

# ANNUAL REPORT 2014

EXCELLENCE IN ENGINEERING

**NESTEJACOBS**

[www.nestejacobs.com](http://www.nestejacobs.com)

# Neste Jacobs

## In brief

Neste Jacobs is a preferred solution provider of high-quality technology, engineering and project services for a wide range of industries in the fields of oil and gas, petrochemicals, chemicals, biorefining, biochemicals, biopharma and industrial infrastructure. We have 60 years of experience in technology development and industrial investment projects as well as maintenance and performance improvement in Europe, North and South America, Asia and the Middle East. In addition to our home market Nordic countries we are looking to grow in the global expanding markets. We employ 1300 professionals globally.

## Mission

Excellence in Engineering

## Vision

Preferred solution provider for hydrocarbon and bio-industries

## Values

Responsibility  
Innovation  
Cooperation  
Excellence



Part of our Porvoo office personnel

# “Success is a journey”

Jarmo Suominen  
CEO

**T**he past 5 years in Neste Jacobs have been a period of change and restructuring to fulfill our mission - EXCELLENCE IN ENGINEERING - and heading towards our vision to become - THE PREFERRED SOLUTION PROVIDER FOR HYDROCARBON AND BIO-INDUSTRIES.

A lot of foundation work has been done in previous years under the umbrella of our MASTER ACTION PLAN - MAP. This includes but is not limited to complete restructuring of our business model and organization and rebuilding the Sales, Delivery and Business Enabling functions (HSEQ, Finance and HR).

At the end of 2014, we moved from a functional matrix model and organization to a process-driven business model and organized ourselves accordingly. The new business model and organization gives clearer responsibilities and authorities to our operations and is aiming to enable implementation of our very clear Growth Strategy - DOUBLING THE COMPANY.

The year 2014 marked a good year for us and we achieved or exceeded most of our set targets with significant top line growth rate (40%), improved profitability and stepping up to complete a new level of through-put. This means that we are clearly ON THE RIGHT TRACK and have so far achieved our set targets at a high level. This is remarkable considering the prevailing challenging market situation in Northern Europe.

We have introduced several new KPI's to measure and allow us to impact our operations at an early phase. TRIF (Total Recordable Incident Frequency / million

workhours) is used to measure Safety performance. We launched a new unique KPI to enhance Company values, namely TRQF (Total Recordable Quality Incident Frequency / million workhours) and developed a new KPI for Innovation namely TRSF (Total Recordable Successful Innovation Frequency / million workhours). All these and other KPI's are established and measured in order to further improve our performance.

In 2014, we continued to become a more INTERNATIONAL COMPANY. Our home market is the Nordic Region (Scandinavia and Finland) and we continued our growth in these markets. We also made a clear breakthrough in the Middle East, where we operate from our base in Abu Dhabi. Our LocalRemote concept continued in Nynashamn (Sweden), Rotterdam (The Netherlands) and Singapore. In all of these locations we have by now established ourselves to stay and grow. We implemented projects in many countries, on most continents and we employ almost 20 DIFFERENT NATIONALITIES.

HEALTH, SAFETY AND ENVIRONMENT ARE PRESENT IN EVERYTHING WE DO - Our operations are based on a strong approach towards these factors, which always remain as our first priorities. The work towards better Safety, Healthy and Sustainable Environmental solutions will be everlasting.

RESPONSIBILITY, INNOVATION, COOPERATION, and EXCELLENCE are our values and we continued to work successfully on those foundations. We accept our role in living up to these values and demonstrate it in our day-to-day operations.



## “Systematic work is bearing fruit”

Risto Takkala  
CFO

**N**este Jacobs has been implementing extensive development programs in this decade to improve internal processes and to build differentiators to become the preferred solution provider for the selected market segments. Altogether, in 2011-2014, the company has invested 63 000 hours to improving the key capabilities to deliver innovative solutions for the demanding challenges of our customers. The total value of the services delivered in 2011-2014 has been about EUR 400 million, with an average annual growth rate of 15%. During the same period, the cost efficiency of the company has improved by about 10%.

