Interim Report
January-June 2006

refining the future

Neste Oil Corporation

Stock Exchange Release
3 August 2006 at 9:00 a.m. EET

NESTE OIL REPORTS A COMPARABLE OPERATING PROFIT OF EUR 189 MILLION FOR Q2

High oil price environment and strong demand especially for gasoline and gasoline components characterized the second quarter. These benefited Neste Oil, and the Group recorded a comparable operating profit of EUR 189 million, slightly below the record-high second quarter in 2005.

Second quarter in brief:

- Comparable operating profit of EUR 189 million (Q2/05: 201 million)
- Operating profit of EUR 280 million (Q2/05: 235 million)
- Earnings per share EUR 0.76 (Q2/05: 0.68)
- Cash flow from operations EUR 278 million (Q2/05: 213 million)
- Diesel project now scheduled to be in operation during the first quarter of 2007

President & CEO Risto Rinne:
"Companies with complex refining capacity, such as Neste Oil, have been able to continue the strong performance that has been seen since 2004. The gasoline market has been strong since April, especially in the US, as we anticipated, and this benefited our sales on the US market.

During the quarter the Diesel Project faced two strikes and contractor's shortage of specialist resources. We expect to commence the start-up phase of the new diesel production line at the Porvoo refinery still in 2006 and thus be in operation during the first quarter of 2007.

I have become more and more confident of the prospects for renewable traffic fuels. As decision-makers worldwide have started to implement national biofuels policies, we are at the cutting edge with our biodiesel technology."

Further information:

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News conference and conference call

A press conference in Finnish on the second-quarter results will be held today, 3 August 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, 3 August 2006, at 3:00 pm Finland / 1:00 pm London / 8:00 am New York. The call-in numbers are as follows: UK: +44 (0) 20 7162 0025, US: +1 334 323 6201. Use the password: Neste Oil. An instant replay will be available until 10 August 2006 at +44 (0) 207 031 4064 for the UK and +1 954 334 0342 for the US, using access code 714060.

NESTE OIL INTERIM REPORT, JANUARY – JUNE 2006

Unaudited

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

KEY FIGURES

EUR million (unless otherwise noted)

	4-6/06	4-6/05	1-6/06	1-6/05	2005	Last 12 months
Sales	3,518	2,577	6,314	4,637	9,974	11,651
Operating profit before depreciation	317	273	508	455	984	1,037
Depreciation, amortization and impairment charges	37	38	75	73	153	155
Operating profit **	280	235	433	382	831	882
Comparable operating profit *	189	201	308	330	565	543
Profit before income tax	277	227	430	367	823	886
Earnings per share, EUR	0.76	0.68	1.20	1.08	2.60	2.72
Capital expenditure and investment in shares	133	156	245	259	668	654
Net cash from operating activities	278	213	128	367	596	357

	30 June 2006	30 June 2005	31 Dec 2005	
Total equity	1,825	1,220	1,612	-
Interest-bearing net debt	1,119	891	796	-
Capital employed	3,032	2,236	2,487	3,032
Return on capital employed pre-tax, %	31.5	35.6	37.0	34.5
Return on equity, %	36.0	50.3	51.3	46.0
Equity per share, EUR	7.09	4.74	6.26	-
Cash flow per share, EUR	0.50	1.43	2.33	1.39
Equity-to-assets ratio, %	38.5	33.7	42.4	-
Leverage ratio, %	38.0	42.2	33.0	-
Gearing, %	61.3	73.0	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 second-quarter results

Sales at the Neste Oil Group in the second quarter of 2006 totaled EUR 3,518 million (2,577 million). The 37% increase in sales resulted from higher sales volumes and stronger petroleum product prices.

The Group achieved an operating profit of EUR 280 million (235 million) in the second quarter. The operating profit includes a EUR 32 million (0 million) capital gain from sales of assets and inventory gains of EUR 61 million (23 million). Changes in the fair value of open oil derivative positions, primarily used to hedge future cash flows, had a negative impact of EUR 2 million on the operating profit (+11 million).

Neste Oil's second-quarter comparable operating profit, excluding inventory gains/losses, changes in the fair value of oil derivatives, and gains/losses from sales of fixed assets, was slightly lower than a year ago at EUR 189 million (201 million). This is mostly explained by a lower refining margin compared to the second quarter of 2005 and lower crude oil freight rates from Primorsk. The positive development of the Components division improved the Oil Refining segment's performance.

The Group's January-June results

Sales in the six-month period between January and June amounted to EUR 6,314 million (1-6/05: 4,637 million), reflecting high prices.

The Group's operating profit between January and June increased by EUR 51 million from last year's figure to EUR 433 million (1-6/05: 382 million), thanks to gains from sales of assets and inventory gains.

The comparable operating profit, in contrast, fell a little behind the comparable operating profit for January-June 2005, reaching EUR 308 million (1-6/05: 330 million). The most significant reasons for the lower profit were the lower refining margin in the second quarter and reduced crude freight rates from Primorsk during the first two quarters.

