5 February 2013

Neste Oil Corporation
Financial Statements
for 2012

Neste Oil's Financial Statements for 2012

- **Full-year comparable operating profit almost doubled to EUR 352 million (2011: 178 million)**
- **Fourth-quarter comparable operating profit was EUR 82 million (Q4/2011: 20 million)**
- **Solid cash flow reduced leverage during the second half of the year**

2012 in brief:

- Comparable operating profit was EUR 352 million (2011: EUR 178 million)
- IFRS operating profit was EUR 321 million (2011: EUR 273 million)
- Total refining margin was USD 10.17/bbl (2011: USD 8.76/bbl)
- Net cash from operations was EUR 468 million (2011: EUR 197 million)
- Investments totaled EUR 292 million (2011: EUR 364 million)
- Leverage ratio was 42.9% (2011: 45.7%)
- The Board of Directors will propose a dividend of EUR 0.38 per share (2011: 0.35)

Fourth quarter in brief:

- Comparable operating profit was EUR 82 million (Q4/2011: EUR 20 million)
- IFRS operating profit was EUR 57 million (Q4/2011: EUR -22 million)
- Total refining margin was USD 10.99/bbl (Q4/2011: USD 7.24/bbl)
- Net cash from operations was EUR 327 million (Q4/2011: EUR 394 million)
- Investments totaled EUR 81 million (Q4/2011: EUR 86 million)

President & CEO Matti Lievonen:

“Neste Oil had a solid year 2012. We were able to almost double the Group's comparable operating profit. We also strengthened our balance sheet and reduced our leverage through strong cash flow generation.

Average refining margins in 2012 were higher than in 2011. While the growth in demand for oil products was not particularly strong, several supply limitations, such as refinery closures and maintenance and other outages, strengthened margins. After being very high in the third quarter, refining margins returned to more normal levels towards the end of the year. Overall refinery productivity at both our Porvoo and Naantali refineries improved, despite maintenance work at both sites. In 2012, the Oil Products segment recorded a comparable operating profit of EUR 396 million, which was significantly higher than in 2011.

We made good progress in the Renewable Fuels business during 2012, increasing our sales volumes by more than a million tons and expanding our markets and customer base. In line with our feedstock strategy, we also increased our use of waste- and residue-based feedstock by over 400,000 tons to 742,000 tons. Although Renewable Fuels remained loss-making in 2012, the business’ full-year comparable operating profit improved by EUR 107 million compared to 2011 and reached close to breakeven in the fourth quarter.

Uncertainties in the global economy have been reflected in the oil and renewable fuel markets, and we anticipate that this volatility will continue. However, we expect the Group's full-year comparable operating profit in 2013 to improve compared to 2012. Renewable Fuels’ full-year result is expected to improve and be positive.”

Neste Oil Financial Statements, 1 January - 31 December 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 for the 2011 financial statements have been restated to reflect this.

Key Figures

EUR million (unless otherwise noted)

	10-12/12	10-12/11	7-9/12	2012	2011
Revenue	4,597	4,169	4,505	17,853	15,420
EBITDA	142	68	274	653	588
Depreciation, amortization, and impairments	85	90	81	332	315
Operating profit	57	-22	193	321	273
Comparable operating profit *	82	20	156	352	178
Profit before income tax	41	-49	170	233	206
Net profit	21	-22	130	159	160
Comparable net profit **	40	11	100	180	86
Earnings per share, EUR	0.08	-0.09	0.51	0.61	0.62
Comparable earnings per share, EUR **	0.16	0.04	0.39	0.70	0.33
Investments	81	86	51	292	364
Net cash from operating activities	327	394	293	468	197

	31 Dec 2012	31 Dec 2011
Total equity	2,578	2,467
Interest-bearing net debt	1,935	2,080
Capital employed	4,923	4,850
Return on capital employed pre-tax (ROCE), %	6.5	5.9
Return on average capital employed after tax (ROACE)***, %	4.9	2.6
Return on equity (ROE), %	6.3	6.6
Equity per share, EUR	10.01	9.58
Cash flow per share****, EUR	1.83	0.77
Equity-to-assets ratio, %	35.0	34.0
Leverage (net debt to capital), %	42.9	45.7
Gearing, %	75.1	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. Comparable earnings per share is based on Comparable net profit.

*** Rolling 12 months

**** 1 January - 31 December

The Group's fourth-quarter 2012 results

Neste Oil's revenue increased to EUR 4,597 million in the fourth quarter from EUR 4,169 million during the same period in 2011. This increase resulted mainly from higher product prices and the growth of the Renewable Fuels business. The Group’s comparable operating profit came in at EUR 82 million. Comparable operating profit for the corresponding period in 2011 was EUR 20 million. Oil Products' result was positively impacted by refining margins, which were higher than in the corresponding period in 2011, although closer to normal compared to the very high levels seen during the third quarter 2012. Renewable Fuels improved year-on-year and, as expected, recorded a comparable operating profit close to breakeven in the fourth quarter. Oil Retail’s performance was lower than that in the corresponding period in 2011, and was negatively impacted by tighter margins in Finland and North-West Russia. The Others segment posted a loss and a significantly lower result than in the fourth quarter of 2011.

Oil Products’ fourth-quarter comparable operating profit was EUR 116 million (27 million), Renewable Fuels’ EUR -2 million (-15 million), and Oil Retail’s EUR 5 million (9 million). The comparable operating profit of the Others segment totaled EUR -37 million (2 million); associated companies and joint ventures accounted for EUR -8 million (-3 million) of this figure, which mainly reflects unsatisfactory performance at Nynas. The Others segment's result was also burdened by a EUR 14 million write-off related to an IT system project and changes in internal corporate charges, including pension liabilities.

The Group’s IFRS operating profit was EUR 57 million (-22 million), which was impacted by inventory losses totaling EUR 48 million (62 million) and changes in the fair value of open oil derivatives totaling EUR 23 million (9 million). Pre-tax profit was EUR 41 million (-49 million), profit for the period EUR 21 million (-22 million), and earnings per share EUR 0.08 (-0.09).

The Group's full-year results for 2012

Neste Oil’s revenue in 2012 totaled EUR 17,853 million (15,420 million). This increase resulted mainly from the growth of the Renewable Fuels business and higher product prices compared to 2011. The Group’s comparable operating profit for the year almost doubled to EUR 352 million, from EUR 178 million reported in 2011. Both the Oil Products and Renewable Fuels segments recorded clear improvement in comparable operating profit year-on-year, and Oil Retail’s result was also slightly higher than in 2011. The Others segment posted a significantly lower result than in 2011. The Group’s fixed costs came in at EUR 666 million (613 million). This increase was mainly caused by higher staff, IT service, and research & development costs.

