Joensuu). In addition to our own storage network, the company used cooperating oil depots as required. The entire network handled a total of 1.9 million tons of oil products

The largest warehousing investment focused on expanding the loading capacity at the Turku fuel depot.

Oil products were transported to customers the company's and contracted tankers. Approximately 1.8 million tons of fuel was transported, of which 17 per cent was transported by the company's own tankers.

Emphasis on personnel development and recreational activities

At the end of the year, the number of permanent personnel in the companies came to 358, which was the same as the preceding year: 203 people were employed by Teboil and 155 people were employed by Suomen Petrooli. The employees' years of experience indicate their job

satisfaction; 67 per cent of personnel have been in the employ of the company for more than 10 years.

The constant development of personnel competence was emphasised through a systematic training programme. In 2006, the long-term professional training for clerical personnel at the organisational level reached conclusion and thirteen employees qualified with a Diploma in Business Administration on 31 December 2006.

Training for a professional qualification in sales got underway in autumn 2006 with participants from the Lubricants and LPG Units employed in commercial duties. A two-year apprenticeship training programme for a certificate in vocational skills is being carried out in cooperation

with the Apprenticeship Office at the City of Helsinki Education Department.

The company responded to the need for personal training as mapped out during the appraisal discussions by arranging individual courses for the various areas of expertise.

Occupational motivation was maintained by placing wide-ranging effort into well being and job satisfaction. The company provides its personnel with a high standard of staff canteen meals and healthcare along with plenty of opportunity for hobbies and recreational activities.

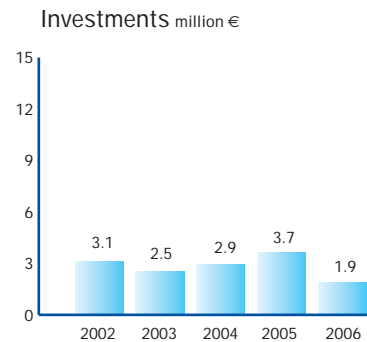
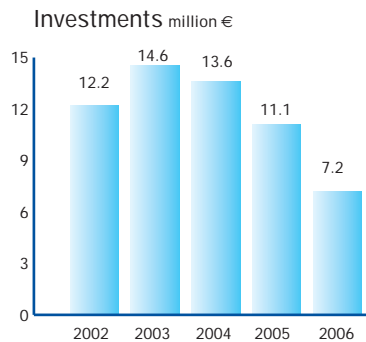
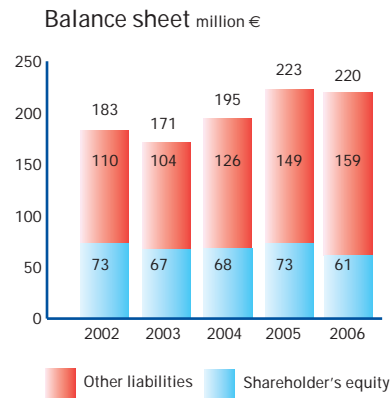
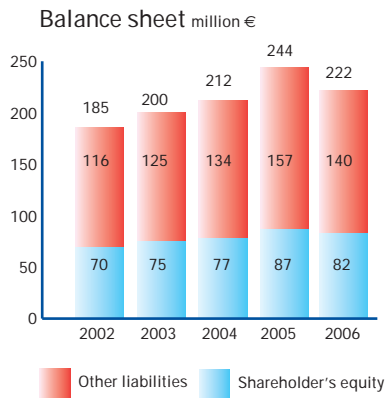
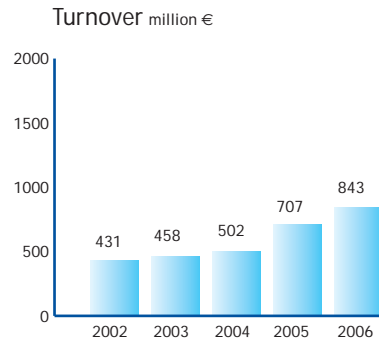
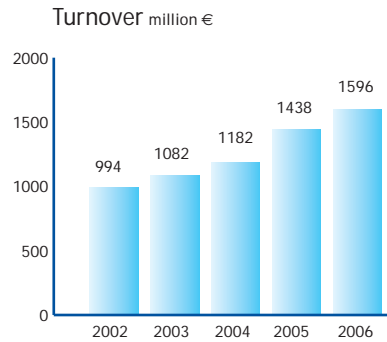
The Tebo Club and its various sections organises cultural and sports activities for personnel and in 2006, it arranged several recreational events and theatrical performances. Employees battle for the company championship in bowling, ice fishing and golf. The company supports personal physical exercise through providing flexible physical exercise vouchers and the opportunity for ball games. Besides the activities organised by the Tebo Club, the company celebrations in honour of Oil Workers' day as well as the traditional company Christmas party. Personnel actively used the company's holiday share at the Sport Institute of Finland in Vierumäki throughout the year.

The employees' years of experience indicate their job satisfaction.

