NESTE OIL INTERIM REPORT, 1 JANUARY - 31 MARCH 2005

Unaudited

Numbers in brackets refer to the Q1 2004 carve-out financial statements, unless otherwise stated.

Group financial results

Comparative figures for the income statement for Q1/04 and the full year for 2004 are derived from Neste Oil's Combined Carve-out Financial Statements for the year ended 31 December 2004, which were published in a stock exchange release on 14 March 2005 and in the Offering Memorandum related to the sale of Neste Oil shares in 1-15 April 2005. Neste Oil Group was incorporated by means of a demerger on 1 May 2004, and thus no fully comparable income statement and balance sheet exist for Q1 or the full 12 months of 2004.

KEY FIGURES

	Q1/05	Carve-out Q1/04
Sales, M€	2,060	1,710
Operating profit before depreciation, M€	181	178
Depreciation, amortization and impairment charges, M€	35	32
Operating profit, M€	146	146
Pre-tax profit , M€	137	147
Earnings per share, €	0.40	0.44
Capital expenditure, M€	103	50
Net cash from operating activities, M€	154	114

	31 March 2005	31 Dec 2004
Shareholders' equity, M€	1,097	998
Interest-bearing net debt, M€	953	969
Capital employed, M€	2,243	2,151
Pre-tax return on capital employed (ROCE),%	26.9	40.3**
Return on equity ROE,% *	39.3	19.7**
Equity per share, €	4.26	3.87
Equity-to-assets ratio,%	31.2	32.2
Leverage ratio,%	46.5	49.3
Gearing,%	86.9	97.0

* The figure for 2004 includes a group contribution paid to the former parent company, Fortum Corporation.
** The ROCE % and ROE % reported for the first quarter of 2005 have been calculated by annualizing the January-March 2005 results. A similar method was used for calculating the 2004 ROCE % and ROE %, which are annualized figures based on the eight months between May and December of the legal group. The significant change is explained by exceptionally good profitability during the second, third, and fourth quarters in 2004.

Neste Oil Group's first-quarter sales totaled EUR 2,060 million, which is some 20% higher than in Q1 in 2004. The increase is mainly attributable to higher crude oil and refined petroleum product prices, but was slightly offset by the continued weakening of the US dollar against the euro.

The Group's operating profit for the quarter was EUR 146 million, which is equivalent to the figure for Q1/04. The positive effects of a higher refining margin and higher inventory gains were cushioned by the weakening of the US dollar against the euro and changes in the fair value of open oil derivative positions, primarily used to hedge future cash flows. Under IFRS, outstanding oil derivative transactions are recognized at fair value for each reporting date, and changes in the fair value of oil derivatives are recognized in the income statement, since hedge accounting treatment is not applied. This resulted in a EUR 41 million negative item on the Group’s results compared to Q1/04.

Higher crude oil prices resulted in inventory gains of EUR 58 million (9 million). Refining margins for the oil industry were generally at the same level as during the comparable period in 2004. However, Neste Oil was able to increase its total refining margin to USD 7.91/bbl (USD 6.20/bbl).

The comparable operating profit of the Neste Oil Group, excluding inventory gains and changes in the fair value of oil derivatives, was EUR 128 million (132 million).

Market overview

Prices and demand for crude oil and refined petroleum products increased due to various factors during the first quarter. The main reasons were the following:

- Strong oil product demand, driven by global economic growth, particularly in Asia and the USA
- Colder-than-normal weather conditions in the main heating oil markets during the second part of the quarter
- Limited spare production capacity and geopolitical risks in many oil-exporting countries
- Attempts by the OPEC to control the price of crude oil.

Prices of North Sea Brent and West Texas Intermediate (WTI) benchmark crude oil rose to all-time highs in the first quarter (USD 56.15 /bbl and USD 57.60 /bbl respectively). Despite this price peak, oil companies' crude oil stocks continued to increase and were 8% higher at the end of the first quarter than a year before.

The price difference between heavy and sour crude and light and sweet crude widened, and was on average (Urals Rotterdam vs. Brent Dated) USD -5.17 /bbl (-2.50).

The price of gasoline also reached an all-time high in late March, when the Rotterdam quotation rose to USD 548 /t. Gasoline inventories were abundant, despite ongoing maintenance programs at many refineries in the USA and Europe.

Middle distillates, particularly jet fuel, gasoil, and diesel fuel, were the strongest product category during the first quarter. The recovery of air travel boosted demand for jet fuel, while cold weather in the main markets during the latter part of the quarter increased the demand for heating oil. Strong economic growth in Asia and the USA maintained industrial and utility demand. The implementation of a European Union decision, which took effect on 1 January, to further limit the sulfur content of diesel grades widened premiums.

The reference refining margin for complex refineries (IEA Brent) stood at USD 2.31/bbl, which was clearly above the long-term average. Margins were significantly better for refineries with a high degree of conversion capacity and capable of utilizing heavier, high-sulfur crude. In the current business environment, with significant price differences between products and crude, refining margins depend on crude availability and refinery product yields. The key issue for refineries is to have sufficient desulfurization and conversion capacity to meet increasing demand for low-sulfur and sulfur-free light products, mainly gasoline and diesel oil.

