

**NESTE OIL**



29.7.2010

**Interim Report**

## Neste Oil's Interim Report for January – June 2010

- Major turnaround at Porvoo resulted in a second-quarter comparable operating profit of EUR 5 million (Q2/2009: 47 million)

### Second quarter in brief:

- Comparable operating profit declined to EUR 5 million (Q2/2009: 47 million) due to a scheduled six-week maintenance turnaround at the Porvoo refinery
- IFRS operating profit of EUR -63 million (Q2/2009: 118 million), impacted by a EUR 58 million capital loss resulting from the dismantling of the Neste Oil Pension Fund
- Total refining margin of USD 7.35/bbl (Q2/2009: 7.87)
- Net cash from operations of EUR 243 million (Q2/2009: 223 million)
- Investments totaled EUR 374 million (Q2/2009: 210 million)

### President & CEO Matti Lievonon:

"We carried out the largest turnaround in our history at the Porvoo refinery during April and May. It naturally had a negative impact on our profitability during the second quarter. Looking ahead, I'm confident that the turnaround will secure smooth runs for Porvoo for the next five years.

Our refining margin looks likely to increase from current levels towards the end of the year, as the turnaround has been completed and economic growth is expected to continue, having a positive impact on demand for diesel in particular. This will benefit our Oil Products business, which is likely to have a stronger second half. The high level of inventories in many markets will limit the extent of this benefit, however.

Our capital projects in Singapore and Rotterdam are proceeding according to plan, and we expect the new Singapore renewable diesel plant to start production in the fourth quarter. We are excited to bring more of this high-quality renewable diesel to market, particularly as many of our employees, including myself, have been using 100% NExBTL renewable diesel in their cars since the early summer and have experienced the low emissions, high performance, and other excellent properties this fuel offers first hand."

### 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, 29 July 2010, at 11:30 am EET at the company's headquarters, Keilaranta 21, Espoo. <http://www.nesteoil.com> will feature English versions of the presentation materials. A conference call in English for investors and analysts will be held on 29 July 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 1946718. The conference call can be followed at [company's website](#). 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 1946718#.



**NESTE OIL FINANCIAL STATEMENTS, 1 JANUARY – 30 JUNE 2010**

Quarterly figures are unaudited, full year figures are audited

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

**KEY FIGURES**

EUR million (unless otherwise noted)

	4-6/10	4-6/09	1-3/10	1-6/10	1-6/09	2009
Revenue	2,576	2,592	2,725	5,301	4,645	9,636
Operating profit before depreciation	-1	174	155	154	324	569
Depreciation, amortization, and impairments	62	56	58	120	111	234
Operating profit	-63	118	97	34	213	335
Comparable operating profit *	5	47	88	93	103	116
Profit before income tax	-70	109	88	18	190	296
Earnings per share, EUR	-0.20	0.35	0.25	0.05	0.58	0.86
Investments	374	210	190	564	384	863
Net cash from operating activities	243	223	374	617	240	177

	30 June 2010	30 June 2009	31 Dec 2009
Total equity	2,175	2,144	2,222
Interest-bearing net debt	1,926	1,409	1,918
Capital employed	4,159	3,660	4,257
Return on capital employed pre-tax (ROCE), %	1.9	12.5	9.0
Return on average capital employed after tax (ROACE)**, %	2.1	8.8	2.5
Return on equity (ROE), %	1.4	13.9	10.2
Equity per share, EUR	8.45	8.34	8.64
Cash flow per share, EUR	2.41	0.94	0.69
Equity-to-assets ratio, %	36.1	41.3	39.1
Leverage (Net debt to capital), %	47.0	39.7	46.3
Gearing, %	88.6	65.7	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 second-quarter result**

Neste Oil's second-quarter sales in 2010 totaled EUR 2,576 million (2,592 million). The Group's comparable operating profit of EUR 5 million (47 million) was negatively impacted by a scheduled six-week maintenance turnaround at the Porvoo refinery. The impact of the turnaround is estimated to be EUR 65 million compared to the projected figure of EUR 50 million published in late April. This difference was due to stronger margins in May and a few of days of additional downtime at the refinery.

Oil Products' second-quarter comparable operating profit was EUR -3 million (37 million), Renewable Fuels' EUR -23 million (-6 million) and Oil Retail's EUR 13 million (14 million). Others segment's comparable operating profit totaled



EUR 16 million (-2 million), of which profits from associated companies and joint ventures was EUR 20 million (9 million).

The Group's second-quarter IFRS operating profit was EUR -63 million (118 million). The majority of this figure, totaling EUR 58 million, was accounted for by the transfer of the pension liabilities of the Neste Oil Pension Fund to insurance companies. In addition, inventory losses totaled EUR 42 million. Pre-tax profit was EUR -70 million (109 million), profit for the period EUR -50 million (89 million) and earnings per share EUR -0.20 (0.35).

### The Group's January-June 2010 results

Neste Oil's sales during January-June 2010 totaled EUR 5,301 million (4,645 million). The comparable operating profit was EUR 93 million (103 million), which includes EUR 47 million from an insurance compensation payment received in February and EUR 65 million of lost revenue resulting from the Porvoo refinery maintenance turnaround in April and May.

Oil Products' six-month comparable operating profit was EUR 55 million (101 million), Renewable Fuels' EUR -40 million (-13 million), Oil Retail's EUR 19 million (26 million), and Others' EUR 59 million (-13 million). Profits from associated companies and joint ventures totaled EUR 12 million (2 million).

