

**Neste Oil Corporation –
Interim Report
for January-June 2012**



Neste Oil's Interim Report for January-June 2012

- Second-quarter comparable operating profit was EUR 38 million (Q2/2011: EUR 47 million) and was impacted by maintenance at both the Porvoo and Naantali refineries
- Renewable diesel sales volumes reached a record high, but were offset by low margins

Second quarter in brief:

- Comparable operating profit was EUR 38 million (Q2/2011: EUR 47 million)
- IFRS operating profit was EUR -117 million (Q2/2011: EUR 109 million)
- Total refining margin was USD 8.35/bbl (Q2/2011: USD 9.76/bbl)
- Net cash from operations was EUR 201 million (Q2/2011: EUR -126 million)
- Investments totaled EUR 112 million (Q2/2011: EUR 91 million)
- Leverage ratio was 50.3% (Q2/2011: 46.3%)

President & CEO Matti Lievonon:

“Refining margins were very strong during the second quarter supported by all main product groups. Planned and unplanned maintenance on diesel production line 4 at the Porvoo refinery, a major turnaround at Naantali, and lower levels of margin hedging compared to the second quarter market, all had a negative impact on our result, however. As a result, Oil Products’ comparable operating profit came in below that booked in the corresponding period last year.

As projected earlier, sales volumes at Renewable Fuels rose significantly during the second quarter and reached a new record of 464,000 tons of NExBTL renewable diesel sold, with all production units operating as planned. Renewable Fuels’ financial result was heavily impacted by the historically narrow spread between different vegetable oils and the seasonally low biodiesel producers’ margin, however, which resulted in a comparable operating loss of EUR 33 million for the business.

Uncertainties in the global economy have been reflected in the oil market and will continue to pose a risk for our business. The significant drop in crude oil price seen during the second quarter also contributed to our leverage ending marginally above our 25-50% target range. As the majority of our refinery maintenance work this year has now been completed, we expect good productivity and an improved result from Oil Products during the latter part of the year. Renewable Fuels’ result is also expected to improve towards the end of the year. During the second half of 2012, we will focus on improving cash flow, refinery productivity, and profitability at Renewable Fuels.”

News conference and conference call

A press conference in Finnish on the second-quarter results will be held today, 2 August 2012, at 11:30 a.m. EET at the company’s headquarters at Keilaranta 21, Espoo. www.nesteoil.com will feature English versions of the presentation materials. A conference call in English for investors and analysts will be held on 2 August 2012 at 3 p.m. Finland / 1 p.m. London / 8 a.m. New York. The call-in numbers are as follows: Europe: +44 (0) 20 3450 9987, US: +1 646 254 3365, using access code 9168047. The conference call can be followed at the company's [web site](#). An instant replay of the call will be available until 9 August 2012 at +358 (0) 9 2310 1650 for Finland at +44 (0) 20 3427 0598 for Europe and +1 347 366 9565 for the US, using access code 9168047#.



Neste Oil Financial Statements, 1 January - 30 June 2012

Quarterly figures are unaudited; full-year figures are audited.

Figures in parentheses refer to the corresponding period for 2011, unless otherwise stated.

As announced on 20 April, Neste Oil has updated the method used to calculate its comparable operating profit to provide a better reflection of operational performance in its Oil Products business, by switching from a monthly average pricing method to a daily-based pricing method when adjusting calculated inventory gains and losses. Comparative figures in the 2011 financial statements have been reclassified.

Key Figures

EUR million (unless otherwise noted)

	4-6/12	4-6/11	1-3/12	1-6/12	1-6/11	2011
Revenue	4,297	3,674	4,454	8,751	7,146	15,420
EBITDA	-34	185	271	237	429	588
Depreciation, amortization, and impairments	83	76	83	166	149	315
Operating profit	-117	109	188	71	280	273
Comparable operating profit *	38	47	76	114	90	178
Profit before income tax	-144	98	166	22	258	206
Net profit	-113	64	121	8	182	160
Comparable net profit **	5	16	34	39	35	86
Earnings per share, EUR	-0.44	0.25	0.47	0.03	0.71	0.62
Investments	112	91	48	160	211	364
Net cash from operating activities	201	-126	-353	-152	-68	197

	30 Jun 2012	30 Jun 2011	31 Dec 2011
Total equity	2,396	2,521	2,467
Interest-bearing net debt	2,428	2,176	2,080
Capital employed	4,946	4,838	4,850
Return on capital employed pre-tax (ROCE), %	2.7	12.2	5.9
Return on average capital employed after tax (ROACE)***, %	3.1	3.6	2.6
Return on equity (ROE), %	0.7	14.7	6.6
Equity per share, EUR	9.30	9.80	9.58
Cash flow per share, EUR	-0.59	-0.27	0.77
Equity-to-assets ratio, %	33.6	36.7	34.0
Leverage (net debt to capital), %	50.3	46.3	45.7
Gearing, %	101.3	86.3	84.3

* Comparable operating profit is calculated by excluding inventory gains/losses, capital gains/losses, and unrealized changes in the fair value of oil and freight derivative contracts from the reported operating profit. Inventory gains/losses include changes in the fair value of all trading inventories.

** Comparable net profit for the period is calculated by excluding inventory gains/losses, capital gains/losses, and unrealized changes in fair value of oil and freight derivative contracts, net of tax, less non-controlling interests. Comparable net profit is updated to correspond Neste Oil's updated method to calculate comparable operating profit. Comparative figures for 2011 have been reclassified to respond the updated calculation method. Comparable net profit for the year 2011 was EUR 68 million according to the old calculation method.

*** Rolling 12 months



The Group's second-quarter 2012 results

Neste Oil's revenue increased to EUR 4,297 million in the second quarter from 3,674 million during the same period in 2011. This increase resulted mainly from the growth of the Renewable Fuels business and higher oil prices. The Group's comparable operating profit came in at EUR 38 million. Comparable operating profit for the corresponding period in 2011 was EUR 47 million. Renewable Fuels recorded a lower comparable operating loss year-on-year, and Oil Retail's performance also improved. Oil Products' result was negatively impacted by planned and unplanned maintenance work on diesel production line 4 at the Porvoo refinery and a planned six-week maintenance turnaround at the Naantali refinery. Margin hedges limited Oil Products' potential to capture the full value of the market's high refining margins. The Others segment posted a lower result than in the second quarter of 2011.