Winter conditions in the Baltic were mild during the first quarter, and freights did not reach the exceptionally high levels seen in the two previous winters.

Competition in the Finnish oil retail market for traffic fuels was severe during the quarter. In Russia, Estonia, Latvia, Lithuania, and Poland, the demand for traffic fuels continued to grow.

Segment reviews

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

Oil Refining

The Oil Refining business focuses on refining crude oil and other feedstocks into high-quality traffic fuels and other high value-added petroleum products. Neste Oil's refineries are located in Porvoo and Naantali, Finland.

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

Key figures

	Q1/05	Carve-out Q1/04	2004
Sales, M€	1,622	1,303	6,306
Operating profit, M€	121	101	562
Capital expenditure, M€	80	30	203
RONA, %	32.7	34.6	46.7
Total refining margin USD/bbl	7.91	6.21	7.90

Oil Refining recorded a first-quarter operating profit of EUR 121 million (101 million). The negative impact of changes in the fair value of open oil derivative positions, used primarily to hedge future cash flows, was EUR 27 million.

The segment’s improved total refining margin was driven by a higher-value product mix during Q1/05, due to higher diesel and lower fuel oil volumes. The beneficial price difference between heavy and sour crude and light and sweet crude (Urals Rotterdam – Brent Dated) was USD -5.17 /bbl (USD -2.50 /bbl. In Q1 2004, the price difference for crude oil delivered to Neste Oil’s refineries was even larger, due to exceptional freight conditions. During the first quarter of 2005, the benchmark refining margin (IEA Brent Cracking) was USD 2.31 /bbl (USD 2.36 /bbl).

Crude oil supply

Neste Oil imported a total of 2.9 million tons of crude oil, of which 2.6 million tons was supplied from Russia and countries of the former Soviet Union. About 56% of crude oil sourced during the quarter was heavy, sour crude. The remainder of oil from the former Soviet Union and elsewhere consisted of lighter crude and condensates. Crude from Western sources totaled 0.3 million tons.

Production

The total refined volume in Q1 was 3.2 million tons (3.1) of crude oil, of which 2.6 million tons (2.6) were refined at Porvoo and 0.6 million tons (0.5 million) at Naantali. The crude distillation capacity utilization at the Porvoo refinery was 98.5% (100.0%) and at the Naantali refinery 85.0% (95.2%). In Porvoo, utilization was lower than in 2004 due to the use of heavier crude oil. In Naantali, capacity utilization was reduced by maintenance shutdowns in February and March.

Sales

Sales volumes in Finland totaled 2.0 million tons (1.9 million), and export volumes 1.3 million tons (1.3 million). Neste Oil's wholesale market share in Finland was 82% (76%).

Neste Oil's sales from in-house production by product category
1,000 tons

	Q1 2005	Q1 2004	2004
Motor gasolines and components	1,186	1,118	4,896
Diesel fuel	1,055	892	4,265
Jet fuel	165	151	705
Bio fuels	30	0	39
Base oils	68	61	279
Heating oil	318	397	1,197
Heavy fuel oil	306	429	1,280
Other products	333	326	1,564
TOTAL	3,461	3,374	14,225

Neste Oil's sales from in-house production by market area
1,000 tons

	Q1 2005	Q1 2004	2004
Finland	2,027	1,940	8,302
Other Nordic countries	553	448	2,175
Other Europe	485	429	1,944
Russia & the Baltic countries	14	23	100
USA & Canada	329	425	1,508
Other countries	53	109	196
TOTAL	3,461	3,374	14,225

Investment projects

Diesel

The diesel project in Porvoo, currently budgeted at EUR 532 million, progressed according to plan. Once completed, the project will increase Neste Oil's annual production capacity of sulfur-free diesel oil by 1.1 million tons, reducing the production of heavy fuel oil to 0.4 million tons. Additionally, the Porvoo refinery will be able to switch completely to using heavy and sour crude if desired. The start-up of the new production line is planned for late 2006. Civil work on the new production line is in its final stage and mechanical installation work has started. More than half, EUR 300 million, of the project's estimated investment costs have been allocated for 2005.

Biogasoline

Conversion of Neste Oil's plant in Sines, Portugal from MTBE to ETBE production was completed, and ETBE production started there in January 2005. The annual capacity of the unit is approximately 50,000 tons of ETBE, which is a high-quality, bioethanol-based gasoline component.

Biodiesel

Neste Oil announced a decision to build a biodiesel plant at its Porvoo refinery on 15 February. The total budgeted cost of the investment is approximately EUR 100 million, almost one third of which will fall due in 2005 and the majority of the remainder in 2006. The plant will have an annual capacity of approximately 170,000 tons of biodiesel. Construction started in February and the plant is due to enter production in summer 2007.

Production of biodiesel will be based on a process developed by Neste Oil that produces high-quality diesel fuel from vegetable oils and animal fats. According to two different engine manufacturers' tests, Neste Oil's biodiesel (NExBTL) has superior fuel properties and meets the highest requirements set by automotive companies. Demand for biodiesel is expected to increase in the future, since the EU is encouraging member countries to boost the use of renewable raw materials in traffic fuels.