Oil Products’ full-year comparable operating profit was EUR 396 million (271 million), Renewable Fuels’ EUR -56 million (-163 million), and Oil Retail’s EUR 58 million (57 million). The comparable operating profit of the Others segment totaled EUR -46 million (9 million), of which Nynas accounted for EUR -6 million (19 million).

The Group’s full-year IFRS operating profit was EUR 321 million (273 million), which was impacted by inventory losses totaling EUR 61 million (gains of 79 million) and capital gain totaling EUR 45 million (11 million). Pre-tax profit was EUR 233 million (206 million), profit for the period EUR 159 million (160 million), and earnings per share EUR 0.61 (0.62).

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 2012, the rolling twelve-month ROACE was 4.9% (2011 financial year: 2.6%)

	10-12/12	10-12/11	7-9/12	2012	2011
COMPARABLE OPERATING PROFIT	82	20	156	352	178
- inventory gains/losses	-48	-62	87	-61	79
- changes in the fair value of open oil derivatives	23	9	-50	-15	5
- capital gains/losses	0	11	0	45	11
OPERATING PROFIT	57	-22	193	321	273

Cash flow, investments, and financing

Neste Oil Group's net cash from operating activities totaled EUR 468 million (197 million) in 2012. The year-on-year difference is mainly attributable to more efficient working capital management in 2012.

Investments totaled EUR 292 million (364 million) in 2012. Oil Products' capital expenditure totaled EUR 180 million (131 million), while Renewable Fuels invested EUR 51 million (190 million), Oil Retail EUR 36 million (34 million), and Others EUR 25 million (9 million).

Interest-bearing net debt was EUR 1,935 million as of the end of December 2012, compared to EUR 2,080 million at the end of 2011. Net financial expenses for the year were EUR 88 million (67 million). The average interest rate of borrowing at the end of December was 3.5% and the average maturity 3.9 years.

The equity-to-assets ratio was 35.0% (31 Dec. 2011: 34.0%), the leverage ratio 42.9% (31 Dec. 2011: 45.7%), and the gearing ratio 75.1% (31 Dec. 2011: 84.3%).

The Group's cash and cash equivalents and committed, unutilized credit facilities amounted to EUR 2,135 million as of the end of December (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.

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.

On May 30, Neste Oil announced that it had filed a patent infringement action in the US District Court for the District of Delaware to protect its innovation and patent portfolio, based on its belief 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.

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 was moved up and carried out during the outage, and the line brought back on-stream in mid-July.

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.

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. The goal is to develop technology 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 Worldwide Fuel Charter (WWFC) specification.

On October 17, Neste Oil announced that the European Commission's proposed changes to biofuel legislation support Neste Oil's ongoing efforts to extend its raw material portfolio. The proposal advocates splitting the EU’s requirement for 10% mandated bio content in 2020 into two components, with biofuels produced from crops limited to providing 5% of total traffic fuel consumption, and the other 5% required to come from fuels produced from waste, residues, or completely new types of raw materials.

On October 29, Neste Oil announced that it had launched the commercial production and sale of renewable naphtha for its corporate customers. NExBTL renewable naphtha can be used as a feedstock for producing bioplastics, for example, and as a biocomponent for gasoline.

On December 13, Neste Oil announced that it had signed an agreement to sell its station network in Poland to Shell. The agreement covers 105 sites, all of which are unmanned and located in major cities. The transaction is valued at approximately EUR 80 million, of which around EUR 50 million will be recorded as a capital gain by Neste Oil. The transaction is subject to the approval of the local competition authorities, and is expected to be closed during the first half of 2013.

Strategy implementation

The implementation of Neste Oil’s strategy continues to be driven by a series of Value Creation programs: Profitable Growth, Productivity, Renewable Feedstock, Customer Focus, and Winning Culture. These programs have defined targets and their progress is measured continuously.

Achievements as part of the Profitable Growth program in 2012 included increased sales volumes of NExBTL renewable diesel and the opening-up of new markets such as the United States to the fuel. The development of non-road applications continued, and the introduction of renewable naphtha expanded the NExBTL portfolio. Base oil sales volumes increased and sales were expanded in Asia and North America. New retail stations were opened in Finland and North-West Russia, and Neste Oil's retail market share in Finland increased in both gasoline and diesel.

Productivity was enhanced, with the new renewable diesel refineries in Singapore and Rotterdam achieving normal operational status. Capacity utilization at the Porvoo refinery also slightly improved. Diesel production line 4 at Porvoo achieved a new production record in 2012, despite maintenance outages during the second quarter.

The main achievement in the Renewable Feedstock program was the growth in the usage of waste- and residue-based raw materials by 406,000 tons to 742,000 tons in 2012. Waste fat from the fish processing industry was also successfully added to the range of renewable feedstocks used. The opening of Europe's first microbial oil pilot plant in Porvoo was an important step forward in efforts to expand Neste Oil's feedstock base in the area of waste-based materials.

Progress in the Customer Focus program in 2012 included the introduction of a new premium-quality Neste Pro Diesel product and contactless payment for fleet customers. Customer segmentation was also further developed.

Work on the Winning Culture program is also progressing. The results of the personnel survey conducted in 2012 showed improvements in areas such as commitment and leadership. Neste Oil's internal idea system generated over 1,500 ideas from personnel, of which the most promising ones will be followed-up and implemented.

Market overview

Uncertainties in the world economy, geopolitical tensions in oil-producing countries, and fears surrounding the escalating Eurozone crisis were the main drivers in the oil market during 2012. Crude oil prices peaked in early March and reached USD 125/bbl amid concerns about a deepening crisis between Iran and the West. As the summer approached, a variety of factors, including escalating fears about Eurozone economies, pushed crude below USD 100/bbl, and prices bottomed out at around USD 90/bbl in late June. They bounced back in the early fall and traded in a relatively tight USD 105-115/bbl range for the rest of the year. Brent crude averaged USD 112/bbl in 2012.

The price differential between heavier and lighter crude was again volatile and averaged USD -1.3/bbl in 2012, which was slightly narrower than in 2011. The differential widened significantly during the spring on the back of higher crude prices and the refinery maintenance season, narrowing as the summer progressed to around zero during early July due to the sanctions on Iran and lower Iranian crude volumes. The refinery maintenance season in the fall saw the price differential widen again, before narrowing to around USD -1/bbl, where it stood at the end of the year.

