Interim Report January-March 2006

refining the future

Neste Oil Corporation

Stock Exchange Release
27 April 2006 at 9:00 a.m. EET

NESTE OIL REPORTS A COMPARABLE OPERATING PROFIT OF EUR 119 MILLION FOR Q1

Reference oil refining margins in North-West Europe improved during the first quarter in 2006 compared to the same quarter a year earlier. Neste Oil's refining margin also increased, despite the narrower price difference between heavier and lighter crude oil. The decrease in crude oil freight rates contributed to a slightly lower comparable operating profit compared to the first quarter of 2005. A continued high level of capital expenditure, the dividend paid for 2005, and an increase in working capital resulted in a clearly higher level of net debt at the end of the first quarter compared to the end of 2005.

First quarter in brief:

- Comparable operating profit of EUR 119 million (Q1/05: 129 million)
- Operating profit of EUR 153 million (Q1/05: 147 million)
- Earnings per share of EUR 0.44 (Q1/05: 0.41)
- Cash flow from operations of EUR -150 million (Q1/05: 154 million)
- Diesel project at the Porvoo refinery progressed according to schedule
- Sale of 10% stake in Ibn Zahr agreed and expected to be closed in the second quarter

President & CEO Risto Rinne:
"We've had a promising start in 2006, which looks set to be another good year for us. We are working hard to successfully complete our Diesel project in the last quarter, and will continue focusing on biofuels and biodiesel in particular. These efforts, together with the recent divestment of our stake in Saudi Arabian-based Ibn Zahr, all reinforce our commitment to our strategy of focusing on high-quality fuels for cleaner traffic."

Further information:

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News conference and conference call

A press conference in Finnish on the first-quarter results will be held today, 27 April 2006, at 11:30 am EET in the Mirror Room at Hotel Kämp, Pohjoisesplanadi 29, Helsinki. www.nesteoil.com will feature English versions of the presentation materials.

A conference call in English for investors and analysts will be held today, 27 April 2006, at 3:00 pm EET. The call-in numbers are as follows: UK: +44 (0) 207 162 0025, US: +1 334 323 6201. Use the password: Neste Oil. An instant replay will be available until 4 May 2006 at +44 (0) 207 031 4064 for the UK and +1 954 334 0342 for the US, using access code 702299.

NESTE OIL FINANCIAL STATEMENTS, 1 JANUARY – 31 MARCH 2006

Unaudited

Figures in parentheses refer to the first-quarter financial statements for 2005, unless otherwise stated.

KEY FIGURES

EUR million (unless otherwise noted)

	1-3/06	1-3/05	1-12/05	Last 12 months
Sales	2,796	2,060	9,974	10,710
Operating profit before depreciation	191	182	984	993
Depreciation, amortization and impairment charges	38	35	153	156
Operating profit **	153	147	831	837
Comparable operating profit *	119	129	565	555
Profit before income tax	153	140	823	836
Earnings per share, EUR	0.44	0.41	2.60	2.63
Capital expenditure and investment in shares	112	103	668	677
Net cash from operating activities	-150	154	596	292

	31 March 2006	31 March 2005	31 Dec 2005	
Total equity	1,606	1,089	1,612	-
Interest-bearing net debt	1,272	953	796	-
Capital employed	2,959	2,235	2,487	2,959
Return on capital employed pre-tax, %	22.7	27.8	37.0	33.1
Return on equity, %	28.0	40.3	51.3	50.3
Equity per share, EUR	6.24	4.22	6.26	-
Cash flow per share, EUR	-0.59	0.60	2.33	1.14
Equity-to-assets ratio, %	36.5	31.4	42.4	-
Leverage ratio, %	44.2	46.7	33.0	-
Gearing, %	79.2	87.6	49.4	-

* Comparable operating profit is calculated by excluding inventory gains/losses, gains/losses from sales of fixed assets, and changes in the fair value of oil derivatives from the reported operating profit.

****** Neste Oil divested major non-core assets during the third and fourth quarter of 2005. As a result, the company has decided to amend its definition of 'Operating profit' so that the company's share of the profit/loss of associates and joint ventures (in general shareholdings where Neste Oil holds 20-50% of the entity's voting power) is included in 'Operating profit' in the income statement as of 1 January 2006. The comparative figures for the consolidated income statement and segment information for 2005 have been restated accordingly.

The Group's first-quarter results

Net sales at the Neste Oil Group during the first quarter of 2006 totaled EUR 2,796 million (2,060 million). The 35% increase in net sales resulted primarily from higher petroleum product prices.

The Group achieved an operating profit of EUR 153 million in the first quarter (147 million). Changes in the fair value of open oil derivative positions, primarily used to hedge future cash flows had a negative impact of EUR 8 million on the operating profit. This compares to a negative impact of EUR 41 million in the corresponding period in 2005. First-quarter inventory gains totaled EUR 42 million (58 million).

Neste Oil's first-quarter comparable operating profit, excluding inventory gains/losses, changes in the fair value of oil derivatives, and gains/losses from sales of fixed assets, stood at EUR 119 million (129 million). The most significant positive contributor to the Group's comparable operating profit came from a higher refining margin, boosted by a strong lubricant base oil market. The total refining margin increased, despite the narrower price difference between heavier and lighter crude oil. Lower crude oil freight rates for cargoes from Primorsk compared to the first quarter of 2005 had the most significant negative impact on the comparable operating profit.

Neste Oil's total refining margin stood at USD 8.58 /bbl (7.91) in the first quarter, which is over USD 5 /bbl above the IEA Brent cracking reference margin of USD 3.17 /bbl (2.31).

Given the capital-intensive and cyclical nature of its business, Neste Oil uses return on average capital employed after tax (ROACE%) as its primary financial indicator. At the end of March, the twelve-month cumulative ROACE reached 17.8%.