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 June, the rolling twelve-month ROACE was 15.9% (fiscal 2005: 19.7%).

Comparable operating profit (MEUR)

	4-6/06	4-6/05	1-6/06	1-6/05
COMPARABLE OPERATING PROFIT	189	201	308	330
- changes in the fair value of open oil derivative positions	-2	11	-10	-30
- inventory gains	61	23	103	81
- gains from sales of fixed assets	32	0	32	1
OPERATING PROFIT	280	235	433	382

Capital expenditure

The Group's capital expenditure during the first half of 2006 totaled EUR 245 million (1-6/05: 259 million). Oil Refining accounted for EUR 228 million, of which the Diesel Project's share was EUR 145 million. Oil Retail accounted for EUR 13 million, and Shipping for EUR 3 million.

Depreciation in the six-month period totaled EUR 75 million (1-6/05: 73 million).

Financing

Neste Oil's interest-bearing net debt as of 30 June 2006 amounted to EUR 1,119 million (31 Dec 2005: 796 million). The increase in net debt during the first half resulted primarily from an increase of EUR 270 million in working capital. This was mainly due to increased inventories and higher oil prices. Compared to the first quarter, however, working capital decreased by EUR 57 million.

Net financial expenses between January and June were EUR 3 million (1-6/05: 15 million). Capitalized interest costs and a positive change in the fair value of interest rate hedges have reduced overall net financial expenses.

The average interest rate at the end of June was 3.6%.

Net cash from operating activities during the first half was EUR 128 million (1-6/05: 367 million); in the second quarter, EUR 278 million (213 million).

The equity-to-assets ratio was 38.5% (31 Dec 2005: 42.4%), the gearing ratio 61.3% (31 Dec 2005: 49.4 %) and the leverage ratio 38.0% (31 Dec 2005: 33.0%).

Cash and cash equivalents and committed, unutilized credit facilities amounted to EUR 1,398 million at the end of June.

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.

Market overview

An active maintenance season at refineries worldwide and a healthy demand for light products contributed to strong refining margins in the second quarter. The international reference refining margin in North West Europe, IEA Brent cracking, averaged USD 6.13 /bbl (5.19).

Changes in US gasoline specifications, including the phase-out of MTBE, led to a shortage of certain gasoline grades and components, and resulted in a strong overall gasoline market during the quarter. Despite high pump prices, US gasoline demand was remained unchanged from last year. Market concerns at the end of the quarter shifted to the approaching hurricane season along the US Gulf coast.

Strong global economic growth kept demand for diesel and jet fuel and their price differential to crude oil strong in the second quarter. There was no shortage of these products, however, as middle distillate stocks kept building during the quarter.

Crude oil price continued to increase during the second quarter and reached several new all-time high levels. North Sea crude (Brent Dated) varied from USD 66 to 74 /bbl and averaged some 35% higher than 2005, at USD 69.62 /bbl (51.59). The reasons for this crude price rally were largely the same as in the previous quarter: healthy oil demand, geopolitical tensions in oil-producing countries, and investor activity. Concerns about gasoline shortages during the approaching summer season also added upside pressure to the crude price.

Supplies of high-sulfur fuel oil from Russia were solid and demand from China disappointing, leading to a weak fuel oil market. Low-sulfur fuel oil suffered from very poor utility demand, as the second quarter is neither a heating nor a cooling season. High natural gas stocks and weak natural gas prices did not give any support to the fuel oil market, either. As a result of the weak fuel oil market, the price difference between Urals and Brent crude widened and averaged USD -5.06 /bbl in the second quarter (-4.20).

US demand for high-octane and low vapor pressure gasoline components, such as iso-octane, was healthy in the second quarter, and helped by the commercial phase-out of MTBE.

The market growth for biofuels has continued as a result of steadily growing demand and a significant increase in methyl-ester biodiesel production capacity in Europe. As a consequence, the price of rapeseed oil, which is the primary feedstock for conventional methyl-ester biodiesel in Europe, has continued to rise. Many EU member states have already introduced national legislation promoting the use of biofuels for traffic use. The demand for renewable-based fuels is also expected to increase in 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 next couple of years.

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 lower during the second quarter than in the same quarter in 2005, and increased shipping capacity put pressure on freight rates from Primorsk in particular.

Key drivers

	4-6/06	4-6/05	1-6/06	1-6/05	July 06	2005
IEA Brent cracking margin, USD/bbl	6.13	5.19	4.65	3.75	6.75	4.98
Neste Oil's refining margin, USD/bbl	9.48	10.62	9.03	9.27	n.a.	8.82
Urals - Brent price differential, USD/bbl	-5.06	-4.20	-4.56	-4.69	-4.65	-4.42
Brent dated crude oil, USD/bbl	69.62	51.59	65.71	49.67	73.66	54.52
Crude freight rates, Aframax WS points	125	149	134	152	163	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's second-quarter operating profit rose to EUR 234 million (203 million), mainly thanks to higher inventory gains. The comparable operating profit was flat, at EUR 178 million (177 million).