The IFRS operating profit during January-June was EUR 34 million (213 million) and was negatively impacted by the transfer of the Neste Oil Pension Fund and inventory losses; an inventory gain of EUR 141 million was recorded in the first half of 2009. Pre-tax profit amounted to EUR 18 million (190 million), profit for the period EUR 14 million (150 million), and earnings per share EUR 0.05 (0.58).

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 June, the rolling twelve-month ROACE was 2.1% (2009 financial year: 2.5%)

	4-6/10	4-6/09	1-3/10	1-6/10	1-6/09	2009
COMPARABLE OPERATING PROFIT	5	47	88	93	103	116
- inventory gains/losses	-42	65	16	-26	141	261
- changes in the fair value of open oil derivatives	27	6	-7	20	-31	-43
- capital gains/losses	-53	0	0	-53	0	1
OPERATING PROFIT	-63	118	97	34	213	335

### Cash flow, investments, and financing

Neste Oil Group's net cash from operating activities between January and June was strong at EUR 617 million (240 million), resulting from release of funds from working capital and a EUR 85 million positive impact related to the transfer of Neste Oil Pension Fund's liabilities to insurance companies.

Investments totaled EUR 564 million in the first half (384 million), of which EUR 110 million was related to the major maintenance turnaround at the Porvoo refinery. Oil Products' capital spending was EUR 212 million (94 million), Renewable Fuels' EUR 278 million (273 million), and Oil Retail's EUR 15 million (10 million). Others' investments totaled EUR 59 million (7 million), of which EUR 51 million related to a non-cash purchase of the company's head office building. This transaction was part of the transfer of Neste Oil Pension Fund's liabilities.

Interest-bearing net debt was EUR 1,926 million as of the end of June compared to EUR 1,918 at the end of 2009. Net financial expenses between January and June were EUR 16 million (23 million). The average interest rate of borrowings at the end of June was 2.2%, and the average maturity 3.6 years.



The equity-to-assets ratio was 36.1% (31 Dec 2009: 39.1%), the leverage ratio 47.0% (31 Dec 2009: 46.3%), and the gearing ratio 88.6% (31 Dec 2009: 86.3%).

The Group's cash and cash equivalents and committed, unutilized credit facilities amounted to EUR 1,196 million as of the end of the June (31 Dec 2009: 1,407 million). The company issued a EUR 300 million bond, with a maturity of 5 years and coupon of 4.875% at the end of June. The proceeds were received in early July. Neste Oil's 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 continued to implement its clean fuel strategy during the first half of 2010. The company's 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 is proceeding according to plan. Finalizing construction work is now under way and commissioning has started at the Singapore plant, with start-up there planned during the fourth quarter. The Rotterdam plant is proceeding well and is expected to start up towards the end of the first half 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 the plant is scheduled to be completed in the second half of 2011. Neste Oil's share of the investment cost is EUR 130 million.

### *Other*

On 30 June, Neste Oil announced that it has sold its Portuguese subsidiary Neste Oil Portugal S.A., owning a gasoline component ETBE plant in Sines, to the Portuguese company Repsol Polimeros LDA. Neste Oil booked a small capital gain from the transaction to its second-quarter IFRS operating profit.

## Market overview

Crude oil prices increased in early April to their highest level since the fall 2008, supported by expectations for an accelerating economic recovery and stronger oil demand. Brent Dated remained at close to USD 85/bbl until an evolving eurozone debt crisis and sell-off in global equity markets pushed prices down sharply in May. Prices recovered to some extent in June, with Brent Dated rising from USD 70/bbl to USD 75/bbl towards the end of the quarter. Price differentials between heavier and lighter crude narrowed in May and June, driven by lower exports of Russian crude and stronger demand for medium sour feedstocks.

Refining margins decreased in April, despite lower product supply caused by the refinery maintenance season. Margins recovered in May as a result of cheaper crude and growing demand for diesel in the US and China.

Gasoline margins declined during the quarter, despite the start of the US summer driving season. High crude oil prices pulled them down in April, although gasoline prices, reflecting limited supply, were the highest in 18 months. Margins recovered slightly in early May, but a softer gasoline market, due to high inventory levels and the general weakness of the commodities market, subsequently resulted in lower margins.

Margins for middle distillates strengthened to their highest level since early 2009 on the back of increasing demand. Refinery maintenance outages in April limited middle distillate supply and kept prices high. Prices fell back in May with rising refinery utilization rates, but a downturn in crude oil prices improved margins. Fuel oil margins weakened during the quarter due to high Russian supply.



The price differential between various biofeedstocks was very narrow during the second quarter, mainly due to weather-related worries. Differentials have widened since, thanks to increased production of palm oil. The price premium of high-quality renewable diesel compared to conventional biodiesel remained healthy.

Gasoline demand on the retail market in Finland and Baltic Rim has been lower, while demand for diesel and other products for industrial and commercial transportation use has continued to increase.

Based on good transport demand oil tanker freight markets showed some positive development during the quarter but crude freights are expected to weaken again as vessel supply remains ample.