Comparable operating profit (MEUR)

	1-3/06	1-3/05	2005
COMPARABLE OPERATING PROFIT	119	129	565
- changes in the fair value of open oil derivative positions	-8	-41	-11
- inventory gains	42	58	127
- gains from sales of fixed assets	0	1	150
OPERATING PROFIT	153	147	831

Market overview

Refining margins in North-West Europe improved towards the end of the first quarter from the relatively weak levels seen in January and February. The international reference refining margin (IEA Brent cracking) averaged USD 3.17 /bbl (2.31).

The gasoline market was fairly quiet in January and February, but improved in March when refiners switched over to summer gasoline, which has more demanding specifications than winter grades. More refining capacity than ever before was idled during the quarter for maintenance shutdowns in the US. Market for gasoline components followed the seasonal variations in gasoline demand.

Due to limited supply and strong demand for diesel and jet fuel, middle distillates were again the strongest factor in determining refining margins, despite the highest level of inventories in five years. Cold weather in Europe in March also had a positive impact on heating oil demand.

Crude oil prices remained strong during the first quarter. Brent Dated averaged USD 61.8 /bbl (47.7), varying from USD 57 to 66 /bbl. Investor activity in the oil futures market, geopolitical tensions in Iran and Iraq, and supply disruptions in Nigeria all pushed up crude prices.

The price differential between heavy and light crude remained volatile. The average Urals - Brent Dated differential was USD -4.06 /bbl (-5.17).

The market for heavy fuel oil strengthened due to cold weather in Russia in February. This proved temporary, however, and prices soon returned to the weak level typical for the fuel.

The growing use of biofuels has increased the demand and price of ethanol and rapeseed oil. Ethanol is used as a gasoline component and as a feedstock in ETBE production, while rapeseed oil is the primary feedstock for conventional methyl-ester biodiesel in Europe. Many EU member states have already introduced national legislation promoting the use of biofuels for traffic use. The demand for renewables-based fuels is also expected to increase in the US. It seems that the security of supply has become increasingly important in both Europe and the US.

The growth in the market for high-end lubricant base oils, particularly EHVI (Enhanced High Viscosity Index), has continued, as a result of more stringent emissions and performance requirements. Despite this upswing in demand, no major capacity increases are expected in the near future.

Demand and volumes have continued to increase in the oil retail market around the Baltic Rim, and competition has remained tough in Finland.

North Sea crude oil freight rates were significantly lower in the first quarter compared to the first quarter of 2005, due to the mild winter conditions and increased shipping capacity.

Key drivers

	1-3/06	1-3/05	1-25 Apr 06	2005
IEA Brent cracking margin, USD/bbl	3.17	2.31	4.20	4.98
Neste Oil's refining margin, USD/bbl	8.58	7.91	n.a	8.82
Urals - Brent price differential, USD/bbl	-4.06	-5.17	-5.03	-4.42
Brent dated crude oil, USD/bbl	61.8	47.74	66-74	54.52
Crude freight rates, Aframax WS points	142	155	98	164

Segment reviews

Neste Oil's businesses are grouped into four segments for external reporting purposes: Oil Refining, Oil Retail, Shipping, and Other. The Components business is included under Oil Refining.

Oil Refining

The Oil Refining business focuses on refining crude oil and other feedstocks into high-quality traffic fuels and other high value-added petroleum products at the company's two refineries at Porvoo and Naantali in Finland.

Oil Refining recorded a first-quarter operating profit of EUR 129 million (123 million), and a comparable operating profit of EUR 94 million (91 million).

Neste Oil's total refining margin reached USD 8.58 /bbl in the first quarter, topping the figure of USD 7.91 /bbl recorded in the corresponding period in 2005. The IEA Brent cracking reference margin averaged USD 3.17 /bbl (2.31).

This improved total refining margin, driven by a strong market for lubricant base oils, was negatively impacted by the narrower price difference between heavier and lighter crude oil and lower sales volumes during the quarter compared to the same quarter in 2005. In addition, personnel, training, and other costs related to the start-up of the new diesel production line at Porvoo increased.

Key figures

	1-3/06	1-3/05	2005
Sales, MEUR	2,308	1,622	8,150
Operating profit, MEUR	129	123	570
Comparable operating profit, MEUR	94	91	446
Capital expenditure, MEUR	105	80	589
Total refining margin USD/bbl	8.58	7.91	8.82

Production

Neste Oil refined a total of 3.4 million tons (3.2 million) crude oil in the first quarter, of which 2.8 million tons (2.6 million) at Porvoo and 0.6 million tons (0.6 million) at Naantali. Crude distillation capacity utilization at the Porvoo refinery was 100.0% (98.5%) and 93.8% (85.0%) at Naantali.

Close to half of the total refinery input of 3.4 million tons – 47% (43%) – comprised heavier Russian Export Blend.

Sales

Sales volumes in Finland totaled 2.1 million tons (2.0 million) during the first quarter, and export volumes 1.2 million tons (1.4 million). Neste Oil's wholesale market share of key petroleum products in Finland averaged 79% in January and February (77%).

Components

The Components business consists of lubricant base oils and traffic fuel components, such as iso-octane and biofuels. Production facilities, wholly or partly owned by Neste Oil, are located in Finland, Belgium, Portugal, and Canada.

Neste Oil has a strong market position in high-end sulfur-free base oils used for blending lubricants. The market for these high-quality base oils is growing globally as a result of more stringent emissions and performance requirements.

Neste Oil produces 250,000 t/a of EHVI (Enhanced High Viscosity Index) base oil at its Porvoo refinery and 40,000 t/a of PAO (polyalphaolefin) at Beringen in Belgium.

Production of EHVI has moved up after capacity was increased at the Porvoo refinery in fall 2005. A new monthly production record of 25,000 tons was achieved in March 2006.

The market for lubricant base oils was strong during the quarter, which was reflected in high margins for both EHVI and PAO.