Oil Products' second-quarter comparable operating profit was EUR 49 million (75 million), Renewable Fuels' EUR -33 million (-55 million), and Oil Retail's EUR 15 million (13 million). The comparable operating profit of the Others segment totaled EUR 1 million (8 million); associated companies and joint ventures accounted for EUR 5 million (13 million) of this figure.

The Group's IFRS operating profit was EUR -117 million (109 million), which was mainly impacted by inventory losses totaling EUR 164 million (gains of 48 million). Pre-tax profit was EUR -144 million (98 million), profit for the period EUR -113 million (64 million), and earnings per share EUR -0.44 (0.25).

The Group's January-June 2012 results

Neste Oil's revenue totaled EUR 8,751 million in the first six months compared to EUR 7,146 million for the same period in 2011, as a result of higher oil prices and higher volumes. The Group's six-month comparable operating profit totaled EUR 114 million compared to EUR 90 million in the first half of 2011. The Group's result during the first half of 2012 was positively impacted by improved performance at Renewable Fuels and Oil Retail, and negatively impacted by planned and unplanned refinery maintenance during the second quarter.

Oil Products' six-month comparable operating profit was EUR 126 million (158 million), Renewable Fuels' EUR -35 million (-91 million), and Oil Retail's EUR 30 million (25 million). The comparable operating profit of the Others segment totaled EUR -9 million (-8 million). A profit of EUR -1 million (3 million) was booked in the Others segment in respect of associated companies and joint ventures.

The Group's IFRS operating profit was EUR 71 million (280 million), which was impacted by inventory losses totaling EUR 100 million (gains of 189 million). The pre-tax profit was EUR 22 million (258 million), profit for the period EUR 8 million (182 million), and earnings per share EUR 0.03 (0.71).

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 June, the rolling twelve-month ROACE was 3.1% (2011 financial year: 2.6%).



	4-6/12	4-6/11	1-3/12	1-6/12	1-6/11	2011
COMPARABLE OPERATING PROFIT	38	47	76	114	90	178
- inventory gains/losses	-164	48	64	-100	189	79
- changes in the fair value of open oil derivatives	9	15	3	12	1	5
- capital gains/losses	0	-1	45	45	0	11
OPERATING PROFIT	-117	109	188	71	280	273

Cash flow, investments, and financing

Neste Oil Group's net cash from operating activities totaled EUR -152 million (-68 million) between January and June. The year-on-year difference is attributable to changes in working capital mainly due to higher oil prices, maintenance turnarounds at Naantali and Porvoo, and growth in the Renewable Fuels business.

Investments totaled EUR 160 million (211 million) during the first six months. Oil Products' capital expenditure totaled EUR 93 million (51 million), while Renewable Fuels invested EUR 41 million (146 million), Oil Retail EUR 15 million (10 million), and Others EUR 11 million (4 million).

Interest-bearing net debt was EUR 2,428 million as of the end of June, compared to EUR 2,080 million at the end of 2011. Net financial expenses between January and June were EUR 49 million (22 million). The average interest rate of borrowings at the end of June was 3.2% and the average maturity 3.7 years.

The equity-to-assets ratio was 33.6% (31 Dec. 2011: 34.0%), the leverage ratio 50.3% (31 Dec. 2011: 45.7%), and the gearing ratio 101.3% (31 Dec. 2011: 84.3%). The main reason for the rise in the leverage ratio slightly above our 50% target level was the significant decline in crude oil prices.

The Group's cash and cash equivalents and committed, unutilized credit facilities amounted to EUR 1,372 million as of the end of June (31 Dec. 2011: 1,629 million). There are no financial covenants in current loan agreements.

In accordance with its updated hedging policy, Neste Oil has hedged the majority of its net foreign currency exposure for the next 12 months, mainly using forward contracts and currency options. The most important hedged currency is the US dollar.

Main events during the reporting period

On April 17, Neste Oil announced that it had begun a scheduled major maintenance turnaround at the Naantali refinery that would result in the refinery being shut down until the beginning of June. Turnarounds are used to ensure good long-term performance at refineries in terms of safety, availability, productivity, and compliance with statutory operating requirements. Environmental and safety-related investments were also scheduled for the turnaround.

On April 19, Neste Oil announced that Tuomas Hyyryläinen had been appointed Senior Vice President, Strategy and a member of the Neste Executive Board as of 1 July 2012. He will report to President & CEO Matti Lievonen.



On May 9, Neste Oil announced that it will launch a completely new grade of diesel fuel in Finland this fall: Neste Pro Diesel. The new fuel is the first-ever to comply with the toughest diesel specification drawn up as part of the Worldwide Fuel Charter (WWFC) by automotive manufacturers in Europe, the US, and Asia. WWFC specifications are based on extensive R&D work and experience gathered from fuels used worldwide, and the highest WWFC specification calls for standards exceeding those of conventional fuel specifications. Neste Pro Diesel will be produced at the Porvoo refinery and will be available at Neste Oil's manned service stations across Finland.

On May 15, Neste Oil announced that it had expanded the range of renewable raw materials it uses by beginning to produce NExBTL renewable diesel from waste fat sourced from the fish processing industry at its Singapore refinery. The fat in question comes from the gutting waste generated when processing freshwater pangasius farmed in Southeast Asia after the fillets have been removed.

On May 30, Neste Oil announced that it had filed a patent infringement action against Dynamic Fuels, LLC, Syntroleum Corporation, and Tyson Foods, Inc. in the US District Court for the District of Delaware to protect its innovation and patent portfolio. Neste Oil believes that one of its patents is being infringed by Dynamic Fuels, Syntroleum, and Tyson Foods in the production of renewable diesel at Dynamic Fuels' plant in Geismar, Louisiana. The action asserts infringement of a Neste Oil US Patent, issued on 29 May 2012 and which expires in 2025, which protects aspects of Neste Oil's renewable diesel technology.

On June 4, Neste Oil announced that diesel production line 4 at the Porvoo refinery had been shut down following an unexpected production incident. Maintenance work originally scheduled for the fall will be carried out during the outage, and the line is expected to be back on-stream in the second half of July.

On June 11, Neste Oil announced that the Naantali refinery was back in normal operation following the completion of a scheduled major maintenance turnaround there. This lasted around six weeks and will help ensure the refinery's good performance for the next four to six years.