#### Key drivers

	4-6/10	4-6/09	1-3/10	1-6/10	1-6/09	2009	July 10	July 09
Reference refining margin, USD/bbl	5.23	3.63	4.20	4.65	4.33	3.14	3.63	2.26
Neste Oil total refining margin, USD/bbl	7.35	7.87	7.83	7.58	8.65	7.35	n.a.	n.a.
Urals-Brent price differential, USD/bbl	-1.80	-0.94	-1.35	-1.58	-1.05	-0.81	-1.11	-0.43
NWE Gasoline margin, USD/bbl	11.11	12.84	11.75	11.43	9.62	9.26	8.7	10.7
NWE Diesel margin, USD/bbl	14.79	9.98	11.25	13.02	12.68	11.18	12.8	8.7
NWE Heavy fuel oil margin, USD/bbl	-10.46	-8.61	-6.91	-8.68	-8.69	-7.44	-10.3	-5.6
Brent Dated crude oil, USD/bbl	78.31	58.79	76.24	77.27	51.60	61.51	75.23	64.06
USD/EUR, market rate	1.27	1.36	1.38	1.33	1.33	1.39	1.27	1.41
USD/EUR, hedged	1.38	1.44	1.35	1.36	1.44	1.41	n.a.	n.a.
Crude freights, WS points (TD7)	119	74	122	121	78	81	106	73

#### Production and sales

Neste Oil's total production in the second quarter was 2.2 million tons (3.4 million), of which NExBTL renewable diesel accounted for 0.1 million tons (0.0 million). Production was low due to a planned six-week maintenance turnaround at the Porvoo refinery in April and May. The turnaround was the largest in the refinery's history and involved close to a million man-hours of work and some 2,500 people from outside contractors.

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

	4-6/10	4-6/09	1-3/10	1-6/10	1-6/09	2009
Porvoo refinery	1,499	2,725	2,899	4,399	5,577	11,520
Naantali refinery	632	557	571	1,203	1,130	2,438
Beringen polyalphaolefin plant	8	8	8	16	15	35
Edmonton iso-octane plant (Neste Oil's share)	60	60	48	108	126	256
NExBTL plants	50	39	70	120	76	219

The Porvoo refinery operated at an average capacity utilization rate of 51% (79%) during the quarter as a result of the maintenance turnaround. The utilization rate of the Naantali refinery was 86% (84%).

The proportion of Russian Export Blend in Neste Oil's total refinery input was 70% (58%) during the second quarter, resulting from the low use of other crude and feedstocks at Porvoo during the turnaround. Refinery production costs totaled USD 5.6/bbl (5.5).

Sales suffered from limited production during the quarter. To compensate for lost volumes, almost the entire volume of stored product, 450,000 tons, was sold during the quarter.



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

	4-6/10	%	4-6/09	%	1-3/10	%	1-6/10	%	1-6/09	%	2009	%
Motor gasoline	747	27	1,294	35	1,080	29	1,827	28	2,234	31	4,218	30
Gasoline components	74	3	92	3	46	1	120	2	157	2	270	2
Diesel fuel	1,043	37	1,181	32	1,508	41	2,551	40	2,487	35	5,228	37
Jet fuel	83	3	137	4	139	4	223	3	286	4	613	4
Base oils	76	3	73	2	76	2	153	2	130	2	257	2
Heating oil	134	5	131	4	267	7	401	6	354	5	631	4
Heavy fuel oil	166	6	346	9	212	6	378	6	700	10	1,300	9
LPG	51	2	83	2	92	2	143	2	142	2	220	2
NExBTL renewable diesel	72	2	43	1	41	1	112	2	74	1	209	1
Other products	339	12	286	8	270	7	609	9	532	8	1,232	9
<b>TOTAL</b>	<b>2,785</b>	<b>100</b>	<b>3,666</b>	<b>100</b>	<b>3,730</b>	<b>100</b>	<b>6,517</b>	<b>100</b>	<b>7,096</b>	<b>100</b>	<b>14,178</b>	<b>100</b>

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

	4-6/10	%	4-6/09	%	1-3/10	%	1-6/10	%	1-6/09	%	2009	%
Finland	1,628	59	1,854	51	2,017	54	3,645	56	3,714	53	7,580	53
Other Nordic countries	568	20	512	14	575	15	1,143	18	1,048	15	2,210	16
Other Europe	402	14	610	16	923	25	1,326	20	1,168	16	2,488	18
USA & Canada	178	6	627	17	170	5	349	5	1,099	15	1,686	12
Other countries	9	1	63	2	45	1	55	1	66	1	214	1
<b>TOTAL</b>	<b>2,785</b>	<b>100</b>	<b>3,666</b>	<b>100</b>	<b>3,730</b>	<b>100</b>	<b>6,517</b>	<b>100</b>	<b>7,096</b>	<b>100</b>	<b>14,178</b>	<b>100</b>

## SEGMENT REVIEWS

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

### Oil Products

	4-6/10	4-6/09	1-3/10	1-6/10	1-6/09	2009
Revenue, MEUR	2,064	2,091	2,272	4,336	3,673	7,631
Comparable operating profit, MEUR	-3	37	58	55	101	105
IFRS operating profit, MEUR	-18	105	65	47	211	318
Total refining margin, USD/bbl	7.35	7.87	7.83	7.58	8.65	7.35

Oil Products' comparable operating profit for the second quarter came in at EUR -3 million compared to EUR 37 million during the same quarter in 2009. Lower profitability resulted from the maintenance turnaround at the Porvoo refinery. The total refining margin of USD 7.35/bbl in the second quarter was close to the USD 7.87/bbl recorded during the same quarter in 2009.