Neste Oil's second-quarter refining margin improved on the first quarter of the year, to USD 9.48 /bbl, but was below the figure for the corresponding period in 2005 of USD 10.62 /bbl, the highest quarterly average in 2005. The IEA Brent cracking reference margin averaged USD 6.13 /bbl (5.19).

Neste Oil's refineries are geared towards producing diesel fuel, and in a gasoline-driven market, such as the second quarter, Neste Oil's additional margin over the IEA Brent cracking margin is therefore typically slightly narrower. Last year's second quarter saw an especially strong diesel market.

The refining margin was also impacted by some short-term mechanical problems in certain process units early in the quarter, resulting in a lower level of heavier crude oil input and a poorer production mix.

Oil Refining's fixed costs increased due to costs related to the new diesel production line at the Porvoo refinery and other growth projects.

Key figures

	4-6/06	4-6/05	1-6/06	1-6/05	2005
Sales, MEUR	3,056	2,135	5,364	3,757	8,150
Operating profit, MEUR	234	203	363	326	570
Comparable operating profit, MEUR	178	177	272	268	446
Capital expenditure, MEUR	123	142	228	222	589
Total refining margin USD/bbl	9.48	10.62	9.03	9.27	8.82

Production

Neste Oil refined a total of 3.6 million tons (3.4 million) of crude oil in the second quarter, 2.9 million tons (2.8 million) at Porvoo and 0.7 million tons (0.6 million) at Naantali. Crude distillation capacity utilization at the Porvoo refinery was 100.0% (94.0%) and 100.0% (99.3%) at Naantali.

43% (50%) of the total refinery input of 3.6 million tons comprised heavier Russian Export Blend.

Sales

Sales volumes in Finland totaled 1.9 million tons (1.8 million) during the second quarter, and export volumes 2.0 million tons (1.7 million). Gasoline exports to the US and Canada were 80% higher than in the same period last year, due to additional sales from the inventory built up in the first quarter. Sales volumes to continental Europe have continued to grow. Neste Oil's wholesale market share of key petroleum products in Finland averaged 85% in April and May (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.

The market for lubricant base oils remained strong during the quarter, which was reflected in high margins for both EHVI and PAO. Neste Oil produces 250,000 t/a of EHVI (Enhanced High Viscosity Index) base oil at its Porvoo refinery and 50,000 t/a of PAO (polyalphaolefin) at Beringen in Belgium.

The results for gasoline components – especially iso-octane – were strong due to healthy demand and high sales volumes. Iso-octane is produced by Alberta Envirofuels Inc. (AEF), which is a 50/50 joint venture with Chevron and located in Edmonton, Canada. The plant produces some 500,000 t/a of iso-octane.

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

	4-6/06	4-6/05	1-6/06	1-6/05	2005
Motor gasoline and components	1,521	1,301	2,567	2,513	4,673
Diesel fuel	1,251	1,137	2,387	2,192	4,183
Jet fuel	164	165	326	330	608
Biofuels	29	29	63	59	111
Base oils	73	65	154	132	274
Heating oil	109	161	358	479	791
Heavy fuel oil	223	251	575	557	946
Other products	446	403	762	736	1,460
TOTAL	3,816	3,512	7,192	6,998	13,046

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

	4-6/06	4-6/05	1-6/06	1-6/05	2005
Finland	1,864	1,810	4,003	3,838	7,455
Other Nordic countries	520	764	945	1,317	2,135
Other Europe	634	520	1,174	1,030	2,000
Russia & the Baltic countries	6	6	10	20	29
USA & Canada	636	357	855	686	1,246
Other countries	156	55	205	107	181
TOTAL	3,816	3,512	7,192	6,998	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 second-quarter operating profit totaled EUR 17 million (20 million) and its comparable operating profit EUR 15 million (11 million). The higher comparable profit is attributable mainly to increased sales volumes around the Baltic Rim.

Key figures

	4-6/06	4-6/05	1-6/06	1-6/05	2005
Sales, MEUR	817	695	1,629	1,315	2,931
Operating profit, MEUR	17	20	30	17	45
Comparable operating profit, MEUR	15	11	27	21	46
Capital expenditure, MEUR	8	12	13	23	47
Product sales volume, 1,000 m3	1,030	984	2,181	2,013	4,115

Neste Oil lost some market share in gasoline sales on the Finnish retail market, amid fierce competition. Demand for diesel fuel continued to grow during the quarter, and the company was able to increase its share of diesel retail sales.

The network of low-priced NEX stations was expanded by converting unmanned A24 stations to NEX stations, bringing the number of NEX stations to 37 at the end of June. Neste Oil had a total of 888 (884) outlets in Finland at the end of the second quarter.