The results for gasoline components – iso-octane, MTBE, and ETBE – were slightly lower compared to the first quarter of 2005, mainly due to lower sales volumes of iso-octane.

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

	1-3/06	1-3/05	2005
Motor gasoline and components	1,046	1,186	4,673
Diesel fuel	1,136	1,055	4,183
Jet fuel	162	165	608
Biofuels	34	30	111
Base oils	81	68	274
Heating oil	249	318	791
Heavy fuel oil	352	306	946
Other products	316	333	1,460
TOTAL	3,376	3,461	13,046

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

	1-3/06	1-3/05	2005
Finland	2,139	2,027	7,455
Other Nordic countries	425	553	2,135
Other Europe	540	485	2,000
Russia & the Baltic countries	4	14	29
USA & Canada	219	329	1,246
Other countries	49	53	181
TOTAL	3,376	3,461	13,046

Oil Retail

Neste Oil is the market leader in the retail sale of petroleum products in Finland, and has a growing retail presence in the Baltic Rim area, which includes Estonia, Latvia, Lithuania, Poland, and the St. Petersburg area in Russia.

Oil Retail's first-quarter operating profit totaled EUR 13 million (-3 million) and its comparable operating profit EUR 12 million (10 million). The operating profit in the first quarter of 2005 was negative due to changes in the fair value of open oil derivatives. Sales volumes increased and margins around the Baltic Rim during the first quarter of 2006 remained healthy on average. Gasoline margins were still tight in Finland, although they were slightly higher than during the corresponding period in 2005.

Key figures

	1-3/06	1-3/05	2005
Sales, MEUR	812	620	2,931
Operating profit, MEUR	13	-3	45
Comparable operating profit, MEUR	12	10	46
Capital expenditure, MEUR	5	11	47
Product sales volume, 1,000 m3	1,149	1,031	4,115

Neste Oil was able to strengthen its share of the Finnish gasoline retail market modestly compared to the first quarter of 2005. The company has decided to expand its network of net-priced NEX outlets from the current figure of 12 during 2006.

Neste Oil was the first company in Finland to launch retail sales of gasoline containing a biocomponent in April. Futura 98 biogasoline will initially be available at Neste stations and A24 unmanned outlets in southern Finland, and later throughout the country.

Neste Oil had a total of 890 (878) stations in Finland at the end of the first quarter.

Sales volumes of gasoline and diesel fuel have increased by almost 20% around the Baltic Rim compared to the first quarter of 2005. The number of stations in the region increased by 31, and totaled 211 at the end of the quarter (180), of which 102 were in Estonia, Latvia, and Lithuania; 73 in Poland; and 36 in Russia.

In the direct sales, demand for heating oil was higher than in the corresponding period in 2005. Higher prices have led to smaller volumes per order, however. The demand for diesel fuel has grown slightly, and was not significantly impacted by the strike affecting the Finnish transportation industry in March.

Oil Retail sales volumes (1,000 m3)

	1-3/06	1-3/05	2005
Gasoline	323	302	1,353
Diesel fuel	356	320	1,364
Heating oil	297	253	887
Heavy fuel oil	173	156	511
TOTAL	1,149	1,031	4,115

Oil Retail sales by market areas (1,000 m3)

FINLAND	1-3/06	1-3/05	2005
Gasoline	154	155	686
Diesel fuel	247	237	971
Heating oil	253	251	873
Heavy fuel oil	173	156	511
TOTAL	827	799	3,041

BALTIC RIM	1-3/06	1-3/05	2005
Gasoline	169	147	668
Diesel fuel	109	83	394
Heating oil	44	2	13
TOTAL	322	232	1,075

LPG (Liquefied Petroleum Gas) sales totaled 67,000 tons (61,000) in the first quarter.

Shipping

Neste Oil’s Shipping segment operates mainly in North-West Europe, transporting crude oil in the Baltic and the North Sea, and products and chemicals to northwestern Europe, including domestic coastal cargoes in Finland. Products, mainly gasoline, are also exported to the US and Canada. Shipping's financial result is mainly dependent on crude freight levels, product freight levels and the capacity utilization rate of the Neste Oil fleet.

Shipping's operating profit for the quarter was EUR 20 million (34 million). This decline resulted mainly from lower freight rates on the Baltic crude market, resulting from the mild winter, and increased shipping capacity available on the market. Shipping's comparable operating profit was EUR 22 million (35 million).

Key figures

	1-3/06	1-3/05	2005
Sales, MEUR	86	103	352
Operating profit, MEUR	20	34	87
Comparable operating profit, MEUR	22	35	85
Capital expenditure, MEUR	1	8	24
Deliveries total, millions of tons	8.1	10.3	40.2
Fleet utilization rate, %	97	92	92

The fleet utilization rate of 97% was better than during the comparable period last year (92%).

Shipping carried a total of 8.1 million tons in the first quarter, 21% less than in the same period in 2005 (10.3). The number of time-chartered vessels was reduced during the first quarter.

Crude cargoes totaled 4.7 million tons (6.6 million), approximately 30% down on the corresponding period last year, while product cargoes totaled 3.4 million tons (3.7 million), or 7% less.

North Sea crude freights during the first quarter averaged 142 Worldscale points (155) whereas freight rates from Primorsk were reduced by half. Product rates remained stable on the Baltic market.

The crude tanker, M/T Natura, was sold to Knutsen, and the deal is due to be closed in the second quarter. The sale price was USD 45 million and the company expects to book a capital gain of EUR 29 million on the transaction.

Neste Oil owned or controlled through contracts a total of 29 tankers as of the end of March.

Capital expenditure

The Group's capital expenditure totaled EUR 112 million in the first quarter (103 million). Oil Refining accounted for EUR 105 million, of which the Diesel Project's share was EUR 68 million. Oil Retail accounted for EUR 5 million, and Shipping for EUR 1 million.