The base oils business was supported by improvement in demand and margins, and gasoline components related to normal seasonality. Profitability of the oil tanker chartering business improved year-on-year due to higher freight rates.

Oil Products' comparable return on net assets was 4.0% (7.9%) in the second quarter.



**Renewable Fuels**

	4-6/10	4-6/09	1-3/10	1-6/10	1-6/09	2009
Revenue, MEUR	60	38	36	96	62	182
Comparable operating profit, MEUR	-23	-6	-17	-40	-13	-29
IFRS operating profit, MEUR	-19	-2	-15	-34	-12	-24

Renewable Fuels' comparable operating profit was EUR -23 million in the second quarter, compared to EUR -6 million in the same quarter of 2009. This resulted from costs related to preparation work for the start-up of the new Singapore plant and building up operations in Rotterdam according to plan. In addition, renewable diesel margins were under pressure in the second quarter due to very narrow price differentials between biofeedstocks. The price premium of high-quality renewable diesel remained healthy. Sales volumes increased despite the Porvoo turnaround thanks to inventory stored earlier in the year.

Renewable Fuels' comparable return on net assets was -7.4% (-5.5%) in the second quarter.

**Oil Retail**

	4-6/10	4-6/09	1-3/10	1-6/10	1-6/09	2009
Revenue, MEUR	884	727	849	1,733	1,418	2,998
Comparable operating profit, MEUR	13	14	6	19	26	50
IFRS operating profit, MEUR	14	13	6	20	25	50
Total sales volume*, 1,000 m3	973	965	1,034	2,006	1,987	4,002
- gasoline station sales, 1,000 m3	341	370	295	636	699	1,405
- diesel station sales, 1,000 m3	347	326	332	679	646	1,331
- heating oil, 1,000 m3	143	145	221	363	359	714
- heavy fuel oil, 1,000 m3	70	61	103	173	151	287

\* includes both station and terminal sales

Oil Retail's second-quarter comparable operating profit was EUR 13 million compared to EUR 14 million in the same period in 2009. Sales volumes were flat year-on-year, with lower gasoline sales compensated for by higher diesel sales. The restrictions placed on air traffic in Europe in April had a negative impact on jet fuel sales.

In May, Neste Oil closed a deal to acquire 22 unmanned fuel stations in Lithuania, bringing the number of Neste Oil stations in Lithuania to 59 and the company's share of the local market to approximately 15%.

Oil Retail's comparable return on net assets was 12.4% (16.1%) in the second quarter.

**Shares, share trading, and ownership**

Neste Oil's shares are traded on NASDAQ OMX Helsinki Ltd. The share price closed the second quarter at EUR 11.95. At its highest during the quarter, the share price reached EUR 13.77, while at its lowest the price stood at EUR 11.13. Market capitalization was EUR 3.1 billion as of 30 June 2010. An average of 1.1 million shares were traded daily, representing 0.4% of the company's shares.

Neste Oil's share capital registered with the Company Register as of 30 June 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 June, the Finnish State owned 50.1% (50.1%) of outstanding shares, foreign institutions 16.6% (15.0%), Finnish institutions 20.3% (20.6%), and Finnish households 12.9% (14.3%).





## Personnel

Neste Oil employed an average of 5,093 (5,328) employees in the first half, of which 1,457 (1,293) are based outside Finland. As of the end of June, the company had 5,183 employees (5,547), of which 1,469 (1,330) 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 4.9 (2.8) at the end of June 2010. The target for 2010 is below 3. Lost workday injury frequency (LWIF) stood at 3.1 (2.0). The target is below 1.

The TRIF recorded for the turnaround at the Porvoo refinery, 13.3, was unsatisfactory but was an improvement on the 18.8 recorded during the previous turnaround in 2005. Involving 1,055,000 working hours and average daily staff levels of 3,200-3,300, the turnaround was one of the largest in Europe. Safety training was given for 5,600 people in Finland and service providers' home countries before the turnaround, and 5,000 reported safety observation tours were carried out during the project. Implementation of best safety procedures across the company will continue to be in central priority during the second half of 2010.

## Annual General Meeting

Neste Oil's Annual General Meeting (AGM) was held 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 President & CEO from liability for 2009. The AGM also approved the Board of Directors' proposal regarding the distribution of the company's profit for 2009. A dividend of EUR 0.25 per share 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 paid to Board members unchanged.

The AGM confirmed that the Supervisory Board shall comprise seven members and the following members were re-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 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 also include any problems or delays in completing the company's NExBTL renewable diesel investments or failure to capture the anticipated benefits from these investments. Over the longer term, failure to protect Neste Oil's proprietary technology or the 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 has stated in its previous outlooks published in February and April, it expects the market environment to remain challenging throughout 2010. It seems, however, that the diesel market could be stronger during the second half than the first, as a result of increasing demand fuelled by economic growth. According to an International Energy Agency forecast published in July, global oil demand is estimated to grow by 2.1% or 1.8 million barrels a day in 2010 compared to 2009.

Refining margins have been lower in July compared to the second quarter. Increasing demand and seasonal support for middle distillates are set to provide support for refining margins. Diesel and middle distillates are expected to be the strongest part of the barrel, but high inventories in the US and Europe will probably continue to limit the margin upside. The outlook for gasoline margins is softer through the second half, due to the seasonal weakening of demand and relatively high inventories. Relative to crude price differentials, Neste Oil expects the Urals discount to Brent to average between USD 1.0-2.0/bbl during the rest of the year.