EHVI

Production of a synthetic type of EHVI (Enhanced High Viscosity Index) base oil, used as a raw material for lubricants, will increase at the Porvoo refinery by 30,000 tons annually. The EHVI product is sold to leading lubricant manufacturers and is also used in the manufacture of Neste Oil's own lubricants. The expanded unit will be ready for production in autumn 2005, after a maintenance shutdown at the Porvoo refinery. The unit’s annual production will increase to some 250,000 tons. Neste Oil has been producing EHVI base oil since 1997, and continues to be the sole manufacturer of this product in Europe.

Oil Retail

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

Key figures

	Q1/05	Carve-out Q1/04	2004
Sales, M€	620	531	2,374
Operating profit, M€	-2	7	60
Capital expenditure, M€	11	4	36
RONA, %	-4.0	9.2	18.1
Product sales volume, 1,000 m3	1,032	986	4,728

Oil Retail recorded a first-quarter operating loss of EUR 2 million (+7 million). This loss includes a EUR 13 million negative impact resulting from changes in the fair value of open oil derivatives.

The oil retail market in Finland continued to experience significant changes. A number of Neste Oil's competitors followed aggressive pricing strategies. During the quarter, Neste Oil's retail market share in Finland somewhat declined. Neste Oil opened five new stations in Finland, bringing the total number of stations to 878. In response to tougher competition in Finland, Neste Oil has decided to pilot a low-price unmanned gas station concept. These stations will not carry the Neste brand.

Neste Oil continued to develop its joint venture, Pikoil, with Kesko. A total of 21 Motorest stations were acquired and transferred to Pikoil during the quarter.

Oil Retail segment total sales volumes (1,000 m3)

	Q1/05	Q1/04	2004
Gasoline	302	305	2,034
Diesel fuel (incl. D stations)	320	303	1,329
Heating oil	253	273	945
Heavy fuel oil	157	105	420
TOTAL	1,032	986	4,728

Retail Network sales volumes (1,000 m3)

Finland	Q1/05	Q1/04	2004
Gasoline	151	155	682
Diesel fuel	55	54	237
Heating oil	8	8	29
TOTAL	214	217	949

Baltic Rim area	Q1/05	Q1/04	2004
Gasoline	136	113	545

Diesel fuel	51	35	173
TOTAL	187	148	718
RETAIL NETWORK TOTAL	401	365	1,667

Direct sales volumes (1,000 m3)

Finland	Q1/05	Q1/04	2004
Gasoline	3	4	16
Diesel fuel (incl. D stations)	183	188	750
Heating oil	243	264	911
Heavy fuel oil	157	105	420
TOTAL	586	561	2,098

Baltic Rim area	Q1/05	Q1/04	2004
Gasoline	11	32	68
Diesel fuel	32	26	169
Heating oil	2	2	5
TOTAL	45	60	243
DIRECT SALES TOTAL	631	621	2 341

Neste Oil's sales volumes improved in the St. Petersburg area. Neste Oil has 31 stations in Russia. In Estonia, Latvia, and Lithuania, where Neste Oil has 95 stations, sales volumes remained good. In Poland, sales volumes increased, but margins suffered as a result of a continued increase in wholesale prices. Neste opened its fifty-fourth station in Poland during Q1.

In the direct sales area, a very warm January reduced sales of heating oil and heavy fuel oil, , but sales increased again in March following a colder winter period. Sales of LPG (Liquefied Petroleum Gas) totaled 61,000 tons (80,000).

Shipping

Neste Oil’s Shipping segment operates mainly in northwestern Europe. The main market area for crude oil is the Baltic Sea region and the North Sea. Products and some chemicals are shipped mainly to northwestern Europe, including domestic coastal transport. Fuel products, mainly gasoline, are also exported to the USA and Canada.

As of the end of March Neste Oil operated 32 tankers, which Neste Oil owned or controlled through contracts. This fleet is capable of carrying approximately 1.3 million tons. The M/T Suula, a new 14,000 dwt product tanker with 1 A Super ice-class classification, joined the fleet in February 2005.

The financial result of Shipping is mainly dependent on crude freight levels, product freight levels, and the fleet's utilization rate.

Key figures

	Q1/05	Carve-out Q1/04	2004
Sales, M€	103	101	339
Operating profit, M€	34	45	113
Capital expenditure, M€	8	16	77
RONA, %	40.9	62.3	37.1
Deliveries total, millions of tons	10.3	9.9	41
Fleet utilization rate,%	92	95	93

Shipping recorded a first-quarter operating profit of EUR 34 million (45 million). The decrease in profits was mainly due to lower crude freight prices and the weakening of the US dollar against the euro.

Shipping carried a total of 10.3 million tons of cargo in the first quarter of 2005, an increase of 3.9% compared to Q1/04 (9.9 million). Crude oil shipments were 6.6 million tons (5.8 million) and oil product shipments 3.7 million tons (4.0 million). Approximately 50% of cargos were commissioned by Neste Oil for internal use.

Oil freight prices are global and based on the Worldscale index, which indicates the market freight level of a certain route compared to the basic freight level, which is based on several assumptions about the costs of a voyage on the route (100 WS-points).