Strategy implementation

Strategy implementation is being driven by a series of five Value Creation programs launched in 2011. These programs have defined targets and their progress is measured continuously. Growth in Renewable Fuels has progressed through increased sales volumes and higher waste and side-stream feedstock usage. The profitability of the business remains a challenge, however, and we are continuing to expand our customer base, open up new markets, and focus on market optimization to address this. Growth in the base oils business has proceeded well and according to plan. Global economic prospects continue to look turbulent, and predicting the development of our overall business environment remains difficult. As a result, securing cash flow and ensuring financial liquidity will be particularly important. Achieving this goal will require a continued focus on productivity improvement and well-managed capital expenditure. The ongoing productivity development plan for production line 4 at the Porvoo refinery is expected to be a major contributor to the Group's improved performance.



Market overview

Crude oil prices moved down during the second quarter of 2012, and Brent Dated fell from around USD 120/bbl to USD 95/bbl. The main drivers behind this development were the reduction in tension between Iran and the West, the weakening outlook for the global economy, and the escalating Eurozone crisis. Brent Dated averaged around USD 108/bbl during the second quarter.

The price differential between heavier and lighter crude oil was very volatile during the second quarter. After beginning the quarter at a wide USD -3.5/bbl – as a result of the refinery maintenance season in Europe and Russia, which reduced demand for Urals crude – it narrowed again following the end of the maintenance season and as a result of strong fuel oil margins, together with falling crude price, ending the quarter at around USD -0.5/bbl.

Refining margins in North-West Europe strengthened during the second quarter compared to the first quarter and monthly margins were the strongest seen since 2008. The strong market was impacted more by supply than demand, which was weak in Europe and the US. The main drivers were the spring maintenance season, together with low inventory levels and previously announced capacity closures in Europe and the US. Falling crude oil price, which cut refinery energy costs, also contributed.

Gasoline margins were very volatile and were strongest during the early and late part of the quarter. Generally speaking, the market was tight, as a result of the maintenance season and capacity closures, together with expectations related to the summer driving season and low inventory levels. Middle distillate margins strengthened during the quarter, mainly as a result of the same factors as gasoline margins, although the normally weaker level of demand typical of the summer season had some impact. Fuel oil margins strengthened during the quarter, as a result of falling crude prices, strong Asian bunker demand, and high Japanese energy consumption.

While there was a steady decrease in the NExBTL margin during the first quarter due to a narrow spread between conventional FAME biodiesel and palm oil prices, NExBTL margins were historically low in Q2 and only started to recover gradually in June. Although they improved further in July, they remained clearly below those seen during the corresponding period last year.

After peaking in early April, palm oil prices fell back almost continuously during Q2, dropping 15%. Concerns on general economic development were also reflected in the palm oil price. Despite solid exports, Malaysian palm oil stocks remained tight in the second quarter.

Rapeseed oil and soybean oil prices dropped 7% during the second quarter, less than palm oil. The EU rapeseed crop was estimated to be the lowest in several years, and the South American soybean crop was some 22 million tons below the previous season. Parallel to this, Chinese demand for soybeans is running 10-15% ahead of last year.

FAME biodiesel margins in Europe were negative during the second quarter. Summer grade biodiesel prices were under pressure due to general overcapacity, high stocks and low-priced imports from Argentina and Indonesia.



Key drivers

	4-6/12	4-6/11	1-3/12	1-6/12	1-6/11	2011	Jul 12	Jul 11
Reference refining margin, USD/bbl	8.07	4.46	5.14	6.61	4.46	4.37	8.1	4.31
Neste Oil total refining margin, USD/bbl [*]	8.35	9.76	8.95	8.65	9.32	8.76	n.a.	n.a.
Urals-Brent price differential, USD/bbl	-2.12	-2.91	-1.23	-1.68	-2.89	-1.71	-0.1	-1.22
NWE Gasoline margin, USD/bbl	16.29	10.41	10.15	13.22	8.15	7.41	15.7	10.53
NWE Diesel margin, USD/bbl	19.24	15.77	17.84	18.54	16.82	18.12	21.4	16.92
NWE Heavy fuel oil margin, USD/bbl	-10.40	-19.45	-11.03	-10.71	-18.72	-15.96	-10.8	-15.95
Brent Dated crude oil, USD/bbl	108.19	117.34	118.49	113.34	111.15	111.27	102.6	116.88
USD/EUR, market rate	1.28	1.44	1.31	1.30	1.40	1.39	1.23	1.43
USD/EUR, hedged	1.34	1.33	1.37	1.36	1.33	1.35	n.a.	n.a.
Crude freights, WS points (TD7)	96	103	95	96	102	104	90	n.a.

* Adjusted according to the updated comparable operating profit calculation method.

Production and sales

Production

Neste Oil's total production in the second quarter was 3.8 million tons (3.5 million), of which NExBTL renewable diesel accounted for 0.4 million tons (0.1 million). A planned six-week maintenance turnaround at the Naantali refinery reduced output in April and May. This turnaround, which was carried out with the best safety record in the refinery's history, involved close to half a million man-hours of work including over 900 people from outside contractors.

Production was also impacted in June by an unexpected incident on diesel line 4 at the Porvoo refinery, which resulted in the line being shut down. Maintenance work originally scheduled for the fall has been brought forward and was carried out during the outage.

Neste Oil's production, by plant (1,000 t)

	4-6/12	4-6/11	1-3/12	1-6/12	1-6/11	2011
Porvoo refinery	3,010	2,780	3,284	6,294	5,729	11,962
Naantali refinery	286	542	584	871	1,108	2,264
NExBTL refineries	437	114	415	851	236	675
Bahrain VHVI plant (Neste Oil's share)	45	-	44	89	-	45
Beringen polyalphaolefin plant	-	14	-	-	22	43
Edmonton iso-octane plant (Neste Oil's share)	-	53	8	8	101	191

The Porvoo refinery operated at an average capacity utilization rate of 74% (81%) during the quarter, while the Naantali refinery was run at an average rate of 35% (84%). The proportion of Russian Export Blend in total refinery input at Porvoo and Naantali averaged 51% (64%). Refinery production costs at Porvoo and Naantali totaled USD 5.1/bbl (USD 5.3/bbl) in the quarter.

Neste Oil's renewable diesel production achieved an average capacity utilization of 85% during the quarter.



Sales

Sales volumes increased from the corresponding quarter in 2011, but were lower than during the first quarter this year. Increased NExBTL sales, together with higher diesel sales in Europe in particular, contributed. Lower exports reduced jet sales.