The company launched a 98-octane gasoline containing a biocomponent in April in Finland. Both customers and the media have shown extensive interest in the fuel.

Neste Oil's retail sales volumes around the Baltic Rim continued to grow and were approximately 20% higher compared to the second quarter of 2005. Margins have been healthy, particularly in Russia.

Neste Oil has continued to expand its retail network around the Baltic Rim, and the company had 215 stations (185) in the area at the end of June, of which 36 in Russia, 37 in Estonia, 35 in Latvia, 32 in Lithuania, and 75 in Poland. Growth is reflected in increase of fixed costs.

Oil Retail sales volumes (1,000 m3)

	4-6/06	4-6/05	1-6/06	1-6/05	2005
Gasoline	360	349	684	650	1,353
Diesel fuel	361	338	717	657	1,364
Heating oil	196	192	494	445	887
Heavy fuel oil	113	105	286	261	511
TOTAL	1,030	984	2,181	2,013	4,115

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

FINLAND	4-6/06	4-6/05	1-6/06	1-6/05	2005
Gasoline	173	180	327	334	686
Diesel fuel	251	240	498	476	971
Heating oil	167	191	421	442	873
Heavy fuel oil	113	105	286	261	511
TOTAL	704	716	1,532	1,513	3,041

BALTIC RIM	4-6/06	4-6/05	1-6/06	1-6/05	2005
Gasoline	187	169	357	316	668
Diesel fuel	110	98	219	181	394
Heating oil	29	1	73	3	13
TOTAL	326	268	649	500	1,075

LPG (Liquefied Petroleum Gas) sales grew by 8% in the second quarter and totaled 63,000 tons (58,000).

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 North-West 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 second-quarter operating profit of EUR 38 million (19 million) was significantly higher compared to the corresponding period in 2005 as a result of a EUR 30 million capital gain from asset sales. The segment's comparable operating profit declined to EUR 5 million (20 million) due to lower freight rates on the Baltic crude market, and clearly lower volumes.

Key figures

	4-6/06	4-6/05	1-6/06	1-6/05	2005
Sales, MEUR	69	87	155	190	352
Operating profit, MEUR	38	19	58	53	87
Comparable operating profit, MEUR	5	20	27	55	85
Capital expenditure, MEUR	2	0	3	8	24
Deliveries total, millions of tons	9.9	11.1	18.0	21.4	40.2
Fleet utilization rate, %	95	92	96	92	92

The fleet utilization rate of 95% in the second quarter was better than during the same period in 2005 (92%).

Shipping carried a total of 9.9 million tons in the second quarter (11.1 million). Crude cargoes totaled 2.6 million tons (6.2 million), approximately 60% down on the corresponding period last year, while product cargoes increased by over 50% to 7.4 million tons (4.8 million). The significant decrease in crude cargo volumes reflects a temporarily low crude carrier capacity due to an active fleet renewal program.

North Sea crude freights during the second quarter averaged 125 Worldscale points (149) whereas freight rates from Primorsk were reduced by 25%. Product rates remained healthy on the Baltic market.

The crude tanker, M/T Natura, was sold to Knutsen in the first quarter, and the deal was closed in the second quarter. The sale price was USD 45 million and a capital gain of EUR 30 million was booked on the transaction.

Neste Oil owned or controlled through contracts a total of 28 tankers as of the end of June.

Shares, share trading, and ownership

A total of 77,086,295 Neste Oil shares were traded during the second quarter, totaling EUR 2.04 billion. Shares traded between a high of EUR 29.95 and a low of EUR 22.15 during the quarter, closing at EUR 27.54 on 30 June, giving a market capitalization of EUR 7.06 billion.

Average daily volume was approximately 1.3 million shares during the quarter, representing 0.5% 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 second quarter, the Finnish State held 50.1% of Neste Oil's shares, and non-Finnish owners held 33.7%. Finnish institutions held 10.6% of shares and households 5.6%.

As of the end of June, a total of 24 banks and brokerage houses publish analyses on Neste Oil.

Personnel

Neste Oil employed an average of 4,673 employees between January and June (1-6/05: 4,465). As of the end of June, the company had 4,902 employees (30 June 05: 4,726), of whom 3,758 (30 June 05: 3,685) worked in Finland. Summer trainees increase the number of personnel seasonally during the summer months.

Health, safety, and the environment

The main indicator for safety performance used by Neste Oil – lost workday injury frequency (LWIF, number of cases per million hours worked) for both company personnel and contractors working for the company – stood at 3.5 at the end of June 2006. This compares to a LWIF of 6.5 for the 2005 as a whole. The combined LWIF target for 2006 is 4.0.

Neste Oil participated in carbon dioxide (CO2) emissions trading in the second quarter by buying a small number of December 2007 emission rights. The company has successfully fulfilled all the requirements related to carbon dioxide emissions in 2005.