The utilization rate at the Porvoo refinery was slightly lower than normal in July, due to a trial related to new catalysts. This resulted in some technical difficulties, which have been overcome by now.

In consequence of improving diesel demand and higher refinery utilization after the turnaround in spring, the Oil Products business is anticipated to have stronger second half of the year compared to the first half.



Neste Oil's renewable diesel plant in Singapore is anticipated to come on-stream during the fourth quarter.

In the Oil Retail business, the declining trend in gasoline demand is expected to continue. Demand for diesel will continue to be supported by higher commercial use of the fuel.

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).

### **Reporting date for third-quarter results**

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

Espoo, 28 July 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	4-6/2010	4-6/2009	1-6/2010	1-6/2009	1-12/2009	Last 12 months
<b>Revenue</b>	3	<b>2,576</b>	2,592	<b>5,301</b>	4,645	9,636	10,292
Other income		11	7	64	14	29	79
Share of profit (loss) of associates and joint ventures	3	20	9	12	2	20	30
Materials and services		-2,349	-2,195	-4,734	-3,823	-8,167	-9,078
Employee benefit costs		-145	-83	-226	-162	-301	-365
Depreciation, amortization and impairments	3	-62	-56	-120	-111	-234	-243
Other expenses		-114	-156	-263	-352	-648	-559
<b>Operating profit</b>		<b>-63</b>	118	<b>34</b>	213	335	156
<b>Financial income and expenses</b>							
Financial income		2	3	4	4	10	10
Financial expenses		-10	-8	-22	-25	-44	-41
Exchange rate and fair value gains and losses		1	-4	2	-2	-5	-1
<b>Total financial income and expenses</b>		<b>-7</b>	-9	<b>-16</b>	-23	-39	-32
<b>Profit before income taxes</b>		<b>-70</b>	109	<b>18</b>	190	296	124
Income tax expense		20	-20	-4	-40	-71	-35
<b>Profit for the period</b>		<b>-50</b>	89	<b>14</b>	150	225	89
<b>Profit attributable to:</b>							
Owners of the parent		-51	88	13	148	221	86
Non-controlling interests		1	1	1	2	4	3
		<b>-50</b>	89	<b>14</b>	150	225	89
<b>Earnings per share from profit attributable to the owners of the parent basic and diluted (in euro per share)</b>		<b>-0.20</b>	0.35	<b>0.05</b>	0.58	0.86	0.33

## STATEMENT OF COMPREHENSIVE INCOME

MEUR		4-6/2010	4-6/2009	1-6/2010	1-6/2009	1-12/2009	Last 12 months
<b>Profit for the period</b>		<b>-50</b>	89	<b>14</b>	150	225	89
<b>Other comprehensive income for the period, net of tax:</b>							
Translation differences		18	2	44	-3	9	56
Cash flow hedges							
recorded in equity		-31	21	-44	-4	3	-37
transferred to income statement		12	10	8	30	15	-7
Net investment hedges		-1	0	-2	0	0	-2
Hedging reserves in associates and joint ventures		1	-2	1	-2	-2	1
<b>Other comprehensive income for the period, net of tax</b>		<b>-1</b>	31	<b>7</b>	21	25	11
<b>Total comprehensive income for the period</b>		<b>-51</b>	120	<b>21</b>	171	250	100
<b>Total comprehensive income attributable to:</b>							
Owners of the parent		-52	119	20	169	246	97
Non-controlling interests		1	1	1	2	4	3
		<b>-51</b>	120	<b>21</b>	171	250	100



## CONSOLIDATED BALANCE SHEET

MEUR	Note	30 June 2010	30 June 2009	31 Dec 2009
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	5	47	51	48
Property, plant and equipment	5	3,658	2,937	3,235
Investments in associates and joint ventures		280	163	216
Non-current receivables		5	2	3
Pension assets		1	108	111
Deferred tax assets		26	14	11
Derivative financial instruments	6	21	16	3
Available-for-sale financial assets		4	1	1
<b>Total non-current assets</b>		<b>4,042</b>	<b>3,292</b>	<b>3,628</b>
<b>Current assets</b>				
Inventories		1,064	752	1,148
Trade and other receivables		828	916	757
Derivative financial instruments	6	39	134	50
Cash and cash equivalents		58	107	117
<b>Total current assets</b>		<b>1,989</b>	<b>1,909</b>	<b>2,072</b>
<b>Total assets</b>		<b>6,031</b>	<b>5,201</b>	<b>5,700</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to the owners of the parent</b>				
Share capital		40	40	40
Other equity	2	2,123	2,094	2,170
<b>Total</b>		<b>2,163</b>	<b>2,134</b>	<b>2,210</b>
<b>Non-controlling interests</b>		<b>12</b>	<b>10</b>	<b>12</b>
<b>Total equity</b>		<b>2,175</b>	<b>2,144</b>	<b>2,222</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Interest-bearing liabilities		1,735	1,158	1,590
Deferred tax liabilities		326	308	328
Provisions		19	26	22
Pension liabilities		36	10	10
Derivative financial instruments	6	20	31	15
Other non-current liabilities		1	2	0
<b>Total non-current liabilities</b>		<b>2,137</b>	<b>1,535</b>	<b>1,965</b>
<b>Current liabilities</b>				
Interest-bearing liabilities		249	358	445
Current tax liabilities		4	9	5
Derivative financial instruments	6	144	135	83
Trade and other payables		1,322	1,020	980
<b>Total current liabilities</b>		<b>1,719</b>	<b>1,522</b>	<b>1,513</b>
<b>Total liabilities</b>		<b>3,856</b>	<b>3,057</b>	<b>3,478</b>
<b>Total equity and liabilities</b>		<b>6,031</b>	<b>5,201</b>	<b>5,700</b>