The year 2014 was the most successful for us so far in this decade. The value of the services delivered to our customers grew by 38% to EUR 126 million, which is an all-time-high in Neste Jacobs history. Also, the new orders in-take was the highest in this decade. The amount of billed hours grew by 44% to 1,7 million and

the billing rate was a record high. The year 2014 was also a breakthrough in international markets as the total revenue generated by the offices in Abu Dhabi, Gothenburg, Singapore and Rotterdam grew to EUR 10 million.

The financial position of the company has improved steadily. Equity at the end of 2014 was EUR 46 million, and the company is net debt free. Owners' backing for the business operations and strategy implementation is strong. Neste Oil, oil refining and marketing company owns 60% and Jacobs Engineering, technical professional services company owns 40% of the shares. Neste Jacobs is in good shape and well positioned to serve an even wider range of customers.

Systematic development work has started to bring results for the joint success with our customers. We will also continue the work intensively in 2015.



## “Excellence is in competent people”

Miia Lehmuskoski  
VP, HR

### Wide range of professionals

We are process engineers, layout & piping professionals, technology experts, project managers, procurement specialists, construction managers and so many others – altogether 200 different Neste Jacobs roles, ready to provide solutions for our customers. In the year 2014, we continued our growth by recruiting more than 150 new Neste Jacobs professionals to our global locations and projects. Together with our network of partners, we form a pool of 1300 highly skilled and ambitious team players.

### Growing competences

Engineering – our field of expertise – is very much a competence and work-experience-based business. In the year 2014, we invested altogether EUR 1.4 million to further develop, educate and coach our staff. We implemented training programs for our managers to boost leadership skill development and carried out numerous activities to improve the technical skills of our staff. Learning at work is an essential aspect in competence development. In 2014, an excellent level of job rotation was achieved: 125 people were appointed to new positions within Neste Jacobs (15 % of our staff).

## NJ ACADEMY

Managing and developing the competences of our people is our key target. In order to turn our strategy into competences we developed and implemented a Neste Jacobs-wide competence development and knowledge sharing platform called NJ Academy.

### Best Summer Trainee Employer of the year 2014 in Finland

Neste Jacobs was awarded the Best Summer Trainee Employer of the year 2014 in Finland. The winner was selected by a jury consisting of students of Akava and chaired by the Minister of Labor, Mr. Lauri Ihalainen. In the selection the jury emphasized the equal treatment of the summer trainees. In the jury argumentation Neste Jacobs stood out in respecting the young employees. The summer trainees earned a reasonable salary, and their well-being at work was taken care of throughout the whole employment.



## “Taking responsibility results in sustainable solutions”

Kirsi Rintamäki  
VP, HSEQ

**R**esponsibility is one of the four values of Neste Jacobs and a fundamental cornerstone of our operation. To us, responsibility means that we care for the well-being of our people, the surrounding community and nature, and we live up to our commitments. Therefore, safety is present in everything we do. Responsibility means especially safe technologies and sustainable technical solutions in engineering, safe practices and procedures during the construction phase, and in the end a safe and reliable plant for a customer to operate.

During the year 2014, we have collaborated in many ways with our customers and other parties involved, and joined workshops and seminars in order to enhance and provide a safe workplace for everyone. We have achieved good results in safety during the years, and with everyone's contribution we can strive for excellence.

### Management systems are tools for operation enhancement

In February 2014, we had an important breakthrough in quality and safety management systems. The ISO 9001 quality certification was reconfirmed and expanded to cover all NJ locations. The quality certificate is an indication of customer-oriented work processes in accordance with the requirements and continuous improvement of operational mode. The piping manufacturing certificate, according to the Pressure Equipment Directive in combination with ISO 9001,

was also reconfirmed. In addition to those, we applied for the occupational health and safety assessment according to OHSAS 18001 requirements to cover all our operations, which confirmed our determined safety work, already in place for many years.