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

	4-6/12	%	4-6/11	%	1-3/12	%	1-6/12	%	1-6/11	%	2011	%
Motor gasoline	1,095	29	1,122	32	1,064	27	2,159	28	2,066	29	4,143	27
Gasoline components	0	0	55	2	19	0	19	0	115	2	209	2
Diesel fuel	1,421	38	1,208	34	1,440	37	2,862	38	2,725	38	6,007	39
Jet fuel	94	3	247	7	156	4	250	3	412	6	763	5
Base oil	114	3	87	3	88	2	202	3	174	3	332	2
Heating oil	19	1	28	1	98	3	117	2	88	1	199	1
Heavy fuel oil	227	6	218	6	263	7	489	6	451	6	1,007	7
LPG	33	1	64	2	113	3	145	2	171	2	361	2
NExBTL renewable diesel	464	12	80	2	305	8	768	10	167	2	628	4
Other products	258	7	399	11	344	9	602	8	796	11	1,636	11
TOTAL	3,725	100	3,509	100	3,889	100	7,615	100	7,164	100	15,284	100

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

	4-6/12	%	4-6/11	%	1-3/12	%	1-6/12	%	1-6/11	%	2011	%
Finland	1,663	45	1,830	52	1,887	49	3,550	47	3,801	53	7,893	52
Other Nordic countries	511	14	679	19	671	17	1,183	15	1,277	18	2,618	17
Other Europe	1,085	29	504	15	816	21	1,901	25	1,174	16	2,988	20
US & Canada	260	7	388	11	400	10	660	9	716	10	1,591	10
Other countries	206	5	108	3	114	3	320	4	197	3	194	1
TOTAL	3,725	100	3,509	100	3,889	100	7,615	100	7,164	100	15,284	100



Segment reviews

Neste Oil's businesses are grouped into four reporting segments: Oil Products, Renewable Fuels, Oil Retail, and Others.

Oil Products

	4-6/12	4-6/11	1-3/12	1-6/12	1-6/11	2011
Revenue, MEUR	3,224	3,070	3,544	6,768	5,940	12,644
Comparable EBITDA, MEUR	96	123	125	221	253	463
Comparable operating profit, MEUR	49	75	77	126	158	271
IFRS operating profit, MEUR	-80	136	195	115	314	373
Total refining margin, USD/bbl	8.35	9.76	8.95	8.65	9.32	8.48
Net assets, MEUR	2,403	2,480	2,558	2,403	2,480	2,228
Comparable return on net assets*, %	-	-	10.9	9.8	12.7	11.4

* rolling 12 months

Oil Products' second-quarter comparable operating profit totaled EUR 49 million, compared to EUR 75 million in the second quarter in 2011. This decrease was largely due to two maintenance shutdowns on line 4 at Porvoo and the major turnaround at the Naantali refinery. The feedstock mix for the Porvoo refinery was more expensive due to the unplanned outage there. The full potential of high refining margins could not be captured due to margin hedging. Base oil demand was impacted by the slowdown in the world economy, although base oil margins improved compared to the first quarter of the year. Neste Oil's total refining margin totaled USD 8.35/bbl during the second quarter, which compares to USD 9.76/bbl in the second quarter of 2011.

Oil Products' comparable operating profit totaled EUR 126 million in the first six months, compared to EUR 158 million for the same period in 2011. This difference was mainly due to refinery maintenance work during the second quarter. The total refining margin decreased to USD 8.65/bbl from the USD 9.32/bbl reported for the first six months of 2011.

Renewable Fuels

	4-6/12	4-6/11	1-3/12	1-6/12	1-6/11	2011
Revenue, MEUR	595	144	466	1,061	337	1,026
Comparable EBITDA, MEUR	-8	-39	22	14	-60	-85
Comparable operating profit, MEUR	-33	-55	-2	-35	-91	-163
IFRS operating profit, MEUR	-59	-53	-8	-67	-57	-170
Net assets, MEUR	2,039	1,940	2,122	2,039	1,940	1,963
Comparable return on net assets*, %	-	-	-6.6	-5.3	-7.1	-8.7

* rolling 12 months

Renewable Fuels' comparable operating profit was EUR -33 million during the second quarter, compared to EUR -55 million in the second quarter in 2011. Despite record-high sales volumes, Renewable Fuels' result was impacted by historically low margins due to narrow vegetable oil price differences and the low FAME biodiesel producers' margin. The result includes EUR 10 million in compensation retained from contractors related to delays in completion of construction work at the Rotterdam NExBTL refinery and defective erection work.



Renewable Fuels' six-month comparable operating profit was EUR -35 million (-91 million). High sales volumes resulted in lower unit costs, while margins were lower year-on-year.

Oil Retail

	4-6/12	4-6/11	1-3/12	1-6/12	1-6/11	2011
Revenue, MEUR	1,181	1,058	1,190	2,371	2,079	4,298
Comparable EBITDA, MEUR	23	21	23	46	41	89
Comparable operating profit, MEUR	15	13	15	30	25	57
IFRS operating profit, MEUR	15	13	15	30	25	58
Net assets, MEUR	313	319	344	313	319	326
Comparable return on net assets*, %	-	-	18.2	19.0	20.8	17.6
Total sales volume**, 1,000 m ³	1,009	963	1,014	2,023	1,941	3,982
- gasoline station sales, 1,000 m ³	325	333	291	616	623	1,279
- diesel station sales, 1,000 m ³	383	364	370	753	719	1,479
- heating oil, 1,000 m ³	138	141	179	317	331	654
- heavy fuel oil, 1,000 m ³	57	59	82	139	133	263

* rolling 12 months

** includes both station and terminal sales

Oil Retail's comparable operating profit was EUR 15 million during the second quarter, compared to EUR 13 million in the same period in 2011, and was the result of better margins in the Baltic countries.

Oil Retail's six-month comparable operating profit totaled EUR 30 million (25 million), supported by stronger markets in North-West Russia and the Baltic countries.

Shares, share trading, and ownership

Neste Oil's shares are traded on NASDAQ OMX Helsinki Ltd. The share price closed the quarter at EUR 8.86, down by 4.11% compared to the end of the first quarter. At its highest during the quarter, the share price reached EUR 9.44, while at its lowest the price stood at EUR 7.28. Market capitalization was EUR 2.3 billion as of 30 June 2012. An average of 1.2 million shares were traded daily, representing 0.5% of the company's shares.

Neste Oil's share capital registered with the Company Register as of 30 June 2012 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 June, the Finnish State owned 50.1% (50.1% at the end of the first quarter) of outstanding shares, foreign institutions 13.9% (17.9%), Finnish institutions 21.4% (18.0%), and Finnish households 14.5% (14.0%).