## 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	Non-controlling interests	
<b>Total equity at 1 January 2009</b>	40	10	-7	-54	2,182	8	2,179
Dividend paid					-205		-205
Share-based compensation			-1				-1
Transfer from retained earnings		1			-1		0
Changes in non-controlling interests						0	0
Total comprehensive income for the period			24	-3	148	2	171
<b>Total equity at 30 June 2009</b>	40	11	16	-57	2,124	10	2,144
	Share capital	Reserve fund	Fair value and other reserves	Translation differences	Retained earnings	Non-controlling interests	Total equity
<b>Total equity at 1 January 2010</b>	40	11	9	-45	2,195	12	2,222
Dividend paid					-64	-1	-65
Share-based compensation					-3		-3
Transfer from retained earnings		2	-5		3		0
Changes in non-controlling interests						0	0
Total comprehensive income for the period			-35	42	13	1	21
<b>Total equity at 30 June 2010</b>	40	13	-31	-3	2,144	12	2,175

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

MEUR	4-6/2010	4-6/2009	1-6/2010	1-6/2009	1-12/2009
<b>Cash flow from operating activities</b>					
Profit before taxes	-70	109	18	190	296
Adjustments, total	147	53	233	161	268
Change in working capital	150	92	337	-132	-450
<b>Cash generated from operations</b>	<b>227</b>	<b>254</b>	<b>588</b>	<b>219</b>	<b>114</b>
Finance cost, net	19	-23	33	-9	20
Income taxes paid	-3	-8	-4	30	43
<b>Net cash generated from operating activities</b>	<b>243</b>	<b>223</b>	<b>617</b>	<b>240</b>	<b>177</b>
Capital expenditure	-349	-210	-522	-384	-816
Acquisition of shares in subsidiaries	-8	-	-8	-	-
Acquisition of associates and joint ventures	-17	-	-31	-	-47
Acquisition of other shares	-	-	-3	-	0
Proceeds from sales of shares in subsidiaries	6	-	6	-	-
Proceeds from sales of fixed assets	-	2	1	5	7
Change in other investments	30	-5	22	-61	-29
<b>Cash flow before financing activities</b>	<b>-95</b>	<b>10</b>	<b>82</b>	<b>-200</b>	<b>-708</b>
Net change in loans and other financing activities	160	256	-80	457	975
Dividends paid to the owners of the parent	-64	-205	-64	-205	-205
<b>Net increase (+)/decrease (-) in cash and cash equivalents</b>	<b>1</b>	<b>61</b>	<b>-62</b>	<b>52</b>	<b>62</b>

## KEY FINANCIAL INDICATORS

	30 June 2010	30 June 2009	31 Dec 2009	Last 12 months
Capital employed, MEUR	4,159	3,660	4,257	4,159
Interest-bearing net debt, MEUR	1,926	1,409	1,918	-
Capital expenditure and investment in shares, MEUR	564	384	863	1,043
Return on average capital employed, after tax, ROACE %	-	-	2.5	2.1
Return on capital employed, pre-tax, ROCE %	1.9	12.5	9.0	4.2
Return on equity, %	1.4	13.9	10.2	4.2
Equity per share, EUR	8.45	8.34	8.64	-
Cash flow per share, EUR	2.41	0.94	0.69	2.17
Equity-to-assets ratio, %	36.1	41.3	39.1	-
Leverage ratio, %	47.0	39.7	46.3	-
Gearing, %	88.6	65.7	86.3	-
Average number of shares	255,913,686	255,903,686	255,903,960	255,908,919
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	5,093	5,328	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, with the exception of the following changes due to the adoption of the new and revised IFRS standards and IFRIC interpretations.

- IFRS 3 (revised), Business combinations. Neste Oil applies the revised standard to business combinations taking place on or after 1 January 2010.
- IAS 27 (revised), Consolidated and Separate Financial Statements
- IAS 39 (amendment) Financial Instruments: Recognition and Measurement - Eligible hedged items
- IFRS 2 (amendment) Share-based Payment - Group cash-settled transactions
- IFRIC 17 Distributions of Non-cash Assets to Owners
- Annual improvements 2009.

The above mentioned amendments do not have a material impact on the reported income statement, balance sheet or notes.

## 2. TREASURY SHARES

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

The consolidated balance sheet and the consolidated changes in total equity reflect the substance of the arrangement with a deduction amounting to EUR 12 million in equity. This amount represents the consideration paid for the shares by the third party service provider. As at 30 June 2010 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, Nynas AB and also as of Q2/2010 NSE Biofuels Oy are included in the Others segment. The comparative figures have been adjusted accordingly.