Refining margins were volatile but were stronger on average than in 2011. The year started with the insolvency of Petroplus and the closure of several of its refineries, followed shortly after by the announcement of other refinery closures in the US. Low inventories, refinery incidents, and maintenance during the spring and fall pushed margins up in a market where demand growth in many regions was weak. Middle distillates were the strongest part of the barrel. Margins for middle distillates strengthened during the year and peaked at very high levels in the early part of the fourth quarter, after which they moved down towards the end of the year. Gasoline margins were seasonally low during the early first quarter and the late fourth quarter, but were at their highest since 2008 during the summer and fall. Overall European gasoline margins in 2012 were clearly stronger compared to 2011. Rising crude prices saw fuel oil margins weaken during the early part of the year, but strong bunker demand in Asia, high Japanese energy consumption, and falling crude prices strengthened margins during the mid-summer season. Fuel oil margins weakened again towards the end of the year, hand in hand with healthy Russian product flows and low demand in Asia. Fuel oil margins were at their lowest just before Christmas.

Global biodiesel demand in 2012 grew compared to 2011. Demand growth in Europe, however, was impacted by lower road diesel consumption and the increasing use of raw materials applicable for double counting in fulfilling biofuel mandates.

Vegetable oil price spreads continued to be very volatile in 2012. Palm oil prices rose during the early part of the year due to increased palm oil demand resulting from a poor soy bean crop in South America. The price differential between rapeseed oil and palm oil narrowed to well below long-term average levels before widening again during the second half as palm oil production grew and demand declined. Towards the end of the year, the growth in palm oil production exceeded expectations and inventory levels increased, which reduced palm oil prices further.

European FAME biodiesel margins began the year positively, but became negative as overcapacity led to low sales prices. Further pressure was put on FAME profitability by biodiesel imports from Argentina and Indonesia, as well as the increased use of double countable waste and residue feedstock, such as used cooking oil. European FAME producers' margins recovered in the fourth quarter, as biofuel imports are limited in the winter season due to stricter cold property requirements.

In the US, the Renewable Identification Number (RIN) market price has been an important driver of biofuel profitability. RIN prices declined gradually during 2012 and significantly at the end of the third quarter, which was interpreted as resulting from the growing supply of local biodiesel. The reintroduction of a blender's credit was approved as part of the Fiscal Cliff negotiation compromise, and is expected to impact the US biofuel market positively in 2013. The US Environmental Protection Agency (EPA) raised the biomass-based diesel mandate by 28% from 1.00 to 1.28 billion gallons a year for 2013.

Key Drivers

	10-12/12	10-12/11	7-9/12	2012	2011	Jan 13	Jan 12
Reference refining margin, USD/bbl	6.63	4.09	9.72	7.39	4.37	4.6	5.69
Neste Oil total refining margin*, USD/bbl	10.99	7.24	12.23	10.17	8.76	N/A	9.86
Urals-Brent price differential, USD/bbl	-1.08	-0.29	-0.71	-1.29	-1.71	-1.1	-0.91
NWE Gasoline margin, USD/bbl	8.49	3.31	17.70	13.16	7.41	8.9	7.99
NWE Diesel margin, USD/bbl	22.57	21.75	22.76	20.60	18.12	18.1	20.29
NWE Heavy fuel oil margin, USD/bbl	-17.99	-11.64	-12.25	-12.92	-15.96	-17.7	-6.07
Brent Dated crude oil, USD/bbl	110.02	109.31	109.61	111.58	111.27	113.0	110.58
USD/EUR, market rate	1.30	1.35	1.25	1.28	1.39	1.33	1.29
USD/EUR, hedged	1.30	1.38	1.31	1.33	1.35	N/A	1.39
Crude freights, WS points (TD7)	88	111	87	91	104	87	90

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

Production and sales

Production

Neste Oil's production totaled 15.4 million tons (15.0 million) in 2012, of which 1.8 million tons (0.7 million) took the form of NExBTL renewable diesel. Despite a major maintenance turnaround at the Naantali refinery and production interruptions on diesel production line 4 at Porvoo in the spring, output increased compared to 2011, reflecting increasing volumes from the Singapore and Rotterdam renewable diesel refineries. Total production during the fourth quarter was 3.9 million tons (4.0 million), of which NExBTL renewable diesel accounted for 0.5 million tons (0.2 million).

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

	10-12/12	10-12/11	7-9/12	2012	2011
Porvoo refinery	2,864	3,089	2,901	11,511	11,761
Naantali refinery	517	537	575	1,908	2,264
NExBTL refineries	489	232	461	1,849	682
Bahrain VHVI plant (Neste Oil's share)	21	45	19	128	45
Beringen polyalfaolefin plant	-	8	-	-	43
Edmonton iso-octane plant (Neste Oil's share)	-	49	-	8	191

*Adjusted to include only products refined for sale.

The Porvoo refinery operated at an average capacity utilization rate of 87% (86%) in 2012, impacted mostly by maintenance work carried out on production line 4 during the second quarter of the year. Capacity utilization at Naantali was 67% (85%), affected by the major maintenance turnaround there during the second quarter as well as other maintenance work during the second half of the year. Average capacity utilization at Porvoo in the fourth quarter was 89% (84%), while that at Naantali was 73% (80%).

The proportion of Russian Export Blend (REB) in Neste Oil's total refinery input at Porvoo and Naantali averaged 63% (66%) for the year as a whole, and stood at 68% (64%) during the fourth quarter. Production costs at the Porvoo and Naantali refineries totaled USD 4.4/bbl (4.3) for the year, and USD 4.6/bbl (4.2) for the fourth quarter.

Production at the renewable diesel refineries achieved an average capacity utilization of 85% in 2012 and 90% during the fourth quarter.

Sales

Total sales in 2012 increased by almost 3%, mostly due to higher NExBTL volumes. Diesel sales increased towards end of the year, but were still lower than in 2011, while gasoline sales remained steady throughout the year. Exports exceeded domestic sales in 2012.

Sales volumes in the fourth quarter were higher than in the corresponding period of 2011, reaching a new record. NExBTL and jet fuel sales increased, while diesel sales were lower, particularly in Finland. Compared to the third quarter of 2012, however, diesel sales increased.