Personnel

Neste Oil employed an average of 4,985 (4,929) employees during the first half of 2012, of which 1,426 (1,434) were based outside Finland. As of the end of June, the company had 5,238 employees (5,117), of which 1,467 (1,437) were located outside Finland.

Health, safety, and the environment

The main indicator for safety performance used by Neste Oil – total recordable injury frequency (TRIF, number of cases per million hours worked) for all work done for the company, combining the company's own personnel and contractors – stood at 3.6 (2.5) at the end of June 2012. The target for 2012 as a whole is 2.

Work on further improving safety performance is continuing across the Group. The SAFE project, part of the Value Creation Program, is progressing well. The main focus during the first half of 2012 was on self-assessments, which were carried out Group-wide. Process and fire safety training is continuing as planned.

A leak of diesel quality heating oil into a nearby creek from a storage National Emergency Supply Agency storage facility operated by Neste Oil was discovered in Kajaani, Northeast Finland on April 29. The amount of oil released was estimated to be 20 cubic meters. Neste Oil is committed to a complete clean-up and to compensating local residents for the damage caused. A dedicated website has been opened to keep stakeholders up-to-date on the situation.

The turnaround at the Naantali refinery was carried out without any lost workday injuries or hot work incidents. Over 450,000 hours were worked on the project. Safety training was held for everyone working inside the turnaround area. Over 120 safety training and turnaround information sessions were held and were attended by 1,800 contractor personnel.

All NExBTL renewable diesel production plants successfully updated their sustainability certificates to the ISCC-EU format required for eligibility for the European Union biofuel market. Neste Oil's voluntary scheme for sustainability verification proceeded and passed the European Commission's technical assessment.

Events after the reporting period

On July 18, Neste Oil announced that maintenance work on diesel production line 4 at the Porvoo refinery has been completed and that the line has been brought back on-stream ahead of schedule. The line was down for planned and unplanned maintenance for most of the second quarter.

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.

Uncertainty continues to be focused on the development of the world economy, which is likely to have a material impact on the demand for petroleum products generally and diesel fuel in particular.



Sudden and unplanned outages at Neste Oil's production units or facilities continue to represent a short-term operational risk.

Rapid and large changes in feedstock and product prices may lead to significant inventory gains or losses, or changes in working capital, and 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 capturing the anticipated benefits from the company's renewable diesel investments. Over the longer term, failure to protect Neste Oil's proprietary technology or the introduction and implementation of competing fuel technologies or hybrid and electric engines may have a negative impact on the company's results. Renewable fuels margins can be volatile in various markets due to rapidly changing feedstock and product prices, and affect the profitability of the Renewable Fuels business as a result.

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 refining margins, the price differential between Russian Export Blend (REB) and Brent crude, the USD/EUR exchange rate, and the price differentials between different vegetable oils.

For more detailed information on Neste Oil's risks and risk management, please refer to the company's Annual Report and Financial Statements.

Outlook

The market expects that margins for advanced refiners, such as Neste Oil, will be higher during the second half of 2012 compared to last year. Diesel is projected to be the strongest part of the barrel going forward, and gasoline margins are expected to remain higher than in 2011. Approximately 30% of Neste Oil's volume in 2012 is hedged at a USD 4.7/bbl reference margin level, assuming an Urals-Brent differential of USD -1.0/bbl.

Oil Products' full-year comparable operating profit is expected to improve compared to 2011, assuming good productivity during the latter part of the year.

Third-quarter comparable operating profit at Renewable Fuels is expected to improve from the second quarter, but remain negative.

Oil Retail's full-year comparable operating profit is expected to be at least equal to that seen in 2011.

The Group's fixed costs are expected to be approx. EUR 640 million during 2012, and investments are expected to total approx. EUR 350 million.

Neste Oil expects the Group's full-year comparable operating profit to improve significantly compared to 2011.



Reporting date for the company's third-quarter 2012 results

Neste Oil will publish its third-quarter results on 25 October 2012 at approximately 9:00 a.m. EET.

Espoo, 2 August 2012

Neste Oil Corporation
Board of Directors

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The preceding information contains, or may be deemed to contain, "forward-looking statements". These statements relate to future events or our future financial performance, including, but not limited to, strategic plans, potential growth, planned operational changes, expected capital expenditures, future cash sources and requirements, liquidity and cost savings that involve known and unknown risks, uncertainties, and other factors that may cause Neste Oil Corporation's or its businesses' actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by any forward-looking statements. In some cases, such forward-looking statements can be identified by terminology such as "may," "will," "could," "would," "should," "expect," "plan," "anticipate," "intend," "believe," "estimate," "predict," "potential," or "continue," or the negative of those terms or other comparable terminology. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Future results may vary from the results expressed in, or implied by, the forward-looking statements, possibly to a material degree. All forward-looking statements made in this report are based on information presently available to management and Neste Oil Corporation assumes no obligation to update any forward-looking statements. Nothing in this report constitutes investment advice and this report shall not constitute an offer to sell or the solicitation of an offer to buy any securities or otherwise to engage in any investment activity.



CONSOLIDATED INCOME STATEMENT

MEUR	Note	4-6/2012	4-6/2011	1-6/2012	1-6/2011	1-12/2011	Last 12 months
Revenue	3	4,297	3,674	8,751	7,146	15,420	17,025
Other income		18	6	78	14	36	100
Share of profit (loss) of associates and joint ventures		5	13	0	11	26	15
Materials and services		-4,088	-3,263	-8,044	-6,271	-13,962	-15,735
Employee benefit costs		-88	-90	-175	-165	-316	-326
Depreciation, amortization and impairments	3	-83	-76	-166	-149	-315	-332
Other expenses		-178	-155	-373	-306	-616	-683
Operating profit		-117	109	71	280	273	64
Financial income and expenses							
Financial income		1	1	2	2	4	4
Financial expenses		-22	-17	-44	-29	-72	-87
Exchange rate and fair value gains and losses		-6	5	-7	5	1	-11
Total financial income and expenses		-27	-11	-49	-22	-67	-94
Profit before income taxes		-144	98	22	258	206	-30
Income tax expense		31	-34	-14	-76	-46	16
Profit for the period		-113	64	8	182	160	-14
Profit attributable to:							
Owners of the parent		-114	63	6	181	158	-17
Non-controlling interests		1	1	2	1	2	3
		-113	64	8	182	160	-14
Earnings per share from profit attributable to the owners of the parent basic and diluted (in euro per share)		-0.44	0.25	0.03	0.71	0.62	-0.06