REVENUE						Last 12
MEUR	4-6/2010	4-6/2009	1-6/2010	1-6/2009	1-12/2009	months
Oil Products	2,064	2,091	4,336	3,673	7,631	8,294
Renewable Fuels	60	38	96	62	182	216
Oil Retail	884	727	1,733	1,418	2,998	3,313
Others	45	41	94	83	164	175
Eliminations	-477	-305	-958	-591	-1,339	-1,706
Total	2,576	2,592	5,301	4,645	9,636	10,292

OPERATING PROFIT						Last 12
MEUR	4-6/2010	4-6/2009	1-6/2010	1-6/2009	1-12/2009	months
Oil Products	-18	105	47	211	318	154
Renewable Fuels	-19	-2	-34	-12	-24	-46
Oil Retail	14	13	20	25	50	45
Others	-42	-2	1	-13	-7	7
Eliminations	2	4	0	2	-2	-4
Total	-63	118	34	213	335	156

COMPARABLE OPERATING PROFIT						Last 12
MEUR	4-6/2010	4-6/2009	1-6/2010	1-6/2009	1-12/2009	months
Oil Products	-3	37	55	101	105	59
Renewable Fuels	-23	-6	-40	-13	-29	-56
Oil Retail	13	14	19	26	50	43
Others	16	-2	59	-13	-8	64
Eliminations	2	4	0	2	-2	-4
Total	5	47	93	103	116	106

DEPRECIATION, AMORTIZATION AND IMPAIRMENTS						Last 12
MEUR	4-6/2010	4-6/2009	1-6/2010	1-6/2009	1-12/2009	months
Oil Products	47	43	89	87	178	180
Renewable Fuels	5	2	10	4	14	20
Oil Retail	8	8	16	15	31	32
Others	2	3	5	5	11	11
Total	62	56	120	111	234	243

CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES						Last 12
MEUR	4-6/2010	4-6/2009	1-6/2010	1-6/2009	1-12/2009	months
Oil Products	158	51	212	94	198	316
Renewable Fuels	149	150	278	273	619	624
Oil Retail	13	6	15	10	29	34
Others	54	3	59	7	17	69
Total	374	210	564	384	863	1,043

TOTAL ASSETS						
MEUR				30 June	30 June	31 Dec
				2010	2009	2009
Oil Products				3,734	3,544	3,750
Renewable Fuels				1,389	713	1,065
Oil Retail				562	527	545
Others				371	296	296
Unallocated assets				174	295	234
Eliminations				-199	-174	-190
Total				6,031	5,201	5,700



NET ASSETS	30 June	30 June	31 Dec
MEUR	2010	2009	2009
Oil Products	2,617	2,602	2,943
Renewable Fuels	1,268	591	925
Oil Retail	310	296	305
Others	281	233	249
Eliminations	1	5	1
<b>Total</b>	<b>4,477</b>	<b>3,727</b>	<b>4,423</b>

RETURN ON NET ASSETS, %	30 June	30 June	31 Dec	Last 12
	2010	2009	2009	months
Oil Products	3.4	16.4	12.0	5.7
Renewable Fuels	-6.3	-5.1	-3.9	-5.0
Oil Retail	13.0	15.5	15.8	14.7

COMPARABLE RETURN ON NET ASSETS, %	30 June	30 June	31 Dec	Last 12
	2010	2009	2009	months
Oil Products	4.0	7.9	4.0	2.2
Renewable Fuels	-7.4	-5.5	-4.7	-6.1
Oil Retail	12.4	16.1	15.8	14.1

## QUARTERLY SEGMENT INFORMATION

## QUARTERLY REVENUE

MEUR	4-6/2010	1-3/2010	10-12/2009	7-9/2009	4-6/2009	1-3/2009
Oil Products	2,064	2,272	1,987	1,971	2,091	1,582
Renewable Fuels	60	36	61	59	38	24
Oil Retail	884	849	791	789	727	691
Others	45	49	44	37	41	42
Eliminations	-477	-481	-392	-356	-305	-286
<b>Total</b>	<b>2,576</b>	<b>2,725</b>	<b>2,491</b>	<b>2,500</b>	<b>2,592</b>	<b>2,053</b>

## QUARTERLY OPERATING PROFIT

MEUR	4-6/2010	1-3/2010	10-12/2009	7-9/2009	4-6/2009	1-3/2009
Oil Products	-18	65	27	80	105	106
Renewable Fuels	-19	-15	-11	-1	-2	-10
Oil Retail	14	6	6	19	13	12
Others	-42	43	-11	17	-2	-11
Eliminations	2	-2	-2	-2	4	-2
<b>Total</b>	<b>-63</b>	<b>97</b>	<b>9</b>	<b>113</b>	<b>118</b>	<b>95</b>

## QUARTERLY COMPARABLE OPERATING PROFIT

MEUR	4-6/2010	1-3/2010	10-12/2009	7-9/2009	4-6/2009	1-3/2009
Oil Products	-3	58	-11	15	37	64
Renewable Fuels	-23	-17	-10	-6	-6	-7
Oil Retail	13	6	5	19	14	12
Others	16	43	-11	16	-2	-11
Eliminations	2	-2	-2	-2	4	-2
<b>Total</b>	<b>5</b>	<b>88</b>	<b>-29</b>	<b>42</b>	<b>47</b>	<b>56</b>