Crude freight levels in the first quarter of 2005 were some 19% lower than in the corresponding period in 2004. The North Sea crude freight average level was 155 WS points (191 WS points).

Product freight prices are mostly based on annual contracts. The prices of these contracts were higher during the first quarter of 2005 than in the corresponding period in 2004. The market freight levels for Trans-Atlantic product freights were satisfactory.

The utilization rate of the fleet was still high, but slightly lower during the first quarter of 2005 than in the same quarter of 2004, due mainly to dockings and other repair work to the fleet. Repair work increased costs and slightly reduced the overall profitability of the fleet. A new tanker, the M/T Purha, which was delivered from a Chinese shipyard in 2003, was not in operation during the first quarter due to repairs to its tanks.

Operating costs in general have increased in the shipping business with the rise in bunker costs and time charter rates.

Other

Neste Oil’s Other segment consists of the Corporate Center and SeverTEK, an oil exploration and production joint venture in northwestern Russia equally owned by Neste Oil and the Russian oil company, OAO LUKOIL. SeverTEK is consolidated using the equity method.

SeverTEK's total oil production in the first quarter was 29,600 bbl/d (25,400 bbl/d). Total sales volume was 0.369 million tons (0.305 million). Sales prices averaged USD 22.8 /bbl (USD 20.2 /bbl). SeverTEK's production is sold mainly on the Russian internal market.

Transition to International Financial Reporting Standards (IFRS)

This interim report for 1 January - 31 March 2005 has been prepared in accordance with IFRS. Neste Oil's date of transition from Finnish GAAP to IFRS was 1 May 2004. The main changes to Neste Oil's accounting principles when transitioning to IFRS, together with comparative financials for 2004, are described in a separate stock exchange release, ‘Neste Oil's comparative IFRS information’, published on 29 April 2005.

Capital expenditure

Capital expenditure on fixed assets in the first quarter totaled EUR 103 million (50 million), of which EUR 80 million was spent in Oil Refining, EUR 11 million in Oil Retail, and EUR 8 million in Shipping. The main capital project, accounting for EUR 49 million, was the ongoing Diesel Project at the Porvoo refinery.

Depreciation in the first quarter was EUR 35 million (32 million).

Financing

Neste Oil's interest-bearing net debt as of 31 March 2005 amounted to EUR 953 million (Q4/04: 969 million). Net financial expenses between January and March were EUR 7 million. The average interest rate at the end of March was 3.09%.

Net cash from operating activities was EUR 154 million (114 million).

The equity-to-assets ratio was 31.2% (Q4/04: 32.2%), the gearing ratio 86.9% (Q4/04: 97.0%), and the leverage ratio 46.5% (Q4/04: 49.3%).

Neste Oil signed a EUR 1.5 billion, five-year credit facility, with two one-year extension options after years one and two, in March. Proceeds from the facility have been used in part to refinance inter-company loans provided by Fortum Corporation, as well as for general corporate purposes. The undrawn part of the facility will be Neste Oil's main liquidity reserve in the future.

Neste Oil also signed a EUR 400 million domestic commercial paper program in March, which will be used for working capital purposes and other short-term financing needs. In addition, Neste Oil signed overdraft credit facilities with selected cash pool banks amounting to a total of EUR 100 million.

In accordance with its hedging policy, Neste Oil has hedged the majority of its net foreign currency exposure for 2005. Forward contracts and options are the main hedging instruments used, and the most important hedged currency is the US dollar.

Shares and share capital

The sole shareholder of Neste Oil on 31 March 2005 was Fortum Corporation, and the total number of Neste Oil shares was 256,403,686. The company’s share capital amounted to EUR 40,000,000.

The Annual General Meeting of Fortum Corporation decided on 31 March 2005 to distribute 217,963,549 Neste Oil shares in the form of a dividend to Fortum shareholders. In April, Fortum sold its remaining 38,440,137 shares to institutional investors in Finland and abroad and retail investors in Finland in a share offering. Each share carries one vote at the Annual General Meeting of Shareholders.

The Helsinki Stock Exchange approved the listing of Neste Oil shares on 31 March, subject to the AGM resolution referred to above.

All shares were entered in the Finnish book-entry system on 1 April 2005. The listing date of Neste Oil shares on the Helsinki Stock Exchange Pre List was 18 April, and on the Main List 21 April.

The Board has no outstanding authorizations for issuing new shares or for share buy-back.

Board of Directors, Supervisory Board, and the Neste Executive Team

The Board of Directors of Neste Oil consisted of Mr Mikael Lilius (Chairman), Mr Juha Laaksonen, and Mr Risto Rinne between 1 January and 17 April.

The Board of Directors that took office after the listing of Neste Oil shares comprises the following members: Mr Timo Peltola (Chairman), Mr Mikael von Frenckell (Deputy Chairman), Ms Ainomaija Haarla, Mr Kari Jordan, Mr Juha Laaksonen, Ms Nina Linander, Mr Pekka Timonen, and Ms Maarit Toivanen-Koivisto.