STATEMENT OF COMPREHENSIVE INCOME

MEUR	4-6/2012	4-6/2011	1-6/2012	1-6/2011	1-12/2011	Last 12 months
Profit for the period	-113	64	8	182	160	-14
Other comprehensive income for the period, net of tax:						
Translation differences	3	-5	8	-11	-1	18
Cash flow hedges						
recorded in equity	-34	16	-35	36	-10	-81
transferred to income statement	25	-20	39	-24	-19	44
Net investment hedges	0	0	0	0	-1	-1
Hedging reserves in associates and joint ventures	0	1	0	1	1	0
Other comprehensive income for the period, net of tax	-6	-8	12	2	-30	-20
Total comprehensive income for the period	-119	56	20	184	130	-34
Total comprehensive income attributable to:						
Owners of the parent	-120	55	18	183	128	-37
Non-controlling interests	1	1	2	1	2	3
	-119	56	20	184	130	-34



CONSOLIDATED BALANCE SHEET

MEUR	Note	30 June 2012	30 June 2011	31 Dec 2011
ASSETS				
Non-current assets				
Intangible assets	5	56	51	55
Property, plant and equipment	5	3,961	4,030	3,968
Investments in associates and joint ventures		242	221	239
Non-current receivables		5	12	16
Pension assets		0	0	0
Deferred tax assets		55	31	50
Derivative financial instruments	6	32	9	19
Available-for-sale financial assets		5	4	4
Total non-current assets		4,356	4,358	4,351
Current assets				
Inventories		1,468	1,341	1,457
Trade and other receivables		1,098	986	1,045
Derivative financial instruments	6	95	60	59
Cash and cash equivalents		122	140	304
Total current assets		2,783	2,527	2,865
Assets classified as held for sale ¹⁾		-	-	56
Total assets		7,139	6,885	7,272
EQUITY				
Capital and reserves attributable to the owners of the parent				
Share capital		40	40	40
Other equity	2	2,341	2,468	2,413
Total		2,381	2,508	2,453
Non-controlling interest		15	13	14
Total equity		2,396	2,521	2,467
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities		2,092	1,904	1,891
Deferred tax liabilities		313	358	331
Provisions		43	17	22
Pension liabilities		47	48	46
Derivative financial instruments	6	11	15	12
Other non-current liabilities		8	8	9
Total non-current liabilities		2,514	2,350	2,311
Current liabilities				
Interest-bearing liabilities		458	413	493
Current tax liabilities		34	65	26
Derivative financial instruments	6	109	40	88
Trade and other payables		1,628	1,496	1,872
Total current liabilities		2,229	2,014	2,479
Liabilities related to assets held for sale ¹⁾		-	-	15
Total liabilities		4,743	4,364	4,805
Total equity and liabilities		7,139	6,885	7,272

¹⁾ The assets and liabilities held for sale relate to district Neste Oil's 50% holding in an iso-octane plant in Edmonton, Canada. In December 2011 Neste Oil signed an agreement to divest the whole asset. Furthermore, Neste Oil announced to sell the associated product and feedstock inventories at closing. The transaction was closed on January 19, 2012.

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

MEUR	Attributable to owners of the parent						Total equity
	Share capital	Reserve fund	Fair value and other reserves	Translation differences	Retained earnings	Non-controlling interests	
Total equity at 1 January 2011	40	13	6	-6	2,361	12	2,426
Dividend paid					-90	0	-90
Share-based compensation					1		1
Transfer from retained earnings		2			-2		0
Total comprehensive income for the period			13	-11	181	1	184
Total equity at 30 June 2011	40	15	19	-17	2,451	13	2,521
	Share capital	Reserve fund	Fair value and other reserves	Translation differences	Retained earnings	Non-controlling interests	Total equity
Total equity at 1 January 2012	40	15	-23	-7	2,428	14	2,467
Dividend paid					-90	-1	-91
Share-based compensation					0		0
Transfer from retained earnings		2			-2		0
Total comprehensive income for the period			4	8	6	2	20
Total equity at 30 June 2012	40	17	-19	1	2,342	15	2,396

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

MEUR	4-6/2012	4-6/2011	1-6/2012	1-6/2011	1-12/2011
Cash flow from operating activities					
Profit before taxes	-144	98	22	258	206
Adjustments, total	116	49	181	158	344
Change in working capital	260	-237	-273	-431	-222
Cash generated from operations	232	-90	-70	-15	328
Finance cost, net	-4	-1	-42	-13	-44
Income taxes paid	-27	-35	-40	-40	-87
Net cash generated from operating activities	201	-126	-152	-68	197
Capital expenditure	-111	-91	-159	-211	-364
Acquisition of shares in subsidiaries	-	-	-	-	-
Acquisition of associates and joint ventures	-	-	-	-	-
Acquisition of other shares	-1	0	-1	0	0
Proceeds from sales of shares in subsidiaries	-	-	-	-	2
Proceeds from sales of fixed assets	1	0	75	2	22
Change in other investments	28	25	-7	-14	-25
Cash flow before financing activities	118	-192	-244	-291	-168
Net change in loans and other financing activities	1	260	153	142	180
Dividends paid to the owners of the parent	-90	-90	-90	-90	-90
Dividends paid to non-controlling interests	-1	-	-1	-	-
Net increase (+)/decrease (-) in cash and cash equivalents	28	-22	-182	-239	-78

KEY FINANCIAL INDICATORS

	30 June 2012	30 June 2011	31 Dec 2011	Last 12 months
Capital employed, MEUR	4,946	4,838	4,850	4,946
Interest-bearing net debt, MEUR	2,428	2,176	2,080	-
Capital expenditure and investment in shares, MEUR	160	211	364	313
Return on average capital employed, after tax, ROACE %	-	-	2.6	3.1
Return on capital employed, pre-tax, ROCE %	2.7	12.2	5.9	1.2
Return on equity, %	0.7	14.7	6.6	-0.6
Equity per share, EUR	9.30	9.80	9.58	-
Cash flow per share, EUR	-0.59	-0.27	0.77	0.44
Equity-to-assets ratio, %	33.6	36.7	34.0	-
Leverage ratio, %	50.3	46.3	45.7	-
Gearing, %	101.3	86.3	84.3	-
Average number of shares	255,918,686	255,918,686	255,918,686	255,918,686
Number of shares at the end of the period	255,918,686	255,918,686	255,918,686	255,918,686
Average number of personnel	4,985	4,929	4,926	-

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by EU. The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2011, with the exception of the following changes due to the adoption of the new and revised IFRS standards and IFRIC interpretations.

