

NESTE OIL



29.4.2010

Interim Report

Neste Oil's Interim Report for January-March 2010

- Comparable operating profit of EUR 88 million (Q1/2009: 56 million), including an insurance compensation payment of EUR 47 million

First quarter in brief:

- Comparable operating profit of EUR 88 million (Q1/2009: 56 million), including a EUR 47 million in the form of non-recurring insurance compensation received for a fire at the Porvoo refinery in April 2008
- IFRS operating profit of EUR 97 million (Q1/2009: 95 million)
- Total refining margin of USD 7.83/bbl (Q1/2009: 9.44)
- Net cash from operations was strong at EUR 374 million (Q1/2009: 17 million)
- Investments totaled EUR 190 million (Q1/2009: 174 million)
- Major six-week maintenance shutdown began at the Porvoo refinery at the end of March

President & CEO Matti Lievonon:

"The rapid improvement in refining margins seen in February and March, compared to the end of 2009, was a positive surprise to us, and the benefits can be seen in our operating profit and cash flow for the first quarter. Margins have declined somewhat from the highs seen in March, as the industry's peak maintenance period has now passed. Due to high inventory levels, coupled with new refining capacity coming on stream, we expect the recovery of refining margins to be a gradual one. Complex refiners, such as Neste Oil, look set to benefit from wider heavy-light crude price differentials on the back of higher oil prices and increasing supply.

The on-going maintenance turnaround at our Porvoo refinery, the most extensive one in the site's history, has progressed on schedule, and I'm confident that the refinery will be back in production in mid-May as planned. The next important milestone for us will be achieving the mechanical completion of our new renewable diesel plant in Singapore this summer and starting production there in the fourth quarter. Our good progress to date means that we are well set to deliver on our promises throughout 2010."

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News conference and conference call

A press conference in Finnish on the first quarter results will be held today, 29 April 2010, at 11:30 am EET at the company's headquarters, Keilaranta 21, Espoo. www.nesteoil.com will feature English versions of the presentation materials. A conference call in English for investors and analysts will be held on 29 April 2010 at 3:00 pm Finland / 1:00 pm London / 8:00 am New York. The call-in numbers are as follows: Europe: +44 (0)20 3140 8286, US: +1 718 354 1152, using access code 1670348. The conference call can be followed at [the internet](#). An instant replay of the call will be available for one week at +44 (0)20 7111 1244 for Europe and +1 347 366 9565 for the US, using access code 1670348.



NESTE OIL FINANCIAL STATEMENTS, 1 JANUARY – 31 MARCH 2010

Quarterly figures are unaudited, full year figures audited

Figures in parentheses refer to the corresponding period for 2009, unless otherwise stated.

KEY FIGURES

EUR million (unless otherwise noted)

	1-3/10	1-3/09	10-12/09	2009
Revenue	2,725	2,053	2,491	9,636
Operating profit before depreciation	155	150	74	569
Depreciation, amortization, and impairments	58	55	65	234
Operating profit	97	95	9	335
Comparable operating profit *	88	56	-29	116
Profit before income tax	88	81	4	296
Earnings per share, EUR	0.25	0.24	-0.01	0.86
Investments	190	174	263	863
Net cash from operating activities	374	17	-225	177

	31 March 2010	31 March 2009	31 Dec 2009
Total equity	2,291	2,229	2,222
Interest-bearing net debt	1,753	1,217	1,918
Capital employed	4,100	3,491	4,257
Return on capital employed pre-tax (ROCE), %	9.6	11.7	9.0
Return on average capital employed after tax (ROACE)**, %	3.0	11.6	2.5
Return on equity (ROE), %	11.4	11.1	10.2
Equity per share, EUR	8.91	8.67	8.64
Cash flow per share, EUR	1.46	0.07	0.69
Equity-to-assets ratio, %	39.8	44.9	39.1
Leverage (Net debt to capital), %	43.3	35.3	46.3
Gearing, %	76.5	54.6	86.3

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

** Rolling 12 months



The Group's first-quarter 2010 results

Neste Oil's first-quarter sales, at EUR 2,725 million (2,053 million), increased by almost 33% year-on-year, due to higher oil prices and higher sales volumes.

The Group's comparable operating profit was EUR 88 million (56 million) in the first quarter, including non-recurring insurance compensation received totaling EUR 47 million, which was booked in the Others segment. Comparable operating profit increased significantly compared to the fourth quarter of 2009, thanks to higher refining margins. The lower profit recorded, when compared to the first quarter of 2009 and excluding the insurance compensation received, was due to a larger-than-expected loss at Renewable Fuels and somewhat weaker results at Oil Products and Oil Retail. Fixed costs were lower year-on-year.

Oil Products' first-quarter comparable operating profit was EUR 58 million (64 million), Renewable Fuels' EUR -18 million (-7 million), Oil Retail's EUR 6 million (12 million), and Others' EUR 44 million (-11 million). Profits from associated companies and joint ventures totaled EUR -8 million (-7 million).

The Group's first-quarter IFRS operating profit was EUR 97 million (95 million), and pre-tax profit EUR 88 million (81 million). Profit for the period was EUR 64 million (61 million) and earnings per share EUR 0.25 (0.24).

Given the capital-intensive nature of its business, Neste Oil uses return on average capital employed after tax (ROACE) as its primary financial target. ROACE figures are based on comparable results. As of the end of March, the rolling twelve-month ROACE was 3.0% (2009 financial year: 2.5%).