The European Commission has issued a legislative proposal for a new regulatory framework for chemicals. Neste Oil has contributed to work carried out by the European oil companies' organization, Concawe and the company's project for meeting REACH requirements has progressed according to plan.

In June, Alberta Envirofuels received EnviroVista Leader status from Alberta Environment in recognition of the facility's good performance in managing environmental issues.

On 21 July, Neste Oil's plant in Beringen, Belgium, achieved 15 years without a single incident leading to absence from work.

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

Work on the residue hydrocracker, the largest process unit under construction as part of the Diesel Project, fell behind schedule as a result of two strikes of contractor workers at the site and contractor's shortage of specialist resources. Despite this, the company expects the line to be in operation during the first quarter of 2007.

The total number of personnel employed on the project peaked at close to 2,000 before decreasing to its current level of 1,600. The focus of construction is now on completing piping installation and inspection. Various testing and pre-commissioning activities have also started.

Following completion, the new production line will increase Neste Oil's annual production capacity of sulfur-free diesel fuel and jet fuel by over 1 million tons and reduce production of heavy fuel oil. The Porvoo refinery will also be able to switch completely to using heavier, sourer crude input.

Biodiesel

The construction of the EUR 100 million biodiesel plant at the Porvoo refinery has proceeded as planned, and the facility is due to enter production in summer 2007. The plant will have an annual production capacity of 170,000 tons of biodiesel. The plant is based on Neste Oil's proprietary technology and will be the first of its kind in the world.

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 a facility with Total and one with OMV. The plan is to locate these jointly owned plants, 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.

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. In April, Neste Oil's biodiesel technology was rewarded the Finnish Chemical Industry Innovation Award for 2006.

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 over the short term, however.

Neste Oil and the Bahraini company, Bapco, are continuing planning work on 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.

Ibn Zahr divestment

Neste Oil has sold its 10% holding in The Saudi European Petrochemical Company Ibn Zahr, which produces MTBE and polypropylene in Al-Jubail in Saudi Arabia. The transaction was completed on 2 July 2006 with a sale price of USD 120 million, and Neste Oil will book a capital gain of EUR 85 million on the transaction in its third-quarter operating profit.

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.

Global demand for petroleum products has continued to grow, despite high oil prices. Consensus demand estimates for 2006, however, have been somewhat reduced from previous estimates.

Growing demand has increased pressure on complex refining capacity, which is already tight, and refining margins are expected to remain strong, although volatile, as a result. In July, gasoline margins were high and diesel margins remained firm at a healthy level.

The Group's comparable operating profit for the third quarter of 2005, EUR 121 million, was adversely impacted by a major scheduled maintenance shutdown at the Porvoo refinery. The impact of lost production during the shutdown, which coincided with an active hurricane season, was about EUR 60 million. The estimated impact of the upcoming scheduled five-week maintenance shutdown at the Naantali refinery, starting at the beginning of September, is anticipated to be between EUR 10 and 20 million.

Strong price competition will remain a feature of the Finnish oil retail market in the foreseeable future. In the Baltic Rim area, sales volumes are expected to grow.

Crude freight rates increased in July from the second quarter's low levels. Neste Oil will continue its fleet renewal program and replace recently disposed ships with modern ice-classed vessels towards the end of the year.

Gains from the sale of shares in Ibn Zahr, approximately EUR 85 million, will be booked in the Group's third-quarter operating profit.

The Group's capital expenditure in 2006 is expected to be in the order of EUR 500 million.

Reporting date for third-quarter 2006 results

Neste Oil will publish its third-quarter results for 2006 on 24 October 2006 at approximately 9:00 a.m. EET.

Espoo, 2 August 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	**4-6/2006**	4-6/2005	**1-6/2006**	1-6/2005	1-12/2005	Last 12 months
Sales	**3,518**	2,577	**6,314**	4,637	9,974	11,651
Other income	**42**	5	**47**	10	170	207
Share of profit (loss) of associates and joint ventures	**11**	16	**7**	14	40	33
Materials and services	**-3,046**	-2,131	**-5,450**	-3,805	-8,443	-10,088
Employee benefit costs	**-60**	-58	**-116**	-115	-223	-224
Depreciation, amortization and impairment charges	**-37**	-38	**-75**	-73	-153	-155
Other expenses	**-148**	-136	**-294**	-286	-534	-542
Operating profit	**280**	235	**433**	382	831	882
Financial income and expenses						
Finance income	**3**	5	**4**	10	26	20
Finance expenses	**-4**	-11	**-5**	-19	-29	-15
Exchange rate and fair value gains and losses	**-2**	-2	**-2**	-6	-5	-1
	-3	-8	**-3**	-15	-8	4
Profit before income taxes	**277**	227	**430**	367	823	886
Income tax expense	**-79**	-53	**-120**	-88	-153	-185
Profit for the period	**198**	174	**310**	279	670	701
Attributable to:						
Equity holders of the company	**196**	174	**308**	278	667	697
Minority interest	**2**	0	**2**	1	3	4
	198	174	**310**	279	670	701
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)	**0.76**	0.68	**1.20**	1.08	2.60	2.72
Average number of shares	**256,403,686**	256,403,686	256,403,686	256,403,686	256,403,686	256,403,686