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

	10-12/12	%	10-12/11	%	7-9/12	%	2012	%	2011	%
Motor gasoline	1,090	*26*	1,064	*26*	1,031	*27*	4,281	*27*	4,143	*27*
Gasoline components	0	*0*	52	*1*	0	*0*	19	*0*	209	*2*
Diesel fuel	1,570	*37*	1,650	*39*	1,454	*38*	5,886	*38*	6,007	*39*
Jet fuel	253	*6*	180	*4*	147	*4*	651	*4*	763	*5*
Base oils	94	*2*	76	*2*	98	*2*	394	*3*	332	*2*
Heating oil	58	*2*	67	*2*	54	*1*	229	*1*	199	*1*
Heavy fuel oil	355	*8*	293	*7*	327	*8*	1,171	*7*	1,007	*7*
LPG	95	*2*	136	*3*	21	*1*	262	*2*	361	*2*
NExBTL renewable diesel	439	*10*	274	*7*	456	*12*	1,665	*11*	628	*4*
Other products	294	*7*	388	*9*	276	*7*	1,172	*7*	1,636	*11*
TOTAL	4,248	*100*	4,179	*100*	3,865	*100*	15,729	*100*	15,284	*100*

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

	10-12/12	%	10-12/11	%	7-9/12	%	2012	%	2011	%
Finland	1,851	*44*	2,083	*50*	1,702	*44*	7,104	*45*	7,893	*52*
Other Nordic countries	753	*18*	623	*15*	628	*16*	2,563	*16*	2,618	*17*
Other Europe	1,183	*28*	947	*22*	1,147	*30*	4,232	*27*	2,988	*20*
USA & Canada	263	*6*	496	*12*	324	*8*	1,247	*8*	1,591	*10*
Other countries	198	*4*	30	*1*	65	*2*	583	*4*	194	*1*
TOTAL	4,248	*100*	4,179	*100*	3,865	*100*	15,729	*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

	10-12/12	10-12/11	7-9/12	2012	2011
Revenue, MEUR	3,607	3,377	3,389	13,764	12,644
Comparable EBITDA, MEUR	162	76	200	583	463
Comparable operating profit, MEUR	116	27	154	396	271
IFRS operating profit, MEUR	128	3	248	491	373
Total refining margin, USD/bbl	10.99	7.24	12.23	10.17	8.76
Net assets, MEUR	-	-	-	2,252	2,228
Comparable return on net assets*, %	-	-	-	16.6	11.4

* rolling 12 months

Oil Products' fourth-quarter comparable operating profit totaled EUR 116 million, compared to EUR 27 million in the fourth quarter of 2011. This increase was largely due to higher refining margins year-on-year, despite the reference margin returning to more normal levels compared to the very high levels typical of the third quarter. The fourth quarter of 2011 was also negatively impacted by maintenance outages at the Porvoo refinery. Base oil demand continued to be hit by the slowdown in the world economy, and the Base Oil business made a smaller profit contribution than in the corresponding period in 2011. Neste Oil's total refining margin totaled USD 10.99/bbl during the fourth quarter, which compares to USD 7.24/bbl in the fourth quarter of 2011.

Oil Products' full-year comparable operating profit for 2012 amounted to EUR 396 million, compared to EUR 271 million in 2011. This improvement was largely due to a higher total refining margin. Base Oil's full-year profit contribution was lower than in 2011. Neste Oil's total refining margin totaled USD 10.17/bbl in 2012, which compares to USD 8.76/bbl in 2011. Fixed costs in refining operations were similar to those in 2011. Oil Product's comparable return on net assets was 16.6% (11.4%) in 2012.

Renewable Fuels

	10-12/12	10-12/11	7-9/12	2012	2011
Revenue, MEUR	505	399	597	2,163	1,026
Comparable EBITDA, MEUR	24	14	5	43	-85
Comparable operating profit, MEUR	-2	-15	-19	-56	-163
IFRS operating profit, MEUR	-43	-32	-73	-183	-170
Net assets, MEUR	-	-	-	1,860	1,963
Comparable return on net assets*, %	-	-	-	-2.8	-8.7

* rolling 12 months

Renewable Fuels' comparable operating profit reached close to breakeven and was EUR -2 million during the fourth quarter, compared to EUR -15 million in the fourth quarter of 2011. Sales volumes were reasonably high, and the wide vegetable oil price differentials caused by low palm oil prices supported the profitability of the business. However, the segment's result was limited by margin hedging carried out during the summer at lower forward levels than the spot market prices actually seen during the fourth quarter.

Renewable Fuels' comparable operating profit was EUR -56 million in 2012, compared to EUR -163 million in 2011. Sales volumes in 2012 were more than 1 million tons higher than in 2011. New renewable diesel markets such as the US were opened up, and the customer base was expanded. The segment's result was negatively impacted for most of the year by low margins due to narrow vegetable oil price differentials and the low margins of FAME biodiesel producers. These margin-related factors improved by the fourth quarter. Another factor impacting Renewable Fuels' result is the comparatively high price of natural gas in Singapore. This has increased utility costs, which are the subject of development work at the site. Renewable Fuels' comparable return on net assets was -2.8% (-8.7%) in 2012.

Oil Retail

	10-12/12	10-12/11	7-9/12	2012	2011
Revenue, MEUR	1,258	1,112	1,266	4,895	4,298
Comparable EBITDA, MEUR	14	17	31	91	89
Comparable operating profit, MEUR	5	9	23	58	57
IFRS operating profit, MEUR	5	9	23	58	58
Net assets, MEUR	-	-	-	345	326
Comparable return on net assets*, %	-	-	-	17.3	17.6
Total sales volume**, 1,000 m3	1,066	1,015	1,072	4,160	3,982
- gasoline station sales, 1,000 m3	302	313	337	1,256	1,279
- diesel station sales, 1,000 m3	398	380	390	1,620	1,479
- heating oil, 1,000 m3	180	176	153	651	654
- heavy fuel oil, 1,000 m3	61	68	55	255	263

* rolling 12 months

** includes both station and terminal sales

Oil Retail's fourth-quarter comparable operating profit was EUR 5 million compared to EUR 9 million in the fourth quarter of 2011. Sales volumes were higher in all markets, but margins were lower than in the fourth quarter of 2011, particularly in Finland and North-West Russia.

Oil Retail posted a full-year comparable operating profit of EUR 58 million compared to EUR 57 million in 2011. Overall sales volumes increased, but margins varied between different markets. The situation in the Baltic countries improved compared to 2011, while Finland was clearly more competitive in 2012. Oil Retail's comparable return on net assets was 17.3% (17.6%) in 2012.

Shares, share trading, and ownership

Neste Oil’s shares are traded on NASDAQ OMX Helsinki Ltd. The share price closed the year at EUR 9.77, up by 25.1% compared to the end of 2011. At its highest during 2012, the share price reached EUR 11.11, while at its lowest the price stood at EUR 7.28. Market capitalization was EUR 2.5 billion as of 31 December 2012. An average of 1.0 million shares was traded daily, representing 0.4% of the company’s shares.

Neste Oil’s share capital registered with the Company Register as of 31 December 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 the year, the Finnish State owned 50.1% (50.1% at the end of 2011) of outstanding shares, foreign institutions 15.4% (19.4%), Finnish institutions 20.0% (16.8%), and Finnish households 14.5% (13.7%).

Annual General Meeting

Neste Oil’s Annual General Meeting (AGM) was held on 28 March 2012 in Helsinki. The AGM adopted the company’s financial statements and consolidated financial statements for 2011 and discharged the Supervisory Board, the Board of Directors, and the President & CEO from liability for 2011. The AGM also approved the

Board of Directors' proposal regarding the distribution of the company's profit for 2011. A dividend of EUR 0.35 per share was paid on 11 April 2012.