In April, the Board established an Audit Committee and a Personnel and Remuneration Committee. Nina Linander chairs the Audit Committee, with Kari Jordan, Pekka Timonen, and Maarit Toivanen-Koivisto as members. Timo Peltola chairs the Personnel and Remuneration Committee, with Mikael von Frenckell, Ainomaija Haarla, and Juha Laaksonen as members.

The company also has a Supervisory Board. The members of the Supervisory Board are: Mr Klaus Hellberg (Chairman), Mr Markku Laukkanen (Vice Chairman), Mr Mikael Forss, Ms Heidi Hautala, Ms Satu Lähteenmäki, Mr Jouni Lappeteläinen, Mr Markus Mustajärvi, Mr Matti Neiglick, Mr Timo Nyman, Mr Juhani Sjöblom, and Ms Jutta Urpiainen. Lappeteläinen, Neiglick and Nyman represent various Neste Oil personnel groups.

The terms of the members of both Boards extend until Neste Oil's Annual General Meeting in 2006.

The Neste Executive Team (NET) was appointed on 1 April, consisting of the following members: Mr Risto Rinne (President & CEO), Mr Jarmo Honkamaa (EVP, Oil Refining), Mr Risto Näsi (EVP, Shipping), Mr Matti Peitso (EVP, Oil Retail), Mr Kimmo Rahkamo (EVP, Components), Ms Leena Haataja (SVP, Human Resources), Mr Osmo Kammonen (SVP, Communications), Mr Juha-Pekka Kekäläinen (SVP, Corporate Development), Mr Petri Pentti (CFO). General Counsel Mr Matti Hautakangas is the Secretary of the Neste Executive Team.

The company intends to comply with the Helsinki Stock Exchange's recommendation on corporate governance that came into effect on 1 July 2004. In addition, the Extraordinary General Meeting of shareholders of Neste Oil Corporation held on 29 March 2005 decided to establish a committee with the sole task of proposing candidates for membership of the Board of Directors to be elected at the 2006 AGM. The Chairman of the Board of Directors will serve as an expert member on the committee, and the three largest shareholders as of 1 December 2005 will be entitled to appoint the other members.

Personnel

Neste Oil employed an average of 4,331 (4,131) employees between January and March. As of the end of March, Neste Oil had 4,328 employees (4,145), of which 3,322 (3,187) worked in Finland.

Health, safety, and the environment

The Finnish Energy Market Authority granted both Neste Oil refineries their final permits for greenhouse gas emissions during the quarter. These permits cover requirements for emission monitoring and reporting. The quotas for carbon dioxide (CO_2) emissions were received at the end of 2004. The impact of the Diesel Project has been taken into account in the quotas.

The European Commission has issued a legislative proposal for a new regulatory framework for chemicals. Under the proposed new system, known as REACH (Registration, Evaluation and Authorization of Chemicals), enterprises that manufacture or import more than one ton of chemical substances per year will be required to register such chemical substances in a central database. Neste Oil management has set up a project to meet REACH requirements and ensure future compliance.

Events after the reporting period

According to a decision by Fortum Corporation's AGM relating to the demerger of Neste Oil, a share offering of 38,440,137 Neste Oil shares was implemented on 1 April – 15 April for institutions in Finland and abroad, and 4 April – 14 April for retail investors in Finland. The preliminary price range in the offering was EUR 11–13 a share, which was raised to EUR 13–15 a share on 12 April. The final price, announced on 15 April, was EUR 15.

The institutional offering was oversubscribed 20 times, and the retail offering 1.7 times. Approximately 14,000 investors participated in the retail offering. Some 13% of the institutional offering was allocated to Finnish institutions and 87% to international investors.

Neste Oil was listed on the Pre List of the Helsinki Stock Exchange on 18 April and on the Main List on 21 April. The closing price of the share on 18 April was EUR 16.18, and the market capitalization EUR 4.2 billion.

In April, the Company drew the first tranche of its EUR 1.5 billion five-year credit facility, EUR 880 million, to repay inter-company loans to Fortum Corporation.

Outlook

The key market drivers of Neste Oil’s financial performance are the international refining margin, price differentials between various crude oil grades, and the USD/euro exchange rate. Changes in the crude oil price also impact the Group’s results in the form of inventory gains or losses. In 2004, the increasing price of crude oil led to inventory gains of EUR 74 million and EUR 58 million in the first quarter of 2005. Crude oil prices are expected to stay volatile.

The international refining margin (IEA Brent cracking) averaged USD 6.78 /bbl in April 2005 (April 2004: USD 5.27 /bbl). The price differential between light and heavy crude oil is expected to remain wide. The differential between Urals Rotterdam and Brent dated was USD -5.06 /bbl in April 2005 (April 2004: USD -3.22 /bbl). Neste Oil benefited from exceptional freight conditions, which were reflected in the price of crude delivered to Finland, in the first half of 2004. The operating profit in Q2 2004 included inventory gains of EUR 54 million and gains from asset sales totaling EUR 12 million.

In the current market situation, companies with complex refining capacity are able to generate a USD-based refining margin that is considerably higher than historical averages. Refining margins are expected to remain volatile. Refining margins and shipping freights are exposed to changes in the USD/euro exchange rate, and a weaker USD compared to the euro will have a negative impact on the profitability of the Neste Oil Group. The current hedge position for the USD/euro exchange rate is less favorable than in 2004.