CONSOLIDATED BALANCE SHEET

MEUR	**30 June 2006**	30 June 2005	31 Dec 2005
ASSETS			
Non-current assets			
Intangible assets	**48**	46	50
Property, plant and equipment	**2,162**	1,684	2,009
Investments in associates and joint ventures	**136**	142	126
Long-term interest-bearing receivables	**14**	70	17
Pension assets	**71**	54	63
Deferred tax assets	**16**	22	23
Other non-current assets	**17**	35	24
Total non-current assets	**2,464**	2,053	2,312
Current assets			
Inventories	**897**	612	601
Trade and other receivables	**1,189**	829	837
Cash and cash equivalents	**88**	125	79
Total current assets	**2,174**	1,566	1,517
Non-currents assets classified as held for sale 1)	**100**	0	0
Total assets	**4,738**	3,619	3,829
EQUITY			
Capital and reserves attributable to the equity holders of the company			
Share capital	**40**	40	40
Other equity	**1,779**	1,175	1,565
Total	**1,819**	1,215	1,605
Minority interest	**6**	5	7
Total equity	**1,825**	1,220	1,612
LIABILITIES			
Non-current liabilities			
Borrowings	**814**	763	635
Deferred tax liabilities	**239**	166	192
Provisions	**15**	12	14
Pension liabilities	**12**	13	13
Other non-current liabilities	**31**	59	24
Total non-current liabilities	**1,111**	1,013	878
Current liabilities			
Borrowings	**393**	253	240
Current tax liability	**49**	97	6
Trade and other payables	**1,360**	1,036	1,093
Total current liabilities	**1,802**	1,386	1,339
Total liabilities	**2,913**	2,399	2,217
Total equity and liabilities	**4,738**	3,619	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 TOTAL 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				7			7
Dividends paid							0
Cash flow hedges			-63				-63
Change in minority						-1	-1
Profit for the period					278	1	279
Total equity at 30.6.2005	40	9	-29	3	1,192	5	1,220

	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				-5			-5
Dividends paid					-205		-205
Cash flow hedges			53				53
Available for sale shares 1)			63				63
Change in minority						-3	-3
Profit for the period					308	2	310
Total equity at 30.6.2006	40	9	83	3	1,684	6	1,825

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

MEUR	**4-6/2006**	4-6/2005	**1-6/2006**	1-6/2005	1-12/2005
Cash flow from operating activities					
Profit before taxes	**277**	230	**430**	367	823
Adjustments, total	**-3**	4	**50**	91	-40
Change in working capital	**57**	-6	**-270**	-66	-46
Cash generated from operations	**331**	**228**	**210**	392	737
Finance cost, net	**-15**	-10	**-16**	-15	-2
Income taxes paid	**-38**	-5	**-66**	-10	-139
Net cash from operating activities	**278**	**213**	**128**	367	596
Capital expenditures	**-132**	-156	**-243**	-259	-664
Acquisition of shares	**-1**	0	**-2**	0	-4
Proceeds from sales of fixed assets	**42**	2	**43**	4	14
Proceeds from sales of shares	**0**	0	**0**	0	193
Change in other investments	**-25**	10	**-49**	-27	43
Cash flow before financing activities	**162**	**69**	**-123**	85	178
Net change in loans and other financing activities	**-144**	-138	**338**	-146	-286
Dividends paid to the equity holders of the company	**-10**	0	**-205**	0	0
Net increase (+)/decrease (-) in cash and marketable securities	**8**	**-69**	**10**	-61	-108

KEY RATIOS

	30 June 2006	30 June 2005	31 Dec 2005	Last 12 months
Capital employed, MEUR	**3,032**	2,236	2,487	3,032
Interest-bearing net debt, MEUR	**1,119**	891	796	-
Capital expenditure and investments in shares, MEUR	**245**	259	668	654
Return on average capital employed, after tax, ROACE % 2)	**-**	-	19.7	15.9
Return on capital employed, pre-tax, ROCE %	**31.5**	35.6	37.0	34.5
Return on equity, %	**36.0**	50.3	51.3	46.0
Equity per share, EUR	**7.09**	4.74	6.26	-
Cash flow per share, EUR	**0.50**	1.43	2.33	1.39
Equity-to-assets ratio, %	**38.5**	33.7	42.4	-
Gearing, %	**61.3**	73.0	49.4	-
Leverage ratio, %	**38.0**	42.2	33.0	-
Average number of employees	**4,673**	4,465	4,528	-