In accordance with the proposal made by the AGM Nomination Board, the AGM confirmed the membership of the Board of Directors at seven members, and the following were re-elected to serve until the end of the next AGM: Mr Michiel Boersma, Mr Jorma Eloranta, Ms Maija-Liisa Friman, Ms Nina Linander, Ms Laura Raitio, Mr Hannu Ryöppönen, and Mr Markku Tapio. Jorma Eloranta was elected as Chair and Maija-Liisa Friman as Vice Chair. The AGM decided to keep the remuneration paid to Board members unchanged.

Convening after the Annual General Meeting, the Board of Directors elected the members of its two Committees. Jorma Eloranta was elected Chair and Maija-Liisa Friman and Markku Tapio as members of the Personnel and Remuneration Committee. Nina Linander was elected Chair and Michiel Boersma, Laura Raitio, and Hannu Ryöppönen as members of the Audit Committee.

In accordance with a proposal by the Board of Directors, Ernst & Young Oy, Authorized Public Accountants, were appointed as the company's Auditor, with Authorized Public Accountant Anna-Maija Simola as Senior Auditor, until the end of the next AGM. Payment for their services will be made in accordance with their invoice.

Following a proposal by the Prime Minister's Office, representing the Finnish State, the AGM decided to establish an AGM Nomination Board to prepare proposals covering the members of the Board of Directors and their remuneration for consideration by the next AGM. The Nomination Board comprises representatives of the Company's three largest shareholders and also includes, as an expert member, the Chair of the Board. In 2012, the Nomination Board comprised Senior Financial Counselor Jarmo Väisänen of the Ownership Steering Department at the Prime Minister's Office; Timo Ritakallio, Deputy CEO, Ilmarinen Mutual Pension Insurance Company; and Mikko Koivusalo, Director, Investments, Varma Mutual Pension Insurance Company. The Chair of Neste Oil's Board of Directors, Jorma Eloranta, served as the Board's expert member.

Personnel

Neste Oil employed an average of 5,031 (4,926) employees in 2012, of which 1,450 (1,427) were based outside Finland. As of the end of 2012, the company had 5,022 employees (4,825), of which 1,474 (1,407) were located outside Finland.

Health, safety, and the environment

Neste Oil’s focus on safety continued in 2012, with the main emphasis on people and process safety. The year’s achievements included implementation of 12 safety elements and self-assessments at all business units. This work will continue in 2013, with detailed action plans at site level. Overall safety performance declined in 2012, however. The total recordable injury frequency (TRIF, number of cases per million hours worked) was 3.6 (2.7); this figure combines the company’s own and contractors' personnel. The corporate target was 2.0. The method used for calculating TRIF was adjusted in 2012 to exclude off-duty hours at Shipping. In general, the severity of injuries has decreased. The record-low frequency of lost workday injuries – 1.5 (1.9) – was very positive. Process Safety Events (PSE) frequency in 2012 was 5.6 (4.8). Substantial efforts were made to improve working practices at heights. Over 800 people were trained in this high-risk area and new working guidelines were implemented across the Group for both Neste Oil and contractor personnel.

Operational environmental emissions were in substantial compliance at all sites. Permitted levels were exceeded four times, once at Porvoo and Singapore and twice at Naantali. No serious environmental incidents resulting in liability occurred at Neste Oil's refineries or other production facilities in 2012, with the exception of the accidental release of diesel-class fuel at a third-party terminal operated by Neste Oil in Kajaani in April.

Neste Oil has received emission rights for 3.2 million tons of CO_2 emissions per year between 2008 and 2012, and has acquired further rights from the market to cover the deficit between its allocated rights and verified emissions. The verification of emissions for 2012 is scheduled, and Neste Oil will be able to report and surrender allowances equal to its total emissions in 2013. Neste Oil has used rights received from clean development mechanisms to help meet its requirements.

The European Renewable Energy Directive (RED) was still being implemented in some EU member states as of the end of 2012. Neste Oil’s internal procedures have been updated to meet the directive’s requirements, and the company has filed a voluntary scheme for verifying the sustainability of its biofuels with the EU. All of Neste Oil’s NExBTL plants have received International Sustainability and Carbon Certification (ISCC) system certificates, ensuring that their output is eligible for use on the European biofuel market. All Neste Oil sites are also EPA-approved for the US market.

Neste Oil retained its position in a number of sustainability indexes during 2012, and was included in the Dow Jones Sustainability World Index for the sixth year in succession, for example. It was also selected for inclusion in The Global 100 list of the world's most sustainable companies for the sixth year in succession, and was ranked 19th. Neste Oil was also rated among the top performers in the oil & gas sector by the Forest Footprint Disclosure Project, which reviews industries using forest risk commodities, and was included in the STOXX® Global ESG Leaders Index and featured in the Ethibel EXCELLENCE Investment Register in 2012, as well as the new Storebrand Trippel Smart and SPP Global Topp 100 fund.

In January 2013, after the reporting period, Neste Oil was selected for inclusion in The Global 100 list for the seventh year in succession and ranked 4th. Companies selected for inclusion in The Global 100 are considered the most capable in their sectors in managing environmental, social, and governance issues, and in their ability to make use of new business opportunities in these areas.

Research and development

Research and development focusing on both crude oil-based and renewable fuels is crucial in implementing Neste Oil's strategy. Neste Oil's R&D expenditure totaled EUR 42 million (42 million) in 2012. An additional approx. EUR 8 million was invested in a microbial oil pilot plant commissioned in the fall. Extending the company's raw material base is one of the main goals of Neste Oil's R&D work. Around 70% of annual R&D expenditure goes to research into renewable raw materials. Research work is focused on both completely new types of raw materials, such as microbes and algae, and existing materials, such as used cooking oil and technical corn oil.

Neste Oil focused on expanding the use of waste- and residue-based feedstock, particularly animal fat and palm fatty acid distillate (PFAD), in 2012. Inputs coming from waste and residues increased by over 400,000 tons to 742,000 tons and accounted for approx. 35% (40%) of total renewable feedstock usage in 2012. Neste Oil’s goal is to increase this volume further. Palm oil accounted for 65% (53%) of all the raw materials used in renewable diesel production in 2012.

Neste Oil's R&D personnel also played a key role in the launch of Neste Pro Diesel, the outcome of an in-house R&D project.

