

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



## Neste Oil's Interim Report for January-September 2012

- Third-quarter comparable operating profit was EUR 156 million (Q3/2011: EUR 68 million), driven by strong refining margins and improved performance at Renewable Fuels
- Quarterly result was the strongest since Q3 2008

### Third quarter in brief:

- Comparable operating profit was EUR 156 million (Q3/2011: EUR 68 million)
- IFRS operating profit was EUR 193 million (Q3/2011: EUR 15 million)
- Total refining margin was USD 12.23/bbl (Q3/2011: USD 9.33/bbl)
- Net cash from operations was EUR 293 million (Q3/2011: EUR -129 million)
- Investments totaled EUR 51 million (Q3/2011: EUR 67 million)
- Leverage ratio was 46.6% (Q3/2011: 49.0%)

### President & CEO Matti Lievonon:

“Oil Products had a solid third quarter, thanks to high refining margins, which continued to be very strong and were particularly high in September. This was mainly driven by high diesel and gasoline margins resulting from low inventories and refinery outages in Europe and North America. Our refineries also operated smoothly. Overall, we are pleased with Oil Products’ third-quarter comparable operating profit of EUR 154 million.

Renewable Fuels' performance improved by EUR 38 million from the corresponding period last year, but the business still recorded a loss due to low margins, particularly during the first part of the quarter. This resulted in a comparable operating loss of EUR 19 million for the business. The price spread between different vegetable oils and biodiesel producers' margins improved towards the end of the quarter.

Cash flow was strong in the third quarter and improved our leverage. Uncertainties in the global economy have been reflected in the oil market and will continue to pose a risk for our business. However, we expect the Group's full-year comparable operating profit to improve significantly compared to 2011. During the remainder of 2012, we will continue to focus on cash flow, refinery productivity, and profitability at Renewable Fuels.”

### News conference and conference call

A press conference in Finnish on the third-quarter results will be held today, 25 October 2012, at 11:30 a.m. EET at the company's headquarters at Keilaranta 21, Espoo. [www.nesteoil.com](http://www.nesteoil.com) will feature English versions of the presentation materials. A conference call in English for investors and analysts will be held on 25 October 2012 at 3 p.m. Finland / 1 p.m. London / 8 a.m. New York. The call-in numbers are as follows: Finland: +358 (0) 9 2310 1543, Europe: +44 (0) 20 7136 6283, US: +1 646 254 3388, using access code 4981490. The conference call can be followed at the company's [web site](#). An instant replay of the call will be available until 1 November 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 4981490#.



## Neste Oil Financial Statements, 1 January - 30 September 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, 2012, 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)

	7-9/12	7-9/11	4-6/12	1-9/12	1-9/11	2011
Revenue	4,505	4,105	4,297	13,256	11,251	15,420
EBITDA	274	91	-34	511	520	588
Depreciation, amortization, and impairments	81	76	83	247	225	315
Operating profit	193	15	-117	264	295	273
Comparable operating profit *	156	68	38	270	158	178
Profit before income tax	170	-3	-144	192	255	206
Net profit	130	0	-113	138	182	160
Comparable net profit **	100	40	5	140	75	86
Earnings per share, EUR	0.51	0.00	-0.44	0.53	0.71	0.62
Investments	51	67	112	211	278	364
Net cash from operating activities	293	-129	201	141	-197	197

	30 Sep 2012	30 Sep 2011	31 Dec 2011
Total equity	2,548	2,479	2,467
Interest-bearing net debt	2,222	2,386	2,080
Capital employed	5,137	4,963	4,850
Return on capital employed pre-tax (ROCE), annualized, %	6.9	8.5	5.9
Return on average capital employed after tax (ROACE)***, %	4.4	3.6	2.6
Return on equity (ROE), annualized, %	7.3	9.9	6.6
Equity per share, EUR	9.90	9.64	9.58
Cash flow per share****, EUR	0.55	-0.77	0.77
Equity-to-assets ratio, %	33.4	35.9	34.0
Leverage (net debt to capital), %	46.6	49.0	45.7
Gearing, %	87.2	96.2	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 gain/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 has been updated to correspond to Neste Oil's updated method for calculating comparable operating profit, and the comparative figures for 2011 have been reclassified to reflect this.

\*\*\* Rolling 12 months

\*\*\*\* Cumulative 1 January - 30 September



## The Group's third-quarter 2012 results

Neste Oil's revenue increased to EUR 4,505 million in the third quarter from EUR 4,105 million during the same period in 2011. This increase resulted mainly from the growth of the Renewable Fuels business and higher product prices. The Group's comparable operating profit came in at EUR 156 million. Comparable operating profit for the corresponding period in 2011 was EUR 68 million. Oil Products' result was positively impacted by strong refining margins. Renewable Fuels recorded a lower comparable operating loss year-on-year, and Oil Retail's performance was similar to that seen in the corresponding period last year. The Others segment posted a lower result than in the third quarter of 2011.

Oil Products' third-quarter comparable operating profit was EUR 154 million (86 million), Renewable Fuels' EUR -19 million (-57 million), and Oil Retail's EUR 23 million (23 million). The comparable operating profit of the Others segment totaled EUR 0 million (15 million); associated companies and joint ventures accounted for EUR 3 million (16 million) of this figure, which mainly reflects unsatisfactory performance at Nynas.

The Group's IFRS operating profit was EUR 193 million (15 million), which was impacted by inventory gains totaling EUR 87 million (losses of 48 million) and changes in the fair value of open oil derivatives totaling EUR -50 million (-5 million). Pre-tax profit was EUR 170 million (-3 million), profit for the period EUR 130 million (0 million), and earnings per share EUR 0.51 (0.00).

## The Group's January-September 2012 results

Neste Oil's revenue totaled EUR 13,256 million during the first nine months of the year, compared to EUR 11,251 million for the same period in 2011, as a result of higher sales prices and higher volumes. The Group's nine-month comparable operating profit totaled EUR 270 million, compared to EUR 158 million in the first nine months of 2011. The Group's result during the first nine months of 2012 was positively impacted mainly by improved performance at Renewable Fuels and Oil Products, and negatively impacted by planned and unplanned refinery maintenance during the second quarter.