	1-3/10	1-3/09	10-12/09	2009
COMPARABLE OPERATING PROFIT	88	56	-29	116
- inventory gains/losses	16	76	58	261
- changes in the fair value of open oil derivatives	-7	-37	-20	-43
- capital gains/losses	0	0	0	1
OPERATING PROFIT	97	95	9	335

Cash flow, investments, and financing

Neste Oil Group's net cash from operating activities between January and March was strong at EUR 374 million (17 million), resulting from lower working capital and the EUR 47 million insurance compensation received. As of the end of March, approximately EUR 210 million was tied up in products stored for sale during the major maintenance shutdown at the Porvoo refinery in April and May.

Investments totaled EUR 190 million in the first quarter, compared to EUR 174 million in the same period in 2009. Oil Products' capital spending was EUR 54 million (43 million), Renewable Fuels' EUR 129 million (123 million), Oil Retail's EUR 2 million (4 million), and Others' EUR 5 million (4 million).

Interest-bearing net debt decreased to EUR 1,753 million compared to EUR 1,918 at the end of 2009. Net financial expenses between January and March were EUR 9 million (14 million). The average interest rate of borrowings at the end of March was 2.4%, and the average maturity 3.8 years.



The equity-to-assets ratio was 39.8% (31 Dec 2009: 39.1%), the leverage ratio 43.3% (31 Dec 2009: 46.3%), and the gearing ratio 76.5% (31 Dec 2009: 86.3%).

The Group's liquidity remained healthy. Cash and cash equivalents and committed, unutilized credit facilities amounted to EUR 1,409 million at the end of March (31 Dec 2009: 1,407 million). Existing loan agreements contain no financial covenants.

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

Strategy implementation

Neste Oil will continue to implement its clean fuel strategy in 2010. The company's current capital projects consist of new plants designed to increase production of renewable diesel and high-quality base oil.

Strategic projects

Construction of the two major 800,000 t/a renewable diesel plants in Singapore and Rotterdam are proceeding according to plan. The plants are 90% and 70% complete respectively. The plant in Singapore is due to achieve mechanical completion in summer 2010 and start production during the fourth quarter. Mechanical completion is expected to be reached in Rotterdam in spring of 2011, with start-up the summer of 2011. The Singapore plant is on-budget at EUR 550 million, while the Rotterdam plant is expected to come in under its EUR 670 million budget.

Neste Oil has a 45% stake in a JV that is building a 400,000 t/a base oil plant in Bahrain. The project is proceeding on-schedule and on-budget, and mechanical completion is estimated to be achieved in the second half of 2011. Neste Oil's share of the investment cost is EUR 130 million.

Market overview

Crude oil prices fluctuated during the first quarter, mainly driven by investor activity, the strengthening of the US dollar, expectations for a world economy recovery and geopolitical tensions in oil-producing countries. Brent Dated traded in the USD 70-80 /bbl range, ending the quarter at close to USD 80 /bbl. Price differentials between heavier and lighter crude were at their widest since fall 2008, reflecting weakening fuel oil margins, increased supplies of heavier crude, and refinery maintenance work.

Refining margins improved significantly from the lows seen at the end of 2009, supported in particular by higher gasoline prices and lower product supply due to the refinery maintenance season. Increasing gasoline margins reflected good demand for deliveries to the Middle East, West Africa and South America, while exports to the US remained low.

Margins for middle distillates recovered in March following the beginning of the refinery maintenance season. In addition to lower supply, high demand for middle distillates in West Africa and South America contributed to better margins. Inventories were drawn down significantly during the first quarter, but remained high at the end of March.



Fuel oil margins remained stable in January and February, supported by good Asian demand. They weakened in March, however, reflecting higher crude oil prices, increased Russian fuel oil supply, and reduced exports from Europe to Asia.

In the biofuel market, the price differential between various feedstocks continued to be narrower than they have been historically. The premium paid for high-quality renewable diesel compared to conventional biodiesel remained healthy.

Diesel sales for commercial use, such as trucking, increased in the Finnish oil retail market during the first quarter, but volumes and margins declined in the Baltic Rim area.

Freight rates for crude tankers in the North Sea were stronger year-on-year, due to cold winter conditions in Europe.

Key drivers

	1-3/10	1-3/09	10-12/09	2009	Apr 10	Apr 09
Reference refining margin, USD/bbl	4.20	5.03	1.73	3.14	4.70	3.94
Neste Oil total refining margin, USD/bbl	7.83	9.44	5.85	7.35	n.a.	n.a.
Urals-Brent price differential, USD/bbl	-1.35	-1.17	-0.68	-0.81	-2.47	-1.71
NWE Gasoline margin, USD/bbl	11.75	6.39	7.73	9.26	11.2	9.26
NWE Diesel margin, USD/bbl	11.25	15.38	10.14	11.18	13.6	11.58
NWE Heavy fuel oil margin, USD/bbl	-6.91	-8.77	-6.41	-7.44	-12.8	-8.64
Brent Dated crude oil, USD/bbl	76.24	44.40	74.56	61.51	84.78	50.34
USD/EUR, market rate	1.38	1.30	1.48	1.39	1.34	1.32
USD/EUR, hedged	1.35	1.45	1.33	1.41	n.a.	n.a.
Crude freights, WS points (TD7)	122	83	97	81	112	71

Production and sales

Neste Oil's total production in the first quarter was 3.6 million tons (3.5 million), of which 0.1 million tons (0.0 million) was NExBTL renewable diesel.