Compared to 2004, the full-year financial performance of the Group in 2005 will be adversely affected by the impact of the five-week planned maintenance shutdown of the Porvoo refinery in September-October.

Neste Oil's estimated capital expenditure in 2005 is approximately EUR 500 million (313 million).

Second-quarter reporting date

Neste Oil will publish its second-quarter interim report on 4 August 2005 approximately at 9:00 am Eastern European Time.

Espoo, 2 May 2005

Neste Oil Corporation
Board of Directors

NESTE OIL GROUP

JANUARY-MARCH 2005
Unaudited

Accounting policies
This Interim Report has been prepared in accordance with IAS 34 (Interim financial reporting). The main changes to Neste Oil's accounting principles in transition to IFRS are described in a separate stock exchange release "Neste Oil's IFRS transition information", published on April 29, 2005.

CONSOLIDATED INCOME STATEMENT

M€	1.1.- 31.3.2005	1.5.- 31.12.2004	Carve-out 1) 1.1.-31.3. 2004	Carve-out 1) 1.1-31.12. 2004
Sales	2 060	5 454	1 710	7 909
Other income	12	47	11	72
Materials and services	-1 674	-4 462	-1 375	-6 428
Employee benefit costs	-57	-141	-52	-211
Depreciation, amortisation and impairment charges	-35	-95	-32	-139
Other expenses	-160	-317	-116	-490
Operating profit	146	486	146	713
Share of profit (loss) of associates and joint ventures	-2	32	3	36
Finance costs net	-7	2	-2	18
Group contributions paid 2)	0	-411	0	0
Profit before income taxes	137	109	147	767
Income tax expense	-34	12	-35	-157
Profit for the period	103	121	112	610
Attributable to:				
Equity holders of the Company	102	119	112	608
Minority interest	1	2	0	2
	103	121	112	610
Earnings per share from profit for the period attributable to the equity holders of the company during the year (in € per share) 3)	0,40	1,60	0,44	2,37
Average number of shares 3)	256 403 686	256 403 686	256 403 686	256 403 686

1) Carve-out income statement is presented for Q1 2004 and full year 2004 for comparison purposes. Neste Oil Group was incorporated through a demerger on May 1, 2004, and thus no comparative income statement exists for Q1 or the full 12 months period in 2004.

2) Group contributions were paid to the former parent company, Fortum Corporation, since Neste Oil was part of the Fortum Group in 2004. Within Fortum Group, the profits and losses of Finnish group companies were combined for tax purposes through group contributions.

3) The average number of shares in the calculation is 256 403 686. Extraordinary general meeting of Neste Oil Oyj decided to change the number of shares from 100 000 000 to 256 403 686 on February 28, 2005. The change had no effect on the share capital. The change was registered in the trade register on March 8, 2005.

When calculating Earnings per share for 2004, group contribution has not been deducted from the profit for the period. Instead, a tax charge of € 119 million has been deducted. This amount represents the additional taxes Neste Oil would have paid, if the group contribution had not been paid to Fortum Corporation.

NESTE OIL GROUP

JANUARY-MARCH 2005

Unaudited

CONSOLIDATED BALANCE SHEET

M€	**31.3.2005**	**31.12.2004**
ASSETS		
Non-current assets		
Intangible assets	82	30
Property, plant and equipment	1 571	1 510
Investments in associates and joint ventures	137	140
Long-term interest-bearing receivables	70	68
Pension asset	49	45
Deferred tax assets	19	17
Other non-current assets	43	28
	1 971	1 838
Current assets		
Inventories	535	415
Trade and other receivables	813	666
Cash pool receivables	129	124
Cash and cash equivalents	64	60
	1 541	1 265
Total assets	3 512	3 103
EQUITY		
Capital and reserves attributable the Company's equity holders		
Share capital and other equity	74	83
Retained earnings	915	791
Profit for the period	102	119
	1 091	993
Minority interest	6	5
Total equity	1 097	998
LIABILITIES		
Non-current liabilities		
Interest-bearing liabilities	162	715
Deferred tax liabilities	180	193
Provisions	58	26
Other non-current liabilities	29	21
	429	955
Current liabilities		
Interest-bearing liabilities	984	438
Trade and other payables	1 002	712
	1 986	1 150
Total liabilities	2 415	2 105
Total equity and liabilities	3 512	3 103

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

MEUR	**1.1.-31.3 2005**	1.5.-31.12 2004
Cash flows from operating activities		
Profit before taxes	137	520
Adjustments, total	87	28
Change in working capital	-60	7
Cash generated from operations	164	555
Finance cost, net	-5	8
Income taxes paid	-5	-1
Net cash from operating activities	154	562
Capital expenditures	-103	-227
Acquisition of shares	0	-2
Proceeds from sales of fixed assets	2	13
Proceeds from sales of shares	0	7
Change in other investments	-37	24
Cash flow before financing activities	16	377
Net change in loans	-8	-303
Net increase (+)/decrease (-) in cash and marketable securities	8	74