Oil Products' nine-month comparable operating profit was EUR 280 million (244 million), Renewable Fuels' EUR -54 million (-148 million), and Oil Retail's EUR 53 million (48 million). The comparable operating profit of the Others segment totaled EUR -9 million (7 million). A profit of EUR 2 million (19 million) was booked in the Others segment in respect of associated companies and joint ventures.

The Group's IFRS operating profit was EUR 264 million (295 million) and was impacted by inventory losses totaling EUR 13 million (gains of 141 million). The pre-tax profit was EUR 192 million (255 million), profit for the period EUR 138 million (182 million), and earnings per share EUR 0.53 (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 September, the rolling twelve-month ROACE was 4.4% (2011 financial year: 2.6%).



	7-9/12	7-9/11	4-6/12	1-9/12	1-9/11	2011
COMPARABLE OPERATING PROFIT	156	68	38	270	158	178
- inventory gains/losses	87	-48	-164	-13	141	79
- changes in the fair value of open oil derivatives	-50	-5	9	-38	-4	5
- capital gains/losses	0	0	0	45	0	11
OPERATING PROFIT	193	15	-117	264	295	273

## Cash flow, investments, and financing

Neste Oil Group's net cash from operating activities totaled EUR 141 million (-197 million) between January and September. The year-on-year difference is mainly attributable to changes in working capital, which increased significantly less than during the first nine months of 2011.

Investments totaled EUR 211 million (278 million) during the first nine months. Oil Products' capital expenditure totaled EUR 125 million (83 million), while Renewable Fuels invested EUR 44 million (171 million), Oil Retail EUR 25 million (18 million), and Others EUR 17 million (6 million).

Neste Oil issued a EUR 400 million bond in September. The 7-year bond carries a coupon of 4.00%. The offering was oversubscribed by a clear margin, with bonds allocated to more than 130 investors. The bond will be listed on NASDAQ OMX Helsinki.

Interest-bearing net debt was EUR 2,222 million as of the end of September, compared to EUR 2,080 million at the end of 2011. Net financial expenses between January and September were EUR 72 million (40 million). The average interest rate of borrowings at the end of September was 3.3% and the average maturity 3.9 years.

The equity-to-assets ratio was 33.4% (31 Dec. 2011: 34.0%), the leverage ratio 46.6% (31 Dec. 2011: 45.7%), and the gearing ratio 87.2% (31 Dec. 2011: 84.3%).

The Group's cash and cash equivalents and committed, unutilized credit facilities amounted to EUR 2,017 million as of the end of September (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 July 18, Neste Oil announced that maintenance work on diesel production line 4 at the Porvoo refinery had been completed and that the line had been brought back on-stream ahead of schedule. The line was down for planned and unplanned maintenance for most of the second quarter.

On August 17, Neste Oil and Stora Enso announced that they had decided not to progress with their plans to build a biodiesel plant, for which the two companies had applied for funding under the EU's NER 300 program.



Neste Oil's and Stora Enso's project was not among those proposed to receive NER 300 funding in a review of projects published by the European Commission. The trials carried out at a pilot plant in Varkaus on the entire chain needed for the planned plant proved very successful, and both companies will continue cooperation on other bio products.

On August 28, Neste Oil announced that CFO Ilkka Salonen would leave the company on August 31, 2012, and that Vice President, Finance and Control, Matti Piri would take over his duties as Acting CFO. Ilkka Salonen's departure was by mutual consent and Neste Oil appreciates the contribution that he made during his time with the company.

On August 29, Neste Oil announced that it had completed the first phase of its project to build a pilot plant for producing microbial oil at Porvoo. Construction of the plant is on-schedule and on-budget. The first phase will enable oil-producing micro-organisms to be grown at the facility, and the following phases will concentrate on raw material pretreatment and oil recovery. The goal is to develop the technology so that it is capable of yielding commercial volumes of microbial oil for use as a feedstock for NExBTL renewable diesel.

On September 7, Neste Oil announced that Neste Oil's service stations in Finland would launch premium-quality Neste Pro Diesel on September 9. The new product is the world's first diesel fuel to comply with the toughest WWFC specification. Using the new fuel can reduce fuel consumption by up to 5%, depending on the vehicle, driving style, and driving conditions. Compatible with all diesel vehicles, the new fuel also improves overall performance and reduces greenhouse gas and tailpipe emissions.

## Strategy implementation

The implementation of Neste Oil's strategy continues to be 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. Neste Oil's microbial oil pilot plant investment in Porvoo is a concrete step in our efforts to expand our feedstock base in the area of waste-based materials. 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.



## Market overview

The price of Brent Dated crude during the third quarter rose from around USD 95/bbl to USD 110-115/bbl, and averaged around USD 110/bbl during the quarter. The price differential between heavier and lighter crude oil was volatile during the third quarter. Russian Urals started the quarter at par with Brent – as a result of lower Iranian crude volumes coming into Europe due to oil sanctions and maintenance work on North Sea fields, which reduced the supply of light crude. Later in the quarter, refinery maintenance in Europe and Russia reduced demand for Urals and the differential widened, ending the quarter at around USD -1.5/bbl.

Refining margins in North-West Europe were strong during the third quarter and increased significantly in September. Quarterly average margins were the strongest seen since 2008. Margins were supported more by low supply than demand, which was relatively weak in Europe and the US. The main drivers here were low product inventory levels and several unanticipated refinery outages. Towards the end of the quarter, the autumn refinery maintenance season boosted margins further. Gasoline margins were high, but volatile and were strongest during the latter part of the quarter. Middle distillate margins strengthened during the quarter, although the normally weaker level of demand typical of the summer season softened the impact. Fuel oil margins weakened during the quarter, as a result of rising crude oil prices and softening demand.