First-quarter depreciation was EUR 38 million (35 million).

Financing

Neste Oil's interest-bearing net debt as of 31 March 2006 amounted to EUR 1,272 million (31 Dec 2005: 796 million). The increase in net debt was primarily due to an increase of EUR 327 million in working capital and annual dividend payments of EUR 205 million. Higher working capital resulted from increased inventories, higher oil prices, and timing of certain payments. Net financial expenses in the first quarter were EUR 0 million (7 million). Capitalized interest costs of the Diesel Project and positive change in the fair value of interest rate hedges reduced the overall net financial expenses. The average interest rate at the end of March was 3.4%.

Net cash from operating activities was EUR -150 million (154 million).

The equity-to-assets ratio was 36.5% (31 Dec 2005: 42.2%), the gearing ratio 79.2% (31 Dec 2005: 49.4 %) and the leverage ratio 44.2% (31 Dec 2005: 33.0%).

Cash and cash equivalents and committed, unutilized credit facilities amounted to EUR 1,162 million at the end of March.

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

Neste Oil signed a EUR 150 million, 8-year loan agreement with the European Investment Bank in January to provide finance for the Diesel Project at Porvoo.

Shares and share trading

A total of 91,396,915 shares were traded during the first quarter, totaling EUR 2.35 billion. Neste Oil shares traded between a high of EUR 29.10 and a low of EUR 22.25 during the quarter, closing at EUR 28.37 on 31 March, giving a market capitalization of EUR 7.3 billion.

Average daily volume was approximately 1.4 million shares in the first quarter, representing 0.6% of shares outstanding.

Neste Oil’s share capital registered with the Company Register totals EUR 40 million, and the total number of shares outstanding is 256,403,686. The company does not hold any of its own shares, and the Board of Directors has no authorization to buy back company shares or to issue convertible bonds, share options, or new shares.

As of the end of the first quarter, the Finnish State held 50.1% of Neste Oil's shares, and non-Finnish owners held 34.2%. Finnish institutions held 10.3% of shares and households 5.4%.

Annual General Meeting

Neste Oil Corporation's Annual General Meeting was held on 22 March 2006 in Helsinki.
The AGM approved the Board of Directors' dividend proposal of EUR 0.80 per share.

Neste Oil's Board of Directors was reelected for a further term until the end of the next AGM. The Board comprises eight members: Mr Timo Peltola (Chairman), retired CEO of Huhtamäki Corporation; Mr Mikael von Frenckell (Vice Chairman), Partner of Sponsor Capital; Ms Ainomaija Haarla, VP in the Business Development of UPM-Kymmene Group; Mr Kari Jordan, President & CEO of Metsäliitto Group; Mr Juha Laaksonen, CFO of Fortum Corporation; Ms Nina Linander, Member of the Board of Opcon AB; Mr Pekka Timonen, Advisor for state ownership policy at the Finnish Ministry of Trade and Industry; and Ms Maarit Toivanen-Koivisto, CEO of Onvest Oy.

The members of Neste Oil's Supervisory Board were also reelected to another term that will last until the end of the next AGM. The Supervisory Board comprises eight members: Mr Klaus Hellberg (Chairman), Member of the Finnish Parliament; Mr Markku Laukkanen (Vice Chairman), Member of the Finnish Parliament; Mr Mikael Forss, Director at the Social Insurance Institution of Finland; Ms Heidi Hautala, Member of the Finnish Parliament; Ms Satu Lähteenmäki, Professor at the Turku School of Economics and Business Administration; Mr Markus Mustajärvi, Member of the Finnish

Parliament; Mr Juhani Sjöblom, Member of the Finnish Parliament; and Ms Jutta Urpilainen, Member of the Finnish Parliament.

PricewaterhouseCoopers Oy, Authorized Public Accountants, were appointed as Auditor until the end of the next AGM.

The AGM also decided to establish a Nomination Committee to prepare proposals covering the members of the Board of Directors and their remuneration for consideration by the next AGM. The Nomination Committee will comprise the Chairman of the Board, as an expert member, together with representatives of the company's three largest shareholders. The right to appoint the shareholder representatives on this Committee lies with the three shareholders holding the largest number of votes associated with all the company's shares on the first day of November preceding the AGM. The Chairman of the Board of Directors will be responsible for convening the Committee, and the Committee's members will appoint a Chairman from among themselves. The Nomination Committee will present their proposal to the Board of Directors by 1 February prior to the AGM at the latest.

Personnel

Neste Oil employed an average of 4,502 employees in the first quarter (4,331). As of the end of March, the company had 4,518 employees (4,328), of whom 3,462 (3,322) worked in Finland.

Group Management

Ms Hannele Jakosuo-Jansson, M.Sc. (Eng), was appointed Senior Vice President, Human Resources and a member of the Neste Executive Team as of 1 January 2006. Jakosuo-Jansson was previously Vice President, Human Resources in the Oil Refining division.

Health, safety, and the environment

The main indicator for safety performance used by Neste Oil – lost workday injury frequency (LWIF) for both company personnel and contractors working for the company – stood at 4.0 at the end of March 2006. This compares to a LWIF of 6.5 in the same period of 2005. The combined LWIF target is 4.0.

The company has established a corporate-wide ‘Step Change in Safety Management’ project that will focus on enhancing safety management and culture to improve safety performance to a level comparable with other world-class safety performers.

Neste Oil has not participated in carbon dioxide (CO_2) emissions trading as yet. All the required steps needed to verify and report emissions for 2005 have been taken, and the company is able to surrender allowances equal to its total emissions in 2005.

The European Commission has issued a legislative proposal for a new regulatory framework for chemicals. Under the proposed new system, known as REACH (Registration, Evaluation and Authorization of Chemicals), enterprises that manufacture or import more than one ton of chemical substances a year will be required to register such chemical substances in a central database. Neste Oil's project for meeting REACH requirements has progressed according to plan.