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

	1-3/10	1-3/09	10-12/09	2009
Porvoo refinery	2,899	2,852	3,004	11,520
Naantali refinery	571	573	657	2,438
Beringen polyalphaolefin plant	10	8	10	35
Edmonton iso-octane plant (Neste Oil's share)	48	67	60	256
NExBTL plants	70	37	69	219

The Porvoo refinery operated at an average capacity utilization rate of 91% (92%) during the quarter, while Naantali reached 85% (82%). The performance of Production Line 4 improved compared to the corresponding period in 2009. Unit shutdowns in preparation for the major six-week maintenance turnaround at Porvoo started there towards the end of March. The re-dredged fairway to the Naantali refinery was opened in March, allowing 100,000-ton crude tankers to discharge full loads there.



The proportion of Russian Export Blend in Neste Oil's total refinery input was 66% (63%) in the first quarter. Refinery production costs totaled USD 4.3/bbl (4.0). The small increase year-on-year is largely explained by the weaker US dollar.

Sales from in-house production increased from both the previous quarter and the same quarter in 2009, thanks to high domestic diesel demand and increased gasoline and diesel exports to Europe. The proportion of diesel in the company's sales mix remained at 40%, while sales of gasoline, which were lower in the previous quarter due to the build-up of contango storage, accounted for 30%.

As of the end of March, Neste Oil's contango storage consisted of 480,000 tons of crude and products. The plan is to sell all of this during the second quarter of 2010.

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

	1-3/10	%	1-3/09	%	10-12/10	%	2009	%
Motor gasoline	1,080	29	940	27	837	24	4,218	30
Gasoline components	46	1	64	2	51	1	270	2
Diesel fuel	1,508	40	1,306	38	1,449	41	5,228	37
Jet fuel	139	4	148	4	191	5	613	4
Base oils	76	2	57	2	62	2	257	2
Heating oil	267	7	223	7	178	5	631	4
Heavy fuel oil	212	6	354	10	291	8	1,300	9
LPG	92	3	59	2	51	1	220	2
NExBTL renewable diesel	41	1	31	1	66	2	209	1
Other products	270	7	246	7	382	11	1,233	9
TOTAL	3,730	100	3,430	100	3,559	100	14,178	100

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

	1-3/10	%	1-3/09	%	10-12/09	%	2009	%
Finland	2,017	54	1,860	54	2,034	57	7,580	53
Other Nordic countries	575	15	537	16	581	16	2,210	16
Other Europe	923	25	558	16	629	18	2,488	18
USA & Canada	170	5	472	14	229	7	1,686	12
Other countries	45	1	3	0	86	2	214	1
TOTAL	3,730	100	3,430	100	3,559	100	14,178	100

SEGMENT REVIEWS

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



Oil Products

	1-3/10	1-3/09	10-12/09	2009
Revenue, MEUR	2,272	1,582	1,987	7,631
Comparable operating profit, MEUR	58	64	-11	105
Operating profit, MEUR	65	106	27	318
Total refining margin, USD/bbl	7.83	9.44	5.85	7.35

Oil Products recorded a slightly lower comparable operating profit, EUR 58 million, compared to the EUR 64 million booked during the same quarter in 2009. This mainly resulted from the lower profitability of the base oil business. Refining performance was strong, despite a lower total refining margin of USD 7.83/bbl during the quarter, partially explained by low base oil margins. Total refining margin was down by 17% year-on-year but up by 34% compared to the fourth quarter of 2009, and was positively impacted by a beneficial Urals-Brent spread and high gasoline margins in March in particular. First-quarter sales volumes were high and supported by increased winter diesel sales on the domestic market.

Along with the refining business, oil tanker chartering also posted a better profit year-on-year. Base oils and gasoline components suffered from low margins, although demand is improving.

Oil Products' comparable return on net assets was 8.2% (10.0%) in the first quarter.

Renewable Fuels

	1-3/10	1-3/09	10-12/09	2009
Revenue, MEUR	36	24	61	182
Comparable operating profit, MEUR	-18	-7	-10	-30
Operating profit, MEUR	-16	-10	-11	-25

Renewable Fuels' comparable operating profit was EUR -18 million in the first quarter, compared to EUR -7 million in the same quarter of 2009. This was the result of lower margins and higher costs related to the expansion of the business and R&D. Some volumes produced during the first quarter were stored for sale in the second quarter during maintenance turnaround at the Porvoo refinery.

Renewable Fuels' comparable return on net assets was -7.1% (-6.6%) in the first quarter.

Oil Retail

	1-3/10	1-3/09	10-12/09	2009
Revenue, MEUR	849	691	791	2,998
Comparable operating profit, MEUR	6	12	5	50
Operating profit, MEUR	6	12	6	50
Total sales volume*, 1,000 m3	1,034	1,022	1,030	4,002
- gasoline station sales, 1,000 m3	295	329	333	1,405
- diesel station sales, 1,000 m3	332	321	345	1,331
- heating oil, 1,000 m3	221	214	200	714
- heavy fuel oil, 1,000 m3	103	89	78	287

* includes both station and terminal sales



Weak volumes and margins saw Oil Retail's first-quarter 2010 comparable operating profit reduced to EUR 6 from the EUR 12 million posted a year earlier. Pressure on margins was seen virtually across the board and in North-West Russia in particular, where gasoline margins peaked in the first quarter of 2009.

Oil Retail's comparable return on net assets was 7.8% (14.3%) in the first quarter.