Global biodiesel demand in 2012 is forecasted to grow compared to 2011, although the demand estimates have been revised slightly downwards. Demand growth in Europe has been impacted by the lower road diesel consumption and the increasing use of raw materials applicable to double counting in fulfilling the biofuel mandates.

Price spreads have widened in the vegetable oil market. Palm oil prices fell during the third quarter, while rapeseed oil and soybean oil prices rose. Animal fat continued to trade at a premium over palm oil. The main driver behind lower palm oil prices has been increasing supply, while global demand has been slowing, which has put growing pressure on inventories. Palm oil has been sold at a widening discount to retain market share. The EU rapeseed crop turned out to be better than expected. To some extent European rapeseed oil prices have been supported by the US soybean crop prospects, which have suffered from extreme drought.

European FAME biodiesel margins recovered after being negative for several months. Margins were positively impacted by Argentina's decision to change the tax structure that has enabled cheap SME biodiesel exports to Europe. NExBTL margins improved from the poor levels seen in the second quarter, and this trend has continued in October, mainly supported by the starting winter season, lower palm oil prices, and better biodiesel margins.

US Renewable Identification Number (RIN) prices have decreased significantly during the third quarter, as a result of the growing local biodiesel supply this year. Next year, the EPA will raise the US biomass-based diesel mandate by 28%, from 1,000 to 1,280 billion gallons a year.



## Key Drivers

	7-9/12	7-9/11	4-6/12	1-9/12	1-9/11	2011	Oct 12*	Oct 11
Reference refining margin, USD/bbl	9.72	4.48	8.07	7.64	4.47	4.37	11.3	5.62
Neste Oil's total refining margin, USD/bbl**	12.23	9.33	8.35	9.88	9.32	8.76	N/A	N/A
Urals-Brent price differential, USD/bbl	-0.71	-0.75	-2.12	-1.35	-2.18	-1.71	-1.4	-0.78
NWE Gasoline margin, USD/bbl	17.70	10.04	16.29	14.71	8.78	7.41	15.7	6.45
NWE Diesel margin, USD/bbl	22.76	17.09	19.24	19.95	16.91	18.12	26.7	22.16
NWE Heavy fuel oil margin, USD/bbl	-12.25	-14.75	-10.40	-11.23	-17.39	-15.96	-16.4	-11.53
Brent Dated crude oil, USD/bbl	109.61	113.46	108.19	112.10	111.92	111.27	113.0	109.43
USD/EUR, market rate	1.25	1.41	1.28	1.28	1.41	1.39	1.30	1.37
USD/EUR, hedged	1.31	1.38	1.34	1.34	1.34	1.35	N/A	N/A
Crude freights, WS points (TD7)	87	99	96	93	101	104	85	114

\* Up to 22 October 2012

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

## Production and sales

### Production

Neste Oil's total production in the third quarter of 2012 was 3.9 million tons (3.9 million), of which NExBTL renewable diesel accounted for 0.4 million tons (0.2 million). Production at the Porvoo refinery early in the quarter was impacted by maintenance work on diesel line 4, which had originally been planned for the fall. The line was brought back on-stream in mid-July.

Neste Oil's Production\*, by plant (1,000 t)

	7-9/12	7-9/11	4-6/12	1-9/12	1-9/11	2011
Porvoo refinery	2,901	3,010	2,777	8,647	8,672	11,761
Naantali refinery	575	619	268	1,391	1,727	2,264
NExBTL refineries	448	213	449	1,326	450	682
Bahrain VHVI plant (Neste Oil's share)	19	-	45	108	-	45
Beringen polyalphaolefin plant	-	13	-	-	35	43
Edmonton iso-octane plant (Neste Oil's share)	-	41	-	8	142	191

\*Adjusted to include only products refined for sales.

The Porvoo refinery operated at an average capacity utilization rate of 89% (86%) during the quarter. The Naantali refinery was run at an average rate of 79% (90%), impacted by maintenance work in July and limited bottom oil supply to Porvoo. The proportion of Russian Export Blend in total refinery input at Porvoo and Naantali averaged 69% (66%). Refinery production costs at Porvoo and Naantali totaled USD 4.0/bbl (USD 3.9/bbl) during the quarter.

Neste Oil's renewable diesel production achieved an average capacity utilization of 84% during the third quarter.





## Sales

Sales in the third quarter were slightly lower than in the corresponding period of 2011. The lower level of production reduced diesel sales in both domestic and export markets. A maintenance turnaround at a customer's petrochemical plant in Porvoo was reflected in lower sales in Finland.

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

	7-9/12	%	7-9/11	%	4-6/12	%	1-9/12	%	1-9/11	%	2011	%
Motor gasoline	1,031	27	1,013	26	1,095	29	3,191	28	3,079	28	4,143	27
Gasoline components	0	0	42	1	0	0	19	0	157	2	209	2
Diesel fuel	1,454	38	1,647	42	1,421	38	4,316	38	4,372	39	6,007	39
Jet fuel	147	4	171	4	94	3	398	3	583	5	763	5
Base oils	98	2	82	2	114	3	300	3	256	2	332	2
Heating oil	54	1	43	1	19	1	171	1	131	1	199	1
Heavy fuel oil	327	8	264	7	227	6	816	7	715	7	1,007	7
LPG	21	1	54	1	33	1	166	1	225	2	361	2
NExBTL renewable diesel	456	12	177	5	464	12	1,225	11	353	3	628	4
Other products	276	7	439	11	258	7	878	8	1,234	11	1,636	11
<b>TOTAL</b>	<b>3,865</b>	<b>100</b>	<b>3,932</b>	<b>100</b>	<b>3,725</b>	<b>100</b>	<b>11,480</b>	<b>100</b>	<b>11,105</b>	<b>100</b>	<b>15,284</b>	<b>100</b>