Extensive internal audits and external third party audits were arranged in November and December 2014 in all NJ offices concerning the above-mentioned certificates, and especially focused on our operations in Gothenburg and Abu Dhabi. The audits were a great effort from the whole organization; a big group of people took part in the preparation and implementation.

### Continuous performance improvement

More than one hundred client surveys have given us, in 2014, the possibility to hear the customer's voice. Getting feedback and learning from this is essential in order to achieve world-class performance and excellent safety and quality. The new process model now gives us the opportunity to further improve our performance in a more efficient way, prevent interruptions and add value by optimizing the work processes.

Neste Jacobs will continue to constantly strive for the highest quality of our delivery according to our customer's requirements and expectations which will provide a direct advantage in a competitive engineering business.



# “Strategy calls for top line growth”

Heikki Pikkarainen  
SVP, Sales

## Strong performance in 2014

We have set a target to double the company and grow the top line by at least 10% annually. During the last four years, our top line has grown annually by 17%, and in 2014 our top line growth was 40%. This is excellent evidence of the fact that our services enjoy strong demand in the market place especially considering the challenging operating environment, where many of our competitors have suffered badly. We have an excellent platform for further success with our offices in Finland, Sweden and Abu Dhabi, in addition to which we have growing operations also in the Netherlands and Singapore.

## Focusing growth on hydrocarbon and bio-industries

Our top line growth is focused on serving clients in or related to the hydrocarbon and bio-industries, both of which are evolving rapidly in many parts of the world. We help our clients to develop new opportunities, build new production plants and achieve operational excellence at their current facilities.

The deep understanding of our experts of production processes and technologies is a clear competitive advantage for us. Over the decades we have

developed our competences by working closely with our industrial clients in many kinds of investment projects ranging from some hundreds of thousands of euros to the billion euro level.

## NAPCON Products and Technology Co-development as growth drivers

We see big potential for our NAPCON performance improvement products, which have been developed over several decades for demanding applications in the hydrocarbon industries and now taken into use e.g. in the food industry. Highly advanced NAPCON products yield tangible benefits for our clients and provide quick payback from the investments.

Technology Co-development has caught increasing attention as companies want to tap new business opportunities and gain competitive advantage through innovation. We have numerous examples where we have developed new production processes together with our clients. In addition, we have a portfolio of technologies that we license to our clients.



## “Towards world class performance in project delivery”

Ilkka Poranen  
SVP, Delivery

In terms of delivered sales, the year 2014 was the strongest ever in the history of the company. In addition to successful sales activity, we were able to fine-tune and optimize our way of working in delivering projects. That enabled us to take on more projects to be delivered.

### Expanding customer base in new markets

Neste Jacobs was able to expand its customer base in selected market areas. For Delivery it has meant projects in The Middle East, Mainland Europe, Singapore, China and Scandinavia. Traditionally, Finland has always been a strong home market. We were also able to win new projects in new market segments in 2014 (e.g. LNG). Neste Jacobs' role in e.g. Neste Oil's investment program and in mega turnaround 2015 at the Porvoo Refinery is evidence that we are a trusted partner in demanding, time constrained project execution.

In the year 2014, we were awarded strategically important projects from e.g. Borealis Group in Finland and Sweden in petrochemicals business.

In the Netherlands, Neste Jacobs acts as the EPCM contractor for e.g. Indorama Holdings B.V. in the

expansion project of PTA business. In China, we were awarded a Plasma Fractionation Project, and in Singapore we successfully delivered a turnaround project of Renewable Diesel Refinery.

### Better efficiency through process-based structure

As of November 1, Neste Jacobs changed its business structure into a process-based model. For delivery process, the change meant that all delivery-related resources, including our regional offices, were collected together. With this change, we are looking for more streamlined, more improved efficiency in our delivery operations for the benefit of our wide customer base.