Shares, share trading, and ownership

Neste Oil's shares are traded on NASDAQ OMX Helsinki Ltd. The share price closed the first quarter at EUR 12.91. At its highest during the quarter, the share price reached EUR 13.29, while at its lowest the price stood at EUR 10.45, with the weighted average for the quarter coming in at EUR 10.85. Market capitalization was EUR 3.3 billion as of 31 March 2010. An average total of 1.1 million shares were traded daily. This represents 0.4% of the company's shares.

Neste Oil's share capital registered with the Company Register as of 31 March 2010 totaled EUR 40 million, and the total number of shares outstanding is 256,403,686. The company does not hold any of its own shares, and the Board of Directors has no authorization to buy back company shares or to issue convertible bonds, share options, or new shares.

As of the end of March, the Finnish State owned 50.1% (50.1%) of outstanding shares, foreign institutions 15.9% (17.4%), Finnish institutions 20.2% (20.4%), and Finnish households 13.8% (12.0%).

Personnel

Neste Oil employed an average of 5,056 (5,252) employees in the first quarter, of which 1,445 (1,273) are based outside Finland. As of the end of March, the company had 5,058 employees (5,264), of which 1,473 (1,293) are located outside Finland.

Health, safety, and the environment

The main indicator for safety performance used by Neste Oil – total recordable injury frequency (TRIF, number of cases per million hours worked) for all work done for the company, combining the company's own personnel and contractors – stood at 3.1 (3.1) at the end of March 2010. The target for 2010 is below 3.

Lost workday injury frequency (LWIF) stood at 2.2. The target is below 1.

The Sustainability Yearbook 2010 was published in January, ranking the best performers in Dow Jones sustainability Index. Altogether 66 oil and gas companies were assessed and Neste Oil ranks in Silver class. Two companies ranked in gold, five in silver, and one in bronze class.

Neste Oil has been selected for the Global 100, a list of the world's 100 most sustainable companies for the fourth consecutive year. The Global 100 is based on an analysis of 3,000 publicly traded companies. The Global 100 includes companies from 24 countries encompassing all sectors of the economy.



Annual General Meeting

Neste Oil's Annual General Meeting (AGM) was held after the reporting period on 15 April in Helsinki. The AGM adopted the company's financial statements and consolidated financial statements for 2009 and discharged the Supervisory Board, the Board of Directors, and management from liability for 2009. The AGM also approved the Board of Directors' proposal regarding the distribution of the company's profit for 2009, sanctioning payment of a dividend of EUR 0.25 per share. The dividend was paid on 27 April.

In accordance with the proposal made by the AGM Nomination Committee, the AGM confirmed the membership of the Board of Directors at eight members, and the following were re-elected to serve until the end of the next AGM: Mr Timo Peltola, Mr Mikael von Frenckell, Mr Michiel Boersma, Ms Ainomaija Haarla, Ms Nina Linander, Mr Hannu Ryöppönen and Mr Markku Tapio. Ms Maija-Liisa Friman was elected as a new member. Mr Timo Peltola will continue as Chairman and Mr Mikael von Frenckell as Vice Chairman. The AGM decided to keep the remuneration to the Board members unchanged.

The AGM confirmed that the Supervisory Board shall comprise seven members and the following members were elected: Ms Heidi Hautala (Chairman), Mr Kimmo Tiilikainen (Vice Chairman), Mr Esko Ahonen, Mr Timo Heinonen, Mr Markus Mustajärvi and Ms Anne-Mari Virolainen. Ms Miapetra Kumpula-Natri was elected for the first time. Members are all Finnish Members of Parliament, with the exception of Ms Heidi Hautala, who is a Member of the European Parliament. No changes were made to the remuneration paid to the Supervisory Board. A proposal to dissolve the Supervisory Board was not accepted.

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

In accordance with a proposal by the Board of Directors, Subsection 1 of Section 11 of the Articles of Association has been amended and now requires that the invitation to an AGM should be made at least three weeks prior to a meeting and at least nine days prior to the record date set for the meeting as defined in Subsection 2 of Section 2 of Chapter 4 of the Companies Act.

Following a proposal by the Prime Minister's Office, representing the Finnish State, the AGM decided to establish a Nominations Committee to prepare proposals covering the members of the Board of Directors and their remuneration for consideration by the next AGM. The Nomination Committee comprises representatives of the Company's three largest shareholders and shall also include, as an expert member, the Chairman of the Board. The right to appoint the shareholder representatives on this Committee will lie with the three shareholders holding the largest number of votes associated with all the company's shares on 1 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 Nominations Committee will present their proposal to the Board of Directors by 1 February prior to the AGM at the latest.



Potential short-term and long-term risks

The oil market has been and is expected to continue to be very volatile. Oil refiners are exposed to a variety of political and economic trends and events, as well as natural phenomena that affect the short- and long-term supply of and demand for the products that they produce and sell.

The largest uncertainty over the short term continues to be the pace of the anticipated recovery of the world economy, which is likely to have a material impact on the demand for petroleum products generally and diesel fuel in particular.

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

Rapid and large changes in feedstock and product prices may lead to significant inventory gains or losses, or change in working capital. These may have a material impact on the company's IFRS operating profit and net cash from operations.

Over the longer term, access to funding and rising capital costs, as well as challenges in procuring and developing new competitive and reasonably priced raw materials, may impact the company's growth plans.

The implementation of biofuel legislation in the EU and other key market areas may influence the speed at which the demand for these fuels develops. Risks include also any problems or delays in completing the NExBTL renewable diesel investments or failure to capture the anticipated benefits from these investments. In the longer term, failure to protect Neste Oil's proprietary technology or introduction and implementation of competing renewable fuel technologies or hybrid and electric engines may have a negative impact on the company's results.