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

	7-9/12	%	7-9/11	%	4-6/12	%	1-9/12	%	1-9/11	%	2011	%
Finland	1,702	44	1,963	50	1,663	45	5,252	46	5,765	52	7,893	52
Other Nordic countries	628	16	731	19	511	14	1,810	16	1,996	18	2,618	17
Other Europe	1,147	30	855	22	1,085	29	3,049	26	2,040	18	2,988	20
USA & Canada	324	8	370	9	260	7	984	9	1,095	10	1,591	10
Other countries	65	2	13	0	206	5	385	3	210	2	194	1
<b>TOTAL</b>	<b>3,865</b>	<b>100</b>	<b>3,932</b>	<b>100</b>	<b>3,725</b>	<b>100</b>	<b>11,480</b>	<b>100</b>	<b>11,105</b>	<b>100</b>	<b>15,284</b>	<b>100</b>

## Segment reviews

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

### Oil Products

	7-9/12	7-9/11	4-6/12	1-9/12	1-9/11	2011
Revenue, MEUR	3,389	3,327	3,224	10,157	9,267	12,644
Comparable EBITDA, MEUR	200	134	96	421	387	463
Comparable operating profit, MEUR	154	86	49	280	244	271
IFRS operating profit, MEUR	248	56	-80	363	370	373
Total refining margin, USD/bbl	12.23	9.33	8.35	9.88	9.32	8.76
Net assets, MEUR	-	-	2,403	2,451	2,551	2,228
Comparable return on net assets*, %	-	-	-	12.6	14.4	11.4

\* rolling 12 months



Oil Products' third-quarter comparable operating profit totaled EUR 154 million, compared to EUR 86 million in the third quarter of 2011. This increase was largely due to higher refining margins. The full potential of high refining margins could not be captured due to margin hedging, however. Base oil demand continued to be impacted by the slowdown in the world economy, and Base Oils' profit contribution was lower than in the corresponding period last year. Neste Oil's total refining margin totaled USD 12.23/bbl during the third quarter, which compares to USD 9.33/bbl in the third quarter of 2011.

Oil Products' comparable operating profit totaled EUR 280 million during the first nine months of the year, compared to EUR 244 million for the same period in 2011. This difference was mainly due to higher refining margins in the third quarter. The total refining margin increased to USD 9.88/bbl from the USD 9.32/bbl reported for the first nine months of 2011.

## Renewable Fuels

	7-9/12	7-9/11	4-6/12	1-9/12	1-9/11	2011
Revenue, MEUR	597	290	595	1,658	627	1,026
Comparable EBITDA, MEUR	5	-39	-8	19	-99	-85
Comparable operating profit, MEUR	-19	-57	-33	-54	-148	-163
IFRS operating profit, MEUR	-73	-81	-59	-140	-138	-170
Net assets, MEUR	-	-	2,039	1,857	1,972	1,963
Comparable return on net assets*, %	-	-	-	-3.5	-9.0	-8.7

\* rolling 12 months

Renewable Fuels' comparable operating profit was EUR -19 million during the third quarter, compared to EUR -57 million in the third quarter in 2011. Sales volumes were high, but the segment's result continued to be impacted by low margins due to narrow vegetable oil price differentials and the low FAME biodiesel producers' margin, although these margin drivers improved towards the end of the quarter.

Renewable Fuels' nine-month comparable operating profit was EUR -54 million (-148 million). High sales volumes resulted in lower unit costs, while margins were lower year-on-year.

## Oil Retail

	7-9/12	7-9/11	4-6/12	1-9/12	1-9/11	2011
Revenue, MEUR	1,266	1,107	1,181	3,637	3,186	4,298
Comparable EBITDA, MEUR	31	31	23	77	72	89
Comparable operating profit, MEUR	23	23	15	53	48	57
IFRS operating profit, MEUR	23	24	15	53	49	58
Net assets, MEUR	-	-	313	348	332	326
Comparable return on net assets*, %	-	-	-	18.6	20.5	17.6
Total sales volume**, 1,000 m3	1,072	1,026	1,009	3,094	2,966	3,982
- gasoline station sales, 1,000 m3	337	344	325	954	966	1,279
- diesel station sales, 1,000 m3	390	380	377	1,137	1,099	1,479
- heating oil, 1,000 m3	153	147	138	471	478	654
- heavy fuel oil, 1,000 m3	55	62	57	194	195	263

\* rolling 12 months

\*\* includes both station and terminal sales



Oil Retail's comparable operating profit was EUR 23 million during the third quarter, and was similar to the corresponding period in 2011.

Oil Retail's nine-month comparable operating profit totaled EUR 53 million (48 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 10.20, up by 15.2% compared to the end of the second quarter. At its highest during the quarter, the share price closed at EUR 10.52, while at its lowest the price stood at EUR 7.90. Market capitalization was EUR 2.6 billion as of 30 September 2012. An average of 0.8 million shares were traded daily, representing 0.3% of the company's shares.

Neste Oil's share capital registered with the Company Register as of 30 September 2012 totaled EUR 40 million, and the total number of shares outstanding was 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 September, the Finnish State owned 50.1% (50.1% at the end of June) of outstanding shares, foreign institutions 14.6% (13.9%), Finnish institutions 21.1% (21.4%), and Finnish households 14.3% (14.5%).

## Personnel

Neste Oil employed an average of 5,035 (4,948) employees in January-September, of which 1,442 (1,430) were based outside Finland. As of the end of September, the company had 5,031 employees (4,874), of which 1,481 (1,414) 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 3.3 at the end of September 2012. The target for 2012 is 2.0. Safety self-assessments have been carried out Group-wide. Findings have been analyzed and actions have been integrated into work plans for 2013. A strong focus on occupational safety and process safety at production sites remains a high priority in the safety area.

Spill response and monitoring activities have continued near a National Emergency Supply Agency storage facility operated by Neste Oil in Kajaani, Finland, where heating oil leaked into the ground in April 2012. The size of the contaminated area has been significantly reduced due to natural clean-up processes. No significant spill-related impacts have been detected in the local watercourses. Lake sediments have also been declared clean. Neste Oil has assumed liability for corrective actions necessary.