The Group applies the following interpretations or amendments as of 1 January 2012:

- IFRS 7 (amendment) Financial Instruments: Disclosure - Derecognition
- Annual improvements.

The above mentioned amendments do not have a material impact on the reported income statement, balance sheet or notes.

2. TREASURY SHARES

In 2007 Neste Oil 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. As at 30 June 2012 there were 485,000 shares accounted for as treasury shares.



3. SEGMENT INFORMATION

Neste Oil's operations are grouped into four reporting segments: Oil Products, Renewable Fuels, Oil Retail and Others. Others segment consists of Group administration, shared service functions, Research and Technology, Neste Jacobs and Nynas AB.

REVENUE MEUR	4-6/2012	4-6/2011	1-6/2012	1-6/2011	1-12/2011	Last 12 months
Oil Products	3,224	3,070	6,768	5,940	12,644	13,472
Renewable Fuels	595	144	1,061	337	1,026	1,750
Oil Retail	1,181	1,058	2,371	2,079	4,298	4,590
Others	54	47	106	91	191	206
Eliminations	-757	-645	-1,555	-1,301	-2,739	-2,993
Total	4,297	3,674	8,751	7,146	15,420	17,025

OPERATING PROFIT MEUR	4-6/2012	4-6/2011	1-6/2012	1-6/2011	1-12/2011	Last 12 months
Oil Products	-80	136	115	314	373	174
Renewable Fuels	-59	-53	-67	-57	-170	-180
Oil Retail	15	13	30	25	58	63
Others	1	7	-9	-8	8	7
Eliminations	6	6	2	6	4	0
Total	-117	109	71	280	273	64

COMPARABLE OPERATING PROFIT MEUR	4-6/2012	4-6/2011	1-6/2012	1-6/2011	1-12/2011	Last 12 months
Oil Products	49	75	126	158	271	239
Renewable Fuels	-33	-55	-35	-91	-163	-107
Oil Retail	15	13	30	25	57	62
Others	1	8	-9	-8	9	8
Eliminations	6	6	2	6	4	0
Total	38	47	114	90	178	202

DEPRECIATION, AMORTIZATION AND IMPAIRMENTS MEUR	4-6/2012	4-6/2011	1-6/2012	1-6/2011	1-12/2011	Last 12 months
Oil Products	47	48	95	95	192	192
Renewable Fuels	25	16	49	31	78	96
Oil Retail	8	8	16	16	32	32
Others	3	4	6	7	13	12
Total	83	76	166	149	315	332

CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES MEUR	4-6/2012	4-6/2011	1-6/2012	1-6/2011	1-12/2011	Last 12 months
Oil Products	69	32	93	51	131	173
Renewable Fuels	26	50	41	146	190	85
Oil Retail	11	6	15	10	34	39
Others	6	3	11	4	9	16
Total	112	91	160	211	364	313

TOTAL ASSETS MEUR	30 June 2012	30 June 2011	31 Dec 2011
Oil Products	3,750	3,796	3,889
Renewable Fuels	2,264	2,047	2,167
Oil Retail	629	595	649
Others	433	405	395
Unallocated assets	346	283	478
Eliminations	-283	-241	-306
Total	7,139	6,885	7,272



NET ASSETS MEUR	30 June 2012	30 June 2011	31 Dec 2011
Oil Products	2,403	2,480	2,228
Renewable Fuels	2,039	1,940	1,963
Oil Retail	313	319	326
Others	312	302	315
Eliminations	-2	-2	-3
Total	5,065	5,039	4,829

RETURN ON NET ASSETS, %	30 June 2012	30 June 2011	31 Dec 2011	Last 12 months
Oil Products	9.6	26.7	15.7	7.1
Renewable Fuels	-6.6	-6.3	-9.0	-9.0
Oil Retail	18.3	15.6	17.9	19.3

COMPARABLE RETURN ON NET ASSETS, %	30 June 2012	30 June 2011	31 Dec 2011	Last 12 months
Oil Products	10.5	13.4	11.4	9.8
Renewable Fuels	-3.4	-10.0	-8.7	-5.3
Oil Retail	18.3	15.6	17.6	19.0

QUARTERLY SEGMENT INFORMATION

QUARTERLY REVENUE

MEUR	4-6/2012	1-3/2012	10-12/2011	7-9/2011	4-6/2011	1-3/2011
Oil Products	3,224	3,544	3,377	3,327	3,070	2,870
Renewable Fuels	595	466	399	290	144	193
Oil Retail	1,181	1,190	1,112	1,107	1,058	1,021
Others	54	52	56	44	47	44
Eliminations	-757	-798	-775	-663	-645	-656
Total	4,297	4,454	4,169	4,105	3,674	3,472

QUARTERLY OPERATING PROFIT

MEUR	4-6/2012	1-3/2012	10-12/2011	7-9/2011	4-6/2011	1-3/2011
Oil Products	-80	195	3	56	136	178
Renewable Fuels	-59	-8	-32	-81	-53	-4
Oil Retail	15	15	9	24	13	12
Others	1	-10	1	15	7	-15
Eliminations	6	-4	-3	1	6	0
Total	-117	188	-22	15	109	171

QUARTERLY COMPARABLE OPERATING PROFIT

MEUR	4-6/2012	1-3/2012	10-12/2011	7-9/2011	4-6/2011	1-3/2011
Oil Products	49	77	27	86	75	83
Renewable Fuels	-33	-2	-15	-57	-55	-36
Oil Retail	15	15	9	23	13	12
Others	1	-10	2	15	8	-16
Eliminations	6	-4	-3	1	6	0
Total	38	76	20	68	47	43

QUARTERLY DEPRECIATION, AMORTIZATION AND IMPAIRMENTS

MEUR	4-6/2012	1-3/2012	10-12/2011	7-9/2011	4-6/2011	1-3/2011
Oil Products	47	48	49	48	48	47
Renewable Fuels	25	24	29	18	16	15
Oil Retail	8	8	8	8	8	8
Others	3	3	4	2	4	3
Total	83	83	90	76	76	73

QUARTERLY CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES

MEUR	4-6/2012	1-3/2012	10-12/2011	7-9/2011	4-6/2011	1-3/2011
Oil Products	69	24	48	32	32	19
Renewable Fuels	26	15	19	25	50	96
Oil Retail	11	4	16	8	6	4
Others	6	5	3	2	3	1
Total	112	48	86	67	91	120

As announced on April 20, Neste Oil has updated the method used to calculate its comparable operating profit to provide a better reflection of operational performance in its Oil Products business, by switching from a monthly average pricing method to a daily based pricing method when adjusting calculated inventory gains and losses. Comparative figures in 2011 financial statements have been reclassified.