COMBINED CARVE-OUT CASH FLOW STATEMENT

	Carve-out 4)	
MEUR	**1.1- 31.3 2004**	1.1.-31.12 2004
Cash flows from operating activities		
Profit before taxes	147	767
Adjustments, total	28	38
Change in working capital	-39	-118
Cash generated from operations	136	687
Finance cost, net	-1	16
Income taxes paid	-21	-166
Net cash from operating activities	114	537
Capital expenditures	-50	-313
Acquisition of shares	0	-3
Proceeds from sales of fixed assets	8	29
Proceeds from sales of shares	0	8
Change in other investments	-5	2
Cash flow before financing activities	67	260
Net change in loans	0	-12
Cash flow surplus	67	248

4) Carve-out cash flow statement is presented for Q1 2004 and full year 2004 for comparison purposes. Neste Oil Group was incorporated through a demerger on May 1, 2004, and thus no comparative cash flow statement exists for Q1 or the full 12 months period in 2004. In the carve-out cash flow statement, the Cash generated from operations and the Capital expenditure in the Cash flows from investing activities reflect and are representative of the historical cash flows of Neste Oil. The residual in the Cash flow statement (i.e.Cash flow surplus) has not been left in the Neste Oil Group, because it has not formed a separate independent legal group in the the past.

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Share capital	Reserve fund	Fair value and other reserves	Translation differences	Retained earnings	Minority	Total
Capital and reserves at 1.5.2004	40	9	2	-	795	3	849
Translation differences				-4			-4
Dividends paid							0
Cash flow hedges			32				32
Change in minority							0
Net profit for the year					119	2	121
Balance at 31.12.2004	40	9	34	-4	914	5	998
Translation differences				5			5
Dividends paid							0
Cash flow hedges			-19				-19
Emission rights			10				10
Change in minority							0
Net profit for the year					102	1	103
Balance at 31.3.2005	40	9	25	1	1 016	6	1 097

KEY RATIOS

	March 31 2005	Dec 31 2004
Capital employed, MEUR	2 243	2 151
Interest-bearing net debt, MEUR	953	969
Capital expenditure and investments in shares, MEUR	103	229
Return on capital employed, % 5)	26,9	40,3
Return on equity, % 5)	39,3	19,7
Equity-to-assets ratio, %	31,2	32,2
Equity per share, EUR	4,26	3,87
Gearing, %	86,9	97,0
Leverage ratio %	46,5	49,3
Average number of employees	4 331	4 296

5) Return on capital employed , % and Return on equity, % for year ending December 31, 2004 are based on 8 months actual results annualized.

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SEGMENT INFORMATION

SALES

MEUR	Q1/05	Carve-out Q1/04	2004
Oil Refining	1 622	1 303	6 306
Oil Retail	620	531	2 374
Shipping	103	101	339
Other	1	0	0
Eliminations	-286	-225	-1 110
Total	2 060	1 710	7 909

OPERATING PROFIT

MEUR	Q1/05	Carve-out Q1/04	2004
Oil Refining	121	101	562
Oil Retail	-2	7	60
Shipping	34	45	113
Other	-6	-6	-21
Eliminations	-1	-1	-1
Total	146	146	713

DEPRECIATION, AMORTISATION AND WRITE-DOWNS

MEUR	Q1/05	Carve-out Q1/04	2004
Oil Refining	23	22	94
Oil Retail	6	6	27
Shipping	6	4	18
Other	0	0	0
Eliminations	0	0	0
Total	35	32	139

SHARE OF PROFITS IN ASSOCIATED COMPANIES AND JOINT VENTURES

MEUR	Q1/05	Carve-out Q1/04	2004
Oil Refining	-1	0	27
Oil Retail	-1	0	-5
Shipping	0	0	0
Other	0	3	14
Eliminations	0	0	0
Total	-2	3	36

NET ASSETS

MEUR	Q1/05	Carve-out Q1/04	2004
Oil Refining	1 518	1 233	1 415
Oil Retail	294	280	302
Shipping	329	296	336
Other	14	15	13
Eliminations	-4	-3	-3
Total	2 151	1 821	2 063

Net asset of the business segment include fixed assets, shares and working capital allocated to the business segment as well as provisions and pension liabilities.

RETURN ON NET ASSETS, %

	Q1/05	Carve-out Q1/04	2004
Oil Refining	32,7	34,6	46,7
Oil Retail	-4,0	9,2	18,1
Shipping	40,9	62,3	37,1

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CONTINGENT LIABILITIES

MEUR	March 31 2005	Dec 31 2004
Contingent liabilities		
On own behalf		
For debt		
Pledges	5	6
Real estate mortgages	28	28
Other contingent liabilities	30	2
Total	63	36
On behalf of associated companies		
Pledges and real estate mortgages	9	9
Guarantees	4	8
Total	13	17
On behalf of others		
Guarantees 6)	69	0
Other contingent liabilities	3	3
Total	72	3
Total	148	56

6) Guarantees on behalf of others include counter indemnity issued to Fortum Corporation regarding guarantees issued by Fortum Corporation on behalf of SeverTEK, a joint venture of Neste Oil.