The management systems of Neste Oil's terminals in Finland have now been certified (ISO 9001, ISO 14001 and OHSAS 18001) for occupational health and safety, environment, and quality.

Neste Oil was selected for inclusion in the Dow Jones Sustainability World Index (DJSI World) for the sixth year in succession on 13 September. A total of 340 companies from 30 countries selected for inclusion are considered among the best in their field and are expected to show a strong commitment to sustainable development in terms of economic, environmental, and social criteria, as well as continuous development. The extensive review was conducted by SAM Group.

Neste Oil was also selected for inclusion in the STOXX® Global ESG Leaders index for the second time in succession at the end of September. The approximately 300 companies included are seen as leading the field globally on the basis of a review of their performance in terms of environmental and social sustainability and corporate governance. Neste Oil was simultaneously selected for inclusion in both the STOXX Global ESG Social Leaders and STOXX Global ESG Governance Leaders specialized indices, both of which feature just over 200 companies. The review was carried out by Sustainalytics.

## Events after the reporting period

On 17 October, Neste Oil announced that the European Commission's proposed changes to biofuel legislation support Neste Oil's continuous efforts to extend its raw material portfolio. The Commission had proposed that the EU-level mandated bio content contained in the current Renewable Energy Directive should be maintained at its current level, requiring 10% of the energy content of traffic fuels to come from renewable sources by 2020. The proposal also advocates splitting the EU's requirement for 10% mandated bio content into two components, with biofuels produced from crops limited to providing 5% of total traffic fuel consumption in 2020, and the other 5% required to come from fuels produced from waste, residues, or completely new types of raw materials. Neste Oil considered the Commission's proposal balanced and saw the ongoing commitment to mandated bio content as a clear message of support for sustainably produced biofuels. It would also secure existing investments and jobs.

## 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 fourth quarter 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 Oil Products' 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 significantly compared to 2011, assuming good productivity during the remaining part of the year.

Renewable Fuels' comparable operating profit during the fourth quarter is expected to improve compared to the third quarter. We expect the fourth quarter result to be close to breakeven. Approx. 60% of the fourth quarter margins were hedged during the summer, which limits our short-term capability to capture the full value of palm oil price decline. The result is sensitive to market development, which has been very volatile in 2012.

Oil Retail's full-year comparable operating profit is expected to improve from that seen in 2011.

The Group's fixed costs are expected to be approx. EUR 650 million during 2012. Investments have been reduced and are expected to total approx. EUR 300 million in 2012.

Our full-year guidance is unchanged: Neste Oil expects the Group's full-year comparable operating profit to improve significantly compared to 2011.



## Reporting date for the company's fourth-quarter and full-year 2012 results

Neste Oil will publish its fourth-quarter and full-year 2012 results on 5 February 2013 at approximately 9:00 a.m. EET.

Espoo, 24 October 2012

Neste Oil Corporation  
Board of Directors

### Further information:

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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	7-9/2012	7-9/2011	1-9/2012	1-9/2011	1-12/2011	Last 12 months
<b>Revenue</b>	3	<b>4,505</b>	4,105	<b>13,256</b>	11,251	15,420	17,425
Other income		7	4	85	18	36	103
Share of profit (loss) of associates and joint ventures		4	17	4	28	26	2
Materials and services		-3,932	-3,825	-11,976	-10,096	-13,962	-15,842
Employee benefit costs		-76	-69	-251	-234	-316	-333
Depreciation, amortization and impairments	3	-81	-76	-247	-225	-315	-337
Other expenses		-234	-141	-607	-447	-616	-776
<b>Operating profit</b>		<b>193</b>	15	<b>264</b>	295	273	242
<b>Financial income and expenses</b>							
Financial income		0	1	2	3	4	3
Financial expenses		-22	-20	-66	-49	-72	-89
Exchange rate and fair value gains and losses		-1	1	-8	6	1	-13
<b>Total financial income and expenses</b>		<b>-23</b>	-18	<b>-72</b>	-40	-67	-99
<b>Profit before income taxes</b>		<b>170</b>	-3	<b>192</b>	255	206	143
Income tax expense		-40	3	-54	-73	-46	-27
<b>Profit for the period</b>		<b>130</b>	0	<b>138</b>	182	160	116
<b>Profit attributable to:</b>							
Owners of the parent		130	0	136	181	158	113
Non-controlling interests		0	0	2	1	2	3
		<b>130</b>	0	<b>138</b>	182	160	116
<b>Earnings per share from profit attributable to the owners of the parent basic and diluted (in euro per share)</b>		<b>0.51</b>	0.00	<b>0.53</b>	0.71	0.62	0.45

## STATEMENT OF COMPREHENSIVE INCOME

MEUR	7-9/2012	7-9/2011	1-9/2012	1-9/2011	1-12/2011	Last 12 months
<b>Profit for the period</b>	<b>130</b>	0	<b>138</b>	182	160	116
<b>Other comprehensive income for the period, net of tax:</b>						
Translation differences	12	-9	20	-20	-1	39
Cash flow hedges						
recorded in equity	-36	-32	-71	4	-10	-85
transferred to income statement	48	-1	87	-25	-19	93
Net investment hedges	-1	0	-1	0	-1	-2
Hedging reserves in associates and joint ventures	-1	0	-1	1	1	-1
<b>Other comprehensive income for the period, net of tax</b>	<b>22</b>	-42	<b>34</b>	-40	-30	44
<b>Total comprehensive income for the period</b>	<b>152</b>	-42	<b>172</b>	142	130	160
<b>Total comprehensive income attributable to:</b>						
Owners of the parent	152	-42	170	141	128	157
Non-controlling interests	0	0	2	1	2	3
	<b>152</b>	-42	<b>172</b>	142	130	160