The key market drivers for Neste Oil's financial performance are international refining margins, the price differential between Russian Export Blend (REB) and Brent crude, and the USD/EUR exchange rate.

For more detailed information on Neste Oil's risks and risk management, please refer to the company's Annual Report and Financial Statements for 2009.

Outlook

As the company stated in the outlook published in the Financial Statements for 2009 in early February, it expects the market environment to remain challenging throughout 2010. It is anticipated, however, that market conditions will continue to improve slowly but steadily. Economic growth is seen as likely to be the strongest outside Europe, and is anticipated to translate into a 2.0% increase in oil demand compared to 2009, according to International Energy Agency.

Despite the expectation of an all-time high in global oil demand in 2010, the outlook for refining margins remains subdued compared to levels seen in previous years. This is because of the high middle distillate inventories held in OECD countries and the new refining capacity set to come on stream in 2010. Refinery utilization rates are expected to be lower than normal, which indicates potential for increased supply if margins strengthen.



A positive development in early 2010 has been the widening spread between Urals and Brent crude prices compared to the end of 2009. Due to increased supply by producers of heavier crude, Neste Oil expects that the discount of Urals crude to Brent will average between USD 1.5-2.0/bbl in 2010.

Diesel and middle distillate margins have strengthened in 2010 so far, and this is expected to continue. As stated in February, these margins are not expected to increase significantly before high inventories have been drawn down and demand has recovered, however. Gasoline margins were surprisingly strong in the first quarter, but the outlook for the second half of the year is softer.

The negative impact of the major planned turnaround at the Porvoo refinery on the second-quarter comparable operating profit is estimated to be around EUR 50 million. This results from loss of production volumes, which is only partially compensated for by sales of stored products, totaling close to 500,000 tons (around 3.5 million barrels). Work on the turnaround has proceeded according to schedule and budget, and the refinery is expected to be back in normal production by the middle of May. The ramp-up of the refinery after the shutdown will be reflected in increased working capital in the second quarter.

The Renewable Fuels business is anticipated to report negative results until sales volumes increase significantly, which is expected during the last few months of 2010 when the new plant in Singapore is scheduled to come on stream. The price differential between palm oil and rapeseed oil is anticipated to widen moderately during 2010.

In the Oil Retail business, the Finnish market appears likely to see improving demand for diesel and declining demand for gasoline. Diesel sales will be supported by commercial vehicle demand in particular. Due to the slow pace economic recovery, consumer fuel demand is set to stay below 2009 levels in Baltic Rim countries.

A non-recurring charge of around EUR 60-70 million will be booked in the second quarter against the IFRS operating profit related to the transfer of the pension liabilities of the Neste Oil Pension Fund to insurance companies. The transfer will have a positive impact of approximately EUR 80 million on operational cash flow during the second quarter. Around EUR 50 million of this is planned to be used to acquire the company's current head office building.

The Group's fixed costs are estimated to be similar to those in 2009.

The Group's cash investments are expected to be around EUR 920 million (870 million) in 2010, of which strategic investments will account for EUR 580 million (670 million), maintenance investments EUR 310 million (160 million), and productivity investments EUR 30 million (40 million). Investment will be at their highest during the second quarter due to the forthcoming completion of the Singapore renewable diesel plant and the Porvoo turnaround.



Reporting date for the second-quarter 2010 results

Neste Oil will publish its second-quarter results for 2010 on 29 July 2010 at approximately 9:00 a.m. EET.

Espoo, 28 April 2010

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	Note	1-3/2010	1-3/2009	1-12/2009	Last 12 months
Revenue	3	2,725	2,053	9,636	10,308
Other income		53	7	29	75
Share of profit (loss) of associates and joint ventures	3	-8	-7	20	19
Materials and services		-2,385	-1,628	-8,167	-8,924
Employee benefit costs		-81	-79	-301	-303
Depreciation, amortization and impairments	3	-58	-55	-234	-237
Other expenses		-149	-196	-648	-601
Operating profit		97	95	335	337
Financial income and expenses					
Financial income		2	1	10	11
Financial expenses		-12	-17	-44	-39
Exchange rate and fair value gains and losses		1	2	-5	-6
Total financial income and expenses		-9	-14	-39	-34
Profit before income taxes		88	81	296	303
Income tax expense		-24	-20	-71	-75
Profit for the period		64	61	225	228
Profit attributable to:					
Owners of the parent		64	60	221	225
Minority interest		0	1	4	3
		64	61	225	228
Earnings per share from profit attributable to the owners of the parent basic and diluted (in euro per share)		0.25	0.24	0.86	0.88

STATEMENT OF COMPREHENSIVE INCOME

MEUR	1-3/2010	1-3/2009	1-12/2009	Last 12 months
Profit for the period	64	61	225	228
Other comprehensive income for the period, net of tax:				
Translation differences and other changes	26	-5	9	40
Cash flow hedges				
recorded in equity	-13	-25	3	15
transferred to income statement	-4	20	15	-9
Net investment hedges	-1	0	0	-1
Hedging reserves in associates and joint ventures	-	-	-2	-2
Other comprehensive income for the period, net of tax	8	-10	25	43
Total comprehensive income for the period	72	51	250	271
Total comprehensive income attributable to:				
Owners of the parent	72	50	246	268
Minority interest	0	1	4	3
	72	51	250	271