In March, Neste Oil was selected for inclusion in the Ethibel Pioneer Investment Register. The Ethibel Investment Register is used as the basis for Socially Responsible Investment (SRI) products for a growing number of European banks, fund managers, and institutional investors. Ethibel offers investors two products based on the Investment Register: the Ethibel Label and the Ethibel Sustainability Indices. The distinctive characteristics of Ethibel's methodology originate from the integration of two of the most important aspects of corporate social responsibility: sustainable development and stakeholder involvement.

Strategy implementation and investment projects

Neste Oil aims to be a leading independent Northern European oil refiner, with a focus on high-quality petroleum products designed for cleaner traffic and a commitment to world-class operational and financial performance. Leveraging its refining excellence, Neste Oil is ideally placed to develop new products and use a wide range of feedstocks and new technologies. Neste Oil is committed to developing its structure and business portfolio to implement this strategy effectively.

Diesel Project

Construction work on the Diesel project at the Porvoo refinery is continuing to progress according to plan. Following completion of the installation of the main process equipment, the focus of construction switched to piping installation. The total number of personnel employed on the project in the field increased to 1,400 at the end of March.

Work has also started on planning the commissioning of the new line and training its operational staff. The new production line is expected to be in operation by the end of 2006. Once completed, it will increase Neste Oil's production capacity of sulfur-free diesel fuel and jet fuel by over 1 million tons a year, and reduce production of heavy fuel oil. The Porvoo refinery will also be able to switch completely to using heavier, sourer crude input.

The project's estimated impact on Neste Oil's total refining margin will be over USD 2 /bbl, and the project's total investment cost is estimated to be in excess of EUR 650 million.

Biodiesel

The construction of the EUR 100 million biodiesel plant at the Porvoo refinery has also proceeded as planned, and the facility is due to enter production in the summer of 2007. The plant will have an annual production capacity of 170,000 tons of biodiesel.

Neste Oil's second-generation biodiesel offers superior fuel properties and meets the highest requirements set by automotive manufactures. Demand for biodiesel is expected to increase in the future, particularly within the European Union, as the EU is encouraging member states to boost their use of renewable raw materials in traffic fuels through its biofuels directive.

Neste Oil is currently in talks with other oil companies aimed at jointly building biodiesel production plants using Neste Oil's technology. The company has disclosed plans to build one facility with Total and another with OMV. The plan is to locate these jointly owned production facilities, which will have a capacity of approximately 200,000 t/a each, at Total's Dunkirk refinery in Northern France and OMV's Schwechat refinery in Austria. The aim is to begin production at both plants in 2008 at the earliest.

Lubricant base oils

The market for high-end lubricant base oils has continued to grow, as a result of more stringent emissions and performance requirements. No major capacity growth is expected globally in the near future, however.

Neste Oil and the Bahraini company, Bapco, are planning a joint venture to produce high-quality lubricant base oils at Bapco's refinery in Bahrain. The planned facility will be capable of producing 400,000 t/a of EHVI base oil. As a result of several factors, including the long delivery time required for the plant's equipment, the target schedule to commence production has been postponed to 2009.

Ibn Zahr divestment

In March, Neste Oil announced that it will sell its 10% holding in The Saudi European Petrochemical Company Ibn Zahr, which produces MTBE and polypropylene in Al-Jubail in Saudi Arabia. The sale price is USD 120 million, and the company expects to book a capital gain of EUR 85 million from the transaction, which is due to be finalized in the second quarter of 2006.

Change in accounting principles

Neste Oil applies hedge accounting as defined under IFRS to certain oil commodity derivatives used for hedging forecast future cash flows as of 1 January 2006. This change in accounting principle will have no effect on reported figures for the 2005 financial year.

Neste Oil divested major non-core assets during the third and fourth quarter of 2005. As a result, the company has decided to amend its definition of 'Operating profit' so that the company's share of the profit/loss of associates and joint ventures (in general shareholdings where Neste Oil holds 20-50% of the entity's voting power) is included under 'Operating profit' in the income statement as of 1 January 2006. The comparative figures for the consolidated income statement and segment information for 2005 have been restated accordingly.

Outlook

The key market drivers of Neste Oil’s financial performance are the international benchmark refining margin, the price differential between Russian Export Blend (REB) and Brent crude, and the USD/EUR exchange rate. Changes in crude oil prices impact Neste Oil's financial results mainly in the form of inventory gains or losses.

The company sees the market fundamentals in oil refining as likely to remain unchanged. Tight complex refining capacity is expected to keep refining margins volatile, and, based on current forward market prices, above historical averages.

If oil prices continue to rise, they may start having an impact on consumer behavior and economic growth.

The gasoline market has been strong during the first month of the second quarter, as anticipated in Neste Oil's previous report in February. Gasoline inventories in the US are lower compared to 2005, resulting from a high level of maintenance outages at refineries and changes in US product specifications, among other factors. Based on this and normal seasonality, a strong gasoline market is expected to continue in the second and third quarters. This will also be reflected in demand for high-octane components.

The diesel market is expected to remain firm, as demand is moving ahead strongly compared to supply. Neste Oil's Diesel Project at its Porvoo refinery will be completed at the end of 2006.

Retail market growth around the Baltic Rim is likely to remain strong, driven by high demand. Neste Oil has been able to increase its market share of retail gasoline sales in Finland despite tough price competition.

Increased competition on the Baltic shipping market has had a negative impact on crude freight rates, and this is expected to continue. Product freight rates are expected to remain on a healthier level.

Gains from sales of fixed assets in the second quarter are estimated to be approximately EUR 110 million.

The Group's capital expenditure in 2006 is expected to be approximately EUR 450 million.