## CONSOLIDATED BALANCE SHEET

MEUR	Note	30 Sep 2012	30 Sep 2011	31 Dec 2011
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	5	58	50	55
Property, plant and equipment	5	3,932	4,002	3,968
Investments in associates and joint ventures		252	233	239
Non-current receivables		5	13	16
Pension assets		0	0	0
Deferred tax assets		32	38	50
Derivative financial instruments	6	34	24	19
Available-for-sale financial assets		5	4	4
<b>Total non-current assets</b>		<b>4,318</b>	<b>4,364</b>	<b>4,351</b>
<b>Current assets</b>				
Inventories		1,653	1,367	1,457
Trade and other receivables		1,197	1,030	1,045
Derivative financial instruments	6	102	44	59
Cash and cash equivalents		367	97	304
<b>Total current assets</b>		<b>3,319</b>	<b>2,538</b>	<b>2,865</b>
<b>Assets classified as held for sale <sup>1)</sup></b>		<b>-</b>	<b>7</b>	<b>56</b>
<b>Total assets</b>		<b>7,637</b>	<b>6,909</b>	<b>7,272</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to the owners of the parent</b>				
Share capital		40	40	40
Other equity	2	2,493	2,426	2,413
<b>Total</b>		<b>2,533</b>	<b>2,466</b>	<b>2,453</b>
<b>Non-controlling interest</b>		<b>15</b>	<b>13</b>	<b>14</b>
<b>Total equity</b>		<b>2,548</b>	<b>2,479</b>	<b>2,467</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Interest-bearing liabilities		1,923	1,921	1,891
Deferred tax liabilities		312	341	331
Provisions		38	28	22
Pension liabilities		48	49	46
Derivative financial instruments	6	12	19	12
Other non-current liabilities		8	7	9
<b>Total non-current liabilities</b>		<b>2,341</b>	<b>2,365</b>	<b>2,311</b>
<b>Current liabilities</b>				
Interest-bearing liabilities		667	562	493
Current tax liabilities		40	29	26
Derivative financial instruments	6	135	79	88
Trade and other payables		1,906	1,395	1,872
<b>Total current liabilities</b>		<b>2,748</b>	<b>2,065</b>	<b>2,479</b>
<b>Liabilities related to assets held for sale <sup>1)</sup></b>		<b>-</b>	<b>-</b>	<b>15</b>
<b>Total liabilities</b>		<b>5,089</b>	<b>4,430</b>	<b>4,805</b>
<b>Total equity and liabilities</b>		<b>7,637</b>	<b>6,909</b>	<b>7,272</b>

<sup>1)</sup> Non-current assets classified as held for sale compare of the carrying amount of Neste Oil's polyalphaolefin (PAO) production facilities, quality control laboratory, and the related maintenance services at 30 September 2011. The transaction was closed on November 30, 2011. 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		
<b>Total equity at 1 January 2011</b>	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			-20	-20	181	1	142	
<b>Total equity at 30 September 2011</b>	40	15	-14	-26	2,451	13	2,479	
	Share capital	Reserve fund	Fair value and other reserves	Translation differences	Retained earnings	Non-controlling interests	Total equity	
<b>Total equity at 1 January 2012</b>	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			14	20	136	2	172	
<b>Total equity at 30 September 2012</b>	40	17	-9	13	2,472	15	2,548	





## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

MEUR	7-9/2012	7-9/2011	1-9/2012	1-9/2011	1-12/2011
<b>Cash flow from operating activities</b>					
Profit before taxes	170	-3	192	255	206
Adjustments, total	147	95	328	253	344
Change in working capital	25	-152	-248	-583	-222
<b>Cash generated from operations</b>	<b>342</b>	<b>-60</b>	<b>272</b>	<b>-75</b>	<b>328</b>
Finance cost, net	-49	-16	-91	-29	-44
Income taxes paid	0	-53	-40	-93	-87
<b>Net cash generated from operating activities</b>	<b>293</b>	<b>-129</b>	<b>141</b>	<b>-197</b>	<b>197</b>
Capital expenditure	-51	-67	-210	-278	-364
Acquisition of shares in subsidiaries	-	-	-	-	-
Acquisition of associates and joint ventures	-	-	-	-	-
Acquisition of other shares	0	0	-1	0	0
Proceeds from sales of shares in subsidiaries	-	2	-	2	2
Proceeds from capital repayments in associates and joint ventures	2	-	2	-	-
Proceeds from sales of fixed assets	3	0	78	2	22
Change in other investments	-32	3	-39	-11	-25
<b>Cash flow before financing activities</b>	<b>215</b>	<b>-191</b>	<b>-29</b>	<b>-482</b>	<b>-168</b>
Net change in loans and other financing activities	29	149	182	291	180
Dividends paid to the owners of the parent	-	-	-90	-90	-90
Dividends paid to non-controlling interests	-	-	-1	-	-
<b>Net increase (+)/decrease (-) in cash and cash equivalents</b>	<b>244</b>	<b>-42</b>	<b>62</b>	<b>-281</b>	<b>-78</b>

## KEY FINANCIAL INDICATORS

	30 Sep 2012	30 Sep 2011	31 Dec 2011	Last 12 months
Capital employed, MEUR	5,137	4,963	4,850	5,137
Interest-bearing net debt, MEUR	2,222	2,386	2,080	-
Capital expenditure and investment in shares, MEUR	211	278	364	297
Return on average capital employed, after tax, ROACE %	-	-	2.6	4.4
Return on capital employed, pre-tax, ROCE %	6.9	8.5	5.9	4.6
Return on equity, %	7.3	9.9	6.6	4.6
Equity per share, EUR	9.90	9.64	9.58	-
Cash flow per share, EUR	0.55	-0.77	0.77	2.09
Equity-to-assets ratio, %	33.4	35.9	34.0	-
Leverage ratio, %	46.6	49.0	45.7	-
Gearing, %	87.2	96.2	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	5,035	4,948	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 September 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	7-9/2012	7-9/2011	1-9/2012	1-9/2011	1-12/2011	Last 12 months
Oil Products	3,389	3,327	10,157	9,267	12,644	13,534
Renewable Fuels	597	290	1,658	627	1,026	2,057
Oil Retail	1,266	1,107	3,637	3,186	4,298	4,749
Others	48	44	154	135	191	210
Eliminations	-795	-663	-2,350	-1,964	-2,739	-3,125
<b>Total</b>	<b>4,505</b>	<b>4,105</b>	<b>13,256</b>	<b>11,251</b>	<b>15,420</b>	<b>17,425</b>