4. DISPOSED JOINTLY CONTROLLED ASSETS

On January 19, 2012 Neste Oil sold its 50% holding in an iso-octane production plant in Edmonton, Canada to Canadian-based Keyera Corporation. A capital gain amounting to EUR 45 million resulting from the transaction has been included in the consolidated financial statements.

ASSETS AND LIABILITIES OF NESTE OIL'S 50% HOLDING IN ISO-OCTANE PRODUCTION PLANT

MEUR	19 January 2012
Property, plant and equipment	28
Shares in subsidiaries and associates	-
Inventories	27
Trade and other receivables	3
Cash and cash equivalents	0
Total assets	58
Trade and other payables	9
Total liabilities	9
Sold net assets	49
Gain on disposal	45
Total consideration	94
Cash consideration received	94
Cash and cash equivalents disposed of	-
Cash inflow arising from disposal	94

5. CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT AND CAPITAL COMMITMENTS

CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

MEUR	30 June 2012	30 June 2011	31 Dec 2011
Opening balance	4,023	4,022	4,022
Depreciation, amortization and impairments	-166	-149	-315
Capital expenditure	159	211	364
Disposals	-1	-2	-13
Classified as asset held for sale	-	-	-28
Translation differences	2	-1	-7
Closing balance	4,017	4,081	4,023

CAPITAL COMMITMENTS

MEUR	30 June 2012	30 June 2011	31 Dec 2011
Commitments to purchase property, plant and equipment	15	45	24
Total	15	45	24

6. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate and currency derivative contracts and share forward contracts	30 June 2012		30 June 2011		31 Dec 2011	
	Nominal value	Net fair value	Nominal value	Net fair value	Nominal value	Net fair value
MEUR						
Interest rate swaps	882	13	780	-8	772	6
Forward foreign exchange contracts	1,871	-24	901	13	1,413	-41
Currency options						
Purchased	142	-1	155	1	206	-5
Written	132	-4	136	2	193	-3

Commodity derivative contracts

Commodity derivative contracts	30 June 2012		30 June 2011		31 Dec 2011	
	Volume million bbl	Net fair value Meur	Volume million bbl	Net fair value Meur	Volume million bbl	Net fair value Meur
Sales contracts	51	31	27	16	46	0
Purchase contracts	39	-8	23	-9	34	21
Purchased options	1	-5	1	0	1	0
Written options	1	5	1	0	1	0

Commodity derivative contracts include oil, freight and palmoil derivative contracts.

The fair values of derivative financial instruments subject to public trading are based on market prices as of the balance sheet date. The fair values of other derivative financial instruments are based on the present value of cash flows resulting from the contracts, and, in respect of options, on evaluation models. The amounts also include unsettled closed positions. Derivative financial instruments are mainly used to manage the Group's currency, interest rate and price risk.



7. RELATED PARTY TRANSACTIONS

The group has a related party relationship with its subsidiaries, associates, joint ventures 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.

Transactions carried out with associates and joint ventures	1-6/2012	1-6/2011	1-12/2011
Sales of goods and services	42	45	116
Purchases of goods and services	38	39	72
Receivables	16	17	7
Financial income and expenses	0	0	0
Liabilities	27	7	16

8. CONTINGENT LIABILITIES

MEUR	30 June 2012	30 June 2011	31 Dec 2011
Contingent liabilities			
On own behalf for commitments			
Real estate mortgages	26	26	26
Pledged assets	1	2	2
Other contingent liabilities	13	23	31
Total	40	51	59
On behalf of associates and joint ventures			
Guarantees	2	3	2
Total	2	3	2
On behalf of others			
Guarantees	1	14	1
Other contingent liabilities	2	-	2
Total	3	14	3
Total	45	68	64

MEUR	30 June 2012	30 June 2011	31 Dec 2011
Operating lease liabilities			
Due within one year	62	66	74
Due between one and five years	129	141	142
Due later than five years	77	91	80
Total	268	298	296

The Group's operating lease commitments primarily relate to time charter vessels, land and office space.

Other contingent liabilities

Neste Oil Corporation has a collective contingent liability with Fortum Heat and Gas Oy of the demerged Fortum Oil and Gas Oy's liabilities based on the Finnish Companies Act's Chapter 17 Paragraph 16.6.



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	$\frac{\text{Profit before taxes - taxes}}{\text{Total equity average}}$
Return on capital employed, pre-tax (ROCE) %	=	100 x	$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Capital employed average}}$
Return on average capital employed, after-tax (ROACE) %	=	100 x	$\frac{\text{Profit for the period (adjusted for inventory gains/losses, gains/losses from sale of shares and non-financial assets and unrealized gains/losses on oil and freight derivative contracts, net of tax) + non-controlling interests + interest expenses and other financial expenses related to interest-bearing liabilities (net of tax)}}{\text{Capital employed average}}$
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	$\frac{\text{Interest-bearing net debt}}{\text{Interest bearing net debt + total equity}}$
Gearing, %	=	100 x	$\frac{\text{Interest-bearing net debt}}{\text{Total equity}}$
Equity-to-assets ratio, %	=	100 x	$\frac{\text{Total equity}}{\text{Total assets - advances received}}$
Return on net assets, %	=	100 x	$\frac{\text{Segment operating profit}}{\text{Average segment net assets}}$
Comparable return on net assets, %	=	100 x	$\frac{\text{Segment comparable operating profit}}{\text{Average segment net assets}}$
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)	=	$\frac{\text{Profit for the period attributable to the equity holders of the company}}{\text{Adjusted average number of shares during the period}}$
Equity per share	=	$\frac{\text{Shareholder's equity attributable to the equity holders of the company}}{\text{Adjusted average number of shares at the end of the period}}$
Cash flow per share	=	$\frac{\text{Net cash generated from operating activities}}{\text{Adjusted average number of shares during the period}}$
Price / earnings ratio (P/E)	=	$\frac{\text{Share price at the end of the period}}{\text{Earnings per share}}$
Dividend payout ratio, %	=	$100 \times \frac{\text{Dividend per share}}{\text{Earnings per share}}$
Dividend yield, %	=	$100 \times \frac{\text{Dividend per share}}{\text{Share price at the end of the period}}$
Average share price	=	$\frac{\text{Amount traded in euros during the period}}{\text{Number of shares traded during the period}}$
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



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