Reporting date for second-quarter 2006 results

Neste Oil will publish its second-quarter results for 2006 on 3 August 2006 at approximately 9:00 a.m. EET.

Espoo, 26 April 2006

Neste Oil Corporation
Board of Directors

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	1-3/2006	1-3/2005	1-12/2005	Last 12 months
Sales	**2,796**	2,060	9,974	10,710
Other income	**5**	5	170	170
Share of profit (loss) of associates and joint ventures	**-4**	-2	40	38
Materials and services	**-2,404**	-1,674	-8,443	-9,173
Employee benefit costs	**-56**	-57	-223	-222
Depreciation, amortization and impairment charges	**-38**	-35	-153	-156
Other expenses	**-146**	-150	-534	-530
Operating profit	**153**	147	831	837
Financial income and expenses				
Finance income	**1**	5	26	22
Finance expenses	**-1**	-8	-29	-22
Exchange rate and fair value gains and losses	**0**	-4	-5	-1
	0	-7	-8	-1
Profit before income taxes	**153**	140	823	836
Income tax expense	**-41**	-35	-153	-159
Profit for the period	**112**	105	670	677
Attributable to:				
Equity holders of the Company	**112**	104	667	675
Minority interest	**0**	1	3	2
	112	105	670	677
Earnings per share from profit for the period attributable to the equity holders of the company during the year basic and diluted (in euro per share)	**0.44**	0.41	2.60	2.63
Average number of shares	**256,403,686**	256,403,686	256,403,686	256,403,686

CONSOLIDATED BALANCE SHEET

MEUR	31 Mar 2006	31 Mar 2005	31 Dec 2005
ASSETS			
Non-current assets			
Intangible assets	**49**	39	50
Property, plant and equipment	**2,081**	1,571	2,009
Investments in associates and joint ventures	**123**	137	126
Long-term interest-bearing receivables	**14**	70	17
Pension asset	**67**	51	63
Deferred tax assets	**22**	19	23
Other non-current assets	**17**	43	24
Total non-current assets	**2,373**	1,930	2,312
Current assets			
Inventories	**798**	535	601
Trade and other receivables	**1,050**	813	837
Cash pool receivables	**0**	129	0
Cash and cash equivalents	**81**	64	79
Total current assets	**1,929**	1,541	1,517
Non-currents assets classified as held for sale 1)	**100**	0	0
Total assets	**4,402**	3,471	3,829
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	**40**	40	40
Other equity	**1,559**	1,043	1,565
Total	**1,599**	1,083	1,605
Minority interest	**7**	6	7
Total equity	**1,606**	1,089	1,612
LIABILITIES			
Non-current liabilities			
Borrowings	**1,039**	162	635
Deferred tax liabilities	**224**	177	192
Provisions	**16**	15	14
Pension liabilities	**13**	13	13
Other non-current liabilities	**23**	29	24
Total non-current liabilities	**1,315**	396	878
Current liabilities			
Borrowings	**314**	984	240
Current tax liability	**18**	52	6
Trade and other payables	**1,149**	950	1,093
Total current liabilities	**1,481**	1,986	1,339
Total liabilities	**2,796**	2,382	2,217
Total equity and liabilities	**4,402**	3,471	3,829

1) Non-current assets classified as held for sale comprise of the fair value of the Ibn Zahr shares, which Neste Oil has agreed to sell. The fair value of the shares is based on the agreement reached with the buyer, and the unrealized change in the fair value (net of tax) has been entered into equity in "Fair value and other reserves".

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

MEUR	Share capital	Reserve fund	Fair value and other reserves	Translation differences	Retained earnings	Minority	Total
Total equity at 31.12.2004	40	9	34	-4	914	5	998
Translation differences				5			5
Dividends paid							0
Cash flow hedges			-19				-19
Change in minority							0
Profit for the period					104	1	105
Total equity at 31.3.2005	40	9	15	1	1,018	6	1,089

	Share capital	Reserve fund	Fair value and other reserves	Translation differences	Retained earnings	Minority	Total
Total equity at 31.12.2005	40	9	-33	8	1,581	7	1,612
Translation differences				-2			-2
Dividends paid					-205		-205
Cash flow hedges			26				26
Available for sale shares 1)			63				63
Change in minority							0
Profit for the period					112	0	112
Total equity at 31.3.2006	40	9	56	6	1,488	7	1,606

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

MEUR	**1-3/2006**	1-3/2005	1-12/2005
Cash flow from operating activities			
Profit before taxes	**153**	140	823
Adjustments, total	**53**	84	-40
Change in working capital	**-327**	-60	-46
Cash generated from operations	**-121**	164	737
Finance cost, net	**-1**	-5	-2
Income taxes paid	**-28**	-5	-139
Net cash from operating activities	**-150**	154	596
Capital expenditures	**-111**	-103	-664
Acquisition of shares	**-1**	0	-4
Proceeds from sales of fixed assets	**1**	2	14
Proceeds from sales of shares	**0**	0	193
Change in other investments	**-24**	-37	43
Cash flow before financing activities	**-285**	16	178
Net change in loans	**482**	-8	-286
Dividends paid	**-195**	0	0
Net increase (+)/decrease (-) in cash and marketable securities	**2**	8	-108

KEY RATIOS

	31 Mar 2006	31 Mar 2005	31 Dec 2005	Last 12 months
Capital employed, MEUR	**2,959**	2,235	2,487	2,959
Interest-bearing net debt, MEUR	**1,272**	953	796	-
Capital expenditure and investments in shares, MEUR	**112**	103	668	677
Return on average capital employed, after tax, ROACE % 2)	**-**	-	19.7	17.8
Return on capital employed, pre-tax, ROCE, %	**22.7**	27.8	37.0	33.1
Return on equity, %	**28.0**	40.3	51.3	50.3
Equity per share, EUR	**6.24**	4.22	6.26	-
Cash flow per share	**-0.59**	0.60	2.33	1.14
Equity-to-assets ratio, %	**36.5**	31.4	42.4	-
Gearing, %	**79.2**	87.6	49.4	-
Leverage ratio %	**44.2**	46.7	33.0	-
Average number of employees	**4,502**	4,331	4,528	-

2) The calculation of Return on average capital employed, after tax, (ROACE %) has been amended so that unrealized changes in the fair value of oil derivatives, net of tax, are excluded from the calculation of the ratio. ROACE % for the financial period ending 31 December 2005 has been restated to reflect the change. The earlier reported figure was 19.0 % compared to the restated 19.7 %.