## QUARTERLY DEPRECIATION, AMORTIZATION AND IMPAIRMENTS

MEUR	4-6/2010	1-3/2010	10-12/2009	7-9/2009	4-6/2009	1-3/2009
Oil Products	47	42	48	43	43	44
Renewable Fuels	5	5	6	4	2	2
Oil Retail	8	8	8	8	8	7
Others	2	3	3	3	3	2
<b>Total</b>	<b>62</b>	<b>58</b>	<b>65</b>	<b>58</b>	<b>56</b>	<b>55</b>

QUARTERLY CAPITAL EXPENDITURE  
AND INVESTMENTS IN SHARES

MEUR	4-6/2010	1-3/2010	10-12/2009	7-9/2009	4-6/2009	1-3/2009
Oil Products	158	54	59	45	51	43
Renewable Fuels	149	129	188	158	150	123
Oil Retail	13	2	10	9	6	4
Others	54	5	6	4	3	4
<b>Total</b>	<b>374</b>	<b>190</b>	<b>263</b>	<b>216</b>	<b>210</b>	<b>174</b>





## 4. ACQUISITIONS

UAB Neste Lietuva, subsidiary of Neste Oil Group, acquired 100% of the shares and voting rights of UAB Alexela Oil, which operates 22 unmanned fuel stations in Lithuania. The acquisition was closed on 28 May 2010. Neste Oil strengthens its position on the retail market in Lithuania, as the acquisition complements the company's existing network of 37 stations in the country.

The profit of UAB Alexela Oil included in the Neste Oil's consolidated income statement 1 January - 30 June 2010 is immaterial. Also, the management estimates that UAB Alexela Oil's effect on Neste Oil's consolidated revenue or profit for the period would have been immaterial as at 30 June 2010 had the acquisition taken place on 1 January 2010.

## Assets and liabilities of UAB Alexela Oil

	Acquired fair value	Acquired book value
<b>MEUR</b>		
Intangible and tangible assets	6	5
Current assets	3	3
Cash and cash equivalents	0	0
<b>Total assets</b>	<b>9</b>	<b>8</b>
Trade and other payables	1	1
<b>Total liabilities</b>	<b>1</b>	<b>1</b>
<b>Acquired net assets</b>	<b>8</b>	<b>7</b>
Purchase consideration		8
<b>Goodwill</b>		<b>0</b>
Purchase consideration settled in cash		8
Cash and cash equivalents in UAB Alexela Oil		0
<b>Cash outflow on acquisition</b>		<b>8</b>

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

CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	30 June	30 June	31 Dec
MEUR	2010	2009	2009
<b>Opening balance</b>	<b>3,283</b>	2,726	2,726
Depreciation, amortization and impairments	-120	-111	-234
Capital expenditure	523	384	820
Disposals	-1	-5	-21
Increases through business combinations	6	0	0
Translation differences	14	-6	-8
<b>Closing balance</b>	<b>3,705</b>	2,988	3,283
<b>CAPITAL COMMITMENTS</b>	<b>30 June</b>	30 June	31 Dec
<b>MEUR</b>	<b>2010</b>	2009	2009
Commitments to purchase property, plant and equipment	331	539	431
Total	331	539	431

Capital commitments include EUR 121 million future commitments related to energy and utility supply agreements, which will be accounted for as finance leases.



## 6. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate and currency derivative contracts and share forward contracts	30 June 2010		30 June 2009		31 Dec 2009	
	Nominal value	Net fair value	Nominal value	Net fair value	Nominal value	Net fair value
<b>MEUR</b>						
Interest rate swaps	577	0	474	-16	723	-13
Forward foreign exchange contracts	1,747	-102	1,611	28	1,759	-7
Currency options						
Purchased	79	-3	121	-1	115	-1
Written	69	-5	88	2	114	2
Share forward contracts	-	-	9	-5	9	-4
<b>Oil and freight derivative contracts</b>	<b>Volume</b>	<b>Net fair value</b>	<b>Volume</b>	<b>Net fair value</b>	<b>Volume</b>	<b>Net fair value</b>
	<b>million bbl</b>	<b>Meur</b>	<b>million bbl</b>	<b>Meur</b>	<b>million bbl</b>	<b>Meur</b>
Sales contracts	17	4	35	-59	18	-32
Purchase contracts	7	1	29	34	7	10
Purchased options	2	-12	2	-9	1	-8
Written options	2	13	2	8	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.

## 7. RELATED PARTY TRANSACTIONS

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

Transactions carried out with associates and joint ventures	1-6/2010	1-6/2009	1-12/2009
Sales of goods and services	35	21	70
Purchases of goods and services	22	21	48
Receivables	32	10	23
Financial income and expenses	0	0	0
Liabilities	6	4	2

## 8. CONTINGENT LIABILITIES

MEUR	30 June 2010	30 June 2009	31 Dec 2009
<b>Contingent liabilities</b>			
On own behalf for commitments			
Real estate mortgages	26	26	26
Pledged assets	2	2	2
Other contingent liabilities	40	45	48
Total	68	73	76
On behalf of associates and joint ventures			
Guarantees	4	6	4
Other contingent liabilities	4	2	2
Total	8	8	6
On behalf of others			
Guarantees	14	19	18
Total	14	19	18
Total	90	100	100
<b>MEUR</b>	<b>30 June 2010</b>	<b>30 June 2009</b>	<b>31 Dec 2009</b>
<b>Operating lease liabilities</b>			
Due within one year	72	98	82
Due between one and five years	158	182	166
Due later than five years	118	137	120
Total	348	417	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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