Events after the reporting period

On January 28, Neste Oil announced that Neste Shipping will start an efficiency improvement program aimed at improving its profitability and securing the continuity of its operations. As part of the efficiency improvement program, statutory employer-employee negotiations will be started and will cover all Neste Shipping's land- and sea-based personnel in Finland, around 450 people in total. The negotiations could result in a maximum of 130 people being made redundant. The goal of the efficiency improvement program is to make the business profitable by increasing revenue and reducing costs by a total of around EUR 15 million annually.

On February 4, Neste Oil announced that it will build an isomerization unit at its Porvoo refinery. The investment, valued at approx. EUR 65 million, is intended to increase the output of high-octane gasoline and improve refining flexibility at the site. Neste Oil took the initial decision to make the investment in 2008, but announced in 2009 that it would postpone the project until the market situation improved. Neste Oil believes that the demand for cleaner fuels, such as high-octane, low-sulfur gasoline, is continuing to grow globally.

Potential 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.

Outlook

Uncertainties in the global economy have been reflected in the oil, renewable fuel, and renewable feedstock markets and this volatility is expected to continue. Global oil demand is generally forecasted to grow moderately in 2013, but new refining capacity is likely to put pressure on simple refineries. Complex refiners such as Neste Oil, are expected to remain the most competitive. Diesel is projected to be the strongest part of the barrel going forward, and gasoline margins are expected to improve seasonally by summer. The base oil market is likely to be under pressure due to sluggish demand in the automotive industry. The renewable fuels market is based on biofuel regulations, and biofuel demand is expected to continue growing. Vegetable oil price differentials are expected to vary, depending on crop outlooks, weather phenomena, and variations in demand for different feedstock.

Production line 4 at the Porvoo refinery is scheduled to be shut down for maintenance for up to eight weeks starting in the second quarter. The shutdown includes a four-week regulatory pressure vessel inspection. No other major oil refinery maintenance is planned for 2013.

Renewable Fuels' full-year comparable operating profit is expected to improve from that seen in 2012 and be positive. The result will depend on market volatility and successful sales allocations. The average margin hedging ratio used in Renewable Fuels is currently clearly lower than in 2012. A shutdown of three weeks at the Singapore NExBTL refinery due a utility supplier's maintenance work in January will reduce the sales volumes in the first quarter.

The Group's investments are expected to total approx. EUR 300-350 million in 2013.

The Group's full-year comparable operating profit is expected to improve compared to 2012, assuming that Neste Oil's reference refining margin remains at the average level of approx. USD 5/bbl typical of the last few years and that Renewable Fuels' result will develop as expected.

Dividend distribution proposal

The parent company's distributable equity as of 31 December 2012 amounted to EUR 1,035 million, and there have been no material changes in the company's financial position since the end of the financial year. The Board of Directors will propose to the Annual General Meeting that Neste Oil Corporation pays a cash dividend of EUR 0.38 per share for 2012, totaling EUR 97 million based on the number of registered shares as of 4 February 2013.

Reporting date for the company's first-quarter 2013 results

Neste Oil will publish its first-quarter results on 24 April 2013 at approximately 9:00 a.m. EET.

Espoo, 4 February 2013

Neste Oil Corporation
Board of Directors

Further information:

Matti Lievonen, President & CEO, tel. +358 10 458 11
Matti Piri, Acting CFO, tel. +358 10 458 4960
Investor Relations, tel. +358 10 458 5292

News conference and conference call

A press conference in Finnish on 2012 results will be held today, 5 February 2013, 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 5 February 2013 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 3427 1901, US: +1 646 254 3363, using access code 3394489. The conference call can be followed at the company's web site. An instant replay of the call will be available until 12 February 2013 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 3394489.

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	10-12/2012	10-12/2011	1-12/2012	1-12/2011
Revenue	3	**4,597**	4,169	**17,853**	15,420
Other income		**13**	18	**98**	36
Share of profit (loss) of associates and joint ventures		**-7**	-2	**-3**	26
Materials and services		**-4,210**	-3,866	**-16,186**	-13,962
Employee benefit costs		**-91**	-82	**-342**	-316
Depreciation, amortization and impairments	3	**-85**	-90	**-332**	-315
Other expenses		**-160**	-169	**-767**	-616
Operating profit		**57**	-22	**321**	273
Financial income and expenses					
Financial income		**1**	1	**3**	4
Financial expenses		**-18**	-23	**-84**	-72
Exchange rate and fair value gains and losses		**1**	-5	**-7**	1
Total financial income and expenses		**-16**	-27	**-88**	-67
Profit before income taxes		**41**	-49	**233**	206
Income tax expense		**-20**	27	**-74**	-46
Profit for the period		**21**	-22	**159**	160
Profit attributable to:					
Owners of the parent		**21**	-23	**157**	158
Non-controlling interests		**0**	1	**2**	2
		21	-22	**159**	160
Earnings per share from profit attributable to the owners of the parent basic and diluted (in euro per share)		**0.08**	-0.09	**0.61**	0.62

STATEMENT OF COMPREHENSIVE INCOME

MEUR	10-12/2012	10-12/2011	1-12/2012	1-12/2011
Profit for the period	**21**	-22	**159**	160
Other comprehensive income for the period, net of tax:				
Translation differences	**-10**	19	**10**	-1
Cash flow hedges				
recorded in equity	**21**	-14	**-50**	-10
transferred to income statement	**-3**	6	**84**	-19
Net investment hedges	**0**	-1	**-1**	-1
Hedging reserves in associates and joint ventures	**0**	0	**-1**	1
Other comprehensive income for the period, net of tax	**8**	10	**42**	-30
Total comprehensive income for the period	**29**	-12	**201**	130
Total comprehensive income attributable to:				
Owners of the parent	**29**	-13	**199**	128
Non-controlling interests	**0**	1	**2**	2
	29	-12	**201**	130

CONSOLIDATED BALANCE SHEET

MEUR	Note	31 Dec 2012	31 Dec 2011
ASSETS			
Non-current assets			
Intangible assets	5	**61**	55
Property, plant and equipment	5	**3,869**	3,968
Investments in associates and joint ventures		**242**	239
Non-current receivables		**3**	16
Pension assets		**0**	0
Deferred tax assets		**33**	50
Derivative financial instruments	6	**37**	19
Available-for-sale financial assets		**4**	4
Total non-current assets		**4,249**	4,351
Current assets			
Inventories		**1,464**	1,457
Trade and other receivables		**1,154**	1,045
Derivative financial instruments	6	**57**	59
Cash and cash equivalents		**409**	304
Total current assets		**3,084**	2,865
Assets classified as held for sale [1)]		**52**	56
Total assets		**7,385**	7,272
EQUITY			
Capital and reserves attributable to the owners of the parent			
Share capital		**40**	40
Other equity	2	**2,522**	2,413
Total		**2,562**	2,453
Non-controlling interest		**16**	14
Total equity		**2,578**	2,467
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities		**1,977**	1,891
Deferred tax liabilities		**340**	331
Provisions		**27**	22
Pension liabilities		**48**	46
Derivative financial instruments	6	**6**	12
Other non-current liabilities		**7**	9
Total non-current liabilities		**2,405**	2,311
Current liabilities			
Interest-bearing liabilities		**357**	493
Current tax liabilities		**40**	26
Derivative financial instruments	6	**47**	88
Trade and other payables		**1,925**	1,872
Total current liabilities		**2,369**	2,479
Liabilities related to assets held for sale [1)]		**33**	15
Total liabilities		**4,807**	4,805
Total equity and liabilities		**7,385**	7,272