Summary of Financial Statements

Oy Teboil Ab

Suomen Petrooli Oy Finska Petroleum Ab



Oy Teboil Ab

THE PROFIT AND LOSS ACCOUNT (1 000 €)

01.01.–31.12	2006	2005
Net turnover	1 596 295	1 437 603
Other operating income	103	121
Raw materials and services		
Purchases during the financial year	-1 503 474	-1 342 444
Variation in stocks	844	825
External services	-37 722	-35 754
	-1 540 352	-1 377 373
Staff expenses		
Wages and salaries	-10 012	-9 957
Pension expenses	-1 680	-1 626
Other social security expenses	-2 094	-1 948
	-13 786	-13 532
Depreciation		
Depreciation according to plan	-9 845	-9 973
Other operating charges	-24 367	-22 527
OPERATING PROFIT	8 048	14 318
Financial income and expenses	-2 464	-1 468
PROFIT BEFORE EXTRAORDINARY ITEMS	5 584	12 850
EXTRAORDINARY ITEMS		
Extraordinary charges	-7 092	0
RESULT BEFORE APPROPRIATIONS AND TAXES	-1 508	12 850
Appropriations		
Change in depreciation reserve	1 630	-935
Income taxes	-120	-3 124
PROFIT FOR THE FINANCIAL YEAR	2	8 792

Suomen Petrooli Oy – Finska Petroleum Ab

THE PROFIT AND LOSS ACCOUNT (1 000 €)

01.01.–31.12.	2006	2005
Net turnover	843 469	706 698
Other operating income	3 381	9 326
Raw materials and services		
Purchases during the financial year	-855 575	-700 182
Variation in stocks	14 340	8 636
	-841 235	-691 545
Staff expenses		
Wages and salaries	-6 419	-6 373
Pension expenses	-962	-1 029
Other social security expenses	-1 031	-930
	-8 412	-8 332
Depreciation		
Depreciation according to plan	-3 492	-3 455
Other operating charges	-5 917	-7 033
OPERATING PROFIT/LOSS	-12 205	5 659
Financial income and expenses	2 151	1 280
RESULT BEFORE APPROPRIATIONS AND TAXES	-10 055	6 939
Appropriations		
Change in depreciation reserve	3 265	728
Income taxes	0	-2 002
RESULT FOR THE FINANCIAL YEAR	-6 789	5 665

Oy Teboil Ab

BALANCE SHEET 31.12. (1 000 €)

ASSETS	2006	2005
NON-CURRENT ASSETS		
Intangible assets		
Intangible assets	2 297	2 996
Other capitalised long-term expenses	5 129	6 095
	7 425	9 091
Tangible assetst		
Land and waters	5 789	5 387
Buildings	25 178	27 158
Machinery and equipment	21 931	21 895
Other tangible assets	2 015	1 697
Advance payments and construction in progress	175	444
	55 088	56 581
Investments		
Shares and participations	5 499	5 500
CURRENT ASSETS		
Stocks		
Raw materials and consumables	17 137	16 293
Debtors		
Trade debtors	125 111	144 655
Loan receivables	370	488
Other debtors	7 221	731
Prepayments and accrued income	2 316	851
	135 019	146 725
Cash in hand and at banks	1 876	9 868
TOTAL	222 044	244 059
LIABILITIES		
CAPITAL AND RESERVES		
Subscribed capital	4 370	4 370
Share premium account	3	3
Retained earnings	63 844	58 170
Profit for the financial year	2	8 792
	68 219	71 335
APPROPRIATIONS		
Depreciation reserve	13 678	15 308
PROVISIONS		
Other provisions	300	300
CREDITORS, LONG-TERM		
Loans from credit institutions	0	1 529
CREDITORS, SHORT-TERM		
Loans from credit institutions	0	1 529
Advances received	1 526	1 398
Trade creditors	127 300	149 548
Other creditors	315	333
Accruals and deferred income	10 706	2 779
	139 847	155 587
TOTAL	222 044	244 059

Suomen Petrooli Oy – Finska Petroleum Ab

BALANCE SHEET 31.12. (1 000 €)

ASSETS	2006	2005
NON-CURRENT ASSETS		
Intangible assets		
Intangible assets	110	50
Other capitalised long-term expenses	600	697
	710	747
Tangible assets		
Land and waters	1 094	1 094
Buildings	15 269	15 327
Machinery and equipment	7 388	8 823
Other tangible assets	1 269	1 403
Advance payments and construction in progress	28	0
	25 047	26 647
Investments		
Shares and participations	1 333	1 335
CURRENT ASSETS		
Stocks		
Raw materials and consumables	76 505	62 165
Debtors		
Trade debtors	108 899	124 251
Other debtors	2 733	2 855
Prepayments and accrued income	4 616	4 429
	116 248	131 535
Cash in hand and at banks	10	140
TOTAL	219 853	222 569
LIABILITIES		
CAPITAL AND RESERVES		
Subscribed capital	4 877	4 877
Retained earnings	52 957	49 294
Profit for the financial year	-6 789	5 665
	51 045	59 836
APPROPRIATIONS		
Depreciation reserve	9 904	13 170
PROVISIONS		
Other provisions	380	380
CREDITORS, SHORT-TERM		
Loans from credit institutions	59 083	30 225
Trade creditors	20 744	38 100
Other creditors	77 785	79 638
Accruals and deferred income	912	1 221
	158 523	149 184
TOTAL	219 853	222 569