OPERATING PROFIT MEUR	7-9/2012	7-9/2011	1-9/2012	1-9/2011	1-12/2011	Last 12 months
Oil Products	248	56	363	370	373	366
Renewable Fuels	-73	-81	-140	-138	-170	-172
Oil Retail	23	24	53	49	58	62
Others	-1	15	-10	7	8	-9
Eliminations	-4	1	-2	7	4	-5
<b>Total</b>	<b>193</b>	<b>15</b>	<b>264</b>	<b>295</b>	<b>273</b>	<b>242</b>

COMPARABLE OPERATING PROFIT MEUR	7-9/2012	7-9/2011	1-9/2012	1-9/2011	1-12/2011	Last 12 months
Oil Products	154	86	280	244	271	307
Renewable Fuels	-19	-57	-54	-148	-163	-69
Oil Retail	23	23	53	48	57	62
Others	0	15	-9	7	9	-7
Eliminations	-2	1	0	7	4	-3
<b>Total</b>	<b>156</b>	<b>68</b>	<b>270</b>	<b>158</b>	<b>178</b>	<b>290</b>

DEPRECIATION, AMORTIZATION AND IMPAIRMENTS MEUR	7-9/2012	7-9/2011	1-9/2012	1-9/2011	1-12/2011	Last 12 months
Oil Products	46	48	141	143	192	190
Renewable Fuels	24	18	73	49	78	102
Oil Retail	8	8	24	24	32	32
Others	3	2	9	9	13	13
<b>Total</b>	<b>81</b>	<b>76</b>	<b>247</b>	<b>225</b>	<b>315</b>	<b>337</b>

CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES MEUR	7-9/2012	7-9/2011	1-9/2012	1-9/2011	1-12/2011	Last 12 months
Oil Products	32	32	125	83	131	173
Renewable Fuels	3	25	44	171	190	63
Oil Retail	10	8	25	18	34	41
Others	6	2	17	6	9	20
<b>Total</b>	<b>51</b>	<b>67</b>	<b>211</b>	<b>278</b>	<b>364</b>	<b>297</b>

TOTAL ASSETS MEUR	30 Sep 2012	30 Sep 2011	31 Dec 2011
Oil Products	4,052	3,774	3,889
Renewable Fuels	2,160	2,123	2,167
Oil Retail	702	616	649
Others	431	412	395
Unallocated assets	583	238	478
Eliminations	-291	-254	-306
<b>Total</b>	<b>7,637</b>	<b>6,909</b>	<b>7,272</b>



<b>NET ASSETS</b>	<b>30 Sep</b>	<b>30 Sep</b>	<b>31 Dec</b>
<b>MEUR</b>	<b>2012</b>	<b>2011</b>	<b>2011</b>
Oil Products	2,451	2,551	2,228
Renewable Fuels	1,857	1,972	1,963
Oil Retail	348	332	326
Others	331	318	315
Eliminations	-4	-3	-3
<b>Total</b>	<b>4,983</b>	<b>5,170</b>	<b>4,829</b>

<b>RETURN ON NET ASSETS, %</b>	<b>30 Sep</b>	<b>30 Sep</b>	<b>31 Dec</b>	<b>Last 12</b>
	<b>2012</b>	<b>2011</b>	<b>2011</b>	<b>months</b>
Oil Products	20.1	20.5	15.7	15.0
Renewable Fuels	-9.4	-9.9	-9.0	-8.6
Oil Retail	21.2	20.2	17.9	18.6

<b>COMPARABLE RETURN ON NET ASSETS, %</b>	<b>30 Sep</b>	<b>30 Sep</b>	<b>31 Dec</b>	<b>Last 12</b>
	<b>2012</b>	<b>2011</b>	<b>2011</b>	<b>months</b>
Oil Products	15.5	13.5	11.4	12.6
Renewable Fuels	-3.6	-10.6	-8.7	-3.5
Oil Retail	21.2	19.8	17.6	18.6

## QUARTERLY SEGMENT INFORMATION

### QUARTERLY REVENUE

<b>MEUR</b>	<b>7-9/2012</b>	<b>4-6/2012</b>	<b>1-3/2012</b>	<b>10-12/2011</b>	<b>7-9/2011</b>	<b>4-6/2011</b>	<b>1-3/2011</b>
Oil Products	3,389	3,224	3,544	3,377	3,327	3,070	2,870
Renewable Fuels	597	595	466	399	290	144	193
Oil Retail	1,266	1,181	1,190	1,112	1,107	1,058	1,021
Others	48	54	52	56	44	47	44
Eliminations	-795	-757	-798	-775	-663	-645	-656
<b>Total</b>	<b>4,505</b>	<b>4,297</b>	<b>4,454</b>	<b>4,169</b>	<b>4,105</b>	<b>3,674</b>	<b>3,472</b>

### QUARTERLY OPERATING PROFIT

<b>MEUR</b>	<b>7-9/2012</b>	<b>4-6/2012</b>	<b>1-3/2012</b>	<b>10-12/2011</b>	<b>7-9/2011</b>	<b>4-6/2011</b>	<b>1-3/2011</b>
Oil Products	248	-80	195	3	56	136	178
Renewable Fuels	-73	-59	-8	-32	-81	-53	-4
Oil Retail	23	15	15	9	24	13	12
Others	-1	1	-10	1	15	7	-15
Eliminations	-4	6	-4	-3	1	6	0
<b>Total</b>	<b>193</b>	<b>-117</b>	<b>188</b>	<b>-22</b>	<b>15</b>	<b>109</b>	<b>171</b>