[1)] The assets and liabilities held for sale at 31 December 2012 relate to Neste Oil's operating activities in Poland. In December 2012 Neste Oil signed an agreement that Shell Polska Sp. z o.o. will buy Neste Oil's station network (Neste Polska Sp. z o.o.) in Poland. The transaction is expected to be closed during the first half of 2013. The operations are part of the Oil Retail segment.

The assets and liabilities held for sale at 31 December 2011 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 19 January 2012.

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

MEUR	Share capital	Reserve fund	Fair value and other reserves	Translation differences	Retained earnings	Owners of the parent	Non-controlling interests	Total equity
Total equity at 1 January 2011	40	13	6	-6	2,361	2,414	12	2,426
Dividend paid					-90	-90		-90
Share-based compensation					1	1		1
Transfer from retained earnings		2			-2	0		0
Total comprehensive income for the period			-29	-1	158	128	2	130
Total equity at 31 December 2011	40	15	-23	-7	2,428	2,453	14	2,467

MEUR	Share capital	Reserve fund	Fair value and other reserves	Translation differences	Retained earnings	Owners of the parent	Non-controlling interests	Total equity
Total equity at 1 January 2012	**40**	**15**	**-23**	**-7**	**2,428**	**2,453**	**14**	**2,467**
Dividend paid					**-90**	**-90**	**0**	**-90**
Share-based compensation						**0**		**0**
Transfer from retained earnings		**3**			**-3**	**0**		**0**
Total comprehensive income for the period			**33**	**9**	**157**	**199**	**2**	**201**
Total equity at 31 December 2012	**40**	**18**	**10**	**2**	**2,492**	**2,562**	**16**	**2,578**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

MEUR	10-12/2012	10-12/2011	1-12/2012	1-12/2011
Cash flow from operating activities				
Profit before taxes	**41**	-49	**233**	206
Adjustments, total	**92**	91	**420**	344
Change in working capital	**204**	361	**-44**	-222
Cash generated from operations	**337**	403	**609**	328
Finance cost, net	**-12**	-15	**-103**	-44
Income taxes paid	**2**	6	**-38**	-87
Net cash generated from operating activities	**327**	394	**468**	197
Capital expenditure	**-81**	-86	**-291**	-364
Acquisition of other shares	**0**	-	**-1**	0
Proceeds from sales of shares in subsidiaries	**-**	0	**-**	2
Proceeds from capital repayments in associates and joint ventures	**-**	-	**2**	-
Proceeds from sales of fixed assets	**1**	20	**79**	22
Change in other investments	**42**	-14	**3**	-25
Cash flow before financing activities	**289**	314	**260**	-168
Net change in loans and other financing activities	**-247**	-111	**-65**	180
Dividends paid to the owners of the parent	**-**	-	**-90**	-90
Dividends paid to non-controlling interests	**1**	-	**0**	-
Net increase (+)/decrease (-) in cash and cash equivalents	**43**	203	**105**	-78

KEY FINANCIAL INDICATORS

	31 Dec 2012	31 Dec 2011
Capital employed, MEUR	**4,923**	4,850
Interest-bearing net debt, MEUR	**1,935**	2,080
Capital expenditure and investment in shares, MEUR	**292**	364
Return on average capital employed, after tax, ROACE %	**4.9**	2.6
Return on capital employed, pre-tax, ROCE %	**6.5**	5.9
Return on equity, %	**6.3**	6.6
Equity per share, EUR	**10.01**	9.58
Cash flow per share, EUR	**1.83**	0.77
Price/earnings ratio (P/E)	**15.96**	12.61
Equity-to-assets ratio, %	**35.0**	34.0
Leverage ratio, %	**42.9**	45.7
Gearing, %	**75.1**	84.3
Dividend per share [1)]	**0.38** [1)]	0.35
Dividend payout ratio, % [1)]	**62.1** [1)]	56.5
Dividend yield, % [1)]	**3.9** [1)]	4.5
Average number of shares	**255,918,686**	255,918,686
Number of shares at the end of the period	**255,918,686**	255,918,686
Average number of personnel	**5,031**	4,926

[1)] Board of Directors proposal to the Annual General Meeting

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 31 December 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	10-12/2012	10-12/2011	1-12/2012	1-12/2011
Oil Products	**3,607**	3,377	**13,764**	12,644
Renewable Fuels	**505**	399	**2,163**	1,026
Oil Retail	**1,258**	1,112	**4,895**	4,298
Others	**45**	56	**199**	191
Eliminations	**-818**	-775	**-3,168**	-2,739
Total	**4,597**	4,169	**17,853**	15,420

OPERATING PROFIT

MEUR	10-12/2012	10-12/2011	1-12/2012	1-12/2011
Oil Products	**128**	3	**491**	373
Renewable Fuels	**-43**	-32	**-183**	-170
Oil Retail	**5**	9	**58**	58
Others	**-35**	1	**-45**	8
Eliminations	**2**	-3	**0**	4
Total	**57**	-22	**321**	273

COMPARABLE OPERATING PROFIT

MEUR	10-12/2012	10-12/2011	1-12/2012	1-12/2011
Oil Products	**116**	27	**396**	271
Renewable Fuels	**-2**	-15	**-56**	-163
Oil Retail	**5**	9	**58**	57
Others	**-37**	2	**-46**	9
Eliminations	**0**	-3	**0**	4
Total	**82**	20	**352**	178

DEPRECIATION, AMORTIZATION AND IMPAIRMENTS

MEUR	10-12/2012	10-12/2011	1-12/2012	1-12/2011
Oil Products	**46**	49	**187**	192
Renewable Fuels	**26**	29	**99**	78
Oil Retail	**9**	8	**33**	32
Others	**4**	4	**13**	13
Total	**85**	90	**332**	315

CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES

MEUR	10-12/2012	10-12/2011	1-12/2012	1-12/2011
Oil Products	**55**	48	**180**	131
Renewable Fuels	**7**	19	**51**	190
Oil Retail	**11**	16	**36**	34
Others	**8**	3	**25**	9
Total	**81**	86	**292**	364