“Deliver as sold” is our key driver and priority, not forgetting high safety and quality in our operations.

We are well on our way and proving the ultimate target “World Class Performance in Project Delivery”, and I believe that we can achieve and maintain this when we work hard and together with all parties involved.





# Highlights 2014

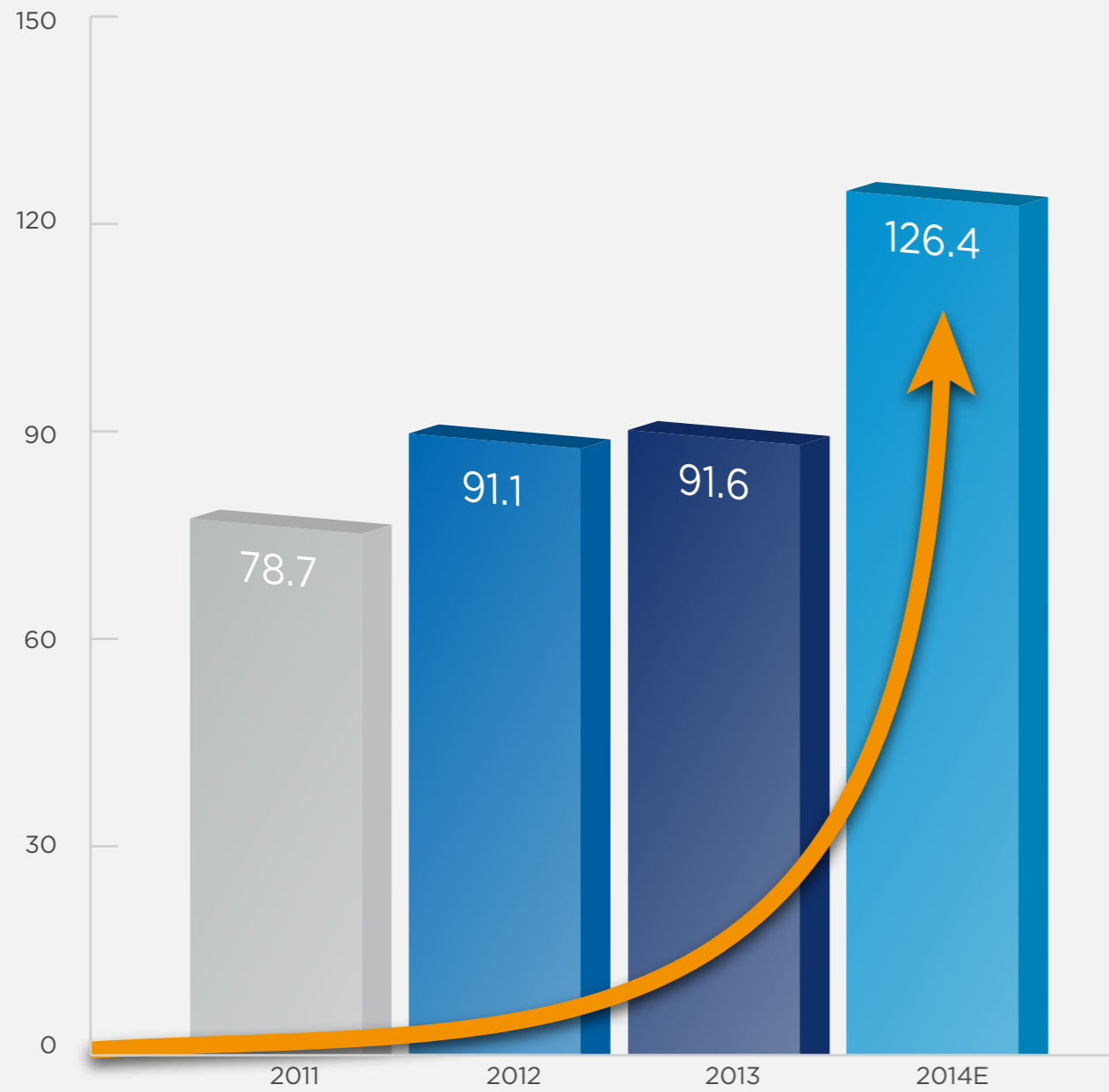
- January** Neste Jacobs to study the establishment of Arctic Environmental Protection Centre in Finland.
- February** Neste Jacobs delivers a new Emissions Recovery System to Petroleum Refinery in Porvoo, Finland.
- March** Neste Jacobs improves the involvement of Quality, Occupational Health and Safety by renewing ISO 9001 and Obtaining OHSAS 18001 certifications making its commitment to safety and quality.
- April** Neste Jacobs Middle East Region (Abu Dhabi, UAE) Operations and Scandinavian (Gothenburg, Sweden) Operations receive multiple orders from Hydrocarbon industry customers.
- May** Neste Jacobs to deliver conceptual and basic design for Asia's largest planned Blood Plasma Fractionation Plant in China.
- June** Neste Jacobs achieves recognition as top Level-1 in the World's Forefront of Safety.
- July** Neste Jacobs files record-high performance for first half of 2014, including record-high through-put.
- August** Neste Jacobs strengthens its management in all Regional Operations due to strong growth in all locations.
- September** Neste Jacobs selected to implement LNG Terminal in Pori, Finland. Neste Jacobs to implement feedstock flexible cracker upgrade investment in Stenungsund, Sweden.
- October** Neste Jacobs awarded the Best Summer Trainee Employer in Finland. Neste Jacobs to implement new SDA Unit investment in Porvoo, Finland and Basic Engineering for Oil Refinery reconfiguration in Naantali, Finland. Neste Jacobs to implement Biopropane project in Rotterdam, the Netherlands. Neste Jacobs completes Refinery turnaround project in Singapore.
- November** Neste Jacobs renews its business model and organization. Neste Jacobs selected to implement Tall Oil Rosin Production Facility in Piteå, Sweden. Neste Jacobs to implement Norilsk Nickel LNG project in Harjavalta, Finland.
- December** Neste Jacobs to optimize Milk Powder Production in Dairy Plant by NAPCON Controller in Seinäjoki, Finland. Neste Jacobs expands and implements use of Intergraph solutions globally. Neste Jacobs files record-high performance for full year 2014 including record-high of new orders filed.