SEGMENT INFORMATION

Neste Oil's businesses are grouped into four segments for external reporting purposes: Oil Refining, Oil Retail, Shipping and Other. The components business is included in Oil Refining, Other segment includes corporate centre.

SALES

MEUR	1-3/2006	1-3/2005	1-12/2005	Last 12 months
Oil Refining	**2,308**	1,622	8,150	8,836
Oil Retail	**812**	620	2,931	3,123
Shipping	**86**	103	352	335
Other	**3**	1	10	12
Eliminations	**-413**	-286	-1,469	-1,596
Total	**2,796**	2,060	9,974	10,710

OPERATING PROFIT

MEUR	1-3/2006	1-3/2005	1-12/2005	Last 12 months
Oil Refining	**129**	123	570	576
Oil Retail	**13**	-3	45	61
Shipping	**20**	34	87	73
Other	**-9**	-6	129	126
Eliminations	**0**	-1	0	1
Total	**153**	147	831	837

COMPARABLE OPERATING PROFIT

MEUR	1-3/2006	1-3/2005	1-12/2005	Last 12 months
Oil Refining	**94**	91	446	449
Oil Retail	**12**	10	46	48
Shipping	**22**	35	85	72
Other	**-9**	-6	-12	-15
Eliminations	**0**	-1	0	1
Total	**119**	129	565	555

DEPRECIATION, AMORTIZATION AND WRITE-DOWNS

MEUR	1-3/2006	1-3/2005	1-12/2005	Last 12 months
Oil Refining	**25**	23	101	103
Oil Retail	**7**	6	28	29
Shipping	**6**	6	22	22
Other	**0**	0	2	2
Total	**38**	35	153	156

SHARE OF PROFITS IN ASSOCIATED COMPANIES AND JOINT VENTURES

MEUR	1-3/2006	1-3/2005	1-12/2005	Last 12 months
Oil Refining	**-4**	-1	24	21
Oil Retail	**0**	-1	-3	-2
Shipping	**0**	0	0	0
Other	**0**	0	19	19
Total	**-4**	-2	40	38

NET ASSETS

MEUR	31 Mar 2006	31 Mar 2005	31 Dec 2005
Oil Refining	**2,282**	1,473	1,889
Oil Retail	**373**	294	375
Shipping	**318**	329	326
Other	**-10**	14	6
Eliminations	**-3**	-4	-4
Total	**2,960**	2,106	2,592

RETURN ON NET ASSETS, %

	31 Mar 2006	31 Mar 2005	31 Dec 2005	Last 12 months
Oil Refining	**24.7**	34.1	34.7	31.7
Oil Retail	**13.9**	-4.0	13.2	17.2
Shipping	**24.8**	40.9	26.7	22.7

QUARTERLY SALES

MEUR	1-3/2006	10-12/2005	7-9/2005	4-6/2005	1-3/2005
Oil Refining	**2,308**	2,282	2,111	2,135	1,622
Oil Retail	**812**	782	834	695	620
Shipping	**86**	93	69	87	103
Other	**3**	2	4	3	1
Eliminations	**-413**	-407	-433	-343	-286
Total	**2,796**	2,752	2,585	2,577	2,060

QUARTERLY OPERATING PROFIT

MEUR	1-3/2006	10-12/2005	7-9/2005	4-6/2005	1-3/2005
Oil Refining	**129**	135	109	203	123
Oil Retail	**13**	11	17	20	-3
Shipping	**20**	31	3	19	34
Other	**-9**	136	4	-5	-6
Eliminations	**0**	-1	4	-2	-1
Total	**153**	312	137	235	147

QUARTERLY COMPARABLE OPERATING PROFIT

MEUR	1-3/2006	10-12/2005	7-9/2005	4-6/2005	1-3/2005
Oil Refining	**94**	85	93	177	91
Oil Retail	**12**	7	18	11	10
Shipping	**22**	28	2	20	35
Other	**-9**	-5	4	-5	-6
Eliminations	**0**	-1	4	-2	-1
Total	**119**	114	121	201	129

QUARTERLY DEPRECIATION, AMORTIZATION AND WRITE-DOWNS

MEUR	1-3/2006	10-12/2005	7-9/2005	4-6/2005	1-3/2005
Oil Refining	**25**	30	23	25	23
Oil Retail	**7**	8	7	7	6
Shipping	**6**	5	6	5	6
Other	**0**	1	0	1	0
Total	**38**	44	36	38	35

QUARTERLY SHARE OF PROFITS IN ASSOCIATED COMPANIES AND JOINT VENTURES

MEUR	1-3/2006	10-12/2005	7-9/2005	4-6/2005	1-3/2005
Oil Refining	**-4**	3	13	9	-1
Oil Retail	**0**	0	-1	-1	-1
Shipping	**0**	0	0	0	0
Other	**0**	1	10	8	0
Total	**-4**	4	22	16	-2

CONTINGENT LIABILITIES

MEUR	31 Mar 2006	31 Mar 2005	31 Dec 2005
Contingent liabilities			
On own behalf			
For debt			
Pledges	**5**	5	5
Real estate mortgages	**28**	28	28
For other commitments			
Real estate mortages	**1**	0	1
Other contingent liabilities	**19**	30	16
Total	**53**	63	50
On behalf of associated companies			
Pledges and real estate mortgages	**0**	9	0
Guarantees	**8**	4	10
Other contingent liabilities	**2**	0	3
Total	**10**	13	13
On behalf of others			
Guarantees 3)	**2**	69	1
Other contingent liabilities	**1**	3	0
Total	**3**	72	1
Total	**66**	148	64