CONSOLIDATED BALANCE SHEET

MEUR	Note	31 March 2010	31 March 2009	31 Dec 2009
ASSETS				
Non-current assets				
Intangible assets	4	47	51	48
Property, plant and equipment	4	3,363	2,779	3,235
Investments in associates and joint ventures		232	153	216
Non-current receivables		4	1	3
Pension assets		110	104	111
Deferred tax assets		9	12	11
Derivative financial instruments	5	17	10	3
Available-for-sale financial assets		4	2	1
Total non-current assets		3,786	3,112	3,628
Current assets				
Inventories		1,110	905	1,148
Trade and other receivables		789	799	757
Derivative financial instruments	5	33	118	50
Cash and cash equivalents		56	46	117
Total current assets		1,988	1,868	2,072
Total assets		5,774	4,980	5,700
EQUITY				
Capital and reserves attributable to the owners of the parent				
Share capital		40	40	40
Other equity	2	2,239	2,180	2,170
Total		2,279	2,220	2,210
Minority interest		12	9	12
Total equity		2,291	2,229	2,222
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities		1,502	974	1,590
Deferred tax liabilities		321	290	328
Provisions		20	25	22
Pension liabilities		10	11	10
Derivative financial instruments	5	23	27	15
Other non-current liabilities		1	3	0
Total non-current liabilities		1,877	1,330	1,965
Current liabilities				
Interest-bearing liabilities		307	289	445
Current tax liabilities		22	5	5
Derivative financial instruments	5	119	159	83
Trade and other payables		1,158	968	980
Total current liabilities		1,606	1,421	1,513
Total liabilities		3,483	2,751	3,478
Total equity and liabilities		5,774	4,980	5,700

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

MEUR	Attributable to equity holders of the Company						Total equity
	Share capital	Reserve fund	Fair value and other reserves	Translation differences	Retained earnings	Minority interest	
Total equity at 1 January 2009	40	10	-7	-54	2,182	8	2,179
Share-based compensation			-1				-1
Transfer from retained earnings		1			-1		0
Change in minority						0	0
Total comprehensive income for the period			-5	-5	60	1	51
Total equity at 31 March 2009	40	11	-13	-59	2,241	9	2,229
Total equity at 1 January 2010	40	11	9	-45	2,195	12	2,222
Share-based compensation					-3		-3
Transfer from retained earnings		2	-5		3		0
Change in minority						0	0
Total comprehensive income for the period			-17	25	64	0	72
Total equity at 31 March 2010	40	13	-13	-20	2,259	12	2,291

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

MEUR	1-3/2010	1-3/2009	1-12/2009
Cash flow from operating activities			
Profit before taxes	88	81	296
Adjustments, total	86	108	268
Change in working capital	187	-224	-450
Cash generated from operations	361	-35	114
Finance cost, net	14	14	20
Income taxes paid	-1	38	43
Net cash generated from operating activities	374	17	177
Capital expenditure	-173	-174	-816
Acquisition of associates and joint ventures	-14	-	-47
Acquisition of other shares	-3	-	-
Proceeds from sales of fixed assets	1	3	7
Change in other investments	-8	-56	-29
Cash flow before financing activities	177	-210	-708
Net change in loans and other financing activities	-240	201	975
Dividends paid to the owners of the parent	-	-	-205
Net increase (+)/decrease (-) in cash and cash equivalents	-63	-9	62

KEY FINANCIAL INDICATORS

	31 March 2010	31 March 2009	31 Dec 2009	Last 12 months
Capital employed, MEUR	4,100	3,491	4,257	4,100
Interest-bearing net debt, MEUR	1,753	1,217	1,918	-
Capital expenditure and investment in shares, MEUR	190	174	863	879
Return on average capital employed, after tax, ROACE %	-	-	2.5	3.0
Return on capital employed, pre-tax, ROCE %	9.6	11.7	9.0	9.0
Return on equity, %	11.4	11.1	10.2	10.1
Equity per share, EUR	8.91	8.67	8.64	-
Cash flow per share, EUR	1.46	0.07	0.69	2.09
Equity-to-assets ratio, %	39.8	44.9	39.1	-
Leverage ratio, %	43.3	35.3	46.3	-
Gearing, %	76.5	54.6	86.3	-
Average number of shares	255,913,686	255,903,686	255,903,960	255,906,426
Number of shares at the end of the period	255,913,686	255,903,686	255,913,686	255,913,686
Average number of personnel	5,056	5,252	5,286	-

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by EU. The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2009.

The following interpretations are mandatory for the financial year ending 31 December 2010, but not relevant for the Group:

- Annual improvements 2009
- Amendments to IFRS 2 Share-Based Payment: Group Cash-settled Share-based Payment Transactions

2. TREASURY SHARES

In 2007 Neste Oil entered into an agreement with a third party service provider concerning the administration of the share-based management share performance arrangement for key management personnel. As part of the agreement, the service provider purchased a total of 500,000 Neste Oil shares in February 2007 in order to hedge part of Neste Oil's cash flow risk in relation to the possible future payment of the rewards, which will take place partly in Neste Oil shares and partly in cash during 2013. Despite the legal form of the hedging arrangement, it has been accounted for as if the share purchases had been conducted directly by Neste Oil, as required by IFRS 2, Share based payments and SIC-12, Consolidation - Special purpose entities.

The consolidated balance sheet and the consolidated changes in total equity reflect the substance of the arrangement with a deduction amounting to EUR 12 million in equity. This amount represents the consideration paid for the shares by the third party service provider. As at 31 March there were 490,000 shares accounted for as treasury shares.