### QUARTERLY COMPARABLE OPERATING PROFIT

<b>MEUR</b>	<b>7-9/2012</b>	<b>4-6/2012</b>	<b>1-3/2012</b>	<b>10-12/2011</b>	<b>7-9/2011</b>	<b>4-6/2011</b>	<b>1-3/2011</b>
Oil Products	154	49	77	27	86	75	83
Renewable Fuels	-19	-33	-2	-15	-57	-55	-36
Oil Retail	23	15	15	9	23	13	12
Others	0	1	-10	2	15	8	-16
Eliminations	-2	6	-4	-3	1	6	0
<b>Total</b>	<b>156</b>	<b>38</b>	<b>76</b>	<b>20</b>	<b>68</b>	<b>47</b>	<b>43</b>

### QUARTERLY DEPRECIATION, AMORTIZATION AND IMPAIRMENTS

<b>MEUR</b>	<b>7-9/2012</b>	<b>4-6/2012</b>	<b>1-3/2012</b>	<b>10-12/2011</b>	<b>7-9/2011</b>	<b>4-6/2011</b>	<b>1-3/2011</b>
Oil Products	46	47	48	49	48	48	47
Renewable Fuels	24	25	24	29	18	16	15
Oil Retail	8	8	8	8	8	8	8
Others	3	3	3	4	2	4	3
<b>Total</b>	<b>81</b>	<b>83</b>	<b>83</b>	<b>90</b>	<b>76</b>	<b>76</b>	<b>73</b>

### QUARTERLY CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES

<b>MEUR</b>	<b>7-9/2012</b>	<b>4-6/2012</b>	<b>1-3/2012</b>	<b>10-12/2011</b>	<b>7-9/2011</b>	<b>4-6/2011</b>	<b>1-3/2011</b>
Oil Products	32	69	24	48	32	32	19
Renewable Fuels	3	26	15	19	25	50	96
Oil Retail	10	11	4	16	8	6	4
Others	6	6	5	3	2	3	1
<b>Total</b>	<b>51</b>	<b>112</b>	<b>48</b>	<b>86</b>	<b>67</b>	<b>91</b>	<b>120</b>

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
<b>Total assets</b>	<b>58</b>
Trade and other payables	9
<b>Total liabilities</b>	<b>9</b>
<b>Sold net assets</b>	<b>49</b>
Gain on disposal	45
<b>Total consideration</b>	<b>94</b>
Cash consideration received	94
Cash and cash equivalents disposed of	-
<b>Cash inflow arising from disposal</b>	<b>94</b>

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

### CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

MEUR	30 Sep 2012	30 Sep 2011	31 Dec 2011
<b>Opening balance</b>	<b>4,023</b>	4,022	4,022
Depreciation, amortization and impairments	-247	-225	-315
Capital expenditure	210	278	364
Disposals	-3	-4	-13
Classified as asset held for sale	-	-7	-28
Translation differences	7	-12	-7
<b>Closing balance</b>	<b>3,990</b>	4,052	4,023

### CAPITAL COMMITMENTS

MEUR	30 Sep 2012	30 Sep 2011	31 Dec 2011
Commitments to purchase property, plant and equipment	10	23	24
Total	10	23	24

## 6. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate and currency derivative contracts and share forward contracts	30 Sep 2012		30 Sep 2011		31 Dec 2011	
	Nominal value	Net fair value	Nominal value	Net fair value	Nominal value	Net fair value
<b>MEUR</b>						
Interest rate swaps	1,061	21	772	1	772	6
Forward foreign exchange contracts	1,644	15	1,075	-28	1,413	-41
Currency options						
Purchased	105	-1	150	-3	206	-5
Written	104	2	135	-1	193	-3
<b>Commodity derivative contracts</b>						
	Volume million bbl	Net fair value Meur	Volume million bbl	Net fair value Meur	Volume million bbl	Net fair value Meur
Sales contracts	36	-22	51	5	46	0
Purchase contracts	26	-26	35	-4	34	21
Purchased options	1	-5	1	-2	1	0
Written options	1	5	1	2	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	1-9/2012	1-9/2011	1-12/2011
Sales of goods and services	87	97	116
Purchases of goods and services	63	66	72
Receivables	16	19	7
Financial income and expenses	0	0	0
Liabilities	19	12	16

## 8. CONTINGENT LIABILITIES

MEUR	30 Sep 2012	30 Sep 2011	31 Dec 2011
<b>Contingent liabilities</b>			
On own behalf for commitments			
Real estate mortgages	26	26	26
Pledged assets	1	2	2
Other contingent liabilities	12	23	31
Total	39	51	59
On behalf of associates and joint ventures			
Guarantees	2	2	2
Total	2	2	2
On behalf of others			
Guarantees	1	1	1
Other contingent liabilities	2	-	2
Total	3	1	3
<b>Total</b>	<b>44</b>	<b>54</b>	<b>64</b>

MEUR	30 Sep 2012	30 Sep 2011	31 Dec 2011
<b>Operating lease liabilities</b>			
Due within one year	54	74	74
Due between one and five years	118	144	142
Due later than five years	77	86	80
<b>Total</b>	<b>249</b>	<b>304</b>	<b>296</b>

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	$\frac{\text{Profit before taxes} - \text{taxes}}{\text{Total equity average}}$
Return on capital employed, pre-tax (ROCE) %	=	100 x	$\frac{\text{Profit before taxes} + \text{interest and other financial expenses}}{\text{Capital employed average}}$
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	$\frac{\text{Interest-bearing net debt}}{\text{Interest bearing net debt} + \text{total equity}}$
Gearing, %	=	100 x	$\frac{\text{Interest-bearing net debt}}{\text{Total equity}}$
Equity-to-assets ratio, %	=	100 x	$\frac{\text{Total equity}}{\text{Total assets} - \text{advances received}}$
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 x	$\frac{\text{Dividend per share}}{\text{Earnings per share}}$
Dividend yield, %	=	100 x	$\frac{\text{Dividend per share}}{\text{Share price at the end of the period}}$
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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