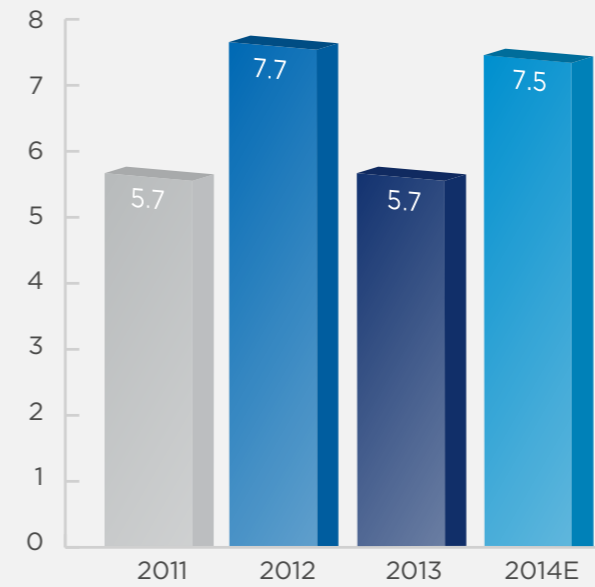
**Globally Local**

# Facts

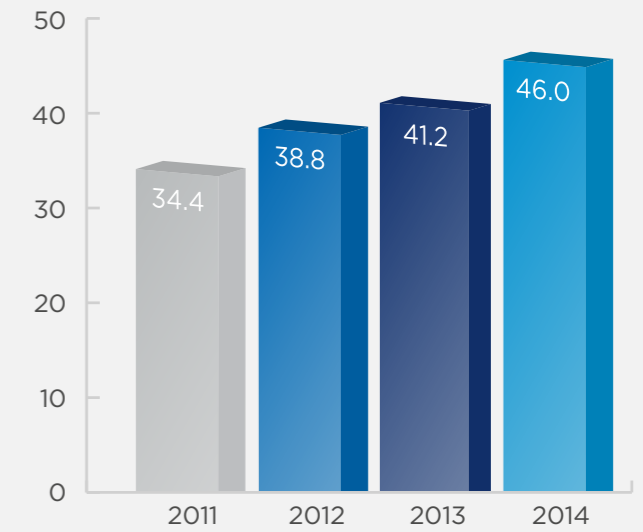
Net sales  
EUR million



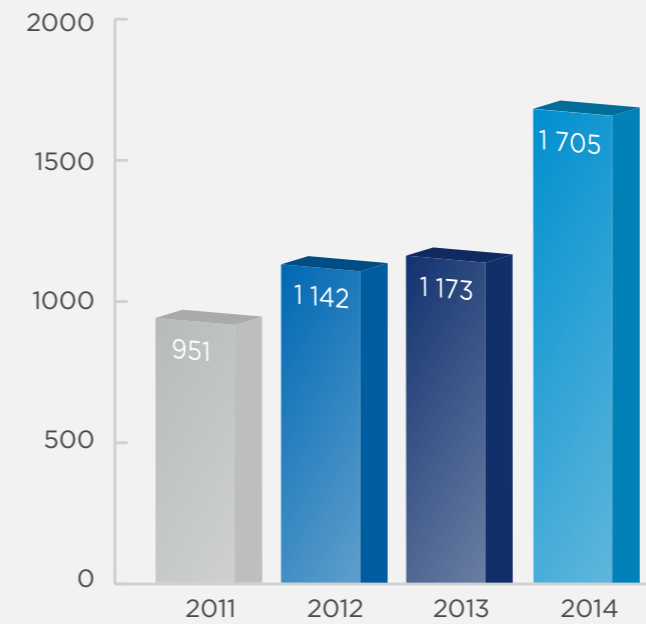
Operating profit  
EUR million



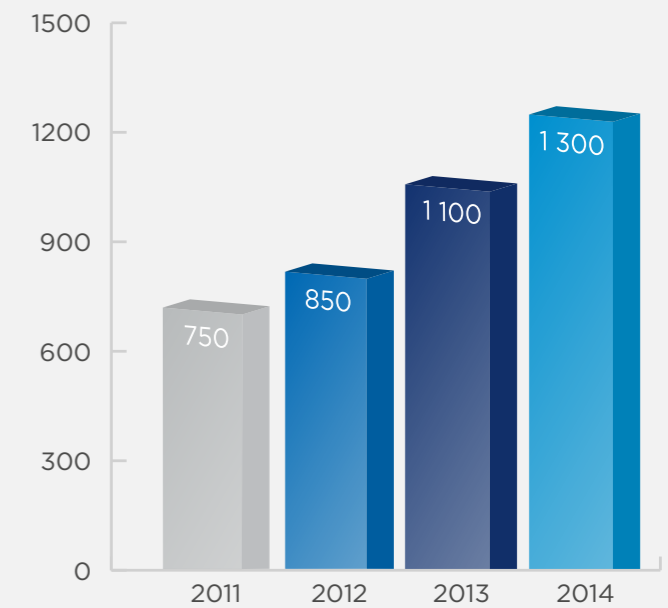
Shareholders equity  
EUR million



Through-put  
1000 hours



Personnel \*)



\*) including partners

Figures according to IFRS.



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EXCELLENCE IN ENGINEERING

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