2) The calculation of Return on average capital employed, after tax, (ROACE %) has been amended as of 1 January 2006 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 ROACE % reported in the financial statements for the financial period 2005 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	4-6/2006	4-6/2005	1-6/2006	1-6/2005	1-12/2005	Last 12 months
Oil Refining	**3,056**	2,135	**5,364**	3,757	8,150	9,757
Oil Retail	**817**	695	**1,629**	1,315	2,931	3,245
Shipping	**69**	87	**155**	190	352	317
Other	**5**	3	**8**	4	10	14
Eliminations	**-429**	-343	**-842**	-629	-1,469	-1,682
Total	**3,518**	2,577	**6,314**	4,637	9,974	11,651

OPERATING PROFIT

MEUR	4-6/2006	4-6/2005	1-6/2006	1-6/2005	1-12/2005	Last 12 months
Oil Refining	**234**	203	**363**	326	570	607
Oil Retail	**17**	20	**30**	17	45	58
Shipping	**38**	19	**58**	53	87	92
Other	**-9**	-5	**-18**	-11	129	122
Eliminations	**0**	-2	**0**	-3	0	3
Total	**280**	235	**433**	382	831	882

COMPARABLE OPERATING PROFIT

MEUR	4-6/2006	4-6/2005	1-6/2006	1-6/2005	1-12/2005	Last 12 months
Oil Refining	**178**	177	**272**	268	446	450
Oil Retail	**15**	11	**27**	21	46	52
Shipping	**5**	20	**27**	55	85	57
Other	**-9**	-5	**-18**	-11	-12	-19
Eliminations	**0**	-2	**0**	-3	0	3
Total	**189**	201	**308**	330	565	543

DEPRECIATION, AMORTIZATION AND WRITE-DOWNS

MEUR	4-6/2006	4-6/2005	1-6/2006	1-6/2005	1-12/2005	Last 12 months
Oil Refining	**25**	25	**50**	48	101	103
Oil Retail	**7**	7	**14**	13	28	29
Shipping	**4**	5	**10**	11	22	21
Other	**1**	1	**1**	1	2	2
Total	**37**	38	**75**	73	153	155

SHARE OF PROFITS IN ASSOCIATED COMPANIES AND JOINT VENTURES

MEUR	4-6/2006	4-6/2005	1-6/2006	1-6/2005	1-12/2005	Last 12 months
Oil Refining	**11**	9	**7**	8	24	23
Oil Retail	**0**	-1	**0**	-2	-3	-1
Shipping	**0**	0	**0**	0	0	0
Other	**0**	8	**0**	8	19	11
Total	**11**	16	**7**	14	40	33

NET ASSETS

MEUR	**30 June 2006**	30 June 2005	31 Dec 2005
Oil Refining	**2,358**	1,593	1,889
Oil Retail	**346**	322	375
Shipping	**307**	323	326
Other	**4**	29	6
Eliminations	**-4**	-6	-4
Total	**3,011**	2,261	2,592

RETURN ON NET ASSETS, %

	30 June 2006	30 June 2005	31 Dec 2005	Last 12 months
Oil Refining	**33.4**	43.7	34.7	30.5
Oil Retail	**16.5**	11.1	13.2	15.9
Shipping	**36.6**	32.2	26.7	28.9

QUARTERLY SALES

MEUR	4-6/2006	1-3/2006	10-12/2005	7-9/2005	4-6/2005	1-3/2005
Oil Refining	**3,056**	**2,308**	2,282	2,111	2,135	1,622
Oil Retail	**817**	**812**	782	834	695	620
Shipping	**69**	**86**	93	69	87	103
Other	**5**	**3**	2	4	3	1
Eliminations	**-429**	**-413**	-407	-433	-343	-286
Total	**3,518**	**2,796**	2,752	2,585	2,577	2,060

QUARTERLY OPERATING PROFIT

MEUR	4-6/2006	1-3/2006	10-12/2005	7-9/2005	4-6/2005	1-3/2005
Oil Refining	**234**	**129**	135	109	203	123
Oil Retail	**17**	**13**	11	17	20	-3
Shipping	**38**	**20**	31	3	19	34
Other	**-9**	**-9**	136	4	-5	-6
Eliminations	**0**	**0**	-1	4	-2	-1
Total	**280**	**153**	312	137	235	147

QUARTERLY COMPARABLE OPERATING PROFIT

MEUR	4-6/2006	1-3/2006	10-12/2005	7-9/2005	4-6/2005	1-3/2005
Oil Refining	**178**	**94**	85	93	177	91
Oil Retail	**15**	**12**	7	18	11	10
Shipping	**5**	**22**	28	2	20	35
Other	**-9**	**-9**	-5	4	-5	-6
Eliminations	**0**	**0**	-1	4	-2	-1
Total	**189**	**119**	114	121	201	129