3. SEGMENT INFORMATION

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

Group administration, shared service functions as well as Research and Technology, Neste Jacobs and Nynas AB are included in the Others segment.

REVENUE MEUR	1-3/2010	1-3/2009	1-12/2009	Last 12 months
Oil Products	2,272	1,582	7,631	8,321
Renewable Fuels	36	24	182	194
Oil Retail	849	691	2,998	3,156
Others	49	42	164	171
Eliminations	-481	-286	-1,339	-1,534
Total	2,725	2,053	9,636	10,308

OPERATING PROFIT MEUR	1-3/2010	1-3/2009	1-12/2009	Last 12 months
Oil Products	65	106	318	277
Renewable Fuels	-16	-10	-25	-31
Oil Retail	6	12	50	44
Others	44	-11	-6	49
Eliminations	-2	-2	-2	-2
Total	97	95	335	337

COMPARABLE OPERATING PROFIT MEUR	1-3/2010	1-3/2009	1-12/2009	Last 12 months
Oil Products	58	64	105	99
Renewable Fuels	-18	-7	-30	-41
Oil Retail	6	12	50	44
Others	44	-11	-7	48
Eliminations	-2	-2	-2	-2
Total	88	56	116	148

DEPRECIATION, AMORTIZATION AND IMPAIRMENTS MEUR	1-3/2010	1-3/2009	1-12/2009	Last 12 months
Oil Products	42	44	178	176
Renewable Fuels	5	2	14	17
Oil Retail	8	7	31	32
Others	3	2	11	12
Total	58	55	234	237

CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES MEUR	1-3/2010	1-3/2009	1-12/2009	Last 12 months
Oil Products	54	43	198	209
Renewable Fuels	129	123	625	631
Oil Retail	2	4	29	27
Others	5	4	11	12
Total	190	174	863	879

TOTAL ASSETS MEUR	31 March 2010	31 March 2009	31 Dec 2009
Oil Products	3,730	3,565	3,750
Renewable Fuels	1,212	549	1,080
Oil Retail	572	537	545
Others	312	274	281
Unallocated assets	172	222	234
Eliminations	-224	-167	-190
Total	5,774	4,980	5,700



NET ASSETS	31 March	31 March	31 Dec
MEUR	2010	2009	2009
Oil Products	2,748	2,660	2,943
Renewable Fuels	1,081	462	940
Oil Retail	307	321	305
Others	244	207	234
Eliminations	-4	3	1
Total	4,376	3,653	4,423

RETURN ON NET ASSETS, %	31 March	31 March	31 Dec	Last 12
	2010	2009	2009	months
Oil Products	9.1	16.6	12.0	10.2
Renewable Fuels	-6.3	-9.5	-4.0	-4.0
Oil Retail	7.8	14.3	15.8	14.3

COMPARABLE RETURN ON NET ASSETS, %	31 March	31 March	31 Dec	Last 12
	2010	2009	2009	months
Oil Products	8.2	10.0	4.0	3.7
Renewable Fuels	-7.1	-6.6	-4.8	-5.3
Oil Retail	7.8	14.3	15.8	14.3

QUARTERLY SEGMENT INFORMATION**QUARTERLY REVENUE**

MEUR	1-3/2010	10-12/2009	7-9/2009	4-6/2009	1-3/2009
Oil Products	2,272	1,987	1,971	2,091	1,582
Renewable Fuels	36	61	59	38	24
Oil Retail	849	791	789	727	691
Others	49	44	37	41	42
Eliminations	-481	-392	-356	-305	-286
Total	2,725	2,491	2,500	2,592	2,053

QUARTERLY OPERATING PROFIT

MEUR	1-3/2010	10-12/2009	7-9/2009	4-6/2009	1-3/2009
Oil Products	65	27	80	105	106
Renewable Fuels	-16	-11	-1	-3	-10
Oil Retail	6	6	19	13	12
Others	44	-11	17	-1	-11
Eliminations	-2	-2	-2	4	-2
Total	97	9	113	118	95

QUARTERLY COMPARABLE OPERATING PROFIT

MEUR	1-3/2010	10-12/2009	7-9/2009	4-6/2009	1-3/2009
Oil Products	58	-11	15	37	64
Renewable Fuels	-18	-10	-6	-7	-7
Oil Retail	6	5	19	14	12
Others	44	-11	16	-1	-11
Eliminations	-2	-2	-2	4	-2
Total	88	-29	42	47	56

QUARTERLY DEPRECIATION, AMORTIZATION AND IMPAIRMENTS

MEUR	1-3/2010	10-12/2009	7-9/2009	4-6/2009	1-3/2009
Oil Products	42	48	43	43	44
Renewable Fuels	5	6	4	2	2
Oil Retail	8	8	8	8	7
Others	3	3	3	3	2
Total	58	65	58	56	55

QUARTERLY CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES

MEUR	1-3/2010	10-12/2009	7-9/2009	4-6/2009	1-3/2009
Oil Products	54	59	45	51	43
Renewable Fuels	129	191	161	150	123
Oil Retail	2	10	9	6	4
Others	5	3	1	3	4
Total	190	263	216	210	174



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

CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT MEUR	31 March 2010	31 March 2009	31 Dec 2009
Opening balance	3,283	2,726	2,726
Depreciation, amortization and impairments	-58	-55	-234
Capital expenditure	173	174	820
Disposals	0	-3	-21
Translation differences	12	-12	-8
Closing balance	3,410	2,830	3,283
CAPITAL COMMITMENTS MEUR	31 March 2010	31 March 2009	31 Dec 2009
Commitments to purchase property, plant and equipment	439	570	431
Total	439	570	431

Capital commitments include EUR 111 million future commitments related to energy and utility supply agreements, which will be accounted for as finance leases.

5. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate and currency derivative contracts and share forward contracts MEUR	31 March 2010		31 March 2009		31 Dec 2009	
	Nominal value	Net fair value	Nominal value	Net fair value	Nominal value	Net fair value
Interest rate swaps	725	-6	477	-18	723	-13
Forward foreign exchange contracts	2,005	-49	1,379	0	1,759	-7
Currency options						
Purchased	110	-4	230	-5	115	-1
Written	102	-2	178	-10	114	2
Share forward contracts	0	0	9	-5	9	-4
Oil and freight derivative contracts	Volume million bbl	Net fair value Meur	Volume million bbl	Net fair value Meur	Volume million bbl	Net fair value Meur
Sales contracts	39	-42	42	27	18	-32
Purchase contracts	15	11	31	-48	7	10
Purchased options	2	-10	2	-9	1	-8
Written options	2	10	2	9	1	8

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



6. RELATED PARTY TRANSACTIONS

Details of transactions between the Group and associates/joint ventures are disclosed below.

Transactions carried out with associates and joint ventures	1-3/2010	1-3/2009	1-12/2009
Sales of goods and services	6	4	70
Purchases of goods and services	10	8	48
Receivables	24	6	23
Financial income and expenses	0	0	0
Liabilities	6	1	2

7. CONTINGENT LIABILITIES

MEUR	31 March 2010	31 March 2009	31 Dec 2009
Contingent liabilities			
On own behalf for commitments			
Real estate mortgages	26	26	26
Pledged assets	2	2	2
Other contingent liabilities	45	41	48
Total	73	69	76
On behalf of associates and joint ventures			
Guarantees	3	6	4
Other contingent liabilities	2	1	2
Total	5	7	6
On behalf of others			
Guarantees	19	12	18
Total	19	12	18
Total	97	88	100

MEUR	31 March 2010	31 March 2009	31 Dec 2009
Operating lease liabilities			
Due within one year	79	112	82
Due between one and five years	157	199	166
Due later than five years	120	156	120
Total	356	467	368

The Group's operating lease commitments primarily relate to time charter vessels, land and office space. In 2008 the lease commitments included operating leases contained in hydrogen supply agreements. Based on updated information the hydrogen supply agreements have been reassessed in 2009 and will be accounted for as take-or-pay contracts. The previous years figures concerning operating lease liabilities have been restated accordingly.

Other contingent liabilities

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



Calculation of key financial indicators

Calculation of key financial indicators

Operating profit	=		Operating profit includes the revenue from the sale of goods and services, other income such as gain from sale of shares or non-financial assets, share of profit (loss) of associates and joint ventures, less losses from sale of shares or non-financial assets, as well as expenses related to production, marketing and selling activities, administration, depreciation, amortization, and impairment charges. Realized and unrealized gains or losses on oil and freight derivative contracts together with realized gains and losses from foreign currency and oil derivative contracts hedging cash flows of commercial sales and purchases that have been recycled in the income statement, are also included in operating profit.
Comparable operating profit	=		Operating profit +/- inventory gains/losses +/- gains/losses from sale of shares and non-financial assets - unrealized change in fair value of oil and freight derivative contracts. Inventory gains/losses include the change in fair value of all trading inventories.
Return on equity, (ROE)%	=	100 x	$\frac{\text{Profit before taxes - taxes}}{\text{Total equity average}}$
Return on capital employed, pre-tax (ROCE) %	=	100 x	$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Capital employed average}}$
Return on average capital employed, after-tax (ROACE) %	=	100 x	$\frac{\text{Profit for the period (adjusted for inventory gains/losses, gains/losses from sale of shares and non-financial assets and unrealized gains/losses on oil and freight derivative contracts, net of tax) + minority interest + interest expenses and other financial expenses related to interest-bearing liabilities (net of tax)}}{\text{Capital employed average}}$
Capital employed	=		Total assets - interest-free liabilities - deferred tax liabilities - provisions
Interest-bearing net debt	=		Interest-bearing liabilities - cash and cash equivalents
Leverage ratio, %	=	100 x	$\frac{\text{Interest-bearing net debt}}{\text{Interest bearing net debt + total equity}}$
Gearing, %	=	100 x	$\frac{\text{Interest-bearing net debt}}{\text{Total equity}}$
Equity-to-assets ratio, %	=	100 x	$\frac{\text{Total equity}}{\text{Total assets - advances received}}$
Return on net assets, %	=	100 x	$\frac{\text{Segment operating profit}}{\text{Average segment net assets}}$
Comparable return on net assets, %	=	100 x	$\frac{\text{Segment comparable operating profit}}{\text{Average segment net assets}}$
Segment net assets	=		Property, plant and equipment, intangible assets, investment in associates and joint ventures including shareholder loans, pension assets, inventories and interest-free receivables and liabilities allocated to the business segment, provisions and pension liabilities

Calculation of share-related indicators

Earnings per share (EPS)	=		$\frac{\text{Profit for the period attributable to the equity holders of the company}}{\text{Adjusted average number of shares during the period}}$
Equity per share	=		$\frac{\text{Shareholder's equity attributable to the equity holders of the company}}{\text{Adjusted average number of shares at the end of the period}}$
Cash flow per share	=		$\frac{\text{Net cash generated from operating activities}}{\text{Adjusted average number of shares during the period}}$



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