Operating lease liabilities		
Due within a year	72	76
Due later than one year and not later than 5 years	50	46
Due later than five years	54	54
Total	176	176

Commitments	March 31 2005	Dec 31 2004
Commitments for purchase of property, plant and equipment	189	225
Commitments for purchase of intangible assets	3	3
	192	228

Derivatives

Interest and currency derivates MEUR	March 31 2005 Nominal value	March 31 2005 Fair value	Dec 31 2004 Nominal value	Dec 31 2004 Fair value
Forward rate agreements				
Interest rate swaps	46	-3	59	-7
Forward foreign exchange contracts 7)	632	-3	567	10
Currency swaps				
Purchased currency options	727	-7	438	17
Written currency options	357	5	438	6

7) Incl. also contracts used for equity hedging.

Oil futures and forward instruments	March 31 2005 Volume 1 000 bbls	March 31 2005 Fair value	Dec 31 2004 Volume 1 000 bbls	Dec 31 2004 Fair value
Sales contracts	59 614	-22	44 588	26
Purchase contracts	69 537	3	70 258	7
Purchased options	9 525	-7	4 797	2
Written options	8 871	9	6 784	-2

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

Other contingent liabilities

The company has a collective contingent liability with Fortum Heat and Gas Oy of the demerged Fortum Oil and Gas Oy´s liabilities based on the Finnish Companies Act´s Chapter 14a Paragraph 6.

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QUARTERLY SALES

MEUR	Q1/05	Carve-out Q4/04	Q3/04	Q2/04	Q1/04
Oil Refining	1 622	1 727	1 641	1 635	1 303
Oil Retail	620	611	666	566	531
Shipping	103	91	69	78	101
Other	1	0	0	0	0
Eliminations	-286	-321	-285	-279	-225
Total	2 060	2 108	2 091	2 000	1 710

QUARTERLY OPERATING PROFIT

MEUR	Q1/05	Carve-out Q4/04	Q3/04	Q2/04	Q1/04
Oil Refining	121	152	129	180	101
Oil Retail	-2	13	16	24	7
Shipping	34	27	22	19	45
Other	-6	-6	-6	-3	-6
Eliminations	-1	0	0	0	-1
Total	146	186	161	220	146

QUARTERLY DEPRECIATION, AMORTISATION AND WRITE-DOWNS

MEUR	Q1/05	Carve-out Q4/04	Q3/04	Q2/04	Q1/04
Oil Refining	23	25	23	24	22
Oil Retail	6	8	6	8	6
Shipping	6	5	5	4	4
Other	0	0	0	0	0
Eliminations	0	0	0	0	0
Total	35	38	34	36	32

QUARTERLY SHARE OF PROFITS IN ASSOCIATED COMPANIES AND JOINT VENTURES

MEUR	Q1/05	Carve-out Q4/04	Q3/04	Q2/04	Q1/04
Oil Refining	-1	7	14	6	0
Oil Retail	-1	-2	-1	-2	0
Shipping	0	0	0	0	0
Other	0	2	5	4	3
Eliminations	0	0	0	0	0
Total	-2	7	18	8	3

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KEY FIGURES

	Q1/05	Carve-out Q1/04
Sales, M€	2 060	1 710
Operating profit before depreciation, M€	181	178
Depreciation, amortisation and impairment charges, M€	35	32
Operating profit, M€	146	146
Profit before income tax, M€	137	147
Earnings per share, €	0,40	0,44
Capital expenditure	103	50
Net cash from operating activities	154	114

	Q1/05	Q4/2004
Shareholders' equity, M€	1097	998
Interest bearing net debt, M€	953	969
Capital employed, M€	2 243	2 151
Return on capital employed ROCE, %	26,9	40,3
Return on equity ROE, %	39,3	19,7
Equity per share, €	4,26	3,87
Equity-to-assets ratio, %	31,2	32,2
Leverage ratio %	46,5	49,3
Gearing, %	86,9	97,0

NESTE OIL GROUP
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CALCULATION OF KEY FIGURES

CALCULATION OF KEY FINANCIAL INDICATORS

Return on shareholders' equity, %	=	100 x	Profit before taxes - taxes / (Shareholders' equity + minority interests) average
Return on capital employed, %	=	100 x	Profit before taxes + interest and other financial expenses / Capital employed average
Capital employed	=		Net asset of the business segment include fixed assets, shares and working c allocated to the business segment as well as provisions and pension liabilities
Segments net assets	=		Fixed assets of the segment + inventories + trade receivables - trade payable non-interest bearing net debt excluding finance and tax related items
Interest-bearing net debt	=		Interest- bearing net debt - cash and marketable securities
Gearing, %	=	100 x	Interest-bearing net debt / Shareholders' equity + minority interests
Equity-to assets ratio, %	=	100 x	Shareholders' equity + minority interests / Total assets - advances received
Leverage ratio, %	=		Net debt / Net debt + shareholers' equity + minority interest
Return on net assets, %	=	100 x	Operating profit + share of profits of associates and joint ventures / Average net assets

CALCULATION OF KEY SHARE RATIOS

Earnings per share (EPS)	=	Profit before taxes - taxes on regular business operations - minority interests / Adjusted average number of shares during the period
Shareholders' equity per share	=	Shareholders' equity / Adjusted average number of shares at the end of the period