Directors

Boris Diyachenko	General Director, until 9.4.2006
Nazim Suleymanov	General Director, from 10.4.2006
Alexander Malanin	First Deputy General Director, from 1.2.2006

Pekka Arte	Economic Director, until 1.5.2006
Jari Mäkinen	Economic Director, from 2.5.2006
Matti Hämäläinen	General Counsel
Timo Linsiö	Personnel Director
Kim Tuomolin	Operations Director

Ossi Anttila	Director, LPG Unit
Heikki Lenkkeri	Director, Service Station Unit
Jukka Luotonen	Director, Lubricants Unit
Martti Suikkanen	Director, Direct Sales Unit

Department Managers

Emanuil Drakos	Import
Kari-Pekka Manni	Logistics
Seppo Niskanen	Financing and bookkeeping
Margarita Stolbow	Secretariat, Translation Services
Krister Tamminen	IT
Leila Timgren	Communication and Public Relations
Yury Tyurin	Export, lubricants

Contact Information

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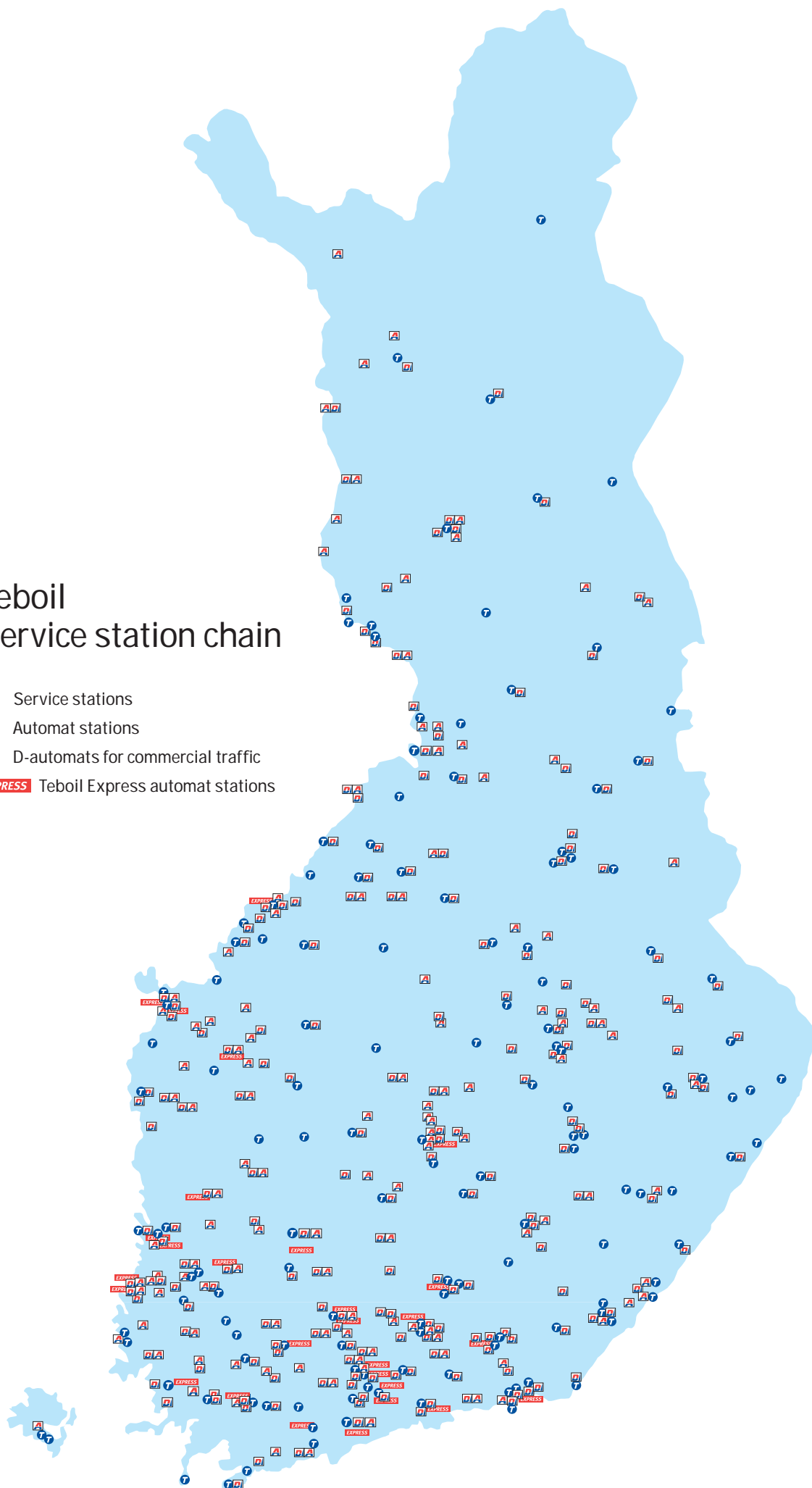
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-  Automat stations
-  D-automats for commercial traffic
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