QUARTERLY DEPRECIATION, AMORTIZATION AND WRITE-DOWNS

MEUR	4-6/2006	1-3/2006	10-12/2005	7-9/2005	4-6/2005	1-3/2005
Oil Refining	**25**	**25**	30	23	25	23
Oil Retail	**7**	**7**	8	7	7	6
Shipping	**4**	**6**	5	6	5	6
Other	**1**	**0**	1	0	1	0
Total	**37**	**38**	44	36	38	35

QUARTERLY SHARE OF PROFITS IN ASSOCIATED COMPANIES AND JOINT VENTURES

MEUR	4-6/2006	1-3/2006	10-12/2005	7-9/2005	4-6/2005	1-3/2005
Oil Refining	**11**	**-4**	3	13	9	-1
Oil Retail	**0**	**0**	0	-1	-1	-1
Shipping	**0**	**0**	0	0	0	0
Other	**0**	**0**	1	10	8	0
Total	**11**	**-4**	4	22	16	-2

CONTINGENT LIABILITIES

MEUR	**30 June 2006**	30 June 2005	31 Dec 2005
Contingent liabilities			
On own behalf			
For debt			
Pledges	**7**	5	5
Real estate mortgages	**28**	28	28
For other commitments			
Real estate mortages	**1**	0	1
Other contingent liabilities	**18**	26	16
Total	**54**	59	50
On behalf of associated companies			
Pledges and real estate mortgages	**0**	9	0
Guarantees	**14**	11	10
Other contingent liabilities	**2**	4	3
Total	**16**	24	13
On behalf of others			
Guarantees 3)	**2**	63	1
Other contingent liabilities	**1**	1	0
Total	**3**	64	1
Total	**73**	147	64

MEUR	**30 June 2006**	30 June 2005	31 Dec 2005
Operating lease liabilities			
Due within a year	**89**	74	73
Due later than one year and not later than 5 years	**106**	54	58
Due later than five years	**62**	57	60
Total	**257**	185	191

MEUR	**30 June 2006**	30 June 2005	31 Dec 2005
Commitments			
Commitments to purchase property, plant and equipment	**54**	184	95
Commitments to purchase intangible assets	**2**	2	2
Total	**56**	186	97

Derivatives	**30 June 2006**		30 June 2005		31 Dec 2005	
Interest and currency derivatives MEUR	**Notional value**	**Net fair value**	Notional value	Net fair value	Notional value	Net fair value
Interest rate swaps	**304**	**3**	308	-8	308	-3
Interest rate options						
Purchased	**30**	**0**	0	0	0	0
Written	**30**	**0**	0	0	0	0
Forward foreign exchange contracts	**1,159**	**17**	1,112	-21	942	-27
Currency options						
Purchased	**601**	**-4**	788	-20	835	-17
Written	**593**	**10**	788	2	835	-3

Oil derivatives	**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	**86,101**	**25**	54,309	11	54,496	21
Purchase contracts	**106,036**	**-20**	71,095	-16	99,888	-6
Purchased options	**4,974**	**-18**	0	0	6,904	-2
Written options	**4,512**	**18**	0	0	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 (30 June 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 30 June 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. The change in accounting principle has no effect on the reported figures for financial year 2005.

In connection with the above mentioned change in the accounting principle, the changes in fair values of oil commodity derivatives not qualifying for hedge accounting (economic hedges and trading) 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, 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 sales of fixed assets and investments - unrealized change in fair value of oil commodity derivatives
Return on equity, %	=	100 x	$\frac{\text{Profit before taxes - taxes}}{\text{Total equity average}}$
Return on average capital employed, after-tax, %	=	100 x	$\frac{\text{Net profit (adjusted for inventory gains/losses, gains/losses from sales of fixed assets and investments and unrealized gains/losses on oil commodity derivatives, net of tax) + minority interest + interest expenses and other financial expenses related to interest-bearing liabilities (net of taxes)}}{\text{Capital employed average}}$
Return on capital employed, pre-tax, %	=	100 x	$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Capital employed average}}$
Capital employed	=		Total assets - interest-free liabilities - deferred tax liabilities - provisions
Return on net assets, %	=	100 x	$\frac{\text{Operating profit}}{\text{Average net assets}}$
Segment net assets	=		Fixed assets, shares, pension assets and interest-free receivables and liabilities allocated to the business segment, provisions and pension liabilities
Interest-bearing net debt	=		Interest-bearing liabilities - cash and marketable securities
Gearing, %	=	100 x	$\frac{\text{Interest-bearing net debt}}{\text{Total equity}}$
Equity-to assets ratio, %	=	100 x	$\frac{\text{Total equity}}{\text{Total assets - advances received}}$
Leverage ratio, %	=	100 x	$\frac{\text{Net debt}}{\text{Net debt + total equity}}$

Calculation of key share ratios

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	=		$\frac{\text{Net cash generated from operating activities}}{\text{Adjusted average number of shares during the period}}$