MEUR	31 Mar 2006	31 Mar 2005	31 Dec 2005
Operating lease liabilities			
Due within a year	**70**	72	73
Due later than one year and not later than 5 years	**65**	50	58
Due later than five years	**61**	54	60
Total	**196**	176	191

MEUR	31 Mar 2006	31 Mar 2005	31 Dec 2005
Commitments			
Commitments for purchase of property, plant and equipment	**76**	189	95
Commitments for purchase of intangible assets	**2**	3	2
Total	**78**	192	97

Derivatives

Interest and currency derivates	31 Mar 2006		31 Mar 2005		31 Dec 2005	
MEUR	Notional value	Net fair value	Notional value	Net fair value	Notional value	Net fair value
Interest rate swaps	**307**	**1**	46	-3	308	-3
Forward foreign exchange contracts	**1 178**	**0**	632	-3	942	-27
Currency swaps						
Purchased currency options	**784**	**-14**	727	-7	835	-17
Written currency options	**784**	**6**	357	5	835	-3

Oil futures and forward instruments	Volume 1 000 bbl	Net fair value Meur	Volume 1 000 bbl	Net fair value Meur	Volume 1 000 bbl	Net fair value Meur
Sales contracts	**53 608**	**73**	60 434	-57	54 496	21
Purchase contracts	**103 321**	**-67**	70 307	38	99 888	-6
Purchased options	**7 047**	**-6**	8 871	10	6 904	-2
Written options	**5 870**	**5**	9 525	-7	5 589	2

The fair values of derivative contracts subject to public trading are based on market prices as of the balance sheet date. The fair values of other derivatives 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 contracts are mainly used to manage the group's currency, interest rate and price risk.

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 14a Paragraph 6.

3) Guarantees on behalf of others (31 March 2005) included counter indemnity issued to Fortum Corporation regarding guarantees issued by Fortum Corporation on behalf of SeverTEK, a joint venture of Neste Oil as at 31 March 2005.

ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, and applying the accounting principles applied in the annual financial statements for the financial period 2005, with the changes described below.

Derivative financial instruments

Neste Oil applies hedge accounting as defined under IFRS to certain oil commodity derivatives used for hedging forecast future cash flows as of 1 January 2006. Oil commodity derivative contracts designed to hedge refining margin that are entered into 1 January 2006 onwards, are designated as hedges of forecast future cash flows, and the effective portion of the change in the fair value of those derivatives is recognized in equity. Any gain or loss relating to the ineffective portion is recognized immediately in the income statement. Amounts accumulated in equity are recycled in the income statement during the periods when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement. As at 31 March 2006 there were no oil derivative contracts for which hedge accounting was applied. The change in accounting principle has no effect on the reported figures for financial year 2005.

As a result of the above mentioned change in the accounting principle, the changes in fair values of oil commodity derivatives are included in the income statement lines 'Sales' or 'Other expenses'.

Share of profit (loss) of associates and joint ventures

Neste Oil divested major non-core assets during the third and fourth quarter of 2005. As a result, the company has decided to amend its definition of 'Operating profit' so that the company's share of profit/loss of associates and joint ventures (in general, shareholdings where Neste Oil holds 20-50% of the voting power in the entity) is included in 'Operating profit' in the income statement as of 1 January 2006. The comparative figures for the consolidated income statement and segment information for 2005 have been restated accordingly.

CALCULATION OF KEY FIGURES

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 fixed assets or shares, share of profits (loss) of associates and joint ventures, less losses from sale of shares or fixed assets as well as expenses related to the production, marketing and selling activities, administration, depreciation, amortization and impairment charges. Realized and unrealized gains or losses on oil derivatives as well as realized gains and losses from foreign currency derivatives that have been recycled in the income statement in cash flow hedges of commercial sales and purchases are also included in operating profit.
Comparable operating profit	=		Operating profit -/+ inventory gains/losses -/+ gains/losses from sales of fixed assets and investments - unrealized change in fair value of oil commodity derivatives
Return on equity, %	=	100 x	Profit before taxes - taxes / Total equity average
Return on average capital employed, after-tax, %	=	100 x	Net profit (adjusted for inventory gains/losses, gains/losses from sales of fixed assets and investments and unrealized gains/losses on oil commodity derivatives, net of tax) + minority interest + interest expenses and other financial expenses related to interest-bearing liabilities (net of taxes) / Average capital employed (= total equity + interest-bearing debt)
Return on capital employed, pre-tax, %	=	100 x	Profit before taxes + interest and other financial expenses / Capital employed average
Capital employed	=		Total assets - interest-free liabilities - deferred tax liabilities - provisions for liabilities and charges
Return on net assets, %	=	100 x	Operating profit / Average net assets
Segments net assets	=		Fixed assets, shares, pension assets and working capital allocated to the business segment, provisions and pension liabilities
Interest-bearing net debt	=		Interest-bearing liabilities - cash and marketable securities
Gearing, %	=	100 x	Interest-bearing net debt / Total equity
Equity-to assets ratio, %	=	100 x	Total equity / Total assets - advances received
Leverage ratio, %	=	100 x	Net debt / Net debt + total equity

Calculation of key share ratios

Earnings per share (EPS)	=	Profit before taxes - taxes on regular business operations - minority interest / Adjusted average number of shares during the period
Equity per share	=	Shareholder's equity attributable to Company's equity holders / Adjusted average number of shares at the end of the period
Cash flow per share	=	Net cash generated from operating activities / Adjusted average number of shares during the period