TOTAL ASSETS

MEUR	31 Dec 2012	31 Dec 2011
Oil Products	**3,847**	3,889
Renewable Fuels	**2,134**	2,167
Oil Retail	**677**	649
Others	**417**	395
Unallocated assets	**596**	478
Eliminations	**-286**	-306
Total	**7,385**	7,272

NET ASSETS MEUR	31 Dec 2012	31 Dec 2011
Oil Products	**2,252**	2,228
Renewable Fuels	**1,860**	1,963
Oil Retail	**345**	326
Others	**311**	315
Eliminations	**-3**	-3
Total	**4,765**	4,829

RETURN ON NET ASSETS, %	31 Dec 2012	31 Dec 2011
Oil Products	**20.6**	15.7
Renewable Fuels	**-9.3**	-9.0
Oil Retail	**17.3**	17.9

COMPARABLE RETURN ON NET ASSETS, %	31 Dec 2012	31 Dec 2011
Oil Products	**16.6**	11.4
Renewable Fuels	**-2.8**	-8.7
Oil Retail	**17.3**	17.6

QUARTERLY SEGMENT INFORMATION

QUARTERLY REVENUE

MEUR	10-12/2012	7-9/2012	4-6/2012	1-3/2012	10-12/2011	7-9/2011	4-6/2011	1-3/2011
Oil Products	**3,607**	**3,389**	**3,224**	**3,544**	3,377	3,327	3,070	2,870
Renewable Fuels	**505**	**597**	**595**	**466**	399	290	144	193
Oil Retail	**1,258**	**1,266**	**1,181**	**1,190**	1,112	1,107	1,058	1,021
Others	**45**	**48**	**54**	**52**	56	44	47	44
Eliminations	**-818**	**-795**	**-757**	**-798**	-775	-663	-645	-656
Total	**4,597**	**4,505**	**4,297**	**4,454**	4,169	4,105	3,674	3,472

QUARTERLY OPERATING PROFIT

MEUR	10-12/2012	7-9/2012	4-6/2012	1-3/2012	10-12/2011	7-9/2011	4-6/2011	1-3/2011
Oil Products	**128**	**248**	**-80**	**195**	3	56	136	178
Renewable Fuels	**-43**	**-73**	**-59**	**-8**	-32	-81	-53	-4
Oil Retail	**5**	**23**	**15**	**15**	9	24	13	12
Others	**-35**	**-1**	**1**	**-10**	1	15	7	-15
Eliminations	**2**	**-4**	**6**	**-4**	-3	1	6	0
Total	**57**	**193**	**-117**	**188**	-22	15	109	171

QUARTERLY COMPARABLE OPERATING PROFIT

MEUR	10-12/2012	7-9/2012	4-6/2012	1-3/2012	10-12/2011	7-9/2011	4-6/2011	1-3/2011
Oil Products	**116**	**154**	**49**	**77**	27	86	75	83
Renewable Fuels	**-2**	**-19**	**-33**	**-2**	-15	-57	-55	-36
Oil Retail	**5**	**23**	**15**	**15**	9	23	13	12
Others	**-37**	**0**	**1**	**-10**	2	15	8	-16
Eliminations	**0**	**-2**	**6**	**-4**	-3	1	6	0
Total	**82**	**156**	**38**	**76**	20	68	47	43

QUARTERLY DEPRECIATION, AMORTIZATION AND IMPAIRMENTS

MEUR	10-12/2012	7-9/2012	4-6/2012	1-3/2012	10-12/2011	7-9/2011	4-6/2011	1-3/2011
Oil Products	**46**	**46**	**47**	**48**	49	48	48	47
Renewable Fuels	**26**	**24**	**25**	**24**	29	18	16	15
Oil Retail	**9**	**8**	**8**	**8**	8	8	8	8
Others	**4**	**3**	**3**	**3**	4	2	4	3
Total	**85**	**81**	**83**	**83**	90	76	76	73

QUARTERLY CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES

MEUR	10-12/2012	7-9/2012	4-6/2012	1-3/2012	10-12/2011	7-9/2011	4-6/2011	1-3/2011
Oil Products	**55**	**32**	**69**	**24**	48	32	32	19
Renewable Fuels	**7**	**3**	**26**	**15**	19	25	50	96
Oil Retail	**11**	**10**	**11**	**4**	16	8	6	4
Others	**8**	**6**	**6**	**5**	3	2	3	1
Total	**81**	**51**	**112**	**48**	86	67	91	120

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	31 Dec 2012	31 Dec 2011
Opening balance	**4,023**	4,022
Depreciation, amortization and impairments	**-332**	-315
Capital expenditure	**291**	364
Disposals	**-20**	-13
Classified as asset held for sale	**-39**	-28
Translation differences	**7**	-7
Closing balance	**3,930**	4,023

CAPITAL COMMITMENTS MEUR	31 Dec 2012	31 Dec 2011
Commitments to purchase property, plant and equipment	**10**	24
Total	**10**	24

6. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate and currency derivative contracts and share forward contracts MEUR	31 Dec 2012 Nominal value	31 Dec 2012 Net fair value	31 Dec 2011 Nominal value	31 Dec 2011 Net fair value
Interest rate swaps	**1,030**	**27**	772	6
Forward foreign exchange contracts	**1,639**	**20**	1,413	-41
Currency options				
Purchased	**113**	**0**	206	-5
Written	**92**	**1**	193	-3

Commodity derivative contracts	31 Dec 2012 Volume million bbl	31 Dec 2012 Net fair value Meur	31 Dec 2011 Volume million bbl	31 Dec 2011 Net fair value Meur
Sales contracts	**21**	**-1**	46	0
Purchase contracts	**17**	**-6**	34	21
Purchased options	**0**	**0**	1	0
Written options	**0**	**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	**1-12/2012**	1-12/2011
Sales of goods and services	**102**	116
Purchases of goods and services	**90**	72
Receivables	**6**	7
Financial income and expenses	**0**	0
Liabilities	**15**	16

8. CONTINGENT LIABILITIES

MEUR	**31 Dec 2012**	31 Dec 2011
Contingent liabilities		
On own behalf for commitments		
Real estate mortgages	**26**	26
Pledged assets	**1**	2
Other contingent liabilities	**12**	31
Total	**39**	59
On behalf of associates and joint ventures		
Guarantees	**1**	2
Total	**1**	2
On behalf of others		
Guarantees	**1**	1
Other contingent liabilities	**3**	2
Total	**4**	3
Total	**44**	64

MEUR	**31 Dec 2012**	31 Dec 2011
Operating lease liabilities		
Due within one year	**69**	74
Due between one and five years	**116**	142
Due later than five years	**79**	80
Total	**264**	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 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

www.nesteoil.com